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STATE OF FLORIDA



DIVISION OF ENGINEERING
TOM BALLINGER
DIRECTOR
(850) 413-6910

Public Service Commission

February 23, 2015

Holiday Gardens Utilities, LLC
Attn: Michael Smallridge
3336 Grand Blvd., Suite 102
Holiday, FL 34690-2249

Re: Docket No. 140176-WU – Application for approval of transfer of Certificate No. 116-W from Holiday Gardens Utilities, Inc. to Holiday Gardens Utilities, LLC, in Pasco County.

Dear Mr. Smallridge:

Please provide the following additional information necessary to process your application for transfer of Certificate No. 116-W.

Additional Information

- 1) Please provide copies of all bills that show what the Utility has billed its customers monthly during the period September 2013 through December 2014 for water service, garbage collection, and street lighting. In lieu of individual bills, the amount billed to each customer in spreadsheet form would be sufficient, provided it includes detailed information on the amount billed for each service: water service, garbage collection, and street lighting.
 - a) Please provide the total amount billed monthly to customers by category: water service, garbage collection, and street lighting during the period September 2013 through December 2014.
 - b) Please describe how the Utility determined the total amount to bill for street lighting to its customers, and how this amount was allocated among the individual customers during the period September 2013 through December 2014. If more than one method was utilized, please explain each and the reasons for any changes between methods.
- 2) Please provide a monthly comparison of the amounts billed to customers for street lighting service with the amount billed to the Utility by its street lighting provider, Duke Energy Florida during the period September 2013 through December 2014.
 - a) If the amount billed to customers is greater than the amount billed to the Utility by its street lighting provider, please explain this discrepancy.

- 3) Please provide a monthly comparison of the amounts billed to customers for garbage collection service with the amount billed to the Utility by its garbage collection provider during the period September 2013 through December 2014.
- 4) In the audit response dated February 2, 2015, the buyer requested an acquisition adjustment of \$156,081. The buyer did not request an acquisition adjustment as part of its application which was filed with the Commission on September 10, 2014. Rule 25-30.0371(2), Florida Administrative Code (F.A.C.), states in part:

(2) Positive Acquisition Adjustments. A positive acquisition adjustment shall not be included in rate base absent proof of extraordinary circumstances. Any entity that believes a full or partial positive acquisition adjustment should be made has the burden to prove the existence of extraordinary circumstances. In determining whether extraordinary circumstances have been demonstrated, the Commission shall consider evidence provided to the Commission such as anticipated improvements in quality of service, anticipated improvements in compliance with regulatory mandates, anticipated rate reductions or rate stability over a long-term period, anticipated cost efficiencies, and whether the purchase was made as part of an arms-length transaction.

Please provide the required justification to support the existence of extraordinary circumstances and provide all necessary support documentation.

- 5) Certain information regarding Florida Utility Services 1, LLC's assets were previously provided to staff in response to a previous data request; however, the information did not include a balance sheet. Please provide a balance sheet for Florida Utility Services 1, LLC.
- 6) In response to staff's deficiency letter dated January 12, 2015, the buyer stated that non-utility services were not considered in the purchase price "because they have no assets nor do they produce any profit." Based on prior annual reports, the non-utility services included in the purchase may produce a profit. As such, the purchase price would suggest a valuation of the non-utility services is embedded in the purchase price regardless of the absence of tangible assets. Please assign a value to non-utility services (e.g., a factor of past annual profits), or justify why the price is exclusive of non-utility assets.

The original and four copies of the response to the information requested in this letter should be filed with the Commission on or before March 25, 2015. When filing the response, please be sure to refer to the docket number and to direct the response to:

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Mr. Smallridge
Page 3
February 23, 2015

Should you have any questions concerning the information in this letter, please contact Suzanne Brownless at SBrownle@psc.state.fl.us or by phone at (850) 413-6218 for legal questions. For technical questions, you may contact Phillip Ellis at Pellis@psc.state.fl.us or by phone at (850) 413-6626.

Sincerely,



Philip Ellis
Engineering Specialist

TB:poe

cc: Division of Accounting and Finance (Brown, Norris)
Division of Engineering (Ballinger, Vickery)
Office of General Counsel (Brownless)
Office of Industry Development and Market Analysis (Roberts)
Division of Commission Clerk (Docket No. 140174-WU)