

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: DECEMBER 22, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF WATER AND WASTEWATER (JOHNSON, REDEMANN)
DIVISION OF LEGAL SERVICES (GERVASI, CROSBY)

RE: DOCKET NO. 980957-WS - APPLICATION FOR TRANSFER OF
MAJORITY ORGANIZATIONAL CONTROL OF SANLANDO UTILITIES
CORPORATION IN SEMINOLE COUNTY TO UTILITIES, INC.
COUNTY: SEMINOLE

AGENDA: JANUARY 5, 1999 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: THIS DOCKET SHOULD BE CONSIDERED AFTER
DOCKET NO. 981070-WS

FILE NAME AND LOCATION: S:\PSC\WAW\WP\980957.RCM

CASE BACKGROUND

Sanlando Utilities Corporation (Sanlando or utility) is a Class A water and wastewater utility located in Altamonte Springs, Florida, which operates three water and two wastewater plants. According to the 1997 annual report, Sanlando serves approximately 9,872 water and 8,889 wastewater customers. The revenue collected in 1997 by the utility was \$2,034,193 for the water system and \$2,898,138 for the wastewater system. Sanlando's entire service area lies within the St. John's River Water Management District (SJRWMD), which has declared its entire district as a water use caution area.

On July 29, 1998, Utilities, Inc. filed an application for transfer of majority organizational control of the stock interest in Sanlando to Utilities, Inc., pursuant to Section 367.071, Florida Statutes. On July 2, 1998, Sanlando and Utilities, Inc.,

14420 DEC 22 88

RECORDS/REPORTING

DOCKET NO. 980957-WS

DATE: December 22, 1998

entered into an agreement for the transfer of the utility stock and in a cash transaction, Utilities, Inc., purchased all the stock of Sanlando. The ownership interest in Sanlando was held by Lake Holding, Inc., which transferred all interest in Sanlando to Utilities, Inc.

On July 31, 1998, Utilities, Inc. sent notice of the application pursuant to Section 367.071, Florida Statutes, and Rule 25-30.030, Florida Administrative Code, to the entities as required by the Rule. Also as required by the Rule, on August 4, 1998, Sanlando sent notice of the application by First Class U.S. Mail to each of its customers and published the notice in the August 2, 1998, issue of the Orlando Sentinel.

On September 4, 1998, Florida Water Services Corporation (FWSC) filed an objection to the application and requested a formal hearing. In the objection and demand for a formal hearing, FWSC stated that it filed the objection because the legal description contained in Sanlando's notices of application appeared to describe territory to be transferred which may overlap FWSC's Commission-approved territory for its Apple Valley and Meredith Manor service areas. On September 11, 1998, Utilities, Inc., filed a motion to dismiss FWSC's objection. By Order No. PSC-98-1640-FOF-WS, issued December 7, 1998, the Commission granted the motion to dismiss the objection upon determining that, if the stock sale is approved, it will not impact the question of whether there is overlapping territory between Sanlando and FWSC. No other requests for hearing were received.

Because this is a transfer of majority organizational control and not of assets, rate base is not being established. Thus, no rate base audit was conducted. Rate base was last established for the utility by Order No. 23809, issued November 27, 1990, in Docket No. 900338-WS, with balances of \$401,590 for water and \$2,729,592 for wastewater. The following is staff's recommendation regarding the utility's request to transfer majority organizational control.

DOCKET NO. 980957-WS

DATE: December 22, 1998

ISSUE 1: Should Sanlando be ordered to show cause, in writing within twenty-one days, why it should not be fined for violation of Section 367.071, Florida Statutes?

RECOMMENDATION: No. A show cause proceeding should not be initiated. (GERVASI)

STAFF ANALYSIS: As stated in the case background, on July 2, 1998, Sanlando and Utilities, Inc., entered into an agreement for the transfer of the utility stock and in a cash transaction, Utilities, Inc., purchased all the stock of Sanlando. By entering into the contract for the sale of the utility to Utilities, Inc., prior to Commission approval, Sanlando is in apparent violation of Section 367.071, Florida Statutes.

Section 367.071(1), Florida Statutes, requires that no utility may transfer its majority organizational control without determination and approval of the Commission that the buyer will fulfill the commitments, obligations, and representations of the utility. Section 367.161(1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated, any provision of Chapter 367, Florida Statutes.

Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, the utility's failure to obtain antecedent Commission approval to transfer the majority organizational control of its corporate grandparent, would meet the standard for a "willful violation." In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL titled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., the Commission, having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

Nevertheless, staff does not believe that the utility's apparent violation of Section 367.071(1), Florida Statutes, rises to the level of warranting that a show cause order be issued. According to Utilities, Inc., the parties could not wait until after Commission approval to transfer the organizational control of

DOCKET NO. 980957-WS

DATE: December 22, 1998

Sanlando due to a number of pending matters that required immediate attention and which could not be handled financially by the previous owners of Sanlando. For example, Sanlando is involved in a challenge by a homeowners' association to the issuance of the renewal of its wastewater treatment plant operating permit by the Florida Department of Environmental Protection (FDEP). The resolution of that dispute will most likely require a substantial financial commitment which the prior owners of Sanlando could not make. Moreover, in a related matter, a number of homeowners filed a lawsuit against Sanlando contending that the effluent from its wastewater treatment plant has polluted a lake which they contend that they own. A substantial defense is needed to be undertaken with regard to these lawsuits, with the attempt to negotiate settlements requiring a substantial financial investment which the prior owners of Sanlando were not willing to meet. Additionally, there are two other dockets pending before the Commission involving Sanlando which require substantial effort and financial commitment which the prior owners of Sanlando are not willing to make. One docket involves an application for approval of a reuse plan to provide treated effluent to several golf courses and a nursery. The other involves an overearnings investigation, which Utilities, Inc., contends that it should handle because, assuming the Commission approves the stock transfer, it is Utilities, Inc., that will be financially affected by an adverse outcome of that investigation.

Staff further notes that the agreement for the transfer of the utility stock between Sanlando and Utilities, Inc. contains a regulatory clause recognizing that the sale is subject to the Commission's jurisdiction and that if the application for approval of transfer of the majority organizational control of the utility is denied, the parties will unwind the transaction.

For the foregoing reasons, staff does not believe that Sanlando's apparent violation of Section 371.071, Florida Statutes, warrants the initiation of a show cause action in this docket. Accordingly, staff recommends that Sanlando should not be ordered to show cause, in writing within twenty-one days, why it should not be fined for failing to obtain Commission approval prior to the transfer of the utility stock to Utilities, Inc.

DOCKET NO. 980957-WS

DATE: December 22, 1998

ISSUE 2: Should the transfer of majority organizational control of Sanlando Utilities Corporation (holder of Certificates No. 247-W and 189-S) from Lake Holding, Inc., to Utilities, Inc., be approved?

RECOMMENDATION: Yes, the transfer of majority organizational control should be approved. (JOHNSON, REDEMANN)

STAFF ANALYSIS: As discussed in the case background, on July 29, 1998, Utilities, Inc. filed an application for transfer of majority organizational control of Sanlando from Lake Holding, Inc. to Utilities, Inc. The application was found to be deficient on August 26, 1998. The deficiencies were corrected and received on October 1, 1998. The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer of majority organizational control. The application contains a check in the amount of \$6,000, which is the correct filing fee pursuant to Rule 25-30.020(c), Florida Administrative Code.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system to be transferred. Two customer letters were received stating that insufficient information was provided in the notice. Staff addressed these concerns by correspondence. As stated in the case background, FWSC filed an objection to the application on September 4, 1998, and requested a formal hearing. On September 11, 1998, Utilities, Inc., filed a motion to dismiss FWSC's objection. By Order No. PSC-98-1640-FOF-WS, issued December 7, 1998, the Commission granted the motion to dismiss the objection. No other requests for hearing were received. A description of the territory served by the utility is appended to this memorandum as Attachment A.

Rule 25-30.037(3)(I), Florida Administrative Code, requires a utility to provide proof of ownership of the land upon which its facilities are located. The application contains a warranty deed in the name of Sanlando Utilities Corporation that covers the entire Sanlando development.

With regard to the purchaser's technical ability, Utilities, Inc. has approximately thirty-one years of experience in the water and wastewater utility industry. Utilities, Inc., has twenty-two years of experience in operating water and wastewater utilities under the regulation of the Florida Public Service Commission and has the financial resources to ensure consistent compliance with environmental regulations. Utilities, Inc., currently operates ten

DOCKET NO. 980957-WS

DATE: December 22, 1998

separate subsidiaries certificated by the Commission serving approximately 12,000 water and 23,000 wastewater customers. It also operates two subsidiaries in non-jurisdictional Hillsborough County. At the present time, Utilities, Inc., provides safe and reliable water and wastewater service to approximately 165,000 customers in fifteen states.

Utilities, Inc., stated that the purchase of the Sanlando stock is a cash transaction and that it will fulfill the commitments, obligations and representations of the transferor. Utilities, Inc. will assume responsibility for the 1998 regulatory assessment fees and the filing of the annual report.

The applicant states that it has performed a reasonable investigation of the utility system. The plant facilities appear to be in satisfactory condition and in compliance with all applicable standards set by the FDEP. Staff has contacted the FDEP and learned that there are no outstanding notices of violation.

With regard to the purchaser's financial ability, Utilities, Inc. provided the company's consolidated financial statement, and a statement that it has both the regulatory experience and the financial ability to ensure consistent compliance with environmental protection regulations. The First Union Bank financed a two year loan for \$9,956,668 for the purchase of the common stock of Sanlando. The two-year note has an interest rate of 6.94% and can be renegotiated at the end of the two-year term. Utilities, Inc. has other water and wastewater utilities under the regulation of the Commission. These Florida subsidiaries are in good standing with the Commission. Utilities, Inc. of Florida is a wholly-owned subsidiary of Utilities, Inc., which has approximately \$235,000,000 of assets and a total capitalization of \$87,000,000. Utilities, Inc. has the capability to provide investment capital at reasonable rates to Sanlando.

The transfer is in the public interest because the seller originally established the utility as a necessary component of the development activities and is no longer interested in continuing to own and operate the utility systems. Utilities, Inc. can make the capital expenditures necessary to continue to provide the high quality of service that the Sanlando customers receive. Based on the above, staff recommends that the transfer of majority organizational control of Sanlando to Utilities, Inc. is in the public interest and should be approved.

DOCKET NO. 980957-WS
DATE: December 22, 1998

Attachment A

SANLANDO UTILITIES CORPORATION

WATER AND SEWER SERVICE AREA

SEMINOLE COUNTY

TERRITORY SERVED

Per Order No. 7128 in Docket No. 750737-WS (AP)
Water

In Township 20 South, Range 29 East, Seminole County, Florida.

All of Sections 23, 31, 32, 34, and 35.

SECTION 24:

All of said Section 24 lying West of Interstate 4 (State Road 400).

SECTION 25:

All of said Section 25 lying West of Interstate 4 (State Road 400);
the West 1/2 of the Southwest 1/4 of the Southeast 1/4 of the
Southwest 1/4 and the Northwest 1/4 of the Southeast 1/4 of the
Southwest 1/4.

SECTION 26:

All of said Section 26 lying West of Interstate 4 (State Road 400).

SECTION 33:

All of said Section 33 less East 1/2 of the Southeast 1/4 of the
Southwest 1/4 lying South of Wekiva Springs Road and less all of
the Southeast 1/4 lying South of Wekiva Springs Road.

SECTION 36:

Northwest 1/4 and West 660 feet of the Southwest 1/4 lying North of
State Road 434, less South 195.8 feet of West 150 feet.

In Township 21 South, Range 29 East.

SECTION 1:

The Northwest 1/4 of said Section 1.

DOCKET NO. 980957-WS

DATE: December 22, 1998

SECTION 2:

North 1/2 lying East of Interstate 4 (State Road 400); AND all of Blocks A, B, C, and D, Tract 26, Sanlando Springs, as recorded in Plat Book 5, Page 17; AND all of Blocks A and B, Tract 27, Sanlando Springs, as recorded in Plat Book 4, Page 56, Public Records of Seminole County, Florida, of said Section 2.

SECTION 3:

The East 1/2 and all of West 1/2 lying North of State Road 434 and East of Wekiva Springs Road.

SECTION 4:

The North 3/4 of the West 1/4 of said Section 4.

SECTION 5:

All of said Section 5 less the Southwest 1/4 of the Northeast 1/2.

SECTION 6:

All of said Section 6.

SECTION 7:

The North 1/4 of said Section 7

SECTION 8:

The North 1/4 of said Section 8.

SECTION 10:

All of said Section 10 lying East of Montgomery Road.

SECTION 11:

All of Section West of State Road 400 (I-4) less and except the following described parcels: the Southwest 1/4 of the Northwest 1/4; the North 1/4 of the Northwest 1/4 of the Southwest 1/4; the Southwest 1/4 of the Northwest 1/4 of the Southwest 1/4; and the South 1/4 of the Southwest 1/4 of said Section 11.

Wastewater

In Township 20 South, Range 29 East, Seminole County, Florida.

All of Sections 23, 31, 32, 34, and 35.

SECTION 24:

All of said Section 24 lying West of Interstate 4 (State Road 400).

DOCKET NO. 980957-WS

DATE: December 22, 1998

SECTION 25:

All of said Section 25 lying West of Interstate 4 (State Road 400); the West 1/2 of the Southwest 1/4 of the Southeast 1/4 of the Southwest 1/4 and the Northwest 1/4 of the Southeast 1/4 of the Southwest 1/4.

SECTION 26:

All of said section 26 lying West of Interstate 4 (State Road 400).

SECTION 33:

All of said Section 33 less East 1/2 of the Southeast 1/4 of the Southwest 1/4 lying South of Wekiva Springs Road and less all of the Southeast 1/4 lying South of Wekiva Springs Road.

SECTION 36:

Northwest 1/4 and West 660 feet of the Southwest 1/4 lying North of State Road 434, less South 195.8 feet of West 150 feet.

In Township 21 South, Range 29 East.

SECTION 1:

The North 5/8 of the Western 1/4 of said Section 1.

SECTION 2:

All of said Section 2 lying West of State Road 400 (I-4) and all of the West 1/2 lying North of State Road 434 and East of Interstate 4, and all of the North 5/8 lying East of State Road 400 (I-4).

SECTION 3:

The East 1/2 and all of the West 1/2 lying North of State Road 434 and East of Wekiva Springs Road.

SECTION 4:

The North 3/4 of the West 1/4 of said Section 4.

SECTION 5:

All of Section less areas presently assigned to Southern States Utility (Lake Brantley Isles Second Addition)

SECTION 6:

All of said Section 6.

SECTION 7:

The North 1/4 of said Section 7.

SECTION 8:

The North 1/4 of said Section 8.

DOCKET NO. 980957-WS

DATE: December 22, 1998

SECTION 10:

All of said Section 10 lying East of Montgomery Road.

SECTION 11:

All of Section West of State Road 400 (I-4) less and except the following described parcels: the Southwest 1/4 of the Northwest 1/4; the North 1/4 of the Northwest 1/4 of the Southwest 1/4; the Southwest 1/4 of the Northwest 1/4 of the Southwest 1/4, and the South 1/4 of the Southwest 1/4 of said Section 11.

Less and except, the water and wastewater area deleted Per Order No. 9843 in Docket Nos. 780727-W, 780813-WS, 780952-W:

Township 21 South. Range 39 East

Section 11

A portion of the Northeast 1/4 at the Northwest 1/4 more particularly described as follows:

A parcel of Land bounded on the North by North Street as it is now constructed, on the East by Interstate Highway No. 4 as it is now constructed, on the South by the Easterly projection of the North R-O-W line at Candlewick Street as it is now constructed, and on the West by Douglas Road as it is now constructed.

Township 21 South, Range 29 East

Section 11

The west 1/2 of the Northwest 1/4 of the Northwest 1/4

Township 21 South, Range 29 East

Section 10

The west 1/2 of the Northeast 1/4 of the Southeast 1/4 and the North 1/2 of the East 1/2 of the Northeast 1/4 of the Southeast 1/4.

Per Order No. 8354 in Docket No. 780097-W (EX)
Water Service Area

In Township 20 South, Range 29 East, Seminole County, Florida.

Section 33

All of the West 1/2 of the East 1/4 of the Southwest 1/4 of said Section 33, lying South and West of Longwood-Wekiva Springs Road.

DOCKET NO. 980957-WS

DATE: December 22, 1998

ALSO

Begin 164.1 feet West of South 1/4 section post of said Section 33; thence run South 0 degrees 15 minutes East, 116.5 feet; thence South 31 degrees West, 728.87 feet to the West line of the Northwest 1/4 of the Northeast 1/4 of Section 4.

In Township 21 South, Range 29 East, Seminole County, Florida.

Section 4

Thence North 741.26 feet to the North 1/4 section post of said Section 4; thence East 207 feet; thence North 1309.7 feet to the Southerly right-of-way line of Wekiva Springs Road; thence Southeast along said right-of-way, 250.0 feet; thence South 0 degrees 15 minutes East, 1195.5 feet to the POINT OF BEGINNING.

Per Order No. 9846 in Docket No. 800643-WS (MC)
Water and Wastewater Service Area

From the Southwest corner of the Southwest 1/4 of Section 25, Township 20 South, Range 29 East, Seminole County, Florida, run S. 88 degrees 11 minutes 31 seconds E. along the South line of said Southwest 1/4 of Section 25, a distance of 64.53 feet thence N. 02 degrees 16 minutes 39 seconds E. 22.19 feet to the point of beginning on the North right-of-way line of E. E. Williamson Road, thence run N. 02 degrees 16 minutes 39 seconds E. along said North right-of-way line 25.00 feet; thence N. 87 degrees 43 minutes 21 seconds W. 62.79 feet; thence N. 86 degrees 09 minutes 12 seconds W. 606.62 feet to the Easterly right-of-way line of Interstate Highway No. 4; thence run N. 18 degrees 29 minutes 09 seconds E. along said Westerly right-of-way line 2005.81 feet to the West line of the aforesaid southwest 1/4 of Section 25; thence run S. 00 degrees 59 minutes 52 seconds W. along said West line 666.37 feet to the Northwest corner to the Southwest 1/4 of the Southwest 1/4 of said Section 25; thence run S. 88 degrees 15 minutes 54 seconds E. along the North line of said Southwest 1/4 of the Southwest 1/4 of Section 25, a distance of 980.89 feet to the Northeast corner of the West 1/2 of the East 1/2 of aforesaid Southwest 1/4 of the Southwest 1/4 of Section 25; thence run S. 00 degrees 37 minutes 23 seconds W. along the East line of said West 1/2 of the East 1/2 of the Southwest 1/4 of the Southwest 1/4 of Section 25, a distance of 1312.79 feet to the aforesaid North right-of-way line of E. E. Williamson Road; thence run N. 87 degrees 37 minutes 53 seconds W. along said North right-of-way line 924.33 feet to the point of beginning containing therein 42.9669 acres more or less.

DOCKET NO. 980957-WS

DATE: December 22, 1998

Per Order No. 10084 in Docket No. 810179-WS (EX)
Water and Wastewater Service Area

Township 20 South, Range 29 East

Section 35

Beginning 963.93 feet East of Southwest corner of Southeast 1/4 of Southeast 1/4; run North 343.76 feet; thence Northeasterly on curve (radius 2360.08 feet) 397.12 feet; thence South 154.26 feet; thence West to Point of Beginning.

Township 21 South, Range 29 East
Section 1

That part of Lots 5 and 6 in the following described property: Beginning 200.77 feet East of Northwest corner of Section 1, run thence East 201 feet; thence run Southwesterly 221 feet on road; thence run 92.5 feet to Beginning. Block B, Tract 4, Sanlando Springs.

Per Order No. 10326 in Docket No. 810362-WS (EX)
Water and Wastewater Service Area

PARCEL 1: All of that part of the East 33 acres of the Southwest 1/4 of the Southeast 1/4 of Section 33, Township 20 South, Range 29 East, lying South and West of Longwood-Wakiva Springs Road, excepting, however, the right-of-way of public roads, highways and rights of public service lines traversing the above described property and excepting all railroad rights-of-way.

PARCEL 2: The East 1/2 of the Northwest 1/4 of the Northeast 1/4 of Section 4, Township 21 South, Range 29 East, excepting, however, the right-of-way of public roads, highways and rights of public service lines traversing the above described property and excepting all railroad rights-of-way, and except that part North and East of Longwood-Wekiva Springs Road.

PARCEL 3: All that part of the West 1/2 of the Northeast 1/4 of the Northeast 1/4 lying South and West of the Longwood Palm Springs-Wekiva Springs Road, Section 4, Township 21 South, Range 29 East, excepting, however, the right-of-way of public roads, highways and rights of public service lines traversing the above described property and excepting all railroad rights-of-way.

PARCEL 4: Beginning at the Southeast corner of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 4, Township 21 South, Range 29 East, run West 18.41 chains, North 55 degrees West

DOCKET NO. 980957-WS

DATE: December 22, 1998

13.34 chains, North 2.47 chains, East 30 chains, and South 9.08 chains to the POINT OF BEGINNING.

PARCEL 5: The East 1/4 of the West 1/2 of the Northwest 1/4 of the Northeast 1/4, Section 4, Township 21 South, Range 29 East, containing 5 acres more or less and subject to restrictions of record and granted rights-of-way.

PARCEL 6: The West 1/4 of the Southwest 1/4 of the Southeast 1/4 of Section 33, Township 20 South, Range 29 East, lying South and West of Longwood-Wekiva Springs Road.

All of the above described property containing 65.7509 acres more or less.

Per Order No. 12567 in Docket No. 830237-WS (EX)
Township 20 South, Range 29 East
Section 25

The Southeast 1/4 of the Southeast 1/4 of the Southwest 1/4, less the East 200 feet thereof,

AND

The Northeast 1/4 of the Southeast 1/4 of the Southwest 1/4

AND

The Southeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of said Section 25.

Per Order No. 14180 in Docket No. 840436-WS

Township 20 South, Range 29 East

SECTION 25 (Northridge Subdivision)

The West 868 feet of the Southeast 1/4 of the Northwest 1/4 of said Section 25,

AND

the South 500 feet of the West 1/2 of the Northwest 1/4 lying East of State Road 400 (Interstate 4)

AND

the West 1/2 of the Northeast 1/4 of the Southwest 1/4,

AND

the East 705 feet of the Northwest 1/4 of the Southwest 1/4 and part of the vacated Dixon Road R-O-W.

AND that area described as

Commencing at the South 1/4 corner of said Section 25; thence run North 00 degrees 00'43" West for a distance of 2648 feet to a

DOCKET NO. 980957-WS

DATE: December 22, 1998

concrete monument accepted as being the center of said Section and the point of Intersection of the centerlines of Myrtle Lake Hills Road and Dixon Road; thence North 88 degrees 21'33" West for a distance of 648 feet along the centerline of said Dixon Road, thence South 00 degrees 14'27" West for a distance of 33 feet to a point on the South R-O-W line of said Dixon Road and the Point of Beginning; thence South 00 degrees 14'27" West for a distance of 1,290 feet; thence North 88 degrees 21'33" West a distance of 133 feet to the point of curvature of a curve concave to the Northeast, having a radius of 75 feet, thence Northwesterly along the arc of said curve, through a central angle of 78 degrees 27'46" a distance of 103 feet to a point on the North R-O-W line of vacated Dixon Road, thence North 88 degrees 21'33" West along said North R-O-W line for 170 feet to a concrete monument on the Easterly R-O-W line of State Road 400 (Interstate 400); thence North 18 degrees 31'22" East along said Easterly ROW line a distance of 488 feet; thence South 88 degrees 21'33" West a for a distance of 923 feet; thence North 00 degrees 15'40" East a distance of 818 feet; thence South 88 degrees 32'59" East for a distance of 868 feet; thence South 00 degrees 15'40" East for a distance of 1,288 feet to a point on the North R-O-W line of Dixon Road; thence North 88 degrees 21'33" West along said North R-O-W line a distance of 220 feet; thence South 00 degrees 14'27" West for a distance of 66 feet to the Point of Beginning.

Per the Order No. 15331 in Docket No. 850551-WS
Water and Wastewater Service Area

Lots 1, 2, 3, 4 and 5 of FOREST LAKE SUBDIVISION, as shown on the Plat thereof recorded in Plat Book 4, Page 8 of the Public Records of Seminole County, Florida.

AND:

That part of the East 1/2 of the Southwest 1/4 of Section 8, Township 21 South, Range 29 East, lying South of State Road 436.

AND:

The East 1/2 of the Northwest 1/4 of Section 17, Township 21 South, Range 29 East, lying South of State Road 436.

Per the Order No. 15750 in Docket No. 860066-WS
Water and Wastewater Service Area

TOWNSHIP 21 SOUTH, RANGE 29 EAST

That part of the Southwest 1/4, and the Southwest 1/4 of the Southeast 1/4, and the South 1/2 of the Northwest 1/4 (less the East 1/8 of the North 1/2 thereof) of Section 8, Township 21 South, Range 29 East, lying North of State Road 436; and that part of the East 1/2 of the Northwest 1/4, and the Northwest 1/4 of the

DOCKET NO. 980957-WS

DATE: December 22, 1998

Northeast 1/4, of Section 17, Township 21 South, Range 29 East, lying North of State Road 436.

Also: The West 1/2 of the Northwest 1/4 (less the South 2508 feet) of Section 17, Township 21 South, Range 29 East; and that portion of the Southwest 1/4 of the Southwest 1/4 of Section 8, Township 21 South, Range 29 East, lying South of State Road 436.

Also: Lots 48 and the West 40 feet of Lot 49, Forest Lake Subdivision, according to Plat recorded in Plat Book 4, Page 8, Public Records of Seminole County, Florida.

Also: The West 2/3 of the East 3/4 of the Southeast 1/4 of the Southeast 1/4 (less State Road 436 and that part thereof lying in Spring Lake Subdivision, Section 7, Township 21 South, Range 29 East).

Also: The following lots, or portions of lots, lying and being in Spring Lake Subdivision according to Plat recorded in Plat Book 8, Page 35, Public Records of Seminole County, Florida:

Lots 1 through 5, inclusive; the West 90 feet of Lots 6 through 10, inclusive; all of Lot 11; Lot 12 less the South 30 feet of the East 210 feet; the West 90 feet of Lot 13; Lots 15 through 23, inclusive.

Per the Order No. 16748 in Docket No. 861178-WU

LEGAL DESCRIPTION

Water Service Area

Parts of Government Lots 1 and 2, Section 25, Township 20 South, Range 29 East, Seminole County, Florida, described as follows:

Commence at the Northwest corner of Government Lot 2; run thence along the North line of said Lot 2 for 33.00 feet to the Point of Beginning; thence North 01 degrees 34' 47" West for 299.65 feet, thence South 89 degrees 45' 21" East along the South line of Myrtle Lake Hills Subdivision as recorded in Plat Book 13, Pages 7 through 9 for 891.86 feet, thence South 00 degrees 25' 03" East for 374.46 feet to a point on the North line of Shadow Hill Subdivision as recorded in Plat Book 17, Pages 61 through 63, thence North 89 degrees 29' 02" West along said North line of Shadow Hill for 885.48 feet, thence North 00 degrees 42' 26" West for 70.75 feet to the Point of Beginning. All being and lying in Seminole County, Florida, and containing 7.59 acres more or less.

DOCKET NO. 980957-WS

DATE: December 22, 1998

ISSUE 3: Should rate base be established?

RECOMMENDATION: No, different ownership of stock does not affect the rate base balance. (JOHNSON)

STAFF ANALYSIS: It is Commission practice that rate base is not established in transfer of majority organizational control proceedings. The reason behind this approach is the philosophy that stock is publicly traded and has no regulatory relationship to rate base. Thus, different ownership of stock does not affect a utility's rate base balance. Consequently, stock purchase price and rate base are not considered in making a public interest determination of a transfer of majority organizational control. This same approach is followed even if the stock is privately held rather than publicly traded.

Because rate base is not considered in transfer of majority organizational control proceedings, rate base audits have historically not been conducted in these proceedings. Further, staff believes that establishment of rate base in this docket would result in an unnecessary deviation from Commission practice. Staff does not believe the facts of this particular case warrant a deviation from past practice. The sale of the Sanlando stock from Lake Holding, Inc. to Utilities, Inc. will not alter the utility's asset and liability accounts. Accordingly, the transfer of stock ownership will not change the rate base balance. In consideration of the above, staff recommends that rate base not be established in this docket.

DOCKET NO. 980957-WS

DATE: December 22, 1998

ISSUE 4: Should an acquisition adjustment be approved?

RECOMMENDATION: No, an acquisition adjustment should not be included in the calculation of rate base for transfer purposes. (JOHNSON)

STAFF ANALYSIS: 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 Commission 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, staff believes that an acquisition adjustment does not result from this transfer. Therefore, staff recommends that an acquisition adjustment should not be included.

DOCKET NO. 980957-WS

DATE: December 22, 1998

ISSUE 5: Should Utilities, Inc. continue to charge the rates and charges approved in Sanlando Utilities Corporation tariffs?

RECOMMENDATION: Yes, the rates and charges approved for Sarlando Utilities Corporation should be continued. (JOHNSON)

STAFF ANALYSIS: The utility's approved water and wastewater rates were effective December 5, 1997, pursuant to an administratively approved 1997 price index.

Rule 25-9.044(1), Florida Administrative Code, provides that:

In cases of 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 the Commission).

Utilities, Inc. has not requested a change in the rates and charges of the utility, and staff sees no reason to change them at this time. Accordingly, staff recommends that the utility continue operations under the existing tariff and apply the approved rates and charges. The utility has filed a revised tariff reflecting the change in issuing officer due to the transfer of majority organizational control. Staff will approve the tariff filing effective for services provided or connections made after the stamped approval date.

DOCKET NO. 980957-WS

DATE: December 22, 1998

ISSUE 6: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed. (GERVASI)

STAFF ANALYSIS: No further action is required in this docket. Therefore, staff recommends that this docket be closed upon the issuance of the final order.