

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Highlands Utilities Corporation for amendment of Certificate No. 361-S to Include Additional Territory and Cancellation of Pugh Septic Tank Services, Inc.'s Certificate No. 346-S in Highlands Co.)	DOCKET NO. 890800-SU
)	ORDER NO. 22556
)	ISSUED: 2-15-90

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TRANSFER OF ASSETS, AMENDING
 CERTIFICATE NO. 361-S, HELD BY HIGHLANDS
 UTILITIES CORPORATION, AND CANCELLING CERTIFICATE
 NO. 346-S, HELD BY PUGH SEPTIC TANK SERVICES, INC.

AND

NOTICE OF PROPOSED AGENCY ACTION
 ORDER ESTABLISHING RATE BASE FOR
 PURPOSES OF THIS TRANSFER

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 for purposes of this transfer, which is 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 June 15, 1989, Highlands Utilities Corporation (Highlands) filed an application with this Commission for approval of the transfer of the assets of Pugh Septic Tank Services, Inc. (Pugh). Both utilities are certificated in Highlands County. Mr. Dixon Pugh, President of both utilities, intends to consolidate the systems under one certificate.

DOCUMENT NUMBER-DATE

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PSC-RECORDS/REPORTING

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Pugh serves an 82 lot mobile home park and a small motel. In addition to operating the sewer utility, Pugh also operates a septic tank service. In its application, Pugh requested that only the facilities associated with the sewer system be transferred.

Application

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

- a) A filing fee in the amount of \$150, as prescribed by Section 367.141, Florida Statutes.
- b) Adequate legal description pursuant to Rule 25-30.035, Florida Administrative Code. Said territory to be served in Highlands County is described in Attachment A of this Order.
- 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 upon which the utility's facilities will be located as required by Rule 25-20.035(3)(f), Florida Administrative Code.

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

As stated previously, Mr. Dixon Pugh has requested that Pugh's sewer system be transferred to Highlands so as to operate both systems under one certificate. We agree that combining the systems would be cost effective, since it would result in the consolidation of annual reports, regulatory

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assessment fees filings, utility books and records, and elimination of cost separations in subsequent rate proceedings.

Based upon the foregoing, we find that the requested transfer is in the public interest. Therefore, Certificate No. 346-S, held by Pugh, is hereby cancelled, and Certificate No. 361-S, held by Highlands, is hereby amended to include the territory described in Attachment A of this Order.

Rate Base

According to the purchase agreement filed with the application, the purchase price of Pugh was \$16,729. This amount is equal to the utility's calculation of net book value. However, based upon an audit of the Utility's books and records, we have made several adjustments which reduced rate base to \$12,568 as of June 30, 1989.

Rate base was previously established for Pugh as of December 31, 1982, in its last rate case. Since Pugh has had no plant additions or added customers since that date, both plant and CIAC levels are unchanged. Therefore, adjustments are to accumulated depreciation and amortization of CIAC.

The audit indicated that Pugh has not been using the 2.5% depreciation rate used in Order No. 13083, resulting in an understatement of accumulated depreciation. We have updated depreciation from the prior rate case using the appropriate rate, which increased accumulated depreciation to \$15,785.

The Utility's calculated rate base is stated within the purchase agreement. In going from the general ledger to the purchase agreement, the Utility incorrectly recorded amortization of CIAC at \$14,647. This amount has been reduced to \$11,393, the amount recorded in the general ledger. This figure has been further adjusted to \$11,718 to include an additional one-half year's amortization.

Further, an acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. In this docket it was the intent of Mr. Pugh to transfer the Pugh assets with the purchase price being equal to rate base. Since the purchase price and our calculation of

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rate base are equal at \$12,568, there is no acquisition adjustment to be included in rate base.

Rate base is, therefore, found to be \$12,568 as of June 30, 1989. Our calculation of rate base is shown on Schedule No. 1, with adjustments shown on Schedule No. 2.

The rate base calculation does not include the normal rate making adjustments for working capital or used and useful. This calculation is used only to establish the net book value of the property being transferred.

Rates and Charges

Rule 25-9.044(1), Florida Administrative Code, governs rates and charges when ownership of a regulated utility is transferred. That Rule states that the new owner of a utility must adopt and use the rates, classification and regulations of the former operating company unless authorized to change by the Commission.

Pugh's approved sewer rates and charges are as follows:

<u>Residential Service</u> (Monthly)	<u>General Service (Safari Motel)</u> (Monthly)
\$ 15.70	\$ 208.25

Initial Deposits

<u>Meter Size</u>	<u>Residential</u>	<u>General Service</u>
5/8" x 3/4"	\$ 40.00	\$ 40.00
1"	-	\$ 100.00
1 1/2"	-	\$ 200.00
2"	-	\$ 320.00

Pugh does not have any service availability or miscellaneous service charges.

The utility has not requested a change in the rates and we see no reason to change them at this time. Therefore, Highlands shall continue charging the rates currently approved

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for Pugh. Highlands is directed to file revised tariff sheets incorporating these rates and charges within its tariff. Highland's service availability charges shall not apply to customers within the former Pugh service area.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of assets from Pugh Septic Tank Services, Inc., 136 State Road 29, Lake Placid, Florida 33852, to Highlands Utility Corporation, 136 State Road 29, Lake Placid, Florida 33852, is hereby approved. It is further

ORDERED that Certificate No. 346-S, held by Pugh Septic Tank, shall be returned to this Commission for cancellation within 20 days of the date of this Order. It is further

ORDERED that Certificate No. 361-S, held by Highlands Utilities Corporation, shall be returned to this Commission for entry reflecting the territory described in Attachment A of this Order within 20 days of the date of this Order. It is further

ORDERED that rate base, for purposes of this transfer, is \$12,568. It is further

ORDERED that Highlands Utilities Corporation shall continue to charge the customers in the territory the rates and charges previously approved for Pugh Septic Tank Services, Inc. Highlands' service availability charges shall not apply to the customers within the territory formerly served by Pugh. It is further

ORDERED that Highlands Utilities Corporation shall file revised tariff sheets incorporating the rates and charges set forth here in its tariff, within 20 days of the date of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition in the form provided by Rule 25-22.36, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street,

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Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event that this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 15th day of FEBRUARY, 1990.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ALC

by: Kay Flynn
Chief, Bureau of Records

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 establishment rate base 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

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Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 8, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date 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 the date described above, 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) 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.

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ATTACHMENT A

LEGAL DESCRIPTION

Brunner's Mobile Estates
&
Safari Inn

A portion of land in Section 26, Township 34, Range 28, more particularly described as Legal Lots 1 through 83, Brunner's Mobile Estates, and Safari Inn, Plat Book 9, Page 24, O.R. Book 524, Page 911, Public Records of Highlands County, Florida.

BRUNNER'S MOBILE ESTATES

Being the North 600 feet of the South 1,535.98 feet of the NE 1/4 of Sec 26, lying east of U.S. Hwy. 27 Twp. 34 South, Rge. 28 East Highlands County, Florida, more particularly described as follows: Commence at the S.E. corner of the NE 1/4 of Sec. 26, Twp. 34 South, Rge. 28 East, thence North along the section line a distance of 935.98 feet to the point of beginning, thence continue North along the section line a distance 600.00 feet to a point, thence north $89^{\circ}54'10''$ west a distance of 1811.10 feet to the easterly boundary of U.S. Hwy. No. 27, thence Southeast along the easterly R/W of U.S. Hwy. No. 27 with a curve to the left having a radius of 11,334.16 feet on arc distance of 74.51 feet to a point of tangency, thence continue South $25^{\circ}57'10''$ East along the easterly R/W of U.S. Hwy. No. 27 a distance of 618.51 feet to a point, thence South $89^{\circ}54'10''$ East a distance of 1,465.32 feet to the point of beginning.

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SCHEDULE NO. 1

PUGH SEPTIC TANK SERVICE
 SCHEDULE OF RATE BASE
 AS OF JUNE 30, 1989

<u>Description</u>	<u>Balance per Utility</u>	<u>Staff Adjustments</u>	<u>Balance per Staff</u>
Utility Plant-in-Service	\$36,235	0	\$36,235
Land	6,440	0	6,440
Contributions-in-aid-of-construction	(26,040)	0	(26,040)
Accumulated Depreciation	(14,553)	(1,232)(1)	(15,785)
CIAC Amortization	<u>14,647</u>	<u>(2,929)(2)</u>	<u>11,718</u>
Total	<u>\$16,729</u>	<u>(4,161)</u>	<u>12,568</u>

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SCHEDULE NO. 2

PUGH SEPTIC TANK SERVICE
RATE BASE ADJUSTMENTS

<u>Explanation</u>	<u>Adjustment</u>
<u>Accumulated Depreciation</u>	
1) To recalculate accumulated depreciation using the 2.5% rate approved by the Commission.	<u>\$1,232</u>
<u>CIAC Amortization</u>	
2) To correct utility's error in recording amortization from the general ledger to the purchase agreement and to include an additional one half year amortization.	<u>\$(3,254)</u> <u>325</u>
	<u>\$(2,929)</u>