



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: January 31, 2000

TO: Division of Records and Reporting

FROM: Division of Legal Services (Van Leuven) *DTV*

RE: Docket No. 991001-WU - Application for transfer of facilities and Certificate No. 424-W in Highlands County from Lake Josephine Water to AquaSource Utility, Inc.

Please file the attached letter dated March 16, 2000, in the docket file for the above-referenced docket.

DTV/dm

cc: Division of Water and Wastewater (Rehwinkel, Redemann)

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- AFA _____
- APP _____
- CAF _____
- CMR _____
- QTR _____
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FPSC-RECORDS/REPORTING

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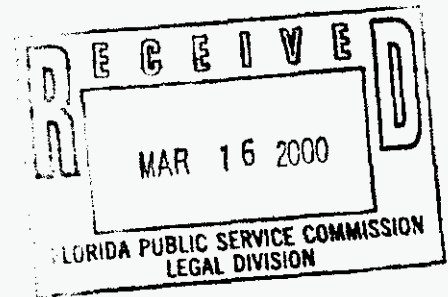
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ROBERT M. C. ROSE
OF COUNSEL

March 16, 2000

VIA HAND DELIVERY



Tyler Van Leuven, Esquire
Florida Public Service Commission
Legal Division
2540 Shumard Oaks Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 991001-WU; Application for Authority to Transfer the Facilities of Lake Josephine Water Certificate No. 424-W in Highlands County, Florida to AquaSource Utility, Inc.
Our File No. 33087.06

Dear Mr. Van Leuven:

I am writing in response to your inquiry yesterday concerning the reasons why AquaSource Utility, Inc. went forward with the closing on the acquisition in the above-referenced docket prior to Commission approval. As you are aware, the Commission has over the last several years, repeatedly recognized the fact that financial and other considerations often necessitate that a utility transfer will have to occur, through actual closing, prior to the Commission's approval. As is often the case in such circumstances, AquaSource, in this case, specifically included an "unwind" provision in the contract should the Commission not ultimately approve the transfer. In addition, the following two items also had some bearing on the need for the parties to go forward with the transaction prior to Commission final approval.

1. The Seller was anxious to get out of the utility business immediately and the Buyer was anxious to take over the system. After parties have done the extensive research concerning a system status and negotiated an agreement to transfer ownership, the passage of time only makes all things more uncertain in every aspect

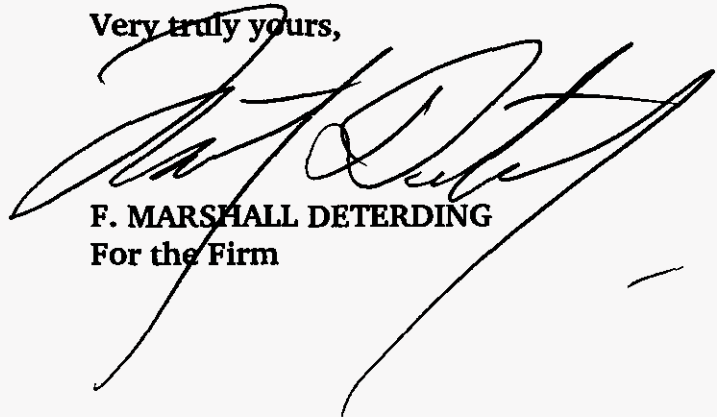
Tyler Van Leuven, Esquire
March 16, 2000
Page 2

of the transaction. As such, time was in this case (as is usually the case) key in preventing additional uncertainties or problems from arising.

2. Both the Seller and the Buyer were intimately aware of the fact that the Florida legislature had recently passed a revision to the provisions of Chapter 367, Florida Statutes, which recognized that in many instances a utility may wish to close a transaction prior to Commission final approval. While the revised statute did not become effective until one day after the closing of this transaction, the parties were well aware that the new law had passed the legislature and was on the desk of the Governor about to be finalized. As such, while technically not in effect, the parties were well aware that it did reflect not only the sentiment of the legislature, but also the standing practice of the Public Service Commission.

I trust that the above adequately addresses your question. Should you have any further questions in this regard, please let me know.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read 'F. Marshall Deterding', is written over the typed name and title.

F. MARSHALL DETERDING
For the Firm

FMD/brm