

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: September 29, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (M. Watts) *MT*
Division of Accounting and Finance (Frank, Norris) *DF*
Division of Economics (Johnson) *ALM*
Office of the General Counsel (Janjic) *KJ* *man for JSC*

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: 10/11/16 – 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: September 29, 2016

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 2005 staff assisted rate case (the 2005 SARC.)³

In order to address additional concerns regarding the Utility, staff deferred this item from the May 5, 2016 Agenda Conference. Staff held an additional informal conference with the parties on May 17, 2016, to allow the Utility to more fully state its position for staff's due consideration.

This revised 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 regulatory assessment fees for 2015 and all future years. (M. Watts, Frank, Johnson)

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 Rules 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, Inc. (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 to 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. After 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 to Compass Bank by Mr. Leeward for the outstanding note should be included in determining the purchase price of the Utility. Staff made several attempts to obtain the purchase price of the note, including stating that the information could be filed under a confidential request, but the Buyer did not provide the requested information.

On November 19, 2015, the Buyer submitted a letter outlining its concerns with staff's position on the purchase price, net book value (NBV), and application of an acquisition adjustment. In the letter, it states that the Buyer 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 Compass Bank. Furthermore, the Buyer believes that the discounted amount paid for the mortgage note is irrelevant to the purchase price. Instead, the Buyer argues that staff should consider the full amount of the outstanding note as the purchase price based upon a ruling by a Marion County Circuit Court that established that a note, valued at approximately \$1,007,000, was relinquished for County-Wide's assets in the Summary Final Judgment of Foreclosure. As a result, the Buyer claims that this value established by the Court equates to the purchase price and that the Commission cannot or should not 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 amount of the final judgment is irrelevant.

Staff recognizes that in addition to the bid amount and associated fees, Mr. Leeward paid an undisclosed amount for the note which was necessary in order to 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. In addition, 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. If staff were to consider the entire amount of the note for the purchase price, the Buyer would be earning a return on an amount greater than what was truly invested in the assets. Because staff is unable to determine any amount paid for the mortgage note as additional compensation paid to acquire the assets, only the money paid as a result of the foreclosure auction can be considered as the purchase price. Staff notes that the primary purpose of an acquisition adjustment is to preserve the integrity of NBV by discouraging deliberately high purchase prices during transfers which would ultimately inflate the value of the assets. Staff addresses the impact of the Buyer's non-disclosure of this information on the purchase price and resulting acquisition adjustment in Issue 3.

In light of the above, 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 Utility's suggested allocation of the regulated and unregulated assets that was provided 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 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 Rules 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, the 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 4-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

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.*

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 has filed annual reports and RAFs through December 31, 2014. However, while 2015 RAFs have been paid, the 2015 Annual Report has not been filed. SOU will be responsible for filing the Utility's annual reports and paying RAFs for all future years.

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 \$79,051, 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. Specifically, the Utility should confirm that the adjustments to all applicable National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) primary accounts as shown on Schedule No. 2, Page 3 of 3, have been made to SOU's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Frank, M. Watts)

Staff Analysis: Rate base was last established for the Utility as of December 31, 2005, in its 2005 SARC.⁵ 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. The Utility's NBV has been updated to reflect balances as of January 1, 2014. Staff's recommended NBV, as described below, is 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 and as a result has increased UPIS by \$7,177.

The Utility had retired its wells and water treatment plant, and interconnected to the City of Ocala on October 29, 2005, which was prior to the date it filed its 2005 SARC (November 10, 2005).⁶ After extensive investigation, the Commission found that the retired system would have been sufficient to continue to serve the existing customers, and the reason the Utility interconnected with the City of Ocala was to be able to serve anticipated development. Therefore, the interconnection with the City of Ocala was disallowed from rate base during the Utility's last rate case as imprudent since it was not deemed necessary to serve the Utility's current (at the time) customers. Staff believes that it is appropriate in the instant docket to continue to exclude the interconnection from rate base, consistent with Order No. PSC-07-0604-PAA-WU.⁷ However, since the interconnection is now the only source of water to supply all current customers, it should be considered in future rate proceedings.

Staff recommends UPIS should be increased by \$7,177 to reflect a UPIS balance of \$226,714 as of January 1, 2014.

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.*

⁶Document No. 10900-05, filed on November 10, 2005, in Docket No. 050862-WU, *In re: Application for a staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.*

⁷Order 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.*

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 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. Staff calculated the appropriate accumulated depreciation balance to be \$93,655. As a result, accumulated depreciation should be decreased by \$203.

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 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 \$79,051 (\$82,468 - \$3,417). Staff's recommended NBV and the NARUC USOA balances for UPIS and accumulated depreciation as of January 1, 2014, are shown on Schedule No. 2, page 3 of 3.

Conclusion

Based on the above, staff recommends that the NBV of the water system for transfer purposes is \$79,051, as of January 1, 2014. SOU should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. Specifically the Utility should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts as shown on Schedule No. 2, Page 3 of 3, have been made to SOU's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. 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 \$63,014 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 \$31,507, 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)

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	\$79,051
80% of Net Book value	\$63,241
Purchase Price	\$227
Negative Acquisition Adjustment	\$63,014

Staff recommends that, pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$63,014 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 adjustment, which is \$31,507 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. If the interconnection is placed into rate base during a future rate case, the appropriateness of an acquisition adjustment should be addressed at that time.

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. (Janjic)

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.

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

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</u> <u>Utility</u>	<u>Adjustments*</u>	<u>Staff</u> <u>Recommendation</u>
Utility Plant in Service	\$219,537	\$7,177 A	\$226,714
Land & Land Rights	2,815	0	2,815
Accumulated Depreciation	(93,858)	203 B	(93,655)
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>(\$3,417)</u>	<u>\$79,051</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.	<u>\$7,177</u>
B. Accumulated Depreciation	
I. To reflect appropriate amount of accumulated depreciation.	<u>\$203</u>
C. Contributions-in-Aid-of-Construction (CIAC)	
I. To reflect appropriate amount of CIAC.	<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 January 1, 2014.	<u>(\$3,417)</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	\$167,931	\$(56,649)
334	Meters & Meter Installations	49,545	(32,598)
335	Hydrants	2,551	(479)
336	Backflow Prevention Devices	4,400	(3,300)
339	Other Plant & Misc.	2,287	(629)
340	Office Furniture & Equipment	<u>0</u>	<u>0</u>
	Total	<u>\$226,714</u>	<u>(\$93,655)</u>