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TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

February 12, 2004

Mr. Jack Espenship
2915 Baxter Lane
Lake City, FL 32055

RECEIVED - FPSC
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COMMISSION
CLERK

Re: Docket No. 030991-WU, Application for Transfer of Water Facilities of Suwannee Valley Estates in Columbia County to Consolidated Water Works, Inc. for cancellation of Certificate No. 421-W, and for amendment of Certificate No. 393-W

Dear Mr. Espenship:

After reviewing the audit report and your response to the December 5, 2003 deficiency letter in the above referenced docket, staff found several items that were not addressed in your letter or require additional information to complete our review.

1. Rule 25-30.037(2)(q), Florida Administrative Code, requires the utility to provide evidence that it owns the land where the utility facilities are located or an agreement which provides for the long term, continuous use of the land, such as a 99-year lease. According to the staff audit, Lot 13 of block C is owned by Bud Espenship and Dave Mangrum, therefore the "Offer to purchase real estate" appears to be insufficient. Please provide either a **recorded** copy of the warranty deed in the name of Consolidated Water Works, Inc. (CWW) or other evidence of utility's long term access to the property for the utility's treatment facilities. If a quit claim deed is submitted, please provide proof of title insurance with the quit claim deed.

2. Rule 25-30.115(1), Florida Administrative Code, requires that all water and wastewater utilities to maintain its accounts and records in conformity with the 1996 NARUC Uniform System of Accounts (USOA). The staff audit review disclosed that the utility's books and records have not been maintained in accordance with NARUC. Please provide a statement from CWW's certified public accountant that the utility's books and records are maintain in accordance with NARUC.

3. The auditors were not able to establish rate base for Suwannee Valley Estates as of the date of transfer, because the utility did not have source documents to support plant balances. We are aware that CWW was not able to obtain the original books and records of Suwannee Valley

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Estates. However, an original cost study could be performed as a means of establishing rate base for the utility. If you plan on providing a cost study in support of rate base, we need that information by March 9, 2004. If you do not plan on preparing an original cost study the staff may recommend that the Commission set rate base at \$0.

4. Staff `s review of your books and records indicate that there is approximately \$384.00 in customers deposits that need to be refunded with interest or transferred to the new owner, CWW. Please advise staff as to whether the customer deposits and interest will be refunded or transferred to CWW.

5. According to the application, you have provided all customers of Suwannee Valley Estates a Notice of application and a copy of CWW rates which are to be charged to them. Pursuant to Rule 25-9.044(1), Florida Administrative Code, in case of change of ownership or control of a utility which places the operation under a different or new utility, or when its name is changed, the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company unless authorized to change by the Commission. Suwannee Valley Estates has an approved \$12.00 flat rate for its residential service customers which should be continued. As the new owner of Suwannee Valley Estates you must adopt and use the rates, classification and regulations of the former owner. Please prepare a proposed notice to the customers of Suwannee Valley Estates informing them that their rates will not change as a result of this transfer application. If you wish to change the rate and charges for Suwannee Valley Estates customers, you will need to file a rate proceeding.

6. Staff reviewed the documents filed with the Secretary of State Division of Corporations on behalf of CWW. Those records indicate that Jack Espenship is the registered agent and Vice President of CWW. Mr. Jeffrey Espenship is listed as the President of CWW. CWW's regulatory assessment fee form indicates Mr. Jack Espenship is the President and the CWW tariff indicates that Jack Espenship, President is the issuing officer. Please provide and explanation for the discrepancies in these documents.

7. The tariffs that were submitted in the application did not reflect a change in ownership. All tariff sheets that are specifically for Suwannee Valley should be labeled as original sheets in CWW's tariff. Listed below are a number of tariff corrections that need to be made. These corrections include, but are not limited to, revision levels and tariff language. For your convenience a model tariff can now be retrieved from the Florida Public Service Commission website at <http://www.floridapsc.com>. You may find that using the tariffs from the website to be useful in correcting your tariffs for the application. Please provide the original and two copies of sample tariff sheets reflecting the change in ownership.

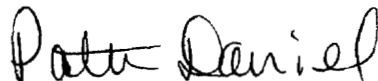
1. Tariff Sheet No. 3.1 revision level should be "Second Revised Sheet No. 3.1", to reflect the territory description of Suwannee Valley Estates or add Original Sheet 3.2 to separately reflect the territory description of Suwannee Valley Estates.

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2. Tariff Sheet No. 16.0 revision level should be "Third Revised Sheet No. 16.0". The page numbers are going to change to reflect the customer deposits (Original Sheet No. 20.3) and service availability fees & charges (Original Sheet No. 29.1) for Suwannee Valley Estates.
3. Submit Original Sheet No. 18.1 to reflect the Suwannee Valley Estates rates. The availability and/or applicability statement should refer only to the Suwannee Valley Estates customers or service area.
4. Tariff Sheet No. 20.1 should be "Third Revised Sheet No. 20.1" and add the sentence "Not applicable to Suwannee Valley Estates customers".
5. Tariff Sheet No. 20.2 should be "Second Revised Sheet No. 20.2" and add the sentence "Not applicable to Suwannee Valley Estates customers".
6. Tariff Sheet No. 28.0 should be "Second Revised Sheet No. 28.0" and add the service availability policy for Suwannee Valley Estates indicating the \$200 service availability charge.
7. Tariff Sheet No. 29.0 should be "First Revised Sheet No. 29.0". Add the \$75 meter installation charge is applicable to Shady Oaks, Azalea Park and 242 Village. In addition, add the \$200 charge for Suwannee Valley Estates.
8. Tariff Sheet No. 29.1 should be revised to held for future use.

Your response to this letter should be filed with the Commission on or before March 12, 2004. Please be sure to refer to the docket number and direct the response to the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399. If you have any questions please call Ms. Cheryl Johnson at (850) 413-6984, Mrs. Martha Brown at (850) 413-6187, or Mr. Tom Walden at (850) 413-6950.

Sincerely,



Patti Daniel, Supervisor
Bureau of Certification & Tariffs

CAJ: caj
Enclosure

cc: Office of General Counsel (Brown)
Division of Economic Regulation (Johnson, Walden)

~~Division of Commission Clerk and Administrative Services (Day)~~