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

Public Service Commission

October 1, 2013

Mr. Gary Deremer
HC Waterworks, Inc.
5320 Captains Court
New Port Richey, FL 34652

Re: Docket No. 130175-WS - Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 422-W and 359-S of Aqua Utilities Florida, Inc. to HC Waterworks, Inc. in Highlands 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.

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 and developer agreements. 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

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

5. **Other Financing Sources.** Rule 25-30.037(2)(k), F.A.C., requires a list of all entities upon which the applicant is relying to provide funding to the buyer, and an explanation of the manner and amount of such funding, which shall include their financial statement and copies of any financial agreements with the utility. Please provide detailed amounts and descriptions of all funding. For shareholder purchases, the financial statements provided should be personal financial statements which can be provided under confidential treatment.

Additional Information

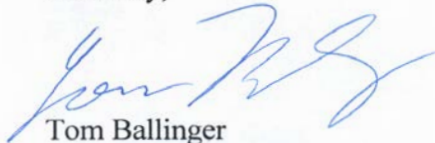
1. **Schedules.** Please refer to the transfer application filed on June 24, 2013. Please provide the following schedules which were referenced, but not provided in the Asset Purchase Agreement (Exhibit D).

(a) Schedule 1.1(d)

1. **Other.** 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.

Your application will not be considered complete until the deficiencies identified in this letter have been corrected. 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 Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850. If you have any questions please call Mrs. Melinda Watts at (850) 413-6952 or by e-mail at mwatts@psc.state.fl.us or contact Ms. Martha Barrera at (850) 413-6212 or by e-mail at mbarrera@psc.state.fl.us.

Sincerely,



Tom Ballinger
Director, Division of Engineering

TB:MW:pz

cc: Office of General Counsel (M. Barrera)
Division of Engineering (M. Watts)
Division of Economics (S. Bruce)
Division of Accounting & Finance (C. Prestwood, C. Mouring)
Office of Commission Clerk (A. Cole)