

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of) DOCKET NO. 910118-WU
Aqua Pure Water Company to A. P.) ORDER NO. 25075
Utilities, Inc., cancellation of) ISSUED: 9/17/91
Certificate No. 395-W and amendment of)
Certificate No. 380-W in Marion Co.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE

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, which is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceedings pursuant to Rule 25-22.029, Florida Administrative Code.

Background

Aqua Pure Water Company (Aqua Pure), A. P. Utilities, Inc. (A. P.) and Marico Properties, Inc. (Marico) were purchased by Philip Woods from Michael Blake on November 30, 1990. We became aware of the transfers in November, 1990. At that time, Mr. Woods was advised of the need to file applications for approval of the transfers. He was also advised of the need to file applications for amendment of the Certificates held by Aqua Pure and A. P. to include all of the territory currently served by the Utilities.

On February 6, 1991, Mr. Woods filed 5 applications. Two of the applications requested approval of the amendment of A. P. and Aqua Pure's certificated territory to include territory the systems are currently serving. Two applications requested approval of the transfers of Aqua Pure and Marico to A. P. The other application, which requested approval of the transfer of majority organizational

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transfers. He was also advised of the need to file applications for amendment of the Certificates held by Aqua Pure and A. P. to include all of the territory currently served by the Utilities.

On February 6, 1991, Mr. Woods filed 5 applications. Two of the applications requested approval of the amendment of A. P. and Aqua Pure's certificated territory to include territory the systems are currently serving. Two applications requested approval of the transfers of Aqua Pure and Marico to A. P. The other application, which requested approval of the transfer of majority organizational control of A. P. from Mr. Blake to Mr. Woods, was approved by the Commission on August 6, 1991.

In the instant application, Mr. Woods is seeking approval of the transfer of Aqua Pure to A. P. According to the purchase agreement between Mr. Blake and Mr. Woods, the transfer is contingent upon Commission approval.

Application

The application filed in this docket, Docket No. 910118-WU, is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules. In particular, the application contains:

1. A filing fee in the amount of \$150, as prescribed by Rule 25-30.020, Florida Administrative Code.
2. Evidence that the Utility owns the land upon which its facilities are located, as required by Rule 25-030.037(1)(o), Florida Administrative Code.
3. Proof of compliance with the provisions of Rule 25-30.030, Florida Administrative Code, including notice to the customers of Aqua Pure. No objections to the application have been received and the time for filing such has expired.

We are concerned about the amount of debt assumed by Mr. Woods to accomplish the purchase of the 3 systems. According to the purchase agreement, and the amendment thereto, Mr. Woods will pay Mr. Blake \$41,463 in cash as partial payment for the systems. The remainder of the purchase price will be paid through the assumption

of promissory notes in the amounts of \$458,150 and 150,467 for A.P. and Aqua Pure, respectively. The monthly payments on these notes total approximately \$5,300. Mr. Woods is using two Certificates of Deposit as security for the notes assumed. We requested a financial analysis of the anticipated profitability of A. P. Based upon projections, A. P. will be able to cover expenses during its initial years and begin to show a profit in 1993.

Mr. Woods is a Registered Professional Engineer and is in the process of becoming a certified plant operator. In the meantime, he has contracted with Enviro-Masters to operate the systems. Enviro-Masters operates numerous water and wastewater systems in Marion and Citrus Counties. Its owners have 12 years experience in water and wastewater utility operations. Further, according to the Department of Environmental Regulation (DER), there are no outstanding notices of violation against Aqua Pure.

Based on the foregoing, we find that the transfer of the assets of Aqua Pure from Mr. Blake to A. P. is in the public interest and it is approved. Certificate No. 395-W, held by Aqua Pure, is hereby cancelled, and Certificate No. 380-W, held by A. P., is amended to include the territory described in Attachment A of this Order, which by reference is incorporated herein. Certificate No. 395-W, held by Aqua Pure, shall be returned to this Commission for cancellation within 30 days of the date of this Order. Mr. Woods is also directed to return Certificate No. 380-W, held by A. P., to this Commission for entry reflecting the territory served by Aqua Pure within 30 days of the date of this Order.

Rate Base

According to the application, the net book value of the system being transferred is \$102,068, as of the date of the transfer. Rate Base has not been established previously by the Commission. An audit of the Aqua Pure's books and records has been conducted to determine rate base (net book value) as of November 30, 1990, the date of transfer.

The Utility was unable to provide documentation to substantiate the original cost of plant. According to an original cost study performed by Mr. Woods, the original cost of plant is \$69,568. However, although Aqua Pure has 3 systems, Evergreen,

Indian Trails and Peppertree, Mr. Woods only submitted original cost studies for 2 of the systems. Mr. Woods also failed to include the original cost of the interconnection of the 3 systems. Therefore, the original cost of plant, submitted by Mr. Woods, has been increased by \$16,000 to reflect the cost of the third system and by \$85,004 to reflect the cost of the interconnection.

On December 22, 1989, a settlement was reached between Aqua Pure and Miller Enterprises, Inc. (Handy Way Food Store). Aqua Pure received the settlement of \$109,022.90 because of the contamination of the Evergreen's wells by gasoline from Handy Way's storage tank. Mr. Blake abandoned the Evergreen plant and purchased a new water plant at the Peppertree Subdivision, interconnecting the systems. Since the contaminated plant is no longer in service, \$3,965 of plant has been retired.

The Utility's original cost study has also been adjusted for services and engineering and administrative costs. As a result, utility plant-in-service is \$170,597.

The Utility submitted \$32,500 as the value of land. That figure has been adjusted to reflect the value of the land at the time it was first devoted to public service. The value of the land is, therefore, \$29,256. Normally, plant held for future use (PHFU) adjustments are not made in setting net book value in transfers. However, since the Evergreen well sites are no longer in use, we removed \$12,500 of land from rate base and placed in it PHFU.

The Utility's original cost study does not address accumulated depreciation. According to the study, the Evergreen system was installed in 1979, the Peppertree system was installed in 1982, and the Indian Trails system was installed in 1985; interconnection of the systems was accomplished in 1988. Accumulated depreciation has been brought forward from the dates of installation to the date of transfer using Commission approved rates in accordance with Rule 25-30.140, Florida Administrative Code. Therefore, accumulated depreciation is \$26,373.

Since, according to the audit, the Indian Trails system is contributed, contributions-in-aid-of-construction (CIAC) has been increased by \$16,000 to reflect the cost of the system. CIAC has also been increased to reflect that the Utility expensed \$1,343 of its water meters on its tax return. Further, the Utility is authorized by its tariff to collect a \$250 tap-in fee. As of the

date of transfer, Aqua Pure had collected \$33,250 in tap-in fees from its customers. Therefore, CIAC is \$50,593.

CIAC amortization for the Indian Trails system has been amortized at a 2.63% depreciation rate. The expensed plant items and cash contributions have been amortized at a 4.07% composite depreciation rate. Therefore, CIAC amortization is \$7,841.

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. Since the circumstances in this transaction do not appear to be extraordinary, and A. P. has not requested an acquisition adjustment, no acquisition adjustment has been included in the rate base calculation.

Based on the adjustments, we find that rate base for Aqua Pure is \$118,228, as of November 30, 1990, the date of the transfer. Our calculation of rate base is shown on Schedule No. 1, with adjustments shown on Schedule No. 2.

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.

Rates and Charges

The rates and charges approved for Aqua Pure are as follows:

Residential, Multi-Residential
and General Service
(Monthly Rates)

First 4,000 Gallons	\$ 9.50
Over 4,000 Gallons Per 1,000 Gallons	\$ 1.00

Miscellaneous Service Charges

<u>Description</u>	<u>Normal Hours</u>	<u>After Hours</u>
Initial Connection	\$ 5.00	\$ 5.00
Normal Reconnection	\$ 20.00	\$ 20.00
Violation Reconnection	\$ 20.00	\$ 40.00
Premises Visit	N/A	N/A

Service Availability Charges

Meter Installation Fee and
 Customer Connection (Tap-in) Charge

<u>Meter Size</u>	<u>Amount</u>
5/8" x 3/4"	\$ 250.00
1"	\$ 300.00
1-1/2"	\$ 325.00
2"	\$ 350.00
Over 2"	Actual Cost

Customer Deposits

<u>Meter Size</u>	<u>Residential</u>	<u>General Service</u>
5/8" x 3/4"	\$ 20.00	\$ 50.00
1"	\$ 50.00	\$ 50.00
1-1/2"	N/A	N/A
2"	N/A	N/A

According to Rule 25-9.044(1), Florida Administrative Code, 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. A. P. has not requested a change in the rates and charges of Aqua Pure and we see no reason to change them at this time. A. P. shall continue to charge the rates and charges approved in Aqua Pure's tariff until authorized to change by the Commission. Further, A. P. is directed to file a tariff reflecting the change in ownership. The tariff

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shall be effective for service provided or connections made after the stamped approval date on the tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of assets of Aqua Pure Water Company, 10865 E. Highway 40, Silver Springs, Florida 32688, to A. P. Utilities, Inc., 1705 SE Fort King Street, Ocala, Florida 32671, is hereby approved. It is further

ORDERED that Certificate No. 395-W, held by Aqua Pure, is hereby cancelled. Certificate No. 395-W shall be returned to this Commission within 30 days of the date of this Order for cancellation. It is further

ORDERED that Certificate No. 380-W, held by A. P., is hereby amended to include the territory described in Attachment A of this Order, which by reference is incorporated herein. A. P. shall return the Certificate to this Commission within 30 days of the date of this Order for entry reflecting the amendment. It is further

ORDERED that rate base, which for purposes of this transfer reflects net book value, is \$118,228 as of November 30, 1990. It is further

ORDERED that A. P. shall continue to charge the rates and charges approved in Aqua Pure's tariff until authorized to change by the Commission. It is further

ORDERED that A. P. shall file a tariff reflecting the change in ownership. The tariff filing shall be effective for service provided or connections made 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 25-22.036, Florida Public Service Commission, 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

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

By ORDER of the Florida Public Service Commission, this 17th
day of SEPTEMBER, 1991.



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 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 10/08/91. In the absence of such a petition, this order shall become effective on

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the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

Aqua Pure Water Company

TERRITORY DESCRIPTION

The following described lands located in portions of Sections 18,24, Township 15S, Range 21E, Marion County, Florida:

The Subdivisions of Indian Trails, Evergreen, Peppertree Village And The Unplatted Areas Between Said Subdivisions As Further Described As Being The North 3/4 of the East 1/4 of Section 24, Township 15S, Range 21 East, And The SE 1/4 of Section 18, Township 15S, Range 21 East.

SCHEDULE NO. 1

Aqua Pure Water Company
SCHEDULE OF WATER RATE BASE
As of November 30, 1990

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$ 69,568	\$101,029 (1)	\$170,597
Land	32,500	(3,244) (2)	29,256
Accumulated Depreciation	0	(26,373) (3)	(26,373)
Contributions-in- Aid-of-Construction	0	(50,593) (4)	(50,593)
CIAC Amortization	0	7,841 (5)	7,841
Plant Held For Future Use	<u>0</u>	<u>(12,500)</u> (6)	<u>(12,500)</u>
TOTAL	<u>\$102,068</u>	<u>\$ 16,160</u>	<u>\$118,228</u>

SCHEDULE NO. 2

Aqua Pure Water Company

SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service To reflect the cost of the Indian Trails system, the cost of the interconnection, reflect retirements, to adjust for service connections and engineering and administrative costs.	(1) <u>\$101,029</u>
Land To reflect the value of land at the time it was first devoted to public service.	(2) <u>\$(3,244)</u>
Accumulated Depreciation To bring depreciation to date using Commission approved rates per Rule 25-30.140, Florida Administrative Code.	(3) <u>\$(26,373)</u>
Contributions-in-aid-of-Construction To reflect the Indian Trails system, expensed water meters, and tap-in fees as CIAC.	(4) <u>\$(50,593)</u>
CIAC Amortization To reflect amortization for Indian Trails system using 2.63% rate and to reflect amortization of cash contributions using 4.07% composite depreciation rate.	(5) <u>\$ 7,841</u>
Plant Held For Future Use To remove contaminated well sites from rate base.	(6) <u>\$(12,500)</u>