

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: August 24, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Andrews, Norris)
Office of the General Counsel (Mapp)

Handwritten initials: Bof, ALM, and other illegible signatures.

RE: Docket No. 20160075-WU – Joint application for authority to transfer assets and Certificate No. 623-W in Orange and Lake Counties from Oak Springs, LLC to Oak Springs MHC, LLC.

AGENDA: 09/07/17 – Regular Agenda – Participation at the Commission’s Discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On April 5, 2016, Oak Springs MHC, LLC (OSMHC, Applicant, or Buyer) filed an application for the transfer of Certificate No. 623-W from Oak Springs, LLC (Seller) in Orange and Lake Counties. The service area is located in the St. Johns River Water Management District (SJRWMD). Water use restrictions have been imposed district wide to encourage conservation. According to the Utility’s 2016 Annual Report, it serves approximately 310 residential customers and three general service customers, and for 2016, experienced an operating loss of \$19,004.

The water system serving the Oak Springs community has been operating as a part of a mobile home community with no separate charge for water service since 1973. The Seller had been providing water and wastewater service solely to the mobile home rental community tenants as a part of the lot rent, and was therefore exempt from Commission regulation pursuant to Section

367.022(5), Florida Statutes (F.S.)¹ To promote water conservation, in 2004, the Seller was required by the SJRWMD to form a private utility capable of charging for water use. On November 9, 2004, the Seller was granted Certificate No. 623-W to operate a water utility.² The rates and charges for utility service were approved by the Commission in 2004. Wastewater service continues to be provided as part of the lot rent.

On July 13, 2017, the Commission voted to approve the transfer of assets and Certificate No. 623-W from Oak Springs, LLC to Oak Springs MHC, LLC and set net book value. Following the Commission's vote, an error was discovered within Issue 2 of that recommendation, regarding the appropriate accumulated depreciation of meters and meter installations.

This recommendation addresses corrections to the accumulated depreciation of meters and meter installations and the resulting correct net book value. The Commission has jurisdiction pursuant to Sections 367.071, 367.091, and 367.121, F.S.

¹ Oak Springs was granted an exemption from Commission regulation pursuant to Order No. PSC-96-1246-FOF-WS, issued October 7, 1996, in Docket No. 960589-WS, *In re: Request for Exemption from Florida Public Service Commission Regulation from Provision of Water and Wastewater Service in Lake County by Oak Springs Manufactured Home Community.*

² Order No. PSC-1120-PAA-WU, issued November 9, 2005, in Docket No. 040515-WU, *In re: Application for certificate to operate water utility in Orange and Lake Counties by Oak Springs, LLC.*

Discussion of Issues

Issue 1: Should the Commission reconsider, on its own motion, its vote on Issue 2, regarding calculation of net book value?

Recommendation: Yes, the Commission, on its own motion, should reconsider a limited portion of its vote on Issue 2 with respect to accumulated depreciation of meters and meter installations and the resulting net book value. If the Commission approves staff's recommendation, staff will incorporate this correction into the final order. (Andrews, Mapp)

Staff Analysis: As a general rule, administrative agencies have inherent or implied power, comparable to that possessed by courts, to rehear or reopen a cause and reconsider its action or determination therein where the proceeding is in essence a judicial one.³ This power, however, must be exercised before an appeal from the original order is filed or before such an order has become final by the lapse of time to file a timely notice of appeal.⁴ An administrative tribunal has the power, upon its own motion or by request, to correct or amend any orders still under its control, provided the parties will not suffer by reason of the correction or amendment.⁵ Since the final order has not yet issued, staff believes the utility will not be prejudiced by this correction, since it will still have an opportunity to request reconsideration or appeal once the final order is issued

Calculation Error

On July 13, 2017, the Commission voted to approve Issue 2, which pertains to the appropriate net book value (NBV). The NBV for the water system reflects a recalculation of accumulated depreciation. There was an inadvertent formula error within staff's calculation of accumulated depreciation. The accumulated depreciation of meters and meter installations was listed as \$59,718, when in fact it should have been \$56,690, resulting in a \$3,028 overstatement of accumulated depreciation. Correction of this error results in lower accumulated depreciation and a higher NBV of \$109,978. Staff notes that the change in NBV has no effect on the Commission's vote to not include an acquisition adjustment. The corrected NBV is shown on Schedule No. 1, with the corrections highlighted.

A similar error also affected the amount that represented the NBV per the Utility. The summary schedule of NBV in staff's previous recommendation, Schedule No. 2, Page 1 of 3, reflects an incorrect total of \$113,607 in the column labeled "Balance Per Utility" due to a formula error. The balances of the NBV components reflected in that column should total \$109,857 (\$444,857 + \$3,750 - \$338,750), which is consistent with the Utility's transfer application. The incorrect figure of \$113,607 was also cited in the analysis of Issue 2. Although this does not affect the calculation of NBV, staff believes the correction provides clarity. Therefore, staff recommends the inclusion of this additional correction. This correction is reflected in Schedule No. 1, Page 1 of 3, with the correction also highlighted.

³ Reich v. Dept. of Health, 868 So. 2d 1275 (Fla. 1st DCA 2004); Smull v. Town of Jupiter, 854 So. 2d 780 (Fla. 4th DCA 2003).

⁴ Id.

⁵ Boyd v. Southeastern Tel. Co. 105 So. 2d. 889 (Fla. 1958) (citing State v. Seaboard Air Line Ry. Co., 111 So. 391 (Fla. 1927)).

Conclusion

Based on the above, the Commission, on its own motion, should reconsider a limited portion of its vote on Issue 2 with respect to accumulated depreciation of meters and meter installations and the resulting net book value. If the Commission approves staff's recommendation, staff will incorporate this correction into the final order.

Issue 2: Should this docket be closed?

Recommendation: Once all requirements of the Commission's July 13, 2017, vote have been met, this docket may be closed administratively. (Mapp)

Staff Analysis: Once all requirements of the Commission's July 13, 2017, vote have been met, this docket may be closed administratively.

Oak Springs, LLC. Water System Schedule

Water System

Schedule of Net Book Value as of May 31, 2015

Description	Balance Per	Adjustments	Staff
	Utility		Recommendation
Utility Plant in Service	\$444,857	\$0	\$444,857
Land & Land Rights	3,750	(1,017)	2,733
Accumulated Depreciation	<u>(338,750)</u>	<u>1,138</u>	<u>(337,612)</u>
Total	<u>\$109,857</u>	<u>\$121</u>	<u>\$109,978</u>

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of May 31, 2015
Water System**

Explanation	Amount
A. Land & Land Rights To reflect appropriate amount of land & land rights.	<u>(\$1,017)</u>
B. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>\$1,138</u>
Total Adjustments to Net Book Value as of May 31, 2015.	<u>\$121</u>

Oak Springs, LLC
Water System
Schedule of Staff Recommended Account Balances as of May 31, 2015

Account No.	Description	UPIS	Accumulated Depreciation
301	Organization	\$10,000	\$0
304	Structures & Improvements	1,198	(1,198)
307	Wells & Springs	88,110	(88,110)
309	Supply Mains	3,754	(3,754)
310	Power Generation Equipment	48,627	(26,055)
311	Pumping Equipment	36,900	(904)
320	Water Treatment Equipment	19,325	(19,325)
330	Distribution Reservoirs & Standpipes	61,889	(35,217)
331	Transmission & Distribution Lines	62,738	(59,718)
333	Services	32,810	(32,810)
334	Meters and Meter Installations	65,256	(56,690)
335	Hydrants	10,850	(10,431)
336	Backflow Prevention Devices	3,400	(3,400)
	Total	<u>\$444,857</u>	<u>(\$337,612)</u>