

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Transfer) DOCKET NO. 960793-WU
of Certificate No. 130-W in Lake) ORDER NO. PSC-97-0375-FOF-WU
County from Haines Creek Mobile) ISSUED: April 7, 1997
Homesites Waterworks to Crystal)
River Utilities, Inc.)
_____)

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 APPROVING TRANSFER
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE
TRANSFER AND APPROVING CUSTOMER DEPOSITS,
MISCELLANEOUS SERVICE CHARGES, AND LATE FEE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action establishing rate base and approving customer deposits and 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 July 1, 1996, Crystal River Utilities, Inc. (Crystal River) filed an application to transfer Certificate No. 130-W from Haines Creek Mobile Homesites Waterworks (Haines Creek or utility). Haines Creek is a Class C utility which serves approximately 107 customers in Lake County. Haines Creek's facilities consist of one water treatment plant and one water transmission and distribution system.

Crystal River currently holds Certificate No. 396-W in Citrus County, and Certificates Nos. 507-W and 441-S in Sumter County. Crystal River currently provides service to approximately 200 customers in Citrus County and 126 customers in Sumter County.

DOCUMENT NUMBER-DATE

03542 APR-76

FPSC-RECORDS/REPORTING

Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules. In particular, the application contains a filing fee in the amount of \$750, pursuant to Rule 25-30.020, Florida Administrative Code.

Rule 25-30.037(2)(g), Florida Administrative Code, requires an utility to provide evidence that it owns or has continued use of the land upon which its facilities are located. That rule also states, in part, that "the commission may consider a written easement or other cost-effective alternative" to land ownership. Haines Creek does not intend to sell the land where the facilities are located to Crystal River. Haines Creek will, however, grant Crystal River exclusive easements for the land upon which the facilities are located. Therefore, Crystal River shall file an executed and recorded copy of the easements for the land upon which the utility facilities are located within thirty days of the date of this Order.

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. No objections to the application have been received and the time for filing such has expired. A description of the territory being transferred is shown on Attachment A of this Order, which by reference is incorporated herein.

With regard to Crystal River's technical ability to operate the utility, Crystal River intends to retain H2O Utility Services, Inc. (H2O) to operate and maintain the system. H2O currently operates and maintains over eighty systems in Florida. The Department of Environmental Protection (DEP) was contacted regarding violations. According to DEP, there are no outstanding notices of violation against the utility.

Regarding Crystal River's financial ability to continue to operate the Haines Creek system, Crystal River filed copies of its financial statements. According to the financial statements, 64 percent of Crystal River's net worth is in real estate and other assets, and it has approximately \$885,000 in liquid assets. Since the Haines Creek system is small and has consistently earned a profit since 1989, it appears that the assets of Crystal River are adequate to insure the continued operations of the utility.

The application contains a copy of the Agreement for Purchase and Sale. According to the Agreement, Crystal River is purchasing the Haines Creek system for \$15,000. Crystal River will pay \$5,000

cash; the balance will be financed by the Seller at 8.0 percent over five years. The note will be secured by a mortgage and lien on the purchased assets only.

According to the application, there are no guaranteed revenue contracts or customer advances. The Seller will remain responsible for the existing debts of the utility incurred or accrued up to closing. The developer agreements and customer deposits, and interest thereon, will be transferred to Crystal River. Crystal River will be responsible for the regulatory assessment fees in the year closing occurs. Additionally, Crystal River provided a statement that it will fulfill the commitments, obligations, and representations of the Seller regarding utility matters.

Based on the forgoing, we find that the transfer of assets and Certificate No. 130-W from Haines Creek to Crystal River is in the public interest and it is approved. However, because Crystal River holds Certificate No. 123-W in Lake County, we find it appropriate to cancel Certificate No. 130-W and amend Certificate No. 123-W to include the territory which Haines Creek was authorized to serve by Certificate No. 130-W. Crystal River shall return Certificate 123-W to the Commission within 30 days of the date of this Order for amendment to include the territory served by Crystal River. Certificate No. 130-W has also been returned to the Commission for cancellation.

Rate Base

According to the application, the net book value of the system being transferred is \$10,260, as of December 31, 1995. Rate base was previously established by this Commission in Docket No. 870008-WU. Order No. 18000, issued on August 14, 1987, in that docket, found rate base to be \$8,345 as of December 31, 1986.

An audit of the utility's books and records has been conducted by the Commission to determine rate base (net book value) as of December 31, 1995. According to the audit, the utility's books and records were not maintained in compliance with the NARUC (National Association of Regulatory Utility Commission) Uniform System of Accounts, as required by Rule 25-30.115(1), Florida Administrative Code. Because this audit was conducted for the purpose of the transfer, no action will be taken at this time. However, Crystal River is hereby made aware of the requirements of Rule 25-30.115(1), Florida Administrative Code, so that the books and records may be maintained in the future in compliance with NARUC Uniform System of Accounts.

As a result of the audit, reductions totaling \$9,081 have been made to utility plant in service. Although the utility replaced a pump in 1988 and 1991, the utility did not record these retirements and additions on its books. A reduction of \$1,883 to plant has been made to reflect the pump retirements and additions. Also, Order No. 18000 established a balance of \$823 in Account No. 105, Construction Work in Progress (CWIP), for the installation cost of a 2-inch master flow meter at the utility's water plant. The meter was subsequently replaced in 1987. The utility did not transfer the original \$823 from CWIP to plant in service, or record the retirement of the replaced meter. The new meter was recorded to the incorrect account. An increase to plant of \$490 is necessary to properly record the initial installation, retirement, and replacement of the master flow meter.

The third adjustment to plant relates to a hydropneumatic tank that was replaced in 1990. The retirement was not recorded, and the replacement was recorded to incorrect accounts. A reduction of \$877 was necessary to properly reflect the retirement and addition of the tank. In addition, Order No. 18000 allowed \$550 to be included in the utility's annual operations and maintenance expense to fund a water meter replacement program. However, the meters that were replaced between January 1, 1987 and December 31, 1995, were added to Account No. 334, Meters and Meter Installations. The replaced meters should have been expensed to operations and maintenance as part of the utility's water replacement program. Therefore, plant has been reduced by \$4,140 to remove the replacement meters.

Haines Creek provided a signed statement setting forth which utility property would not be transferred to Crystal River. The building which houses the utility plant will not be transferred. The building will be partitioned and Crystal River will be granted access to the area that houses the utility plant at no cost to Crystal River. In addition, of the \$1,792 in tools recorded on Haines Creek's books, only two items, with a cost of \$98, will be transferred to Crystal River. Therefore, plant is reduced by \$2,672 to reflect the items not transferred to Crystal River.

According to Haines Creek, the land upon which the utility's facilities are located will not be transferred to Crystal River. Haines Creek intends to grant Crystal River exclusive easements for the land upon which the facilities are located. Therefore, land has been reduced by \$882.

As discussed above, the building that houses the utility plant will not be transferred to Crystal River. Order No. 18000 established a net balance of \$156 for Account No. 103, Plant Held

for Future Use, to represent the non-used and useful portion of the building. This will not be transferred to Crystal River and, therefore, has been removed from plant held for future use.

Also, as discussed previously, Haines Creek did not transfer the installation cost for a two-inch master flow meter from CWIP to utility plant-in-service. CWIP has been reduced by \$823 to reflect the transfer of the master flow meter to plant in service.

All utilities are required by Rule 25-30.140(4)(b), Florida Administrative Code, to maintain depreciation rates as prescribed by the Commission. Order No. 18000 established a composite depreciation rate of 3.8 percent to calculate test year depreciation expense and accumulated depreciation balances. The audit revealed that Haines Creek did not use the composite rate established by that Order. Depreciation has been recalculated using the composite rate. Additionally, several adjustments to accumulated depreciation totaling \$5,484, have been made to correspond to the adjustments made to utility plant in service.

Rule 25-30.140(8), Florida Administrative Code, requires all utilities to maintain contributions-in-aid-of-construction (CIAC) balances and amortization rates as prescribed by the Commission. The utility added one new customer in 1994 and again in 1995, but did not record the additional service availability charges to CIAC. Therefore, CIAC has been reduced by \$221 to reflect the additional CIAC.

In addition, Order No. 18000 established a composite amortization rate of 2.6 percent to calculate the amount of CIAC amortization from March 1984 on a going forward basis. Haines Creek did not use this composite rate. CIAC amortization has been recalculated using the composite rate and to reflect the two new customers. A reduction of \$146 has been made to CIAC amortization.

Therefore, we find rate base, which for transfer purposes reflects the net book value, to be \$4,747 for the water system as of December 31, 1995. Our calculation of rate base is shown on Schedule No. 1. Adjustments to rate base are itemized on Schedule No. 2.

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 and 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 September 5, 1987, pursuant to Order No. 18000, issued in Docket No. 870008-WU. 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 the Commission. Crystal River has not requested to change the rates and we see no reason to change them at this time. Crystal River has, however, requested that its currently approved customer deposits, and miscellaneous service charges, which include a late fee, be applied to the customers in Haines Creek's service area. Haines Creek is authorized to charge miscellaneous service charges, but does not collect customer deposits or charge a late fee. Following are the rates and charges currently authorized by Haines Creek's tariff:

Water
Monthly Rates

Residential and General Service

Base Facility Charge

Meter Size:

5/8" x 3/4"	\$ 8.62
Full 3/4"	\$ 12.93
1"	\$ 21.55
1-1/2"	\$ 43.10
2"	\$ 68.96
3"	\$137.92
4"	\$215.50
6"	\$413.00

Gallonage Charge

(per 1,000 Gallons)

\$ 1.38

Service Availability Charges

Meter Installation Fee

5/8" x 3/4"	\$ 90.00
1"	Actual Cost
1-1/2"	Actual Cost
2"	Actual Cost
Over 2"	Actual Cost

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

Customer Deposits
Residential and General Service

Meter Size:

5/8" x 3/4"	\$ 20.00
1"	\$ 50.00
1-1/2"	\$100.00
2" and Over	\$160.00

Miscellaneous Service Charges

Initial Connection	\$ 15.00
Normal Reconnection	\$ 15.00
Violation Reconnection	\$ 15.00
Premises Visit (in lieu of disconnection)	\$ 10.00
Late Fee	\$ 5.00

We find these rates and charges to be reasonable and they are approved. Crystal River shall charge these rates and charges until authorized to change by this Commission in a subsequent proceeding. Crystal River has filed tariff sheets reflecting the rates approved 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 the transfer of assets and Certificate No. 130-W from Haines Creek Mobile Homesites Waterworks, 34834 Haines Creek Road, Leesburg, Florida 34788, to Crystal River Utilities, Inc., Post Office Box 520247, Longwood, Florida 32752, is hereby approved. It is further

ORDERED that Certificate No. 123-W, held by Crystal River Utilities, Inc., is hereby amended to include the territory described in Attachment A of this Order. It is further

ORDERED that Certificate No. 130-W, held by Haines Creek Mobile Homesites Waterworks is hereby cancelled. It is further

ORDERED that Crystal River Utilities, Inc. shall file an executed and recorded copy of easements for the land upon which the utility facilities are located within 30 days of the date of this Order. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value of the system, is \$4,747 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

ORDERED that Crystal River Utilities, Inc. shall charge Haines Creek Mobile Homesites Waterworks' 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, miscellaneous service charges, and a late fee, as set forth in the body of this Order, is hereby approved. It is further

ORDERED that the rates and charges 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,

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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 7th day of April, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

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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.

As identified in the body of this order, our action establishing rate base for purposes of the transfer, approving customer deposits and miscellaneous service charges, including 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 April 28, 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.

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.

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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.

ATTACHMENT A

CRYSTAL RIVER UTILITIES, INC.

Territory Description

(Haines Creek Mobile Homesites Waterworks Service Area)

LAKE COUNTY

The following described lands located in portions of Sections 11 and 12, Township 19 South, Range 25 East, Lake County, Florida:

In Section 11:

Commence at the Northeast corner of said Section 11, for a Point of Beginning; thence South 89° 55' 30" West along the North line of the Northeast 1/4 of said Section, 142.86 feet to a point on the West right-of-way line of County Road No. 473, said point being 40 feet from the centerline of said county road; thence South 00° 07' 47" West along said West right-of-way line, 720.08 feet to the point of beginning; thence continue South 00° 07' 47" West along said West right-of-way line, 612.00 feet; thence departing said West right-of-way-line and run North 89° 56' 23" West; 660.00 feet; thence North 00° 07' 50" East, 183.67 feet; thence North 36° 22' 38" East, 501.98 feet; thence North 86° 18' 09" East, 364.00 feet to the point of beginning, containing 7.63 acres, more or less.

In Section 12:

Commence at the Northwest corner of said Section 12 for a Point of Beginning; thence run East along said section line 825 feet to the East Boundary of Learn's Road; thence South 500 feet; thence West 200 feet; thence South 1390 feet to the North right-of-way line of Haines Creek Road; thence West along said right-of-way line 630 feet to the West section line of said Section 12; thence North along said section line 1870 feet to the Point of Beginning.

HAINES CREEK MOBILE HOMESITES WATERWORKS

Schedule of Water Rate Base
As of December 31, 1995

<u>Description</u>	<u>Balance Per</u> <u>Utility</u>	<u>Staff</u> <u>Adjustments</u>		<u>Balance Per</u> <u>Commission</u>
Utility Plant in Service	\$46,588	(\$9,081)	(1)	\$37,507
Land	882	(882)	(2)	0
Plant Held for Future Use	(156)	156	(3)	0
Construction Work in Progress	823	(823)	(4)	0
Accumulated Depreciation	(25,675)	5,484	(5)	(20,191)
Contributions-in-Aid-of-Construction	(23,292)	(221)	(6)	(23,513)
CIAC Amortization	<u>11,090</u>	<u>\$ (146)</u>	(7)	<u>\$10,944</u>
TOTALS	<u>\$10,260</u>	<u>(\$5,513)</u>		<u>\$ 4,747</u>

HAINES CREEK MOBILE HOMESITES WATERWORKS
Schedule of Water Rate Base Adjustments

Explanation

Utility Plant in Service

- A. To record retirements and additions to pumping equipment
- B. To properly record the initial installation, retirement, and replacement of a two-inch master flow meter at the utility's water plant
- C. To properly record the retirement and replacement of a hydropneumatic tank
- D. To remove improperly recorded meter replacements
- E. To remove utility property which will not be transferred to the Buyer

TOTAL

Land

- A. To remove land which will not be transferred to Buyer

Plant Held for Future Use

- A. To remove plant held for future use which will not be transferred to the Buyer

Construction Work in Progress

- A. To remove the two-inch master flow meter at the utility's water plant which was transferred to utility plant in service

Accumulated Depreciation

- A. To adjust balance to comply with Order No. 18000, and to correspond with audit adjustments to utility plant in service

Contributions-in-Aid-of-Construction

- A. To record the addition of two new customers in 1994 and 1995

CIAC Amortization

- A. To adjust balance to comply with Order No. 18000, and to recognize the addition of two new customers in 1994 and 1995.