

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for amendment
of Certificate No. 424-W to add
territory located in Highlands
County by AquaSource Utility,
Inc.

DOCKET NO. 001585-WU
ORDER NO. PSC-01-0631-FOF-WU
ISSUED: March 14, 2001

ORDER AMENDING CERTIFICATE NO. 424-W TO INCLUDE ADDITIONAL
TERRITORY IN HIGHLANDS COUNTY AND CLOSING DOCKET

BY THE COMMISSION:

BACKGROUND

AquaSource Utility, Inc. (AquaSource or utility) is a Class A Utility. AquaSource owns systems in Lee, Polk, Charlotte, Lake and Highlands Counties. In addition, AquaSource owns the stock of Ocala Oaks Utilities, Inc., Jasmine Lakes Utilities, Inc., Arredondo Utilities, Inc., Crystal River Utilities, Inc., and Lake Suzy Utilities, Inc. AquaSource serves approximately 4,694 water and 3,768 wastewater customers. The system that is the subject of this amendment application is the Lake Josephine water system (Lake Josephine) which serves approximately 474 water customers in Highlands County (County). Lake Josephine is within the Southwest Florida Water Management District (SWFWMD) and is operating under Consumptive Use Permit Number 204167.01. SWFWMD issued this permit on December 7, 1988, and the permit has been extended to December 7, 2009. Lake Josephine is in the "Highlands Ridge Water Use Caution Area."

On September 9, 1982, the Board of County Commissioners of Highlands County adopted a resolution which bestowed jurisdiction over privately owned water and/or wastewater utilities in the County upon this Commission. The utility was granted Certificate No. 424-W by Order No. 12989, issued February 13, 1984, which also established initial rates.

By Order No. PSC-00-1389-PAA-WU, issued on July 31, 2000, in Docket No. 991001-WU, we approved a transfer of the Lake Josephine water system to AquaSource and Certificate 424-W was transferred accordingly. As a result of the transfer, we ordered AquaSource to

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file an amendment application because it was serving outside of its certificated area. On October 23, 2000, AquaSource complied with the Order and filed an application for amendment of Certificate No. 424-W to include the Lake Josephine service territory. By that same Order, recognizing that Lake Josephine was being transferred to AquaSource, we declined to initiate a show cause proceeding with respect to the utility serving outside of its certificated territory.

APPLICATION

The application is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for amendment of certificate. The application contains a check in the amount of \$500, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The utility has provided a copy of a warranty deed which provides for the continued use of the land as required by Rule 25-30.036(3)(d), Florida Administrative Code.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.036(3)(e), (f) and (i), Florida Administrative Code. A description of the territory is appended to this Order as Attachment A. The description is a composite description that includes the old territory and the new territory. The utility has submitted an affidavit consistent with Section 367.045(2)(d), Florida Statutes, that it has tariffs and annual reports on file with this Commission.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. Although no objections were filed and the time for filing such has expired, one customer wrote that he had concerns about the current water pressure. The utility responded that those problems preexisted the acquisition of the system by AquaSource. However, AquaSource had plans to upgrade the water treatment plant and the satellite booster station which the company believes will help alleviate the low water pressure problems. The customer received a copy of this information and there has been no further correspondence. The Department of Environmental Protection (DEP) states that there are no outstanding notices of violation

issued for the water system. In addition, DEP is aware of the low pressure problem and is working with the utility to resolve the problem.

The local planning agency was provided notice of the application and did not file a protest to the amendment. The Department of Community Affairs has identified no growth management concerns with the proposed expansion of the utility. The utility states that the provision of service will be consistent with the utility section of the local comprehensive plan.

With respect to the utility's technical ability, the utility utilizes licensed operators to operate the system. The certified public accounting firm of Cronin, Jackson, Nixon & Wilson provides the utility with accounting services. The law firm of Rose, Sundstrom & Bentley, LLP, provides legal services to the utility. The Lake Josephine water system has a design capacity of 300,000 gallons per day (gpd). The average flow for 1999 was about 111,473 gpd. Because the customers are already being served by AquaSource, there appears to be no negative impact on the water system as a result of this amendment application.

With respect to financial ability, AquaSource, Inc. a DQE company, was formed in mid-1997 to purchase water and wastewater utilities and companies, and to provide management services and operations to utilities. As of December 31, 2000, DQE had operating revenues of \$1,317,000,000. Since its conception, AquaSource has invested over \$300 million in the water industry by purchasing and upgrading privately owned water utilities, bottled water operations, and water and wastewater service companies. For the Florida AquaSource systems, the utility's 1999 annual reports lists a combined water and wastewater revenue of \$4,284,435, and a net operating loss of \$27,460. A majority of the loss was from operations that have since been discontinued (Rotunda Operations). For the Lake Josephine water system, the utility's 1999 annual report lists annual revenues of \$62,836. The annual report also includes annual operating expenses of \$71,717 resulting in a net operating loss of \$8,881. Because the utility has already been serving the customers in the requested territory, the utility has demonstrated the financial ability to provide quality service to these customers.

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The rates and charges approved by this Commission shall be applied to customers in the new service territory until authorized to change in a subsequent proceeding. The utility has filed revised tariff sheets incorporating the additional territory into its tariff and returned its certificate for entry reflecting the additional territory.

Based on the above information, we find that it is in the public interest to grant the application of AquaSource Utility, Inc. for amendment of Water Certificate No. 424-W for the territory described in Attachment A, and the application is hereby granted.

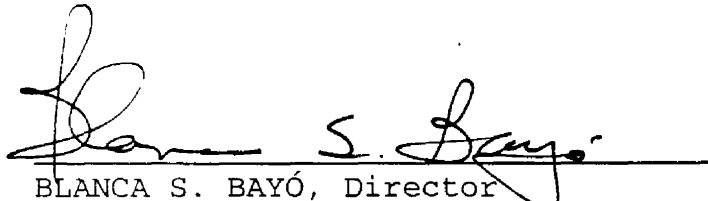
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Certificate No. 424-W, held by AquaSource Utility, Inc., 200 Corporate Center Drive, Suite 300, Coraopolis, Pennsylvania 15108, is hereby amended to include the territory described in Attachment A of this Order, which by reference is incorporated herein. It is further

ORDERED that AquaSource Utility, Inc., shall charge the customers in the territory added herein the rates and charges approved in its tariff until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 14th day of March, 2001.


BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)
RRJ

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.

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Attachment A

AquaSource Utility, Inc.

The Lake Josephine Water System

Highlands County

Complete Territory Description

The Southeast 1/4 of the Southeast 1/4 of Section 28, the Southwest 1/4 of Section 27, the East 1/2 of Section 31, all of Sections 32 and 33, the Northwest 1/4 and the Northwest 1/4 of the Southwest 1/4 of Section 34, all in Township 35 South, Range 29 East, also including lots 16 through 25 of Sebring Lake Acres Unit 1 described as the North 830 feet of the East 1/2 of the Northwest 1/4 of the Northwest 1/4 of Section 4, Township 36 South, Range 29 East less the westerly 305 feet of the Northwest 1/4 of the Southwest 1/4 of Section 27, Township 35 South, Range 29 East.