

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of water facilities in Volusia County from Tomoka Water Works, Inc., holder of Certificate No. 81-W, to Florida Water Services Corporation; for amendment of Certificate No. 238-W held by Florida Water Services Corporation; and for cancellation of Certificate No. 81-W.

DOCKET NO. 000334-WU
ORDER NO. PSC-00-1659-PAA-WU
ISSUED: September 18, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER

ORDER APPROVING TRANSFER, AMENDMENT OF CERTIFICATE NO. 238-W,
HELD BY FLORIDA WATER SERVICES CORPORATION, TO INCLUDE THE
TERRITORY SERVED BY TOMOKA WATER WORKS, INC, AND CANCELLATION OF
CERTIFICATE NO. 81-W, HELD BY TOMOKA WATER WORKS, INC.

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE TRANSFER AND
DECLINING TO RECOGNIZE A POSITIVE ACQUISITION ADJUSTMENT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein establishing rate base for purposes of the transfer and declining to recognize a positive acquisition adjustment 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.

DOCUMENT NUMBER-DATE

11677 SEP 18 8

FPSC-RECORDS/REPORTING

Background

On March 21, 2000, Florida Water Services Corporation (FWSC or Buyer) and Tomoka Water Works, Inc. (Tomoka, Seller, or utility) filed a joint application for approval of the transfer of Tomoka's water facilities to FWSC, pursuant to Section 367.071, Florida Statutes. Tomoka is a Class C utility that provides water service to approximately 252 customers in Volusia County. Tomoka consists of four systems: the Tanglewood/Tomoka View water treatment and water distributions systems, and the Twin River Estates Water treatment and water distribution systems.

FWSC is a Class A utility, which provides water and wastewater service to 139 service areas in 28 counties. FWSC has been operating under the jurisdiction of this Commission since 1961.

According to the joint application, Tomoka and FWSC entered into an agreement on September 28, 1999, wherein FWSC agreed to purchase the utility system, which included all of the assets of Tomoka. The sale closed on December 21, 1999, contingent upon the approval of this Commission.

Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and provisions of the Florida Administrative Code. In particular, the application contains a filing fee in the amount of \$750, pursuant to Rule 25-30.020, Florida Administrative Code. The application also contains evidence that the utility owns the land upon which its facilities are located, as required by Rule 25-30.037(2)(q), Florida Administrative Code.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system being transferred. No objections to the application have been received and the time for filing such has expired.

With regard to technical ability, FWSC has approximately 30 years of experience in the water and wastewater industry. FWSC owns and operates water and wastewater systems throughout the State of Florida, providing safe and reliable service. Further, from information provided with the application, FWSC has the financial resources to ensure continued operation of the Tomoka system.

The application indicates that FWSC conducted a reasonable investigation of the water system and found it to be in satisfactory condition. Only minor maintenance of the system is anticipated. Also, according to the application, the system is in compliance with the rules and regulations of the Volusia County Health Department and the St. Johns Water Management District.

The application contains a copy of the Agreement for Purchase and Sale which includes the purchase price, terms of payment and a list of the assets purchased. The purchase price for the utility facilities (including land and equipment) is \$40,000. The Tomoka purchase was a cash transaction, and no outside financing was needed. There are no guaranteed revenue contracts, developer agreements, utility debt, customer advances or customer deposits. Tomoka will remain responsible for the existing debts of the utility incurred up to the time of closing, December 21, 1999. Tomoka will also be responsible for paying regulatory assessment fees until the date of closing. The utility is current on payment of RAFS through December 31, 1999, and has filed annual reports for 1999 and all prior years. FWSC is responsible for filing the 2000 Annual Report and paying regulatory assessment fees after the closing date. FWSC has provided a statement that it will fulfill the commitments, obligations, and representations of the Seller regarding utility matters.

Based on the foregoing, we find that the transfer of the water facilities from Tomoka to FWSC is in the public interest and it is hereby approved. Certificate No. 238-W, held by FWSC, is hereby amended to include the territory served by Tomoka. The territory being transferred is shown on Attachment A of this Order, which by reference is included herein. Certificate No. 81-W, held by Tomoka, is hereby canceled.

Rate Base

Rate base for Tomoka was last established by Order No. 21674, issued August 3, 1989, in Docket No. 881583-WU. To determine rate base at the time of transfer, December 21, 1999, an audit of the utility's books and records has been conducted. The balances as of the transfer date were determined by restating the utility's 1999 year-end trial balance. We determined the beginning balances from the work papers of the last audit in Docket 881583-WU. Additions and retirement since the last audit have been traced and verified by supporting documentation.

The audit report contained several exceptions that resulted in adjustments to plant, accumulated depreciation, contribution-in-aid-of-construction (CIAC), and accumulated amortization accounts. The adjustments made as a result of the audit are set forth below.

Utility Plant-in-Service

According to the company ledger, the utility's ending depreciable plant-in-service and accumulated depreciation balances were \$99,904 and \$51,646, respectively, as of December 21, 1999. The utility's books and records have been maintained in substantial compliance with Commission directives. However, we found that the utility failed to book a prior Order adjustment of \$4,336 and incorrectly capitalized \$2,395 for cleaning and repair services on a generator and pump, which is general maintenance expense. Because general maintenance costs are reoccurring expenses that should be expensed and not capitalized, \$2,395 has been removed from the plant-in-service balance. These adjustments result in a \$1,941 increase to the plant-in-service balance. Based on the adjustments, the plant-in-service balance as of December 21, 1999, is \$101,845.

Accumulated Depreciation

The utility's ledger provided an accumulated depreciation balance of \$51,646, as of December 21, 1999. In accordance with Rule 25-30.140, Florida Administrative Code, the guideline depreciation rates were applied to the audited plant subaccount balances from 1989 to December 21, 1999. As a result, it was determined that the accounts are understated by \$820. The accumulated depreciation balance has been increased by \$820 to reflect the additional depreciation through the date of closing. Therefore, the accumulated depreciation balance is \$52,466, as of December 21, 1999.

CIAC and Accumulated Amortization of CIAC

The utility's year-end trail balance, restated to December 21, 1999, indicated that CIAC and accumulated amortization balances are \$42,732 and \$21,743, respectively. Order No. 21674 established the December 31, 1988 CIAC balance at \$45,653 and the accumulated amortization of CIAC balance at \$9,497. The Commission Order balances were used to verify the CIAC additions up to the date of transfer. The utility had understated the CIAC order balance by \$3,721.

Order No. 22854, issued April 24, 1990, in Docket No. 881583-WU, established meter installation charges of \$75 for 5/8" x 3/4" meters and actual cost for 1" or larger meters. There was one commercial customer in 1991 that had a 2" meter installed for \$425, that was not recorded by the utility. CIAC has been increased by a total of \$4,146, to reflect the appropriate CIAC balance. Based on the above, the CIAC balance is \$46,878, as of December 21, 1999.

Associated CIAC amortization was recalculated using annual composite amortization rates from January 1, 1989, to December 21, 1999. Therefore, accumulated amortization of CIAC has been increased by \$8,299, to reflect a \$30,042 CIAC amortization balance.

Rate Base

As a result of the adjustments set forth herein, rate base for the Tomoka water system is \$34,543 as of December 21, 1999, the date of transfer. Our calculation of rate base is shown on Schedule No. 1 of this Order, which by reference is incorporated herein. The adjustments to rate base are set forth on Schedule No. 2 of this Order, which by reference is incorporated herein.

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

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the rate base for purposes of the transfer. The transaction in this docket results in a positive acquisition adjustment of \$5,457 (Purchase price: \$40,000 less Rate Base: \$34,543).

FWSC has not requested an acquisition adjustment, and there are no extraordinary circumstances in this case to warrant the inclusion of an acquisition adjustment. In the absence of extraordinary circumstances, it has been our practice that the purchase of a utility system at a premium or discount shall not affect the rate base calculation. Therefore, we decline to include an acquisition adjustment in the calculation of rate base. Our action herein is consistent with previous decisions. See Order No. PSC-00-0913-PAA-WU, issued May 8, 2000,

in Docket No. 970201-WU; Order No. PSC-00-0579-PAA-WU, issued March 22, 2000, in Docket 990975-SU; Order No. PSC-00-0682-FOF-WU, issued April 12, 2000, in Docket No. 990253-WU; Order No. PSC-00-0758-PAA-SU, issued April 17, 2000, in Docket No. 991056-SU; Order No. PSC-98-1231-FOF-WU, issued September 21, 1998, in Docket No. 971670-WU; and Order No. PSC-98-0514-FOF-SU, issued April 15, 1998, in Docket No. 951008-SU.

Rates and Charges

Tomoka's current rates for residential and general service became effective on August 31, 1998, pursuant to a price index and pass through rate adjustment. The service availability charges and the miscellaneous service charges were effective May 25, 1991, pursuant to order No. 22854, issued April 24, 1990, in Docket No. 881583-WU. The utility's current rates and charges are set forth below.

Residential and General Service
Monthly Service Rates

Base Facility Charge:

<u>Meter Size:</u>	<u>Charge</u>
5/8" x 3/4"	\$ 4.52
Full 3/4"	\$ 11.31
1"	\$ 22.64
1 1/2"	\$ 36.20

Gallonage Charge:

Per 1,000 Gallons	\$ 1.33
-------------------	---------

Customer Deposits
Residential

Meter Size:

5/8" x 3/4"	\$ 10.00
1"	\$ 12.50
1 1/2"	\$ 15.00
2"	Actual Cost

Miscellaneous Service Charges

Initial Connection fee	\$ 15.00
Normal Reconnection Fee	\$ 15.00
Violation Reconnection Fee	\$ 15.00
Premises Visit Fee (in lieu of disconnection)	\$ 10.00

Service Availability Charges

Meter Installation Fee:

Meter Size:

5/8" x 3/4"	\$ 75.00
1"	Actual Cost
1 1/2"	Actual Cost
2"	Actual Cost
Over 2"	Actual Cost

Back-Flow Preventor Installation Fee:

Over 2"	Actual Cost
---------	-------------

Customer Connection (Tap-in) Charge:

Over 2"	Actual Cost
---------	-------------

Inspection Fee:

Over 2"	Actual Cost
---------	-------------

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. FWSC has not requested the utility's rates and charges and we see no reason to change them at this time. FWSC shall continue to charge the rates and charges approved in Tomoka's tariff until authorized to change by this Commission in a subsequent proceeding. The utility has filed tariffs reflecting the change in ownership. The tariff shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets.

ORDER NO. PSC-00-1659-PAA-WU
DOCKET NO. 000334-WU
PAGE 8

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Tomoka Water Works, Inc., 1951 West Granada Boulevard, Ormond Beach, Florida 32174-6740, to Florida Water Services Corporation, 100 Color Place, Apopka, Florida 32703, is hereby approved. The territory being transferred is shown on Attachment A of this Order, which by reference is incorporated herein. It is further

ORDERED that Certificate No. 238-W, held by Florida Water Services Corporation, is hereby amended to include the territory shown on Attachment A of this Order. It is further

ORDERED that Certificate No. 81-W, held by Tomoka Water Works, Inc., is hereby canceled. It is further

ORDERED that rate base for Tomoka Water Works, Inc., which reflects the net book value for purposes of the transfer, is \$34,543, as of December 21, 1999, the date of transfer. It is further

ORDERED that a positive acquisition adjustment shall not be included in the calculation of rate base. It is further

ORDERED that all schedules attached to this Order are incorporated herein by reference. It is further

ORDERED that Florida Water Services Corporation shall continue to charge the customers in the territory being transferred the rates and charges approved in Tomoka Water Works, Inc.'s tariff until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that the tariff filed by Florida Water Service Corporation, for the system being transferred, shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

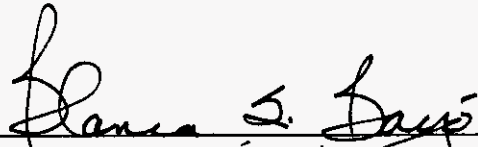
ORDERED that the provisions of this Order establishing rate base and declining to recognize a positive acquisition adjustment, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of

ORDER NO. PSC-00-1659-PAA-WU
DOCKET NO. 000334-WU
PAGE 9

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" 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 18th day of September, 2000.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

ALC

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 and declining to recognize a positive acquisition adjustment is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and

ORDER NO. PSC-00-1659-PAA-WU
DOCKET NO. 000334-WU
PAGE 10

Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 9, 2000. 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 and final upon the issuance of a Consummating Order.

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.

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

FLORIDA WATER SERVICES CORPORATION

VOLUSIA COUNTY

TOMOKA WATER SYSTEM

Township 14 South, Range 32 East, Volusia County, Florida.

Tanglewood Forest - Tomoka View System

Section 30

Begin at the Northwest corner of the Southeast 1/4 of the Northwest 1/4 and run thence North 02° 02' 46" West, 1,218 feet more or less to a point in the Southerly shore of the Tomoka River; thence return to the Point of Beginning; thence from said Point of Beginning, run South 02° 02' 46" East, 940 feet to a point; thence North 87° 57' 14" East, 1,090 feet to a point in the North right-of-way of Ormond-Barberville Road (Highway 40); thence North 34° 02' 23" East, 757.70 feet; thence North 45° 17' 23" East, 300.55 feet; thence North 49° 01' 37" West, 611.40 feet; thence North 08° 46' 17" West, 1,011.73 feet; thence South 87° 28' 07" West 1,067 feet more or less to a point in the aforesaid Southerly shore of the Tomoka River; thence Southwesterly 125 feet more or less to the Northerly termination of the first named course of this description, to end and close.

Township 14 South, Range 31 East, Volusia County, Florida.

Twin River Estates System

Section 25

Begin at the Southwest corner of the North 1/2 of the Southeast 1/4 of the Southwest 1/4 of Section 25; thence North 0° 48' West to a point in the Southerly shore line of the Little Tomoka River; thence return to the Point of Beginning; thence North 87° 56' East, 236.43 feet to a point in the Northerly right-of-way of the Ormond-Barberville Road (Highway 40); thence North 73° 05' 50" East, along said Northerly right-of-way line of the Ormond-Barberville Road (Highway 40) to an intersection with the West shoreline of Tomoka River; thence Northerly along the meandering West shoreline of said Tomoka River to an intersection with the Southerly shoreline of Little Tomoka River; thence Westerly along the meandering Southerly shoreline of said Little Tomoka River to a point being the termination of the first named course of this description, to end and close.

TOMOKA WATER WORKS, INC.
SCHEDULE OF WATER RATE BASE
As of December 21, 1999

<u>DESCRIPTION</u>	<u>BALANCE PER COMMISSION</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant-in- Service	\$ 99,904	\$1,941	\$101,845
Land	2,000	0	2,000
(51,646) Accumulated Depreciation	(52,466)		
Contributions-in- aid-of-Construction	(42,732)	(4,146)	(46,878)
Accumulated of Amortization CIAC	<u>21,743</u>	<u>8,299</u>	<u>30,042</u>
TOTAL	\$ 29,269 =====	\$ 5,274 =====	\$ 34,543 =====

TOMOKA WATER WORKS, INC.

SCHEDULE OF WATER RATE BASE

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant-in-Service	
1) Adjustment pursuant to FPSC Order No. 21674	\$4,336
2) To remove general maintain exp.	(\$2,395)
Total	<u>\$1,941</u>
Accumulated Depreciation	
1) Adjustment to correct understatement	<u>\$ 820</u>
CIAC	
1) Adjustment pursuant to FPSC Order No. 21674	(\$3,721)
2) Adjustment to reflect 2" meter	(\$ 425)
Total	<u>(\$4,146)</u>
Accumulated Amortization of CIAC	
1) Adjustment to reflect recalculated account balance	<u>\$8,299</u>