

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application to transfer facilities and Certificate No. 578-W from Sunny Shores Water Co. to Sunny Shores Utilities, LLC, in Manatee County.

DOCKET NO. 20190182-WS  
ORDER NO. PSC-2020-0265-PAA-WS  
ISSUED: July 27, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman  
ART GRAHAM  
JULIE I. BROWN  
DONALD J. POLMANN  
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING NET BOOK VALUE  
AND  
ORDER APPROVING TRANSFER OF CERTIFICATE NO. 578-W

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein, except for approving the certificate 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 (F.A.C.).

**Background**

On September 18, 2019, Sunny Shores Utilities, LLC (Sunny Shores, Utility, or Buyer) filed an application with this Commission for the transfer of Certificate No. 578-W from Sunny Shores Water Co. (SSWC or Seller) in Manatee County.<sup>1</sup> According to the Utility's 2019 Annual Report, Sunny Shores is a Class C utility serving approximately 266 water customers, with operating revenues of \$93,256 and a net operating loss of \$757. Sunny Shores is a reseller and purchases bulk water service from Manatee County. The customers receive wastewater service directly from Manatee County.

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<sup>1</sup> Document No. 08854-2019.

In 1995, Manatee County declared the privately owned water and wastewater utilities in Manatee County subject to the provisions of Chapter 367, Florida Statutes (F.S.).<sup>2</sup> In 1996, Sunny Shores Water Co. was granted a grandfather certificate to operate a water system in existence since 1969.<sup>3</sup> In 2016, the Utility was granted a transfer of majority organizational control.<sup>4</sup>

This Order addresses the transfer of the water system and Certificate No. 578-W, the appropriate net book value of the water system for transfer purposes, and whether an acquisition adjustment is appropriate. We have jurisdiction pursuant to Section 367.071, F.S.

### **Decision**

#### **Approving Transfer of Certificate No. 578-W**

On September 18, 2019, the Buyer filed an application for the transfer of Certificate No. 578-W from SSWC. The application is in compliance with Section 367.071, F.S., and our rules concerning applications for transfer of certificates. The sale to the Buyer occurred on June 19, 2019, contingent upon Commission approval, pursuant to Section 367.071(1), F.S.

#### Noticing, Territory, and Land Ownership

The system is consecutive, meaning bulk water service is purchased, in this instance, from Manatee County. Thus, no proof that the Utility owns or has access to the land on which the treatment facilities are located is required. However, the Buyer included the Assignment of Easements documents in its application for transfer in an effort to comply with Rule 25-30.037(2)(s), F.A.C., which requires the utility to provide proof of access to the land under which the treatment facilities are located. The Buyer provided notice of the application pursuant to Section 367.071, F.S., and Rule 25-30.030, F.A.C. The notice was mailed to customers and other required entities on January 13, 2020, and published on January 17, 2020. Thus, the protest period expired February 16, 2020. No objections were filed, and the time for doing so has expired. The application contains a description of the water service territory which is appended to this Order as Attachment A.

#### Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i), and (j), F.A.C., the application contains a statement regarding financing and a copy of the purchase agreement, which includes the purchase price, terms of payment and a list of the assets purchased. There are no developer agreements,

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<sup>2</sup> Order No. PSC-95-1393-FOF-WS, issued November 9, 1995, in Docket No. 19951235-WS, *In re: Resolution of the Board of County Commissioners of Manatee County declaring Manatee County subject to the provisions of Chapter 367, F.S.*

<sup>3</sup> Order No. PSC-96-0599-FOF-WS, issued May 7, 1996, in Docket No. 19960028-WS, *In re: Application for certificates to provide water and wastewater service in Manatee county by Sunny Shores Water Co., Inc. under grandfather rights.*

<sup>4</sup> Order No. PSC-16-0523-TRF-WU, issued November 21, 2016, in Docket No. 201600023-WU, *In re: Application for transfer of majority organizational control of Sunny Shores Water Company, Inc., holder of Certificate No. 578-W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason.*

customer deposits, or customer advances that must be disposed of with regard to the transfer. According to the purchase agreement, the total purchase price for the assets is \$44,500. According to the Buyer, the sale took place on June 19, 2019, subject to our approval, pursuant to Section 367.071(1), F.S.

#### Facility Description and Compliance

Sunny Shores is a consecutive system that purchases bulk water service from Manatee County Utilities for resale to its customers. The Utility does not own or operate any treatment facilities. Sunny Shores maintains and operates the water distribution system. The Florida Department of Environmental Protection (DEP) conducts periodic inspections of the water distribution system. The most recent inspection report from the DEP, dated May 22, 2018, indicated that the Utility was compliant with its regulations and requirements.

#### Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(l) and (m), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. As referenced in the transfer application, the Buyer was appointed to the Citrus County Water and Wastewater Authority, the local regulatory body for Citrus County, where the Buyer served for seven years. The Buyer also served as the “Class C” representative for the Legislative Study Committee for Investor-Owned Water and Wastewater Utility Systems in 2013. The Buyer attends yearly training classes through the Florida Rural Water Association and completed the NARUC Utility Rate School in 2001. The Buyer is the owner and manager of 15 Class C water and wastewater facilities that are regulated by this Commission. Based on the above, the Buyer has demonstrated the technical ability to provide service to the existing service territory.

Pursuant to Rule 25-30.037(2)(1), F.A.C., the application includes financial statements supporting the financial ability of the Buyer to provide service to the proposed service area. We reviewed the financial statements and find that the Buyer has demonstrated the financial ability to provide service to the existing service territory.

#### Rates and Charges

The Utility’s rates and charges were approved in a grandfather certificate docket in 1996.<sup>5</sup> The rates were subsequently amended through 21 price index and pass through rate adjustments. Most recently, the Seller was approved for a price index, which was effective April 2019.<sup>6</sup> However, when a Commission staff audit was conducted for the transfer in September 2019, inadvertently, the prior tariff was used to verify the Utility’s billing. Furthermore, the Utility was also incorrectly billing its customers the rates in effect prior to the price index rate

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<sup>5</sup> Order No. PSC-96-0599-FOF-WS, issued May 7, 1996, in Docket No. 19960028-WS, *In re: Application for certificates to provide water and wastewater service in Manatee county by Sunny Shores Water Co., Inc. under grandfather rights.*

<sup>6</sup> 2018 Price Index increase was 1.18 percent.

adjustment. As a result, there was no audit finding of incorrect billing and the Utility agreed. Subsequent to the audit, in May 2020, it was discovered that the Utility was not billing its approved rates. The Utility plans to back bill for 12 months of incorrect billing over that same time period pursuant to Rule 25-30.350, F.A.C. In addition, the Utility's late payment charge was approved in 2016<sup>7</sup> and miscellaneous service charges were approved in 1996.<sup>8</sup>

The Utility's existing rates and charges are shown on Schedule No. 1, appended to this Order. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, we hereby find that the Utility's existing rates and charges shall remain in effect until we authorize a change in a subsequent proceeding.

#### Regulatory Assessment Fees (RAFs) and Annual Reports

We have verified that the Buyer is current with respect to annual reports and RAFs through December 31, 2019. The Buyer filed the 2019 Annual Report and paid RAFs for 2019. The Buyer will be responsible for filing the 2020 Annual Report and RAFs, along with all future years.

#### Conclusion

Based on the foregoing, we find that the transfer of the water system and Certificate No. 578-W is in the public interest and shall be approved effective the date of our vote, July 7, 2020. This Order shall serve as the Buyer's certificate and shall be retained by the Buyer. The existing rates and charges shall remain in effect until we authorize a change in a subsequent proceeding. The tariffs reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. The Buyer shall be responsible for filing annual reports and paying RAFs for 2019 and all future years.

#### **Establishing Net Book Value (NBV) and Declining to Make an Acquisition Adjustment**

The Utility was granted a grandfather certificate by Order No. PSC-96-0599-FOF-WS,<sup>9</sup> therefore rate base has never been established. The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for non-used and useful plant and working capital. The NBV has been updated to reflect balances as of June 19, 2019. Our approved NBV, as described below, is shown on Schedule No. 2, appended to this Order.

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<sup>7</sup> Order No. PSC-16-0523-TRF-WU, issued November 21, 2016, in Docket No. 20160023-WU, *In re: Application for transfer of majority organizational control of Sunny Shores Water Company, Inc., holder of Certificate No. 578-W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason.*

<sup>8</sup> Order No. PSC-96-0599-FOF-WS, issued May 7, 1996, in Docket No. 19960028-WS, *In re: Application for certificates to provide water and wastewater service in Manatee County by Sunny Shores Water Co., Inc. under grandfather rights.*

<sup>9</sup> Order No. PSC-96-0599-FOF-WS, issued on May 7, 1996, in Docket No. 19960028-WS, *In re: Application for certificates to provide water and wastewater service in Manatee County by Sunny Shores Water Co., Inc. under grandfather rights.*

Utility Plant in Service (UPIS)

The Utility reflected a UPIS balance of \$34,672. The Utility was not able to provide us with support for any plant additions prior to 2011, including costs of original plant. Based on the support documentation provided for plant additions since 2011, the UPIS balance is \$26,774. In response to Commission staff's first data request, the Utility stated that the UPIS balance reconciles with its calculation of UPIS, as of the transfer date. As such, we find that the Utility's UPIS balance as of June 19, 2019, shall be \$26,774.

Land

There is no land associated with the Utility, as bulk water is purchased from Manatee County. Therefore, we find a land balance of \$0.

Accumulated Depreciation

The Utility reflected an accumulated depreciation balance of \$28,517. In its response to Commission staff's first data request, the Buyer also provided a recalculation of the accumulated depreciation balance based on the revised UPIS balance. We reviewed and verified the recalculated accumulated depreciation balance of \$6,586. As such, we find that the Utility's accumulated depreciation balance shall be \$6,586 as of June 19, 2019.

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

The Utility did not reflect a balance for CIAC or accumulated amortization of CIAC. We verified that there is no CIAC balance and therefore no accumulated amortization of CIAC. Therefore, we find a balance of \$0 for CIAC and accumulated amortization of CIAC, as of June 19, 2019.

Net Book Value

The Utility reflected a NBV of \$6,155 ( $\$34,672 - \$28,517$ ). Based on the adjustments above, the NBV for the Utility's system shall be \$20,188 ( $\$26,774 - \$6,586$ ).

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The Utility and its assets were purchased for \$44,500. As stated above, we find that the appropriate NBV is \$20,188. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances. The Buyer did not request a positive acquisition adjustment. As such, we find that no positive acquisition adjustment shall be approved.

Conclusion

Based on the above, the NBV of Sunny Shores, for transfer purposes, is \$20,188, as of June 19, 2019. No acquisition adjustment shall be included in rate base. Within 90 days of the date of the Final Order, the Buyer shall be required to notify us in writing that it has adjusted its books in accordance with the our decision. The adjustments shall be reflected in the Buyer's 2020 Annual Report.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificate No. 578-W in Manatee County from Sunny Shores Water Co. to Sunny Shores Utilities, LLC is in the public interest and is approved, effective the date of our vote, July 7, 2020. This Order shall serve as the Buyer's certificate and shall be retained by the buyer. It is further

ORDERED that the existing rates and charges shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. The tariffs reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that the Buyer shall be responsible for filing annual reports and paying RAFs for 2019 and all future years. It is further

ORDERED that the appropriate net book value of the water system is \$20,188 as of June 19, 2019. An acquisition adjustment shall not be included in rate base. Within 90 days of the date of the final order, Sunny Shores Utilities, LLC shall be required to notify this Commission in writing that it has adjusted its books in accordance with our decision herein. The adjustments shall be reflected in Sunny Shores Utilities, LLC 2020 Annual Report when filed. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order shall be issued and the docket closed.

By ORDER of the Florida Public Service Commission this 27th day of July, 2020.



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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 net book value and declining to make an acquisition adjustment is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on 8/17/2020. 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 and final upon the issuance of a Consummating 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.

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 Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed

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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 Office of Commission Clerk 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.



SUNNY SHORES UTILITIES, LLC  
WATER SERVICE AREA  
MANATEE COUNTY

Located in a portion of Manatee County, Florida, situated entirely within the Northwest 1/4 of Section 2, Township 35 South, Range 16 East, described as follows:

Commence at the northwest corner of Section 2, Township 35 South, Range 16 East; thence run S 00°00'00" E a distance of 1,444 feet to the northerly ROW line of 40th Avenue West; thence run S 64°00'00" E along said ROW line a distance of 881 feet to the Point of Beginning; thence run N 24°00'00" E a distance of 1,468 feet along the westerly bank of a canal; thence continuing along the westerly bank of said canal run N 16°00'00" E a distance of 131 feet; thence continuing along said canal run N 26°00'00" E to the shoreline of Palma Sola Bay; thence run easterly along the shoreline of Palma Sola Bay a distance of approximately 1,000 feet to the point where a bulkhead intersects said shoreline; thence run along said bulkhead N 26°56'00" E a distance of 302.14 feet; thence continuing along said bulkhead run S 62°30'11" E a distance of 160.67 feet to the easterly ROW line of 115th Street West; thence run S 24°46'00" W along said ROW line a distance of 1,875 feet to the northerly ROW line of 40th Avenue West; thence run N 64°00'00" W along said ROW line a distance of approximately 1,069 feet to the Point of Beginning.

**FLORIDA PUBLIC SERVICE COMMISSION  
Authorizes**

**Sunny Shores Utilities, LLC.  
Pursuant to  
Certificate Number 578-W**

to provide wastewater service in Manatee County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-96-0599-FOF-WS	05/07/1996	19960028-WS	Original Certificate
PSC-16-0523-TRF-WU	11/21/2016	20160023-WU	Transfer Majority
*	*	20190182-WU	Transfer

**\* Order Numbers and dates to be provided at time of issuance**

**Sunny Shores Water Co., Inc.  
Quarterly Water Rates**

**Residential & General Service**

All Meter Sizes	
Base Facility Charge	\$74.16
Includes 10,800 gallons	
Charge per 1,000 over 10,800 gallons	\$5.08
Backflow Maintenance Service Charge	\$5.46

**Miscellaneous Service Charges**

Initial Connection Charge	\$19.01
Normal Reconnection Charge	\$19.01
Violation Reconnection Charge	\$19.01
Premises Visit Charge (in lieu of disconnection)	\$12.40
Late Payment Charge	\$5.19

**Service Availability Charges**

Meter Installation Charge 5/8" x 3/4"	\$115.00
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**Sunny Shores Utilities, LLC**  
**Water System**  
**Schedule of Net Book Value as of September 30, 2019**

<b><u>Description</u></b>	<b><u>Balance</u></b> <b><u>Per Utility</u></b>	<b><u>Adjustments</u></b>	<b><u>Comm.</u></b> <b><u>Approved</u></b>
Utility Plant in Service	\$34,672	(\$7,898)	\$26,774
Land & Land Rights	-	-	-
Accumulated Depreciation	(28,517)	21,931	(6,586)
CIAC	-	-	-
Amortization of CIAC	-	-	-
Total	<u>\$6,155</u>	<u>\$14,033</u>	<u>\$20,188</u>

**Explanation of Commission Approved  
Adjustments to Net Book Value as of June 19, 2019**

<b><u>Explanation</u></b>	<b><u>Amount</u></b>
Utility Plant in Service To reflect appropriate amount of utility plant in service.	Water <u>(\$7,898)</u>
Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>\$21,931</u>
Total Adjustments to Net Book Value as of September 30, 2019	<u>\$14,033</u>

**Sunny Shores Utilities, LLC**  
**Water System**

**Schedule of Commission Approved Account Balances as of June 19, 2019**

<b>Account</b>			<b>UPIS</b>	<b>Accumulated</b>
<b><u>No.</u></b>	<b><u>Description</u></b>			<b><u>Depreciation</u></b>
301	Organization		\$-	\$-
304	Structures & Improvements		-	-
307	Wells & Springs		-	-
309	Supply Mains		-	-
310	Power Generation Equipment		-	-
311	Pumping Equipment		-	-
320	Water Treatment Equipment		-	-
330	Distribution Reservoirs		-	-
331	Transmission & Distribution Mains		6,997	(616)
333	Services		125	(25)
334	Meters & Meter Install		17,257	(5,013)
336	Backflow Prevention Devices		1,655	(587)
343	Tools, Shop and Garage Equipment		<u>740</u>	<u>(345)</u>
	Total		<u>\$26,774</u>	<u>(\$6,586)</u>