

M E M O R A N D U M

June 26, 1989

TO : DIVISION OF RECORDS AND REPORTING
FROM : DIVISION OF LEGAL SERVICES (PIERSON) *R. Pierson*
RE : DOCKET NO. 881245-SU - APPLICATION FOR TRANSFER OF
CERTIFICATE NO. 57-S IN LEE COUNTY AND MAJORITY
ORGANIZATIONAL CONTROL FROM MOBILE LAND AND TITLE
COMPANY TO CARRIAGE VILLAGE LANDOWNERS' ASSOCIATION,
INC.

Off 21434

Attached is an Order Approving Transfer of Certificate No. 57-S and Notice of Proposed Agency Action, Order Establishing Rate Base and Approving Rates and Charges in the above-referenced docket, with attachments, consisting of ~~7~~₇ pages, which is ready to be issued.

RJP/dlc

Attachment/Order

cc: Division of Water and Sewer

DOCUMENT NUMBER-DATE

06259 JUN 26 1989

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of) DOCKET NO. 881245-SU
Certificate No. 57-S in Lee County and)
majority organizational control from) ORDER NO. 21434
MOBILE LAND AND TITLE COMPANY to CARRIAGE) ISSUED: 6-26-89
VILLAGE LANDOWNERS' ASSOCIATION, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
THOMAS M. BEARD
BETTY EASLEY
GERALD L. GUNTER
JOHN T. HERNDON

ORDER APPROVING TRANSFER OF CERTIFICATE NO. 57-S 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 actions discussed herein, except for the transfer of Certificate No. 57-S, are 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

Mobile Land & Title Company (Mobile Land) is a utility which provides sewer service to Carriage Village Mobile Home Park (Carriage Village) and Royal Coach Mobile Home Park (Royal Coach), in Lee County. On May 31, 1988, the Carriage Village Landowners' Association, Inc. (Association) purchased the utility, as well as certain recreational facilities and additional land, from Mobile Land. The Association is a nonprofit corporation which consists of landowners in the Carriage Village Mobile Home Park, who make up the majority of the utility's customers. However, fifteen of the residents of Carriage Village and all of the residents of Royal Coach are not members. Since the Association is serving customers who are not members, it remains subject to our regulation.

TRANSFER

On September 26, 1988, the Association filed an application for approval of the transfer of Certificate No. 57-S. The application appears to be in compliance with Section 367.071, Florida Statutes, and Rules 25-30.020 through 25-30.040, Florida Administrative Code. In particular the application contains:

- a) A check in the amount of \$150 which, according to Section 367.141 Florida Statutes, is the correct filing fee;

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- b) An adequate legal description, as required by Rule 25-30.035, Florida Administrative Code;
- c) Proof of notice to all customers of record, as required by Rule 25-30.030(g), Florida Administrative Code, and;
- d) Proof of notice to all interested governmental and regulatory agencies, all utilities within a four-mile radius of the territory to be served and proof of advertisement in a newspaper of general circulation in Lee County, as required by Rule 25-30.030, Florida Administrative Code.

No objections have been filed and the time for filing such has expired.

Although there were numerous complaints to the Department of Environmental Regulation during the last year that Mobile Land operated the system, the Association has upgraded the system and no complaints have been filed since the transfer occurred. The Association has hired Charter Utilities to operate the system has retained the existing utility office personnel.

In its application, the Association stated that the transfer is in the public interest because Mobile Land is no longer interested in operating the system and because the majority of the customers of the utility, as members of the Association, would thereby have more control over the provision of sewer service. Furthermore, the Association states that it has over \$1,139,318 in assets, with over \$95,700 in cash on hand and in banks.

Since the Association appears to be financially sound and has hired an operator that appears to have the technical expertise to provide service, we find that the transfer is in the public interest. Accordingly, we hereby approve the transfer of Certificate No. 57-S from Mobile Land to the Association, for the territory described in Attachment A.

RATE BASE

In order to establish the appropriate level of rate base at the time of the transfer, we audited the utility's books and records, beginning with the rate base established in its last rate proceeding, as reflected by Order No. 11546, issued January 25, 1983. These records were updated to May 31, 1988, the date of the transfer. Our calculation of rate base does not include any adjustments normally performed for ratemaking purposes, such as used and useful or working capital. The rate base calculation is used purely to establish the net book value of the property being certificated.

Our calculation of the Association's rate base is attached as Schedule No. 1, with our adjustments itemized on Schedule No. 2. Those adjustments which are self explanatory or which are essentially mechanical in nature are set forth on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Plant-in-Service

The Association's proposed rate base included plant additions of \$8,622, however, the Association was unable to document these additions. We have, therefore, removed this amount for the purpose of this transfer. Should the Association be able to provide such documentation in any future rate proceeding, we shall take the cost of these additions into consideration.

Contributions-in-Aid-of-Construction (CIAC)

The utility has collected \$200 in CIAC since its last rate case. We have, therefore, increased the balance of CIAC by this amount.

Accumulated Depreciation/Amortization of CIAC

The Association calculated accumulated depreciation and amortization of CIAC using a composite annual rate of 2.5 percent, as prescribed in Order No. 11546. We have reduced the balance of accumulated depreciation by \$745 in order to remove any depreciation associated with the undocumented plant additions. We calculated accumulated amortization of CIAC to be \$4,895, which was \$240 less than the amount calculated by the utility. However, since the utility was unable to provide documentation supporting its calculation, we have reduced the balance by this amount.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. However, this Commission's policy is to not recognize an acquisition adjustment for regulatory purposes, whether positive or negative, in the absence of extraordinary circumstances.

The purchase of the wastewater treatment system was part of a larger purchase that included a recreational facility, the treatment system and the entranceway to Carriage Village. The total purchase price was \$891,500. The utility system was appraised at \$240,000 based on a total cost appraisal performed by First Appraisal Services Corporation for Mobile Land in 1987. Subtracting \$91,272, the rate base established below, from \$240,000, the purchase price, results in a positive acquisition adjustment of \$148,728. However, since the Association neither requested an acquisition adjustment nor pointed out any extraordinary circumstances in this transfer, we will not include this acquisition adjustment in rate base.

Rate Base

Based upon the information supplied by the Association and the adjustments discussed above, we find that the appropriate rate base, for the purpose of this transfer, is \$91,272.

RATES AND CHARGES

Pursuant to Rule 25-9.044(1), Florida Administrative Code, when there is a transfer of a utility, the buyer must adopt and use the rates, classifications and regulations of the former

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operating company, unless authorized to change by the Commission. There does not appear to be any reason to change the rates at this time. Therefore, in accordance with Rule 25-9.044(1), Florida Administrative Code, the Association shall adopt and use the rates, classifications and regulations of Mobile Land. Further, it shall file, within thirty days of the date of this Order, file a tariff revised to reflect the change in ownership.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificate No. 57-S from Mobile Land and Title Company to Carriage Village Landowners' Association, Inc. is hereby approved. It is further

ORDERED that the remaining provisions of this Order are issued as proposed agency action and will become final unless an appropriate petition is received by the Director of the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida, 32399-0870, by the close of business on July 17, 1989. It is further

ORDERED that the value of the rate base transferred to Carriage Village Landowners' Association, Inc. is hereby established to be \$91,272. It is further

ORDERED that Carriage Village Landowners' Association, Inc. shall adopt and use the rates, charges, classifications and regulations of Mobile Land and Title Company. It is further

ORDERED that Carriage Village Landowners' Association, Inc. shall file a tariff, revised to reflect the change in ownership, within thirty (30) days of the date of this Order. It is further

ORDERED that, after July 17, 1989, this Commission shall issue either a notice of further proceedings or an order indicating that the provisions of this Order have become final and effective.

By ORDER of the Florida Public Service Commission
this 26th day of JUNE, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

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, our actions, except for the approval of the transfer of Certificate No. 57-S, are 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 July 17, 1989. In the absence of such a petition, this order shall become effective July 18, 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 July 18, 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 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.

Schedule No. 1

Mobile Land & Title Company
Schedule of Rate Base
As of May 31, 1988

<u>Description</u>	<u>Balance per</u> <u>Association</u>	<u>Commission</u> <u>Adjustments</u>	<u>Balance per</u> <u>Commission</u>
Utility Plant in Service	\$173,028	\$(8,622)	\$164,406
Land	4,441	0	4,441
Accumulated Depreciation	(68,175)	745	(67,430)
CIAC	(15,040)	0	(15,040)
CIAC Amortization	<u>5,135</u>	<u>(240)</u>	<u>4,895</u>
Total	<u>\$99,389</u>	<u>8,117)</u>	<u>91,272</u>

Schedule No. 2

Mobile Land & Title Company
Schedule of Adjustments to Rate Base

<u>Description</u>	<u>Adjustment</u>
1) Utility Plant in Service	
To reflect the exclusion of undocumented plant additions	\$8,622
2) To reflect the removal of depreciation associated with undocumented plant additions	\$ 745
3) Accumulated Amortization of CIAC	
To reflect the calculation of amortization of CIAC at 2.5%	\$ 240

ATTACHMENT "A"

CARRIAGE VILLAGE LEGAL DESCRIPTION

In Township 43 South, Range 24 East.

Section 36 Begin at a point being 100 ft. and on a bearing of South 89 degrees 48 min. East from the West 1/4 corner of said Section 36; thence South 0 degrees 02 min. 50 sec. East 1460.44 ft.; thence North 89 degrees 25 min. 40 sec. East 270.34 ft.; thence North 56 degrees 22 min. 55 sec. East 772.80 ft.; thence South 33 degrees 34 min. 35 sec. East 6.14 ft.; thence North 56 degrees 25 min. 10 sec. East 565.16 ft.; thence South 33 degrees 34 min. 50 sec. East 600 ft.; thence North 56 degrees 25 min. 10 sec. East 600 ft.; thence South 33 degrees 34 min. 50 sec. East 128.87 ft.; thence North 56 degrees 01 min. 45 sec. East 1158.67 ft.; thence North 0 degrees 17 min. 40 sec. East 331.64 ft.; thence West along the East West center line of said Section 36 to the Point of Beginning.