

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 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 Certificates Nos. 107-W and 229-S; for amendment of Certificates Nos. 107-W and 229-S; and for cancellation of Certificates Nos. 484-W and 421-S.

DOCKET NO. 000793-WS  
ORDER NO. PSC-01-1655-PAA-WS  
ISSUED: August 13, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman  
J. TERRY DEASON  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

ORDER APPROVING TRANSFER, AMENDMENT OF CERTIFICATES NOS. 107-W AND 229-S, HELD BY UTILITIES, INC. OF FLORIDA, TO INCLUDE THE TERRITORY SERVED BY BARTELT ENTERPRISES, INC. AND CANCELLATION OF CERTIFICATES NOS. 484-W AND 421-S, HELD BY BARTELT ENTERPRISES, INC.

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE TRANSFER

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein establishing rate base for purposes of the transfer and declining to include an acquisition adjustment are preliminary in nature and will become final unless a person whose interests are substantially affected

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files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

#### Background

On June 29, 2000, an application was filed with this Commission requesting approval of the transfer of utility facilities from Bartelt Enterprises, Inc. (Bartelt, Seller or utility) to Utilities, Inc. of Florida (Utilities, Inc. or Buyer). The application also requested amendment of Certificates Nos. 107-W and 229-S, held by Utilities, Inc., to include the territory served by the utility, and cancellation of Certificates Nos. 484-W and 421-S, held by Bartelt.

Bartelt is a Class C utility serving approximately 1,242 residential water customers (1,108 in its Sunshine system and 134 in its Wis-Bar system) and approximately 155 residential wastewater customers in its Wis-Bar system. The utility was virtually built out when it came under our jurisdiction in July of 1972 when the Board of County Commissioners adopted a resolution pursuant to Section 367.171(1), Florida Statutes, giving us jurisdiction over water and wastewater utilities in Pasco County.

Wis-Bar Utilities Corporation (Wis-Bar) was granted Certificates Nos. 112-W and 84-S, by Order No. 5611, issued December 27, 1972, in Dockets Nos. C-72547-W and C-72548-S. Bartelt Sunshine Corporation (Sunshine) was granted Certificate No. 134-W by Order No. 5726, issued 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 Sunshine and Wis-Bar, by Order No. 17240, issued March 5, 1987, in Dockets Nos. 861480-WU and 861481-WS. The utility's 1999 annual reports list 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.

Utilities, Inc. is a Class A utility, operating in several counties in Florida, serving approximately 1,383 residential water customers and 771 residential wastewater customers in Pasco County. Utilities, Inc.'s 1999 annual report 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.

### Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and provisions of the Florida Administrative Code. In particular, the application contains a filing fee in the amount of \$2,250, pursuant to Rule 25-30.020, Florida Administrative Code. The application also contains evidence, in the form of a Warranty Deed, that the utility owns the land upon which its 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 filing such has expired.

Pursuant to Rule 25-30.037(3)(f), Florida Administrative Code, the application included a statement that the transfer is in the public interest 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 with regard to the costs associated with operating the systems. Further, Utilities, Inc. has the financial and technical ability to provide quality water and wastewater services. Utilities, Inc. provided a statement that it will fulfill the commitments, obligations and representations of the seller with regard to utility matters.

The application states that Utilities, Inc. performed a reasonable investigation of the utility system as required by Rule 25-30.037(3)(h), Florida Administrative Code. Further, the buyer indicated that it is not aware of any outstanding Notices of Violation or any outstanding Department of Environmental Protection (DEP) consent orders. DEP was contacted to verify that there are no outstanding notices of violation.

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. Although 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.

Based on the foregoing, we find that the transfer of assets and facilities from Bartelt to Utilities, Inc., is in the public interest and it is approved. Certificates Nos. 107-W and 229-S, held by Utilities, Inc., are hereby amended to include the territory served by Bartelt. Certificates Nos. 484-W and 421-S, held by Bartelt, are hereby cancelled as of June 15, 2000. The territory being transferred is shown on Attachment A of this Order, which by reference is incorporated herein.

Rate Base For Purposes of the Transfer

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. An audit of the books and records has been conducted as of June 15, 2000, the date of closing. The audit included 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 sale of land owned by the utility was incorrectly recorded on its books. Six lots owned by the utility and valued at \$3,000 were included in the Wis-Bar wastewater system. On December 1, 1999, five of the lots were sold, and the utility removed the entire \$3,000 from its books. However, we find that \$500 ( $\$3,000/6$  lots) shall be recorded as the value of the land still owned by the utility.

**Audit Exception No. 2.** The balance for accumulated depreciation was incorrectly stated. The utility failed to reduce accumulated depreciation for the Sunshine system whenever there was a retirement of an asset. For the Wis-Bar systems, the utility did not adjust its books to the previously ordered amounts. Therefore, accumulated depreciation for the Sunshine system shall be reduced by \$45,848; for the Wis-Bar water system accumulated depreciation

shall be increased by \$8,501; and for the Wis-Bar wastewater system accumulated depreciation shall be increased by \$4,532.

**Audit Exception No. 3.** 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 imputed for the Sunshine system based upon five customers added since 1975 when its tariff became effective. CIAC was also imputed for Wis-Bar based upon five water and wastewater customers added since the 1983 audit. The resulting modifications increased CIAC for the Sunshine by \$325, for the Wis-Bar water system by \$300, and for the Wis-Bar wastewater system by \$750, and increased accumulated amortization of CIAC for the Sunshine system by \$85, for the Wis-Bar water system by \$8,078, and for the Wis-Bar wastewater system 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 the firm prior to 1972. He indicated that connection fees were generally accounted for as direct offsets to plant costs and were not shown as CIAC. Mr. Baillie stated, "[t]he 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 indicated that if the Commission desired 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, no adjustment has been made to correct the accounting treatment of CIAC prior to 1972 because there would be no impact to rate base.

Based on the foregoing, we find that, as of June 15, 2000, rate base for Bartelt's Sunshine water system is \$68,604; \$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.

#### Acquisition Adjustment

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>

In the absence of extraordinary circumstances, it has been Commission practice that the purchase of a utility at a premium or discount shall not affect the rate base calculation. Because the buyer has not requested an acquisition adjustment, and there are no extraordinary circumstances regarding this purchase that would justify an acquisition adjustment, no acquisition adjustment has been included in the calculation of rate base. This decision 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.

Rates and Charges

The utility's rates and charges have been in effect since the systems were originally certificated, except for periodic price index rate adjustments. The current rates were approved pursuant to a price index rate adjustment effective July 30, 1999. These rates and charges are set forth below.

Wis-Bar Water System  
(Monthly Service Rates)

Residential and General Service

<u>Base Facility Charge</u>	\$	15.56
Includes 3,000 Gallons		
<u>Gallonage Charge</u>	\$	1.89
Per 1,000 gallons		

Sunshine Water System  
(Monthly Service Rates)

Residential and General Service

<u>Base Facility Charge</u>	\$	8.88
Includes 5,000 Gallons		
<u>Gallonage Charge</u>	\$	.43
Per 1,000 gallons		

**Wis-Bar Wastewater System**  
**(Monthly Service Rates)**

**Residential**

**Base Facility Charge**

Flat rate \$ 10.98

**Multi-Residential**

**Base Facility Charge**

Flat rate \$ 7.32

**METER TEST DEPOSIT**  
**(Sunshine and Wis-Bar 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 Connection (Tap-In) Charge	\$60.00
Sunshine Connection (Tap-In) Charge	\$65.00

**Wastewater**

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

None

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. Utilities, Inc. has not requested to change the rates and charges of the utility, and we see no reason to change them at this time. Utilities, Inc. shall continue to charge the rates and charges approved in Bartelt's tariff until authorized to change by this Commission in a subsequent proceeding. Utilities, Inc. has filed a revised tariff reflecting the change in issuing officer due to the transfer. The tariff 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 Bartelt Enterprises, Inc., Post Office Box 609, Tarpon Springs, Florida 34688-0609, to Utilities, Inc. of Florida, 200 Weathersfield Avenue, Altamonte Springs, Florida 32714, is hereby approved. The territory being transferred is shown on Attachment A of this Order, which by reference is incorporated herein. It is further

ORDERED that Certificates Nos. 107-W and 229-S, held by Utilities, Inc. of Florida are hereby amended to include the territory served by Bartelt Enterprises, Inc. It is further

ORDERED that Certificates Nos. 484-W and 421-S, held by Bartelt Enterprises, Inc., are hereby cancelled as of June 15, 2000. It is further

ORDERED that rate base, which for purposes of the transfer reflects the net book value of 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. The rate base calculations and adjustments are shown on Schedules Nos. 1, 2, 3, 4, 5, and 6 of this Order, which by reference are incorporated herein. It is further

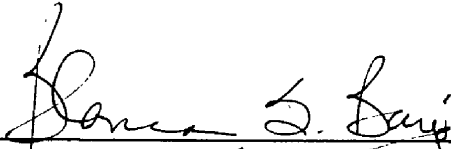
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ORDERED that Utilities, Inc. of Florida shall continue to charge the rates and charges set forth in the body of this Order and approved in Bartelt Enterprises, Inc.'s tariff until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that the provisions of this Order establishing rate base for purposes of the transfer and declining to include an acquisition adjustment, 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 the Commission Clerk and Administrative Services, 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 upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 13th day of August, 2001.

  
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BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

( S E A L )

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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 include an acquisition adjustment 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 the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 3, 2001. 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.

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 the Commission Clerk and Administrative Services 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 the Commission Clerk and Administrative

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Services 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

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 Northwest 1/4 of the Southwest 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 Northwest 1/4 of the Southwest 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 Southeast 1/4 of the Northeast 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 Southwest 1/4, less the North 340 feet thereof. Also, the West 2/3 of the Northwest 1/4 of the Southwest 1/4, less the East 110 feet thereof. Also, the North 340 feet of the West 2/3 of the Southwest 1/4 of the Southwest 1/4, less the East 110 feet thereof.

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

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 COMMISSION</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>

SCHEDULE 2

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>

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 COMMISSION</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>



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>

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 COMMISSION</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>