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June 18, 1999

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RECORDS AND REPORTING
ROBERT M. C. ROSE
OF COUNSEL

Ms. Blanca Bayo, Director
Florida Public Service Commission
Water and Wastewater Division
2540 Shumard Oaks Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 981858-WS; AquaSource Utility, Inc.; Transfer of
Rotonda West Utility Corporation
Our File No. 33087.09

Dear Ms. Bayo:

This letter is in response to John Williams' June 11, 1999
correspondence requesting additional information in the above-
referenced docket.

Disclosure 1 -- Utility Sales Agreement. Although the Annual
Report filed for 1998 reflects the non-transferred utility assets,
the acquisition adjustment was not recorded. While AquaSource
Utility, Inc. understands the Commission's current policy is not to
allow acquisition adjustments, we disagree with that policy and
want to assure that should the policy change in the future, the
Utility is not deem to have acquiesced in the rate base established
in the audit.

Disclosure 2 -- Prior Rate Case Adjustments - Land. This
adjustment was recorded in the 1998 Annual Report.

Disclosure 3 -- Prior Rate Case Adjustments - Unsupported Plant.
Although neither the auditors nor the Utility could find back-up
documentation of these plant additions, the plant additions were
made and we want to retain the opportunity in future proceedings to
present supporting documentation.

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Disclosure 4 -- Utility Master Plan. This reclassification was reflected in the Utility's 1998 Annual Report.

Disclosure 5 -- Unsupported Plant Additions. Although the auditor's cannot find supporting documentation for this plant addition, it was, in fact, made and the Utility wants to reserve the right to provide supporting documentation for this plant in a future rate proceeding.

Disclosure 6 -- Treatment of Gain or Loss on Plant Retirements. These adjustments have been made in accordance with the disclosure.

Disclosure 7 -- Replacement of Permeators. During the Utility's last rate case, no adjustment was recommended regarding this issue and thus we do not believe it needs to be reflected in the 1998 Annual Report. Be advised, however, that beginning January 1, 1999 that disclosure will be followed.

Disclosure 8 -- Construction Work in Progress (CWIP). This disclosure was made with a modification discussed with an acquiesced in by the auditor. The adjustment regarding plant held for future use was made as recommended. With regard to sludge processing, the expense will be amortized over seven years.

Disclosure 9 -- Plant Held For Future Use and Associated CIAC. We disagree with removing plant additions and want to preserve the opportunity in a future rate case of providing supporting documentation for such plant addition. With regard to the \$27,000 in real property, we disagree with the auditor and strenuously assert that such amount should be included in rate base.

Disclosure 10 -- Accumulated Depreciation and Accumulated Amortization of CIAC. The Utility has made these adjustments consistent with the positions taken regarding prior disclosures.

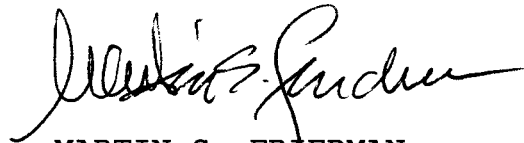
Disclosure 11 -- Non-Utility Plant. This adjustment was made on the Annual Report consistent with the disclosure.

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Frankly, I am hard pressed to see the connection between the Utility's 1998 Annual Report and the recommendations in the Staff's audit. The Staff's audit was not sent to the Utility until May 5, 1999, well after the deadline for filing the 1998 Annual Report. If the Staff has any concern regarding whether, and which adjustments recommended by the audit will be reflected on the Utility's books is a prospective determination. I have never seen in a transfer case a situation where a utility was required to amend its Annual Report to reflect issues raised in a rate base transfer audit.

We would urge the Staff to schedule this matter at the Commission's earliest agenda conference. Should you or the Staff have any questions regarding this letter, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/brm

cc: Mr. James Lahtinen
Mike Moses, CPA

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