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August 11, 2000

*[Handwritten signature and stamp]*

**BY HAND DELIVERY**

Ms. Blanca Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**001122-WS**

Re: Florida Water Services Corporation/Spruce Creek South Utilities, Inc. Joint Application for Transfer of Facilities and Joint Petition for Approval of Ancillary Agreements

Dear Ms. Bayo:

Enclosed for filing on behalf of Florida Water Services Corporation ("Florida Water") and Spruce Creek South Utilities, Inc. ("Spruce Creek") are an original and five copies of Florida Water's and Spruce Creek's Joint Application for Transfer of Facilities and Joint Petition for Approval of Ancillary Agreements. Please note that Florida Water and Spruce Creek intend to timely file Exhibits M, N, O, P and Q as late-filed exhibits to the Transfer Application. A check in the amount of \$4,500.00 representing the required filing fees is also enclosed.

Florida Water closed on the acquisition of Spruce Creek on June 29, 2000. Consistent with Section 367.071(1), Florida Statutes, this acquisition is contingent on the Commission's approval.

Also enclosed are Florida Water's original water and wastewater certificates to forward to the Division of Water and Wastewater.

Please acknowledge receipt of these documents by date-stamping the enclosed copy of this letter and returning it to the undersigned.

RECEIVED & FILED

*[Handwritten signature]*  
FPSC-BUREAU OF RECORDS

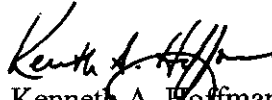
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**RUTLEDGE, ECENIA, PURCELL & HOFFMAN**

Ms. Blanca Bayo, Director  
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Should the Commission need any additional assistance in this matter, please do not hesitate to contact me at (850) 681-6788.

Sincerely,



Kenneth A. Hoffman  
Counsel for Florida Water Services

KAH/pjc  
Enclosures  
cc: D. Bruce May, Esq.  
Ms. Brenda Mazurek

ROXANNE\SPRUCECREEK\BAYO.811

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Joint Application of Florida )  
Water Services Corporation and )  
Spruce Creek South Utilities, Inc., )  
for transfer of all water and waste- )  
water facilities of Spruce Creek )  
South Utilities, Inc. in Marion )  
County to Florida Water Services )  
Corporation, cancellation of )  
Certificates Nos. 511-W and 467-S )  
and Amendment of Certificates Nos. )  
373-W and 322-S; )

Docket No. DD1122-WS

Filed: August 11, 2000

And

Joint Petition for Approval of )  
Special Irrigation Water Agreements )  
between Florida Water Services )  
Corporation and Spruce Creek )  
Preserve Homeowners' Association, )  
Inc., and Spruce Creek Golf and )  
Country Club Homeowners' )  
Association, Inc.; for Approval of )  
Reclaimed Water Agreement )  
between Florida Water Services )  
Corporation and Del Webb's )  
Spruce Creek Communities, Inc.; )  
for Approval of Futures Agreement )  
between Florida Water Services )  
Corporation and Del Webb's )  
Spruce Creek Communities, Inc.; )  
and for Approval of Developer's )  
Agreement between Florida Water )  
Services Corporation and Del )  
Webb's Spruce Creek )  
Communities, Inc. )

Joint Application for Transfer of Facilities

and

Joint Petition for Approval of Ancillary Agreements

Joint Applicants, Spruce Creek South Utilities, Inc. ("Spruce Creek") and Florida Water Services Corporation ("Florida Water"), by and through their undersigned attorneys and pursuant to

DOCUMENT NUMBER-DATE

03756 AUG 11 8

FPSC-RECORDS/REPORTING

Section 367.071, Florida Statutes, and Rules 25-30.037 and 28-106.201, Florida Administrative Code, hereby apply to the Florida Public Service Commission ("FPSC" or "Commission") for approval of the transfer of the water and wastewater utility assets of Spruce Creek to Florida Water and for the cancellation of Spruce Creek's Certificates Nos. 511-W and 567-S, with corresponding amendments made to Florida Water's Marion County Certificates Nos. 373-W and 322-S. Further, pursuant to Sections 367.091(4) and 367.101, Florida Statutes, and Rules 25-9.034, 25-30.550 and 28-106.201, Florida Administrative Code, Florida Water and Spruce Creek petition the Commission for approval of certain ancillary agreements that are integral to the terms and conditions of the transfer of the water and wastewater assets (the "Ancillary Agreements"). The Ancillary Agreements are comprised of: two special agreements for irrigation between Florida Water and the Spruce Creek Golf and Country Club Homeowners' Association, Inc. ("Golf and Country Club HOA") and Spruce Creek Preserve Homeowners' Association, Inc. ("Preserve HOA"); a Reclaimed Water Agreement between Florida Water and Del Webb's Spruce Creek Communities, Inc. ("Del Webb"); a Futures Agreement between Florida Water and Del Webb; and a Developer's Agreement between Florida Water and Del Webb. In support hereof, Spruce Creek and Florida Water submit the following information:

1. The full name and address of the Joint Applicants and Joint Petitioners are as follows:

Spruce Creek South Utilities, Inc.  
8501 S. E. 140<sup>th</sup> Lane Rd.  
Summerfield, FL 34491

Florida Water Services Corporation  
P.O. Box 609520  
Orlando, FL 32860-9520

The names, addresses and telephone numbers of the Joint Applicants' and Joint Petitioners' attorneys are as follows:

On behalf of Florida Water Services Corporation:

KENNETH A. HOFFMAN, ESQ.  
J. STEPHEN MENTON, ESQ.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P.O. Box 551  
Tallahassee, FL 32302  
(850) 681-6788

On behalf of Spruce Creek South Utilities, Inc.:

D. BRUCE MAY, JR., ESQ.  
Holland and Knight, LLP  
P.O. Drawer 810  
Tallahassee, FL 32302  
(850) 224-7000

and

FREDERICK W. LEONHARDT,  
SENIOR VICE PRESIDENT  
AND GENERAL COUNSEL

CARLYN H. KOWALSKY, ESQ.  
Florida Water Services Corporation  
P.O. Box 609520  
Orlando, FL 32860-9520  
(407) 598-4100

2. Joint Applicants hereby request that the Commission approve the transfer of Spruce Creek's water and wastewater utility assets to Florida Water. A transfer application in the form provided by Commission staff and marked "Application/Petition Exhibit 1," is attached hereto and incorporated herein by reference (the "Transfer Application"). Spruce Creek and Florida Water closed on the sale of the assets on June 29, 2000; however, pursuant to section 367.071(1), Florida Statutes, the sale occurred contingent upon Commission approval. For the reasons set forth in Exhibit B to Application/Petition Exhibit 1 (the Transfer Application), incorporated by reference herein, the transfer of Spruce Creek's utility assets to Florida Water is in the public interest.

3. The Spruce Creek-Florida Water sale is conditioned on the approval of the Ancillary Agreements, which are integral parts of the overall transaction. The Asset Purchase Agreement, Exhibit D to the Transfer Application, expressly confirms that the sale was part of a "package deal"

that included the Ancillary Agreements, that the sale cannot be severed from the Ancillary Agreements, and that the transaction must be viewed as a whole. Therefore, Joint Applicants respectfully request that the Commission review and approve the sale and the Ancillary Agreements contemporaneously in this docket.

4. Attached as "Application/Petition Exhibit 2" and incorporated by reference herein are two special agreements: one between Spruce Creek and Golf & Country Club HOA and one between Spruce Creek and Preserve HOA.<sup>1</sup> Pursuant to an Assignment and Assumption Agreement of June 29, 2000, between Spruce Creek and Florida Water,<sup>2</sup> Florida Water assumed Spruce Creek's duties under the two special agreements. The special agreements provide that the utility will not collect the base facilities charge stated in the current tariff, but instead, will collect base facilities charges pursuant to the contract's schedule of base facilities charges in the special agreement, although the utility will report revenues and pay regulatory assessment fees as though the charges in the current tariff were collected. Florida Water recognizes and affirms its obligations under the two special irrigation agreements to report the revenues as aforesaid.

5. Attached as "Application/Petition Exhibit 3" and incorporated by reference herein is a Reclaimed Water Agreement between Florida Water and Del Webb.<sup>3</sup> Florida Water maintains that

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<sup>1</sup>The two Special Irrigation Agreements are also found in Exhibit D to the Asset Purchase Agreement which is Exhibit D to the Transfer Application (Application/Petition Exhibit 1).

<sup>2</sup>The Assignment and Assumption Agreement is also found in Exhibit E to the Asset Purchase Agreement which is Exhibit D to the Transfer Application (Application/Petition Exhibit 1).

<sup>3</sup>The Reclaimed Water Agreement is also found in Exhibit F to the Asset Purchase Agreement which is Exhibit D to the Transfer Application (Application/Petition Exhibit 1).

approval of this Reclaimed Water Agreement is in the public interest because it will ensure the provision of non-potable water to the Del Webb golf course properties at rates well below Florida Water's applicable potable water rates and promote the preservation of potable water supply and resources. Included in the Transfer Application are proposed tariff sheets reflecting the rates and applicable information for providing reclaimed water to Del Webb as set forth in the agreement. The service is not currently provided; therefore, suspension of the proposed tariff sheets is not an issue. Approval of the tariffs is sought simultaneous with the other portions of the Spruce Creek -Florida Water transaction.

6. Attached hereto as "Application/Petition Exhibit 4" and incorporated by reference herein is a Futures Agreement between Florida Water and Del Webb.<sup>4</sup> The Futures Agreement provides a mechanism for future investments and new extensions by Florida Water in the provision of water and wastewater services to new customers residing in the Del Webb properties with Del Webb serving as Florida Water's contractor for such extensions.

7. Attached as "Application/Petition Exhibit 5" and incorporated by reference herein is a Developer's Agreement between Florida Water and Del Webb.<sup>5</sup> Pursuant to Rule 25-9.044, Florida Administrative Code, the acquiring utility must adopt the existing tariff of the acquired utility unless otherwise approved by the Commission. The Developer's Agreement between Florida Water and Del Webb comports with the service availability policy and service availability charges

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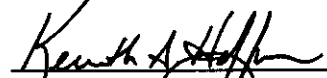
<sup>4</sup>The Futures Agreement is also found in Exhibit G to the Asset Purchase Agreement which is Exhibit D to the Transfer Application (Application/Petition Exhibit 1).

<sup>5</sup>The Developer's Agreement is also found in Exhibit H to the Asset Purchase Agreement which is Exhibit D to the Transfer Application (Application/Petition Exhibit 1).

set forth in Spruce Creek's tariff, which Florida Water is required and proposes to adopt.

WHEREFORE, for the foregoing reasons, Florida Water and Spruce Creek respectfully request that the Commission approve the Joint Application for Transfer of Facilities and the aforesaid Ancillary Agreements as specified herein, and grant such other relief as the Commission deems appropriate.

Respectfully submitted,



KENNETH A. HOFFMAN, ESQ.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
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and

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On behalf of Florida Water Services  
Corporation



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On behalf of Spruce Creek South  
Utilities, Inc.