

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 8, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Johnson, Kaproth, Redemann)
Office of the General Counsel (Rodan)

RE: Docket No. 050314-WU – Application for transfer of facilities operated under Certificate 434-W in Highlands County from Sebring Ridge Utilities, Inc. to The City of Avon Park Utilities.

AGENDA: 09/20/05 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Deason

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050314.RCM.DOC

Case Background

Sebring Ridge Utilities, Inc. (Sebring Ridge or utility) is a Class C utility providing service to approximately 956 water customers and 486 wastewater customers in Highlands County. The utility was organized in 1968. Sebring Ridge is in the Southwest Florida Water Management District (SWFWMD). SWFWMD advises that the utility is in the Highlands Ridge Water Caution Area, which is a critical use area. Sebring Ridge was granted Certificate Nos. 434-W and 365-S in 1984.¹ The utility rate base was last established in Docket No. 950966-WS

¹ Order No. 13564, issued August 3, 1984, Docket No. 830049-WS, In Re: Application of Sebring Ridge Utilities, Inc. for certificates to operate a water and sewer system in Highlands County, Florida, pursuant to section 367.041, Florida Statutes.

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a staff assisted rate case.² The utility's 2004 annual report indicates gross revenues of \$253,902 and \$94,668 for water and wastewater, respectively, and net operating losses of \$20,989 for water and \$28,187 for the wastewater system.

On May 6, 2005, Sebring Ridge filed an application for transfer of the utility's water facilities to the City of Avon Park Utilities (The City) and cancellation of Certificate No. 434-W. The City took over the water operations of Sebring Ridge on January 26, 2005. Sebring Ridge will continue to operate its wastewater system under Certificate No. 365-S.

At issue in this docket is Sebring Ridge's application for approval of the proposed transfer of the utility's water system to the City and cancellation of Certificate No. 434-W. The Commission has jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

² Order No. PSC-96-0869-FOF-WS, issued July 2, 1996, Docket No. 950966-WS, In Re: Application for Staff-Assisted Rate case in Highlands County by Sebring Ridge Utilities, Inc.

Discussion of Issues

Issue 1: Should the transfer of the water facilities from Sebring Ridge to the City of Avon Park Utilities and the cancellation of Certificate No. 434-W be approved?

Recommendation: Yes. The transfer of the water facilities from Sebring Ridge to the City of Avon Park should be approved as a matter of right, pursuant to Section 367.071(4)(a), Florida Statutes. Certificate No. 434-W should be cancelled effective January 26, 2005. (Johnson, Kaproth)

Staff Analysis: On July 20, 2005, Sebring Ridge completed its application to transfer its water facilities to the City pursuant to Section 367.071(4)(a), Florida Statutes, and Rule 25-30.037(4), Florida Administrative Code. Included with the application is a copy of the executed Agreement for Purchase and Sale which states the closing date was January 26, 2005. According to the application, the City took over water operations of the utility on January 26, 2005. Therefore, the effective date of the transfer of the water system is January 26, 2005. Sebring Ridge will continue to operate its wastewater system and obtain meter readings from the city for billing.

Pursuant to Section 367.071(4)(a), Florida Statutes, the transfer of facilities to a governmental authority shall be approved as a matter of right. As such, no notice of the transfer is required and no filing fees apply.

According to the applicant, the City obtained Sebring Ridge's most recent income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction pursuant to Rule 25-30.037(4)(e), Florida Administrative Code. A statement was included in the application that customer deposits and any accrued interest were credited to the customers' accounts.

Sebring Ridge has no outstanding regulatory assessment fees and no fines or refunds are owed. The utility has filed its 2004 annual report and paid its 2004 RAFs and there are no outstanding penalties and interest. Sebring Ridge has paid the water RAFs for the period of January 1, 2005 through January 26, 2005 and the wastewater RAFs for the period of January 1, 2005, through June 30, 2005. Sebring Ridge is not required to file an annual report for the water system for the period of January 1, 2005, through January 26, 2005, because of the transfer to the City.

Staff recommends that the application is in compliance with the provisions of Rule 25-30.037, Florida Administrative Code. Therefore, staff recommends that the transfer of Sebring Ridge's water facilities to the City should be approved and Certificate No. 434-W should be cancelled effective January 26, 2005.

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Issue 2: Should this docket be closed?

Recommendation: Yes. Because no further action is necessary concerning the transfer, this docket should be closed. (Rodan)

Staff Analysis: Because no further action is necessary concerning the transfer, this docket should be closed. Staff notes, however, that Commission staff is currently handling a customer billing dispute for water and wastewater service by William Bullock (#649594-W) over which the Commission will continue to have jurisdiction until the complaint is resolved. Charlotte County v. General Development Utilities, Inc., 653 So. 2d 1081 (Fla. 1st DCA 1995).