

FLORIDA UTILITY SERVICES 1, LLC
3336 GRAND BLVD. SUITE 102
HOLIDAY, FL. 34690
863-904-5574

February 8, 2017

Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL. 32399

RECEIVED-FPSC
2018 FEB 13 AM 10:17
COMMISSION
CLERK

RE: Application for transfer. Docket # 20170246-SU.

Dear Commission Clerk:

Enclosed please find the company response to staff's deficiency letter of January 19, 2017.

1. **Buyer Documentation.** The purchase price is \$0. Exhibit A was provided in the application page 18 of 89.
2. **Economies of Scale.** Please see enclosed.

On behalf of the utility,



Mike Smallridge.

Exhibit Q
Rule 25-30.037(2)(v)

If the buyer owns other water or wastewater utilities that are regulated by the Commission, 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.

FUS1 Customer Base (# of services billed)									
FUS1 System	@09/30/16			@09/30/17			Common Cost (2)		
	Customers	Allocation	Common Cost	Customers	Allocation	Common Cost	Inc(Dec)		
CCU Charlie Creek	152	7.78%	\$78	162	5.80%	\$70	(\$8)	-10.46%	
CRU Crestridge	597	30.55%	\$306	619	22.18%	\$266	(\$39)	-12.89%	
EMU East Marion	103	5.27%	\$53	105	3.76%	\$45	(\$8)	-14.36%	
HHU Heather Hills	0	0.00%	\$0	355	12.72%	\$153	\$153		
LFU Lake Forest	61	3.12%	\$31	0	0.00%	\$0	(\$31)	-100.00%	
HGU Holiday Gardens	446	22.82%	\$228	456	16.34%	\$196	(\$32)	-14.10%	
LYU Lake Yale	0	0.00%	\$0	404	14.48%	\$174	\$174		
MGU McCleod Gardens	86	4.40%	\$44	90	3.22%	\$39	(\$5)	-12.08%	
OLU Orange Land	74	3.79%	\$38	74	2.65%	\$32	(\$6)	-15.99%	
PCU Pinecrest	128	6.55%	\$66	132	4.73%	\$57	(\$9)	-13.36%	
WLU West Lakeland	307	15.71%	\$157	316	11.32%	\$136	(\$21)	-13.52%	
SVU Suwannee Valley (1)	0	0.00%	\$0	23	0.82%	\$10	\$10		
CMU College Manor (1)	0	0.00%	\$0	55	1.97%	\$24	\$24		
	1954	100.0%	\$1,000	2791	100.0%	\$1,200	\$200		

(1) - SVU & CMU are located in Columbia County which is a non-jurisdictional county.

(2) - Assumes a 20 % increase in common cost with the net addition of approximately 837 customers for the four systems acquired.

The buyer is the majority shareholder of Florida Utility Services 1, LLC (FUS1). The economy of scales exists by the sharing of administrative cost from FUS1 through the operation, maintenance, customer service and management of all the utilities owned by FUS1. The administrative cost includes management, maintenance, accounting, regulatory compliance and miscellaneous administrative services provided for all utility systems. The common cost is allocated to each system on a customer calculated ERC basis. With the acquisition of more utilities the common costs for each of the individual systems is reduced and the share of the common costs to be allocated to the purchased system is minimized.

The schedule provided above reflects the individual utility cost savings for each utility system based on \$1,200 of FUS1 common cost assuming a 20% increase in overall common cost due to the addition of 837 customers for 4 utility systems.