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**REBUTTAL TESTIMONY OF AREND J. SANDBULTE
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
ON BEHALF OF
SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS**

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1 Q. ARE YOU THE SAME AREND J. SANDBULTE WHO PREVIOUSLY
2 FILED DIRECT TESTIMONY?
3 A. Yes, I am.
4 Q. ARE YOU AWARE THAT THE INTERVENERS IN THIS CASE
5 DISPUTE YOUR ASSERTION THAT MINNESOTA POWER HAS ANY
6 EQUITY INVESTED IN SSU?
7 A. Yes, I have read the testimony of intervenors'
8 witnesses which attempt to cast doubt on my
9 statements.
10 Q. DO YOU WISH TO REBUT THE INTERVENER'S TESTIMONY?
11 A. Yes, I do. First, it must be clear that Minnesota
12 Power's investment in SSU is significant, \$78
13 million or approximately 14% of Minnesota Power's
14 equity. This \$78 million equity investment has
15 remained relatively constant since 1992. Since
16 1992, the return on Minnesota Power's simple
17 average equity investment in SSU has been -3.0% in
18 1992, +1.3% in 1993, +16.3% in 1994 and it is
19 projected that there will be another loss on
20 investment in 1995 of -3.1%. These returns include
21 income from extraordinary events, both gains and
22 losses. Without the 1994 gain on the sale of
23 assets in Sarasota County, MP has lost over two and
24 one half million dollars of invested equity in the
25 four year period 1992-1995. Of course, investors

1 give little consideration to extraordinary events,
2 particularly gains from the sale of operating
3 assets, when making their long term investment
4 decision. Not only Minnesota Power's shareholders,
5 but also our board of directors consider SSU's
6 financial performance from continuing operations
7 unacceptable.

8 In fact, the poor performance of SSU has
9 reached a critical point. Within the last month
10 both Standard and Poors and Moodys rating agencies
11 downgraded Minnesota Power's bond rating citing the
12 poor performance of SSU as a key reason for the
13 downgrade. Of great concern to the rating agencies
14 is the inability of SSU to improve its return over
15 the past several years which as I discussed
16 previously has been averaging about 0% since 1992
17 except for 1994 when SSU's return was 16.3% due to
18 the sale of VGU.

19 One area of particular concern is the used and
20 useful methodology. It is my understanding that
21 the used and useful adjustment was developed to
22 prevent a few customers from having to bear the
23 cost relating to plants and lines installed to
24 eventually serve an entire built out service area.
25 The allowable margin reserve for lines was 12

1 months and for plant was 18 months with a CIAC
2 offset which essentially gave you "0" months of
3 margin reserve. Eventually the AFPI was developed
4 to allow the utility to recover costs from future
5 customers if they connect for up to five years
6 beyond the margin reserve. In other words the
7 shareholder doesn't recover any return on
8 investments made for the 12-18 month margin reserve
9 period and only recovers a return on investment for
10 the 5 years beyond the margin reserve if customers
11 connect. This means that all the risk is on the
12 shareholder and that every dollar invested into
13 plant does not earn a full return because you have
14 no return during the margin reserve period and
15 beyond that you have to hope there is a good
16 economy and you have growth. The harmful part of
17 this policy is that the utility suffers because it
18 never gets a full return on its dollar because of
19 the margin reserve and because even if you get full
20 buildout in five years, you have to be building for
21 the next 5 years of customer growth. Also the
22 customer eventually suffers through higher rates
23 because by building in small blocks he does not
24 benefit from economies of scale.

25 The solution to this problem lies with multi-

1 plant facilities like SSU that can have uniform
2 rates across plants. Uniform rates could allow
3 utilities such as SSU to build plants to maximize
4 economies of scale by extending the margin reserve
5 to an optimum 10 to 20 year margin reserve for each
6 plant as would be defined by an analysis of each
7 type of plant. In this way the start up costs for
8 new facilities would not be borne by a few
9 customers but by all customers and at the same time
10 facilities could be built to maximize economies of
11 scale which would eventually benefit all customers
12 and put utilities back into a make whole situation.
13 This is exactly what happens in the electric and
14 telephone industry which is why they don't have non
15 used and useful adjustments. Those water utilities
16 that are not multi plant could still have the
17 option to utilize AFPI.

18 This would be a win for the customer, the
19 Company and the elimination of the used and useful
20 micro regulation should reduce regulatory costs by
21 significantly streamlining the rate process.

22 **Q. WHY DID SSU DECIDE TO SELL THE FACILITIES SERVING**
23 **THE VENICE GARDENS SERVICE AREA TO SARASOTA COUNTY?**

24 **A.** SSU sold the facilities to Sarasota County under
25 threat of condemnation. SSU had little choice in

1 the matter. Attached as Exhibit _____ (AJS-7) are
2 copies of Sarasota County's "hit list" of investor
3 owned utilities to be purchased, by condemnation or
4 otherwise, by the County. SSU remained at or near
5 the top of the list since the date the list was
6 created by the County. The acquisition by the
7 County of the Venice Gardens facilities was not a
8 matter of "if" but rather "when." In the meantime,
9 the County took obvious steps to thwart the
10 economic viability of SSU's Venice Gardens service
11 area. A typical example was the refusal of the
12 Sarasota County Board of County Commissioners,
13 which we'll refer to as the "Board," to recognize
14 and adopt the findings of the County's own hearing
15 examiners, after extensive and protracted
16 evidentiary and customer service hearings, that
17 approximately 90% of the revenue increases
18 requested by SSU in 1991 be granted. Instead, the
19 Board created two issues from whole cloth to
20 justify denial of the hearing examiners'
21 recommendation. The significance of these acts is
22 heightened by the fact that the proceeding was to
23 be an "expedited" Phase II rate proceeding. It
24 took over 18 months for the Company to obtain this
25 "expedited" relief. As a result, SSU was forced to

1 implement the rates recommended by the hearing
2 examiners without Board approval under relevant
3 portions of the Florida Statutes. Subsequently,
4 SSU obtained confirmation that the County was
5 acting in a manner designed to facilitate
6 acquisitions of the investor owned utilities
7 operating in the County -- such as an increased
8 level of scrutiny of IOU utility operations.

9 **Q. DO YOU BELIEVE THE GAIN ON THE SALE OF THE VENICE**
10 **GARDENS FACILITIES AS PROPOSED BY MS. DISMUKES**
11 **SHOULD BE CONSIDERED BY THE COMMISSION WHEN**
12 **DETERMINING SSU'S REVENUE REQUIREMENTS?**

13 A. No. The Commission reviewed a startlingly similar
14 occurrence in one of SSU's last rate proceedings
15 regarding the condemnation by St. John's County of
16 SSU's St. Augustine Shores facilities. The
17 Commission agreed that the gain resulting from that
18 sale should not be considered for ratemaking
19 purposes.

20 As with the St. Augustine Shores facilities,
21 or any other utility facilities, SSU's customers do
22 not gain any ownership rights through the payment
23 of monthly fees for service or up front
24 contributions in aid of construction, commonly
25 referred to as CIAC. I note that another name for

1 contributions in aid of construction are "service
2 availability fees." That is all CIAC payments are,
3 payments made by customers to ensure that water
4 and/or wastewater service is available to their
5 property. It is not reasonable to suggest that the
6 payment of service availability charges somehow
7 gives customers an ownership interest in the
8 utility's property such that customers should share
9 in a gain or loss from a sale or other disposition
10 of such property. The folly of such an assertion
11 is found in the fact that some utility customers --
12 of SSU, the Hernando County Utilities Department
13 and I am sure many other utilities -- do not and
14 have not paid any service availability charges at
15 all. Instead, these customers pay for services
16 solely through their monthly bills. Do customers
17 who pay service availability charges somehow
18 possess different degrees of ownership based on the
19 amount of service availability charges they paid
20 and those customers who paid none have no ownership
21 interest?

22 Ms. Dismukes' proposal should be rejected by
23 the Commission for the following reasons:

24 (1) SSU's remaining ratepayers contributed nothing
25 to Southern States' recovery of its investment in

1 the Venice Gardens facilities and they bore none of
2 the risk of any loss.

3 (2) The sale to Sarasota County under the threat
4 of condemnation involved not only the sale of
5 Southern States' assets but also the loss of
6 customers to whom service had been previously
7 dedicated and provided through those assets.

8 (3) At the time of the sale under threat of
9 condemnation, the Venice Gardens system was
10 regulated by Sarasota County and was not under
11 Florida Public Service Commission jurisdiction.

12 (4) The Venice Gardens system always has been
13 treated on a stand alone basis for ratemaking
14 purposes.

15 (5) A Commission determination that a utility's
16 revenue requirements must be reduced by the gain on
17 the sale of facilities providing service to an
18 entire service area (or a portion thereof) would
19 require the Commission to increase the utility's
20 revenue requirements in the event of a loss on the
21 sale such facilities (or a portion thereof)
22 regardless of the absence of any relationship
23 between the remaining customers and the facilities
24 (or portion thereof) sold. This would be an
25 unacceptable result. Whereas Ms. Dismukes refers

1 to an alleged sharing of a loss from the sale of a
2 facility in Skyline Hills, we note that there does
3 not appear to have been any hearing in that matter
4 and no issue raised regarding whether the loss
5 should have been recovered. SSU, and apparently
6 Public Counsel, have no further knowledge at this
7 time regarding any particular facts or
8 circumstances which might have influenced the
9 Commission to allow the de minimis loss of \$5,643
10 to be recovered from customers.

11 (6) To deny utility investors the opportunity to
12 offset the erosion of their investment through the
13 receipt of capital gains would be a deterrent to
14 the reinvestment of retained earnings by the
15 utility and to the attraction of new capital from
16 investors.

17 (7) The Commission's policy concerning gains and
18 losses on the disposition of the facilities serving
19 an entire service area should be consistent with
20 the Commission's recently confirmed acquisition
21 adjustment policy -- that is, absent extraordinary
22 circumstances, when a utility purchases a system
23 rates are not adjusted for any discount under or
24 premium over book value. For instance, please
25 refer to the Commission's Order No. 25729 issued

1 February 17, 1992 in Docket No. 891309-WS.
2 Likewise, customer rates should not be adjusted
3 after a sale to reflect gains or losses absent
4 extraordinary circumstances.

5 (8) If the utility selling the facilities operated
6 in only one service area, and all of the facilities
7 were sold, the utility owner would receive the
8 entire benefit/detriment from the gain/loss. The
9 proceeds from the sale of the Venice Gardens and
10 other facilities should be treated no differently.

11 This same rationale applies to the gain
12 realized by SSU as a result of the condemnation in
13 1991 by St. John's County of SSU's St. Augustine
14 Shores water facilities -- and, as I indicated
15 earlier, the Commission previously acknowledged
16 these facts and rejected Public Counsel's plea in
17 Docket No. 920199-WS that SSU shareholders be
18 denied the gain.

19 **Q. COULD YOU ELABORATE FURTHER ON THE REASONS WHY MS.**
20 **DISMUKES' PROPOSAL SHOULD BE REJECTED?**

21 A. Ratepayers pay for the use of utility property
22 employed in providing service. They do not acquire
23 a proprietary interest in that property.
24 Similarly, ratepayers have no proprietary interest
25 in non-utility and non-regulated property, and

1 hence, are not entitled to share in the gain and
2 are not required to bear the impact of any loss
3 arising out of the disposition of such property.
4 Ownership of both utility and non-utility property
5 is indistinguishable in this regard -- ownership
6 continues to reside in the shareholders who,
7 accordingly, must bear the risk of loss.

8 I understand that it has been argued before
9 the Commission in the past that customers acquire
10 an equitable interest in depreciable assets since
11 depreciation expense is factored into rates, and
12 hence, customers should realize the benefits of a
13 portion of a gain realized on the sale of such
14 assets. This argument has no application to the
15 facts in this proceeding. It would be inequitable
16 and unreasonable to flow through to the remaining
17 SSU customers the gain from the sale by
18 condemnation of the St. Augustine Shores facilities
19 or sale under threat of condemnation of the Venice
20 Gardens facilities since they never have been
21 assessed any of the capital or depreciation costs
22 associated with the facilities nor have they been
23 subject to any risk for potential losses associated
24 with the facilities. The same rationale applies
25 whenever the sale includes all of the facilities

1 serving an entire service area and customers should
2 not share in those gains either. I am not aware of
3 any instance in which ratepayers were found to be
4 entitled to share in the gain on the sale of
5 property absent, at minimum, a demonstration that
6 ratepayers either have contributed to the utility's
7 recovery of its investment or have borne the risk
8 of loss. Neither of these circumstances exist here
9 concerning the Venice Gardens or St. Augustine
10 Shores facilities. Rates for utility service from
11 these facilities historically were set on a stand-
12 alone basis in accordance with separate accounting
13 data, rate base, depreciation, expenses, etc.
14 Therefore, other SSU customers have been unaffected
15 by the existence of these physical assets in the
16 past and should remain so. In this vein, I note
17 that SSU witness Ludsen will address Ms. Dismukes'
18 allegation that the gain should be shared as a
19 result of the Commission's finding in Docket No.
20 930945-WS that SSU operates one system.

21 I also must note that if any of SSU's
22 facilities had been sold at a loss, I am unaware of
23 any legal or equitable principle that would
24 authorize the Commission to reimburse the Company
25 for its loss on its investment. However, if Ms.

1 Dismukes' proposal were adopted, it does not appear
2 that the Commission would have any alternative but
3 to do so in the future.

4 In addition, the remaining SSU ratepayers
5 should not be affected by a gain or loss on the
6 sale of a non-jurisdictional entity. Under these
7 circumstances, using the gain generated by the
8 condemnation of the non-jurisdictional St.
9 Augustine Shores facilities or sale under threat of
10 condemnation of the Venice Gardens facilities to
11 reduce rate relief to which the Company is
12 otherwise entitled for its FPSC jurisdictional
13 service areas would deprive the Company and its
14 shareholders of "just compensation."

15 Also, under the Commission's repeatedly
16 reaffirmed acquisition adjustment policy, absent
17 extraordinary circumstances, when a utility
18 purchases an additional system, customer rates are
19 not adjusted for any discount under or premium over
20 book value. Likewise, the Commission's policy on
21 the sale of facilities should be to ignore any gain
22 or loss absent extraordinary circumstances. No
23 such circumstances have been identified in this
24 proceeding.

25 **Q. WHY IS IT RELEVANT THAT THE ST. AUGUSTINE SHORES**

1 **FACILITIES WERE CONDEMNED AND THE VENICE GARDENS**
2 **SALE WAS A SALE UNDER THREAT OF CONDEMNATION OF**
3 **FACILITIES SERVING AN ENTIRE SERVICE AREA?**

4 A. These facts are important for several reasons. SSU
5 not only sold all plant assets which were used to
6 serve the St. Augustine Shores and Venice Gardens
7 service areas, but SSU also lost customers and part
8 of its business as a result of the sales. In this
9 situation, SSU was not just selling excess capacity
10 but rather was required to liquidate part of its
11 on-going enterprise. These types of sales have
12 hidden costs. For instance, opportunities to
13 stabilize SSU's business and achieve long-term
14 investment returns are lost as a result of these
15 forced sales.

16 **Q. DOES THE FACT THAT THESE SALES WERE FORCED SALES**
17 **PROVIDE FURTHER SUPPORT FOR YOUR POSITION THAT THE**
18 **GAIN SHOULD BE RETAINED BY THE COMPANY AND ITS**
19 **SHAREHOLDERS?**

20 A. Yes. Sales like the Venice Gardens and St.
21 Augustine Shores sales are essentially a partial
22 liquidation of the utility's business. In the case
23 of a total liquidation of a utility, it is clear
24 that any gains or losses should go to the owners of
25 the utility, in other words, the shareholders. As

1 in Docket No. 920199-WS, Ms. Dismukes fails to
2 present any evidence that explains how the Venice
3 Gardens, St. Augustine Shores or River Park sales
4 differ from a sale of a single utility system which
5 happens to be the only system owned by a particular
6 entity. In such circumstances, no reasonable
7 argument can be made that the owner of the system
8 can be ordered to return all gains to the former
9 customers served by the system. Similarly, the
10 Commission cannot authorize the former owner to
11 look to former customers for compensation of losses
12 the owner may have incurred as a result of the
13 condemnation.

14 **Q. SHOULD SSU BE REQUIRED TO TREAT THE GAIN FROM SALES**
15 **OF FACILITIES ABOVE THE LINE?**

16 A. No. The best analogy to the situation which
17 occurred when SSU sold the Venice Gardens and St.
18 Augustine Shores facilities is the following:

19 Mr. X has owned an apartment building for 10
20 years. Over the 10 year period tenants come and
21 tenants go, sometimes apartments are vacant for
22 extended periods, sometimes the building is fully
23 rented. In year 11, Government decides it wants to
24 own the apartment building. If Mr. X accepts the
25 offer and sells the building, do the tenants

1 receive a portion of the gain? If so, do only
2 current tenants receive a share or do past tenants
3 also receive a share? The answer is obvious. Mr.
4 X is not required to share the gain with any tenant
5 just as he would not request reimbursement of a
6 loss from tenants.

7 Public Counsel and possibly others might
8 suggest that a customer of SSU obtains ownership
9 rights to the utility property serving them. In
10 Florida, it is clear that customers do not obtain
11 ownership in utility property, either by virtue of
12 paying contributions in aid of construction or
13 charges for monthly service. Let's assume that Mr.
14 X has 5 apartment buildings and he sells one of the
15 apartment buildings for a gain. Do the tenants in
16 the sold apartment building as well as tenants in
17 the remaining four buildings have a right to share
18 in the gain? I do not think this would be
19 justified under any circumstances. What if one of
20 Mr. X's four remaining apartment buildings burns
21 down and he was uninsured which results in a total
22 loss? Are the tenants that lived in that apartment
23 building or in the other apartment buildings
24 required to pay Mr. X to build a new apartment
25 building? Of course not. Likewise utility

1 customers are like renters in an apartment
2 building. They pay their monthly bill for the use
3 of SSU's water service similar to a renter paying
4 his monthly bill for the use of apartment space.
5 If the utility is sold for a gain or loss, the
6 customer does not share in that gain or loss
7 because he does not own the utility but rather
8 rents the service. I am sure if SSU had lost \$19
9 million on the sale of the Venice Gardens
10 facilities we would not be addressing this issue
11 right now.

12 **Q. HAVE SSU'S RATEPAYERS BEEN ADVERSELY AFFECTED BY**
13 **THE SALE BY CONDEMNATION OF THE ST. AUGUSTINE**
14 **SHORES FACILITY OR SALE UNDER THREAT OF**
15 **CONDEMNATION OF THE VENICE GARDENS FACILITY OR**
16 **VOLUNTARY SALE OF THE RIVER PARK FACILITY?**

17 A. No. OPC witness Dismukes argues that Southern
18 States' remaining customers are absorbing the
19 common costs that would have been allocated to the
20 customers served by these facilities but for the
21 sale and that this reallocation of common costs
22 alone justifies her proposal. I do not believe
23 that this argument is persuasive, particularly
24 since the customer base sharing in the allocation
25 of Southern States' common costs actually has grown

1 over the years despite the condemnation or other
2 sales. Moreover, Ms. Dismukes' strained allocation
3 argument does not apply to the sales of assets when
4 no customers were lost from the sale. Therefore,
5 Ms. Dismukes has provided no justification
6 whatsoever for her proposal regarding sales of
7 assets when no customers were lost.

8 **Q. ARE THERE ANY ADDITIONAL REASONS WHY SOUTHERN**
9 **STATES' SHAREHOLDERS SHOULD RETAIN THE GAIN ON THE**
10 **SALE OF UTILITY PROPERTY?**

11 A. Yes. If the Commission denies shareholders the
12 opportunity to offset the erosion of their
13 investment through the receipt of capital gains, it
14 would deter the reinvestment of retained earnings
15 by utilities and inhibit the attraction of new
16 capital from investors. The deterrent effect of
17 such a denial would be magnified significantly were
18 Southern States required to return the capital
19 gains to ratepayers in this proceeding. I say this
20 because the remaining customers of SSU whom Ms.
21 Dismukes would have share in the condemnation (St.
22 Augustine Shores) or threatened condemnation
23 (Venice Gardens) gains have neither contributed to
24 Southern States' recovery of its investments in the
25 assets nor borne any risk of loss of such

1 investments. Southern States operated the Venice
2 Gardens and St. Augustine Shores water system under
3 the jurisdiction of Sarasota County and St. Johns
4 County, respectively not the Florida Public Service
5 Commission. Rates for these service areas, without
6 exception, were determined on a stand alone basis.
7 Therefore, none of SSU's remaining customers
8 contributed to the Company's recovery of its
9 investments in those facilities or the depreciation
10 of plant assets.

11 **Q. ARE YOU AWARE OF ANY DECISIONS BY THE REGULATORY**
12 **AUTHORITIES OR COURTS OF OTHER STATES WHICH SUPPORT**
13 **THE VIEWS THAT YOU HAVE ESPOUSED?**

14 A. Yes, I am. In fact, as I indicated in Docket No.
15 920199-WS, numerous commissions and courts have
16 reached the same conclusion that I have with
17 respect to the distribution of the proceeds from
18 the sale of utility assets, including gains from
19 the land sales which Ms. Dismukes also would
20 confiscate from shareholders. Most noteworthy
21 among these decisions are the following:

22 • In Maine Water Company v. Public Utilities
23 Commission, 482 A2d. 443 (Me. 1984), the court
24 reversed the Maine commission and held that
25 the gain on the sale of two utility divisions

- 1 to a municipal district should be retained by
2 the utility and not used to reduce rates to
3 customers in the remaining divisions. This
4 case involved the transfer of both depreciable
5 and non-depreciable assets.
- 6 • The Missouri Public Service Commission held in
7 Associated Natural Gas Company, 55 PUR 4th 702
8 (Mo. P.S.C. 1983), that where the utility
9 proposed to apply the proceeds of the
10 condemnation of a gas distribution system to
11 the retirement of bonds and to invest in new
12 plant, resulting in a reduction in interest
13 expense and increased debt coverage, the gain
14 need not be allocated to ratepayers.
 - 15 • The New Hampshire Supreme Court held in Appeal
16 of the City of Nashua, 435 A.2d 1126 (N.H.
17 1981), that the New Hampshire commission
18 correctly determined that a water utility
19 should be allowed to retain the gain on the
20 sale of land no longer needed to provide
21 utility service.
 - 22 • In Philadelphia Suburban Water Company v.
23 Pennsylvania Public Utility Commission, 427
24 A.2d 1244 (Pa. Commw. Ct. 1981), the court
25 reversed the Pennsylvania commission's

1 decision reducing rates of a utility by the
2 current market value of land upon the dividend
3 of the land to its parent company. The land
4 had been in service over fifty years and had
5 appreciated more than tenfold. The court
6 found the commission's action constituted
7 confiscation without due process and just
8 compensation. The court relied on the
9 concepts that the investors had not recovered
10 any of their investment through depreciation,
11 that they had earned return through rates only
12 on the original cost of the land for fifty
13 years and that the utility customers paid only
14 for the use of the land and do not gain
15 equitable or legal rights to the property
16 through the use of it.

17 • The District of Columbia Court of Appeals held
18 in Washington Public Interest Organization v.
19 Public Service Commission, 446 A.2d 28 (D.C.
20 1978) that the commission correctly allowed
21 the gain on the sale of land by two utilities
22 to be retained by the utilities' stockholders
23 rather than using the gain to reduce rates.
24 The court relied on the finding of the
25 commission that depriving the utilities of the

1 gain on the sale, both in terms of the effect
2 on expected earnings and on the investor
3 assessment of the regulatory climate, would
4 increase the cost of capital to the utilities
5 to the ultimate detriment of ratepayers.

6 **Q. ARE YOU AWARE OF ANY OTHER REGULATORY ACTIONS WITH**
7 **RESPECT TO THIS ISSUE?**

8 A. Yes, as I described earlier, the C.P.U.C. has
9 adopted rules whereby gains and losses on sales of
10 entire utility systems to governmental entities are
11 to be retained by the shareholders. This action in
12 California pertains to the same type of
13 transactions (i.e., condemnations) as those I
14 discussed in this testimony.

15 **Q. OPC WITNESS DISMUKES HAS CITED FLORIDA CASES IN**
16 **WHICH GAINS HAVE BEEN SHARED WITH RATEPAYERS.**
17 **SHOULD THESE CASES CONTROL HERE?**

18 A. No, they should not for the reasons I have
19 described above. In addition, to my knowledge,
20 none of the precedent cited involved utility plant
21 which never had even been included in rate base or
22 otherwise recovered by the utility in rates in any
23 way.

24 **Q. DO YOU AGREE WITH MR. LARKIN'S ALTERNATIVE PROPOSAL**
25 **THAT DOLLARS ASSOCIATED WITH THE GAINS FROM ANY**

1 **SALE EVER MADE BY SSU APPARENTLY DATING BACK TO**
2 **INCORPORATION SHOULD BE REMOVED FROM SSU'S CAPITAL**
3 **STRUCTURE, THUS ELIMINATING ALL EQUITY FROM THE**
4 **COMPANY'S OVERALL EQUITY RATIO?**

5 A. No, I do not agree with this alternate proposal. In
6 fact, the Commission previously has rejected the
7 same type of proposal put forth by Ms. Dismukes on
8 behalf of Public Counsel in Docket No. 920199-WS.
9 On this basis, it appears that Mr. Larkin's
10 proposal should be summarily rejected.. This
11 capital rightfully belongs to SSU and its
12 shareholders, and SSU should not be penalized from
13 the sale particularly when the sale was forced upon
14 SSU and deprived SSU of its property and the right
15 to a continued stream of earnings on such assets
16 into the future. Finally, Mr. Larkin identifies no
17 justification for this alternative proposal. Mr.
18 Larkin's alternative proposal is without merit for
19 the same reasons I previously identified concerning
20 Ms. Dismukes' proposal. Moreover, Mr. Larkin's
21 resort to such an alternative is a transparent
22 attempt to reduce the Company's revenue
23 requirements in any way possible, regardless of the
24 absence of justification for such action. Only
25 when the equity ratio is too high should the

1 Florida Commission act to disallow a return on the
2 portion that is excessive; clearly not an issue in
3 this proceeding. In fact, SSU is having difficulty
4 funding its capital program with current low levels
5 of earnings. Disallowing a return on equity in its
6 entirety is counter-productive to what is needed to
7 restore and sustain SSU's financial capacity.

8 It also is noteworthy that, as I indicated
9 previously in this testimony, SSU's shareholders
10 have experienced several years of indisputably
11 dismal returns on their investment in SSU. I can
12 think of no equitable rationale for suggesting that
13 shareholders should bear the brunt of these dismal
14 returns for a period of years and then, in
15 addition, be forced to relinquish to SSU's
16 customers gains from sales of assets, forced or
17 otherwise.

18 **Q. IT HAS BEEN SUGGESTED THAT SSU'S ADMINISTRATIVE AND**
19 **GENERAL COSTS SHOULD BE REDUCED TO REFLECT AN**
20 **ADJUSTMENT MADE BY THE COMMISSION IN DOCKET NO.**
21 **920199-WS WITH RESPECT TO ALLOCATED A&G COSTS**
22 **RELATIVE TO SSU'S FORMER ST. AUGUSTINE SHORES**
23 **CUSTOMERS. DO YOU AGREE WITH THIS SUGGESTION?**

24 **A.** No, I do not. The Commission's order in Docket No.
25 920199-WS suggests that I agreed that SSU's

1 administrative and general costs should be reduced
2 in that case by an amount equal to the A&G costs
3 which would have been allocated to SSU's customers
4 in the St. Augustine Shores service area. I did
5 not make such a concession. I simply pointed out
6 that Public Counsel's proposed sharing of the gain
7 in that proceeding was preposterous and identified
8 the maximum reduction which would have been
9 rational even under Public Counsel's analysis.

10 The adjustment made by the Commission in
11 Docket No. 920199-WS was not equitable. SSU cannot
12 be disallowed recovery of A&G costs every time
13 assets are sold and customers are lost -- absent
14 some evidence that the associated A&G costs no
15 longer are necessary to serve SSU's remaining
16 customers. Also, how can it be fair to disallow
17 the recovery of A&G costs which would have been
18 allocated to the lost customers but give no
19 recognition to the fact that SSU also acquires new
20 customers through acquisitions? These customers
21 permit SSU's A&G costs to be spread over a larger
22 customer base. The Commission's adjustment was one
23 sided and should not be repeated in this
24 proceeding. Moreover, the St. Augustine Shores
25 transaction took place in 1991. The test year in

1 this case is 1996. Is it Public Counsel's position
2 that such an adjustment must be made in perpetuity?
3 If so, does a similar adjustment occur for every
4 condemnation or sale of SSU's facilities by
5 counties or cities? Surely, the Commission can see
6 that it would not be long before the disallowances
7 of A&G costs would be dramatic -- even if SSU's
8 customer base were to grow over time. Such a
9 result is not logical. The Commission should
10 reject Public Counsel's proposed adjustment to A&G
11 costs. Moreover, SSU sold the Venice Gardens
12 facilities in 1994 with a loss of about 15,380
13 customers. In 1995, SSU purchased Buenaventura
14 Lakes with 15,488 customers as well as Lakeside,
15 Spring Gardens and Valencia Terrace which added
16 another 1,231 customers. Therefore, through
17 acquisitions, SSU added more customers than we lost
18 which has actually benefitted our remaining
19 customers with respect to the allocation of common
20 A&G costs. On a net basis, our customers have not
21 been penalized at all in the manner implied by Ms.
22 Dismukes' adjustment.

23 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

24 A. Yes, it does.

SARASOTA COUNTY BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

1. Requested Motion:
Move to approve the Specific Authorization #2 with James M. Montgomery, Consulting Engineers, Inc. (JMM) for engineering consulting in the acquisition of Venice Gardens Utilities, Inc. (including a used and useful study) in accordance with Contract #92-281, call for professional services #126, BCC approved on June 16, 1992.

2. Meeting Date: January 26, 1993
3. Subject: Engineering Consultant Specific Authorization for acquisition of VGU
4. Category: Check where applicable:
1. Ordinance _____
2. Resolution _____
3. Variance Request _____
4. County Admin. Report _____
5. Contracts _____
6. Public Hearing Required: Yes _____ No X
Time Required _____ minutes
7. Other (specify) Discussion

5. Background:
On December 15, 1992, the BCC directed staff to proceed with the acquisition of Venice Gardens Utilities, Inc. At a deliberative session on July 14, 1992, regarding VGU's requested rate increase, the BCC remanded the case back to the panel of hearing officers with instructions that a recommendation be made as to the used and useful capacity of the plant. The acquisition process will utilize the established Acquisition Negotiation Team (ANT) procedures. JMM will accomplish the engineering analysis required. Since much of the information required for the used and useful study will be obtained by JMM during the acquisition investigation, it is in the County's interest to have JMM also complete the required used and useful study. The Specific Authorization #2 has been developed and is attached for BCC approval as required by JMM Contract #92-281. There are no modifications to the payment provisions. The base price is \$160,974 for the acquisition scope of work, and \$44,510 for the used and useful portion for a total of \$205,484.

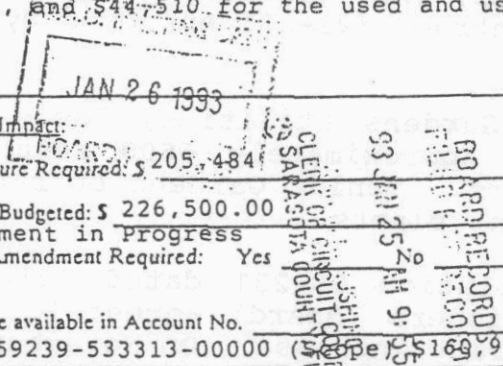
6. Approval to proceed with contract review:
Deputy Co. Admin. _____ Date: _____

7. Fiscal Impact:
Expenditure Required: \$ 205,484
Amount Budgeted: \$ 226,500.00
Amendment in Progress _____
Budget Amendment Required: Yes _____ No _____
Funds are available in Account No. _____
402-059239-533313-00000 (Scope) \$160,974
105-05912-536313-00000 (Study) \$44,510

8. Submitting Dept: Utilities
Reviewed by: Signature _____ Date _____
Dept. Director: [Signature] 1/21/93
Legal Counsel: [Signature] 1/21/93
Clerk's Finance Officer: _____
Financial Management: [Signature] 1/21/93

9. Forwarded for BCC Action:
Deputy Co. Admin. [Signature] Date: 1-26-93
County Administrator _____ Date: _____

10. Commission Action:
Approved Action approved with the following modifications: _____
C92-281 Denied _____
Deferred to: _____
Referred to staff: _____



SARASOTA COUNTY GOVERNMENT

UTILITIES DEPARTMENT

INTEROFFICE MEMORANDUM

TO: John Wesley White, County Administrator

THROUGH: Robert S. LaSala, Deputy County Administrator

FROM: Larry B. Turner, Utilities Director

SUBJECT: BOARD OF COUNTY COMMISSIONERS ITEM-DISCUSSION TO
 APPROVE ENGINEERING CONSULTANT SCOPE OF SERVICES FOR
 ACQUISITION OF VENICE GARDEN UTILITIES, INC.

DATE: January 20, 1993

BOARD RECORDS
 FILED FOR RECORD
 93 JAN 25 AM 9:55
 CLERK OF CIRCUIT COURT
 SARASOTA COUNTY FL

RECOMMENDATION:

The Utilities Department recommends that the Board of County Commissioners take the following action: Move to approve the Scope of Services with James M. Montgomery, Consulting Engineers, Inc. (JMM) for engineering analysis in the acquisition of Venice Garden Utilities, Inc. (including a used and useful study) in accordance with Contract #92-281 approved by the BCC on June 16, 1992.

REPORT:

Venice Gardens Utilities, Inc. is a water and sewer franchise serving approximately 6600 retail customers and 400 commercial customers. Venice Gardens operates its own water and wastewater treatment plants.

By Resolution 90-231 dated July 31, 1990 the Board of County Commissioners (Board) agreed to allow the utility to file for a Step 2 rate increase. On November 22, 1991, the utility filed its request for this Step 2 rate increase. A panel of hearing officers held duly advertised public hearings on April 9, May 6, 7, 8 and 11, 1992 for the purpose of considering the utility's request and receiving evidence and testimony. The Board conducted a duly advertised deliberative session on July 14, 1992. After full consideration of the record, the Board remanded the case back to the panel of hearing officers, with instructions that evidence and testimony be taken and considered regarding the prudence of VGU's investment in the R.O. Plant in light of the contracts entered into between Sarasota County and VGU regarding the purchase of County water; and that a recommendation be made as to the used and useful capacity of the entire water plant.

At this point Staff determined that an engineering contract would be needed for the used and useful study. Staff originally anticipated that this study could be conducted under an existing contract, thereby avoiding the need for a Call For Professional

Services. Subsequently, it was determined that this was not the case. During October and November, the rate staff coordinated the drafting of engineering scope of services with SUD Engineering staff, Office of the County Attorney, and Purchasing. The final draft of the scope of services went to Purchasing for advertising in mid-November. Call For Professional Services went out late November with a closing date of December 18, 1992. Five responses to the Call For Professional Services were received, one of which was from James M. Montgomery Consulting Engineers, Inc.

On December 15, 1992, the BCC directed staff to proceed with the acquisition of Venice Gardens Utilities, Inc.

The Utilities Department will proceed with the acquisition of the franchise utilizing the BCC approved Acquisition Negotiating Team (ANT). The firm of JMM will accomplish the engineering analysis required including a used and useful study. The Specific Authorization No. 2 has been developed and is attached for BCC approval as required by the JMM contract #92-281. There are no modifications to the payment provisions.

Since much of the information required for the used and useful study will be obtained by JMM during the acquisition investigation, it is in the County's interest to have JMM also complete the required used and useful study.

CONTRACT NO. Ke: 92-281
BCC APPROVED 1/26/93

SPECIFIC AUTHORIZATION NO. 2
SARASOTA COUNTY UTILITIES DEPARTMENT

THIS DOCUMENT, executed this ____ day of _____, 1993, is Specific Authorization No. 2 to the Agreement dated June 16, 1992 (BCC Contract No. 92-281), hereinafter called the Agreement, between the

County of Sarasota
a political subdivision of the State of Florida
hereinafter called County, and

James M. Montgomery, Consulting Engineers, Inc.
a professional engineering consultant,
hereinafter called Consultant,

with an office located at 240 N. Washington Blvd., Suite 303
Sarasota, Florida.

WHEREAS, the Agreement provided that the County may authorize Consultant by Specific Authorization to perform additional services; and

NOW THEREFORE, the County and the Consultant, in consideration of the mutual covenants hereinafter set forth, agree as follows:

1. SERVICES OF CONSULTANT

Consultant shall perform professional consulting services, and provide the deliverables as set forth in Exhibit A, Scope of Work, attached hereto and incorporated as though set forth in full.

2. COMPENSATION

The Consultant shall be paid in accordance with the schedule as set forth in Paragraph 2.1 of the Agreement. The payment for this Specific Authorization is \$160,974 for the acquisition scope of work, and \$44,010 for the used and useful portion for a total of \$205,000.

3. PERIOD OF SERVICE

The anticipated Period of Service for the services rendered is estimated to be approximately 6 months.

4. OTHER PROVISIONS

All applicable provisions of the Agreement and prior Specific Authorizations not specifically modified herein

BOARD RECORDS
FILED
93 JAN 29 PM 12:49
CLERK OF DISTRICT COURT
SARASOTA COUNTY, FL

**EXHIBIT A
TO SPECIFIC AUTHORIZATION NO. 2**

SARASOTA COUNTY

**Utility Acquisition Engineering Services
For Acquisition of Venice Gardens Utility
By Sarasota County, Florida**

ENGINEERING SCOPE OF WORK

I. GENERAL SERVICES

A. Project Interfaces

1. Meet with Acquisition Team Members

James M. Montgomery (JMM) will meet with the other Utility Acquisition Team Members/County staff for up to two (2) meetings.

2. County Commission Meetings

JMM will brief the Board of County Commissioners twice (2) on the engineering status of the project.

3. Any additional meetings will be reimbursed at the agreed hourly rates.

4. Provide letter report of physical condition and investment required to bring utility to good to excellent condition (for F.S. 125.3401 report).

B. Project Schedule

JMM will prepare a bar chart schedule for the acquisition project. The schedule will be updated monthly. The purpose of a schedule is to identify the interdisciplinary effort and the task relationships required to complete the project in a timely manner.

II. WATER FACILITIES EVALUATION

A. Water Supply

JMM will review an inventory prepared by VGU and analyze the available master water supply.

Utility Acquisition Engineering Services

B. Wastewater Treatment Facilities

JMM will conduct a complete review of the operational strategies conducted at the VGU facilities. The review will assist in determining the operational flexibility of each process component to meet future treatment requirements and loadings. The review will focus upon the following operational issues:

- Chemical usage
- Treatment process optimization techniques
- Process components capabilities and their inter-relation function
- Energy conservation measures
- Use of instrumentation

The review will further define the useful life of the utility and process components and their inter-relational functions of the treatment facilities.

C. Maintenance Practices

(Deleted)

D. JMM will develop a five (5) year operating cost estimate to include the following:

- Necessary system improvements
- Operation and maintenance costs for personnel and equipment
- Compliance with State and Federal water and wastewater regulations and statutes
- Renewals and replacement
- Capital requirements

VI. REAL PROPERTY EVALUATION

(To be accomplished by others)

VII. RECORDS REVIEW

In this task, JMM will review a number of records to determine the following:

- Permit Violations
- System Deficiencies
- Growth Forecasting
- Design Capacities

Utility Acquisition Engineering Services

A. Plans Review

JMM will be provided with plans of the major facilities to determine their capacity.

B. Correspondence Review

JMM will review records on file at public agencies to determine permit violations.

C. Customer Growth Trends

JMM will review the rate at which new customers have been connecting to the system as well as projections of future system growth trends.

D. Operation Reports

JMM will obtain copies of the last five years of operation reports. These will be used to evaluate the effectiveness of the facilities to meet their design criteria.

E. Fire Demands

JMM will contact ISO and County Fire Marshall and obtain fire demands for selected commercial properties served by the water system. The Owner/SUD will assist in providing descriptive information about the selected property to determine the fire protection requirement.

VIII. SYSTEM PROBLEMS AND NEEDS

JMM will compile lists of problem areas and needs derived from evaluation of the water and sewer facilities. The compilation will include deficiencies noted that are relative to regulatory permits.

IX. ESTIMATED VALUE

As directed by utility acquisition team members, JMM will prepare an estimated value of each of the systems (water and sewer). The valuation will include the replacement cost new less depreciation (RCNLD) method with deducts for known or suspected deficiencies, obsolescence, super adequacy, and other legal or engineer constraints. Extraordinary maintenance or inadequacies will be evaluated. Expenses necessary to bring the system up to permit requirements, meet standards, or eliminate hazards will also be taken into account in the valuation. JMM will also prepare a letter report outlining the estimated valuation of the facilities to be acquired.

Utility Acquisition Engineering Services

X. CAPITAL NEEDS PROGRAM

A compilation of the estimated costs of extraordinary maintenance and repairs required in order to return the system to a good to excellent condition will be performed and presented in the form of a capital improvement program (CIP). The capital needs to meet permit requirements, growth, mandates, health and safety needs, and consolidation needs will also be presented as a capital improvement program (CIP). The CIP is expected to be of about a 5 year duration. The compilation will separately state the basis for required renewal and replacement advance funding. JMM will review TV tapes provided by others as an aid in developing CIP.

XI. REPORT PREPARATION

JMM will prepare bound technical memos encompassing items I through IX as an engineering evaluation of the VGU facilities. A total of ten (10) bound draft copies will be provided and five (5) bound final documents will be provided after appropriate review. The draft report will be complete approximately four (4) months after notice to proceed.

XII. ADDITIONAL SERVICES

During the course of this project, the County, other county consultants and/or JMM may identify tasks that require extensive field work or closed circuit TV inspection. These services may include TV inspection of wells, aquifer hydrogeology tests, pump tests, TV inspection of sewer lines, excavation of utilities, Phase II Environmental Audits of existing utility sites. JMM will not commence work on any effort in this task without obtaining written authorization from the County nor have any fees been included in the negotiated fee for acquisition services. Compensation will be for actual time and materials used at the established rates.

XIII. POST UTILITY ACQUISITION**A. Post-Acquisition Assistance**

Upon acquiring the utility system, the County will be required to operate and manage a utility structure in conjunction with the defined operating budget. As this is a unique situation for the County and staff, JMM will provide the newly-formed utility with post-acquisitional assistance. The services include, but are not limited to:

1. Engineering services for developer agreement review and permitting; interconnect and new main design; design services to remedy system

Utility Acquisition Engineering Services

- Florida Department of Environmental Regulation Regulations
- United States Environmental Protection Agency Regulations
- Industry Standards
- Contracts with Sarasota County and Other Governmental Entities

Draw conclusions regarding prudence of plant sizing based on above criteria. If it is determined that plant has been imprudently oversized, then a recommendation should be made regarding the appropriate plant sizing. (Tasks C, D, and E should also be reviewed as needed prior to this determination.)

C. Review Population

Review the future water demands based upon past water consumption per equivalent dwelling units (EDU). Future EDUs will be based upon County Planning Department projections. Assess the impact of water restrictions on water demand.

D. Water Losses

Complete a water loss analysis of water losses of the system. This will be used on an analysis between finished water produced and water sold to customers. Make recommendation regarding reasonableness of water loss. If water loss is not at an acceptable level, recommend adjustments as needed to reduce electric and chemical expense.

E. Prepare Estimate of Future Water Use Through 1996

Predict water demands through 1996 based upon results of Subtask B, C and D.

F. Site Visits

Conduct site visits of the major components of VGU water system.

G. Capacity Analysis

Review and make a recommendation regarding the appropriate number of years over which to depreciate the reverse osmosis permeators.

Sarasota County rules and regulations allow a utility to request a change in lives from the standard defined in the rules.

In the most recent proceeding in 1991, VGU requested that the life be changed from 22

CLIENT: Sarasota County
 PROJECT: VENICE GARDENS Utility Acquisition Program

JOB NO.: 0000.0000
 PREPARED BY: J. Higgins

DATE: 21-Jan-93
 APPROVED BY: J. Higgins

SUBTASK NUMBER	CLASS PERSON COST RATE	HOURS											LABOR HOURS	LABOR COSTS	OVER HEAD COL. A x 1.79	C ODC	D TOTAL COSTS SUM A THRU C
		PRINCIPAL PROFESSIONAL	SENIOR PROFESSIONAL	PROFESSIONAL	ASSOCIATE	DESIGNER	ADMINISTRATOR	SECRETARY	DRAFTER	TYPIST	QUALITY CONTROL						
		\$42.10	\$23.81	\$22.78	\$16.80	\$20.00	\$14.42	\$12.65	\$11.00	\$11.97	\$45.00						
TASK I - GENERAL SERVICES																	
A1. MEET WITH TEAM MEMBERS		8	8										16	527	944	12	1,483
A2. COUNTY COMMISSION MTGS.		8	8										16	527	944	0	1,471
A3. HOURLY RATE MEETINGS		NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	0	0	0	0	0	0
A4. F.S. CHPT 125 HEARING		4	4										8	264	472	0	736
B. PROJECT SCHEDULE		16	16										66	1,502	2,689	62	4,254
TASK II - WATER FACILITIES																	
A. WATER SUPPLY		4	8	16									43	970	1,737	11	2,718
B. WATER TREATMENT		4	16	0	40	8							91	1,805	3,231	21	5,057
C. STORAGE AND PUMPING		0	0	0	0	0							0	0	0	0	0
D. WATER DISTRIBUTION SYSTEM		0	8	0	16	0							29	564	1,009	4	1,577
E. FLOW TESTS		0	0	8	8	0							8	200	358	0	559
F. INSPECTION		24	20	20	20	0							88	2,467	4,416	44	6,927
TASK III - SEWER FACILITIES																	
A. WASTEWATER TREATMENT		16	24		40								84	2,097	3,754	11	5,862
B. INTERNAL INSPECTION		NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	0	0	0	0	0	0
C. INSPECT MANHOLES		2	20	20									50	1,190	2,130	52	3,372
D. LIFT STATIONS AND PUMP STAT		24	40										111	2,647	4,738	57	7,442
E. IN ANALYSIS		8	24		64								117	2,396	4,288	13	6,696
TASK IV - REGULATORY ISSUES																	
A. Facilities Permits		8			24								42	920	1,647	285	2,853
B. Site Audits		16	24										62	1,614	2,888	10,011	14,513
TASK V - UTILITY OPERATIONAL EV																	
A. Staffing		8			16								45	901	1,612	18	2,531
B. W & WW Treatment Facil.		8			24								46	952	1,704	11	2,666
C. Maintenance Practices		8			24								50	1,015	1,817	133	2,964
D. FIVE YEAR O&M BUDGET		30	30	20	40	8							166	3,884	6,952	126	10,963
TASK VI - REAL PROPERTY EVALUAT		NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	0	0	0	0	0	0
TASK VII - RECORDS REVIEW																	
A. PLANS REVIEW		8			24								34	955	1,710	2,694	5,360
B. CORRESPONDENCE		2	24										27	714	1,278	240	2,232
C. GROWTH TRENDS													17	353	631	0	984
D. OPERATION REPORTS													42	914	1,656	144	2,693
E. FIRE DEMANDS		2	8	16	16	16							19	393	704	165	1,269
TASK VIII - SYSTEM PROBLEMS & NEED		16	16		40								108	2,280	4,082	47	6,409
TASK IX - ESTIMATED VALUE		20	24	24	80								199	4,187	7,495	306	11,988
TASK X - CAPITAL NEEDS PROGRAM		16	10		24								57	1,485	2,658	226	4,369
TASK XI - REPORT		20	20	24	80	24							312	5,777	10,341	770	16,888
TASK XII - ADDITIONAL SERVICES		NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	NIC	0	0	0	0	0	0

CLIENT: Sarasota County
 PROJECT: VENICE GARDENS Utility Acquisition Program
 JOB NO.: 0000.0000
 PREPARED BY: J. Higgins
 DATE: 21-Jan-93
 APPROVED BY: J. Higgins

SUBTASK NUMBER	ODC's											TOTAL ODC's	
	XEROX COPIES	DUPLICATING PRINTS	PRINTING	OUTSIDE CONSULTANTS	SHIPPING	TRAVEL	MILEAGE	COMPUTER	WORD PROCESSING	PHONE	TESTING		MISC.
TASK I- GENERAL SERVICES													
A1. MEET WITH TEAM MEMBERS	100							0	0				12
A2. COUNTY COMMISSION MTGS.								0	0				0
A3. HOURLY RATE MEETINGS								0	0				0
A4. F.S. CIPT 125 HEARING								0	0				0
B. PROJECT SCHEDULE	50				30			0	15				62
TASK II- WATER FACILITIES													0
A. WATER SUPPLY								0	6				11
B. WATER TREATMENT								4	8				21
C. STORAGE AND PUMPING								0	0				0
D. WATER DISTRIBUTION SYSTEM								0	2				4
E. FLOW TESTS								0	0				0
E. INSPECTION							200	0	0				44
TASK III- SEWER FACILITIES													0
A. WASTEWATER TREATMENT								0	0				11
B. INTERNAL INSPECTION	30						50	0	0				0
C. INSPECT MANHOLES								0	3				52
D. LIFT STATIONS AND PUMP STAT	50							0	22				57
E. I/I ANALYSIS								4	3				13
TASK IV- REGULATORY ISSUES													0
A. Facilities Permits	2000				20			0	3	20			285
B. Site Audits				10000				0	6				10,011
TASK V- UTILITY OPERATIONAL EV													0
A. Staffing								2	8				18
B. W & WW Treatment Facil.								2	4				11
C. Maintenance Practices	1000							2	5				11
D. FIVE YEAR O&M BUDGET	200				20			0	18	50			133
TASK VI- REAL PROPERTY EVALUAT													126
TASK VII- RECORDS REVIEW													0
A. PLANS REVIEW		2500						0	0	50			2,694
B. CORRESPONDENCE	2000				100		200	0	0				240
C. GROWTH TRENDS								0	0				0
D. OPERATION REPORTS	500							0	0				144
E. FIRE DEMANDS				150	40		200	0	0	15			165
TASK VIII- SYSTEM PROBLEMS & NEP						20		4	11				47
TASK IX- ESTIMATED VALUE	400					20		0	21	200			306
TASK X- CAPITAL NEEDS PROGRAM	200							0	1	200			226
TASK XI- REPORT	2000		400					24	48				770
TASK XII- ADDITIONAL SERVICES								0	0				0

SARASOTA COUNTY GOVERNMENT

UTILITIES DEPARTMENT

INTEROFFICE MEMORANDUM

TO: File

FROM: John D. Knowles, Planning Division Manager

SUBJECT: Venice Garden Utility (VGU) Acquisition

DATE: February 9, 1993

A meeting of the Acquisition Negotiating Team (ANT) for the acquisition of VGU was held on 1 February, 1993 in the 7th floor conference room of the Administration Center. The following individuals were present:

Commissioner Robert L. Anderson
John Wesley White, County Administrator
Larry Turner, Utilities Director
John D. Knowles, Planning Division Manager
Bleu Wallace, Franchise Division Manager
Steve DeMarsh, Assistant County Attorney
Bonnie Dyga, Director of Financial Management
Tom Keys, Operations Division Manager
Nancy Fisher, Administration Division Manager
Dave Cook, Accountant
Steve Dunn, Saffer, Vumbaco Brown & Kersten (SVBK)
Dave Bouck, James M. Montgomery (JMM)
Jim Higgins, James M. Montgomery (JMM)

The meeting was the initial meeting of the ANT for VGU acquisition. The following issues were addressed:

1. Acquisition. Commissioner Anderson noted that the acquisition would be accomplished as a "long take".
2. Completion time. JMM is scheduled to have the used and useful portion complete by April 15, 1993. Both consultants are to complete all of their scopes within 6 months. These times are subject to the consultants being able to obtain the required documents and gain access to the facilities. Commissioner Anderson asked that the consultants review their time lines to determine if they could complete their tasks sooner.
3. Access. Physical access to the property is necessary for JMM to complete his work on the acquisition part. Copies of the plans and drawings are necessary for both the used and useful and acquisition parts. Legal was asked to resolve these issues as SSU had indicated resistance to the County obtaining access.

4. Documentation. JMM and SVBK need copies of the VGU/County agreement on purchase of Carlton Water and copies of the injection well agreement.
5. Updates. JWW requested that SUD set up a monthly meeting of the ANT to update the members on all acquisitions. Attendance by the consultants is not necessary.
6. Overall plan. Commissioner Anderson requested that staff look at an overall plan for the water and sewer service in the southern portion of the County to determine how VGU fits into the County's goals.



General Offices
1000 Color Place
Apopka, FL 32703
(407) 880-0058

March 23, 1993

The Honorable David R. Mills
Commissioner
Sarasota Board of County Commissioners
P.O. Box 8
Sarasota, Florida 34230

Dear Commissioner Mills:

As you are aware Southern States Utilities operates the water and wastewater facilities at Venice Gardens and has had an application for a rate change pending in Sarasota County since November 1991.

Last May, the Public Utilities Advisory Board recommended a rate increase for SSU. We have yet to get a final decision. In other words, we have had a rate proceeding pending in Sarasota County for 18 months. The last rate proceeding in your County took eight months from the initial application date of November 1989 until the final order in July 1990.

I am also sure you are aware, SSU has invested several million dollars in expanding one reverse osmosis plant and building another to improve the quality of service in your area, both from a water availability and safety point of view.

We are quite concerned, not only about the delays in our rate proceedings, but the potential for the appearance of impropriety on the County's behalf. Because the Sarasota County Commission has authorized the retention of a consultant to determine feasibility of acquiring our utility, we are extremely anxious about the potential bias and/or conflict of interest which exists in the County's retention of regulation of our operations and rates.

In Collier County when a similar dilemma occurred, the Collier County Commissioners relinquished regulatory jurisdiction to the Florida Public Service Commission. We believe the experience of the Collier County Commission might be helpful to you in this regard.

Attached is a copy of the Collier County Commission resolution dated April 16, 1985 for your information and convenience. We would certainly

Southern States Utilities - Water for Florida's Future

appreciate the opportunity to discuss this situation with you personally.

We look forward to your response.

Sincerely,

Ida M. Roberts
Manager of Communications
and Government Affairs

Enclosure

APR. 1985
RESOLUTION
RELINQUISHING
REGULATORY
JURISDICTION
TO PSC

FLORIDA STATUTES, TRANSFERRING COLLIER COUNTY'S REGULATORY JURISDICTION OVER PRIVATE WATER AND SEWER UTILITIES TO THE FLORIDA PUBLIC SERVICE COMMISSION.

WHEREAS, Collier County has embarked on a plan to acquire some of the private water and sewer utilities over which the County exercises regulatory jurisdiction with respect to rates and service areas; and

WHEREAS, the County's acquisition plans and exercise of regulatory jurisdiction may raise an inference of a conflict of interest; and

WHEREAS, the Florida Public Service Commission exercises regulatory jurisdiction over private water and sewer utilities in many other counties and has full time experts on its staff to perform such regulatory functions; and

WHEREAS, Collier County must retain outside experts for each rate application submitted by a private water or sewer utility, the cost of which is passed on to the customers of the utility; and

WHEREAS, it is in the public interest to transfer Collier County's regulatory jurisdiction over private water and sewer utilities to the Florida Public Service Commission.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF COLLIER COUNTY, FLORIDA, that it is hereby declared that the provisions of Chapter 367, Florida Statutes, shall become effective in Collier County as of April 16, 1985, and henceforth all private water and sewer utilities operating or proposing to operate within Collier County are subject to the regulatory jurisdiction of the Florida Public Service Commission;

and
BE IT FURTHER RESOLVED, that the Board of County Commissioners of Collier County, Florida, ex-officio the governing Board of the Collier County Water-Sewer District does not waive its rights of consent and approval for the construction of water treatment, supply and distribution facilities and sewage disposal, collection and treatment facilities, pursuant to Section 153.86, Florida Statutes, nor does it waive any other rights, authority or powers conferred by Chapter 153, Florida Statutes.

This Resolution adopted after motion, second and roll call vote as follows:

Commissioner	Russo	Notified and eye
Commissioner	Cowdrip	Seconded and eye
Commissioner	Voss	Aye
Commissioner	Holland	Nay
Commissioner	Pistac	Absent and not voting

12 of 17

APR 16 1985
WILLIAM J. VOSS
CLERK


BOARD OF COUNTY COMMISSIONERS
COLLIER COUNTY, FLORIDA
BY: WILLIAM J. VOSS, CLERK

SARASOTA COUNTY GOVERNMENT

UTILITIES DEPARTMENT

INTEROFFICE MEMORANDUM

TO: File

FROM: John D. Knowles, P.E., Planning Division Manager 

SUBJECT: Acquisition Negotiating Team (ANT) Update

DATE: May 3, 1993

An ANT update meeting was held on May 3, 1993. The following individuals were present:

Commissioner Robert L. Anderson
John Wesley White, County Administrator
Robert S. LaSala, Deputy County Administrator
Larry B. Turner, P.E., Utilities Director
John D. Knowles, P.E., Planning Division Manager
Bonnie Dyga, Financial Management Director
David Cook, Utilities Finance
Steve DeMarsh, Assistant County Attorney
Bob Obering, Utilities Engineering Manager
Bleu Wallace, Utilities Franchise Manager

The update sheets attached were distributed and discussed. The following specific issues were addressed:

Atlantic. Larry Turner stated that this issue will be discussed this week with the acquisition attorney.

Myakka. The County's role in reviewing the rates to be charged to County customers by a non-County entity was discussed. Steve DeMarsh was asked to look into this issue. Commissioner Anderson asked that SUD obtain the details of the agreement between the Utility and the City of North Port.

Southeast. Steve DeMarsh is to get with the Attorney handling the case and report back to the ANT.

Contributed CIAC to the County. Commissioner Anderson raised the issue of the status of the ordinance to require developers to donate their lines to the County via the franchise. Commissioner Anderson did not understand why we had to wait for future court rulings before we could process the ordinance. Mr. White stated that the Board of County Commissioners was clear in its directions on this issue. Steve DeMarsh to investigate.

ANT Meeting
Page 2

Acquisition Prioritization Plan. Mr. White asked UUD to look for community groups to brief. He does not expect a large effort to brief small groups of 2 or 3.

Future Meetings. Mr. White stated that the update meetings will be scheduled every two weeks until further notice.

Enclosures

An ANT update meeting was held on May 3, 1997. The following individuals were present:

- Commissioner Robert L. Anderson
- John Wesley White, County Administrator
- Robert S. Jaska, Deputy County Administrator
- Larry E. Turner, P.E., Utilities Director
- John D. Knowles, P.E., Planning Division Manager
- Bonnie Byrd, Financial Management Director
- David Cook, Utilities Finance
- Steve Bekdash, Assistant County Attorney
- Bob Obering, Utilities Engineering Manager
- Rien Wilsch, Utilities Franchise Manager

The update sheets attached were distributed and discussed. The following specific issues were addressed:

Atlantic. Larry Turner stated that this issue will be discussed this week with the acquisition attorney.

Myrtle. The County's role in reviewing the rates to be charged to County customers by a non-County entity was discussed. Steve Bekdash was asked to look into this issue. Commissioner Anderson asked that UUD obtain the details of the agreement between the Utility and the City of North Port.

Southeast. Steve Bekdash is to get with the attorney handling the case and report back to the ANT.

Contributed CIG to the County. Commissioner Anderson raised the issue of the status of the ordinance to require developers to donate their lines to the County via the franchise. Commissioner Anderson did not understand why we had to wait for future court rulings before we could process the ordinance. Mr. White stated that the Board of County Commissioners was clear in its direction on this issue. Steve Bekdash to investigate.

AS OF: May 1, 1993.

ACQUISITION UPDATE

FRANCHISE NAME: Atlantic Utilities

TYPE OF SERVICE: Water (from SUD) and sewer

NUMBER OF CUSTOMERS: water: 4339 residential, 131 commercial
sewer: 4557 residential, 131 commercial

BASIS OF ACQUISITION: County Initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: 4/22/93 - Workshop

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT: Montgomery/Watson
CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT: SVBK
CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

- 1992-Part of RUD#1 Proposal
- 03/11/93 - BCC rejected RUD#1 Proposal
- 04/22/93 - BCC concurred with SUD decision to begin negotiations for acquisition.
- 04/26/93 - Consultants asked for scope of work to gather additional data for acquisition.
- 04/28/93 - Letter from owner with price quote

CURRENT STATUS:

PURCHASE PRICE:

AS OF: May 1, 1993.

ACQUISITION UPDATE

FRANCHISE NAME: Casey Key Water Association

TYPE OF SERVICE: Water only (SUD bulk customer)

NUMBER OF CUSTOMERS: 440 Residential, 1 commercial

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: 4/6/93 - Franchise surcharge hearing

BASIS FOR COMPENSATION: Assumption of all liabilities

ENGINEER CONSULTANT: None

CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT: None

CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

9/14/92 - Meeting with SUD and CKWA to agree upon actions to be taken for acquisition

10/6/92 - CKWA's Engineer submits plans for back flow devices to meet consent order

11/5/92 - Plans for back flows disapproved as not meeting code

12/1/92 - CKWA's Engineer agrees to modify plans and submit revised cost data for rate hearing.

1/5/93 - Meeting with CKWA and SUD Director to update status

2/2/93 - Consent order to CKWA issued for chlorination equipment

2/24/93 - Data needed for rate hearing received by SUD.

3/30/93 - Public hearing for rates (continued)

4/6/93 - Last easement for water-line route obtained.

CURRENT STATUS:

- * Legal agreement not finalized.
- * CKWA must relocate a portion of their water line before acquisition contract can be signed.
- * SUD may pick up back flow contract and work to repair chlorination equipment depending on when contract is signed.
- * Bids received for water line relocation. No award.

PURCHASE PRICE: NONE

AS OF: May 1, 1993

ACQUISITION UPDATE

FRANCHISE NAME: Englewood Golf, Inc.

TYPE OF SERVICE: Sewer only, EWD water

NUMBER OF CUSTOMERS: Sewer: 133 residential, 1 commercial

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE:

BASIS FOR COMPENSATION: Consolidation clause

ENGINEER CONSULTANT: N/A

CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT: N/A

CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

3/4/94 - Franchise expires

CURRENT STATUS:

* Acquisition proposal to be presented to EWD board

PURCHASE PRICE:

ACQUISITION UPDATE

FRANCHISE NAME: Gulf View Utilities, Inc.

TYPE OF SERVICE: Water and sewer-own supply

NUMBER OF CUSTOMERS: Water: 180 residential
Sewer: 52 residential

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: (5/11/93)

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT:
CONTRACT AMOUNT: %COMPLETE:

FINANCIAL CONSULTANT:
CONTRACT AMOUNT: %COMPLETE:

KEY DATES/EVENTS:
1/13/93 - owner offers to sell franchise to the County

CURRENT STATUS:

* BCC to consider authorizing staff to look into acquisition

PURCHASE PRICE:

ACQUISITION UPDATE

FRANCHISE NAME: Myakka Utilities, Inc

TYPE OF SERVICE: Water (from North Port) and sewer

NUMBER OF CUSTOMERS: Water: 2733 residential
Sewer: 2727 residential

BASIS OF ACQUISITION: Initiated by North Port

BCC NOTIFIED OF INTENT TO ACQUIRE:

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT:
CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT:
CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

03/11/93 - Request to transfer assets requested from Utility
04/14/93 - Negotiations between Utility and North Port
complete.

CURRENT STATUS:

- * Acquisition public hearing in County not required
- * Public hearing for transfer of assets required
- * North Port will hold two community meetings
- * Customers will not pay any capacity fees to North Port
- * Utility has the action to submit transfer request

PURCHASE PRICE:

AS OF: May 1, 1993

ACQUISITION UPDATE

FRANCHISE NAME: Southbay Utilities, Inc.

TYPE OF SERVICE: Water & Sewer (own)

NUMBER OF CUSTOMERS: Water: 515 residential, 25 commercial
Sewer: 515 residential, 25 commercial

BASIS OF ACQUISITION:

BCC NOTIFIED OF INTENT TO ACQUIRE:

BASIS FOR COMPENSATION:

ENGINEER CONSULTANT:
CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT:
CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

- 7/21/92 - owners request 10 year extension; BCC approved one year extension
- 4/16/93 - meeting between County Attorney & franchise lawyer

CURRENT STATUS:

- * Franchise expires in August 1993, or August 1994
- * Owners want to negotiate new franchise agreement
- * County attorney to resolve

PURCHASE PRICE:

AS OF: May 1, 1993

ACQUISITION UPDATE

FRANCHISE NAME: Southeast Utilities, Inc.

TYPE OF SERVICE: Water (bulk, from SUD) & Sewer (diverted to Atlantic)

NUMBER OF CUSTOMERS: Water: 136 residential
Sewer: 132 residential

BASIS OF ACQUISITION:

BCC NOTIFIED OF INTENT TO ACQUIRE: 1985

BASIS FOR COMPENSATION:

ENGINEER CONSULTANT:
CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT:
CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

- 1985 - Owner abandoned system
- 1985 - Court appointed receiver
- 9/27/90 - Sewer interconnected to Atlantic

CURRENT STATUS:

- * Trial on owner's claim of inverse condemnation June & Aug 93
- * Receiver heavily in debt
- * System has massive I & I

PURCHASE PRICE:

AS OF: May 1, 1993

ACQUISITION UPDATE

FRANCHISE NAME: Southfield Utilities, Inc.

TYPE OF SERVICE: Sewer (SUD retail water customers)

NUMBER OF CUSTOMERS: 195 Residential

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE:

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT: None

CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT: None

CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

02/17/93 - Owner's attorney requested action be taken to acquire

02/24/93 - Acquisition actions assigned

03/26/93 - Proposed legal agreement forwarded to the Utility

CURRENT STATUS:

- * SUD staff designing interconnect to Atlantic
- * SUD staff reviewing availability of funds for interconnect
- * Acquisition to be timed with contract to minimize County operation of plant due to environmental problems
- * Owner to retain plant and land

PURCHASE PRICE: \$10,000

AS OF: May 1, 1993.

ACQUISITION UPDATE**FRANCHISE NAME:** Southgate Water & Sewer Co., Inc**TYPE OF SERVICE:** Water (from SUD) (Sewer by Florida Cities)**NUMBER OF CUSTOMERS:** 250 Residential, 103 Commercial**BASIS OF ACQUISITION:** Owner initiated**BCC NOTIFIED OF INTENT TO ACQUIRE:** 1/19/93 - SVBK Contract approval**BASIS FOR COMPENSATION:** Negotiated**ENGINEER CONSULTANT:** Minder & Rhodes**CONTRACT AMOUNT:** \$9,600**%COMPLETE:** 90%**FINANCIAL CONSULTANT:** Saffer, Vumbaco, Brown & Kersten**CONTRACT AMOUNT:** \$14,530**%COMPLETE:** 90%**KEY DATES/EVENTS:**

03/29/93 - Utility asked to provide their asking price along with explanation of derivation of price.

CURRENT STATUS:

*Target date to complete acquisition - August 1993

*Consultants prepared to review asking price upon receipt

PURCHASE PRICE:

ACQUISITION UPDATE

AS OF: May 1, 1993

FRANCHISE NAME: Sunrise Utilities, Inc.

TYPE OF SERVICE: Water (Bulk from SUD) & Sewer

NUMBER OF CUSTOMERS: Water: 361 residential, 16 commercial
Sewer: 361 residential, 19 commercial
(Also serves 37 EDU's from SERENOA)

BASIS OF ACQUISITION: County initiated

BCC NOTIFIED OF INTENT TO ACQUIRE:

BASIS FOR COMPENSATION: Water - county receives without cost
Sewer - negotiated

ENGINEER CONSULTANT: N/A
CONTRACT AMOUNT: %COMPLETE:

FINANCIAL CONSULTANT: N/A
CONTRACT AMOUNT: %COMPLETE:

KEY DATES/EVENTS:
03/31/93 - Meeting with CCU to discuss bulk rate

CURRENT STATUS:

- * Sewer plant needs to be taken out of service.
- * Flows can go to either Bent Tree or CCU.
- * CCU has action to propose rate agreement to SUD

PURCHASE PRICE:

AS OF: May 1, 1993 .

ACQUISITION UPDATE

FRANCHISE NAME: Venice Garden Utilities

TYPE OF SERVICE: Water and Sewer

NUMBER OF CUSTOMERS: Water: 6699 residential, 471 commercial
Sewer: 6679 residential, 404 commercial

BASIS OF ACQUISITION: County initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: 12/15/92 - BCC directed acquisition

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT: Montgomery Watson
CONTRACT AMOUNT: \$160,974 **%COMPLETE:** 1%

FINANCIAL CONSULTANT: Saffer, Vumbaco, Brown & Kersten
CONTRACT AMOUNT: \$65,000 **%COMPLETE:** 8%

KEY DATES/EVENTS:

- 12/15/92 - BCC directed staff to begin acquisition
- 01/26/93 - BCC approved consultant contracts
- 02/01/93 - 1st ANT meeting
- 02/05/93 - SUD meeting with SSU in Apopka
- 02/09/93 - Letter from SSU stating that MW cannot perform work
- 02/11/93 - MW directed to temporarily stop work
- 03/03/93 - Letter to SSU requesting rate hearing data
- 03/04/93 - MW directed to continue work on rate hearing
- 03/04/93 - MW asked for scope of work for used and useful study of sewer
- 03/30/93 - SSU agreed to provide all documents and access required for used and useful study.
- 04/16/93 - Commissioners, County Attorney, Florida Board of Professional Registration informed by SSU that MW has conflict of interest

CURRENT STATUS:

- * MW contract to be modified for evaluation of sewer
- * Issue of access for acquisition study to be resolved
- * Used and useful study due May 31, 1993
- * Issue of conflict of interest to be resolved

PURCHASE PRICE:

AS OF: May 1, 1993

ACQUISITION UPDATE

POTENTIAL ACQUISITIONS/CONSOLIDATION

COUNTRY MANOR: 4/22/93 - owner requests to connect sewer to Atlantic via County owned lines

WOODLAND PARK: 4/29/93 - owner request to connect to another system and decommission plant

8/23/93

**SUMMARY OF ACTIVITIES
SINCE LAST ANT UPDATE MEETING OF JULY 26, 1993**

ATLANTIC UTILITIES

07/29/93 - Nabors requests additional data from consultants to complete evaluation methodology

CASEY KEY WATER ASSOCIATION

08/10/93 - Closing. FINAL REPORT.

GULF VIEW UTILITIES, INC.

08/01/93 - SUD staff completed review of existing rates

MYAKKA UTILITIES, INC.

08/18/93 - Owner signs Purchase & Sale Agreement
North Port City Commission to consider 8/23/93

SOUTHBAY UTILITIES, INC.

07/26/93 - meeting with Southbay
Southbay to come to SUD with proposed franchise extension

SUNRISE UTILITIES, INC.

08/04/93 - meeting with CCU re: bulk rate
CCU not receptive to bulk agreement

VENICE GARDENS UTILITIES

07/22/93 - Circuit Judge halts VGU's rate increase
08/04/93 - 2nd District Court of Appeals denies VGU's appeal

FINAL REPORT

ACQUISITION UPDATE

AS OF: August 23, 1993

FRANCHISE NAME: Casey Key Water Association

TYPE OF SERVICE: Water only (SUD bulk customer)

NUMBER OF CUSTOMERS: 440 Residential, 1 commercial

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: 4/6/93 - Franchise surcharge hearing

BASIS FOR COMPENSATION: Assumption of all liabilities

ENGINEER CONSULTANT: None

CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT: None

CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

9/14/92 - Meeting with SUD and CKWA to agree upon actions to be taken for acquisition

10/6/92 - CKWA's Engineer submits plans for back flow devices to meet consent order

11/5/92 - Plans for back flows disapproved as not meeting code

12/1/92 - CKWA's Engineer agrees to modify plans and submit revised cost data for rate hearing.

1/5/93 - Meeting with CKWA and SUD Director to update status

2/2/93 - Consent order to CKWA issued for chlorination equipment

2/24/93 - Data needed for rate hearing received by SUD

3/30/93 - Public hearing for rates (continued)

4/6/93 - Last easement for water-line route obtained.

5/19/93 - Meeting with CKWA and their lawyer & engineer

6/29/93 - BCC approved acquisition and rates

8/10/93 - Closing

CURRENT STATUS:

PURCHASE PRICE: NONE

AS OF: August 23, 1993

ACQUISITION UPDATE

FRANCHISE NAME: Englewood Golf, Inc.

TYPE OF SERVICE: Sewer only, EWD water

NUMBER OF CUSTOMERS: Sewer: 133 residential, 1 commercial

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE:

BASIS FOR COMPENSATION: Consolidation clause

ENGINEER CONSULTANT: N/A

CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT: N/A

CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

3/4/94 - Franchise expires

7/ /93 - Franchise submitted request to transfer assets to

EWD.

CURRENT STATUS:

* EWD must conduct public hearing in accordance with FS
189.423

* EWD will be required to present facts to BCC in public
hearing

* BCC resolution to exercise consolidation clause required

* Utility submission needs additional data

PURCHASE PRICE:

ACQUISITION UPDATE

FRANCHISE NAME: Gulf View Utilities, Inc.

TYPE OF SERVICE: Water and sewer-own supply

NUMBER OF CUSTOMERS: Water: 212 residential
Sewer: 81 residential

BASIS OF ACQUISITION: Owner initiated (Purchase of utility would provide service for Hourglass)

BCC NOTIFIED OF INTENT TO ACQUIRE: 5/11/93

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT:
CONTRACT AMOUNT: %COMPLETE:

FINANCIAL CONSULTANT:
CONTRACT AMOUNT: %COMPLETE:

- KEY DATES/EVENTS:
- 1/13/93 - owner offers to sell franchise to the County
 - 5/11/93 - BCC informed of acquisition review.
 - 5/26/93 - meeting between SUD and owner's attorney.
 - 7/15/93 - telecon between SUD and owner's attorney.
 - 7/16/93 - owner withdraws offer to sell for \$272,000, but still open to offer.
 - 08/01/93 - SUD staff completed review of existing rates

CURRENT STATUS:
Gulfview's engineer working on rate filing (90 days?)

PURCHASE PRICE:

ACQUISITION UPDATE

FRANCHISE NAME: Morstar Utilities Corp. (Lemon Bay Shopping Center)

TYPE OF SERVICE: Sewer only (EWD water)

NUMBER OF CUSTOMERS: sewer: 21 commercial

BASIS OF ACQUISITION: Initiated by EWD

BCC NOTIFIED OF INTENT TO ACQUIRE: 5/27/93

BASIS FOR COMPENSATION:

ENGINEER CONSULTANT:

CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT:

CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

5/14/93 - Interconnect to EWD completed

5/27/93 - Morstar taken off-line

6/4/93 - Franchise Division received final report with check for Franchise fees to date.

7/9/93 - Utility informed that they must submit request to transfer assets.

CURRENT STATUS:

PURCHASE PRICE:

AS OF: August 23, 1993

ACQUISITION UPDATE

FRANCHISE NAME: Southfield Utilities, Inc.

TYPE OF SERVICE: Sewer (SUD retail water customers)

NUMBER OF CUSTOMERS: 195 Residential

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE:

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT: None

CONTRACT AMOUNT: %COMPLETE:

FINANCIAL CONSULTANT: None

CONTRACT AMOUNT: %COMPLETE:

KEY DATES/EVENTS:

- 02/17/93 - Owner's attorney requested action be taken to acquire
- 02/24/93 - Acquisition actions assigned
- 03/26/93 - Proposed legal agreement forwarded to the Utility

CURRENT STATUS:

- * SUD staff designing interconnect to Atlantic
- * SUD staff reviewing availability of funds for interconnect
- * Acquisition to be timed with contract to minimize County operation of plant due to environmental problems
- * Owner to retain plant and land.
- * On hold until bulk agreement with Atlantic can be initiated.

PURCHASE PRICE: \$10,000

ACQUISITION UPDATE

AS OF: August 23, 1993

FRANCHISE NAME: Southgate Water & Sewer Co., Inc

TYPE OF SERVICE: Water (from SUD) (Sewer by Florida Cities)

NUMBER OF CUSTOMERS: 4023 Residential, 233 Commercial

BASIS OF ACQUISITION: Owner initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: 1/19/93 - SVBK Contract approval

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT: Minder & Rhodes
CONTRACT AMOUNT: \$9,600 %COMPLETE: 90%

FINANCIAL CONSULTANT: Saffer, Vumbaco, Brown & Kersten
CONTRACT AMOUNT: \$14,530 %COMPLETE: 90%

KEY DATES/EVENTS:

- 03/29/93 - Utility asked to provide their asking price along with explanation of derivation of price.
- 6/03/93 - Update call to utility.
- 7/09/93 - Owner asks for \$3.5 million for system.

CURRENT STATUS:

* Value to be based on Bob Nabor's formula.

PURCHASE PRICE:

ACQUISITION UPDATE

AS OF: August 23, 1993

FRANCHISE NAME: Sunrise Utilities, Inc.

TYPE OF SERVICE: Sewer (SUD Retail Water Customers)

NUMBER OF CUSTOMERS: Water: 361 residential, 16 commercial
Sewer: 361 residential, 19 commercial
(Also serves 37 EDU's from SERENOA)

BASIS OF ACQUISITION: County initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: 07/13/93

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT: N/A

CONTRACT AMOUNT:

%COMPLETE:

FINANCIAL CONSULTANT: N/A

CONTRACT AMOUNT:

%COMPLETE:

KEY DATES/EVENTS:

- 03/31/93 - Meeting with CCU to discuss bulk rate
- 05/20/93 - CCU will not provide bulk rate; wants to expand franchise to acquire Sunrise.
- 06/04/90 - Letter from Attorney (BCC copied) stating that owner will not operate after 7/3/93.
- 06/14/93 - Meeting between CCU and Utilities Department Director
- 07/14/93 - Receiver appointed
- 08/04/93 - Meeting with CCU re: bulk rate

CURRENT STATUS:

CCU not receptive to bulk agreement

PURCHASE PRICE:

AS OF: August 23, 1993

ACQUISITION UPDATE

FRANCHISE NAME: Venice Garden Utilities

TYPE OF SERVICE: Water and Sewer

NUMBER OF CUSTOMERS: Water: 6699 residential, 471 commercial
Sewer: 6679 residential, 404 commercial

BASIS OF ACQUISITION: County initiated

BCC NOTIFIED OF INTENT TO ACQUIRE: 12/15/92 - BCC directed acquisition

BASIS FOR COMPENSATION: Negotiated

ENGINEER CONSULTANT: Montgomery Watson
CONTRACT AMOUNT: \$160,974

%COMPLETE: 1%

FINANCIAL CONSULTANT: Saffer, Vumbaco, Brown & Kersten
CONTRACT AMOUNT: \$65,000

%COMPLETE: 8%

KEY DATES/EVENTS:

- 12/15/92 - BCC directed staff to begin acquisition
- 02/05/93 - SUD meeting with SSU in Apopka
- 04/16/93 - Commissioners, County Attorney, Florida Board of Professional Registration informed by SSU that MW has conflict of interest
- 05/17/93 - SSU informed by DCA that there is no conflict of interest as far as County is concerned.
- 07/12/93 - 07/15/93 - Interim Rate Hearings
- 07/22/93 - Circuit Judge halts VGU's rate increase
- 08/04/93 - 2nd District Court of Appeals denies VGU's appeal

CURRENT STATUS:

- * Issue of access for acquisition study on hold
- * Draft Used and useful study due July 26, 1993
- * BCC Deliberative session for interim rates 09/93

PURCHASE PRICE:

ACQUISITION UPDATE

AS OF: August 23, 1993

ACQUISITION PRIORITIZATION PLAN (APP)

KEY DATES/EVENTS:

- 4/22/93 - Concept and results of Northern Sector review presented to BCC
- 4/29/93 - Sarasota Bay National Estuary Program Director briefed
- 5/4/93 - Briefing/discussions with Nabors, Giblin & Nickerson
- 5/14/93 - Argus briefing
- 5/19/93 - Brief SCUWWA
- 6/4/93 - Brief Pollution Control
- 6/14/93 - Brief Citizen's National Estuary Program
- 6/21/93 - PUAB briefed
- (9/14/93) - Briefing to SC Civic League

CURRENT STATUS:

- * Engineering analysis of all franchises complete
- * Financial analysis completed
- * Construction phasing evaluated
- * Results briefed to BCC 7/27/93

ACQUISITION PROFILE OF FRANCHISE UTILITIES

AS OF AUGUST 9, 1993

UTILITY	FRANCHISE AGREEMENT		CONSOLIDATION CLAUSE	CUSTOMERS		RATES PER 6,000 GAL		COMMENTS
	ISSUED	EXPIRATION		WATER	SEWER	WATER	SEWER	
Atlantic Utilities of Sarasota, Inc.	05/25/85	7/31/99	NO	4470	4688	28.85	28.71	Negotiations in progress.
Beakman Place Utility Corp.	07/19/79	8/19/83	YES		26		13.00	
Bee Ridge Utility Corp.	05/23/83	8/16/03	YES		74		76.45	Commercial customers only.
Beneva Creek Utility Corp.	07/19/79	01/05/05	YES		2		27.66	
Central County Utilities, Inc.	12/02/83	11/29/03	NO		1398		16.20	
Circlewoods Owners Assoc., Inc.	06/11/73	03/21/94	YES	442	442	10.81	16.36	
Country Manor H.O. Assoc., Inc.	12/13/88	09/24/08	NO		85		*15.15	
Dolomite Utilities / Fruitville	12/19/60	09/1/04	NO	1453	2107	32.35	22.95	
Dolomite Utilities / Tri-Par	-----	-----	NO			29.91	45.27	One franchise; two rate structures.
El Jobeani (Gasparilla Condo Assoc)	09/09/00	09/09/00	YES				None	Condo assessment.
Englewood Golf, Inc.	03/05/74	03/04/94	YES		134		21.21	EWD acquisition pending.
Englewood Utilities Corp.	01/10/84	01/10/04	NO		524		120.67	
Florida Cities	05/05/66	09/26/09	NO	5227	8265	24.48	13.64	
F.M.F. Utilities, Inc.	03/17/87	01/27/07	YES		1		16.93	
Gulf View Utilities, Inc.	04/20/81	12/16/00	YES	180	52	17.20	*12.02	
Kensington Park / Monica	06/30/58	05/03/00	NO	3186	3216	28.59	*46.73	
Lake Forest Utilities, Inc.	01/11/83	01/11/03	YES		10	26.53	19.04	
Longwood Run Utilities, Inc.	09/04/84	09/04/04	YES		602		*30.91	
Meadowood Utility Division	12/17/75	12/16/95	YES-PUD		3848		15.66	
Morstar Utility (Lemon Bay)	11/03/81	11/03/01	YES		21		25.80	EWD acquisition pending.
Myakka Utilities, Inc.	02/04/83	09/24/90	NO	2733	2727	16.30	17.08	North Port acquisition pending.
Proctor Road Utilities, Inc.	07/30/82	08/29/92	NO		103		26.56	Association wants to sell.
Robinhood Utilities	12/17/85	12/17/05	YES		4		42.90	Commercial customers only.
Siesta Key Utilities Authority, Inc.	05/28/88	05/24/08	NO	3201	3112	24.60	*20.42	
Skandia (Heron Bay)	05/30/80	04/29/00	YES		7		None	Condo assessment.
Southbay Utilities, Inc.	08/23/73	08/23/93	NO	540	540	31.19	18.01	Negotiating extension.
Southfield Utilities, Inc.	02/11/86	12/18/04	YES		195		21.60	SUD acquisition in progress.
South Gate Water/Sewer Co., Inc.	08/25/58	11/08/92	NO	4273		26.53	13.64	Negotiations in progress.
Sproat Kiney (Manasota Beach)	12/03/74	11/26/94	YES		10		24.00	
Sunrise Utilities, Inc.	07/03/73	07/03/93	YES		367		*16.65	In receivership.
Sylvan Lea, Inc.	07/11/78	07/11/09	YES		31		38.37	
Tamaron Utility Authority, Inc.	07/24/74	08/06/94	YES		500		None	Condo assessment.
Tangerine Woods Utility, Corp.	03/14/84	03/13/04	YES		367		20.69	
The Trails Unlimited	03/06/79	01/06/01	YES	69	69		None	Shopping center assessment.
Venice Gardens	07/12/61	01/06/01	NO	7172	7083	29.86	15.64	
Village Oaks Utilities Corp.	03/01/82	03/01/02	YES		167		22.00	
Vroom Utilities, Inc.	11/16/82	11/16/02	YES				None	Off line; Southbay water and sewer.
Woodbridge Estates	07/23/85	07/23/05	YES		15		None	Condo assessment.
Woodland Park Utilities	04/27/84	04/24/04	YES		210		31.46	

* = Billing Fee Added

I:\123\LISTS\ACQ-6-93mh

EXHIBIT _____
(455-7)
PAGE 53 OF 61

Page 1

TO : Diane Willmann
FROM : John Knowles @ UTIL
SUBJECT: ACQ WORK
DATE : 06/04/1993 6:18:34 PM

BOB NABORS IS SUPPOSED TO SEND A SCOPE OF WORK THAT HE WANTS MW AND SVBK TO DO TO THEM AND ME. I TOLD MW AND SVBK THAT AFTER I LOOKED AT IT AND TALKED TO THEM TO GET A FEEL FOR THE NUMBER OF MAN HOURS INVOLVED THAT I WOULD GIVE THEM THE GREEN LIGHT TO GO TO WORK IMMEDIATELY AS THE WORK IS COVERED UNDER THEIR CONTRACT FOR VGU. IF THE SCOPE COMES IN, FAX IT TO ME AND I'LL CALL SVBK AND JMM FROM SAN ANTONIO.

cc: Mary Curcio, Diane Willmann,



SARASOTA COUNTY GOVERNMENT
SARASOTA, FLORIDA

Utilities Department
Planning Division

2015 Cattlemen Road
Sarasota, Florida 34232
Telephone (813) 378-6021
FAX (813) 378-6093

June 17, 1993

Saffer, Vumbaco, Brown and Kersten
Consulting Group, Inc.
Barnett Plaza Building 120
Orlando, Florida 32801-3477
Attention: Steve Dunn

RE: ACQUISITION VALUATION METHODS

Dear Mr. Dunn: *Steve*

The County has retained the services of the firm of Nabors, Giblin, and Nickerson to assist in the acquisition process. Mr. Bob Nabors is investigating various means of valuing franchises and will have need of your expertise and your experience and knowledge of the RUD#1 analysis. The two areas that are to be investigated are as follows:

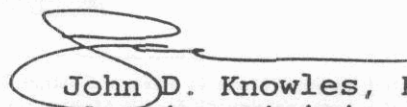
1. Development of alternative valuation methods for the acquisition or condemnation of utility assets.
2. Test valuation methods by using data from the RUD#1 analysis.

The above two areas are clearly within the approved scope of work for the Venice Gardens Utilities analysis, specifically, Task 4. Request that you accomplish the work requested by Mr. Nabors and account for your costs under that task. Due to the short time requirements, I will give you verbal notice to proceed after we discuss the specific requirements and agree to the general time requirements.

Acquisition Valuation Methods
Page 2

At a later date, your assistance may be required to specifically analyze data presented by Atlantic Utilities. That work will be authorized by the Board of County Commissioners as a Specific Authorization to your base contract.

Sincerely,


John D. Knowles, P.E.
Planning Division Manager

**SARASOTA COUNTY BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

1. Requested Motion: Move to approve Change Order #1 to Specific Authorization #2 for the Montgomery Watson Contract for consulting services for the Venice Gardens Utilities, Inc. used and useful study.

2. Meeting Date: September 7, 1993
3. Subject: Witness Testimony-VGII rate hearing
4. Category: Check where applicable
1. Ordinance _____
2. Resolution _____
3. Variance Request _____
4. County Admin. Report _____
5. Contracts _____ **X** _____
6. Public Hearing Required: Yes _____ No _____
Time Required: _____ Minutes
7. Other (specify) CONSENT

5. Background: On January 26, 1993, the Board of County Commissioners approved Specific Authorization #2 with James M. Montgomery, Consulting Engineers, Inc. for engineering consulting in the acquisition of Venice Gardens Utilities, Inc. (including a used and useful study) in accordance with Contract #92-281, call for professional services #126, BCC approved on June 16, 1992. In this document Expert Testimony and Presentation at Public Hearing was approved. At the time of this contract, staff could not estimate the hours that would be required. Staff now has an estimate of these hours and estimates this service will cost \$8,000.00.

Contact Person: Bleu Wallace Ext: 6106

6. Approval to proceed with contract review:
Deputy Co. Admin. _____ Date: _____

7. Fiscal Impact:
Expenditure Required: \$ 8,000
Amount Budgeted: \$ 86,000
Budget Amendment Required: Yes _____ No **X** _____

8. Submitting Dept: Utilities/Franchise
Reviewed by:

	<u>Signature</u>	<u>Date</u>
Dept. Director:	<u>[Signature]</u>	<u>8/16/93</u>
Legal Counsel:	_____	_____
Clerk's Finance Officer:	_____	_____
Financial Management:	_____	_____
Risk Management:	_____	_____

Funds are available in Account No. 105.059512.536313.00000
9. Forwarded for BCC Action: _____
Deputy County Admin. _____ Date: _____
County Administrator _____ Date: _____

10. Commission Action:
_____ Action approved with the following modifications: _____
_____ Denied: _____
_____ Deferred to: _____
_____ Referred to staff: _____

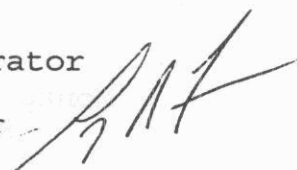
S A R A S O T A C O U N T Y G O V E R N M E N T

UTILITIES DEPARTMENT

INTEROFFICE MEMORANDUM

TO: John Wesley White, County Administrator

THROUGH: Robert S. LaSala, Deputy County Administrator

FROM: Larry B. Turner, P.E., Utilities Director 

SUBJECT: BOARD OF COUNTY COMMISSIONERS ITEM-CONSENT TO APPROVE EXPENDITURE FOR EXPERT WITNESS TESTIMONY FOR SEWER USED AND USEFUL STUDY OF VENICE GARDENS SYSTEM FOR RATE HEARING

DATE: August 12, 1993

RECOMMENDATION:

The Utilities Department recommends that the Board of County Commissioners take the following action: "Move to approve Change Order #1 to the Specific Authorization #2 with James M. Montgomery, Consulting Engineers, Inc., (now known as Montgomery-Watson) for a used and useful study in accordance with Contract #92-281, call for professional services #126, Board of County Commissioners approved on June 16, 1993".

REPORT:

Venice Gardens Utilities, Inc. (VGU) is a water and sewer franchise serving approximately 6600 retail customers and 400 commercial customers. Venice Gardens operates its own water and wastewater treatment plants.

On April 30, 1993, Southern States Utilities filed an application for a general rate increase for their Venice Gardens system. On May 14, 1993, Southern States Utilities met the Minimum Filing Requirements. A used and useful study was needed for the rate review process. On January 26, 1993, the Board of County Commissioners approved Specific Authorization #2 with James M. Montgomery, Consulting Engineers, Inc. for engineering consulting in the acquisition of Venice Gardens Utilities, Inc. (including a used and useful study) in accordance with Contract #92-281, call for professional services #126, BCC approved on June 16, 1992. In this document Expert Testimony and Presentation at Public Hearing was approved. At the time of this contract, staff could not estimate the hours that would be required. Staff now has estimated these hours and the cost for this service will be \$8,000.00.

The Change Order #1 to Specific Authorization # 2 has been developed and is attached for the Board of County Commissioners approval as required by the James M. Montgomery contract #92-281. There are no modifications to the payment provisions. The price for the expert testimony is \$8,000.00.

CHANGE ORDER #1 TO SPECIFIC AUTHORIZATION #2

THIS CHANGE ORDER, made and entered into this ____ day of _____, _____, by and between:

Sarasota County,
a political subdivision of the State of Florida
hereinafter referred to as "COUNTY", and

Montgomery Watson (formally James M. Montgomery), Consulting
Engineers, Inc., 240 North Washington Blvd., Suite 303
Sarasota, Florida
hereinafter referred to as "ENGINEER"

WITNESSETH

WHEREAS, the COUNTY and the ENGINEER entered into a Contract dated January 26, 1993, for engineering services relating to the used & useful study of the Venice Gardens Utilities, and

WHEREAS, Contract provided for modifications to be in writing for revisions or additions to scope and costs; and,

WHEREAS, the COUNTY and ENGINEER are desirous of effecting such a modification;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinunder contained, it is agreed by and between the parties as follows:

I.

SERVICES OF ENGINEER

As per Specific Authorization #2, Engineer will prepare expert testimony to be presented at a public hearing regarding the Utility's rate request. The expert witness shall be available to present findings at a public hearing which may be several days in duration.

II.

BASIS OF COMPENSATION

As per Specific Authorization #2, Compensation will be for actual time and materials uses at the established rates.

<u>Task Description</u>	<u>Budgeted Cost</u>
Expert Testimony and Presentation at Public Hearing	\$8,000

III.
OTHER PROVISIONS

All applicable provisions of the Agreement, not specifically modified herein, shall remain in full force and effect and are incorporated by reference herein.

Except as provided herein, the parties reaffirm the provisions of the Contract.

IN WITNESS WHEREOF, the parties have set their hands and seals on the ____ day of _____, 1993.

ATTEST:

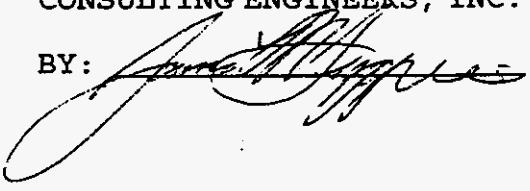
KAREN E. RUSHING, as Clerk of
the Circuit Court and Ex Officio
Clerk of the Board of County
Commissioners

BOARD OF COUNTY
COMMISSIONERS
of SARASOTA COUNTY
FLORIDA

BY: _____
Deputy Clerk

BY: _____
Chairman

WITNESS:
May Katherine Curcio

MONTGOMERY WATSON,
CONSULTING ENGINEERS, INC.
BY: 

Approved as to Form
and Execution

BY: _____
Attorney
Board of County Commissioners