

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application to transfer facilities and  
Certificate No. 627-W in Polk County from  
Sunrise Utilities, LLC to Sunrise Water, LLC.

DOCKET NO. 20180174-WU  
ORDER NO. PSC-2019-0303-PAA-WU  
ISSUED: July 29, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
JULIE I. BROWN  
DONALD J. POLMANN  
GARY F. CLARK  
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING NET BOOK VALUE  
AND  
ORDER APPROVING TRANSFER OF CERTIFICATE NO. 627-W

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein establishing net book value for transfer purposes and declining to make an acquisition adjustment is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On September 14, 2018, an application was filed to transfer the operations of Sunrise Utilities, LLC (Sunrise Utilities or Utility) to Sunrise Water, LLC (Buyer).<sup>1</sup> Sunrise Utilities is a Class C utility providing water service to approximately 251 residential customers and 1 general service customer in Polk County.<sup>2</sup> The service territory is located in the Southwest Florida Water Management District.

We granted a grandfather certificate to the Utility in 1997 originally in the name of Sunrise Water Company.<sup>3</sup> Sunrise Water Company was transferred to Keen Sales, Rentals and

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<sup>1</sup>A single purchase agreement affected the purchase of two separately certificated utilities, both located in Polk County. The transfer of Alturas Utilities, L.L.C., is addressed in Docket No. 20180175-WU.

<sup>2</sup>2018 Annual Report on file with the Commission, p. 18.

<sup>3</sup>Order No. PSC-97-0832-FOF-WU, issued July 11, 1997, in Docket No. 19961249-WU, *In re: Application for grandfather certificate to provide water service in Polk County by Sunrise Water Company, Inc.*

Utilities, Inc., in 1992, which was approved in 2000.<sup>4</sup> Sunrise Utilities acquired a portion of Keen's service territory in 2005 when we granted the transfer.<sup>5</sup> According to the Utility's 2018 Annual Report, its total gross revenues were \$69,535, total operating expenses were \$89,414, and interest expenses were \$1,636, resulting in a net loss of \$21,513.

By Order No. PSC-16-0126-PAA-WU, issued March 28, 2016, in Docket No. 20140220-WU, we established rates and charges for Sunrise Utilities. We additionally ordered Sunrise Utilities to complete customer deposit refunds following the issuance of that Order. By letter dated May 29, 2019, the Buyer provided evidence that the appropriate amount of customer deposits were refunded.

This order addresses the application to transfer facilities and Certificate No. 627-W filed on September 14, 2018, the appropriate net book value for transfer purposes, and whether an acquisition adjustment is appropriate. We have jurisdiction in this case pursuant to Section 367.0814, Florida Statutes (F.S.)

### Decision

#### Approving Transfer of Certificate No. 627-W

On September 14, 2018, the Buyer filed an application for the transfer of Certificate No. 627-W from Sunrise Utilities, LLC to Sunrise Water, LLC in Polk County. The application is in compliance with Section 367.071, F.S., and our rules concerning applications for transfer of certificates. The sale to Sunrise Water, LLC occurred on June 15, 2018, contingent upon Commission approval, pursuant to Section 367.071(1), F.S.

#### Noticing, Territory, and Land Ownership

The Buyer provided notice of the application pursuant to Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed, and the time for doing so has expired. The application contains a description of the water service territory which is appended to this order as Attachment A. The application contains a copy of a warranty deed agreement that was executed on June 15, 2018, as evidence that the Buyer owns or has rights to long-term use of the land upon which the water treatment facilities are located pursuant to Rule 25-30.037(2)(s), F.A.C.

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<sup>4</sup>Order No. PSC-00-1388-PAA-WU, issued July 31, 2000, in Docket No. 19990731-WU, *In re: Application for transfer of water facilities from Sunrise Water Company, Inc., holder of Certificate No. 584-W, to Keen Sales, Rentals and Utilities, Inc., holder of Certificate No. 582-W, in Polk County, for cancellation of Certificate No. 584-W, and for amendment of Certificate No. 582-W to include additional territory.*

<sup>5</sup>Order No. PSC-05-0308-PAA-WU, issued March 21, 2005, in Docket No. 20040159-WU, *In re: Application for transfer of portion of Certificate No. 582 -W by Keen Sales, Rentals and Utilities, Inc., to Sunrise Utilities, LLC, in Polk County.*

### Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i), and (j), F.A.C., the application contains a statement regarding financing and a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. The Buyer stated in the application that he assumes responsibility for all customer deposits. There are no guaranteed revenue contracts, developer agreements, leases, or debt of the Utility that must be disposed of with regard to the transfer. The Purchase Agreement was prepared for the sale of Alturas Utilities, L.L.C. and Sunrise Utilities, LLC for a total purchase price of \$89,900. Based upon Equivalent Residential Connections, the allocated portion of the purchase price for Sunrise Utilities is \$71,111. According to the Buyer, the sale took place on June 15, 2018, subject to our approval, pursuant to Section 367.071(1), F.S.

### Facility Description and Compliance

The water treatment system consists of two wells with two hydropneumatic tanks rated at 3,000 and 6,000 gallons, and utilizes a chlorination process for disinfection. The distribution system consists of varying sizes of 2- to 6-inch polyvinyl chloride (PVC) and galvanized iron pipes.

The last sanitary survey of the facility was conducted on July 31, 2018, by the Florida Department of Environmental Protection (DEP), which identified a variety of deficiencies. Additionally, Sunrise Utilities has several open consent orders with the Polk County Department of Health (PCDH). Pursuant to Rule 25-30.037(2)(q), F.A.C., the Buyer provided a description of the required repairs and improvements, as well as an approximate cost, but stated that the Utility is still in the process of seeking bids. Additionally, the Buyer has provided documentation which demonstrates that he is working with PCDH and DEP to address the issues outlined in the open consent orders.

### Technical and Financial Ability

Pursuant to Rule 25-30.037(2), F.A.C., the application contains statements and documentation describing the technical and financial ability of the Buyer to provide service to the proposed service area. The Buyer was appointed to the Citrus County Water and Wastewater Authority, the local regulatory body for Citrus County, where he served for seven years. The Buyer also served as the "Class C" representative for the Legislative Study Committee for Investor-Owned Water and Wastewater Utility Systems in 2013. He attends yearly training classes through the Florida Rural Water Association and completed the National Association of Regulatory Utility Commissioners Utility Rate School in 2001. The Buyer is the owner and manager of several Commission-regulated Class C water and wastewater facilities. We reviewed the personal financial statements of the Buyer, as well as the financial statements of the Buyer's company, Florida Utility Services 1, LLC. Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

### Rates and Charges

The Utility's rates were last approved in a staff-assisted rate case.<sup>6</sup> The Utility's late payment charge was approved administratively in 2010.<sup>7</sup> The Utility's miscellaneous service charges and service availability charges were approved in 2005.<sup>8</sup> The Utility's existing rates and charges are shown on Schedule No. 2. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, the Utility's existing rates and charges shall remain in effect until we authorize a change in a subsequent proceeding.

### Regulatory Assessment Fees (RAFs) and Annual Reports

We have verified that the Utility is current with respect to annual reports and RAFs through December 31, 2018. The Buyer shall be responsible for filing annual reports and paying RAFs for 2019 and all future years.

### Conclusion

Based on the foregoing, we find that the transfer of the water system and Certificate No. 627-W is in the public interest and shall be approved effective the date of the Commission vote. The resultant order shall serve as the Buyer's certificate and shall be retained by the Buyer. The existing rates and charges shall remain in effect until we authorize a change in a subsequent proceeding. The tariffs reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, F.A.C. The Buyer shall be responsible for paying all future RAFs and filing all future annual reports.

### Establishing Net Book Value and Declining to Make an Acquisition Adjustment

Rate base was last established as of December 31, 2014. The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for non-used and useful plant and working capital. The NBV has been updated to reflect balances as of June 15, 2018. Our approved NBV, as described below, is shown on Schedule No. 1.

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<sup>6</sup>Order No. PSC-16-0126-PAA-WU, issued March 28, 2016, in Docket No. 20140220-WU, *In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, L.L.C.*

<sup>7</sup>WS-10-0099.

<sup>8</sup>Order No. PSC-05-0308-PAA-WU, issued March 21, 2005, in Docket No. 20040159-WU, *In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Sunrise Utilities, LLC, in Polk County.*

Utility Plant in Service (UPIS)

The Utility's general ledger reflected UPIS balance of \$109,300 as of December 31, 2014. There were no adjustments to UPIS. Therefore, the Utility's UPIS balance is \$109,300 as of June 15, 2018.

Land

In Order No. PSC-16-0126-PAA-WU, issued March 28, 2016, in Docket No. 20140220-WU, we established the value of the land to be \$553. The Utility's general ledger reflected a land balance of \$553. There have been no additions to land purchased since that order was issued. Therefore, we approve a land balance of \$553, as of June 15, 2018.

Accumulated Depreciation

The Utility's general ledger reflected an accumulated depreciation balance of \$86,449 as of June 15, 2018. We calculated the appropriate accumulated depreciation balance to be \$85,597. As a result, accumulated depreciation shall be decreased by \$852 to reflect an accumulated depreciation balance of \$85,597 as of June 15, 2018.

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

As of June 15, 2018, the Utility's general ledger reflected a fully amortized CIAC balance of \$12,393. We reviewed CIAC balances and have no adjustments; however, we note that no CIAC activity was recorded in the Utility's annual reports. Therefore, we approve a CIAC balance of \$12,393, and an accumulated amortization CIAC balance of \$12,393 as of June 15, 2018. Additionally, we find that the balances of CIAC and accumulated amortization of CIAC shall be reflected in the 2019 Annual Report and all future years.

Net Book Value

The Utility's general ledger reflected a NBV of \$23,404. Based on the adjustments described above, the NBV for the Utility's system shall be \$24,258 as of June 15, 2018. Our approved NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts balances for UPIS and accumulated depreciation are shown on Schedule No. 1, as of June 15, 2018.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The Utility and its assets were purchased for \$71,111. As stated above, we find the appropriate NBV total to be \$24,258. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances.

The Buyer did not request a positive acquisition adjustment. As such, we find that no positive acquisition adjustment shall be approved.

Conclusion

Based on the above, the NBV of Sunrise Utilities for transfer purposes is \$24,258, as of June 15, 2018. No acquisition adjustment shall be included in rate base. Within 90 days of the date of the final order, the Buyer shall notify this Commission in writing that it has adjusted its book in accordance with our decision. The adjustments shall be reflected in the Sunrise Water, LLC's 2019 Annual Report.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificate No. 627-W in Polk County from Sunrise Utilities, LLC to Sunrise Water, LLC is in the public interest and is approved effective the date of our vote, July 9, 2019. This order shall serve as the Buyer's certificate and shall be retained by the Buyer. It is further

ORDERED that the existing rates and charges shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. The tariffs reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that the Buyer is responsible for paying (RAFs for 2019 and all subsequent years. The Buyer will also be responsible for filing all future annual reports. It is further

ORDERED that the appropriate net book value for the Sunrise Utilities water system for transfer purposes is \$24,258 as of June 15, 2018. An acquisition adjustment shall not be included in rate base. Within 90 days of the date of the final order, Sunrise Water, LLC shall notify this Commission in writing that it has adjusted its books in accordance with our decision herein. The adjustments shall be reflected in the 2019 Annual Report. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order shall be issued and the docket closed administratively upon Commission staff's verification that the revised tariff sheets have been filed and the Buyer has notified the Commission in writing that it has adjusted its books in accordance with our decision herein.

By ORDER of the Florida Public Service Commission this 29th day of July, 2019.

  
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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

JSC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 net book value for transfer purposes and declining to make an acquisition adjustment is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 19, 2019. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating 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.

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 Office of

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Commission Clerk, 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 Office of Commission Clerk 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.



**TERRITORY DESCRIPTION**  
**Sunrise Water, LLC**  
**Polk County**  
**Water Service**

**Township 28 South, Range 25 East, Section 21**

Serving an area generally known as Sunrise Acres Subdivision, an unrecorded subdivision known as Pinewood, and an unrecorded mobile home village. More particularly described as:

From the Northwest corner of Section 21, also the Point of Beginning, run due East (along the South line of Section 16 and the North line of Section 21) for a distance of 2618.23 feet, more or less; thence, due South a distance of 1313 feet, more or less; thence due West a distance of 1455.20 feet, more or less; thence due South a distance of 235 feet, more or less; thence due West a distance of 405 feet, more or less; thence due South a distance of 1063 feet, more or less; thence due West a distance of 420.71 feet, more or less; thence due North a distance of 695 feet, more or less; thence due West a distance of 340 feet, more or less, to the West line of Section 21; thence due North a distance of 1922.35 feet, more or less, to the Point of Beginning.

**FLORIDA PUBLIC SERVICE COMMISSION**  
**authorizes**  
**Sunrise Water, LLC**  
**pursuant to**  
**Certificate Number 627-W**

to provide water service in Polk County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-97-0832-FOF-WU	07/11/1997	19961249-WU	Grandfather
PSC-00-1388-PAA-WU	07/31/2000	19990731-WU	Transfer
PSC-05-0308-PAA-WU	03/21/2005	20040159-WU	Partial Transfer and Issuance of Certificate 627-W
*	*	20180174-WU	Transfer

**\*Order Number and date to be provided at time of issuance**

**Sunrise Water, LLC**  
**Schedule of Net Book Value as of June 15, 2018**

<b><u>Description</u></b>	<b><u>Balance Per</u></b>	<b><u>Adjustments</u></b>	<b><u>Comm.</u></b>
	<b><u>Utility</u></b>		<b><u>Approved</u></b>
Utility Plant in Service	\$109,300	\$0	\$109,300
Land & Land Rights	553	0	553
Accumulated Depreciation	(86,449)	852	(85,597)
CIAC	0	(12,393)	(12,393)
Amortization of CIAC	<u>0</u>	<u>12,393</u>	<u>12,393</u>
Total	<u>\$23,404</u>	<u>\$852</u>	<u>\$24,258</u>

**Explanation of Commission Approved  
Adjustments to Net Book Value as of June 15, 2018**

**Explanation**

Accumulated Depreciation	
To reflect appropriate amount of accumulated depreciation.	\$852
Contributions-In-Aid-of-Construction (CIAC)	
To reflect appropriate amount of CIAC.	(\$12,393)
Accumulated Amortization of CIAC	
To reflect appropriate amount of accumulated amortization of CIAC.	\$12,393
Total Adjustments to Net Book Value as of June 15, 2018	\$852

**Sunrise Water, LLC**  
**Schedule of Commission Approved Account Balances as of June 15, 2018**

<u>Account</u>			<u>Accumulated</u>
<u>No.</u>	<u>Description</u>	<u>UPIS</u>	<u>Depreciation</u>
301	Organization	\$750	(\$350)
304	Structures & Improvements	5,412	(4,100)
307	Wells & Springs	16,972	(16,845)
309	Supply Mains	649	202
310	Power Generation Equipment	15,070	(10,165)
311	Pumping Equipment	17,376	(7,871)
320	Water Treatment Equipment	4,055	(4,055)
330	Distribution Reservoirs	21,484	(18,152)
331	Transmission & Distribution Mains	12,393	(9,379)
334	Meters & Meter Install	12,257	(12,257)
340	Office Furniture and Equipment	494	(237)
348	Other Tangible Plant	<u>2,388</u>	<u>(2,388)</u>
	Total	<u>\$109,300</u>	<u>(\$85,597)</u>

**Sunrise Utilities, LLC  
Monthly Water Rates**

**Residential and General Service**

Base Facility Charge by Meter Size

5/8" x 3/4"	\$10.01
3/4"	\$15.02
1"	\$25.03
1 1/2"	\$50.05
2"	\$80.08
3"	\$160.16
4"	\$250.25
6"	\$500.50

Charge Per 1,000 gallons - Residential

0-5,000 gallons	\$3.19
5,001-10,000 gallons	\$3.51
Over 10,000 gallons	\$7.01

Charge Per 1,000 gallons - General

\$3.63

**Initial Customer Deposits**

Residential Service and General Service

5/8" x 3/4" – Residential and General	\$52.00
Over 5/8" x 3/4" – General	2 times average estimated bill

**Miscellaneous Service Charges**

	<u>Business Hours</u>
Initial Connection Charge	\$15.00
Normal Reconnection Charge	\$15.00
Violation Reconnection Charge	\$15.00
Premises Visit Charge (in lieu of disconnection)	\$10.00
Late Payment Charge	\$7.00

**Service Availability Charges**

System Capacity Charge	
Residential – per ERC	\$450.00