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Public Service Commission

December 12, 2001

Richard D. Melson, Esquire
Hopping, Green, Sams & Smith
P.O. Box 6526
Tallahassee, Florida 32314

Re: Docket No. 991632-WS, Application for original certificate to operate water and wastewater utility in Bay County by Dana Utility Corporation.

Dear Mr. Melson:

As discussed in our recent conversation, staff recently completed a detailed analysis of the proposed initial rates and charges for Dana Utility Corporation (Dana or utility) as filed with the Commission on August 18, 2000. As a result, staff has concerns regarding the reasonableness of the utility's proposed rates and charges. Further, staff has additional concerns regarding the utility's failure to begin construction in order to provide service in its approved service territory.

Section 367.111(1), Florida Statutes, requires a utility to provide service to the area described in its certificate of authorization within a reasonable time. Section 367.111(1), Florida Statutes, further provides that the Commission may amend or revoke such certificate whether or not there has been a demand for such service within five years after the date of authorization for service. As you know, Dana's water and wastewater certificates of authorization were granted in this docket by Order No. PSC-00-0227-FOF-WS, issued February 3, 2000.

In the course of its review, staff has learned that the utility's water and wastewater construction permits with the Florida Department of Environmental Protection (FDEP) have expired. Dana's water construction permit expired April 1, 2001. Its wastewater construction permit was returned to the FDEP unopened and later expired October 24, 2001. According to the FDEP, the permits could have been extended had the utility made such a request prior to expiration, but no such action was taken.

Nearly two years have elapsed without construction of the development, nor has there been any apparent interest in maintaining construction permits. It is staff's understanding that the reason for Dana's lack of interest in construction is that it is seeking to sell the property.

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Richard D. Melson, Esquire
Page 2
December 12, 2001

In light of these concerns, it appears that the basis for granting Dana's certificates no longer exists. Therefore, staff is considering recommending the initiation of revocation of certificate proceedings in this docket. If the utility agrees that its certificates are no longer necessary, it would be appropriate and preferable for the utility to tender its certificates for cancellation without prejudice to the utility to refile for a certificate at a later time. However, if you believe that there is sufficient justification for Dana to retain the current certificates, we will be glad to consider any information you may wish to provide the Commission. Further if you believe that the proposed rates and charges are reasonable, you will need to provide substantive documentation as to the basis for all proposed capital expenditures, and operational and maintenance expenses.

The utility is asked to respond to this letter by January 14, 2002. Please file the response with the:

Director, Division of Commission Clerk and Administrative Services

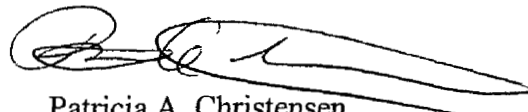
Florida Public Service Commission

2540 Shumard Oaks Boulevard

Tallahassee, Florida 32399-0850

Please be sure to reference Docket Number 991632-WS in your response. If you have any questions, please contact me at (850) 413-6220 or Pat Brady at (850) 413-6686.

Sincerely,



Patricia A. Christensen
Senior Attorney

PAC

cc: Charles E. Fancher, Jr.
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