

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authority to transfer Certificate No. 538-S in Okeechobee County from Zachary Taylor Camping & Lodge, Inc. to Coastal Income Properties - Zachary Taylor LLC.

DOCKET NO. 20170173-SU
ORDER NO. PSC-2018-0320-PAA-SU
ISSUED: June 25, 2018

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING NET BOOK VALUE FOR TRANSFER PURPOSES AND
DECLINING TO INCLUDE AN ACQUISITION ADJUSTMENT
AND
FINAL ORDER APPROVING TRANSFER OF THE WASTEWATER SYSTEM AND
WASTEWATER CERTIFICATE NO. 538-S

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein, except for the transfer of the wastewater system and Certificate No. 538-S, 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 (F.A.C.).

Background

On August 8, 2017, Coastal Income Properties - Zachary Taylor LLC (Coastal Income, Applicant, or Buyer) filed an application for the transfer of Certificate No. 538-S. The transfer is from Zachary Taylor Camping & Lodge, Inc. (Zachary Taylor, Utility, or Seller) to Coastal Income in Okeechobee County. According to the 2016 Annual Report, Coastal Income serves 164 wastewater customers and reported a total gross revenue of \$48,940, which designates it as a Class C utility.

On May 13, 2004, the Okeechobee County Board of County Commissioners adopted Resolution No. 2004-16 declaring the water and wastewater utilities in that county subject to the

provisions of Chapter 367, Florida Statutes (F.S.).¹ The resolution was acknowledged by this Commission effective May 13, 2004, and the Utility filed an application for a grandfather certificate on July 28, 2004. The Utility was granted Certificate No. 538-S, and the rates and charges for utility service were approved in 2006.²

On September 30, 2014, an application to transfer Certificate No. 538-S from Zachary Taylor to Taylor Arcade, Inc. d/b/a Zachary Taylor RV Resort (Taylor Arcade) was filed with this Commission. During Commission staff's review of the transfer in Docket No. 20140188-SU, Commission staff discovered that Taylor Arcade entered into an agreement to transfer Certificate No. 538-S to Coastal Income in March of 2016. On February 10, 2017, Taylor Arcade requested to withdraw its application and that docket was closed.

This Order addresses the transfer of the wastewater system and Certificate No. 538-S to Coastal Income and the net book value of the wastewater system at the time of transfer. We have jurisdiction pursuant to Section 367.071, F.S.

Decision

Transfer of Wastewater System and Certificate No. 538-S

On August 8, 2017, Coastal Income filed an application for the transfer of Certificate No. 538-S pursuant to Rule 25-30.037, F.A.C. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale occurred on March 4, 2016, contingent upon this Commission's approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

The application contains proof of compliance with the noticing provisions set forth in Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed, and the time for doing so has expired. The application contains a description of the Utility's wastewater service territory, which is appended to this Order as Attachment A.

Purchase Agreement and Financing

Pursuant to Rules 25-30.037(2)(i), and (j), F.A.C., the application contains a statement regarding financing and 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, leases, or debt of Zachary Taylor

¹Order No. PSC-04-0593-FOF-WS, issued June 15, 2004, in Docket No. 20040469-WS, In re: Resolution of the Board of County Commissioners of Okeechobee County declaring Okeechobee County subject to the provisions of Chapter 367, F.S.

²Order No. PSC-06-0666-PAA-SU, issued August 7, 2006, in Docket No. 20040793-SU, In re: Application for grandfather certificate to operate wastewater utility in Okeechobee County by Zachary Taylor Camping and Lodge, Inc.

that must be disposed of with regard to the transfer. According to the purchase agreement, the total purchase price of the assets includes an RV park and does not separately identify the purchase price for the Utility. However, the Buyer has allocated \$43,928 as the Utility portion of the sale. According to the Buyer, the sale took place on March 4, 2016, subject to this Commission's approval, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

The wastewater system consists of a 44,880 gallon per day extended air treatment system with disposal to three percolation ponds. The permitted capacity for the treatment plant is 40,500 gallons per day. The last Florida Department of Environmental Protection (DEP) compliance inspection report was conducted on February 28, 2018, and the system was determined to be in-compliance. The system is not currently subject to any outstanding violations or consent orders; therefore, the system appears to be in compliance with DEP requirements.

Technical and Financial Ability

Pursuant to Rules 25-30.037(2)(l) and (m), F.A.C., the application contains statements describing the technical and financial ability of the applicant to provide service to the proposed service area. As referenced in the transfer application the President of Coastal Income is experienced in the operation of RV and mobile home parks. Additionally, Coastal Income has represented that it will retain the currently licensed wastewater facility operator.

We also reviewed the personal financial statements of the Buyer. Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates were last approved during the Utility's application for a grandfather certificate in 2004.³ Since 2004, the Utility has only requested two price indexes. Currently the Utility does not have any miscellaneous service charges. The Utility is built out and has no approved service availability charges. The Utility's existing rates are shown on Schedule No. 1. 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 this Commission. Therefore, the Utility's existing rates shall remain in effect until a change is authorized by this Commission in a subsequent proceeding.

Regulatory Assessment Fees and Annual Reports

We have verified that the Seller is current with respect to annual reports through December 31, 2016. The Buyer has an extension to file the 2017 Annual Report by May 31,

³Order No. PSC-06-0666-PAA-SU, issued August 7, 2006, in Docket No. 20040793-SU, In re: Application for grandfather certificate to operate wastewater utility in Okeechobee County by Zachary Taylor Camping and Lodge, Inc.

2018. We have also verified that regulatory assessment fees (RAFs) have been paid through December 31, 2017. The Buyer shall be responsible for filing annual reports and paying RAFs for 2018 and all future years.

Conclusion

Based on the foregoing, we find that the transfer of the wastewater system and Certificate No. 538-S is in the public interest and shall be approved effective June 5, 2018, the date of this Commission's vote. This Order shall serve as the Buyer's certificate and shall be retained by the Buyer. The existing rates shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. The tariffs reflecting the transfer shall be effective for service rendered on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. Coastal Income shall be responsible for paying 2018 RAFs and all future RAFs. The Buyer shall be responsible for filing the 2017 Annual Report and all future annual reports.

Net Book Value and Acquisition Adjustment

Rate base has not previously been established for the Utility. The purpose of establishing net book value (NBV) for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. The Utility's NBV has been updated to reflect balances as of March 4, 2016. The approved NBV, as described below, is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

In the previous transfer docket related to this Utility, Commission staff auditors requested general ledgers, invoices for capital additions, depreciation schedules, tax returns, a schedule of assets transferred, and a revenue schedule for Utility operations since the transfer to the Buyer. However, the Buyer explained it was unable to locate the requested records. As a result, Commission audit staff referred to the Utility's 2012 Annual Report to establish the Utility's NBV. As of the filing of this current docket, the Buyer is still unable to locate the necessary records. We note that there have been no additions to plant since 2012. Therefore, we have referred to the Utility's 2016 Annual Report for the purpose of establishing the Utility's NBV. The Utility's 2016 Annual Report reflected a UPIS balance of \$49,538. Therefore, the Utility's UPIS balance as of March 4, 2016, shall be \$49,538.

Land

The Utility's 2016 Annual Report reflected a land balance of \$34,375. In the previous transfer for this Utility, Commission audit staff toured the wastewater plant facility and reviewed Okeechobee County Property Appraiser documents to determine how much of the 10.562 acres is used by the wastewater utility system. Based on Commission audit staff's review, approximately 14,520 square feet, or 1/3 of an acre, of land is estimated to be occupied by the wastewater plant site. This equates to a land value of \$4,450 (\$13,350 x 1/3 of an acre). Therefore, we find that the balance for land is \$4,450, as of March 4, 2016.

Accumulated Depreciation

The Utility's 2016 Annual Report reflected an accumulated depreciation balance of \$41,394 as of December 31, 2015. We recalculated accumulated depreciation of plant since 2012 to reflect accumulated depreciation as of March 4, 2016. We calculated the appropriate accumulated depreciation balance to be \$40,706. As a result, accumulated depreciation shall be decreased by \$688 to reflect an accumulated depreciation balance of \$40,706, as of March 4, 2016.

Net Book Value

The Utility's 2016 Annual Report reflected a NBV of \$42,519. Based on the adjustments described above, the NBV is \$13,282, as of March 4, 2016. The approved NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation as of March 4, 2016, are shown on Schedule No. 2.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The Utility and its assets were purchased for \$43,928. As stated above, we determined the appropriate NBV total to be \$13,282. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances. The Buyer did not request a positive acquisition adjustment. As such, we find that no positive acquisition adjustment shall be approved.

Conclusion

Based on the above, we find that the NBV of the Utility for transfer purposes is \$13,282 as of March 4, 2016. No acquisition adjustment shall be included in rate base. Within 90 days of the date of the final order, the Buyer shall notify this Commission, in writing, that it has adjusted its books in accordance with our decision. The adjustments shall be reflected in Coastal Income's 2017 Annual Report when filed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of the wastewater system and Certificate No. 538-S from Zachary Taylor Camping & Lodge, Inc. to Coastal Income Properties – Zachary Taylor LLC, is in the public interest and is hereby approved, effective June 5, 2018. It is further

ORDERED that this Order shall serve as Coastal Income Properties – Zachary Taylor LLC’s certificate and shall be retained by Coastal Income Properties – Zachary Taylor LLC. It is further

ORDERED that the existing rates shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. It is further

ORDERED that the tariffs reflecting the transfer shall be effective for service rendered on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that Coastal Income Properties – Zachary Taylor LLC shall be responsible for paying 2018 regulatory assessment fees and all future regulatory assessment fees. Coastal Income Properties – Zachary Taylor LLC shall be responsible for filing the 2017 Annual Report and all future annual reports. It is further

ORDERED that the net book value for transfer purposes is \$13,282 as of March 4, 2016. No acquisition adjustment shall be included in rate base. It is further

ORDERED that within 90 days of the date of this Order, Coastal Income Properties – Zachary Taylor LLC shall notify this Commission, in writing, that it has adjusted its books in accordance with our decision herein. The adjustments shall be reflected in Coastal Income Properties – Zachary Taylor LLC’s 2017 Annual Report when filed. 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 is filed by a substantially affected person within 21 days of the date of the issuance of this Order, a Consummating Order shall be issued and the docket shall be closed administratively upon Commission staff’s verification that the revised tariff sheets have been filed and Coastal Income Properties – Zachary Taylor LLC has notified this Commission in writing that it has adjusted its books in accordance with this Commission’s decision.

ORDER NO. PSC-2018-0320-PAA-SU
DOCKET NO. 20170173-SU
PAGE 7

By ORDER of the Florida Public Service Commission this 25th day of June, 2018.



HONG WANG

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

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 discussed herein, except for the transfer of the wastewater system and Certificate No. 538-S, 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 Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 16, 2018. 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.

**Coastal Income Properties - Zachary Taylor LLC
Okeechobee County
Description of Wastewater Territory**

Parcel 1 - Zachary Taylor Camping and Lodge

Township 37 South, Range 35 East
Section 35

Begin at the Northeast corner of Section 35, Township 37 South, Range 35 East. Thence West along the North line of said Section a distance of 520 feet to the Point of Beginning (POB). Thence continue West along the North line a distance of 420 feet to the East edge of Taylor Creek. Thence along the waters edge of Taylor Creek the following 5 courses to a Bridge used to cross State Road 15 (Connors Highway).

1. South 28° West a distance of 80 feet.
2. South 8° 30' West a distance of 270 feet.
3. South 2° West a distance of 280 feet
4. South 5° East a distance of 240 feet.
5. South 18° East a distance of 730 feet.

Thence North 75° East a distance of 200 feet along the North Right of Way line of State Road 15 (Connors Highway). Thence North 9° West a distance of 300 feet. Thence North 78° East a distance of 101 feet. Thence North 8° West a distance of 60 feet. Thence North 90° West a distance of 1,120 feet to the POB.

Parcel 2 - The Taylor Creek Condominium Association

Township 37 South, Range 35 East
Section 35

Begin at the Northeast corner of Section 35, Township 37 South, Range 35 East. Thence South along the East line of said section a distance of 1,770 feet to the Point of Beginning (POB). Thence South 89° West a distance of 150 feet. Thence North 0° West a distance of 100 feet. Thence South 82° West a distance of 280 feet along the South Right of Way line of State Road 15. Thence South 0° West a distance of 20 feet. Thence South 81° West a distance of 165 feet. Thence South 15° East a distance of 700 feet. Thence North 75° East a distance of 420 feet. Thence North along the East line of said section a distance of 550 feet to the POB

FLORIDA PUBLIC SERVICE COMMISSION

**Authorizes
Coastal Income Properties - Zachary Taylor LLC
Pursuant to
Certificate Number 538-S**

To provide water service in Okeechobee County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rule, 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> |
|----------------------|--------------------|----------------------|-------------------------|
| PSC-06-0666-PAA-SU | 08/07/2006 | 040793-SU | Original Certificate |
| PSC-2018-0320-PAA-SU | 06/25/2018 | 20170173-SU | Transfer of Certificate |

**Zachary Taylor Camping and Lodge, Inc.
Monthly Wastewater Rates**

Residential Service

Flat rate \$ 24.28

General Service

Flat Rate – Zachary Taylor RV Park \$ 2,135.90
(88 ERCS)

Zachary Taylor Camping & Lodge, Inc. Wastewater System Schedule
Wastewater System
Schedule of Net Book Value as of March 4, 2016

| Description | Balance Per Utility | Adjustments | Commission Approved |
|--------------------------|--------------------------------|--------------------|----------------------------|
| Utility Plant in Service | \$49,538 | \$0 | \$49,538 |
| Land & Land Rights | 34,375 | (29,925) A | 4,450 |
| Accumulated Depreciation | (41,394) | 688 B | (40,706) |
| CIAC | 0 | (0) | 0 |
| Amortization of CIAC | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$42,519</u> | <u>(\$29,237)</u> | <u>\$13,282</u> |

**Explanation of Commission Approved
Adjustments to Net Book Value as of March 4, 2016
Wastewater System**

| Explanation | Amount |
|---|-------------------|
| A. Land and Land Rights To reflect appropriate amount of land. | <u>(\$29,925)</u> |
| B. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation. | <u>\$688</u> |
| Total Adjustments to Net Book Value as of March 4, 2016. | <u>(\$29,237)</u> |

Zachary Taylor Camping & Lodge, Inc.
Wastewater System
Schedule of Commission Approved Account Balances as of March 4, 2016

| Account | | | Accumulated |
|----------------|-----------------------------|-----------------|---------------------|
| No. | Description | UPIS | Depreciation |
| 361 | Collection Sewers - Gravity | \$41,822 | (\$37,701) |
| 370 | Receiving Wells | 5,635 | (1,985) |
| 371 | Pumping Equipment | 906 | (418) |
| 389 | Miscellaneous Equipment | <u>1,175</u> | <u>(602)</u> |
| | Total | <u>\$49,538</u> | <u>(\$40,706)</u> |