

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authority to transfer assets and water Certificate No. 428-W in Levy County, from Par Utilities, Inc., to Hash Utilities, LLC.	DOCKET NO. 110098-WU ORDER NO. PSC-11-0584-PAA-WU ISSUED: December 21, 2011
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The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
LISA POLAK EDGAR  
RONALD A. BRISÉ  
EDUARDO E. BALBIS  
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION APPROVING NET BOOK VALUE, BI-MONTHLY BILLING CYCLE, AND METER INSTALLATION CHARGES  
AND  
FINAL ORDER APPROVING TRANSFER OF INGLEWOOD WATER SYSTEM FROM PAR UTILITIES, INC. TO HASH UTILITIES, LLC

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein, except for approving the transfer of Inglewood Water System to Hash Utilities, LLC, are 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 (F.A.C.).

Background

Par Utilities, Inc. (Par, Seller, Utility) is a Class C water utility serving the Inglewood Estates subdivision in Levy County, which is built-out at 57 residential customers. The Utility is located in the Southwest Florida Water Management District, which has water use restrictions. The Utility's 2010 Annual Report lists annual revenues of \$18,028 with a net operating income of \$119.

The Inglewood water system was initially constructed in 1973. After Levy County transferred jurisdiction to us in 1983, the system was granted Certificate No. 428-W under the name of Inglewood Water System.<sup>1</sup> In 1986, control of the Utility transferred to James D.

<sup>1</sup> Order No. 13961, issued January 3, 1985, in Docket No. 840031-WU, In re: Application of Inglewood Water System for a certificate to operate a water utility in Levy County, pursuant to Section 367.171, Florida Statutes.

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Ditullio.<sup>2</sup> In 2000, the system was acquired by Lonnie and Royanna Parnell,<sup>3</sup> who subsequently changed the name on the certificate to Par.<sup>4</sup> On April 12, 2011, an application was filed for the transfer of the Inglewood system and Certificate No. 428-W to Hash Utilities, LLC (Hash or Buyer). Pursuant to Section 367.071(1), Florida Statutes (F.S.), the transfer occurred on April 25, 2011, contingent upon our approval.

This Order addresses the transfer, net book value, and rates and charges for the Inglewood water system. We have jurisdiction pursuant to Sections 367.071, 367.091, and 367.101, F.S.

### Decision

#### Application to Transfer

On April 12, 2011, an application was filed for approval of the transfer of the Inglewood water system and Certificate No. 428-W in Levy County from Par to Hash. The application is in compliance with the governing statutes, Sections 367.045 and 367.071, F.S., and other pertinent statutes and administrative rules concerning applications for transfer of certificates. Pursuant to Section 367.071(1), F.S., the transfer occurred on April 25, 2011, contingent upon our approval.

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. No objections to the notice have been filed with us and the time for filing objections has expired. A description of the territory being transferred is appended to this Order as Attachment A. The application contains a copy of a recorded warranty deed as evidence that Hash owns the land on which the water treatment facilities are located, pursuant to Rule 25-30.037(2)(q), F.A.C.

Pursuant to Rule 25-30.037(2)(h), F.A.C., the application contains a copy of the Inglewood Water System Sale Agreement which includes the purchase price, terms of payment, and a list of the assets purchased. Inglewood's water system assets were purchased for \$25,000 in cash. Any past due customer accounts were returned to the Seller and any prepayments or deposits transferred to the Buyer.

The Inglewood water system consists of two 4-inch wells with primary treatment by chlorine. Treated water is then injected with an AquaMag solution for iron sequestration and channeled into a hydropneumatic tank for distribution. Our staff has verified that the water system is currently in satisfactory condition and in substantial compliance with all applicable standards set by the Florida Department of Environmental Protection (DEP).

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<sup>2</sup> Order No. 16863, issued November 19, 1986, in Docket No. 860866-WU, In re: Application of Inglewood Water System for transfer of utility from John Allen Brown to James D. Ditullio in Levy County.

<sup>3</sup> Order No. PSC-00-0682-FOF-WU, issued April 12, 2000, in Docket No. 990253-WU, In re: Application for approval of sale of Inglewood Water System, holder of Certificate No. 428-W in Levy County, to Lonnie and Royanna Parnell.

<sup>4</sup> Order No. PSC-00-0293-FOF-WU, issued November 3, 2000, in Docket No. 001557-WU, In re: Application for approval of name change on Certificate No. 428-W in Levy County from Lonnie and Royanna Parnell to Par Utilities, Inc.

The application indicates that the Buyer is licensed by the DEP and has a decade of construction experience. The Buyer currently owns and operates four other water systems in nearby Citrus County and is available 24 hours a day for service calls. The Buyer is also the owner of a software development company and, in addition to asset holdings, has access to business and personal lines of credit. According to the application, the Buyer enjoys interacting with the customer base and has agreed to fulfill the commitments, obligations, and representations of the Seller with regard to Utility matters. Therefore, it appears the Buyer has demonstrated the financial and technical ability to continue to operate the Utility, pursuant to Rule 25-30.037(2)(j), F.A.C.

For transfer purposes, an audit was conducted to establish the net book value of the Inglewood water system as of December 31, 2010. The audit determined that the Utility's general ledger was in conformity with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC's USOA). The audit also obtained a description of the Buyer's record-keeping system, which appears to be adequate to keep the Inglewood water system revenues and expenses separate from the Buyer's other water systems. The Buyer appears to have an understanding and willingness to comply with our rules and regulations.

The application indicates that the Seller is responsible for any regulatory assessment fees (RAFs) prior to the transfer and the Buyer is responsible for RAFs after the transfer. As noted, deposits on account were transferred to the Buyer at the closing on April 25, 2011. Our staff has verified that the Utility is current on its annual report for 2010 and all prior years, and that there are no outstanding RAFs, fines, or refunds due. Therefore, Hash shall be responsible for submitting annual reports and remitting RAFs for the Inglewood water system for 2011 and all future years.

The Utility's rates and charges were last approved by us in 1987.<sup>5</sup> However, the Seller has implemented regular price indexes since 2004 and the Buyer has indicated that it intends to continue this practice. The Utility's existing service rates consist of a monthly base facility charge of \$17.88 and a gallonage charge of \$2.93 per 1,000 gallons, as shown on Schedule No. 3. The Utility also has a service availability charge for new connections, an initial customer deposit, and miscellaneous service charges also shown on Schedule No. 3. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by us. Therefore, we find that the Utility's existing rates and charges shown on Schedule No. 3 shall be continued until authorized to change by us in a subsequent proceeding. In addition, while not requesting any changes to the Utility's existing rates and charges, the Buyer has requested that we approve a bi-monthly billing cycle, consistent with its other systems, and a new meter installation charge.

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<sup>5</sup> Order No. 17558, issued May 14, 1987, in Docket No. 861263-WU, In re: Application of Inglewood Water System for a staff-assisted water rate case in Levy County, Florida.

Based on the above, we find that the transfer of the Inglewood water system and Certificate No. 428-W from Par Utilities, Inc. to Hash Utilities, LLC is in the public interest and shall be approved effective December 6, 2011. The territory being transferred is described in Attachment A. This Order shall serve as Hash's water certificate and be retained by Hash. The Utility's existing rates and charges shall continue until authorized to change by us in a subsequent proceeding. The tariff pages reflecting the transfer shall be effective for services provided or connections made on or after the stamped approval date on the tariff pages, pursuant to Rule 25-30.475(1), F.A.C. Hash shall be responsible for submitting annual reports and remitting RAFs for the Inglewood water system for 2011 and all future years.

#### Net Book Value

Net book value for the Inglewood water system was last established as of June 30, 1998, in the amount of \$25,238, pursuant to Order No. PSC-00-0682-FOF-WU (last order). An audit of the Utility's books and records was conducted to establish the net book value for transfer purposes as of December 31, 2010. Net book value is used to determine whether an acquisition adjustment should be approved and does not include normal rate making adjustments for used and useful plant or working capital.

#### Utility Plant in Service (UPIS)

The Utility's general ledger reflects a water UPIS balance of \$63,831 as of December 31, 2010. The water system consists primarily of structures and improvements, treatment and pumping equipment, lines, services, and meters. The Utility has not made the adjustments to UPIS reflected in the last order. As shown on Schedule No. 1 attached to this Order, we find that an adjustment to reduce the Utility's UPIS balance by \$2,587 to reflect adjustments made in the last order, which results in a UPIS balance as of December 31, 2010 of \$61,244, is appropriate.

#### Land & Land Rights

The Utility's general ledger reflects land of \$4,307. The NARUC's USOA states that the cost of land should be recorded at its original cost when first dedicated to utility service. The last order established the original cost of the land at \$3,307 as of June 30, 1998. No additional land has been purchased by the Utility; therefore, we find that a reduction to land of \$1,000 consistent with the last order is appropriate. Therefore, we find that the land balance as of December 31, 2010 is \$3,307 as shown on Schedule No. 1.

#### Accumulated Depreciation

The Utility's general ledger reflects an accumulated depreciation balance of \$49,126 as of December 31, 2010. The Utility has not made the adjustments to accumulated depreciation balances reflected in the last order. As shown on Schedule No. 1, we find a reduction to the Utility's accumulated depreciation balance of \$12,320, to reflect adjustments made in the last order, which results in an accumulated depreciation balance as of December 31, 2010 of \$36,806, is appropriate.

### Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

The Utility's general ledger reflects a \$570 balance for CIAC and an accumulated amortization of CIAC balance of \$46 as of December 31, 2010. According to our staff audit, when the Utility's CIAC became completely amortized in 2002, the Utility removed the CIAC and accumulated amortization balances from its books. Therefore, the 2002 CIAC and accumulated amortization balances of \$14,464 shall be restored. In addition, the Utility collected its approved service availability charge of \$190 for three connections between 2003 and 2005, which results in an addition to its CIAC balance of \$570 as of December 31, 2010. Our audit staff then recalculated accumulated amortization pursuant to the guidelines in Rule 25-30.140, F.A.C., which results in an additional adjustment to Utility's accumulated amortization balance of \$93. As shown on Schedule No. 1, we find adjustments to the Utility's CIAC balance of \$14,464 and accumulated amortization of CIAC balance of \$14,557, are appropriate. This results in CIAC and accumulated amortization of CIAC balances of \$15,034 and \$14,603, respectively, as of December 31, 2010.

### Net Book Value

The Utility's general ledger reflects total net book value for the Inglewood water system of \$18,488 as of December 31, 2010. Based on the adjustments described above and shown on Schedule No. 1, we find that the net book value for the Inglewood water system is \$27,314 as of December 31, 2010. Schedule No. 2 contains the NARUC account balances for UPIS and accumulated depreciation as of December 31, 2010.

### Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the net book value of the assets at the time of the acquisition. The Inglewood water system was purchased for \$25,000. Based on a net book value of \$27,314 as of December 31, 2010, the transfer would result in a negative acquisition adjustment of \$2,314. Pursuant to Rule 25-30.0371(3), F.A.C., if the purchase price is greater than 80 percent of the net book value, a negative acquisition adjustment will not be included in rate base. Eighty percent of the net book value of this system would be \$21,851. Since the purchase price of \$25,000 is greater than 80 percent of the net book value, we find that a negative acquisition adjustment shall not be included in rate base.

### Conclusion

Based on the above, we find that the net book value of the Inglewood water system is \$27,314 as of December 31, 2010. A negative acquisition adjustment shall not be included in rate base. Within 30 days of the date of the final order, Hash shall provide general ledgers which show its books have been updated to reflect our approved balances as of December 31, 2010, along with a statement that these numbers will also be reflected in the Utility's 2011 annual report.

Bi-monthly Billing Cycle

The Buyer has requested a change in the Utility's billing cycle from monthly to bi-monthly. This will result in a two-month base facility charge of \$35.76 with usage continuing to be billed at \$2.93, per 1,000 gallons, as shown on Schedule No. 3. As justification, the application indicates that the Buyer has a bi-monthly billing cycle for its other water systems and believes that it reduces the cost of meter reading, mailing, and payment processing. The Buyer indicates that a majority of its customers appreciate bi-monthly bills. However, for the few customers who prefer monthly bills, the Buyer allows an estimated payment in the non-billed month. Since the Utility's overall service rates are relatively low and the Inglewood water system relatively small we hereby approve Hash Utilities, LLC's request for a bi-monthly billing cycle. Hash shall bill on a bi-monthly basis until authorized to change the billing cycle by us in a subsequent proceeding. Hash shall file a proposed customer notice to reflect the bi-monthly billing cycle for the water system. The approved charges shall be effective for services rendered on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice. Hash shall provide proof of the date notice was given within ten days after the date of the notice.

Meter Installation Charge

Pursuant to Section 367.101, F.S., we shall set just and reasonable charges and conditions for service availability. Even though the Inglewood water system is at build-out, we find that the Utility's tariff contains service availability charges. As noted previously, the Utility's existing tariff has the provision for a service connection charge of \$190. The Buyer is requesting that we approve a meter installation charge of \$175 for 5/8" x 3/4" and 1" meters. We have reviewed the Buyer's cost justification and find the meter installation charge is reasonable. Existing customers shall not be required to pay service availability charges.

As shown on Schedule No. 3, we find that Hash Utilities, LLC's request for a meter installation charge is approved. Hash shall charge the approved meter installation charge until authorized to change the charge by us in a subsequent proceeding. The approved meter installation charge shall be effective for new connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of the Inglewood water system and Certificate No. 428-W from Par Utilities, Inc. to Hash Utilities, LLC is in the public interest and is therefore approved effective December 6, 2011. The territory being transferred is described in Attachment A. This Order shall serve as Hash's water certificate and be retained by Hash. It is further

ORDERED that the Utility's existing rates and charges shall continue until authorized to change by us in a subsequent proceeding. It is further

ORDERED that the tariff pages reflecting the transfer shall be effective for services provided or connections made on or after the stamped approval date on the tariff pages, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that Hash Utilities, LLC shall be responsible for submitting annual reports and remitting RAFs for the Inglewood water system for 2011 and all future years. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that the schedules and attachments to this Order are incorporated by reference herein. It is further

ORDERED that the net book value of the Inglewood water system is \$27,314 as of December 31, 2010. A negative acquisition adjustment shall not be included in rate base. It is further

ORDERED that within 30 days of the date of the final order, Hash shall provide general ledgers which show its books have been updated to reflect our approved balances as of December 31, 2010, along with a statement that these numbers will also be reflected in the Utility's 2011 annual report. It is further

ORDERED that Hash Utilities, LLC's request for a bi-monthly billing cycle is hereby approved. Hash shall be required to bill on a bi-monthly basis until authorized to change the billing cycle by us in a subsequent proceeding.

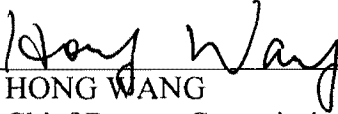
ORDERED that Hash shall be required to file a proposed customer notice to reflect the bi-monthly billing cycle for the water system. The approved charges shall be effective for services rendered on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice. Hash shall provide proof of the date notice was given within ten days after the date of the notice. It is further

ORDERED that Hash Utilities, LLC's request for a meter installation charge is approved. Hash shall charge the approved meter installation charge until authorized to change the charge by us in a subsequent proceeding. The approved meter installation charge shall be effective for new connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that the provisions of this Order, 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 Commission Clerk, 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 if no protest to the proposed agency action issues are filed by a substantially affected person within 21 days of the date of the order, the docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 21st day of December, 2011.

  
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HONG WANG  
Chief Deputy Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

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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 actions, except for our approval of the transfer of Inglewood Water System to Hash Utilities, LLC, are 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 Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 11, 2012. 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 Office of Commission Clerk, 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 Office of Commission Clerk 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.

**Hash Utilities, LLC  
Water Service Territory  
Inglewood Water System  
Levy County**

**Township 16 South, Range 16 East  
Section 34**

That portion of the North 950 feet of the South 3,100 feet of the East 1/2 of said Section 34,  
lying South of State Road 40-A.

**FLORIDA PUBLIC SERVICE COMMISSION**  
**authorizes**  
**Hash Utilities, LLC**  
**pursuant to**  
**Certificate Number 428-W**

to provide water service in Levy County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
13961	01/03/85	840031-WU	Grandfather Certificate
16863	11/19/86	860866-WU	Transfer of Majority Control
PSC-00-0682-FOF-WU	04/12/00	990253-WU	Transfer of Certificate
PSC-00-2093-FOF-WU	11/03/00	001557-WU	Name Change
PSC-11-0584-PAA-WU	12/21/11	110019-WU	Transfer of Certificate

**Hash Utilities, LLC  
Inglewood Water System**

**Net Book Value as of December 31, 2010**

**Utility Proposed and Approved Adjustments  
Schedule of Net Book Value as of December 31, 2010**

Description	Utility Proposed	Adjustments		Approved Adjustments
Utility Plant in Service	\$ 63,831	\$ (2,587)	A	\$ 61,244
Land	4,307	(1,000)	B	3,307
Accumulated Depreciation	(49,126)	12,320	C	(36,806)
Contributions in Aid of Construction (CIAC)	(570)	(14,464)	D	(15,034)
Accumulated Amortization of CIAC	46	14,557	E	14,603
Water Net Book Value	\$ 18,488	\$ 8,826		\$ 27,314

**Explanation of approved adjustments to Net Book Value**

Explanation	Amount
A. Utility Plant In Service (UPIS)	
1. To reflect adjustments in Order No. PSC-00-0682-FOF-WU	(2,587)
B. Land	
1. To remove undocumented land	(1,000)
C. Accumulated Depreciation	
1. To reflect adjustment in Order No. PSC-00-0682-FOF-WU	12,320
D. CIAC	
1. To add back balance removed in 2002	(14,464)
E. Accumulated Amortization of CIAC	
1. To add back balance removed in 2002	14,464
2. To recalculate balance for years 1998 to 2010	93
Total Adjustments to Net Book Value as of December 31, 2010	8,826

**Hash Utilities, LLC  
Inglewood Water System**

**Schedule of Approved Account Balances as of December 31, 2010**

<b>Acct. No.</b>	<b>Description</b>	<b>UPIS</b>	<b>Accumulated Depreciation</b>
304	Structures & Improvements	\$10,415	\$ 9,400
307	Wells & Springs	2,111	2,111
309	Supply Mains	1,504	(570)
310	Power Generation Equipment	722	233
311	Pumping Equipment	5,054	1,491
320	Water Treatment Equipment	11,047	9,786
330	Distribution Reservoirs & Standpipes	2,437	825
331	Transmission & Distribution Mains	13,708	13,693
333	Services	3,676	2,729
334	Meter & Meter Installations	9,421	(2,144)
340	Office Furniture & Equipment	543	(620)
343	Tools, Shop, & Garage Equipment	606	(128)
Total		\$61,244	\$36,806

**Hash Utilities, LLC  
 Inglewood Water System**

**Schedules of Rates and Charges**

**Service Rates  
 Residential and General Service**

	<b>Existing Monthly Rates</b>	<b>Proposed Bi-Monthly Rates</b>
Base Facility Charge (5/8" x 3/4" meter)	\$17.88	\$35.76
Gallonge Charge (per 1,000 gallons)	\$ 2.93	\$ 2.93

**Service Availability Charges  
 Residential and General Service**

	<b>Existing</b>	<b>Proposed</b>
Customer Connection (Tap-in) Charge	\$190.00	\$190.00
Meter Installation Charges		
5/8" x 3/4" Meters	None	\$175.00
1" Meters	None	\$175.00

**Initial Customer Deposits  
 Residential and General Service**

All Customers	\$50.00
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**Miscellaneous Service Charges**

	<b>Regular Hours</b>	<b>After Hours</b>
Initial Connection Fee	\$10.00	\$15.00
Normal Reconnection Fee	\$15.00	\$20.00
Violation Reconnection Fee	\$20.00	\$25.00
Premises Visit Fee (in lieu of disconnection)	\$10.00	None