

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for ) DOCKET NO. 921260-WS  
Certificates to Provide Water ) ORDER NO. PSC-93-0900-FOF-WS  
and Wastewater Service in Marion ) ISSUED: 06/14/93  
County by THE RESOLUTION TRUST )  
CORPORATION and for Amendment of )  
Certificates Nos. 405-W and 342- )  
S by TRADEWINDS UTILITIES, INC. )  
to Reflect Transfer of )  
Territory. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION ORDER  
ESTABLISHING RATE BASE FOR TRANSFER PURPOSES FOR  
TRADEWINDS AND FOR THE RESOLUTION TRUST CORPORATION

AND

ORDER APPROVING RATES AND CHARGES FOR  
THE RESOLUTION TRUST CORPORATION

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein establishing rate base for purposes of transfer for Tradewinds and for the Resolution Trust Corporation (RTC) 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

Tradewinds Utilities, Inc. (Tradewinds or utility) is a Class C utility providing water and wastewater service to two separate systems in Marion County. Tradewinds currently serves 366 water customers and 257 wastewater customers. Approximately 289 water

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1993-RECORDS/REGISTRATION

and 162 wastewater customers will be served as a result of the deletion of territory approved herein. The annual report for 1991 shows water revenue of \$63,739 and wastewater revenue of \$73,171 and a net operating income of \$7,017 for water and \$6,631 for wastewater.

The Miami Savings Bank held title for certain utility assets and facilities serving a portion of Tradewinds' territory; however, as a result of a foreclosure on Miami Savings Bank the Resolution Trust Corporation (RTC) was appointed its receiver. As a result of a judgment of foreclosure issued April 16, 1991, on a loan secured by a mortgage on the same utility assets and facilities, RTC gained ownership. The RTC through Real Estate Recovery, Inc., (RER) now serves two residential areas known as the Landfair subdivision and the Hilltop Manor subdivision. The foreclosure action did not affect the other separate systems owned and operated by Tradewinds.

On December 15, 1992, RTC applied for certificates to operate water and wastewater systems in Marion County and to delete the same territory from Certificates Nos. 405-W and 342-S held by Tradewinds. The Commission granted the request, issued Certificates Nos. 552-W and 481-S to RTC and deleted a portion of Tradewinds' territory pursuant to Order No. PSC-93-0368-FOF-WS, issued March 3, 1993.

RATE BASE FOR TRANSFER PURPOSES FOR  
THE RTC AND FOR TRADEWINDS

According to the application, the net book value of the portions of the water and wastewater systems being transferred as of December 31, 1991, is \$37,360. Rate base was previously established by this Commission in Docket No. 870212-WS, which was a staff assisted rate proceeding. By Order No. 18312, issued on October 19, 1987, Tradewinds' rate base was established as \$55,526 as of December 31, 1986. Order No. 18312 did not include rate base related items involving the Landfair/Hilltop projects. As previously indicated, it is the Landfair/Hilltop projects which have been transferred to RTC in this proceeding. The applicant has provided an asset valuation statement prepared by a certified public accountant which was based upon Tradewinds' annual reports for 1990 and 1991.

We have conducted an audit of the books and records of the utility to determine the rate base (net book value) at the time of transfer.

Our calculation of rate base for RTC is shown on Schedules Nos. 1A and 3A for the water and wastewater systems, respectively, with adjustments to rate base shown on Schedules Nos. 2A and 4A as of December 31, 1991. Likewise, our calculation of rate base for the remaining Tradewinds' systems is shown on Schedules Nos. 1B and 3B for the water and wastewater systems, respectively, with adjustments to the rate base shown on Schedules Nos. 2B and 4B as of December 31, 1991. Based on the adjustments set forth herein, we find that rate base for RTC is \$0 for the water system and \$0 for the wastewater system as of December 31, 1991. The rate base remaining for Tradewinds is \$(46,345) for water and \$155,175 for wastewater as of December 31, 1991. This calculation of rate base is only to establish the net book value of the property being transferred and does not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments.

The adjustments which were made to the RTC rate base components brought the investment transferred into agreement with the data contained in Order No. 18312. The accumulated depreciation and accumulated amortization of Contributions-in-Aid-of-Construction (CIAC) were set equal to each other due to the plants being totally contributed to Tradewinds in 1987. A negative rate base for the RTC water system was initially determined as a result of the rate base audit. An excess of CIAC collected from the developer in the Landfair/Hilltop development resulted in the CIAC exceeding the plant and land in service. Whether or not excessive CIAC was collected intentionally was not readily determinable. We believe that it is likely that as property was donated or contributed, a mismatch occurred in booking CIAC and the physical assets received primarily due to excess cash collections for the water system. In any event, the rate base approved herein represents the value of the investment transferred in terms of utility plant in service and land, CIAC, and accumulated depreciation and amortization with the CIAC for each system equated to the plant and land in service resulting in a zero rate base for the RTC systems. The zero rate base for RTC necessitated adjustments to the CIAC amounts for Tradewinds' rate base.

The calculation of the rate bases for the systems remaining with Tradewinds includes adjustments to properly recognize the CIAC which was erroneously recorded as income, to correct an erroneous general ledger entry regarding accumulated depreciation, and to adjust for booking entries not made pursuant to Order No. 18312. The negative rate base for the water system is due to payments from developers in the form of advances for construction as well as

recognition of excess cash CIAC collected in the Landfair/Hilltop development. An unsupported entry for land of \$114,715 was adjusted out of the land account for wastewater. We have determined that \$75,500 was recorded for a land acquisition several years ago. However, the land is not being used in utility service to the public and, therefore, should not be included in the rate base for Tradewinds.

We find the adjustments herein are reasonable since Tradewinds collected excess CIAC in the past as previously discussed. Furthermore, even after the adjustment to Tradewinds' CIAC account, a substantial overall positive rate base remains for the utility as a whole.

Due to the transfer of a portion of the original assets to a receiver and no purchase price, we find no acquisition adjustment appropriate in this proceeding.

We note that in an application for transfer filed by any subsequent purchaser of the systems owned by the RTC, this Commission will reestablish rate base based on the level of investment and CIAC at that point in time. This would necessarily include consideration of any rate base improvements made by the RTC during its ownership.

#### RATES AND CHARGES FOR RTC

The utility's approved rates and charges were effective June 19, 1992, pursuant to a 1992 Price Index.

Rule 25-9.044(1), Florida Administrative Code, provides that:

In cases of change of ownership or control of a utility which places the operation under a different or 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)...

The RTC has not requested a change in the rates and charges of the utility and there is no reason to change them at this time. Accordingly, the utility shall continue operations under the existing tariff and apply the approved rates and charges. The

ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 5

utility has filed a tariff reflecting the transfer of ownership of the Landfair/Hilltop system. The tariff shall be effective for services provided or connections made after the stamped approval date.

If no party files a timely protest, no further action is required and this docket may be closed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the rate base for the Resolution Trust Corporation, which for transfer purposes reflects the net book value, is \$0 for the water system and \$0 for the wastewater system. The rate base for Tradewinds Utilities, Inc., which for transfer purposes reflects the net book value, is \$(46,345) for the water system and \$155,175 for the wastewater system. It is further

ORDERED that the Resolution Trust Corporation shall continue charging the rates and charges approved for this utility system. It is further

ORDERED that the provisions of this Order establishing rate base for purposes of transfer for Tradewinds and the Resolution Trust Corporation 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 shall be closed if a timely protest of this Order is not received.

ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 6

By ORDER of the Florida Public Service Commission, this 14th  
day of June, 1993.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

SFS

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 transfer for Tradewinds and the Resolution Trust Corporation, 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 July 6, 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

ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 7

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.

THE RESOLUTION TRUST CORPORATION

SCHEDULE OF WATER RATE BASE

December 31, 1991

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$ 111,313	\$(34,888)	\$ 76,425
Land	19,500	0	19,500
Accumulated Depreciation	( 14,983)	2,329	( 12,654)
Contributions-in- aid-of-Construction	(130,813)	34,888	( 95,925)
CIAC Amortization	<u>19,497</u>	<u>( 6,843)</u>	<u>12,654</u>
 TOTAL	 <u>\$ 4,514</u>	 <u>\$( 4,514)</u>	 <u>\$ 0</u>



ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 9

SCHEDULE NO. 2A

THE RESOLUTION TRUST CORPORATION  
SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service Adjust to Order No. 18312	\$(34,888)
Accumulated Depreciation Adjust to Rule Rate	\$ 2,329
Contributions-in-aid- of-Construction	
Adjust to Order No. 18312	\$ 21,101
Adjust the RTC Rate Base to Zero	13,787
CIAC Amortization Adjust to Rule Rate	\$( 6,843)

THE RESOLUTION TRUST CORPORATION

SCHEDULE OF WASTEWATER RATE BASE

December 31, 1991

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$ 122,414	\$(26,925)	\$ 95,489
Land	39,000	0	39,000
Accumulated Depreciation	( 18,322)	5,495	( 12,827)
Contributions-in-aid-of-Construction	(161,414)	26,925	(134,487)
CIAC Amortization	<u>40,033</u>	<u>(27,206)</u>	<u>12,827</u>
TOTAL	<u>\$ 21,711</u>	<u>\$(21,711)</u>	<u>\$ 0</u>

ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 11

SCHEDULE NO. 4A

THE RESOLUTION TRUST CORPORATION

SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service Adjust to Order No. 18312	\$(26,925)
Accumulated Depreciation Adjust to Rule Rate	\$ 5,495
Contributions-in-aid- of-Construction Adjust to Order No. 18312 Adjust RTC Rate Base to Zero	\$ 37,002 (10,077)
CIAC Amortization Adjust to Rule Rate	\$(27,206)

SCHEDULE NO. 1B

TRADEWINDS UTILITIES, INC.

SCHEDULE OF WATER RATE BASE

December 31, 1991

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$ 297,407	\$ 34,888	\$ 332,295
Land	20,000	0	20,000
Accumulated Depreciation	( 59,747)	3,229	( 56,518)
Contributions-in-aid-of-Construction	(111,742)	(219,121)	(330,863)
Advances for Const.	( 48,045)	0	( 48,045)
CIAC Amortization	<u>35,909</u>	<u>877</u>	<u>36,786</u>
<b>TOTAL</b>	<u>\$ 133,782</u>	<u>\$ (180,127)</u>	<u>\$ ( 46,345)</u>

ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 13

SCHEDULE NO. 2B

TRADEWINDS UTILITIES, INC.

SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service	
Adjust to Order No. 18312	\$ 34,888
Accumulated Depreciation	
Correct for error in gen. ledger	\$ 5,098
Adjust to Order No. 18312	( 1,869)
Contributions-in-aid- of-Construction	
Correct for CIAC rec. as income	\$(184,233)
Adjust to Order No. 18312	( 21,101)
Adjustment from RTC Rate Base	( 13,787)
CIAC Amortization	
Adjust to Order No. 18312	\$ 877

ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 14

SCHEDULE NO. 3B

TRADEWINDS UTILITIES, INC.

SCHEDULE OF WASTEWATER RATE BASE

December 31, 1991

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$ 663,705	\$ 26,925	\$ 690,630
Land	150,716	(114,715)	36,001
Accumulated Depreciation	(123,264)	( 44)	(123,308)
Contributions-in-aid-of-Construction	(157,058)	(248,110)	(405,168)
Advances for Const.	(110,901)	0	(110,901)
CIAC Amortization	<u>62,681</u>	<u>5,240</u>	<u>67,921</u>
TOTAL	<u>\$ 485,879</u>	<u>\$(330,704)</u>	<u>\$ 155,175</u>

ORDER NO. PSC-93-0900-FOF-WS  
DOCKET NO. 921260-WS  
PAGE 15

SCHEDULE NO. 4B

TRADEWINDS UTILITIES, INC.

SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service Adjust to Order No. 18312	\$ 26,925
Land Reduction due to lack of proof	\$(114,715)
Accumulated Depreciation Correct for error in gen. ledger Adjust to Order No. 18312	\$( 3,092) 3,048
Contributions-in-aid- of-Construction Correct for CIAC rec. as income Adjust to Order No. 18312 Adjustment from RTC Rate Base	\$(221,185) \$( 37,002) 10,077
CIAC Amortization Adjust to Order No. 18312	\$ 5,240