



Public Service Commission

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DATE: APRIL 3, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (JOHNSON) *JD*
OFFICE OF THE GENERAL COUNSEL (CROSBY, HELTON) *Wet*

RE: DOCKET NO. 020775-WS - JOINT PETITION FOR ACKNOWLEDGMENT
OF CORPORATE REORGANIZATION AND FOR NAME CHANGE ON
CERTIFICATES NOS. 533-W AND 464-S IN LAKE COUNTY FROM
SOUTHLAKE UTILITIES, INC. TO SOUTHLAKE WATER WORKS, L.L.C.
COUNTY: LAKE

AGENDA: APRIL 15, 2003 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020775.RCM

CASE BACKGROUND

Southlake Utilities, Inc. (Southlake or utility) is a Florida corporation which has operated a Class B water and wastewater utility in Lake County since 1990. The utility is located in a critical water use caution area as defined by the St. Johns River Water Management District. According to its 2001 annual report, Southlake is currently serving approximately 573 residential and 486 general service customers. The utility reported combined gross revenues of \$788,119 with a combined net operating loss of \$95,433.

On July 22, 2002, Southlake and Southlake Water Works, L.L.C. (Water Works) filed a joint request for acknowledgment of a corporate reorganization and approval of a name change. The corporate reorganization was to occur in two phases. The first phase of the reorganization would result in the elimination of

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three intermediate entities and one vertical merger, with Southlake Utilities, Inc. being the surviving entity. During the second phase, the utility's assets were to be transferred to Water Works and the utility's name was to be changed to Southlake Water Works, L.L.C. d/b/a Southlake Utilities. Upon completion of the reorganization, the name of the entity to hold the certificates was to be Southlake Water Works, L.L.C. d/b/a Southlake Utilities.

By Order No. PSC-02-1481-FOF-WS, issued October 28, 2002, in Docket No. 020775-WS, the Commission acknowledged the corporate reorganization and name change of the utility to Southlake Water Works, L.L.C. d/b/a Southlake Utilities. The Order also required Southlake to provide the Commission with proof of registration of the new name with the Division of Corporations, Department of State, by March 1, 2003. Subsequent to the issuance of Order No. PSC-02-1481-FOF-WS, the parties filed a motion requesting a revision to the corporate reorganization and name change acknowledged by the Order. The Commission has jurisdiction pursuant to Sections 367.121 and 367.1214, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission acknowledge revisions to the corporate reorganization and name change of Southlake Utilities Inc. that was previously acknowledged by Order No. PSC-02-1481-FOF-WS?

RECOMMENDATION: Yes, the Commission should acknowledge the revisions to the corporate reorganization and name change of Southlake Utilities, Inc., that was acknowledged by Order No. PSC-02-1481-FOF-WS. As a result of the revisions, there will be no name change from Southlake Utilities, Inc. to Southlake Water Works, L.L.C. d/b/a Southlake Utilities as acknowledged by Order No. PSC-02-1481-FOF-WS. (JOHNSON, CROSBY)

STAFF ANALYSIS: On February 17, 2003, Southlake and Water Works jointly filed a motion requesting acknowledgment of revisions to the corporate reorganization and name change that was previously acknowledged in Order No. PSC-02-1481-FOF-WS. Basically, both reorganization proposals would achieve the same results. The originally proposed reorganization and the requested revisions both result in the elimination of three intermediate entities and one vertical merger. The purpose of both the reorganization and the revisions was to simplify the ownership and structure of the organization and the accounting and financial reporting. In addition, both result in the utility service provider having the same ownership and management that existed prior to the reorganization. According to Southlake, the only difference in the proposed reorganization and the revision is that the revisions proposed in the Motion will require fewer steps, less work, and provide better tax considerations.

The acknowledged reorganization resulted in Southlake Water Works, L.L.C. d/b/a Southlake Utilities being the utility service provider and required a name change and new tariffs reflecting the new name. The second phase of the original proposal, which required the utility's assets to be transferred to Water Works and the utility's name to change, will not occur. According to the motion, it is in the parties best interest to end the reorganization after the first phase for tax considerations. As a result, according to the Motion:

the following portions of the Order are no longer applicable: (a) the portions of the Order which relate to

the transfer of the utility assets to Water Works and Water Works then becoming the utility operator (Step 5 of the reorganization as set forth in the Petition); (b) the portions of the Order which relate to Water Works operating under the fictitious name Southlake Water Works, L.L.C. d/b/a Southlake Utilities; (c) the portions in the Order requiring Water Works to file proof of the registration of the fictitious name; (d) the portions of the Order which require tariff filings to reflect the name change in the reorganization; and (e) the portions of the Order relating to Southlake being dissolved.

Southlake and Water Works have requested that the Commission acknowledge the revision which would end the reorganization after the first phase.

Based on the above, Staff recommends that the Commission acknowledge the revisions to the reorganization requested by Southlake and Water Works in the motion filed February 17, 2003. If the revisions are acknowledged, it would eliminate the need for revised tariffs, and filing proof of registration of the name with the Division of Corporations as required by Order No. PSC-02-1481-FOF-WS. The name of the utility would remain "Southlake Utilities, Inc." Therefore, Staff recommends that the Commission acknowledge the change in the utility's name from Southlake Water Works, L.L.C. d/b/a Southlake Utilities to Southlake Utilities, Inc.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, the docket should be closed. (CROSBY)

STAFF ANALYSIS: No further action is required in this matter, the docket should be closed.