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DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

July 24, 2002

Martin S. Friedman, Esquire
Rose, Sundstrom, and Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

Re: Docket No. 020382-WS; Application for Transfer of Facilities and Certificates Nos. 603-W and 519-S in Polk County from New River Ranch, L.C., d/b/a River Ranch, to River Ranch Water Management, LLC

Dear Mr. Friedman:

As we discussed at the May 1, 2002 meeting with staff and Mike Jenkins of the Office of Public Counsel, this system is lacking financial records to establish the original cost of the water and wastewater system. The most common method used to reconstruct these costs is an original cost study.

One of the topics we discussed at that meeting was an application for a staff assisted rate case. During a staff assisted rate case (SARC), the staff engineer would prepare an original cost study, when original cost records do not exist, as part of processing of that application. The utility is eligible for staff assistance because it meets the size limitation and has a current annual report on file. However, a SARC application cannot be processed until regulatory assessment fees are current. Staff is aware that it is your position that the regulatory assessment fees owed by prior owners are not the responsibility of your client, however a SARC application will not be initiated until those fees are current.

Another topic discussed in that meeting was the need to upgrade the water and wastewater systems, and specifically the need to replace the wastewater collection system in the single family home area. It appears that instead of replacement, the utility anticipates installing a liner in about 80% of this section at an estimated cost of \$350,000.

AUS _____ As the engineer assigned to this transfer case, and since the Commission has a practice of
CAF _____ setting rate base in all cases at the time of transfer, I will be preparing an original cost study for this
CMP _____ utility. In the grandfather certificate case, a set of maps was filed that shows the water distribution
COM _____ system and the wastewater collection system. These documents will be used as a starting point.
CTR _____ the utility has a list of utility assets purchased, a copy of that list would be helpful for the cost study.
ECR _____
GCL _____
OPC _____

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Martin S. Friedman, Esquire
Page 2
July 24, 2002

Tentatively, I am planning to conduct an on site inspection on August 15 and 16, 2002 to obtain data to compile the original cost study. It would be helpful if a representative of the utility were available on the first morning for a few hours to help acclimate me to the service area. I will bring the maps of the service territory and will want to review any invoices the utility may have available for the capital improvements made thus far. For other planned improvements, a copy of the contract with the subcontractor, or if the work is not yet under contract, a timeframe for completion would be useful.

Let me know if you would prefer that I contact the utility directly for arranging this site visit.

Sincerely,



Thomas Walden, Engineer
Bureau of Certification

TJW:tjw

cc: Jim Basque, Greenspoon, Marder, et al
Division of Commission Clerk and Administrative Services
Lorena Holley, Office of the General Counsel
Cheryl Johnson, Division of Economic Regulation

file name: riverranch.tjw