

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of water facilities in Orange County from Tangerine Water Company, Inc., holder of Certificate No. 96-W, to Florida Water Services Corporation; for amendment of Certificate No. 84-W held by Florida Water Services Corporation; for cancellation of Certificate No. 96-W; and for territory correction.

DOCKET NO. 000333-WU
ORDER NO. PSC-00-1515-PAA-WU
ISSUED: August 21, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER

ORDER APPROVING TRANSFER AND CORRECTING TERRITORY DESCRIPTION

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE TRANSFER AND
DECLINING TO RECOGNIZE A POSITIVE ACQUISITION ADJUSTMENT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions establishing rate base for purposes of the transfer and declining to recognize a positive acquisition adjustment, as 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.

Background

On March 21, 2000, Florida Water Services Corporation (FWSC) filed an application with this Commission for approval of the transfer of Tangerine Water Company, Inc. (Tangerine or utility) to FWSC. Tangerine, which is a Class C utility, was granted

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Certificate No. 96-W by Order No. 5446, issued June 8, 1972, in Docket No. C-71559-W. The utility currently provides service to approximately 231 connections in Tangerine, Florida.

On January 7, 2000, Tangerine and FWSC entered into an Agreement for the Purchase and Sale of the utility facilities. The agreement is contingent on Commission approval, pursuant to Section 367.071(1), Florida Statutes.

Application

The application, as filed, did not contain all of the necessary information. On April 25, 2000, supplemental information was submitted to correct Tangerine's territory description. All filing requirements were completed June 26, 2000.

The application is now in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and provisions of the Florida Administrative Code. In particular, the application contains the correct filing fee, pursuant to Rule 25-30.020, Florida Administrative Code. FWSC returned Certificate No. 84-W to the Commission, as required by Rule 25-30.037(2)(t), Florida Administrative Code. However, Certificate No. 96-W, held by Tangerine, could not be located. The utility provided an affidavit attesting to its efforts to locate the certificate.

The original notices of the application were given too far in advance of the date of filing to comply with the provisions of Rule 25-30.030, Florida Administrative Code. As a consequence, FWSC was required to renotice the filing. No objections to the application have been received and the time for filing such has expired.

According to the application, approximately four customers within Tangerine's service area were not included in the territory description on file with this Commission. Tangerine was serving the customers prior to the issuance of its original certificate by Order No. 5446, issued June 8, 1972, in Docket No. C-71559-W.

Order No. 5446 was issued pursuant to the enactment of Subsection 367.171(1)(b), Florida Statutes, which became effective on September 1, 1971. Based on that Subsection, any utility engaged in the operation or construction of a system in any applicable county was entitled to receive a certificate for the area it was serving if it filed documents within 90 days. Tangerine provided a legal description of its existing territory

and a map. However, when the utility's lines were originally installed, the owner allowed an isolated group of customers to tie into the lines. The utility's legal description and maps were never amended to include the additional customers and the matter was subsequently forgotten. Because the utility was already serving the territory when its certificate was granted in 1972, we believe that the additional area was inadvertently omitted.

FWSC provided a territory description which includes the additional territory. The corrected territory description is shown on Attachment A of this Order, which by reference is incorporated herein. Because FWSC was required to renotice, the correct territory proposed to be transferred was given to all customers, local governments and utilities. As stated previously, no protests have been filed to the application.

As required by Rule 25-30.037(2)(g), (h), (i) and (k), Florida Administrative Code, the application contains a copy of the sales agreement and all auxiliary or supplemental agreements. According to the information provided, because this was a cash transaction, there are no entities which FWSC has relied upon for funding. The Agreement gives FWSC the right, title and interest to all customer agreements, advances for construction, guaranteed revenues, fees and charges, customer deposits and all customer receivables for services provided from and after the closing.

FWSC provided proof, in the form of a long-term lease, that it has continued use of the land upon which the water facilities are located, as required by Rule 25-30.037(2)(q), Florida Administrative Code. FWSC obtained title insurance in the amount of the purchase price for the period from December 21, 1999, through January 1, 2099. The title insurance is for a Lease Extension Agreement dated December 21, 1999. The extension was based on an original lease agreement dated January 4, 1945 between Tangerine Improvement Society, Lessor, and Tangerine Water Company, Lessee.

Tangerine is current on annual reports and regulatory assessment fees through 1999. Further, there are no penalties, interest or refunds due. FWSC will be responsible for filing the 2000 annual report and the resulting regulatory assessment fees for the water system.

With regard to FWSC's financial and technical ability, the application contains a statement of FWSC's experience in water and

wastewater operations and financial ability to provide service, pursuant to Rule 25-30.037(2)(j), Florida Administrative Code. FWSC has been regulated by this Commission since 1964. It currently owns and operates utility facilities under Commission regulation in 20 service areas throughout the State of Florida. Further, from information provided with the application, FWSC has the financial ability to continue to provide service to the customers of the utility.

Pursuant to Rule 25-30.037(2)(p), Florida Administrative Code, the application disclosed Tangerine's obligation to complete certain equipment and distribution upgrades, pursuant to Order No. PSC-99-1399-PAA-WU, issued July 21, 1999, in Docket No. 981663-WU. The application also disclosed Tangerine's compliance-monitoring schedule with the Florida Department of Environmental Protection (FDEP). FWSC filed a motion for an extension of time until September 7, 2000, in which to comply with the pro forma work specified in Order No. PSC-99-1399-PAA-WU. Order No. PSC-00-1091-PAA-WU, issued June 6, 2000, in Docket No. 981663-WU granted the motion, and required FWSC to submit monthly progress reports. According to FWSC, the remaining improvements required by Order No. PSC-00-1091-PAA-WU, have now been completed. Completion of the work will be verified by the Commission staff.

In addition to the pro forma work required by Order No. PSC-99-1399-PAA-WU, Tangerine was also required to begin a program of looping system lines to help reduce low pressure problems. According to FWSC, this program has not been completed due to delays caused by some customers refusing to grant easements across their property. Where easements have not been obtained, FWSC has indicated that alternative routes will be located. Because the requirement in the Order was for FWSC to begin a looping program, we find that the requirement has been met by FWSC's efforts to date. Further, according to FDEP, it is satisfied with FWSC's efforts to bring the system into compliance.

Based on the foregoing, we find that the transfer of facilities from Tangerine to FWSC to be in the public interest and it is approved. A description of the territory being transferred is shown on Attachment A of this Order, which by reference is incorporated herein. We also find it appropriate to amend Certificate No. 84-W, held by FWSC, to include the territory served by Tangerine, and to cancel Certificate No. 96-W, held by Tangerine. Further, FWSC shall file a 2000 annual report and remit regulatory assessment fees for the utility for the period from

January 1, 2000 through December 31, 2000, in the time-frame and manner prescribed by the Commission rules.

Rate Base

Because the transfer of the utility closed on January 7, 2000, we would ordinarily conduct an audit to establish the net book value of the utility as of December 31, 1999. However, rate base for Tangerine was last established by Order No. PSC-99-1399-PAA-WU, issued on July 21, 1999, in Docket No. 981663-WU. Although no used and useful adjustments were made in that Order, a working capital allowance of \$7,816 was included as well as pro forma adjustments of \$22,870.

Tangerine's unaudited 1999 annual report shows plant additions of \$4,724. Presumably, most of the additions are the required pro forma work already included in the rate base. Even with the \$4,724 in plant additions, the utility's total plant in service at the end of 1999 was less than the \$183,286 included in the order because the required pro forma work had not been completed by the end of 1999.

By Order No. PSC-99-1399-PAA-WU, rate base for Tangerine was set at \$85,408, as of December 31, 1998. The rate base calculation approved in Order No. PSC-99-1399-PAA-WU is shown on Schedule No. 1 of this Order, which by reference is incorporated herein. Therefore, rate base, for purposes of the transfer, is found to be \$85,408, as of December 31, 1998.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the original cost calculation adjusted to the time of the acquisition. The difference in the purchase price (\$165,000) and the rate base (\$85,408 less \$7,816 in working capital = \$77,592), results in a positive acquisition adjustment of \$87,408.

In the absence of extraordinary circumstances, it is Commission policy that the purchase of a utility at a premium or discount shall not affect the rate base calculation. Because the circumstances in this transaction do not appear to be extraordinary, and because FWSC has not requested an acquisition adjustment, no acquisition adjustment is included in the calculation of rate base.

Rates and Charges

The utility's current water service charges, customer deposits and service availability fees and charges became effective on September 1, 1999, pursuant to Order No. PSC-99-1399-PAA-WU, issued July 21, 1999, in Docket No. 981663-WU. Tangerine also has the standard schedule of meter test deposits and miscellaneous service charges, with the addition of a \$3.75 late payment fee. The utility's current rates and charges are set forth below.

General and Residential Services
Quarterly Rates

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$ 25.89
3/4"	\$ 38.82
1"	\$ 64.68
1-1/2"	\$ 129.39
2"	\$ 207.03
3"	\$ 414.03
4"	\$ 646.92
6"	\$1,293.87
<u>Gallonage Charge</u> Per 1,000 Gallons	\$ 1.48

Multi-Residential Service
Quarterly Rates

Charge Per Unit	\$ 17.25
Gallonage Charge per 1,000 gallons	\$ 1.48

Schedule of Customer Deposits
Residential Customers

<u>Meter Size</u>	<u>Amount</u>
5/8" x 3/4"	\$ 116.00
1"	Average Quarterly Bill + 1 month
1-1/2"	Average Quarterly Bill + 1 month
Over 2"	Average Quarterly Bill + 1 month

Schedule of Customer Deposits
General Service Customers

<u>Meter Size</u>	<u>Amount</u>
4/8" x 3/4"	Average Quarterly Bill + 1 month
1"	Average Quarterly Bill + 1 month
1-1/2"	Average Quarterly Bill + 1 month
Over 2"	Average Quarterly Bill + 1 month

Service Availability Fees and Charges

Customer Connection (Tap-in) Charge	
5/8" x 3/4" meter	\$ 100.00
All other meter sizes	At Cost
Main Extension Charge	\$ 36.00
Plant Capacity Charge	\$ 64.00

Rule 25-9.044(1), Florida Administrative Code, requires the new owner of a utility to adopt and use the rates, classifications and regulations of the former operating company unless authorized to change by this Commission. FWSC has not requested to change the rates and charges and we see no reason to change them at this time. FWSC shall continue to charge the rates and charges approved in Tangerine's tariff until authorized to change by this Commission in a subsequent proceeding. FWSC has filed tariff sheets reflecting the transfer for inclusion in its consolidated water tariff. The tariff sheets shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of facilities from Tangerine Water Company, Inc., Post Office Box 304, Tangerine, Florida 32777-0304, to Florida Water Services Corporation, Post Office Box 609520, Orlando, Florida 32860-9520, is hereby approved. It is further

ORDERED that the territory served by Tangerine Water Company, Inc. is hereby corrected, as discussed in the body of this Order. A description of the corrected territory being transferred is shown

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on Attachment A of this Order. The correction to the territory is underlined and in bold print. It is further

ORDERED that Certificate No. 84-W, held by Florida Water Services Corporation, is hereby amended to include the territory shown on Attachment A of this Order. It is further

ORDERED that Certificate No. 96-W, held by Tangerine Water Company, Inc., is hereby canceled. It is further

ORDERED that Florida Water Services Corporation shall file an annual report for the year 2000 and pay the regulatory assessment fees due for the period from January 1, 2000 through December 31, 2000 on behalf of Tangerine Water Company, Inc., in the time-frame and manner prescribed by Commission rules. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value of the system being transferred, is \$85,408, as of December 31, 1998, as previously established by Order No. PSC-99-1399-PAA-WU, issued July 21, 1999, in Docket No. 981663-WU. It is further

ORDERED that an acquisition adjustment shall not be approved for Florida Water Services Corporation in this proceeding, for the reasons set forth in the body of this Order. It is further

ORDERED that all schedules and attachments attached to this Order are incorporated herein by reference. It is further

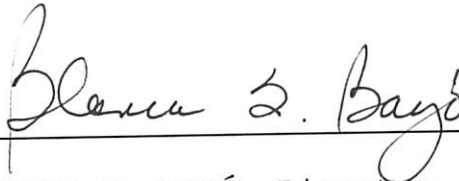
ORDERED that Florida Water Services Corporation shall continue charging the rates and charges approved in Tangerine Water Company, Inc.'s tariff until authorized to change by this Commission in a subsequent proceeding. It is further

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 Director, Division of Records and Reporting, 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 in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission this 21st
day of August, 2000.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

ALC

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 actions establishing rate base for purposes of the transfer and declining to recognize a positive acquisition adjustment in the calculation of rate base are 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 Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 11, 2000. 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.

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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 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 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.

TERRITORY DESCRIPTION
FLORIDA WATER SERVICES CORPORATION
TANGERINE WATER SYSTEM
ORANGE COUNTY

WATER SERVICE, ONLY
ORDERS NOS. 5446 AND 9568

Township 20 South, Range 27 East

Section 4	The South 1/2 of said Section 4.
Sections 5, 6, 7 and 8	All of said Sections 5, 6, 7 and 8.
Section 9	The West 1/2 of said Section 9 <u>and the North 1/2 of the NW 1/4 of the NE 1/4 of said Section 9.</u>
Section 16	The Northwest corner of said Section 16 bordered by State Road 448 and U.S. 441.
Sections 17 and 18	All of said Sections 17 and 18.

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SCHEDULE 1

TANGERINE WATER COMPANY, INC.
SCHEDULE OF WATER RATE BASE
AS OF DECEMBER 31, 1998

BALANCE PER ORDER NO.
PSC-99-1399-PAA-WU

UTILITY PLANT IN SERVICE	\$ 183,286
LAND	0
NON-USED AND USEFUL PLANT	0
CONTRIBUTIONS-IN-AID-OF CONSTRUCTION (CIAC)	(57,698)
ACCUMULATED DEPRECIATION	(70,547)
AMORTIZATION OF CIAC	22,551
WORKING CAPITAL ALLOWANCE	7,816
RATE BASE	<u>\$ 85,408</u>