

State of Florida



Public Service Commission

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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 (Johnson, Kaproth, Walden)
Office of the General Counsel (Sayler)

RE: Docket No. 080517-WS – Application for approval of transfer of Horizon Homes of Central Florida, Inc. and Five Land Group LLC’s water and wastewater systems to Aqua Utilities Florida, Inc., and for amendment of Certificate Nos. 441-S and 507-W, in Sumter County.

County: Sumter

AGENDA: 08/18/09 – Regular Agenda – Proposed Agency Action- Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080517.RCM.DOC

Case Background

On July 29, 2008, an application was filed seeking approval of the transfer of Horizon Homes of Central Florida, Inc. and Five Land Group LLC’s (Sellers) water and wastewater systems (Jumper Creek Utility or Jumper Creek) to Aqua Utilities Florida, Inc. (AUF or Utility) and for amendment of AUF’s water and wastewater certificates in Sumter County. Jumper Creek provides water and wastewater service to 45 single-family homes in the Jumper Creek Manor development. The development is in the Southwest Florida Water Management District

(SWFWMD) and is not in a water use caution area. AUF anticipates that Jumper Creek will serve approximately 115 equivalent residential connections (ERCs) when it reaches build out.

Prior to the transfer of Jumper Creek to the Sellers, the Utility was owned by the Jumper Creek Manor Home Owners Association, Inc. (HOA). The HOA, as a nonprofit entity, was exempt from Commission regulation pursuant to Section 367.022(7), Florida Statutes (F.S.). On December 14, 2007, the HOA transferred its interests in the Jumper Creek Utility to the Jumper Creek Joint Venture, a joint venture operated by the Sellers. On December 14, 2007, the Sellers transferred the Jumper Creek Utility to AUF. On December 31, 2007, AUF started operating the Jumper Creek Utility.

The Jumper Creek water system consists of two wells with a combined capacity of 110,000 gallons per day (gpd). Liquid chlorine is used for disinfection. Irrigation service is provided from the potable water supply. The wastewater treatment plant is rated at 35,000 gpd, permitted on an annual average daily flow. Effluent is disposed of in a rapid infiltration basin.

This recommendation was deferred from the April 07, 2009, Agenda Conference at the request of the Commissioners. On April 10, 2009, staff met with AUF's representatives and discussed the application of Rule 25-30.0371, F.A.C., in this case. After meeting with AUF's representatives and discussing the matter, AUF expressed its desire to follow the rule currently in place and to participate in any future workshop regarding the acquisition adjustment rule. By letter dated April 27, 2009, AUF confirmed that it relied on Rule 25-30.0371, F.A.C., and since it was in place prior to and at the time of closing, AUF asked that the Rule be applied in this case. On July 8, 2009, AUF made several proposals to address the concerns of the Commission and to bring closure to the acquisition of the Jumper Creek systems. AUF proposed that it would not file for a rate increase for the system before May 1, 2010, and if a rate increase was applied for after May 1, 2010 in a consolidated rate case, it would consider phasing in the rates to alleviate abnormally large increases in rates. In addition, on July 23, 2009, AUF filed schedules showing five years of projected growth for the Jumper Creek water and wastewater systems, along with the associated costs and amortization of the acquisition adjustment.

This recommendation addresses the transfer, net book value, acquisition adjustment, and rates, and charges. The Commission has jurisdiction pursuant to Sections 367.031, 367.045, 367.071, 367.091, and 367.161, F.S.

Discussion of Issues

Issue 1: Should the transfer of Horizon Homes of Central Florida, Inc. and Five Land Group LLC's water and wastewater systems to Aqua Utilities Florida, Inc., and for amendment of Certificate Nos. 507-W and 441-S in Sumter County be approved?

Recommendation: No. The transfer of Horizon Homes of Central Florida, Inc. and Five Land Group LLC's Jumper Creek's water and wastewater facilities to Aqua Utilities Florida, Inc. is not in the public interest and should not be approved. (Johnson, Walden, Saylor)

Staff Analysis: As stated in the case background, AUF filed an application on July 29, 2008, for approval of the transfer of the Jumper Creek water and wastewater facilities to AUF and for amendment of AUF's water and wastewater certificates in Sumter County. The application is in compliance with the governing statutes, Sections 367.045 and 367.071, F.S., and other pertinent statutes and administrative rules concerning applications for transfer and amendment of certificates.

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. No objections to the notice have been filed with the Commission and the time for filing objections has expired. The application contains a description of the transferred territory, a detailed system map, and an adequate territory map. A description of the territory being transferred is appended to this memorandum as Attachment A. The application contains a recorded copy of a warranty deed and title insurance as evidence that AUF owns the land upon which the Utility facilities are located.

The application contains a copy of the purchase agreement which includes the purchase price, terms of payment, and a list of the assets purchased. Jumper Creek's assets were purchased by AUF for \$100,000, which was financed through the use of short-term funds provided by AUF's parent, Aqua America, Inc. There are no guaranteed revenue contracts, developer agreements, customer advances, or leases that must be disposed of in relation to the transfer. The transfer took place on December 31, 2007, subject to Commission approval.

The application contained a statement that, after a reasonable investigation, the Utility's systems are in satisfactory condition and in compliance with all applicable standards set by the Florida Department of Environmental Protection (DEP). Staff has confirmed with DEP that the Utility's systems are currently in compliance with all applicable DEP standards.

Jumper Creek was exempt from regulation when it was owned by the HOA; therefore, it did not submit annual reports or remit regulatory assessment fees (RAFs). Staff has verified that AUF is current on annual reports for its Sumter County certificates and there are no outstanding RAfs, fines, or refunds due. Staff also verified that AUF included the Jumper Creek systems in its 2008 annual report and RAfs. AUF will continue to be responsible for submitting annual reports and remitting RAfs for the Jumper Creek systems in the future, if the Commission approves the transfer.

According to the application, AUF has the technical and financial ability to provide efficient service to the amended territory pursuant to Rule 25-30.037(2)(j), F.A.C. AUF is the

wholly-owned subsidiary of Aqua America, Inc., a publicly traded water and wastewater utility, providing service to more than 800,000 customers in thirteen states. The application states that, given its size, access to capital, and recognized strength in utility planning, capital budgeting, and construction management, Aqua America, Inc. and its subsidiary, AUF, are well-positioned to provide high quality water and wastewater service to its customers. The application includes a statement that AUF will fulfill the commitments, obligations, and representations of Jumper Creek with regard to utility matters.

Pursuant to Section 367.071(1), F.S., the Commission must make a determination that the proposed transfer is in the public interest. Because of concerns about AUF's acquisition strategy and the impact of new acquisitions on the rates of AUF's existing customers, staff believes that it is appropriate for the Commission to consider how this transfer will affect AUF's existing customers in determining whether the transfer is in the public interest. In making this public interest determination, the Commission may consider whether the acquisition will be beneficial to the customers of the system being acquired, as well as the buyer's existing customers. The Commission's public interest determination may also take into account a utility's acquisition strategy and whether the acquisition of new systems would adversely affect the utility's existing customers.

In most transfers, the acquiring company does not have existing customers. However, in those instances where the acquiring company does have existing customers and uniform rates, the Commission has previously considered the impact of the acquisition on the buyer's existing and proposed customers. In the 1990's, Jacksonville Suburban Utilities Corporation (JSUC) acquired several systems. The Commission found that the transfers were in the public interest and allowed the utility to change the rates of the acquired system to the JSUC uniform rates, which were very low.¹ JSUC was able to show that, through economies of scale, the existing and proposed customers would not be harmed by the acquisition. More recently, the Commission has approved North Fort Myers Utility, Inc.'s acquisition of several systems and allowed the utility to change the rates of the acquired system to their uniform rates.² North Fort Myers has

¹ Order No. PSC-93-1480-FOF-WS, issued October 11, 1993, in Docket No. 930204-WS, In re: Application for Amendment of Certificates Nos. 236-W and 179-S and for a Limited Proceeding to Adjust Rates in St. Johns County by Jacksonville Suburban Utilities Corporation; Order No. PSC-92-0895-FOF-WS, issued August 27, 1992, in Docket No. 920177-WS, In re: Application for Transfer of Certificate Nos. 182-W and 129-S from Atlantic Utilities of Jacksonville, Inc., to Jacksonville suburban Utilities Corporation. Cancellation of Certificates No. 182-W and 129-S, a Limited Proceedings to Adjust Service Rates and Amendment of Certificates Nos. 236-W and 179-S; Order No. 22794, issued April 10, 1990, in Docket No. 890759-WS, In re: objection to notice of intent to apply for transfer of Certificates Nos. 460-W and 414-S from Ponce De Leon Utility Company of St. Johns County, Inc. to Jacksonville Suburban Utilities Corporation and limited proceedings to adjust rates in St. John County.

² Order No. PSC-07-0419-PAA-SU, issued May 14, 2007, in Docket No. 060698-SU, In re: Joint application for authority to transfer facilities o Del Tura Phase I, LLC d/b/a Del Tura Utilities and Certificate No. 298-S to North Fort Myers Utility, Inc., request for cancellation of Certificate No. 298-S, amendment of Certificate No. 247-S, and limited proceeding for authority to charge customers of Del Tura Utilities its authorized rates, fees and charges, in Lee County; Order No. PSC-06-0055-PAA-SU, issued January 23, 2006, in Docket No. 050323-SU, In re: Joint application for authority to transfer facilities of Coolidge-Ft Myers Realty Limited Partnership d/b/a Heron's Glen Utilities and Certificate No. 456-S to North Fort Myers Utilities, Inc., request for cancellation of Certificate No. 456-S, amendment of Certificate No. 247-S, and limited proceedings for authority to charge customers of Heron's Glen Utilities its authorized rates, fees and charges, in Lee County.

relatively low rates and has not filed for a rate increase, other than indexes, since the initial rates were set in 1981.

On May 22, 2009, staff requested information from AUF regarding the projected operating and maintenance costs for Jumper Creek. On July 23, 2009, AUF provided a spreadsheet (Attachment B) showing the estimated cost per equivalent residential connection (ERC) per month for the Jumper Creek water and wastewater systems based on projected customer growth, expenses, and return on investment (7.53%) for 2010 through 2014, with and without the amortization of the acquisition adjustment. The table below is based upon the information that AUF provided and shows a comparison of the average cost per ERC of Jumper Creek and the existing AUF systems. Staff's recommendation regarding the acquisition adjustment is discussed in Issue 3.

Jumper Creek and AUF Water and Wastewater Cost Comparisons

	2010	2011	2012	2013	2014
Water Cost Per ERC/Month					
Jumper Creek With Acq Adj	\$29.92	\$31.54	\$32.50	\$33.22	\$33.20
Jumper Creek Without Acq Adj	\$91.91	\$82.08	\$74.09	\$68.18	\$61.77
AUF Water Systems	\$43.09	\$43.09	\$43.09	\$43.09	\$43.09
Wastewater Cost Per ERC/Month					
Jumper Creek With Acq Adj	\$48.49	\$49.02	\$49.38	\$49.83	\$49.82
Jumper Creek Without Acq Adj	\$81.87	\$76.24	\$71.77	\$68.65	\$65.20
AUF Wastewater Systems	\$75.16	\$75.16	\$75.16	\$75.16	\$75.16
Water and Wastewater Cost Per ERC/Month					
Jumper Creek With Acq Adj	\$78.41	\$80.56	\$81.88	\$83.05	\$83.02
Jumper Creek Without Acq Adj	\$173.78	\$158.32	\$145.86	\$136.83	\$126.97
AUF Water and Wastewater Systems	\$118.25	\$118.25	\$118.25	\$118.25	\$118.25

Jumper Creek currently serves 45 customers. The estimated cost per ERC for the Jumper Creek water system in 2014 (\$33.20), including the amortization of the acquisition adjustment, is less than the average cost per ERC for the existing AUF water customers (\$43.09). However, once the acquisition adjustment is fully amortized, the estimated cost per ERC (\$61.77) is significantly greater than the average cost per ERC for the existing AUF water customers (\$43.09).

The estimated cost per ERC for the Jumper Creek wastewater system in 2014 (\$49.82), including the amortization of the acquisition adjustment, as well as the estimated cost per ERC

once the acquisition adjustment is fully amortized (\$65.20), are less than the average cost per ERC for the existing AUF wastewater customers (\$75.16).

While the total average cost per ERC for the Jumper Creek water and wastewater systems with the amortization of the acquisition adjustment is consistently less than the total cost of the AUF water and wastewater systems, the total average cost per ERC for the Jumper Creek systems **without** the amortization is consistently greater than the total cost of the AUF systems. The amortization of the acquisition adjustment, which is spread over the five years subsequent to the approval of a transfer, reduces the Jumper Creek cost per ERC by \$28.57 and \$15.38 for water and wastewater, respectively. The average AUF costs per ERC do not reflect any potential increases that AUF may project in a subsequent rate case. If the transfer were approved, it appears that the cost of operating the Jumper Creek systems would likely result in an increase in the overall AUF operating costs per ERC although the increase would be minimal because of the comparative size of the Jumper Creek systems (115 ERCs at build out) to AUF (currently over 200,000 ERCs for water and over 80,000 ERCs for wastewater). The following table shows AUF's estimation of the impact of the acquisition of Jumper Creek on the overall AUF cost per ERC in 2010. The AUF cost per ERC without Jumper Creek is based on AUF's most recent rate case. The AUF cost per ERC with Jumper Creek includes the estimated revenue requirement for Jumper Creek in 2010 with the amortization of the acquisition adjustment.

2010	AUF Cost per ERC without Jumper Creek	AUF Cost per ERC with Jumper Creek	Difference
Water	\$43.06	\$43.14	\$0.08
Wastewater	\$75.16	\$75.48	\$0.33

Based on the above information, it appears that it is not in the public interest to approve the transfer of the Jumper Creek water and wastewater systems to AUF. AUF's own analysis shows that the acquisition of the Jumper Creek systems fails to result in economies of scale for the Jumper Creek customers, or AUF's general body of ratepayers. The existing rates for the Jumper Creek systems are not currently compensatory; therefore, in a subsequent AUF rate case, it is likely that the Jumper Creek customers would see a significant rate increase as a result of the acquisition. In addition, because AUF has proposed moving toward uniform rates, including the Jumper Creek systems could result in customers of other AUF systems paying additional subsidies for the Jumper Creek systems. Therefore, staff recommends that it is not in the public interest to approve the transfer of the Jumper Creek systems to AUF.

Section 7.9 of the Asset Purchase Agreement provides that:

The sale of assets contemplated by this Agreement is subject to and contingent upon the approval of the Florida Public Service Commission upon terms and conditions reasonably acceptable to Aqua Utilities Florida as to such approval; however, as provided in Section 367.071, Florida Statutes, the parties desire to close the transaction in advance of the Commission's approval. In the event that

the FPSC determines that the sale and transfer of the Water System Assets and the Waste Water System Assets is not in the public interest and that Aqua Utilities Florida will not fulfill the commitments, obligations, and representations of the utility, and, therefore, the FPSC denies such transfer, or in the event that the FPSC approves the sale and transfer of the Water System Assets and the Waste Water System Assets upon terms and conditions not reasonably acceptable to Aqua Utilities Florida, then the Water System Assets and the Waste Water System Assets shall be repurchased by Seller via the same means and at the same Purchase Price as the Water System Assets and the Waste Water System Assets were purchased by Aqua Utilities Florida pursuant to this Agreement. Seller agrees that in the event of such repurchase, Seller will reimburse Aqua Utilities Florida for all capital expenditures made for the improvement to the Water System Assets and/or the Waste Water System Assets, provided such expenditures were necessary to maintain the assets in good working order or to comply with any legal requirement.

Therefore, if the Commission approves staff's recommendation, AUF will have the opportunity to sell the system back to the previous owners.

Should the Commission deny the staff recommendation and approve the transfer, the effective date of the transfer would be December 31, 2007, and AUF's Certificate Nos. 507-W and 441-S in Sumter County should be amended to add the territory described in Attachment A. The resultant order should serve as AUF's amended water and wastewater certificates and should be retained by the Utility.

Issue 2: What is net book value for the water and wastewater systems as of December 31, 2007?

Recommendation: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends that as of December 31, 2007, net book value for transfer purposes is \$327,494 for Jumper Creek's water system and \$176,581 for the wastewater system, as shown on Schedule No. 1. Schedule No. 1-A shows the recommended balances for Jumper Creek's water and wastewater plant and accumulated depreciation accounts as of December 31, 2007, using the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA). Staff notes that net book value for transfer purposes does not include the normal rate making adjustments for used and useful or working capital. Within 60 days of the date of the final order, the Utility should be required to provide a statement that AUF's books have been updated to reflect the Commission-approved net book value adjustments and balances and that these numbers will also be reflected in the Utility's annual report. (Johnson, Walden)

Staff Analysis: As discussed in the case background, the Jumper Creek Utility systems were originally owned by the HOA. AUF provided original costs for the systems based upon the books and records of the prior owner and the original source documents that were available. Staff reviewed the original cost study, the methodology used, and the proposed original cost for the water and wastewater systems. The proposed contributions-in-aid-of-construction (CIAC) are based on the guidelines in Rule 25-30.570, F.A.C. The proposed accumulated depreciation and amortization of CIAC balances are calculated using the guidelines for average service lives as set forth in Rule 25-30.140, F.A.C. The Utility's proposed net book values are \$327,494 for water and \$176,581 for wastewater as shown on Schedule No. 1. The net book value schedules are for informational purposes, and are not intended to formally establish net book value.

Utility Plant in Service (UPIS). The Jumper Creek net book value balance as of December 31, 2007, included total depreciable UPIS of \$495,547 for water and \$387,551 for wastewater. The water system costs include the facilities for structures and improvements, water treatment equipment, services, meters, and fire hydrants. The wastewater system costs include the facilities for structures and improvements, force and collection mains, manholes, pumping equipment, and treatment and disposal equipment. The proposed costs appear reasonable. Therefore, staff recommends that UPIS balances of \$495,547 for water and \$387,551 for wastewater should be approved as of December 31, 2007.

Land & Land Rights. Jumper Creek recorded \$2,271 for the .33 acre of land on which the water treatment plant is located and \$18,722 for the 2.68 acres of land in on which the wastewater plant is located. The NARUC's USOA states that the cost of land should be recorded at its original cost when first dedicated to utility service. Based on the original cost of the land, staff recommends land balances of \$2,271 for the water system (.33 acre) and \$18,722 for the wastewater treatment plant and lift stations (2.72 acres).

Accumulated Depreciation. Jumper Creek recorded accumulated depreciation balances of (\$22,855) for water and (\$18,401) for wastewater as of December 31, 2007. The accumulated depreciation balances were based upon the guidelines rates for average service lives as set forth in Rule 25-30.140, F.A.C. As a result, staff is in agreement with the Utility and recommends that the accumulated depreciation balances for Jumper Creek's water and wastewater systems are

(\$22,855) and (\$18,401), respectively, as of December 31, 2007.

Contributions-in-Aid-of-Construction (CIAC) and Amortization of CIAC. Staff requested evidence to support that the cost of the water transmission and distribution system and wastewater collection system were not written off to costs of goods sold on the developer's tax returns. No documentation was provided and the applicant is in agreement with staff that, without such documentation, the plant costs attributable to the water transmission and distribution system and the wastewater collection system should be imputed as CIAC pursuant to Rule 25-30.570, F.A.C. Therefore, staff recommends that the cost of the water transmission and distribution lines of (\$154,596), and the wastewater collection system of (\$221,828) be imputed as CIAC, pursuant to Rule 25-30.570, F.A.C.

Using a composite net book valued upon the guidelines for average service lives as set forth in Rule 25-30.140, F.A.C., the appropriate amount of water and wastewater amortization of CIAC, as of December 31, 2007, is \$7,127 and \$10,537 respectively.

Conclusion. If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends that net book value for transfer purposes is \$327,494 for Jumper Creek's water system and \$176,581 for the wastewater system, as of December 31, 2007, as shown on Schedule No. 1. Schedule No. 1-A shows the recommended balances for Jumper Creek's water and wastewater plant and accumulated depreciation accounts as of December 31, 2007, using NARUC's USOA. Staff notes that net book value for transfer purposes does not include the normal rate making adjustments for used and useful or working capital. Within 60 days of the date of the final order, the Utility should be required to provide a statement that AUF's books have been updated to reflect the Commission-approved net book value adjustments and balances and that these numbers will also be reflected in the Utility's annual report.

Issue 3: Should an acquisition adjustment be recognized for rate-making purposes?

Recommendation: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends that, pursuant to Rule 25-30.0371(3)(b), F.A.C., a negative acquisition adjustment of \$303,260 should be recognized for rate-making purposes, amortized over a five-year period beginning with the date of the issuance of the order approving the transfer of assets. The negative acquisition adjustment should not be recorded on the books for rate-making purposes nor used for any earnings review unless AUF files for a rate increase pursuant to Sections 367.081(2), 367.0814, 367.0817, or 367.0822, F.S. (Johnson, Saylor)

Staff Analysis: An acquisition adjustment results when the purchase price differs from the original cost of the assets (net book value) adjusted to the time of the acquisition. Pursuant to Rule 25-30.0371(3)(b), F.A.C., if the purchase price is less than 80 percent of net book value, and uncontested, then the amount of the difference in excess of 20 percent of net book value shall be recognized for rate-making purposes as a negative acquisition adjustment and amortized over a five-year period from the date of the issuance of the order approving the transfer of assets. The calculation of an acquisition adjustment is shown below:

Net book value	\$ 504,075
80% of net book value	\$ 403,260
Purchase Price	\$ 100,000
Negative acquisition adjustment	\$ 303,260

If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends that, pursuant to Rule 25-30.0371(3)(b), F.A.C., a negative acquisition adjustment of \$303,260 should be recognized for rate-making purposes, and amortized over a five-year period beginning with the date of the issuance of the order approving the transfer of assets. The negative acquisition adjustment should not be recorded on the books for rate-making purposes nor used for any earnings review unless AUF files for a rate increase pursuant to Sections 367.081(2), 367.0814, 367.0817, or 367.0822, F.S.

Issue 4: Should the Utility's existing rates and charges be approved?

Recommendation: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends that the water and wastewater rates shown on Schedule No. 2 should be approved for the Jumper Creek water and wastewater customers. AUF should be required to charge the approved rates until authorized to change by this Commission in a subsequent proceeding. The rates should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. (Johnson)

Staff Analysis: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends the following regarding the appropriate rate and charges for Jumper Creek. Since the Jumper Creek water and wastewater systems were previously exempt from Commission regulation pursuant to Section 367.022(7), F.S., the current rates have never been approved. According to the application, Jumper Creek's water and wastewater rates were established by the HOA in 2006. The water rate is \$25.00 per month for usage of up to 10,000 gallons. Usage over 10,000 gallons per month is \$2.50 per 1,000 gallons. The wastewater rate is a flat rate of \$40.00 per month.

The applicant indicates the existing rates for water and wastewater services are projected to generate average annual revenues of approximately \$34,320 in 2009. The projected annual expenses for the Utility are estimated to be approximately \$43,200. AUF has not requested a change in the existing rates; therefore, staff recommends that, if the transfer is approved, the existing water and wastewater rates requested by AUF, as shown on Schedule No. 2, appear reasonable and should be approved. AUF should be required to charge the approved rates until authorized to change by this Commission in a subsequent proceeding. The rates should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

Issue 5: Should AUF's request for a meter installation charge be approved?

Recommendation: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends that AUF's request for a meter installation charge shown on Schedule No. 3 should be approved. The service charges should be effective for connections made on or after the stamped approval date on the tariff sheets. (Johnson, Walden)

Staff Analysis: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends the following regarding the appropriate meter installation charges for Jumper Creek. Pursuant to Section 367.101, F.S., the Commission shall set just and reasonable charges and conditions for service availability. Rule 25-30.580(1), F.A.C., provides a guideline that the maximum amount of CIAC, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the Utility's facilities and plant when the facilities and plant are at their design capacity. The maximum guideline is intended to ensure that the Utility has a significant investment in its systems. Rule 25-30.580(2), F.A.C., provides a guideline that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by Jumper Creek's water transmission and distribution systems and the wastewater collection system.

Jumper Creek has constructed the primary infrastructure, which consists of both on-site and off-site mains. Staff has recommended and AUF agrees that the cost of the lines should be imputed as CIAC. In addition, AUF proposed a meter installation charge of \$220.00 for a 5/8" x 3/4" Electronic Radio Transmitter (ERT) meter. ERT meters emit radio signals which can be read by a repeater-transmitter. As a result, the meters can be read remotely from the street without requiring access to a customer's property and the data can be downloaded directly to a computer for billing. In addition, the automated readings make it possible to read customer meters on the same day each month. The Commission has previously determined that the additional cost for the ERT capability is justified by the added speed, accuracy, and reliability of the meter readings.³ All meter sizes other than 5/8" x 3/4" will be at actual cost.

Staff recommends that, if the transfer is approved, AUF's proposed meter installation charges shown on Schedule No. 3 are consistent with Rule 25-30.580, F.A.C. and should be approved. AUF should charge the approved charges until authorized to change them by this Commission in a subsequent proceeding. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

³ See Order No. PSC-08-0540-PAA-WS, issued August 18, 2008, in Docket No. 080103-WS, In re: Application for certificates to provide water and wastewater service in Hardee and Polk Counties by TBBT Utility LLC, and Order No. PSC-07-0983-PAA-WS, issued December 10, 2007, in Docket No. 060726-WS, In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities, Inc.

Issue 6: Should AUF's request for customer deposits, miscellaneous service charges, and a late fee be approved?

Recommendation: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends that AUF's request for customer deposits, miscellaneous service charges, and a late fee shown on Schedule No. 3 are consistent with Commission rules and should be approved. Within ten days of the issuance of the consummating order, staff recommends that AUF be required to file a proposed customer notice of the Commission-approved miscellaneous service charges. Once staff has approved the proposed customer notice, the Utility may mail the notice to its customers. The tariffs approving the miscellaneous service charges should not be stamped approved by staff until after AUF files an affidavit that notice has been given to customers of the Commission-approved charges. The tariff sheets containing customer deposits, miscellaneous service charges, and a late fee should become effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475, F.A.C. (Johnson, Walden)

Staff Analysis: If the Commission approves staff's recommendation in Issue 1, this issue is moot. However, if the Commission denies staff's recommendation in Issue 1, then staff recommends the following regarding customer deposits, miscellaneous service charges, and a late fee should be approved. The applicant requested miscellaneous service charges pursuant to Section 367.091, F.S. This statute authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges.

Customer Deposits

AUF requested customer deposits for the Jumper Creek water and wastewater systems of \$50.00 and \$80.00, respectively. The proposed deposits are based on two times an average monthly bill for water and wastewater service. Jumper Creek's customers all use residential 5/8" x 3/4" meters. Deposits in the amount of two times an average monthly bill are consistent with Rule 25-30.311, F.A.C., which contains the criteria for collecting, administering, and refunding customer deposits.

As justification for its proposed customer deposits, AUF indicated that, if utilities do not collect adequate deposits to recover the cost of providing service, the result would be an increase in its bad debt expense. Ultimately, bad debt expense is included in the Utility's revenue requirement and, therefore, included in the cost of service charged to the general body of ratepayers. AUF also notes that collecting customer deposits is consistent with one of the fundamental principles of rate making, ensuring that the cost of providing service is recovered from the cost-causer.

Staff recommends that, if the transfer is approved, the Utility's proposed customer deposits, shown on Schedule No. 3, of \$50.00 for water service and \$80.00 for wastewater service are consistent with Commission rules and should be approved.

Miscellaneous Service Charges

AUF's request for miscellaneous service charges and a late payment fee were accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091, F.S. AUF has Commission-approved standard miscellaneous service charges for many of its systems which were originally approved in Order No. PSC-99-0093-FOF-WS⁴ and Order No. PSC-09-0038-CO-WS.⁵ At the February 24, 2009, Special Agenda Conference in Docket No. 080121-WS, the Commission approved revised uniformed miscellaneous service charges for all Aqua systems. For ease of administration and fairness, AUF requests that these same standard miscellaneous charges be approved for Jumper Creek's water and wastewater systems. Staff agrees that this is a reasonable request and, if the transfer is approved, recommends that AUF's standard water and wastewater miscellaneous service charges be approved. The proposed miscellaneous service charges are shown on Schedule No. 3. In addition to the miscellaneous service charges, the Utility proposed a \$5.00 late payment fee. AUF indicated that the justification for a late payment fee is two-fold. First, the charge is designed to encourage customers to pay their bills on time. Second, if the payment is not made on time, the charge is designed to ensure that the cost associated with late payment is not passed on to customers who pay on time. The estimated late payment fee provided by AUF appears reasonable. Therefore, staff recommends that the Utility's requested late fee of \$5.00 be approved.

Staff recommends that AUF notify the customers of the Commission-approved miscellaneous service charges before the charges go into effect. Therefore, within ten working days of the issuance of the PAA order, staff recommends that AUF be required to provide a draft customer notice to staff for review and approval. Once staff has approved the proposed customer notice, AUF may mail the notice to customers. Upon staff's receipt of AUF's affidavit that notice has been provided to customers regarding the Commission-approved miscellaneous service charges, the tariffs approving the miscellaneous service charges should be stamped approved.

Conclusion

If the transfer is approved, staff recommends that AUF's request for customer deposits, miscellaneous service charge, and a late fee shown on Schedule No. 3 are consistent with Commission rules and should be approved. Within ten days of the issuance of the consummating order, staff recommends that AUF be required to provide a draft customer notice for staff's review and approval. Once staff has approved the proposed customer notice, the Utility may mail the notice to its customers. The tariffs approving the miscellaneous service charges should

⁴ Order No. PSC-99-0093-FOF-WS, issued September 14, 1999, in Docket No. 950495-WS, In Re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Sumter, Lee, Marion, Martin, Nassau, Orange, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

⁵ Order No. PSC-09-0115-CO-WS, issued February 25, 2009, in Docket No 070739-WS, In Re: Application for approval of transfer of Fairways/ Plymouth, Ltd.'s water and wastewater systems to Aqua Utilities Florida, Inc. and for amendment of Certificate Nos. 106-W and 120-S in Lake County.

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not be stamped approved by staff until after AUF files an affidavit that notice has been given notice to customers of the Commission-approved charges. The tariff sheets containing customer deposits, miscellaneous service charges, and a late fee should become effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

Issue 7: Should this docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issue 1 and if no protest to the proposed agency action issues is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed. However, if the transfer is approved, the docket should be closed administratively upon receipt of a statement that AUF's books have been updated for Jumper Creek's systems to reflect the Commission-approved net book value adjustments and balances and that these numbers will also be reflected in the Utility's annual report. (Saylor)

Staff Analysis: No. If the Commission approves staff's recommendation in Issue 1 and if no protest to the proposed agency action issues is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed. However, if the transfer is approved, the docket should be closed administratively upon receipt of a statement that AUF's books have been updated for Jumper Creek's systems to reflect the Commission-approved net book value adjustments and balances and that these numbers will also be reflected in the Utility's annual report.

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Date: August 6, 2009

Aqua Utilities of Florida, Inc.
Sumter County
Description of Water and Wastewater Territory Added

Jumper Creek Subdivision

Section 24, Township 21 South, Range 22 East:

All of Tracts or Parcels 4, 5, And 6 of Plat Book 9, Page 5, Sumter County, Florida Records, being a portion of the following described property:

Begin at the Northeast corner of the South 1/2 of the Southwest 1/4 of the Northeast 1/4 of Section 24; thence S.89°54'27"W. along the north line of the South 1/2 of the Southwest 1/4 of the Northeast 1/4 of said Section 24 a distance of 660.60 feet to a point being on the east line of the Northwest 1/4 of the Southwest 1/4 of the Northeast 1/4 of said Section 24; thence N.0°02'51"W. along said east line a distance of 362.66 feet; thence S.89°55'28"W. a distance of 320.00 feet; thence N.0°02'51"W. a distance of 250.00 feet to a point being on the south right-of-way line of County Road 48, having a 100.00 foot wide public right-of-way; thence S.89°55'28"W. along said south right-of-way line a distance of 365.39 feet to a point being 25.00 feet westerly of, when measured perpendicularly to, the west line of the East 1/2 of said Section 24; thence S.0°01'42"E. parallel to said west line a distance of 2,297.15 feet; thence N.89°57'30"E. parallel to the south line of the Northeast 1/4 of the Southwest 1/4 of said Section 24 a distance of 927.35 feet to a point being on the west line of the south 600.00 feet of the east 420.00 feet of the Northwest 1/4 of said Section 24; thence N.0°04'05"W. along said west line a distance of 293.06 feet to a point being on the north line of the south 600.00 feet of the east 420.00 feet of the Northwest 1/4 of the Southeast 1/4 of said Section 24; thence N.89°57'42"E. along said north line a distance of 420.00 feet to a point being on the east line of the Northwest 1/4 of the Southeast 1/4 of said Section 24; thence N.0°04'05"W. along said east line a distance of 728.13 feet to the southeast corner of the Southwest 1/4 of the Northeast 1/4 of said Section 24; thence N.0°04'01"W. along the east line of the Southwest 1/4 of the Northeast 1/4 of said Section 24 a distance of 664.33 feet to the Point of Beginning.

Docket No. 080517-WS

Date: August 6, 2009

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Aqua Utilities Florida, Inc.
pursuant to
Certificate Number 507-W

to provide water service in Sumter 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
19848	08/22/88	880013-WS	Grandfather Certificate
25012	09/04/91	910586-WU	Amendment
PSC-92-1113-FOF-WS	10/05/92	920176-WS	Transfer of Certificate
PSC-93-1418-FOF-WS	09/29/93	930614-WS	Name Change
PSC-96-0666-FOF-WS	05/14/96	951330-WS	Transfer of Majority Control
PSC-97-0312-FOF-WS	03/24/97	960643-WS	Transfer of Certificate
PSC-99-0483-FOF-WS	03/08/99	981508-WS	Transfer of Majority Control
PSC-04-0715-FOF-WS	07/21/04	040359-WS	Name Change
PSC-06-0973-FOF-WS	11/22/06	060643-WS	Reorganization/Name Change*
	*	080517-WS	Transfer/Amendment

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

Docket No. 080517-WS

Date: August 6, 2009

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Aqua Utilities Florida, Inc.
pursuant to
Certificate Number 441-S

to provide wastewater service in Sumter 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>
19848	08/22/88	880013-WS	Grandfather Certificate
20518	12/23/88	880485-SU	Transfer of Certificate
PSC-92-1113-FOF-WS	10/05/92	920176-WS	Transfer of Certificate
PSC-93-1418-FOF-WS	09/29/93	930614-WS	Name Change
PSC-96-0666-FOF-WS	05/14/96	951330-WS	Transfer of Majority Control
PSC-97-0312-FOF-WS	03/24/97	960643-WS	Transfer of Certificate
PSC-99-0483-FOF-WS	03/08/99	981508-WS	Transfer of Majority Control
PSC-04-0715-FOF-WS	07/21/04	040359-WS	Name Change
PSC-06-0973-FOF-WS	11/22/06	060643-WS	Reorganization/Name Change
*	*	080517-WS	Transfer/Amendment

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