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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 the June 29, 1999 correspondence
from John Williams to me regarding the above-referenced matter.

Disclosure No. 1 -- Utility Sales Agreement. The Commission
Staff's summary of AquaSource Utility, Inc.'s position on this
issue is correct.

Disclosure No. 2 -- Prior Rate Case Adjustments - Land. Obviously,
AquaSource Utility, Inc. did not own the utility system until 1999,
however, it appears from our understanding from the prior
management that the adjustments were inadvertently overlooked. I
know that Staff is aware in many cases where adjustments made in a
Commission Order are not reflected on the Annual Reports.

**Disclosure No. 3 -- Prior Rate Case Adjustments - Unsupported
Plant.** AquaSource Utility, Inc. will make the recommended audit
adjustment and will file the appropriate revised pages to the 1998
Annual Report. However, AquaSource Utility, Inc. reserves the
right in the future to present evidence and argument to include
this plant.

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Disclosure No. 4 -- Utility Master Plan. The Staff is correct.

Disclosure No. 5a -- Unsupported Plant Additions. AquaSource Utility, Inc. will make this adjustment, however, it reserves the right in the future to present evidence and argument to include such plant additions.

Disclosure No. 5b - Improperly Classified Plant Additions. AquaSource Utility, Inc. will make this adjustment, however, it reserves the right in the future to present evidence and argument to include such plant additions.

Disclosure No. 6 -- Treatment of Gain or Loss on Plant Retirements. The Commission Staff is correct.

Disclosure No. 7 -- Replacement of Permeators. Notwithstanding this audit disclosure, the Utility has handled its replacement of permeators identically since 1986 and has been the subject of two rate case audits in which that policy has been unquestioned. We do not believe it is now appropriate for the Commission to take a contrary position. However, the Utility will record this adjustment as an amendment to its 1998 Annual Report.

Disclosure No. 8 -- Construction Work in Progress (CWIP). The Commission Staff is correct.

Disclosure No. 9 -- Plant Held For Future Use and Associated CIAC. The Utility will make this adjustment.

Disclosure No. 10 -- Accumulated Depreciation and Accumulated Amortization of CIAC. Have made adjustments and will book accordingly.

Disclosure No. 11 -- Non-Utility Plant. Have made these adjustments and will book accordingly.

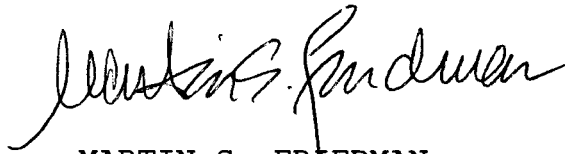
In addition, AquaSource Utility, Inc. will continue to depreciate an expense non-utility plant over a 25 year time period.

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For your convenience, I have attached a chart summarizing AquaSource Utility, Inc.'s responses to the audit adjustments.

Should the Staff have any further questions regarding this matter, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/brm

cc: Mr. James Lahtinen
Mr. Johnnie Overton
Mr. Tony Villiotti
Ms. Pat Brady
Mike Moses, CPA

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AquaSource
 FPSC Audit Adjustments

Audit Adj.	Recorded 12/31/98	To Be Recorded	Revisit in Next Rate Application	Description
1	x		x	acq adjustment
2	x		x	land
3		x	x	old invoices
4	x			
5a		x	x	old invoices
b		x	x	misclassification of invoices
6	x			
7		x		permeators - write off over 5 years going forward
8	x			
9		x		misclassification of invoices
10	x	x		depreciation on prior adjust- ments
11	x	x		amortization of non-utility assets from prior adjustments amortization period of 10 to 25 years