

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application For Transfer) DOCKET NO. 931080-WS
of Certificates Nos. 552-W and) ORDER NO. PSC-94-0701-FOF-WS
481-S From the Resolution Trust) ISSUED: June 8, 1994
Corporation to C.F.A.T. H2O,)
Inc. in Marion County.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING TRANSFER AND
SETTING RATES AND CHARGES

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATE BASE FOR PURPOSES
OF THE TRANSFER

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein regarding the establishment of rate base for purposes of the 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.

Background

On November 8, 1993, C.F.A.T. H2O, Inc. (CFAT) filed an application with this Commission requesting approval of the transfer of Certificates Nos. 552-W and 481-S from the Resolution Trust Corporation (RTC or utility). RTC currently provides water

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and wastewater service to approximately 91 customers in the Landfair and Hilltop Manor Subdivisions in Marion County. RTC began serving these developments when it became receiver of Tradewinds Utilities' (Tradewinds) system as a result of foreclosure action against The Miami Savings Bank, owner of certain utility assets of Tradewinds.

Application

The application is compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules. In particular, the application contains a filing fee in the amount of \$300.00, pursuant to Rule 25-30.020, Florida Administrative Code. The application also contains evidence that RTC owns the land upon which the facilities are located. CFAT shall provide a recorded warranty deed or other proof that it owns the land upon which the water and wastewater facilities are located within 30 days of the date of closing of the sale.

CFAT has provided proof of compliance with the noticing requirements of Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system being transferred. No objections to the notice of application have been received and the time for filing such has expired.

The systems currently serve developed lots which are being purchased by RSC Development, Inc. (RSC). RSC is a corporation controlled by Ronald Chase, the majority shareholder of CFAT. CFAT has retained the same engineering firm to operate the treatment plants that operated the plant while RTC was the receiver. Therefore, it appears that CFAT has the technical ability to continue operations of the water and wastewater systems. Also, according to the Department of Environmental Protection, there are no outstanding notices of violation against the utility.

Although CFAT is a newly formed corporation, it appears that it has the financial ability to continue operations of the utility. CFAT will invest approximately \$33,000 cash in the utility. According to the application, the officers of the corporation are prepared to provide additional funds as required. CFAT will obtain financing from RTC under its normal terms for commercial property. CFAT plans to borrow approximately \$79,000 at 6.5 percent interest for five years, with payments of \$500 per month.

In view of the foregoing, we find that the transfer of Certificates Nos. 552-W and 481-S from RTC to CFAT is in the public interest and it is approved. A description of the territory which the utility is authorized to service by Certificates Nos. 552-W and

481-S is set forth on Attachment A of this Order, which by reference is incorporated herein.

RTC shall return Certificates Nos. 552-W and 481-S to this Commission within 30 days of the date of this Order for entry reflecting the change in ownership. In addition, CFAT shall file evidence with this Commission that it owns the land upon which the facilities are located within 30 days of the closing of the sale.

Rate Base

According to the application, the net book value of the system being transferred as of the date of the proposed transfer is \$(13,787) for water and \$10,077 for wastewater. The Commission previously established rate base for this system when it was transferred from Tradewinds to RTC in Docket No. 921260-WS. According to Order No. PSC-93-0900-FOF-WS, issued on June 14, 1993, in that Docket, rate base was \$0 for water and \$0 for wastewater as of December 31, 1991. CFAT did not provide documentation to justify the rate base set forth in the instant application. Since closing has not taken place, our Staff conducted an audit of the books and records of the utility to determine rate base (net book value) as of December 31, 1993.

RTC does not classify plant-in-service, expenses, and contributions-in-aid-of-construction (CIAC) on a monthly basis as required by the National Association of Regulatory Utility Commissioners Accounting Instruction 2 (NARUC). Also, the utility does not calculate accumulated depreciation or accumulated CIAC amortization on a monthly basis. Therefore, we find it appropriate to require CFAT to comply with NARUC rules concerning the classification of accounts.

The utility did not correctly reconcile its books to Order No. PSC-93-0900-FOF-WS. According to the audit, the utility adjusted plant-in-service in 1993, but did not restate accumulated depreciation and CIAC amortization retroactive to 1991, as required by Order No. PSC-93-0900-FOF-WS. The utility's adjustment to Account No. 331, Transmission and Distribution Mains, was \$34,888. The adjustment should have been \$34,583 to Account No. 331 and \$305 to Account No. 339, Other Plant and Miscellaneous.

In addition, the utility should have adjusted its December 31, 1991 ending balances for CIAC water and wastewater in accordance with Order No. PSC-93-0900-FOF-WS. CFAT shall restate accumulated depreciation and accumulated CIAC amortization to 1991, adjust 1993 plant-in-service, and adjust its December 31, 1991 ending balances

for CIAC water and wastewater to the prior balance set forth in Order No. PSC-93-0900-FOF-WS.

The utility recorded \$5,718 in repairs as capital purchases to utility plant-in-service (UPIS), Water Account No. 304 (Structures and Improvements). The utility should have recorded the cost of repairs as repair and maintenance expenses; therefore, UPIS is reduced by \$5,718. Also, the cost of two new meters, a new chlorinator and a pump was recorded as expenses to Water Plant. These items should have been recorded as UPIS; therefore, UPIS should be increased by \$233 for the meters, \$220 for the chlorinator and \$4,432 for the pump.

At the time of the transfer of ownership of the utility from Tradewinds to RTC, Account No. 311 (Pumping Equipment) had a balance of \$11,098. After discussions with the prior owner, it was determined that \$8,500 of this amount represents the cost of two wells placed in service in 1986. One of the wells has never been put to use and there are no plans to use the well in the near future. Therefore, \$8,500 should be removed from Account No. 311; \$4,250 should be transferred to Plant Held for Future Use. The remaining \$4,250 should be transferred to Wells and Springs. In addition, since the wells are contributed property, CIAC should be reduced by \$4,250 to represent the CIAC associated with the well not in service. Further, advances for construction (CIAC) should be decreased by \$4,250.

The utility made no accounting entries for UPIS retirements in 1993, although a well pump and generator were retired. As a result of the retirements, UPIS should be decreased by \$5,021. Because all plant was contributed, CIAC should also be decreased by \$5,021. Accordingly, the associated accumulated depreciation and accumulated CIAC amortization should be increased by \$5,021. Accumulated depreciation should be increased by \$300 to reflect the salvage value of the generator.

The utility recorded expense to wastewater plant for a staff gauge and two new chlorinators in 1992 and 1993 instead of recording them as plant additions. Therefore, UPIS should be increased by \$30 to reflect the plant additions.

The utility's records indicate that water and wastewater connection fees of \$120 each were collected, but the utility made no accounting entries to reflect the collection of these fees. Therefore, CIAC for water should be increased by \$120 and CIAC for wastewater should be increased by \$120.

According to the audit, the utility computes its CIAC amortization using a straight line rate based on 30 years rather than a rate based on contributed depreciable plant as required by Commission rules. Accumulated depreciation and CIAC has been recalculated pursuant to Rule 25-30.140, Florida Administrative Code. The correct balances for accumulated depreciation and CIAC accumulated amortization at December 31, 1993, is \$(10,914) and \$11,653, respectively, for the water system. The correct balances for accumulated depreciation and CIAC accumulated amortization at December 31, 1993 is \$(19,329) and \$21,967, respectively, for the wastewater system.

Based on the adjustments set forth herein we find rate base for RTC to be \$5,504.00 for the water system and \$2,950.00 for the wastewater system as of December 31, 1993. Our calculation of rate base is shown on Schedules Nos. 1 and 3, for the water and wastewater systems, respectively. Adjustments to rate base are shown on Schedules Nos. 2 and 4.

An acquisition adjustment results when the purchase price of a utility differs from the original cost calculation. In the absence of extraordinary circumstances, it is the policy of this Commission that the purchase of a utility system at a premium or discount shall not affect the rate base calculation. CFAT has not requested an acquisition adjustment and the circumstances in this transaction do not appear to be extraordinary; therefore, no acquisition adjustment has been included in the calculation of rate base.

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

Rates and Charges

RTC's rates and charges were established by Order No. PSC-93-0900-FOF-WS, issued June 14, 1993, in Docket No. 921260-WS. These rates and charges were approved for Tradewinds prior to the transfer to RTC.

Rule 25-9.044(1), Florida Administrative Code, requires the new owner of a utility to adopt and use the rates, classifications and regulations of the former operating company unless authorized to change by this Commission. CFAT has not requested to change the rates and charges and we see no reason to change them at this time. CFAT shall continue to charge the rates and charges approved in the utility's tariff until authorized to change by this Commission in

a subsequent proceeding. CFAT has filed a tariff reflecting the change in ownership. The tariff shall be effective for service provided or connections made on or after the stamped approval date on the tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of Certificates Nos. 552-W and 481-S from the Resolution Trust Corporation, 927 Clint Moore Road, Boca Raton, Florida 33487, to C.F.A.T. H2O, Inc., 1515 East Silver Springs Boulevard, Suite W165, Ocala, Florida 34470, is hereby approved. It is further

ORDERED that C.F.A.T. H2O, Inc. shall submit a recorded warranty deed or other proof that it owns the land upon which the utility facilities are located within 30 days of the date of closing of the sale. It is further

ORDERED that rate base, for purposes of the transfer, which reflects net book value, is \$5,504 and \$2,950 for the water and wastewater systems, respectively. It is further

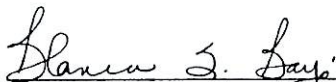
ORDERED that C.F.A.T. H2O, Inc. shall restate certain accounts as set forth in the body of this Order to conformance with Order No. PSC-93-0900-FOF-WS, issued June 14, 1994, and to conform to the National Association of Regulatory Utility Commissioners Accounting Instruction Two. It is further

ORDERED that C.F.A.T. H2O, Inc. shall continue to charge the rates and charges approved in the Resolution Trust Corporation's tariff until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that the provisions of this Order establishing rate base for purposes of the transfer are issued as proposed agency action and shall become final and effective 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 or Judicial Review" attached hereto. It is further

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

By ORDER of the Florida Public Service Commission, this 8th
day of June, 1994.



BLANCA S. BAYÓ, 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 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 June 29, 1994. 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.

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 wastewater 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 wastewater 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

THE RESOLUTION TRUST CORPORATION

Territory Description

The following described lands located in portions of Sections 16 and 21, Township 14 South, Range 22 East, Marion County, Florida:

Section 16: Southwest 1/4 of Southeast 1/4, except the North 475 feet; Southeast 1/4 of Southeast 1/4; South 3 chains of Northeast 1/4 of Southeast 1/4.

Section 21: East 1/2 of Northeast 1/4.

Schedule 1

SCHEDULE OF WATER RATE BASE

As of December 31, 1993

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>		<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$ 82,142	(1)	\$ (10,103)	\$ 72,039
Land	19,500		0	19,500
Plant Held for Future Use	0	(2)	4,250	4,250
Accumulated Depreciation	(14,519)	(3)	3,605	(10,914)
Contributions-in-Aid-of-Construction	(94,787)	(4)	8,013	(86,774)
CIAC Amortization	22,028	(5)	(10,375)	11,653
Advances for Construction	<u>0</u>		<u>(4,250)</u>	<u>(4,250)</u>
TOTAL	<u>\$14,364</u>		<u>\$(8,860)</u>	<u>\$ 5,504</u>

SCHEDULE NO. 2

THE RESOLUTION TRUST CORPORATION

Schedule of Water Rate Base Adjustments

<u>EXPLANATION</u>		<u>ADJUSTMENT</u>
Utility Plant in Service (UPIS)		
To decrease UPIS for repair and maintenance expenses		\$ (5,718)
To increase UPIS for plant additions in 1992 and 1993		4,885
To decrease UPIS for well not in use		(4,250)
To decrease UPIS for retired plant		<u>(5,021)</u>
Total	(1)	<u>\$ (10,103)</u>
Plant Held for Future Use		
To increase Plant Held for Future Use for well not in service	(2)	<u>\$ 4,250</u>
Accumulated Depreciation		
To adjust for incorrect computations	(3)	<u>\$ 3,605</u>
Contributions-in-Aid-of-Construction (CIAC)		
To adjust CIAC to Order No. PSC-93-0900-FOF-WS		(1,138)
To decrease CIAC for well not in use		4,250
To decrease CIAC for retired plant		5,021
To increase CIAC for connection fees		(120)
Total	(4)	<u>\$ (8,013)</u>
CIAC Amortization		
To adjust CIAC amortization to reflect correct composite rate	(5)	<u>\$ (10,375)</u>
Advances for Construction		
To adjust for the contributed well not in service	(6)	<u>\$ (4,250)</u>

Schedule 3

SCHEDULE OF WASTEWATER RATE BASE

As of December 31, 1993

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>PER UTILITY</u>		<u>COMMISSION</u> <u>ADJUSTMENTS</u>	<u>BALANCE PER</u> <u>COMMISSION</u>
Utility Plant in Service	\$ 95,489	(1)	\$ 430	\$ 95,919
Land	39,000		0	39,000
Accumulated Depreciation	(17,570)	(2)	(1,759)	(19,329)
Contributions-in-Aid-of-Construction	(125,807)	(3)	(8,800)	(134,607)
CIAC Amortization	<u>13,649</u>	(4)	<u>8,318</u>	<u>21,967</u>
TOTAL	<u>\$ 4,761</u>		<u>\$(1,811)</u>	<u>\$ 2,950</u>

SCHEDULE NO. 4

THE RESOLUTION TRUST CORPORATION

Schedule of Wastewater Rate Base Adjustments

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service (UPIS)	
To increase UPIS for plant additions in 1992	90
To increase UPIS for plant additions in 1993	340
Total	<u>430</u>
Accumulated Depreciation	
To adjust for incorrect computations (3)	<u>\$ (1,759)</u>
Contributions-in-Aid-of-Construction (CIAC)	
To adjust CIAC to Order No. PSC-93-0900-FOF-WS	(8,680)
To increase CIAC for connection fees	(120)
Total (4)	<u>\$ (8,800)</u>
CIAC Amortization	
To adjust CIAC amortization to reflect correct composite rate (5)	<u>\$ 8,318</u>