

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Leisure Lakes     )  
Utility for transfer of Certificates     )  
Nos. 422-W and 359-S to Southern States)     DOCKET NO. 891250-WS  
Utilities, Inc. in Highlands County.     )     ORDER NO. 22916  
\_\_\_\_\_ )     ISSUED: 5-9-90

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman  
BETTY EASLEY  
GERALD L. GUNTER

ORDER APPROVING TRANSFER AND SETTING RATES

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR THE PURPOSE OF  
THIS TRANSFER AND APPROVING UNIFORM SERVICE  
AVAILABILITY CHARGES AND MISCELLANEOUS SERVICE CHARGES

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 and approval of uniform service availability charges and miscellaneous service charges, which are preliminary in nature and 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 October 26, 1989, Southern States Utilities, Inc. (SSUI) filed an application with this Commission for the transfer of Certificates Nos. 422-W and 359-S from Leisure Lakes Utility (Leisure or Utility). Leisure provides water and sewer service to Covered Bridge, a subdivision of approximately 425 residences located in Lake Placid, Florida.

SSUI purchased Leisure on January 1, 1989. The customers were notified on December 27, 1989 of the proposed transfer.

DOCUMENT NUMBER-DATE

04018 MAY-9 1990

FPSC-RECORDS/REPORTING

On January 11, 1990, the Commission received a letter from a customer of the Utility. On January 12, 1990, we contacted the customer regarding his concerns about the quality of water. SSUI was also advised of the customer's concerns. On February 16, 1990, we made an inspection of the system; there were no water quality problems present at that time. The inspection and findings of the Commission Engineer satisfied the customer's concerns. We also contacted the Department of Environmental Regulation (DER); there are no outstanding notices of violation or corrective orders against Leisure.

As stated previously, SSUI purchased Leisure on January 1, 1989, but the application was not filed until October 26, 1989. SSUI was advised that it had apparently violated Rule 25-30.040, Florida Administrative Code, and Section 367.071(1), Florida Statutes, which require a system to obtain Commission approval prior to a transfer. On November 15, 1989, we requested SSUI to explain why there was a nine month delay between the closing and filing of the application. SSUI responded on December 7, 1989, that Leisure was developer-owned and that the seller was elderly and ready to abandon the system. Consequently, closing had to take place as rapidly as possible. SSUI verbally informed the Director of the Division of Water and Wastewater, of the acquisition prior to closing. Further, SSUI stated that it spent a considerable amount of time trying to obtain records so the application could be filed with the Commission. In its response, SSUI further stated:

As the Commission and Staff know, Southern States Utilities has been acquiring water and wastewater utilities for the past thirty years, following these very same procedures. We have been thanked for acquiring "Mom & Pop Operations" and we have even been asked to acquire some of these troubled systems. I would also like to point out that our purchase agreements are all subject to the Florida Public Service Commission approval, before the agreement becomes final, although we have taken over the operations in practically all cases. As you know, we have to wait a considerable time for approvals and in many cases the acquisition would be lost if we had to wait. However, as mentioned to you in our last meeting of December 5, 1989, the first

quarter of 1990 we have scheduled an audit team to come into our company and establish acquisition procedures based on Commission Rules and Regulations, and Florida Law.

In the meantime, should an opportunity for a utility acquisition arise we will file the necessary documents with the Public Service Commission before we take over operations.

I am still of the opinion that our agreement meets the Florida Public Service Commission Rule 25-30.040 and Chapter 367.071(1) of the Florida Statutes, of which states, subject to the Florida Public Service Commission approval.

A show cause proceeding is normally a last resort, initiated only after the utility has been made aware of the violation, given an opportunity to comply or explain its position, and not responded. Since SSUI responded and is now in compliance, no show cause proceeding is being instituted.

#### Application

Except as discussed previously, the application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer. In particular, the notarized application contains:

- 1) A filing fee in the amount of \$300.00, as prescribed by Rule 25-30.020, Florida Administrative Code.
- 2) Proof of notice of application to all interested governmental and regulatory agencies and all utilities within a four-mile radius of the territory. Further, proof of advertisement in a newspaper of general circulation in the county, as prescribed by Rule 25-30.030, Florida Administrative Code, has been provided.
- 3) Proof of notice to all customers of record pursuant to Rule 25-30.030(g), Florida Administrative Code.

- 4) Evidence that the Utility owns the land upon which its facilities are located, as required by Rule 25-30.035(f), Florida Administrative Code.

No objections to the notice of application have been received and the time for filing such has expired. A description of the territory to be transferred is attached to this Order as Attachment A.

Since the previous owner no longer desires to be in the utility business and because SSUI has extensive experience and the financial resources to provide the customers of Leisure with quality service, we find that the transfer is in the public interest. The transfer is, therefore, approved. Certificates Nos. 422-W and 359-S shall be returned to the Commission within 30 days of this Order for entry reflecting the transfer.

#### Rate Base

An audit of the books and records of Leisure has been conducted to determine the rate base (net book value) at the time of transfer. SSUI submitted \$65,002 and \$41,413 as rate bases for water and sewer, respectively. From the audit, we have determined rate base to be \$64,971 for water and \$47,482 for sewer.

Utility plant-in-service (UPIS) for water and sewer has been adjusted to reflect year-end balances and to account for plant additions and retirements since rate base was last established on August 31, 1986. UPIS, in accordance with our calculation, is \$166,966 and \$255,289 for water and sewer, respectively.

Accumulated depreciation has been adjusted to reflect year end balances and adjustments made to UPIS, using composite rates of 3.1% and 3.8% for water and sewer previously approved by the Commission. Accumulated depreciation is \$35,944 for water and \$81,745 for sewer.

Contributions-in-aid-of-construction (CIAC) have been adjusted to reflect connections made since August, 1986. SSUI included full hook-up fees for irrigation meter installations

and included connection charges for 11 customers in calculating CIAC. According to the audit, the Utility installed 13 irrigation meters in 1987 at \$80 each. In 1988, the Utility connected 10 water customers and 10 sewer customers at \$230 and \$160, respectively. CIAC is, therefore, determined to be \$93,595 and \$192,931 for water and sewer, respectively.

We adjusted CIAC Amortization to reflect year end balances and adjustments made to CIAC using amortization rates of 3.1% and 3.8% for water and sewer, respectively. Therefore, CIAC Amortization is \$26,994 for water and \$64,669 for sewer.

The above adjustments result in a \$31 reduction in the Utility's water rate base and a \$6,069 increase in the Utility's sewer rate base. Our calculation of rate base is shown on Schedules Nos. 1 and 2 for the water and sewer systems, respectively, with adjustments shown on Schedule No. 3. Based on the adjustments set forth herein, rate base for Leisure is \$64,971 for the water system and \$47,482 for the sewer system as of January 1, 1989, the date of transfer.

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

#### Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from rate base. It is Commission policy that in the absence of extraordinary circumstances a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this transfer do not appear to be extraordinary. Further, an acquisition adjustment was not requested by SSUI. Therefore, an acquisition adjustment is not included in the calculation of rate base.

#### Rates

The existing rates approved for Leisure are as follows:

Water System  
(Monthly Rates)  
Residential Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 6.62
<u>Gallorage Charge</u> per 1,000 gallons	\$ .90

General Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 6.62
1"	16.55
1 1/2"	33.10
2"	52.96
3"	99.30
4"	165.50
6"	331.00
8"	529.60
10"	761.30
12"	1,423.30
<u>Gallorage Charge</u> Per 1,000 gallons	\$ .90

Sewer System  
(Monthly Rates)  
Residential Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
All Sizes	\$ 7.45
<u>Gallorage Charge</u> Per 1,000 Gallons to 10,000 Maximum	\$ 1.16

General Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 7.45
1"	18.63
1 1/2"	37.25
2"	59.60
3"	111.75
4"	186.25
6"	372.50
8"	596.00
10"	856.75
12"	1,601.75
<u>Gallonage Charge</u>	
Per 1,000 Gallons	\$ 1.16

Rule 25-9.044(1), Florida Administrative Code, governs rates when ownership of a regulated utility changes. The rule states that the new owner of a utility 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 to change the rates and we see no reason to change them at this time. Therefore, SSUI shall continue to charge the rates set forth above until authorized to change by the Commission. SSUI shall file revised tariff sheets incorporating this system into its tariff within thirty days of the date of the Order. The tariff will be effective for service provided after the stamped approval date.

According to Leisure's tariffs, no customer deposit is collected. SSUI has requested that it be allowed to collect a combined water and sewer deposit of \$60.00, which will approximately cover a customer's minimum water and sewer bill for two billing periods. This is consistent with Rule 25-30.311(7), Florida Administrative Code. This will be administratively approved by the Commission Staff when SSUI's tariffs are approved.

Uniform Service Availability Charges and  
 Miscellaneous Service Charges

The tariffs of Leisure do not include miscellaneous service charges, but do include the following service availability charges:

Water System  
 Fees and Charges

<u>Description</u>	<u>Amount</u>
Plant Capacity Charge	\$ 150
Meter Installation Fee	
5/8" x 3/4"	\$ 80
All larger sizes	Actual Cost

Sewer System  
 Fees and Charges

Plant Capacity Charge	\$ 160
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SSUI has requested that it be allowed to charge its uniform service availability and miscellaneous service charges. SSUI's uniform service availability charges are as follows:

Meter Installation Fees

5/8" x 3/4"	\$ 75.00
3/4"	85.00
1"	100.00
1 1/2"	175.00
2" and above	Actual Cost

Tap Fees

	<u>Water</u>	<u>Sewer</u>
Short Service	\$150.00	\$350.00
Long Service	175.00	450.00
Long Service Paved	200.00	650.00



The meter installation charges and tap-in fees, which are based on cost, have been approved previously by this Commission for SSUI. We find these rates and charges to be reasonable and they are, therefore, approved for Leisure.

Leisure's plant capacity charges were established in 1987 in a staff-assisted rate case. SSUI has presented no evidence to demonstrate that the existing plant capacity charges are incorrect or no longer valid. Therefore, SSUI shall continue to charge Leisure's plant capacity charge, as set forth above, until authorized to change by the Commission.

SSUI uniform miscellaneous service charges are as follows:

<u>Type of Charge</u>	<u>During Regular Working Hours</u>	<u>After Regular Working Hours</u>
Initial Connection	\$ 10.00	\$ 15.00
Normal Reconnection	\$ 10.00	\$ 15.00
Violation Reconnection	\$ 10.00	\$ 15.00
Premises Visit Charge	\$ 5.00	\$ N/A

Since Leisure has no miscellaneous service charges and the above charges were approved by this Commission for SSUI, we find that they should be implemented in the Leisure system.

SSUI filed evidence that it has completed the proper newspaper noticing of these proposed charges and has provided notice to individuals of record who have requested information relating to the service availability fees. The approved charges shall be effective for services provided or connections made on or after the stamped approval date of the tariff sheets.

#### Effective Dates

SSUI shall file a tariff reflecting the rates and charges approved herein within 30 days of the effective date of this Order. The service availability charges shall be effective for connections on or after the stamped approval date on the tariff sheets.

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It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of Certificates Nos. 422-W and 359-S from Leisure Lakes Utility, Post Office Box 1044, 1110 U.S. Highway 27 North, Lake Placid, Florida 33852, to Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, is hereby approved. It is further

ORDERED that Certificates Nos. 422-W and 359-S shall be returned to this Commission within 30 days for appropriate entry. It is further

ORDERED that SSUI shall charge the rates and charges approved herein. SSUI shall file revised tariff sheets incorporating Leisure into its tariff within 30 days of the date of this Order. The tariff sheets shall reflect the rates and charges approved herein. It is further

ORDERED that the service availability charges set forth herein shall become effective for connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the miscellaneous service charges set forth herein shall become effective for service provided on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition in the form provided by Rule 25-22.36, 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 or Judicial Review" attached hereto. It is further

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

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By ORDER of the Florida Public Service Commission,  
this 9th day of MAY, 1990.



STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

ALC

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 the purpose of this transfer and approving uniform service availability charges and miscellaneous charges 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

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Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 30, 1990. 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, 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 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 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

DESCRIPTION FOR  
SOUTHERN STATES UTILITIES, INC.  
HIGHLANDS COUNTY  
LEISURE LAKES SUBDIVISION

Township 36 South, Range 29 East

Section 15

Beginning at the Northwest corner of said Section 15, thence run North 87 degrees 55 minutes 51 seconds East along the North line of said Section 15 a distance of 650 feet, thence South 00 degrees 06 minutes 24 seconds West along the East line of the West 1/4 of said section a distance of 3,500 feet, thence run North 89 degrees 38 minutes 45 seconds West a distance of 700 feet, more or less, to a point on the West section line of said Section 15, thence run 3,500 feet, more or less, North along said West section line to the Point of Beginning.

Section 16

Beginning at the Northeast corner of said Section 16, then run 2,050 feet, more or less, South along the Eastern section line of said Section 16, to the intersection of said boundary with the Eastern edge of Jack Creek as it now runs, thence run North following the meanderings of said Jack Creek a distance of a distance of 2,400 feet, more or less, to the intersection with the North Section line of said Section 16, thence following said Section 16, thence following said North Section line, run East a distance of 875 feet, more or less, to the Point of Beginning.

LEISURE LAKES UTILITIES  
SCHEDULE OF WATER RATE BASE  
AS OF JANUARY 1, 1989

<u>Description</u>	<u>Balance Per Utility</u>	<u>Staff Adjustments</u>	<u>Balance Per Staff</u>
Utility Plant-in-Service	\$179,753	\$(12,787)(1)	\$166,966
Land	550	0	550
Accumulated Depreciation	( 45,237)	9,293 (2)	( 35,944)
Contributions-in-Aid-of- Construction	( 95,775)	2,180 (3)	( 93,595)
CIAC Amortization	<u>25,711</u>	<u>1,283 (4)</u>	<u>26,994</u>
TOTAL	<u>\$ 65,002</u>	<u>\$( 31)</u>	<u>\$ 64,971</u>

LEISURE LAKES UTILITIES  
SCHEDULE OF WASTEWATER RATE BASE  
AS OF JANUARY 1, 1989

<u>Description</u>	<u>Balance Per Utility</u>	<u>Staff Adjustments</u>	<u>Balance Per Staff</u>
Utility Plant-in-Service	\$256,727	\$( 1,438) (1)	\$255,289
Land	2,200	0	2,200
Accumulated Depreciation	( 85,595)	3,850 (2)	( 81,745)
Contributions-in-Aid-of- Construction	(193,001)	70 (3)	(192,931)
CIAC Amortization	<u>61,082</u>	<u>3,587</u> (4)	<u>64,669</u>
TOTAL	<u>\$ 41,413</u>	<u>\$ 6,069</u>	<u>\$ 47,482</u>

LEISURE LAKES UTILITIES  
RATE BASE ADJUSTMENTS

<u>Explanation</u>	<u>Adjustment</u>	
	<u>Water</u>	<u>Wastewater</u>
<u>Utility Plant-in-Service</u>		
1) Adjusted plant to reflect year-end instead of 13-month average balance	\$ 396	\$ 0
1) Adjusted plant to reflect plant additions and retirements	<u>( 13,183)</u>	<u>( 1,438)</u>
Net Adjustment	<u>\$(12,787)</u>	<u>\$(1,438)</u>
<u>Accumulated Depreciation</u>		
2) Adjusted depreciation to reflect year-end instead of 13-month average balance.	\$ 2,288	\$ 4,805
2) To reflect depreciation associated with plant adjustments, using 3.1% and 3.8% rates	<u>7,005</u>	<u>( 955)</u>
Net Adjustment	<u>\$ 9,293</u>	<u>\$ 3,850</u>
<u>Contributions-in-Aid-of-Construction</u>		
3) Adjusted to reflect CIAC to date	<u>\$ 2,180</u>	<u>\$ 70</u>
<u>CIAC Amortization</u>		
4) Adjusted amortization to reflect year-end instead of 13-month average balance	\$ 1,399	\$ 3,635
4) To reflect amortization associated with adjustments made to CIAC using 3.1% and 3.8% rates	<u>(116)</u>	<u>( 48)</u>
Net Adjustment	<u>\$ 1,283</u>	<u>\$ 3,587</u>