

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: February 1, 2007

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

FROM: Division of Economic Regulation (Johnson)
Office of the General Counsel (Gervasi)

RE: Docket No. 060703-WS – Application for transfer of Certificate Nos. 542-W and 470-S in Putnam County from St. John's River Club, L.L.C. to St. John's River Club Utility Company, LLC.

AGENDA: 02/13/07 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Pending

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060703.RCM.DOC

Case Background

St. John's River Club, L.L.C. (utility) is a Class C water and wastewater utility providing service to approximately 74 customers in the Bayou Club development located in Putnam County. The Bayou Club was formally the Sunraye River Estates subdivision. An additional 240 lots will be developed in the subdivision. The utility is located in the St. Johns River Water Management District (SJRWMD). The SJRWMD has implemented district wide irrigation water use restrictions to encourage conservation. The utility's 2005 annual report indicates gross revenues of \$14,328 and \$14,169 for water and wastewater, respectively, and net operating

losses of \$3,606 for water and \$7,982 for the wastewater system.¹ The utility has had one staff assisted rate case.² St. John's River Club, L.L.C. acquired the utility in 2005.³

On October 31, 2006, an application for transfer of the utility's facilities and certificates from St. John's River Club, L.L.C. to St. John's River Club Utility Company, L.L.C., was filed. According to the application, on September 14, 2006, SJRC, LLC (SJRC) entered into an agreement to purchase the Bayou Club subdivision and the utility serving the area. SJRC is the parent company of St. John's River Club Utility Company, L.L.C. A purchase price of \$100,000 was allocated as the value of the utility. Staff determined that the application was deficient, but the deficiencies were corrected on December 21, 2006.

This recommendation addresses the transfer of St. John's River Club, L.L.C. The actual closing of the contract will not take place until after the Commission's approval of the transfer. The Commission has jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

¹ The Commission granted Buffalo Bluff Utilities, Inc. its original Certificate Nos. 542-W and 470-S in Order No. PSC-92-0330-FOF-WS, issued May 11, 1992 in Docket No. 910646-WS, In Re: Application for water and wastewater certificates in Putnam County by Buffalo Bluff Utilities, Inc.

² Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 00327-WS, In Re: Application for Staff-Assisted Rate Case in Putnam County by Buffalo Bluff Utilities, Inc.

³ Order No. PSC-05-0431-PAA-WS, issued April 20, 2005, Docket No. 041096-WS, In Re: Application for Transfer of Certificate Nos. 542-W and 470-S in Putnam County from Buffalo Bluff Utilities, Inc. to St. John's River Club, L.L.C.

Discussion of Issues

Issue 1: Should the Commission approve the transfer of facilities and Certificate Nos. 542-W and 470-S from St. John's River Club, L.L.C. to St. John's River Club Utility Company, L.L.C.?

Recommendation: Yes, the transfer of facilities and Certificate Nos. 542-W and 470-S from St. John's River Club, L.L.C. to St. John's River Club Utility Company, L.L.C. is in the public interest and should be approved. The effective date of the transfer is the date of closing. In addition, St. John's River Club, L.L.C. will be responsible for the payment of all Regulatory Assessment Fees (RAFs) due for revenues received from January 1, 2006 through the date of closing and for filing the 2006 annual report. St. John's River Club Utility Company, L.L.C. will be responsible for the payment of all RAFs and filing annual reports thereafter. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. The subsequent order will serve as the utility's water and wastewater certificates and should be retained by the utility. Within 30 days of the order approving the transfer, the utility should provide a copy of the recorded lease and proof of the closing. A description of the territory being transferred is appended to this recommendation as Attachment A. (Johnson)

Staff Analysis: On October 31, 2006, the applicant filed an application for transfer of the facilities and Certificate Nos. 542-W and 470-S from St. John's River Club, L.L.C. to St. John's River Club Utility Company, L.L.C. All of the filing requirements for the application were completed on December 21, 2006. 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. The closing on the sale of the utility is scheduled to occur after the Commission approves the transfer.

The application contains proof of compliance with the noticing requirement, pursuant to Rule 25-30.030, Florida Administrative Code. No objections to the notice of application have been received and the time for filing such objections has expired.

The application contains a copy of the purchase agreement which includes the purchase price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer agreements, or customer advances that must be disposed of in relation to the transfer. SJRC purchased the mobile home park and the utility serving the development and allocated \$100,000 of the purchase price to the utility. SJRC assigned all of its contractual rights for the utility to St. John's River Club Utility Company, L.L.C. The purchase is a cash transaction, and the funds are being held in an escrow account, until the Commission approves the transfer.

Pursuant to Rule 25-30.037(2)(q), Florida Administrative Code, the application is to contain evidence that the utility has control of the land upon which the utility facilities are located. A copy of the 99-year lease between SJRC and the utility which was executed on December 1, 2006, was provided. The recorded lease will be provided after the closing.

The application also contains a statement, pursuant to Rule 25-30.037(2) (j), Florida Administrative Code, regarding how the transfer is in the public interest. According to the applicant, the transfer is in the public interest because the seller is no longer interested in continuing in the utility business. The applicant states that the principal owners of SJRC have the experience, the expertise, and the financial capability needed to maintain this utility. In addition, the buyers will retain the services of the utility's engineer. The engineer is a Florida Department of Environmental Protection (FDEP) certified plant operator with over 18 years of experience in water and wastewater operations. He has provided operational, supervisory, and consultant services for the utility since June, 1987.

According to the application, in regards to the buyer's technical ability, the three principal management members of SJRC have diverse experience that will contribute to the management and operation of the utility. Two of the principal managing partners worked for D.A.M. Management, LLC. D.A.M. Management, LLC was a management company for more than forty manufacture housing communities until it was sold in 2004. While in the employment of D.A.M. Management, LLC, one of the managing partners held the position of President, while the other was Vice President of Operations. The President, Ms. Wachs, has approximately twenty years of experience in managing the operations of private water and wastewater systems. Mr. Marcus Mancini has fifteen years of experience in managing manufactured housing communities. In addition, Mr. Mancini was a certified water operator in New York. The utility will continue to operate and benefit from the assistant development manager's skills and ability, since he is one of the previous owners. According to the application, at the present time, safe and reliable water and wastewater service is provided to the customers.

With regard to the buyers' financial ability, the ability of the buyers to pay cash for the utility is evidence of their financial ability. Staff reviewed the financial statements of the principal managing member and it appears that there are more than adequate resources to support the utility. Also, the buyers have indicated a willingness to secure lines of credit so that the utility may continue to operate in accordance with sound engineering practices and comply with the rules and policies of the Commission. Additionally, the application contains a statement that the buyers will fulfill the commitments, obligations, and representations of the sellers with regard to utility matters.

The application states that the buyers have performed a reasonable investigation of the utility system as required by Rule 25-30.037(2)(p), Florida Administrative Code. The buyers included a statement that the system appears to be in satisfactory condition and in compliance with all applicable standards set by the FDEP. Staff has contacted the FDEP and verified that there are no outstanding notices of violation. The utility's water treatment plant is composed of two two-inch wells and two four-inch wells with aeration and liquid chlorination used as the primary forms of treatment. The wastewater system consists of one lift station and ponds are used as the method effluent disposal.

The application states that all RAFs have been paid by St. John's River Club, L.L.C. and no refunds or fines are outstanding. St. John's River Club, L.L.C. has filed its 2005 annual report and paid its 2005 regulatory assessment fees (RAFs). A statement is included in the filing that St. John's River Club, L.L.C. will pay the RAFs for the period of January 1, 2006, through

the closing date and file the 2006 annual report. St. John's River Club Utility Company, L.L.C. will be responsible for paying the RAFs from the closing date and filing the annual report in subsequent years.

Staff has discussed the responsibilities of a regulated utility with the managing members of SJRC. The applicant indicated that it is using the National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) and understand it may not change its rates or serve outside the utility's authorized territory without obtaining prior Commission approval.

The utility's rates and charges were established pursuant to Order No. PSC-00-2500-PAA-WS. Rule 25-9.044(1), Florida Administrative Code, provides that in the case of change of ownership or control of a utility, the rates, classification, and regulations of the former owner must continue unless authorized to change by the Commission. The new owners have not requested a change; therefore, the existing rates and charges shown on Attachment B should continue in effect.

Based on the above, staff recommends that the transfer of facilities and Certificate Nos. 542-W and 470-S from St. John's River Club, L.L.C. to St. John's River Club Utility Company, L.L.C. is in the public interest and should be approved. The effective date of the transfer is the date of closing. In addition, St. John's River Club, L.L.C. will be responsible for the payment of all RAFs due for revenues received from January 1, 2006 through the date of closing and for filing the 2006 annual report. St. John's River Club Utility Company, L.L.C. will be responsible for the payment of all RAFs and filing annual reports thereafter. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. The subsequent order will serve as the utility's water and wastewater certificates and should be retained by the utility. Within 30 days of the order approving the transfer, the utility should provide a copy of the recorded lease and proof of the closing. A description of the territory being transferred is appended to this recommendation as Attachment A.

Docket No. 060703-WS

Date: February 1, 2007

Issue 2: Should this docket be closed?

Recommendation: No, this docket should remain open until staff receives proof of the executed purchase agreement confirming the closing and a copy of the recorded lease agreement. The docket should be closed administratively upon receipt of the executed purchase agreement and the recorded lease. (Gervasi)

Staff Analysis: This docket should remain open until staff receives proof of the executed purchase agreement confirming the closing and a copy of the recorded lease agreement. The docket should be closed administratively upon receipt of the executed purchase agreement and the recorded lease.

ST. JOHN'S RIVER CLUB UTILITY COMPANY, L.L.C.

DESCRIPTION OF TERRITORY SERVED

A part of Sections 33 and 34, Township 10 South, Range 26 East and a part of Section 39, Township 10 South, Range 26 East and part of Section 39, Township 11 South, Range 26 East, Putnam County, Florida, being more particularly described as follows: For a point of reference commence at the point of intersection of the northerly line of said Section 39, Township 10 South, Range 26 East, said point being 100.00 feet easterly of as measured at right angles to the center line of the CSX Transportation right-of-way as now established; thence S 28°27'00" E, a distance of 1226.87 feet to the northeasterly right-of-way of County Road 309-B as now established to the POINT OF BEGINNING; thence northwesterly along said northeasterly right-of-way line, along the arc of a curve concave northeasterly and have a radius of 1860.08 feet, a chord bearing of N 53°28'26" W and a chord distance of 118.36 feet; thence N 28°27'00" W, a distance of 1281.54 feet; thence N 61°33'00" E, a distance of 50.00 feet; thence N 28°27'00" W, along the easterly right-of-way line of the CSX Transportation right-of-way, said right-of-way line being 100.00 feet easterly of as measured at right angles to said center line as now established, a distance of 1404.97 feet; thence N 73°28'46" E, a distance of 478.55 feet; thence N 01°09'00" W, a distance of 210.00 feet; thence N 88°51'00" E, a distance of 210.00 feet; thence N 01°09'00" W, a distance of 600 feet more or less to the waters of Murphy Creek; thence southeasterly along said waters of Murphy Creek a distance of approximately 4700 feet to the easterly line of Section 39, Township 10 South, Range 26 East; thence S 26°14'14" E, along said easterly line of said Section 39, Township 10 South, Range 26 East and the easterly line of said Section 39, Township 11 South, Range 26 East, a distance of 1447 feet more or less; thence S 74°31'16" W, a distance of 1674.27 feet, to the northeasterly right-of-way line of County Road 309-B as now established; thence N 59°08'00" W along said northeasterly right-of-way line a distance of 203.67 feet; thence northwesterly along the northeasterly right-of-way line, along the arc of a curve concave northeasterly and having a radius of 1860.08 feet, a chord bearing of N 57°11'47" W and a chord distance of 125.6 feet to the POINT OF BEGINNING.

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

St. John's River Club Utility Company, L.L.C.
pursuant to
Certificate Number 542-W

to provide water service in Putnam County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

Order Number	Date Issued	Docket Number	Filing Type
PSC-92-0330-FOF-WS	5/11/92	910646-WS	Original Certificate
PSC-05-0431-PAA-WS	4/20/05	041096-WS	Transfer
*	*	060703-WS	Transfer

***Order Numbers and dates to be provided at time of issuance.**

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

St. John's River Club Utility Company, L.L.C.
pursuant to
Certificate Number 470-S

to provide wastewater service in Putnam County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

Order Number	Date Issued	Docket Number	Filing Type
PSC-92-0330-FOF-WS	5/11/92	910646-WS	Original Certificate
PSC-05-0431-PAA-WS	4/20/05	041096-WS	Transfer
*	*	060703-WS	Transfer

***Order Numbers and dates to be provided at time of issuance.**

WATER
Residential and General Service
Monthly Service Rates

<u>Meter Size:</u>	<u>Base Facility Charge:</u>
5/8" x 3/4"	\$ 7.91
3/4"	\$ 11.87
1"	\$ 19.78
1-1/2"	\$ 39.55
2"	\$ 63.28
3"	\$126.56
4"	\$197.75
6"	\$395.50
Charge per 1,000 gallons	\$ 3.63

WASTEWATER
Monthly Service Rates
Residential

<u>Meter Size:</u>	<u>Base Facility Charge:</u>
All Meter Sizes	\$ 11.09
Charge per 1,000 gallons (8,000 gallon cap)	\$ 3.84

General Service

<u>Meter Size:</u>	<u>Base Facility Charge:</u>
5/8" x 3/4"	\$ 11.09
3/4"	\$ 16.64
1"	\$ 27.73
1-1/2"	\$ 55.45
2"	\$ 88.72
3"	\$177.44
4"	\$277.25
6"	\$554.50
Charge per 1,000 gallons	\$ 4.60

Miscellaneous Service Charges

Initial Connection Fee	\$ 25.00
Normal Reconnection Fee	\$ 25.00
Violation Reconnection Fee:	
Water	\$ 25.00
Wastewater	Actual Cost
Premises Visit Fee (in lieu of disconnection)	\$ 25.00

Service Availability Charges

	Water	Wastewater
Main Extension Charge	\$545.00	\$935.00
Meter Installation Charge	\$110.00	