



August 18, 2017

Ms. Carlotta Stauffer
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application for Transfer of Certificate 390-W from County-Wide Utility
Co., Inc. to Southwest Ocala Utility, Inc. in Marion County
Docket No. 20150012-WU

Dear Ms. Stauffer,

We are in receipt of the Commission's Final Order No. PSC-2017-0311-FOF-WU issued in the above-referenced docket and have noted some errors contained therein. These errors are in the last paragraph on page 2 and the first full paragraph on page 3. Throughout these two paragraphs, there are references to "Mr. Leeward" and to "the buyer" which should be references to "Dirk and Donna Leeward," who were the persons who acquired the note and mortgage from Compass Bank and who foreclosed on that note and mortgage. I have attached hereto a simple method by which this can be corrected.

Secondly, in the middle of the first full paragraph on page 3 is a reference to the agreement between the Commission staff and the Utility that an additional adjustment to contributions-in-aid of-construction and accumulated amortization of CIAC was appropriate. However, despite our understanding that all parties were in agreement that further clarification was appropriate to note that this adjustment was to classify that CIAC and amortization of CIAC as "held for future use" as was the related water main asset, that additional language does not appear in the Order.

The Utility does not intend to seek reconsideration of the Order; however, we believe that it is appropriate that the Order be corrected for these shortcomings.

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Should you or any members of the Commission staff have any questions in this regard, please let me know.

Sincerely,

F. Marshall Deterding / bfr

F. Marshall Deterding
Of Counsel

FMD/bfr

Enclosure

cc: Mr. Dirk Leeward
Andrew Maurey
John Villafrate
Cheryl Bulecza-Banks
Amber Norris
Bart Fletcher
Keith Hetrick

Commission staff's recommendation was based on incomplete information due to the Utility's assertion that it could not provide the requested information related to purchase price as the information is protected by a confidentiality agreement with its bank. We rejected Commission staff's recommendation, deferred the item, and directed the Utility to provide the most accurate information to Commission staff. The Utility maintains that it still cannot provide the precise purchase price data without violating the confidentiality agreement. In lieu of supporting documentation for the purchase price, the Utility provided an affidavit attesting the amount paid was in excess of 80 percent of the net book value.

This Order addresses our decision on the July 13, 2017 Commission Conference, where we were presented with a revised recommendation regarding the transfer of County-Wide's water system under Certificate No. 390-W, the net book value of the water system at the time of transfer, and whether an acquisition adjustment should be approved. We have jurisdiction pursuant to Section 367.071, Florida Statutes (F.S.).

Decision

Transfer of Water System and Certificate No. 390-W

On January 2, 2015, County-Wide filed an application for approval of the transfer of its water system and Certificate No. 390-W to SOU. The application is in compliance with the governing Statute, Section 367.071, F.S., and administrative rules concerning applications for transfer of certificates.

Noticing, Territory, and Land Ownership

The application contains proof of compliance with the noticing provisions set forth in Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed with this Commission and the time for doing so has expired. The application contains a description of the Utility's water service territory, which is appended to this Order as Attachment A. As the Utility is a reseller of bulk water purchased from the City of Ocala, it has no water treatment facilities. Therefore, no proof of land ownership pursuant to Rule 25-30.037(2)(s), F.A.C., is required.

Purchase Agreement and Financing

Pursuant to Rules 25-30.037(2)(i) and (j), F.A.C., the application must contain a statement regarding financing and a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. According to the application, Dirk and Donna Leeward (Leeward) own 100 percent of Brick City Management, LLC (BCM), which manages and owns 100 percent of SOU. According to the application and subsequently filed support documents, on July 19, 2012, ~~M#~~-Leeward purchased, at a discount, an outstanding note from BBVA Compass Bank (Compass Bank) that County-Wide owed to Compass Bank. The note was comprised of principal, accrued interest, costs, and fees totaling \$1,067,747. However, the amount ~~M#~~-Leeward paid for the note is unknown. After purchasing the note, ~~M#~~-Leeward foreclosed on County-Wide on March 4, 2013. On April 8, 2013, ~~M#~~

Leeward acquired the Utility assets at a public foreclosure auction for a total of \$301, which was comprised of the winning bid amount and associated documentary stamps. On January 1, 2014, the assets were transferred to SOU. Commission Staff made several attempts to obtain the purchase price of the note, including stating that the information could be filed under a confidential request, but the Buyer did not provide the requested information.

On November 19, 2015, the Buyer submitted a letter stating that the Buyer is unable to provide information regarding the amount paid to acquire the mortgage note from the bank because there is a non-disclosure and confidentiality agreement attached to the transaction between the Buyer Leeward and Compass Bank. The Buyer contends that the purchase price cannot be provided without violating the non-disclosure agreement with the bank. On May 17, 2017, the Buyer Leeward provided a signed affidavit stating that the mortgage and note on the assets were acquired for a dollar amount in excess of 80 percent of the net book value of \$79,051, as of January 1, 2014, the netbook value of which was identified in the Commission staff audit. On June 30, 2017, the Buyer informed Commission staff that an adjustment was necessary to correct the amount of contributions in aid of construction (CIAC) contained in Commission staff's recommendation. Commission staff agreed that CIAC should be reduced along with the associated accumulated amortization (AA) of the CIAC. As the correction to the balance of CIAC and AA of the CIAC increases the net book value from \$79,051 to \$90,065, a revised affidavit needed to be obtained from the Buyer. On July 11, 2017, the Buyer Leeward submitted an updated affidavit attesting he paid in excess of 80 percent of the Commission staff recalculated net book value of \$90,065.

Comment [A1]: Should try to get an explanation for the adjustment?

According to the application, there are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, or leases of County-Wide that must be disposed of with regard to the transfer.

Facility Description and Compliance

Utility's water system is a consecutive system composed of water mains, as listed in Table 1 below, and nine fire hydrants. A consecutive system provides treated water purchased from another entity. On June 15, 2016, the Florida Department of Environmental Protection (DEP) conducted a Sanitary Survey. During DEP's inspection, it found that the Utility had neither a cross-connection control program in place, nor a cross-connection control plan on file. The Utility corrected these deficiencies on July 13, 2016. The report issued on July 26, 2016, stated that the Utility was in compliance with its rules and regulations.