

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

September 24, 2002

Mr. George C. MacFarlane
Regulatory Consultants, Inc.
401 Interstate Blvd
Sarasota, Florida 34240

Re: Docket No. 020945-SU - Application for transfer of Certificate No. 473-S in Highlands County from Creola, Inc. to Francis I Amenities Corporation, Inc.

Dear Mr. MacFarlane:

The above referenced application has been received and reviewed by staff. This letter is a follow up to the review and subsequent telephone call to you concerning deficiencies which need to be cured and additional clarifications or corrections necessary to process the application.

Deficiencies

1. Name of Buyer. Pursuant to Rule 25-30.037(2)(b), Florida Administrative Code (F.A.C.), the application is to contain the complete name and address of the buyer. The application states that the name of the buyer is Francis I Amenities Corporation, Inc. Trust. Attachment A of the application is an operating agreement which indicates that the name of the utility is Francis I Amenities Corporation, Inc. as Trustee. The Florida Department of State, Division of Corporations has the fictitious name of "Francis I Amenities Corporation, Inc., Trustee." Please provide written verification as to the correct full name of the utility.
2. Public Interest. Pursuant to Rule 25-30.037(2)(j), F.A.C., the application is to contain a statement of how the transfer is in the public interest, including a summary of the buyer's experience in water or wastewater utility operations, a showing of the buyer's financial ability to provide service, and a statement that the buyer will fulfill the commitments, obligations and representations of the seller with regard to utility matters. The application contains a statement that addresses the public interest and buyer's experience; however, the statement does not include "a showing of the buyer's financial ability to provide service" nor does it include a statement that "the buyer will fulfill the commitments, obligations and representations of the seller with regard to utility matters." Please provide the missing responses.

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3. Notice of Actual Application. Pursuant to Rule 25-30.030, F.A.C., three notices regarding the transfer are to be issued by the utility. The three notices and affidavits have been received; however, the noticing date included in the notices is incorrect. The date within the notice should be the date the notice is actually issued, so the reader would have 30 days in which to object to the application. Please reissue the three notices using the correct date. In addition, the three affidavits will need to be resubmitted with the correct dates for the issuance of the notices.
4. Transfer Without Prior Commission Approval. Pursuant to Section 367.071, Florida Statutes, no transfer is to take place without prior Commission approval. This section allows for transfer prior to commission approval if the contract for sale, assignment, or transfer is made contingent upon commission approval. A review of the Contract for Sale and Purchase did not reveal such a contingency statement. Please provide an addendum to the Contract for Sale and Purchase containing the required contingency statement.
5. Filing Fee. Pursuant to Rule 25-30.020, F.A.C., the application filing fee for a utility with 501 to 2,000 ERCs is \$1,500. According to Exhibit A of the application, the utility has approximately 684 residential customers and 8 commercial customers. It appears that the \$750 check submitted as the filing fee for this application is only half of the fee required. Please submit an additional \$750 or explain why you believe the lesser fee is appropriate.

Additional Information

1. Missing Exhibits. Exhibits referenced in the Operating Agreement were not included in the application. Also, the exhibits referenced in the Agreement between Francis I Amenities Corporation, Inc. and Francis I Amenities Corporation, Inc., Trustee are blank. Please provide copies of the missing exhibits.
2. Utility Services Provided. The Operating Agreement between Francis I Amenities Corporation, Inc. and Francis I Amenities Corporation, Inc., Trustee contained several references to the provision of water and wastewater services. Does the utility provide potable water service? If yes, please provide detailed information regarding when the service started, who receives service, what charge was established for the service, and who authorized the charge.
3. Life Lease. Items 10 through 19 of the Exhibit D to the Purchase and Sale Agreement refer to lots that are subject to Life Leases. Exactly what are the entitlements of a life lease? Should the entitlement include free or reduced utilities, is the utility aware that it must impute revenue for the uncollected revenue and pay the associated regulatory assessment fees (RAFs)?
4. Regulatory Assessment Fees and Annual Reports. Exhibit C of the application states that all the RAFs associated with all the wastewater revenue collected in 2002 will be paid by the

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due date. However, no statement is included as to who will be responsible for submitting the RAFs. Please provide a statement indicating who will be responsible for submitting RAFs and annual reports for 2002 and in the future.

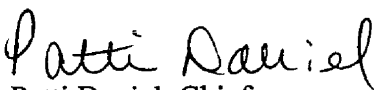
5. **Tariff Sheets.** Pursuant to Rule 25-30.037(2)(s), F.A.C., the application is to contain an original and two copies of sample tariff sheets reflecting the change in ownership. Though tariff sheets were provided with the application, no name and title were included in the footer of each page for the authorized issuing officer. Please provide the tariff for the wastewater utility with the footer of the authorized issuing officer and the officer's title.
6. **Tax Returns.** Pursuant to Rule 25-30.037(2)(o), F.A.C., the application is to contain a statement that the buyer has obtained or will obtain copies of all of the federal income tax returns of the seller from the date the rate base was last established by the Commission. Further, if these tax returns have not been obtained, provide a statement detailing the steps taken to obtain the returns. Exhibit H indicates that the seller's depreciation schedules used to prepare the 2000 and 2001 federal tax returns have been obtained. Rate base was last set for Creola in 1994. Please provide a statement from the buyer detailing the steps taken to obtain all federal tax returns from 1994-2001.

The original and four copies of the response to the information requested in this letter should be filed with the Commission on or before **October 25, 2002**. When filing the response, please be sure to refer to the docket number and to direct the response to:

Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Should you have any questions concerning the information in this letter, please contact Stephanie Clapp, of my staff, at (850) 413-6997.

Sincerely,


Patti Daniel, Chief
Supervisor of Certification

PD/sc

cc: Division of Economic Regulation (Clapp, Rieger)
Office of the General Counsel (Crosby)
Division of Commission Clerk and Administrative Services