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DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

March 1, 2006

Mr. F. Marshall Deterding
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

Re: Docket No. 021256-WU; Application for certificate to provide water service in Volusia and Brevard Counties by Farmton Water Resources LLC.

Dear Mr. Deterding:

Enclosed with this letter are the following documents. Please forward this information to the appropriate party:

1. **Chapter 367, Florida Statutes, (F.S.)**, which details the Commission's jurisdiction over private water and wastewater utilities;
2. **Chapter 25-9, Florida Administrative Code (F.A.C.)**, which details the rules governing the filing of utility tariffs;
3. **Chapter 25-22, Florida Administrative Code (F.A.C.)**, which details rules governing general Commission practices such as the procedures for conducting meetings, rule-making, hearings and the issuance of orders;
4. **Chapter 25-30, Florida Administrative Code (F.A.C.)**, which details the specific rules promulgated to carry out the jurisdiction of the Commission over private water and wastewater utilities;
5. **Uniform System of Accounts for Class C Water and/or Wastewater Utilities**, which is the system of record keeping required pursuant to Rule 25-30.110, Florida Administrative Code.

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Be advised that Section 367.161, F.S., provides that violation of any Commission rule, statute, or order could result in penalties of up to \$5,000 per day. Therefore, it is important that you review this material and make yourself aware of your responsibilities as a regulated utility. These documents should be placed in a binder and kept in a safe place for easy referral by utility staff and owners. Also, Rule 25-30.135, F.A.C., requires all utilities to maintain for customer inspection in the utility office a current copy of Chapters 25-9, 25-22 and 25-30, Florida Administrative Code, and Chapter 367, Florida Statutes, as well as a current copy of the utility's tariffs and developer agreements.

From time to time, the rules and statutes will change. You need to be aware of these changes in order to stay current on your responsibilities and to maintain a current copy of the rules and statutes in the utility office. When the Commission proposes to revise any of its existing rules affecting the water and wastewater industry (Chapters 25-9, 25-22 and 25-30, F.A.C.), a notice of proposed rulemaking will be sent to you. After rulemaking is completed, a final Commission order adopting the new or revised rule will also be sent to you. This new or revised rule should be incorporated into your copy of the Commission rules. The Commission does not furnish utilities with changes enacted by the Florida Legislature relating to Chapter 367, F.S. However, changes to the Florida Statutes are published annually and copies may be obtained by visiting your local public library. You may also obtain the latest copy of the rules and statutes on-line at the Commission web site, www.psc.state.fl.us.

In addition to the above, periodically the Commission will be sending you copies of Commission orders which relate to the water and wastewater industry, in general, and notices of hearings in dockets of related utilities. These are sent for your information. Whenever you have any questions concerning material you receive from the Commission, you may contact the Division of Economic Regulation - Rate Filings Bureau and/or the Certification, Economics and Tariffs Bureau at (850) 413-6900.

We would like to direct you to certain areas within the rules and statute which will affect your day to day operations as a utility:

1. As you should be aware, you were granted certain specific territory in the certificate process you just completed. It is a violation of Section 367.045, F.S., for a utility to serve outside this territory. If, in the future, you want to serve additional territory, you must file an application for amendment of your certificated territory. See Rule 25-30.036, F.A.C., for the current filing requirements for an application for amendment.
2. The utility's approved rates, charges, and service availability policy are contained in its approved tariff. Please note that your approved tariff will be sent under a separate cover letter. When you receive this document, it should also be placed in a binder and retained in the utility office for referral and review by utility personnel and customers. A utility may not charge customers any rates or charges not included in its approved tariff. If you find you need to revise any rates or charges, you should refer to Part V of Chapter 25-30, F.A.C., which contains the necessary steps for rate adjustment changes. Part VI of

3. Chapter 25-30, F.A.C., contains the steps necessary to change service availability charges or policies. In addition, you may contact the Division of Economic Regulation for guidance related to tariffs.
4. To help keep up with inflation and to avoid the costly expense of filing a full rate case, the Commission establishes a price index for major categories of operating costs on or before March 31, each year and utilities are allowed to increase rates using this price index mechanism. In addition, utilities are allowed to increase rates as a result of increases in certain expenses, such as purchased power and property tax using a pass through mechanism. Rules 25-30.420 and 25-30.425, F.A.C., contain the criterion for water and wastewater utilities to follow in order to increase rates based upon the application of the price index or pass through rate adjustments. **The Commission strongly encourages all regulated water and wastewater utilities under its jurisdiction to utilize these options which are available to them.**
5. We would encourage you to review carefully Part IV of Chapter 25-30, F.A.C. This part of the water and wastewater rules describes the utility's responsibilities to its customers. They include customer deposits, termination of service, customer billing, refusal or discontinuance of service, backbilling, complaints, and refunds.
6. Each utility shall maintain its records in accordance with the National Association of Regulatory Utility Commissioners' (NARUC) uniform system of accounts (see Rule 25-30.110, F.A.C.). A copy of this system of accounts is enclosed for Class C utilities. However, should your utility be Class A or B or should you need additional copies please contact NARUC, Post Office Box 684, Washington, D.C. 20044. For further information or telephone orders, please call (202) 898-2200 in Washington, D.C.
7. Regulated water and wastewater utilities are also required to file two related reports with the Commission on an annual basis:
 - A. **Annual Report.** Each utility is required to submit an annual report which contains certain financial and operational data relating to the utility. (See Rule 25-30.110, F.A.C.)
 - B. **Regulatory Assessment Fee form.** Each utility is required to remit an annual regulatory assessment fee (RAF). RAFs are currently 4-1/2% of gross operating revenue and are designed to cover the Commission's costs of regulating water and wastewater utilities. (See Rule 25-30.120, F.A.C.)

The annual report and RAF forms, as well as the payment for RAFs, are due to the Commission by March 31 of each year for the previous calendar year. For your convenience, the Commission will send the two report forms by January 15 of each year. However, failure to receive the forms does not abrogate the utility of its responsibility to timely file an annual report and remit the appropriate amount of RAFs.

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There is one technical division within the Commission that is primarily responsible for matters pertaining to water and wastewater utilities:

The **Division of Economic Regulation - Bureau of Certification, Economics, Tariffs Finance and Tax**, as you already know, is responsible for the certification of water and wastewater utilities, as well as any amendments or transfers thereof. Any questions relating to your certificated territory or the possible sale of the utility should be directed to Patti Daniel, Supervisor, Bureau of Certification, Economics, Tariffs, Finance and Tax.

The **Division of Economic Regulation - Bureau of Rate Filings and Surveillance** is responsible for accounting, engineering and rates concerns for all filings involving file and suspend rate cases (MFR's), staff assisted rate cases (SARC's), limited proceedings, allowance for funds prudently invested, service availability, Annual Report review, RAF compliance, and processing of index and pass through applications. Any questions concerning the filing of a rate case, a staff assisted rate case, limited proceeding, tariff, engineering related matters, Annual Reports, RAF's, or index or pass through applications should be directed to Marshall Willis, Bureau Chief, Bureau of Rate Filings and Surveillance.

We welcome and encourage regulated water and wastewater utilities under the Commission's jurisdiction to contact our staff and maintain working liaisons with us. This accomplishes better relations between the Commission staff and utilities and provides for faster and more efficient completion of regulatory requirements.

With the goal of accessibility and efficiency, the Commission now has application packages as well as model tariffs available on-line at the Commission web site, www.psc.state.fl.us. The packages available include: amendment, original utility in existence, grandfather, true original, transfer, transfer to a governmental authority, and transfer of majority organizational control. Just click on the Water and Wastewater icon shown on the home page, then click on the Water and Wastewater Application Packages line, then the various packages will appear on a list of available documents.

If we can be of any assistance to you and your utility, please do not hesitate to contact Stanley Rieger at (850) 413-6970.

Sincerely,


Timothy Devlin
Director

TD/SDR:kb

Enclosures

cc: Division of Economic Regulation
Office of the General Counsel
~~Division of Commission Clerk and Administrative Services~~ (David Brown, ~~Docket File~~, Security File)