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Public Service Commission

January 4, 2019

Mr. Scott Middlebrooks
St. Johns River Estates Utilities, LLC
2581 Pope Master Road
Milton, FL 32570
scottmiddlebrooks@yahoo.com

VIA EMAIL & US MAIL

Re: Docket No. 20180214-WS - Application to transfer facilities and Certificate Nos. 542-W and 470-S in Putnam County from St. Johns River Club Utility Company, LLC to St. Johns River Estates Utilities, LLC.

Dear Mr. Middlebrooks:

Staff reviewed the application for transfer (application) submitted on December 10, 2018, by St. Johns River Estates Utilities, LLC (Applicant or Buyer). After reviewing this information we find the application to be deficient. The specific deficiencies are identified as:

1. **Filing Fee.** Rule 25-30.037(2)(a), Florida Administrative Code (F.A.C.), requires a filing fee be submitted pursuant to paragraph 25-30.020(2)(c), F.A.C. In addition, Rule 25-30.020, F.A.C., states that a separate fee shall apply for water service and wastewater service as follows:
 - (1) For wastewater service, the system is found to have a capacity less than 500 ERCs, so a fee of \$750 shall apply.
 - (2) For water service, the system is found to have a capacity greater than 501 ERCs, so a fee of \$1,500 shall apply.

Please submit an additional filing fee of \$1,500 for water service.

2. **Business Documentation.** Rule 25-30.037(2)(f)1., F.A.C., states the buyer must provide documentation from the Florida Department of State, Division of Corporations, showing the buyer's name and registration/document number for the business. Please provide the required documentation.
3. **Contract.** Rule 25-30.037(2)(i), F.A.C., states that the applicant must provide a copy of the contract for sale and all auxiliary or supplemental agreements. If the sale, assignment, or transfer occurs prior to Commission approval, the contract shall include a provision stating that the contract is contingent upon Commission approval. Please provide a copy of the contract for sale.

4. **Purchase Price.** Rule 25-30.037(2)(j)2., F.A.C., states that the applicant must provide the terms of payment. Although the Applicant provided the purchase price in the application, it did not document any terms of payment. It also indicated that the purchase price provided was not representative of a standalone transaction for the Utility's assets. Please identify the terms of the payment and the dollar amount paid for the water and wastewater systems.

5. **Financial Ability.** Rule 25-30.037(2)(l)1.-2., F.A.C., states that the applicant shall provide:

(1) A detailed financial statement (balance sheet and income statement), audited if available, of the financial condition of the applicant, that shows all assets and liabilities of every kind and character. The financial statements shall be for the preceding calendar or fiscal year. The financial statement shall be prepared in accordance with Rule 25-30.115, F.A.C. If available, a statement of the sources and uses of funds shall also be provided; and

(2) A list of all entities, including affiliates, upon which the applicant is relying to provide funding to the utility and an explanation of the manner and amount of such funding. The list need not include any person or entity holding less than 5 percent ownership interest in the utility. The applicant shall provide copies of any financial agreements between the listed entities and the utility and proof of the listed entities' ability to provide funding, such as financial statements.

Please provide the required supporting documentation demonstrating the financial ability of the Applicant.

6. **Technical Ability.** Rule 25-30.037(2)(m)1.-2., F.A.C., states to demonstrate the technical ability of the buyer to provide service, the buyer shall provide:

(1) An explanation of the buyer's experience in the water or wastewater industry; and

(2) The buyer's plans for ensuring continued operation of the utility, such as retaining the existing plant operator(s) and office personnel, or contracting with outside entities.

Please provide the required supporting information to demonstrate the technical ability of the Applicant.

7. **Service Area.** Rule 25-30.037(2)(n), F.A.C., requires a legal description of the proposed service area in the format prescribed in Rule 25-30.029, F.A.C. Please provide a legal description of both the water and wastewater service areas.

8. **Proposed Net Book Value.** Rule 25-30.037(2)(o), F.A.C., requires that the applicant provide the proposed net book value of the system as of the date of the proposed transfer, and a statement setting out the reasons for the inclusion of an acquisition adjustment, if one is requested. If rate base has been established by this Commission, provide the docket and the order number. In addition, provide a schedule of all subsequent changes to rate base. Please provide the necessary information regarding the net book value of the system.

9. **Documentation.** Rule 25-30.037(2)(r)1.-4., F.A.C., states that the applicant shall provide the following documents:

- (1) A copy of the utility's current permits from the DEP and the water management district;
- (2) A copy of the most recent DEP and/or county health department sanitary survey, compliance inspection report, and secondary standards drinking water report;
- (3) A copy of all the utility's correspondence with the DEP, county health department, and water management district, including consent orders and warning letters, and the utility's responses to the same, for the past five years; and
- (4) A copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years.

Please provide the required documentation.

10. **Right to Land.** Rule 25-30.037(2)(s), F.A.C., requires documentation of the utility's right to access and continued use of the land upon which the utility treatment facilities are located. Documentation of continued use shall be in the form of a recorded warranty deed, recorded quit claim deed accompanied by title insurance, recorded lease such as a 99-year lease, or recorded easement. The applicant may submit an unrecorded copy of the instrument granting the utility's right to access and continued use of the land upon which the utility treatment facilities are or will be located, provided that the applicant files a recorded copy within the time required in the order granting the transfer. Please provide the required documentation.

11. **Notice of Application.** Rule 25-30.030(4), F.A.C., requires that the notice of application be provided to the Office of Commission Clerk, for Commission staff approval, prior to distribution. Please provide a draft notice for staff review.

12. **Notice of Application.** Rule 25-30.030(6), F.A.C., states that all applications requiring noticing shall be deemed deficient until affidavits of noticing required by Sections 367.045(1)(e) and (2)(f), Florida Statutes, along with a copy of the notice, are filed with the Office of Commission Clerk. After staff has reviewed and approved the notice of application, and the notices have been distributed in accordance with Rule 25-30.030(5), F.A.C., please provide affidavits of noticing.

Your application will not be deemed filed until the deficiencies identified in this letter have been corrected. These corrections should be submitted no later than **February 4, 2019**, to the following address:

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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Should you have any questions concerning the information in this letter, please feel free to contact Mrs. Melinda Watts by phone at (850) 413-6952 or by email at mwatts@psc.state.fl.us for technical questions, or Ms. Kristen Simmons by phone at (850) 413-6175 or by email at ksimmons@psc.state.fl.us for legal questions. Please include the docket number on all submissions to the Commission Clerk.

Sincerely,



Melinda Watts
Engineering Specialist
Florida Public Service Commission
Division of Engineering

MW:jp

cc: Office of Commission Clerk (Docket No. 20180214-WS)