

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for ) DOCKET NO. 930950-WU  
amendment of Certificate No. ) ORDER NO. PSC-94-0988-FOF-WU  
346-W to include facilities of ) ISSUED: August 15, 1994  
Bellevue Hills Estates, and for )  
a limited proceeding to set )  
rates in Marion County, by Ocala )  
Oaks Utilities, Inc. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

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

FINAL ORDER GRANTING AMENDMENT OF CERTIFICATE NO. 346-W  
TO INCLUDE FACILITIES OF BELLEVUE HILLS ESTATES  
AND

PROPOSED AGENCY ACTION ORDER APPROVING OCALA OAKS UTILITIES,  
INC.'S CURRENT RATES AND CHARGES FOR AMENDED TERRITORY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the granting of the amendment to Certificate No. 346-W, 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

Ocala Oaks Utilities, Inc. (Ocala Oaks or utility) provides water service in Marion County and serves approximately 1,135 water customers. The annual report for 1993 shows that the consolidated annual operating revenue for the system is \$268,691 and the net operating income is \$9,962. The utility is a Class B utility company under Commission jurisdiction.

On September 27, 1993, Ocala Oaks applied for an amendment of its Water Certificate No. 346-W to include the Bellevue Hills Estates water system (Bellevue) in Marion County. On November 24, 1993, the utility amended its application and filed for a limited

DOCUMENT CONTROL UNIT  
00273 AUG 18 94  
FPC-REGISTRATION/REPORTING

proceeding in order to apply its current rates and charges to the Belleview system. Ocala Oaks has not closed on the sale.

Homes in the Belleview Hills Estates subdivision are currently being served by a water system that has no Public Service Commission certificate, but is operated by A. P. Utilities, Inc., (A.P.) which is a utility regulated by the Commission. In 1989, the developer of Belleview Hills Estates entered into a verbal agreement with A. P. wherein A.P. would purchase and operate the Belleview Hills Estates water system. At that time A. P. was under the ownership of Mr. Mike Blake. Shortly thereafter Mr. Phil Woods purchased A. P. and the transfer of ownership of A. P. was approved by the Commission. However, the Belleview system was not in A. P.'s certificated area at the time of the transfer, and A. P. never sought an amendment of its certificate for this area. In 1990, A. P. implemented its rates and charges as customers connected to the Belleview system. These rates and charges for the Belleview customers were never approved by the Commission. A. P. did not perform its part of the purchase agreement with the developer to acquire the water system, and control of the system reverted back to the developer.

This proceeding was initiated when Ocala Oaks entered into a purchase agreement with the developer of the Belleview Hills Estates. At the present time the subdivision consists of 87 lots, with approximately 54 active customers that receive service. At build-out, the Belleview system will serve 380 residential lots.

On April 22, 1994, a customer meeting was held in the service area, in Summerfield, Florida. Thirteen customers made sworn presentations. The customers were satisfied with the quality of service that they received from A.P., expressed concern about the utility's request for a limited proceeding to change the rates and charges and stated their objection to a rate change.

Pursuant to Sections 367.011 and 367.021, Florida Statutes, anyone who owns, operates, manages, or controls a water and wastewater utility system is subject to the Commission's jurisdiction. Section 367.031, Florida Statutes, requires each utility subject to the Commission's jurisdiction to obtain a certificate of authorization or request an exemption. Section 367.071, Florida Statutes, states that no utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof, or majority organizational control without approval of the Commission. Neither A. P. nor the developer of Belleview Hills Estates, Mr. Leo Wiechens, filed an application for an original certificate or an application to transfer the system. Essentially, the Belleview Hills system has been unregulated until

Ocala Oaks filed this application. As it appears that both A. P. Utilities, Inc. and the developer-related utility may have violated the above-referenced statutes, we find it appropriate to open another docket to consider any appropriate show cause action.

Amendment to Certificate

On September 27, 1993, the utility applied for a transfer of the Belleview Hills Estates water system to Water Certificate No. 346-W in Marion County. Except as noted above, the application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer. The application contains \$150, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to the application were received, and the time for such filings have expired. The local planning agency was provided notice of the application and did not file a protest. A description of the territory requested by the utility is attached to this Order as Attachment A. The applicant has not provided evidence that the utility owns the land upon which the utility's facilities are located as required by Rule 25-30.037(2)(g), Florida Administrative Code, because the utility has not closed on the sale. Upon the completion of the sale of the Belleview system, Ocala Oaks shall submit a copy of the deed to this Commission.

Ocala Oaks has been certificated for sixteen years. The officers of the company have the technical expertise and financial ability to provide the proposed utility customers with quality service. The Department of Environmental Protection (DEP) has confirmed that there are no outstanding notices of violation regarding this utility. The utility has submitted an affidavit consistent with Section 367.045(2)(d), Florida Statutes, which states that it has tariffs and annual reports on file with the Commission.

Based on the above information, we find it to be in the public interest to grant the application of Ocala Oaks for transfer of the facilities of the Belleview Hills Estates to Water Certificate No. 346-W. The utility has returned its certificate for entry to include the additional territory and filed revised tariff sheets that reflect the correct territory description.



### Rate Base

Rate base for the Belleview system has never been established by this Commission. Our staff conducted an audit of the books and records of the utility to determine the rate base (net book value) as of December 31, 1993. Belleview recorded \$93,127 on its books as rate base for its water system. We have made several adjustments as a result of the rate base audit.

Although Belleview owns the land upon which the utility facilities are located, land was not recorded on the books. According to the audit, land used for utility purposes is approximately 125,600 square feet and the average cost per square foot is \$.144. Therefore, we find that the land should be valued at \$18,000.

The cost of the Belleview water system was written into the cost of lot sales. As a result, accumulated depreciation was not recorded on the books. We have calculated accumulated depreciation using the composite rate of 2.5%, resulting in a \$8,332 increase in accumulated depreciation.

Because the cost of the utility plant was included in the cost of lot sales, contributions-in-aid-of-construction (CIAC) were not recorded on the utility's books. As of December 31, 1993, 54 customers have purchased lots and \$39,280 ( $\$727.41 \times 54$  lots) of the utility plant cost has been recovered. In addition, 40 customers have paid a \$250 connection fee. Therefore, we find it appropriate to increase CIAC by \$49,280 ( $\$39,280 + \$10,000$ ). Amortization of CIAC has been calculated using the composite rate of 3.298%, with a resulting increase in CIAC Amortization of \$2,920.

Our calculation of rate base is shown on Schedule No. 1 and adjustments to rate base are itemized on Schedule No. 2. Based on the adjustments set forth herein, we find that the rate base for the Belleview Hills Estates water system is \$55,935 as of December 31, 1993. This 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.

### Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the original cost calculation. In the absence of extraordinary circumstances it has been this Commission's policy that a subsequent purchase of a utility system at a premium or

discount shall not affect the rate base calculation. The acquisition adjustment resulting from the transfer of Belleview Hills Estates would be calculated as follows:

Purchase Price:	\$64,000
Calculated Rate Base:	\$55,935
Positive Acquisition Adjustment:	\$ 8,065

In its application, the utility stated that it would reserve the right to ask for an acquisition adjustment pending the outcome of our staff's audit. The utility has subsequently stated that it would not request a positive acquisition adjustment in this docket, and may instead renegotiate the terms of the sales contract. Furthermore, the circumstances in this exchange do not appear to be extraordinary. Therefore, we find it appropriate not to include a positive acquisition adjustment in the calculation of rate base.

#### Rates and Charges

Belleview is a developer-owned utility. The customers of the Belleview system have been charged the rates and charges approved for A.P. However, the rates currently being charged to the customers of Belleview have never been approved by this Commission. Ocala Oaks' approved rates were effective July 18, 1992, pursuant to a price index for 1992 and pass through of ad valorem taxes. Service Availability Charges were effective August 16, 1989, pursuant to a rate case filed in Docket No. 881098-WU.

Rule 25-9.044(1), Florida Administrative Code, provides that:

In cases of change of ownership or control of a utility which places the operation under a different or new utility...the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission)..."

Ocala Oaks has requested through the limited proceeding process that the rates of the Belleview Hills Estates system be changed to those approved for the other systems it owns in Marion County. Ocala Oaks has provided persuasive information in support of its request to implement its rates for the Belleview system. The utility has provided a letter from Daniels Engineering, Inc.,

showing the plant improvements that will need to be made for future plant expansion. In addition, data received from A.P. indicates that Belleview is operating at a loss.

A comparison of the rates and charges of the Belleview system and Ocala Oaks is set forth in Schedule No. 3, attached to this Order. In an effort to determine the "stand alone" rates, we projected the revenue increase which would be necessary to bring Belleview into a positive earnings position. The projection indicates a 157% increase in revenue in order to put the Belleview system on a "stand alone" basis. These "stand alone" rates would be higher than the proposed Ocala Oaks rates. It is important to note that the revenue requirement used for calculating stand alone rates for Belleview is not an exact figure. Calculating the "true" revenue requirement for this utility would have required the processing of a rate proceeding. This projection has been used only to provide a general idea of Belleview's potential "stand alone" rates.

At the April 22, 1994, customer meeting, the customers indicated that they had no complaints or problem with the current service provided, but expressed strong opposition to the significant increase in rates. Most of the customers indicated that they are on fixed incomes and will not be able to pay higher bills.

Although we understand the customers' concerns about increased rates, Belleview cannot continue to operate at a loss. To remain a viable utility on a stand alone basis, it would have been necessary for this utility to apply for a rate increase. We are herein approving the acquisition of Belleview by a larger, financially secure and operationally sound utility. Ocala Oaks will be able to implement certain economies of scale, will have a more stable and diverse customer base and will probably be better able to hold rates down in the long run than if the utility were to remain by itself.

Furthermore, it is anticipated that Belleview will incur substantial costs in its second phase of development in order to comply with DEP's requirements. Required plant improvements will include the following: bringing a second well into operation at an estimated cost of \$5,000; adding a stand-by generator at an estimated cost of \$15,000; and adding an additional storage tank at an estimated cost of \$10,000, for a total cost of \$30,000. We find it to be in the customers' best interest for these costs to be spread over a larger customer base. Furthermore, the rates proposed by Ocala Oaks are consistent with the rates charged by other utilities in Marion County.



Based on the reasons stated above, we find it appropriate to approve the request of Ocala Oaks to implement its rates in the Belleview service area. However, in order to avoid rate shock, we find it appropriate to phase-in the rates to be charged to the Belleview customers. The rates shall be implemented in two phases, with the first phase starting in August of 1994. For services on and after August 3, 1995, the rates shall be synchronized with those of Ocala Oaks, as shown in Schedule 4. Any future price index pass-throughs will be applicable to these rates.

The service availability charges currently in effect for Belleview have not been approved by this Commission and may not be truly cost-based service availability charges. The cost of filing a service availability case to establish cost-based charges is not warranted in this docket. There is not sufficient information in this docket to establish truly cost-based service availability charges. Further, the Belleview water distribution system currently in place is capable of serving 87 lots and will have to be expanded in order to serve additional customers. We find that the service availability charges proposed by Ocala Oaks are reasonable. Therefore, Ocala Oaks' meter installation and plant capacity charges are hereby approved for future customers connecting to the Belleview water system.

The miscellaneous service charges requested by Ocala Oaks are consistent with those currently charged by the other systems it owns. These charges are consistent with the miscellaneous service charges contained in Staff Advisory Bulletin No. 13, Second Revised, and, therefore, we find it appropriate to approve those charges.

Belleview is currently collecting a \$20.00 customer deposit. This deposit has never been approved by the Commission. The customer deposit of \$40.00 proposed by Ocala Oaks is consistent with the deposit charged by the other systems it owns. This level of deposit is based on a two months average bill. Since this methodology is consistent with Rule 25-30.311(7), Florida Administrative Code, Ocala Oaks is hereby authorized to collect the \$40.00 customer deposit. The applicant shall file tariff sheets consistent with the Commission's decision within thirty days of the effective date of this Order if no timely protests are received. The effective date of the tariff shall be the stamped approval date.

If no timely protests are filed to this Order, no further action shall be required and the docket shall be closed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Ocala Oaks Utilities, Inc.'s application for amendment of its water Certificate No. 346-W to include the Belleview Hills Estates system as described in Attachment A is hereby approved. It is further

ORDERED that, upon the completion of the sale of the facilities of the Belleview Hills Estates system, the utility shall provide the Commission with a certified copy of the deed. It is further

ORDERED that Ocala Oaks Utilities, Inc.'s application for a limited proceeding to implement its rates and charges for the customers of the Belleview Hills Estates system is hereby approved as discussed herein. It is further

ORDERED that, prior to the implementation of the rates and charges approved herein, Ocala Oaks Utilities, Inc. shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon our Staff's verification that they are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that the rate base associated with the transfer of the Belleview Estates system is \$55,935. It is further

ORDERED that no positive acquisition adjustment will be included in the calculation of the rate base. It is further

ORDERED that the provisions of this Order, except for the granting of the amendment to Certificate No. 346-W, are 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 15th  
day of August, 1994.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

MEO

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 herein, except for the granting of the amendment of Certificate No. 346-W, 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 her office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 6, 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.

ORDER NO. PSC-94-0988-FOF-WU  
DOCKET NO. 930950-WU  
PAGE 11

**ATTACHMENT A**

**OCALA OAKS UTILITIES, INC.**

**BELLEVIEW HILLS ESTATES**

Township 17 South, Range 23 East, Section 18

That part of the South 1/2 of the Northwest 1/4 of the Northeast 1/4 lying West of U.S. Highway No. 301, and the Northwest 1/4 Except the East 348.50 feet of the South 1,017.50 feet thereof and except the East 525 feet of the West 1,016.25 feet of the South 210.00 feet thereof.



SCHEDULE NO. 1

Belleview Hills Estates

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	\$93,127	\$ 0	\$93,127
Land	0	18,000 (1)	18,000
Accumulated Depreciation	0	(8,832) (2)	(8,832)
Contributions-in- aid-of-Construction	0	(49,280) (3)	(49,280)
CIAC Amortization	<u>0</u>	<u>2,920 (4)</u>	<u>2,920</u>
TOTAL	<u>\$93,127</u>	<u>(\$37,192)</u>	<u>\$55,935</u>

Schedule No. 2

Belleview Hills Estates  
Schedule of Water Rate Base Adjustments

<u>Explanation</u>	<u>Adjustment</u>
<u>Land</u>	
To reflect value for land that was not recorded on utility's books.	(1) <u>\$18,000</u>
<u>Accumulated Depreciation</u>	
To reflect depreciation not recorded on utility's books.	(2) <u>(\$8,832)</u>
<u>Contributions-in-aid-of Construction (CIAC)</u>	
To reflect CIAC not recorded on utility's books	(3) <u>(\$49,280)</u>
<u>Amortization of CIAC</u>	
To reflect CIAC Amortization not recorded on utility's books.	(4) <u>\$2,920</u>

COMPARISON OF RATES AND CHARGES OF  
 BELLEVIEW HILLS ESTATES AND OCALA OAKS  
 RESIDENTIAL AND GENERAL SERVICE

<u>Meter Size</u>	<u>Belleview's Current Charges</u>	<u>Belleview's Projected Stand Alone Rates</u>	<u>Ocala Oaks Approved Charges</u>
5/8" x 3/4"	\$ 5.67	\$10.65	\$12.05
3/4"	8.52	15.98	N/A
1"	14.19	26.63	30.04
1-1/2"	28.37	53.25	60.05
2"	45.38	85.20	96.07
3"	90.77	170.40	192.12
4"	141.82	266.25	300.18
6"	283.65	532.50	600.02
Gallage Charge per 1,000 gallons	\$ 1.06	\$ 3.55	\$ 1.03

Residential and General Service  
 Monthly Water Bill Comparison  
 at 5,000 Gallons

<u>Meter Size</u>	<u>Belleview's Current Bill</u>	<u>Belleview's Projected Stand Alone Bill</u>	<u>Ocala Oaks Approved Bill (8/2/94- 8/2/95)</u>	<u>Ocala Oaks Approved Final Bill (8/3/95)</u>
5/8" x 3/4"	\$10.97	\$28.40	\$14.01	\$17.20
3/4"	13.82	33.73	N/A	N/A
1"	19.49	44.38	27.27	35.19



Service Availability Charges

<u>Meter Installation Fees</u>	<u>Belleview's Current Charges</u>	<u>Ocala Oaks Approved Charges</u>
5/8" x 3/4" Over 5/8"	\$125.00 Actual Cost	\$100.00 Actual Cost
Plant Capacity Charge (Per ERC)	\$125.00	\$200.00

Miscellaneous Service Charges

	<u>Belleview's Current Charges</u>	<u>Ocala Oaks Approved Charges</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$20.00	\$15.00
Premises Visit	N/A	\$10.00
(In lieu of disconnection)		
Returned Check Fee	N/A	\$10.00

Customer Deposits

	<u>Belleview's Current Charges</u>	<u>Ocala Oaks Approved Charges</u>
	\$20.00	\$40.00

Schedule No. 4

**MONTHLY RATE SCHEDULE**  
**RESIDENTIAL AND GENERAL SERVICE**

<u>Meter Size</u>	<u>Belleview's Current Rates</u>	<u>First Phase Increase (8/2-94- 8/2/95)</u>	<u>Final Rate Increase 8/3/95</u>
5/8" x 3/4"	\$ 5.67	\$ 8.86	\$12.05
3/4"	8.52	N/A	N/A
1"	14.19	22.12	30.04
1-1/2"	28.37	44.21	60.05
2"	45.38	70.73	96.07
3"	90.77	141.45	192.12
4"	141.82	221.00	300.18
6"	283.65	441.84	600.02
<b>Gallonge Charge</b>			
per 1,000 gallons	\$1.06	\$ 1.03	\$ 1.03