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Public Service Commission

February 4, 2011

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COMMISSION
CLERK

D. Bruce May, Jr., Esquire
Holland & Knight
315 South Calhoun Street, Suite 600
Tallahassee, FL 32301

Re: Docket No. 110019-WS, Aqua Utilities Florida, Inc.'s application for original certificate for an existing wastewater system, request for initial rates and charges for Harbor Hills Utilities, L.P.'s wastewater system, amendment of wastewater Certificate No. 120-S, in Lake County, to include Harbor Hills Utilities, L.P.'s wastewater service area; and application for approval of transfer of Harbor Hills Utilities, L.P.'s water system to Aqua Utilities Florida, Inc., amendment of Aqua Utilities Florida, Inc.'s water Certificate No. 106-W, in Lake County, to include the Harbor Hills Utilities, L.P.'s water service territory, and cancellation of Harbor Hills Utilities, L.P.'s water Certificate No. 522-W.

Dear Mr. May:

Staff has reviewed the two applications filed in the above-referenced docket and determined that they have the following described deficiencies. In addition, further information is needed to clarify some of the information filed.

Water Application Rule 25-30.037(2), F.A.C.

Deficiencies

- Noticing Affidavits.** Pursuant to Rule 25-30.030(8), Florida Administrative Code (F.A.C.), a copy of the notice is to accompany the noticing affidavits required by Sections 367.045(1)(e) and (2)(f), Florida Statutes (F.S.). The affidavits in Late Filed Exhibits L and M to the water application were not accompanied by a copy of the notice. Please resubmit the affidavits with the required notice attached.
- Contractual Obligations.** Pursuant to Rule 25-30.037(2)(g)(3), F.A.C., the purchase contract is to include a description of all considerations between the parties, including assumption of obligations. In Item 1.4 on page 3 of the Asset Purchase Agreement, Aqua Utilities Florida, Inc. (AUF or buyer) assumed the contractual duties described in Schedule 1.4 attached to the Asset Purchase Agreement, but the schedule was omitted from the filing. Please provide a copy of Schedule 1.4 as attached to the Asset Purchase Agreement.

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Additional Information

3. **Proof of ownership.** Pursuant to Rule 25-30.037(2)(q), F.A.C., evidence is required that the utility owns the land on which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. Proof that the seller owns the land under the water treatment facilities was provided in Exhibit O to the water application.

a. If ownership of the land has transferred from Harbor Hills Utilities, L.P. (Harbor Hills, utility, or seller) to AUF, please provide a copy of the recorded warranty deed.

b. If ownership of the land is pending Commission approval of the transfer, please provide an unexecuted copy of the document intended to convey ownership, or long-term use, of the land under the water treatment facilities from the seller to the buyer.

c. Also, if ownership of the land is pending Commission approval of the transfer, please estimate how long it will take the parties to execute and record the document conveying ownership, or long-term use, of the land under the water treatment facilities from the seller to the buyer.

4. **Consumptive Use Permit.** The Asset Purchase Agreement lists as excluded assets, “the water lines and facilities providing water to the golf course, including the portion of the Consumptive Use Permit (“CUP”) for golf course irrigation as assigned by the St. John’s [River] Water Management District.” (See Item 1.2(b), on page 2 of the Asset Purchase Agreement.) Also, under Item 5.5 on page 6 of the Asset Purchase Agreement, the governmental approvals specifically include an apportionment of the CUP, so that the seller can continue providing irrigation to the golf course without adversely impacting Aqua’s acquisition of the system.

a. Please provide a copy of the utility’s CUP.

b. Please provide documentation detailing the parties’ agreement with respect to the apportionment of the CUP.

5. **Customer Deposits.** Rule 25-30.037(2)(h)(1), F.A.C., requires that the contract for sale provide for the disposition of customer deposits and interest. Harbor Hills’ 2009 Annual Report reflects customer deposits in the amount of \$3,103.43.

a. Please explain why the application indicates there were no customer deposits to be disposed of in connection with the transfer of the water system.

b. Please provide a revised water tariff sheet showing AUF’s intentions with regard to the collection of initial customer deposits for water service.

6. **Allowance for Funds Prudently Invested (AFPI).** Please explain why AUF’s proposed water tariff does not reflect Harbor Hills’ approved AFPI charges.

7. **Billing Cycle.** Harbor Hills' existing water service rates are bi-monthly. AUF's proposed water service rates are monthly. Is AUF billing Harbor Hills water customers monthly and, if so, why?

Wastewater Application
Rules 25-30.033(1) and 25-30.036(3), F.A.C.

Deficiencies

8. **Noticing Affidavits.** Pursuant to Rule 25-30.030(8), F.A.C., a copy of the notice is to accompany the noticing affidavits required by Sections 367.045(1)(e) and (2)(f), F.S. The affidavits in Late Filed Exhibits M and N to the wastewater application were not accompanied by a copy of the notice. Please resubmit the affidavits with the required notice attached.

9. **Proof of ownership.** Pursuant to Rules 25-30.033(1)(j) and 25-30.036(3)(d), F.A.C., evidence is required that the utility owns the land upon which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. The legal description shown in Exhibit F to the wastewater application does not appear to describe the land under the wastewater treatment facilities. Please provide the proof of ownership, or long-term use of the land under the wastewater treatment facilities as required by the rules.

Additional Information

10. **Proposed Customers.** Rule 25-30.033(1)(h), F.A.C., requires the number of equivalent residential connections (ERCs) proposed to be served by meter size and customer class. Exhibit D to the wastewater application provided the breakdown of ERCs by meter size and customer class for the existing 78 ERCs, only. Please provide the breakdown by meter size and customer class of anticipated ERCs for each year until design capacity.

11. **Wastewater Service.**

- a. Please indicate how water customers that are not in AUF's proposed wastewater service territory are receiving wastewater service.
- b. Please indicate whether all the plant and lines necessary to service AUF's proposed wastewater service area have been constructed.
- c. Please describe the assumptions used for the calculation of 7,195,490 gallons for wastewater service in year 2014.

12. **Wastewater Tariff.**

- a. Please verify that AUF's proposed wastewater billing cycle is monthly.
- b. Please provide a revised wastewater tariff for residential service which shows AUF's proposed 5,000 gallon cap.

c. Please indicate whether AUF intends to propose initial wastewater customer deposits and, if so, please provide a revised customer deposit sheet for AUF's wastewater tariff.

13. **Wastewater Plant Operating Permit.** Please provide a copy of the wastewater plant operating permit for the Harbor Hills system, as issued by the Florida Department of Environmental Protection.

Additional Water and Wastewater Information

14. **Future Expansion.** The Asset Purchase Agreement that was provided in the water application contained a provision on page 9 in Item 7.1(d) of AUF's representations and warranties regarding future expansion, whereby AUF acknowledges that the seller has additional property to be developed. Under this provision of the Asset Purchase Agreement, AUF agrees to expand the water and wastewater assets upon mutually agreeable terms and conditions to be negotiated at a time requested by the seller, but which are to include reimbursements AUF has agreed to pay the seller. How does AUF intent to book these reimbursements on its records

15. **System Maps.** While the system maps provided with the application meet the requirements of applicable rules, please provide water and wastewater system maps which show which lots have existing connections and which lots are future connections.

16. Please provide an electronic file of the water and wastewater legal descriptions.

17. Please provide electronic file of the data file which shows the calculations of the numbers provided in Exhibit H to the water and Exhibit J to the wastewater application.

If you have any questions regarding the information requested above, please feel free to contact me or a member of my staff, Patricia Brady at (850) 413-6686, or pbrady@psc.state.fl.us. If you have any engineering questions, please contact a member of my staff, Stan Rieger, at (850) 413-6970, or srieger@psc.state.fl.us. If you have any legal questions or concerns, please contact Erik Saylor, Esq., at (850) 413-6084, or esaylor@psc.state.fl.us. Otherwise, to ensure timely processing of your application, please file your response to this request for information on or before **March 4, 2011**. You may respond by regular mail or e-mail, but please ensure that your response is filed directly with Ann Cole, Office of Commission Clerk.

Sincerely,



Patti Daniel
Public Utilities Supervisor
Bureau of Certification, Economics, and Tariffs

PD:pb

cc: Office of Commission Clerk