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DIVISION OF WATER & WASTEWATER
CHARLES H. HILL
DIRECTOR
(850) 413-6900

Public Service Commission

May 14, 1998

M. Monte J. Tillis, Jr.
Alturas Water Works
PO Drawer 37
Bartow, Florida 33831

Re: Docket No. 980536-WU, Application for transfer of water facilities from Alturas Water Works to Keen Sales & Rental, Inc. in Polk County, cancellation of Alturas' Certificate No. 591-W, and amendment of Keen's Certificate No. 582-W to include additional territory.

Dear Mr. Tillis:

The above referenced application has been received and reviewed by my staff. This letter is a follow up to the review and subsequent telephone call to your office concerning deficiencies which need to be cured and additional clarifications or corrections necessary to process the application.

Deficiencies

- ACK _____ 1.
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- REC 1
- NAS _____
- OTH _____

Names and Locations of Other Water Utilities Owned by the Buyer: Pursuant to Rule 25-30.037(2)(f), Florida Administrative Code, requires the names and locations of any other water or wastewater utilities owned by the buyer.

- A. The information provided does not include locations.
- B. Our records indicate that the holder of Certificate No. 582-W is Keen Sales & Rentals, Inc. The information supplied indicates the holder is Keen Sales, Rentals and Utilities, Inc.

Has the corporation officially changed its name? If it has, the buyer must submit an application for name change. A name change package is included in the attachments. If not, the application and exhibits need to be corrected.

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DOCUMENT NUMBER - DATE

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FFSC-RECORDS/REPORTING

2. **Statement Indicating How the Transfer is in the Public Interest:** Pursuant to Rule 52-30.037 (2)(j), Florida Administrative Code, requires a statement indicating how the transfer is in the public interest, including a summary of the buyer's experience in water or wastewater utility operations, a showing of the buyer's financial ability to provide service, and a statement that the buyer will fulfill the commitments, obligations and representations of the seller with regard to utility matters.
- A. The information provided does not include a summary of the buyer's experience in water or wastewater utility operations.
- B. The buyer's financial ability information provided appears to be incomplete. A financial statement should be provided showing long and short term assets and liabilities. The income statement provided shows actual income and expense figures for 1997 and another statement projects figures for 1998 of:

	1997	1998	Change
Income Water	\$48,356	\$55,609	+ \$7,253
Income Other	19,336	22,236	+ \$2,900
Expenses (all)	-52,766	-49,189	-(<u>\$3,577</u>)
Net Income	\$14,926	\$28,656	\$13,730

The projection for 1998 reflects an increase in Net Income of \$13,730, however, no information is provided to substantiate this projection. Please provide information concerning the projected increase in water income and projected decrease in expenses.

3. **Notice of Actual Application:** An affidavit that the notice of actual application was given in accordance with Section 367.045(1)(a), Florida Statutes, and Rule 25-30.030, Florida Administrative Code, by regular mail to the list indicated in the Application for Transfer, Part III A). Copies of the Notice and a list of entities noticed shall accompany the affidavit. This shall be filed no later than 15 days after filing the application.
4. **Notice of Actual Application:** An affidavit that the notice of actual application was given in accordance with Rule 25-30.030, Florida Administrative Code, by regular mail or personal delivery to each customer of the system being transferred. A copy of the Notice shall accompany the affidavit. This shall be filed no later than 15 days after filing the application.

Clarifications or Corrections

1. **Contract for Sale, Customer Deposits and Interest:** The Company shall pay interest on customer deposits pursuant to Rule 25-30.311(4) and (4a). Special Clauses item B of the Contract for Sale states "The deposits do not earn interest." Does this clause mean that the customer deposits are not held in an interest bearing account? Please clarify this statement. A current estimated value of the deposits should also be included in this clause.
2. **Financing the Purchase:** Pursuant to Rule 25-30.037(2)(I) a statement is to be provided describing the financing of the purchase. Exhibit "D" of the Application simply states that the property will be purchased for cash and no portion will be financed by a third party. The financial information provided in Exhibit "A" does not substantiate this statement. Please provide additional information.
3. **Sample Tariff Sheets:** These sheets are requested to reflect the change in ownership. The samples indicate the utility name to be "Keen Sales, Rentals & Utilities, Inc., D/B/A Alturas Water Works." However, if Certificate No. 582-W is to be amended to include this territory, would not the name of the Utility be "Keen Sales & Rentals, Inc.," or other name determined appropriate in response to Deficiency 1. B. above?
 - A. **Modification in rates must meet the requirements of 25-9.053, Florida Administrative Code, which requires that each proposed change in rates be accompanied by detailed supporting information. This information, either specific to the company or the industry must, include a cost study and methodology used for determining the change.**
 - 1) **Original Sheet No. 14.1 "Schedule of Customer Deposits" indicates that the buyer wants to increase the deposit amounts for the purchased utility. Pursuant to 25-30.311(7), Florida Administrative Code, deposit amounts should not exceed the average actual monthly charge for two billing periods for the 12-month period immediately prior to the requested deposit increase. Please provide justification for this request.**
 - 2) **Original Sheet No. 16.1 "Miscellaneous Service Charges" indicates that the buyer wants to modify the schedule approved for Alturas Water Works. Rules 25-30.310 and 25-30.320, Florida Administrative Code, provide for Miscellaneous Service Charges. The charges approved for Alturas were at the standard amounts for these services. Please explain the request to delete "Initial Connection Fee," "Normal Reconnection Fee," and "Premises Visit Fee." Also, additional cost support will be required to increase the "Violation Reconnection Fee" from \$15.00 to \$25.00.**

Mr. Monte J. Tillis, Jr.
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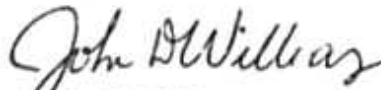
- B. Copies of the Sample Tariff Sheets provided are being returned with corrections noted. The name of the Company entered should be consistent with the response to Deficiency 1. B. above.

The original and four copies of the response to the information requested in this letter should be filed with the Commission on or before June 15, 1998. When filing the response, please be sure to reference the docket and to direct the response to :

**Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850**

Should you have any questions concerning the information requested in this letter, please contact Stephanie Clapp, of my staff, at (850) 413-6997.

Sincerely,



John D. Williams
Chief, Bureau of Policy Development
and Industry Structure

JDW/SAC:sc
Enclosures

cc: Division of Water and Wastewater (Hill, Lowe, Messer, Clapp, Redemann)
Division of Legal Services (Fleming)
Division of Records and Reporting