

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for transfer of majority organizational control of Brendenwood Water System, Inc., holder of Certificate No. 339-W in Lake County, from Paul E. Day to Deborah J. Miller.

DOCKET NO. 040276-WU
ORDER NO. PSC-04-1054-PAA-WU
ISSUED: October 27, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER APPROVING TRANSFER OF MAJORITY ORGANIZATIONAL CONTROL

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING ESTABLISHMENT OF RATE BASE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the part of the action discussed herein that approves the establishment of rate base for this utility at the time of transfer is 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.

Introduction

Brendenwood Water System, Inc. (Brendenwood or utility) is a Class C utility providing water service to approximately 58 customers in Lake County. The water customers are on septic tanks. Brendenwood is located in the St. Johns River Water Management District (SJRWMD). Water use restrictions have been imposed district wide to encourage conservation. The utility is currently in the process of renewing its consumptive use permit with the SJRWMD. Pursuant to Order No. 10184, issued August 5, 1981, in Docket No. 810079-W, In re: Application of

DOCUMENT NUMBER-DATE

11600 OCT 27 04

FPSC-COMMISSION CL FRK

Brendenwood Water System for a Certificate to operate a water utility in Lake County, Florida, pursuant to Section 367.041, Florida Statutes, Brendenwood was granted Certificate No. 339-W for its water system. The certificate was amended to add additional territory pursuant to Order No. 22398, issued January 10, 1990, in Docket No. 891122-WU, In re: Application of Brendenwood Water System for amendment of Certificate No. 339-W in Lake County. The utility's 2003 annual report shows gross revenue of \$21,389 and a net operating loss of \$4,088. The utility's water treatment plant is composed of a six inch well with a pumping capacity of 160 gallons per minute. Liquid chlorination is used as the primary form of treatment. The average daily flow for the calendar year 2003 was approximately 26,000 gallons per day.

On March 30, 2004, an application for transfer of majority organizational control of Brendenwood was filed on behalf of Deborah J. Miller, daughter of the owner of record, Paul E. Day. According to the application, Mr. Day is in ill health and unable to continue to operate the utility. On March 1, 2004, the utility stock was transferred to Ms. Miller. As explained below, we find that the transfer of majority organizational control of Brendenwood Water System, Inc., holder of water Certificate No. 339-W, from Paul E. Day to Deborah J. Miller in the public interest and we approve it. We have jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

Transfer of Majority Organizational Control

The actual transfer of stock from Mr. Day to his daughter took place on March 1, 2004, contingent on our approval. The seller's daughters, Deborah J. Miller and Kristee Mollerup, have been involved in various parts of the utility's management and operation for several years. Ms. Miller was involved in the development of the Brendenwood Subdivision, and one of her early responsibilities was to maintain the water system. In early 2002, she took over the responsibility of maintaining the plant. The utility will continue to contract with the same licensed plant operator and maintenance/repair company. Ms. Mollerup has handled the reporting and bookkeeping of Brendenwood for several years. When it became apparent that Mr. Day would no longer be able to own and operate the utility, his daughters attempted to find a buyer for the system, but they were unable to do so. They decided that they would retain and operate the system and Ms. Miller would acquire the stock.

We have reviewed the application, and we find that it is in compliance with the statute governing transfers of organizational control, section 367.071, Florida Statutes. Notice of the application was provided as required by Rule 25-30.030, Florida Administrative Code, and no objections were received. The Florida Department of Environmental Protection has confirmed that the utility is in compliance with all environmental standards. The utility has filed its Annual Reports for 2003 and prior years, in accordance with Rule 25-30.110, Florida Administrative Code. The utility has also paid its Regulatory Assessment Fees for 2003 and prior years, in accordance with Rule 25-30.120, Florida Administrative Code.

Based on the above, we find that the buyer has demonstrated the financial and technical ability to operate the utility, and the transfer of majority organizational control of Brendenwood Water System, Inc., holder of water Certificate No. 339-W, from Paul E. Day to Deborah J. Miller is in the public interest. A description of the territory being transferred is appended to this order in Attachment A.

Rate Base at Time of Transfer

We find that rate base for the Brendenwood water system, which for transfer purposes reflects the net book value at the time of transfer, is \$7,191 as of March 1, 2004. The utility proposed that rate base for the water system should be \$7,261. Rate base was last set for the utility at \$7,430 as of June 30, 1999.¹

Our staff audit contained only one audit exception regarding the utility's failure to update accumulated depreciation and amortization of contributions in aid of construction (CIAC) from December 31, 2003 to March 1, 2004. The adjustments are shown on Schedule Nos. 1 and 2. The utility plant in service account balances and accumulated depreciation balances as of March 1, 2004, are shown on Schedule No. 3. Also, since the last rate case, the .35 acre lot on which the treatment plant is located was deeded to the utility. The lot, which was previously leased, was recorded at the original cost when first dedicated to public service in 1980. These adjustments lead us to the conclusion that rate base for the Brendenwood water system as of March 1, 2004, is \$7,191. Rate base is set to establish the net book value of the property being transferred and does not include ratemaking adjustments for working capital and used and useful.

Rates and Charges

We approved Brendenwood's current rates for water service in our administrative price index proceeding effective June 21, 2004. We approved Brendenwood's late payment charge in 1998.² We approved other rates and service availability charges for Brendenwood by Order No. PSC-00-0807-PAA-WU. The utility's approved rates and charges are as indicated on Schedule 4 in Attachment A to this Order.

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

¹ See Order No. PSC-00-0807-PAA-WU, issued April 25, 2000, in Docket No. 991290-WU, In Re: Application for staff-assisted rate case in Lake County by Brendenwood Water System.

² See Order No. PSC-98-0172-FOF-WU, issued January 28, 1998, in Docket No. 971465-WU, In re: Request for approval to establish a late payment charge for Brendenwood Water System in Lake County.

utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission).

Brendenwood has not requested a change in the rates and charges of the utility, and we find accordingly that the utility should continue charging the rates and charges approved for Brendenwood until we authorize a change in a subsequent proceeding. The utility has filed a revised tariff which shall be effective for services rendered or connections made on or after the stamped approval date.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of majority organizational control of Brendenwood Water System, Inc., holder of Certificate No. 339-W in Lake County, from Paul E. Day to Deborah J. Miller is approved, effective March 1, 2004. It is further

ORDERED that Attachment A to this Order is incorporated herein. It is further

ORDERED that the utility shall continue to operate under its existing tariffs and apply its approved rates and charges as shown in schedule 4 in Attachment A to this Order until authorized to change them in a subsequent proceeding. It is further

ORDERED that the utility's rate base, which for transfer purposes reflects the net book value at the time of transfer, is \$7,191. It is further

ORDERED THAT THE PORTION OF THIS Order establishing the utility's rate base for purposes of the transfer 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, 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 the portion of this Order establishing rate base becomes final, this docket shall be closed.

ORDER NO. PSC-04-1054-PAA-WU
DOCKET NO. 040276-WU
PAGE 5

By ORDER of the Florida Public Service Commission this 27th day of October, 2004.

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

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

MCB

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

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.

The action proposed herein is 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 17, 2004.

ORDER NO. PSC-04-1054-PAA-WU
DOCKET NO. 040276-WU
PAGE 6

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Docket No. 040276-WU
Date: September 23, 2004

Attachment A

BRENDENWOOD WATER SYSTEM, INC.
LAKE COUNTY

Service Territory Description
(Original Territory, Jeremy Estates and Grand Island Post Office)

Township 18 South, Range 26 East
In Section 32

Original Territory

The North 660 feet of the East 924 feet of the Northwest 1/4 of the Southeast 1/4 of Section 32, Township 18 South, Range 26 East, Lake County, Florida. Also described as: Begin at the Northeast corner of the Northwest 1/4 of the Southeast 1/4 of Section 32, Township 18 South, Range 26 East, Lake County, Florida, run thence S 89°53'07" W along the North line of the Northwest 1/4 of the Southeast 1/4 of Section 32, Township 18 South, Range 26 East a distance of 924.00 feet, thence S 00°36'29" E parallel to the East line of said Northwest 1/4 of the Southeast 1/4 of Section 32 a distance of 660.00 feet, thence N 89°53'07" E parallel to the aforesaid North line of the Northwest 1/4 of the Southeast 1/4 of Section 32 a distance of 924.00 feet, thence N 00°36'29" W 660.00 feet to the point of beginning.

And

Township 18 South, Range 26 East
In Section 32

Jeremy Estates

From the Southeast corner of the Northwest 1/4 of the Southeast 1/4 of Section 32, Township 18 South, Range 26 East, Lake County, Florida, run N 00°35'29" W along the East line of said Northwest 1/4 of the Southeast 1/4 a distance of 369.20 feet, thence S 89°58'23" W, 25.00 feet to a point on the westerly right-of-way line of Fish Camp Road and the Point of Beginning of this description; from said Point of Beginning, run S 89°58'23" W, 508.92 feet; thence N 00°37'31" W, 297.73 feet; thence N 89°53'07" E, 509.40 feet to a point on the westerly right-of-way line of Fish Camp Road; thence S 00°05'29" E along said westerly right-of-way line, 298.51 feet to the Point of Beginning.

Grand Island Post Office

The East 275 feet of the Southwest 1/4 of the Northeast 1/4 all lying South of Highway No. 44 and West of Fish Camp Road.

Docket No. 040276-WU
 Date: September 23, 2004

SCHEDULE NO. 1			
BRENDENWOOD WATER SYSTEM, INC. SCHEDULE OF WATER RATE BASE AS OF MARCH 1, 2004			
<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>STAFF'S ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$9,222	0	\$9,222
Land	1,100	0	1,100
Accumulated Depreciation	(2,293)	(77) A	(2,370)
Contributions in Aid of Construction (CIAC)	(1,577)	0	(1,577)
Amortization of CIAC	<u>809</u>	<u>7</u> B	<u>816</u>
WATER RATE BASE	<u>\$ 7,261</u>	<u>(\$70)</u>	<u>\$7,191</u>

SCHEDULE NO. 2	
BRENDENWOOD WATER SYSTEM, INC. SCHEDULE OF WATER RATE BASE ADJUSTMENTS	
<u>EXPLANATION</u>	<u>STAFF RECOMMENDED ADJUSTMENT</u>
A Accumulated Depreciation To increase depreciation for December 31, 2003, through March 1, 2004	(\$77)
B Accumulated Amortization of CIAC To increase amortization for December 31, 2003, through March 1, 2004	7
Total Adjustments	<u>(\$70)</u>

DOCKET NO. 040276-WU
 ORDER NO. PSC-04-1054-PAA-WU
 PAGE 9

ATTACHMENT A
 Page 3 of 4

Docket No. 040276-WU
 Date: September 23, 2004

BRENDENWOOD WATER SYSTEM, INC.		SCHEDULE NO. 3	
STAFF RECOMMENDED MARCH 1, 2004 PLANT BALANCE			
ACCT NO.	ACCOUNT NAME	PLANT BALANCE	ACCUMULATED DEPRECIATION BALANCE
304	Structures and Improvements	\$ 1,431	\$ 312
311	Pumping Equipment	5,652	1,057
320	Water Treatment Plant	2,139	1,787
340	Office Furniture and Equipment	0	(665)
345	Power Operated Equipment	0	(120)
	Total Water Plant	<u>\$ 9,222</u>	<u>\$2,370</u>

Docket No. 040276-WU
 Date: September 23, 2004

BRENDENWOOD WATER SYSTEM, INC. SCHEDULE OF WATER RATES		SCHEDULE NO. 4
Water Monthly Service Rates Residential and General Service		
Meter Sizes:	Base Facility Charge	
5/8" x 3/4"	\$	10.42
3/4"		15.62
1"*		26.04
1 1/2"		52.07
2"		83.32
3"		166.61
4"		260.35
6"		520.70
General Service Charge		
Per 1,000 gallons	\$	1.74
Residential Service Charge		
Per 1,000 Gallons		
0-10,000 Gallons		\$1.48
Over 10,000 Gallons		\$2.11

*The existing residential customers having a 1" meter shall be charged the same rate as the 5/8" x 3/4" until the 1" meter is replace, then the appropriate rate should be charged based on meter size.

Miscellaneous Service Charges	
Description	Charges
Initial Connection	\$15.00
Normal Reconnection	15.00
Violation Reconnection	15.00
Premises Visit (In lieu of disconnection)	10.00
Late Payment Charge	3.00

Service Availability Charges
This utility does not have an approved service availability policy or fees and charges.