

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by GENERAL WATERWORKS) DOCKET NO. 880658-WS
 CORPORATION and GREENLAND UTILITIES)
 COMPANY for transfer of GREENLAND) ORDER NO. 20945
 UTILITIES COMPANY to JACKSONVILLE SUBURBAN)
 UTILITIES CORPORATION and for a limited) ISSUED: 3-27-89
 proceeding to adjust rates in Duval County)
)

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER ESTABLISHING RATE BASE
AND ASSESSING PENALTY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein 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.

CASE BACKGROUND

On June 30, 1988, General Waterworks Corporation (GWC) and Greenland Development Corporation d/b/a Greenland Utilities Company (Greenland) filed a joint application to transfer Certificates Nos. 445-W and 376-S from Greenland to Jacksonville Suburban Utilities Corporation (JSUC), a wholly owned subsidiary of GWC. In addition to the request for approval of the transfer, the joint application requested that we approve JSUC's proposed application of its system-wide rates to the Greenland service territory and a waiver of any service availability charges, other than meter installation charges, to Baywood Estates, an affiliate of Greenland.

On May 5, 1988, the City of Jacksonville (City) objected to the proposed transfer. On July 8, 1988, JSUC and the City entered into an agreement, pursuant to which, the City withdrew its objection.

By Order No. 20643, issued January 23, 1989, we approved the transfer, authorized JSUC to apply its rates and charges to the Greenland service territory and disallowed the waiver of service availability Charges to Baywood Estates. We did not establish rate base in that Order, however, due to a lack of sufficient information. By this Order, we will establish the appropriate rate base at the time of transfer.

RATE BASE

Our calculations of Greenland's rate base are reflected on Schedule Nos. 1 and 2, with our adjustments itemized on Schedules Nos. 1A and 2A, for water and sewer, respectively. Those adjustments which are self explanatory or which are essentially mechanical in nature, are set forth on those

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schedules without further discussion in the body of this Order. Our major adjustments are discussed below.

Pursuant to the contract for sale, the purchase price shall be the greater of \$175,000 or the rate base established by this Commission. In order to establish rate base, we have audited Greenland's books and records using the utility plant-in-service account balances from Greenland's last rate case, as reflected by Order No. 17261, issued March 9, 1987, as a starting point and taking into consideration all additions since that Order.

Construction Contracts - We have made several adjustments to the plant balances shown on Greenland's books and records. Greenland has had two construction contracts since its last rate case, both of which included costs related to development. Accordingly, we have removed these costs from rate base. In addition, Greenland has improperly classified some of the items from these contracts. We have, therefore, reclassified these items to the correct plant accounts. Greenland also included costs related to the management and administrative time of Mr. Davenport, the owner of Greenland, a utility employee and engineering costs as costs of construction. We have compared these costs to the total costs of both contracts and we find that they are excessive. It is the general practice of this Commission to allow up to a maximum combined total of 15 percent for management, administrative and engineering costs associated with the construction of facilities when conducting an original cost study. We believe that 15 percent is a reasonable level for management, administrative and engineering costs associated with construction and have, accordingly, removed all such costs exceeding 15 percent of the total amount of the contracts.

Water Meters - In addition, the audit disclosed that Greenland had booked \$10,396 in meters twice. We have, therefore, adjusted the water plant account accordingly. We have also adjusted the plant account balances to remove office furniture that was not transferred to JSUC.

Accumulated Depreciation - Based upon the adjustments above, we have also found it necessary to recalculate Greenland's accumulated depreciation.

Land - Greenland's calculation of sewer rate base includes 5 acres of land as plant held for future use, at a cost of \$30,000 per acre, for a total of \$150,000. By Order No. 17261, we established the value of that land to be \$3,000 per acre. We have, therefore, included that land as plant held for future use, but at the previously established value of \$3,000 per acre for a total of \$15,000, a reduction of \$135,000.

Unamortized Expenses - Greenland has also included unamortized rate case and water testing expenses of \$1,029 for water and \$202 for sewer in rate base. We find that these are not rate base items and have, accordingly, removed them from our calculation of rate base at the time of transfer.

Contributions-in-Aid-of-Construction (CIAC) - By Order No. 12761, we approved Greenland's current service availability

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policy, which requires developers to install and contribute all distribution and collection facilities. Since its last rate case, Greenland has installed water distribution lines worth \$50,614 and wastewater collection lines worth \$94,550 at its own expense, based upon a developer agreement which was inadvertently administratively approved by this Commission. Although Greenland's approved service availability policy takes precedence over the improperly approved developer agreement, we will include these lines in rate base based upon Greenland's reliance on the developer agreement. However, since Greenland knowingly failed to require the contribution of these lines, in violation of its approved service availability policy, we find it appropriate to impose a fine upon Greenland in the amount of \$2,500.

Rate Base - Based upon the joint application and the adjustments discussed above, we hereby establish rate base, representing net book value at the time of transfer, at \$105,249 for water and \$144,631 for sewer.

It is, accordingly,


ORDERED by the Florida Public Service Commission that the provisions of this Order are issued as proposed agency action and will become final unless an appropriate petition, in the form prescribed by Rule 25-22.036, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 17, 1989. It is further

ORDERED that rate base for Greenland Utilities Company is hereby established to be \$105,249 for water and \$144,631 for sewer, representing net book value at the time of transfer. It is further

ORDERED that Greenland Utilities Company is hereby assessed a penalty of \$2,500, as set forth in the body of this Order. It is further

ORDERED that after April 17, 1989, this Commission will issue either a notice of further proceedings or an order indicating that the provisions of this Order have become final and effective.

BY ORDER of the Florida Public Service Commission,
this 27th day of MARCH, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

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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.

The action proposed herein 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 April 17, 1989. In the absence of such a petition, this order shall become effective April 18, 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 this order becomes final and effective on April 18, 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.

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Greenland Utilities Company
 Schedule of Water Rate Base
 December 31, 1988

Schedule No. 1
 Docket No. 880658-WS

Description	Balance per Books		Commission Adjust.	Balance per Commission
Utility Plant in Service	262,498	1)	(30,057)	232,441
Accumulated Depreciation	(53,500)	2)	(4,871)	(58,371)
Contributions-in-Aid-of-Construction	(111,816)		0	(111,816)
Accumulated Amortization of C.I.A.C.	34,574	4)	2,296	36,870
Construction Work in Process	6,125		0	6,125
Unamortized Rate Case Expense	201	5)	(201)	0
Unamortized VOC/SOC Water Testing	828	6)	(828)	0
Total	138,910		(33,661)	105,249

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Greenland Utilities Company
 Adjustments to Water Rate Base
 December 31, 1988

Schedule No. 1A
 Docket No. 880658-WS

Description -----	Adjustment -----
1) Utility Plant in Service	
To allocate organizational costs to the development:	(3,065)
To reflect the reallocation of Contract 2-D:	(8,591)
To remove meters booked twice:	(10,396)
To reduce management/administrative charges:	(5,980)
To remove office furniture not transferred:	(2,025)
Total	\$ (30,057) -----
2) Accumulated Depreciation	
To adjust to balance as of 3/31/88:	847
To bring forward to 12/31/88:	(5,718)
Total	\$ (4,871) -----
4) Accumulated Amortization of C.I.A.C.	
To adjust to balance as of 3/31/88:	(136)
To bring forward to 12/31/88:	2,432
Total	\$ 2,296 -----
5) Unamortized Rate Case Expense	
To remove Unamortized Rate Case Expense which is not a component of rate base:	\$ (201) -----
6) Unamortized VOC/SOC Water Testing	
To remove Unamortized VOC/SOC Water Testing which is not a component of rate base:	\$ (828) -----

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Greenland Utilities Company
 Schedule of Sewer Rate Base
 December 31, 1988

Schedule No. 2
 Docket No. 880658-WS

Description	Balance per Books		Commission Adjust.	Balance per Commission
Utility Plant in Service	291,386	1)	(26,491)	264,895
Accumulated Depreciation	(59,953)	2)	(7,262)	(67,215)
Contributions-in-Aid-of-Construction	(111,514)		0	(111,514)
Accumulated Amortization of C.I.A.C.	34,781	4)	2,559	37,340
Plant Held for Future Use (Land)	150,000	5)	(135,000)	15,000
Construction Work in Process	6,125		0	6,125
Unamortized Rate Case Expense	202	6)	(202)	0
Total	311,027		(166,396)	144,631

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Greenland Utilities Company
Adjustments to Sewer Rate Base
December 31, 1988

Schedule No. 2A
Docket No. 880658-WS

Description	Adjustment
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1) Utility Plant in Service	
To allocate organizational costs to the development:	(3,065)
To reflect the reallocation of Contract 2-D:	(14,587)
To reduce management/administrative charges:	(6,814)
To remove office furniture not transferred:	(2,025)
Total	----- \$ (26,491) -----
2) Accumulated Depreciation	
To adjust to balance as of 3/31/88:	(26)
To bring forward to 12/31/88:	(7,236)
Total	----- \$ (7,262) -----
4) Accumulated Amortization of C.I.A.C.	
To adjust to balance as of 3/31/88:	133
To bring forward to 12/31/88:	2,426
Total	----- \$ 2,559 -----
5) Plant Held for Future Use (Land)	
To reduce the per acre cost of land held for future use to \$3,000 per acre per Commission Order:	\$ (135,000) -----
6) Unamortized Rate Case Expense	
To remove Unamortized Rate Case Expense which is not a component of rate base:	\$ (202) -----