

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint application for transfer of facilities from S.H. Utilities, Inc. to Lindrick Service Corporation, cancellation of Certificate No. 111-W, and amendment of Certificate No. 157-W to include Shamrock Heights service area in Pasco County.

DOCKET NO. 970822-WU
ORDER NO. PSC-97-1613-FOF-WU
ISSUED: December 23, 1997

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TRANSFER, AMENDING CERTIFICATE NO. 157-W,
HELD BY LINDRICK SERVICE CORPORATION, AND CANCELLATION OF
CERTIFICATE NO. 111-W, HELD BY S.H. UTILITIES, INC.

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 regarding the establishment of rate base for purposes of the transfer 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.

DOCUMENT NUMBER-DATE

13153 DEC 23 97

FPSC-REGISTRATION/REPORTING

Background

On July 3, 1997, Lindrick Service Corporation (Lindrick) filed an application with this Commission for approval of the transfer of water facilities from S.H. Utilities (SHU) to Lindrick. Lindrick also requested an amendment of Certificate No. 157-W, held by Lindrick, to include the territory (Shamrock Heights) served by SHU, and cancellation of Certificate No. 111-W, held by SHU.

SHU is a Class C utility that provides water service to about 200 residential customers in Pasco County. The facilities include two wells that can produce about 230,000 gallons per day and a distribution system. SHU has been in existence since 1972. Lindrick is a Class B utility which has been in existence since 1960, providing water and wastewater service to residential and general service customers in the New Port Richey area of Pasco 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.

Rule 25-30.037(2)(q), Florida Administrative Code, requires proof of ownership of the land upon which the utility facilities are located. However, because the transfer was not finalized pending approval of the Commission, proof of land ownership has not been provided. Therefore, Lindrick shall file a copy of a recorded warranty deed in its name as proof that it owns the land upon which the facilities are located within 60 days of the issuance date of this order.

Lindrick provided proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code, including notice to the customers of the utility being transferred. No objections to the application have been received and the time for filing such has expired.

Lindrick provided a copy of the contract for sale which includes the purchase price, terms of payment, and a list of the assets purchased and the liabilities assumed. Pursuant to the agreement, Lindrick will pay \$150,000 to acquire this utility

ORDER NO. PSC-97-1613-FOF-WU
DOCKET NO. 970822-WU
PAGE 3

system, with \$100,000 paid in installments at 8 percent interest. In addition, Lindrick has agreed to fulfill the service obligations and duties of the acquired system.

According to the application, the territory served by SHU is adjacent to Lindrick's territory although there are no immediate plans to interconnect the two systems. A description of SHU's territory is shown on Attachment A of this Order, which by reference is incorporated herein.

Lindrick believes its acquisition of SHU's system will provide economies of scale that will benefit existing and future customers. In 1996, about 60 percent of Lindrick's water supply and about 50 percent of its operating expenses were associated with the cost of water purchased from the City of New Port Richey. Lindrick's purchase of SHU should result a reduction in its purchased water costs.

According to the Department of Environmental Protection (DEP), there are no outstanding notices of violation or consent orders against SHU. Lindrick indicated that its representatives have inspected the system and are satisfied that the system is in satisfactory condition and in compliance with DEP standards.

Based on the foregoing, we find that the transfer of facilities from SHU to Lindrick is in the public interest and it is approved. We further find it appropriate to amend Certificate No. 157-W, held by Lindrick, to include the SHU's territory, as described in Attachment A of this Order, and cancel Certificate No. 111-W, held by SHU.

Rate Base for Purposes of the Transfer

SHU's rate base was last established by the Commission in Order No. 17434, issued on April 20, 1987, in Docket No. 860920-WU. In that Order, rate base was found to be \$29,605 for the test year ended July 31, 1986. In the instant docket, Lindrick provided a copy of SHU's balance sheet for the year ended December 31, 1996, which reflected a rate base of \$24,355. Lindrick agreed that the reserve accounts would need to be updated to the actual transfer date.

An audit of the utility's book and records was conducted by the Commission staff. As a result of the audit, staff adjusted SHU's accumulated depreciation and amortization balances for the

year ended July 31, 1997, to reflect the prescribed depreciation rates on an account by account basis. During the on-site inspection, staff confirmed that certain plant additions have been completed and the dollar amounts are not irregular. The audit confirmed the utility's reported additions are adequately supported and, thus, should be allowed. However, the reserve accounts should be adjusted to reflect the expected transfer date.

An acquisition adjustment results when the purchase price differs from the original cost calculation. In the absence of extraordinary circumstances, it has been Commission policy that the purchase of a utility system 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 Lindrick, no acquisition adjustment is included in the calculation of rate base.

Therefore, we find rate base, which for transfer purposes reflects the net book value of the system, to be \$20,899, as of July 31, 1997. Our calculation of rate base, including adjustments, is shown on Schedule No. 1 of this Order, which by reference is incorporated herein.

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

Rates and Charges

SHU's approved rates and charges for residential and general service customers became effective on May 31, 1997, in accordance with a price index rate adjustment (No. WS-97-0037). 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 owner unless authorized to change by the Commission. Lindrick has not requested to change the rates and charges and we see no reason to change them at this time. Lindrick shall continue to charge the rates and charges approved in SHU's tariff until authorized to change by this Commission in a subsequent proceeding. The tariff shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets.

ORDER NO. PSC-97-1613-FOF-WU
DOCKET NO. 970822-WU
PAGE 5

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of facilities from S.H. Utilities, Inc. 7552-4 Congress Street, New Port Richey, Florida 34653-1106, to Lindrick Service Corporation, 4925 Cross Bayou Boulevard, Post Office Box 1176, New Port Richey, Florida 34656-1176, is hereby approved. It is further

ORDERED that Lindrick Service Corporation shall provide a copy of a recorded warranty deed within 60 days of the date of this Order, as proof of ownership of the land upon which the facilities are located. It is further

ORDERED that Certificate No. 157-W, held by Lindrick Service Corporation, is hereby amended to include the territory shown on Attachment A of this Order. Lindrick shall return Certificate No. 157-W 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. 111-W, held by S.H. Utilities, Inc. is hereby cancelled. Certificate No. 111-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 being transferred, is \$20,899, as of July 31, 1997. It is further

ORDERED that Lindrick Service Corporation shall continue to charge the rates and charges approved in S.H. Utilities, Inc.'s tariff until authorized to change by this Commission in a subsequent proceeding. The tariff 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

ORDER NO. PSC-97-1613-FOF-WU
DOCKET NO. 970822-WU
PAGE 6

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

By ORDER of the Florida Public Service Commission this 23rd day of December, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting



Kay Flynn
Chief, Bureau of Records

(S E A L)

ALC

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 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 January 13, 1998. If such a petition is filed,

ORDER NO. PSC-97-1613-FOF-WU
DOCKET NO. 970822-WU
PAGE 7

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.

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.

ORDER NO. PSC-97-1613-FOF-WU
DOCKET NO. 970822-WU
PAGE 8

ATTACHMENT A

LINDRICK SERVICE CORPORATION

Territory Description

For the Shamrock Heights area in Township 26 South, Range 16 East,
Pasco County

Sections 17 and 18

Begin at the Southeast corner of the Southwest 1/4 of Northwest 1/4, thence due North 1620 feet, thence due West 1160 feet to the Southeast right-of-way line of U.S. Highway 19, thence Southwesterly to the point of intersection of said Southeast right-of-way line of U.S. Highway 19 with the North right-of-way line of State Road S-518, thence East along said North right-of-way line of State Road S-518 to the POINT OF BEGINNING.

S H UTILITIES, INC.
SCHEDULE OF WATER RATE BASE
AS OF JULY 31, 1997

<u>Description</u>	<u>Balance per</u> <u>Utility</u>	<u>Adjust</u>		<u>Balance</u> <u>per Staff</u>
Utility Plant in Service	\$103,143	\$0		\$103,143
Land	\$3,450	\$0		\$3,450
Accumulated Depreciation	(\$77,229)	(\$6,904)	a)	(\$84,133)
CIAC	(\$52,498)	\$0		(\$52,498)
Accumulated Amortization	\$47,489	\$3,448	b)	\$50,937
Working Capital	<u>\$0</u>	<u>\$0</u>		<u>\$0</u>
Totals	<u>\$24,355</u>	<u>(\$3,456)</u>		<u>\$20,899</u>

a) Adjustment to adjust accumulated depreciation to reflect use of guideline rates by individual account

b) Adjustment to adjust accumulated amortization to reflect use of guideline rates by individual account