

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: August 6, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Clapp, Kaproth)
Office of the General Counsel (Klancke)

RE: Docket No. 090232-WS – Joint application for authority to transfer assets and Certificate Nos. 404-W and 341-S in Orange County from Wedgefield Utilities, Inc. to Pluris Wedgefield, LLC.
County: Orange

AGENDA: 08/18/09 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\090232.RCM.DOC

Case Background

Wedgefield Utilities, Inc. (Wedgefield, seller, or utility) is a Class A water and wastewater utility serving approximately 1,597 water and 1,575 wastewater customers in Orange County. The utility is located in the St. Johns River Water Management District (SJRWMD) and is in a priority water resource caution area. The utility's annual report for 2008 shows the utility's gross operating revenue is \$680,211 and \$741,450 and net operating income is \$107,258 and \$8,464 for water and wastewater, respectively.

The utility was granted Certificate Nos. 404-W and 341-S in 1983.¹ The utility has been transferred twice, including once at the parent level, and the utility's territory has been amended once.² Wedgefield is a wholly-owned subsidiary of Utilities, Inc.

On April 27, 2009, Wedgefield and Pluris Wedgefield, LLC (Pluris Wedgefield or buyer) submitted a joint application for transfer of the Wedgefield water and wastewater certificates and facilities to Pluris Wedgefield. The buyer is a limited liability company authorized to do business in Florida since April 21, 2009. The sole member of Pluris Wedgefield is Pluris, LLC. Pluris, LLC is also the sole member of other Florida limited liability companies which are buying other water and wastewater utilities around the state in non-jurisdictional counties.

This recommendation addresses the transfer of the Wedgefield certificates and facilities to Pluris Wedgefield. The Commission has jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes (F.S.).

¹ Order No. 12315, issued August 4, 1983, in Docket No. 820323-WS, In Re: Application of Econ Utilities Corporation for original water and sewer certificates in Orange Florida.

² Order No. PSC-96-1241-FOF-WS, issued October 7, 1996, in Docket Nos. 96035-WS, In re: Application for transfer of Certificates Nos. 404-W and 341-S in Orange County from Econ Utilities Corporation to Wedgefield Utilities, Inc.; and 960283-WS, In Re: Application for amendment of certificates No. 404-W and 341-S In Orange County by Wedgefield Utilities, Inc.; Order No. PSC-06-0094-FOF-WS, issued February 9, 2006, in Docket No. 050499-WS, In Re: Application for authority to transfer majority organizational control of Utilities, Inc. from Nuon Global Solutions USA, B.V. to Hydro Star, LLC.

Discussion of Issues

Issue 1: Should the transfer of the Wedgefield facilities and Certificate Nos. 404-W and 341-S to Pluris Wedgefield be approved?

Recommendation: Yes. The transfer of the Wedgefield facilities and Certificate Nos. 404-W and 341-S to Pluris Wedgefield is in the public interest and should be approved. The territory being transferred is described in Attachment A. The resultant order should serve as Pluris Wedgefield's water and wastewater certificates and should be retained by the buyer. Pluris Wedgefield should file an executed and recorded special warranty deed within 60 days of the order approving the transfer in this docket. Pursuant to Rule 25-9.044(1), Florida Administrative Code (F.A.C.), the rates and charges approved for the utility should be continued until authorized to change by the Commission in a subsequent proceeding. 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 pursuant to Rule 25-30.475, F.A.C. (Clapp, Kaproth, Klancke)

Staff Analysis: As stated in the case background, Wedgefield and Pluris Wedgefield jointly applied for a transfer of the Wedgefield facilities and Certificate Nos. 404-W and 341-S on April 27, 2009. The closing on the sale of the utility facilities is scheduled to take place within ten days after the entry of the order approving the transfer.

All of the filing requirements for the application were completed on June 29, 2009. The application is in compliance with the governing statute, Section 367.071, F.S., and Rule 25-30.037, F.A.C., pertaining to an application for the sale, assignment, or transfer of certificates of authorization. The territory being transferred is described in Attachment A.

Pursuant to Rule 25-30.030, F.A.C., the application contained the requisite proof of noticing. Two objections were filed regarding this docket. The first objection was from a utility customer who was concerned that 1) the seller could not find the water and wastewater certificates to return to the Commission and 2) the buyer's emergency contact telephone line was answered by an answering machine. Staff contacted the objector and advised him that the Commission no longer issues separate certificates and will soon change the rule that requires the utility to return its certificate. Also, staff contacted the buyer who stated that the designated emergency telephone line, which is being temporarily used for other utility business, will be placed into 24-hour use as the emergency line upon the actual closing of the transfer. The second objection was from a utility customer who was opposed to the utility's recent rate increase. Staff contacted the objector and advised him that the rate increase was made final on January 20, 2009, and was not a subject of this docket. Both objectors were sent letters which gave dates certain in June, the last of which was June 16, 2009, to advise the Commission if they wished to pursue a formal hearing. Neither objector requested a formal hearing.

The application contains a statement that the buyer has performed a reasonable investigation of the utility systems and found the overall condition to be satisfactory and in general compliance with the requirements of the Florida Department of Environmental Protection (DEP). Staff contacted the DEP and verified that there are currently no outstanding notices of violation. In addition, staff contacted the SJRWMD which found that the utility is in compliance with its regulations.

According to the application, Pluris Wedgefield has the necessary financial and technical ability to provide adequate, safe, and reliable water and wastewater service to the Wedgefield customers. The buyer is wholly-owned by Pluris, LLC, a large water and wastewater utility business based in Florida and North Carolina. Pluris, LLC has substantial economies of scale through mass purchasing of certain goods and the provision of centralized services. The Pluris Wedgefield customers will benefit from the economies of scale. In addition, the seller is no longer interested in owning this water and wastewater system. The application included an unexecuted special warranty deed. Pluris Wedgefield will file an executed and recorded special warranty deed within 60 days of the order approving the transfer in this docket.

Pursuant to Section 367.071, F.S., the Commission may set rate base in transfer dockets. Rate base was last set for water at \$4,779,794 in 2008.³ Wastewater rate base was last set at \$1,382,904 in 1998.⁴ The 2008 Wedgefield annual report reflects rate base, excluding working capital, of \$4,807,731 and \$1,500,241 for water and wastewater, respectively.

Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances. The purchase price for Wedgefield is \$7.3 million. The combined net book value for Wedgefield is approximately \$6.3 million. The buyer did not request a positive acquisition adjustment; therefore, staff recommends that a positive acquisition adjustment should not be approved.

The buyer understands the need to obtain from the seller all records pertaining to utility plant in service and depreciation for the water and wastewater systems since rate base was last set so that the buyer will have supporting documentation for rate base in any future rate proceeding. The buyer believes this information will be obtained following the closing of the transfer.

Wedgefield has no outstanding regulatory assessment fees (RAFs), and no fines or refunds are owed through 2008. Wedgefield filed the 2008 annual report and no penalties and interest are owed. Wedgefield will pay all RAFs from January 1, 2009, through the date of closing on the transfer of the utility within 30 days of the actual closing. Pluris Wedgefield will pay the RAFs from the actual date of closing through December 31, 2009, by March 31 of the following year, as required, and will be responsible for all future RAFs. The buyer will also file the 2009 annual report for January 1, 2009, through December 31, 2009, as required, and will be responsible for future annual reports.

Wedgefield's water rates and miscellaneous service charges were established pursuant to Order No. PSC-08-0827-PAA-WS. The wastewater rates and miscellaneous service charges were established pursuant to Order No. 15553.⁵ There have been multiple rate indexes through

³ Order No. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS, In re: Application for increase in water and wastewater rates in Orange County by Wedgefield Utilities, Inc.

⁴ Order No. PSC-98-1092-FOF-WS, issued August 12, 1998, in Docket No. 960235-WS, In re: Application for transfer of Certificates Nos. 404-W and 341-S in Orange County from Econ Utilities Corporation to Wedgefield Utilities, Inc. and Docket No. 960283-WS, In re: Application for amendment of Certificates Nos. 404-W and 341-S in Orange County by Wedgefield Utilities, Inc.

⁵ Order No. 15553, issued December 18, 1985, in Docket No. 840368-WS, In re: Application of Econ Utilities Corporation to increase its water and sewer rates to its customers in Orange County, Florida.

the years. Pursuant to Rule 25-9.044(1), F.A.C., the rates and charges approved for the utility should be continued until authorized to change by the Commission in a subsequent proceeding. The existing rates and charges are shown on Attachment B.

Based on the foregoing, staff recommends that the application for transfer of the Wedgefield facilities and Certificate Nos. 404-W and 341-S to Pluris Wedgefield is in the public interest and should be approved. The territory being transferred is described in Attachment A. The resultant order should serve as Pluris Wedgefield's water and wastewater certificates and should be retained by the buyer. Pluris Wedgefield should file an executed and recorded special warranty deed within 60 days of the order approving the transfer in this docket. Pursuant to Rule 25-9.044(1), F.A.C., the rates and charges approved for the utility should be continued until authorized to change by the Commission in a subsequent proceeding. 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 pursuant to Rule 25-30.475, F.A.C.

Docket No. 090232-WS

Date: August 6, 2009

Issue 2: Should this docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issue 1, Pluris Wedgefield should file an executed and recorded special warranty deed within 60 days of the order approving the transfer in this docket. Following receipt of the special warranty deed, this docket should be closed administratively. (Klancke)

Staff Analysis: If the Commission approves staff's recommendation in Issue 1, Pluris Wedgefield should file an executed and recorded special warranty deed within 60 days of the order approving the transfer in this docket. Following receipt of the special warranty deed, this docket should be closed administratively.

Pluris Wedgefield, LLC
Orange County
Description of Water and Wastewater Territory

PER ORDER NO. 12315

Section 1, Township 23 South, Range 32 East

The SW 1/4 of said Section 1 and the SE 1/4 of said Section 1 less and except that portion lying NE of SR 520.

Section 12, Township 23 South, Range 32 East

The North 1/2 of said Section 12.

PER ORDER NO. PSC-96-1241-FOF-WS

THE COMMONS

All of that tract or parcel of land in the north half of Section 11, Township 23 South, Range 32 East, containing 179 acres more or less, which lies east of Dallas Boulevard, South of Meredith Parkway, west of the row of lots bordering on the west side of Bancroft Boulevard, north of the Nettleton Canal and northeast of the southwesterly boundary line of the Florida Power and Light Company power easement, being more particularly described as follows:

Commence at the northwest corner of Section 11, Township 23 South, Range 32 East; thence run south 00 degrees 4' 52" east along the west line of the northwest quarter of Section 11 for a distance of 591.59 feet; thence run south 89 degrees 59' 38" east for a distance of 106.00 feet to the Point of Beginning; thence run south 89 degrees 59' 38" east for a distance of 5037.42 feet to a point on the westerly edge of the Bancroft Boulevard Property described above; thence run south 00 degrees 20' 03" east along said westerly edge of the Bancroft Boulevard Property for a distance of 1936.80 feet; thence run south 89 degrees 59' 18" west for a distance of 2218.74 feet; thence run north 52 degrees 32' 16" west for a distance of 521.34 feet; thence run south 37 degrees 28' 01" west for a distance of 373.47 feet; thence run north 00 degrees 09' 08" west for a distance of 240.27 feet to the Point of Beginning.

SHOPPING CENTER

All that portion of the Southeast 1/4 of Section 1, Township 23 South, Range 32 East, lying Northeasterly of State Road 520 in Orange County, Florida.

BANCROFT BOULEVARD PROPERTY

The row of lots, each approximately one-quarter acre in size, located on the west side of Bancroft Boulevard in Sections 2 and 11, Township 23 South, Range 32 East, between the north line of the southeast quarter section of Section 2, Township 23 South, Range 32 East, and the north boundary line of the Florida Power and Light 160 foot power line easement in Section 11, Township 23 South, Range 32 East; being generally described as the east 178 feet of the southeast quarter of Section 2 plus the east 178 feet of the north 4637 feet of Section 11; and more particularly described as follows:

Begin at the east quarter corner of Section 2, Township 23 South, Range 32 East; thence run south $00^{\circ} 02' 32''$ east along the east line of southeast quarter of Section 2 for a distance of 2642.05 feet to the northeast corner of Section 11, Township 23 South, Range 32 East; thence run south $00^{\circ} 20' 03''$ east along the east line of the northeast quarter of Section 11 for a distance of 2678.71 feet; thence run south $00^{\circ} 24' 40''$ west along the east line of the southeast quarter of Section 11 for a distance of 1958.18 feet; thence run north $52^{\circ} 32' 16''$ west for a distance of 156.62 feet; thence run north $00^{\circ} 24' 40''$ east for a distance of 1822.68 feet; thence run north $00^{\circ} 20' 03''$ west for a distance of 2677.83 feet to the south line of Section 2; thence run north $00^{\circ} 02' 32''$ west for a distance of 2642.10 feet to the north line of the southeast quarter section of Section 2; thence run north $89^{\circ} 48' 20''$ east along said north line for a distance of 178 feet to the Point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Pluris Wedgefield, LLC
pursuant to
Certificate Number 404-W

to provide water service in Orange 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.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
12315	08/04/83	820323-WS	Grandfather Certificate
PSC-96-1241-FOF-WS	10/07/96	960235-WS	Transfer of Certificate
PSC-96-1241-FOF-WS	10/07/96	960283-WS	Amendment
PSC-06-0094-FOF-WS	02/09/06	050499-WS	Transfer of Majority Organizational Control of Parent
*	*	090232-WS	Transfer of Certificate

***Order Number and date to be provided at time of issuance.**

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Pluris Wedgefield, LLC
pursuant to
Certificate Number 341-S

to provide wastewater service in Orange 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.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
12315	08/04/83	820323-WS	Grandfather Certificate
PSC-96-1241-FOF-WS	10/07/96	960235-WS	Transfer of Certificate
PSC-96-1241-FOF-WS	10/07/96	960283-WS	Amendment
PSC-06-0094-FOF-WS	02/09/06	050499-WS	Transfer of Majority Organizational Control of Parent
*	*	090232-WS	Transfer of Certificate

***Order Number and date to be provided at time of issuance.**

Pluris Wedgefield, LLC

Monthly Service Rates

Water

Residential Service, General Service, and Irrigation Service

Meter Size:

5/8" x 3/4"	\$ 23.15
3/4"	34.73
1"	57.88
1 1/2"	115.75
2"	185.20
3"	370.40
4"	578.75
6"	1,157.50

Residential Service Gallonage Charge

Per 1,000 gallons

For potable water and irrigation

0 – 5000 gallons	\$4.00
5,001 – 10,000 gallons	5.00
Over 10,000 gallons	8.01

General Service Gallonage Charge

Per 1,000 gallons

For potable water and irrigation \$4.97

Wastewater

Meter Size:

All Meter Sizes	Residential Service	\$ 20.72
Charge per 1,000 Gallons		\$3.76
(10,000 Gallon Cap)		

Meter Size:

5/8" x 3/4"	General Service	\$ 20.72
3/4"		31.11
1"		51.85
1 1/2"		103.67
2"		165.89
3"		331.77
4"		519.21
6"		829.42

Charge per 1,000 gallons \$4.51

Miscellaneous Service Charges

	Water Normal Hours	Water After Hours
Initial Connection Fee	\$21.00	\$42.00
Normal Reconnection Fee	21.00	42.00
Violation Reconnection Fee	21.00	42.00
Premises Visit Fee (in lieu of disconnection)	21.00	42.00

Service Availability Charges

	Water	Wastewater
Meter Installation Fee		
5/8"x3/4" meter	\$110.00	N/A
1" meter	170.00	
System Capacity Charge		
Per residential ERC*	640.00	2,250.00
All others – per gallon	1.83	7.50

*Water ERC = 350 GPD, Wastewater ERC = 300 GPD