



Public Service Commission  
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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION  
CLERK

**DATE:** JULY 12, 2001

**TO:** DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

**FROM:** DIVISION OF REGULATORY OVERSIGHT (CLAPP, WALDEN) *AP*  
DIVISION OF LEGAL SERVICES (CROSBY, GERVASI) *for RL*

**RE:** DOCKET NO. 000793-WS - APPLICATION FOR TRANSFER OF FACILITIES AND CERTIFICATES NOS. 484-W AND 421-S IN PASCO COUNTY FROM BARTELT ENTERPRISES, INC. TO UTILITIES, INC. OF FLORIDA, HOLDER OF CERTIFICATE NOS. 107-W AND 229-S; FOR AMENDMENT OF CERTIFICATE NOS. 107-W AND 229-S; AND FOR CANCELLATION OF CERTIFICATE NOS. 484-W AND 421-S.  
COUNTY: PASCO

**AGENDA:** 07/24/01 - REGULAR AGENDA - PROPOSED AGENCY ACTION FOR ISSUES 2 AND 3 - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\RGO\WP\000793WS.RCM

CASE BACKGROUND

Bartelt Enterprises, Inc. (Bartelt, seller, or utility), is a Class C utility serving approximately 1,242 residential water customers (1,108 in the utility's Sunshine system and 134 in the utility's Wis-Bar system) and approximately 155 residential wastewater customers in its Wis-Bar system in Pasco County (County). The utility was developer affiliated and basically built out when it came under Public Service Commission jurisdiction. On July 11, 1972, the Board of County Commissioners adopted a resolution pursuant to the provisions of Section 367.171(1), Florida Statutes, giving the Public Service Commission jurisdiction to regulate water and wastewater utilities within the County. Wis-Bar Utilities Corporation (Wis-Bar) was issued Certificates

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Nos. 112-W and 84-S, pursuant to Order No. 5611, issued on December 27, 1972, in Dockets Nos. C-72547-W and C-72548-S. Bartelt Sunshine Corporation (Sunshine) was issued Certificate No. 134-W pursuant to Order No. 5726, issued on April 19, 1973, in Docket No. C-72546-W. Certificates Nos. 484-W and 421-S were issued to Bartelt Enterprises, Inc., upon the transfer, cancellation of existing certificates, and merger of Bartelt Sunshine Corporation and Wis-Bar Utilities Corporation, pursuant to Order No. 17240, issued March 5, 1987, in Dockets Nos. 861480-WU and 861481-WS. The utility's 1999 annual reports on file with the Commission list the Sunshine system's annual gross water revenue as \$130,322 with a net income of \$441. The Wis-Bar systems had gross water and wastewater revenues of \$25,391 and \$19,688, respectively, with net incomes of \$2,668 and (\$11,540), respectively.

On June 29, 2000, Utilities, Inc. of Florida (Utilities, Inc. or buyer) submitted an application for transfer of the utility, cancellation of Certificates Nos. 484-W and 421-S, and amendment of Certificates Nos. 107-W and 229-S. Utilities, Inc. is a Class A utility, operating in multiple counties within Florida, serving approximately 1,383 residential water customers and 771 residential wastewater customers in Pasco County. The buyer's 1999 annual report on file with the Commission lists total company annual gross water and wastewater revenues of \$1,335,561 and \$713,534 respectively, with net incomes of \$261,945 and \$93,528, respectively.

The purpose of this docket is to recommend approval of the transfer of the Bartelt water and wastewater systems to Utilities Inc., cancellation of Water Certificate No. 484-W and Wastewater Certificate No. 421-S, and amendment of Water Certificate No. 107-W and Wastewater Certificate No. 229-S to include the territory served by Bartelt. The Commission has jurisdiction pursuant to Section 367.071, Florida Statutes.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the transfer of facilities from Bartelt Enterprises, Inc. to Utilities, Inc. of Florida, the amendment of Water Certificate No. 107-W and Wastewater Certificate No. 229-S, and the cancellation of Water Certificate No. 484-W and Wastewater Certificate No. 421-S be approved?

**RECOMMENDATION:** Yes, the transfer of facilities from Bartelt Enterprises, Inc. to Utilities, Inc. of Florida, the amendment of Water Certificate No. 107-W and Wastewater Certificate No. 229-S, and the cancellation of Water Certificate No. 484-W and Wastewater Certificate No. 421-S should be approved. (CLAPP, WALDEN)

**STAFF ANALYSIS:** As stated in the case background, Utilities, Inc. applied for a transfer of Bartelt's water and wastewater facilities, operating under Water Certificate No. 484-W and Wastewater Certificate No. 421-S in Pasco, on June 29, 2000. Staff identified numerous deficiencies in the utility's application, which were corrected on December 18, 2000. The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer. The application contains a check in the amount of \$2,250, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The applicant has provided evidence, in the form of a Warranty Deed, that the utility owns the land upon which the utility's facilities are located as required by Rule 25-30.037(2)(q), 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. No objections to the application were received, and the time for the filing of such objections has expired. A description of the territory being transferred is appended to this memorandum as Attachment A. The service area has been verified as the service area granted to Bartelt in Order No. 17240, issued March 5, 1987.

The application states that the transfer is in the public interest, as required by Rule 25-30.037(3)(f), Florida Administrative Code, because the buyer has approximately 35 years experience in the water and wastewater industry. Additionally, the seller cannot attain the buyer's economies of scale of the costs

associated with running the utilities. The seller is very interested in the systems being owned by a company that will be responsive to and financially able to handle future maintenance needs of the systems. Additionally, the application contains a statement that the buyer will fulfill the commitments, obligations and representations of the seller with regard to utility matters.

The application states that the buyer has performed a reasonable investigation of the utility system as required by Rule 25-30.037(3)(h), Florida Administrative Code. The buyer included a statement that the buyer is not aware of any outstanding Notices of Violation or any outstanding Department of Environmental Protection (DEP) consent orders. Staff has contacted the DEP and verified that there are no outstanding notices of violation.

Based on the information in the application, staff believes that Utilities, Inc. has the financial and technical ability to provide quality water and wastewater services. The actual closing took place on June 15, 2000. According to the Asset Purchase Agreement and a supplemental statement signed by both parties, the closing is contingent upon Commission approval, in accordance with Section 367.071, Florida Statutes. The application states that the seller is responsible for the regulatory assessment fees for January 1, 2000 through the closing date of June 15, 2000. According to our records, the utility is current on its regulatory assessment fees and annual reports through 2000.

The application contains a copy of the contract for sale which includes the purchase price, terms of payment and a list of the assets purchased and liabilities assumed. Based on the application, there are no customer deposits, guaranteed revenue contracts, developer agreements, or customer advances.

Based on the above, staff recommends that the transfer of assets and facilities from Bartelt to Utilities, Inc., the amendment of Water Certificate No. 107-W and Wastewater Certificate No. 229-S to include the territory served by Bartelt, and the cancellation of Water Certificate No. 484-W and Wastewater Certificate No. 421-S is in the public interest and should be approved.

ATTACHMENT A

UTILITIES, INC. OF FLORIDA

PASCO COUNTY

FORMERLY BARTELT ENTERPRISES, INC.

BUENA VISTA MANOR WATER SYSTEM

In Township 26 South, Range 16 East, Pasco County:

Section 29 - The East 2/3 of the NW 1/4 of the SW 1/4 of said Section 29, LESS the South 330 feet thereof, and LESS the West 25 feet of the North 583 feet thereof.

BUENA VISTA MANOR WASTEWATER SYSTEM

In Township 26 South, Range 16 East, Pasco County:

Section 29 - The East 2/3 of the NW 1/4 of the SW 1/4 of said Section 29, LESS the South 330 feet thereof, and LESS the West 25 feet of the North 583 feet thereof.

Section 30 - The East 1/2 of the East 1/3 of the SE 1/4 of the NE 1/4 of said Section 30, LESS the North 330 feet thereof.

BUENA VISTA WATER SYSTEM

In Township 26 South, Range 16 East, Pasco County:

Section 30 - The South 1/2 of the SW 1/4, less the North 340 feet thereof. Also, the West 2/3 of the NW 1/4 of the SW 1/4, less the East 110 feet thereof. Also, the North 340 feet of the West 2/3 of the SW 1/4 of the SW 1/4, less the East 110 feet thereof.

Section 31 - The North 1/2 of the NW 1/4; the North 330 feet of the South 1/2 of the NW 1/4.

**ISSUE 2:** What is the rate base of Bartelt at the time of transfer?

**RECOMMENDATION:** The rate base, which for transfer purposes reflects the net book value for the utility is \$160,494 (\$68,604 for the Sunshine water system, \$3,446 for the Wis-Bar water system, and \$88,444 for the Wis-Bar wastewater system) as of June 15, 2000.  
(CLAPP)

**STAFF ANALYSIS:** Rate base for the Sunshine water system has not been previously established by this Commission. The Wis-Bar systems were last audited in 1983 and rate base was established by Order No. 7616, issued February 1, 1977, in Docket No. 760378-WS. The field audit staff conducted an audit of the books and records as of June 15, 2000, the date on which the sale was closed, including a review of the utility's records and the previous Commission audit. As a result of the audit, the following exceptions were noted:

**Audit Exception No. 1.** The audit revealed that the sale of land owned by the utility was incorrectly recorded on its books. The utility owned six lots valued at \$3,000 which were included in the Wis-Bar Wastewater system. On December 1, 1999, five of the lots were sold. The utility removed the entire \$3,000 from its books. The auditor recommends that \$500 (\$3,000/6 lots) be recorded as the value of the land still owned by the utility.

**Audit Exception No. 2.** The auditor found that the balance for accumulated depreciation was incorrectly stated. The resulting accumulated depreciation was different from the utility's recorded amount for both systems. For the Sunshine system, the utility failed to reduce its accumulated depreciation whenever there was retirement of an asset. For the Wis-Bar systems, the utility did not adjust its books to the previous ordered amounts. Therefore, accumulated depreciation for the Sunshine system should be reduced by \$45,848, for the Wis-Bar water system it should be increased by \$8,501, and for the Wis-Bar wastewater system it should be increased by \$4,532.

**Audit Exception No. 3.** The auditor found that the balances for Contributions-in-aid-of-construction (CIAC) and Amortization of CIAC were incorrect. The auditor started with the audit balances from the previous Wis-Bar audit and used a rate of 2.5% to recompute the amortization of CIAC for the system. CIAC was

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imputed for the Sunshine system based upon the addition of five customers added since 1975 when its tariff became effective. CIAC was also imputed for the Wis-Bar Utility based upon the addition of five water and wastewater customers added since the 1983 audit. The resulting modifications were to increase CIAC for Sunshine by \$325, for Wis-Bar water by \$300, and Wis-Bar wastewater by \$750, and to increase accumulated amortization of CIAC for Sunshine by \$85, for Wis-Bar water by \$8,078, and Wis-Bar wastewater by \$8,234.

The audit reflected that the utility had a \$0 CIAC balance for the Sunshine system. On February 13, 1974, in Docket No. 74085-W, the Commission issued Order No. 6034 requiring Sunshine, among other things, to provide information regarding charges for service to unoccupied homes. Subsequent to a Commission hearing, by Order No. 6394, issued December 12, 1974, the Commission found that the utility should be required to fully justify its investment, revenues, and expenses so that rates could be established. In addition, the utility was ordered to discontinue charging vacant unimproved lots in excess of the approved connection charges, to identify and record the previous collections of CIAC, and to file a verified statement showing the amounts collected by year from lot owners. By Order No. 7754, issued April 14, 1977, the Commission found that the company had not complied with all of the requirements of the order and that no useful purpose would be served by continuing the docket. Therefore, the docket was closed.

By letter to Utilities, Inc., dated June 4, 2001, J. S. Baillie, CPA, described how connection fees were accounted for by their firm prior to 1972. He indicated that, at that time, the firm "did numerous privately owned non-regulated utilities in Pasco County, and generally connections fees were accounted for as direct offsets to plant costs" and were not shown as CIAC. "The plant would have been depreciated based on cost net of connection fees. Connection fees prior to 1972 were almost always accounted for in this manner, as reporting the connection fees as income would have resulted in increased taxable income in the immediate year; offsetting plant effectively amortized (through less depreciation) the connection fees into net income, over a longer period." He further indicated that if the Commission desires to adjust CIAC, then gross plant cost would be increased with an offsetting entry to CIAC, accumulated depreciation of plant and accumulated amortization of CIAC would be adjusted accordingly, however the net increase (decrease) in rate base would be zero.

Therefore, staff recommends that no adjustment be made to correct the accounting treatment of CIAC prior to 1972 because there would be no impact to rate base.

Staff recommends that, as of June 15, 2000, rate base for the Bartelt systems is \$68,604 for the Sunshine water system, \$3,446 for the Wis-Bar water system, and \$88,444 for the Wis-Bar wastewater system. The Sunshine water rate base is shown on Schedule No. 1, with adjustments set forth on Schedule No. 2. The Wis-Bar water rate base is shown on Schedule No. 3, with adjustments set forth on Schedule No. 4. The Wis-Bar wastewater rate base is shown on Schedule No. 5, with adjustments set forth on Schedule No. 6. The rate base calculations are used solely to establish the net book value at the time the property is transferred. As such, the calculations do not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments.



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SCHEDULE 1

BARTELT SUNSHINE  
SCHEDULE OF WATER RATE BASE  
AS OF JUNE 15, 2000

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>AUDIT ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 238,019	\$ 0	\$ 238,019
Land	2,910	0	2,910
Accumulated Depreciation	(217,933)	45,848	(172,085)
Contributions in Aid of Construction (CIAC)	0	( 325)	( 325)
Amortization of CIAC	<u>0</u>	<u>85</u>	<u>85</u>
WATER RATE BASE	<u>\$ 22,996</u>	<u>\$ 45,608</u>	<u>\$ 68,604</u>

BARTELT SUNSHINE  
SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
<b>Accumulated Depreciation</b>	
1) To recalculate depreciation based on service life using 2.5% and account for retired asset	\$45,848
<b>Contributions in Aid of Construction (CIAC)</b>	
1) To impute CIAC for 5 customers added from 1975-2000	( 325)
<b>Accumulated Amortization of CIAC</b>	
1) To adjust amortization of CIAC for imputed CIAC	<u>85</u>
<b>TOTAL ADJUSTMENT</b>	<u>\$ 45,608</u>

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SCHEDULE 3

WIS-BAR UTILITIES  
SCHEDULE OF WATER RATE BASE  
AS OF JUNE 15, 2000

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>AUDIT ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 26,614	\$ 0	\$ 26,614
Land	0	0	0
Accumulated Depreciation	( 10,443)	( 8,501)	( 18,944)
Contributions in Aid of Construction (CIAC)	( 12,002)	(300)	( 12,302)
Amortization of CIAC	<u>                    </u>	<u>8,078</u>	<u>8,078</u>
WASTEWATER RATE BASE	<u>\$ 4,169</u>	<u>\$ ( 723)</u>	<u>\$ 3,446</u>

## SCHEDULE 4

**WIS-BAR UTILITIES  
SCHEDULE OF WATER RATE BASE ADJUSTMENTS**

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
<b>Accumulated Depreciation</b>	
1) To adjust to previous audit and to recalculate depreciation based life on service using 2.5%	\$( 8,501)
<b>Contributions in Aid of Construction (CIAC)</b>	
1) To adjust CIAC to level established in December 1983.	( 300)
<b>Accumulated Amortization of CIAC</b>	
1) To adjust amortization of CIAC to level established in December 1983 audit and 2.5% amortization through June 15, 2000	<u>8,078</u>
<b>TOTAL ADJUSTMENT</b>	<u>\$( 723)</u>

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SCHEDULE 5

WIS-BAR UTILITIES  
SCHEDULE OF WASTEWATER RATE BASE  
AS OF JUNE 15, 2000

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>AUDIT ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 114,133	\$ 0	\$114,133
Land	0	500	500
Accumulated Depreciation	( 12,659)	( 4,532)	( 17,191)
Contributions in Aid of Construction (CIAC)	( 16,482)	(750)	( 17,232)
Amortization of CIAC	<u>0</u>	<u>8,234</u>	<u>8,234</u>
WASTEWATER RATE BASE	<u>\$ 84,992</u>	<u>\$ 3,452</u>	<u>\$ 88,444</u>

**WIS-BAR UTILITIES  
SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS**

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
<b>Land</b>	
1) To reflect cost of land still owned	\$ 500
<b>Accumulated Depreciation</b>	
1) To adjust to previous audit and to recalculate depreciation based life on service using 2.5%	( 4,532)
<b>Contributions in Aid of Construction (CIAC)</b>	
1) To adjust CIAC to level established in December 1983.	( 750)
<b>Accumulated Amortization of CIAC</b>	
1) To adjust amortization of CIAC to level established in December 1983 audit and 2.5% amortization through June 15, 2000	<u>8,234</u>
<b>TOTAL ADJUSTMENT</b>	<u>\$ 3,452</u>

**ISSUE 3:** Should an acquisition adjustment be approved?

**RECOMMENDATION:** No. An acquisition adjustment was not requested; therefore an acquisition adjustment should not be included in the calculation of rate base for transfer purposes. (CLAPP)

**STAFF ANALYSIS:** An acquisition adjustment results when the purchase price differs from the rate base for transfer purposes. The acquisition adjustment resulting from the transfer of Bartelt would be calculated as follows:

Purchase Price	\$440,000
Staff Calculated Rate Base	<u>160,494</u>
Positive Acquisition Adjustment	<u>\$279,506</u>

An acquisition adjustment was not requested by the buyer. The buyer stated that its board of directors considered the purchase price to be fair when considered with the number of customers, the monthly expenses and the monthly income.

In the absence of extraordinary circumstances, it has been Commission practice that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. Since the buyer stated in its application for transfer that it was not seeking an acquisition adjustment, and there are no extraordinary circumstances regarding this purchase that would justify an acquisition adjustment to rate base, staff recommends that an acquisition adjustment not be included in the calculation of rate base. Staff's recommendation is consistent with previous Commissions decisions in this regard. See Order No. PSC-98-1231-FOF-WU, issued September 21, 1998, in Docket No. 971670-WU; Order No. PSC-98-0514-FOF-SU, issued April 15, 1998, in Docket No. 951008-SU; and Order No. PSC-98-0993-FOF-WS, issued on July 20, 1998, in Docket No. 971220-WS.

**ISSUE 4:** Should Utilities, Inc. continue to charge the rates and charges approved by this Commission for Bartelt?

**RECOMMENDATION:** Yes. Utilities, Inc. should continue charging the rates and charges approved for Bartelt. The tariff should be effective for services provided or connections made on or after the stamped approval date, in accordance with Rule 25-30.475, Florida Administrative Code. (CLAPP)

**STAFF ANALYSIS:** The current rates and charges have been in effect for the systems since they were originally certificated, except for periodic price index rate adjustments. The current rates were approved pursuant to a price index filing effective July 30, 1999. The current approved rates and charges are as follows:

**Water Monthly Service Rates**  
**Residential and General Service**

**Wis-Bar:**

Base Facility Charge           \$    15.56  
Includes 3,000 Gallons

Gallonge Charge               \$       1.89  
Per 1,000 gallons

**Sunshine:**

Base Facility Charge           \$       8.88  
Includes 5,000 Gallons

Gallonge Charge               \$       .43  
Per 1,000 gallons

**Wis-Bar Wastewater Monthly Service Rates**  
**Residential**

Base Facility Charge  
Flat rate                           \$       10.98

**Multi-Residential**

Base Facility Charge  
Flat rate                           \$       7.32



**METER TEST DEPOSIT**

Both Systems	
5/8" x 3/4" meter	\$ 20.00
1" and 1 1/2" meter	\$ 25.00
2" and over meter	Actual Cost

**Miscellaneous Service Charges**

	All Systems	
	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

**Service Availability Charges**

Water

Wis-Bar Customer Connection (Tap-In) Charge	\$ 60.00
Sunshine Customer Connection (Tap-In) Charge	\$ 65.00

Wastewater

Wis-Bar Customer Connection (Tap-In) Charge	\$150.00
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**Customer Deposit**

None

Rule 25-9.044(1), Florida Administrative Code, provides that:

In case of change of ownership or control of a utility which places the operation under a different or new utility . . . the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the commission) . . . .

Utilities, Inc. has not requested a change in the rates and charges of the utility. Accordingly, staff recommends that, pursuant to Rule 25-9.044(1), Florida Administrative Code, Utilities, Inc. continue operations under the existing tariff and

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apply the approved rates and charges until authorized to change by the Commission in a subsequent proceeding. The buyer has filed a revised tariff reflecting the change in issuing officer due to the transfer. If the Commission approves staff's recommendation, the tariff filing should be effective for services rendered or connections made on or after the stamped approval date.

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**ISSUE 5:** Should this docket be closed?

**RECOMMENDATION:** Yes, since no further action is necessary, if no timely protest is filed to the proposed agency action issues, upon expiration of the protest period, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed administratively. (CROSBY)

**STAFF ANALYSIS:** Since no further action is necessary, if no timely protest is filed to the proposed agency action issues, upon expiration of the protest period, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed administratively.