

STATE OF FLORIDA

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DIVISION OF ENGINEERING  
TOM BALLINGER  
DIRECTOR  
(850) 413-6910

## Public Service Commission

July 17, 2013

Mr. Gary Deremer  
Sunny Hills Utility Company  
5320 Captains Court  
New Port Richey, FL 34652

**Re: Docket No. 130172-WS - Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 501-W and 435-S of Aqua Utilities Florida, Inc. to Sunny Hills Utility Company in Washington County.**

Dear Mr. Deremer:

Your application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 501-W and 435-S of Aqua Utilities Florida (AUF), Inc. to Sunny Hills Utility Company (SHUC) in Washington County has been received and reviewed by Commission staff. This letter addresses the deficiencies, as well as additional information staff needs to complete its review of the application filed on June 24, 2013.

### Deficiencies

- 1. Assets and Liabilities.** Rule 25-30.037(2)(g)(2), Florida Administrative Code (F.A.C.), requires a list of and the dollar amount of the assets purchased and liabilities assumed or not assumed, including those of nonregulated operations or entities. Please provide a list of the specific assets and liabilities including the dollar amounts allocated to each.
- 2. Additional Consideration.** Rule 25-30.037(2)(g)(3), F.A.C., requires a description of all consideration between the parties, for example, promised salaries, retainer fees, stock, stock options, and assumption of obligations. Please provide a description of all consideration between the buyer and the seller.
- 3. Contract for Sale.** Rule 25-30.037(2)(h)(2, 3, 4, and 6), F.A.C., requires that the contract for sale include the disposition of any guaranteed revenue contracts, developer agreements, customer advances, and leases. Please provide an explanation for the above-mentioned items.

4. **Income Tax Returns.** Rule 25-30.037(2)(o), F.A.C., requires a statement from the buyer that it has obtained or will obtain copies of all of the federal income tax returns of the seller from the date the utility was first established, or rate base was last established by the Commission or, if the tax returns have not been obtained, a statement from the buyer detailing the steps taken to obtain the returns. Please identify all steps taken by the buyer to obtain copies of the federal income tax returns.
5. **Filing Fee.** Rule 25-30.020(2)(c), F.A.C., lists the filing fees required for transfers of water and/or wastewater systems, which is based on the system's Equivalent Residential Connection (ERC) capacity. Concurrent with its application, SHUC remitted a check, No. 1009, in the amount of \$3,000, which amount included \$2,250 for SHUC's water system and \$750 for its wastewater system. Staff reviewed Order No. PSC-12-0102-FOF-WS, issued on March 5, 2012, in Docket No. 100330-WS, AUF's last rate case. According to the water and wastewater distribution tables included as Attachments 2, 3, and 4 of the above mentioned Order (enclosed), the Sunny Hills water system ERC capacity is 6,384, and its wastewater system ERC capacity is 517. Pursuant to Rule 25-30.020(2)(c)4., F.A.C., staff believes that SHUC should remit a filing fee of \$3,000 for its water system, and pursuant to Rule 25-30.020(2)(c)2., F.A.C., staff believes that SHUC should remit a filing fee of \$1,500 for its wastewater system, for a total of \$4,500. Please remit a check in the amount of \$1,500 to cover the difference.

#### **Additional Information**

1. **Schedules.** Please refer to the transfer application filed on June 24, 2013. Please provide the following schedules which were referenced, but not provided, in the Asset Purchase Agreement (Exhibit D):
  - (a) Schedule 1.1
  - (b) Schedule 1.1(b)
  - (c) Schedule 1.1(d)
  - (d) Schedule 1.2(f)
  - (e) Schedule 1.2(l)
  - (f) Schedule 1.5(a)(ii)
  - (g) Schedule 6.2
2. **Regulatory Assessment Fees.** Please refer to the transfer application filed on June 24, 2013. Please identify who "owner" refers to in Exhibit E.
3. **Other.** Please provide a three-year projected budget that includes rate base, cost of capital, and net operating income. Please provide all supporting documentation, including information regarding the assumptions and forecasts relied on, as well as work papers.

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Your application will not be considered complete until the deficiencies identified in this letter have been corrected. Your response to this letter should be filed with the Commission on or before August 16, 2013. When filing the response, please include the docket number and direct the response to the Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850. If you have any questions please call Mrs. Melinda Watts at (850) 413-6952, or Ms. Martha Barrera at (850) 413-6212.

Sincerely,



Tom Ballinger  
Director of Engineering

TB:MW:pz

Enclosure

cc: Kelly Thompson (ECO)  
Clarence Prestwood (AFD)  
Curt Mouring (AFD)  
Melinda Watts (ENG)  
CLK for docket file  
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Water Distribution										
		Customers	Lots with lines	Growth	U&U Percentages				Commission Approved	Comments
					Dkt 080121	PAA /AUF	AUF calc.	OPC calc.		
1	Jasmine Lakes	1,511							100	Stipulation
	Kings Cove	204							100	Stipulation
	Ocala Oaks	1,785							100	Stipulation
	Picciola Island	160							80	Stipulation
	Silver Lake Est/Western Sh	1,596	1,764	1.00	100.00	100.00	90.50	88.00	100	Prior Order
	Tangerine	289							60	Stipulation
	Total Customers Band 1	5,545								
	<b>Composite U&amp;U%</b>					97.46			97.34	
2	Carlton Village	283							47	Stipulation
	Fern Terrace	123							100	Stipulation
	Grand Terrace	111							100	Stipulation
	Lake Gibson Estates	826							100	Stipulation
	Piney Woods	180	213	1.00	100.00	100.00	84.50	89.00	100	Prior Order
	Sunny Hills	578	6,384	1.14	13.00	13.00	10.30	11.00	10	AUF Calculation
	Valencia Terrace	359							100	Stipulation
	Total Customers Band 2	2,460								
	<b>Composite U&amp;U%</b>					73.46			72.76	
3	48 Estates	87							85	Stipulation
	Gibsonia Estates	202	206	1.00	100.00	100.00	98.10	84.00	100	Prior Order
	Interlachen/Pk Manor	292	375	1.00	83.00	83.00	77.90	79.00	78	AUF Calculation
	Lake Osborne Estates	461							100	Stipulation
	Orange Hill/Sugar Crk	246	273	1.00	100.00	100.00	90.10	94.00	100	Prior Order
	Quail Ridge	94							100	Stipulation
	Ravenswood	46	54	1.00	100.00	100.00	85.20	88.00	100	Prior Order
	Venetian Village	172	219	1.08	72.63	85.00	84.80	81.00	85	AUF Calculation
	Total Customers Band 3	1,600								
	<b>Composite U&amp;U%</b>					94.59			93.56	



Wastewater Treatment Plant Used and Useful															
Rate	System	Capacity		Demand		E I/I		Growth		U&U Percentages				Commission	Comments
Band		AUF	OPC	AUF	OPC	AUF	OPC	AUF	OPC	Dkt 080121	PAA/AUF	AUF calc.	OPC calc.	Approved	
	Kings Cove	55,000	55,000	25,880	25,500	0	0	1.00	1.00	100.00	100	47.05	46.00	100	Prior Order
	Leisure Lakes	50,000	50,000	16,129	16,117	0	0	1.00	1.00	39.00	39	32.26	32.00	38	Prior Order
	Summit Chase	54,000	54,000	19,695	19,333	0	0	1.00	1.00	100.00	100	36.47	36.00	100	Prior Order
	Valencia Terrace	80,000	80,000	30,852	30,333	0	0	1.06	1.06	100.00	100	41.03	40.00	100	Prior Order; Growth
	Total Customers Band 1														
	Composite											83.35		83.23	
2	Arredondo Farms	60,000	60,000	40,485	39,667	0	0	1.00	1.00	100.00	100	67.47	66.00	100	Prior Order
	Holiday Haven	25,000	25,000	19,758	19,758	4,227	4,227	1.00	1.00	75.00	75	62.12	62.00	62	AUF/OPC Calculation
	Jasmine Lakes													100	Stipulation
	Lake Suzy													100	Stipulation
	Morningview	20,000	20,000	5,808	5,750	0	0	1.14	1.15	100.00	100	32.97	33.00	100	Prior Order; Growth
	Palm Port	30,000	30,000	17,586	17,333	2,085	2,054	1.00	1.00	58.00	58	58.62	51.00	58	Prior Order
	Palm Terrace													100	Stipulation
	Park Manor													100	Stipulation
	Silver Lake Oaks	15,000	12,000	4,528	4,417	348	340	1.00	1.00	42.00	42	27.87	34.00	42	Prior Order; OPC capacity
	South Seas	264,000	264,000	103,726	104,917	0	0	1.00	1.00	100.00	100	39.29	40.00	100	Prior Order
	Sunny Hills	50,000	50,000	11,622	11,583	0	0	1.00	1.00	49.00	49	23.24	23.00	49	Prior Order
	The Woods	15,000	15,000	12,000	10,000	753	911	1.00	1.00	100.00	100	74.98	61.00	100	Prior Order
	Venetian Village	36,000	36,000	29,039	28,667	11,193	11,051	1.00	1.00	100.00	100	49.57	49.00	100	Prior Order
	Zephyr Shores													NA	Purchased wastewater
	Total Customers Band 2														
	Composite											95.38		94.58	
3	Beecher's Point													NA	Purchased wastewater
	Jungle Den	21,000	21,000	15,153	15,083	0	7,391	1.00	1.00	100.00	100	72.16	37.00	100	Prior Order
	Lake Gibson Estates													NA	Purchased wastewater
	Rosalie Oaks	15,000	15,000	11,969	11,333	3,460	3,770	1.00	1.00	100.00	100	56.72	50.00	100	Prior Order
	Total Customers Band 3														
	Composite											100.00		100.00	
4	Florida Central Comm Pk	95,000	95,000	44,416	41,917	3,154	3,154	1.00	1.00	100.00	100	43.43	41.00	100	Prior Order
	Village Water	75,000	75,000	55,828	45,667	0	0	1.06	1.06	45.00	79	78.93	64.00	79	AUF calculation
	Total Customers Band 4														
	Composite											92.40		93.12	
	Breeze Hill	40,000	40,000	38,344	27,417	17,912	17,931	1.00	1.00	NA	56	95.86	24.00	56	Prior Order
	Fairways	75,000	75,000	29,959	31,500	0	0	1.00	1.00	NA	100	39.95	42.00	100	Built out
	Peace River	40,000	40,000	27,367	34,333	5,595	6,773	1.00	1.00	NA	100	54.43	56.00	100	Built out; OPC demand

