

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Southern States) DOCKET NO. 881573-SU  
Utilities, Inc. for amendment of ) ORDER NO. 21913  
Certificate 226-S in Seminole County. ) ISSUED: 9-19-89  
\_\_\_\_\_)

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
BETTY EASLEY  
JOHN T. HERNDON  
GERALD L. GUNTER

ORDER APPROVING AMENDMENT OF CERTIFICATE

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE AND APPROVING  
RATES AND 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 the approval of rates and charges, which 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 December 15, 1988, Southern States Utilities, Inc. (SSUI) filed an application with this Commission for amendment of its Seminole County Certificate No. 226-S. The application is being treated as a transfer since a sale of assets occurred.

On January 6, 1988, SSUI purchased a wastewater collection system, spray irrigation system and land on which the wastewater plant will be located from Park Industrial Venture (PIV). PIV installed the systems in 1982, with the intent of building a wastewater treatment plant, which would serve 150

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multi-family homes and 1,045,000 square feet of office and warehouse space, including Florida Central Commerce Park. Florida Central Commerce Park is a small industrial park in the City of Longwood that is being developed by PIV. The area is now 60% built-out with the buildings in the service area connected to septic tanks. According to the Declaration of Protective Covenants for the industrial park, each site must connect to the wastewater system when service is available.

When PIV sold the system to SSUI, it advanced \$400,000 to SSUI, which SSUI will have to repay. The \$400,000 represents the negotiated value of the land, the wastewater collection and irrigation systems, the engineering plans for the plant, with the remaining monies being applied by SSUI towards the cost of constructing a 95,000 gpd wastewater treatment plant.

#### Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning applications for transfer of facilities, except for noticing SSUI's proposed service availability charges. As discussed later in the body of this Order, the notice of the proposed charges has been published, but the expiration period has not yet expired.

In particular, the notarized application contains:

- a) One check totalling \$900 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 Seminole County and more particularly as described in Attachment A attached.
- c) 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.

- d) Proof of ownership of the real property on which the treatment plant is located.

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

Since the plant is under construction, there are no customers to notify of the transfer. However, since property owners have requested service within the twelve months prior to the filing of the application, SSUI is in the process of completing the noticing requirements for the proposed service availability charge.

SSUI stated in its application that the purchase is in the public interest because SSUI has extensive experience and background in the industry and directs its resources toward providing quality water service to the residents of the state of Florida. Further, PIV is no longer interested in being in the utility business.

We believe that the transfer is in the public interest since future customers should benefit from having a large utility owning and operating the system. Therefore, the transfer is approved and Certificate No. 226-S, held by SSUI, is amended to include the service area described in Attachment A of this Order.

#### Rate Base

According to the application, the proposed rate base consists of two components, plant in service in the amount of \$270,000, and land in the amount of \$130,000. Plant in service includes only the cost of the wastewater treatment plant, which was not constructed at the time of transfer. In accordance with a letter from SSUI, dated January 24, 1989, the cost of the existing lines and the initial clearing of the plant site was incurred by PIV prior to the transfer. Since the value of these lines would be offset by CIAC, the cost was not taken into consideration in the determination of the rate base.

An audit of PIV's books and records was conducted in order to determine the proper level of rate base, as of the date of the transfer, January 6, 1988. We traced the construction and

engineering expenses of the installation of the collection lines and clearing of the plant site to supporting invoices. The construction costs, which were not available on a utility/nonutility basis, have been reviewed. The total cost of the plant, as of January 6, 1988, is \$479,413.

PIV has been expensing the entire cost of the collection and irrigation system and the initial clearing of the land, excluding the cost of the plant site, to the Cost of Sales. The tax returns for the parent company were reviewed to determine the amount of the utility assets that have been expensed to date. Some, but not all, of the lots have been sold. Due to the diversified nature of the realty company parent's records, the costs of sales were visible, but the costs associated specifically with the expensing of plant were not discernible. Because PIV is expensing its cost of the system less land to the Cost of Sales, \$479,413 has been classified as CIAC.

Although the land on which the plant site is located was dedicated for public service in 1982, PIV did not recognize the cost of the land in its financial records. The land was sold to SSUI for \$130,000 on January 6, 1988. This cost, at \$.35 per square foot, is less than that of similar properties in the area which were sold at \$1.20 - \$1.92 per square foot, during the 1982-1983 period. Therefore, we find that the \$130,000, representing the cost of land, is reasonable.

No customer contributions of plant or cash were found in the financial statements and no general ledger account exists for CIAC or Accumulated Amortization of CIAC. Since the system is not in operation and no accumulated depreciation appeared in the seller's financial records, we are not calculating depreciation. Similarly, no amortization of CIAC has been calculated.

The cost of the wastewater treatment plant is not included in rate base because the plant was constructed by the buyer after the date of transfer. These costs will be taken into consideration in a subsequent proceeding.

The rate base calculations do not include any ratemaking adjustments normally performed in rate cases, such as used and

useful adjustments or working capital calculations. The rate base calculations are used purely to establish the book value of the property being transferred. Therefore, for purposes of this transfer, rate base is \$130,000. Our calculation of rate base is shown on Schedule 1, with adjustments shown on Schedule 2.

#### 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 subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. SSUI did not request an acquisition adjustment, nor do the circumstances in this exchange appear extraordinary or unusual. Therefore, no acquisition adjustment has been included in rate base.

#### Rates and Charges

In a transfer application, Rule 25-9.044(1) governs the application of rates and charges. This rule states that a new owner must adopt and use the rates, classification and regulations of the former operating company, unless authorized to change by the Commission.

Since the Florida Central Commerce Park system is still under construction, rates and charges have never been established. Therefore, this application is akin to an amendment of SSUI's present certificate in Seminole County and it has requested that service be provided pursuant to its uniform Seminole County sewer rate. SSUI further requested that it be allowed to collect miscellaneous service charges and initial deposits pursuant to its statewide tariff with the exception of the requested plant capacity charge.

SSUI initially requested its uniform service availability charge of \$350 per connection. However, since application of this charge is based upon provision of service to single-family residential homes, the utility has amended its application to apply the charge on a per equivalent residential connection (ERC) basis to accommodate this commercial development. Since

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the collection and irrigation system was contributed by the prior owner, we find a plant capacity charge of \$350 per ERC (220 GPD) to be appropriate.

Therefore, we find the rates and charges requested by SSUI to be reasonable and they are, therefore, approved. The rates and charges shall be effective on or after the effective date of this Order.

Since SSUI's proposed service availability charge differs from its uniform charges, the Utility must notice the proposed service availability charges in accordance with Rule 25-30.565, Florida Administrative Code. The Utility has noticed the proposed charges and they are hereby approved. While the completion of the notice for the service availability charges will occur on September 30, 1989, the rates may not be placed into effect until the protest period for the proposed agency action portion of this order expires with no protest having been filed.

It is, therefore,

ORDERED by the Florida Public Service Commission that the application of Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, for amendment of Certificate 226-S in Seminole County to include the territory described in Attachment A of this Order is hereby approved. It is further

ORDERED that Southern States shall return Certificate No. 226-S to this Commission within 20 days of the date of this Order for appropriate entry. It is further

ORDERED that rate base for purposes of this transfer, is \$130,000. It is further

ORDERED that Southern States shall charge the customers in the territory added herein its uniform Seminole County sewer rate and statewide tariff, with the exception of the plant capacity charge, as set forth in the body of this Order. It is further

ORDERED that the rates and charges approved herein shall become effective on or after the effective date of this Order. It is further

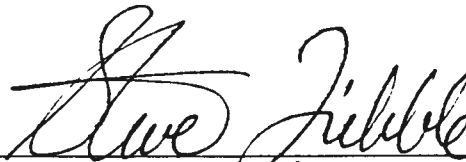
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ORDERED that Southern States is authorized to charge a service availability charge of \$350 per ERC (220 GPD) as set forth in the body of this Order. This charge shall become effective on or after the effective date of this Order if no timely protests are received by the Commission. 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 Proceedings" 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 19th day of SEPTEMBER, 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 establishing rate base and approving rates and charges 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 his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on October 10, 1989. In the absence of such a petition, this order shall become effective 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 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)



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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.

ATTACHMENT A

SOUTHERN STATES UTILITIES, INC.  
SEMINOLE COUNTY  
SERVICE TERRITORY DESCRIPTION  
(FLORIDA CENTRAL COMMERCE PARK)

In Township 21 South, Range 30 East

Section 6

The NW 1/4 of the SE 1/4

and

The E 1/2 of the SW 1/4

and

The E 100' of the NW 1/4 of the SW 1/4

and

The SE 1/4 of the NW 1/4

and

The E 100' of the SW 1/4 of the NW 1/4

and

The E 570' of the S 430' and the E 125' of the N 890'  
of the NE 1/4 of the NW 1/4

and

The SW 1/4 of the NE 1/4

and

The NW 1/4 of the NE 1/4 LESS (The NE 1/4 of the NW 1/4 of the NE 1/4 and the  
N 271' of the E 317' of the SE 1/4 of the NW 1/4 of the NE 1/4)

and

All that part of the S 1049' of the E 1/2 of the NE 1/4 that lies West of the  
Westerly R/W line of the Seaboard Coastline Railroad.

FLORIDA CENTRAL COMMERCE PARK  
SCHEDULE OF SEWER RATE BASE  
AS OF JANUARY 6, 1988

<u>DESCRIPTION</u>	<u>BALANCE PER FILING</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$270,000	\$ 209,413	\$479,413
Land	130,000	0	130,000
Plant Held for Future Use	0	0	0
Accumulated Depreciation	0	0	0
CIAC	0	( 479,413)	(479,413)
CIAC Amortization	0	0	0
Acquisition Adjustment	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$400,000</u>	<u>(\$270,000)</u>	<u>\$130,000</u>

FLORIDA CENTRAL COMMERCE PARK  
SEWER RATE BASE ADJUSTMENTS  
AS OF JANUARY 6, 1988

<u>DESCRIPTION</u>	<u>AMOUNT</u>
1) Utility Plant in Service	
To reflect the inclusion of Wastewater Collection and Irrigation System not included in the utility's proposed rate base.	\$479,413
To remove the cost of construction of the wastewater treatment plant (constructed after January 6, 1988)	<u>(270,000)</u>
	<u>\$209,413</u>
1) Contributions in Aid of Construction	
To reflect the imputation of CIAC due to the seller expensing the cost of the lines to Cost of Sales	<u>\$479,413</u>