

MEMORANDUM

April 24, 1998

RECEIVED
APR 27 1998
11:15
FPSC Records/Reporting

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (FLEMING) *SRE*

RE: DOCKET NO. 971195-WS - APPLICATION FOR TRANSFER OF MAJORITY ORGANIZATIONAL CONTROL OF RAINBOW SPRINGS UTILITIES, L.C., HOLDER OF CERTIFICATES NOS. 311-S AND 355-W IN MARION COUNTY, FROM RAINBOW SPRINGS LIMITED, A FLORIDA LIMITED PARTNERSHIP, TO THE INDIVIDUAL SHAREHOLDERS OF CHASE VENTURES, INC.

011
98-0593-FDF-1215

Attached is an ORDER APPROVING TRANSFER OF MAJORITY ORGANIZATIONAL CONTROL AND CLOSING DOCKET, to be issued in the above-referenced docket.

(Number of pages in order - 7)

SRF/lw

Sent, 3

Attachment

cc: Division of Water and Wastewater (C. Johnson, Redemann)

I:971195OR.SRF

*2 faxed
3 mailed*

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of majority organizational control of Rainbow Springs Utilities, L.C., holder of Certificates Nos. 311-S and 355-W in Marion County, from Rainbow Springs Limited, a Florida limited partnership, to the individual shareholders of Chase Ventures, Inc.

DOCKET NO. 971195-WS
ORDER NO. PSC-98-0593-FOF-WS
ISSUED: April 27, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER APPROVING TRANSFER OF MAJORITY
ORGANIZATIONAL CONTROL AND CLOSING DOCKET

BY THE COMMISSION:

Background

On September 12, 1997, Rainbow Springs Limited, a Florida limited partnership filed an application for the transfer of majority organizational control of the membership interest in Rainbow Springs Utilities, L.C. (Rainbow Springs or utility) to the individual shareholders of Chase Ventures, Inc. (Chase), pursuant to Section 367.071, Florida Statutes. Rainbow Springs is a Class B utility which currently provides service to 1,223 water customers and 762 wastewater customers in Marion County. The utility's facilities consist of one water treatment system, one water transmission and distribution systems, one wastewater treatment plant, and one wastewater collections system.

The ownership interest in Rainbow Springs is 99% held by Rainbow Springs Limited, and 1% by Chase, a related corporate

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entity. Rainbow Springs Limited is owned by Chase and CVI Associates Limited Partnership, as General Partners, and Chase Ventures, Inc. and Steele LLC, as Limited Partners. The terms of this transfer of membership interest involves a transfer of all ownership interest in Rainbow Springs by Rainbow Springs Limited to the individual shareholders of Chase Ventures, Inc. so that Chase will have direct ownership interest in the utility. Chase will transfer all interest in the utility to its corporate shareholders based upon each shareholder's prorata ownership interest in the corporate parent of the utility. The purpose of the transfer is to eliminate Rainbow Springs, Limited and Chase Ventures, Inc. as intermediary owners of the utility from the chain of ownership.

Pursuant to Section 367.071, Florida Statutes, a utility must obtain the approval of the Commission prior to the transfer. We have reviewed the assignment of membership interest agreement and have found that although the parties have come to an agreement on the assignment of the membership interest, the official closing is contingent upon the approval of the Commission.

Application

The application is in compliance with Section 367.071, Florida Statutes, other pertinent statutes and provisions of the Florida Administrative Code. In particular, the application contains a filing fee in the amount of \$3,000, pursuant to Rule 25-30.020, Florida Administrative Code. Rainbow Springs also provided evidence that it owns the land upon which its facilities are located, in accordance with Rule 25-30.037(3)(i).

Rainbow Springs provided proof of compliance with the noticing requirements of Rule 25-30.030, Florida Administrative Code. No objections to the notice have been received and the time for filing such has expired.

The description of the territory Rainbow Springs serves is shown on Attachment A of this order, which by reference is incorporated herein. The description was simplified by Rainbow Springs for purposes of noticing.

As discussed in the case background, this transfer has no real effect on the ownership of the utility, but simply eliminates two intermediary holding companies of the utility ownership interests. Therefore, Chase's financial and technical ability to provide service is identical to that of the existing ownership. The

individual shareholders of Chase Ventures, Inc. will fulfill the commitments, obligations and representations of Rainbow Springs Limited with regard to all utility matters.

According to the application, the utility is in satisfactory condition, and in compliance with all applicable standards set by the Department of Environmental Protection (DEP). There are no changes in the provision of water service or in customer rates and charges as a result of the transfer.

Based on the foregoing, we find that the transfer of majority organizational control of Rainbow Springs Utilities, L.C., from Rainbow Springs Limited to the individual shareholders of Chase Ventures, Inc. is in the public interest and it is approved.

Rate Base

The transfer of ownership interest from a subsidiary through its parent to the existing shareholders, will not alter the utility's asset and liability accounts. Accordingly, this transfer of ownership interest will not change the rate base balance. The rate base for this utility was established September 30, 1996, in Order No. PSC-96-1229-FOF-WS issued in Docket No. 950828-WS, which was a rate case proceeding.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the original cost calculation. The Commission routinely makes determinations regarding acquisition adjustments in cases involving the transfer of certificates, assets, or facilities because the purchase price is considered when determining whether the transfer is in the public interest. Conversely, it is our practice that acquisition adjustments are generally not considered in stock transfers because the price of stock has no regulatory relationship to a utility's established rate base. Because the assets are not actually being sold and the value will remain the same after the transfer, acquisition adjustment will not be included in the calculation of rate base.

Rates and Charges

Rainbow Springs' approved water and wastewater rates were effective September 30, 1996, pursuant to Order No. PSC-96-1229-

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FOF-WS issued in Docket No. 950828-WS, which was a rate case proceeding.

Rule 25-9.044(1), Florida Administrative Code, states that when there is a change of ownership or control of a utility which places the operation under a different or new utility...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 this Commission.

The individual shareholders of Chase Ventures, Inc. have not requested a change in the rates and charges of the utility, and we see no reason to change them at this time. Rainbow Springs shall continue to charge the rates and charges approved in its tariff until authorized to change by this Commission in a subsequent proceeding.

Closing Docket

No further action is required in this docket, and it shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of majority organizational control of Rainbow Springs Utilities, L.C., 8625 SW 200th Circle, Dunnellon, Florida 34431-5325, from Rainbow Springs Limited to the individual shareholders of Chase Ventures, Inc. is hereby approved. It is further

ORDERED that the change in stock ownership does not require the establishment of rate base. It is further

ORDERED that acquisition adjustment need not be included in the calculation of rate base for transfer purposes. It is further

ORDERED that Rainbow Springs Utilities, L.C. shall continue to charge the rates and charges approved in its tariff until authorized to change by this Commission in a subsequent proceeding. It is further

Ordered that Docket No. 971195-WS is hereby closed.

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By ORDER of the Florida Public Service Commission this 27th
day of April, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT A

RAINBOW SPRINGS UTILITIES, L.C.

MARION COUNTY

TERRITORY DESCRIPTION

WATER AND WASTEWATER TERRITORY DESCRIPTION

Township 16 South, Range 18 East

Section 12

The South 1/2 of the SW 1/4 lying East of U.S. Highway No. 41 as it is now constructed, less and except that portion lying East of SW 196th Avenue as it is now constructed and being a portion of Unit (Tract) 21 of the Village of Rainbow Springs Master Plan,

Also, that part of the S 1/2 of the SE 1/4 of the NE 1/4 of said Section 12, lying East of the abandoned A.C.L. Railroad, and that part of the NE 1/4 of the SE 1/4 of said Section 12, lying East of the abandoned A.C.L. Railroad and East of the existing A.C.L. Railroad, and that part of the NE 1/4 of the SE 1/4 of said Section 12, lying West of the existing A.C.L. Railroad and North and East of County Road No. 6.8-S, as it is now constructed.

Section 13

The North 1/2 of the NW 1/4 lying East of U.S. Highway No. 41 as it is now constructed, less and except that portion lying East of S.W. 196th Avenue as it is now constructed.

And, the South 1/2 of the NW 1/4 lying East of U.S. Highway No. 41 as it is now constructed, less and except the East 1/2 of the SE 1/4 of the NW 1/4,

And, a portion of the North 1/2 of the SW 1/4 lying East of U.S. Highway No. 41 as it is now constructed. All foregoing described parcels being a part of Unit (Tract) 21 of the Village of Rainbow Springs Master Plan.

Township 16 South, Range 19 East

Section 7

The N 1/2 of the SW 1/4 of said Section 7.