

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval of transfer of Certificate No. 531-W from W.B.B. Utilities, Inc. to Lake Idlewild Utility Company in Lake County.

DOCKET NO. 140170-WU
ORDER NO. PSC-15-0140-PAA-WU
ISSUED: March 23, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING NET BOOK VALUE AND INITIAL CUSTOMER DEPOSITS
AND
FINAL ORDER APPROVING TRANSFER OF CERTIFICATE NO. 531-W FROM W.B.B.
UTILITIES, INC. TO LAKE IDLEWILD UTILITY COMPANY IN LAKE COUNTY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein, except the transfer of W.B.B. Utilities Inc.'s water system and Certificate No. 531-W to Lake Idlewild Utility Company, are 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 (F.A.C.).

BACKGROUND

On September 2, 2014, Lake Idlewild Utility Company (Lake Idlewild, applicant or buyer) filed an application for the transfer of Certificate No. 531-W from W.B.B. Utilities Inc. (W.B.B., Utility or seller) in Lake County. The service area is located in the St. Johns River Water Management District and is in a water resource caution area. According to the Utility's 2013 Annual Report, it serves 74 water customers with operating revenue of \$38,119, which designates it as a Class C utility.

Certificate No. 531-W was originally granted in 1991.¹ There have been no certification actions since that time. The rates and charges for utility service were last approved in a staff-assisted rate case in 1994.²

This order addresses the transfer of the water system, the net book value of the water system at the time of transfer, and initial customer deposits. We have jurisdiction pursuant to Section 367.071, Florida Statutes (F.S.).

CERTIFICATE TRANSFER

On September 2, 2014, Lake Idlewild Utility Company filed an application for the transfer of Certificate No. 531-W from W.B.B. Utilities Inc., in Lake County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale occurred on August 29, 2014, contingent upon our 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 filed, and the time for doing so has expired. The application contains a description of the Utility's water service territory, which is appended to this order as Attachment A. The application contains a copy of a special warranty deed that was executed on August 20, 2014, as evidence that the applicant owns the land upon which the water treatment facilities are located pursuant to Rule 25-30.037(2)(q), F.A.C.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2) (g), (h) and (i), F.A.C., the application contains a statement regarding financing and a copy of the purchase agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, leases, or debt of W.B.B. that must be disposed of with regard to the transfer. According to the purchase agreement, the total purchase price is \$58,000 for the portion of the assets attributable to water service, with 90 percent of the purchase price paid in cash at the closing. The remaining 10 percent is to be paid within 30 days of the final official approval date of the transfer established by this Commission. As noted, the sale took place on August 29, 2014, subject to our approval, pursuant to Section 367.071(1), F.S.

¹ See Order No. 24007, issued January 22, 1991, in Docket No. 900826-WU, In re: Application of W.B.B. Utilities, Inc. for a water certificate in Lake County.

² See Order No. PSC-94-0236-FOF-WU, issued March 3, 1994, in Docket No. 930656-WU, In re: Application for staff-assisted rate case in Lake County by W.B.B. Utilities, Inc.

Facility Description and Compliance

The water treatment system consists of two wells with an elevated storage tank with a capacity of 7,500 gallons, and a liquid chlorination system used for disinfection. Commission Staff contacted the Florida Department of Environmental Protection (DEP) concerning the compliance status relative to any Notices of Violation or any DEP consent orders. DEP stated that the system is not subject to any outstanding violations or consent orders.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(j), F.A.C., the application contains statements describing the technical and financial ability of the applicant to provide service to the proposed service area. According to the application, the buyer has considerable Florida-specific expertise in private utility ownership within the state. The directors have 29 and 37 years, respectively, of operation or ownership of utilities, including a number of utilities previously regulated by this Commission. In addition, the directors are part owners of several other systems regulated by this Commission, including Harbor Waterworks, Inc.,³ Lakeside Waterworks, Inc.,⁴ and LP Waterworks, Inc.⁵ The application also indicates that both the President and Vice President of Lake Idlewild have overseen more than 550 water and wastewater facilities within Florida during their careers.

Further, the application indicates that the President of Lake Idlewild has secured the services of U.S. Water Services Corporation to provide contract operating service, as well as, billing and collection services. We also reviewed the personal financial statements of the President and Vice President of Lake Idlewild.⁶ Based on the above, we find the buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The rates and charges for utility service were last approved in a staff-assisted rate case in 1994.⁷ In 1998, the rates were subsequently reduced to reflect the expiration of rate case expense approved in 1994. The service availability charges and allowance for funds prudently invested

³ See Order No. PSC-12-0587-PAA-WU, issued October 29, 2012, in Docket No. 120148-WU, In re: Application for approval of transfer of Harbor Hills Utility, L.P. water system and Certificate No. 522-W in Lake County to Harbor Waterworks, Inc.

⁴ See Order No. PSC-13-0425-PAA-WS, issued September 18, 2013, in Docket No. 120317-WS, In re: Application for approval to transfer water and wastewater system Certificate Nos. 567-W and 494-S in Lake County from Shangri-La by the Lake Utilities, Inc. to Lakeside Waterworks, Inc.

⁵ See Order No. PSC-14-0130-PAA-WS, issued March 17, 2014, in Docket No. 130055-WS, In re: Application for approval of transfer of LP Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S, to LP Waterworks, Inc., in Highlands County.

⁶ See Document No. 05741-14 (Confidential), in Docket No. 140121-WU.

⁷ See Order No. PSC-94-0236-FOF-WU, issued March 3, 1994, in Docket No. 930656-WU, In re: Application for staff-assisted rate case in Lake County by W.B.B. Utilities, Inc.

have been approved by this Commission in various other dockets.⁸ The Utility filed index rate adjustments in 1996 and 2000. In 2014, we approved the Utility's request to change from quarterly billing to monthly billing.⁹ 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, we find that the existing rates and charges, shown on Schedules Nos. 1 and 2, shall remain in effect until a change is authorized by this Commission in a subsequent proceeding.

Regulatory Assessment Fees (RAFs) and Annual Reports

Commission staff has verified that the Utility is current on the filing of annual reports and RAFs through December 31, 2013. The seller will be responsible for all RAFs payable through the date of closing. The buyer is responsible for filing the 2014 Annual Report and all future annual reports, and RAFs subsequent to the date of closing.

Based on the foregoing, we find that the transfer of the water system and Certificate No. 531-W is in the public interest and shall be approved effective the date of our vote. This order shall serve as the buyer's certificate and shall be retained by the buyer. The existing rates and charges shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. The tariff pages reflecting the transfer shall be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The seller shall be responsible for all RAFs payable through the date of closing. The buyer shall be responsible for filing the 2014 Annual Report and all future annual reports, and RAFs subsequent to the date of closing.

NET BOOK VALUE

The purpose of establishing net book value (NBV) for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for non-used and useful plant or working capital. The application reflects a proposed NBV as of August 29, 2014.

Utility Plant in Service (UPIS)

The general ledger reflected a UPIS balance of \$192,336. We find no adjustments are necessary. Therefore, we establish a balance of \$192,336. The approved UPIS balance is shown on page 1 of Schedule 3.

⁸ See Order Nos. PSC-94-0236-FOF-WU; PSC-97-0598-FOF-WU, issued May 23, 1997, in Docket No. 961498-WU, In re: Application for approval of revised service availability rates by W.B.B. Utilities, Inc.; and PSC-97-1030-FOF-WU, issued August 27, 1997, in Docket No. 970397-WU, In re: Application to establish allowance-for-funds-prudently-invested (AFPI) charges in Lake County by W.B.B. Utilities, Inc.

⁹ See Order No. PSC-14-0681-TRF-WU, issued December 9, 2014, in Docket No. 140171-WU, In re: Request for approval of water rate tariff for a revision in customer billing from quarterly billing to monthly billing by W.B.B. Utilities, Inc. in Lake County.

Land and Land Rights

The audited general ledger reflected a land balance of \$1,905. The value of land and land rights was last established in Order No. PSC-94-0236-FOF-WU.¹⁰ At that time, we approved a land value of \$1,905. We find no adjustments are necessary. Therefore, we establish land and land rights of \$1,905. The approved land balance is shown on page 1 of Schedule 3.

Accumulated Depreciation

The general ledger reflected an accumulated depreciation balance of \$102,125. We find that this balance should be decreased by \$9,134 to account for the use of incorrect depreciation rates and plant balances. Therefore, we establish an accumulated depreciation balance of \$92,991. The approved accumulated depreciation balance is shown on page 1 of Schedule 3.

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

The general ledger reflected balances of \$92,379 for CIAC and \$48,594 for accumulated amortization of CIAC. We find that the CIAC balance shall be decreased by \$660 to correct the initial connection fees recorded as CIAC, which should have been recorded as miscellaneous service revenues. Accumulated amortization of CIAC shall be decreased by \$7,559 to reflect the correct amortization rates and beginning balances. Therefore, we establish a CIAC balance of \$91,719 and accumulated amortization of CIAC balance of \$41,034. The approved balances for CIAC and accumulated amortization of CIAC are shown on page 1 of Schedule 3.

Net Book Value

Based on the adjustments and balances described above, we find that the NBV, as of August 29, 2014, is \$50,565. The approved NBV is shown on page 1 of Schedule 3 along with the National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation as of August 29, 2014.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The assets were purchased for \$58,000. As stated above, we find that the NBV is \$50,565. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, 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. As such, we find that no positive acquisition adjustment shall be approved.

Based on the above, we find that the NBV of the water system for transfer purposes is \$50,565 as of August 29, 2014. The buyer did not request a positive acquisition adjustment, and we find that an acquisition adjustment shall not be included in rate base. Within 30 days of the date of the final order, Lake Idlewild shall be required to provide general ledger balances, which

¹⁰ See Order No. PSC-94-0236-FOF-WU, issued March 3, 1994, in Docket No. 930656-WU, In re: Application for a Staff-Assisted Rate Case in Lake County by W.B.B. Utilities, Inc.

show its books have been updated to reflect the Commission-approved balances as of August 29, 2014. The adjustments shall be reflected in the 2014 Annual Report when filed.

INITIAL CUSTOMER DEPOSIT

Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff shall contain its specific criteria for determining the amount of initial deposits. The current tariff does not authorize the Utility to collect initial customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making - ensuring that the cost of providing service is recovered from the cost causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the Utility's collection of the revenues associated with that usage. Our practice has been to set initial customer deposits equal to two months bills based on the average consumption for a 12-month period for each class of customers. Commission staff reviewed the customer usage data and developed initial customer deposits for new residential and general service customers based on two times the average monthly consumption.

We find that the appropriate initial customer deposit shall be \$86 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. Lake Idlewild shall file revised tariff sheets consistent with our vote. The initial customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of the water system and Certificate No. 531-W is in the public interest and is hereby approved, effective the date of our vote. It is further

ORDERED that the resultant order shall serve as the buyer's certificate and shall be retained by the buyer. It is further

ORDERED that the existing rates and charges, shown on Schedules Nos. 1 and 2, shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. It is further

ORDERED that the tariff pages reflecting transfer shall be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that the seller shall be responsible for all RAFs payable through the date of closing. It is further

ORDERED that the buyer shall be responsible for filing the 2014 Annual Report and all future annual reports, and RAFs subsequent to the date of closing. It is further

ORDERED that the net book values of the water system for transfer purposes is \$50,565 as of August 29, 2014. It is further

ORDERED that an acquisition adjustment shall not be included in rate base. It is further

ORDERED that within 30 days of the date of the final order, Lake Idlewild shall be required to provide general ledger balances, which show its books have been updated to reflect the Commission-approved balances as of August 29, 2014. It is further

ORDERED that the adjustments shall be reflected in the 2014 Annual Report when filed. It is further

ORDERED that the appropriate initial customer deposit shall be \$86 for the residential 5/8 inch x 3/4 inch meter size. It is further

ORDERED that the initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. It is further

ORDERED that Lake Idlewild shall file revised tariff sheets consistent with our vote. It is further

ORDERED that the initial customer deposits shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

ORDERED that the provisions of this Order, 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 Commission Clerk, 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 the docket shall be closed administratively after Lake Idlewild has provided proof, within 30 days of the date of the final order, that its general ledgers have been updated to reflect Commission-approved balances as of August 29, 2014, along with a written statement that these adjustments will be reflected in their 2014 annual report.

By ORDER of the Florida Public Service Commission this 23rd day of March, 2015.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action establishing net book value and initial customer deposits 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 Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 13, 2015. 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 Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed

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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 Office of Commission Clerk 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.

FLORIDA PUBLIC SERVICE COMMISSION

**Authorizes
Lake Idlewild Utility Company
pursuant to
Certificate Number 531-W**

to provide water service in Lake 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>
24007	01/22/91	900826-WU	Original Certificate
PSC-15-0140-PAA-WU	03/23/14	140170-WU	Transfer of Certificate

Lake Idlewild Utility Company
Lake County
Description of Water Territory

PER ORDER NO. 24007:

The following described lands located in portions of Section 35, Township 18 South, Range 24 East, Lake County, Florida:

Section 35

The South 3/4 of the West 1/2 of the NW 1/4 less Lake Idlewild.

Lake Idlewild Utility Company
Monthly Water Rates

Residential Service

Base Facility Charge by Meter Sizes

5/8" X 3/4"	\$11.87
3/4"	\$17.81
1"	\$29.68
1-1/2"	\$59.35
2"	\$94.96
3"	\$178.05
4"	\$296.75
6"	\$593.51

Charge per 1,000 Gallons	\$1.55
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Miscellaneous Service Charges

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

Service Availability Charges

Main Extension Charge

Residential – per ERC	\$887.00
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Meter Installation Charge

5/8" x 3/4"	\$110.00
All other meter sizes	Actual Cost

Plant Capacity Charge

Residential – per ERC	\$793.00
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**Lake Idlewild Utility Company
Lake County**

ALLOWANCES FOR FUNDS PRUDENTLY INVESTED

(AFPI)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
January	\$22.42	\$293.00	\$582.13	\$891.55	\$1,223.15
February	\$44.84	\$316.95	\$607.76	\$919.02	\$1,252.62
March	\$67.26	\$340.91	\$633.40	\$946.49	\$1,282.09
April	\$89.68	\$364.68	\$659.03	\$973.95	\$1,311.56
May	\$112.10	\$388.62	\$684.66	\$1,001.42	\$1,341.03
June	\$134.52	\$412.77	\$710.29	\$1,028.88	\$1,370.50
July	\$156.94	\$436.73	\$735.93	\$1,056.35	\$1,399.97
August	\$179.36	\$460.68	\$761.56	\$1,083.82	\$1,429.44
September	\$201.78	\$484.64	\$787.19	\$1,111.28	\$1,458.91
October	\$224.20	\$508.59	\$812.82	\$1,138.75	\$1,488.38
November	\$246.62	\$532.54	\$838.46	\$1,166.21	\$1,517.85
December	\$269.04	\$556.50	\$864.09	\$1,193.68	\$1,547.32

Remaining ERCs 4 as of August 29, 2014

Lake Idlewild Utility Company

Water System

Schedule of Net Book Value as of August 29, 2014

Description	Utility Proposed	Commission Adjustment		Commission Approved
Utility Plant In Service	\$192,336	\$0		\$192,336
Land & Land Rights	1,905	0		1,905
Accumulated Depreciation	(102,125)	9,134	(A)	(92,991)
CIAC	(92,379)	660	(B)	(91,719)
Amortization of CIAC	<u>48,594</u>	<u>(7,559)</u>	(C)	<u>41,034</u>
Net Book Value	<u>\$48,331</u>	<u>\$2,235</u>		<u>\$50,565</u>

**Explanation of Commission's Approved
Adjustments to Net Book Value as of August 29, 2014
Water System**

Explanation	Amount
A. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	\$9,134
B. Contributions in Aid of Construction To reflect appropriate amount of CIAC.	\$660
C. Accumulated Amortization of CIAC To reflect the appropriate amount of Accum. Amortization of CIAC.	<u>(\$7,559)</u>
Total Adjustments to Net Book Value as of August 29, 2014.	<u>\$2,235</u>

Lake Idlewild Utility Company

Water System

Schedule of Commission Approved Account Balances as of August 29, 2014

Account No.	Description	UPIS	Accumulated Depreciation
304	Structures and Improvements	\$5,642	(\$735)
307	Wells and Springs	19,011	(11,891)
309	Supply Mains	15,793	(5,595)
310	Power Generation Equip.	3,038	(3,420)
311	Pumping Equip.	20,285	(14,482)
320	Water Treatment Equip.	20,337	(14,176)
330	Distribution Reservoirs	32,468	(395)
331	Transmission and Dist. Mains	57,238	(26,986)
333	Services	44	(39)
334	Meters and Meter Install.	9,020	(10,505)
335	Hydrants	<u>9,460</u>	<u>(4,768)</u>
		<u>\$192,336</u>	<u>(\$92,991)</u>