

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for)
transfer of Certificates Nos.) DOCKET NO. 920588-WS
466-W and 400-S from Country-) ORDER NO. PSC-93-0194-FOF-WS
side Utility Company to) ISSUED: 02/09/93
Pennbrooke Utilities, Inc. in)
Lake County, Florida.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA J. JOHNSON
LUIS J. LAUREDO

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE 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 the transfer which is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

On June 9, 1992, Pennbrooke Utilities, Inc. (Pennbrooke) filed an application with this Commission for approval of the transfer of Certificates Nos. 466-W and 400-S from Countryside Utility Company (Countryside or utility) to Pennbrooke. Pennbrooke acquired the utility when the developer of the community went into bankruptcy and the assets, which included Countryside, were the subject of

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foreclosure action by Barnett Bank. Pennbrooke Equity, Inc., the company which was set up to dispose of the assets of the development, set up Pennbrooke. Although the closing on the acquisition occurred on May 29, 1992, prior to Commission approval, we are not initiating show cause proceedings since the transfer occurred as a result of a foreclosure proceeding.

Application

Except as discussed previously, the application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules. In particular, the application contains a filing fee in the amount of \$300.00, as prescribed by Rule 25-30.020, Florida Administrative Code. The application also contains evidence that Pennbrooke owns the land upon which its facilities are located as required by Rule 25-30.037(1)(o), Florida Administrative Code.

Pennbrooke provided proof of compliance with the noticing provisions of Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system being transferred. No objections to the application have been received and the time for filing such has expired.

The territory description filed with the application was incorrect. When Countryside was granted its certificates by Order No. 16947, issued December 12, 1986, the description contained typographical errors. The corrected territory description is shown on Attachment A of this Order, which by reference is incorporated herein.

According to the information provided with the application, it appears that Pennbrooke has the technical ability to operate Countryside since its parent company owns and operates an unregulated system similar to Countryside in Polk County. With regard to Pennbrooke's financial ability, Pennbrooke has a capital structure which is no more than 50 percent debt. According to the application, Countryside's 1991 annual report showed negative equity capital and debt in excess of the book value of the assets. When Pennbrooke acquired Countryside, the excess debt was written off by the foreclosing bank. The forgiveness of the debt and the improved capital structure will reduce the company's risk. Fifty percent of the purchase was financed by a loan from the parent company, Leisure Communities, Ltd. The remaining 50 percent was provided by the equity capital invested in Pennbrooke.

The information provided by Pennbrooke indicates that there were no customer deposits or outstanding regulatory assessment fees at the time of the transfer. Pennbrooke Equity, Inc. is responsible for regulatory assessment fees prior to May 29, 1992, and Pennbrooke is responsible for regulatory assessment fees due after that date. In addition, according to the Department of Environmental Regulation, there are no outstanding violations against Countryside.

Based on the foregoing, we find that the transfer of Certificates Nos. 466-W and 400-S from Countryside to Pennbrooke is in the public interest, and it is approved. Pennbrooke shall return the Certificates to the Commission within 20 days of the date of this Order for entry reflecting the change in ownership.

Rate Base

Since rate base for Countryside has never been established by the Commission, we conducted an audit of the utility's books and records to determine rate base at the time of transfer, May 29, 1992. Currently, the utility records land in the wastewater account for utility land. The balance in this account is \$154,490.

The original cost of the land has been verified and the amount of the book balance has been prorated to reflect land used for water and wastewater in compliance with the Uniform System of Accounts. In addition, the amount shown for land used for wastewater treatment has been adjusted to reflect an additional 7.92 acres held for future expansion of the facilities. The amount shown for land used for water has been adjusted by \$11,000, the cost of fill dirt and other site preparation. As a result of the adjustments, the cost of land used for water is \$21,115; the cost of land used for wastewater is \$57,035. The cost of wastewater land held for future use is \$67,320.

The utility does not record the full cost of each meter installation, including parts and labor; therefore, Account 334, Meters, has been adjusted to reflect the full cost of each installation. According to our calculation, the cost of meters is \$13,350.

Countryside calculates accumulated depreciation at an accelerated rate. The amount of accumulated depreciation has been adjusted from the date of utility inception to the transfer date, May 29, 1992, in accordance with the rates established in Rule 25-

30.140, Florida Administrative Code. Therefore, accumulated depreciation is (\$131,632) for water and (\$69,615) for wastewater.

The utility also used accelerated rates for the calculation of amortization of contributions-in-aid-of-construction (CIAC). Amortization of CIAC has been recalculated to reflect the proper depreciation rates and to include 3 connections made in 1992. Therefore, accumulated amortization is \$17,417 for water and \$26,137 for wastewater.

Countryside has been combining accounts rather than placing specific costs in related accounts. The utility must reclassify its accounts to reflect specific costs. In addition, the utility must comply with the Uniform System of Accounts and use the rates for accumulated depreciation and amortization set out in Commission Rule 25-30.140, Florida Administrative Code.

An acquisition adjustment results when the purchase price differs from the original cost calculation. In the absence of extraordinary circumstances, it has been Commission practice that the purchase of utility system at a premium or discount should not affect the rate base calculation. The circumstances in this instance do not appear to be extraordinary; therefore, a negative acquisition adjustment is not included in the calculation of rate base.

Based on the foregoing, rate bases for the water and wastewater systems, for purposes of the transfer, are \$422,249 and \$222,176, respectively, as of the date of transfer, May 29, 1992. Our calculations of rate base for the water and wastewater systems are shown on Schedules Nos. 1 and 3, respectively, with adjustments shown on Schedules Nos. 2 and 4.

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

Rates and Charges

Countryside's current rates and charges became effective on October 9, 1990, pursuant to a price index increase. Rule 25-9.044(1), Florida Administrative Code, requires the new owner of a utility to adopt and use the rates, classification and regulations

of the former operating company unless authorized to change by the Commission.

Pennbrooke has not requested to change the rates and charges and we see no reason to change them at this time. Pennbrooke shall continue to charge the rates and charges approved in Countryside's tariff until authorized to change by this Commission in a subsequent proceeding. Pennbrooke has filed a revised tariff reflecting the change in ownership. The tariff shall be effective for service provided or connections made on or after the stamped approval date on the tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of Certificates Nos. 466-W and 400-S from Countryside Utility Company, 3600 West Cypress Street, Tampa, Florida 33607, to Pennbrooke Utilities, Inc., 146 Horizon Court, Lakeland, Florida 33813, is hereby approved. Pennbrooke shall return Certificates Nos. 466-W and 400-S to this Commission within 20 days of the date of this Order for entry reflecting change in ownership. It is further

ORDERED that rate base, which for purposes of this transfer reflects net book value as of the date of transfer, is \$422,249 for the water system and \$222,176 for the wastewater system. It is further

ORDERED that Pennbrooke shall continue to charge the rates and charges approved in Countryside Utility Company's tariff until authorized to change by this Commission. The revised tariff, filed reflecting the change in ownership, shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that Pennbrooke shall maintain its accounts and records in accordance with the NARUC Uniform System of Accounts as required by Rule 25-30.115, Florida Administrative Code. It is further

ORDERED that Pennbrooke shall use the accumulated depreciation and amortization rates set forth in Rule 25-30.140, Florida Administrative Code. It is further

ORDERED that the provisions of this Order establishing rate base for purposes of this transfer are issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that this docket will be closed if no timely protest is received from a substantially affected person.

By ORDER of the Florida Public Service Commission this 9th day of February, 1993.



STEVE TRIBBLE, Director,
Division of Records and Reporting

(S E A L)

ALC

Commissioner Deason dissents from the Commission's decision not to recognize a negative acquisition adjustment in the calculation of rate base.

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 for purposes of this transfer 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 March 2, 1993. 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.

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 wastewater 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 wastewater 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

Territory Description

- 1) The South 1/2 of the North 1/2 of the Southwest 1/4 of Section 19, Township 19 South, Range 24 East, Lake County, Florida.
- 2) The South 1/2 of the Northwest 1/4 of the Southeast 1/4 of Section 19, Township 19 South, Range 24 East, Lake County, Florida, less the East 330 feet thereof.
- 3) The South 1/4 of Section 19, Township 19 South, Range 24 East, Lake County, Florida, less the North 430 feet of the East 1650 feet thereof.
- 4) The Southwest 1/4 of the Southwest 1/4 of Section 19, Township 19 South, Range 24 East, Lake County, Florida, subject to county road rights-of-way.
- 5) The North 1/2 of Section 19, Township 19 South, Range 24 East, Lake County, Florida, less the South 1/2 of the Southwest 1/4 of the Southwest 1/4 and less the West 660 feet of the South 453.26 feet of the Southeast 1/4 of the Northwest 1/4 of said Section 19 thereof. Also less: the East 330 feet of the Northeast 1/4 of the Northeast 1/4. Also less: the West 570 feet of the East 900 feet of the South 1/2 of the said Northeast 1/4 of the Northeast 1/4 of said Section 19 and less the Southeast 1/4 of the said Northeast 1/4 of Section 19.
- 6) That part of the West 7/8 of the South 1/2 of said Section 19, lying Northwesterly of the Northwesterly right-of-way line of the S.C.L. Railroad, less: From the point of intersection of the West line of Section 19, Township 19 South, Range 24 East, Lake County, Florida, with the Northerly line of the right-of-way of the Seaboard Airline Railroad, run Southeasterly along the Northerly line of said right-of-way, 2201 feet to the Point of Beginning of this tract herein described. From said Point of Beginning, run thence North 529.13 feet, thence North 80°15' East 157.08 feet, thence North 00°20'01" East 179.66 feet to the point on the North line of the South 1/2 of said Section 19, thence Westerly along said North line of said South 1/2 of Section 19 to the West line of said South 1/2 of said Section 19, thence Southerly along said West line to the Point of Beginning. Also less: that part of the North 1/2 of

- the Southeast 1/4 of Section 19, Township 19 South, Range 24 East, Lake County, Florida, bounded and described as follows: begin 169 feet North of the Southeast corner of the West 1/2 of the Northeast 1/4 of the Southeast 1/4, run North $80^{\circ}38'52''$ West 200 feet, thence South $14^{\circ}33'03''$ West 203 feet the North right-of-way line of the Seaboard Airline Railroad, thence Southeasterly along said North right-of-way line to the Point of Beginning and Point of Terminus.
- 7) From the point of intersection of the West line of Section 19, Township 19 South, Range 24 East, in Lake County, Florida, with the Northerly line of the right-of-way of the Seaboard Airline Railroad, run thence Southeasterly along the Northerly line of said right-of-way 2201 feet to the Point of Beginning of the tract herein described. From said Point of Beginning run thence South to the Northerly line of the right-of-way of State Road No. 44, thence Southeasterly along the Northerly line of the right-of-way of State Road No. 44, to the East line of the Southwest 1/4 of said Section 19, thence North along the East line of the Southwest 1/4 of said Section 19 to the Northerly line of the right-of-way of said railroad, thence Northwesterly along the Northerly line of the right-of-way of said railroad to the Point of Beginning. Less the right-of-way of the Seaboard Airline Railroad (containing 0.40 acres).

COUNTRYSIDE UTILITY COMPANY

SCHEDULE OF WATER RATE BASE

As of May 29, 1992

<u>DESCRIPTION</u>	<u>BALANCE PER 1991 ANNUAL REPORT</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$636,869	\$ 6,483 (1)	\$643,352
Land	0	21,115 (2)	21,115
Accumulated Depreciation	(162,456)	30,824 (3)	(131,632)
Contributions-in-aid-of-Construction	(127,778)	(225) (4)	(128,003)
CIAC Amortization	<u>20,560</u>	<u>(3,143)</u> (5)	<u>17,417</u>
TOTAL	<u>\$367,195</u>	<u>\$ 55,054</u>	<u>\$422,249</u>

COUNTRYSIDE UTILITY COMPANY
SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service To adjust meter installations to reflect the full cost of installations including the cost of labor and all parts	\$ 6,483
Land To adjust land to reflect the cost of land use in water operations in compliance with the Uniform System of Accounts	21,115
Accumulated Depreciation Depreciation recalculated in accordance with Rule 25-30.140, F.A.C.	30,824
Contributions-in-aid- of-Construction To increase CIAC to bring CIAC up to date for three connections in 1992	(225)
CIAC Amortization To reflect amortization related to CIAC adjustment and recalculated in accordance with Rule 25-30.140, F.A.C.	(3,143)

COUNTRYSIDE UTILITY COMPANY
SCHEDULE OF WASTEWATER RATE BASE

As of May 29, 1992

<u>DESCRIPTION</u>	<u>BALANCE PER 1991 ANNUAL REPORT</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$315,476	0	\$315,476
Land	154,490	(97,455) (1)	57,035
Land held for future use	0	67,320 (2)	67,320
Accumulated Depreciation	(69,539)	(76) (3)	(69,615)
Contributions-in- aid-of-Construction	(174,177)	0	(174,177)
CIAC Amortization	<u>31,964</u>	<u>(5,827)</u> (4)	<u>26,137</u>
TOTAL	<u>\$258,214</u>	<u>\$ (36,038)</u>	<u>\$222,176</u>

COUNTRYSIDE UTILITY COMPANY
SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Land To adjust land to reflect the cost of land use in wastewater operations in compliance with the Uniform System of Accounts	\$ (97,455)
Land Held for Future Use To adjust for 7.92 acres of land held for future expansion of wastewater facilities	67,320
Accumulated Depreciation Depreciation recalculated in accordance with Rule 25-30.140, F.A.C.	(76)
CIAC Amortization To reflect amortization related to CIAC adjustment and recalculated in accordance with Rule 25-30.140, F.A.C.	(5,827)