

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of United Water Florida Inc., holder of Certificates Nos. 236-W and 179-S in Duval, Nassau, and St. Johns Counties, for transfer of majority organizational control of corporate grandparent, United Water Resources, Inc., to Lyonnaise American Holding, Inc.

DOCKET NO. 991660-WS  
ORDER NO. PSC-00-0475-FOF-WS  
ISSUED: March 6, 2000

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.

ORDER GRANTING TRANSFER OF MAJORITY ORGANIZATIONAL CONTROL AND CLOSING DOCKET

BY THE COMMISSION:

Background

United Water Florida Inc., formerly Jacksonville Suburban Utilities Corporation, (United Water or utility) is a Class A utility located in Duval, Nassau, and St. Johns Counties and serves approximately 30,425 water and 22,909 wastewater customers. United Water is a wholly owned subsidiary of United Waterworks, Inc. (UWW), which is a wholly owned subsidiary of United Water Resources, Inc. (UWR or grandparent). The utility's 1998 annual report lists total operating revenues of \$9,952,625 for water and \$17,873,010 for wastewater and a total income of \$1,744,078.

Jacksonville Suburban Utilities Corporation was issued Water Certificate No. 236-W and Wastewater Certificate No. 179-S pursuant to Order No. 13672, in Docket No. 840177-WS, issued September 11, 1984. We approved the transfer of majority organizational control from GWC Corporation to UWR by Order No. PSC-95-0215-FOF-WS, in Docket No. 940743-WS, issued February 16, 1995. Subsequently, the utility filed an application for a name change to United Water

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Florida Inc., which was approved pursuant to Order No. PSC-95-0604-FOF-WS, issued May 16, 1995, in Docket No. 950386-WS.

On November 1, 1999, United Water filed a petition requesting an emergency temporary variance from Rule 25-30.030(4)(c), Florida Administrative Code, which related to the instant Application for Transfer of Majority Organizational Control filed in this docket on December 7, 1999. Lyonnaise American Holding, Inc. (LAH or buyer) is currently a 30.1% shareholder of UWR's common stock and 98.1% of its preference stock and is seeking to become the sole shareholder through a pending merger. We granted the variance by Order No. PSC-99-2422-PAA-WS, issued December 9, 1999, in this docket.

It has been Commission practice that rate base is not established in transfer of majority organizational control proceedings, and thus, rate base audits are not conducted in these types of cases. However, for informational purposes, the 1998 annual report gives United Water's rate base as \$32,006,796 for water and \$55,648,855 for wastewater.

#### Application

The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer of majority organizational control. The application contains a check in the amount of \$6,000, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code, as modified by Order No. PSC-99-2422-PAA-WS. By Order No. PSC-99-2422-PAA-WS, issued December 9, 1999, in this docket, we exempted the utility from full compliance with the requirements of Rule 25-30.030(4)(c), Florida Administrative Code, as it applied to the individual noticing of customers, required by Rule 25-30.030(6), Florida Administrative Code, and to noticing by publication, required by Rule 25-30.030(7), Florida Administrative Code, for the purposes of this application only. As a result of the noticing, three letters from customers expressing concern about a possible rate increase have been filed. Each of these customers has been sent a letter stating that no rate increase has been requested for this transfer. No objections to the notice of application have been received and the time for filing such has

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expired. A description of the territory served by the utility, in the form of a map, is appended to this Order as Attachment A.

The application states that the transfer is in the public interest because the buyer is a wholly-owned subsidiary of Suez Lyonnaise des Eaux (SLDE), an international business having utility operations in over 120 countries. These utility operations include electricity and natural gas, waste services, communications services, and water services. SLDE makes funds and new technology developed by SLDE available to its subsidiaries to continue to provide high quality service and cutting edge technology to existing and new communities. Additionally, the application contains a statement that the buyer will fulfill the commitments, obligations, and representations of United Water with regard to its utility matters.

Pursuant to Rule 25-30.037(2)(j), Florida Administrative Code, the application provides a statement of the buyer's technical and financial ability. First, regarding the buyer's technical ability, LAH is a holding company with (1) ownership interest in UWR; (2) 50% of the voting interest in United Water Services LLC, which provides services in the water and wastewater industries to municipalities in the United States; (3) majority interests in United Water Services Canada L.P., and United Water Services Mexico LLC, which provide services in the water and wastewater industries to municipalities in Canada and Mexico, respectively; and (4) a 49% interest in Tecnologia y Servicios De Agua, S.A., a Mexican company which provides certain water services to Mexico City, Mexico. Second, regarding the financial ability of LAH, the buyer supplied a consolidated financial statement. LAH has total assets of \$291,110,000 and is committed to providing financial assistance to United Water as needed. Additionally, the application states that "All of the management expertise, experience, and strength of UWR will be retained." Thus, we find that the buyer possesses the technical and financial ability to operate the water and wastewater systems.

According to the Commission's records, the utility timely remitted its 1998 regulatory assessment fees and has filed an annual report for 1998. In addition, the application states that after reasonable investigation, the systems owned by UWR appear to be in satisfactory condition and in compliance with the applicable standards set by the Florida Department of Environmental Protection.

Rule 25-30.037(3)(i), Florida Administrative Code, requires a utility to provide proof of ownership of the land upon which its facilities are located. United Water provided evidence of ownership at the time of initial certification and subsequent amendments. Since the transfer of UWR does not effect the real property of United Water, no additional evidence of ownership was necessary.

Based on the foregoing, we find that the transfer of majority organizational control of United Water from UWR to LAH, is in the public interest. The application for transfer of majority organizational control is hereby approved.

#### Rate Base

It is Commission practice that rate base is not established in transfer of majority organizational control proceedings because stock is traded and has no regulatory relationship to rate base. Thus, different ownership of stock does not affect a utility's rate base balance. Consequently, stock purchase price and rate base are not considered in making the public interest determination of a transfer of majority organizational control. This approach is followed if the stock is privately held or publicly traded.

Because rate base is not considered in transfer of majority organizational control proceedings, rate base audits have historically not been conducted in transfer of majority organizational control proceedings. In this docket, we find that establishment of rate base would result in an unnecessary deviation from Commission practice because the sale of UWR's stock will not alter United Water's asset and liability accounts. Accordingly, the transfer of stock ownership will not change the rate base balance. Therefore, we do not establish rate base in this docket.

#### Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the original cost calculation. We routinely make determinations regarding acquisition adjustments in cases involving the transfer of certificates, assets, or facilities because the purchase price is considered when determining whether the transfer is in the public interest. However, it is our practice that acquisition adjustments are generally not considered in stock transfers because the price of stock has no regulatory relationship

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to a utility's established rate base. Therefore, since the assets are not actually being sold and their value will remain the same after the transfer, we find that an acquisition adjustment is not appropriate in this docket.

#### Rates and Charges

United Water's approved rates and service availability charges became effective May 21, 1999, pursuant to a rate case filed in Docket No. 980214-WS.

Rule 25-9.044(1), Florida Administrative Code, provides that:

In case of change of ownership or control of a utility which places the operation under a different or new utility ... the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission).

LAH has not requested a change in the rates and charges of the utility, and we see no reason to change them at this time. Accordingly, the utility shall continue operations under its existing tariff by applying its approved rates and charges until authorized to change by this Commission in a subsequent proceeding. Since there is no change in the utility's name, rates, conditions of service or officers as a result of the transfer, it is not necessary for the utility to file revised tariff sheets.

Based on the foregoing, it is

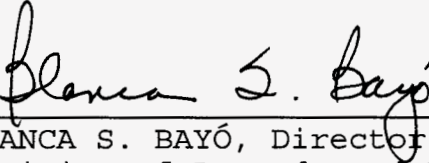
ORDERED by the Florida Public Service Commission that the transfer of majority organizational control of United Water Florida Inc., 1400 Millcoe Road, Jacksonville, Florida 32239, from United Water Resources, Inc. to Lyonnaise American Holding, Inc., 2000 First State Boulevard, Wilmington, Delaware 19804, is hereby approved. It is further

ORDERED that United Water Florida Inc. shall continue to charge the rates and charges approved in its tariff until authorized to change by this Commission. It is further

ORDERED that this docket shall be closed.

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By ORDER of the Florida Public Service Commission this 6th day  
of March, 2000.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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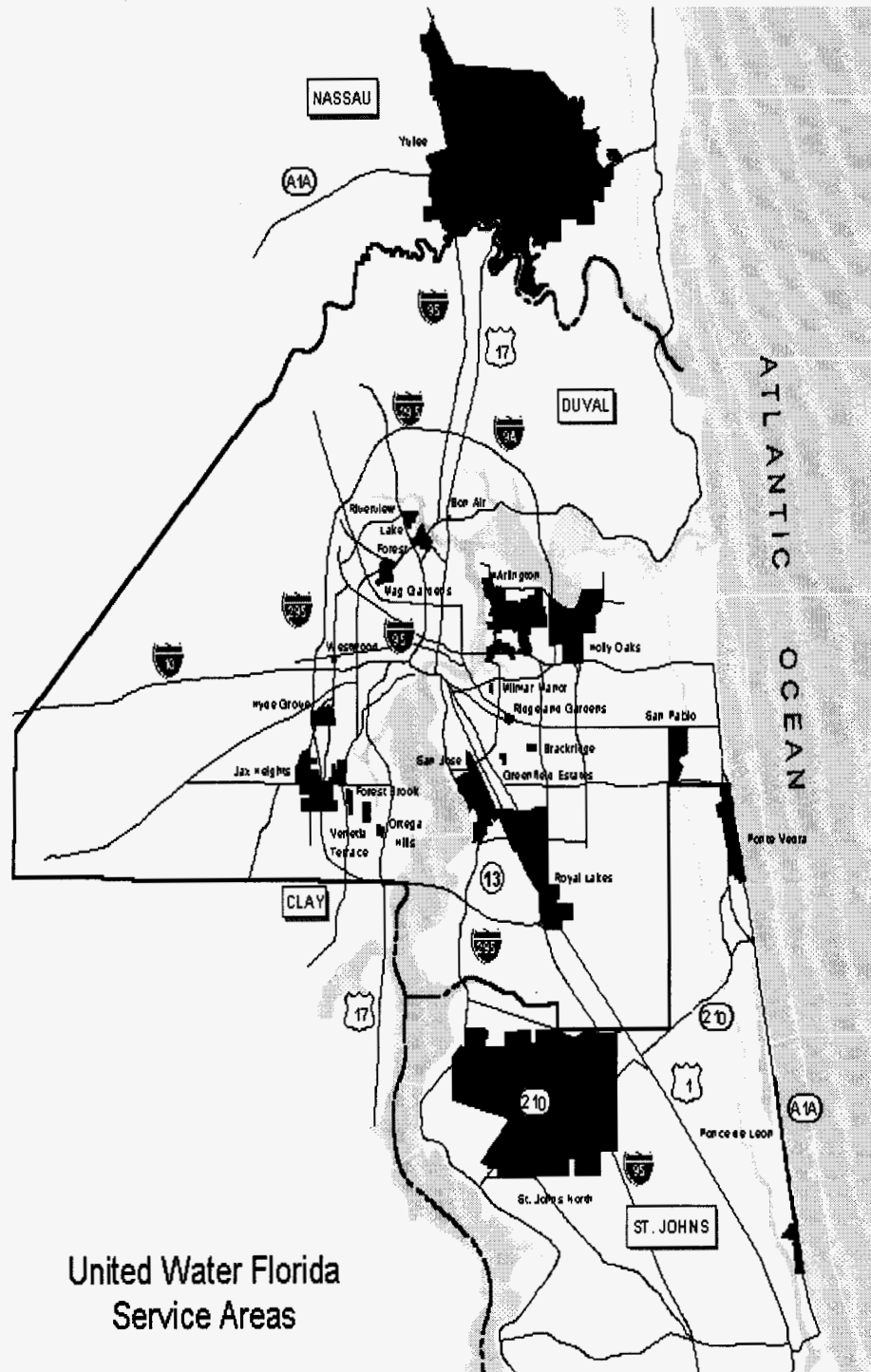
NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice

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of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.



United Water Florida  
Service Areas