

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authority to transfer assets and Certificate Nos. 517-W and 450-S of Service Management Systems, Inc. to Aquarina Utilities, Inc., in Brevard County.

DOCKET NO. 110061-WS  
ORDER NO. PSC-12-0577-PAA-WS  
ISSUED: October 25, 2012

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS

NOTICE OF PROPOSED AGENCY ACTION ORDER SETTING NET BOOK VALUES AND DECLINING TO INCLUDE A POSITIVE ACQUISITION ADJUSTMENT  
AND  
FINAL ORDER APPROVING TRANSFER OF ASSETS AND CERTIFICATE NOS. 517-W AND 450-S TO AQUARINA UTILITIES, INC.

THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein, except for approval of the transfer of the assets and Certificate Nos. 517-W and 450-S of Service Management Systems, Inc. to Aquarina Utilities, Inc. which is final agency action, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

I. Background

On February 28, 2011, Aquarina Utilities, Inc. (Aquarina or Buyer) filed an application for authority to transfer the assets of Service Management Systems, Inc. (SMS or Utility) and Certificates Nos. 517-W and 450-S to Aquarina. SMS is a Class B utility that provides water and wastewater service to approximately 290 customers, and residential wastewater only service to approximately 20 customers in Brevard County. In addition, approximately 94 of the Utility's water customers also receive non-potable irrigation service. The service territory is located in the St. Johns River Water Management District and is in a Water Resource Caution Area. The Utility's 2011 annual report shows combined water and wastewater revenues of \$385,180, and a net operating loss of \$3,781.

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FPSC-COMMISSION CLERK

The Utility has been providing service to customers in Brevard County since 1984. In 1989, we granted the Utility original Certificate Nos. 517-W and 450-S.<sup>1</sup> Since its certification, the Utility has experienced two territory amendments, a corporate reorganization, a name change, and two transfers of majority organizational control.<sup>2</sup>

In January 2009, the Utility filed a third application for transfer of majority organizational control of SMS from IRD Osprey, LLC to Oak Lodge Utility, LLC that was ultimately withdrawn.<sup>3</sup> On February 13, 2009, Compass Bank filed an objection to that transfer and advised our staff that SMS had an outstanding loan that was in default of the Forbearance Agreement.<sup>4</sup> On October 6, 2008, Compass Bank filed a foreclosure action, Compass Bank v. Service Management Systems, Inc., et al., Case No. 05-2008-CA-61639, in the Circuit Court for Brevard County, Florida. On February 3, 2010, the Eighteenth Judicial Circuit in Brevard County issued an Order Appointing Receiver of Service Management Systems, Inc. and named Mr. Dennis Basile as receiver.<sup>5</sup> On February 10, 2010, Oak Lodge Utility, LLC filed a letter withdrawing its application for transfer of majority organization control. A foreclosure sale was subsequently held on March 31, 2010, and on April 15, 2010, the Brevard County Circuit Court issued a Certificate of Title to FL-Service Management, LLC, an affiliate of Compass Bank.

On February 28, 2011, Aquarina filed an application for authority to transfer the assets of SMS and Certificate Nos. 517-W and 450-S from FL-Service Management, LLC (Seller) to Aquarina. On March 23, 2011, Mr. James I. Minnes, Esquire, representing himself, filed a timely Notice of Objection, and on March 31, 2011, the Aquarina Community Services Association, Inc. (ACSA), a homeowners' association, also filed a timely Notice of Objection.

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<sup>1</sup> Order No. 22075, issued October 19, 1989, in Docket No. 880595-WS, In re: Objections to application by Service Management Systems, Inc. for water and sewer certificates in Brevard County.

<sup>2</sup> See Order No. 23059, issued June 11, 1990, in Docket No. 900167-WS, In re: Application for amendment of Certificates Nos. 517-W and 450-S in Brevard County by Aquarina Developments, Inc.; Order No. PSC-92-0119-FOF-WS, issued March 30, 1992, in Docket No. 911129-WS, In re: Application for amendment of Certificates Nos. 517-W and 450-S in Brevard County by Aquarina Developments, Inc.; Order No. PSC-97-0206-FOF-WS, issued February 21, 1997, and Order No. PSC-97-0206A-FOF-WS, issued March 5, 1997, in Docket No. 960095-WS, In re: Application for name change on Certificates Nos. 517-W and 450-S in Brevard County from Aquarina Developments, Inc. to Service Management Systems, Inc.; Order No. PSC-97-0918-FOF-WS, issued August 4, 1997, in Docket No. 970093-WS, In re: Application for approval of transfer of majority organizational control of Certificates Nos. 517-W and 450-S in Brevard County from Service Management Systems, Inc. to Petrus Group, L.P.; Order No. PSC-03-0787-FOF-WS, issued July 2, 2003, and Order No. PSC-03-1098-FOF-WS, issued October 2, 2003, in Docket No. 020091-WS, In re: Application for transfer of majority organizational control of Service Management Systems, Inc., holder of Certificates Nos. 517-W and 450-S in Brevard County, from Petrus Group, L.P. to IRD Osprey, LLC d/b/a Aquarina Utilities.

<sup>3</sup> See Docket No. 090019-WS, In re: Application for transfer of majority organizational control of Service Management Systems, Inc., holder of water Certificate No. 517-W and wastewater Certificate 450-S, in Brevard County, from IRD Osprey, LLC to Oak Lodge Utility, LLC.

<sup>4</sup> On December 19, 2003, Compass Bank loaned SMS \$1,000,000 for a reverse osmosis plant and other utility facilities. The loan was modified and renewed on December 19, 2006, in the original principal amount of \$918,382.39, with a payment due date of March 19, 2007, which was not met. On July 10, 2007, a Forbearance Agreement was entered into with a payment due date of September 7, 2007. SMS failed to repay the loan and Compass Bank subsequently filed its foreclosure action on October 6, 2008.

<sup>5</sup> We acknowledged appointment of the receiver in Order No. PSC-10-0329-FOF-WS, issued May 24, 2010, in Docket No. 100094-WS, In re: Notice of appointment of receiver for Service Management Systems, Inc. in Brevard County pursuant to Circuit Court foreclosure proceeding.

By letter dated April 12, 2011, our legal staff responded to Mr. Minnes and requested that he notify legal staff by April 26, 2011, if he intended to pursue a full evidentiary hearing before this Commission pursuant to Sections 120.569 and 120.567, F.S. On April 26, 2011, Mr. Minnes filed a Petition for Formal Hearing. Mr. Minnes' primary concerns appeared to be the Buyer's financial ability and proof of land ownership.

ACSA also requested a hearing in its Amended Notice of Objection and Request for Hearing filed on April 26, 2011. ACSA's primary concerns were the Buyer's financial ability and the water service provided to the golf course owned by ACSA. On June 20, 2011, a Settlement Conference was held in Orlando, Florida, that included the Office of Public Counsel (OPC), ACSA, and Aquarina. The parties agreed that OPC would review the Buyer's financial records and share the results with ACSA. After consulting with OPC, ACSA withdrew its Objection and Request for Hearing on August 5, 2011.

In response to Mr. Minnes' objection, the matter was set for formal hearing to be held on September 25 and 26, 2012. An Order Establishing Procedure was issued on April 13, 2012. Pursuant to that Order, Aquarina, Mr. Minnes, and our staff were required to prefile testimony and exhibits on May 4, July 20, and August 10, 2012, respectively. Aquarina and staff timely filed testimony and exhibits on the required dates. Mr. Minnes did not prefile any testimony or exhibits. Mr. Minnes subsequently withdrew his Objection and Request for Hearing on August 14, 2012, resulting in cancellation of the formal hearing in this docket.

The purpose of this Order is to address the Buyer's application for transfer of SMS's water and wastewater assets and certificates. We have jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes (F.S.), and Rule 25-30.037, F.A.C.

## II. Transfer of SMS's Assets and Certificate Nos. 517-W and 450-S to Aquarina

As stated above, Aquarina filed an application on February 28, 2011, for approval to transfer the assets of SMS and Certificate Nos. 517-W and 450-S to Aquarina. The application is in compliance with the governing statutes, Section 367.071, F.S., and other pertinent statutes and administrative rules concerning applications for transfer of certificates. Pursuant to Section 367.071(1), F.S., the closing occurred on February 22, 2011, contingent upon our approval.

### A. Noticing

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. As discussed, we initially received two Notices of Objection and Requests for Hearing from an individual customer and from a homeowners' association. Both parties subsequently withdrew their Objections and Requests for Hearing, and the formal hearing was cancelled. No further objections to the notice of application have been received and the time for filing such has expired.

### B. Territory and Land Ownership

The application contains a description of the transferred territory, a detailed system map, and an adequate territory map. A description of the territory being transferred is appended to this Order as Attachment A. The application contains a copy of a warranty deed that was executed on February 17, 2011, and recorded with the Brevard County Clerk of Courts on February 25, 2011, as evidence that Aquarina owns the land upon which the water and wastewater treatment facilities are located.

### C. Purchase Agreement and Financing

Also, the application contains a copy of the purchase agreement which includes the purchase price, terms of payment, and a list of the assets purchased. SMS's assets were purchased by Aquarina for \$550,000, which was paid in cash by Mr. Reginald Burge, Aquarina's sole shareholder and secretary. There are no customer deposits, guaranteed revenue contracts, developer agreements, or debt of the Seller that must be disposed of in relation to the transfer. As previously noted, the transfer took place on February 22, 2011, subject to our approval.

### D. Facilities Description and Compliance

The SMS water system consists of three potable wells; however, only two wells are currently connected to the water system and in production. The two production wells have a combined capacity of 2.0 million gallons per day (MGD). Both wells pump water into the non-potable storage tank. Water for the potable system is pumped from the non-potable storage tank into a reverse-osmosis (RO) system for purification. The water is then chlorinated, pumped into a potable ground storage tank, and ultimately drawn into a hydro-pneumatic tank for distribution to the potable water system. Water for the non-potable irrigation system is distributed directly from the non-potable storage tank via two pumps that service the fire protection and common area irrigation systems, and one pump that services the golf course irrigation system.

The wastewater treatment plant is permitted to treat .099 MGD on an annual average daily flow. Treated effluent is disposed of in two drain fields each having 2,500 square feet of surface area, with a combined permitted capacity of .050 MGD. The wastewater treatment plant is authorized to accept and treat RO reject water from the existing Aquarina RO water treatment plant. Flows, including RO reject water, are limited to .050 MGD, the permitted capacity of the existing disposal system.

The application contains a statement that the Utility's systems appear to be in satisfactory condition and in substantial compliance with all applicable standards set by the Florida Department of Environmental Protection (DEP). Prior to cancellation of the hearing in this docket, two DEP witnesses provided staff testimony. Our staff confirmed with the DEP witnesses that the water and wastewater systems are currently in compliance with all applicable DEP standards except for one water system deficiency related to a lack of documentation confirming when the Seller last cleaned the forced aeration catchment tank. Pending completion of this docket, DEP will require that the tank be inspected and cleaned. Also, the DEP witnesses indicated that the water and wastewater systems have not been the subject of any DEP

compliance enforcement action within the past three years, and the overall operation and maintenance of the water and wastewater treatment plants, water distribution system, and wastewater collection system are satisfactory.

The Buyer is aware that the Utility's books and records must be maintained in accordance with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts and that it may not change the Utility's rates or charges, extend or delete the Utility's service territory, change the Utility's name, or transfer the Utility facilities or majority control without our approval. In addition, the application contains a statement that the Buyer will fulfill the commitments, obligations, and representations of the Seller with regard to utility matters.

Our staff verified that SMS is current on its annual reports through 2010, and there are no outstanding regulatory assessment fees (RAFs) or fines due. Aquarina assumed responsibility for filing annual reports and paying RAFs due after the closing date of February 22, 2011. Our staff verified that Aquarina is current on filing the Utility's annual report for 2011 and paying RAFs for 2012.

#### E. Financial and Technical Ability

The application states that the transfer is in the public interest because the Seller acquired the utility assets through foreclosure, and from the outset, desired to sell the water and wastewater systems because it had no interest in owning the utility facilities. Also, according to the application, the Buyer has the necessary financial and technical ability to provide adequate, safe, and reliable water service to the Utility's customers. The Buyer is an active corporation authorized to conduct business in Florida since January 1, 2011. As noted above, the sole owner and secretary of the corporation is Reginald J. Burge. In support of the Buyer's financial and technical ability, Aquarina provided the personal financial statement of Mr. and Mrs. Burge, and a description of Mr. Burge's previous experience with Commission regulated utilities. A review of the personal financial statement of Mr. and Mrs. Burge shows that Mr. Burge has the financial ability to provide quality water and wastewater service.

Further, the application indicates that Aquarina has retained the operating personnel from the Seller. Although Aquarina does not currently own any other water or wastewater utilities in Florida, Mr. Burge has 24 years experience in owning, operating, and managing water and wastewater utilities regulated by this Commission. Since 2006, Mr. Burge has held an ownership interest in Gold Coast Utility Corporation (Gold Coast) in Polk County. Gold Coast is currently in compliance with our regulations and has had no customer complaints filed with us in over two years. In addition, Mr. Burge previously held an ownership interest in Laniger Enterprises, Inc. (Laniger) and Burkim Enterprises, Inc. (Burkim), which were both subsequently transferred to Martin and Brevard Counties, respectively. Regarding the purchase of Gold Coast,

Laniger, and Burkim utilities by Mr. Burge and his family, we determined in each case that the buyers had the financial and technical ability to provide quality water and wastewater service.<sup>6</sup>

Aquarina has been operating SMS's water and wastewater systems since February 2011 and is currently in compliance with our regulations. Since taking over operation of the facilities in February 2011, Aquarina has completed nearly \$126,000 in repairs and improvements, with an additional \$25,000 of repairs in process and \$30,000 in the planning stages, as of June 2012.<sup>7</sup> Additionally, in the two years prior to the purchase of the systems by Aquarina, the Utility showed total net operating losses of \$166,975 for 2009 and \$92,715 for 2010. Under Aquarina's management, the total net operating loss was reduced to \$3,781 for 2011, showing an improvement in the financial condition of the Utility. Based on all the above, we find the Buyer has the necessary financial and technical ability to provide adequate, safe, and reliable service. Also, as noted previously, the Seller is not interested in owning and operating these water and wastewater systems. Therefore, we find the transfer of SMS's assets and Certificates Nos. 517-W and 450-S to Aquarina to be in the public interest.

#### F. Rates and Charges

In accordance with Rule 25-9.044(1), F.A.C., the rates and charges approved for the Utility shall be continued until authorized to change by this Commission in a subsequent proceeding. The Utility's current water and wastewater rates became effective September 30, 2012, following a 2012 price index rate adjustment. The current customer deposits and service availability charges were approved in 2003, and the current miscellaneous service charges and irrigation service availability charges were approved in 1995.<sup>8</sup> Aquarina's existing rates and charges are shown on Attachment B.

#### G. Conclusion

Therefore, we find the transfer is in the public interest and it shall be approved effective October 16, 2012. The territory being transferred is described in Attachment A. This Order shall serve as Aquarina's water and wastewater certificates and shall be retained by Aquarina. Pursuant to Rule 25-9.044(1), F.A.C., the rates and charges approved for the Utility shall be continued until authorized to change by this Commission in a subsequent proceeding. The tariff

<sup>6</sup> See Order No. PSC-06-0331-PAA-WS, issued April 24, 2006, in Docket No. 050902-WS, In re: Application to transfer assets and Certificate Nos. 590-W and 508-S in Polk County from Lake Haven Utility Associates, Ltd., d/b/a Lake Wales Utility Company to Gold Coast Utility Corp.; Order No. 22203, issued November 11, 1989, in Docket No. 881500-WS, In re: Application for transfer of Certificates Nos. 362-W and 317-S from Beacon Twenty-One Development Corporation to Laniger Enterprises of America, Inc. in Martin County; Order No. PSC-01-1628-FOF-WS, issued August 8, 2001, in Docket No. 001501-WS, In re: Application for authority to transfer facilities and Certificate Nos. 338-W and 294-S in Brevard County from Connecticut General Development Corporation d/b/a CGD Utilities to Burkim Enterprises, Inc.

<sup>7</sup> Aquarina's repairs include repair of two blowers and a clarifier drive skimmer unit that were noted by DEP as deficient and raised as a concern by customers in 2010, prior to Aquarina's purchase of the Utility. The repairs were completed in March and May 2011, respectively.

<sup>8</sup> See Order No. PSC-03-1342-PAA-WS, issued November 24, 2003, in Docket No. 021228-WS, In re: Application for staff-assisted rate case in Brevard County by Service Management Systems, Inc.; Order No. PSC-95-1417-FOF-WS, issued November 21, 1995, in Docket No. 941234-WS, In re: Application for staff-assisted rate case in Brevard County by Aquarina Developments, Inc.

pages reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariff pages, pursuant to Rule 25-30.475, F.A.C.

### III. Net Book Values and Acquisition Adjustments

Rate base for SMS's water and wastewater systems was last established as of December 31, 2002, in the amounts of \$456,731 for the water system and \$142,224 for the wastewater system, pursuant to Order No. PSC-03-1342-PAA-WS (PAA Order).<sup>9</sup> An audit of the Utility's books and records was conducted to establish the net book value for transfer purposes as of February 22, 2011. Net book value is used to determine whether an acquisition adjustment should be approved and does not include normal rate making adjustments for used and useful plant or working capital.

Due to the Utility's foreclosure and subsequent receivership, the Buyer was not able to obtain all of the Utility's prior records, and the general ledgers were found to be incomplete. Consequently, our audit staff used the Utility's annual reports to establish the Utility balances for audit purposes. It should be noted that the Buyer is still working with the Seller to have the court-appointed receiver released from duty and obtain any additional records that may still be in the receiver's possession.<sup>10</sup> Our approved water and wastewater net book value balances, as described below, are also shown on Schedule Nos. 1 and 2, respectively.

#### A. Utility Plant in Service (UPIS)

The Utility's annual report reflects a water UPIS balance of \$2,181,573 and a wastewater UPIS balance of \$2,152,578, as of December 31, 2010. The PAA Order established the beginning balances for UPIS as of December 31, 2002. Our audit staff determined that the Commission ordered adjustments had not been made. To make the adjustments, UPIS shall be increased by \$71,010 and \$6,822 for water and wastewater, respectively. In addition, supporting documentation was not available for any additions or retirements made from January 1, 2003 through February 22, 2011. Consequently, UPIS should be decreased by \$379,728 and \$52,322 for water and wastewater, respectively, to remove all unsupported additions and retirements. The net effect on the general ledger is a decrease to UPIS of \$308,718 for water and \$45,500 for wastewater. Therefore, the Utility's water and wastewater UPIS balances as of February 22, 2011, shall be \$1,872,855 and \$2,107,078, respectively, as shown on Schedule Nos. 1 and 2.

#### B. Accumulated Depreciation

The Utility's annual report reflects accumulated depreciation balances of \$1,455,747 and \$1,728,464 for the water and wastewater systems, respectively, as of December 31, 2010. As noted above, our audit staff determined that the Utility did not make the adjustments required by the PAA Order. Therefore, accumulated depreciation shall be decreased by \$484,087 for water

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<sup>9</sup> Issued November 24, 2003, in Docket No. 021228-WS, In re: Application for staff-assisted rate case in Brevard County by Service Management Systems, Inc.

<sup>10</sup> On August 8, 2012, a hearing was held to consider Compass Bank's Motion to Terminate the Receivership. The Court directed the parties to agree on language to terminate the receivership while not impairing Aquarina's ability to receive past due amounts. As of October 4, 2012, the receiver had not been released by the Court.



and \$157,234 for wastewater to remove all accumulated depreciation booked by the Utility since December 31, 2002, and to agree the amounts to the PAA Order. Accumulated depreciation shall then be increased by \$404,990 and \$219,438 for water and wastewater, respectively. This adjustment reflects the recalculation of accumulated depreciation from January 1, 2003 to February 22, 2011, using plant balances established in the PAA Order and depreciation rates as per Rule 25-30.140, F.A.C. The net effect on the general ledger for accumulated depreciation is a decrease of \$79,097 for water and an increase of \$62,204 for wastewater. Therefore, the Utility's accumulated depreciation balances as of February 22, 2011, shall be \$1,376,650 for water and \$1,790,668 for wastewater, as shown on Schedule Nos. 1 and 2.

#### C. Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

As of December 31, 2010, the Utility's annual report reflects water and wastewater CIAC balances of \$766,532 and \$763,570, respectively; and accumulated amortization of CIAC balances of \$281,565 and \$332,899, respectively. As noted above, the Utility did not make the adjustments required by the PAA Order, and did not provide supporting documentation for any additions or retirements to CIAC from January 1, 2003 to February 22, 2011. Therefore, CIAC shall be decreased by \$8,918 for water and increased by \$91,593 for wastewater, to reflect the adjustments required by the PAA Order. In addition, CIAC shall be decreased by \$319,465 for water and \$272,108 for wastewater to remove all unsupported amounts. The net effect on the general ledger is a decrease to CIAC of \$328,383 for water and \$180,515 for wastewater.

Similarly, accumulated amortization of CIAC shall be decreased by \$103,546 for water and \$92,808 for wastewater to remove all accumulated amortization booked by the Utility since December 31, 2002, and to agree the amounts to the PAA Order. Accumulated amortization shall then be increased by \$98,643 for water and \$59,214 for wastewater to reflect the recalculation of accumulated amortization from January 1, 2003 to February 22, 2011, using CIAC balances established in the PAA Order and composite rates based on depreciation expense as per Rule 25-30.140, F.A.C. The net effect on the general ledger is a decrease to accumulated amortization of CIAC of \$4,903 for water and \$33,594 for wastewater. Therefore, we find that the Utility's CIAC balances as of February 22, 2011, are \$438,149 and \$583,055 for water and wastewater, respectively; and accumulated amortization of CIAC balances are \$276,662 and \$299,305 for water and wastewater, respectively, as shown on Schedule Nos. 1 and 2.

#### D. Net Book Value

The Utility's annual report reflects net book values of \$302,939 and \$27,123 for water and wastewater, respectively, as of December 31, 2010. Based on the adjustments described above and shown on Schedule Nos. 1 and 2, we find that the net book value for the Utility's water and wastewater systems as of February 22, 2011, are \$396,798 and \$66,340, respectively, for a total net book value of \$463,138. Schedule Nos. 1 and 2 also contain the NARUC account balances for UPIS and accumulated depreciation as of February 22, 2011.



E. Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the net book value of the assets at the time of the acquisition. According to the application, the purchase price was \$550,000. Based on a total net book value of \$463,138 as of February 22, 2011, the purchase price would result in a positive acquisition adjustment of \$86,862. Pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base absent proof of extraordinary circumstances. Aquarina did not request an acquisition adjustment in its application. Therefore, a positive acquisition adjustment shall not be included in rate base.

F. Conclusion

The net book values of SMS's water and wastewater systems for transfer purposes are \$396,798 and \$66,340, respectively, as of February 22, 2011. A positive acquisition adjustment shall not be included in rate base. Within 30 days of the date of the final order, Aquarina shall provide general ledgers that show its books have been updated to reflect the Commission-approved balances as of February 22, 2011, along with a statement that these adjustments will also be reflected in the Utility's 2012 annual report.

Based on the foregoing, it is

ORDERED that the transfer of Service Management System, Inc.'s assets and Certificate Nos. 517-W and 450-S to Aquarina Utilities, Inc. in Brevard County is in the public interest and is approved as final agency action as of October 16, 2012. It is further

ORDERED that the territory being transferred is described in Attachment A. It is further

ORDERED that this Order shall serve as Aquarina's water and wastewater certificates and shall be retained by Aquarina. It is further

ORDERED that pursuant to Rule 25-9.044(1), F.A.C., the rates and charges approved for the Utility shall be continued until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that the tariff pages reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariff pages, pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that the provisions of this Order, concerning net book value and decision not to approve a positive acquisition adjustment, are issued as Proposed Agency Action, and shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further


ORDERED that the net book values of Service Management Systems, Inc.'s water and wastewater systems for transfer purposes are \$396,798 and \$66,340, respectively, as of February 22, 2011. It is further

ORDERED that a positive acquisition adjustment shall not be included in rate base. It is further

ORDERED that within 30 days of the date of the final order, Aquarina shall provide general ledgers that show its books have been updated to reflect the Commission-approved balances as of February 22, 2011, along with a statement that these adjustments will also be reflected in the Utility's 2012 annual report. It is further

ORDERED that if no protest to the Proposed Agency Action portion of this Order is filed by a substantially affected person within 21 days of the date of the order, a Consummating Order shall be issued and the docket closed administratively.

By ORDER of the Florida Public Service Commission this 25th day of October, 2012.



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ANN COLE  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
[www.floridapsc.com](http://www.floridapsc.com)

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action concerning the net book values and acquisition adjustments proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 8, 2012.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action approving the transfer of assets and Certificate Nos. 517-W and 450-S in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 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 Office of Commission Clerk, 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.

**Aquarina Utilities, Inc.  
Description of Water Territory  
Brevard County**

A PORTION OF SECTIONS 25, 35 AND 36 TOWNSHIP 29 SOUTH, RANGE 38 EAST, SECTION 31, TOWNSHIP 29 SOUTH, RANGE 39 EAST, SECTION 1, TOWNSHIP 30 SOUTH, RANGE 38 EAST AND SECTION 6, TOWNSHIP 30 SOUTH, RANGE 39 EAST, BREVARD COUNTY, FLORIDA BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGIN AT THE SOUTHWEST CORNER OF SAID SECTION 25 AND RUN N00°19'34"W ALONG THE WEST LINE OF SAID SECTION 25 A DISTANCE OF 1327.58 FEET TO THE NORTH LINE OF THE SOUTH 1/2 OF THE SOUTH 1/2 OF SAID SECTION 25; THENCE RUN S88°30'24"E ALONG NORTH LINE OF THE SOUTH 1/2 OF THE SOUTH 1/2 OF SECTION 25 A DISTANCE OF 2634 FEET MORE OR LESS TO THE MEAN HIGH WATER LINE OF THE ATLANTIC OCEAN; THENCE RUN SOUTHERLY ALONG SAID MEAN HIGH WATER LINE THROUGH SAID SECTIONS 25, 36, 31 AND 6 A DISTANCE OF 12127 FEET MORE OR LESS TO THE SOUTH LINE OF THE NORTH 1/2 OF THE SOUTH 1/2 OF SAID SECTION 6; THENCE RUN N88°48'45"W ALONG THE SOUTH LINE OF THE NORTH 1/2 OF THE SOUTH 1/2 OF SECTION 6 A DISTANCE OF 1524 FEET MORE OR LESS TO THE MEAN HIGH WATER LINE OF THE INDIAN RIVER; THENCE RUN NORTHERLY ALONG THE MEAN HIGH WATER LINE OF THE INDIAN RIVER AND MULLET CREEK 16336 FEET MORE OR LESS TO THE NORTH LINE OF SAID SECTION 35; THENCE RUN S88°22'47"E ALONG THE NORTH LINE OF SECTION 35 A DISTANCE OF 982 FEET MORE OR LESS TO THE POINT OF BEGINNING.

**Aquarina Utilities, Inc.  
Description of Wastewater Territory  
Brevard County**

A PORTION OF SECTIONS 25, 26, 35 AND 36 TOWNSHIP 29 SOUTH, RANGE 38 EAST, AND SECTION 31, TOWNSHIP 29 SOUTH, RANGE 39 EAST, BREVARD COUNTY, FLORIDA BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGIN AT THE WEST 1/4 CORNER OF SAID SECTION 25 AND RUN N00°18'50"W ALONG THE WEST LINE OF SAID SECTION 25 A DISTANCE OF 1340.83 FEET TO THE NORTH LINE OF THE SOUTH 1/2 OF THE NORTH 1/2 OF SAID SECTION 25; THENCE RUN S88°31'07"E ALONG NORTH LINE OF THE SOUTH 1/2 OF THE NORTH 1/2 OF SECTION 25 A DISTANCE OF 1351 FEET MORE OR LESS TO THE MEAN HIGH WATER LINE OF THE ATLANTIC OCEAN; THENCE RUN SOUTHERLY ALONG SAID MEAN HIGH WATER LINE THROUGH SAID SECTIONS 25, 36, AND 31 A DISTANCE OF 9203 FEET MORE OR LESS TO THE EASTERLY EXTENSION OF THE SOUTH LINE OF THE NORTH 1/2 OF THE SOUTH 1/2 OF SAID SECTION 36; THENCE RUN N88°23'42"W ALONG SAID LINE AND THE SOUTH LINE OF THE NORTH 1/2 OF THE SOUTH 1/2 OF SECTION 36 A DISTANCE OF 790 FEET MORE OR LESS TO THE MEAN HIGH WATER LINE OF THE INDIAN RIVER; THENCE RUN NORTHERLY ALONG THE MEAN HIGH WATER LINE OF THE INDIAN RIVER AND MULLET CREEK 8315 FEET MORE OR LESS TO THE SOUTH LINE OF SAID SECTION 26; THENCE RUN S88°22'47"E ALONG THE SOUTH LINE OF SAID SECTION 26 A DISTANCE OF 982 FEET TO THE COMMON CORNER OF SAID SECTIONS 25, 26, 35 AND 36; THENCE RUN ALONG THE WEST LINE OF SAID SECTION 25 N00°19'34"W 1327.58 TO THE SOUTHEAST CORNER OF GOVERNMENT LOT 3 OF SAID SECTION 26; THENCE RUN N88°30'25"W ALONG THE SOUTH LINE OF SAID GOVERNMENT LOT 3 A DISTANCE OF 1276 FEET MORE OR LESS TO THE MEAN HIGH WATER LINE OF MULLET CREEK; THENCE RUN NORTHERLY ALONG THE MEAN HIGH WATER LINE OF MULLET CREEK 1903 FEET MORE OR LESS TO THE NORTH LINE OF THE SOUTHEAST 1/4 OF SAID SECTION 26; THENCE RUN S88°31'12"E ALONG THE NORTH LINE OF THE SOUTHEAST 1/4 OF SECTION 26 A DISTANCE OF 2431 MORE OR LESS TO THE POINT OF BEGINNING.

**FLORIDA PUBLIC SERVICE COMMISSION**  
**authorizes**  
**Aquarina Utilities, Inc.**  
**pursuant to**  
**Certificate Number 517-W**

to provide water service in Brevard County in accordance with the provisions of Chapter 367, F.S., and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
22075	10/19/89	880595-WS	Original Certificate
23059	06/11/90	900167-WS	Territory Amendment
PSC-92-0119-FOF-WS	03/30/92	911129-WS	Territory Amendment
PSC-97-0206-FOF-WS	02/21/97	960095-WS	Name Change
PSC-97-0206A-FOF-WS	03/05/97	960095-WS	Amendatory Order
PSC-97-0918-FOF-WS	08/04/97	970093-WS	Transfer Majority Control
PSC-03-0787-FOF-WS	07/02/03	020091-WS	Transfer Majority Control
PSC-03-1098-FOF-WS	10/02/03	020091-WS	Amendatory Order
PSC-10-0329-FOF-WS	05/24/10	100094-WS	Receiver Appointed
PSC-12-0577-PAA-WS	10/25/12	110061-WS	Transfer of Certificate

**FLORIDA PUBLIC SERVICE COMMISSION**  
**authorizes**  
**Aquarina Utilities, Inc.**  
**pursuant to**  
**Certificate Number 450-S**

to provide wastewater service in Brevard County in accordance with the provisions of Chapter 367, F.S., and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

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**Aquarina Utilities, Inc.**  
**Water Monthly Service Rates**

**Water Service**

Residential, Multi-Residential, and General Service

Base Facility Charge by Meter Size:

5/8" x 3/4"	\$ 18.95
3/4"	\$ 28.42
1"	\$ 47.36
1-1/2"	\$ 94.72
2"	\$ 151.56
3"	\$ 303.12
4"	\$ 473.61
6"	\$ 947.23
Gallage Charge Per 1,000 Gallons	\$ 6.87

**Irrigation Service**

Residential, Multi-Residential, and General Service

All Meter Sizes:

Gallage Charge Per 1,000 Gallons	\$ 0.77
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**Miscellaneous Service Charges**

Initial Connection Fee	\$ 15.00
Normal Reconnection Fee	\$ 15.00
Violation Reconnection Fee	\$ 15.00
Premises Visit Fee (in lieu of disconnection)	\$ 10.00

**Customer Deposits**

Meter Size:

5/8" x 3/4"	\$ 68.00
All Over 5/8" x 3/4"	2 x Average Bill

**Service Availability Charges**

	Water Service	Irrigation Service
<b>Main Extension Charge</b>		
Residential - Per ERC (350 GPD)	\$ 500.00	\$ 50.00
All Others - Per Gallon	\$ 1.43	\$ 0.14
<b>Meter Installation Fee</b>		
5/8" x 3/4"	\$ 150.00	\$ 150.00
All Others	Actual Cost	Actual Cost
<b>Plant Capacity Charge</b>		
Residential - Per ERC (350 GPD)	\$ 780.00	\$ 250.00
All Others - Per Gallon	\$ 2.23	\$ 0.71

**Aquarina Utilities, Inc.**  
**Wastewater Monthly Service Rates**

**Wastewater Service**

**Residential and Multi-Residential**

All Meter Sizes	\$ 21.95
Gallage Charge Per 1,000 Gallons (Maximum 8,000 Gallons)	\$ 4.75

**General Service**

**Base Facility Charge by Meter Size:**

5/8" x 3/4"	\$ 21.95
3/4"	\$ 32.90
1"	\$ 54.84
1-1/2"	\$ 109.68
2"	\$ 175.50
3"	\$ 351.00
4"	\$ 548.44
6"	\$1,096.89

Gallage Charge Per 1,000 Gallons	\$ 5.71
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**Residential Wastewater Only Service**

Flat Rate	\$ 34.41
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**Miscellaneous Service Charges**

Initial Connection Fee	\$ 15.00
Normal Reconnection Fee	\$ 15.00
Violation Reconnection Fee	Actual Cost
Premises Visit Fee (in lieu of disconnection)	\$ 10.00

**Customer Deposits**

Meter Size:	
5/8" x 3/4"	\$ 62.00
All Over 5/8" x 3/4"	2 x Average Bill

**Service Availability Charges**

Main Extension Charge	
Residential - Per ERC (280 GPD)	\$ 635.00
All Others - Per Gallon	\$ 2.27

**Aquarina Utilities, Inc.**  
**Water Net Book Value as of February 22, 2011**

Description	Balance per Utility	Adjustments		Commission Approved
Utility Plant in Service	\$2,181,573	(\$308,718)	A	\$1,872,855
Land	62,080			62,080
Accumulated Depreciation	(1,455,747)	79,097	B	(1,376,650)
Contributions in Aid of Construction (CIAC)	( 766,532)	328,383	C	( 438,149)
Accumulated Amortization of CIAC	<u>281,565</u>	<u>( 4,903)</u>	D	<u>276,662</u>
Water Net Book Value	<u>\$ 302,939</u>	<u>\$ 93,859</u>		<u>\$ 396,798</u>

**Explanation of Commission Adjustments to Water Net Book Value**

Explanation	Amount
<b>A. Utility Plant in Service</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	\$ 71,010
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>(379,728)</u>
Total Utility Plant in Service Adjustments	<u>(308,718)</u>
<b>B. Accumulated Depreciation</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	484,087
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>(404,990)</u>
Total Accumulated Depreciation Adjustments	<u>79,097</u>
<b>C. CIAC</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	8,918
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>319,465</u>
Total CIAC Adjustments	<u>328,383</u>
<b>D. Accumulated Amortization of CIAC</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	(103,546)
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>98,643</u>
Total Accumulated Amortization of CIAC Adjustments	<u>(4,903)</u>
<b>Total Adjustments to Net Book Value as of February 22, 2011</b>	<u>\$ 93,859</u>

**Commission Approved Water Account Balances as of February 22, 2011**

<b>Acct. No.</b>	<b>Description</b>	<b>UPIS</b>	<b>Accumulated Depreciation</b>
301	Organization	\$ 1,050	\$ 703
304	Structures and Improvements	16,415	15,943
307	Wells and Springs	231,937	225,051
309	Supply Mains	25,200	10,762
311	Pumping Equipment	148,493	57,616
320	Water Treatment Equipment	356,506	356,506
330	Distribution Reservoirs and Standpipes	622,473	499,592
331	Transmission and Distribution Mains	302,223	112,983
333	Services	124,348	70,536
334	Meters and Meter Installation	32,899	22,288
335	Hydrants	10,050	3,619
339	Other Plant Miscellaneous Equipment	1,261	1,051
347	Miscellaneous Equipment	0	0
	<b>Total</b>	<b><u>\$1,872,855</u></b>	<b><u>\$1,376,650</u></b>

**Aquarina Utilities, Inc.**

**Wastewater Net Book Value as February 22, 2011**

<b>Description</b>	<b>Balance per Utility</b>	<b>Adjustments</b>		<b>Commission Approved</b>
Utility Plant in Service	\$2,152,578	(\$45,500)	A	\$2,107,078
Land	33,680			33,680
Accumulated Depreciation	(1,728,464)	( 62,204)	B	(1,790,668)
Contributions in Aid of Construction (CIAC)	( 763,570)	180,515	C	( 583,055)
Accumulated Amortization of CIAC	<u>332,899</u>	<u>( 33,594)</u>	D	<u>299,305</u>
Wastewater Net Book Value	<u>\$ 27,123</u>	<u>\$ 39,217</u>		<u>\$ 66,340</u>

**Explanation of Commission Adjustments to Wastewater Net Book Value**

<b>Explanation</b>	<b>Amount</b>
<b>A. Utility Plant in Service</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	\$ 6,822
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>(52,322)</u>
Total Utility Plant in Service Adjustments	(45,500)
<b>B. Accumulated Depreciation</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	157,234
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>(219,438)</u>
Total Accumulated Depreciation Adjustments	(62,204)
<b>C. CIAC</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	( 91,593)
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>272,108</u>
Total CIAC Adjustments	180,515
<b>D. Accumulated Amortization of CIAC</b>	
1. To reflect adjustments from Order No. PSC-03-1342-PAA-WS	( 92,808)
2. To remove unsupported additions or retirements for 1/1/03 – 2/22/11	<u>59,214</u>
Total Accumulated Amortization of CIAC Adjustments	<u>( 33,594)</u>
<b>Total Adjustments to Net Book Value as of February 22, 2011</b>	<u>\$ 39,217</u>

**Commission Approved Wastewater Account Balances as of February 22, 2011**

<b>Acct. No.</b>	<b>Description</b>	<b>UPIS</b>	<b>Accumulated Depreciation</b>
351	Organization	\$ 1,050	\$ 774
354	Structures and Improvements	18,769	18,769
360	Collection Sewers – Force	161,358	139,300
361	Collection Sewers – Gravity	328,394	126,474
363	Services	170,960	105,641
371	Pumping Equipment	50,256	29,958
380	Treatment and Disposal Equipment	1,216,825	1,216,825
382	Outfall Sewer Lines	144,908	144,908
389	Other Plant Miscellaneous Equipment	909	909
390	Office Furniture and Equipment	10,200	3,660
397	Miscellaneous Equipment	0	0
398	Other Tangible Plant	<u>3,449</u>	<u>3,449</u>
	Total	<u>\$2,107,078</u>	<u>\$1,790,668</u>