

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of) DOCKET NO. 890215-WU
Certificate No. 483-W from Inverness)
Utilities, Inc. to Southern States) ORDER NO. 21829
Utilities, Inc. in Citrus County.)
ISSUED: 9-5-89

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE AND
ALLOWING SOUTHERN STATES TO COLLECT ITS
UNIFORM MISCELLANEOUS SERVICE CHARGES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is final except for the establishment of rate base and approval of the collection of Southern States' uniform miscellaneous service charges. These actions are preliminary in nature and 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 9, 1989, Southern States Utilities, Inc. (Southern States) filed an application with this Commission requesting approval of the transfer of assets from Inverness Utilities, Inc. (Inverness or Utility). The application also requested amendment of Certificate No. 189-W, currently held by Southern States, to include the territory served by Inverness.

DOCUMENT NUMBER-DATE
08874 SEP-5 1989
FPSC-RECORDS/REPORTING

The Utility serves the Rosemont Subdivision in Citrus County, Florida. The service area presently has 23 equivalent residential connections (ERCs) with a total of 88 ERCs at buildout.

The sale of the Utility took place on July 20, 1988. Southern States violated Section 367.071(1), Florida Statutes, and Rule 25-30.040, Florida Administrative Code, by closing on the sale of the Utility before obtaining Commission approval. We are not ordering the Utility to show cause since the Commission was informed in advance of the negotiations between Inverness and Southern States. We are, however, directing Southern States to file a report within 30 days explaining why it took so long to file the application. Delays in filing transfer applications for future acquisitions will not be countenanced.

Application

The application is otherwise in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer of facilities. In particular, the notarized application contains:

- a) One check totaling \$150 which, upon calculation, equates to the correct filing fee as prescribed by Section 367.141, Florida Statutes.
- b) Adequate service territory description pursuant to Rule 25-30.035(i), Florida Administrative Code. Said territory to be served is described as being in Citrus County, and more particularly as described in Attachment A attached.
- c) Proof of notice to all customers of record pursuant to Rule 25-30.030(g), Florida Administrative Code.
- d) Proof of notice to all interested governmental and 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, Florida Administrative Code.

- e) Evidence that the utility owns the land on which the utility's facilities are located as required by Rule 25-30.035(3)(f), Florida Administrative Code.

No objections to the requested transfer have been received and the time for filing such has expired.

On March 1, 1989, we conducted an on-site inspection of the Utility. At the time of inspection, the facilities were in above-average condition and operating satisfactorily. The Department of Environmental Regulation (DER) currently has no outstanding notice of violation actions against the Utility.

Since the previous owner no longer desires to be in the utility business and since Southern States has extensive experience and the financial resources to provide the customers of Inverness with quality service, we find that the transfer is in the public interest and it is, therefore, approved.

Currently, Southern States holds Certificate No. 189-W to provide water service in Citrus County. Certificate No. 189-W is, therefore, amended to include the territory served by Inverness, as described in Attachment A. Further, Certificate No. 483-W, held by Inverness, shall be returned to this Commission by September 25, 1989 for cancellation.

Rate Base

An audit was conducted of the Utility's books and records to determine rate base at the time of transfer. The Utility was unable to provide documentation to substantiate the original cost of plant. Therefore, we requested and received an original cost study, which was prepared by the Engineering Department of Southern States.

Southern States submitted \$92,803 as the estimated original cost of the Rosemont water system. We reviewed the cost study and reduced the cost of 4,939 feet of 2 inch PVC pipe by \$10,630.

Also, we adjusted land to reflect the cost of land at the time the Utility was built (1980). According to the Citrus County Courthouse records, during 1980, land within the

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Utility's service area sold for an average price of \$7,363. Additionally, the Utility's federal income tax returns show the value of the land to be \$7,595. As a result, the value of the land has been reduced by \$4,287. Therefore, the total cost of the Rosemont water system (including land), with the above adjustments, is \$77,886.

Although the original cost study did not address accumulated depreciation, accumulated depreciation has been calculated to be \$18,784. The original cost study indicates that the plant was constructed in 1980; therefore, we have calculated depreciation from 1980 to 1988, using Commission approved rates in accordance with Rule 25-30.140, Florida Administrative Code.

Although the Utility's rate base does not reflect any contributions-in-aid-of-construction (CIAC), we have determined CIAC to be \$17,420. According to the Utility's federal income tax returns, the Utility collected a \$600 tap-in fee from its customers. The \$600 charge is the amount authorized in its tariff and approved by Commission Order No. 19222. Further, CIAC Amortization calculated using using the 2.9% rate, is \$9,197.

Based on the adjustments, we find that rate base for Inverness is \$50,879 as of July 20, 1988, the date of transfer. Our calculation of rate base is shown on Schedule No. 1, with adjustments shown on Schedule No. 2.

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

Rates and Charges

The rates and charges currently approved for Inverness are as follows:

Water
(Monthly Rates)
Residential, Multi-Residential and General Service

<u>Description</u>	<u>Amount</u>
Base Facility Charge	\$ 5.00
Charge per 1,000 gallons	\$ 1.00

Water
Service Availability Charges

<u>Description</u>	<u>Amount</u>
System Capacity Charge	
Residential - per ERC (350 GPD)	\$ 600
All Others - per gallon	\$ 1.7143
Availability charge per lot	\$ 5.00 (monthly)

Rule 25-9.044(1), Florida Administrative Code, governs rates charged when ownership of a regulated utility changes. This rule requires the new owner of a utility to adopt and use the rates, classification and regulations of the former operating company until authorized to change by the Commission in a subsequent proceeding.

The utility has not requested a change in the rates and charges and we see no reason to change them at this time. Therefore, Southern States is directed to continue to charge the customers of Inverness, the rates and charges approved in Inverness' tariff.

Miscellaneous Service Charges

The Inverness' tariff does not provide for any miscellaneous service charges. Southern States has requested to charge its uniform miscellaneous service charges, which are as follows:

<u>Type of Charge</u>	<u>During Regular Working Hours</u>	<u>After Regular Working Hours</u>
Initial Connection	\$10.00	\$15.00
Normal Reconnection	10.00	15.00
Violation Reconnection	10.00	15.00
Premises Visit Charge	5.00	N/A

We find these charges to be reasonable and they are, therefore, approved. These charges are effective for service provided on or after the effective date of this Order, subject to the filing and approval of appropriate tariff sheets.

Southern States is directed to file revised tariff sheets by September 14, 1989, incorporating the rates and charges and territory description, as set forth in the body of this Order, into its tariff.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. In the absence of extraordinary circumstances, it has been Commission policy that a purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this exchange are not extraordinary or unusual and no acquisition adjustment was requested by Southern States; therefore, an acquisition adjustment has been not included in rate base.

It is, therefore,

ORDERED by the Florida Public Service Commission that the application for transfer of facilities from Inverness Utilities, Inc., 9699 East Gospel Island Road, Inverness, Florida 32650, to Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, is hereby approved. It is further

ORDERED that Certificate No. 483-W, held by Inverness Utilities, Inc., shall be returned to this Commission within 20 days of the date of this Order for cancellation. Certificate No. 189-W, held by Southern States, shall be returned to the Commission for amendment to reflect the addition of the territory served by Inverness Utilities, Inc. It is further

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ORDERED that rate base, for the purpose of this transfer, is \$50,879. It is further

ORDERED that Southern States shall continue to charge the rates and charges previously approved for Inverness Utilities, Inc. It is further

ORDERED that Southern States is allowed to collect its uniform miscellaneous service charges, as set forth in the body of this Order. It is further


ORDERED that Southern States shall file revised tariff sheets incorporating the rates, charges and territorial description, set forth in the body of this Order, into its approved water by September 14, 1989. It is further

ORDERED that Southern States shall file a report with this Commission within 30 days of the date of this Order explaining why it took so long to file the application for transfer of Inverness. 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 the date set forth in the "Notice of Further Proceeding" 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 5th day of September, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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 actions establishing rate base and allowing Southern States to collect its uniform 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 September 26, 1989. In the absence of such a petition, this order shall become effective on the following day, 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, 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 of the effective date

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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.

Schedule No. 1

INVERNESS UTILITIES, INC.
SCHEDULE OF RATE BASE
AS OF JULY 20, 1988

<u>Description</u>	<u>Balance Per Original Cost Study</u>	<u>Commission Adjustment</u>	<u>Balance Per Commission</u>
Utility Plant-in-Service	\$80,921	\$(10,630)(1)	\$ 70,291
Land	11,882	(4,287)(2)	7,595
Accumulated Depreciation	0	(18,784)(3)	(18,784)
Contributions-in-aid- of-Construction	0	(17,420)(4)	(17,420)
CIAC Amortization	<u>0</u>	<u>9,197 (5)</u>	<u>9,197</u>
Total	<u>\$92,803</u>	<u>\$(41,924)</u>	<u>\$ 50,879</u>

INVERNESS UTILITIES, INC.
RATE BASE ADJUSTMENTS

<u>Explanation</u>	<u>Adjustment</u>
<u>Utility Plant-in-Service</u>	
1) To reduce plant in original cost study to reflect a more reasonable price for 2" PVC pipe	<u>\$(10,630)</u>
<u>Land</u>	
2) To reduce cost of land shown in original cost study to reflect the cost of land at the time the utility was built (1980)	<u>\$(4,287)</u>
<u>Accumulated Depreciation</u>	
3) To reflect accumulated depreciation to date using Commission approved rates per Rule 25-30.140	<u>\$(18,784)</u>
<u>Contributions-in-aid-of-Construction</u>	
4) To reflect CIAC collected, but not recorded by the utility	<u>\$(17,420)</u>
<u>CIAC Amortization</u>	
5) To reflect amortization related to CIAC using 2.9% rate	<u>\$ 9,197</u>