

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for) DOCKET NO. 931122-WU
amendment of Certificate No.) ORDER NO. PSC-95-0189-FOF-WU
189-W to include facilities of) ISSUED: February 9, 1995
LAKESIDE GOLF, INC., and for)
limited proceedings set rates in)
Citrus County by SOUTHERN STATES)
UTILITIES, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
JOE GARCIA
DIANE K. KIESLING

ORDER APPROVING TRANSFER AND LIMITED
PROCEEDING TO IMPLEMENT RATES AND CHARGES

BY THE COMMISSION:

Background

Lakeside Golf, Inc. (LGI or utility) is a Class C developer-related utility providing water service to approximately 85 customers in Citrus County. The customers of LGI have been receiving water service at no charge since the utility's inception in 1978. Southern States Utilities, Inc. (SSU) is a Class A utility providing water and wastewater services to 134 service areas throughout the state of Florida. According to its 1993 annual report, SSU recorded annual revenues of \$50,521,158 and a net operating income of \$6,955,414.

On November 18, 1993, SSU served notice of its application to amend Certificate No. 189-W to include the facilities of LGI and for a limited proceeding to establish rates in Citrus County. On December 15, 1993, several customers served by LGI objected to SSU's application and this case was scheduled for hearing.

On February 24, 1994, a customer meeting was held in Inverness, Florida, regarding the proposed transfer and limited proceeding. Approximately fifty people attended and, of these, ten customers of LGI and two residents of Sugarmill Woods presented testimony. One customer testified that the water has a terrible odor, and an excessive level of chlorine. Several customers expressed concerns about the proposed rates and several customers

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wanted to know what the "stand alone" rates would be. There was great discussion over the size of the meters in the service area since the size of the meter will have an impact on the rate they would be charged. There were several questions regarding miscellaneous service charges, customer deposits, and service availability charges. The two residents of Sugarmill Woods addressed the issue of subsidization.

On July 5, 1994, the Office of Public Counsel (OPC) served notice of its intervention in this proceeding. Its intervention was acknowledged by Order No. PSC-94-1006-PCO-WU, issued August 18, 1994.

A prehearing conference was held on October 24, 1994, before Commissioner Diane K. Kiesling, as Prehearing Officer. By Order No. PSC-94-1332-PHO-WU, issued October 27, 1994, the Prehearing Officer established seven issues to be decided in this proceeding.

Prior to this case going to hearing, as later memorialized by letter dated December 8, 1994, OPC withdrew Issues Nos. 2, 3, 4, and 5. In addition, OPC amended its position on Issues Nos. 1, 6, and 7 to "no position". Mr. Radford, the only customer actively participating at the time of the prehearing conference, amended his positions on Issues Nos. 1 and 6 to "no position", and on Issue No. 7 to "agree with Staff". Together, the withdrawals and amendments obviate the need for a hearing. Accordingly, we hereby acknowledge the withdrawals and amendments as noted.

Amendment of Certificate No. 189-W

On November 19, 1993, SSU filed its application for amendment of Certificate No. 189-W to include the territory served by LGI. The application appears to be in compliance with Section 367.071, Florida Statutes, and Rules 25-30.020 through 25-30.037, Florida Administrative Code. The application contains a fee of \$300, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. A description of the territory being transferred is appended to this Order as Attachment A.

SSU has provided evidence that it will own the land upon which the utility facilities are located as required by Rule 25-30.037 (2) (q), Florida Administrative Code. Because the transfer has not been consummated, the utility land is in the name of the selling utility, LGI. The contract for sale provides that the land will be transferred to SSU upon closing. SSU shall provide evidence,

within sixty days of closing, that ownership of the land was transferred to SSU.

SSU has been regulated by the Public Service Commission for over 20 years and has demonstrated its technical and financial ability to continue to provide quality utility service in its certificated territory. SSU owns and operates water and wastewater facilities under Commission regulation in 134 service areas throughout the state of Florida. The Department of Environmental Protection has informed us that there are no outstanding notices of violation against the utility.

The application contains a copy of the contract for sale which lists the purchase price, \$119,625, the terms of payment and the assets purchased. SSU is paying cash for this transaction and is financing the transaction through its acquisition program; no outside financing has been obtained. SSU provided a statement in its application that it will fulfill the commitments, obligations, and representations of LGI. According to the sales contract, there are no customer deposits, guaranteed revenue contracts, developer agreements or leases, outstanding regulatory assessment fees, fines or refunds owed.

Based upon the discussion above, we find that it is in the public interest to approve SSU's application for amendment of Certificate No. 189-W to include the facilities and territory currently served by LGI.

Rate Base

This Commission has never established rate base for the LGI system. According to the revised application, filed May 31, 1994, the net book value of the system as of the date of the proposed transfer is \$304,521.

Our Staff audited LGI's books and records to determine the net book value as of September 23, 1993. According to the audit, the net book value was \$301,353. As explained below, this figure has been amended to include a value for the land upon which the plant facilities are located.

The utility plant is located on a .10 acre site in the middle of a golf course. SSU will also acquire a 7.9 acre pit in which LGI presently disposes of backwash water. According to the Citrus County Property Appraiser's Office, the assessed value of the development, in 1979, was \$396 per acre. Accordingly, SSU has requested that we establish the value of land to be \$3,168 (\$396 x 8 acres). SSU's request appears reasonable. Accordingly, we find

that the net book value, for purposes of the transfer, is \$304,521, as of September 23, 1993. This figure does not include the normal ratemaking adjustments. Our calculation of rate base is depicted on Attachment B.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from net book value. The acquisition adjustment resulting from the transfer of LGI to SSU is as follows:

Net Book Value:	\$304,521
Purchase Price:	\$119,625
Acquisition Adjustment:	(\$184,896)

In the absence of extraordinary circumstances it has been Commission policy that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. SSU has requested that we not include the negative acquisition adjustment in our calculation of rate base. In support of its request, SSU stated that:

No extraordinary circumstances of the sort identified by the Commission in prior cases as justifying an acquisition adjustment exist here. Further, the primary reason the purchase price and transfer rate base will differ in this case is SSU's valuation method. As a starting point for negotiation of this acquisition, SSU calculated what rate base would be in a rate case; hence, SSU calculated the used and useful percentages for utility plant to be acquired. It would be unreasonable to impose an acquisition adjustment at the time of transfer where the purchase price-transfer rate base difference arises largely because SSU already reduced the purchase price to reflect anticipated used and useful adjustments. For this reason, when rate base is calculated in a subsequent rate case, reducing rate base by an acquisition adjustment and a non-used and useful adjustment would, in effect, result in a double counting of the non-used and useful assets.

The circumstances in this exchange do not appear to be extraordinary. We do not believe a negative acquisition should be included because LGI does not have any major service problems and, as discussed below, the customers of LGI will receive a lower rate under SSU than it would as a stand alone system. Accordingly, we

have not included the negative acquisition adjustment in the calculation of rate base for transfer purposes.

Limited Proceeding on Rates and Charges

Under Rule 25-9.044(1), Florida Administrative Code, when there is a change in ownership of a utility, the acquiring entity must adopt and use the rates, classifications and regulations of the acquired entity unless authorized to change by the Commission.

As noted above, LGI has not charged its customers for water service since its inception. SSU has requested that it be allowed to implement its currently approved rates and charges for the customers of LGI. SSU states that it does not wish to retain LGI's current practice since it would not allow a fair return on utility investment, would not promote conservation, and would be discriminatory as to SSU's other customers throughout the state. At the customer meeting held February 24, 1994, several customers spoke in favor of SSU's uniform rates.

SSU's proposed rates and charges are as follows:

Residential and General Service
Monthly Rater Rates

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 5.13
3/4"	7.70
1"	12.83
1-1/2"	25.66
2"	41.05
3"	82.10
4"	128.29
6"	256.57
8"	410.51
10"	590.11

Gallonage Charge:
All Gallonage \$ 1.23 per 1,000 gallons

Service Availability Charges

Main Extension Charge:

Actual cost less 20%

Meter Installation Charge:

Meter Size

5/8" x 3/4"	\$	75.00
3/4"		85.00
1"		100.00
1-1/2"		175.00
2" and over		Actual cost

Service Installation Charge:

Short Line	\$	150.00
Long Line Unpaved		175.00
Long Line Paved		200.00

Miscellaneous Charges

Violation reconnection fee	-	\$15.00
Initial connection	-	\$15.00
Normal reconnection	-	\$15.00
Premises visit fee	-	\$10.00

Customer Deposit

\$ 50.00

SSU argues that its uniform rate is fair, just, reasonable and nondiscriminatory. For informational purposes, SSU calculated stand-alone rates for LGI. The stand-alone rates are higher than SSU's uniform rates. SSU also prepared a billing analysis which indicates that, under SSU's uniform rates, customers will receive a \$17,311 (49 percent) revenue reduction. SSU states that implementation of its uniform rates will reduce rate shock. Upon consideration of the above, we find it appropriate to approve SSU's request to implement its uniform rates for the LGI customers.

The LGI service area includes a total of 240 lots, 100 in Phase I and 140 lots in Phase II. Seventy-seven of the Phase I lots are occupied and 23 are vacant. Seven lots in Phase II are occupied and 133 are vacant. According to our audit, LGI collected meter installation charges in the amount of \$9,050 from 1978

through 1993. Although these charges were never approved by this Commission, they are reasonable and consistent with the meter installation charges proposed by SSU. Since future growth is anticipated in this area, SSU has requested that its main extension charge, meter installation charges, and service installation charges be approved for future customers connecting to the LGI water system. SSU states that in general, its uniform charges, classifications, rules, and service availability policies are consistent with Commission rules and basic industry standards. Upon consideration, SSU's request is approved.

The miscellaneous service charges requested by SSU are consistent with the miscellaneous service charges contained in Staff Advisory Bulletin No. 13, Second Revised. They are, therefore, approved.

The \$50.00 customer deposit proposed by SSU is consistent with the deposit charged by the other systems it owns. This level of deposit is based on average bills for two months. Since this methodology is consistent with Rule 25-30.311 (7), Florida Administrative Code, it is approved.

The rates and charges approved herein shall be effective for services rendered on or after the stamped approval date on the tariff sheets, provided customers have received notice. SSU shall file a proposed customer notice for Staff's approval. The tariff sheets will be approved upon Staff's verification that they are consistent with our decision and that the proposed customer notice is adequate.

It is, therefore,

ORDERED by the Florida Public Service Commission that the application by Southern States Utilities, Inc., for transfer of the Lakeside Golf, Inc., facilities and for amendment of Certificate No. 189-W is approved, as set forth in the body of this Order. It is further

ORDERED that the net book value, for purposes of this transfer, is \$304,521, as of September 23, 1993. It is further

ORDERED that the application of Southern States Utilities, Inc., for a limited proceeding to implement its uniform rates and charges for the customers of Lakeside Golf, Inc., is approved as set forth in the body of this Order. It is further

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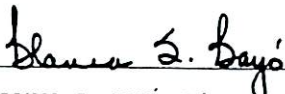
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ORDERED that Southern States Utilities, Inc., shall submit a proposed notice to the customers of Lakeside Golf, Inc., depicting the rates and charges approved herein. It is further

ORDERED that the rates and charges approved herein shall be effective for services rendered on or after the stamped approval date on the tariff pages. The tariff pages will be approved upon Staff's verification that they are consistent with our decision and that notice has been provided to the customers of Lakeside Golf, Inc.

ORDERED that this docket is closed.

By ORDER of the Florida Public Service Commission, this 9th day of February, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RJP

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.

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 and/or wastewater 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.

ATTACHMENT A

SOUTHERN STATES UTILITIES, INC.

LAKESIDE GOLF, INC.

CITRUS COUNTY

SERVICE TERRITORY DESCRIPTION

Township 18 South, Range 19 East, Citrus County, Florida.

Section 36

The Northeast 1/4 of said Section 36; less and except two acres square in the Northeast corner of said Northeast 1/4

AND

The Southeast 1/4 of said Section 36

AND

All that part of the Southeast 1/4 of the Southwest 1/4 of said Section 36 lying east of U.S. Highway 41.

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ATTACHMENT B

LAKESIDE GOLF, INC.
SCHEDULE OF WATER RATE BASE
As of September 23, 1993

<u>DESCRIPTION</u>	<u>Balance Per Utility/Staff</u>
Utility Plant in Service	\$ 340,641
Land	3,168
Accumulated Depreciation	(31,894)
Contributions-in- aid-of-Construction	(9,050)
CIAC Amortization	<u>1,656</u>
Total	<u>\$ 304,521</u>