

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for transfer of Certificate Nos. 542-W and 470-S in Putnam County from Buffalo Bluff Utilities, Inc. to St. John's River Club, L.L.C.	DOCKET NO. 041096-WS ORDER NO. PSC-05-0431-PAA-WS ISSUED: April 20, 2005
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The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON  
LISA POLAK EDGAR

ORDER APPROVING TRANSFER OF CERTIFICATE NOS. 542-W AND 470-S  
IN PUTNAM COUNTY  
AND  
NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING RATE BASE AND SETTING NO ACQUISITION ADJUSTMENT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein establishing rate base and declining to set an 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.

Introduction

Buffalo Bluff Utilities, Inc. (Buffalo Bluff or utility) is a Class C water and wastewater utility providing service to approximately 59 customers in the Bayou Club development located in Putnam County. The utility is located in the St. Johns River Water Management District (SJRWMD), which has implemented district wide irrigation water use restrictions to encourage conservation. The utility's 2003 annual report indicates gross revenues of \$12,132 and \$13,901

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for water and wastewater, respectively, and net operating losses of \$2,150 for water and \$2,430 for the wastewater system.<sup>1</sup> The utility has had one staff assisted rate case.<sup>2</sup>

On September 17, 2004, St. John's River Club, L.L.C. (SJRC or buyer) filed an application for transfer of the utility's facilities and certificate from Buffalo Bluff to SJRC. According to the application, on August 3, 2004, SJRC entered into an agreement to purchase the utility and the land upon which the facilities are located for a purchase price of \$100,000. SJRC corrected all application deficiencies by November 12, 2004. This Order will address the transfer of Buffalo Bluff Utilities, Inc. to SJRC and related matters. The actual closing of the sale is scheduled to take place after we approve the transfer. We have jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

### **The transfer of Certificate Nos. 542-W and 470-S**

We find that the transfer of facilities and Certificate Nos. 542-W and 470-S from Buffalo Bluff to SJRC is in the public interest and we approve it, effective April 5, 2005. SJRC shall submit a recorded warranty deed within 30 days of the date of the order approving the transfer, reflecting that ownership of the land upon which the utility's facilities are located has been properly conveyed to SJRC. Buffalo Bluff shall be responsible for the payment of all RAFs due for revenues received from January 1, 2005, through the date of closing. SJRC shall be responsible for the payment of all RAFs due thereafter. SJRC will also be responsible for filing the 2005 annual report for January 1 through December 31, 2005, and thereafter. A description of the territory to be transferred is appended to this Order as Attachment A, and incorporated by reference herein.

The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and rules concerning an application for transfer. Pursuant to Rule 25-30.030, Florida Administrative Code, the application contains proof of compliance with the noticing requirement. No objections to the notice of application have been received and the time for filing such objections has expired.

The application contains a copy of the purchase agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, or leases that must be disposed of in relation to the transfer. The utility and land were purchased for \$100,000. The purchase is a cash transaction. The funds for the purchase are held in a trust account.

Rule 25-30.037(2)(q), Florida Administrative Code, requires proof that the utility owns or has provided for the continued use of the land upon which the utility facilities are located. The buyer has provided an unrecorded warranty deed in the filing and has agreed to provide proof

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<sup>1</sup> The Commission granted Buffalo Bluff Utilities, Inc. its original Certificate Nos. 542-W and 470-S in Order No. PSC-92-0330-FOF-WS, issued May 11, 1992 in Docket No. 910646-WS, In Re: Application for water and wastewater certificates in Putnam County by Buffalo Bluff Utilities, Inc.

<sup>2</sup> Docket No. 000327-WS, Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, In Re: Application for Staff-Assisted Rate Case in Putnam County by Buffalo Bluff Utilities, Inc.

that the utility owns the land upon which its facilities are located after the closing. As stated above, we will require SJRC to provide a recorded warranty deed as proof that it owns the land upon which the utility's facilities are located within 30 days of the issuance of this Order approving the transfer.

The application also contains a statement, pursuant to Rule 25-30.037(2)(j), Florida Administrative Code, explaining how the transfer is in the public interest. According to the applicant, the transfer is in the public interest because the seller is no longer interested in continuing in the utility business. The applicant states that the principal owners of SJRC have the experience, the expertise, and the financial capability needed to maintain the utility. In addition, the buyers will retain the services of the utility's engineer. The engineer is a Florida Department of Environmental Protection (FDEP) regulation certified plant operator with over 18 years of experience in water and wastewater operations. He has provided operational, supervisory, and consultant services for the utility since June, 1987. The three principals of SJRC have diverse experience that will contribute to the management and operation of the utility. The President of SJRC has approximately thirty years of experience in the mobile home sales business and has managed several mobile home projects which used water and wastewater package plants. The Vice President of SJRC has experience as an investment broker and as an owner and manager of a mobile home park which utilized a septic and well system. The Treasurer is an engineer with extensive experience in the treatment of commercial wastewater. According to the application, at the present time, safe and reliable water and wastewater service is provided to the customers. The three principal owners have provided personal financial statements which indicate that they have the financial ability to provide sufficient funding to the utility. Also, they have indicated a willingness to secure lines of credit so that the utility may continue operating in accordance with sound engineering practices and comply with the rules and policies of the Commission. Further, the application contains a statement that the buyer will fulfill the commitments, obligations, and representations of the sellers with regard to utility matters.

The application states that the buyer has performed a reasonable investigation of the utility system as required by Rule 25-30.037(2)(p), Florida Administrative Code. The buyer included a statement that the system appears to be in satisfactory condition and in compliance with all applicable standards set by the FDEP. Our staff contacted the FDEP and verified that there are no outstanding notices of violation. The utility's water treatment plant is composed of two two-inch wells and two four-inch wells with aeration and liquid chlorination used as the primary forms of treatment.

The application states that all RAFs have been paid by Buffalo Bluff and no refunds or fines are outstanding. Buffalo Bluff has filed its 2004 annual report and paid its 2004 regulatory assessment fees (RAFs). On October 4, 2004, a letter was filed by the utility's Certified Public Accountants stating that Buffalo Bluff will pay the RAFs for the period of January 1, 2005, through the closing date. SJRC will be responsible for paying the RAFs from the closing date to December 31, 2005, and for the subsequent years. SJRC will also be responsible for filing the 2005 annual report and for the subsequent years.

### **Rate Base**

We find that for transfer purposes the appropriate rate base, reflecting net book value at the time of transfer, is \$18,042 for the water system and \$33,928 for the wastewater system as of December 31, 2004. We last set rate base for this utility as \$24,309 for water and \$32,674 for wastewater as of May 31, 2000.<sup>3</sup> We directed an audit of Buffalo Bluff's books and records in this proceeding to determine the rate base as of December 31, 2004.

#### **Utility Plant In Service (UPIS)**

The utility's books reflect UPIS of \$83,971 for water and \$125,020 for wastewater as of December 31, 2004. In 2003, the utility purchased a \$367 blower for the wastewater plant, but recorded it in water plant account 334. The blower should be recorded in the wastewater plant account 380. Certain plant additions totaling \$1,050 should also be recorded in wastewater account 380. Based on these adjustments, we will reduce UPIS by \$367 for water, and \$1,417 for wastewater. These adjustments result in a UPIS balance of \$83,604 for water and \$126,437 for the wastewater system, as of December 31, 2004.

#### **Land**

We find that the utility's books reflect an appropriate land balance of \$1,103 for the water system and \$9,838 for the wastewater system.

#### **Contributions-in-aid-of-Construction (CIAC)**

The utility's rate base balances as of December 31, 2004, include CIAC of \$24,000 for water and \$24,000 for wastewater. By Order No PSC-00-2500-PAA-WS, issued December 12, 2000, we revised the utility's service availability charges to include main extension charges of \$545 for water and \$935 for wastewater, and a meter installation charge of \$110. In 2004, the utility had one new customer connection that was not recorded. The utility representative agrees that the fees were collected and the connection should be reflected in the utility's books. Therefore, we will increase CIAC by \$655 for water and \$935 for wastewater. This adjustment results in CIAC balances of \$24,655 for the water system and \$24,935 for the wastewater system as of December 31, 2004.

#### **Accumulated Depreciation**

The utility's rate base balances for water and wastewater as of December 31, 2004, include accumulated depreciation of \$58,213 and \$94,142, respectively. We find that these amounts are appropriate, and no adjustments are necessary.

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<sup>3</sup> Rate base was last set for Buffalo Bluff Utilities, Inc. pursuant to Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, In Re: Application for staff assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc.

Amortization of CIAC

The utility's rate base balances as of December 31, 2004, included amortization of CIAC of \$21,967 for water and \$21,589 for wastewater. The utility has not consistently used the composite depreciation rate in amortizing CIAC. Based on the utility books, we have recalculated accumulated amortization of CIAC by using an amortization rate of 3.7%. We find it appropriate to reduce the amortization of CIAC balances by \$5,764 for water and \$4,859 for wastewater. This adjustment results in an amortization of CIAC balance of \$16,203 for water and \$16,730 for wastewater as of December 31, 2004.

Based on the above, we find that rate base for transfer purposes as of December 31, 2004, should be \$18,042 for the utility's water system and \$33,928 for the utility's wastewater system. Schedules 1 and 2 show the calculation for water and wastewater rate base, respectively. Schedule 3 shows the adjustments to the utility's proposed water and wastewater rate bases. Schedules 4 and 5 show the water and wastewater account balances, respectively, for UPIS and accumulated depreciation as of December 31, 2004. We note that rate base for transfer purposes does not include the normal rate making adjustments for used and useful or working capital.

Acquisition adjustment**Error! Bookmark not defined.**

We will not include an acquisition adjustment in the calculation of rate base in this case. An acquisition adjustment may be applied when the purchase price differs from the rate base at the time of the acquisition. The acquisition adjustment resulting from the transfer of Buffalo Bluff to SJRC would be calculated as follows:

Purchase Price	\$100,000
Less Staff Calculated Rate Base	<u>\$ 51,970</u>
Positive Acquisition Adjustment	<u>\$ 48,030</u>

Pursuant to Rule 25-30.0371(2), Florida Administrative Code, a positive acquisition adjustment shall not be included in rate base absent proof of extraordinary circumstances. The buyer has neither requested an acquisition adjustment nor identified any extraordinary circumstances here.

Rates and Charges

The utility's current water and wastewater rates, miscellaneous service charges, and water and wastewater service availability charges became effective February 1, 2001, pursuant to Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, In Re: Application for staff assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc. The utility's approved rates and charges are shown on Attachment B to this Order.

Rule 25-9.044(1), Florida Administrative Code, provides that, in case of change of ownership or control of a utility which places the operation under a different or new utility, the company that will thereafter operate the utility business must adopt and use the rates, classifications, and regulations of the former operating company, unless authorized to change by the Commission. SJRC has not requested a change in the rates or service availability charges of the utility. Accordingly, the utility shall continue operations under the existing tariff and apply the approved rates and charges until authorized to change by the Commission in a subsequent proceeding. SJRC has filed a tariff reflecting the transfer of ownership. The tariff shall be effective for services rendered or connections made on or after the stamped approval date.

### **Books and Records**

To ensure that the utility adjusts its books in accordance with our decision in this case, we shall require SJRC to provide proof, within 30 days of issuance of our final Order, that adjustments to all applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) have been made to reflect our rate base adjustments and balances. The 2004 year-end plant balance by primary account is set out in Schedule Nos. 4 and 5.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Application for transfer of Certificate Nos. 542-W and 470-S in Putnam County from Buffalo Bluff Utilities, Inc. to St. John's River Club, L.L.C. is approved, effective April 5, 2005. It is further

ORDERED that Attachment A to this Order is incorporated herein. It is further

ORDERED that the portion of this Order establishing the utility's rate base for purposes of the transfer and including no acquisition adjustment 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 the Commission Clerk and Administrative Services, 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 this docket shall remain open pending receipt of evidence that the utility owns or has continued use of the land upon which its facilities are located, and has provided a statement within 30 days of the issuance date of this Order that it has established its books and records in compliance with the NARUC USOA and that its books have been adjusted to reflect the our approved rate base balances as of the date of the transfer. Upon receipt of such information, this docket may be closed administratively if no timely protest has been filed by a substantially affected person.

By ORDER of the Florida Public Service Commission this 20th day of April, 2005.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk and  
Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

MCB

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 setting rate base for transfer purposes and setting no 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 the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on . 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 the Commission Clerk and Administrative Services 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 the Commission Clerk and Administrative Services 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**

**ST. JOHN'S RIVER CLUB, L.L.C.**  
**DESCRIPTION OF TERRITORY SERVED**

A part of Sections 33 and 34, Township 10 South, Range 26 East and a part of Section 39, Township 10 South, Range 26 East and part of Section 39, Township 11 South, Range 26 East, Putnam County, Florida, being more particularly described as follows: For a point of reference commence at the point of intersection of the northerly line of said Section 39, Township 10 South, Range 26 East, said point being 100.00 feet easterly of as measured at right angles to the center line of the CSX Transportation right-of-way as now established; thence S 28°27'00" E, a distance of 1226.87 feet to the northeasterly right-of-way of County Road 309-B as now established to the POINT OF BEGINNING; thence northwesterly along said northeasterly right-of-way line, along the arc of a curve concave northeasterly and have a radius of 1860.08 feet, a chord bearing of N 53°28'26" W and a chord distance of 118.36 feet; thence N 28°27'00" W, a distance of 1281.54 feet; thence N 61°33'00" E, a distance of 50.00 feet; thence N 28°27'00" W, along the easterly right-of-way line of the CSX Transportation right-of-way, said right-of-way line being 100.00 feet easterly of as measured at right angles to said center line as now established, a distance of 1404.97 feet; thence N 73°28'46" E, a distance of 478.55 feet; thence N 01°09'00" W, a distance of 210.00 feet; thence N 88°51'00" E, a distance of 210.00 feet; thence N 01°09'00" W, a distance of 600 feet more or less to the waters of Murphy Creek; thence southeasterly along said waters of Murphy Creek a distance of approximately 4700 feet to the easterly line of Section 39, Township 10 South, Range 26 East; thence S 26°14'14" E, along said easterly line of said Section 39, Township 10 South, Range 26 East and the easterly line of said Section 39, Township 11 South, Range 26 East, a distance of 1447 feet more or less; thence S 74°31'16" W, a distance of 1674.27 feet, to the northeasterly right-of-way line of County Road 309-B as now established; thence N 59°08'00" W along said northeasterly right-of-way line a distance of 203.67 feet; thence northwesterly along the northeasterly right-of-way line, along the arc of a curve concave northeasterly and having a radius of 1860.08 feet, a chord bearing of N 57°11'47" W and a chord distance of 125.6 feet to the POINT OF BEGINNING.

**WATER**  
**Residential and General Service**  
**Monthly Service Rates**

<u>Meter Size:</u>	<u>Base Facility Charge:</u>
5/8" x 3/4"	\$ 7.91
3/4"	\$ 11.87
1"	\$ 19.78
1-1/2"	\$ 39.55
2"	\$ 63.28
3"	\$126.56
4"	\$197.75
6"	\$395.50
Charge per 1,000 gallons	\$ 3.63

**WASTEWATER**  
**Monthly Service Rates**  
**Residential**

<u>Meter Size:</u>	<u>Base Facility Charge:</u>
All Meter Sizes	\$ 11.09
Charge per 1,000 gallons (8,000 gallon cap)	\$ 3.84

**General Service**

<u>Meter Size:</u>	<u>Base Facility Charge:</u>
5/8" x 3/4"	\$ 11.09
3/4"	\$ 16.64
1"	\$ 27.73
1-1/2"	\$ 55.45
2"	\$ 88.72
3"	\$177.44
4"	\$277.25
6"	\$554.50
Charge per 1,000 gallons	\$ 4.60

**Miscellaneous Service Charges**

Initial Connection Fee	\$ 25.00
Normal Reconnection Fee	\$ 25.00
Violation Reconnection Fee:	
Water	\$ 25.00
Wastewater	Actual Cost
Premises Visit Fee (in lieu of disconnection)	\$ 25.00

**Service Availability Charges**

	Water	Wastewater
Main Extension Charge	\$545.00	\$935.00
Meter Installation Charge	\$110.00	

SCHEDULE NO. 1

**BUFFALO BLUFF UTILITIES, INC.  
SCHEDULE OF WATER RATE BASE  
AS OF DECEMBER 31, 2004**

<b><u>DESCRIPTION</u></b>	<b><u>BALANCE PER UTILITY</u></b>	<b><u>STAFF ADJUSTMENTS</u></b>	<b><u>BALANCE PER STAFF</u></b>
Utility Plant in Service	\$ 83,971	(367)	\$ 83,604
Land	1,103	0	1,103
Contributions in Aid of Construction (CIAC)	(24,000)	(655)	(24,655)
Accumulated Depreciation	(58,213)		( 58,213)
Amortization of CIAC	<u>21,967</u>	<u>(5,764)</u>	<u>16,203</u>
WATER RATE BASE	<u>\$ 24,828</u>	<u>\$ 6,786</u>	<u>\$ 18,042</u>

SCHEDULE NO. 2

**BUFFALO BLUFF UTILITIES, INC.  
SCHEDULE OF WASTEWATER RATE BASE  
AS OF DECEMBER 31, 2004**

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 125,020	\$ 1,417	\$126,437
Land	9,838	(0)	9,838
Contributions in Aid of Construction (CIAC)	(24,000)	(935)	(24,935)
Accumulated Depreciation	(94,142)		(94,142)
Amortization of CIAC	<u>21,589</u>	<u>4,859</u>	<u>16,730</u>
WASTEWATER RATE BASE	<u>\$ 38,305</u>	<u>\$ (4,377)</u>	<u>\$ 33,928</u>

**SCHEDULE NO. 3**

**BUFFALO BLUFF UTILITIES, INC.  
SCHEDULE OF ADJUSTMENT TO RATE BASE  
AS OF DECEMBER 31, 2004**

EXPLANATION	ADJUSTMENTS	
	Water	Wastewater
A) <u>Utility Plant-In-Service</u>		
1. To reflect 2004 plant additions.		\$ 1,050
2. To record plant in the correct acct.	\$ <u>(367)</u>	<u>367</u>
Total adjustment	\$ <u>(367)</u>	\$ <u>1,417</u>
B) <u>CIAC</u>		
1. To record additional CIAC	\$ <u>(655)</u>	\$ <u>(935)</u>
D) <u>Amortization of CIAC</u>		
1. To correct CIAC amortization rate	\$ <u>(5,764)</u>	\$ <u>(4,859)</u>

BUFFALO BLUFF UTILITIES, INC.		SCHEDULE NO. 4	
STAFF RECOMMENDED PLANT BALANCE AS OF DECEMBER 31, 2004			
ACCT NO.	ACCOUNT NAME	PLANT BALANCE	ACCUMULATED DEPRECIATION BALANCE
304	Structures and Improvements	3,825	2,748
307	Wells and Springs	13,229	10,038
311	Pumping Equipment	10,814	10,477
320	Water Treatment Plant	854	854
330	Distribution Reservoirs-Hydro Tank	7,350	5,020
331	Transmission & Distribution	32,336	18,147
333	Services	8,530	5,001
334	Meters & Meter Installation	6,666	5,928
	<b>Total Water Plant</b>	<b><u>\$83,604</u></b>	<b><u>\$ 58,213</u></b>

BUFFALO BLUFF UTILITIES, INC.		SCHEDULE NO. 5	
STAFF RECOMMENDED PLANT BALANCE AS OF DECEMBER 31, 2004			
ACCT NO.	ACCOUNT NAME	PLANT BALANCE	ACCUMULATED DEPRECIATION BALANCE
354	Structures and Improvements	49,635	43,990
360	Collection Sewers – Force	8,681	6,588
361	Collection Sewers – Gravity	20,587	12,346
363	Services to Customers	2,414	1,415
370	Receiving Wells	6,614	5,425
380	Electrical	10,417	6,357
381	Plant Sewers	<u>28,089</u>	<u>18,021</u>
	<b>Total Wastewater Plant</b>	<u>\$126,437</u>	<u>\$94,142</u>