

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of )	DOCKET NO. 900665-WS
Certificate No. 391-S in Flagler )	
County from Beverly Beach )	ORDER NO. 24050
Enterprises, Inc. d/b/a Beverly )	
Beach Surfside Utilities to Ocean )	ISSUED: 2/1/91
City Utilities, Inc., amendment of )	
Ocean City Utilities, Inc.'s )	
Certificate No. 509-W and )	
cancellation of Beverly Beach )	
Surfside's Certificate No. 547-W. )	

The following Commissioners participated in the disposition of this matter.

THOMAS M. BEARD, Chairman  
 BETTY EASLEY  
 GERALD L. GUNTER  
 FRANK S. MESSERSMITH  
 MICHAEL McK. WILSON

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THIS TRANSFER

BY THE COMMISSION

Notice is hereby given by the Florida Public Service Commission that the actions discussed herein are final except the establishment of rate base, which 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.

Background

On July 30, 1990, Ocean City Utilities (Ocean City) filed an application with this Commission seeking approval of the transfer of water and sewer systems from Beverly Beach Enterprises, Inc. d/b/a Beverly Beach Surfside Utilities (Beverly Beach) to Ocean City Utilities. The Beverly Beach systems provide water and sewer

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service through master meters to a 263 unit mobile home park and a small recreational vehicle park. Ocean City currently provides service to an area between the Atlantic Ocean and Intercoastal Waterway just North of Flagler Beach.

On May 14, 1990, Ocean City filed an application to extend its service area (Docket No. 900215-WU) to include additional territory located approximately one mile down the beach. The additional territory is separated from Ocean City's present territory by Beverly Beach's service area.

Beverly Beach protested Ocean City's application and filed an application (Docket No. 900345-WU) to serve the same territory. On July 20, 1990, both parties entered into an agreement whereby Ocean City would purchase Beverly Beach. On August 16, 1990, the Commission was advised by Beverly Beach's counsel that closing would take place on August 17, 1990. Although closing occurred prior to Commission approval, we are not penalizing the parties since the sales contract and counsel's letter dated August 17, 1990, state that the transfer is subject to Commission approval.

Subsequent to closing, Beverly Beach withdrew its protest to Ocean City's amendment application. Beverly Beach also withdrew its application for amendment of its service area to serve the additional territory.

Application

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, as prescribed by Rule 25-30.020, Florida Administrative Code.
- 2) Proof of notice to interested governmental and regulatory agencies and all utilities within a four-mile radius of the territory, and proof of advertisement in a newspaper of general circulation in Flagler County, as prescribed by Rule 25-30.030, Florida Administrative Code.
- 3) Proof of notice to all customers of record pursuant to Rule 25-30.030(g), Florida Administrative Code.

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- 4) Evidence that the utility owns the land upon which the facilities are located as required by Rule 25-30.030 (2)(g), Florida Administrative Code.

No objections to the application have been received and the time for filing such has expired.

Ocean City has provided satisfactory water service since 1988. Additionally, Mr. Skip Hairelson, President of Ocean City, is a certified water plant operator. Ocean City has also hired a certified operator for the sewer plant. Ocean City has the needed capital for expansion of its existing system and has secured a loan for the purchase of the Beverly Beach system. Therefore, we find that Ocean City has the needed financial and technical ability to provide service to the customers of the Beverly Beach system.

Ocean City and Beverly Beach are small utilities providing service through reverse osmosis treatment. Interconnecting the systems and consolidating operations under one entity should result in lower operating costs. Additionally, the Department of Environmental Regulation (DER) has no outstanding notices of violation against utilities. Therefore, we find that the transfer is in the public interest and it is approved. Certificate No. 391-S, held by Beverly Beach, is transferred to Ocean City. Certificate No. 509-W, held by Ocean City, is amended to include the territory described in Attachment A of this Order; and Certificate No. 457-W, held by Beverly Beach, is cancelled. Ocean City is directed to return Certificates Nos. 391-S and 509-W to the Commission within 30 days of the date of this Order for entry reflecting the action taken herein. Further, Ocean City is directed to return Certificate No. 457-W to the Commission for cancellation within 30 days of the date of this Order.

#### Rate Base

An audit of Beverly Beach's books and records has been conducted to determine rate base at the time of transfer. Beverly Beach has been in operation since 1974. In the mid-1980's Beverly Beach upgraded its water and sewer systems. Based upon an agreement with Beverly Beach Estates, a mobile home park and major customer of Beverly Beach, Beverly Beach Estates paid 89% and 59% of the water and sewer improvements, respectively, which accounts for all of Beverly Beach's contributions-in-aid-of-construction (CIAC).

Pursuant to the sales contract between Ocean City and Beverly Beach, certain assets owned by Beverly Beach are not included in

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the transfer. Ocean City is purchasing only the new reverse osmosis plant, which accounts for 45% of water plant in service. Ocean City has a lease on the Beverly Beach water plant site and facilities, and is currently serving the Beverly Beach territory from that site. It is Ocean City's intent, by the summer of 1991, to move the reverse osmosis plant to its well field and interconnect the two adjacent service territories. Ocean City is not purchasing Beverly Beach's standby reverse osmosis plant, storage tanks, wells or pumps, since it already has such facilities at its present well site.

We have calculated the net book value of the assets being transferred to Ocean City. Therefore, plant-in-service is \$89,676, the original cost of the assets transferred. Since these assets are part of the 1986 improvements for which the mobile home park paid 89% of the cost, CIAC is 89% of the value of the assets or \$79,812.

Accumulated depreciation has been calculated pursuant to Rule 25-30.140, Florida Administrative Code. Accumulated amortization of CIAC has been calculated using the same rates. Therefore, accumulated depreciation is \$37,460 and accumulated amortization of CIAC is \$33,339.

All assets of the sewer system have been transferred, with the exception of \$5,698 of plant relating to office equipment. The excluded plant items have been treated as retirements.

Rate base was last established for Beverly Beach in Order No. 18554. That Order excluded \$5,254 of plant as non-utility related. Further, Order No. 22605 found \$1,137 of plant expenditures to be imprudent. These adjustments were not shown on the Beverly Beach's books. We made the plant adjustments as well as corresponding adjustments to accumulated depreciation, CIAC and amortization. Additionally, accumulated depreciation has been recalculated in accordance with Rule 25-30.140, Florida Administrative Code and accumulated amortization has been recalculated using these same rates.

As stated previously, we have treated \$5,698 of plant, which is not being transferred, as retirement. Depreciation has also been adjusted by \$5,698, and appropriate adjustments have been made to related CIAC and amortization.

The land upon which the sewer plant is located has previously been recognized at zero cost based upon a zero cost lease from Beverly Beach Enterprises, Inc. Since Ocean City purchased the

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site along with the utility, we have calculated original land cost using the cost of the entire parcel used for the RV and mobile home park. Therefore, the .80 acres used for the sewage treatment facilities is valued at \$23,230.

An acquisition adjustment results when the purchase price differs from the original cost calculation. In the absence of extraordinary circumstances, it is Commission policy that the purchase of a utility at a premium or discount shall not affect the rate base calculation. An acquisition adjustment has not been requested by Ocean City; further, the circumstances in this exchange do not appear to be extraordinary. Therefore, an acquisition adjustment is not included in the calculation of rate base.

As a result of the adjustments made herein, rate base is \$5,743 for the water system and \$101,063 for the sewer system as of August 16, 1990, the date of transfer. 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.

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

#### Rates and Charges

The rates and charges approved for Beverly Beach are as follows:

#### Water

#### General Service (Monthly Rates)

<u>Base Facility Charge</u> Meter Size	<u>Approved Rates</u>
1 1/2"	\$ 744.35
2"	1,190.89
Gallonage Charge (per 1,000 gallons)	\$ 7.33

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Sewer

General Service  
 (Monthly Rates)

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Approved</u> <u>Rates</u>
1 1/2"	\$ 376.11
2"	601.79
Gallonage Charge (per 1,000 gallons)	\$ 4.33

Miscellaneous Service Charges

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

Meter Installation Charge

<u>Meter Size</u>	<u>Amount</u>
5/8" x 3/4"	\$ 100.00
Over 5/8" x 3/4"	At Cost

Beverly Beach has no other approved service availability policy or charges.

Rule 25-9.044(1), Florida Administrative Code, requires the new owner of a utility to adopt and use the rates, classification and regulations of the former operating company unless authorized to change by the Commission. Ocean City has not requested a change in the rates and charges and we see no reason to change them at this time. Therefore, the rates and charges set forth above are approved. Ocean City shall continue to charge these rates and charges until authorized to change by the Commission. Ocean City shall file a tariff reflecting the transfer within 30 days of the date of this Order. The tariff shall be effective for service provided or connections made after the stamped approval date.

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It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of Certificate No. 391-S from Beverly Beach Enterprises, Inc., d/b/a Beverly Beach Surfside Utilities, Post Office Box 1048, Flagler Beach, Florida 32136-1048, to Ocean City Utilities, Inc., 1805 S.E. Hawthorne Road, Post Office Box 476, Gainesville, Florida 32302, is hereby approved. Ocean City shall return Certificate 391-S to this Commission within 30 days of this Order for entry reflecting the transfer. It is further

ORDERED that Certificate No. 457-W, held by Beverly Beach, is hereby cancelled. Beverly Beach shall return the Certificate to this Commission within 30 days of the date of this Order for cancellation. It is further

ORDERED that Certificate No. 509-W, held by Ocean City, is hereby amended to include the territory described in Attachment A of this Order which by reference is incorporated herein. Ocean City shall return Certificate No. 509-W to this Commission within 30 days of the date of this Order for appropriate entry. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value of the assets transferred, is \$5,743 for water and \$101,063, for sewer. It is further

ORDERED that Ocean City shall continue to charge the rates and charges approved in the body of this Order until authorized to change by the Commission. It is further

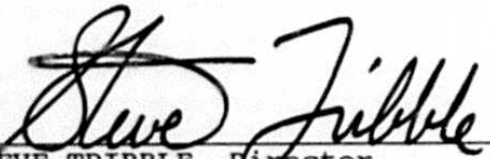
ORDERED that Ocean City shall file a tariff reflecting the change in transfer within 30 days of the date of this Order. The tariff shall be effective for service provided or connections made after the stamped approval date. It is further

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 1st  
day of FEBRUARY, 1991.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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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 this transfer is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 25, 1991. 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.



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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.

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## ATTACHMENT A

A part of government Lot 4, Section 26, Township 11 South, Range 31 East being more particularly described as follows: Commence at the Southwest corner of said government Lot 4; thence North 88°54'14" East along the South line of said government Lot 4, a distance of 2159.97 feet to the Point of Beginning, said Point being on the Easterly Right-of-Way of State Road A-1-A (A 100-foot Right-of-Way); thence North 23°39'03" West along said Easterly Right-of-Way line a distance of 1458.87 (deed), 1459.09 (measures) to the North line of government Lot 4; thence North 88°50'18" East 260 feet more or less to the last apparent high tide; thence South 23°39'03" East 1459.09 feet more or less to the South line of government Lot 4; thence South 88°54'14" West 260 feet more or less to the Point of Beginning. Said parcel contains 17.5838 acres more or less.

Surveyors Note: Bearing rotated to match D.N.R. Coastal Construction set back lines.

AND

A portion of government Lot 4, Section 26, Township 11 South, Range 31 East being more particularly described as follows: Commence at the Southwest corner of government Lot 4, North 88°54'14" East along the South line of government Lot 4, 988.99 feet to the Point of Beginning. Said point being on the Easterly Right-of-Way of Intracoastal Right-of-Way (A 500-foot right-of-way); thence North 16°46'07" West along said Easterly Right-of-Way 141.96 feet (deed) 141.48 feet (measures); thence North 17°09'17" West 1258.54 feet (deed) 1259.24 feet (measures) to the North line of government Lot 4, thence North 88°50'14" East along the North line of government Lot 4, 754.32 feet thence South 23°39'03" East 511.74 feet; thence North 66°20'57" East 125.00 feet; thence South 23°39'03" East 239.86 feet; thence South 88°54'14" West 603.90 feet; thence South 23°35'12" East 238.31 feet to the South line of government Lot 4; thence South 88°54'14" West along the South line of government Lot 4, 323.16 feet to the Point of Beginning.

SAID PARCEL CONTAINS 24-26 acres more or less.

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SCHEDULE NO. 1

Beverly Beach Surfside Utilities  
Schedule of Water Rate Base Transferred  
As of August 16, 1990

<u>Description</u>	<u>Balance Per Commission</u>
Utility Plant-in-Service	\$ 89,676
Land	0
Accumulated Depreciation	( 37,460)
Contributions-in-Aid-of-Construction	( 79,812)
CIAC Amortization	<u>33,339</u>
TOTAL	<u>\$ 5,743</u>

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SCHEDULE NO. 2

Beverly Beach Surfside Utilities

Schedule of Sewer Rate Base

As of August 16, 1990

	<u>Balance Per Utility</u>	<u>Commission Adjustments</u>		<u>Balance Per Commission</u>
Land	\$ 0	\$ 23,230	(1)	\$ 23,230
Plant	244,400	( 12,089)	(2)	232,311
Accumulated Depreciation	( 58,033)	4,080	(3)	( 53,953)
Contributions-in-Aid-of- Construction	(126,970)	3,800	(4)	(123,170)
CIAC Amortization	<u>22,600</u>	<u>45</u>	(5)	<u>22,645</u>
TOTAL	<u>\$ 81,997</u>	<u>\$ 19,066</u>		<u>\$101,063</u>

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SCHEDULE NO. 3

Beverly Beach Surfside Utilities  
Schedule of Rate Base Adjustments

<u>Description</u>	<u>Adjustment</u>
<u>Land</u>	
1) To reflect land cost	<u>\$ 23,230</u>
<u>Utility Plant-in-Service</u>	
2) Remove plant pursuant to Order No. 18553	<u>\$( 5,254)</u>
Remove imprudent plant pursuant to Order No. 22605	<u>( 1,131)</u>
To reflect plant not transferred	<u>( 5,698)</u>
Total Plant-in-Service	<u>(\$12,089)</u>
<u>Accumulated Depreciation</u>	
3) To reflect recalculation of accumulated depreciation	<u>\$( 1,618)</u>
To reflect plant not transferred	<u>5,698</u>
Total Accumulated Depreciation	<u>\$ 4,080</u>
<u>Contributions-in-Aid-of-Construction</u>	
4) Adjust for CIAC related to imprudent plant	<u>\$ 806</u>
Adjust for CIAC related to plant not transferred	<u>2,994</u>
Total CIAC	<u>\$ 3,800</u>

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## SCHEDULE NO. 3 CONT.

<u>Description</u>	<u>Adjustment</u>
<u>CIAC Amortization</u>	
5) To adjust for CIAC related to imprudent plant	<u>\$ 277</u>
To reflect recalculation of CIAC	<u>2,762</u>
To adjust for amortization related to CIAC on plant not transferred	<u>( 2,994)</u>
Total Amortization	<u>\$ 45</u>
Total Adjustments	<u>\$ 19,066</u>