

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of SUNSHINE ) DOCKET NO. 880907-WU  
UTILITIES for transfer of Certificate ) ORDER NO. 20707  
No. 398-W in Marion County from ) ISSUED: 2-6-89  
Utility Systems, Inc. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN  
THOMAS M. BEARD  
BETTY EASLEY  
JOHN T. HERNDON

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION ORDER

ESTABLISHING RATE BASE FOR THE PURPOSE OF TRANSFER

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the actions discussed herein are final except for the establishment of rate base, which is preliminary in nature and will become final unless a person whose interests are substantially affected files a timely petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

On July 1, 1988, Sunshine Utilities, Inc. (Sunshine Utilities) filed an application for transfer of Certificate No. 398-W to it from Utility Systems, Inc. (Utility Systems) in Marion County. The transfer application was prompted by a bank foreclosure on the Utility Systems facility and its subsequent sale to Sunshine Utilities. The Utility Systems service area is the Lakeview Hills subdivision. That subdivision now has twelve connections, with the potential for a total of fifty-five connections.

There are no books and records available for Utility Systems. However, we have obtained a copy of the construction contract for its facility. Our staff's field investigation showed it to be in better than average condition and operating satisfactorily. Apparently, there are no Department of Environmental Regulation complaints outstanding against the Utilities System facility.

APPLICATION

The application is in compliance with Section 367.071, Florida Statutes (1987), Rule 25-30.040, Florida Administrative Code, and the other statutes and administrative rules which govern applications for transfer. In particular, the notarized application contains:

DOCUMENT NUMBER-DATE

01367 FEB -6 1989

FPSC-RECORDS/REPORTING

- a) A check in the amount of \$150.00 which is the correct filing fee as prescribed by Section 367.141, Florida Statutes (1987);
- b) Adequate legal description pursuant to Rule 25-30.035, Florida Administrative Code. The territory to be served is described as being in Marion County, and is more particularly described in Appendix "A", attached;
- c) Proof of notice to all customers of record, pursuant to Rule 25-30.030(2)(g), Florida Administrative Code;
- d) Proof of notice to all governmental and regulatory agencies, all utilities within a 4-mile radius, and proof of advertisement in a newspaper of general circulation in Marion County, pursuant to Rule 25-30.030, Florida Administrative Code; and,
- e) Proof of ownership of the real property on which the treatment plant is located.

No objections have been filed and the time for doing so has passed.

We find the proposed transfer to be in the public interest and find that it should be approved. The utility was repossessed through bank foreclosure, then purchased from the bank by Sunshine Utilities. Sunshine Utilities also owns and operates a much larger utility in Marion County and appears to have the financial ability to operate the Utility Systems facility. In that Sunshine Utilities, Inc. already holds certificate No. 363-W in Marion County, instead of transferring the Utility Systems certificate, it will be cancelled and the existing Sunshine Utilities certificate amended to include the Utility Systems service area.

#### RATE BASE

An audit of the books and records of Utility Systems was not possible due to the reported lack of such books and records. However, we have determined the original cost of the treatment plant and distribution and transmission system by reviewing the contract for construction of the Lakeview Hills Subdivision water system. Accordingly, we calculate the original cost of the facility to be \$28,400, with an additional \$3,600 for the land on which the plant is located.

We have calculated contributions-In-Aid-Of-Construction (CIAC) in accordance with Rule 25-30.570, Florida Administrative Code. We have imputed CIAC to an amount equal to the cost of the transmission and distribution system, plus the cost of the land. This treatment of land cost is consistent with Utility Systems' original certificate application, in which the land was considered to have been contributed. We have calculated accumulated depreciation and amortization of CIAC using a rate of 2.5% for four-and-a-half years.

Our calculations yield a rate base at transfer of \$13,236. That rate base is stated on the attached Schedule No. 1. The underlying calculations are elaborated on Schedule No. 2, which is also attached. The rate base calculations are used to establish the net book value of the property being transferred.

ACQUISITION ADJUSTMENT

An acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. The acquisition adjustment here is calculated as:

Purchase Price	\$ 5,000
Rate Base	13,236
Negative Acquisition Adjustment	<u>\$ (8,236)</u>

It is our policy that a purchase of a utility system at a premium or discount shall not be incorporated into rate base after transfer unless there are extraordinary circumstances. In deciding whether to include a negative acquisition adjustment, we have in other cases considered if the purchase price was less than rate base, if the system is in such poor condition that replacement is required, and if the acquisition was prudent. In evaluating whether an acquisition was prudent, we have at times examined the jurisdictional status of the system purchased, its potential for growth, and the per customer operating cost of the system.

In this case, comparison of the purchase price and the rate base at transfer reveals a negative acquisition adjustment. However, Sunshine Utilities has not requested an acquisition adjustment and there are no extraordinary circumstances which call for one. We therefore find that no acquisition adjustment should be included in the rate base calculation.

RATES, MISCELLANEOUS SERVICE CHARGES, AND SERVICE AVAILABILITY CHARGES

Rule 25-9.044(1), Florida Administrative Code, governs rates and charges of a regulated utility when its ownership or control changes. That rule provides that the former rates and charges must be adopted and used by the new owner unless changes are authorized by us. Sunshine Utilities has not requested any changes, and we find that none are appropriate.

In Order No. 11870, issued April 21, 1983, Utility Systems was granted a connection charge of \$400 per ERC (Equivalent Residential Connection). However, the Utility Systems' tariff incorrectly states \$250 as the charge. Including correction of that error, Sunshine Utilities shall file revised tariff sheets which include the Utility Systems service area at the rates and charges we previously approved for Utility Systems.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of the assets and service area of Utility Systems,

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Inc. to Sunshine Utilities, Inc., 4441 SE 53rd Avenue, Ocala, Florida 32671, is hereby approved. It is further

ORDERED that Certificate No. 398-W, held by Utility Systems, Inc., shall be returned to the Commission for cancellation within 20 days of the date of issuance of this order. It is further

ORDERED that Certificate No. 363-W, held by Sunshine Utilities, Inc., is hereby amended to include the service area described in Appendix "A" to this order and shall be returned to the Commission within 20 days of the date of issuance of this order for proper entry. It is further

ORDERED that the rate base for purposes of this transfer is \$13,236. It is further

ORDERED that the portion of this order issued as Proposed Agency Action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 27, 1989. It is further

ORDERED that within the former Utility Systems, Inc. service area, Sunshine Utilities, Inc. shall charge the rates, initial deposit levels, miscellaneous service charges, and service availability charges which we previously set for Utilities Systems, Inc. It is further

ORDERED that Sunshine Utilities, Inc. shall file revised tariff sheets as set forth in the body of this order. It is further

ORDERED that if no timely petition is filed objecting to the rate base provisions of this order, this docket shall be closed.

By ORDER of the Florida Public Service Commission,  
this 6th day of FEBRUARY, 1989.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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 is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 27, 1989. In the absence of such a petition, this order shall become effective February 28, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent 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.

If the relevant portion of this order becomes final and effective on February 28, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer 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 of the effective date 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.

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 sewer 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.

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A P P E N D I X "A"

Lakeview Hills

Township 17 South, Range 23 East, Marion County Florida:

Section 1

The South 1/2 of the Southwest 1/4 of the Southeast 1/4 less and except that portion lying Easterly of Southeast 118th Avenue and Southeast 118th Court Road, as said Avenue and Road are now constructed.

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Sunshine Utilities  
Schedule of Water Rate Base  
As of June 30, 1988

Docket No. 880907-WU  
Schedule No. 1

Description		Balance per Commission
Utility Plant in Service	1) \$	28,400
Land	2)	3,600
Accumulated Depreciation	3)	(3,195)
Contributions-in-aid-of-Construction	4)	(17,086)
Accumulated Amortization of CIAC	5) \$	1,517
TOTAL		<u>13,236</u>

Sunshine Utilities  
Water Rate Base Calculations  
As of June 30, 1988

Docket No. 880907-WU  
Schedule No. 2

Description	Amount
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1) Utility Plant in Service	
Contract amount for the construction of the Lakeview Hills Water Supply & Distribution System. Breakdown per Tim Thompson of Water System Construction, Inc.	
Treatment Plant	14,914
Distribution System	13,486
	-----
Total	\$ 28,400
	=====
2) Land	
Land price determined in Original Certificate Application.	
	\$ 3,600
	=====
3) Accumulated Depreciation	
28,400 x 2.5% x 4 1/2 years	
	\$ (3,195)
	=====
4) Contributions-in-aid-of-Construction	
Transmission and Distribution System	
Land	13,486
	3,600
	-----
Total	\$ (17,086)
	=====
5) Accumulated Amortization of CIAC	
13,486 x 2.5% x 4 1/2 years	
	\$ 1,517
	=====