

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Southern States Utilities, Inc. for transfer of Certificate No. 230-W in Lake County from Silver Lake Estates.)	DOCKET NO. 881011-WU
)	ORDER NO. 20647
)	ISSUED 1-24-89

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE AND APPROVING SOUTHERN STATES' UNIFORM SERVICE AVAILABILITY AND MISCELLANEOUS SERVICE CHARGES

BY THE COMMISSION

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is final in nature except the establishment of rate base and approval of Southern States' Uniform Service Availability and Miscellaneous Service Charges, which are preliminary in nature and which will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Background

On February 19, 1988, Southern States Utilities, Inc., (SSUI) and Jack N. Purdum and Rosemary P. Purdum, as Trustees for the Jack N. Purdum Living Trust, d/b/a Silver Lake Estates Water Company (Silver Lake) entered into an agreement for Purchase and Sale of the Silver Lake water treatment system (system) located in Lake County. The sale was closed on February 23, 1988 and SSUI began operating the system at that time.

On July 27, 1988, over five months later, SSUI filed an application for authority to transfer the system in accordance with Rule 25-30.040(1), Florida Administrative Code, Application for Authority to Transfer. The intent of this Rule is to have Commission approval of a transfer prior to the transaction actually taking place. Although this transaction was completed five months before the application was filed, we find that SSUI is in compliance with Commission Rules since the contract states the sale is subject to Commission approval.

Application

The application, which was filed on July 27, 1988, is in compliance with the Section 367.071, Florida Statutes, Rule 25-30.040, Florida Administrative Code, and other pertinent Statutes and Administrative Rules concerning transfer applications. In particular, the notarized application contains:

DOCUMENT NUMBER-DATE

00860 JAN 24 1989

FPSC-RECORDS/REPORTING

- a) A check in the amount of \$1,500.00 which, upon calculation, equates to the correct filing fee as prescribed by Section 367.141, Florida Statutes;
- b) Adequate legal description pursuant to Rule 25-30.035, Florida Administrative Code. Said territory is described as being in Lake County, and more particularly as described in Order No. 6928, Issued September 30, 1975, and in Appendix "A" attached;
- c) Proof of notice to all customers of record pursuant to Rule 25-30.030(2)(g), Florida Administrative Code;
- d) Proof of notice to all governmental/regulatory agencies, all utilities within a 4-mile radius, and proof of advertisement in a newspaper of general circulation in the county, pursuant to Rule 25-30.030, Florida Administrative Code;
- e) Proof of ownership of the real property on which the utility plant is located.

No objections have been filed and the time for doing so has passed.

The applicant states that the transfer is in the public interest because SSUI is in the business of acquiring, owning, expanding and operating water and sewer utility systems both within and without the State of Florida. Since Silver Lake is no longer interested in operating the system, and since Southern States has experience in operating utilities, we find the transfer to be in the public interest.

During the on-site plant inspection, we determined that Silver Lake is serving outside of its certificated territory as authorized by Order No. 6928. We do not find it appropriate to penalize SSUI for serving outside of its certificated territory since this is an error of the past utility owner. In order to correct the problem, SSUI is directed to file an application for an extension of territory, pursuant to Section 367.061, Florida Statutes, within 90 days of the effective date of this Order.

Rate Base

An audit of Silver Lake's books and records was conducted in order to determine rate base, representing net book value, at the time of transfer. The audit utilized the rate base component balances in accordance with Order No. 16143, issued May 23, 1986, as the beginning balances for this audit and brought those balances forward to February 29, 1988.

Utility plant in service (UPIS) was understated by \$26,253 and has been adjusted accordingly. Also, two items, a golf cart and word processor, were not transferred to SSUI and have been removed from UPIS at the time of transfer. This adjustment reduces UPIS by \$6,463.

Accumulated depreciation has been recalculated consistent with the last rate case and Rule 25-30.140, Small Utility Composite Rates. As a result of the recalculation, we found that accumulated depreciation was overstated by \$1,677. Also, because of the removal of the golf cart and word processor, as

discussed previously, accumulated depreciation has been reduced by \$888.

CIAC has been brought forward from the last rate case based on the developer agreement and tap-in fee billing invoices. The CIAC level as shown in SSUI's application was understated by \$32,013 and has been adjusted accordingly. The word processor, which was not transferred to SSUI, had been expensed by the previous owner and included as CIAC. CIAC has, therefore, been reduced by \$4,258.

Accumulated amortization of CIAC has been recalculated consistent with the last rate case using an amortization rate of 3.36%. Accumulated amortization of CIAC was understated by SSUI by \$5,299 and has been adjusted accordingly. CIAC amortization related to the word processor in the amount of \$227 has also been removed.

Based on the above adjustments, rate base, representing net book value, is found to be \$37,094 at the time of transfer, as shown on Schedule No. 1. Our adjustments are shown on Schedule No. 2.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. It has been Commission practice not to allow the sale of a utility at a premium or a discount to affect the rate base. A positive acquisition adjustment can be included in the rate base calculation if the utility can demonstrate the presence of extraordinary circumstances and that its inclusion would be in the best interest of its customers. A negative acquisition adjustment could be included in rate base in cases where the purchase price is less than rate base and the physical condition of the plant would require rebuilding by the new owner. During the on-site inspection of the Silver Lake system, conducted by Commission Staff, it was noted that the plant's overall appearance and operation are very good and there are no complaints against the previous owner or SSUI. Further, the Utility did not present any extraordinary circumstances nor has it requested the inclusion of an acquisition adjustment. Therefore, an acquisition adjustment has not been included in the rate base calculation.

Rates and Deposit Levels

Rule 25-9.044(1), Florida Administrative Code, governs rates and charges when ownership of a regulated utility changes. This rule states that when ownership or control of a utility is transferred, the new owner "must adopt and use the rates, classification and regulations" previously approved by the Commission. SSUI has requested continuation of Silver Lake Estates' present service rates and initial deposit level, which is in compliance with Rule 25-9.044, Florida Administrative Code. SSUI is, therefore, directed to continue to charge the rates and initial deposit levels currently in effect for Silver Lake unless authorized to change by this Commission.

Service Availability and Miscellaneous Service Charges

Southern States has requested that it be allowed to charge its uniform service availability and miscellaneous service

charges instead of those currently in effect for Silver Lake. SSUI has given proper notice of the requested change in service availability charges, pursuant to Rule 25-30.565, Florida Administrative Code. Silver Lake's present charges as well as the charges approved by this Commission are shown below:

Service Availability Charges

	<u>Present</u>	<u>Approved</u>
	<u>Charges</u>	<u>Charges</u>
Meter Installation		
5/8"	\$100	\$ 75
3/4"	\$105	85
1"	\$160	\$ 100
Over 1"	Actual Cost	-
1 1/2"		\$ 175
2" and larger		Actual Cost
Connection Charge (Tap-in) & Main Extension Charge		
Residential per ERC (960 GPD)	\$110	-
All Others - per Gallon	.1158	-
Connection Charges (Tap-in)		
Short service line		\$ 150
Long service line		\$ 175-\$200
Main Extension Charge		Actual Cost less 20%

Miscellaneous Service Charges

	<u>During Regular Hours</u>		<u>After Working Hours</u>	
	<u>Present</u>	<u>Approved</u>	<u>Present</u>	<u>Approved</u>
Initial Connection	\$ 6.00	\$ 10.00	\$ 9.00	\$ 15.00
Normal Reconnection	\$ 7.00	\$ 10.00	\$ 10.50	\$ 15.00
Violation Reconnection	\$12.00	\$ 10.00	\$ 18.00	\$ 15.00
Premises Visit Charge	\$ 8.00	\$ 5.00	N/A	N/A

The approved miscellaneous service charges are based upon SSUI'S costs of providing these services. We find these charges to be appropriate to allow for uniform application and to allow SSUI to recover costs based upon its provision of service.

SSUI's uniform service availability charges are based upon recovery of costs associated with tapping the main, running the service line and setting the meter. Each new customer would properly pay the cost of physically connecting to SSUI's system.

Based upon our audit, Silver Lake is presently 85% contributed. However, approval of this transfer results in consolidation of Silver Lake with SSUI's existing eighteen Lake County systems, thereby allowing the contribution level to within Commission guidelines.

Since SSUI's charges are based upon its costs of connecting new customers and since Silver Lake will no longer be

ORDER NO. 20647
DOCKET NO. 881011-WU
Page 5

considered an individual utility, we find it appropriate to allow SSUI to charge its uniform service availability charges.

In consideration of the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of Certificate No. 230-W from Silver Lake Estates to Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, is hereby approved. It is further

ORDERED that Certificate 106-W, held by Southern States Utilities, Inc. shall be returned to this Commission within 20 days of the date of this Order so that an appropriate entry may be made to include the service territory now served by Silver Lake Estates. It is further

ORDERED that Certificate No. 230-W shall be returned to this Commission within 20 days of the date of this Order for cancellation. It is further

ORDERED that Southern States Utilities, Inc. shall file an application for amendment of Certificate No. 106-W to include the territory it is serving outside of the area authorized by Certificate No. 230-W within 90 days of the effective date of this Order. This application is required to correct an error of the previous owner of Silver Lake Estates. It is further

ORDERED that rate base, for the purpose of this transfer, is \$37,094. It is further

ORDERED that the Schedules referenced in this Order are incorporated herein. It is further

ORDERED that Southern States Utilities, Inc. shall continue to charge the monthly service rates and initial deposit level previously approved for customers of Silver Lake Estates, as set forth in the body of this Order. It is further

ORDERED that Southern States Utilities, Inc. shall charge its uniform service availability and miscellaneous service charges as set forth in the body of this Order. It is further

ORDERED that Southern States Utilities, Inc. shall file revised tariff sheets reflecting the rates and charges set forth in the body of this Order. It is further

ORDERED that the rates and charges set forth in the body of this Order shall become effective on or after the effective date of this Order. It is further

ORDERED that the provisions of this Order, issued as Proposed Agency Action, shall become final 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 February 13, 1989. 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 24th day of JANUARY, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ALC

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 the establishment of rate base and approval of SSUI's uniform service availability and miscellaneous service charges 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 February 13, 1988. In the absence of such a petition, this order shall become effective February 14, 1988, 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 February 14, 1988, 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

ORDER NO. 20647
DOCKET NO. 881011-WU
Page 7

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.

SSUI / Silver Lake Estates
 Schedule of Water Rate Base
 As of February 29, 1988

Docket No. 881011-WU
 Schedule No. 1
 Order No.

Description	Balance per Exhibit		Commission Adjustments to Seller's Ending Balance		Commission Adjustments to Purchaser's Beginning Balance	Balance per Commission
Utility Plant in Service	266,728	1)	26,253	5)	(6,463)	286,518
Land	15		0		0	15
Accumulated Depreciation	(43,880)	2)	1,677	6)	888	(41,315)
Contributions-in-aid-of-Construction	(202,029)	3)	(32,013)	7)	4,258	(229,784)
Accumulated Amortization of C.I.A.C.	16,588	4)	5,299	8)	(227)	21,660
TOTAL	\$ 37,422		\$ 1,216		\$ (1,544)	\$ 37,094

Exhibit Total was \$37,421. Addition Error.

SSUI / Silver Lake Estates
Schedule of Adjustments to Water Rate Base
As of February 29, 1988

Docket No. 881011-WU
Schedule No. 2
Page 1 of 2
Order No.

Description	Adjustment
1) Utility Plant in Service	
To adjust for the understatement of this account in the exhibit.	\$ 26,253
2) Accumulated Depreciation	
To adjust for the overstatement of this account in the exhibit.	\$ 1,677
3) Contributions-in-aid-of-Construction	
To adjust for the understatement of this account in the exhibit.	\$ (32,013)
4) Accumulated Amortization of C.I.A.C.	
To adjust for the understatement of this account in the exhibit.	\$ 5,299

SSUI / Silver Lake Estates
Schedule of Adjustments to Water Rate Base
As of February 29, 1988

Docket No. 881011-WU
Schedule No. 2
Page 2 of 2
Order No.

Description	Adjustment
<hr/>	
5) Utility Plant in Service	
To reflect the removal of items on the books of the seller which were not transferred to the purchaser.	
Golf Cart	(2,205)
Word Processor	(4,258)
Total	\$ (6,463)
<hr/>	
6) Accumulated Depreciation	
To reflect the removal of items on the books of the seller which were not transferred to the purchaser.	
	\$ 888
<hr/>	
7) Contributions-in-aid-of-Construction	
To reflect the removal of the word processor which was not transferred and which had been expensed by the seller.	
	\$ 4,258
<hr/>	
8) Accumulated Amortization of C.I.A.C.	
To reflect the removal of the word processor which was not transferred and which had been expensed by the seller.	
	\$ (227)
<hr/>	