

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

DATE: February 7, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Accounting and Finance (VanEsselstine, Fletcher, Maurey)
Division of Engineering (Simpson, Vickery)
Office of the General Counsel (Brown)

N *BS* *ALM* *CREB*
MSB *T3* *MCB* *JC*

RE: Docket No. 120219-WS – Application for approval of transfer of Plantation Landings, Ltd. water and wastewater system and Certificate Nos. 606-W and 522-S in Polk County to GCP Plantation Landings, LLC.

AGENDA: 2/19/13 – Regular Agenda – Proposed Agency Action for Issue 2 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: ~~Graham~~ *Commissioner Edgar*

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\AFD\WP\120219.RCM.DOC

DOCUMENT NUMBER-DATE
00743 FEB-7 2013
FPSC-COMMISSION CLERK

Case Background

Plantation Landings, Ltd. (Plantation Landings or Utility) is a Class C water and wastewater utility serving approximately 419 customers. The Utility is in the Highlands Ridge Water Use Caution Area. According to the Utility's 2011 annual report, total gross revenues were \$57,344 for water and \$81,036 for wastewater. Plantation Landings reported operating losses of \$158,316 for water and \$213,573 for wastewater.

Water and wastewater services have been provided to Plantation Landings Mobile Home Park since 1987 under the provisions of Chapter 723, Florida Statutes (F.S.), which governs mobile home park lot tenancies. Since Plantation Landings' operations were subject to regulation under Chapter 723, F.S., the Utility was never franchised by Polk County. The mobile homes are owned by the tenants of the park. All lots in the park are individually metered. On October 14, 1998, the Utility filed an application for a grandfather certificate, and the Commission granted the Plantation Landings Certificate Nos. 606-W and 522-S in 1999.¹ The Commission established rate base for the Utility by Order No. PSC-08-0548-PAA-WS, issued August 19, 2008.² In this application, the Utility states that there have been no adjustments made to the rate base since the previous order.

On August 8, 2012, an application was filed for the transfer of the Plantation Landings water and wastewater system and Certificate Nos. 606-W and 522-S to GCP Plantation Landings, LLC. (GCP or Buyer). The closing occurred on May 21, 2012, contingent upon Commission approval, pursuant to Section 367.071(1), F.S. The Commission has jurisdiction pursuant to Section 367.071, F.S.

¹ See Order No. PSC-99-1227-PAA-WS, issued June 21, 1999, in Docket No. 981338-WS, In re: Application for grandfather certificate to operate water and wastewater utility in Polk County by Plantation Landings, Ltd.

² See Order No. PSC-08-0548-PAA-WS, issued August 19, 2008, in Docket No. 070416-WS, In re: Application for staff-assisted rate case in Polk County by Plantation Landings, Ltd.

Discussion of Issues

Issue 1: Should the Commission approve the transfer of the Plantation Landings, Ltd. water and wastewater system and Certificate Nos. 606-W and 522-S to GCP Plantation Landings, LLC?

Recommendation: Yes. The transfer is in the public interest and should be approved effective the date of the Commission vote. The territory being transferred is described in Attachment A. The resultant order should serve as GCP's water and wastewater certificates and should be retained as such. Pursuant to Rule 25-9.044(1), Florida Administrative Code (F.A.C.), the Utility's existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475(1), F.A.C. GCP should be responsible for annual reports and regulatory assessment fees (RAFs) for 2012 and all future years. (VanEsselstine, Simpson)

Staff Analysis: On August 8, 2012, an application was filed for approval of the transfer of the Plantation Landings water and wastewater system and Certificate Nos. 606-W and 522-S to GCP in Polk County. The application is in compliance with the governing statutes, Section 367.071, F.S., and administrative rules concerning applications for transfer of certificates. The closing occurred on May 21, 2012, contingent upon Commission approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

The application contains proof of compliance with the noticing provisions set forth in Section 367.071, F.S. and Rule 25-30.030, F.A.C. No objections to the transfer were timely filed with the Commission. The application contains a description of the Utility's authorized service territory, which is appended to this recommendation as Attachment A. The application contains a copy of a warranty deed that was executed on May 18, 2012, and recorded with the Polk County Clerk of Courts on May 21, 2012, as evidence that GCP owns the land upon which the water and wastewater treatment facilities are located.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(h), F.A.C., the application contains a copy of the executed purchase agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. The Utility's assets were purchased by GCP for \$19,000,000. However, the purchase agreement covered the real property of Plantation Landings Mobile Home Park, of which only an ancillary portion is attributable to the water and wastewater facilities as discussed in Issue 2. GCP purchased the assets secured by a bank loan. There are no customer deposits, guaranteed revenue contracts, developer agreements, or debt of Plantation Landings that must be disposed of with regard to the transfer. As noted, the sale took place on May 21, 2012, subject to Commission approval, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

The water system consists of two 8-inch wells treated with chlorine. The treated water is channeled into a 15,000-gallon hydropneumatic tank for distribution to customers. A review of the Polk County Health Department (PCHD)'s documentation revealed that the system failed to monitor for disinfection byproducts (DBPs), as well as lead and copper sampling as required. The PCHD issued a consent order on November 10, 2012, requiring the GCP to submit DBP results to the department no later than August 10, 2013. In addition, lead and copper sampling results must be submitted no later than July 10, 2013. Further, GCP did not provide public notice for not monitoring DBPs and lead and copper sampling during the 2012 compliance year. GCP was required to pay a fine in settlement of the matters addressed in the consent order. By letter dated January 23, 2013, the fine has been paid and the public notice regarding the failure to monitor for DBPs and lead and copper sampling has been published, closing the case by the PHCD. GCP also indicated that the sampling regarding DBPs and lead and copper will be done as required in the consent order.

The wastewater system includes gravity and force mains, manholes, and four lift stations. The treatment process consists of extended aeration, clarification, filtration, chlorination, and effluent discharge into a percolation pond. Staff has verified with the Florida Department of Environmental Protection (DEP) that the wastewater system is currently in satisfactory condition and in substantial compliance with all applicable standards set by DEP.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(j), F.A.C., the application contains a statement indicating how the transfer is in the public interest. According to the application, the transfer is in the interest of the customers because it allows for a more efficient operation of the water and wastewater systems. GCP is a wholly-owned subsidiary of Green Courte Partners, LLC. Although GCP does not own any other water or wastewater utilities, its parent company manages other utility systems in Florida. In addition, the existing licensed operator, Flynn Services, LLC d/b/a Pro-Tech Water & Wastewater will continue to operate and maintain the system.

The application also includes financial statements demonstrating the financial ability of the applicant to provide service to its customers. In support of its financial ability, GCP provided an income statement for the first six months of 2012. Further, GCP provided a statement agreeing to fulfill the commitments, obligations, and representations of Plantation Landings with regard to utility matters. Based on this information, staff recommends that GCP appears to have demonstrated the financial and technical ability to operate the Utility pursuant to Rule 25-30.037(2)(j), F.A.C. Therefore, staff recommends that the transfer of utility assets and Certificate Nos. 606-W and 522-S to GCP Plantation Landings, LLC. is in the public interest.

Rates and Charges

The Utility's rates and charges were last approved effective August 19, 2008.³ The four-year rate reduction by that order was implemented on January 1, 2013. The Utility's existing rates and charges are shown on Schedule 3. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, staff recommends that the Utility's existing rates and charges remain in effect until a change is authorized by this Commission in a subsequent proceeding. Staff notes the current tariffs do not include charges for customer deposits, miscellaneous service, or service availability charges.

Regulatory Assessment Fees and Annual Reports

Staff has verified that the Utility is current on its annual report for 2011 and all prior years and there are no outstanding RAFs, fines, or refunds due. According to the Utility's purchase agreement, GCP is responsible for filing the annual reports and paying RAFs for 2012 and all future years.

Conclusion

Based on the above, staff recommends that the transfer of the Plantation Landings water and wastewater system and Certificate Nos. 606-W and 522-S to GCP is in the public interest and should be approved effective the date of Commission vote. The territory being transferred is described in Attachment A. The resulting order should serve as GCP's water and wastewater certificates and should be retained as such. The Utility's existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475(1), F.A.C. GCP should be responsible for annual reports and RAFs for 2012 and all future years.

³ See Order No. PSC-08-0548-PAA-WS, issued August 19, 2008, in Docket No. 070416-WS, In re: Application for staff-assisted rate case in Polk County by Plantation Landings, Ltd.

Issue 2: What are the appropriate net book values for Plantation Landings' water and wastewater systems for transfer purposes and should an acquisition adjustment be approved?

Recommendation: The net book values of Plantation Landings' water and wastewater systems for transfer purposes are \$67,888 and \$101,679, respectively, as of December 31, 2011. An acquisition adjustment should not be included in rate base. Within 30 days of the final order, GCP should be required to provide general ledgers that show its books have been updated to reflect the Commission-approved balances as of December 31, 2011, along with a statement that these adjustments will also be reflected in the Utility's 2012 annual report. (VanEsselstine)

Staff Analysis: Rate base for the Utility's water and wastewater systems were established as of December 31, 2006, in a staff-assisted rate case by Order No. PSC-08-0548-PAA-WS.⁴ Included in the Utility's application was a statement that there had been no adjustments made to the plant since the previously mentioned Order. Staff reviewed the annual reports for 2007 through 2011 and determined that no adjustments were made to plant. Further, staff believes it is necessary to establish the appropriate net book value (NBV) for transfer purposes as of December 31, 2011. The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. Staff's recommended NBV for water and wastewater, as described below, are shown on Schedule Nos. 1 and 2, respectively.

Utility Plant in Service (UPIS)

In its 2011 annual report, GCP reflected plant balances of \$317,009 for water and \$917,010 for wastewater. In its application, GCP stated that there have been no additions to the plant since the 2008 rate Order. However, after a review of the Order and subsequent annual report filings, staff determined that the Commission-ordered adjustments from the Utility's last rate proceeding had not been made. The adjustments included the reclassification of two water plant accounts, and the appropriate plant amounts per an original cost study. To account for the adjustments, UPIS should be decreased by \$67,865 for water and \$513,193 for wastewater. With these adjustments, staff believes that the appropriate UPIS balances are \$249,144 for water and \$403,817 for wastewater. The appropriate UPIS amounts for the Utility's water and wastewater systems are outlined in Schedule Nos. 1 and 2, respectively.

Land and Land Rights

In its 2011 annual report, the Utility reflected land balances of \$14,970 for water and \$78,192 for wastewater. In its application, the GCP stated that there had been no adjustments made to the land balances since the 2008 rate Order. The National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) states that the cost of land should be recorded at its original cost when first dedicated to utility service. The original cost study conducted in the 2008 rate case resulted in a land cost of \$1,164 for the water plant and a land cost of \$17,678 for the wastewater plant. Therefore, staff recommends land and land rights for water and wastewater be reduced by \$13,806 and \$60,514, respectively.

⁴ See Order No. PSC-08-0548-PAA-WS, issued August 19, 2008, in Docket No. 070416-WS, In re: Application for staff-assisted rate case in Polk County by Plantation Landings, Ltd.

Accumulated Depreciation

As noted above, staff determined that the Utility did not make the plant adjustments required in its last rate proceeding. In its 2011 annual report, the Utility reflected accumulated depreciation balances of \$242,791 for water and \$787,128 for wastewater. Using the previously approved 2006 plant balances and depreciation rates as per Rule 25-30.140, F.A.C., accumulated depreciation should be \$182,420 for water and \$319,816 for wastewater as of December 31, 2011. This results in a recommended decrease of \$60,371 for water and \$467,312 for wastewater. Staff's recommended accumulated depreciation balances are shown on Schedule Nos. 1 and 2.

Contribution in Aid of Construction (CIAC) and Accumulated Amortization

In the Utility's last rate proceeding, there was no imputation of CIAC pursuant to Rule 25-30.570, F.A.C., because the developer of the rental mobile home community did not have any lot sales to write off against the cost of the distribution and collection systems. In addition, the Utility's water and wastewater systems were considered built out in the last rate proceeding. As such, staff does not recommend any imputation of CIAC.

Net Book Value

Based on the adjustments described above and shown on Schedule Nos. 1 and 2, staff recommends that the NBV of the Utility's water system is \$67,888, and its wastewater system is \$101,679, as of December 31, 2011. Schedule Nos. 1 and 2 contain the resulting NARUC USOA balances for UPIS and accumulated depreciation as of December 31, 2011, for water and wastewater, respectively.

Acquisition Adjustment

An acquisition adjustment results when the purchase price of a utility differs from the original cost of the assets adjusted to the time of the acquisition (NBV). A positive acquisition adjustment exists when the purchase price is greater than net book value, and a negative acquisition adjustment exists when the purchase price is less than net book value. As part of the purchase agreement, the Buyer allocated \$613,613 for the water system and \$964,442 for the wastewater system. Pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances. The buyer did not request a positive acquisition adjustment and there is no evidence of extraordinary circumstances. Therefore, staff recommends that a positive acquisition adjustment not be approved.

Conclusion

Based on the above, staff recommends that the NBV of the Utility's water system is \$67,888 and its wastewater system is \$101,679, as of December 31, 2011. A positive acquisition adjustment should not be included in rate base. Within 30 days of the date of the final order, GCP should be required to provide general ledger balances, which show its books have been updated to reflect the Commission approved balances as of December 31, 2011, along with a statement that these numbers will also be reflected in the Utility's 2012 annual report.

Issue 3: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action issue is filed by a substantially affected person within 21 days of the date of the order, the docket should be closed upon the issuance of a consummating order. (Brown, VanEsselstine)

Staff Analysis: If no protest to the proposed agency action issue is filed by a substantially affected person within 21 days of the date of the order, the docket should be closed upon the issuance of a consummating order.

GCP Plantation Landings, LLC
Polk County
Description of Water and Wastewater Territory

PER ORDER NO. PSC-99-1227-PAA-WS

In Part of Section 25, Township 27 South, Range 26 East, and Section 31, Township 27 South, Range 27 East, Polk County, Florida described as follows:

Section 25, Township 27 South, Range 26 East

Commence at the Southwest corner of the Southeast 1/4 of the Southwest 1/4 of the Northeast 1/4, thence run North 89°50'54" East a distance of 366.37 feet to the Point of Beginning; thence run North 00°07'52" West a distance of 70.32 feet; thence run South 79°37'37" East along the southerly boundary line of U.S. 17-92 (State Road 600) to the intersection of said line with the North boundary line of said South 1/2 of Section 25; thence run South 89°50'54" West to the Point of Beginning; and

That part of the East 3/4 of the South 1/2 of Section 25, Township 27 South, Range 26 East which lies south of U.S. 17-92 (State Road 600) LESS AND EXCEPT the following tracts of land:

- A. The North 208.71 feet of the Easterly 869.6 feet of the Northeast 1/4 of the Southwest 1/4 of Section 25.
- B. That certain parcel of land described as follows: commence at the center of Section 25, Township 27 South, Range 26 East; thence run South 00°12'09" East along the quarter line a distance of 138.44 feet; thence run South 79°38'00" East a distance of 674.55 feet; thence run North 00°10'00" West a distance of 261.60 feet; thence run westerly along the North boundary line of the S 1/2 of said Section 25 to the Point of Beginning.
- C. The East 1/4 of the Northeast 1/4 of the Southeast 1/4 and West 1/2 of the Northeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of said Section 25.
- D. The South 600 feet of the North 612.93 feet of the West 200 feet of the East 240 feet of the Southeast 1/4 of the Southeast 1/4 of Section 25.

Section 31, Township 27 South, Range 27 East Plantation Landings (percolation pond)

Commence at the Northwest corner of Section 31, Township 27 South, Range 27 East, Polk County, Florida run South 00°00'54" West, along the West boundary of said Section 31, a distance of 30.0 feet to the Point of Beginning; thence run North 89°38'18" East a distance of 558.0 feet; thence run South 00°16'22" West, a distance of 37.81 feet; thence run South 86°35'00" East, a distance of 688.0 feet; thence run South 03°00'00" East, a

distance of 295.0 feet; thence run North 83°07'00" West, a distance of 925.0 feet; thence run North 04°25'00" East, a distance of 237.0 feet; thence run South 89°38'18" West, a distance of 360.0 feet to a point in the West boundary of said Section 31; thence run North 00°03'54" East, a distance of 25.0 feet to the Point of Beginning. LESS AND EXCEPT the West 25.0 feet, thereof, for road Right-of-Way of Dyson Road.

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

GCP Plantation Landings, LLC

pursuant to

Certificate Number 606-W

to provide water service in Polk County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-99-1227-PAA-WS	06/21/99	981338-WS	Grandfather Certificate
*	*	120219-WS	Transfer of Certificate

***Order Number and date to be provided at time of issuance.**

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

GCP Plantation Landings, LLC

pursuant to

Certificate Number 522-S

to provide wastewater service in Polk County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-99-1227-PAA-WS	06/21/99	981338-WS	Grandfather Certificate
*	*	120219-WS	Transfer of Certificate

***Order Number and date to be provided at time of issuance.**

GCP Plantation Landings, LLC
GCP Plantation Landings Water System
Net Book Value as of December 31, 2011

Utility Proposed and Staff Recommended
Schedule of Net Book Value as of December 31, 2011

Description	Utility Proposed	Adjustment		Staff Recommended
Utility Plant in Service	\$317,009	(\$67,865)	A	\$249,144
Land	14,970	(13,806)	B	1,164
Accumulated Depreciation	<u>(242,791)</u>	<u>60,371</u>	C	<u>(182,420)</u>
Net Book Value	<u>\$89,188</u>	<u>(\$21,300)</u>		<u>\$67,888</u>

Explanation of Staff's Recommended
Adjustments to Net Book Value as of December 31, 2011
Water

Explanation	Amount
A. Utility Plant In Service (UPIS) To reflect adjustment from Order No. PSC-08-0548-PAA-WS.	<u>(\$67,865)</u>
B. Land and Land Rights To reflect adjustment from Order No. PSC-08-0548-PAA-WS.	<u>(\$13,806)</u>
C. Accumulated Depreciation To reflect the appropriate amount of Accumulated Depreciation.	<u>(60,371)</u>
Total Adjustments to Net Book Value as of December 31, 2011	<u>\$18,868</u>

GCP Plantation Landings, LLC
GCP Plantation Landings Water System

Schedule of Staff Recommended Account Balances as of December 31, 2011

Acct. No.	Description	UPIS	Accumulated Depreciation
304	Structures	\$4,768	\$4,322
307	Wells & Spring	16,027	14,528
309	Supply Mains	3,091	2,371
310	Power Generator	5,724	5,724
311	Pumping Equipment	25,186	25,186
320	Water Treatment Equipment	4,007	4,007
330	Storage Tank	34,344	25,495
331	Trans & Dist. Mains - Pipes	92,756	59,767
333	Service to Customers	41,356	28,978
334	Meters	4,713	1,525
335	Fire Hydrant	<u>17,172</u>	<u>10,518</u>
Total		<u>\$249,144</u>	<u>\$182,420</u>

GCP Plantation Landings, LLC
GCP Plantation Landings Wastewater System
Net Book Value as of December 31, 2011

Utility Proposed and Staff Recommended
Schedule of Net Book Value as of December 31, 2011

Description	Utility Proposed	Adjustment		Staff Recommended
Utility Plant in Service	\$917,010	(\$513,193)	A	\$403,817
Land	78,192	(60,514)	B	17,678
Accumulated Depreciation	<u>(787,128)</u>	<u>467,312</u>	C	<u>(319,816)</u>
Net Book Value	<u>\$208,074</u>	<u>(\$106,395)</u>		<u>\$101,679</u>

Explanation of Staff's Recommended
Adjustments to Net Book Value as of December 31, 2011
Wastewater

Explanation	Amount
A. Utility Plant In Service (UPIS) To reflect adjustment from Order No. PSC-08-0548-PAA-WS.	<u>(\$513,193)</u>
B. Land and Land Rights To reflect adjustment from Order No. PSC-08-0548-PAA-WS.	<u>(\$60,514)</u>
C. Accumulated Depreciation To reflect the appropriate amount of Accumulated Depreciation.	<u>\$467,312</u>
Total Adjustments to Net Book Value as of December 31, 2011	<u>(\$106,395)</u>

GCP Plantation Landings Wastewater System

Schedule of Staff Recommended Account Balances as of December 31, 2011

Acct. No.	Description	UPIS	Accumulated Depreciation
354	Structures & Improvements	\$1,374	\$1,347
361	Collection Sewers Gravity	248,811	164,837
364	Flow Measuring Device	1,374	1,374
370	Receiving Wells	54,950	54,950
380	Treatment Disposal	<u>97,308</u>	<u>97,308</u>
Total		<u>\$403,817</u>	<u>\$319,816</u>

GCP Plantation Landings, LLC

Schedules of Rates and Charges

Monthly Service Rates

WATER TARIFF

	Residential Service	General Service
Base Facility Charges		
5/8" x 3/4"	\$4.71	\$4.71
3/4"	\$7.07	\$7.07
1"	\$11.78	\$11.78
1-1/2"	\$23.55	\$23.55
2"	\$37.68	\$37.68
3"	\$75.37	\$75.37
4"	\$117.76	\$117.76
6"	\$235.52	\$235.52
 Gallonge Charges (per 1,000 gallons)		
Residential	\$1.62	
General Service		\$1.62

WASTEWATER TARIFF

	Residential Service	General Service
Base Facility Charges	All Meter Sizes	
5/8" x 3/4"	\$9.41	\$9.41
3/4"		\$14.11
1"		\$23.52
1-1/2"		\$47.05
2"		\$75.27
3"		\$150.55
4"		\$235.23
6"		\$470.47
 Gallonge Charges (per 1,000 gallons)		
Residential (6,000-gallon cap)	\$2.67	
General Service		\$3.22