

STATE OF FLORIDA

COMMISSIONERS:
RONALD A. BRISÉ, CHAIRMAN
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN



DIVISION OF ENGINEERING
TOM BALLINGER
DIRECTOR
(850) 413-6910

Public Service Commission

October 1, 2013

Mr. Gary Deremer
Lake Osborne Waterworks, Inc.
5320 Captains Court
New Port Richey, Florida 34652

Re: Docket 130173-WU – Application for approval of transfer of certain water and wastewater facilities and Certificate No. 053-W of Aqua Utilities Florida, Inc.'s to Lake Osborne Waterworks, Inc. in Palm Beach County.

Dear Mr. Deremer:

In response to your answers received on August 26, 2013, to the first deficiency letter from the Commission, please provide the requested additional information to clarify the application and address the following deficiencies. This letter identifies the deficiencies, as well as additional information staff needs to complete its review of the application filed on June 24, 2013.

Deficiencies

1. **Assets and Liabilities.** Rules 25-30.037(2)(g)(2), Florida Administrative Code (F.A.C.) requires a list of and the dollar amount of the assets and liabilities assumed or not assumed of non-regulated operations or entities. Please provide a list of the specific assets and liabilities including the dollar amounts allocated to each.
2. **Additional Consideration.** Rule 25-30.037(2)(g)(3), F.A.C., requires a description of all consideration between the parties, for example, promised salaries, retainer fees, stock, stock options, and assumption of obligations. Please provide a statement describing the existence or non-existence of all items of consideration along with a description of all consideration between the buyer and the seller.
3. **Contract for Sale.** Rule 25-30.037(2)(h)(2, 3, 4, and 6), F.A.C., requires that the contract for sale include the disposition of any guaranteed revenue contracts, developer agreements, customer advances, and leases. Please provide an explanation for the above-mentioned items.
4. **Income Tax Returns.** Rule 25-30.037(2)(o), F.A.C. requires a statement from the buyer that it has obtained or will obtain copies of all the federal income tax returns of the seller from the date the utility was first established, or rate base was last established by the Commission or, if the tax returns have not been obtained, a statement from the buyer detailing the steps taken to

obtain the returns. Please identify all steps taken by the buyer to obtain copies of the federal income tax returns.

5. **Current Certificate.** Upon production of certificate from the previous owner, please submit the current certificate(s).

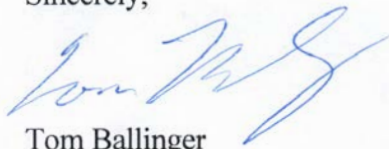
Additional Information

1. **Schedules.** Please refer to the transfer application filed on June 24, 2013. Please provide the following schedules which were referenced, but not provided in the Asset Purchase Agreement (Exhibit D).

(a) Schedule 1.1(d)

2. **Other 1.** Please provide a three-year projected budget that includes rate base, cost of capital, and net operating income. Please provide all supporting documentation, including information regarding the assumptions and forecasts relied upon (for instance, reason for use of Commission Price Index as opposed to Indices, the basis for annual increases to expense accounts, how items trend with projected revenue, etc.). Please provide all work papers associated with the creation of the budget.
3. **Other 2.** Upon receipt of report detailing the outcome of the dispute with the City of Lake Worth Utilities, please provide the report.
4. Your response to this letter should be filed with the Commission on or before October 31, 2013. When filing the response, please include the docket number and direct the response to the Director, Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399. If you have any questions please call David G. Jopling at (850) 413-6858 or by e-mail at djopling@psc.state.fl.us or contact Ms. Suzanne Brownless at (850) 413-6218 or by e-mail at sbrownle@psc.state.fl.us.

Sincerely,



Tom Ballinger
Director, Division of Engineering

TB:DJ:pz

cc: Office of General Counsel (S. Brownless)
Division of Engineering (D. Jopling)
Division of Economics (L. Roberts)
Division of Accounting & Finance (C. Mouring, C. Prestwood)
Office of Commission Clerk (A. Cole)