

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for) DOCKET NO. 910895-WU
transfer of majority) ORDER NO. PSC-92-0204-FOP-WU
organizational control of) ISSUED: 4/14/92
C & S Water Company's)
Certificate No. 510-W in)
Osceola County from Doug)
Stewart and the Estate of)
Jack Chernau to Douglas B.)
Stewart.)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY

ORDER APPROVING TRANSFER OF MAJORITY
ORGANIZATIONAL CONTROL

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE TRANSFER

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein establishing rate base for the purpose of the transfer of majority organizational control is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

C & S Water Company (C & S or Utility) has been operating under Commission jurisdiction since January 10, 1989. The Utility holds Certificate No. 510 and currently serves approximately 97 customers in Osceola County. On August 27, 1991, this Commission received an application for the approval of the transfer of majority organizational control of C & S from Douglas B. Stewart

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and the Estate of Jack Chernau to Douglas B. Stewart. The transfer occurred on June 30, 1991.

Although the transfer occurred prior to Commission approval, we will not initiate show cause proceedings because of the circumstances surrounding the transfer. One of the partners, Jack Chernau, died and the remaining partner, Mr. Stewart, purchased his share of the Utility. We became aware of the transfer when Mr. Stewart's attorney, Mr. Vance Kidder, contacted us after the transfer occurred. We advised Mr. Kidder that an application for approval of the transfer was necessary. As stated previously, the application was filed on August 27, 1991.

Application

Except as discussed previously, the application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and Florida Administrative Code Rules. In particular, the application contains:

1. A filing fee in the amount of \$150, pursuant to Rule 25-03.020, Florida Administrative Code.
2. Evidence, in the form of a warranty deed, that the Utility owns the land upon which its facilities are located, as required by Rule 25-30.037(1)(o), Florida Administrative Code.
3. Proof of compliance with the noticing provisions of Rule 25-30.030, Florida Administrative Code, including notice to the customers. No objections to the application have been received and the time for filing such has expired.

Although C & S was certificated in 1989, it has been in operation since 1984. During that time, Mr. Stewart has been in charge of the operations of the Utility. Therefore, we believe that Mr. Stewart has the technical ability to operate the Utility. Also, from information provided with the application, it appears that Mr. Stewart has the financial resources to operate the Utility. In addition, according to the Department of Environmental Regulation (DER), there are no outstanding notices of violation against C & S.

Based on the foregoing, we find that the transfer of majority organizational control of C & S Water Company from Douglas B.

Stewart and the Estate of Jack Chernau to Douglas B. Stewart is in the public interest and it is approved. The territory C & S is authorized to serve is shown on Attachment A of this Order, which by reference is incorporated herein.

Rate Base

Order No. 20583, issued on January 10, 1989, in Docket No. 870392-WU, granted C & S Certificate No. 510-W to provide service to certain territory in Osceola County. That Order did not establish rate base; rate base was used only as a tool for establishing initial rates and charges for the Utility.

Since C & S was already in operation at the time of certification, the Commission Staff was able to audit the Utility's books and records. The rate base schedule in Order No. 20583 is based on a combination of actual and projected data.

The Utility's books and records have been audited in the instant docket. The pro forma rate base adjustments referenced in Order No. 20583 have been eliminated, and the plant balances have been updated through June 30, 1991, which is the date of purchase.

C & S recorded \$251,521 on its books as utility plant-in-service (UPIS) for the water system as of December 31, 1991. This amount has been adjusted to include an adjustment made by the Commission in the original certificate case. In addition, UPIS has been updated to the date of transfer. Also, in Order No. 20583, the Commission disallowed \$37,955 in actual plant balances recorded by the Utility as of May 31, 1988. Since C & S did not reflect the adjustment on its books and records, we have reduced UPIS by \$37,955. UPIS was also reduced by \$2,218 for an overstatement of 1990 meter expenditures and increased by \$994 for meters installed from December 31, 1990, through June 30, 1991. As a result of these adjustments, UPIS is \$212,342.

The Utility properly recorded the value of the land; therefore, no adjustments have been made. However, as with UPIS, the Utility did not record depreciation in compliance with Order No. 20583. That Order directed the Utility to record depreciation in accordance with Rule 25-30.140(2)(a), Florida Administrative Code. Accumulated depreciation, adjusted to comply with Order No. 20583, is \$45,468.

C & S overstated contributions-in-aid-of-construction (CIAC) since it did not adjust its books to comply with the provisions of Order No. 20583. CIAC has been adjusted accordingly. Further, CIAC has been adjusted to reflect a 10-inch well, which was donated to the Utility, and for meters that were expensed for tax purposes. As a result of the adjustments, CIAC is \$60,741. CIAC amortization, adjusted to reflect the foregoing, is \$3,155.

As a result of the adjustments set forth herein, rate base is \$111,388 as of June 30, 1991, the date of transfer. Our calculation of rate base is shown on Schedule No. 1, with adjustments shown on Schedule No. 2.

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

Acquisition Adjustment

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. Since the circumstances in this transfer of majority organizational control do not appear to be extraordinary, and Mr. Stewart has not requested an acquisition adjustment, an acquisition adjustment has not been included in the calculation of rate base.

Rates and Charges

The Utility's rates and charges became effective on January 31, 1989, pursuant to Order No. 20583, issued in Docket No. 870392-WU. Mr. Stewart has not requested to change the rates and charges and we see no reason to change them at this time. The Utility shall continue to charge the rates and charges approved in its tariff until authorized to change by the Commission. C & S has filed a revised tariff reflecting the change in issuing officer due to the transfer of majority organizational control. The tariff shall be effective for service provided or connections made after the stamped approval date on the tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of majority organizational control of C & S Water Company, 501 East Oak Street, Suite A, Post Office Box 422364, Kissimmee, Florida 34742-2364, from Douglas B. Stewart and the estate of Jack Chernau to Douglas B. Stewart is hereby approved.

ORDERED that the provision of this Order establishing rate base for the purpose of this transfer of majority organizational control is issued as proposed agency action and 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, 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 that no timely protest is received and this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission, 14th day of April, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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 action establishing rate base for the purpose of this transfer of majority organizational control 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 5, 1992. 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.

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 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

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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

C & S WATER COMPANY

Territory Description

The following described lands located in portions of Sections 20 and 21, Township 26 South, Range 29 East, Osceola County, Florida:

Pleasant Hill Lakes Subdivision Units 1-9 of the North one-quarter of Sections 20 and 21.

Schedule No.1

C & S Water Company

SCHEDULE OF WATER RATE BASE

As of June 30, 1991

<u>DESCRIPTION</u>	<u>BALANCE PER 1990 ANNUAL REPORT</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$251,521	\$ (39,179) (1)	\$212,342
Land	2,100	0	2,100
Accumulated Depreciation	(53,917)	8,449 (2)	(45,468)
Contributions-in- aid-of-Construction	(142,840)	82,099 (3)	(60,741)
CIAC Amortization	<u>6,399</u>	<u>(3,244) (4)</u>	<u>3,155</u>
TOTAL	<u>\$ 63,263</u>	<u>\$ 48,125</u>	<u>\$111,388</u>

SCHEDULE NO. 2

C & S WATER COMPANY

SCHEDULE OF RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service To adjust plant values to bring C & S in compliance with Order No. 20583 and update to June 30, 1991.	\$ (39,179)
Accumulated Depreciation Depreciation recalculated in accordance with Rule 25-30.140(2) (a), F.A.C.	8,449
Contributions-in-aid- of-Construction To reduce CIAC to bring C & S in compliance with Order No. 20583 and reflect donated property as well as meters that were expensed for tax purposes	82,099
CIAC Amortization To reflect amortization related to CIAC adjustment	(3,244)