



# Public Service Commission

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## -M-E-M-O-R-A-N-D-U-M-

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**DATE:** NOVEMBER 4, 1999

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAZO)

**FROM:** DIVISION OF WATER AND WASTEWATER (JOHNSON, REDEMANN)  
DIVISION OF LEGAL SERVICES (FUDGE)

**RE:** DOCKET NO. 991288-WS - APPLICATION FOR TRANSFER OF A PORTION OF CERTIFICATES NOS. 278-W AND 225-S IN SEMINOLE COUNTY FROM UTILITIES, INC. OF FLORIDA TO THE CITY OF ALTAMONTE SPRINGS.  
COUNTY: SEMINOLE

**AGENDA:** NOVEMBER 16, 1999 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\WAW\WP\991288.RCM

### CASE BACKGROUND

Utilities, Inc. of Florida (UIF or Utility) is a Class A utility, which provides water and wastewater service to 139 service areas in 28 counties. UIF currently operates ten separate subsidiaries certificated by the Commission serving approximately 12,000 water and 23,000 wastewater customers. It also operates two subsidiaries in non-jurisdictional Hillsborough County. At the present time, UIF provides safe and reliable water and wastewater service to approximately 165,000 customers in fifteen states. According to UIF's 1998 annual report, in Seminole County it serves approximately 2,670 water and 1,437 wastewater customers with combined water and wastewater revenues of \$1,067,330 and a combined net operating income of \$199,644.

By Order No. 10643, issued March 4, 1982 in Docket No. 810389-WS, the Commission approved the "Agreement for Transfer of Utility Service" which authorized the transfer from the City of Altamonte

DOCUMENT NUMBER-DATE  
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FPSC-RECORDS/REPORTING

DOCKET NO. 991288-WS  
DATE: NOVEMBER 4, 1999

Springs to UIF of certain water transmission and wastewater collection and pumping facilities located in Trailwood Estates Units 1 and 2. In exchange for these facilities and the right to serve the Trailwoods area, UIF agreed that it would construct a 12" water main through the Trailwoods area and connect its wastewater collection system in Oakland Hills and Green Acres Trailer Park to the City's regional collection system. As a result of Order No. 10643, UIF gained additional service territory and facilities valued at approximately \$150,000 and Certificates Nos. 278-W and 225-S were amended accordingly.

On September 2, 1999, UIF filed an application with the Commission requesting the transfer of a portion of the facilities and certificated territory operating under Certificates Nos. 278-W and 225-S from UIF in Seminole County to the City of Altamonte Springs. The portion of the facilities being transferred is the Green Acres Campground, which has one water faucet and one manhole according to UIF (see Attachment A). The Green Acres Campground was acquired in the transfer of the Trailwood Estates and Oakland Hills systems, but no distinction of the Campground's facilities was made in the transfer. The application includes a copy of the "Green Acres Campground Water and Wastewater Purchase Agreement" (Contract for Sale). The transfer closed on August 18, 1999, but is subject to the Commission's approval. Because of the gain on sale matter discussed in Issue 2, staff believes that it would not be appropriate to administratively process this docket.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve UIF's transfer of the utility to the City of Altamonte Springs, pursuant to Section 367.071, Florida Statutes, and amend UIF's certificates?

**RECOMMENDATION:** Yes, the Commission should approve UIF's transfer of the Green Acres Campground to the City of Altamonte Springs, as a matter of right, pursuant to Section 367.071, Florida Statutes. Certificates Nos. 278-W and 225-S should be amended to reflect that portion of the territory that UIF will continue to operate, minus the transferred territory. (JOHNSON, REDEMANN, FUDGE)

**STAFF ANALYSIS:** On September 2, 1999, UIF filed an application to transfer the Green Acres Campground and its water and wastewater facilities in Seminole County to the City of Altamonte Springs and to amend its certificates. According to UIF, the water and wastewater facilities include one water faucet and one manhole on the Green Acres Campground.

The provisions of Section 367.071, Florida Statutes, require an application for approval of the sale or transfer of a water and/or wastewater utility to a governmental agency. However, pursuant to Subsection 367.071(4)(a), the sale or transfer is approved as a matter of right. Rule 25-30.037(4)(e), Florida Administrative Code, requires the utility to submit with its application a statement that the governmental authority obtained from the utility or the Commission, the most recently available income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction. A copy of a letter addressed to Mr. James Fowler, Esq., dated August 31, 1999, was provided with the application as evidence that the City of Altamonte Springs had obtained the required information. The correspondence was signed by Mr. Carl Wenz, Vice President, of Regulatory Matters of UIF.

Rules 25-30.037(4)(g) and (h), Florida Administrative Code, require the utility to submit with its application a statement describing the disposition of customer deposits and a statement regarding the disposition of any outstanding regulatory assessment fees (RAF), fines, or refunds owed. The application states that UIF is not holding any customer deposits for the Green Acres Campground facilities. Further, UIF is current with its RAF and its annual report information. The Green Acres Campground facilities are only a portion of UIF's operations in Seminole County which has uniform rates. The portion of the facilities

DOCKET NO. 991288-WS  
DATE: NOVEMBER 4, 1999

being transferred is the Green Acres Campground facilities (see Attachment A). UIF will include the RAF for the Green Acres Campground facilities with its next RAF filing which is due March 31, 2000. The application did not identify any other outstanding refunds or amounts due by UIF with respect to this territory. Therefore, pursuant to Section 367.071 Florida Statutes, the transfer of the facilities from UIF to the City of Altamonte Springs should be approved as a matter of right and Certificates Nos. 278-W and 225-S should be amended to reflect this transfer.

**UTILITIES INC. OF FLORIDA**

**SEMINOLE COUNTY**

**TERRITORY DESCRIPTION**

**WATER AND WASTEWATER AREA TO BE DELETED**

LEGAL DESCRIPTION

A parcel of land lying in Section 21, Township 21 South, Range 29 East Seminole County, Florida more particularly described as follows:

The Northeast 1/4, of the Southeast 1/4 of said Section 21,

Less Oakland Hills Addition recorded in Plat Book 13, Page 90 of the Public records of Seminole County, Florida more particularly described as follows: Begin at the NE corner of the NE 1/4 of the SE 1/4 of said Section 21, Township 21 South, Range 29 East, Thence run S88°11'14"W a distance of 1319.28 feet to the NW corner of the NE 1/4, of the SE 1/4 of said Section 21; Thence run S01°56'13"E along the Westerly line of the NE 1/4, of the SE 1/4 of said Section 21 a distance of 133.00 feet; Thence run N88°11'14"E a distance of 1119.52 feet; Thence run N66°21'08"E a distance of 53.78 feet; Thence run N87°57'56"E a distance of 150.00 feet to a point on the Easterly line of the NE 1/4 of the SE 1/4 of said section 21; Thence run N2°02'04"W a distance of 112.42 feet to the Point of Beginning.

**ISSUE 2:** Should the Commission open a docket to examine whether UIF's sale of its facilities involves a gain that should be shared with its customers?

**RECOMMENDATION:** Yes. The Commission should open an investigation to evaluate a potential gain on sale of the Green Acres Campground facilities in Seminole County. (JOHNSON, FUDGE)

**STAFF ANALYSIS:** Per the purchase agreement, the sales price for the Green Acres Campground facilities is \$427,000. The Green Acres Campground facilities were initially acquired with the transfer of the Oakland Hill system. For rate setting purposes, all of the systems in Seminole County are combined for the development of water and wastewater rates. The last established rate base by the Commission for the Seminole County water and wastewater systems was \$1,183,566, and \$470,836 respectively, for the historical test year end period of 1993, in Docket No. 940917-WS, Order No. PSC-95-0574-FOF-WS, issued May 9, 1995.

Although the utility has provided the sale amount specific to the Green Acres Campground, there is no way to determine a separate rate base amount to compare the sale price with, since the Oakland Hills system was combined with the rest of the Seminole County systems for ratemaking purposes. The only comparison that can be made is the purchase price of \$427,000 and the \$150,000 estimated value assigned when the initial transfer of Trailwoods Estates and Oakland Hills was approved by Order No. 10643, issued March 4, 1982, in Docket No. 810389-WS. The utility indicated by letter at that time its intent to record all the assets as contributions-in-aid-of-construction. The transfer of those two systems took place almost seventeen years ago and there was no separate identification of the Green Acres Campground facilities. However, the purchase price of \$427,000 does seem to indicate that UIF will experience a gain on sale of at least \$277,000. The purchase price for Green Acres Campground is about 26% of the combined ratebases in Seminole County. Seminole County ratebases consist of eleven water systems and five wastewater systems.

The staff believes that since the Commission will continue to regulate the Seminole County systems, it is appropriate to evaluate whether the gain on sale of the Green Acres Campground facilities should be allocated among the remaining customers and stockholders. Because the sale occurred August 18, 1999, an updated rate base calculation will be needed to determine the gain, if any, due to sale of these facilities. Therefore, the staff recommends that such an investigation be initiated by the Commission. The investigation would attempt to determine whether the remaining

DOCKET NO. 991288-WS  
DATE: NOVEMBER 4, 1999

customers in Seminole County were subsidizing the investment in the Green Acres Campground facilities during the years that the systems were combined for ratemaking purposes.

The proposition that a gain on sale should be shared with customers has been considered in other dockets. In each case, the idea was presented that customers in other service areas were entitled to share the gain when another operating facility was sold. Similar issues regarding gain on sale were reviewed in Order No. PSC-93-0301-FOF-WS, issued February 25, 1993, in Docket No. 911188-WS; in Order No. PSC-93-0423-FOF-WS, issued March 22, 1993, in Docket No. 920199-WS; and in Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS.

Further study to examine sharing considerations for the gain on sale is recommended to permit timely examination of this topic. We recommend that a separate docket be opened to determine the actual gain on sale for the Green Acres Campground to evaluate whether a gain should be shared with customers.

DOCKET NO. 991288-WS  
DATE: NOVEMBER 4, 1999

**ISSUE 3:** Should this docket be closed?

**RECOMMENDATION:** Yes, this docket should be closed. (FUDGE)

**STAFF ANALYSIS:** No further action is required in this docket.  
Therefore, the docket should be closed.