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

Public Service Commission

December 28, 2016

Mr. Michael Smallridge
McLeod Gardens Utilities, LLC
c/o Florida Utility Services 1, LLC
3336 Grand Boulevard, Suite 102
Holiday, FL 34690
mike@FUS1LLC.com

VIA US MAIL AND EMAIL

Re: Docket No. 160193-WU - Application for approval of transfer of certain water facilities and Certificate No. 619-W from McLeod Gardens Water Company to McLeod Gardens Water Utilities, LLC, in Polk County.

Dear Mr. Smallridge:

Florida Public Service Commission (Commission) staff has reviewed the application for transfer (application) submitted on behalf of McLeod Gardens Water Company (Seller or Utility) and McLeod Gardens Water Utilities, LLC (Buyer) on October 31, 2016. After reviewing this information we find the application to be deficient. The specific deficiencies are identified as:

1. **Filing Fee.** Rule 25-30.037(2)(a), Florida Administrative Code (F.A.C.), requires that the applicant remit a filing fee pursuant to Rule 25-30.020(2)(c), F.A.C., which states:

For an application for transfer or change in majority organizational control filed pursuant to Section 367.071, F.S., the amount of the fee shall be as follows:

1. For applications in which the utility to be transferred has the capacity to serve up to 500 ERCs, \$750;
2. For applications in which the utility to be transferred has the capacity to serve from 501 to 2,000 ERCs, \$1500;
3. For applications in which the utility to be transferred has the capacity to serve from 2,001 to 4,000 ERCs, \$2,250;
4. For applications in which the utility to be transferred has the capacity to serve more than 4,000 ERCs, \$3,000.

Please remit the appropriate filing fee.

2. **Notice of Application.** Rule 25-30.037(2)(b), F.A.C., requires that the applicant provide proof of noticing pursuant to Rule 25-30.030, F.A.C. The Rule requires that the notice of application be provided to the Office of Commission Clerk for Commission staff approval prior to distribution and that it contain certain specified information (paragraph 4), that the utility obtain a list of certain entities required to be noticed by the utility from Commission staff (paragraph 2), and that the utility provide affidavits of noticing as required by Sections 367.045(1)(c) and (2)(f), Florida Statutes (paragraph 6). Please provide a copy of the notice(s) required for distribution in accordance with Rule 25-30.030(4), F.A.C., to the Office of Commission Clerk for Commission staff approval. Once Commission staff approval of the notice(s) is obtained, please submit a request for the list of entities to receive notice from Commission staff in accordance with Rule 25-30.030(2), F.A.C. Finally, once notice has been issued in accordance with Rule 25-30.030(5), F.A.C., please submit affidavits of noticing in accordance with Rule 25-30.030(6), F.A.C.
3. **Seller Information.** Rule 25-30.037(2)(c), F.A.C., requires that the applicant provide specified information relating to the seller, including the certificated name. The name provided on the application is the fictitious name of the utility. Please provide the complete certificated name of the Seller.
4. **Buyer Information.** Rule 25-30.037(2)(d), F.A.C., requires that the applicant provide specified information relating to the buyer, including the Federal Employer Identification Number (FEIN), and if available, its fax number. The FEIN provided by the applicant appears to be non-existent and, therefore, incorrect. The applicant also did not provide a fax number. Please provide the correct FEIN. Also, please provide the Buyer's fax number, or state that the requested information is unavailable, if applicable.
5. **Florida Department of State, Division of Corporations Documentation.** Rule 25-30.037(2)(f)1. and 2., F.A.C., requires that the applicant provide the nature of the buyer's business organization, and documentation from the Florida Department of State, Division of Corporations, showing: (1) The utility's business name and registration/document number for the business, unless operating as a sole proprietor; and, (2) The utility's fictitious name and registration number for the fictitious name, if operating under a fictitious name. Please provide the required documentation from the Florida Department of State, Division of Corporations.
6. **Contract for Sale.** Rule 25-30.037(2)(i), F.A.C., requires a copy of the contract for sale and all auxiliary or supplemental agreements. If the sale, assignment, or transfer occurs prior to Commission approval, the contract shall include a provision stating that the contract is contingent upon Commission approval. Please provide a copy of the contract for sale and all auxiliary or supplemental agreements.
7. **Assets and Liabilities.** Rule 25-30.037(2)(j)3., F.A.C., requires a list of and the dollar amount of the assets purchased and liabilities assumed or not assumed, including those of non-regulated operations or entities. Please provide a list of and the dollar amount of the assets purchased and liabilities assumed or not assumed, including those of non-regulated operations or entities, or indicate there are no non-regulated assets.

8. **Consideration.** Rule 25-30.037(2)(j)4., F.A.C., requires a description of all consideration between the parties, including promised salaries, retainer fees, stock, stock options, and assumption of obligations. Please provide a description of any consideration specific to the Utility.
9. **Customer Deposits.** Rule 25-30.037(2)(j)5., F.A.C., requires provisions for the disposition, where applicable, of customer deposits and interest thereon, guaranteed revenue contracts, developer agreements, customer advances, debt of the utility, and leases. Please provide provisions for the disposition of customer deposits and interest thereon, guaranteed revenue contracts, developer agreements, customer advances, debt of the Utility, and leases.
10. **Public Interest Statement.** Rule 25-30.037(2)(k), F.A.C., requires the applicant provide a statement explaining why the transfer is in the public interest. Please provide this statement.
11. **Detailed Financial Statement.** Rule 25-30.037(2)(l)1., F.A.C., requires a detailed financial statement (balance sheet and income statement), audited if available, of the financial condition of the applicant, that shows all assets and liabilities of every kind and character. The financial statement shall be for the preceding calendar or fiscal year. Although the applicant provided a balance sheet and income statement from January through July 2016, please provide the financial statement for the preceding calendar or fiscal year.
12. **Technical Ability.** Rule 25-30.037(2)(m)1. and 2., F.A.C., requires that the applicant provide an explanation of the buyer's experience in the water or wastewater industry, and the buyer's plans for ensuring continued operation of the utility, such as retaining the existing plant operator(s) and office personnel, or contracting with outside entities. Please provide the required information.
13. **Legal Description.** Rule 25-30.037(2)(n), F.A.C., requires that the applicant provide a legal description of the proposed service area in the format prescribed in Rule 25-30.029, F.A.C. Since the buyer has not requested to add or delete service territory, the territory description should match the one approved by the Commission in Order No. PSC-01-2317-PAA-WU, issued on November 27, 2001, in Docket No. 001381-WU, *In re: Application for certificate to operate water utility in Polk County by Tevalo, Inc. d/b/a McLeod Gardens Water Company.*
14. **Proposed Net Book Value.** Rule 25-30.037(2)(o), F.A.C., requires the proposed net book value of the system as of the date of the proposed transfer. Please provide a proposed net book value of the system.
15. **Federal Income Tax Returns.** Rule 25-30.037(2)(p), F.A.C., requires a statement from the buyer that it has obtained or will obtain copies of all of the federal income tax returns of the seller from the date the utility was first established or the rate base was last established by the Commission, whichever is later. Please provide a statement that the Buyer has or will obtain copies of all of the federal income tax returns from the date the

Utility was first established or the rate base was last established by the Commission, whichever is later.

16. **Condition of the System/Compliance with DEP.** Rule 25-30.037(2)(q), F.A.C., requires a statement from the buyer that, after reasonable investigation, the system being acquired appears to be in satisfactory condition and in compliance with all applicable standards set by the Department of Environmental Protection (DEP) or, if the system is in need of repair or improvement, has any outstanding Notice of Violation of any standard set by the DEP or any outstanding consent orders with the DEP, the buyer shall provide a description of the repairs or improvements that have been identified, the governmental authority that required the repairs or improvements, if applicable, the approximate cost to complete the repairs or improvements, and any agreements between the seller and buyer regarding who will be responsible for any identified repairs or improvements. Please provide the required information.
17. **Permits.** Rule 25-30.037(2)(r), F.A.C., requires that the applicant provide: (1) a copy of the utility's current permits from the DEP and the water management district; (2) a copy of the most recent DEP and/or county health department sanitary survey, compliance inspection report, and secondary standards drinking water report; (3) a copy of all of the utility's correspondence with the DEP, county health department, and water management district, including consent orders and warning letters, and the utility's responses to the same, for the past five years; and (4) a copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years. Please provide the required documents and information.
18. **Access to Treatment Facility Land.** Rule 25-30.037(2)(s), F.A.C., requires that the applicant provide documentation of the utility's right to access and continued use of the land upon which the utility treatment facilities are located. Please provide the required documentation.
19. **Regulatory Assessment Fees and Annual Report.** Rule 25-30.037(2)(t), F.A.C., requires a statement regarding the disposition of outstanding regulatory assessment fees, fines, or refunds owed and which entity will be responsible for paying regulatory assessment fees (RAFs) and filing the annual report for the year of the transfer and subsequent years. Please provide a statement regarding the disposition of outstanding RAFs, fines, or refunds owed and which entity will be responsible for paying RAFs and filing the annual report for the year of the transfer and subsequent years.
20. **Economies of Scale.** Rule 25-30.037(2)(v), F.A.C., requires the buyer to provide a schedule reflecting any economies of scale that are anticipated to be achieved within the next three years and the effect on rates for existing customers served by both the utility being purchased and the buyer's other utilities if the buyer owns other water and wastewater utilities that are regulated by the Commission. Please provide a schedule reflecting any economies of scale that are anticipated to be achieved within the next three years and the effect on rates for existing customers.

Mr. Michael Smallridge
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Your application will not be deemed filed until the deficiencies identified in this letter have been corrected and the filing fee paid. These corrections and the filing fee should be submitted no later than January 30, 2017, to the following address:

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

Should you have any questions concerning the information in this letter, please feel free to contact Mrs. Melinda Watts by phone at (850) 413-6952 or email mwatts@psc.state.fl.us for technical questions, or Mr. Wesley Taylor by phone at (850) 413-6175 or email wtaylor@psc.state.fl.us for legal questions. Please include the docket number on all submissions to the Commission Clerk.

Sincerely,



Melinda Watts
Engineering Specialist

MW:pz

cc: Office of the Commission Clerk (Docket No. 160193-WU)