

State of Florida



# Public Service Commission

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## -M-E-M-O-R-A-N-D-U-M-

**DATE:** June 8, 2006

**TO:** Director, Division of the Commission Clerk & Administrative Services (Bayó)

**FROM:** Division of Economic Regulation (Clapp, Romig) *PP BAK JS*  
Office of the General Counsel (Brown) *MB West*

**RE:** Docket No. 060028-WS – Application for transfer of majority organizational control of C.F.A.T. H2O, Inc., holder of Certificates 552-W and 481-S in Marion County, from Ronald Chase to Floyd and Eugenia Segarra and Charles deMenzes. County: Marion

**AGENDA:** 06/20/06 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Deason

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\060028.RCM.DOC

### Case Background

C.F.A.T. H2O, Inc., (CFAT or utility) is a Class C utility providing water and wastewater service to approximately 218 residential service customers in Marion County. The utility is in a water use caution area of the St. Johns River Water Management District. The utility was originally part of Trade Winds Utilities, Inc., and has been transferred several times.<sup>1</sup> The

<sup>1</sup> Trade Winds was granted certificates pursuant to Order No. 12184, issued July 1, 1983, in Docket No. 830110-WS, In re: Application of Trade Winds Utilities, Inc., for original water and sewer certificates to operate a utility system in Marion County, Florida. The water and wastewater systems for two subdivisions currently served by CFAT were amended to Tradewinds pursuant to Order No. 19688, issued July 19, 1988, in Docket No. 880552-WS, In re: Application by Tradewinds Utilities, Inc. for amendment to Certificates Nos. 405-W and 342-S in Marion

DOCUMENT NUMBER-DATE

04901 JUN-8 8

FPSC-COMMISSION CLERK

Docket No. 060028-WS

Date: June 8, 2006

utility's 2005 annual report shows gross revenues of \$41,668 and \$91,408 and net operating losses of \$3,370 and \$3,178 for water and wastewater, respectively.

On January 10, 2006, an application was filed for the transfer of majority organizational control of the utility from Ronald Chase to Floyd and Eugenia Segarra and Charles deMenzes (buyers). There were deficiencies found in the application which were corrected on May 4, 2006.

The purpose of this recommendation is to address the application for transfer of majority organizational control. The Commission has jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

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County, Florida. Subsequently, the two systems were transferred pursuant to Order No. PSC-93-0368-FOF-WS, issued March 9, 1993, in Docket No. 921260-WS, In re: Application for certificates to provide water and wastewater service in Marion County by the Resolution Trust Corporation and for amendment of Certificates Nos. 405-W and 342-S by Tradewinds Utilities, Inc. to reflect transfer of territory. and Order No. PSC-94-0701-FOF-WS, issued June 8, 1994, in Docket No. 931080-WS, In re: Application for Transfer of Certificates Nos. 552-W and 481-S from the Resolution Trust Corporation to C.F.A.T. H2O, Inc. in Marion County.

### Discussion of Issues

**Issue 1:** Should the transfer of majority organizational control of CFAT from Ronald Chase to Floyd and Eugenia Segarra and Charles deMenzes be approved?

**Recommendation:** Yes, the transfer of majority organizational control of CFAT, holder of Certificate Nos. 552-W and 481-S, to Floyd and Eugenia Segarra and Charles deMenzes is in the public interest and should be approved effective the date of the Commission vote. The buyers should be responsible for all regulatory assessment fees and annual reports for 2006 and the future. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. A description of the territory being transferred is appended to this recommendation as Attachment A. (Clapp, Kaproth, Brown)

**Staff Analysis:** Pursuant to Section 367.071, Florida Statutes, on January 10, 2006, the buyers applied for a transfer of majority organizational control of C.F.A.T. H2O, Inc. to Floyd and Eugenia Segarra and Charles deMenzes. The closing occurred on August 31, 2005. Pursuant to the restated and amended stock purchase agreement, the sale was made contingent upon Commission approval.

The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and Rule 25-30.037(3) pertaining to an application for transfer of majority organizational control. The application contained the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. A description of the territory granted to Certificate Nos. 552-W and 481-S is appended to this memorandum as Attachment A.

The application for transfer of majority organizational control contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to this application were received, and the time for the filing of such objections has expired. The utility has provided proof of ownership of the land upon which its facilities are located, in the form of a special warranty deed from the Resolution Trust Corporation.

Staff has verified that the utility is current on annual reports and regulatory assessment fees (RAFs) through 2005. The buyers are responsible for filing the annual report and RAFs for 2006 and future years. Mr. deMenzes provided a statement that the utility's books and records are maintained pursuant to the National Association of Utility Commissioners Uniform System of Accounts.

Pursuant to Rule 25-30.037(3)(h), Florida Administrative Code, the application contained a statement that the buyers performed a reasonable investigation of the utility system. Staff has confirmed with the Florida Department of Environmental Protection (DEP) that the utility's water and wastewater systems are currently in environmental compliance with respect to DEP standards.

The original owners of CFAT were: Peter A. Tamburo with 48 shares; John Fannon with 48 shares; and, Ronald Chase with 104 shares. Mr. Tamburo died on July 18, 1999. His

personal representative, Joan Tamburo sold his 48 shares to Charles deMenzes on January 1, 2000, for \$25,000. Mr. Chase became ill and was no longer able to run the utility. His father and personal representative, Sidney Wingerhoff sold Mr. Chase's shares to the buyers on August 31, 2005, for \$140,000. In addition, Mr. Fannon decided he no longer wished to own the utility and sold his shares of the utility to Mr. deMenzes on August 22, 2005, for \$65,000. Therefore, the 200 shares of corporate stock, purchased for a total of \$230,000, are now evenly divided with Floyd and Eugenia Segarra having 100 shares and Charles deMenzes having 100 shares. The transfer of Mr. Chase's majority shares is the reason for this docket.

The application contained a statement of how the transfer is in the public interest including a summary of the buyers' experience in water operations. A showing of the buyers' financial ability to provide service was also provided. The transfer is in the public interest because the customers will continue to receive service from the utility though the former owners have died or no longer have the desire or capacity to own or operate the utility.

For a showing of financial ability, the application included a February 15, 2006, financial statement of Floyd and Eugenia Segarra and a February 14, 2006, financial statement of Charles deMenzes. The financial statements indicate that the buyers have adequate funds to support the utility. Finally, the buyers provided a statement of intent to fulfill the commitments, obligations, and representations of the sellers with regard to utility matters.

Charles deMenzes has demonstrated his technical ability by serving as president of three other utilities under the Commission's jurisdiction, including Tradewinds Utilities, Inc., Residential Water Systems, Inc., and BFF Corp. Mr. deMenzes is currently serving as president of CFAT.

CFAT's rates and charges were established in 1993<sup>2</sup> and received a price index adjustment in 1999. Rule 25-9.044(1), Florida Administrative Code, provides that in the case of change of ownership or control of a utility, the rates, classification, and regulations of the former owners must continue unless authorized to change by the Commission. The new owners have not requested a change; therefore, the existing rates and charges shown on Attachment B should continue in effect.

Based on all of the above, staff recommends that the transfer of majority organizational control of CFAT, holder of Certificate Nos. 552-W and 481-S, to Floyd and Eugenia Segarra and Charles deMenzes is in the public interest and should be approved effective the date of the Commission vote. The buyers should be responsible for all regulatory assessment fees and annual reports for 2006 and the future. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. A description of the territory being transferred is appended to this recommendation as Attachment A.

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<sup>2</sup> Order No. PSC-93-0900-FOF-WS, issued June 14, 1993, in Docket No. 921260-WS, In re: Application for certificates to provide water and wastewater service in Marion County by the Resolution Trust Corporation and for amendment of Certificates Nos. 405-W and 342-S by Tradewinds Utilities, Inc. to reflect transfer of territory.

Docket No. 060028-WS

Date: June 8, 2006

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes, because no further action is necessary, this docket should be closed.  
(Brown)

**Staff Analysis:** Because no further action is necessary, this docket should be closed.

Docket No. 060028-WS  
Date: June 8, 2006

Attachment A

C.F.A.T. H2O, Inc.  
Territory Description

The following described lands located in portions of Sections 16 and 21, Township 14 South, Range 22 East, Marion County, Florida:

Section 16: Southwest 1/4 of Southeast 1/4, except the North 475 feet; Southeast 1/4 of Southeast 1/4; South 3 chains of Northeast 1/4 of Southeast 1/4.

Section 21: East 1/2 of Northeast 1/4.

C.F.A.T. H2O, Inc.

	Water	Wastewater
<b><u>Monthly Service Rates</u></b>		
<b><u>Residential Service</u></b>		
All Meter Sizes	\$9.16	\$13.78
Charge per 1,000 gallons *10,000 gallons maximum	\$1.50	\$3.79*
<b><u>General Service</u></b>		
Meter Size:		
5/8" x 3/4"	\$ 9.16	\$ 13.78
1"	22.92	34.43
1 1/2"	45.84	68.88
2"	73.34	110.21
3"	146.69	220.40
4"	229.20	344.39
Charge per 1,000 gallons	\$1.50	\$3.79

**Miscellaneous Service Charges**

	Regular	After Hours	Regular	After Hours
Initial Connection Fee	\$10.00	12.00	\$10.00	\$12.00
Normal Reconnection Fee	15.00	20.00	15.00	20.00
Violation Reconnection Fee	20.00	25.00	Actual Cost	Actual Cost
Premises Visit Fee (in lieu of disconnection)	15.00	N/A	15.00	N/A

**Service Availability Charges**

Meter Installation Fee	
5/8" x 3/4"	\$100.00
1"	130.00
1 1/2"	180.00
2" or over	Actual Cost