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Public Service Commission

June 10, 2005

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Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP.
600 S. North Lake Boulevard Suite 160
Altamonte Springs, Florida 32701-6177

Re: Docket No. 050323-WU; Joint application for authority to transfer facilities of Coolidge-Ft. Myers Realty Limited Partnership d/b/a Heron's Glen Utilities and Certificate No. 456-S to North Fort Myers Utility, Inc., request for cancellation of Certificate No. 456-S, amendment of Certificate No. 247-S, and limited proceeding for authority to charge customers of Heron's Glen Utilities its authorized rates, fees and charges.

Dear Mr. Friedman:

Staff has reviewed the above referenced application for transfer of Coolidge-Ft. Myers Realty Limited Partnership d/b/a Heron's Glen Utilities (Heron's Glen) to North Fort Myers Utility, Inc. (NFMU). Please complete the following deficiencies and provide the requested additional information to clarify the application.

Deficiencies

- DMP** Although many of the provisions of Rule 25-30.445, Florida Administrative Code, are not applicable to your limited proceeding application, supporting documentation must be provided to justify your request to charge the Heron's Glen residents the current NFMU's rates and charges.
- COM**
- CTR** Please provide the following information in support of your request including a statement regarding the appropriateness of use of the NFMU service availability charge and cost justification. Include calculations, assumptions, and descriptions of all revenue, expenses, rate base, and cost of capital items, and use the National Association of Regulatory Utility Commissions (NARUC) uniform system of accounts (USOA).
- ECR**
- GCL**
- OPC**
- MMS** a. the 2004 rate base, weighted average cost of capital, revenue, expenses, and net operating income for NFMU;
- RCA**
- SCR** b. the additional rate base expected to be transferred to NFMU from Heron's Glen;
- SEC** 1 c. the number of customers and total plant capacity charges expected to be collected in the future from new connections in Heron's Glen;
- OTH** d. the estimated cost to NFMU to interconnect the Heron's Glen system;

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- e. a comparison of the Heron's Glen 2004 revenue and expenses with the revenue and expenses that would have been incurred had NFMU owned and operated the Heron's Glen system in 2004 using the NFMU rates.
- f. a description of all cost savings that will result from the interconnection with Heron's Glen.

Additional Information

1. Financing of Purchase. Describe the terms of the industrial revenue bond issue. In addition, please give more detail regarding the balance of the purchase price that will be provided by "system capacity fees (\$600,000.00), which the Seller will pay on closing."
2. Closing. The agreement for purchase and sale of wastewater assets was signed by the parties in May of 2005. According to paragraph 12.1 of that document, the closing is to take place on or before July 10, 2005. Has the closing date been determined?
3. Schedules Missing. The agreement for purchase and sale of wastewater assets provided in the transfer application package is missing the following schedules: A, B, C, D, E, F, G, and H. Please provide copies of the missing schedules.
4. Exhibits Missing. The agreement for purchase and sale of wastewater assets provided in the transfer application package is missing the following exhibits: A of Schedule I, A of Schedule J, and A and B of Schedule K. Please provide copies of the missing exhibits.
5. Customer Meeting. Has the buyer or seller conducted a customer meeting to discuss the proposed sale and implementation of NFMU's current rates and charges?
6. Books and Records. Please provide a statement that NFMU books and records are maintained in compliance with the NARUC USOA.
7. Continuing Records. Please provide a statement that NFMU has or will obtain the Heron's Glen supporting documentation for all rate base additions since the last time rate base was set for all assets that will be transferred to NFMU.
8. Reclaimed Water. According to the reclaimed water service agreement, NFMU is to provide reclaimed water to Coolidge Ft. Myers Realty Limited Partnership (partnership) at no cost. Currently NFMU's tariff rate for "effluent for spray irrigation to Pine Lakes Country Club" is \$0.25 per thousand gallons. The Heron's Glen tariff rate for "reclaimed water service" is \$0.05 per thousand gallons.
 - a. Does NFMU currently provide reclaimed water service to any customer in addition to Pine Lakes Country Club?
 - b. Are all reclaimed water service customers of the NFMU charged the tariff rate for the service?

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- c. Is the golf course described in the Reclaimed Water Service Agreement already constructed and receiving irrigation water from Heron's Glen? If so, what rate is it being charged?
 - d. Is NFMU proposing to charge for reclaimed water used in the Central Lot Irrigation System? If so, what rate does NFMU propose to charge? Will the individual customers pay this charge?
9. Why was the decision made to dismantle the Heron's Glen treatment plant rather than to use it as a back-up facility for NFMU?
10. Why is the purchase price \$3,000,000 when the previous transfer set rate base at \$640,512 and the existing treatment plant and land will not be transferred to NFMU because the treatment plant will be decommissioned?
11. **Tariff Modifications.** The revised tariff pages are incorrect. Please make the following corrections and resubmit the tariff pages.
 - a. Eleventh Revised Sheet No. 3.0 should be corrected to Thirteenth Revised Sheet No. 3.0 and the amendment approved in Docket No. 011006-SU needs to be added.
 - b. Original Sheet No. 3.8 should be corrected to Original Sheet No. 3.11.
 - c. Original Sheet No. 3.9 should be corrected to Original Sheet No. 3.12.
 - d. Original Sheet No. 3.10 should be corrected to Original Sheet No. 3.13.
 - e. Original Sheet No. 3.11 should be corrected to Original Sheet No. 3.14.

We have received several protests in response to North Fort Myers' notice of its application for transfer and limited proceeding. The staff attorney will be contacting the individuals to determine if they want to proceed with a hearing.

A response to the above deficiencies and questions should be filed with the Director, Division of Commission Clerk and Administrative services on or before **July 11, 2005**. If you have any questions please contact Ms. Stephanie Clapp at (850) 413-6997, or Mr. Stanley Rieger at (850) 413-6970.

Sincerely,



Patti Daniel, Supervisor
Certification Section

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