

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECEIVED-FPSC
2016 APR 22 AM 8:34
COMMISSION
CLERK

DATE: April 22, 2016
TO: Docket No. 150012-WU
FROM: Carlotta S. Stauffer, *CS* Commission Clerk, Office of Commission Clerk
RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 00905-16 (attached) was filed on February 18, 2016, for the March 1, 2016 Commission Conference. As the vote sheet reflects, this item was deferred to the May 5, 2016 Commission Conference Agenda.

/css

Attachment

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: February 18, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (M. Watts) *MMW 2/4*
Division of Accounting and Finance (Frank, Norris)
Division of Economics (~~Thompson~~) *Frank*
Office of the General Counsel (Villafrate) *Frank*

TJB *CRB*
DF *ALM*
CSJ
(C. Johnson) *CSJ* *4-22-16*

RE: Docket No. 150012-WU – Application for transfer of Certificate 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc. in Marion County.

AGENDA: 03/01/16 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On January 2, 2015, County-Wide Utility Co., Inc. (County-Wide or seller) filed an application for the transfer of Certificate No. 390-W to Southwest Ocala Utility, Inc. (SOU, Utility, or buyer) in Marion County. County-Wide is a Class C Utility which only provides water service. The service area is located in the St. Johns River Water Management District (SJRWMD), and is not in a water use caution area. According to County-Wide's 2014 Annual Report, the Utility serves 539 residential customers, three general service customers, and had total revenues of \$139,624.

Docket No. 150012-WU

Date: February 18, 201

Certificate No. 390-W was originally granted in 1983 under the name of Bahia Oaks, Inc. d/b/a County-Wide Utility Company, Inc.¹ In 1997, the Commission extended County-Wide's territory to include Units Three, Four, and Five of the Bahia Oaks Subdivision.² Water rates for the Utility were last approved in a 2007 staff assisted rate case.³

This recommendation addresses the transfer of County-Wide's water system under Certificate No. 390-W, the net book value of the water system at the time of transfer, and whether an acquisition adjustment should be approved. The Commission has jurisdiction pursuant to Section 367.071, Florida Statutes (F.S.).

¹Order No. 11868, issued April 21, 1983, in Docket No. 810369-WU, *In re: Application of Bahia Oaks, Inc. d/b/a County-Wide Utility Company, Inc. for a certificate to operate a water utility in Marion County.*

²Order No. PSC-97-0578-FOF-WU, issued May 20, 1997, in Docket No. 970085-WU, *In re: Application for amendment of Certificate No. 390-W to extend service territory to include unit numbers 3, 4, and 5 of Bahia Oaks Subdivision in Marion County by Countywide Utility Company.*

³Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, *In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.*

Discussion of Issues

Issue 1: Should the Commission approve the transfer of County-Wide Utility Co., Inc.'s water system and Certificate No. 390-W to Southwest Ocala Utility, Inc.?

Recommendation: Yes. The transfer of County-Wide's water system and the transfer of Certificate No. 390-W to SOU is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as SOU's certificate and should be retained by the Utility. The 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, Florida Administrative Code (F.A.C.) SOU should be responsible for filing the Utility's annual reports and paying RAFs for 2015 and all future years. (Frank, M. Watts, Thompson)

Staff Analysis: On January 2, 2015, County-Wide filed an application for approval of the transfer of its water system and Certificate No. 390-W to SOU. The application is in compliance with the governing Statute, Section 367.071, F.S., and Administrative Rules concerning applications for transfer of certificates. However, as discussed below, there is disagreement between staff and the Utility over the appropriate purchase price.

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 with the Commission 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 recommendation as Attachment A. As the Utility is a reseller of bulk water purchased from the City of Ocala, it has no water treatment facilities. Therefore, no proof of land ownership pursuant to Rule 25-30.037(2)(s), F.A.C., is required.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i) and (j), F.A.C., the application must contain 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. According to the application, Dirk and Donna Leeward own 100 percent of Brick City Management, LLC (BCM) which manages and owns 100 percent of Southwest Ocala Utility (SOU). According to the application and subsequently filed support documents, on July 19, 2012, Mr. Leeward purchased, at a discount, an outstanding note from BBVA Compass Bank (Compass Bank) that County-Wide owed Compass Bank. The note was comprised of principal, accrued interest, costs, and fees totaling \$1,067,747. The amount Mr. Leeward paid for the note is unknown. Subsequent to purchasing the note, Mr. Leeward foreclosed on County-Wide on March 4, 2013. On April 8, 2013, Mr. Leeward acquired the Utility assets at a public foreclosure auction for a total of \$301, which was comprised of the winning bid amount and associated documentary stamps. On January 1, 2014, the assets were transferred to SOU. Staff believes that the amount paid Compass Bank for the outstanding note should be included in determining the purchase price of the Utility. Staff made several attempts to obtain the information including stating that the information could be filed under a confidential request, but Mr. Leeward did not provide the requested information.

Date: February 18, 2016

On November 19, 2015, the buyer's attorney, Mr. Marshall Deterding, submitted a letter outlining the Utility's concerns with staff's position on the purchase price, Net Book Value (NBV), and application of an acquisition adjustment. In the letter, Mr. Deterding states that Mr. Leeward is unable to provide information regarding the amount paid to acquire the mortgage note from the bank because there is a non-disclosure and confidentiality agreement attached to the transaction between the buyer and the bank. Furthermore, the Utility believes that the discounted amount paid for the mortgage note is irrelevant to the purchase price and believes that staff should consider the full amount of the outstanding note as the purchase price. In support of this position, Mr. Deterding notes that the Marion County Circuit Court established that a note valuing approximately \$1,007,000 was relinquished for County-Wide's assets in the Summary Final Judgment of Foreclosure, and claims that the Commission does not have jurisdiction to disregard the Court Order.

However, the assets were not acquired when Mr. Leeward foreclosed on County-Wide. As stated above, the assets were acquired at the foreclosure auction. As a result, staff believes the foreclosure auction is the final transaction which led to the acquisition of the assets and that the court-ordered amount for the mortgage note is irrelevant.

Staff recognizes that in addition to the bid amount and associated fees, Mr. Leeward paid an undisclosed amount for the note which served to ultimately obtain the assets. Staff believes that for this specific case it is appropriate to consider all compensation paid to acquire the assets, which would include the amount actually paid for the mortgage note. However, staff does not believe that it is appropriate to consider the entire amount of the \$1,007,000 mortgage note, because it does not reflect the actual amount paid to acquire the assets and it would be considered irrelevant for any other buyer who may have acquired the assets at the foreclosure auction. Staff addresses the impact of the utility's non-disclosure of the purchase price in issue 3.

Staff has calculated the resulting purchase price to be \$227, which is the bid amount of \$101, and documentary stamps of \$200 less the value of the unregulated wastewater system, that was included in the auctioned property. Staff has allocated \$74 to the unregulated wastewater system based on the suggested allocation of the regulated and unregulated assets provided by the Utility in response to deficiencies to its transfer application.

According to the application, there are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, or leases of County-Wide that must be disposed of with regard to the transfer.

Facility Description and Compliance

SOU's water system is a consecutive system composed of water mains, as listed in Table 1-1 below, and nine fire hydrants. A consecutive system provides treated water purchased from another entity. Therefore, the City of Ocala is responsible for ensuring the water meets primary and secondary water quality standards. On November 13, 2013, the Florida Department of Environmental Protection (DEP) conducted a Sanitary Survey, and found the Utility was found to be in compliance with its rules and regulations.

Table 1-1
Southwest Ocala Utility, Inc. Water Mains

Material	Diameter Pipe (inches)	Length (linear feet)
PVC	1	100
PVC	2	5,630
PVC	2 1/2	4,300
PVC	4	4,360
PVC	6	750
PVC	8	750
PVC	12	100

Source: County-Wide Utility Co., Inc. 2014 Annual Report

Technical and Financial Ability

Pursuant to Rule 25-30.037(1)(l) and (m), 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, Mr. Leeward has been the general manager of County-Wide since 1986 and has extensive knowledge of the operations and management of the system. As referenced in the transfer application, SOU will fulfill the commitments, obligations and representations of the seller with regards to utility matters.

Staff reviewed the financial statements of BCM, sole manager and owner of SOU. According to the application, BCM has provided working capital funding to the Utility and will ensure the availability of any necessary funds for future capital needs. Based on the above, SOU has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates and charges were last approved in a staff-assisted rate case in 2007.⁴ The rates were subsequently amended to reflect a four-year rate reduction required by Section 367.0816, F.S., in 2011 and numerous price indexes. The Utility's existing rates are shown on Schedule No. 1. 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.

Regulatory Assessment Fees (RAFs) and Annual Reports

Staff has verified that the Utility is current on the filing of annual reports and RAFs through December 31, 2014. SOU will be responsible for filing the Utility's annual reports and paying RAFs for 2015 and all future years.

⁴Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, *In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.*

Conclusion

The transfer of County-Wide's water system and the transfer of Certificate No. 390-W to SOU is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as SOU's certificate and should be retained by the Utility. The 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, F.A.C. SOU should be responsible for filing the Utility's annual reports and paying RAFs for 2015 and all future years.

Issue 2: What is the appropriate net book value for the SOU water system for transfer purposes?

Recommendation: The net book value of the water system for transfer purposes is \$760,002, as of January 1, 2014. Within 90 days of the date of the final order, SOU should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in SOU's 2015 Annual Report when filed. (Frank, Norris, Watts)

Staff Analysis: Rate base was last established for the Utility as of December 31, 2005.⁵ 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 used and useful plant or working capital. The Utility's NBV has been updated to reflect balances as of January 1, 2014. Staff's recommended NBV, as described below, as shown on Schedule No. 2.

Utility Plant in Service (UPIS)

The Utility's general ledger reflected a UPIS balance of \$219,537, as of January 1, 2014. Staff reviewed UPIS additions since the last rate case proceeding and as a result has increased UPIS by \$7,177.

The interconnection with the City of Ocala was disallowed from rate base during the Utility's last rate case as being imprudent since it was not deemed necessary to serve the Utility's current (at the time) customers. Since that time, the water treatment plant has been decommissioned and the interconnection is the only source of water for all customers. For any party purchasing the Utility now, the interconnection is a vital part of the system, required to serve customers, and should be included in rate base. This results in an increase of \$684,693 to UPIS.

In total, UPIS should be increased by \$691,870 (\$7,177 + \$684,693) to reflect a UPIS balance of \$911,407, as of January 1, 2014.

Land

The Utility's general ledger reflected a land balance of \$2,815, as of January 1, 2014. In Order No., PSC-07-0604-PAA-WU, issued July 30, 2007, the Commission established the value of the land to be \$2,815. There have been no additions to land purchased since that order was issued. Therefore, staff recommends land of \$2,815, as of January 1, 2014.

Accumulated Depreciation

The Utility's general ledger reflected an accumulated depreciation balance of \$93,858, as of January 1, 2014. Not including the recognition of the interconnection, staff calculated the appropriate accumulated depreciation balance to be \$93,655. As a result, accumulated depreciation should be decreased by \$203.

⁵Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, *In re: Application for a staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.*

Accounting Standards Codification (ASC) No. 980-340-35-2 states that if a regulator allows recovery through rates of costs previously excluded from allowable costs, that action shall result in recognition of a new asset. As such, staff believes that the previously disallowed interconnection should be recognized as a new asset and placed into rate base at the undepreciated original cost. However, staff also believes an adjustment should be included to recognize accumulated depreciation associated with Contributions in Aid of Construction (CIAC) and Allowance for Funds Prudently Invested (AFPI) charges previously collected in association with the interconnection. Staff calculated this adjustment by taking the ratio of CIAC and AFPI collected (eight lots added in 2008), to the total plant balance of the interconnection and applying that percentage (2.8 percent) to the accumulated depreciation balances associated with the interconnection had it been recognized when it was originally placed into service. This results in an increase of \$3,742 to accumulated depreciation.

In total, accumulated depreciation should be increased by \$3,539 (\$203 - \$3,742) to reflect an accumulated depreciation balance of \$97,397, as of January 1, 2014.

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

As of January 1, 2014, the Utility's general ledger reflected a CIAC balance of \$87,008; and an accumulated amortization of CIAC balance of \$40,982. Staff increased CIAC by \$10,839 based on audited cash receipts since the Commission approved beginning balances from its last rate case. Using a composite rate, staff also calculated and increased accumulated amortization of CIAC by \$42. Therefore, staff recommends a CIAC balance of \$97,847 and an accumulated amortization of CIAC balance of \$41,024, as of January 1, 2014.

Net Book Value

The Utility's general ledger reflected a NBV of \$82,468. Based on the adjustments described above, staff recommends that the NBV for the Utility's water system, as of January 1, 2014, is \$760,002 (\$82,468 + \$677,534). Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation are shown on Schedule No. 2, as of January 1, 2014.

Conclusion

Based on the above, staff recommends that the NBV of the water system for transfer purposes is \$760,002, as of January 1, 2014. Within 90 days of the date of the final order, SOU should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in SOU's 2015 Annual Report when filed.

Issue 3: Should an acquisition adjustment be recognized for rate-making purposes?

Recommendation: Yes. Pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$607,775 should be recognized for rate-making purposes. Beginning with the date of the issuance of the order approving the transfer, 50 percent of the negative acquisition, which is \$303,888, should be amortized over a 7-year period and the remaining 50 percent should be amortized over the remaining 33-year life of the assets. (Frank, Norris)

Staff Analysis: An acquisition adjustment results when the purchase price differs from the original cost of the assets (net book value) adjusted to the time of the acquisition. Pursuant to Rule 25-30.0371(3), F.A.C., if the purchase price is equal to or less than 80 percent of net book value, a negative acquisition adjustment shall be included in rate base and will be equal to 80 percent of net book value less the purchase price. Pursuant to Rule 25-30.0371(4)(b)2., F.A.C., in setting the amortization period for an acquisition adjustment, if the purchase price is equal to or less than 50 percent of the net book value, then 50 percent of the negative acquisition adjustment is amortized over a 7-year period and 50 percent amortized over the remaining life of the assets, beginning with the date of the issuance of the order approving the transfer of assets. Staff calculated the remaining life of the applicable water assets to be 33 years. The calculation of the acquisition adjustment is shown below in table 3-1.

Table 3-1
Calculation of Negative Acquisition Adjustment

Net Book Value as of January 1, 2014	\$760,002
80 % of Net Book value	\$608,002
Purchase Price	\$227
Negative Acquisition Adjustment	\$607,775

Staff recommends that, pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$607,775 shall be recognized for rate-making purposes, as of January 1, 2014. Beginning with the date of the issuance of the order approving the transfer, 50 percent of the negative acquisition adjustment, which is \$303,888 shall be amortized over a 7-year period and the remaining 50 percent shall be amortized over the 33-year remaining life of the assets.

Issue 4: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively after SOU has provided proof that its general ledgers have been updated to reflect the Commission-approved balances as of January 1, 2014. (Villafrate)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively after SOU has provided proof that its general ledgers have been updated to reflect the Commission-approved balances as of January 1, 2014.

SOUTHWEST OCALA UTILITY, INC. - WATER

MARION COUNTY

Township 16 South, Range 21 East

Section 4

The Southwest $\frac{1}{4}$

Less and except that portion of the Northeast $\frac{1}{4}$ of said Southwest $\frac{1}{4}$ of said Section 4 lying North and West of State Road 200

and

Less and except that portion of the Northeast $\frac{1}{4}$ of said Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said Section 4 lying North and West of State Road 200.

Section 5

The East $\frac{3}{4}$ of the South $\frac{1}{2}$ of the Southeast $\frac{1}{4}$.

Section 8

That portion of the Northeast $\frac{1}{4}$ lying North and West of State Road 200. Except: Beginning at the intersection of the South boundary of the Northeast $\frac{1}{4}$ and the Northerly right-of-way of State Road 200; thence North $89^{\circ} 53' 23''$ West a distance of 1,458.52 feet; thence North $00^{\circ} 00' 34''$ East a distance of 665.08 feet; thence North $89^{\circ} 53' 23''$ East a distance of 1,326.73 feet; thence South $69^{\circ} 21' 33''$ East a distance of 557.40 feet; thence Southwesterly along the Northwestern right-of-way line of State Road 200 to the POINT OF BEGINNING.

Section 9

That portion of the Northwest $\frac{1}{4}$, lying North and West of State Road 200

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Southwest Ocala Utility, Inc.
pursuant to
Certificate Number 390-W

to provide water service in Marion 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>
11868	04/21/83	810369-W	Grandfather Certificate
PSC-97-0578-FOF-WU	05/20/97	970085-WU	Amendment
PSC-03-0792-FOF-WU	07/03/93	030453-WU	Name Correction
*	*	150012-WU	Transfer

***Order Numbers and dates to be provided at time of issuance**

**Southwest Ocala Utility, Inc.
 Monthly Water Rates**

Residential and General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$10.18
3/4"	\$15.27
1"	\$25.45
1 1/2"	\$50.89
2"	\$81.43
3"	\$162.86
4"	\$254.49
6"	\$508.94

Charge per 1,000 gallons – Residential

0-10,000 gallons	\$2.55
10,001-20,000 gallons	\$3.19
Over 20,000 gallons	\$3.81

Charge Per 1,000 gallons – General Service	\$2.70
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Private Fire Protection

Base Facility Charge by Meter Size

4"	\$21.21
6"	\$42.41
8"	\$67.87
10"	\$97.56

Initial Customer Deposits

Residential Service and General Service

5/8" x 3/4"	\$50.00
3/4"	\$75.00
1"	\$125.00
Over 1"	2 times the average estimated bill

Miscellaneous Service Charges

	<u>Business Hours</u>	<u>After Hours</u>
Initial Connection Charge	\$21.00	N/A
Normal Reconnection Charge	\$21.00	\$42.00
Violation Reconnection Charge	\$21.00	\$42.00
Premises Visit Charge (in lieu of disconnection)	\$21.00	\$42.00
Late Payment Charge		\$5.00

Service Availability Charges

Main Extension Charge
Residential – Per ERC

\$1,540.00

**Allowance for Funds Prudently Invested – Bahia Oaks
Transmission and Distribution
Calculation of Carrying Cost per ERC by Month:**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
January	\$28	\$360	\$718	\$1,103	\$1,518
February	\$55	\$389	\$750	\$1,137	\$1,555
March	\$83	\$419	\$781	\$1,172	\$1,593
April	\$110	\$449	\$813	\$1,206	\$1,630
May	\$138	\$478	\$845	\$1,241	\$1,667
June	\$165	\$508	\$877	\$1,275	\$1,704
July	\$193	\$538	\$909	\$1,309	\$1,741
August	\$220	\$567	\$941	\$1,344	\$1,778
September	\$248	\$597	\$973	\$1,378	\$1,815
October	\$275	\$626	\$1,005	\$1,413	\$1,852
November	\$303	\$656	\$1,037	\$1,447	\$1,889
December	\$330	\$686	\$1,069	\$1,481	\$1,926

1. The amounts indicated above are per ERC. (ERC=350)
2. The number of remaining ERCs is 422 as of 1/1/2006.
3. If the number of the remaining ERCs has not connected by December 31, 2010, the maximum charge of \$1,926 remains in effect after December 31, 2008.
4. When the number of remaining ERCs have connected, the charge will cease.

Southwest Ocala Utility, Inc. Water System Schedule

Water System

Schedule of Net Book Value as of January 1, 2014

<u>Description</u>	<u>Balance Per Utility</u>	<u>Adjustments*</u>	<u>Staff Recommendation</u>
Utility Plant in Service	\$219,537	\$691,870 A	\$911,407
Land & Land Rights	2,815	0	2,815
Accumulated Depreciation	(93,858)	(3,539) B	(97,397)
CIAC	(87,008)	(10,839) C	(97,847)
Amortization of CIAC	<u>40,982</u>	<u>42</u> D	<u>41,024</u>
Total	<u>\$82,468</u>	<u>\$677,534</u>	<u>\$760,002</u>

* Adjustments are shown on the following page, Schedule No. 2, page 2 of 3.

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of January 1, 2014
Water System**

<u>Explanation</u>	<u>Amount</u>
A. Utility Plant In Service	
I. To reflect appropriate amount of utility plant in service.	\$7,177
II. To reflect inclusion of interconnection.	<u>684,693</u>
Total	<u>\$691,870</u>
B. Accumulated Depreciation	
I. To reflect appropriate amount of accumulated depreciation.	\$203
II. To reflect inclusion of interconnection.	<u>(\$3,742)</u>
Total	<u>(\$3,539)</u>
C. Contributions-in-Aid-of-Construction (CIAC)	
I. To reflect appropriate amount of accumulated depreciation.	<u>(\$10,839)</u>
D. Accumulated Amortization of CIAC	
I. To reflect appropriate amount of accumulated amortization of CIAC.	<u>\$42</u>
Total Adjustments to Net Book Value as of December 31, 2013.	<u>\$677,534</u>

**Southwest Ocala Utility, Inc.
Water System**

Schedule of Staff Recommended Account Balances as of January 1, 2014

Account			Accumulated
<u>No.</u>	<u>Description</u>	<u>UPIS</u>	<u>Depreciation</u>
331	Transmission & Distribution Mains	\$813,212	\$(59,989)
334	Meters & Meter Installations	49,545	(32,598)
335	Hydrants	22,692	(577)
336	Backflow Prevention Devices	15,882	(3,527)
339	Other Plant & Misc.	10,076	(706)
340	Office Furniture & Equipment	<u>0</u>	<u>0</u>
	Total	<u>\$911,407</u>	<u>(\$97,397)</u>