

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of majority organizational control of Pinecrest Ranches, Inc., holder of Certificate No. 588-W in Polk County, from James O. Vaughn and Margaret S. Hankin to S. Norman Duncan and Richard S. Little.

DOCKET NO. 011651-WU
ORDER NO. PSC-02-0893-FOF-WU
ISSUED: July 5, 2002

The following Commissioners participated in the disposition of this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

ORDER APPROVING TRANSFER OF MAJORITY
ORGANIZATIONAL CONTROL AND CLOSING DOCKET

BY THE COMMISSION:

Background

On December 17, 2001, Pinecrest Ranches, Inc. (Pinecrest or utility) filed an application for approval of the transfer of majority organizational control of the utility from James O. Vaughn and Margaret S. Hankin (sellers) to S. Norman Duncan and Richard S. Little (buyers). The Stock Purchase Agreement (Agreement) was entered into and closed on April 1, 2002, contingent upon our approval.

Pinecrest is a Class C utility providing service to approximately 120 mobile homes in a community known as Citrus

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Highlands in Polk County. The utility is located in the Southern Water Use Caution Area of the Southwest Florida Water Management District (SWFWMD). Pinecrest was granted Certificate No. 588-W by Order No. PSC-97-0367-FOF-WU, issued April 2, 1997, in Docket No. 961253-WU.

We have jurisdiction pursuant to Section 367.071, Florida Statutes.

Application

The application, as filed and supplemented, is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and provisions of the Florida Administrative Code. In particular, the application contains the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The application also contains proof of ownership in the form of a recorded warranty deed that the utility owns the land upon which its facilities are located in accordance with Rule 25-30.037(3)(i), Florida Administrative Code.

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to the application have been received and the time for filing such has expired.

According to the Agreement, the total purchase price of the utility is \$100,000. Thirty percent of the purchase price was paid in cash. The remaining 70 percent was financed using the utility assets as collateral. Pursuant to the terms of the Agreement, payment for the remaining 70 percent is to be made over a period of three years at 7.5 percent interest.

Prior to the transfer, James O. Vaughn and Margaret S. Hankin each owned 50 percent of Pinecrest. Subsequent to the transfer, S. Norman Duncan, acting President, and Richard S. Little, acting Secretary/Treasurer, each own 50 percent of the utility. No other utilities are owned by Mr. Duncan or Mr. Little.

With regard to public interest, financial ability and technical ability, Mr. Duncan and Mr. Little provided copies of their personal Federal Income Tax returns which show that they have

sufficient liquid assets to finance the utility. In addition, the buyers own property in an adjacent community which they intend to develop. On May 8, 2002, the buyers filed for a staff-assisted rate case in Docket No. 020406-WU. Once meters have been installed and compensatory rates are established, the buyers should have sufficient utility revenues to maintain utility operations.

Because Mr. Duncan and Mr. Little have no previous utility ownership experience, they have contracted with a licensed operator to provide operating services for Pinecrest. Further, the buyers have indicated that they will fulfill the commitments, obligations, and representations of the seller with respect to utility matters.

With one exception, the utility was found to be in satisfactory condition and in compliance with all applicable environmental standards. The exception was damage to the concrete casing of the utility's 4-inch well. The damage is located at the deck level and was caused by chlorine overflow. The buyers have accepted responsibility for the repairs which are estimated to cost approximately \$3,800. Our staff has confirmed that the utility is in compliance with the environmental requirements of the Polk County Health Department.

The utility is current through December 31, 2001, with regard to annual reports and payment of regulatory assessment fees. Further, no interest, penalties, or refunds are due for the utility. According to the information provided with the application, the buyers will be responsible for filing the annual report for 2002 and remitting the regulatory assessment fees for 2002.

With regard to rate base, it has been Commission practice not to establish rate base for transfers of majority organizational control. Because the utility's assets and liability accounts are not altered by stock transfers, such transfers have no effect on the utility's rate base balance. Further, acquisition adjustments for stock transfers are not part of the consideration of public interest.

Based on the foregoing, we find that the transfer of majority organizational control of Pinecrest from James O. Vaughn and Margaret S. Hankin to S. Norman Duncan and Richard S. Little is in

the public interest and it is approved effective June 18, 2002. A description of the territory Pinecrest is authorized to serve is shown on Attachment A of this Order, which by reference is incorporated herein. S. Norman Duncan and Richard S. Little shall be responsible for filing the utility's 2002 annual report and remitting the regulatory assessment fees for 2002.

Rates and Charges

Pinecrest's monthly flat rate for water service and tap-in fee of \$350 were approved by Order No. PSC-97-0367-FOF-WU, issued April 2, 1997, in Docket No. 961253-WU. The monthly flat rate, which has been increased once pursuant to a 1998 price index and pass-through adjustment, is \$12.58.

Rule 25-9.044(1), Florida Administrative Code, requires the new owner of a utility to adopt and use the rates, classifications, and regulations of the former owner unless authorized to change by this Commission. The buyers have not requested to change the rates and we see no reason to change them at this time. As stated previously, Docket No. 020406-WU was opened on May 8, 2002, to process the buyers' request for a staff assisted rate case. Rates will be established in that docket for the utility based on metered usage.

Because Pinecrest is located in the Southern Water Use Caution Area, SWFWMD was contacted to determine whether there are any current water use concerns. According to SWFWMD, Pinecrest was issued a 20-year water use permit in 1998. The utility is currently exceeding the permit's average annual rate and maximum peak month rate of 58,800 gallons per day (gpd) and 88,400 gpd, respectively. SWFWMD is in the process of formalizing rules and regulations for water use in the Southern Water Use Caution Area. At that time, SWFWMD anticipated that the rules and regulations would be in place before June 2002 and will be similar to those adopted for the neighboring Highlands Water Use Caution Area.

Although it has not done so to date, SWFWMD indicated that it is likely to mandate that meters be installed and rates be designed to encourage water conservation for Pinecrest once the rules and regulations are in place. Further, SWFWMD indicated a willingness

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to assist in informing and educating Pinecrest's customers of the need for rates and charges that encourage conservation.

Based on the foregoing, we find it appropriate to require the buyers to continue to charge the rates and charges approved in Pinecrest's tariff until authorized to change by this Commission in a subsequent proceeding. The buyers provided a revised tariff reflecting the change in issuing officer as a result of the transfer of majority organizational control. The tariff is approved and it shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of majority organizational control of Pinecrest Ranches, Inc., from James O. Vaughn and Margaret S. Hankin to S. Norman Duncan and Richard S. Little, is hereby approved effective June 18, 2002. The territory that Pinecrest Ranches, Inc. is authorized to serve is shown on Attachment A of this Order, which by reference is incorporated herein. It is further

ORDERED that S. Norman Duncan and Richard S. Little shall file the Annual Report for 2002 and pay the 2002 regulatory assessment fees for Pinecrest Ranches, Inc. It is further

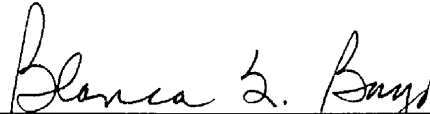
ORDERED that Pinecrest Ranches, Inc. shall continue to charge the rates and charges approved in its tariff until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that the revised tariff reflecting the change in issuing officer as a result of the transfer of majority organizational control shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that this docket is hereby closed.

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By ORDER of the Florida Public Service Commission this 5th day
of July, 2002.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

ALC

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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule

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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 the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT A

**PINECREST RANCHES, INC.
WATER TERRITORY
POLK COUNTY, FLORIDA**

Township 30 South, Range 26 East
Section 6

Begin at the Northwest corner of the Northeast 1/4 of Section 6 and run North 89°28'10" East, along the Northern boundary of Section 6, a distance of 1,145.33 feet; thence South 20°03'30" East, a distance of 383.78 feet; thence North 69°56'30" East, a distance of 57.71 feet to the East boundary of the West 1/2 of the Northeast 1/4; thence South 00°22'30" East, along said East boundary, a distance of 1,394.42 feet to the Northeast corner of the Southwest 1/4 of the Northeast 1/4 of Section 6; thence North 89°21'48" West, along the North boundary of the Southwest 1/4 of the Northeast 1/4, a distance of 1,328.39 feet to the West boundary of the Northeast 1/4; thence North 00°24'01" West, along said West boundary, a distance of 1,709.77 feet to the Point of Beginning.

Also, two parcels more particularly described as follow:

Township 29 South, Range 26 East
Section 31

Beginning at the Southeast corner of Section 31, run Westerly a distance of 2,771.38 feet to the Point of Beginning, thence run West 224.50 feet; thence run North a distance of 120 feet; thence run East a distance of 224.50 feet; thence run South a distance of 120 feet to the Point of Beginning.

And beginning at the Southeast corner of Section 31, run Westerly a distance of 2,591.38 feet to the Point of Beginning, continue West a distance of 60.00 feet; thence run North a distance of 105 feet; thence run East a distance of 60 feet; thence run South a distance of 105 feet to the Point of Beginning.