

**Nickalus Holmes**

---

**Subject:** APPROVED: Request for Oral Modification- Item 10- Docket No. 20150012-WU- Application for transfer of Certificate No. 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc. in Marion County.

**From:** Kathy Shoaf

**Sent:** Wednesday, July 12, 2017 8:03 AM

**To:** Jennifer Crawford; Danijela Janjic; Laura King; Melinda Watts; David Frank; Lynn Deamer; Cheryl Bulecza-Banks; Amber Norris; Charles Johnson; Apryl Lynn; Braulio Baez; Carlotta Stauffer; Cayce Hinton; Cindy Muir; CLK - Agenda Staff; Commissioners & Staffs; Jacqueline Moore; Kate Hamrick; Kathy Shoaf; Keith Hetrick; Mark Futrell; Mary Anne Helton

**Subject:** APPROVED: Request for Oral Modification- Item 10- Docket No. 20150012-WU-Application for transfer of Certificate No. 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc. in Marion County.

Please see APPROVED Request for Oral Modification – Item 10 – Docket No. 20150012-WU – Application for transfer of Certificate No. 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc., in Marion County.

**Kathy Shoaf**

Executive Assistant to

Braulio Baez, Executive Director

Florida Public Service Commission

Telephone: (850)413-6053

[kshoaf@psc.state.fl.us](mailto:kshoaf@psc.state.fl.us)

---

**From:** Braulio Baez

**Sent:** Tuesday, July 11, 2017 4:58 PM

**To:** Laura King

**Cc:** Mark Futrell; Kate Hamrick; Kathy Shoaf; Andrew Maurey

**Subject:** RE: Request for Oral Modification- Item 10- Docket No. 20150012-WU-Application for transfer of Certificate No. 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc. in Marion County.

Approved. Thanks everyone.

---

**From:** Laura King

**Sent:** Tuesday, July 11, 2017 4:57 PM

**To:** Braulio Baez

**Cc:** Mark Futrell; Kate Hamrick; Kathy Shoaf; Andrew Maurey

**Subject:** Request for Oral Modification- Item 10- Docket No. 20150012-WU-Application for transfer of Certificate No. 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc. in Marion County.

Staff requests approval to make an oral modification to Item 10 scheduled for the July 13, 2017 Commission Conference (Docket No. 150012-WU, Application for transfer of Certificate No. 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc. in Marion County). Staff's proposed modifications relate to the correction of contributions in aid of construction (CIAC) and accumulated amortization (AA) of CIAC. The revision to the CIAC and AA of CIAC amounts affect the calculation of net book value. Modifications are necessary to the net book value amount referenced in the second paragraph on page 4 (Issue 1), the Recommendation section of Issue 2, on page 6, and the CIAC, Net Book Value, Acquisition Adjustment and

Conclusion sections on page 7 (Issue 2). Further, staff is deleting language to clarify that neither a positive or negative acquisition should be recognized. Schedule No. 2, pages 1 and 2 require modification to reflect the appropriate amount of CIAC, AA of CIAC, and Net Book Value. The updated schedules are included in this email. These changes do not affect staff's recommendation to approve the transfer.

**Modification to the Net Book Value – Second Paragraph on Page 4 (Issue 1):**

On November 19, 2015, the Buyer submitted a letter stating 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. The Buyer contends that the purchase price cannot be provided without violating the non-disclosure agreement with the bank. On May 17, 2017, the Buyer provided a signed affidavit stating that the mortgage and note on the assets were acquired for a dollar amount in excess of 80 percent of the net book value, \$79,051, as of January 1, 2014. **On June 30, 2017, the Buyer informed staff that an adjustment was necessary to correct the amount of contributions in aid of construction (CIAC) contained in staff's recommendation. Staff agrees that CIAC should be reduced along with the associated accumulated amortization (AA) of the CIAC. As the correction to the balance of CIAC and AA of the CIAC increases the net book value from \$79,051 to \$90,065, a revised affidavit needed to be obtained from the Buyer. On July 11, 2017, the Buyer submitted an updated affidavit attesting he paid in excess of 80 percent of the recalculated net book value of \$90,065.** Staff believes due to the circumstances of the confidentiality agreement with Compass Bank, the signed affidavit is sufficient for the purpose of determining whether an acquisition adjustment should apply **at this juncture.**

**Modification to the Recommendation section on page 6 (Issue 2):**

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

**Recommendation:** The net book value of the water system for transfer purposes is ~~\$79,051~~ **\$90,065**, 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)

**Modification to the CIAC, Net Book Value, Acquisition Adjustment, and Conclusion sections on page 7 (Issue 2):**

**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. **As discussed in Issue 1, staff has reduced CIAC by \$13,860 and reduced the AA of CIAC by \$2,846 to arrive at the appropriate balance as of January 1, 2014.** Therefore, staff recommends a CIAC balance of ~~\$97,847~~ **\$83,987** and an AA of CIAC balance of ~~\$41,024~~ **\$38,220**, 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~~ ~~\$90,065~~ ~~(\$82,468 - \$3,417)~~ ~~\$82,468~~ + \$7,597. Staff's recommended NBV is shown on Schedule No. 2, Page 1 of 3, 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.

## Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. According to the signed affidavit discussed in Issue 1, the utility and its assets were purchased for a dollar amount in excess of 80 percent of the net book value. 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 80 percent of NBV. Because SOU is not requesting a positive acquisition adjustment and the affidavit discussed in Issue 1 attests that the purchase price was greater than 80 percent of the net book value of ~~\$79,051~~ ~~\$90,065~~, staff recommends that neither a positive nor a negative acquisition adjustment is warranted ~~at this time~~.

## Conclusion

Based on the above, staff recommends that the NBV of the water system for transfer purposes is ~~\$79,051~~ ~~\$90,065~~, 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 and 2016 Annual Reports when filed.

**Modifications to Schedule No. 2, page 1 of 3, on page 14**

**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	\$7,177 A	\$226,714
Land & Land Rights	2,815	0	2,815
Accumulated Depreciation	(93,858)	203 B	(93,655)
CIAC	(87,008)	<del>(10,839) C</del>	<del>(97,847)</del>
		3,021 C	(83,987)
Amortization of CIAC	<u>40,982</u>	<del>42 D</del>	<del>41,024</del>
		<del>(2,804) D</del>	<del>38,178</del>
Total	<u>\$82,468</u>	<del>(\$3,417)</del>	<del>\$79,051</del>
		<u>\$7,597</u>	<u>\$90,065</u>

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

**Modifications to Schedule No. 2, page 2 of 3, on page 15**

Docket No. 150012-WU  
Date: June 30, 2017

Schedule No. 2  
Page 2 of 3

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

<b><u>Explanation</u></b>	<b><u>Amount</u></b>
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.	(\$10,839)
II. To correct balance of CIAC	<u>13,860</u>
<b>Total</b>	<u>\$3,021</u>
D. Accumulated Amortization of CIAC	
I. To reflect appropriate amount of accumulated amortization of CIAC.	\$42
II. To correct AA of CIAC	<u>(2,846)</u>
<b>Total</b>	<u>(\$2,804)</u>
Total Adjustments to Net Book Value as of January 1, 2014.	<u>(\$3,417)</u>
	<u>\$7,597</u>