

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application for Transfer of)
Majority Organizational Control of)
Ocala Oaks Utilities, Inc.)
in Marion County, Florida to)
AquaSource Utility, Inc.)
_____)

DOCKET NO.

981907 - WU

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REGISTRATION AND REPORTING

APPLICATION FOR APPROVAL OF CHANGE
IN MAJORITY ORGANIZATIONAL CONTROL

AQUASOURCE UTILITY, INC., by and through its undersigned attorneys and pursuant to Section 367.071, Florida Statutes, and Rule 25-30.037(3), Florida Administrative Code, hereby makes application for approval of the transfer of majority organizational control of Ocala Oaks Utilities, Inc. which holds Certificate 346-W in support thereof states:

1. The name and address of the Seller is:

Ms. Harold Ellzey
1343 NE 17th Road
Ocala, FL 34470

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

2. The name and address of the Buyer is:

AquaSource Utility, Inc.
16810 Barker Springs, Suite B 215
Houston, Texas 77084

Initials of person who forwarded check
HEM

3. The name and address of the person authorized to receive notices and communications in respect to this application is:

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

4. The names and addresses of the Buyer's corporate officers and directors are as follows:

DOCUMENT NUMBER-DATE

14363 DEC 21 98

REGISTRATION AND REPORTING

Roy H. Moore, President
Edward R. Wallace, Vice-President/Director
Michael J. Miller, Vice President
Carmela Laurella, Vice President
Cary Thomas, Secretary
Linda C. Law, Secretary
Carol Marine, Assistant Secretary
Ann Reitmeyer, Assistant Secretary
16810 Barker Springs, Suite B 215
Houston, Texas 77084

5. Buyer currently owns no water or wastewater utilities in Florida, although it has several applications for transfer pending before the Commission. The names of other water or wastewater utilities owned by Buyer are as follows:

AquaSource Utility, Inc.
AquaSource Services and Technologies, Inc.
AquaSource Whisenant, Inc.
AquaSource/AU, Inc.
AquaSource/CB, Inc.
AquaSource/DWC, Inc.
AquaSource/GWS, Inc.
AquaSource/HCUC, Inc.
AquaSource/HCUW, Inc.
AquaSource/IWS, Inc.
AquaSource/MMS, Inc.
AquaSource/S&B, Inc.
Britmore Utility, Inc.
Buffalo Creek Utility, Inc.
Creekside Utilities, Inc.
Lakeside Utilities, Inc.
Sandy Creek Utilities, Inc.
Peek Road Utilities, Inc.
Redwood Utilities, Inc.
Rivercrest Water Systems, Inc.
Suburban Austin Water Systems, Inc.
The Reynolds Group, Inc.
Hendricks County Wastewater, LLC
Country View Sewage Plant Inc.
Chimney Wood Sewage Works, Inc.
Wastewater One, LLC
Water One, Inc.
Wildwood Shores Utilities Corp.
Wymberley Sanitary Works, Inc.
Woodcreek Utilities, Inc.

6. The purchase of the stock of Ocala Oaks Utilities, Inc. is a cash transaction financed by capital from its parent, DQE, Inc. A copy of DQE, Inc.'s Financial Statement is attached as Exhibit "A".

7. The transfer is in the public interest because the Seller is no longer interested in continuing to own and operate the utility system. The Seller is unwilling to continue to make the capital expenditures necessary to continue to provide the high quality of service it has provided in the past. By contrast, AquaSource Utility, Inc. is in the business of owning and operating water and wastewater utility systems. AquaSource Utility, Inc. enjoys an excellent reputation with the Texas regulatory agencies where most of its systems are located, and has the financial resources to make necessary future improvements to the utility systems.

8. Although AquaSource is a relatively new organization, its experienced staff has been providing operation, maintenance and management services for municipal and private water utilities for more than 25 years. It is constantly expanding its technical capabilities and are implementing improved quality control, maintenance management, and training and safety programs. These improvements provide direct tangible benefits to utilities owned and operated by AquaSource and municipal utilities served by AquaSource. It currently operates water and wastewater systems serving approximately 125,000 customers.

9. As a subsidiary of DQE, Inc., AquaSource has the financial capability to acquire, operate and maintain water and wastewater utilities. All acquisitions are funded through direct capital contributions from DQE. See Exhibit "B" attached hereto. Operations and maintenance requirements are funded internally from generated cash flows. Operational deficiencies are funded through capital contributions from DQE. DQE, Inc., the funded parent of Duquesne Light Company, has assets of more than \$4.6 billion and annual revenues in excess of \$1.2 billion.

10. AquaSource Utility, Inc. will fulfill the commitment, obligations and representation of Ocala Oaks Utilities, Inc. with regard to utility matters.

11. Entities providing funding to the Buyer and the manner and amount of such funding is discussed in paragraph 6 above. AquaSource Utility, Inc.'s financial statement is attached hereto as Exhibit "C".

12. After reasonable investigation by Buyer, the systems being acquired appears to be in satisfactory condition and in compliance with applicable standards set by the DEP.

13. Evidence that the utility owns the land upon which the utility treatment facilities are located is attached hereto as Composite Exhibit "D".

14. Revised tariffs reflecting the change in the issuing officer are attached hereto as Exhibit "E".

15. The water certificate of Seller is attached for appropriate update.

16. An Affidavit that the actual notice of the application was given to the entities on the list provided by the Commission in accordance with Section 367.045(1)(a), Florida Statutes, and Rule 25-30.030, Florida Administrative Code, will be filed as Exhibit "F".


17. An Affidavit that the actual notice of the application was given to the each customer in accordance with Section 367.045(1)(a), Florida Statutes, and Rule 25-30.030, Florida Administrative Code, will be filed as Late Filed Exhibit "G".

18. An Affidavit that the notice of the application was published once in a newspaper of general circulation in the territory in accordance with Rule 25-30.030, Florida Administrative Code, will be filed as Late Filed Exhibit "H".

19. Pursuant to Rule 25-30.020(c), Florida Administrative Code, the appropriate filing fee is \$2,250.

Respectfully submitted on this
21st day of December, 1998, by:

ROSE, SUNDSTROM & BENTLEY, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(850) 877-6555

By: 
MARTIN S. FRIEDMAN



FLORIDA PUBLIC SERVICE COMMISSION

CERTIFICATE NUMBER

346-W

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to

OCALA OAKS UTILITIES

Whose principal address is

1343 Northeast 17th Road

Ocala, Florida 32670 (Marion)

to provide water service in accordance with the provisions of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

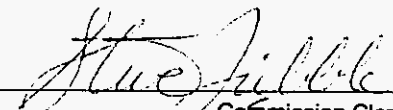
ORDER 10471 DATED 12/23/81 DOCKET 810470-W


ORDER 12455 DATED 9/7/83 DOCKET 830283-W

ORDER 14000 DATED 4/14/85 DOCKET 840107-WU

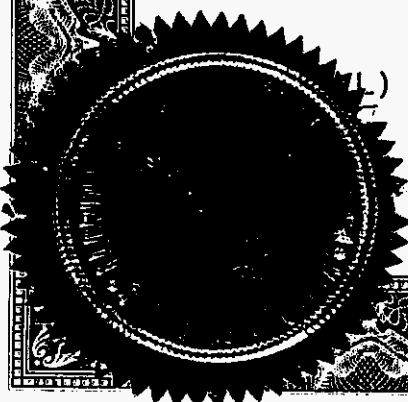
ORDER 14178 DATED 3/14/85 DOCKET 850047-WU

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION



Commission Clerk


Executive Director





FLORIDA

Public Service Commission

CERTIFICATE NUMBER

346 - W

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Ocala, FL 32670 (Marion County)

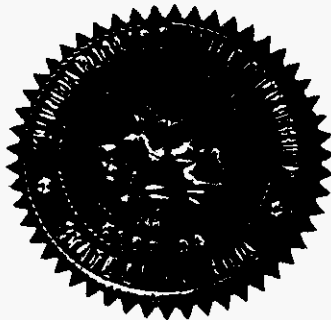
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scribed by the Orders of this Commission.

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ORDER <u>14474</u>	DOCKET <u>850119-WU</u>
ORDER <u>15294</u>	DOCKET <u>850449-WU</u>
ORDER <u>16487</u>	DOCKET <u>860923-WU</u>
ORDER <u>22978</u>	DOCKET <u>900074-WU</u>

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION


Director
Division of Records & Reporting





FLORIDA

Public Service Commission

CERTIFICATE NUMBER

346 - W

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ORDER <u>22978</u>	DOCKET <u>900074-WU</u>

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION

Blanca S. Bayo
Director
Division of Records & Reporting





FLORIDA

Public Service Commission

CERTIFICATE NUMBER

346 - W

ORDER PSC-93-0343-FOF-WU DOCKET 921071-WU

ORDER PSC-94-0988-FOF-WU DOCKET 930950-WU

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BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION



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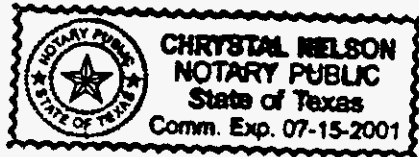
STATE OF Texas
COUNTY OF Travis

I, Michael J. Miller, do solemnly swear or affirm that the facts stated in the forgoing application and all exhibits attached thereto are true and correct and that said statements of fact thereto constitute a complete statement of the matter to which it relates.

FURTHER AFFIANT SAYETH NAUGHT.

Michael J. Miller
Michael J. Miller
Vice-President

Sworn to and subscribed before me this 25 day of November, 1998,
by Michael J. Miller, who is personally known to me or who provided
Drivers License as identification.



Chrystal Nelson
Print name: Chrystal Nelson
NOTARY PUBLIC
My commission Expires: 7-15-2001

Statement of Consolidated Income

(Thousands of Dollars, Except Per Share Amounts)

		Year Ended December 31,		
		1997	1996	1995
Operating Revenues	Sales of Electricity:			
	Residential	\$ 405,915	\$ 405,392	\$ 414,291
	Commercial	494,834	489,646	491,789
	Industrial	198,708	190,723	190,689
	Provision for doubtful accounts	(11,000)	(10,582)	(13,430)
	Net customer revenues	1,088,457	1,075,179	1,083,339
	Utilities	24,861	58,292	55,963
	Total Sales of Electricity	1,113,318	1,133,471	1,139,302
	Other	105,856	92,724	80,860
		Total Operating Revenues	1,219,174	1,226,195
Operating Expenses	Fuel and purchased power	223,411	236,924	231,968
	Other operating	306,747	298,977	292,997
	Maintenance	82,869	78,386	81,516
	Depreciation and amortization	242,843	222,928	202,558
	Taxes other than income taxes	82,567	85,974	88,658
		Total Operating Expenses	938,437	923,189
Operating Income	Operating Income	280,737	303,006	322,465
	Other Income			
	Long-term investment income	64,464	49,636	28,975
	Gain on dispositions	34,364	5,119	9,129
	Interest and other income	30,979	19,035	14,210
	Total Other Income	129,807	73,790	52,314
	Interest and Other Charges	115,638	110,270	107,555
	Income Before Income Taxes	294,906	266,526	267,224
	Income Taxes	95,805	87,388	96,661
Net Income	Net Income	\$ 199,101	\$ 179,138	\$ 170,563

Average Number of Common Shares				
	Outstanding (Thousands of Shares)	77,492	77,349	77,674

Earnings Per Share	Basic Earnings Per Share of Common Stock	\$2.57	\$2.32	\$2.20
	Diluted Earnings Per Share of Common Stock	\$2.54	\$2.29	\$2.17
Dividends Declared	Dividends Declared Per Share of Common Stock	\$1.38	\$1.30	\$1.21

See notes to consolidated financial statements.

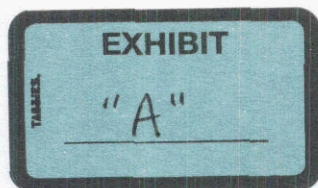
Statement of Consolidated Retained Earnings

(Thousands of Dollars)

As of December 31,

		1997	1996	1995
Balance at beginning of year		\$ 777,607	\$ 698,986	\$ 622,072
Net income		199,101	179,138	170,563
Dividends declared		(106,959)	(100,517)	(93,649)
Balance at end of year		\$ 869,749	\$ 777,607	\$ 698,986

See notes to consolidated financial statements.



Consolidated Balance Sheet

(Thousands of Dollars)

As of December 31,

1997 1996

Assets

Current Assets:		
Cash and temporary cash investments	\$ 356,412	\$ 410,978
Receivables:		
Electric customer accounts receivable	90,149	92,475
Other utility receivables	23,106	22,402
Other receivables	33,472	33,936
Less: Allowance for uncollectible accounts	(15,016)	(18,688)
<i>Total Receivables - Net</i>	<i>131,711</i>	<i>130,125</i>
Materials and supplies (at average cost):		
Coal	20,418	19,097
Operating and construction	53,088	52,669
<i>Total Materials and Supplies</i>	<i>73,506</i>	<i>71,766</i>
Other current assets	7,727	9,359
<i>Total Current Assets</i>	<i>569,356</i>	<i>622,228</i>
 Long-Term Investments:		
Leveraged leases	349,129	134,133
Affordable housing	137,860	150,270
Gas reserves	92,645	79,916
Other leases	69,329	85,893
Other	73,823	68,477
<i>Total Long-Term Investments</i>	<i>722,786</i>	<i>518,689</i>
 Property, Plant and Equipment:		
Electric plant in service	4,335,149	4,275,110
Construction work in progress	56,471	45,059
Property held under capital leases	113,662	99,608
Property held for future use	3,980	190,821
Other	115,866	176,872
Gross property, plant and equipment	4,625,128	4,787,470
Less: Accumulated depreciation and amortization	(1,962,794)	(1,969,945)
<i>Total Property, Plant and Equipment - Net</i>	<i>2,662,334</i>	<i>2,817,525</i>
 Other Non-Current Assets:		
Regulatory assets	680,885	636,816
Other	59,041	43,734
<i>Total Other Non-Current Assets</i>	<i>739,926</i>	<i>680,550</i>
<i>Total Assets</i>	<i>\$4,694,402</i>	<i>\$4,638,992</i>

See notes to consolidated financial statements.

		<i>(Thousands of Dollars)</i>		
		<i>As of December 31,</i>		
		1997	1996	
Liabilities and Capitalization	Current Liabilities:			
	Notes payable	\$ —	\$ 749	
	Current maturities and sinking fund requirements	97,844	72,831	
	Accounts payable	85,085	96,230	
	Accrued liabilities	54,386	58,044	
	Dividends declared	30,312	28,633	
	Other	14,339	4,075	
	<i>Total Current Liabilities</i>	281,966	260,562	
	Non-Current Liabilities:			
	Deferred income taxes – net	693,215	759,089	
	Deferred income	225,107	189,293	
	Deferred investment tax credits	97,782	106,201	
	Capital lease obligations	37,540	28,407	
	Other	255,467	240,763	
	<i>Total Non-Current Liabilities</i>	1,309,111	1,323,753	
	Commitments and Contingencies (Notes B through M)			
	Capitalization:			
	Long-Term Debt	1,376,121	1,439,746	
	Preferred and Preference Stock of Subsidiaries:			
	Non-redeemable preferred stock	216,156	213,608	
	Non-redeemable preference stock	28,295	28,997	
	Total preferred and preference stock before deferred employee stock ownership plan (ESOP) benefit	244,451	242,605	
	Deferred ESOP benefit	(16,400)	(19,533)	
<i>Total Preferred and Preference Stock of Subsidiaries</i>	228,051	223,072		
Common Shareholders' Equity:				
Common stock – no par value (authorized – 187,500,000 shares; issued – 109,679,154 shares)	1,001,225	990,502		
Retained earnings	869,749	777,607		
Treasury stock (at cost) (31,998,723 and 32,406,135 shares)	(371,821)	(376,250)		
<i>Total Common Shareholders' Equity</i>	1,499,153	1,391,859		
<i>Total Capitalization</i>	3,103,325	3,054,677		
<i>Total Liabilities and Capitalization</i>	\$4,694,402	\$4,638,992		

See notes to consolidated financial statements.

Statement of Consolidated Cash Flows

		(Thousands of Dollars)		
		Year Ended December 31,		
		1997	1996	1995
Cash Flows from Operating Activities	Net income	\$199,101	\$179,138	\$170,563
	Principal non-cash charges (credits) to net income:			
	Depreciation and amortization	242,843	222,928	202,558
	Capital lease, nuclear fuel and investment amortization	67,671	53,166	38,847
	Deferred income taxes and investment tax credits – net	60,811	(43,170)	(10,921)
	Gain on disposition of investments	(34,364)	(5,119)	(9,129)
	Investment income	(66,246)	(57,429)	(31,054)
	Changes in working capital other than cash	(37,229)	2,915	34,875
	(Increase) decrease in ECR	(25,318)	(3,948)	11,652
	Other	(40,038)	34,445	48,731
	Net Cash Provided from Operating Activities	367,231	382,926	456,122
Cash Flows from Investing Activities	Long-term investments	(219,122)	(77,147)	(191,719)
	Capital expenditures	(118,338)	(101,150)	(94,164)
	Proceeds from disposition of investments	86,300	18,100	1,929
	Sale of generating station	—	169,100	—
	Payment for purchase of GSF Energy, net of cash acquired	—	(24,234)	—
	Other	(4,938)	(1,898)	(3,854)
		Net Cash Used in Investing Activities	(256,098)	(17,229)
Cash Flows from Financing Activities	Dividends on common stock	(106,959)	(100,517)	(93,649)
	Reductions of long-term obligations:			
	Long-term debt	(52,100)	(50,812)	(56,114)
	Capital leases	(13,551)	(19,326)	(26,373)
	Preferred and preference stock	—	—	(29,732)
	Repurchase of common stock	(30)	(11,717)	(21,271)
	Issuance of preferred stock	—	150,000	—
	Issuance of long-term debt	—	85,000	65,000
	Decrease in notes payable	—	(28,637)	(20,236)
	Other	6,941	(3,477)	(11,230)
		Net Cash (Used in) Provided from Financing Activities	(165,699)	20,514
	Net (decrease) increase in cash and temporary cash investments	(54,566)	386,211	(25,291)
	Cash and temporary cash investments at beginning of year	410,978	24,767	50,058
	Cash and temporary cash investments at end of year	\$356,412	\$410,978	\$ 24,767

Supplemental Cash Flow Information

Cash Paid During the Year	Interest (net of amount capitalized)	\$ 95,413	\$ 95,702	\$ 99,954
	Income taxes	\$ 66,703	\$ 91,641	\$ 82,884
Non-Cash Investing and Financing Activities	Capital lease obligations recorded	\$ 27,514	\$ 13,050	\$ 14,961
	Equity funding obligations recorded	\$ 5,441	\$ 36,716	\$ 21,827
	Equity funding obligations cancelled	\$ 9,107	\$ —	\$ —
	Preferred stock issued in conjunction with long-term investments	\$ 2,548	\$ —	\$ 3,000

On May 1, 1997, DQE exchanged its shares in Chester Engineers for shares of common stock of the purchaser of Chester Engineers, which were subsequently sold at various dates through June 5, 1997.

See notes to consolidated financial statements.



Notes to Consolidated Financial Statements

A. Summary of Significant Accounting Policies

Consolidation and Proposed Merger

DQE, Inc. (DQE) is an energy services holding company. Its subsidiaries are Duquesne Light Company (Duquesne); Duquesne Enterprises, Inc. (DE); DQE Energy Services, Inc. (DES); DQEnergy Partners, Inc. (DQEnergy); and Montauk, Inc. (Montauk). DQE and its subsidiaries are collectively referred to as "the Company."

Duquesne is an electric utility engaged in the generation, transmission, distribution and sale of electric energy and is the largest of DQE's subsidiaries. DE makes strategic investments beneficial to DQE's core energy business. These investments are intended to enhance DQE's capabilities as an energy provider, increase asset utilization, and act as a hedge against changing business conditions. DES is a diversified energy services company offering a wide range of energy solutions for industrial, utility and consumer markets worldwide. DES initiatives include energy facility development and operation, domestic and international independent power production, and the production and supply of innovative fuels. DQEnergy was formed to align DQE with strategic partners to capitalize on opportunities in the energy services industry. These alliances are intended to enhance the utilization and value of DQE's strategic investments and capabilities while establishing DQE as a total energy provider. Montauk is a financial services company that makes long-term investments and provides financing for the Company's other market-driven businesses and their customers.

All material intercompany balances and transactions have been eliminated in the preparation of the consolidated financial statements.

On August 7, 1997, the shareholders of the Company and Allegheny Energy, Inc. (AYE), approved a proposed tax-free, stock-for-stock merger. Upon consummation of the merger, DQE will be a wholly owned subsidiary of AYE. Immediately following the merger, Duquesne, DE, DES, DQEnergy and Montauk will remain wholly owned subsidiaries of DQE. The transaction is intended to be accounted for as a pooling of interests. Under the pooling of interests method of accounting for a business combination, the recorded assets, liabilities and equity of each of the combining companies are carried forward to the combined corporation at their recorded amounts. Accordingly, no goodwill, including the related future earnings impact of goodwill amortization, results from a transaction accounted for as a pooling of interests. In order to qualify for pooling treatment, many requirements must be met by each of the combining companies for a period of time before and after the combination occurs. Examples of the requirements prior to the merger include limitations on: dividends paid on common stock, stock repurchases, stock compensation plan activity and sales of significant assets. Management has focused and will continue to focus on meeting the pooling requirements as they relate to the Company prior to the merger.

Under the terms of the transaction, the Company's shareholders will receive 1.12 shares of AYE common stock for each share of the Company's common stock and AYE's dividend in effect at the time of the closing of the merger. The transaction is expected to close in mid-1998, subject to approval of applicable regulatory agencies, including the public utility commissions in Pennsylvania and Maryland, the Securities and Exchange Commission (SEC), the Federal Energy Regulatory Commission (FERC) and the Nuclear Regulatory Commission (NRC).

In September 1997, the City of Pittsburgh filed a federal antitrust suit seeking to prevent the merger and asking for monetary damages. Although the United States District Court for the District of Western Pennsylvania dismissed the suit in January 1998, the City of Pittsburgh filed an appeal and asked for expedited review. A hearing is currently scheduled for late March 1998. Unless otherwise indicated, all information presented in this Annual Report relates to the Company only and does not take into account the proposed merger between the Company and AYE.

Basis of Accounting

The Company is subject to the accounting and reporting requirements of the SEC. In addition, the Company's electric utility operations are subject to regulation by the Pennsylvania Public Utility Commission (PUC), including regulation under the *Pennsylvania Electricity Generation Customer Choice and Competition Act* (Customer Choice Act), and the FERC under the *Federal Power Act* with respect to rates for interstate sales, transmission of electric power, accounting and other matters.

The Company's consolidated financial statements report regulatory assets and liabilities in accordance with *Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation* (SFAS No. 71), and reflect the effects of the current ratemaking process. In accordance with SFAS No. 71, the Company's consolidated financial statements reflect regulatory assets and liabilities consistent with cost-based, pre-competition ratemaking regulations. (See "Rate Matters," Note E, on page 58.)



The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The reported amounts of revenues and expenses during the reporting period may also be affected by the estimates and assumptions management is required to make. Actual results could differ from those estimates.

Revenues from Sales of Electricity

The Company's electric utility operations provide service to customers in Allegheny County, including the City of Pittsburgh; Beaver County; and Westmoreland County. (See "Rate Matters," Note E, on page 58.) This territory represents approximately 800 square miles in southwestern Pennsylvania, located within a 500-mile radius of one-half of the population of the United States and Canada. The population of the area served by the Company's electric utility operations, based on 1990 census data, is approximately 1,510,000, of whom 370,000 reside in the City of Pittsburgh. In addition to serving approximately 580,000 direct customers, the Company's utility operations also sell electricity to other utilities.

Meters are read monthly and electric utility customers are billed on the same basis. Revenues are recorded in the accounting periods for which they are billed, with the exception of energy cost recovery revenues. (See "Energy Cost Rate Adjustment Clause (ECR)" discussion below.)

Energy Cost Rate Adjustment Clause (ECR)

Through the ECR, the Company recovers (to the extent that such amounts are not included in base rates) nuclear fuel, fossil fuel and purchased power expenses and, also through the ECR, passes to its customers the profits from short-term power sales to other utilities (collectively, ECR energy costs). Under the Company's mitigation plan approved by the PUC in June 1996, the level of energy cost recovery is capped at 1.47 cents per kilowatt-hour (KWH) through May 2001. The rate currently being recovered is 1.28 cents per KWH, based upon estimated 1996 costs. To the extent that current fuel and purchased power costs, in combination with previously deferred fuel and purchased power costs, are not projected to be recoverable through this pricing mechanism, these costs would become transition costs subject to recovery through a competitive transition charge (CTC). (See "Rate Matters," Note E, on page 58.) Nuclear fuel expense is recorded on the basis of the quantity of electric energy generated and includes such costs as the fee imposed by the United States Department of Energy (DOE) for future disposal and ultimate storage and disposition of spent nuclear fuel. Fossil fuel expense includes the costs of coal, natural gas and fuel oil used in the generation of electricity.

On the Company's statement of consolidated income, these ECR revenues are included as a component of operating revenues. For ECR purposes, the Company defers fuel and other energy expenses for recovery, or refunding, in subsequent years. The deferrals reflect the difference between the amount that the Company is currently collecting from customers and its actual ECR energy costs. The PUC annually reviews the Company's ECR energy costs for the fiscal year April through March, compares them to previously projected ECR energy costs, and adjusts the ECR for over- or under-recoveries and for two PUC-established coal cost standards. This adjustment was not made during 1997, despite a projected increase of 0.13 cents per KWH, pending the outcome of the Company's Restructuring Plan or Stand-Alone Plan (as defined in "Rate Matters," Note E, on page 58).

Over- or under-recoveries from customers have been recorded in the consolidated balance sheet as payable to, or receivable from, customers. Based on Duquesne's Restructuring Plan and Stand-Alone Plan, the 1997 under-recoveries were reclassified as a regulatory asset and may be recovered through a CTC. At December 31, 1997, \$23.5 million was receivable from customers. At December 31, 1996, \$1.8 million was payable to customers and shown as other current liabilities.

Maintenance

Incremental maintenance costs incurred for refueling outages at the Company's nuclear units are deferred for amortization over the period between refueling outages (generally 18 months). The Company accrues, over the periods between outages, anticipated costs for scheduled major fossil generating station outages. Maintenance costs incurred for non-major scheduled outages and for forced outages are charged to expense as such costs are incurred.

Depreciation and Amortization

Depreciation of property, plant and equipment, including plant-related intangibles, is recorded on a straight-line basis over the estimated remaining useful lives of properties. Amortization of other intangibles is recorded on a straight-line basis over a five-year period. Amortization of limited partnership interests in gas reserve investments and depreciation of related property are on a units

of production method over the total estimated gas reserves. Amortization of interests in affordable housing partnerships is based upon a method that approximates the equity method and amortization of certain other leases is on the basis of benefits recorded over the lives of the investments. Depreciation and amortization of other properties are calculated on various bases.

In 1987, the Company sold its 13.74 percent interest in Beaver Valley Unit 2 and leased it back. The lease is accounted for as an operating lease. In May 1997, the Company accelerated the recognition of expense related to the lease. The accelerated expense recognition accounted for \$16.1 million of total amortization expense for 1997. Due to the above-market price of the lease, the Company has proposed in its Restructuring Plan and Stand-Alone Plan (as defined in "Rate Matters," Note E, on page 58) to recover the remaining above-market lease costs through a CTC.

The Company records nuclear decommissioning costs under the category of depreciation and amortization expense and accrues a liability, equal to that amount, for nuclear decommissioning expense. On the Company's consolidated balance sheet, the decommissioning trusts have been reflected in other long-term investments, and the related liability has been recorded as other non-current liabilities. Trust fund earnings increase the fund balance and the recorded liability. (See "Nuclear Decommissioning" discussion, Note I, on page 64.)

The Company's electric utility operations' composite depreciation rate increased from 3.5 percent to 4.25 percent effective May 1, 1996. Also in 1996, the Company expensed \$9 million related to the depreciation portion of deferred rate synchronization costs in conjunction with the Company's 1996 PUC-approved mitigation plan.

Income Taxes

The Company uses the liability method in computing deferred taxes on all differences between book and tax bases of assets. These book/tax differences occur when events and transactions recognized for financial reporting purposes are not recognized in the same period for tax purposes. The deferred tax liability or asset is also adjusted in the period of enactment for the effect of changes in tax laws or rates.

For its electric utility operations, the Company recognizes a regulatory asset for the deferred tax liabilities that are expected to be recovered from customers through rates. (See "Rate Matters," Note E, and "Income Taxes," Note G, on pages 58 and 62.)

The Company reflects the amortization of the regulatory tax receivable resulting from reversals of deferred taxes as depreciation and amortization expense. Reversals of accumulated deferred income taxes are included in income tax expense.

When applied to reduce the Company's income tax liability, investment tax credits related to electric utility property generally are deferred. Such credits are subsequently reflected, over the lives of the related assets, as reductions to income tax expense.

Other Operating Revenues and Other Income

Other operating revenues include the Company's non-KWH utility revenues and revenues from market-based operating activities. Other income primarily is made up of income from long-term investments entered into by the market-driven businesses. The income is separated from other revenues as the investment income does not result from operating activities.

Property, Plant and Equipment

The asset values of the Company's electric utility properties are stated at original construction cost, which includes related payroll taxes, pensions and other fringe benefits, as well as administrative and general costs. Also included in original construction cost is an allowance for funds used during construction (AFC), which represents the estimated cost of debt and equity funds used to finance construction.

Additions to, and replacements of, property units are charged to plant accounts. Maintenance, repairs and replacement of minor items of property are recorded as expenses when they are incurred. The costs of electric utility properties that are retired (plus removal costs and less any salvage value) are charged to accumulated depreciation and amortization.

Substantially all of the Company's electric utility properties are subject to a first mortgage lien.

Temporary Cash Investments

Temporary cash investments are short-term, highly liquid investments with original maturities of three or fewer months. They are stated at market, which approximates cost. The Company considers temporary cash investments to be cash equivalents.

Earnings Per Share

SFAS No. 128, *Earnings Per Share* (SFAS No. 128), establishes standards for computing and presenting earnings per share and makes the standards comparable to international earnings per share standards. It replaces the presentation of primary earnings per share, as found in *Accounting Principles Board (APB) Opinion No. 15, Earnings per Share*, with a presentation of basic earnings per share. It also requires dual presentation of basic and diluted earnings per share on the statement of consolidated income for all entities with complex capital structures. Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The statement is effective for financial statements issued for periods ending after December 15, 1997.

The preference stock of the ESOP, as described in Note M, "Employee Benefits," was the primary cause for the dilution of earnings per share for the years ended December 31, 1997, 1996 and 1995 as shown on the statement of consolidated income. Each share of the preference stock is exchangeable for one and one-half shares of DQE common stock. Assuming conversion at the beginning of each year, the number of DQE shares was added to the denominator (weighted-average number of common shares outstanding). Partially offsetting the dilutive effect of the additional shares, the preference stock has an annual dividend rate of \$2.80 per share, which was added back to the numerator (income available to common stockholders). The result of calculating both basic and dilutive earnings per share for the three years presented was a \$0.03 dilutive effect in each year.

Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in *APB Opinion No. 25, Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount any employee must pay to acquire the stock. Compensation cost for stock appreciation rights is recorded annually based on the quoted market price of the Company's stock at the end of the period.

Reclassification

The 1996 and 1995 consolidated financial statements have been reclassified to conform with accounting presentations adopted during 1997.

Recent Accounting Pronouncements

SFAS No. 130, *Reporting Comprehensive Income* (SFAS No. 130) and SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS No. 131), have been issued and are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 defines comprehensive income and outlines certain reporting and disclosure requirements related to comprehensive income. SFAS No. 131 requires certain disclosures about business segments of an enterprise, if applicable. The adoption of SFAS No. 130 and SFAS No. 131 is not expected to have a significant impact on the Company's financial statements or disclosures.

B. Changes in Working Capital Other than Cash

Changes in Working Capital Other than Cash (Net of 1997 Chester Disposition and 1996 GSF Energy Acquisition)

	1997	1996	1995
	<i>(Amounts in Thousands of Dollars)</i>		
Receivables	\$(14,947)	\$ (1,946)	\$ 34,341
Materials and supplies	(1,740)	1,286	9,994
Other current assets	(519)	(948)	3,126
Accounts payable	(4,993)	4,691	7,087
Other current liabilities	(15,030)	(168)	(19,673)
Total	\$(37,229)	\$ 2,915	\$ 34,875

C. Property, Plant and Equipment

In addition to its wholly owned generating units, the Company, together with FirstEnergy Corporation, has an ownership or leasehold interest in certain jointly owned units. The Company is required to pay its share of the construction and operating costs of the units. The Company's share of the operating expenses of the units is included in the statement of consolidated income.

Generating Units at December 31, 1997

Unit	Generating Capability (Megawatts)	Net Utility Plant (Millions of Dollars)	Fuel Source
Cheswick	570	\$ 120.4	Coal
Elrama (a)	487	96.5	Coal
Eastlake Unit 5	186	35.6	Coal
Sammis Unit 7	187	46.7	Coal
Bruce Mansfield Unit 1 (a)	228	62.5	Coal
Bruce Mansfield Unit 2 (a)	62	18.2	Coal
Bruce Mansfield Unit 3 (a)	110	47.9	Coal
Beaver Valley Unit 1 (b)	385	195.9	Nuclear
Beaver Valley Unit 2 (c)(d)	113	14.0	Nuclear
Beaver Valley Common Facilities		149.5	
Perry Unit 1 (e)	164	387.1	Nuclear
Brunot Island Units 2a and 2b	178	21.9	Fuel Oil
Total Generating Units	2,670	\$1,196.2	

- (a) The unit is equipped with flue gas desulfurization equipment.
 (b) The Nuclear Regulatory Commission (NRC) has granted a license to operate through January 2016.
 (c) In 1987, the Company sold and leased back its 13.74 percent interest in Beaver Valley Unit 2. The lease is accounted for as an operating lease. Amounts shown represent facilities not sold and subsequent leasehold improvements.
 (d) The NRC has granted a license to operate through May 2027.
 (e) The NRC has granted a license to operate through March 2026.

D. Long-Term Investments

The Company makes equity investments in affordable housing and gas reserve partnerships as a limited partner. At December 31, 1997, the Company had investments in 27 affordable housing funds and eight gas reserve partnerships. The Company is the lessor in nine leveraged lease arrangements involving mining equipment, rail equipment, fossil generating stations, a waste-to-energy facility, high speed service ferries and natural gas processing equipment. These leases expire in various years beginning in 2004 through 2033. The recorded residual value of the equipment at the end of the lease terms is estimated to be approximately 2 percent of the original cost. The Company's aggregate investment represents 20 percent of the aggregate original cost of the property and is either leased to a creditworthy lessee or is secured by guarantees of the lessee's parent or affiliate. The remaining 80 percent was financed by non-recourse debt provided by lenders who have been granted, as their sole remedy in the event of default by the lessees, an assignment of rentals due under the leases and a security interest in the leased property. This debt amounted to \$950 million and \$553 million at December 31, 1997 and 1996.

Net Leveraged Lease Investments at December 31

	1997	1996
	<i>(Amounts in Thousands of Dollars)</i>	
Rentals receivable (net of non-recourse debt)	\$638,030	\$215,358
Estimated residual value of leased assets	22,029	22,029
Less: Unearned income	(310,930)	(103,254)
Leveraged lease investments	349,129	134,133
Less: Deferred taxes arising from leveraged leases	(115,383)	(59,781)
Net Leveraged Lease Investments	\$233,746	\$ 74,352

The Company's other leases include investments in fossil generating stations, a waste-to-energy facility, computers, vehicles and equipment. The Company's other investments are primarily in assets of nuclear decommissioning trusts and marketable securities. In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS No. 115), these investments are classified as available-for-sale and are stated at market value. The amount of unrealized holding gains related to marketable securities was \$8.1 million (\$4.7 million net of tax) at December 31, 1997. The amount of unrealized holding losses related to marketable securities was \$4.4 million (\$2.6 million net of tax) at December 31, 1996. Deferred income primarily relates to the Company's other lease investments and certain gas reserve investments. Deferred amounts will be recognized as income over the lives of the underlying investments for periods generally not exceeding seven years.

In 1997, the Company acquired 100 percent of the Class A Stock of AquaSource, Inc. (AquaSource), which was formed to acquire small and mid-sized water, wastewater and water services companies, with its initial focus in Texas. The Company created the Preferred Stock, Series A (Convertible), \$100 liquidation preference per share (DQE Preferred Stock), to issue as consideration in lieu of cash in connection with acquisitions by the Company of other businesses, assets or securities. (See "Preferred and Preference Stock." Note K, on page 68.) At December 31, 1997, the Company had invested approximately \$7 million (of which approximately \$1.5 million was in the form of DQE Preferred Stock) to acquire the stock or assets of seven water, wastewater and water services companies. In February 1998, the Company issued 159,732 shares of DQE Preferred Stock, representing an investment of approximately \$16 million in a water company. The Company has committed approximately \$24 million for additional investments in water, wastewater and water services companies for the first quarter of 1998.

E. Rate Matters

Competition and the Customer Choice Act

The electric utility industry continues to undergo fundamental change in response to development of open transmission access and increased availability of energy alternatives. Under historical ratemaking practice, regulated electric utilities were granted exclusive geographic franchises to sell electricity in exchange for making investments and incurring obligations to serve customers under the then-existing regulatory framework. Through the ratemaking process, those prudently incurred costs were recovered from customers along with a return on the investment. Additionally, certain operating costs were approved for deferral for future recovery from customers (regulatory assets). As a result of this historical ratemaking process, utilities have assets recorded on their balance sheets at above-market costs, thus creating transition or stranded costs.

In Pennsylvania, the Customer Choice Act went into effect January 1, 1997. The Customer Choice Act enables Pennsylvania's electric utility customers to purchase electricity at market prices from a variety of electric generation suppliers (customer choice). Although the Customer Choice Act will give customers their choice of electric generation suppliers, delivery of the electricity from the generation supplier to the customer will remain the responsibility of the existing franchised utility. The Customer Choice Act also provides that the existing franchised utility may recover, through a CTC, an amount of transition or stranded costs that are determined by the PUC to be just and reasonable. Pennsylvania's electric utility restructuring is being accomplished through a two-stage process consisting of an initial customer choice pilot period (running through 1998) and a phase-in to competition period (beginning in 1999). For the first stage, the Company filed a pilot program with the PUC on February 27, 1997. For the second stage, the Company filed on August 1, 1997 its restructuring and merger plan (the Restructuring Plan) and its stand-alone restructuring plan (the Stand-Alone Plan) with the PUC. (See the detailed discussion of these plans on pages 59 and 60.)

Customer Choice Pilots

The pilot period gives utilities an opportunity to examine a wide range of technical and administrative details related to competitive markets, including metering, billing, and cost and design of unbundled electric services. The Company pilot filing proposed unbundling transmission, distribution, generation and competitive transition charges and offered participating customers the same options that were to be available in a competitive generation market. The pilot was designed to comprise approximately 5 percent of the Company's residential, commercial and industrial demand. The 28,000 customers participating in the pilot may choose unbundled service, with their electricity provided by an alternative generation supplier, and will be subject to unbundled distribution and CTC charges approved by the PUC and unbundled transmission charges pursuant to the Company's FERC-approved tariff. On May 9, 1997, the PUC issued a Preliminary Opinion and Order approving the Company's filing in part, and requiring certain revisions. The Company and other utilities objected to several features of the PUC's Preliminary Opinion and Order. Hearings on several key issues were held in July. The PUC issued its final order on August 29, 1997, approving a revised pilot program for the Company. On September 8, 1997, the Company appealed the determination of the market price of generation set forth in this order to the Commonwealth Court of Pennsylvania. The Company expects a hearing to be scheduled for mid-1998. Although this appeal is pending, the Company complied with the PUC's order to implement the pilot program that began on November 3, 1997.

Phase-In to Competition

The phase-in to competition begins on January 1, 1999, when 33 percent of customers will have customer choice (including customers covered by the pilot program); 66 percent of customers will have customer choice no later than January 1, 2000; and all customers will have customer choice no later than January 1, 2001. However, in its sole order to date (the PECO Order), the PUC ordered the phase-in provisions of the Customer Choice Act to require the acceleration of the second and third phases to January 2, 1999 and January 2, 2000, respectively. As they are phased-in,

customers that have chosen an electricity generation supplier other than the Company will pay that supplier for *generation charges*, and will pay the Company a CTC (discussed below) and unbundled charges for transmission and distribution. Customers that continue to buy their generation from the Company will pay for their service at current regulated tariff rates divided into unbundled generation, transmission and distribution charges. The PECO Order concluded that under the Customer Choice Act, an electric distribution company, such as Duquesne is to remain a regulated utility and may only offer PUC-approved, tariffed rates (including unbundled generation rates). Delivery of electricity (including transmission, distribution and customer service) will continue to be regulated in substantially the same manner as under current regulation.

Rate Cap and Transition Cost Recovery

Before the phase-in to customer choice begins in 1999, the PUC expects utilities to take vigorous steps to mitigate transition costs as much as possible without increasing the rates they currently charge customers. The Company has mitigated in excess of \$350 million of transition costs during the past three years through accelerated annual depreciation and a one-time write-down of nuclear generating station costs, accelerated recognition of nuclear lease costs, increased nuclear decommissioning funding, and amortization of various regulatory assets. This relative level of transition cost reduction, while holding rates constant, is unmatched within Pennsylvania.

The PUC will determine what portion of a utility's transition or stranded costs that remain at January 1, 1999 will be recoverable through a CTC from customers. The CTC recovery period could last through 2005, providing a utility a total of up to nine years beginning January 1, 1997 to recover transition costs, unless this period is extended as part of a utility's PUC-approved transition plan. An overall four-and-one-half-year rate cap from January 1, 1997 will be imposed on the *transmission and distribution charges of electric utility companies*. Additionally, electric utility companies may not increase the generation price component of rates as long as transition costs are being recovered, with certain exceptions. The Company has requested recovery of transition costs of approximately \$2 billion, net of deferred taxes, beginning January 1, 1999. Of this amount, \$0.5 billion represents regulatory assets and \$1.5 billion represents potentially uneconomic plant and plant decommissioning costs. Any estimate of the ultimate level of transition costs for the Company depends on, among other things, the extent to which such costs are deemed recoverable by the PUC, the ongoing level of the cost of Duquesne's operations, regional and national economic conditions, and growth of the Company's sales. (See "Financial Exposure to Transition Cost Recovery" discussion on page 40 and "Regulatory Assets and Emerging Issues Task Force" discussion on page 61).

Timetable for Restructuring Plan and Stand-Alone Plan Approval

On August 1, 1997, the Company filed the Restructuring Plan and the Stand-Alone Plan with the PUC. Although the provisions of the Customer Choice Act require a PUC decision nine months from the filing date (which would be April 30, 1998), the Pennsylvania Attorney General's Office requested an extension in order to conduct an investigation into certain competition issues relating to the Restructuring Plan. Pursuant to an arrangement among the Company, the PUC and the Attorney General, the Company anticipates a decision by the PUC (with respect to the Restructuring Plan if the merger is approved, or with respect to the Stand-Alone Plan if the merger is not approved) on or before May 29, 1998 or such later date as the parties may agree.

Stand-Alone Plan

In the event the merger with AYE is not consummated under the filed Restructuring Plan, the Company has sought approval for restructuring and recovery of its own transition costs through a CTC under the Stand-Alone Plan. The Company proposed that any finding of market value for the Company's generating assets should be based on market evidence and not on an administrative determination of that value based on price forecasts (the PECO Order determined the market value of PECO Energy Company's generation based on the price forecast sponsored by the Pennsylvania Office of Consumer Advocate). In addition, the Company proposed that such a final market valuation be conducted in 2003, and that an annual competitive market solicitation be used to set the CTC in the interim. The 2003 final market valuation would be performed by an independent panel of experts using the best available market evidence at that time. The Stand-Alone Plan filing also provided for certain triggers that would accelerate the date of this final market valuation. Prior to the final valuation, the Company would sell a substantial amount of power to the highest bidder in an annual competitive solicitation. The annual market price established by the solicitation would be used to set competitive generation credits and determine the CTC as a residual from the generation rate cap under the Rate Cap Provision. (See "Financial Impact of Pilot Program Order" discussion on page 38.) During the transition period, the Company committed to accelerate amortization and depreciation of its generation-related assets and cap its return on equity through a return on equity

spillover mechanism, in exchange for being allowed to charge existing rates under the Rate Cap Provision. The Company committed to a minimum of \$1.7 billion of amortization and depreciation of generation-related assets by the end of 2005. Under the proposed return on equity spillover mechanism, additional amortization and depreciation in excess of this minimum \$1.7 billion commitment would be recorded in order to comply with the return on equity cap. The generation rate cap would apply to the sum of the CTC and the competitive generation credit determined in the annual competitive solicitation. The Stand-Alone Plan also proposed to redesign individual tariffs to encourage more efficient consumption and further mitigate transition costs during the transition period. Consistent with the Company's long-standing commitment to economic development, the rate redesign provides for a significant reduction in the cost of electricity for incremental consumption. Application of the rate redesign to the CTC would also have the potential to maximize mitigation of transition costs during the transition period.

As an alternative to a market-based valuation in 2003, if the PUC finds that a determination of market value as of December 31, 1998 is required by the Customer Choice Act, then the Company has agreed that the PUC may order an immediate auction of the Company's generation at that time.

Restructuring Plan

The Restructuring Plan incorporates the benefits of the merger with AYE, such as anticipated savings to the Company, on a nominal basis, of \$365 million in generation-related costs over 20 years, and \$9 million in transmission-related costs and \$173 million in distribution-related costs over 10 years. The Company plans to use the generation-related portion of its share of net operating synergy savings to shorten the transition cost recovery period. The Restructuring Plan also incorporates the market-based approach to determining transition costs proposed by the Company in its Stand-Alone Plan. The 2003 final market valuation will be performed by an independent panel of experts using the best available market evidence at that time, including a potential sale of a portion of the combined company's generating assets. Certain triggers will accelerate the date of this final market valuation if market prices rise significantly or the minimum amortization commitment is satisfied prior to 2003. The annual market price established by the Company's solicitation would be used to set competitive generation credits and to determine the CTC as a residual from the generation rate cap under the Rate Cap Provision. The Company's minimum amortization commitment of \$1.7 billion in the proposed Stand-Alone Plan has been increased under the Restructuring Plan. As in the Stand-Alone Plan, the determination of transition costs in 2003 will compare the book value of generating assets in 2005 (after netting the increased minimum commitment to depreciation and amortization and any return on equity spillover) with the market value of the generating assets in 2005. The opposing parties believe that there should be a one-time valuation of the generating assets performed at January 1, 1999. Any merger-related synergies relating to generation would then be used to reduce the Company's transition costs as of that date. These parties also believe that the Company's proposed distribution rate decrease should be effective January 1, 1999, as well.

Additional Restructuring Plan Commitments

The Restructuring Plan also contains a number of commitments by the merged DQE/AYE entity. First, the merged entity will open up its transmission system to all parties on a reciprocal non-discriminatory basis and eliminate multiple rate charges across the combined transmission system. Second, the merged entity will join a recently proposed Midwest Independent System Operator (ISO) or other then-existing ISO, or form its own ISO if no existing ISO offers acceptable rules, including marginal cost transmission rates. Several utilities have applications pending before the FERC to form ISOs. Third, the merged entity has committed to make a report, 18 months after consummation of the merger, to the PUC regarding its progress on the ISO commitment. The PUC may, at its option, require the merged entity to relinquish control of 300 MW of generating capacity to alleviate concerns over market power. The form of relinquishment would be at the option of the merged entity; possible forms of relinquishment include an energy swap, entering a power sale contract, divestiture of generating assets and a bidding trust.

The Federal Filings

In addition to the PUC filings of the Restructuring Plan and the Stand-Alone Plan, on August 1, 1997, the Company and AYE filed their joint merger application with the FERC (the FERC Filing). Pursuant to the FERC Filing, the Company and AYE have committed to forming or joining an ISO that meets the entity's requirements, including marginal cost transmission pricing, following the merger. In addition, the Company and AYE have stated in the FERC Filing that following the merger the combined entity's market share will not violate the market power conditions and requirements set by the FERC. On January 20, 1998, the Company and AYE filed merger applications with the Antitrust Division of the Department of Justice and the Federal Trade Commission. These applications are currently pending.

Regulatory Assets and Emerging Issues Task Force

As a result of the application of SFAS No. 71, the Company records regulatory assets on its consolidated balance sheet. The regulatory assets represent probable future revenue to the Company because provisions for these costs are currently included, or are expected to be included, in charges to electric utility customers through the ratemaking process.

A company's electric utility operations, or a portion of such operations, could cease to meet the SFAS No. 71 criteria for various reasons, including a change in the FERC regulations or the competition-related changes in the PUC regulations. (See "Competition and the Customer Choice Act," Note E, on page 58.) The Emerging Issues Task Force of the Financial Accounting Standards Board (EITF) has determined that once a transition plan has been approved, application of SFAS No. 71 to the generation portion of a utility must be discontinued and replaced by the application of SFAS No. 101, *Regulated Enterprises - Accounting for the Discontinuation of Application of FASB Statement No. 71* (SFAS No. 101). The consensus reached by the EITF provides further guidance that the regulatory assets and liabilities of the generation portion of a utility to which SFAS No. 101 is being applied should be determined on the basis of the source from which the regulated cash flows to realize such regulatory assets and settle such liabilities will be derived. Under the Customer Choice Act, the Company believes that its generation-related regulatory assets will be recovered through a CTC collected in connection with providing transmission and distribution services, and the Company will continue to apply SFAS No. 71. Fixed assets related to the generation portion of a utility will be evaluated on the cash flows provided by the CTC, in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* (SFAS No. 121). The Company believes that all of its regulatory assets continue to satisfy the SFAS No. 71 criteria in light of the transition to competitive generation under the Customer Choice Act and the ability to recover these regulatory assets through a CTC. Once any portion of the Company's electric utility operations is deemed to no longer meet the SFAS No. 71 criteria, or is not recovered through a CTC, the Company will be required to write off assets (to the extent their net book value exceeds fair value), the recovery of which is uncertain, and any regulatory assets or liabilities for those operations that no longer meet these requirements. Any such write-off of assets could be materially adverse to the financial position, results of operations and cash flows of the Company.

The Company's regulatory assets related to generation, transmission and distribution as of December 31, 1997 were \$561.9 million, \$33.2 million and \$85.8 million, respectively. At December 31, 1996, the Company's regulatory assets related to generation, transmission and distribution were \$492.6 million, \$41.4 million and \$102.8 million, respectively. The components of all regulatory assets for the periods presented are as follows:

Regulatory Assets at December 31

	1997	1996
	<i>(Amounts in Thousands of Dollars)</i>	
Regulatory tax receivable (Note A)	\$301,664	\$394,131
Brunot Island and Phillips cold reserve units (a)	105,693	—
Unamortized debt costs (b)	87,915	93,299
Deferred rate synchronization costs (c)	37,231	41,446
Beaver Valley Unit 2 sale/leaseback premium (Note H)	28,554	30,059
Deferred employee costs (d)	25,130	29,589
Deferred energy costs (Note A)	23,514	—
Deferred nuclear maintenance outage costs (Note A)	17,013	13,462
Deferred coal costs (e)	15,711	12,191
DOE decontamination and decommissioning receivable (Note I)	8,847	9,779
Other (f)	29,613	12,860
Total Regulatory Assets	\$680,885	\$636,816

- (a) Through its analysis of customer choice in the Restructuring Plan and Stand-Alone Plan, the Company determined that Phillips and a portion of Brunot Island would not be cost-effective in the production of electricity in the face of a competitive marketplace.
- (b) The premiums paid to reacquire debt prior to scheduled maturity dates are deferred for amortization over the life of the debt issued to finance the reacquisitions.
- (c) Initial operating costs of Beaver Valley Unit 2 and Perry Unit 1 were deferred and are currently being recovered over a 10-year period.
- (d) Includes amounts for recovery of accrued compensated absences and accrued claims for workers' compensation.
- (e) The PUC has directed the Company to defer recovery of the delivered cost of coal to the extent that such cost exceeds generally prevailing market prices for similar coal, as determined by the PUC.
- (f) 1997 amounts include \$6.8 million related to *Statement of Position 96-1, Environmental Remediation Liabilities* for the ongoing monitoring of certain of the Company's sites and \$6.8 million of one-time costs for the 1997 early retirement plan recorded in accordance with SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. (See "Employee Benefits," Note M, on page 70.)



F. Short-Term Borrowing and Revolving Credit Arrangements

At December 31, 1997, the Company had two extendible revolving credit arrangements, including a \$125 million facility expiring in June 1998 and a \$150 million facility expiring in October 1998. Interest rates can, in accordance with the option selected at the time of the borrowing, be based on prime, Eurodollar or certificate of deposit rates. Commitment fees are based on the unborrowed amount of the commitments. Both credit facilities contain two-year repayment periods for any amounts outstanding at the expiration of the revolving credit periods. At December 31, 1997 and December 31, 1996, there were no short-term borrowings outstanding.

G. Income Taxes

The annual federal corporate income tax returns have been audited by the Internal Revenue Service (IRS) for the tax years through 1992. The IRS is reviewing the Company's 1993 and 1994 returns, and the tax years 1995 and 1996 remain subject to IRS review. The Company does not believe that final settlement of the federal income tax returns for the years 1990 through 1996 will have a materially adverse effect on its financial position, results of operations or cash flows.

Deferred Tax Assets (Liabilities) at December 31

	1997	1996
	<i>(Amounts in Thousands of Dollars)</i>	
Tax benefit - long-term investments	\$ 210,394	\$ 175,427
Gain on sale/leaseback of BV Unit 2	58,137	61,131
Investment tax credits unamortized	40,573	44,067
Unbilled revenue	19,637	19,222
Other	65,210	50,648
Deferred tax assets	393,951	350,495
Property depreciation	(712,247)	(783,851)
Regulatory assets	(125,171)	(150,346)
Leveraged leases	(115,383)	(59,781)
Loss on reacquired debt unamortized	(31,360)	(33,331)
Deferred coal and energy costs	(15,910)	(5,054)
Other	(87,095)	(77,221)
Deferred tax liabilities	(1,087,166)	(1,109,584)
Net Deferred Tax Liabilities	\$ (693,215)	\$ (759,089)

Income Taxes

		1997	1996	1995
		<i>(Amounts in Thousands of Dollars)</i>		
Currently payable:	Federal	\$ 3,911	\$ 85,976	\$ 77,667
	State	31,083	44,582	29,915
Deferred - net:	Federal	69,324	(18,737)	2,550
	State	(93)	(14,874)	(5,640)
Investment tax credits deferred - net		(8,420)	(9,559)	(7,831)
Income Taxes		\$ 95,805	\$ 87,388	\$ 96,661

Total income taxes differ from the amount computed by applying the statutory federal income tax rate to income before income taxes.

Income Tax Expense Reconciliation

	1997	1996	1995
	<i>(Amounts in Thousands of Dollars)</i>		
Computed federal income tax at statutory rate	\$103,217	\$ 93,284	\$ 93,528
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal income tax benefits	20,143	19,310	15,779
Investment tax benefits - net	(17,831)	(15,116)	(5,478)
Amortization of deferred investment tax credits	(8,420)	(9,559)	(7,831)
Other	(1,304)	(531)	663
Total Income Tax Expense	\$ 95,805	\$ 87,388	\$ 96,661



H. Leases

The Company leases nuclear fuel, a portion of a nuclear generating plant, certain office buildings, computer equipment, and other property and equipment.

Capital Leases at December 31

	1997	1996
	<i>(Amounts in Thousands of Dollars)</i>	
Nuclear fuel	\$ 92,901	\$ 79,103
Electric plant	20,761	20,505
<i>Total</i>	113,662	99,608
Less: Accumulated amortization	(50,725)	(47,670)
<i>Property Held Under Capital Leases – Net (a)</i>	\$ 62,937	\$ 51,938

(a) Includes \$2.874 in 1997 and \$2.618 in 1996 of capital leases with associated obligations retired.

In 1987, the Company sold and leased back its 13.74 percent interest in BV Unit 2; the sale was exclusive of transmission and common facilities. The Company subsequently leased back its interest in the unit for a term of 29.5 years. The lease provides for semi-annual payments and is accounted for as an operating lease. The Company is responsible under the terms of the lease for all costs related to its interest in the unit. In December 1992, the Company participated in the refinancing of collateralized lease bonds to take advantage of lower interest rates and reduce the annual lease payments. The bonds were originally issued in 1987 for the purpose of partially financing the lease of BV Unit 2. In accordance with the BV Unit 2 lease agreement, the Company paid the premiums of approximately \$36.4 million as a supplemental rent payment to the lessors. This amount was deferred and is being amortized over the remaining lease term. At December 31, 1997, the deferred balance was approximately \$28.6 million.

Leased nuclear fuel is amortized as the fuel is burned and charged to fuel and purchased power expense on the statement of consolidated income. The amortization of all other leased property is based on rental payments made (except the BV Unit 2 lease, see "Depreciation and Amortization" discussion on page 54). These lease-related expenses are charged to operating expenses on the statement of consolidated income.

Summary of Rental Payments

	1997	1996	1995
	<i>(Amounts in Thousands of Dollars)</i>		
Operating leases	\$60,684	\$59,503	\$57,617
Amortization of capital leases	16,847	19,378	26,705
Interest on capital leases	3,435	3,703	4,332
<i>Total Rental Payments</i>	\$80,966	\$82,584	\$88,654

Future Minimum Lease Payments

Year Ended December 31,	Operating Leases	Capital Leases
	<i>(Amounts in Thousands of Dollars)</i>	
1998	\$ 54,326	\$ 26,401
1999	54,319	16,417
2000	54,280	10,446
2001	54,195	4,717
2002	55,746	3,342
2003 and thereafter	810,097	16,649
<i>Total Minimum Lease Payments</i>	\$1,082,963	\$ 77,792
Less: Amount representing interest		(17,729)
Present value of minimum lease payments for capital leases (a)		\$ 60,063

(a) Includes current obligations of \$22.5 million at December 31, 1997.

Future minimum lease payments for capital leases are related principally to the estimated use of nuclear fuel financed through leasing arrangements and building leases. Future minimum lease payments for operating leases are related principally to BV Unit 2 and certain corporate offices.

Future payments due to the Company, as of December 31, 1997, under subleases of certain corporate office space are approximately \$5.9 million in 1998, \$6.0 million in 1999 and \$27.6 million thereafter.

I. Commitments and Contingencies

Construction and Investments

The Company estimates that it will spend, excluding AFC and nuclear fuel, approximately \$130 million during 1998 and \$100 million in each of 1999 and 2000 for electric utility construction.

In 1997, the Company formed a strategic alliance with CQ Inc. to produce E-Fuel™, a coal-based synthetic fuel. The first six plants to produce E-Fuel™ are under construction, and are expected to be in operation by mid-1998. The Company estimates the cost of this construction to be approximately \$25 million in 1998.

In February 1998, the Company issued 159,732 shares of DQE Preferred Stock, representing an investment of approximately \$16 million in a water company. The Company has committed approximately \$24 million for additional investments in water, wastewater and water services companies for the first quarter of 1998.

In 1997, the Company entered into a partnership with MCI Communications Corporation. The Company expects this partnership will lead to investment opportunities in the expanding telecommunications business.

Nuclear-Related Matters

The Company has an ownership interest in three nuclear units, two of which it operates. The operation of a nuclear facility involves special risks, potential liabilities, and specific regulatory and safety requirements. Specific information about risk management and potential liabilities is discussed below.

Nuclear Decommissioning. The Company expects to decommission BV Unit 1, BV Unit 2 and Perry Unit 1 no earlier than the expiration of each plant's operating license in 2016, 2027 and 2026. At the end of its operating life, BV Unit 1 may be placed in safe storage until BV Unit 2 is ready to be decommissioned, at which time the units may be decommissioned together.

Based on site-specific studies conducted in 1997 for BV Unit 1 and BV Unit 2, and a 1997 update of the 1994 study for Perry Unit 1, the Company's approximate share of the total estimated decommissioning costs, including removal and decontamination costs, is \$170 million, \$55 million and \$90 million, respectively. The amount currently being used to determine the Company's cost of service related to decommissioning all three nuclear units is \$224 million. The Company is seeking recovery of any potential shortfall in decommissioning funding as part of either its Restructuring Plan or its Stand-Alone Plan. (See "Rate Matters," Note E, on page 58.)

With respect to the transition to a competitive generation market, the Customer Choice Act requires that utilities include a plan to mitigate any shortfall in decommissioning trust fund payments for the life of the facility with any future decommissioning filings. Consistent with this requirement, in 1997 the Company increased its annual contributions to the decommissioning trusts by \$5 million to approximately \$9 million. The Company has received approval from the IRS for qualification of 100 percent of additional nuclear decommissioning trust funding for BV Unit 2 and Perry Unit 1, and 79 percent for BV Unit 1.

Funding for nuclear decommissioning costs is deposited in external, segregated trust accounts and invested in a portfolio of corporate common stock and debt securities, municipal bonds, certificates of deposit and United States government securities. The market value of the aggregate trust fund balances at December 31, 1997 and 1996, totaled approximately \$47.1 million and \$33.7 million, respectively.

Nuclear Insurance. The *Price-Anderson Amendments to the Atomic Energy Act of 1954* limit public liability from a single incident at a nuclear plant to \$8.9 billion. The maximum available private primary insurance of \$200 million has been purchased by the Company. Additional protection of \$8.7 billion would be provided by an assessment of up to \$79.3 million per incident on each nuclear unit in the United States. The Company's maximum total possible assessment, \$59.4 million, which is based on its ownership or leasehold interests in three nuclear generating units, would be limited to a maximum of \$7.5 million per incident per year. This assessment is subject to indexing for inflation and may be subject to state premium taxes. If assessments from the nuclear industry prove insufficient to pay claims, the United States Congress could impose other revenue-raising measures on the industry.

The Company's share of insurance coverage for property damage, decommissioning and decontamination liability is \$1.2 billion. The Company would be responsible for its share of any damages in excess of insurance coverage. In addition, if the property damage reserves of Nuclear Electric Insurance Limited (NEIL), an industry mutual insurance company that provides a portion of this coverage, are inadequate to cover claims arising from an incident at any United States nuclear site covered by that insurer, the Company could be assessed retrospective premiums totaling a maximum of \$5.8 million.

In addition, the Company participates in a NEIL program that provides insurance for the increased cost of generation and/or purchased power resulting from an accidental outage of a nuclear unit. Subject to the policy deductible, terms and limit, the coverage provides for a weekly indemnity of the estimated incremental costs during the three-year period starting 21 weeks after an accident, with no coverage thereafter. If NEIL's losses for this program ever exceed its reserves, the Company could be assessed retrospective premiums totaling a maximum of \$3.4 million.

Beaver Valley Power Station (BVPS) Steam Generators. BVPS's two units are equipped with steam generators designed and built by Westinghouse Electric Corporation (Westinghouse). Similar to other Westinghouse nuclear plants, outside diameter stress corrosion cracking (ODSCC) has occurred in the steam generator tubes of both units. BV Unit 1, which was placed in service in 1976, has removed approximately 17 percent of its steam generator tubes from service through a process called "plugging." However, BV Unit 1 continues to operate at 100 percent reactor power and has the ability to return tubes to service by repairing them through a process called "sleeving." No tubes at either BV Unit 1 or BV Unit 2 have been sleeved to date. BV Unit 2, which was placed in service 11 years after BV Unit 1, has not yet exhibited the degree of ODSCC experienced at BV Unit 1. Approximately 2 percent of BV Unit 2's tubes are plugged; however, it is too early in the life of the unit to determine the extent to which ODSCC may become a problem at that unit.

The Company has undertaken certain measures, such as increased inspections, water chemistry control and tube plugging, to minimize the operational impact of and to reduce susceptibility to ODSCC. Although the Company has taken these steps to allay the effects of ODSCC, the inherent potential for future ODSCC in steam generator tubes of the Westinghouse design still exists. Material acceleration in the rate of ODSCC could lead to a loss of plant efficiency, significant repairs or the possible replacement of the BV Unit 1 steam generators. The total replacement cost of the BV Unit 1 steam generators is currently estimated at \$125 million. The Company would be responsible for \$59 million of this total, which includes the cost of equipment removal and replacement steam generators but excludes replacement power costs. The earliest that the BV Unit 1 steam generators could be replaced during a scheduled refueling outage is the fall of 2000.

The Company continues to explore all viable means of managing ODSCC, including new repair technologies, and plans to continue to perform 100 percent tube inspections during future refueling outages. The next refueling outage for BV Unit 1 is scheduled to begin in April 1999, and the next refueling outage for BV Unit 2 is currently scheduled to begin in September 1998. Both outages will include inspection of 100 percent of each unit's steam generator tubes. The Company will continue to monitor and evaluate the condition of the BVPS steam generators.

BV Unit 1 went off-line on September 27, 1997, for a scheduled refueling outage, and returned to service on January 21, 1998. Perry Unit 1 completed a refueling outage on October 23, 1997. This outage lasted 40 days, a record for Perry Unit 1. The next refueling outage for Perry Unit 1 is currently scheduled to begin in March 1999.

BV Unit 1 went off-line January 30, 1998, due to an issue identified in a technical review recently completed by the Company. BV Unit 2 went off-line December 16, 1997, to repair the emergency air supply system to the control room and has remained off-line due to other issues identified by a similar technical review of BV Unit 2. These technical reviews are in response to a 1997 commitment made by the Company to the NRC. The Company is one of many utilities faced with these technical issues, some of which date back to the original design of BVPS. Both BVPS units remain off-line for a revalidation of technical specification surveillance testing requirements of various plant systems. Based on the current status of the revalidation process, the Company currently anticipates that both BVPS units will remain off-line through March 1998.

Spent Nuclear Fuel Disposal. The Nuclear Waste Policy Act of 1982 established a federal policy for handling and disposing of spent nuclear fuel and a policy requiring the establishment of a final repository to accept spent nuclear fuel. Electric utility companies have entered into contracts with the DOE for the permanent disposal of spent nuclear fuel and high-level radioactive waste in compliance with this legislation. The DOE has indicated that its repository under these contracts will not be available for acceptance of spent nuclear fuel before 2010. The DOE has not yet established an interim or permanent storage facility, despite a ruling by the United States

Court of Appeals for the District of Columbia Circuit that the DOE was legally obligated to begin acceptance of spent nuclear fuel for disposal by January 31, 1998. Existing on-site spent nuclear fuel storage capacities at BV Unit 1, BV Unit 2 and Perry Unit 1 are expected to be sufficient until 2017, 2011 and 2011, respectively.

In early 1997, the Company joined 35 other electric utilities and 46 states, state agencies and regulatory commissions in filing suit in the United States Court of Appeals for the District of Columbia Circuit against the DOE. The parties requested the court to suspend the utilities' payments into the Nuclear Waste Fund and to place future payments into an escrow account until the DOE fulfills its obligation to accept spent nuclear fuel. The DOE had requested that the court delay litigation while it pursued alternative dispute resolution under the terms of its contracts with the utilities. The court ruling, issued November 14, 1997, was not entirely in favor of the DOE or the utilities. The court permitted the DOE to pursue alternative dispute resolution, but prohibited it from using its lack of a spent fuel repository as a defense. The DOE has requested a rehearing on the matter, which has yet to be scheduled.

Uranium Enrichment Obligations. Nuclear reactor licensees in the United States are assessed annually for the decontamination and decommissioning of DOE uranium enrichment facilities. Assessments are based on the amount of uranium a utility had processed for enrichment prior to enactment of the *National Energy Policy Act of 1992* (NEPA) and are to be paid by such utilities over a 15-year period. At December 31, 1997 and 1996, the Company's liability for contributions was approximately \$7.2 million and \$8.1 million, respectively (subject to an inflation adjustment). (See "Rate Matters," Note E, on page 58.)

Fossil Decommissioning

In Pennsylvania, current ratemaking does not allow utilities to recover future decommissioning costs through depreciation charges during the operating life of fossil-fired generating stations. Based on studies conducted in 1997, this amount for fossil decommissioning is currently estimated to be \$130 million for the Company's interest in 17 units at six sites. Each unit is expected to be decommissioned upon the cessation of the final unit's operations. The Company has submitted these estimates to the PUC, and is seeking to recover these costs as part of either its Restructuring Plan or its Stand-Alone Plan. (See "Rate Matters," Note E, on page 58.)

Guarantees

The Company and the other owners of Bruce Mansfield Power Station (Bruce Mansfield) have guaranteed certain debt and lease obligations related to a coal supply contract for Bruce Mansfield. At December 31, 1997, the Company's share of these guarantees was \$15.1 million. The prices paid for the coal by the companies under this contract are expected to be sufficient to meet debt and lease obligations to be satisfied in the year 2000. The minimum future payments to be made by the Company solely in relation to these obligations are \$6.2 million in 1998, \$5.8 million in 1999, and \$4.6 million in 2000. The Company's total payments for coal purchased under the contract were \$38.3 million in 1997, \$26.9 million in 1996, and \$28.9 million in 1995.

As part of the Company's investment portfolio in affordable housing, the Company has received fees in exchange for guaranteeing a minimum defined yield to third-party investors. A portion of the fees received has been deferred to absorb any required payments with respect to these transactions. Based on an evaluation of the underlying housing projects, the Company believes that such deferrals are ample for this purpose.

Residual Waste Management Regulations

In 1992, the Pennsylvania Department of Environmental Protection (DEP) issued *Residual Waste Management Regulations* governing the generation and management of non-hazardous residual waste, such as coal ash. The Company is assessing the sites it utilizes and has developed compliance strategies that are currently under review by the DEP. Capital costs of \$2.8 million and \$2.5 million were incurred by the Company in 1997 and 1996, respectively, to comply with these DEP regulations. The additional capital cost of compliance through the year 2000 is estimated, based on current information, to be \$16 million. This estimate is subject to the results of groundwater assessments and DEP final approval of compliance plans.

Employees

The Company is party to a labor contract expiring in September 2001 with the International Brotherhood of Electrical Workers (IBEW), which represents approximately 2,000 of the Company's employees. The contract provides, among other things, employment security, income protection and 3 percent annual wage increases through September 2000.

Other

The Company is involved in various other legal proceedings and environmental matters. The Company believes that such proceedings and matters, in total, will not have a materially adverse effect on its financial position, results of operations or cash flows.

J. Long-Term Debt

The pollution control notes arise from the sale of bonds by public authorities for the purposes of financing construction of pollution control facilities at the Company's plants or refunding previously issued bonds. The Company is obligated to pay the principal and interest on these bonds. For certain of the pollution control notes, there is an annual commitment fee for an irrevocable letter of credit. Under certain circumstances, the letter of credit is available for the payment of interest on, or redemption of, all or a portion of the notes.

Long-Term Debt at December 31

	Interest Rate	Maturity	Principal Outstanding (Amounts in Thousands of Dollars)	
			1997	1996
First mortgage bonds	5.85%-8.75%	1998-2025	\$ 778,000 (a)	\$ 853,000 (b)
Pollution control notes	(c)	2009-2030	417,985	417,985
Sinking fund debentures	5%	2010	2,791	4,891
Term loans	6.47%-7.47%	2000-2001	150,000	150,000
Miscellaneous			31,017	17,785
Less: Unamortized debt discount and premium - net			(3,672)	(3,915)
Total Long-Term Debt			\$1,376,121	\$1,439,746

(a) Excludes \$75.0 million related to current maturities during 1998.

(b) Excludes \$50.0 million related to a current maturity during 1997.

(c) The pollution control notes have adjustable interest rates. The interest rates at year-end averaged 3.9 percent in 1997 and 3.7 percent in 1996.

At December 31, 1997, sinking fund requirements and maturities of long-term debt outstanding for the next five years were \$75.3 million in 1998, \$80.6 million in 1999, \$165.2 million in 2000, \$85.2 million in 2001, and \$0.3 million in 2002.

Total interest and other charges were \$115.6 million in 1997, \$110.3 million in 1996, and \$107.6 million in 1995. Interest costs attributable to long-term debt and other interest were \$101.2 million, \$99.4 million and \$102.4 million in 1997, 1996 and 1995, respectively. Of these amounts, \$2.3 million in 1997, \$1.2 million in 1996, and \$0.7 million in 1995 were capitalized as AFC. Debt discount or premium and related issuance expenses are amortized over the lives of the applicable issues.

During 1994, the Company's BV Unit 2 lease arrangement was amended to reflect an increase in federal income tax rates. At the same time, the associated letter of credit securing the lessor's equity interest in the unit was increased from \$188 million to \$194 million and the term of the letter of credit was extended to 1999. If certain specified events occur, the letter of credit could be drawn down by the owners, the leases could terminate, and collateralized lease bonds (\$381.5 million at December 31, 1997) would become direct obligations of the Company.

At December 31, 1997, the fair value of the Company's long-term debt, including current maturities and sinking fund requirements, estimated on the basis of quoted market prices for the same or similar issues or current rates offered to the Company for debt of the same remaining maturities, was \$1,474.6 million. The principal amount included in the Company's consolidated balance sheet is \$1,455.1 million.

At December 31, 1997 and 1996, the Company was in compliance with all of its debt covenants.

K. Preferred and Preference Stock

Preferred and Preference Stock at December 31

	Call Price Per Share	(Shares and Amounts in Thousands)			
		1997		1996	
		Shares	Amount	Shares	Amount
Preferred Stock of DQE:					
4.3% Series A Preferred Stock (a) (b)	—	12	\$1,172	—	—
4.2% Series A Preferred Stock (a) (b)	—	4	376	—	—
Preferred Stock Series of Subsidiaries:					
3.75% (c) (d) (e)	\$51.00	148	7,407	148	\$ 7,407
4.00% (c) (d) (e)	51.50	550	27,486	550	27,486
4.10% (c) (d) (e)	51.75	120	6,012	120	6,012
4.15% (c) (d) (e)	51.73	132	6,643	132	6,643
4.20% (c) (d) (e)	51.71	100	5,021	100	5,021
\$2.10 (c) (d) (e)	51.84	159	8,039	159	8,039
9.00% (f)	—	—	3,000	—	3,000
8.375% (g)	—	6,000	150,000	6,000	150,000
6.5% (h)	—	—	1,000	—	—
Total Preferred Stock		7,225	216,156	7,209	213,608
Preference Stock Series of Subsidiaries: (i)					
Plan Series A (e) (j)	36.90	799	28,295	817	28,997
Total Preference Stock		799	28,295	817	28,997
Deferred ESOP benefit			(16,400)		(19,533)
Total Preferred and Preference Stock			\$228,051		\$223,072

- (a) Preferred Stock: 4,000,000 authorized shares; no par value
- (b) Convertible; \$100 liquidation preference per share
- (c) Preferred stock: 4,000,000 authorized shares; \$50 par value; cumulative
- (d) \$50 per share involuntary liquidation value
- (e) Non-redeemable
- (f) 500 authorized shares; 10 issued \$300,000 par value; involuntary liquidation value \$300,000 per share; mandatory redemption beginning August 2000

- (g) Cumulative Monthly Income Preferred Securities. Series A (MIPS): 6,000,000 authorized shares; \$25 involuntary liquidation value
- (h) 1,500 authorized shares; 10 issued. \$100,000 par value; \$100,000 involuntary liquidation value
- (i) Preference stock: 8,000,000 authorized shares; \$1 par value; cumulative
- (j) \$35.50 per share involuntary liquidation value

On July 30, 1997, the Company authorized and registered 1,000,000 shares of DQE Preferred Stock. As of December 31, 1997, 15,480 shares of DQE Preferred Stock had been issued and were outstanding. An additional 159,732 shares of DQE Preferred Stock were issued on February 19, 1998. The DQE Preferred Stock ranks senior to the Company's common stock as to the payment of dividends and as to the distribution of assets on liquidations, dissolution or winding-up of the Company. The holders of DQE Preferred Stock are entitled to vote on all matters submitted to a vote of the holders of DQE common stock, voting together with the holders of common stock as a single class. Each share of DQE Preferred Stock is entitled to three votes. Each share of DQE Preferred Stock is convertible at the Company's option into the number of shares of DQE common stock computed by dividing the DQE Preferred Stock's \$100 liquidation value by the five-day average closing sales price of DQE common stock for the five trading days immediately prior to the conversion date. Each unredeemed share of DQE Preferred Stock will automatically be converted on the first day of the first month commencing after the sixth anniversary of its issuance. If the proposed merger with AYE occurs prior to any conversion, each share of DQE Preferred Stock will be convertible into AYE common stock, using the same methodology to calculate the number of shares.

Dividends on DQE Preferred Stock are paid quarterly on each January 1, April 1, July 1 and October 1. 11,720 shares of DQE Preferred Stock are entitled to an annual dividend of 4.3 percent, and in the fourth quarter of 1997 the Company declared an initial quarterly dividend of \$1.075 per share, payable January 1, 1998. 3,760 shares of DQE Preferred Stock are entitled to an annual dividend of 4.2 percent, and in the first quarter of 1998 the Company declared a dividend for the period of December 16, 1997 through March 31, 1998 of \$1.237 per share, payable April 1, 1998. The recently issued 159,732 shares are entitled to a 4.0 percent annual dividend, and in the first quarter of 1998 the Company declared a dividend for the period February 19, 1998 through March 31, 1998 of \$0.444 per share, payable April 1, 1998.

In October 1997, a Duquesne subsidiary issued 10 shares of preferred stock, par value \$100,000 per share. The holders of such shares are entitled to a 6.5 percent annual dividend to be paid each September 30. In 1995, another Duquesne subsidiary issued 10 shares of preferred stock, par value \$300,000 per share. The holders of such shares are entitled to a 9.0 percent annual dividend paid quarterly.

In May 1996, Duquesne Capital L.P. (Duquesne Capital), a special-purpose limited partnership of which Duquesne is the sole general partner, issued \$150.0 million principal amount of 8½ percent Monthly Income Preferred Securities (MIPS), Series A, with a stated liquidation value of \$25.00. The holders of MIPS are entitled to annual dividends of 8½ percent, payable monthly. The sole assets of Duquesne Capital are Duquesne's 8½ percent debentures, with a principal amount of \$151.5 million. These debt securities may be redeemed at Duquesne's option on or after May 31, 2001. Duquesne has guaranteed the payment of distributions on, and redemption price and liquidation amount in respect of the MIPS to the extent that Duquesne Capital has funds available for such payment from the debt securities. Upon maturity or prior redemption of such debt securities, the MIPS will be mandatorily redeemed. The Company's consolidated balance sheet reflects only the \$150.0 million of MIPS.

Holders of Duquesne's preferred stock are entitled to cumulative quarterly dividends. If four quarterly dividends on any series of preferred stock are in arrears, holders of the preferred stock are entitled to elect a majority of Duquesne's board of directors until all dividends have been paid. Holders of Duquesne's preference stock are entitled to receive cumulative quarterly dividends if dividends on all series of preferred stock are paid. If six quarterly dividends on any series of preference stock are in arrears, holders of the preference stock are entitled to elect two of Duquesne's directors until all dividends have been paid. At December 31, 1997, Duquesne had made all dividend payments. Preferred and preference dividends of subsidiaries included in interest and other charges were \$16.7 million, \$12.1 million and \$5.9 million in 1997, 1996 and 1995. Total preferred and preference stock had involuntary liquidation values of \$244.4 million and \$242.5 million, which exceeded par by \$27.6 million and \$28.2 million at December 31, 1997 and 1996.

In December 1991, the Company established an Employee Stock Ownership Plan (ESOP) to provide matching contributions for a 401(k) Retirement Savings Plan for Management Employees. (See "Employee Benefits," Note M, on page 70.) The Company issued and sold 845,070 shares of preference stock, plan series A to the trustee of the ESOP. As consideration for the stock, the Company received a note valued at \$30 million from the trustee. The preference stock has an annual dividend rate of \$2.80 per share, and each share of the preference stock is exchangeable for one and one-half shares of DQE common stock. At December 31, 1997, \$16.4 million of preference stock issued in connection with the establishment of the ESOP had been offset, for financial statement purposes, by the recognition of a deferred ESOP benefit. Dividends on the preference stock and cash contributions from the Company are used to repay the ESOP note. The Company made cash contributions of approximately \$1.1 million for 1997, \$1.4 million for 1996, and \$1.6 million for 1995. These cash contributions were the difference between the ESOP debt service and the amount of dividends on ESOP shares (\$2.3 million in 1997, 1996 and 1995). As shares of preference stock are allocated to the accounts of participants in the ESOP, the Company recognizes compensation expense, and the amount of the deferred compensation benefit is amortized. The Company recognized compensation expense related to the 401(k) plans of \$3.2 million in 1997 and \$2.3 million in 1996 and 1995. Although outstanding preferred stock is generally callable on notice of not less than 30 days, at stated prices plus accrued dividends, the outstanding MIPS and preference stock are not currently callable. None of the remaining Duquesne preferred or preference stock issues has mandatory purchase requirements.

L. Common Stock *Changes in the Number of Shares of DQE Common Stock Outstanding*

	1997	1996	1995
	<i>(Amounts in Thousands of Shares)</i>		
Outstanding as of January 1	77,273	77,556	78,459
Reissuance from treasury stock	408	157	83
Repurchase of common stock	(1)	(440)	(986)
<i>Outstanding as of December 31</i>	77,680	77,273	77,556



The Company has continuously paid dividends on common stock since 1953. The Company's annualized dividends per share were \$1.44, \$1.36 and \$1.28 at December 31, 1997, 1996 and 1995. During 1997, the Company paid a quarterly dividend of \$0.34 per share on each of January 1, April 1, July 1 and October 1. The quarterly dividend declared in the fourth quarter of 1997 was increased from \$0.34 to \$0.36 per share payable January 1, 1998.

Once all dividends on the DQE Preferred Stock have been paid, dividends may be paid on the Company's common stock to the extent permitted by law and as declared by the board of directors. However, payments of dividends on Duquesne's common stock may be restricted by Duquesne's obligations to holders of preferred and preference stock pursuant to Duquesne's Restated Articles of incorporation and by obligations of Duquesne's subsidiaries to holders of their preferred securities. No dividends or distributions may be made on Duquesne's common stock if Duquesne has not paid dividends or sinking fund obligations on its preferred or preference stock. Further, the aggregate amount of Duquesne's common stock dividend payments or distributions may not exceed certain percentages of net income if the ratio of total common shareholder's equity to total capitalization is less than specified percentages. As all of Duquesne's common stock is owned by the Company, to the extent that Duquesne cannot pay common dividends, the Company may not be able to pay dividends on its common stock or DQE Preferred Stock. No part of the retained earnings of the Company was restricted at December 31, 1997.

M. Employee Benefits

Retirement Plans

The Company maintains retirement plans to provide pensions for all eligible employees. Upon retirement, an employee receives a monthly pension based on his or her length of service and compensation. The cost of funding the pension plan is determined by the unit credit actuarial cost method. The Company's policy is to record this cost as an expense and to fund the pension plans by an amount that is at least equal to the minimum funding requirements of the *Employee Retirement Income Security Act of 1974 (ERISA)* but that does not exceed the maximum tax-deductible amount for the year. Pension costs charged to expense or construction were \$12.7 million for 1997, \$11.9 million for 1996, and \$6.1 million for 1995.

In 1997, the Company offered an early retirement plan to its bargaining unit employees meeting certain age and service criteria. In accordance with *SFAS No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* and *SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions*, the Company recorded \$6.8 million of one-time costs as a regulatory asset and other non-current liability on the consolidated balance sheet.

Funded Status of the Retirement Plans and Amounts Recognized on the Consolidated Balance Sheet at December 31

	1997	1996
	<i>(Amounts in Thousands of Dollars)</i>	
Actuarial present value of benefits rendered to date:		
Vested benefits	\$460,483	\$413,109
Non-vested benefits	25,080	22,551
Accumulated benefits obligations based on compensation to date	485,563	435,660
Additional benefits based on estimated future salary levels	68,739	61,438
Projected benefits obligation	554,302	497,098
Fair market value of plan assets	605,457	525,871
Projected benefits obligation under plan assets	\$ 51,155	\$ 28,773
Unrecognized net gain	\$153,682	\$128,382
Unrecognized prior service cost	(39,800)	(43,790)
Unrecognized net transition liability	(12,039)	(13,853)
Net pension liability per consolidated balance sheet	(50,688)	(41,966)
Total	\$ 51,155	\$ 28,773
Assumed rate of return on plan assets	8.00%	8.25%
Discount rate used to determine projected benefits obligation	7.00%	7.50%
Assumed change in compensation levels	4.75%	5.25%

Pension assets consist primarily of common stocks, United States obligations and corporate debt securities.

Components of Net Pension Cost

	1997	1996	1995
	<i>(Amounts in Thousands of Dollars)</i>		
Service cost (benefits earned during the year)	\$ 12,340	\$ 12,209	\$ 9,953
Interest on projected benefits obligation	36,570	32,597	30,063
Return on plan assets	(95,444)	(58,173)	(99,246)
Net amortization and deferrals	65,801	25,312	65,316
<i>Net Pension Cost</i>	\$ 19,267	\$ 11,945	\$ 6,086

Retirement Savings Plan and Other Benefit Options

The Company sponsors separate 401(k) retirement plans for its management and bargaining unit employees.

The 401(k) Retirement Savings Plan for Management Employees provides that the Company will match employee contributions to a 401(k) account up to a maximum of 6 percent of an employee's eligible salary. The Company match consists of a \$0.25 base match per eligible contribution dollar and an additional \$0.25 incentive match per eligible contribution dollar, if Board-approved targets are achieved. The 1997 incentive target for management was accomplished. The Company is funding its matching contributions to the 401(k) Retirement Savings Plan for Management Employees with payments to an ESOP established in December 1991. (See "Preferred and Preference Stock," Note K, on page 68.)

The 401(k) Retirement Savings Plan for IBEW Represented Employees provides that, beginning in 1995, the Company will match employee contributions to a 401(k) account up to a maximum of 4 percent of an employee's eligible salary. The Company match consists of a \$0.25 base match per eligible contribution dollar and an additional \$0.25 incentive match per eligible contribution dollar, if certain targets are met. In 1997, the incentive target was accomplished.

The Company's shareholders have approved a long-term incentive plan through which the Company may grant management employees options to purchase, during the years 1987 through 2006, up to a total of 7.5 million shares of the Company's common stock at prices equal to the fair market value of such stock on the dates the options were granted. At December 31, 1997, approximately two million of these shares were available for future grants.

As of December 31, 1997, 1996 and 1995, active grants totaled 1,084,041; 1,698,000; and 2,159,000 shares. Exercise prices of these options ranged from \$15.8334 to \$33.7813 at December 31, 1997; from \$8.2084 to \$30.875 at December 31, 1996; and from \$8.2084 to \$27.625 at December 31, 1995. Expiration dates of these grants ranged from 2000 to 2007 at December 31, 1997; from 1997 to 2006 at December 31, 1996; and from 1997 to 2005 at December 31, 1995. As of December 31, 1997, 1996 and 1995, stock appreciation rights (SARs) had been granted in connection with 635,995; 984,000; and 1,202,000 of the options outstanding. During 1997, 694,984 SARs were exercised; 638,494 options were exercised at prices ranging from \$8.2084 to \$30.75; and no options were cancelled. During 1996, 715,000 SARs were exercised; 267,000 options were exercised at prices ranging from \$8.2084 to \$20.3334; and 150 options were cancelled. During 1995, 367,000 SARs were exercised; 133,000 options were exercised at prices ranging from \$8.2084 to \$21.6667; and 28,000 options were cancelled. Of the active grants at December 31, 1997, 1996 and 1995, 402,816; 668,000; and 929,000 were not exercisable.

Other Postretirement Benefits

In addition to pension benefits, the Company provides certain health care benefits and life insurance for some retired employees. Participating retirees make contributions, which may be adjusted annually, to the health care plan. The life insurance plan is non-contributory. Company-provided health care benefits terminate when covered individuals become eligible for Medicare benefits or reach age 65, whichever comes first. The Company funds actual expenditures for obligations under the plans on a "pay-as-you-go" basis. The Company has the right to modify or terminate the plans.

The Company accrues the actuarially determined costs of the aforementioned postretirement benefits over the period from the date of hire until the date the employee becomes fully eligible for benefits. The Company has elected to amortize the transition liability over 20 years.

Components of Postretirement Cost

	1997	1996
	(Amounts in Thousands of Dollars)	
Service cost (benefits earned during the period)	\$1,603	\$1,182
Interest cost on accumulated benefit obligation	3,048	2,046
Amortization of the transition obligation over 20 years	1,686	1,700
Other	218	(812)
Total Postretirement Cost	\$6,555	\$4,116

The accumulated postretirement benefit obligation comprises the present value of the estimated future benefits payable to current retirees and a pro rata portion of estimated benefits payable to active employees after retirement.

Funded Status of Postretirement Plan at December 31

	1997	1996
	(Amounts in Thousands of Dollars)	
Actuarial present value of benefits:		
Retirees	\$ 8,150	\$ 8,840
Fully eligible active plan participants	5,966	3,829
Other active plan participants	32,214	26,352
Accumulated postretirement benefit obligation	46,330	39,021
Fair market value of plan assets	—	—
Accumulated benefit obligation in excess of plan assets	\$(46,330)	\$(39,021)
Unrecognized net actuarial (loss) gains	\$ (1,208)	\$ 2,874
Unrecognized net transition liability	(25,294)	(27,198)
Postretirement liability per consolidated balance sheet	(19,828)	(14,697)
Total	\$(46,330)	\$(39,021)
Discount rate used to determine projected benefit obligation	7.00%	7.50%
Health care cost trend rates:		
For year beginning January 1	6.58%	6.96%
Ultimate rate in the year 2001	5.50%	6.00%
Effect of a one percent increase in health care cost trend rates:		
On accumulated projected benefit obligation	\$ 5,234	\$ 2,920
On aggregate of annual service and interest costs	\$ 581	\$ 391

N. Quarterly Financial Information (Unaudited)

Summary of Selected Quarterly Financial Data (Thousands of Dollars, Except Per Share Amounts)

[The quarterly data reflect seasonal weather variations in the utility's service territory.]

1997	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating Revenues (a)	\$303,584	\$285,861	\$331,203	\$298,526
Operating Income (a)	76,817	56,392	96,448	51,080
Net Income	45,097	46,778	58,665	48,561
Basic Earnings Per Share	0.58	0.61	0.75	0.63
Diluted Earnings Per Share	0.57	0.60	0.75	0.62
Stock Price:				
High	29 ⁷ / ₈	29	33 ¹ / ₁₆	35 ⁵ / ₈
Low	27 ³ / ₄	26 ⁷ / ₈	31 ¹ / ₁₆	30 ⁷ / ₁₆
1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating Revenues (a)	\$300,518	\$293,357	\$335,430	\$296,890
Operating Income (a)	71,316	67,385	104,891	59,414
Net Income	42,305	38,972	57,412	40,449
Basic Earnings Per Share	0.55	0.50	0.74	0.53
Diluted Earnings Per Share	0.54	0.49	0.74	0.52
Stock Price:				
High	31 ¹ / ₂	28 ⁷ / ₈	28 ³ / ₄	30 ³ / ₈
Low	27 ¹ / ₂	25 ³ / ₄	27	27

(a) Restated to conform with presentations adopted during 1997.



DQE

411 Seventh Avenue
P.O. Box 1000
Mail Drop 15-DQE-2
Pittsburgh, PA 15230-1930

October 30, 1998

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Dear Ladies and Gentlemen:

This letter is part of a filing by AquaSource Utility, Inc. regarding the acquisition of a water and/or sewer company in the State of Florida. AquaSource is a wholly owned subsidiary of DQE, Inc. DQE is listed on the New York Stock Exchange and has a market value in excess of \$2 billion. DQE currently intends to continue to make substantial investments in AquaSource with a goal of providing the company with the financial stability required to maintain its utility systems in accordance with FPSC standards.

Regards,



DONALD J. CLAYTON
Vice President and Treasurer

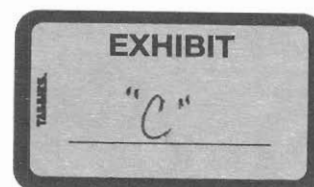
EXHIBIT

"B"

AquaSource, Inc.
Consolidated Balance Sheet
(Unaudited)

	September 1998	December 31, 1997
Assets		
<i>Current Assets</i>		
Cash	250,671	849,930
Accounts receivable - customers	3,328,242	236,559
Other receivables	2,188,773	
Income tax receivable	1,282,776	234,799
Funds held by trustee	831,038	
Inventory	142,399	19,100
Prepayments	180,634	
Other	1,415,769	
<i>Total current assets</i>	9,620,302	1,321,288
<i>Fixed Assets</i>		
Utility plant in service	38,725,977	1,276,975
Other fixed assets	4,702,798	733,240
	43,428,775	2,010,215
Accumulated depreciation	(690,310)	(65,253)
Construction work in progress	72,330	
<i>Total fixed assets</i>	42,810,795	1,944,962
<i>Other Assets and Deferred Charges</i>		
Investments in Water Companies	1,836,662	704,031
Regulatory assets	17,995,139	
Goodwill	9,134,987	
Customer lists and relationships	6,368,508	5,481,911
Deferred tax assets	20,800,000	
Investment in marketable securities (collateral account)	9,641,082	
Other	5,021,111	28,138
<i>Total other assets and deferred charges</i>	70,797,489	6,214,080
Total Assets	123,228,586	9,480,330
 Liabilities and Shareholders' Equity		
<i>Liabilities</i>		
<i>Current Liabilities</i>		
Accounts payable	1,108,945	196,081
Accounts payable - affiliates	250,724	245,000
Billings in excess of costs and profits	902,617	
Customer deposits	277,088	
Accrued taxes	43,208	
Other accrued liabilities	820,514	
<i>Total current liabilities</i>	3,403,096	441,081
<i>Non Current Liabilities</i>		
Deferred income taxes	26,601,407	
Long term debt	17,908,582	
Other	827,994	
<i>Total noncurrent liabilities</i>	45,337,983	
<i>Shareholders' Equity</i>		
Contributions by the "A" Shareholders	74,771,660	9,856,645
Contributions by the "B" Shareholders	626,000	400,000
Retained earnings	(910,153)	(1,198,296)
<i>Total shareholders' equity</i>	74,487,507	9,058,349
Total Liabilities and Shareholders' Equity	123,228,586	9,499,430

The accompanying notes are an integral part of these financial statements.



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10.00
1.00/102

Ret

This instrument prepared by:
Eugene A. Wiechens, P.A.
Post Office Box 2045
Ocala, FL 34478
(804) 732-8622

RECORDS
RETURN TO

For recorder's use

FRANCES E. THIGPIN, CLERK OF CIRCUIT COURT
FILE: 95017511
03/20/95 11:43
OR BOOK/PAGE: 2122/254
MARION COUNTY - *M. Alexander DC.*

WARRANTY DEED

THIS INDENTURE, made this the 24th day of January, 1995, between EUGENE A. WIECHENS, Individually and as Trustee, and LEO A. WIECHENS, Individually and as Trustee, whose address is Post Office Box 2045, Ocala, Florida 34478, Grantor, and OCALA OAKS UTILITIES, INC., a Florida corporation, whose post office address is 1343 NE 17th Rd., Ocala, FL 34470, and whose Federal Identification Number is _____, Grantee.

WITNESSETH:

That said Grantors, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable considerations to said Grantors in hand paid by said Grantee, the receipt whereof is hereby acknowledged, have granted, bargained and sold to the said Grantee, and Grantee's heirs, and assigns forever, the following described land, situate, lying and being in Marion County, Florida, to-wit:

Lots 5 and 6 and the South 75.00 feet of Lots 4 and 7, Block 24; Lots 1 and 14, Block 23; AND the North 55.00 feet of Lots 2 and 13, Block 23 and that part of abrogated Sierra Street lying between Blocks 23 and 24, BELLEVIEW HILLS ESTATES, as per plat thereof recorded in Plat Book G, Pages 31 and 31A, public records of Marion County, Florida, including such water distribution easements as may have been reserved, and which may be hereafter reserved, unto the Developer pursuant to the Protective Covenants of BELLEVIEW HILLS ESTATES or any portion thereof, as may be recorded of public records of Marion County, Florida, incident to, and as may be necessary for, the operation and maintenance of the central water system serving Belleview Hills Estates.

Parcel #4760-000-00 (with other lands)

SUBJECT to ad Valorem taxes for the year 1995 and subsequent years and covenants, easements, agreements and restrictions of record and all governmental zoning laws, rules and regulations of record or appearing on the plat of the subject subdivision.

RECORDED
MAR 20 1995
MARION COUNTY FLORIDA

EXHIBIT
Composite
"D"

THE Grantors CERTIFY that the above-described property does not constitute the homestead of the Grantors nor is it adjacent or contiguous to lands maintained by the Grantors as their homestead and the Grantors maintain their principal places of residence at 1441 Southeast 80th Street, Ocala, Florida 34480 and 525 Southeast 18th Street, Ocala, Florida, respectively.

and said Grantors hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

IN WITNESS WHEREOF, Grantors have hereunto set Grantors' hands and seals the day and year first above written.

Signed, sealed and delivered
in our presence as witnesses:

Adrienne C. McAloney
Witness Name: Adrienne C. McAloney

Eugene A. Wiechens (SEAL)
EUGENE A. WIECHENS, Individually
and as Trustee

Sandra Jerald
Witness Name: Sandra Jerald

Adrienne C. McAloney
Witness Name: Adrienne C. McAloney

Leo A. Wiechens (SEAL)
LEO A. WIECHENS, Individually
and as Trustee

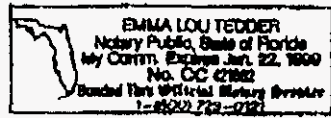
Sandra Jerald
Witness Name: Sandra Jerald

STATE OF FLORIDA
COUNTY OF MARION

The foregoing instrument was acknowledged before me this 24th day of January, 1995, by EUGENE A. WIECHENS and LEO A. WIECHENS, Individually and as Trustees, who are personally known to me.

Emma Lou Tedder
NOTARY PUBLIC
Notary's Name: Emma Lou Tedder
Notary's Commission No.:
My Commission Expires:

F:\WP60\LEA\RE\111-001.WD



This Warranty Deed Made and executed the 22nd day of November A. D. 19 82 by Aron International Inc.

a corporation existing under the laws of Florida, and having its principal place of business at 1220 Douglas Av., Longwood, Florida 32750 hereinafter called the grantor, to Ocala Oaks Utilities, Inc.

a corporation existing under the laws of the State of Florida, with its permanent postoffice address at 1255 N.E. 17th Rd., Ocala, Florida 32670 hereinafter called the grantees:

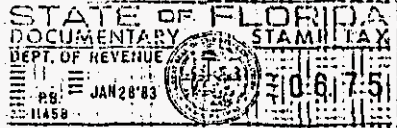
(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth: That the grantor, for and in consideration of the sum of \$ and other valuable considerations, receipt whereof is hereby acknowledged, by these presents does grant, bargain, sell, alien, remise, release, convey and confirm unto the grantees, all that certain land situate in Marion County, Florida, viz:

Lot 1 Block E Belleview Hills Subdivision as recorded in Plat Book U, Page 71 of the Public Records of Marion County, Florida

Handwritten signature: Nancy J. Harris

Subject to restrictions and easements of record, if any, however, this reference shall not be operated to reimpose the same.



Together with all the tenements, hereditaments and appurtenances thereto belonging or in any-wise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantees that it is lawfully seized of said land in fee simple; that it has good right and lawful authority to sell and convey said land; that it hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances

(CORPORATE SEAL)

In Witness Whereof the grantor has caused these presents to be executed in its name, and its corporate seal to be hereunto affixed, by its proper officers thereunto duly authorized, the day and year first above written.

ATTEST: Assistant Secretary

Aron International Inc.

Signed, sealed and delivered in the presence of:

Susan P. Walwick

By: William W. Austin Vice President

STATE OF Florida COUNTY OF Seminole

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared William W. Austin and M. Anne Schryver

well known to me to be the Vice President and Secretary respectively of the corporation named as grantor in the foregoing deed, and that they severally acknowledged executing the same in the presence of two subscribing witnesses freely and voluntarily under authority duly vested in them by said corporation and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 22nd day of November A. D. 19 82

Handwritten signature: Susan Larnell

This Instrument prepared by: Address

William W. Austin 1220 Douglas Av. Longwood, FL 32750

NOTARY PUBLIC, STATE OF FLORIDA My Commission Expires Nov 23, 1989 BONDED THROUGH THE FLORIDA BAR

11.75

88-004043
WARRANTY DEED
FROM CORPORATION TO CORPORA

RAMCO FORM 334

O.R. BOOK 1242 PAGE 1508

This Warranty Deed Made and executed the 22nd day of November A. D. 1982 by Marion Development Corp.

a corporation existing under the laws of Florida, and having its principal place of business at 1220 Douglas Av., Longwood, Florida 32750 hereinafter called the grantor, to Ocala Oaks Utilities, Inc.

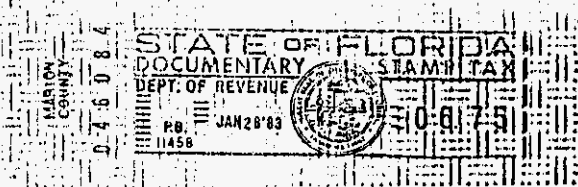
a corporation existing under the laws of the State of Florida, with its permanent postoffice address at 1255 N.E. 17th Rd., Ocala, Florida 32670 hereinafter called the grantees:

(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth: That the grantor, for and in consideration of the sum of \$ and other valuable considerations, receipt whereof is hereby acknowledged, by these presents does grant, bargain, sell, alien, remise, release, convey and confirm unto the grantees, all that certain land situate in County, Florida, viz:

Lot 1, Block A Marion Hills Subdivision as recorded in Plat Book T, Page 64 of the Public Records of Marion County, Florida

Subject to restrictions and easements of record, if any, however, this reference shall not be operated to reimpose the same.



Together with all the tenements, hereditaments and appurtenances thereto belonging or in any-wise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantees that it is lawfully setzed of said land in fee simple; that it has good right and lawful authority to sell and convey said land; that it hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances

In Witness Whereof the grantor has caused these presents to be executed in its name, and its corporate seal to be hereunto affixed, by its proper officers thereunto duly authorized, the day and year first above written.

ATTEST: Secretary Marion Development Corp.

Signed, sealed and delivered in the presence of: Susan P. Walwick By William W. Austin President

STATE OF Florida COUNTY OF Seminole I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared William W. Austin and M. Anne Schryver

well known to me to be the President and Secretary respectively of the corporation named as grantor in the foregoing deed, and that they severally acknowledged executing the same in the presence of two subscribing witnesses freely and voluntarily under authority duly vested in them by said corporation and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 22nd day of November, A. D. 1982

Susan Parnell

This Instrument prepared by: Address

William W. Austin 1220 Douglas Av. Longwood, FL 32750

NOTARY PUBLIC, STATE OF FLORIDA MY COMMISSION EXPIRES APRIL 21, 1983 BUNDED THROUGH MARIAN DEVELOPMENT CORP.

This Warranty Deed Made and executed the 22nd day of November A. D. 1982 by Marion Development Corp.

a corporation existing under the laws of Florida and having its principal place of business at 1220 Douglas Av., Longwood, Florida 32750 hereinafter called the grantor, to Ocala Oaks Utilities, Inc.

a corporation existing under the laws of the State of Florida with its permanent postoffice address at 1255 N.E. 17th Rd., Ocala, Florida 32670 hereinafter called the grantee:

(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth: That the grantor, for and in consideration of the sum of \$ and other valuable considerations, receipt whereof is hereby acknowledged, by these presents does grant, bargain, sell, alien, remise, release, convey and confirm unto the grantee, all that certain land situate in County, Florida, viz:

Lots 23 and 24, Block A Fairfax Hills Subdivision as recorded in Plat Book U, Page 10 of the Public Records of Marion County, Florida and Tract A of Fairfax Hills North Subdivision as recorded in Plat Book U, Page 88 of the Public Records of Marion County, Florida.

Subject to restrictions and easements of record, if any, however, this reference shall not be operated to reimpose the same.

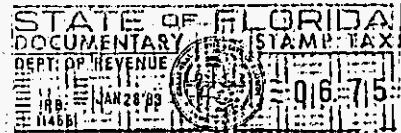
Handwritten signature: Nancy Martin

Vertical stamp: JAN 28 1982

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that it is lawfully seized of said land in fee simple; that it has good right and lawful authority to sell and convey said land; that it hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances



In Witness Whereof

the grantor has caused these presents to be executed in its name, and its corporate seal to be hereunto affixed, by its proper officers thereunto duly authorized, the day and year first above written.

(CORPORATE SEAL)

ATTEST: Secretary

Marion Development Corp.

Signed, sealed and delivered in the presence of: Susan P. Walwick

By: William W. Austin President

STATE OF Florida COUNTY OF Seminole

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared William W. Austin and M. Anne Schryver

well known to me to be the President and Secretary respectively of the corporation named as grantor in the foregoing deed, and that they severally acknowledged executing the same in the presence of two subscribing witnesses freely and voluntarily under authority duly vested in them by said corporation and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 22nd day of November, A. D. 19 82

Handwritten signature: Susan Larnell

This Instrument prepared by: Address

William W. Austin 1220 Douglas Av. Longwood, FL 32750

NOTARY PUBLIC, STATE OF FLORIDA AT Large MY COMMISSION EXPIRES APR. 29, 1985 BONDED THROUGH MURPHY-KATHY INC

REC. 5
D.S. 65

This instrument was prepared by
G. SHEPPARD W. DOAKER
13 N. E. 1st Avenue
Ocala, Florida

Warranty Deed



BK 1318 PG 2058

This Indenture, Made the 3 day of December A.D. 19 85, Between

WILLIAM W. AUSTIN and WOODBERRY FOREST, INC., a Florida corporation
hereinafter called the grantor, and
OCALA OAKS UTILITIES, INC.
whose mailing address is
1255 NE 17th Ave Ocala, Florida
hereinafter called the grantee,

Witnesseth, That said grantor, for and in consideration of the sum of TEN and 00/100----- Dollars, and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in Marion County, Florida, to-wit:

Commence at the NW corner of Lot 1, Block "E" of WOODBERRY FOREST as recorded in Plat Book W, page 62 of the public records of Marion County, Florida, said point being on the Southerly right of way line of S. E. County Highway C-25 (100 feet wide); thence N. 70°50'18" W., along said right of way line 351.39 feet for the Point of Beginning; thence departing said right of way line S. 00°01'36" W., 240.00 feet; thence N. 89°58'24" W., 135.00 feet; thence N. 00°01'36" E., 251.70 feet to the Point of Curvature of a curve concave Southeasterly having a radius of 25.00 feet, a central angle of 109°08'06" and a chord bearing and distance of N. 54°35'39" E., 40.74 feet; thence Northeasterly along said curve an arc distance of 47.62 feet to the Point of Tangency, said point being on the aforesaid south right of way line; thence S. 70°50'18" E., along said right of way line 107.76 feet to the Point of Beginning.

SUBJECT to taxes for year 1986 and subsequent years.

Grantor, William W. Austin, herein certifies that the above described lands do not constitute his homestead, nor are they contiguous thereto.

and said grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever. "Grantor" and "grantee" used for singular or plural as context requires.

In Witness Whereof, Grantor has hereunto set grantor's hand and seal the day and year first above written. Signed, sealed and delivered in our presence.

Witness No. 1
Witness No. 2

WOODBERRY FOREST, INC.
By William W. Austin (Seal)
William W. Austin, President
William W. Austin (Seal)

STATE OF FLORIDA, COUNTY OF MARION
The foregoing instrument was acknowledged before me this 3 day of December, 19 85, by William W. Austin, individually and as President of WOODBERRY FOREST, INC., a Florida corporation, on behalf of said corporation.

Notary Public, State of Florida at Large

NOTARY SEAL

MY COMMISSION EXPIRES: 2/8/86

85-061308
RECORDED AND SEALED
MAR 12 1985
MARION COUNTY FLA.
1985 DEC -5 PM 12:56

FOR REC
STATE OF FLORIDA
DOCUMENTARY STAMP TAX
DEPT OF REVENUE
DEC 1985

6.00
5500

This Quit-Claim Deed, Executed this 9th day of August, A. D. 1982, by

W.M. PALMER COMPANY, a Florida Corporation, as Trustee,

first party, to Ocala Oaks Utilities, Inc.,

whose postoffice address is 1343 N.E. 17th Road, Ocala, Florida

second party:

(Wherever used herein the terms "first party" and "second party" shall include singular and plural, heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, wherever the context so admits or requires.)

Witnesseth, That the said first party, for and in consideration of the sum of \$10.00---- in hand paid by the said second party, the receipt whereof is hereby acknowledged, does hereby remise, release and quit-claim unto the said second party forever, all the right, title, interest, claim and demand which the said first party has in and to the following described lot, piece or parcel of land, situate, lying and being in the County of Marion State of Florida to-wit:

Tract "A"; BELLEAIR SUBDIVISION, as per plat thereof recorded in Plat Book T, pages 77 & 78, Public Records of Marion County, Florida

BY Francis E. Shippin D.C.
B. Jack
88-070142

RECORDED AND RECORD VERIFIED
MARION COUNTY, FL

1988 NOV 22 AM 10:21

MARION COUNTY 228052
STATE OF FLORIDA DOCUMENTARY STAMP TAX
DEPT. OF REVENUE
NOV 22 '88
00.55

To Have and to Hold the same together with all and singular the appurtenances thereunto belonging or in anywise appertaining, and all the estate, right, title, interest, lien, equity and claim whatsoever of the said first party, either in law or equity, to the only proper use, benefit and behoof of the said second party forever.

In Witness Whereof, The said first party has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in presence of:

[Signature]

W.M. PALMER COMPANY, a Florida Corporation as Trustee

[Signature]

By: W.M. Palmer, Jr., President

STATE OF FLORIDA, COUNTY OF Marion

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State aforesaid and in the County aforesaid to take acknowledgments, personally appeared W.M. Palmer, Jr., President of W.M. Palmer Company

to me known to be the person described in and who executed the foregoing instrument and he acknowledged before me that he executed the same.

WITNESS my hand and official seal in the County and State last aforesaid this 9th day of August A. D. 1982.

[Signature]

Notary Public, State of Florida at large
My Commission Expires Sept. 6, 1982
Bonded By American Fire & Casualty Company

This Instrument prepared by:
Address

Law Office of
Margaret Palmer
P O Box 184

BK1680 101397

RETURN TO:
ASSOCIATED LANDS

executive line

This Instrument Prepared by:
Becky Bryant-Connolly, An Officer of
Associated Land Title Group, Inc.
P.O. Box 938, Ocala, Florida
For Purposes of Title Ins.
File #410-31470
Parcel ID# 15812-000-00

This Indenture,

(The terms "grantor" and "grantee" herein shall be construed to include all genders and singular or plural as the context indicates.)

Made this 17th day of August 1990, Between

Edward Keith Seyler, Individually and as Trustee
of the County of Marion, State of Florida, grantor, and
Ocala Oaks Utilities, Inc. (SS#:

whose post-office address is 1343 NE 17th Road, Ocala, Florida 32670, grantee.
of the County of Marion, State of Florida

Witnesseth: That said grantor, for and in consideration of the sum of Ten (\$10.00) Dollars, and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said grantee, and grantee's heirs, successors and assigns forever, the following described land, situate, lying and being in Marion County, Florida, to-wit:

Tract A, TANGLEWOODS, Unit 1, according to plat thereof, recorded in Plat Book 1, Pages 161 through 163, Public Records of Marion County, Florida.

~~Subject to easements and restrictions of record, if any, which are specifically not extended or reimposed hereby.~~ Subject to 1990 taxes and assessments.

GRANTOR HEREIN AFFIRMS ABOVE DESCRIBED PROPERTY NOT HOMESTEAD.

Subject to Easements, Limitations, regulations and restrictions as shown on plat recorded in Plat Book 1, Pages 161 through 163.

Subject to Covenant recorded in Official Records Book 1675, Page 703

Subject to agreement recorded in Official Records Book 1675, Page 706

Subject to Declaration of Restrictive Covenants and Conditions recorded in Official records Book 1675, Page 709

and said grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

In Witness Whereof, Grantor has hereunto set grantor's hand and seal the day and year first above written. Signed, sealed and delivered in our presence:

Becky Bryant
Becky Bryant
Proprietor Street

Edward Keith Seyler (Seal)
Edward Keith Seyler (Seal)

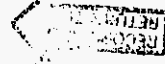
STATE OF Florida
COUNTY OF Marion
I HEREBY CERTIFY that on this day before me, an officer duly qualified to take acknowledgments, personally appeared Edward Keith Seyler, Individually and as Trustee

to me known to be the person(s) described in and who executed the foregoing instrument and acknowledged before me the execution of same.
WITNESS my hand and official seal in the County and State last aforesaid this 17th day of August

RECORDED AND RECORD VERIFIED
MARION COUNTY Y.FL
90 AUG 29 PM 2:56
BY *B. Bryant* DC
90-055295

1990 STATE OF FLORIDA DOCUMENTARY STAMP TAX DEPT. OF REVENUE
AUG 29 '90 110.00

Becky Bryant
Notary Public
My commission expires: BECKY BRYANT



This Indenture

Whereas used herein, the term "party" shall include the heirs, personal representatives, successors and/or assigns of the respective parties hereto; the use of the singular number shall include the plural, and the plural the singular; the use of any gender shall include all genders; and, if used, the term "note" shall include all the notes herein described if more than one

Made this 30th day of July A. D. 19 82
Between

CONTINENTAL DEVELOPMENT CORP. OF OCALA

MARION and State of FLORIDA, of the County of
party of the first part,

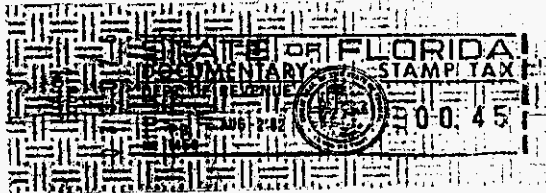
and

OCALA OAKS UTILITIES, INC.
1255 NE 17th Rd., Ocala, FL 32670

MARION and State of FLORIDA, of the County of
party of the second part,

Witnesseth, that the said party of the first part, for and in consideration of the sum of TEN AND NO/100 Dollars, in hand paid by the said party of the second part, the receipt whereof is hereby acknowledged, has remised, released and quitclaimed, and by these presents does remise, release and quitclaim unto the said party of the second part all the right, title, interest claim and demand which the said party of the first part has in and to the following described lot, piece or parcel of land, situate lying and being in the County of MARION State of Florida, to wit:

Lot 5, Block "B", CHAPPELL HILLS, as per plat thereof recorded in Plat Book "U", Page 72, public records of Marion County, Florida.



RECORDED AND INDEXED
AUG 2 10 53 AM
MARION COUNTY, FLORIDA

To Have and to Hold the same, together with all and singular the appurtenances thereunto belonging or in anywise appertaining, and all the estate, right, title, interest and claim whatsoever of the said party of the first part, either in law or equity, to the only proper use, benefit and behoof of the said party of the second part.

In Witness Whereof, the said party of the first part has hereunto set his hand and seal the day and year first above written.

Signed, Sealed and Delivered in Our Presence:

Charles R. Ferm
William V. Chappell, III

CONTINENTAL DEVELOPMENT CORP.
OF OCALA

By *Wm V. Chappell, III*
WILLIAM V. CHAPPELL, III
President

State of Florida,
County of MARION

I HEREBY CERTIFY, That on this day personally appeared before me, an officer duly authorized to administer oaths and take acknowledgments,

WILLIAM V. CHAPPELL, III as President of CONTINENTAL DEVELOPMENT CORP.
OF OCALA

to me well known to be the person described in and who executed the foregoing instrument and he acknowledged before me that he executed the same freely and voluntarily for the purposes therein expressed.

WITNESS my hand and official seal at Ocala
County of Marion, and State of Florida, this 30th
day of July A. D. 19 82

William V. Chappell, III
Notary Public
My Commission Expires April 27, 1983

7.00
40
7.40

Return

This Instrument Was Prepared By:
MARY B. STEDDOM
of O'Neill and Steddom, Attorneys
P. O. Box 253, Ocala, Florida 32670

executive line
80-018663

This Indenture,

O.R. BOOK 1020 PAGE 0824

Made this 16 day of May, A. D. 1980,

Between, OCALA OAKS, INC.

a corporation existing under the laws of the State of Florida
having its principal place of business in the County of Marion and
State of Florida party of the first part, and

HAROLD ELLZEY, 1319 N. E. 17th Road, Ocala 32671

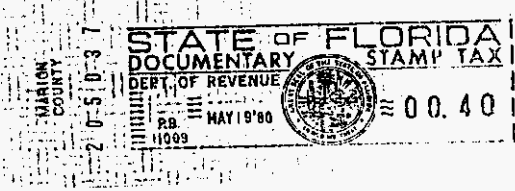
of the County of Marion and State of Florida
party of the second part,

Witnesseth. That the said party of the first part, for and in consideration of the sum of TEN AND NO/100 (\$10.00)----- Dollars, to it in hand paid, the receipt whereof is hereby acknowledged, has granted, bargained, sold, aliened, remised, released, conveyed and confirmed, and by these presents doth grant, bargain, sell, alien, remise, release, convey and confirm unto the said party of the second part, and his heirs and assigns forever, all that certain parcel of land lying and being in the County of Marion and State of Florida, more particularly described as follows:

Tract A of OCALA OAKS SUBDIVISION, per plat thereof recorded in Plat Book "S", pages 123, 124 and 125, (well sit), public records of Marion County, Florida.

SUBJECT TO taxes for 1980 and subsequent years.

SUBJECT TO Restrictive and Protective Covenants as recorded in Official Records Book 907, page 444, as amended in Official Records Book 911, page 342, as further amended in Official Records Book 946, page 324, public records of Marion County, Florida.



RECORD AND RECORDS
CLERK
MAY 19 5 50 PM '80
MARION COUNTY, FLA

Together with all the tenements, hereditaments and appurtenances, with every privilege, right, title, interest and estate, reversion, remainder and easement thereto belonging or in anywise appertaining:

To Have and to Hold the same in fee simple forever.

And the said party of the first part doth covenant with the said part of the second part that it is lawfully seized of the said premises; that they are free of all incumbrances, and that it has good right and lawful authority to sell the same; and the said party of the first part does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

In Witness Whereof, the said party of the first part has caused these presents to be signed in its name by its President, and its corporate seal to be affixed, attested by its Secretary the day and year above written. OCALA OAKS, INC., a Florida corporation



Attest: *[Signature]*

By *[Signature]* President.

Signed, Sealed and Delivered in Our Presence:
[Signature]
[Signature]

62
11.75

83-004041
WARRANTY DEED
FROM CORPORATION TO CORP.

RAMCO FORM 334

O.R. BOOK 1142 PAGE 1506

This Warranty Deed Made and executed the 22nd day of November A. D. 1982 by

Belleview Hills Development Corp.
a corporation existing under the laws of Florida, and having its principal place of
business at 1220 Douglas Av., Longwood, Florida 32750
hereinafter called the grantor, to

Ocala Oaks Utilities, Inc.
a corporation existing under the laws of the State of Florida, with its permanent postoffice
address at 1255 N.E. 17th Rd., Ocala, Florida 32670
hereinafter called the grantee:

(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and
the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth: That the grantor, for and in consideration of the sum of \$ and other
valuable considerations, receipt whereof is hereby acknowledged, by these presents does grant, bargain, sell,
alien, remise, release, convey and confirm unto the grantee, all that certain land situate in
County, Florida, viz:

Tract E WestView Subdivision as recorded in Plat Book U,
Page 58 of the Public Records of Marion County, Florida

Subject to restrictions and easements of record, if any, however, this reference shall not be operated to reimpose
the same.



Nancy J. Davis

Together with all the tenements, hereditaments and appurtenances thereto belonging or in any-
wise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that it is lawfully seized of said land in fee
simple; that it has good right and lawful authority to sell and convey said land; that it hereby fully war-
rants the title to said land and will defend the same against the lawful claims of all persons whomsoever;
and that said land is free of all encumbrances

In Witness Whereof

(CORPORATE SEAL)

the grantor has caused these presents to
be executed in its name, and its corporate seal to be hereunto affixed, by its
proper officers thereunto duly authorized, the day and year first above written.

ATTEST: *William W. Austin*
William W. Austin Secretary

Belleview Hills Development Corp.

Signed, sealed and delivered in the presence of:

Susan P. Walwick

By *M. Anne Schryver*
M. Anne Schryver President

STATE OF Florida
COUNTY OF Seminole }

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments,
personally appeared M. Anne Schryver and William W. Austin

well known to me to be the President and Vice President/Secy respectively of the corporation named as grantor
in the foregoing deed, and that they severally acknowledged executing the same in the presence of two subscribing witnesses freely and voluntarily
under authority duly vested in them by said corporation and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 22nd day of November, A. D. 1982.

Susan Larnell

This instrument prepared by:
Address

William W. Austin
1220 Douglas Av.
Longwood, FL 32750

NOTARY PUBLIC, STATE OF FLORIDA AT
MY COMMISSION EXPIRES APR. 29, 1986
BONDED THROUGH MURKIN-ASHTON, INC.

600 R
84 road
W1504

FRANCES E. TH1
FILE: 95014219
03/06/95 16:23
OR BOOK/PAGE: 2118/940
MARION COUNTY -
M Alexander DC.

WARRANTY DEED

THIS INDENTURE, Made the 24th day of February 19 95 , Between

A.D.

L. E. DLOUHY

whose mailing address is

P. O. Box 186, Ocala, FL 34478

hereinafter called the grantor*, and

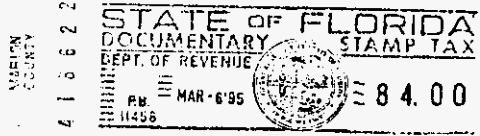
OCALA OAKS UTILITIES, INC., a Florida corporation

whose mailing address is

1343 NE 17th Road, Ocala, FL 34470

Grantees' SSN

hereinafter called the grantee*



WITNESSETH, That said grantor, for and in consideration of the sum of ten and no/100----- Dollars, and other good and valuable consideration to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in Marion County, Florida, to-wit:

Lot 1, Block B of RIDGE MEADOWS, as per plat thereof recorded in Plat Book U, page 70 of the Public Records of Marion County, Florida.

Subject to Restrictions, Reservations and Easements as shown on the plat of the subject subdivision; Declaration of Restrictive Covenants as recorded in Official Records Book 1159, page 532; Cable Television Service Agreement and Easement as recorded in Official Records Book 1237, page 218, Assignment of Rights as shown in Official Records Book 1317, page 294, Official Records Book 1378, page 274 and Official Records Book 1378, page 277; Covenant to the Board of County Commissioners of Marion County, Florida, as recorded in Official Records Book 1079, page 950; and taxes for the year 1995 and subsequent years.

RE
RET.

The Grantor certifies that the above described lands are not the homestead of the Grantor, that no member of the Grantor's family resides thereon and that it does not adjoin the homestead of the Grantor or any property upon which a member of the Grantor's family resides.

Parcel Identification Number: 2164-002-001

and said grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever. *Grantor and grantee are used for singular or plural as context requires.

IN WITNESS WHEREOF, Grantor has hereunto set grantor's hand and seal the day and year first above written.

Signed, sealed and delivered in our presence as witnesses:

Name: Shep Dozier

[Signature] (SEAL)
L. E. DLOUHY
PO Box 4201
Ocala, FL 34478

Name: Joyce L. Henry

(SEAL)

STATE OF FLORIDA, COUNTY OF MARION.

The foregoing instrument was acknowledged before me this 24 day of February, 1995.

by L. E. DLOUHY

who is/are personally known to me (X) or who produced as identification ().

NOTARY SEAL
This Instrument prepared by
G. Sheppard W. Dozier
9 NE 12th Avenue
Ocala, Fla. 34470

[Signature]
Notary Public - State of Florida at Large
G. Sheppard W. Dozier
My Commission Expires
OFFICIAL NOTARY SEAL
G. SHEPPARD W. DOZIER
NOTARY PUBLIC STATE OF FLORIDA
COMMISSION NO. CC343451
MY COMMISSION EXP. FEB. 20, 1998

EXHIBIT "E"

TARIFFS ARE LOCATED IN THE ORIGINAL APPLICATION

EXHIBIT "F"

WILL BE LATE FILED

(Affidavit of Notice to Utilities, Governmental
Bodies, Agencies or Municipalities)

EXHIBIT "G"

WILL BE LATE FILED

(Affidavit of Notice to Customers)

EXHIBIT "H"

WILL BE LATE FILED

(Affidavit of Newspaper Publication)

981907-WV

WATER TARIFF

OCALA OAKS UTILITIES, INC.

FILED WITH

FLORIDA PUBLIC SERVICE COMMISSION

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 1.0
CANCELS ORIGINAL SHEET NO. 1.0

WATER TARIFF

OCALA OAKS UTILITIES, INC.
NAME OF COMPANY

(ADDRESS OF COMPANY)

(Business & Emergency Telephone Numbers)

FILED WITH
FLORIDA PUBLIC SERVICE COMMISSION

ROY H. MOORE
ISSUING OFFICER
PRESIDENT
TITLE

WATER TARIFF

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	Sheet Number
Territory Served.....	3.0 - 3.14
Miscellaneous.....	4.0
Technical Terms and Abbreviations.....	5.0
Index of Rules and Regulations.....	6.0 - 7.0
Rules and Regulations.....	8.0 - 15.0
Index of Rate Schedules.....	16.0
Rate Schedules.....	17.0 - 21.0
Index of Standard Forms.....	22.0
Standard Forms.....	23.0 - 26.0
Index of Service Availability.....	27.0
Service Availability.....	28.0 - 29.0
Contracts and Agreements.....	There are no contracts at the date of original issue or (Submit Contracts)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

SERVICE AVAILABILITY POLICY

The Utility provides water service to a residential area.

The cost of transmission and distribution lines must be 100% contributed by Developer.

A Meter Installation Fee of \$100.00 and a Plant Capacity Fee of \$430.00 is also charged to new customers of the system to offset the cost of the meter, meter box, and plant capacity expenses. This fee must be paid in full before the meter can be installed.

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

Ocala Oaks Utilities, Inc.
Water Tariff

Third Revised Sheet No. 29.0
Cancels Second Revised Sheet No. 29.0

SCHEDULE OF FEES AND CHARGES

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SHEET NO./RULE NO.</u>
Main Extension Charge Explained on Sheet No. 28.0		28.0
Meter Installation Fee 5/8" x 3/4" Over 5/8" x 3/4"	\$ 100.00 Actual Cost	28.0
Plant Capacity Charge (per ERC)	\$ 430.00	28.0

EFFECTIVE DATE -

TYPE OF FILING - Transfer of Majority Organizational Control

ROY H. MOORE
ISSUING OFFICER
PRESIDENT
TITLE

TERRITORY SERVED

CERTIFICATE NUMBER - 364-W

COUNTY - Marion

COMMISSION ORDER(S) APPROVING TERRITORY SERVED -

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
10471	12/23/81	810470-W	Original
12455	9/07/83	830283-W	Amendment
14000	1/13/85	840107-WU	Amendment
14178	3/14/85	850047-WU	Amendment
14474	6/17/85	850119-WU	Amendment
15294	10/24/84	850449-WU	Amendment
16487	8/19/86	860923-WU	Amendment
PSC-93-0343-FOF-WU	3/08/93	921071-WU	Amendment
PSC-94-0988-FOF-WU	8/15/94	930950-WU	Amendment

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

DESCRIPTION OF TERRITORY SERVED

Order No. 10471

Township 14 South Range 22E

Ocala Oaks

The SW $\frac{1}{4}$ of the NE $\frac{1}{4}$ and the NW $\frac{1}{4}$ of the SE $\frac{1}{4}$; and the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$, except the West 724.00 and except the North 130' of the South 155' of the East 85' and except the South 25' for road right-of-way; all being in Section 33 - Township 14 S Range 22 E, Marion County, Florida; and also

WRIGHT HEIGHTS

The SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 33, Township 14 S, Range 22 E and also

SUGAR HILLS

The SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 34, Township 14 S, Range 22 E, except for road right-of-way and also

SUGAR HILLS - 1ST ADDITION

East $\frac{1}{2}$ of the East $\frac{1}{2}$ of the NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 33, Township 14 S, Range 22 East, except the East 25' for road thereof; and except the North 175' thereof, lying and being situate in Marion County, Florida.

Township 15 South Range 22E

WOODLAND PLACE

The East $\frac{1}{2}$ of the SW $\frac{1}{4}$ of Section 33, Township 15 South, Range 22 East, Marion County, Florida, except the S 30'; and the N 480' of the S 660' of the E 280'; and the N 480' of the S 660' of the W 140' of the E 480'; and including the E $\frac{1}{2}$ of the NE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of the SW $\frac{1}{4}$ except the W 40' thereof and also

BELLEAIR

The NE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 25, Township 15 South, Range 22 East Marion County, Florida and also

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 3.1)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

PINE OAK

West Half (W $\frac{1}{2}$) of Southwest Quarter (SW $\frac{1}{4}$) of Southeast Quarter (SE $\frac{1}{4}$) of Southwest Quarter (SW $\frac{1}{4}$) of Section 24, Township 15 South, Range 22 East, containing five acres, more or less.

TOWNSHIP 17 SOUTH, RANGE 22 E
FAIRFAX

The West $\frac{1}{2}$ of the East $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 14, Township 17 South, Range 22 East, except the West $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and except the NW $\frac{1}{4}$ of the NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ and also

FAIRFAX NORTH

The NW $\frac{1}{4}$ of the NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 14, Township 17 South, Range 22 East, Marion County, Florida, and containing 10.06 acres more or less and also

MARION HILLS

E $\frac{1}{2}$ of W $\frac{1}{2}$ of NE $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 13, Township 17 South, Range 22 East, less N 25' for R/W all being in Marion County, Florida.

TOWNSHIP 16 SOUTH, RANGE 23 E

BELLEVIEW HILLS

The West $\frac{1}{2}$ of the NW $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 3, Township 17 South, Range 23 East and commencing at the North $\frac{1}{4}$ Corner of said Section 3, thence proceed East along the North boundary of said Section 3, 266.98' for the Point of Beginning; thence North 462.65' to the Southerly R/W of Alternate U.S. 27 - 441 (State Highway 25); thence along said Southerly right-of-way, 347.93'; thence departing from said right-of-way S 00°36'36" W, 348.44'; thence West, 330.00' to the Point of Beginning, being in Section 34, Township 16 South, Range 23 East.

(Continued to Sheet No. 3.3)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 3.2)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

TOWNSHIP 14 SOUTH, RANGE 22E

CHAPPEL HILLS

The North $\frac{1}{2}$ of the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ Section 28, Township 14 South, Range 22 E, Marion County, Florida EXCEPT Road right-of-way.

TOWNSHIP 15 SOUTH, RANGE 21E

RIDGE MEADOWS

The East $\frac{1}{2}$ of the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 9, Township 15 South, Range 21 E, Marion County, Florida.

TOWNSHIP 14 SOUTH, RANGE 21E

WESTVIEW

The SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 36, Township 14 South, Range 21 East; except the South 466.69' of the West 466.69'; and except the South 25' for road right-of-way; and except the South 298' of the East 298'; and except the West 343.5' of the East 641.5'; and except the North 295.16' of the South 761.85' of the West 295.16'; and except the South 660' of the North 810' of the East 330' and except the North 298.5' of the South 1060.35' of the West 298.5'; and except the North 100' of the West 460.60'; and except the South 105.24' of the North 255.24' of the West 460.60'.

(Continued to Sheet No. 3.4)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 3.4
CANCELS ORIGINAL SHEET NO. 3.4

(Continued from Sheet No. 3.3)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. 12455

Township 14 South, Range 21 East

Section 36

The South 467 feet of the West 467 feet of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of said Section 36.

(Continued to Sheet No. 3.5)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 3.4)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. 14000

Township 15 South, Range 22 East

Section 24

The South $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of said Section 24.

Section 25.

That portion of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 25 more particularly described as follows:

Begin at the Northeast corner of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 25, thence South $00^{\circ}02'00''$ East along the East boundary a distance of 25 feet, then South $89^{\circ}53'35''$ West a distance of 105 feet, thence North $34^{\circ}16'20''$ West a distance of 30 feet to the North boundary, thence North $90^{\circ}53'35''$ East along the North boundary a distance of 122 feet to the Point of Beginning.

and

Begin at the Northwest corner of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 25, thence North $89^{\circ}53'35''$ East along the North boundary a distance of 65 feet, then South $30^{\circ}23'41''$ West a distance of 128 feet to the West boundary, thence North $00^{\circ}12'41''$ West along the West boundary 110 feet to the Point of Beginning.

(Continued to Sheet No. 3.6)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 3.6
CANCELS ORIGINAL SHEET NO. 3.6

(Continued from Sheet No. 3.5)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. 14178

Township 17 South, Range 23 East

Section 3

The East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 3.

Township 16 South, Range 23 East

Section 34

Commence at the South $\frac{1}{4}$ corner of said Section 34; thence along the South line of said section run North $89^{\circ}54'00''$ East a distance of 696.58 feet to the Point of Beginning; thence North $00^{\circ}36'36''$ East a distance of 313.77 feet to a point on the South R-O-W line of Old U.S. Highway 441 (100 foot r-o-w); thence along said R-O-W South $70^{\circ}54'06''$ East a distance of 210.87 feet; thence South $00^{\circ}36'36''$ West a distance of 244.42 feet to a point on the South line of said Section 34; thence along said South line South $89^{\circ}54'00''$ West a distance of 200 feet to the Point of Beginning.

(Continued to Sheet No. 3.7)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 3.7
CANCELS ORIGINAL SHEET NO. 3.7

(Continued from Sheet No. 3.6)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. 14474

TOWNSHIP 14 SOUTH, RANGE 22 EAST

Section 33

The Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ LESS AND EXCEPT the South 660 feet of the East 480 feet of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$, and the South 30 feet thereof.

(Continued to Sheet No. 3.8)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 3.7)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. 15294

Township 15 South, Range 22 East
Section 24

Commence at the SE corner of the SW $\frac{1}{4}$ of said Section 24; thence North $00^{\circ}12'00''$ West long the East boundary of the SW $\frac{1}{4}$, 317.19 feet, said bearing of East boundary also being described as "N. $00^{\circ}46'09''$ E." in the O.R. Book 1097, page 738 and O.R. Book 1093, page 621; thence S. $88^{\circ}45'27''$ W., 666.01 feet to the West boundary of the S.E. $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of said Section 24; said bearing also being described as "S. $89^{\circ}43'36''$ W." in O.R. Book 1097, page 738 and O.R. Book 1093, page 621; thence S. $00^{\circ}04'51''$ E., along the West boundary of said S.E. $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$, 303.40 feet to the Southwest corner thereof; thence N. $89^{\circ}56'39''$ E. along the South boundary of the aforementioned SE $\frac{1}{4}$ of SE $\frac{1}{4}$ of S.W. $\frac{1}{4}$, 666.53 feet to the Point of Beginning.
Containing 4.746 acres

Township 16 South Range 23 East

Section 34

The SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of said Section 34, lying South of SE County Road No. C-25;
LESS the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ thereof.

(Continued to Sheet No. 3.9)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 3.9
CANCELS ORIGINAL SHEET NO. 3.9

(Continued from Sheet No. 3.8)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. 16487

East $\frac{1}{2}$ of the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 24, Township 15 South, Range 22 East; except the West 264 feet of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of SE $\frac{1}{4}$ of SW $\frac{1}{4}$, Section 24, Township 15 South, Range 22 East, Marion County, Florida.

and

the West 264 feet of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$, Section 24, Township 15 South, Range 22 East

and East $\frac{1}{2}$ of the NW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of SW $\frac{1}{4}$ and North $\frac{1}{2}$ of the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$, lying in Section 24, Township 15 South, Range 22 East, and containing ten (10) acres.

(Continued to Sheet No. 3.10)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 3.9)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. 22978

Township 14 South, Range 22 East, Section 33

For the point of reference commence at the Northeast corner of the Southwest $\frac{1}{4}$ of Section 33, Township 14 South, Range 22 East; thence S $00^{\circ}01'54''$ W along the West boundary of Ocala Oaks Unit 2 (PB. "T", PG. 76) 1159.79 feet to the North boundary of Woodland Place (PB "U", PG 2); thence along said North boundary of Woodland Place S $89^{\circ}57'02''$ W, 185.04 feet; thence S $00^{\circ}04'07''$ W, 3.84 feet; thence S $89^{\circ}56'29''$ W, 388.00 feet; thence S $00^{\circ}04'07''$ W, 125.00 feet to the North right-of-way of Northeast 38th Place (60'R/W); thence along said right-of-way S $89^{\circ}56'29''$ W, 755.06 feet to a point on the East boundary of McCoy's Subdivision (unrecorded) thence along said east boundary of McCoy's Subdivision N $00^{\circ}01'52''$ E, 1289.15 feet to Northeast corner of Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said Section 33, Township 14 South, Range 22 East; thence along said North boundary line N $89^{\circ}57'53''$ E, 1328.23 feet to the point of beginning.

and

The East $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 33, Township 14 South, Range 22 East, Marion County, Florida.

Containing 57.77 acres more or less.

(Continued to Sheet No. 3.11)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 3.10)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. PSC-93-0343-FOF-WU

AREA A

Township 14 South, Range 22 East In Section 32 and 33

For a Point of Reference commence at the Southeast corner of the Northeast $\frac{1}{4}$ of Section 32, Township 14 South, Range 22 East; thence along East boundary of said Section 32 North $00^{\circ}00'39''$ West, 661.29 feet to the Point of Beginning (POB); thence continue North $00^{\circ}00'39''$ West, 661.29 feet to the Northeast corner of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 32; thence along the north boundary of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ South $89^{\circ}53'53''$ West, 162.97 feet to a Point on the Easterly Right-of-Way of Alternative U.S. Highway 301 (100' R/W); thence along said Right-of-Way South $13^{\circ}49'41''$ West, 680.83 feet; thence North $89^{\circ}58'58''$ East, 325.82 feet to the P.O.B. containing 3.71 acres more or less. And the West $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 33. Containing 5.04 acres more or less.

AREA B

Township 14 South, Range 22 East In Section 33

The West 626 feet of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$.

(Continued to Sheet No. 3.12)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 3.11)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. PSC-93-0343-FOF-WU

AREA C

Township 14 South, Range 22 East In Section 32 and 33

Commence at the Southeast corner of the Northeast $\frac{1}{4}$ of Section 32, Township 14 South, Range 22 East; thence due North 661.29; thence due West 325.82 feet to the Easterly Right-of-Way of Alternative U.S. Highway 301 (100' R/W); thence South $13^{\circ}35'39''$ West 680.49 feet; thence due East 485.89 feet to the Point of Commencement. And the Southwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 33, Township 14 South, Range 22 East.

AREA D

Township 14 South, Range 22 East In Section 33

For a Point of Reference commence at the Southeast corner of the West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 33, Township 14 South, Range 22 East; thence North $00^{\circ}03'19''$ East along the East boundary of the West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 33, 30.00 feet to a Point on the North Right-of-Way of NE 42nd Street (60' R/W) and the Point of Beginning (P.O.B.); thence continue along said East boundary North $00^{\circ}03'19''$ East, 298.93 feet; thence depart from said boundary South $89^{\circ}56'36''$ West, 129.33 feet; thence North $00^{\circ}01'58''$ East, 270.00 feet; thence North $89^{\circ}56'36''$ East, 129.43 feet to a Point on the Aforementioned East Boundary; thence North $00^{\circ}03'19''$ East, 61.73 feet to the Northeast corner of the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ the Northwest $\frac{1}{4}$ of said Section 33; thence South $89^{\circ}58'58''$ West, 1,328.74 feet to the Northwest corner of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of said Section 33; thence South $00^{\circ}00'40''$ West along the West boundary of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of said Section 33, 631.08 feet to a Point on the North Right-of-Way of N.E. 42nd Street (60'R/W); thence North $89^{\circ}57'53''$ East, along said North Right-of-Way, 1,328.26 feet to the P.O.B.

(Continued to Sheet No. 3.13)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 3.13
CANCELS ORIGINAL SHEET NO. 3.13

(Continued from Sheet No. 3.12)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. PSC-93-0343-FOF-WU

AREA E

Township 14 South, Range 22 East In Section 33

For the Point of Beginning (P.O.B.) commence at the Northwest corner of the Southwest $\frac{1}{4}$ of Section 33, Township 14 South, Range 22 East, Marion County, Florida; thence along the West boundary of Section 33, Township 14 South, Range 22 East South $00^{\circ}01'47''$ West, 992.10 feet to the North Right-of-Way of Northeast 39th Street (50' R/W); thence along said North Right-of-Way North $89^{\circ}56'49''$ East, 996.15 feet to the West boundary of McCoys Subdivision Unrecorded; thence along said West boundary North $00^{\circ}01'51''$ East, 991.79 feet to the North boundary line of the Southwest $\frac{1}{4}$, Section 33, Township 14 South, Range 22 East; thence along said North boundary South $89^{\circ}57'53''$ West, 996.17 feet to the P.O.B.

(Continued to Sheet No. 3.14)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 3.14
CANCELS ORIGINAL SHEET NO. 3.14

(Continued from Sheet No. 3.13)

DESCRIPTION OF TERRITORY SERVED, CONTINUED

Order No. PSC-94-0988-FOF-WU

That part of the South $\frac{1}{2}$ of NW $\frac{1}{4}$ of NE $\frac{1}{4}$ lying West of U.S. Highway No. 301, and the NW $\frac{1}{4}$ except the East 348.50 feet of the South 1017.50 feet thereof and except the East 525.00 feet of the West 1016.25 feet of the South 210.00 feet thereof, all being in the Section 18, Township 17 South, Range 23 East, Marion County, Florida.

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

THIRD REVISED SHEET NO. 4.0
CANCELS SECOND REVISED SHEET NO. 4.0

MISCELLANEOUS

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

- 1.0 "COMPANY" - Ocala Oaks Utilities, Inc.
- 2.0 "CONSUMER" - Any person, firm, association, corporation, governmental agency or similar organization supplied with water service by the Company.
- 3.0 "SERVICE" - Service, as mentioned in this tariff and in agreement with customers, shall be construed to include, in addition to all water service required by the customer the readiness and ability on the part of the Company to furnish water service to the customer. Service shall conform to the standards set forth in Section 367.111 of the Florida Statutes.
- 4.0 "CUSTOMER'S INSTALLATION" - All pipes, shut-offs, valves, fixtures and appliances or apparatus of every kind and nature used in connection with or forming a part of an installation for utilizing water for any purpose ordinarily located on the customer's side of "Point of Delivery", whether such installation is owned by customer, or used by consumer under lease or otherwise.
- 5.0 "POINT OF DELIVERY" - The point where the Company's pipes or meters are connected with pipes of the customer.
- 6.0 "MAIN" - Shall refer to a pipe, conduit, or other facility installed to convey water service to individual service lines or to other mains.
- 7.0 "SERVICE LINES" - The pipe of the Company which are connected from the mains to the Point of Delivery.
- 8.0 "RATE SCHEDULE" - Refers to rates or charges for the particular classification of service.
- 9.0 "COMMISSION" - "Commission" refers to the Florida Public Service Commission.
- 10.0 "CERTIFICATE" - Means the Water Certificate issued to the Company by the Commission.
- 11.0 "CUSTOMER" - Means the person, firm, partnership, corporation or other entity who has entered into an agreement to receive water service from the Company and who is liable for the payment of that water service.

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

INDEX OF RULES AND REGULATIONS

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ROY H. MOORE
 ISSUING OFFICER

PRESIDENT
 TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

SECOND REVISED SHEET NO. 7.0
CANCELS FIRST REVISED SHEET NO. 7.0

(Continued from Sheet No. 6.0)

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ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

RULES AND REGULATIONS

1.0 POLICY DISPUTE - Any dispute between the Company and the customer or prospective customer regarding the meaning or application of any provision of this tariff shall upon written request by either party be resolved by the Florida Public Service Commission.

2.0 GENERAL INFORMATION - The Company's Rules and Regulations, insofar as they are inconsistent with any Statute, Law, Rule or Commission Order shall be null and void. These Rules and Regulations are a part of the rate schedules, applications and contracts of the Company and, in the absence of specific written agreement to the contrary, they apply without modifications or change to each and every customer to whom the Company renders water service.

In the event that a portion of these Rules and Regulations are declared unconstitutional or void for any reason by any court of competent jurisdiction, such decision shall in no way affect the validity of the remaining portions of the Rules and Regulations for water service unless such court order or decision shall so direct.

The Company shall provide to all customers requiring such service within the territory described in its certificate upon such terms as are set forth in this tariff.

3.0 SIGNED APPLICATION REQUIRED - Water service is furnished only after a signed application or agreement accepted by the Company and the conditions of such application or agreements are binding upon the customer as well as upon the Company. A copy of the application or agreement for water service accepted by the Company will be furnished to the applicant on request.

The applicant shall furnish to the Company the correct name and street address or lot and block number at which water service is to be rendered.

4.0 APPLICATIONS BY AGENTS - Applications for water service requested by firms, partnerships, association, corporations, and others shall be rendered only by duly authorized parties. When water service is rendered under agreement or agreements entered into between the Company and an agent of the principal, the use of such water service by the principal shall constitute full and complete ratification by the principal of the agreement or agreements entered into between the agent and the Company and under which such water service is rendered.

(Continued to Sheet No. 8.0)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 8.0)

- 5.0 WITHHOLDING SERVICE - The Company may withhold or discontinue water service rendered under application made by any member or agent of a household, organization, or business unless all prior indebtedness to the Company of such household, organization, or business for water service has been settled in full.

Service may also be discontinued for any violation made by the Customer or Consumer of any rule or regulation set forth in this tariff.

- 6.0 EXTENSIONS - Extensions will be made to the Company's facilities in compliance with Commission Rules/Orders/Tariffs issued by the Commission.

- 7.0 LIMITATION OF USE - Water service purchased from the Company shall be used by the Customer only for the purposes specified in the application for water service and the customer shall not sell or otherwise dispose of such water service supplied by the Company. Water service furnished to the customer shall be rendered directly to the customer through the Company's individual meter and may not be remetered by the customer for the purpose of selling or otherwise disposing of water service to lessees, tenants or others and under no circumstances shall the customer or customer's agents or any other individual, association or corporation install meters for the purpose of so remetering said water service. In no case shall a customer, except with the written consent of the Company, extend his lines across a street, alley, lane, court, property line, avenue, or other way in order to furnish water service to the adjacent property through one meter even though such adjacent property may be owned by him. In case of such unauthorized extension, remetering, sale, or disposition of service, the customer's water service will be subject to discontinuance until such unauthorized extension, remetering, sale or disposition of service is discontinued and full payment is made to the Company for water service rendered by the Company (calculated on proper classification and rate schedules) and until reimbursement in full is made in full to the Company for all extra expenses incurred for clerical work, testing, and inspections.

- 8.0 CONTINUITY OF SERVICE - The Company will at all times use reasonable diligence to provide continuous water service and, having used reasonable diligence, shall not be liable to the customer for failure or interruption of continuous water service. The Company shall not be liable for any act or omission caused directly or indirectly by strikes, labor troubles, accidents, litigations, breakdowns, shutdowns for emergency repairs, or adjustment, acts of sabotage, enemies of the United States, Wars, United States, State, Municipal or other governmental interference, acts of God or other causes beyond its control.

(Continued to Sheet No. 10.0)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 9.0)

If at any time the Company shall interrupt or discontinue its service, all customers affected by said interruption or discontinuance shall be given not less than 24 hours written notice in accordance with Rule 25-30.250, Florida Administrative Code.

- 9.0 TYPE AND MAINTENANCE - The customer's pipes, apparatus and equipment shall be selected, installed, used and maintained in accordance with standard practice, conforming with the Rules and Regulations of the Company and in full compliance with all Laws and Governmental Regulations applicable to same. The Company shall not be responsible for the maintenance and operation of the customer's pipes and facilities. The customer expressly agrees not to utilize any appliance or device which is not properly constructed, controlled and protected, or which may adversely affect the water service; and the Company reserves the right to discontinue or withhold water service to such apparatus or device.
- 10.0 CHANGE OF CUSTOMER'S INSTALLATION - No changes or increases in the customer's installation, which will materially affect the proper operation of the pipes, mains, or stations of the Company, shall be made without written consent of the Company. The customer shall be liable for any change resulting from a violation of this Rule.
- 11.0 INSPECTION OF CUSTOMER'S INSTALLATION - All customer's water service installations or changes shall be inspected upon completion by a competent authority to ensure that the customer's piping, equipment, and devices have been installed in accordance with accepted standard practice and such local government or other rules as may be in effect. Where Municipal or other Governmental inspection is required by local Rules and Ordinances, the Company cannot render water service until such inspection has been made and a formal notice of approval from the inspecting authority has been received by the Company. The Company reserves the right to inspect the customer's installation prior to rendering water service, and from time to time thereafter, but assumes no responsibility whatsoever for any portion thereof.
- 12.0 PROTECTION OF COMPANY'S PROPERTY - The customer shall exercise reasonable diligence to protect the Company's property on the customer's premises and shall knowingly permit no one, but the Company's agents or persons authorized by law, to have access to the Company's pipes and apparatus.

(Continued to Sheet No. 11.0)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 10.0)

In the event of any loss or damage to property of the Company caused by or arising out of carelessness, neglect, or misuse by the customer, the cost of making good such loss or repairing such damage shall be paid by the customer.

- 13.0 ACCESS TO PREMISES - The duly authorized agents of the Company shall have access at all reasonable hours to the premises of the customer for the purpose of installing, maintaining, inspecting, or removing the Company's property, reading meters and other purposes incident to the performance under or termination of the Company's agreement with the customer and if such performance shall not be liable for trespass.
- 14.0 RIGHT OF WAY OR EASEMENTS - The customer shall grant or cause to be granted to the Company, and without cost to the Company, all rights, easements, permits, and privileges which are necessary for the rendering of water service.
- 15.0 BILLING PERIODS - Bills for water service will be rendered Monthly. Bills are due when rendered and be considered as received by the Customer when delivered or mailed to the service address or some other place mutually agreed upon.

Non-receipt of bills by the customer shall not release or diminish the obligation of the customer with respect to payment thereof.

- 16.0 DELINQUENT BILLS - Bills are due when rendered and if not paid within twenty (20) days thereafter become delinquent and water service may then, after five (5) days written notice, be discontinued. Service will be resumed only upon payment of all past-due bills and penalties, together with a reconnection charge of \$15.00 when performed during regular working hours. After regular working hours, the reconnection charge will be \$15.00. There shall be no liability of any kind against the company by reason of discontinuance of water service to the customer for failure of the customer to pay the bills on time.

No partial payment of any bill rendered will be accepted by the Company, except by agreement with the company, or by order or direction of the Commission.

- 17.0 PAYMENT OF WATER AND WASTEWATER SERVICE BILLS CONCURRENTLY - When both water and wastewater service are provided by the Company, payment of any water service bill rendered by the Company to a water service customer shall not be accepted by the Company without the simultaneous

(Continued to Sheet No. 12.0)

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

(Continued from Sheet No. 11.0)

or concurrent payment of any wastewater service bill rendered by the Company. If the charges for water service are not so paid, the Company may discontinue both water service and wastewater service to the customer's premises for non-payment of the water service charge or if the charges for wastewater service are not so paid, the Company may discontinue both water service and wastewater service to the customer's premises for nonpayment of the wastewater service charge. The Company shall not reestablish or reconnect wastewater service and/or water service until such time as all wastewater and water service bills and all charges are paid.

- 18.0 TAX CLAUSE - A municipal or county franchise tax levied upon a wastewater or water public utility shall not be incorporated into the rate for wastewater or water service but shall be shown as a separate item on the utility's bills to its customers in such Municipality or County.

This charge must be approved by the Commission before being incorporated in the customer's bills.

- 19.0 CHANGE OF OCCUPANCY - When a change of occupancy takes place on any premises supplied by the Company with water service, written notice thereof shall be given at the office of the Company not less than three (3) days prior to the date of change by the outgoing customer, who will be held responsible for all water service used on such premises until such written notice is so received by the Company and the Company has had reasonable time to discontinue the water service. However, if such written notice has not been received, the application of a succeeding occupant for water service will automatically terminate the prior account. The customer's deposit may be transferred from one location to another, if both locations are supplied water service by the Company; the consumer's deposit may not be transferred from one name to another.

For the convenience of its customer's, the Company will accept telephone orders to discontinue or transfer water service and will use all reasonable diligence in the execution thereof. However, oral orders or advice shall not be deemed binding or be considered formal notification to the Company.

(Continued to Sheet No. 13.0)

ROY H. MOORE
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(Continued from Sheet No. 12.0)

- 20.0 UNAUTHORIZED CONNECTIONS - WATER - Connections to the Company's water system for any purpose whatsoever are to be made only by employees of the Company. Unauthorized connections render the service subject to immediate discontinuance without notice and water service will not be restored until such unauthorized connections have been removed and unless settlement is made in full or all water service estimated by the Company to have been used by reason of such unauthorized connection.

- 21.0 METERS - All water meters shall be furnished by and remain the property of the Company and shall be accessible and subject to its control. The customer shall provide meter space to the Company at a suitable and readily accessible location and when the Company considers it advisable, within the premises to be served and also provide adequate and proper space for the installation of the meter and other similar devices.

- 22.0 ALL WATER THROUGH METER - That portion of the customer's installation for water service shall be so arranged to ensure that all water service shall pass through the meter. No temporary pipes, nipples or spaces are permitted and under no circumstances are connections allowed which may permit water to by-pass the meter or metering equipment.

- 23.0 ADJUSTMENT OF BILLS - When a customer has been overcharged or undercharged as a result of incorrect application of the rate schedule, incorrect reading of the meter, or other similar reasons, the amount may be credited or billed to the customer as the case may be.

- 24.0 CUSTOMER DEPOSIT - ESTABLISHMENT OF CREDIT - Before rendering service, the Company may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the customer from complying with the Company's rules for prompt payment. Credit will be deemed so established, in accordance with Rule 25-30.311, Florida Administrative Code, if: (A) The applicant for service furnishes a satisfactory guarantor to secure payment of bills for the service requested. (B) The applicant pays a cash deposit. (C) The applicant for service furnishes an irrevocable letter of credit from a bank or a surety bond. The amount of initial deposit shall be the following according to meter size:

	<u>Residential</u>	<u>General Service</u>
5/8" x 3/4"	\$ 40.00	\$ 40.00
1"	"	"
1 1/2"	"	"
2"	"	"

(Continued to Sheet No. 14.0)

ROY H. MOORE
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(Continued from Sheet No. 13.0)

The Company may require, upon reasonable written notice of not less than 30 days, such request or notice being separate and apart from any bill for service, a new deposit, where previously waived or returned, or an additional deposit in order to secure payment of current bills; provided, however that the total amount of the required deposit shall not exceed an amount equal to the average actual charge for water and/or sewer service for two monthly billing periods for the 12 month period immediately prior to the date of notice. In the event the customer has had service less than 12 months, then the Utility shall base its new or additional deposit upon the average actual monthly billing available.

The Company will pay interest on customer deposits at the rate of 8% per annum. The payment of interest will be made once each year as a credit on regular bills, and on final bills when service is discontinued. No customer depositor will receive interest on his deposit until at least six (6) months of continuous service, then interest will be paid from the date of commencement of service. The Company will pay or credit accrued interest to the customers account during the month of December of each year.

After a residential customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the company shall refund the customer's deposit provided the customer has not, in the preceding 12 months, (a) made more than one late payment of the bill (after the expiration of 21 days from the date of mailing or delivery by the utility), (b) paid with a check refused by a bank, (c) been disconnected for nonpayment, or at any time, (d) tampered with the meter, or (e) used service in a fraudulent or unauthorized manner. Nothing in this rule shall prohibit the company from refunding a deposit in less than 23 months.

25.0 REQUEST FOR METER TEST BY CUSTOMER - Should any customer request a bench test of his water meter, the company will require a deposit to defray cost of testing; such deposit not to exceed the following schedule of fees:

Meter Size	Fee
5/8" x 3/4"	\$20.00
1" and 1 1/2"	\$25.00
2"	Actual Cost
Over 2"	Actual Cost

If the meter is found to register in excess of the accuracy limits prescribed by the Commission, the deposit will be refunded; but if below such accuracy limit, the deposit will be retained by the company as a service charge for conducting the test.

(Continued to Sheet No. 15.0)

ROY H. MOORE
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(Continued from Sheet No. 14.0)

Further, upon written request of any customer, the Company shall, without charge, make a field test of the accuracy of the water meter in use at customer's premises provided that the meter has not been tested within the past six (6) months.

- 26.0 ADJUSTMENT OF BILLS FOR METER ERROR - When meter tests are made by the Commission or by the Company, the accuracy of registration of the meter and its performance in service shall be judged by its average error. The average meter error shall be considered to be the average of the errors at the test rate flows.

FAST METERS - Whenever a meter is tested is found to register fast in excess of the tolerance provided in the Meter Accuracy Requirements provision herein, the utility shall refund to the customer the amount billed in error for one-half the period since the last test; said on-half period not to exceed six (6) months except that if it can be shown that the error was due to some cause, the date of which can be fixed. The overcharge shall be computed back to but not beyond such date. The refund shall not include any part of the minimum charge.

METER ACCURACY REQUIREMENTS - All meters used for measuring quantity of water delivered to a customer shall be in good mechanical condition and shall be adequate in size and design for the type of service which they measure. Before being installed for the use of any customer every water meter, whether new, repaired, or removed from service for any cause, shall be adjusted to register within the accuracy limits set forth in the following table:

ACCURACY LIMITS IN PERCENT

METER TYPE	Maximum	Intermediate	New	Repaired
	Rate	Rate		
Displacement	98.5-101.5	98.5-101.5	95-101.5	90-101.5
Current	97 -103	97 -103	95-103	90-103
Compound*	97 -103	97 -103	95-103	90-103

*The minimum required accuracy for compound meters at any rate within the "changeover" range of flows shall be 85%.

- 27.0 The Company shall file with the Commission copies of all Guaranteed Revenue Contracts or special contracts for the sale of its product or services in a manner not specifically covered by its standard regulations or approved rate schedules prior to execution.

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28.0 Miscellaneous Service Charges:

\$15.00 Service Fee - Initial Connection

Charge for service initiation at a location where service did not exist previously.

\$15.00 Service Fee - Normal Connection

Charge for transfer of service to a new customer account at the same location or for reconnection of service subsequent to a customer requested disconnection.

\$15.00 Violation Reconnection Fee

Charge levied subsequent to a disconnection of service for cause, including a delinquency in bill payment.

\$10.00 Premises Visit Fee

Fee in lieu of disconnection, charged when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

\$10.00 Returned Check Fee

To be charged at time check is returned from bank. this fee is PER CHECK.

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Ocala Oaks Utilities, Inc.
Water Tariff

Third Revised Sheet No. 16.0
Cancels Second Revised Sheet No. 16.0

INDEX OF RATE SCHEDULES

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Fire Hydrants.....	20.0
Held for Future Use.....	21.0

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

GENERAL SERVICE

RATE SCHEDULE GS

- AVAILABILITY - Available throughout the area served by the Company.
- APPLICABILITY - For water service to all customers for which no other schedule applies.
- LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.
- BILLING PERIOD - Monthly

RATE

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 13.11
1"	32.71
1 1/2"	65.39
2"	104.61
3"	209.20
4"	326.86
6"	653.34

GALLONAGE CHARGE - \$ 1.12 per 1,000 gallons

MINIMUM CHARGE - Base Facility Charge \$13.11 per month

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After a five (5) day written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued.

EFFECTIVE DATE -

TYPE OF FILING - Transfer of Majority Organizational Control

ROY H. MOORE
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PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

SECOND REVISED SHEET NO. 17.1
CANCELS FIRST REVISED SHEET NO. 17.1

MONTHLY RATE SCHEDULE
GENERAL SERVICE
FOR CUSTOMERS OF BELLEVIEW HILLS
ESTATES SUBDIVISION

HELD FOR FUTURE USE

EFFECTIVE DATE

-

TYPE OF FILING

- Transfer of Majority Organizational Control

ROY H. MOORE
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TITLE

RESIDENTIAL SERVICE

RATE SCHEDULE RS

- AVAILABILITY - Available throughout the area served by the Company.
- APPLICABILITY - For water service for all purposes in private residences and individually metered apartment units.
- LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.
- BILLING PERIOD - Monthly

RATE

Meter Size	Base Facility Charge
5/8" x 3/4"	\$ 13.11
1"	32.71
1 1/2"	65.39
2"	104.61
3"	209.20
4"	326.86
6"	653.34

- GALLONAGE CHARGE - Per 1,000 gallons \$1.12
- MINIMUM CHARGE - Base Facility Charge \$13.11 per month
- TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After a five (5) day written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued.
- EFFECTIVE DATE -
- TYPE OF FILING - Transfer of Majority Organizational Control

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

SECOND REVISED SHEET NO. 18.1
CANCELS FIRST REVISED SHEET NO. 18.1

MONTHLY RATE SCHEDULE
RESIDENTIAL SERVICE
FOR CUSTOMERS OF BELLEVIEW HILLS
ESTATES SUBDIVISION

HELD FOR FUTURE USE

EFFECTIVE DATE

-

TYPE OF FILING

- Transfer of Majority Organizational Control

ROY H. MOORE
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TITLE

Ocala Oaks Utilities, Inc.
Water Tariff

Second Revised Sheet No. 19.0
Cancels First Revised Sheet No. 19.0

HELD FOR FUTURE USE

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

FIRE HYDRANTS

WATER

- AVAILABILITY - Available throughout the area served by the Company.
- APPLICABILITY - To fire hydrants furnishing fire protection installed on public or private property connected to the water mains of the company.
- LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.
- RATE - Not Applicable

MINIMUM CHARGE

TERMS OF PAYMENT

EFFECTIVE DATE -

- TYPE OF FILING - Transfer of Majority Organizational Control

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TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

SECOND REVISED SHEET NO. 21.0
CANCELS FIRST REVISED SHEET NO. 21.0

HELD FOR FUTURE USE

ROY H. MOORE
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PRESIDENT
TITLE

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ROY H. MOORE
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OCALA OAKS UTILITIES, INC.
WATER TARIFF

SECOND REVISED SHEET NO. 23.0
CANCELS FIRST REVISED SHEET NO. 23.0

CUSTOMER'S GUARANTEE DEPOSIT RECEIPT

ROY H. MOORE
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TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

SECOND REVISED SHEET NO. 24.0
CANCELS FIRST REVISED SHEET NO. 24.0

APPLICATION FOR WATER SERVICE

ROY H. MOORE
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TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

SECOND REVISED SHEET NO. 25.0
CANCELS FIRST REVISED SHEET NO. 25.0

APPLICATION FOR METER INSTALLATION

ROY H. MOORE
ISSUING OFFICER

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TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

THIRD REVISED SHEET NO. 26.0
CANCELS SECOND REVISED SHEET NO. 26.0

COPY OF CUSTOMER'S BILL

ROY H. MOORE
ISSUING OFFICER

PRESIDENT
TITLE

OCALA OAKS UTILITIES, INC.
WATER TARIFF

FIRST REVISED SHEET NO. 27.0
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