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February 14, 2005

Via Hand Delivery

Jennifer Brubaker, Esq.
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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COMMISSION
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RE: Docket No. 040951-WS - Joint Application for Approval of Sale of Florida Water Services Corporation's Land, Facilities, and Certificates in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, a portion of Seminole, Volusia, and Washington Counties to Aqua Utilities, Inc.

Dear Jennifer:

Ken Hoffman requested that I follow up with you on the territory issue that has been identified by Staff regarding Florida Water Service Corporation's ("Florida Water") Friendly Center and Palms Mobile Home Park Systems located in Lake County. As you know, we received a letter dated January 14, 2005 from Richard Redemann indicating that Florida Water should file two applications seeking approval to transfer these systems to Florida Water by February 18, 2005. After discussing the matter with Florida Water and reviewing the available information regarding the acquisition of the systems back in 1977, it seems to us that it makes little sense to go through the time and expense of processing two transfer applications for these systems. Moreover, the noticing that would necessarily be associated with such applications will unavoidably cause more confusion and uncertainty than is necessary. We would like to suggest an alternative solution.

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By way of background, let me first relay Florida Water's concern with the lack of information it has regarding the purchase of the two systems. As stated in Florida Water's October 22, 2004 letter in response to Staff's initial inquiry into this matter, in reviewing the limited documentation available, Florida Water was able to determine the approximate dates that the systems were acquired, the names of sellers, and the approximate size of the systems when they were acquired. These acquisitions occurred in 1977, and Florida Water's available information related to the acquisitions is very limited. In fact, the information that was provided in Florida Water's

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October 22 letter was essentially the extent of the information that Florida Water was able to locate on the subject.

If transfer applications were filed, we do not see any way around the notice to the customers of the two systems. These customers have already received the legal notice related to Florida Water and Aqua Utilities' Joint Application for approval of the transfer of Florida Water's facilities to Aqua Utilities, and are aware that Florida Water's systems were transferred to Aqua Utilities in June of 2004. A subsequent legal notice announcing that these systems are now being transferred to Florida Water would only cause confusion and frustration.

We would also point out that both the Friendly Center and Palms Mobile Home Park Systems' land and facilities were included in the sale of Florida Water's remaining facilities to Aqua Utilities that is the subject of Docket 040951-WS. In fact, it is Aqua Utilities and not Florida Water that is the current owner of these systems. Since the sale of Florida Water's facilities to Aqua Utilities closed in June of 2004, we recognize that pursuant to Section 367.071(1), Florida Statutes, the finality of the sale is contingent upon the Commission's approval of the sale, but Aqua Utilities is the current owner of these systems. Unless and until the Commission votes to "unwind" the transaction, we question whether Florida Water can file any application regarding these systems.

We agree that there was apparently no formal docket in which the Commission approved the acquisition of these systems and extended Florida Water's Lake County Certificate to include these systems. As stated in our October 22 letter submitted in response to Staff's first inquiry regarding this issue, we suspect that is because at the time of the acquisition, both systems were considered exempt under the small-system exemption provision of Chapter 367. However, Florida Water's Commission-approved tariff sheets reflect the territory description of these two systems and several Commission Orders specifically refer to both systems by name. These facts confirm that the Commission has long recognized these systems to be part of Florida Water's certificated territory.

In any event, if there is an oversight that needs to be corrected, there has to be a better way than initiating two timely and costly transfer proceedings. We would suggest that a resolution of this matter can be achieved in the existing transfer application that is the subject of Docket No. 040951-WS. Since both of the systems in question were included as part of the sale that is the subject of that docket, and since Aqua Utilities and not Florida Water is the entity that will ultimately have as part of its certificated territory the two systems, we believe that this matter can be resolved by creating separate issues in the existing transfer application to address the territory issue for each system in question.

We believe that including the territory issue in Docket 040951-WS, rather than creating two separate transfer proceedings will save the parties, Staff, and the Commission valuable time and money. As always however, we will endeavor to cooperate as much as possible with Staff in finding a reasonable resolution of this situation. In view of the foregoing, Florida Water would request that

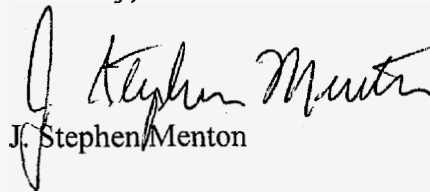
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in lieu of filing the suggested transfer applications by Friday, February 18, 2005, you contact me at your earliest convenience so that we may discuss this issue further, or so that we may schedule a meeting with myself and Staff in order to find a resolution to this matter.

Thank you for your time and attention to this matter.

Sincerely,



J. Stephen Menton

cc: Richard Redemann
Patti Daniel
✓ Blanca Bayo, Director, Commission Clerk and Administrative Services
Melissa Taylor, Esq.
Kathy Pape, Esq.