

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

MAY 25, 1989

TO : DIRECTOR OF RECORDS AND REPORTING

FROM : DIVISION OF WATER AND SEWER (HAND, GOODWIN)  
DIVISION OF LEGAL SERVICES (PIERSON) *CH* *OPW* *CP*

RE : UTILITY: MOBILE LAND & TITLE COMPANY

DOCKET NO. 881245-SU

COUNTY: LEE

CASE: APPLICATION FOR TRANSFER OF CERTIFICATE NO. 57-S FROM  
MOBILE LAND & TITLE COMPANY TO CARRIAGE VILLAGE  
LANDOWNERS' ASSOCIATION, INC.

AGENDA : JUNE 6, 1989 - CONTROVERSIAL - PROPOSED AGENCY ACTION FOR ISSUE  
NO. 2 - PARTIES MAY PARTICIPATE

PANEL : FULL COMMISSION

CRITICAL DATES: NONE

---

ISSUE AND RECOMMENDATION SUMMARY

ISSUE 1: Should the transfer of Certificate No. 57-S and the utility assets from Mobile Land & Title Company to Carriage Village Landowners' Association, Inc. be approved?

RECOMMENDATION: Yes, the transfer of Certificate No. 57-S and the utility assets from Mobile Land & Title Company to Carriage Village Landowners' Association, Inc. should be approved. (HAND, GOODWIN)

DOCUMENT NUMBER-DATE  
05230 MAY 25 1989  
FPSC-RECORDS/REPORTING

DOCKET NO. 881245-SU  
MAY 25, 1989

ISSUE 2: What is the proper level for rate base, representing net book value, at the time of transfer?

RECOMMENDATION: Rate base, which for transfer purposes reflects the net book value, should be established at \$91,272, as discussed in the body of this recommendation. (HAND, GOODWIN)

ISSUE 3: Should an acquisition adjustment be included in the rate base calculation at the time of transfer?

RECOMMENDATION: No, an acquisition adjustment should not be included in the rate base calculation. (HAND)

ISSUE 4: Should Carriage Village Landowner's Association, Inc. adopt and use the rates and charges previously approved for Mobile Land & Title Company?

RECOMMENDATION: Yes, Carriage Village should continue to use the rates and charges previously approved for the utility. (HAND)

ISSUE 5: Should this docket be closed?

RECOMMENDATION: Yes, if no timely protest is received to the PAA portion of the Order, then this docket should be closed. (HAND)

DOCKET NO. 881245-SU  
MAY 25, 1989

CASE BACKGROUND

On May 31, 1988, Mobile Land & Title Company (Mobile Land) sold the utility, recreational facilities, and additional land to Carriage Village Landowners' Association, Inc. (Carriage Village). Carriage Village, a non-profit corporation, consists of landowners in the Carriage Village Mobile Home Park, and are the majority of the customers of the utility. Fifteen of the customers in Carriage Village and all 45 customers in the Royal Carriage Mobile Home Park, which is also served by the utility, are not members. Since the utility is serving customers who are not members of the corporation, the utility will continue to be under this Commission's jurisdiction.

On September 26, 1988, Carriage Village filed an application to transfer Certificate No. 57-S from Mobile Land & Title Company.

The utility is located in North Fort Myers and serves a total of 428 ERCs, 383 in Carriage Village Mobile Home Park (Carriage) and 45 in Royal Coach Mobile Home Park (Royal Coach).

DOCKET NO. 881245-SU  
MAY 25, 1989

ISSUE 1: Should the transfer of Certificate No. 57-S and the utility assets from Mobile Land & Title Company to Carriage Village Landowners' Association, Inc. be approved?

RECOMMENDATION: Yes, the transfer of Certificate No. 57-S and the utility assets from Mobile Land & Title Company to Carriage Village Landowners' Association, Inc. should be approved. (HAND, GOODWIN)

STAFF ANALYSIS: Carriage Village applied for a transfer of the Mobile Land & Title Company's wastewater treatment system and corresponding Certificate No. 57-S on September 26, 1988. The system serves 428 ERCs.

Although there have been numerous complaints to DER during the last year that Mobile operated the system, Carriage Village has upgraded the system since May 31, 1988 and no complaints have been filed with DER since the transfer occurred.

The application is in compliance with the governing Statute 367.071, F.S., and other pertinent statutes and administrative rules concerning application for transfer. In particular the notarized application contains:

- a) A check in the amount of \$150.00 which, upon calculation, equates to the correct filing fee as prescribed by Section 367.141 F.S.
- b) Adequate legal description pursuant to Rule 25-30.035, F.A.C. Said territory to be served is described as being in Lee County, and more particularly as described in Appendix "A" attached.
- c) Proof of notice to all customers of record pursuant to 25-30.030(g), F.A.C.
- d) Proof of notice to all interested governmental/regulatory agencies, and all utilities within a four mile radius of the territory to be served, and proof of advertisement in a newspaper of general circulation in the county, as prescribed by Rule 25-30.030 F.A.C.

DOCKET NO. 881245-SU  
MAY 25, 1989

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

Carriage Village stated in its application that the purchase is in the public interest because Mobile Land is no longer interested in operating the utility and because the transfer would result in the majority of the customers of the utility, as stockholders of the corporation, having more control over the provision of sewer service. Furthermore, Carriage Village has contracted with Charter Utilities to operate the system and are retaining the same office personnel who have run the system for many years.

Carriage Village states that they have over \$1,139,318 in assets, with over \$95,700 in cash on hand and in banks.

Since the buyer appears to be financially able to provide service, the customers have already benefitted and will probably continue to benefit by having Carriage Village own the system, staff believes that the transfer is in the public interest. Therefore, staff recommends that the transfer of Certificate No. 57-S and the utility assets from Mobile Land to Carriage Village be approved for the currently certificated area as described in Attachment A.

APPENDIX "A"

CARRIAGE VILLAGE LEGAL DESCRIPTION

In Township 43 South, Range 24 East.

Section 36 Begin at a point being 100 ft. and on a bearing of South 89 degrees 48 min. East from the West 1/4 corner of said Section 36; thence South 0 degrees 02 min. 50 sec. East 1460.44 ft.; thence North 89 degrees 25 min. 40 sec. East 270.34 ft.; thence North 56 degrees 22 min. 55 sec. East 772.80 ft.; thence South 33 degrees 34 min. 35 sec. East 6.14 ft.; thence North 56 degrees 25 min. 10 sec. East 565.16 ft.; thence South 33 degrees 34 min. 50 sec. East 600 ft.; thence North 56 degrees 25 min. 10 sec. East 600 ft.; thence South 33 degrees 34 min. 50 sec. East 128.87 ft.; thence North 56 degrees 01 min. 45 sec. East 1158.67 ft.; thence North 0 degrees 17 min. 40 sec. East 331.64 ft.; thence West along the East West center line of said Section 36 to the Point of Beginning.

ISSUE 2: What is the proper level for rate base, representing net book value, at the time of transfer?

RECOMMENDATION: Rate base, which for transfer purposes reflects the net book value, should be established at \$91,272, as discussed in the body of this recommendation. (HAND, GOODWIN)

STAFF ANALYSIS: Staff conducted an audit of the utility, beginning with the rate base established in the last rate case, Order No. 11546, issued January 25, 1983, which used a test year that ended December 31, 1981. The records were updated to the date of transfer, May 31, 1988. The utility has received \$200 in cash contributions for connections to the system (CIAC) since the last rate case which is included in both the utility's proposed rate base and staff's recommended rate base on Schedule 1.

Accumulated depreciation and CIAC amortization was calculated based on the composite depreciation rate of 2.5% per year, per Order No. 11546. Staff's calculation of the amortization of CIAC resulted in \$4,895, \$240 less than that submitted by the utility. The utility was unable to provide documentation supporting their calculation of CIAC amortization, thus staff was unable to determine the reason for the difference.

The utility's proposed rate base also included additions since 1981 of \$8,622, but the utility was unable to provide documentation supporting the additions. Therefore, staff believes that these additions, and the associated accumulated depreciation of \$745, should be disallowed in this transfer case. However, should the utility be able to provide this information in a future proceeding, staff shall take the cost of these additions into consideration.

DOCKET NO. 881245-SU  
MAY 25, 1989

The rate base calculations do not include any ratemaking adjustments normally performed in rate cases, such as used and useful adjustments, working capital calculations, etc. The rate base calculations are used purely to establish the book value of the property being transferred. Therefore, for purposes of this transfer, staff recommends a rate base of \$91,272 as shown on Schedule 1, with the adjustments listed on Schedule 2, for the wastewater treatment system's rate base.



DOCKET NO. 881245-SU  
MAY 25, 1989

Schedule 1

Mobile Land & Title Company  
Schedule of Rate Base  
As of May 31, 1988

<u>Description</u>	<u>Balance per Filing</u>	<u>Staff Adjustments</u>	<u>Balance per Staff</u>
Utility Plant in Service	\$ 173,028	( 8,622)	\$164,406
Land	4,441	0	4,441
Accumulated Depreciation	( 68,175)	745	( 67,430)
CIAC	15,040)	0	( 15,040)
CIAC Amortization	<u>5,135</u>	<u>( 240)</u>	<u>4,895</u>
Total	<u>\$ 99,389</u>	<u>( 8,117)</u>	<u>91,272</u>

DOCKET NO. 881245-SU  
MAY 25, 1989

Schedule 2

Mobile Land & Title Company  
Schedule of Adjustments to Rate Base

	<u>Adjustment</u>
1) Utility Plant in Service	
To reflect the exclusion of undocumented plant additions	\$8,622
2) To reflect the removal of depreciation associated with undocumented plant additions	\$ 745
3) Accumulated Amortization of CIAC	
To reflect the calculation of amortization of CIAC at 2.5%	\$ 240

DOCKET NO. 881245-SU  
MAY 25, 1989

ISSUE 3: Should an acquisition adjustment be included in the rate base calculation at the time of transfer?

RECOMMENDATION: No, an acquisition adjustment should not be included in the rate base calculation. (HAND)

STAFF ANALYSIS: An acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. The purchase of the wastewater treatment system was part of a larger purchase that included a recreational facility, the treatment system and entrance way to Carriage Village. The total purchase price was \$891,500. The utility was appraised at \$240,000 based on a total cost appraisal performed by First Appraisal Services Corporation for Mobile Land in 1987. Using \$240,000 as the purchase price for the system the acquisition adjustment resulting from the transfer of the system would be calculated as follows:

Purchase Price	\$240,000
Staff Calculated Rate Base	91,272
Positive Acquisition Adjustment	<u>\$148,728</u>

In the absence of extraordinary circumstances, it has been Commission policy that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. The applicant did not request that an acquisition adjustment be included in rate base, and neither did the circumstances in this exchange appear extraordinary or unusual. Therefore, a positive acquisition adjustment should not be included in rate base.

DOCKET NO. 881245-SU  
MAY 25, 1989

ISSUE 4: Should Carriage Village Landowners' Association, Inc. adopt and use the rates and charges previously approved for Mobile Land & Title Company?

RECOMMENDATION: Yes, Carriage Village should continue to use the rates and charges previously approved for the utility. (HAND)

STAFF ANALYSIS: Rule 25-9.044(1), Florida Administrative Code, governs rate charges when ownership of a regulated utility changes. This rule is as follows:

"In case of change of ownership or control of a utility which places the operation under a different of new utility...the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission)..."

Staff sees no reason to change the rates at this time and, therefore, recommends that the utility continue operations under the existing tariff. The utility will file a revised tariff reflecting the change in ownership.

DOCKET NO. 881245-SU  
MAY 25, 1989

ISSUE 5: Should this docket be closed?

RECOMMENDATION: Yes, if no timely protest is received to the PAA portion of the Order, then this docket should be closed. (HAND)

STAFF ANALYSIS: If no timely protest is received by the end of the protest period, then no further action will be necessary in this docket and it should be closed.

CMH/GG/db (0696W)