

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of facilities and water Certificate No. 165-W in Pasco County from Allen LaFortune and Otis Fonder to A Utility Inc.

DOCKET NO. 20170114-WU
ORDER NO. PSC-2021-0183-PAA-WU
ISSUED: May 20, 2021

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
ANDREW GILES FAY
MIKE LA ROSA

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING NET BOOK VALUE AND
ORDER APPROVING TRANSFER OF CERTIFICATE NO. 165-W

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein, except for approving the certificate transfer, 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 May 16, 2017, A Utility Inc. (Buyer or Utility) filed an application for the transfer of Certificate No. 165-W from Allen LaFortune and Otis Fonder (ALOF or Seller) in Pasco County, Florida. According to ALOF's 2020 Annual Report, the water system is a Class C utility serving 119 residential water customers.

The water system was initially built in 1963 to serve the residents of Tropical Trailer Park in Zephyrhills, Florida. The Utility was granted an original certificate in 1974, and was subsequently transferred four times, ultimately to the current certificate holder, ALOF.¹

¹Order No. 6020, issued February 4, 1974, in Docket No. 1974037-W, *In re: Application of John W. Beeman for a certificate to operate a water utility in Pasco County, Florida*; Order No. 6998, issued November 14, 1975, in Docket No. 1974544-W, *In re: Application for transfer of water utility d/b/a Tropical Utilities and Certificate No. 165-W from John W. Beeman to Fisher Ames and his wife, Helen Ames, in Pasco County, Florida*; Order No. 10151, issued July 21, 1981, in Docket No. 19800253-W, *In re: Application for the transfer of Certificate No. 165-W from Fisher Ames and His Wife, Helen Ames, to Dale Hendryx, in Pasco County*; Order No. 11946, issued May 19, 1983, in Docket No. 19830048-W, *In re: Application for transfer of Certificate No. 165-W from Dale Hendryx to Barbara Cobb in Pasco County, Florida*; Order No. 19163, issued April 18, 1988, in Docket No. 19871156-WU, *In re:*

The Utility's application, filed on May 16, 2017, was deficient and the Utility cured its deficiencies on May 9, 2019. On February 20, 2020, our staff filed its recommendation for the March 3, 2020 Commission Conference.² On February 25, 2020, the Utility verbally notified our staff of its intent to file a request for a positive acquisition adjustment; therefore, staff withdrew its recommendation.³ On November 19, 2020, the Utility filed a study performed by the Florida Rural Water Association (FRWA) estimating the current remaining value of the water system.⁴ Our staff sent a data request to the Utility on January 27, 2021, and subsequently met telephonically with the Utility and FRWA to discuss the data request which sought additional clarification of the study.⁵ Based on the findings of the FRWA and discussions with our staff, the Utility ultimately decided to withdraw its request for a positive acquisition adjustment and requested the application be approved based on staff's February 20, 2020 recommendation.⁶ We note that our staff updated its February 20, 2020 recommendation to reflect a subsequent price index and the resulting updated rates.

This Order addresses the transfer of the water system, the net book value (NBV) of the water system at the time of transfer, and the appropriateness of an acquisition adjustment. We have jurisdiction pursuant to Sections 367.071 and 367.091, Florida Statutes (F.S.).

Decision

Approving Transfer of Certificate No. 165-W

On May 16, 2017, A Utility Inc. filed an application for the transfer of Certificate No. 165-W from ALOF in Pasco County. The application is in compliance with Section 367.071, F.S., and our rules concerning applications for transfer of certificates. The sale occurred on January 1, 2017, contingent upon our approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

The application contains a description of the water service territory, which is appended to this Order as Attachment A. The application also contains a copy of the Warranty Deed to Trustee Under Land Trust and a Land Trust Agreement as evidence that the Buyer has access to the land upon which the water treatment facilities are located pursuant to Rule 25-30.037(2)(s), F.A.C. A Utility Inc. provided notice as required by Rule 25-30.030(5), F.A.C., on April 11, 2019. No objections to the transfer were filed, and the time for doing so has expired.

Application for transfer of Certificate No. 165-W from Melvin Cobb to Allen LaFortune and Otis Fonder (Tropical Park Water System) in Pasco County.

²Document No. 01008-2020

³Document No. 01360-2020

⁴Document No. 12536-2020

⁵Document No. 01635-2021

⁶Document No. 02720-2021

Purchase and Financing

Pursuant to Rule 25-30.037(2)(j), F.A.C., the application contains a statement regarding financing and documentation of the terms of the transfer, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, leases, or debt of ALOF that must be disposed of with regard to the transfer. According to the Buyer, there was no closing contract involved.⁷ However, all information regarding the terms of the transfer were provided, along with supplemental documentation. According to the Warranty Deed, the total purchase price for the assets is \$117,000. The Buyer also provided a statement acknowledging that the sale is subject to our approval.

Facility Description and Compliance

The water treatment system consists of two wells, a bladder tank rated at 220 gallons, and a hypochlorination process for disinfection. The Florida Department of Environmental Protection (DEP) conducted the most recent sanitary survey of the facility on December 12, 2019. Based on observations made and the information provided during the inspection, the system was determined to be in compliance with the DEP's rules and regulations. In addition, the Utility was found to be in compliance with all secondary water quality standards in the last test performed on May 1, 2018. Additionally, the Utility stated that it received no customer complaints regarding the DEP secondary water quality standards in the previous five years. We have not received any customer complaints regarding the Utility.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. The Buyer stated that its President is the current manager of the system, and has been managing it for approximately 30 years. To ensure continued operation of the Utility, the operator and all personnel will be retained in their current roles.

Pursuant to Rule 25-30.037(2)(l), F.A.C., the application contains statements describing the financial ability of the Buyer to provide service to the proposed service area. According to the application, the Buyer has acquired the assets of the Utility. We also reviewed the financial statements of the Buyer. Based on the above, we find that the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

⁷Document No. 01552-2018

Rates and Charges

The Utility currently has a flat rate of \$14.73 per month. The Utility's rates and charges were approved in a staff-assisted rate case in 1989.⁸ The rates were subsequently amended through eleven price index and pass through rate adjustments. The Utility is built out and has no approved service availability charges. 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, we find that the Utility's existing rates and charges remain in effect until we authorize a change in a subsequent proceeding.

Regulatory Assessment Fees (RAFs) and Annual Reports

We have verified that ALOF is current with respect to annual reports and RAFs through December 31, 2017. The Buyer has paid the RAFs for 2018, 2019, and 2020, and will be responsible for future RAFs. The Buyer has also filed the 2018, 2019, and 2020 Annual Reports and will likewise be responsible for future annual reports.

Conclusion

Based on the foregoing, we find that the transfer of Certificate No. 165-W in Pasco County is in the public interest and is hereby approved effective the date of our vote. This 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 filing annual reports and paying RAFs for 2021 and all future years.

Establishing Net Book Value (NBV) and Declining to Make an Acquisition Adjustment

Rate base was last established as of December 31, 1989.⁹ 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 used and useful plant or working capital. The Utility's NBV has been updated to reflect balances as of January 1, 2017. The approved NBV, as described below, is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

The Utility's general ledger reflected a UPIS balance of \$97,700 as of January 1, 2017. We reviewed UPIS additions since the last rate case proceeding, including additional documentation provided after the audit, and decreased UPIS by \$43,107. We note that subsequent to our staff's audit report, the Buyer provided a breakdown of NBV which included a

⁸Order No. 21652, issued August 2, 1989, in Docket No. 19881601-WU, *In re: Application of Allen LaFortune and Otis Fonder for staff-assisted rate case in Pasco County.*

⁹Order No. 21652, issued August 2, 1989, in Docket No. 19881601-WU, *In re: Application of Allen LaFortune and Otis Fonder for a staff-assisted rate case in Pasco County.*

component of plant based on customer value. The Buyer assigned a value of approximately \$300 to each customer using a calculation that applied a 10 percent rate of return, as reflected in the Utility's last rate case, to the flat rate charge as of January 1, 2017, and creating an amortization schedule over ten years. The customer value calculation totals \$35,100 (\$300 x 117 customers). We did not include this valuation in the calculation in NBV because customer value is not an asset considered in rate base. Therefore, we find that the Utility's UPIS balance as of January 1, 2017, is \$54,593.

Land

The Utility's general ledger reflected a land balance of \$19,300. Our previous order, mentioned above, reflected the original cost of land at \$1,000. There have been no additions to land since the last rate case. As such, land shall be decreased by \$18,300. Therefore, we find that the Utility's balance for land as of January 1, 2017, is \$1,000.

Accumulated Depreciation

The Utility's NBV calculation did not reflect accumulated depreciation. We calculated accumulated depreciation of plant since 1990 to reflect accumulated depreciation as of January 1, 2017. We calculated the appropriate accumulated depreciation balance to be \$46,226. As a result, accumulated depreciation shall be increased by \$46,226 to reflect an accumulated depreciation balance of \$46,226 as of January 1, 2017.

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

As of January 1, 2017, the Utility's general ledger reflected a fully amortized CIAC balance of \$26,625 for the water plant. We reviewed the CIAC balance and made no adjustments. Therefore, we find a CIAC balance of \$26,625 and accumulated amortization of CIAC balance of \$26,625 as of January 1, 2017, to be appropriate.

Net Book Value

The Utility's application reflected a NBV of \$117,000. Based on the adjustments described above, we hereby approve a NBV of \$9,367 as of January 1, 2017. The approved NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation as of January 1, 2017, are shown on Schedule No. 1.

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 \$117,000. As stated above, we find that the appropriate NBV is \$9,367. 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, we hereby find that the NBV of A Utility Inc. for transfer purposes is \$9,367 as of January 1, 2017. No acquisition adjustment shall be included in rate base. Within 90 days of the date of the final order, the Buyer shall notify us in writing that it has adjusted its books in accordance with our decision. The adjustments shall be reflected in A Utility Inc.'s 2021 Annual Report when filed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificate No. 165-W in Pasco County from Allen LaFortune and Otis Fonder to A Utility Inc., is in the public interest and is approved, effective the date of our vote, May 4, 2021. 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 shall be responsible for filing annual reports and paying RAFs for 2021 and all future years. It is further

ORDERED that the appropriate net book value of the A Utility Inc., for transfer purposes is \$9,367 as of January 1, 2017. 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 books in accordance with our decision herein. The adjustments shall be reflected in A Utility Inc.'s 2021 Annual Report when filed. 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 this Order, a consummating order shall be issued and the docket shall be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed and the Buyer has notified this

Commission in writing that it has adjusted its books in accordance with this Commission's decision.

By ORDER of the Florida Public Service Commission this 20th day of May, 2021.



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.

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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 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 June 10, 2021. 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

A Utility Inc.

Pasco County

Water Service

In Section 15, Township 26 South, Range 21 East, Pasco County, Florida:

Commence at the Northeast corner of the Northwest $\frac{1}{4}$ of said Section 15; thence run West along said North Section line 300 feet for a Point of Beginning; thence South 230 feet more or less; thence East 300 feet more or less to the East line of said Northwest $\frac{1}{4}$; thence South along said East line of the Northwest $\frac{1}{4}$ 400 feet; thence West 650 feet; thence South 350 feet more or less; thence West 650 feet to the West line of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$; thence North along said line 650 feet; thence East 650 feet; thence North 100 feet; thence East 200 feet; thence North 230 feet more or less to the North line of said Section 15; thence East along said section line 150 feet more or less to the point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

A Utility Inc.

Pursuant to

Certificate Number 165-W

to provide water service in Pasco 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>
6020	02/04/1974	1974037-W	Original Certificate
6998	11/14/1975	1974544-W	Transfer
10151	07/21/1981	19800253-W	Transfer
11946	05/19/1983	19830048-W	Transfer
19163	04/18/1988	19871156-WU	Transfer
*	*	20170114-WU	Transfer

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

Allen LaFortune and Otis Fonder Water System
Schedule of Net Book Value as of January 1, 2017

Description	Balance Per Utility	Adjustments	Commission Approved
Utility Plant in Service	\$97,700	(\$43,107) A	\$54,593
Land & Land Rights	19,300	(18,300) B	1,000
Accumulated Depreciation	0	(46,226) C	(46,226)
CIAC	(26,625)	0	(26,625)
Amortization of CIAC	<u>26,625</u>	<u>0</u>	<u>26,625</u>
Total	<u>\$117,000</u>	<u>(\$107,633)</u>	<u>\$9,367</u>

**Allen LaFortune and Otis Fonder Water System
Explanation of Commission Approved
Adjustments to Net Book Value as of January 1, 2017**

Explanation	Amount
A. Utility Plant in Service To reflect appropriate amount of UPIS.	<u>(\$43,107)</u>
B. Land and Land Rights To reflect appropriate amount of land.	<u>(\$18,300)</u>
C. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>(\$46,226)</u>
Total Adjustments to Net Book Value as of January 1, 2017.	<u>(\$107,633)</u>

Allen LaFortune and Otis Fonder Water System
Schedule of Commission Approved Account Balances as of January 1, 2017

Account			Accumulated
No.	Description	UPIS	Depreciation
304	Structures and Improvements	\$1,200	(\$1,200)
307	Wells & Springs	1,674	(1,674)
309	Supply Mains	19,981	(11,851)
311	Pumping Equipment	14,998	(14,922)
320	Water Treatment Equipment	2,792	(2,651)
330	Distribution Reservoirs	153	(133)
333	Services	4,640	(4,640)
339	Other Plant & Miscellaneous	365	(365)
343	Tools, Shop, & Garage Equipment	51	(51)
348	Other Tangible Plant	<u>8,739</u>	<u>(8,739)</u>
	Total	<u>\$54,593</u>	<u>(\$46,226)</u>

**A Utility Inc.
Monthly Water Rates**

Residential Service

Base Facility Charge by Meter Size
Flat Rate

\$14.73

Miscellaneous Service Charges

	Normal hours
Initial Connection Charge	\$15.00
Normal Reconnection Charge	\$15.00
Violation Reconnection Charge	\$15.00
Premises Visit Charge (in lieu of disconnection)	\$10.00