

ORIGINAL

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May 23, 2005

Via Hand Delivery

Jennifer Brubaker, Esq.
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RECEIVED-FPS
MAY 23 AM 11:42
COMMISSION CLERK

RE: Docket No. 040952-WS - Joint Application for Approval of Sale of Florida Water Service Corporation's Land, Facilities and Certificates for Chuluota Systems in Seminole Count to Aqua Utilities Florida, Inc.
Response to Audit Report
Audit Control No. 04-247-3-1; Seminole County

Dear Ms. Brubaker:

By memorandum dated January 31, 2005, Florida Water Services Corporation ("Florida Water") was provided a copy of the Audit Report prepared and filed in the above referenced docket which was opened to consider the joint application for approval of the transfer of the Florida Water's Chuluota systems in Seminole County to Aqua Utilities Florida, Inc. ("Aqua").

CMP While Florida Water does not take issue with the majority of adjustments suggested in the Audit Report, Florida Water submits this response in order to clarify and address certain specific COM "exceptions" contained in the Report. As set forth below, Florida Water is concerned that the CTR "exceptions" could be interpreted or applied to make improper adjustments to rate base. Florida ECR Water has retained the services of Mr. Hugh Gower, who has extensive experience in accounting, and in particular utility regulatory accounting and depreciation studies, to review the Audit GCL Report and assist in responding to certain of the issues. Mr. Gower's initial observations are OPC included in this response.

MMS With respect to Exception 3, Florida Water has not been able to fully discern the auditor's RCA position or recommendations. Because this is a potentially significant issue, the Company will, SCR through this response, attempt to delineate some key concepts that should help to put this issue in proper context.

SEC
OTH

DOCUMENT NUMBER-DATE
04989 MAY 23 05
FPSC-COMMISSION CLERK

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Exception Number 3 - Depreciation

After spending considerable time reviewing Exception 3 on page 6 of the Audit Report and the related disclosures, Florida Water is puzzled as to the basis for the auditors' Exception and unclear as to their recommendation. We have requested the auditors' work papers and hopefully that documentation will help us better understand the basis and reasoning for this Exception. In the meantime, Florida Water believes the following comments are relevant to the issues raised in the Audit Report:

- Consistent with the recommendations of the Commission staff in its management audit of Southern States Utilities, Inc., Florida Water undertook a company-wide effort to update its books and implement a continuing property records system. Florida Water followed the methodology prescribed by the Uniform System of Accounts and standard accounting practices in updating its plant inventory records and establishing the continuing property record system;
- Florida Water utilizes the uniform depreciation rates prescribed by the Commission for systems throughout the state. These uniform depreciation rates were ordered by the Commission to be applied to all of the more than 140 utility systems included in Florida Water's last rate case, Docket No. 950495-WS;
- The uniform depreciation rates prescribed by the Commission do not apply to individual assets, but to groups of assets. The depreciation rates are based on average service lives within a group, which inherently means that some assets will be retired before the average service life and some will be retired after the average service life used for depreciation;
- Debit balances in the Accumulated Reserve Accounts arise from the use of uniform depreciation rates based on average service lives of classes of assets. In other words, when the actual life of plant assets is shorter than the average service life used for depreciation, a debit balance results;
- The Audit Report isolates a few accounts with debit accumulated reserve balances and suggests adjustments that are not consistent with basic regulatory and accounting principles. In its last two rate cases, Florida Water was evaluated on a total company basis for such things as return, depreciation, taxes, allocations, customer service, administrative and general costs and general plant. Debit balances in isolated accumulated reserve accounts would have been addressed as part of future general rate proceedings when detailed property records were available to provide the necessary data;
- The Commission should not consider the debit balances in a vacuum and cannot make one-sided accounting adjustments to eliminate the "depletion problem" in the depreciation reserve accounts.

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Florida Water is concerned that the auditors have not fully recognized the propriety of and the results of the comprehensive plant inventory and original cost study (the "Fixed Asset Study") undertaken by an independent consultant on behalf of Florida Water on a company-wide basis beginning in 1996. More particularly, the Audit Report fails to recognize the full extent of the efforts undertaken in connection with this Fixed Asset Study and appears to suggest the results of the Study can be disregarded. Some background regarding the Study is necessary.

Because of multiple acquisitions and the variety of systems acquired by Florida Water in the years preceding the Fixed Asset Study, there was no unitized fixed asset system in place for the company as whole. The Fixed Asset Study was undertaken to establish unitized continuing property records, improve internal accounting controls, provide retirement dispersion history needed to monitor/evaluate the service life used to book depreciation of plant in service and to better conform the Company's records to the requirements of the USOA and the Commission's orders. This undertaking was unquestionably an appropriate effort and naturally led to adjustments to bring book balances of plant accounts into agreement with the cost of assets actually in service. The Study was performed by independent professionals with the requisite technical skills, was carefully planned and executed and employed cost assignment methods consistent with the USOA instructions. The Study-related adjustments were appropriate and there is nothing in the Audit Report that suggests study error or unusual transactions such as extraordinary retirements which affect the Study outcome. The adjustments that resulted from the Study were due, in large part, to previously unrecorded retirement transactions during the time prior to the acquisition by Florida Water and the establishment of appropriate reporting procedures.

As a result of the Fixed Asset Study, adjustments were made to virtually every company account to insure that all of the assets owned by the Company were documented in accordance with NARUC standards. The adjustments made following the Study included retirement for assets that were no longer in service but for which the retirement had not been previously recorded on the books. As discussed below, it is only through a continuing property record system established from a Fixed Asset Study such as this that the Company could obtain accurate retirement data necessary to evaluate depreciation rates. Through this process, the Company was also able to confirm that it had a thorough and up-to-date inventory of all utility plant assets in service.

A simple review of the Uniform System of Accounts ("USOA") confirms that the cost assignment methods employed by the company and its consultant in connection with the Fixed Asset Study were entirely appropriate. The adjustments made as a result of that Study had no net

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effect on rate-base from a company-wide perspective.¹ Furthermore, it appears that, during the time period in question, the customers may have benefited because the cost of service was reduced due to depreciation based on prescribed rather than the actual service lives of some plant assets. To the extent the Audit Report suggests there should be rate base adjustments as a result of the debit balances in the accumulated depreciation accounts, any such adjustments would be arbitrary and would improperly penalize the Company. Moreover, such adjustments cannot be reconciled with fundamental regulatory principles, the USOA or Rule 25-30.140, Fla. Admin. Code.

On pages 15-16 of the Audit Report, the auditors recognize that the utility made numerous retirements to utility plant in service based on the consultant's Fixed Asset Study. As noted in the Report, the entries made by the Company reflect standard regulatory accounting for UPIS asset retirements. While the Audit Report concedes that the differences between the physical inventory and the general ledger which were revealed by the Fixed Asset Study may be attributed to plant retirements that had not previously been recorded, the Report fails to recognize the full scope and implications of the Fixed Asset Study and the resulting adjustments for previously unrecorded plant retirements.

The Audit Report does not identify any problems with the Fixed Asset Study or with any specific entries made as a result of that Study.² To the Company's knowledge, all extraordinary abandonments have been properly recorded and additions to the plant accounts have been subject to adequate internal accounting controls and have been audited by the Company's independent public accounting firm and internal auditor. We would also point out that all additions to plant through 1994 were audited by Commission Staff.

¹ The adjustments to the books made by Florida Water as a result of the Fixed Asset Study had no net effect on rate base because retirement entries were made appropriately as a credit to plant and a debit to reserve for depreciation. Consequently, Florida Water is concerned by the insinuation in the Audit Report that the "depletion problem" can be addressed by a one-sided adjustment to reverse out the entry to the reserve for depreciation without making a similar reversing entry to plant.

²The Audit Report does note that some original entries made to the Extraordinary Abandonment account were erroneous. These entries were ultimately corrected by Florida Water in 2003 after they were brought to the Company's attention as a result of comments from Florida Water's external auditors. Florida Water agreed with the comments and the corrections were appropriately made and did not have any net impact upon rate base.

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The Fixed Asset Study and the establishment of a continuing property record system based upon the independent consultant's report was a laudable attempt by the utility to improve its accounting system. Florida Water made significant efforts to appropriately book the multiple accounting entries that were prompted as a result of the Fixed Asset Study. The Audit Report fails to recognize that, to the extent the adjustments made to Florida Water's books following the Fixed Asset Study were done to reflect retirements that had previously been made but not booked, the end result is simply that the books now reflect what they should have shown all along.

The intent of the depreciation rule is to provide capital recovery over the anticipated average service life of the assets. The Commission establishes by rule the average service life to be used in recording depreciation. A debit balance in an accumulated depreciation account can arise when the depreciation rate or the average service life is not closely aligned with the actual life of the assets. In other words, a debit balance in the depreciation account will occur when the depreciation rate for the assets has not been timely and properly adjusted. Theoretically, a utility could come in and seek an adjustment of the promulgated service life. However, no such adjustments would be possible without specific data to support a change. Such data is not available until an analysis such as the Fixed Asset Study is completed.

The Audit Report fails to recognize that the retirement of an asset before the expiration of the service life used for recording depreciation of the asset is a reflection that there was inadequate depreciation in the prior years. In such situations, the investors have not been able to fully recover the capital invested in such assets. Because substantially all of the accumulated depreciation debit balance results from the correctly booked retirements, it is clear that historically there has been inadequate depreciation of the retired assets. To "write off" the resulting debit balances as appears to be suggested in the Audit Report would amount to permanent denial of recovery of investors' capital and would be improper.

It is important to keep in mind that the depreciation rates that have been historically utilized are based on Commission rule rather than a depreciation study. The information obtained through the establishment of fixed asset system was necessary to provide information relevant to determining whether the average service life established by the Commission for the various asset classifications was up to date and appropriate. The inadequacy of depreciation rates is only revealed when all retirement entries for affected accounts have been recorded. Without a fully developed fixed asset system, there would have been no basis for the utility to seek any changes in the depreciation schedules.

While the Audit Report speculates that the debit balances could potentially be attributable to the use of cost estimates as part of the Fixed Asset Study, any such differential would be

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inconsequential. Moreover, the use of cost estimates where necessary during the Fixed Asset Study is approved by the USOA and Chapter 25, Fla. Admin. Code.

We are also compelled to point out that, in its recent rate cases, Florida Water has been evaluated by the Commission on a company-wide basis for return purposes. Looking at the company as a whole, Florida Water, had over 150 systems as of December 2002 with more than \$600 million in utility plant in service and approximately \$200 million in accumulated depreciation accounts. The company had more than 7,000 plant accounts. The depreciation reserve "depletion problem" noted in the Audit Report focuses on a limited number of accounts. A "depletion problem" in these accounts was only revealed on a piecemeal basis as retirement entries were booked over a period of years. It was not until all entries related to the Fixed Asset Study were completed that there was any clear indication or signal that depreciation rates may have been inadequate. Efforts to sell the company began not long after the entries arising from the Fixed Asset were completed. There is no basis for the auditors' suggestion that debit balances should have been addressed at some earlier date. For Florida Water, the appropriate time to deal with such matters would have been as part of a general rate filing not on an individual system or account basis. It would have been cost prohibitive for the company and its customers to file a rate proceeding to deal solely with individual account debit balances.

We are unclear as to what the auditors are suggesting as an appropriate remedy for the matters discussed in Exception 3. Florida Water feels strongly that the results of the Fixed Asset Study should not be used to inappropriately penalize the utility's owners. The bottom line is that the utility has now correctly recorded the retirement entries for assets previously retired. While the basis and ultimate impact of the auditors suggestions for handling the debit balances are not clearly delineated, the Commission cannot force a utility to write off its prudent investments without compensation. The investors are entitled to return of and a return on their prudent investments. Rate base cannot be unilaterally adjusted to eliminate debit balances in accumulated depreciation accounts.³ The appropriate approach to address concerns over the future implications of depreciation reserve deficiencies would be a prospective increase in

³ It is important to note that a unilateral adjustment to rate base, which is alluded to in the Audit Report, would reflect only one side of the accounting entries that would be necessary to reverse the entries that led to the debit balances. For example, as noted in footnote 1 above, when the original entries were made to reconcile the Company's records with the results of the Fixed Asset Study, the plant in service account was reduced. Thus, the entries made to reconcile the utility's books with the physical inventory, which are a primary source of the accumulated debit balances in depreciation reserve accounts, have already reduced the plant in service account and cannot be reversed with a one-sided accounting entry.

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depreciation rates, not prior period adjustments which deny the recovery of investor capital. Adjustment of the depreciation rates on a going forward basis would allow the reserve to build up in the future. Any other approach would be vulnerable to a claim that investors' capital has not been preserved.

In sum, the analysis in the Audit Report regarding Exception 3 is incomplete and erroneous to the extent that it suggests adjustments to rate base should be made as the result of accumulated depreciation debit balances. Any such adjustments would result in improper, permanent denial of the recovery of investors' capital. As you know, we have requested copies of the auditor's work papers for Exception 3. After we have reviewed those papers, we may have some additional comments.

Exception 7 - AFPI

Exception No. 7 of the Audit Report raises an issue related to the AFPI collections for the Chuluota System. The report indicates that additional information is needed on this topic and it does not draw any final conclusions. We would offer some general comments regarding this issue.

The AFPI charges represent the carrying cost of non-used and useful investment that was prudently made. The idea is to allow the utility to recover the carrying costs for prudently invested non-used and useful plant that has already been constructed. The collection of AFPI charges is not easily predictable. The Commission staff has previously acknowledged that AFPI has not worked in practice as well as the theory would suggest. One of the difficulties is that the rate and areas of growth and the resulting service needs cannot accurately be predicted. However, the utility has an obligation to provide service when needed and the utility must begin construction of the additional utility assets before service is required so that service is available when growth occurs.

The Audit Report suggests that there may have been an over-collection of AFPI for the Chuluota Systems, but it fails to note that any additional collections of AFPI in an individual system is the result of unanticipated growth. Such growth would necessarily require additional capacity and plant to serve new customers. Indeed, from 1995 to 2004, Florida Water made \$3.5 million in additional capital investments in the Chuluota systems. These investments were necessary because of the unanticipated growth within these particular systems. In addition, Florida Water's capital budget included additional money to be invested after 2004 to meet the service needs for these Chuluota systems. We are compelled to point out that the Audit Report focuses on an isolated picture of Florida Water's utility operations. In many systems, Florida Water has significantly under-collected AFPI. We would note that the Commission has not

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adopted any rules that provide a multi-system utility with guidance as to how to deal with unanticipated growth in a particular area.

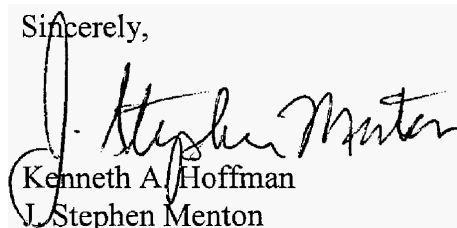
The Commission has made it clear in Florida Water's earlier rate cases that it would not look at individual systems on an isolated basis for evaluating rate of return. It would be unfair and improper to evaluate AFPI on an isolated basis. Any evaluation of AFPI collections should not be limited to isolated high growth systems and should also recognize that the overall rate of return for the assets in these particular systems was dismal. When all of the plants being sold to Aqua are considered, Florida Water actually under-collected approximately \$2.9 million in AFPI charges.

The Audit Report fails to acknowledge the settlement that was reached between Florida Water and the Commission following the appeal of Florida Water's 1995 rate case. As part of that settlement, the initial AFPI tariffs submitted by Florida Water were accepted by the Commission. But for the settlement, the calculations that were used in establishing the AFPI charges would have been redone. In other words, the establishment of the AFPI changes was not precisely tied to the cost of specific assets. The Order approving the settlement recognized that there may be a need to revisit the AFPI charges at some point in the future.

Finally, the utility would have potentially faced charges of discrimination by existing customers if it allowed new customers who were ready for service to come online without paying the same AFPI charges that were assessed against all other customers. Furthermore, as a practical matter, there is no feasible remedy to address the situation identified by the audit staff. It is typically the builder who pays the AFPI and that charge is built into the cost of the home they are selling.

The above sets forth Florida Water's initial concerns to the Audit Report. We will further analyze the issues after we receive the auditor's working papers. Please call me if you have any questions.

Sincerely,



Kenneth A. Hoffman
J. Stephen Menton

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

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cc: Melissa Taylor, Esq.
Kathy Pape, Esq.
Chris Luning, Esq.
Denise N. Vandiver, Chief, Bureau of Auditing
Patti Daniel, Division of Economic Regulation
Blanca Bayo, Director, Commission Clerk and Administrative Services

AUDIT REPORT - Exception # 5
Beecher's Point - Water System Interconnect with the City of Welaka
Project # 93CN054

<u>YEAR MONTH</u>	<u>VENDOR</u>	<u>DESCRIPTION</u>	<u>Invoice Amt</u>	<u>Acct 3042</u>	<u>Acct 3314</u>
<u>Invoices</u>					
1993 6	GRAY HARRIS & ROBINSON	WELAKA INTERCONNECT	579.50	155.00	424.50
1993 8	FLORIDA DEPARTMENT OF	CONST PERMIT-WELAKA	500.00	146.22	353.78
1993 8	SOUTHERN RESOURCE EXPLORATION	GEOPHYSICAL LOGS,SUR	1,500.00	438.65	1,061.35
1993 8	HARTMAN & ASSOCIATES INC.	HYDROGEOLOGIC SVCS THR	3,056.40	893.80	2,162.60
1993 9	CENTRAL FLORIDA WELL DRILLERS	COMPLETION OF LOGGIN	765.00	300.00	465.00
1993 10	ENVIRONMENTAL DRILLING SERVICE	TEST BORING BEECHER	1,250.00	365.54	884.46
1993 10	ENVIRONMENTAL DRILLING SERVICE	TEST BORING BEECHER	120.00	35.09	84.91
1994 3	CITRUS PIPELINE CONSTRUCTION	WATER SYS CONN TO CI	20,092.75	848.06	19,244.69
1994 5	HUGHES SUPPLY INC.	COUPLINGS, GASKET	48.76	14.26	34.50
1994 5	CITRUS PIPELINE CONSTRUCTION	BEECHERS POINT WATER	7,018.00	7,018.00	-
1994 8	CITRUS PIPELINE CONSTRUCTION	CAP TWO 4" WELLS	2,569.00	751.27	1,817.73
TOTAL INVOICES			37,499.41	10,965.89	26,533.52
<u>Other</u>					
LABOR COSTS			3,962.31	1,158.72	2,803.59
OVERHEAD COSTS			15,916.27	4,654.48	11,261.79
AFUDC			2,206.77	645.34	1,561.43
TOTAL PROJECT			59,584.76	17,424.43	42,160.33
DEPRECIATION					(8,841.00)
TOTAL					33,319.33



GRAY, HARRIS & ROBINSON
PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW
SUITE 1200
201 EAST PINE STREET
POST OFFICE BOX 3068
ORLANDO, FLORIDA 32802
TELEPHONE (407) 843-8880

Southern States Utilities
1000 Color Place
Apopka, FL 32703

File #

MAY 19 1993
40001- 165

Statement # 202514
Welaka, Town of - Interconnect Agreement

This summary includes all transactions on the above matter processed up to and including the date of the last transaction shown on this invoice. Any transactions, including credits or receipts processed after that date will be reflected on a future statement.

Current Fees:	544.50
Current Cost Advances:	35.00
Total Current Fees and Cost Advances:	579.50
TOTAL BALANCE DUE:	579.50

RECEIVED

JUL - 1 1993

ACCOUNTS PAYABLE

MAY 24 1993

Continued

TO: Barbara Reeder
Accounts Payable

FM: Christine Arcand
Environmental Services/Permitting

Arcand

DATE: 8/11/93

RE: CHECK REQUEST FOR PERMIT FEE

UTILITY: Beecher's Point

WATER:

WASTEWATER:

PLANT NO: 472 (W.O. NO.: 93CN 054)

PROJECT: Interconnect / Welaka

TYPE OF PERMIT: FDEP Construction

PERMIT FEE: \$ 500⁰⁰

PAYABLE TO: Florida Dept. of Environmental Protection

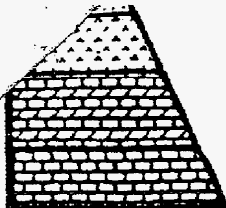
DATE NEEDED: This is a Consent Order matter - Please have check

NOTES: Available on 8/12/93.

Thank you!

THIS CHECK REQUEST IS FOR A PERMIT FEE - PLEASE EXPEDITE.
THANK YOU.

PAID
AUG 12 1993



**Southern
Resource
Exploration Inc.**

Invoice

P.O. Box 14311
Gainesville, Florida 32604
904-372 5950

Client: Southern States Utilities, Inc.
Address: 1000 Color Place
City/State: Apopka, Florida.
Zip: 32703

Job Date: 6/18/93
Invoice Date: 7/1/93
Terms: Net 30 days

Attn:
Project: Beechers Point Well #2

P. O. No: 31939
Invoice No:

JUL 26 1993

Description of Services: Geophysical logs and water samples on well #2

Charges For Services:

Mobilization Charge: Miles @ /mi.	RECEIVED	\$0.00
Operation Charge: (first 2 logs/well)		
Operation Charge: (additional logs)	AUG 3 1993	\$0.00
Footage Charge: Ft. @		\$0.00
Per Diem Charge: days @		\$0.00
Misc. Charges: Charge as per Quote	ACCOUNTS PAYABLE	\$1500.00

ACCOUNTS PAYABLE

RECEIVED

JUL 27 1993

PROJECT CONSTRUCTION
MANAGEMENT

TOTAL CHARGE FOR LOGGING SERVICES:

\$1500.00

7/30/93

HARTMAN & ASSOCIATES, INC.

engineers, hydrogeologists, surveyors & management consultants

August 10, 1993

HAI #93-327.00

Southern States Utilities, Inc.
Accounts Payable Department
1000 Color Place
Apopka, Florida 32703

Subject: Hydrogeologic Services Relative to the Geophysical Testing of One (1)
Water Supply Well at Beechers Point
Invoice No. 1
Period: Inception through July 14, 1993

W.O. #93CN054
P.O. #31938

Planning and Engineering

Dear Sir or Madam:

This Invoice is for Professional Services relative to the above project.

A. TECHNICAL SERVICES

	<u>No. Hours</u>	<u>Hourly Rate</u>	<u>TOTAL</u>
Principal, P.G. (Drake)	34.0	\$85.38	\$2,902.92
Administrative Assistant (Harrouff)	2.5	\$47.13	\$117.83
Word Processor (Looney)	0.5	\$28.00	\$14.00
Reproduction/Courier Support (Simon)	2.5	\$19.12	\$47.80
Reproduction/Courier Support (Cuevas)	6.5	\$16.39	\$106.54
Subtotal	46.0		\$3,189.09

B. OTHER DIRECT COSTS

Travel			\$26.28
Subtotal			\$26.28

TOTAL AMOUNT INCURRED	AUG 12 1993	\$3,215.37
		(\$158.97)
TOTAL AMOUNT DUE THIS INVOICE	ACCOUNTS PAYABLE	\$3,056.40

Please remit to Hartman & Associates, Inc. at 201 E. Pine Street, Suite 1000, Orlando, Florida 32801.

Very truly yours,

Hartman & Associates, Inc.


James E. Christopher, P.E.
Vice President

RECEIVED

AUG 23 1993

300 SERVICES
ACCOUNTS PAYABLE

JEC/at-excel/Billing/93-327.00

201 EAST PINE STREET • SUITE 1000 • ORLANDO, FL 32801
TELEPHONE (407) 839-3955 • FAX (407) 839-3790

ORLANDO

JACKSONVILLE

TALLAHASSEE

PRINCIPALS: JAMES E. CHRISTOPHER • CHARLES W. DRAKE • GERALD C. HARTMAN • MARK I. LUKE • MARK A. RYNNING • HAROLD E. SCHMIDT, JR.

ACCOUNTS PAYABLE VOUCHER

Approved By: On Manual Ck # _____ Date: _____

Type: R

Vendor #: 164 Vendor Name: CENTRAL FL. WELL DRILLERS

Address: _____ City: _____ State: _____
Or One Time Vendor: _____
Zip: _____ Phone: _____

Inv Date: 6-21-93 Inv # 1000993 Inv \$ 765.00

Due Date: 9-14-93 Discount \$ _____ Terms _____

Month/YR: 9/93 Purchase Order # 32513

Description: COMPLETION OF LOGGING & PUMPING units: _____

Account Number Project #/Task Amount
Plt.ResCtr.UC.Acct.Sub.CEC

472.570.01.1050.3072.265 93CN054 765.00

MAILED
SEP 16 1993

Bel

Voucher Prepared By: EA

42

CENTRAL FLORIDA WELL DRILLERS
INC.

3720 N. ORANGE BLOSSOM TR
ORLANDO, FLORIDA 32804

Member FLORIDA DRILLERS

(407) 293-7381

INVOICE

Invoice Date: 06/21/93

SOUTHERN STATES UTILITIES, INC

1000 COLOR PLACE
APOPKA, FL 32703-0000

Customer #: 221
Invoice #: 1000993
Reference: 221

AMOUNT PAID: _____

DUE AND PAYABLE UPON RECEIPT
CENTRAL FLORIDA WELL DRILLERS

Invoice Date: 06/21/93

WORK AT WATER PLANT AT BEECHER POINT. WELL #2

6-18-93: DROVE TO JOB SITE IN WELAKA. PULLED 1 HP RED JACKET
RENEGADE 8CC SUBMERSIBLE PUMP WITH 42' OF 2" GALVANIZE PIPE.
WAITED FOR 4" WELL TO BE LOGGED. INSTALLED 35' OF 1" SUCTION
PIPE AND CONNECTED PIPE TO CONTRACTORS PUMP, PUMPED WELL FOR
APPROXIMATELY 2 HOURS. PULLED OUT 1" SUCTION PIPE, CHLORI-
NATED 4" WELL AND RE-INSTALLED RED JACKET SUBMERSIBLE PUMP
BACK IN THE WELL. DROVE BACK TO THE SHOP.
9 HOURS @ \$85.00 PER HOUR.

\$765.00

765.00

Total Due: \$ 765.00

JUN 23 1993

ACCOUNTS PAYABLE

Approved By: CW Manual Ck # _____ Date: _____

Type: _____

Vendor #: 5001 Vendor Name: Environmental Drilling Service
Or One Time Vendor:

Address: _____ City: _____ State: _____
Zip: _____ Phone: _____

Inv Date: 7/8/93 Inv # 1991 Inv \$ 1,370.00

10/14/93 Due Date: ~~8/9/93~~ Discount \$ _____ Terms _____

Month/YR: 10/93 Purchase Order # 31835

Description: Test boring Beecher Point Units: _____

Account Number Plt.ResCtr.UC.Acct.Sub.CEC	Project #/Task	Amount
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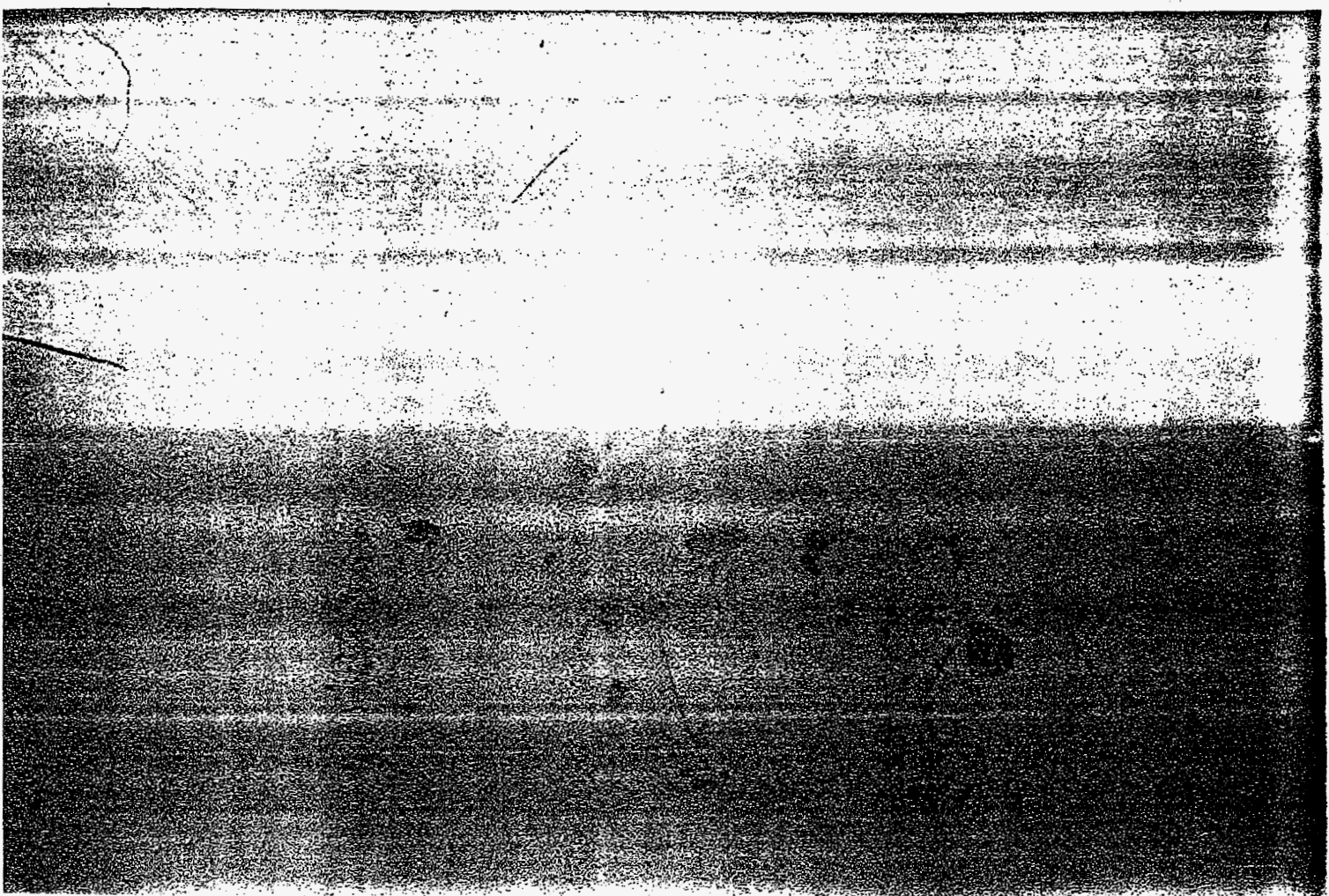
<u>472.570.01.1050.3072265</u>	<u>93CN054</u>	<u>1,250.00</u> ✓
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<u>472.570.01.1050.3072.271</u>	<u>93CN054</u>	<u>(120.00)</u> ✓
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AV

PAID
14 1993

Voucher Prepared By: BE 8/17





**ENVIRONMENTAL
DRILLING SERVICE INC.**

4712 OLD WINTER GARDEN RD. • ORLANDO, FLA. 32811
407-295-3532 • FAX 407-296-3957

July 8, 1993

Invoice #1991

Beecher Point Water Treatment Plant
Welaka, Florida

Southern States Utilities project
P.O. #31835

1 150' Testboring and grout abandonment \$1,050.00

1 Mobilization charge

PAID
OCT 14 1993

200.00

1 Permit fee (SJRWMD)

120.00

TOTAL

~~1,370.00~~

8/12/93

RECEIVED

AUG 13 1993

DRILLING SERVICES
ACCOUNTS PAYABLE

RECEIVED

AUG 11 1993

PROJECT CONSTRUCTION
MANAGEMENT

ACCOUNTS PAYABLE VOUCHER

APPROVED: Am

TYPE: _____ MANUAL CHECK # _____ CK. DATE _____

VENDOR #: 3193 VENDOR NAME: Citrus Pipeline Const.

OR ONE TIME VENDOR

ADDRESS: _____ CITY: _____ STATE: _____

ZIP CODE: _____ TELEPHONE #: _____

INV. DATE 1/13/94 INVOICE # 1/13/94 INV. AMOUNT \$ 19,088.11

DUE DATE 2/13/94 DISCOUNT \$ _____ OR TERMS CODE _____

MONTH/YEAR _____ PURCHASE ORDER # 33894

DESCRIPTION: WATER System Connection to City of Wilkes

ACCOUNT NUMBER PROJECT #/TASK AMOUNT

PLT.RESCTR.UC.ACCT.SUBACCT.CEC 472.570.01.1050.3314.265 93CN054 20,092.75

0001.000.99 2310.3000.000 <1,004.64>

19,088.11

AV

CITRUS PIPELINE CONTRACTORS, INC.

P.O. Box 330

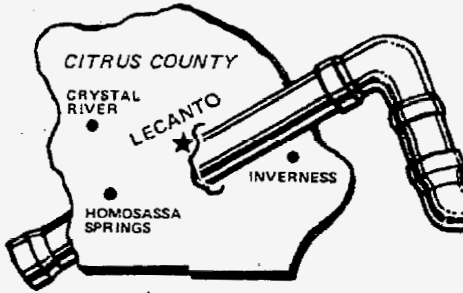
Lecanto, Florida 34460

Beecher's Point Water System

Item #	Description	Quantity	Unit Price	Total
1.	8" PVC C-900 DR18	5 LF	\$ 10.25	\$ 51.25 ✓
2.	6" PVC C-900 DR18	110 LF	8.75	962.50
3.	6" DIP CL50	48 LF	15.25	732.00
4.	6" Gate Vlv/Box	1 EA	295.00	295.00
5.	6 x 6 MJ Tee	1 EA	125.00	125.00
6.	6" MJ 90° Bend	3 EA	85.00	255.00
7.	8 x 6 MJ Reducer	1 EA	125.00	125.00
8.	Jack & Bore 10" Casing	47 LF	70.00	3,290.00
9.	Blow-Off	1 EA	225.00	225.00
10.	Back Flow Preventor	1 LS	9,995.00	9,995.00
11.	Restoration/Testing/ Traffic Maintenance	1 LS	2,500.00	2,500.00
12.	Flow Metering System	1 LS	1,137.00	1,137.00
13.	State Instruments	1 LS	400.00	400.00
TOTAL				\$20,092.75

Please hold 5% retainage

5% — 1,004.64
 \$ 1,988.11
 3/8/95



CITRUS PIPELINE CONTRACTORS, INC.

WATER AND SEWER CONSTRUCTION

(904) 746-6020

P.O. BOX 330
LECANTO, FL 34460
BOB BASS, President

August 5, 1994

Southern States Utilities
Attn: Accounts Payable Department
1000 Color Place
Apopka, Florida 32703


RE: Cap Two Four Inch Wells
Beecher's Point, Welaka, Florida
PO #33894

The following amount is due for PO #33894 which included labor, material and equipment to cap two four inch wells at Beecher's Point, Welaka, Florida:

TOTAL AMOUNT DUE: \$2,569.00

If you have any questions, please feel free to call me.

Sincerely,


Dolan V. Smith
Vice President

/be
c: Liseht Sanchez
Assistant Engineer
cap2wells

RECEIVED

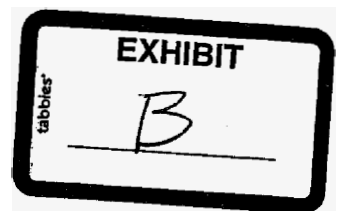
AUG 23 1994

SSU SERVICES
ACCOUNTS PAYABLE

EXCEPTION # 14 (CORRECTION OF FPSC AUDIT ADJUSTMENT)

**Purchase of Tomoka Water Works
Docket No. 040951-WS
Audit Control No. 04-247-3-1
Issued: March 15, 2005**

<u>Description</u>	<u>Adjustment Per Audit</u>	<u>FL Water Adjustments</u>	<u>Additional Required Adjustment</u>
Utility Plant-In-Service	-	48,147	48,147
Land	-	2,000	2,000
Accum Depreciation	-	(7,522)	(7,522)
Accum Depreciation (Since Acquis)		(6,525)	(6,525)
CIAC	(46,878)	(46,878)	-
CIAC Amortization	30,042	30,042	-
CIAC Amortization (Since Acquis)	5,753	5,753	-
Acquisition Adjustment	-	-	-
Total	(11,083)	25,017	36,100



EXCEPTION # 14 (CORRECTION OF FPSC AUDIT ADJUSTMENT)

Purchase of Tomoka Water Works
Docket No. 000334-WU
Order No. PSC-00-1659-PAA-WU
Issued: September 18, 2000

<u>Description</u>	<u>Balance Per Commission Order</u>	<u>Booked by FL Water</u>	<u>FWS Adj</u>	
Utility Plant-In-Service	101,845	53,698	48,147	[1]
Land	2,000	-	2,000	[1]
Accumulated Depreciation	(52,466)	(44,944)	(7,522)	[1]
CIAC	(46,878)	-	(46,878)	
CIAC Amortization	30,042	-	30,042	
Acquisition Adjustment	-	31,870	(31,870)	[2]
Sub-Total	<u>34,543</u>	<u>40,624</u>		[3]
CIAC Amortization	5,753		5,753	[4]
Depreciation	-	(6,525)	(6,525)	[5]
	<u>40,296</u>	<u>40,624</u>		

Note [1]: Total of \$42,625 to increase rate base. CIAC addressed in exception 14.

Note [2]: Florida Water originally recorded unidentified acquisition amount to acquisition adjustment. Final order was not booked.

Note [3]: FPSC Exception # 14 only addresses the CIAC adjustment. Additional adjustment should also be made UPIS, Land & Accum Depreciation.

Note [4]: Auditor calculated amortization since acquisition.

Note [5]: Depreciation calculated on adjustment \$48,147 since acquisition.



January 26, 2005

Sent via electronic and U.S. mail

Intesar Terkawi
Bureau of Auditing
Public Service Commission
400 W. Robinson St., Suite N512
Orlando, FL 32801-1748

RE: Audit Document/Record Request Number 1808-7-it

Dear Ms. Terkawi:

Florida Water's response to Audit Document/Record Request Number 1808-7-it is enclosed. This response consists of a one page general response as well as a two page chart detailing activity for the Tomoka system from the date of acquisition through the date of sale. The chart is attached hereto as Exhibit 1808-7-it. This general response and accompanying Exhibit are in reply to your inquiries related to the Tomoka water system.

Please do not hesitate to contact me with comments or questions. I can be reached at (407) 598-4205.

Sincerely,

A handwritten signature in cursive script that reads "Melissa M. Taylor".

Melissa M. Taylor
Assistant General Counsel

Encl.

**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT**

TO: Melissa Taylor
UTILITY: Florida Water Services Corp.
FROM: Intesar Terkawi
(Auditor Preparing Request)

REQUEST NUMBER: 1808-7-it DATE OF REQUEST: Jan 20, 2005
AUDIT PURPOSE: Transfer Audit Due Date: Jan 24, 2005

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY:

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

According to the application Tomoka Water System serves 3 Communities: 1- Tanglewood, 2-Tomoka View, 3- Twin River Estate. The Commission Order No. PSC-00-1659-PAA-WU established the utility plant in service at \$101,845. The utility booked the plant in service at substantially lower amount. Please provide answers for the following questions:

1. Why the company ignore Tanglewood.
2. Did the company sell Tanglewood.
3. If so, why the company failed to show filing a deletion territory with the Commission.
4. The prior Order shows that Tomoka systems served 252 customers. The June 2004 number of customers indicated is 262. It appears the company is still serving Tanglewood. Please explain.

ks

THE REQUESTED RECORD OR DOCUMENTATION:

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | (1) HAS BEEN PROVIDED TODAY <u>1/26/05</u> |
| <input type="checkbox"/> | (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY |
| <input type="checkbox"/> | (3) AND IN MY OPINION, ITEM(S) _____ IS (ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C. |
| <input type="checkbox"/> | (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM) |

Melissa Mauer Taylor ASSISTANT GENERAL COUNSEL

SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst

REQUEST # 1808-7-it

Attached is a spreadsheet showing all activity for Tomoka (# 1808 and # 1809) from the acquisition on 12-31-1999 until the sale of Aqua on 06-30-2004. The acquisition was recorded in December 1999 using the Tomoka Waterworks 12-31-1998 general ledger amounts as it was the only source we had at the time.

When the final transfer, PSC-00-1659, was issued it appears that the books were never adjusted to reflect the approved amount of rate base.

- [1] Tomoka View and Tanglewood Forest are parts of the same system.
- [2] Tomoka View and Tanglewood Forest are parts of the same system.
- [3] N / A
- [4] Tomoka View and Tanglewood Forest are parts of the same system.

ACQUISITION OF TOMOKA WATERWORKS, INC.

December 21, 1999

	<u>Plant in Svc Acct 1010</u>	<u>Depre Res Acct 1081</u>	<u>CWIP Acct 1050</u>	<u>CIAC Acct 2710</u>	<u>CIAC Amort Acct 2720</u>	<u>Acq Adj Acct 1140</u>	<u>Total</u>
12-99 Record Acquisition (JE 39655) (Source: Closing Documents)	53,698.00	(44,944.00)	-	-	-	31,869.89	40,623.89
Total Acquisition Recorded	53,698.00	(44,944.00)	-	-	-	31,869.89	40,623.89
1999 Depreciation / Amortization		(2,246.29)	-	-	-	-	(2,246.29)
2000 Additions							
Project 00-CC-169	11,145.07	-	-	-	-	-	11,145.07
Project 00-CC-170	11,161.70	-	-	-	-	-	11,161.70
Project 99-CO-105	8,241.95	-	-	-	-	-	8,241.95
Retirements	(7,923.64)	7,923.64	-	-	-	-	-
Depreciation / Amortization		(2,060.30)	-	-	-	-	(2,060.30)
2001 Additions							
Project 00-CC-170	(129.51)	-	-	-	-	-	(129.51)
Project 00-CC-102	1,319.91	-	-	-	-	-	1,319.91
Project 00-CC-280	28,035.35	-	-	-	-	-	28,035.35
Project 01-CC-275	1,699.43	-	-	-	-	-	1,699.43
Retirements	(1,092.50)	1,092.50	-	-	-	-	-
Depreciation / Amortization		(2,138.02)	-	-	-	-	(2,138.02)
2002 Additions							
Project 01-CC-418	6,874.72	-	-	-	-	-	6,874.72
Project 01-CO-504	65.64	-	-	-	-	-	65.64
Project 01-CO-506	2,518.76	-	-	-	-	-	2,518.76
Accruals							
Project 02-CC-439	1,485.34	-	-	-	-	-	1,485.34
Project 02-CC-440	5,645.94	-	-	-	-	-	5,645.94
Retirements	57.50	(57.50)	-	-	-	-	-
Depreciation / Amortization	-	(3,105.64)	-	-	-	-	(3,105.64)

EXHIBIT 1808-7-it

	<u>Plant in Svc Acct 1010</u>	<u>Depre Res Acct 1081</u>	<u>CWIP Acct 1050</u>	<u>CIAC Acct 2710</u>	<u>CIAC Amort Acct 2720</u>	<u>Acq Adj Acct 1140</u>	<u>Total</u>
2003 Additions							
Project 02-CC-436	12,355.03			-	-	-	12,355.03
Project 02-CC-439	1,847.17			-	-	-	1,847.17
Project 02-CC-440	-		1,510.50	-	-	-	1,510.50
Project 03-CC-110	2,879.40			-	-	-	2,879.40
Project 03-CC-274	1,353.59			-	-	-	1,353.59
Project 03-CC-713	-		1,514.73	-	-	-	1,514.73
Project 03-CC-741			22,098.24	-	-	-	22,098.24
Project 03-CO-504	63.59			-	-	-	63.59
Project 03-CO-709	2,757.63			-	-	-	2,757.63
Accruals (Reverse Prior Year's)							
Project 02-CC-439	(1,485.34)			-	-	-	(1,485.34)
Project 02-CC-440	(5,645.94)			-	-	-	(5,645.94)
Retirements (Correct Prior Year)	(115.00)	115.00		-	-	-	-
Depreciation / Amortization	-	(3,585.47)		-	-	-	(3,585.47)
2004 Additions							
Project 04-CC-703	13,011.84						13,011.84
Project 04-CO-506	-		5,487.20	-			5,487.20
Cash CIAC	-			(1,235.00)			(1,235.00)
Retirements	(57.50)	57.50		-	-		-
Depreciation / Amortization	-	(2,048.04)					(2,048.04)
Total Transfer to Aqua	149,768.13	(50,996.62)	30,610.67	(1,235.00)	-	31,869.89	160,017.07

EXHIBIT 1808-7-it
PAGE 2 OF 2

Melissa Taylor (FWS)

From: Brenda Mazurak (FWS)
Sent: Tuesday, January 25, 2005 9:43 AM
To: Melissa Taylor (FWS); Nancy Norris (FWS); Sue Finney (FWS)
Subject: IT'S response to delay in FWS response to 1808-7-it & 1808-8-it

-----Original Message-----

From: Intesar Terkawi [mailto:ITerkawi@PSC.STATE.FL.US]
Sent: Tuesday, January 25, 2005 8:17 AM
To: Brenda Mazurak (FWS)
Subject: RE: Delay in FWS response to 1808-7-it & 1808-8-it

Hello Brenda,

I think it is too late to get the answers by Friday 28th. All the audit reports should be ready by Friday 28th. The report will be written according to the information I have uptodate, and your answers will be sent to Tallhassee for further consideration. Please send the information as soon as you can, and I will speak to the chief in Tallhassee regarding this matter.

Thanks.

-----Original Message-----

From: Brenda Mazurak (FWS) [mailto:BMazurak@florida-water.com]
Sent: Mon 1/24/2005 4:10 PM
To: Intesar Terkawi
Cc: Melissa Taylor (FWS)
Subject: Delay in FWS response to 1808-7-it & 1808-8-it

Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 18th day of September, 2000.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of water facilities in Volusia County from Tomoka Water Works, Inc., holder of Certificate No. 81-W, to Florida Water Services Corporation; for amendment of Certificate No. 238-W held by Florida Water Services Corporation; and for cancellation of Certificate No. 81-W.

DOCKET NO. 000334-WU
ORDER NO. PSC-00-1659-PAA-WU
ISSUED: September 18, 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, AMENDMENT OF CERTIFICATE NO. 238-W, HELD BY FLORIDA WATER SERVICES CORPORATION, TO INCLUDE THE TERRITORY SERVED BY TOMOKA WATER WORKS, INC, AND CANCELLATION OF CERTIFICATE NO. 81-W, HELD BY TOMOKA WATER WORKS, INC.
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 action discussed herein establishing rate base for purposes of the transfer and declining to recognize a positive acquisition adjustment 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.

Background

On March 21, 2000, Florida Water Services Corporation (FWSC or Buyer) and Tomoka Water Works, Inc. (Tomoka, Seller, or utility) filed a joint application for approval of the transfer of Tomoka's water facilities to FWSC, pursuant to Section 367.071, Florida Statutes. Tomoka is a Class C utility that provides water service to approximately 252 customers in Volusia County. Tomoka consists of four systems: the Tanglewood/Tomoka View water treatment and water distributions systems, and the Twin River Estates Water treatment and water distribution systems.

FWSC is a Class A utility, which provides water and wastewater service to 139 service areas in 28 counties. FWSC has been operating under the jurisdiction of this Commission since 1961.

According to the joint application, Tomoka and FWSC entered into an agreement on September 28, 1999, wherein FWSC agreed to purchase the utility system, which included all of the assets of Tomoka. The sale closed on December 21, 1999, contingent upon the approval of this Commission.

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 \$750, pursuant to Rule 25-30.020, Florida Administrative Code. The application also contains evidence 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, including notice to the customers of the system being transferred. No objections to the application have been received and the time for filing such has expired.

With regard to technical ability, FWSC has approximately 30 years of experience in the water and wastewater industry. FWSC owns and operates water and wastewater systems throughout the State of Florida, providing safe and reliable service. Further, from information provided with the application, FWSC has the financial resources to ensure continued operation of the Tomoka system.

The application indicates that FWSC conducted a reasonable investigation of the water system and found it to be in satisfactory condition. Only minor maintenance of the system is anticipated. Also, according to the application, the system is in compliance with

the rules and regulations of the Volusia County Health Department and the St. Johns Water Management District.

The application contains a copy of the Agreement for Purchase and Sale which includes the purchase price, terms of payment and a list of the assets purchased. The purchase price for the utility facilities (including land and equipment) is \$40,000. The Tomoka purchase was a cash transaction, and no outside financing was needed. There are no guaranteed revenue contracts, developer agreements, utility debt, customer advances or customer deposits. Tomoka will remain responsible for the existing debts of the utility incurred up to the time of closing, December 21, 1999. Tomoka will also be responsible for paying regulatory assessment fees until the date of closing. The utility is current on payment of RAFS through December 31, 1999, and has filed annual reports for 1999 and all prior years. FWSC is responsible for filing the 2000 Annual Report and paying regulatory assessment fees after the closing date. FWSC has provided a statement that it will fulfill the commitments, obligations, and representations of the Seller regarding utility matters.

Based on the foregoing, we find that the transfer of the water facilities from Tomoka to FWSC is in the public interest and it is hereby approved. Certificate No. 238-W, held by FWSC, is hereby amended to include the territory served by Tomoka. The territory being transferred is shown on Attachment A of this Order, which by reference is included herein. Certificate No. 81-W, held by Tomoka, is hereby canceled.

Rate Base

Rate base for Tomoka was last established by Order No. 21674, issued August 3, 1989, in Docket No. 881583-WU. To determine rate base at the time of transfer, December 21, 1999, an audit of the utility's books and records has been conducted. The balances as of the transfer date were determined by restating the utility's 1999 year-end trial balance. We determined the beginning balances from the work papers of the last audit in Docket 881583-WU. Additions and retirement since the last audit have been traced and verified by supporting documentation.

The audit report contained several exceptions that resulted in adjustments to plant, accumulated depreciation, contribution-in-aid-of-construction (CIAC), and accumulated amortization accounts. The adjustments made as a result of the audit are set forth below.

Utility Plant-in-Service

According to the company ledger, the utility's ending depreciable plant-in-service and accumulated depreciation balances were \$99,904 and \$51,646, respectively, as of December 21, 1999. The utility's books and records have been maintained in substantial compliance with Commission directives. However, we found that the utility failed to book a prior Order adjustment of \$4,336 and incorrectly capitalized \$2,395 for cleaning and repair services on a generator and pump, which is general maintenance expense. Because general maintenance costs are reoccurring expenses that should be expensed and not capitalized, \$2,395 has been removed from the plant-in-service balance. These adjustments result in a \$1,941 increase to

the plant-in-service balance. Based on the adjustments, the plant-in-service balance as of December 21, 1999, is \$101,845.

Accumulated Depreciation

The utility's ledger provided an accumulated depreciation balance of \$51,646, as of December 21, 1999. In accordance with Rule 25-30.140, Florida Administrative Code, the guideline depreciation rates were applied to the audited plant subaccount balances from 1989 to December 21, 1999. As a result, it was determined that the accounts are understated by \$820. The accumulated depreciation balance has been increased by \$820 to reflect the additional depreciation through the date of closing. Therefore, the accumulated depreciation balance is \$52,466, as of December 21, 1999.

CIAC and Accumulated Amortization of CIAC

The utility's year-end trail balance, restated to December 21, 1999, indicated that CIAC and accumulated amortization balances are \$42,732 and \$21,743, respectively. Order No. 21674 established the December 31, 1988 CIAC balance at \$45,653 and the accumulated amortization of CIAC balance at \$9,497. The Commission Order balances were used to verify the CIAC additions up to the date of transfer. The utility had understated the CIAC order balance by \$3,721.

Order No. 22854, issued April 24, 1990, in Docket No. 881583-WU, established meter installation charges of \$75 for 5/8" x 3/4" meters and actual cost for 1" or larger meters. There was one commercial customer in 1991 that had a 2" meter installed for \$425, that was not recorded by the utility. CIAC has been increased by a total of \$4,146, to reflect the appropriate CIAC balance. Based on the above, the CIAC balance is \$46,878, as of December 21, 1999.

Associated CIAC amortization was recalculated using annual composite amortization rates from January 1, 1989, to December 21, 1999. Therefore, accumulated amortization of CIAC has been increased by \$8,299, to reflect a \$30,042 CIAC amortization balance.

Rate Base

As a result of the adjustments set forth herein, rate base for the Tomoka water system is \$34,543 as of December 21, 1999, the date of transfer. Our calculation of rate base is shown on Schedule No. 1 of this Order, which by reference is incorporated herein. The adjustments to rate base are set forth on Schedule No. 2 of this Order, which by reference is incorporated herein.

The rate base calculation is used solely to establish the net book value of the property being transferred. The calculation does not include the normal ratemaking adjustments for working capital and used and useful.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the rate base for purposes of the transfer. The transaction in this docket results in a positive acquisition adjustment of \$5,457 (Purchase price: \$40,000 less Rate Base: \$34,543).

FWSC has not requested an acquisition adjustment, and there are no extraordinary circumstances in this case to warrant the inclusion of an acquisition adjustment. In the absence of extraordinary circumstances, it has been our practice that the purchase of a utility system at a premium or discount shall not affect the rate base calculation. Therefore, we decline to include an acquisition adjustment in the calculation of rate base. Our action herein is consistent with previous decisions. See Order No. PSC-00-0913-PAA-WU, issued May 8, 2000, in Docket No. 970201-WU; Order No. PSC-00-0579-PAA-WU, issued March 22, 2000, in Docket 990975-SU; Order No. PSC-00-0682-FOF-WU, issued April 12, 2000, in Docket No. 990253-WU; Order No. PSC-00-0758-PAA-SU, issued April 17, 2000, in Docket No. 991056-SU; Order No. PSC-98-1231-FOF-WU, issued September 21, 1998, in Docket No. 971670-WU; and Order No. PSC-98-0514-FOF-SU, issued April 15, 1998, in Docket No. 951008-SU.

Rates and Charges

Tomoka's current rates for residential and general service became effective on August 31, 1998, pursuant to a price index and pass through rate adjustment. The service availability charges and the miscellaneous service charges were effective May 25, 1991, pursuant to order No. 22854, issued April 24, 1990, in Docket No. 881583-WU. The utility's current rates and charges are set forth below.

Residential and General Service
Monthly Service Rates

<u>Base Facility Charge:</u>	
<u>Meter Size:</u>	<u>Charge</u>
5/8" x 3/4"	\$ 4.52
Full 3/4"	\$ 11.31
1"	\$ 22.64
1 1/2"	\$ 36.20
 <u>Gallonage Charge:</u>	
Per 1,000 Gallons	\$ 1.33

Customer Deposits
Residential

Meter Size:

5/8" x 3/4"	\$ 10.00
1"	\$ 12.50
1 1/2"	\$ 15.00
2"	Actual Cost

Miscellaneous Service Charges

Initial Connection fee	\$ 15.00
Normal Reconnection Fee	\$ 15.00
Violation Reconnection Fee	\$ 15.00
Premises Visit Fee (in lieu of disconnection)	\$ 10.00

Service Availability Charges

Meter Installation Fee:

Meter Size:

5/8" x 3/4"	\$ 75.00
1"	Actual Cost
1 1/2"	Actual Cost
2"	Actual Cost
Over 2"	Actual Cost

Back-Flow Preventor Installation Fee:

Over 2"	Actual Cost
---------	-------------

Customer Connection (Tap-in) Charge:

Over 2"	Actual Cost
---------	-------------

Inspection Fee:

Over 2"	Actual Cost
---------	-------------

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 the utility's 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 Tomoka's tariff until authorized to change by this Commission in a subsequent proceeding. The utility has filed tariffs reflecting the change in ownership. The tariff shall be effective for services 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 Tomoka Water Works, Inc., 1951 West Granada Boulevard, Ormond Beach, Florida 32174-6740, to Florida Water Services Corporation, 100 Color Place, Apopka, Florida 32703, 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 Certificate No. 238-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. 81-W, held by Tomoka Water Works, Inc., is hereby canceled. It is further

ORDERED that rate base for Tomoka Water Works, Inc., which reflects the net book value for purposes of the transfer, is \$34,543, as of December 21, 1999, the date of transfer. It is further

ORDERED that a positive acquisition adjustment shall not be included in the calculation of rate base. It is further

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

ORDERED that Florida Water Services Corporation shall continue to charge the customers in the territory being transferred the rates and charges approved in Tomoka Water Works, Inc.'s tariff until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that the tariff filed by Florida Water Service Corporation, for the system being transferred, shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the provisions of this Order establishing rate base and declining to recognize a positive 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 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.

By ORDER of the Florida Public Service Commission this 18th day of September, 2000.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

ATTACHMENT A

FLORIDA WATER SERVICES CORPORATION

VOLUSIA COUNTY

TOMOKA WATER SYSTEM

Township 14 South, Range 32 East, Volusia County, Florida.

Tanglewood Forest — Tomoka View System

Section 30

Begin at the Northwest corner of the Southeast 1/4 of the Northwest 1/4 and run thence North 02° 02' 46" West, 1,218 feet more or less to a point in the Southerly shore of the Tomoka River; thence return to the Point of Beginning; thence from said Point of Beginning, run South 02° 02' 46" East, 940 feet to a point; thence North 87° 57' 14" East, 1,090 feet to a point in the North right-of-way of Ormond-Barberville Road (Highway 40); thence North 34° 02' 23" East, 757.70 feet; thence North 45° 17' 23" East, 300.55 feet; thence North 49° 01' 37" West, 611.40 feet; thence North 08° 46' 17" West, 1,011.73 feet; thence South 87° 28' 07" West 1,067 feet more or less to a point in the aforesaid Southerly shore of the Tomoka River; thence Southwesterly 125 feet more or less to the Northerly termination of the first named course of this description, to end and close.

Township 14 South, Range 31 East, Volusia County, Florida.

Twin River Estates System

Section 25

Begin at the Southwest corner of the North 1/2 of the Southeast 1/4 of the Southwest 1/4 of Section 25; thence North 0° 48' West to a point in the Southerly shore line of the Little Tomoka River; thence return to the Point of Beginning; thence North 87° 56' East, 236.43 feet to a point in the Northerly right-of-way of the Ormond-Barberville Road (Highway 40); thence North 73° 05' 50" East, along said Northerly right-of-way line of the Ormond-Barberville Road (Highway 40) to an intersection with the West shoreline of Tomoka River; thence Northerly along the meandering West shoreline of said Tomoka River to an intersection with the Southerly shoreline of Little Tomoka River; thence Westerly along the meandering Southerly shoreline of said Little Tomoka River to a point being the termination of the first named course of this description, to end and close.

SCHEDULE NO. 1

TOMOKA WATER WORKS, INC.
SCHEDULE OF WATER RATE BASE
As of December 21, 1999

<u>DESCRIPTION</u>	<u>BALANCE PER COMMISSION</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant-in- Service	\$ 99,904	\$1,941	\$101,845
Land	2,000	0	2,000
Accumulated Depreciation	(51,646)	(820)	(52,466)
Contributions-in- aid-of-Construction	(42,732)	(4,146)	(46,878)
Accumulated of Amortization CIAC	<u>21,743</u>	<u>8,299</u>	<u>30,042</u>
TOTAL	\$ 29,269 =====	\$ 5,274 =====	\$ 34,543 =====

SCHEDULE NO. 2

TOMOKA WATER WORKS, INC.

SCHEDULE OF WATER RATE BASE

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant-in-Service	
1) Adjustment pursuant to FPSC Order No. 21674	\$4,336
2) To remove general maintain exp.	(\$2,395)
Total	<u>\$1,941</u>
Accumulated Depreciation	
1) Adjustment to correct understatement	<u>\$ 820</u>
CIAC	
1) Adjustment pursuant to FPSC Order No. 21674	(\$3,721)
2) Adjustment to reflect 2" meter	(\$ 425)
Total	<u>(\$4,146)</u>
Accumulated Amortization of CIAC	
1) Adjustment to reflect recalculated account balance	<u>\$8,299</u>

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 action establishing rate base and declining to recognize a positive acquisition adjustment 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 Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 9, 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.

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.