

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer
of a portion of Certificates
Nos. 278-W and 225-S in Seminole
County from Utilities, Inc. of
Florida to the City of Altamonte
Springs.

DOCKET NO. 991288-WS
ORDER NO. PSC-99-2373-FOF-WS
ISSUED: December 6, 1999

The following Commissioners participated in the disposition of
this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.

ORDER APPROVING TRANSFER OF A PORTION OF FACILITIES,
MODIFYING TERRITORY DESCRIPTION, AMENDING
CERTIFICATES NOS. 278-W AND 225-S, AND
OPENING DOCKET TO INVESTIGATE GAIN ON SALE

BY THE COMMISSION:

BACKGROUND

Utilities, Inc. of Florida (UIF or Utility) is a Class A utility, which provides water and wastewater service to 139 service areas in 28 counties. UIF currently operates ten separate subsidiaries certificated by the Commission serving approximately 12,000 water and 23,000 wastewater customers. It also operates two subsidiaries in non-jurisdictional Hillsborough County. At the present time, UIF provides safe and reliable water and wastewater service to approximately 165,000 customers in fifteen states. According to UIF's 1998 annual report, in Seminole County it serves approximately 2,670 water and 1,437 wastewater customers with combined water and wastewater revenues of \$1,067,330 and a combined net operating income of \$199,644.

By Order No. 10643, issued March 4, 1982 in Docket No. 810389-WS, the Commission approved the "Agreement for Transfer of Utility Service" which authorized the transfer from the City of Altamonte Springs to UIF of certain water transmission and wastewater

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collection and pumping facilities located in Trailwood Estates Units 1 and 2. In exchange for these facilities and the right to serve the Trailwoods area, UIF agreed that it would construct a 12" water main through the Trailwoods area and connect its wastewater collection system in Oakland Hills and Green Acres Trailer Park to the City's regional collection system. As a result of Order No. 10643, UIF gained additional service territory and facilities valued at approximately \$150,000 and Certificates Nos. 278-W and 225-S were amended accordingly.

On September 2, 1999, UIF filed an application requesting the transfer of a portion of the facilities and certificated territory operating under Certificates Nos. 278-W and 225-S from UIF in Seminole County to the City of Altamonte Springs. The portion of the facilities being transferred is the Green Acres Campground, which has one water faucet and one manhole according to UIF. The portion being transferred is described in Attachment A, which by reference is incorporated herein. The Green Acres Campground was acquired in the transfer of the Trailwood Estates and Oakland Hills systems, but no distinction of the Campground's facilities was made in the transfer. The application includes a copy of the "Green Acres Campground Water and Wastewater Purchase Agreement" (Contract for Sale). The transfer closed on August 18, 1999, but is subject to our approval.

APPLICATION

The application is in compliance with Section 367.071(4)(a), Florida Statutes, and Rule 25-30.037(4), Florida Administrative Code. Since this is a transfer to a governmental authority, no notice of the transfer is required and no filing fees apply.

Included with the application was a copy of the transfer agreement. The transfer closed on August 18, 1999, subject to our approval. Pursuant to Rule 25-30.037(4)(e), Florida Administrative Code, the application contained a statement that the City of Altamonte Springs had obtained UIF's income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction.

Rules 25-30.037(4)(g) and (h), Florida Administrative Code, required the utility to submit with its application a statement describing the disposition of customer deposits and a statement regarding the disposition of any outstanding regulatory assessment fees (RAF), fines, or refunds owed. The application stated that

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UIF is not holding any customer deposits for the Green Acres Campground facilities. Further, UIF is current with its RAF and its annual report information. Pursuant to Section 367.071 Florida Statutes, the transfer of the facilities from UIF to the City of Altamonte Springs is approved as a matter of right and Certificates Nos. 278-W and 225-S shall be amended to reflect this transfer.

OPENING DOCKET TO INVESTIGATE
GAIN ON SALE

The proposition that a gain on sale should be shared with customers has been considered in other dockets. In each case, the idea was presented that customers in other service areas were entitled to share the gain when another operating facility was sold. Similar issues regarding gain on sale were reviewed in Order No. PSC-93-0301-FOF-WS, issued February 25, 1993, in Docket No. 911188-WS; in Order No. PSC-93-0423-FOF-WS, issued March 22, 1993, in Docket No. 920199-WS; and in Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS.

Per the purchase agreement, the sales price for the Green Acres Campground facilities is \$427,000. The Green Acres Campground facilities were initially acquired with the transfer of the Oakland Hill system. For rate setting purposes, all of the systems in Seminole County are combined for the development of water and wastewater rates. The last established rate base by us for the Seminole County water and wastewater systems was \$1,183,566, and \$470,836 respectively, for the historical test year end period of 1993, in Docket No. 940917-WS, Order No. PSC-95-0574-FOF-WS, issued May 9, 1995.

Although the utility has provided the sale amount specific to the Green Acres Campground, there is no way to determine a separate rate base amount to compare the sale price with, since the Oakland Hills system was combined with the rest of the Seminole County systems for ratemaking purposes. The only comparison that can be made is the purchase price of \$427,000 and the \$150,000 estimated value assigned when the initial transfer of Trailwoods Estates and Oakland Hills was approved by Order No. 10643, issued March 4, 1982, in Docket No. 810389-WS. The utility indicated by letter at that time its intent to record all the assets as contributions-in-aid-of-construction. The transfer of those two systems took place almost seventeen years ago and there was no separate identification of the Green Acres Campground facilities. However, the purchase price of \$427,000 does seem to indicate that UIF will experience a gain on sale of at least \$277,000. The purchase price for Green

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Acres Campground is about 26% of the combined ratebases in Seminole County. Seminole County ratebases consist of eleven water systems and five wastewater systems.

We find that since we will continue to regulate the Seminole County systems, it is appropriate to evaluate whether the gain on sale of the Green Acres Campground facilities should be allocated among the remaining customers and stockholders. Because the sale occurred August 18, 1999, an updated rate base calculation will be needed to determine the gain, if any, due to sale of these facilities. The investigation will attempt to determine whether the remaining customers in Seminole County were subsidizing the investment in the Green Acres Campground facilities during the years that the systems were combined for ratemaking purposes. Therefore, a docket shall be opened to examine whether UIF's sale of a portion of its facilities involves a gain that should be shared with its remaining customers in Seminole County.

No further action is required, and this docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of a portion of Certificates Nos. 278-W and 225-S in Seminole County from Utilities, Inc. of Florida, 200 Weathersfield Avenue, Altamonte Springs, Florida 32714, to the City of Altamonte Springs, 225 Newburyport Ave., Altamonte Springs, FL 32701, is hereby approved as a matter of right. It is further

ORDERED that Attachment A, attached hereto, is incorporated herein by reference. It is further

ORDERED that the territory description of Utilities, Inc. of Florida shall be modified to reflect the deletion of territory. It is further

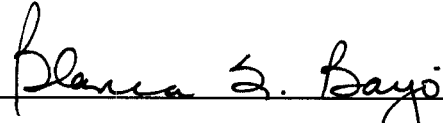
ORDERED that Certificates Nos. 278-W and 225-S shall be amended to reflect the deletion of territory.

ORDERED that a docket shall be opened to examine whether the sale of a portion of Utilities, Inc. of Florida's facilities to the City of Altamonte Springs involves a gain that should be shared with the utility's remaining customers in Seminole County. It is further

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ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 6th
day of December, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

JKF

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.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 and/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

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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

UTILITIES INC. OF FLORIDA

SEMINOLE COUNTY

TERRITORY DESCRIPTION

WATER AND WASTEWATER AREA TO BE DELETED

LEGAL DESCRIPTION

A parcel of land lying in Section 21, Township 21 South, Range 29 East Seminole County, Florida more particularly described as follows:

The Northeast 1/4, of the Southeast 1/4 of said Section 21,

Less Oakland Hills Addition recorded in Plat Book 13, Page 90 of the Public records of Seminole County, Florida more particularly described as follows: Begin at the NE corner of the NE 1/4 of the SE 1/4 of said Section 21, Township 21 South, Range 29 East, Thence run S88°11'14"W a distance of 1319.28 feet to the NW corner of the NE 1/4, of the SE 1/4 of said Section 21; Thence run S01°56'13"E along the Westerly line of the NE 1/4, of the SE 1/4 of said Section 21 a distance of 133.00 feet; Thence run N88°11'14"E a distance of 1119.52 feet; Thence run N66°21'08"E a distance of 53.78 feet; Thence run N87°57'56"E a distance of 150.00 feet to a point on the Easterly line of the NE 1/4 of the SE 1/4 of said section 21; Thence run N2°02'04"W a distance of 112.42 feet to the Point of Beginning.