

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer
of Certificate No. 291-W in
Citrus County from Lands, Inc.
Of Rhinelander to Crystal River
Utilities, Inc.

DOCKET NO. 960644-WU
ORDER NO. PSC-97-0580-FOF-WU
ISSUED: May 20, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING

ORDER ACKNOWLEDGING WITHDRAWAL OF PROTESTS, APPROVING
TRANSFER, AMENDING CERTIFICATE NO. 396-W,
AND CANCELING CERTIFICATE NO. 291-W
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE TRANSFER,
AND APPROVING CUSTOMER DEPOSITS AND A LATE FEE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service
Commission that the action establishing rate base, for purposes of
the transfer, and approving customer deposits and a late fee, as
discussed herein, is preliminary in nature and will become final
unless a person whose interests are substantially affected files a
petition for a formal proceeding, pursuant to Rule 25-22.029,
Florida Administrative Code.

Background

On May 23, 1996, Crystal River Utilities, Inc. (Crystal River)
filed an application for the transfer of assets, facilities and
Certificate No. 291-W in Citrus County from Lands, Inc. of
Rhinelander (Lands, Inc. or utility) to Crystal River, pursuant to
Section 367.071, Florida Statutes. Lands, Inc. is a Class C
utility which serves approximately 97 water customers in Citrus
County. Wastewater service is provided by septic tanks.

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FPSC-RECORDS/REPORTING

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Crystal River has previously requested and received approval of the transfer of five systems: Demetree Industries, Inc. in Citrus County, Ravenswood Water System, Inc. in Lake County, Seven Rivers Utilities, Inc. in Citrus County, Sumter Water Company, Inc. in Sumter County, and Haines Creek Mobile Homesites Waterworks in Lake County. Crystal River currently holds Certificates No. 396-W in Citrus County, Certificate No. 123-W in Lake County, and Certificates Nos. 507-W and 441-S in Sumter County.

Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and provisions of the Florida Administrative Code. In particular, the application contains a filing fee in the amount of \$750, as prescribed by Rule 25-30.020, Florida Administrative Code. Crystal River also provided evidence that it owns the land upon which the utility's facilities are located as required by Rule 25-30.037(2)(q), Florida Administrative Code.

Crystal River provided proof of compliance with the noticing provisions of Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system being transferred. Objections to the application were filed by Mrs. Rita Faulk, Mrs. Pauline Paulson, and Mr. and Mrs. James McGonagle, customer of the utility. The objections have since been withdrawn. Therefore, we find it appropriate to acknowledge withdrawal of the objections.

The application contains a copy of the contract for sale, which includes the purchase price, terms of payment, and a list of the assets purchased and liabilities assumed. According to the application, there are no existing guaranteed revenue contracts or customers advances. The seller remains responsible for the existing debts of the utility. In addition, the developer agreements, and customer deposits, plus the interest thereon, are being transferred to Crystal River.

Further, from the information provided with the application, it appears that Crystal River has the technical ability to operate the system being transferred. Crystal River has retained H2O Utility Services, Inc. (H2O) to maintain and operate the system. H2O currently operates and maintains over 80 systems in Florida,

including the other systems owned by Crystal River. According to the Department of Environmental Protection (DEP), there are no outstanding notices of violations against the utility.

With regard to Crystal River's financial ability to operate the system, Crystal River provided financial statements, which indicate the company's net worth in real estate and other assets. From the information provided, it appears that Crystal River has the financial ability to continue to operate the Lands, Inc. system.

Based on the foregoing, we find that it is in the public interest to approve the transfer of assets and facilities from Lands, Inc. to Crystal River and to amend Certificate No. 396-W, held by Crystal River in Citrus County, to include the territory shown on Attachment A of this Order, which by reference is incorporated herein. The territory shown on Attachment A is the territory which Lands, Inc. is authorized to serve by Certificate No. 291-W. Therefore, Certificate No. 291-W, held by Lands, Inc. in Citrus County, is hereby canceled. Crystal River shall return Certificate No. 396-W to this Commission within 30 days of the date of this Order for amendment reflecting the territory shown on Attachment A of this Order. Lands, Inc. shall return Certificate No. 291-W to this Commission within 30 days of the date of this Order for cancellation.

Rate Base

Rate base was last established for the utility in its last rate case in Docket No. 780625-W, as of February 29, 1980. At that time, rate base for Lands, Inc. was found to be \$17,839.

In its application, Crystal River estimated the net book value of the assets being acquired from Lands, Inc. to be \$17,620. The value was derived using information from the company's records and the 1995 Annual Report. The amount included working capital which is typically removed when rate base is established in a transfer proceeding.

An audit of the utility books and records was conducted and previous Commission orders were reviewed in an effort to reconcile rate base from the last utility's rate case in Docket No. 780625-W.

The auditors analyzed plant through December 31, 1995, testing 100 percent of the available invoices. Land ownership, existing rates, miscellaneous service charges, service availability charges, and customer deposits currently being charged by the utility were verified.

As a result of the audit, adjustments totaling \$14,041 were made to rate base for the water system. The utility did not book an adjustment to land as required by Docket No. 780625-W. In addition, the utility expensed items which should have been capitalized. Further, the utility did not record all of its contributions-in-aid-of-construction (CIAC), nor did it record amortization of CIAC for the years 1980 through 1995. The utility did not utilize the correct depreciation rates. Therefore, adjustments were necessary to utility plant in service, CIAC, accumulated depreciation, and amortization of CIAC.

The utility plant in service account was increased by \$7,234 to reflect plant additions which were not booked by the utility. In addition, the land account was increased by \$1,900, as required by Docket No. 780625-W. Also, since the utility did not record amortization of CIAC for the years 1980 through 1995, CIAC and CIAC amortization were recalculated to reflect that the utility had non-recorded CIAC of (\$1,837) and had overstated depreciation by \$3,058 for the water system.

The utility used a 2.5 percent annual depreciation rate from 1980 to 1989. In 1990, the utility used a 2.5 percent rate for six months and then changed to a rate of 4.5 percent. Since the utility has not had a rate case since 1980, it should have continued to use the 2.5 percent rate. Annual depreciation was recalculated from 1980. As a result, the accumulated depreciation account was decreased by \$3,287.

Therefore, we find rate base, which for transfer purposes reflects the net book value, to be \$31,880, as of December 31, 1995. Our calculation of rate base, with adjustments, is shown on Schedule No. 1.

An acquisition adjustment results when the purchase price differs from the original cost calculation. In the absence of extraordinary circumstances, it is Commission policy that the

purchase of a utility at a premium or discount shall not affect the rate base calculation. Because the circumstances in this exchange do not appear to be extraordinary, and an acquisition adjustment has not been requested by Crystal River, no acquisition adjustment is included in the calculation of rate base.

The rate base calculation is used purely to establish the net book value of the system being transferred. Accordingly, the calculation does not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments.

Rates and Charges

The utility's current rates and charges became effective on January 21, 1995, pursuant a to price index rate increase. Rule 25-9.044(1), Florida Administrative Code, requires the new owner of a utility to adopt and use the rates, classification and regulations of the former operating company unless authorized to change by this Commission. Crystal River has not requested to change the rates and we see no reason to change this at this time. Crystal River has, however, requested that its currently approved customer deposits and late fee be applied to the customers in Lands, Inc.'s service area. Following are the rates and charges currently authorized by Lands, Inc.'s tariff:

WATER

(Monthly Rates)

Residential Service

Base Facility Charge

Meter Size:

5/8" x 3/4" \$ 6.07

Gallonage Charge

(Per 1,000 Gallons)

\$ 2.20

Miscellaneous Service Charges

| | |
|------------------------|----------|
| Initial Reconnection | \$ 15.00 |
| Normal Reconnection | \$ 15.00 |
| Violation Reconnection | \$ 15.00 |
| Premises Visit | \$ 10.00 |

Meter Test Deposits

Meter Size

| | |
|---------------|-------------|
| 5/8" x 3/4" | \$ 10.00 |
| 1" and 1-1/2" | \$ 12.50 |
| 2" | \$ 15.00 |
| Over 2" | Actual Cost |

The customer deposits requested by Crystal River and approved in its tariff, are as follows:

Customer Deposits

| <u>Meter Size</u> | <u>Residential</u> | <u>General Service</u> |
|-------------------|--------------------|------------------------|
| 5/8" x 3/4" | \$ 20.00 | \$ 20.00 |
| 1" | \$ 50.00 | \$ 50.00 |
| 1-1/2" | \$100.00 | \$100.00 |
| Over 2" | \$160.00 | \$160.00 |

In addition, Crystal River has requested to implement its currently approved late fee of \$5.00. The purpose of the fee is not only to provide an incentive for customers to make timely payments, thereby reducing the number of delinquent accounts, but also to place the burden of the cost of processing such delinquent notices and accounts solely upon the cost causers.

We find the rates and charges requested by Crystal River, as set forth herein, to be reasonable and they are approved. Crystal River shall charge these rates and charges until authorized to

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change by this Commission in a subsequent proceeding. Crystal River has filed a tariff reflecting the rates and charges set forth herein. The tariff shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets.

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, no further action is necessary and this docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that withdrawal of the objections filed by Mrs. Rita Faulk, Mrs. Pauline Paulson, and Mr. and Mrs. James McGonagle is hereby acknowledged. It is further

ORDERED that the transfer of assets and facilities from Lands, Inc. of Rhinelander, 5126 South Galvin Terrace, Floral City, Florida 34436, to Crystal River Utilities, Inc., Post Office Box 520247, Longwood, Florida 32752, is hereby approved. It is further

ORDERED that Certificate No. 396-W, held by Crystal River Utilities, Inc., is hereby amended to include the territory shown on Attachment A of this Order. Certificate No. 396-W shall be returned to this Commission within 30 days of the date of this Order for entry reflecting the additional territory. It is further

ORDERED that Certificate No. 291-W, held by Lands, Inc. of Rhinelander, is hereby canceled. Certificate No. 291-W shall be returned to this Commission within 30 days of the date of this Order for cancellation. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value of the system, is \$31,880 as of December 31, 1995. It is further

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

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ORDERED that Crystal River Utilities, Inc. shall charge Lands, Inc. of Rhinelander's customers the rates and charges approved in the body of this Order until authorized to change by this Commission in a subsequent proceeding. It is further

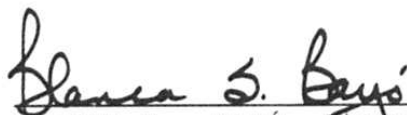
ORDERED that Crystal River Utilities, Inc.'s request to charge the customer deposits and a \$5.00 late fee, as set forth in the body of this Order, is hereby approved. It is further

ORDERED that the rates and changes approved herein shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission, this 20th day of May, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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DISSENT:

Commissioner J. Terry Deason dissents on the issue not to recognize a negative acquisition adjustment in the calculation of rate base.

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.

As identified in the body of this order, our action establishing rate base for purposes of the transfer, and approving customer deposits and a late fee is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 10, 1997. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

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If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date 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.

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 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 or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice 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.

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ATTACHMENT A

Crystal River Utilities, Inc.
Territory Description

The Lands Inc. Of Rhinelander System

Citrus County

Township 19 South, Range 20 East, Section 34 in Citrus County,
Florida

The Southeast 1/4 of the Southwest 1/4 less and except Right-of-Way
of U.S. Highway 41 and other peripheral roadways and easements as
may exist.

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SCHEDULE 1

| | <u>12/31/95</u> | <u>Adjustments</u> | <u>Commission Balance</u> |
|--|-----------------|--------------------|-------------------------------|
| Utility Plant In Service | \$51,012 | \$ 1,743 5,491 | \$58,246 |
| Land | 100 | 1,900 | 2,000 |
| Accumulated Depreciation | (23,072) | 3,287 | (19,785) |
| CIAC | (10,201) | (1,837) 399 | (11,639) |
| Accumulated Amortization of CIAC | 0 | 3,058 | 3,058 |
| Future Plant | 0 | 0 | 0 |
| Working Capital | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Book Value | <u>\$17,839</u> | <u>\$14,041</u> | <u>\$31,880</u> |