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DIVISION OF ENGINEERING
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Public Service Commission

January 6, 2020

Mr. Chong Yo
Lake Marion Investment LLC
8356 Golden Prairie Dr.
Tampa, FL 33647
Johnny_cyy@yahoo.com

VIA EMAIL & US MAIL

Re: Docket No. 20190213-WS - Application for transfer of water and wastewater facilities of Grenelefe Resort Utility, Inc., water Certificate No. 589-W, and wastewater Certificate No. 507-S to Lake Marion Investment LLC, in Polk County.

Dear Mr. Yo:

We have reviewed the minimum filing requirements (MFRs) submitted on December 2, 2019, on behalf of Lake Marion Investment LLC (Utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below:

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.

Staff calculated that the water distribution system has the capacity to serve 12,342 equivalent residential connections (ERCs). Therefore, the correct filing fee pursuant to Rule 25-30.020(2)(c)4., F.A.C., is \$3,000. Staff calculated that the wastewater distribution system has the capacity to serve 2,428 ERCs. Therefore, the correct filing fee pursuant to Rule 25-30.020(2)(c)3., F.A.C., is \$2,250. On December 9, 2019, the Utility remitted a check in the amount of \$1,500, leaving a balance owed of \$3,750. Please remit the remainder of the 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. After the 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. **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.
4. **Purchase Price.** Rule 25-30.037(2)(j)2., F.A.C., requires that the buyer provide The purchase price and terms of payment. Please provide the purchase price and terms of payment for the amount allocated between water and wastewater systems.
5. **Assets and Liabilities.** Rule 25-30.037(2)(j)3., F.A.C., requires the buyer provide a list of and the dollar amount of all assets purchased and liabilities assumed or not assumed including those of non-regulated operations or entities. Please provide documentation of all assets included in the purchase and all liabilities assumed or not assumed. Please include the appropriate allocation of assets and liabilities between the water and wastewater.
6. **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. The application states that the description of all consideration between the parties, including promised salaries, retainer fees, stock, stock options, and assumption of obligations has yet to be determined. Please provide a description of any consideration specific to the utility once determined.
7. **Provision for disposition.** Rule 25-30.037(2)(j)5., F.A.C., requires the buyer provide documentation of 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 documentation of all applicable provisions.

8. **Books and records.** Rule 25-30.037(2)(j)7., F.A.C., requires the buyer provide a statement that the buyer has or will obtain the books and records of the seller, including all supporting documentation for rate base additions since the last time rate base was established for the utility. Please provide a statement that the buyer has or will obtain the books and records of the seller.
9. **Detailed Financial Statement.** Rule 25-30.037(2)(l)1., F.A.C., requires the buyer provide 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. To demonstrate the financial ability of the buyer to maintain and operate the acquired utility, please provide a current, detailed balance sheet and income statement of the buyer.
10. **Funding.** Rule 25-30.037(2)(l)2., F.A.C., requires the buyer to provide a list of all entities, including affiliates, upon which the buyer is relying to provide funding to the utility and an explanation of the manner and amount of such funding. Please provide a list of all entities, including affiliates, upon which the buyer is relying to provide funding to the utility and an explanation of the manner and amount of such funding. The list need not include any person or entity holding less than 5 percent ownership interest in the utility. Include copies of any financial agreements between the listed entities and the utility and proof of the listed entities' ability to provide funding, such as financial statements.
11. **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-05-0142-PAA-WS, issued on February 7, 2005.
12. **Net Book Value.** Rule 25-30.037(2)(o), F.A.C., requires the buyer to provide a proposed net book value of the system as of the date of the proposed transfer, and a statement setting out the reasons for the inclusion of an acquisition adjustment, if one is requested. The application listed the docket number of a staff-assisted rate case that was withdrawn. Please provide a proposed net book value, as well as the most recent docket and the order number in which rate base was established by this Commission. In addition, please provide a schedule of all subsequent changes to rate base.
13. **Permits.** Rule 25-30.037(2)(r)1., F.A.C., requires that the applicant provide a copy of the utility's current permits from the Department of Environmental Protection (DEP) and the water management district (WMD). The applicant provided a permit from the DEP for the wastewater treatment plant. However, no permits were provided for the water treatment plant. Please provide permits for the water treatment plant from the DEP and WMD.

14. **Permits.** Rule 25-30.037(2)(r)2., F.A.C., requires that the applicant provide a copy of the most recent DEP and/or county health department sanitary survey, compliance inspection report, and secondary standards drinking water report. The applicant provided a copy of the most recent DEP sanitary survey and compliance inspection report. Please provide a copy of the most recent secondary standard drinking water report.
15. **Permits.** Rule 25-30.037(2)(r)3., F.A.C., requires that the applicant provide 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. Please provide a copy of the required information.
16. **Permits.** Rule 25-30.037(2)(r)4., F.A.C., requires that the applicant provide a copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years. Please provide a copy of the required information.
17. **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. Documentation of continued use shall be in the form of a recorded warranty deed, recorded quit claim deed accompanied by title insurance, recorded lease such as a 99-year lease, or recorded easement. The applicant provided title insurance. However, it was not accompanied by a recorded quit claim deed. Please provide a copy of a recorded quit claim deed or another form of the required documentation.
18. **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 addressing this information.
19. **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. Chong Yo
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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 February 7, 2020, 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 me by phone at (850) 413-6127 or email at JDoehlin@psc.state.fl.us for technical questions, or Ms. Bianca Lherisson by phone at (850) 413-6630 or email at BLheriss@psc.state.fl.us for legal questions. Please include the docket number on all submissions to the Commission Clerk.

Sincerely,



Jefferson Doehling
Engineering Specialist
Florida Public Service Commission
Division of Engineering

JD:jp

cc: Office of Commission Clerk (Docket No. 20190213-WS)