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Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: August 21, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Clapp, Kappoth, Rieger)
Office of the General Counsel (Hartman)

RE: Docket No. 080180-WU – Application for transfer of majority organizational control of Pasco Utilities, Inc., holder of Certificate No. 168-W in Pasco County, to Gary Deremer and Cecil Delcher.
County: Pasco

AGENDA: 09/04/08 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Argenziano

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080180.RCM.DOC

Case Background

Pasco Utilities, Inc. (Pasco Utilities or utility) is a Class C utility providing water service to approximately 694 residential customers in Pasco County. The utility is in the Northern Tampa Bay Water Use Caution Area of the Southwest Florida Water Management District (SWFWMD). The utility's 2007 annual report shows an annual operating revenue of \$142,125 and a net operating loss of \$6,513.

DOCUMENT NUMBER-DATE

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The Commission granted the utility Certificate No. 168-W in 1974.¹ Since then the Commission has approved one amendment to the utility's service territory.²

On March 27, 2008, Gary Deremer and Cecil Delcher (buyers) submitted an application for the transfer of majority organizational control of the utility from Maynard Fernandez (seller). On January 28, 2008, the seller and the buyers entered into an agreement which provides that the buyers would purchase 100% of the 240 shares of common stock in the utility, with 122 shares to Mr. Deremer and 118 shares to Mr. Delcher. The closing took place subject to Commission approval.

The purpose of this recommendation is to address the application for transfer of majority organizational control. The Commission has jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

¹ Order No. 6078, issued March 20, 1974, in Docket No. 73625-W, In Re: Application of Pasco Utilities, Inc., for a certificate to operate water system in Pasco County, Florida.

² Order No. 14518, issued June 27, 1985, in Docket No. 840385-WU, In re: Application of Pasco Utilities, Inc. for amendment of water Certificate No. 168-W to include additional territory in Pasco County, Florida.

Discussion of Issues

Issue 1: Should the transfer of majority organizational control be approved?

Recommendation: Yes, the transfer of majority organizational control of Pasco Utilities, Inc., Certificate No. 168-W, to Gary Deremer and Cecil Delcher is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the utility's water certificate and should be retained by the utility. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. (Clapp, Rieger, Kaproth, Hartman)

Staff Analysis: Pursuant to Section 367.071, Florida Statutes, on March 27, 2008, the buyers applied for a transfer of majority organizational control of Pasco Utilities as a result of the purchase of all of the corporation's stock. As stated in the case background, the agreement was executed and closing occurred on January 28, 2008. Pursuant to Section 367.071(1), Florida Statutes, the agreement for the transfer of majority organizational control was made contingent upon Commission approval.

The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and Rule 25-30.037(3), Florida Administrative Code, pertaining to an application for transfer of majority organizational control. A description of the territory granted to Certificate No. 168-W is appended to this memorandum as Attachment A.

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to this application were received and the time for the filing of such objections has expired. A copy of the recorded warranty deed, in the name of Pasco Utilities, Inc., for the land on which the water treatment facilities are located was provided.

Staff has verified that the utility is current on filing its annual reports and regulatory assessment fees (RAFs) through 2007. The utility will continue to be responsible for filing annual reports and RAFs for 2008 and future years.

The application contains a statement that the buyers performed a reasonable investigation of the utility system. Staff has confirmed with the Florida Department of Environmental Protection (DEP) that the utility's water system is currently in environmental compliance with respect to DEP standards. Staff has also confirmed with SWFWMD that the utility is in good standing.

According to the application, the utility was established many years ago and has been maintained as a family owned entity since that time. The family no longer wishes to own the utility. The buyers have many years of experience in owning and operating Commission regulated private water utilities.³ They believe their knowledge and experience will benefit the

³ Mr. Deremer also owns Dixie Groves Utility Company (Certificate No. 139-W), Holiday Utility Company, Inc. (Certificate No. 224-W), and Virginia City Utility Company (Certificate No. 149-W). Mr. Deremer and Mr. Delcher own Colonial Manor Utility Company (Certificate No. 153-W).

local service area and enhance the management of the utility. In addition, the buyers provided a statement of intent to fulfill the commitments, obligations, and representations of the seller with regard to utility matters.

The utility's rates and charges were established pursuant to Order No. PSC-07-0425-PAA-WU.⁴ Rule 25-9.044(1), Florida Administrative Code, provides that in the case of change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by the Commission. The new owner has not requested a change; therefore, the existing rates and charges shown on Attachment B should continue in effect. It should be noted that, as stated in Order No. PSC-07-0425-PAA-WU, "Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four year period by the amount of the rate case expense previously included in the rates." Therefore, the rates will be reduced in 2011 reflecting the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees.

Based on the above, staff recommends that the application for transfer of majority organizational control of Pasco Utilities, Inc., Certificate No. 168-W, to Gary Deremer and Cecil Delcher is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the utility's water certificate and should be retained by the utility. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets.

⁴ Order No. PSC-07-0425-PAA-WU, issued May 15, 2007, in Docket No. 060599-WU, In re: Application for staff-assisted rate case in Pasco County by Pasco Utilities, Inc.

Docket No. 080180-WU
Date: August 21, 2008

Issue 2: Should this docket be closed?

Recommendation: Yes, because no further action is necessary, this docket should be closed.
(Hartman)

Staff Analysis: Because no further action is necessary, this docket should be closed.

PASCO UTILITIES, INC.
DESCRIPTION OF TERRITORY SERVED
PASCO COUNTY
WATER SERVICE

The following areas located within Township 26 South, Range 19 East:

Section 02:

All of Section 02.

Section 11:

The Northern 1/4 of said Section 11.

Section 12:

The Northern 1/4 of said Section 12 lying West of Pasco Road.

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

Pasco Utilities, Inc.
pursuant to
Certificate Number 168-W

to provide water service in Pasco 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> |
|---------------------|--------------------|----------------------|--|
| 6078 | 03/20/74 | 73625-W | Original Certificate |
| 14518 | 06/27/85 | 840385-WU | Amendment |
| * | * | 080180-WU | Transfer of Majority Organizational Control |

***Order Number and date to be provided at time of issuance.**

Pasco Utilities, Inc.

Monthly Water Service Rates

Residential and General Service

| | |
|------------------------------------|---------|
| Meter Size: | |
| 5/8" x 3/4" | \$ 5.62 |
| 3/4" | 8.43 |
| 1" | 14.05 |
| 1 1/2" | 28.10 |
| 2" | 44.96 |
| 3" | 89.92 |
| 4" | 140.50 |
| 6" | 281.00 |
| Gallorage Charge per 1,000 gallons | \$2.05 |

Customer Deposits

| | |
|-------------------------|---------|
| Residential 5/8" x 3/4" | \$25.00 |
|-------------------------|---------|

Miscellaneous Service Charges

| | Normal Hours | After Hours |
|----------------------------|-----------------|----------------|
| Initial Connection Fee | \$22.00 | N/A |
| Normal Reconnection Fee | 22.00 | \$44.00 |
| Violation Reconnection Fee | 22.00 | 44.00 |
| Premises Visit Fee | 22.00 | 44.00 |

Service Availability Charges

| | |
|-------------------------------------|----------|
| Main Extension Charge | \$250.00 |
| Meter Installation Charge 5/8"x3/4" | 125.00 |