

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Point O' Woods) DOCKET NO. 890233-WS
Utilities, Inc. for transfer of)
Certificates Nos. 188-W and 133-S) ORDER NO. 22150
in Citrus County to Southern States)
Utilities, Inc.) ISSUED: 11-6-89
)

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

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE
TRANSFER, DENYING ALLOWANCE FOR FUNDS USED DURING
CONSTRUCTION, SETTING RATES AND CHARGES,
AND APPROVING THE DEVELOPER AGREEMENT

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary except for the approval of the transfer, which is final. The preliminary action discussed herein 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 February 14, 1989, Southern States Utilities, Inc. (SSUI) filed an application with this Commission to amend Certificates Nos. 189-W and 134-S to include the area served by Point O' Woods Utilities, Inc. (Point O' Woods). Point O' Woods serves approximately 312 water and 74 wastewater customers in Citrus County. SSUI was advised that the

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application would be treated as a transfer because assets changed hands in the transaction.

Application

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

- a) Two checks totaling \$1,050 which, upon calculation (\$900 for water and \$150 for sewer), equates to the correct filing fee as prescribed by Section 367.141, Florida Statutes.
- b) Adequate service territory description pursuant to Rule 25-30.035(i), Florida Administrative Code. Said territory to be served is described as being in Citrus County, and more particularly as described in Attachment A attached.
- 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.
- 4) Evidence that the utility owns the land on which the utility's facilities will be located as required by Rule 25-30.035(3)(f), Florida Administrative Code.

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

In its application, SSUI stated that the transfer should be approved because it is in the business of acquiring, owning, expanding and operating water and sewer utility systems. Further, Point O' Woods no longer wishes to be in the utility business. Therefore, SSUI believes that the public will be well served by approval of the transfer.

An on-site inspection of the system was conducted and the utility was found to be in satisfactory condition at the time of inspection. There are no outstanding notices of violation with the Department of Environmental Regulation.

Based on the above, we find that it is in the public interest to approve the transfer to SSUI and amend its Certificates Nos. 189-W and 134-S, to include the territory described in Attachment A. Further, Certificates Nos. 188-W and 133-S, held by Point O' Woods, are hereby cancelled.

Rate Base

An audit of the books and records of Point O' Woods has been conducted to determine rate base at the time of transfer, July 20, 1988. In reviewing the books and records, we determined that the seller did not maintain the utility's records in compliance with the NARUC Uniform System of Accounts, in that supporting information for some entries were not available. We found no support for \$76,885 of water plant additions, while documentation supporting an additional \$73,283 of sewer plant additions was provided. We further determined that water plant-in-service should be increased by \$16,443 for meters that had been expensed. An additional \$879 increase has been made to water plant-in-service with a corresponding reduction to sewer plant in service for \$879, for meters previously booked to sewer plant-in-service. These adjustments are reflected in the rate base calculations on Schedules 1, 2 and 3.

Also, in 1981-1982, the water plant was expanded and additional distribution lines were installed by a related party, Val Enterprises. Mr. Infantino, a 50% shareholder of the utility, is also the owner of Val Enterprises. The cost of the project, according to documentation provided by the Utility, was \$158,674. From our review of the information, the cost appears to be excessive. Based on the calculations provided on Schedule 4 of this Order, a reasonable cost of the project would be \$84,774. Therefore, we find it appropriate to reduce plant-in-service by \$73,900.

During the 1986-1988 period, the utility expanded its water distribution system again and expanded the wastewater

treatment plant and collection system. This expansion included several related parties, including VAL-U Real Estate and Moorings at Point O' Woods (The Moorings). Mr. Infantino is also a 50% shareholder in these related parties. We have reviewed the costs of this project and the costs, excluding capitalized interests, appear to be reasonable. We have removed capitalized interest of \$6,733 in water plant-in-service and \$29,999 in wastewater plant-in-service. As a result of these adjustments, the water system's plant-in-service has been decreased by \$140,196 and the wastewater system's plant-in-service has been increased by \$42,405.

Accumulated depreciation has been reduced by \$221 for water and \$1,208 for wastewater as a result of the removal of capitalized interest. Accumulated depreciation has been further reduced by \$5,292 for unsupported water plant, by \$13,883 as a result of the removal of excessive water plant construction costs, and increased by \$2,953 for accumulated depreciation associated with supported sewer plant not booked previously. Accumulated depreciation for the water system has been increased by \$4,312 as a result of accumulated depreciation associated with meters previously booked to sewer and by meters previously expensed. Also, the associated accumulated depreciation for the wastewater system was reduced by \$187 as a result of the removal of depreciation associated with the meter previously booked to the wastewater systems. Accumulated depreciation was further reduced by \$121,059 in water and \$8,853 in wastewater due to the utility's use of a different method of depreciation. These adjustments resulted in total decreases to accumulated depreciation of \$136,143 for the water and \$7,295 for the wastewater systems.

CIAC was increased by \$60,000 for the water and \$11,475 for the wastewater systems due to unrecorded tap-in fees collected from customers. Further, CIAC for the water system was increased by \$25,000 as a result of unrecorded contributions by a developer. The related increase to the Accumulated Amortization of CIAC is \$21,568 for the water and \$2,097 for the wastewater systems.

An acquisition adjustment results when the purchase price differs from the original cost calculation. In this case, the purchase price is less than the rate base. In the absence of

extraordinary circumstances, it is Commission policy that the subsequent purchase of a utility at a premium or discount should not affect the rate base calculation. An acquisition adjustment has not been requested by SSUI. We did not find any extraordinary circumstances in this transfer. Therefore, we have not included the acquisition adjustment in our calculation of rate base.

Further, the rate base calculations do not include any ratemaking adjustments normally performed in rate cases, such as used and useful adjustments, and working capital calculations. The rate base calculations are used purely to establish the book value of the property being transferred. Therefore, for purposes of this transfer, rate base is \$76,661 for the water and \$240,699 for the wastewater system. Our calculations are shown on Schedules 1 and 2, with the adjustments shown on Schedule 3.

Allowance For Funds Used During Construction (AFUDC)

We note that our Staff recommended that SSUI be allowed to retroactively book AFUDC associated with the cost of construction from 1985 to 1988. Point O' Woods did not have an approved AFUDC rate; however, its books reflected capitalized interest associated with the construction costs. We believe that it would be inappropriate to allow SSUI to record AFUDC. This was an expense incurred by Point O' Woods and Point O' Woods did not request it prior to or at the time of construction.

Rates and Charges

The present water and wastewater rates for service for the Point O' Woods systems are as follows:

WATER SYSTEM
(Monthly Rates)

Residential and General Service

Base Facility Charge:	\$ 3.22
Gallage Charge Per 1,000 Gallons	\$.89

WASTEWATER SYSTEM

(Monthly Rates)

Residential and General Service

Flat Monthly Rate: \$13.89

The above rates were effective March 19, 1989, pursuant to an indexing and pass-through rate adjustment in Docket No. 890066-WS, Order No. 20720. In accordance with Rule 25-9.044(1), Florida Administrative Code, when a utility is transferred, the new owner must adopt and use the rates, classification and regulations of the former operating company unless authorized to change by the Commission. SSUI has not requested a change in the rates and we see no reason to change them at this time. Therefore, SSUI shall continue to charge the rates and charges currently approved for the customers of Point O' Woods until authorized to change by this Commission in a subsequent proceeding.

SSUI has requested that it be allowed to collect a \$30 customer deposit for water and wastewater service and implement its uniform miscellaneous service charges and current service availability charges. Notice of these requests was included in the notice of intent to apply for transfer of ownership. Although the current tariffs of Point O' Woods do not include a provision for customer deposits, a \$50 customer deposit has apparently been collected by Point O' Woods. Therefore, we find SSUI's request to collect a \$30 customer deposit for water and wastewater service to be reasonable and it is approved.

The Point O' Woods' tariffs include a water tap-in fee of \$350 for a 3/4 inch x 5/8 inch meter and no service availability charges for wastewater service. However, according to a notarized statement signed by Thomas Infantino, its former owner, the utility was charging a wastewater tap-in fee of \$225. SSUI has requested approval of its uniform service availability charges, which include a meter installation fee of \$75.00 for a 5/8 inch x 3/4 inch meter, a water tap-in fee of \$150 for a short service and a wastewater tap-in fee of \$350 for a short service. These charges were approved by Order No. 9648 dated November 20, 1980, and are

designed to recover the cost of tapping into an existing line. We find these charges to be reasonable and they are, therefore, approved.

The current tariffs of Point O' Woods include only a violation reconnection charge of \$10.00 during regular working hours and \$25.00 after regular working hours. SSUI has requested authorization to implement its uniform miscellaneous service charges, which are as follows:

	<u>Normal Working Hours</u>	<u>After Normal Working Hours</u>
Initial Connection	\$10.00	\$15.00
Normal Reconnection	\$10.00	\$15.00
Violation Reconnection	\$10.00	\$15.00
Premises Visit in Lieu of Disconnection	\$ 5.00	N/A

We find these charges to be reasonable and they are approved.

The rates and charges approved herein are effective for services provided or connections made on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Commission Staff's verification that the tariffs are consistent with our decision.

Developer's Agreement

Provision 13(e) of the Agreement for Purchase and Sale filed in this docket states that a developer agreement between SSUI, Point O' Woods and The Moorings shall be executed as part of the closing of the sales transaction. The developer agreement was filed by letter dated May 24, 1989 in response to our request.

This agreement relates to the provision of water and wastewater service to The Moorings, which is a 250 unit residential development located in the service area being transferred in this case. At the time the agreement was

executed, July 20, 1988, the developer had already constructed facilities to provide water and wastewater service to 82 residential lots within the development. Thus, this agreement addresses the treatment of the existing facilities, ensures The Moorings that service will be available for the remaining lots in the subdivision and defines the terms under which service will be provided in the future. The agreement provides the following:

1. The developer will construct all future on-site facilities (the portion of the water and wastewater facilities that will be located wholly within the developer's property) and donate these to SSUI.
2. Additional off-site facilities (the portion of the facilities which extends the utility's system to the developer's property) necessary to provide service to the development will be the responsibility of SSUI.
3. SSUI shall receive as donated property the existing on-site and off-site facilities constructed prior to the Agreement.
4. The^d developer shall pay SSUI's existing approved tap-in and meter installation charges per residential dwelling.

According to SSUI, the above conditions for service are those agreed to by the previous owner of Point O' Woods and the developer, which are related parties. Since no written instrument existed which defined the terms and conditions for service, this agreement was executed by the three parties at the time of closing of the sale. We find the agreement to be reasonable and it is, therefore, approved. SSUI is directed to reference this agreement in its tariff for this system.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Point O' Woods Utilities, Inc., 111 W. Main Street, Inverness, Florida 32650, to Southern States Utilities, Inc.,

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1000 Color Place, Apopka, Florida 32703, is hereby approved. It is further

ORDERED that Certificates Nos. 189-W and 134-S, held by Southern States Utilities, Inc., are amended to include the territory shown on Attachment A of this Order. Southern States is directed to return these certificates to this Commission for appropriate entry. It is further

ORDERED that the Utility shall return Certificates Nos. 188-W and 133-S, held by Point O' Woods, to the Commission within 20 days of the date of this Order for cancellation. It is further

ORDERED that rate base, representing net book value, is \$76,661 for water and \$240,699 for wastewater. It is further

ORDERED that Southern States shall charge the rates and charges set forth in the body of this Order. It is further

ORDERED that Southern States shall submit revised tariff sheets reflecting the rates and charges and the developer agreement approved within the body of this Order. It is further

ORDERED that the rates and charges approved herein shall be effective for services provided or connections made on or after the stamped approval date on the revised tariff sheets. It is further

ORDERED that the Developer Agreement submitted with the application is hereby approved. It is further

ORDERED that the provisions of this Order, issued as Proposed Agency Action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

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

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By ORDER of the Florida Public Service Commission,
this 6th day of NOVEMBER, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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 the transfer, denying allowance for funds used during construction, setting rates and charges and approving developer agreement 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

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and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on November 27, 1989. In the absence of such a petition, this order shall become effective the following day, 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, 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.

ATTACHMENT A

Point O' Woods
Water Service Territory

Township 19 South, Range 20 East

Section 2

The Southeast 1/4

and

The South 2,000 feet of the Southwest 1/4

Section 11

The Northeast 1/4 of the Northwest 1/4

and

The North 1/2 of the Northeast 1/4, LESS the North 400 feet of the East 1171 feet and the North 765 feet of the East 590 feet.

Sewer Service Territory

Township 19 South, Range 20 East.

Section 2

The Southeast 1/4 LESS that part that lies South and West of State Road 470 (Gospel Island Road)

and

The East 50 feet of the South 2000 feet of the Southwest 1/4, LESS that part that lies South of SR-470 (Gospel Island Road)

POINT O' WOODS UTILITIES, INC.
TRANSFER TO SOUTHERN STATES UTILITIES, INC.
SCHEDULE OF WATER RATE BASE
AS OF JULY 20, 1988

Description	Balance Per Filing	Commission Adjustments	Balance Per Commission
Utility Plant in Service	\$323,520	(\$140,196)	\$183,324
Land	2,548	0	2,548
Accumulated Depreciation	(181,922)	136,143	(45,779)
Contributions-In-Aid-Of-Construction	0	(85,000)	(85,000)
CIAC Amortization	0	21,568	21,568
TOTAL	<u>\$144,146</u>	<u>(\$67,485)</u>	<u>\$76,661</u>

POINT O' WOODS UTILITIES, INC.
TRANSFER TO SOUTHERN STATES UTILITIES, INC.
SCHEDULE OF WASTEWATER RATE BASE
AS OF JULY 20, 1988

Description	Balance Per Filing	Commission Adjustments	Balance Per Commission
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Utility Plant in Service	\$240,612	\$42,405	\$283,017
Land	1,831	0	1,831
Accumulated Depreciation	(42,066)	7,295	(34,771)
CIAC	0	(11,475)	(11,475)
CIAC Amortization	0	2,097	2,097
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TOTAL	\$200,377	\$40,322	\$240,699
	=====	=====	=====

POINT O' WOODS UTILITIES, INC.
 TRANSFER TO SOUTHERN STATES UTILITIES, INC.
 RATE BASE ADJUSTMENTS

	WATER -----	WASTEWATER -----
1) Utility Plant in Service (UPIS)		
Included meters in water plant previously booked to sewer plant.	\$879	(\$879)
Capitalized meters previously expensed.	16,443	
Removed unsupported plant that had been capitalized between 12/31/78-7/20/88.	(76,885)	
Removed capitalized interest.	(6,733)	(29,999)
Removed excessive costs of related party transactions.	(73,900)	
Adjustment to add plant supported but not booked after 12/31/78.		73,283
Total Adjustments of UPIS	----- (\$140,196) =====	----- \$42,405 =====
2) Accumulated Depreciation (Accum. Depr.)		
Adjustment to reflect accumulated depreciation on meters previously booked to sewer plant or expensed.	(\$4,312)	\$187
Adjustment to remove accumulated depreciation associated with unsupported plant.	5,292	
Adjustment to include accumulated depreciation associated with supported plant not booked.		(2,953)

RATE BASE ADJUSTMENTS (CONTINUED)

	WATER -----	WASTEWATER -----
Accumulated Depreciation (Accum. Depr.) (Continued)		
Adjustment to remove accumulated depreciation associated with unapproved capitalized interest	221	1,208
Adjustment to remove accumulated depreciation due to the excessive cost of construction.	13,883	
Adjustment to remove accumulated depreciation due to different rate of depreciation.	121,059	8,853
Total Adjustments of Accum. Deprec.	<u>\$136,143</u>	<u>\$7,295</u>
3) Contributions in Aid of Construction (CIAC)		
Adjustment to reflect unrecorded tap-in fees.	(\$60,000)	(\$11,475)
Adjustment to reflect unrecorded developer contributions.	(25,000)	
Total Adjustments of CIAC	<u>(\$85,000)</u>	<u>(\$11,475)</u>
4) Amortization of CIAC		
Adjustment to reflect accumulated amortization associated with unrecorded CIAC.	\$21,568	\$2,097
Total Adjustments of Amortization of CIAC	<u>\$21,568</u>	<u>\$2,097</u>