

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Transfer) DOCKET NO. 960643-WS
of Certificates Nos. 507-W and) ORDER NO. PSC-97-0312-FOF-WS
441-S in Sumter County from) ISSUED: March 24, 1997
Sumter Water Company, Inc. to)
Crystal River Utilities, Inc.)

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TRANSFER
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE
TRANSFER AND GRANTING CRYSTAL RIVER UTILITIES, INC.'S
REQUEST TO COLLECT CUSTOMER DEPOSITS AND A \$5.00 LATE FEE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action establishing rate base for purposes of the transfer, and allowing the collection of customer deposits and a \$5.00 late fee, as discussed herein, 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 May 23, 1996, an application was filed with this Commission requesting approval of the transfer of Certificates Nos. 507-W and 441-S from Sumter Water Company, Inc. (Sumter or utility) to Crystal River Utilities, Inc. (Crystal River), pursuant to Section 367.071, Florida Statutes. Sumter is a Class C utility, which currently serves 65 water customers and 61 wastewater customers in Sumter County.

Crystal River currently holds Certificate No. 396-W and provides service to approximately 200 customers in Citrus County. Crystal River was granted Certificate No. 396-W by Order No. PSC-96-1539-FOF-WU, issued on December 17, 1996, in Docket No. 960717-WU.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Application

The application is in 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 \$1,500, pursuant to Rule 25-30.020, Florida Administrative Code. In addition, Crystal River provided evidence that the utility owns the land upon which its facilities are located, in accordance with Rule 25-30.037(2)(g), Florida Administrative Code.

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

The description of the territory which the utility is authorized to serve is shown on Attachment A of this order, which by reference is incorporated herein. The original territory was granted to the utility by Order No. 19848, issued on August 22, 1988. When the utility was transferred by Order No. PSC-92-1113-FOF-WS, issued on October 5, 1992, in Docket No. 920176-WS, the territory description was incorrect because "of the Northeast 1/4" was inadvertently omitted. The territory description shown on Attachment A of this order has been corrected to include "of the Northeast 1/4" in the second line of the territory in Section 12, after "South 660 feet of the Southwest 1/4" and before "Less the West 480 feet thereof."

According to the application, Crystal River has the financial ability to continue to operate the utility. In addition, regarding Crystal River's technical ability to operate the system, H2O Utility Services, Inc. (H2O) has been retained to maintain and operate the system. H2O currently operates and maintains over 80 systems in Florida. According to the Department of Environmental Protection (DEP), there are no outstanding notices of violation against the utility.

In view of the foregoing, we find that the transfer of Certificates Nos. 507-W and 441-S from Sumter to Crystal River is in the public interest and it is approved. Crystal River shall return Certificates Nos. 507-W and 441-S to the Commission within 30 days of the date of this Order for entry reflecting the change in ownership.

Rate Base

According to the application, the net book value of the utility being transferred is \$25,149, as of the date of the

transfer. The net book value includes adjustments for depreciation and amortization through December 31, 1995. Crystal River derived the net book value of the system using the rate base established by Order No. 25139, issued on September 30, 1991, in Docket No. 900966-WS.

Rate base was last established for Sumter (then known as Homosassa Utilities, Inc.) by Order No. PSC-92-1113-FOF-WS, issued on October 5, 1992, in Docket No. 920176-WS. In that Order, rate base was found to be \$8,697 for the water system and \$29,256 for the wastewater system.

An audit of the books and records of the utility has been conducted to determine rate base (net book value) at the time of the transfer. Plant was analyzed through December 31, 1995. The audit verified land ownership, existing rates, miscellaneous service charges, service availability charges and customer deposits currently being charged by the utility. The audit also determined that the utility did not book the Commission adjustments in accordance with Order No. PSC-92-1113-FOF-WS. The following adjustments were needed to bring the books into compliance:

	<u>Water</u>	<u>Wastewater</u>
Utility Plant-in-Service	\$69,963	\$85,747
Land	3,000	7,000
Accumulated Depreciation	(44,856)	(44,108)
Contributions-in-Aid-of- Construction (CIAC)	(48,741)	(59,642)
CIAC Amortization	<u>22,548</u>	<u>36,994</u>
TOTAL	\$ 1,914	\$25,991

By failing to book previously authorized Commission adjustments, the utility underestimated depreciation and amortization of CIAC. The utility also expensed items which should have been capitalized. Because the adjustments required by Order No. PSC-92-1113-FOF-WS were not reflected on the books and records as of December 31, 1995, the correct yearly depreciation was not reflected from 1992 to 1995. Accumulated depreciation was understated by \$10,842 for the water system and \$15,056 for the wastewater system. Depreciation, including the adjustments required by the above order, was recalculated using the rates approved in Rule 25-30.140, Florida Administrative Code.

Accumulated amortization was understated by \$3,488 for the water system and \$5,825 for the wastewater system. CIAC amortization, reflecting the adjustments required by the above order, was recalculated using the rate approved in Order No. 95139,

issued on September 30, 1991. In addition, items were expensed that should have been shown as capital assets. Assets were reclassified totaling \$1,613 for the water system and \$900 for the wastewater system. Also, the utility collected a meter installation charge of \$100 for a new customer which was not approved in its tariff.

The utility did not collect customer deposits as authorized by the tariff. The utility was collecting a \$12.50 customer deposit each for water and wastewater or \$25.00 for new customers, and requiring additional deposits for customers who pay late. Sumter's tariff requires it to collect customer deposits of \$40.00 for both water and wastewater. The customer deposit was established by the Commission effective October 8, 1993. A utility may require an additional deposit to secure payment of current bills, pursuant to Rule 25-30.311, Florida Administrative Code.

Therefore, we find rate base, which for transfer purposes reflects the net book value, to be \$2,583 for the water system and \$20,459 for the wastewater system as of December 31, 1995. Our calculation of rate base, with adjustments, is shown on Schedules 1 and 2 of this Order, which by reference are incorporated herein.

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. Because the circumstances in this exchange do not appear to be extraordinary, and an acquisition adjustment has not been requested by Crystal River, no acquisition adjustment is included in the calculation of rate base.

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

Rates and Charges

The utility's current rates and charges became effective December 15, 1995, due to a correction in amortized rate case expense. 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. Crystal River has not requested to change the rates and we see no reason to change them at this time. Crystal River has, however, requested to apply the customer deposit and late fee charges approved in its tariff to

the customers in Sumter's service area. Following are the rates and charges currently authorized by Sumter's tariff:

Water
Residential Service and General Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 13.00
3/4"	\$ 19.50
1.0"	\$ 32.50
1.5"	\$ 64.98
2.0"	\$ 103.97
3.0"	\$ 207.94
4.0"	\$ 324.91
6.0"	\$ 649.82
8.0"	\$1,039.70
Gallonge Charge (Per 1,000 Gallons)	\$ 2.45

Wastewater
Residential Service and General Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 12.73
3/4"	\$ 19.10
1.0"	\$ 31.83
1.5"	\$ 63.64
2.0"	\$ 101.81
3.0"	\$ 203.65
4.0"	\$ 318.20
6.0"	\$ 636.40
8.0"	\$1,018.24

Residential:

Gallonge Charge
(Per 1,000 Gallons) \$ 2.77

General Service:

Gallonge Charge
(Per 1,000 Gallons) \$ 3.33

Miscellaneous Service Charges

Initial Connection	\$15.00
Normal Connection	\$15.00
Premises Visit	\$10.00
Violation Reconnection	Actual Cost

Service Availability Charge

Plant Capacity Charge	\$450.00
Main Extension Charge	\$ 50.00
Meter Installation Charge	Actual Cost

As stated previously, Crystal River has requested to collect the customer deposits and a \$5.00 late fee approved in its tariff. The customer deposits requested by Crystal River are as follows:

Deposits

Meter Size:

5/8" x 3/4" Meter	\$40.00
1.0" Meter	\$40.00

Meter Test Deposit:

5/8" x 3/4" Meter	\$20.00
1.0" Meter	\$25.00
2.0" and Larger Meter	Actual Cost

The purpose of the \$5.00 late fee is to provide an incentive for customers to make timely payments, thereby reducing the number of delinquent accounts. The late fee will also place the cost burden of processing such delinquent notices and accounts solely upon those who are the cost causer. According to Crystal River's statistics, 24 percent of its customers are delinquent in payment each month. Crystal River incurs a cost of \$7.77 for each late account. We find Crystal River's request to collect a \$5.00 late fee and the customer deposits approved in its tariff, as shown above, to be reasonable and they are approved.

Crystal River shall continue to charge the rates and charges approved in Sumter's tariff and the customer deposits and \$5.00 late fee approved herein until authorized to change by this Commission in a subsequent proceeding. Crystal River has filed a tariff reflecting the change in ownership and the rates and charges approved herein. The tariff shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets, provided the customers have received notice.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificates No. 507-W and 441-S from Sumter Water Company, Inc., Post Office Box 26572, Tampa, Florida 33623, to Crystal River Utilities, Inc., Post Office Box 520247, Longwood, Florida 32752, is hereby approved. Crystal River Utilities, Inc. shall return Certificates Nos. 507-W and 441-S to the Commission within 30 days of the date of this Order for entry reflecting the change in ownership. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value of the system, is \$23,042 for the water and wastewater systems. It is further

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that Crystal River Utilities, Inc. shall charge Sumter Water Company, Inc.'s customers the rates and charges approved in Sumter Water Company, Inc.'s tariff, as set forth in the body of this order, until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that Crystal River Utilities, Inc.'s request to charge the deposits and \$5.00 late fee, as set forth in the body of this Order, is hereby approved. It is further

ORDERED that the rates and charges approved herein shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets, provided the customers have received notice. 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 Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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.

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By ORDER of the Florida Public Service Commission, this 24th
day of March, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting



Kay Flynn
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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, and allowing the collection of customer deposits and a \$5.00 fee, 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 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 14, 1997. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. 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.

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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

Crystal River Utilities, Inc.

The Woods Division

Sumter County

TERRITORY DESCRIPTION

The following described lands located in portions of Sections 7 and 12, Township 22 South, Range 21 East, Sumter County, Florida:

Section 12:

The Southwest 1/4 of the Southeast 1/4 of the Northeast 1/4; the South 650 feet of the Southwest 1/4 of Northeast 1/4, Less the West 480 feet thereof; the North 736 feet of Northwest 1/4 of Southeast 1/4, less the West 489 feet thereof.

Sections 12 and 7: (water only)

The Southwest 1/4 of the Southeast 1/4 of the Northwest 1/4 lying West of U.S. Highway No. 301; and the Southeast 1/4 of the Southwest 1/4 of the Northwest 1/4 and the Southwest 1/4 of the Southwest 1/4 of the Northwest 1/4 and the Northwest 1/4 of the Northwest 1/4 of the Southwest 1/4 and the Northeast 1/4 of the Northwest 1/4 of the Southwest 1/4 and the Northwest 1/4 of the Northeast 1/4 of the Southwest 1/4 lying West of U.S. Highway No. 301; thereof, all being in Section 7, Township 22 South, Range 22 East, also the Southeast 1/4 of the Southeast 1/4 of the Northeast 1/4 and the Northeast 1/4 of the Northeast 1/4 of the Southeast 1/4; thereof, all being in Section 12, Township 22 South, Range 21 East, Sumter County, Florida.

SCHEDULE NO. 1

Sumter Water Company, Inc.

SCHEDULE OF WATER RATE BASE

As of December 31, 1995

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$47,374	\$69,963 1,613	\$118,617
Land	500	3,000	3,500
Accumulated Depreciation	(7,122)	(44,856) (10,842)	(62,820)
Contributions-in-Aid-of-Construction	(41,150)	(48,741) 50	(89,841)
CIAC Amortization	7,091	22,548 3,488	33,127
Plant Held for Future Use	0	0	0
Working Capital	0	0	0
Acquisition Adjustment	0	0	0
Amortization-Acquisition Adj.	<u>0</u>	0	<u>0</u>
TOTAL	<u>\$ 6,360</u>	(3,777)	<u>\$ 2,583</u>

SCHEDULE NO. 2

Sumter Water Company, Inc.

SCHEDULE OF WASTEWATER RATE BASE

As of December 31, 1995

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$ 4,110	\$85,747 900	\$ 90,757
Land	500	7,000	7,500
Accumulated Depreciation	(843)	(44,108) (15,056)	(60,007)
Contributions-in-Aid-of-Construction	(1,100)	(59,642) 50	(60,692)
CIAC Amortization	82	39,994 5,825	42,901
Plant Held for Future Use	0	0	0
Working Capital	0	0	0
Acquisition Adjustment	0	0	0
Amortization-Acquisition Adj.	<u>0</u>	0	<u>0</u>
TOTAL	<u>\$ 2,749</u>	17,710	<u>\$ 20,459</u>