

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: April 6, 2006

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

FROM: Division of Economic Regulation (Johnson, Kaproth, Walden)
Office of the General Counsel (Jaeger)

RE: Docket No. 060060-WS – Application for transfer of facilities of South Pasco Utilities, Inc. in Pasco County to Parrish Properties V, LLC, and for cancellation of Certificates 535-W and 466-S.

AGENDA: 04/18/06 – 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\060060.RCM.DOC

Case Background

South Pasco Utilities, Inc. (South Pasco or utility) is a Class C water and wastewater utility located in Pasco County. In 1991, the utility was granted Certificate Nos. 535-W and 466-S in Order No. 24641, issued June 10, 1991 and was approved to serve a recreational vehicle park that has 260 unmetered water and wastewater connections and a planned development for an additional 236 connections.¹ The planned development for the additional 236 connections was never built. The utility is located in the Southwest Florida Water Management District and

¹ Docket No. 900519-WS, issued on June 10, 1991, In Re: Application for water and sewer certificates in Pasco County by South Pasco Utilities, Inc.

is in a water use caution area. The utility's 2004 annual report shows a combined water and wastewater annual operating revenue of \$20,500 and a net operating loss of \$10,973.

On January 24, 2006, Parrish Properties V, LLC (Parrish Properties or buyer) filed an application for authority to transfer and cancel the water and wastewater certificates of authorization for South Pasco Utilities, Inc. The buyer's plan is to only serve the recreational vehicle park and its common area. Parrish Properties acquired the utility in a Purchase and Sale Agreement reassignment that had originally been entered into with Gulfside LLC, Hillcrest RV Resort, Inc. (Hillcrest Resort or the Park), and South Pasco Utilities, Inc. in 2004. Gulfside LLC amended the Purchase and Sale Agreement with the above parties by assigning its interest to Parrish Properties on December 17, 2004. Parrish Properties V, LLC purchased South Pasco and the Hillcrest Resort for a total price of \$5,550,000 on February 1, 2005. The utility's facilities were transferred with a bill of sale to the applicant's affiliate Parrish Properties VI, LLC, because historically, the utility and the Park have been treated as separate entities.

On January 17, 2006, the applicant determined that the utility qualifies for exemption from Commission regulation and that it is not necessary to treat the two entities separately. As a result, the utility was transferred from Parrish Properties VI, LLC back to Parrish Properties V, with a bill of sale. The applicant notified the Commission that it is exempt from regulation, since the Park residents receive water and wastewater service pursuant to Section 367.022(5), Florida Statutes, as a landlord providing service without receiving specific compensation for the service. Further, the applicant does not intend to provide service outside the park.

The purpose of this recommendation is to address the transfer of South Pasco Utilities, Inc. to Parrish Properties V, LLC and to acknowledge South Pasco's exemption from regulation by the Commission pursuant to Section 367.022(5), Florida Statutes.

Discussion of Issues

Issue 1: Should the transfer of South Pasco Utilities, Inc.'s facilities to Parrish Properties V, LLC and the cancellation of Certificate Nos. 535-W and 466-S be approved?

Recommendation: Yes, the transfer of South Pasco's facilities to Parrish Properties V, LLC, an exempt entity pursuant to Section 367.022(5), Florida Statutes, is in the public interest and should be approved and Certificate Nos. 535-W and 466-S should be canceled effective the date of the Commission's vote. In addition, Parrish Properties V, LLC, or any successors in interest, should be put on notice that if there is a change in circumstance or method of operation which causes the utility to no longer qualify for exemption pursuant to Section 367.022, Florida Statutes, it should inform the Commission within 90 days. (Johnson, Walden)

Staff Analysis: As stated in the case background, Parrish Properties applied for transfer of the facilities of South Pasco Utilities, Inc. in Pasco County to Parrish Properties and for cancellation of water and wastewater Certificate Nos. 535-W and 466-S on January 24, 2006. The closing took place on February 1, 2005, contingent upon approval of the Commission.

The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and rules concerning an application for transfer. Pursuant to Rule 25-30.030, Florida Administrative Code, the application contains proof of compliance with the noticing provisions. No objections to the notice of application have been received and the time for filing such has expired.

A copy of the purchase agreement is included in the application which includes the sales price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, or leases that must be disposed of in relation to the transfer. The sale was a cash transaction. A copy of a recorded warranty deed was provided in the application, transferring the land upon which the utility treatment facilities are located to Parrish Properties.

Parrish Properties indicated that the transfer is in the public interest because it is the sole customer, and the Park and the park's residents will continue to receive the same quality service to which they are accustomed. The applicant stated it will fulfill all of its commitments, obligations and representation with regard to utility matters. In addition, Parrish Properties is retaining the operating staff of the utility which has been in place for more than four years. The operator is a State of Florida licensed water and wastewater operator. Staff has confirmed with the Florida Department of Environmental Protection (DEP) that the utility is currently in environmental compliance with respect to DEP standards.

As mentioned earlier, South Pasco was originally certificated to provide water and wastewater service to a recreational vehicle park and a small development of 239 connections consisting of residential and general service customers. Currently, the utility bills the recreational vehicle park as a bulk customer and the cost of water and wastewater service is included in the lot rent to the individual lots. The development adjacent to the park was never developed. Therefore, according to the application the utility is exempt from Commission

regulation, because the Park residents receive water and wastewater service pursuant to Section 367.022(5), Florida Statutes, as a landlord providing service without receiving specific compensation for the service. Therefore, the utility's certificates should be canceled. The applicant informed staff that the certificates could not be located.

Staff has also verified that South Pasco 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. South Pasco has paid its water and wastewater RAFs for the period of January 1, 2005 through January 31, 2005. Because the transfer occurred on February 1, 2005, and was to an exempt entity, no further RAFs are required. South Pasco is not required to file an annual report for the period of January 1, 2005, through January 31, 2005, because of the exempt status of Parrish Properties V, LLC.

Based on the above, staff recommends that the transfer of South Pasco's facilities to Parrish Properties, an exempt entity pursuant to Section 367.022(5), Florida Statutes, is in the public interest and should be approved and Certificate Nos. 535-W and 466-S should be canceled effective the date of the Commission's vote. In addition, Parrish Properties V, LLC or any successors in interest, should be put on notice that if there is a change in circumstance or method of operation which causes the utility to no longer qualify for exemption pursuant to Section 367.022, Florida Statutes, it should inform the Commission within 90 days.

Issue 2: Should this docket be closed?

Recommendation: Yes, because no further action is required, this docket should be closed.
(Jaeger)

Staff Analysis: No further action is required, this docket should be closed.