

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Southern States ) DOCKET NO. 881200-WU  
Utilities, Inc. for amendment of ) ORDER NO. 21200  
Certificate No. 66-W in Osceola County. ) ISSUED: 5-8-89  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD  
BETTY EASLEY  
GERALD L. GUNTER  
JOHN T. HERNDON

ORDER APPROVING TRANSFER AND AMENDING  
CERTIFICATE 66-W

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE AND APPROVING  
RATES AND CHARGES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is final except for the establishment of rate base and approval of rates and charges, which are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

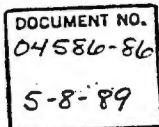
Background

On December 14, 1987, Southern States Utilities, Inc. (Southern States and King Investment Group, Inc., (King), owner of the Lake Ajay water system, entered into an Agreement for Purchase and Sale of the system. At the time of purchase, King was not charging for water service and, therefore, was not jurisdictional. On September 20, 1988, Southern States applied to this Commission for an amendment of Certificate No. 66-W in Osceola County to include the territory served by the Lake Ajay water system. Since a sale of assets occurred, the application has been handled as a transfer.

Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning applications for transfer. In particular, the notarized application contains:

- a) A check in the amount of \$150.00 which, upon calculation, equates to the correct filing fee as prescribed by Section 367.141, Florida Statutes;
- b) Adequate maps (territorial and system) and legal description pursuant to Rule 25-30.035, Florida Administrative Code. Said territory to be served is described as being in Osceola County, and more particularly as described in Appendix A attached;
- c) Proof of notice to all customers of record pursuant to Rule 25-30.030(2)(g), Florida Administrative Code;



- d) Proof of notice to all governmental/regulatory agencies, all utilities within a 4-mile radius, and proof of advertisement in a newspaper of general circulation in the county, pursuant to Rule 25-30.030, Florida Administrative Code;
- e) Proof of ownership of the real property on which the treatment plant is located.

No objections have been filed and time for doing so has passed.

The Lake Ajay water system was constructed in 1979. The plant has a design capacity of 40,000 gallons per day, which is more than adequate for the 99 lot subdivision. At the time of purchase, the Lake Ajay water system was under a boil water notice by the Osceola County Public Health Unit (Osceola County). On April 16, 1988, Southern States received a letter from Osceola County, which stated that because of the satisfactory bacteriological water samples submitted in March of 1988, and the improvements made to the water system by Southern States, the boil water notice was removed.

In its application, Southern States stated that the purchase is in the public interest because it has extensive experience and background in the industry and directs all its resources to improving quality of water service to the citizens of the State of Florida. Since the customers will benefit from a larger utility owning and operating the utility system because of the resources available to operate and maintain the system, we find that the transfer of assets and amendment of Certificate No. 66-W to include the service area described in Attachment A, are in the public interest and they are, therefore, approved.

#### Rate Base

An audit of the seller, King Investment Group, Inc., was conducted in order to determine the rate base. No tax returns, general ledger, cash receipts or other books and records were available for review. Vendor proposals and invoices for the original construction of the plant, excluding the transmission and distribution system, were provided, however. These documents have been reviewed for reasonableness. No adjustments are necessary and the cost of the plant is found to be \$49,022.

An original cost analysis was conducted on the transmission and distribution lines and fire hydrants. The original cost is determined to be approximately \$75,339.

Even though the application did not include a value for the land (1.014 acres) related to the plant site, we have estimated its original cost based on the original purchase price when the land was purchased by the original developer. The value has been determined by dividing the total cost of the land by the total number of acres and then multiplying by 1.014, the number of acres in the plant site. The value of the land related to the plant site has been determined to be \$2,800.

In determining rate base, we considered the unusual circumstances surrounding the system. From a conversation with a current lot owner who purchased property from the original developer, Mr. Muller, it appears that it was Mr. Muller's

intent to provide service without charge, eventually turning the system over to the homeowners' association. However, Mr. Muller sold the company before that occurred. From February 1, 1984 through November 13, 1987, the development was owned by an absentee owner, Whisperwinds Estates, Inc. From November, 1984 through October, 1986, Mr. Frank Kelley, a homeowner in the service area, unofficially coordinated the running of the system. The costs of operating the system during that time, over \$5,000, included the repair of certain plant items. These costs were divided among the homeowners. King bought the property in November 13, 1987 and then began the transfer of the utility to Southern States.

We have been unable to obtain any documentation regarding the possibility that the original developer and the second developer may have written a portion of the plant off to cost of land sales, nor have we received documentation concerning the extent to which the homeowners maintained the system. Therefore, CIAC has been imputed for the transmission and distribution system only, in the amount of \$75,339, in accordance with Rule 25-30.570, Florida Administrative Code.

Other adjustments to rate base include transmission and distribution lines in utility plant that were not included in the original cost of \$75,339. The original cost of the land is included in rate base at \$2,800. Also, the Accumulated Depreciation and Accumulated Amortization of CIAC has been calculated using a rate of 2 1/2% for 9 years. Therefore, rate base is found to be \$40,792 as shown in Schedule 1, with adjustments shown on Schedule 2. This calculation does not include the normal rate making adjustments of working capital calculations and used and useful adjustments. The rate base calculations are used solely to establish the book value of the property being transferred.

#### Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. It has been Commission practice that a purchase of a utility system at a premium or discount will not affect the rate base calculation. Although a negative acquisition adjustment exists in this case, no extraordinary circumstances have been presented and Southern States has not requested an acquisition adjustment. Therefore, no acquisition adjustment is included in rate base.

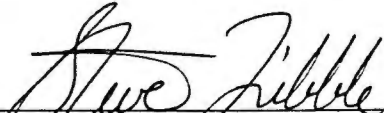
#### Rates and Charges

Southern States purchased the Lake Ajay system in December of 1987. At the time of purchase, Lake Ajay was providing service to approximately 12 customers without compensation. In February of 1988 meters were installed and billing began in April based upon Southern States' uniform Osceola County rates and statewide tariff. In January of 1988, existing Lake Ajay customers were notified of the implementation of rates and charges and have been billed for approximately 10 months. No protest regarding rates and charges were received.

Since the Lake Ajay system will be consolidated with Southern States' other Osceola County systems in a future rate proceeding, we see no need to establish rates for Lake Ajay as a separate system. Further, since improvements have been made to the system by Southern States and no protests were received

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

By ORDER of the Florida Public Service Commission, this 8th day of May, 1989.

  
\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

ALC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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, the establishment of rate base and approval of rates and charges 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 his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 29, 1989. In the absence of such a petition, this order shall become effective May 30, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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.

If the relevant portion of this order becomes final and effective on May 30, 1989, 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 sewer 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

regarding the implementation of rates, we find that Southern States' request for applicability of its existing tariff to be reasonable and it is, therefore, approved. Southern States is directed to file revised tariff sheets for inclusion of the Lake Ajay system within its uniform tariff.

While we approve of the continuation of the rates and charges presently being billed to the customers of the Lake Ajay water system, we are concerned about the implementation of rates prior to Commission approval. In all future acquisitions of systems without existing rates and charges, Southern States is directed to obtain Commission approval prior to the implementation of rates and charges, pursuant to Rule 25-9.044(1), Florida Administrative Code. Further, when Southern States acquires a system which has existing rates and charges, Southern States shall continue to charge the customers of the acquired system the existing rates, unless authorized to change by the Commission. Failure of Southern States to comply with these requirements shall be considered a violation of Commission rules and appropriate action will be taken.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of Lake Ajay Estates to Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, is hereby approved. It is further

ORDERED that Certificate No. 66-W, held by Southern States Utilities, Inc., is hereby amended to include the service area of Lake Ajay Estates. Southern States is directed to return Certificate No. 66-W to the Commission within 20 days of the date of this Order for appropriate entry. It is further

ORDERED that rate base, for purposes of the transfer, is \$40,792. It is further

ORDERED that no acquisition adjustment is included in the rate base. It is further

ORDERED that the rates and charges set forth in its tariff and currently being charged to the customers of Lake Ajay Estates are hereby approved. Southern States is directed to file revised tariff sheets reflecting the inclusion of the Lake Ajay system in its uniform tariff within 20 days of the date of this Order. It is further

ORDERED that in all future acquisitions of systems without existing rates and charges, Southern States shall obtain Commission approval prior to the implementation of rates and charges. In addition, for acquisitions of systems which have existing rates, Southern States shall continue to charge the utility's existing rates and charges, unless authorized to change by this Commission. It is further

ORDERED that the provisions of this Order, issued as Proposed Agency Action, shall become final 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 29, 1989. It is further

ORDER NO. 21200  
DOCKET NO. 881200-WU  
Page 6

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 sewer 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.

APPENDIX A

In Township 25 South, Range 31 East, Sections 4 and 5, Osceola County

That portion of Lots 1,2,15,15 & 25 in section 5, Lots 5,6,7,8 & 9 in Section 4, and Lots 10 & 11 in Sections 4 & 5 of Twp 25S Range 31E according to the Narcoossee Farm and Townsite Company's survey and plat of said sections 4 and 5, situated and lying East of State Road No. 15, North of South Florida Water Management District Canal 29-B and West of said District Canal 29-A in Osceola County, Florida.

More Particularly described as: Beginning at the N.E. corner of Section 5, T25S, R31E, Osceola County, Florida, run N89°32'05"W, along the North line of said Sec. 5, 1331.81FT., to the easterly R.O.W. line of State Road No. 15; run thence S41°23'21"E, along said R.O.W. line, 921.96 Ft., to the point of curve of a 2338.54 Ft. radius curve to the right, with a delta of 41°56'52"; run thence along said curve, 1712.11 Ft., to the point of tangency; run thence along said R.O.W. line, S00°33'31"W, 523.79 Ft., to the North R.O.W. Line of South Florida Water Management District Canal 29-B; run thence N87°45'46"E, along said district R.O.W. line, 40.05 Ft., run thence S00°33'31"W, 25.00 Ft.; run thence N87°45'46"E, along said R.O.W. line, 559.82Ft.; run thence S02°14'14"E, 40.00 Ft.; run thence along said R.O.W. line, N87°45'46"E 178.36 Ft. to the ordinary high water line of Lake Ajay at Elev. 57.00 M.S.L.; run thence on a traverse of said elevation line, the following bearings and distances: N37°46'57"E, 326.44 Ft.; N18°45'28"E, 133.89 Ft.; N10°02'03"W, 378.51 Ft.; N61°22'13"W, 243.64 Ft.; N29°25'35"E, 293.72 Ft.; N09°03'58"E, 254.94 Ft.; N15°18'25"W, 309.42 Ft.; S36°47'52"E, 158.60 Ft.; N69°59'14"E, 493.82 Ft.; S26°56'08"W, 207.51 Ft.; S10°58'38"E, 236.32 Ft.; N36°03'38"E, 254.82 Ft.; N66°25'31"E, 540.08Ft. to the Westerly R.O.W. line of South Fla. Water Management District Canal 29-A; run thence N21°33'44"E, along said R.O.W. line, 982.02 Ft., to the North line of Section 4, T25S, R31E, run thence N89°49'13"W, along said north line, 2375.52 Ft., to the point of beginning.

Southern States Utilities, Inc.  
 Lake Ajay Estates  
 Schedule of Rate Base  
 February 29, 1988

Docket No. 881200-WU  
 Schedule No. 1

Description	Balance per Filing		Staff Adjustments	Balance per Staff
Utility Plant in Service	\$ 49,022	1)	75,339	\$ 124,361
Land	0	2)	2,800	2,800
Accumulated Depreciation	(8,824)	3)	(19,157)	(27,981)
Contributions-in-aid-of-Construction	0	4)	(75,339)	(75,339)
Accumulated Amortization of C.I.A.C.	0	5)	16,951	16,951
<b>TOTAL</b>	<b>\$ 40,198</b>		<b>594</b>	<b>\$ 40,792</b>



Southern States Utilities, Inc.  
Lake Ajay Estates  
Schedule of Adjustments to Rate Base  
February 29, 1988

Docket No. 881200-WU  
Schedule No. 2

	Adjustment
	-----
1) Utility Plant in Service	
To reflect the inclusion of Transmission and Distribution Lines not included in the original cost documentation. Cost estimate based on Original Cost Study.	\$ 75,339 =====
2) Land	
To reflect the original cost of Land based on the original purchase of the land.	\$ 2,800 =====
3) Accumulated Depreciation	
To reflect the recalculation of Accumulated Depreciation based on a 2.5% depreciation rate for a 9 year period.	\$ (19,157) =====
4) Contributions-in-aid-of-Construction	
To reflect the imputation of CIAC as per Rule 25-30.570, Florida Administrative Code and due to the lack of records.	\$ (75,339) =====
5) Accumulated Amortization of C.I.A.C.	
To reflect the calculation of amortization of CIAC related to the imputed CIAC.	\$ 16,951 =====