

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 23, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Lewis, Ramos) *TB*
Division of Accounting and Finance (Vaughn, Sowards) *ALM*
Division of Economics (Bethea, Hudson) *JGH*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20210189-WU – Application for transfer of water facilities of Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility and Certificate No. 647-W to Windward Camachee Marina Owner LLC d/b/a Camachee Cove Yacht Harbor Utility, in St. Johns County.

AGENDA: 03/07/23 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility (Camachee or Seller) is a Class C water utility providing water service to approximately 68 residential and 28 general service customers in St. Johns County. The Utility is located in the St. Johns River Water Management District (SJRWMD) and is in the Water Resource Caution Area. Wastewater service is provided by the City of St. Augustine. In its 2021 Annual Report, Camachee reported operating revenues of \$166,837 and a net operating loss of \$20,837.

Camachee began operations in 1977. Camachee was granted an original certificate to operate a water utility in St. Johns County in 1988, subsequent to the county turning jurisdiction over to the Florida Public Service Commission (Commission). The county rescinded our jurisdiction in 1989. The Commission granted a grandfather water certificate to Camachee in 2009, after the county transferred jurisdiction back to the Commission.¹ The Utility's last rate increase was in 2017 through a limited revenue proceeding.²

On December 1, 2021, Windward Camachee Marina Owner LLC d/b/a Camachee Cove Yacht Harbor Utility (Windward, Utility, or Buyer) filed an application with the Commission for the transfer of Certificate No. 647-W from Camachee to Windward in St. Johns County, pursuant to Rule 25-30.037(2), Florida Administrative Code (F.A.C.). After the buyer's application was filed with the Commission, the Office of Public Counsel communicated its concerns with the Utility's transfer application in writing and during an informal meeting with the Utility, and Commission staff.³ As a result, on November 22, 2022, the Utility provided Commission staff with a survey, consisting of a map and description of a recorded water utility easement utilized by Buyer, and the mortgage release executed by the Buyer's lender as requested by Commission staff, in order to process the Utility's application.⁴

This recommendation addresses the transfer of the water system and Certificate No. 647-W and the appropriate net book value of the water system for transfer purposes, and the revision of certain miscellaneous service charges. The Commission has jurisdiction pursuant to Section 367.071, Florida Statutes (F.S.).

¹ Order No. PSC-09-0752-PAA-WU, issued November 16, 2009, in Docket No. 20090185-WU, *In re: Application for grandfather certificate to operate water utility in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.*

² Order No. PSC-17-0108-PAA-WU, issued March 27, 2017, in Docket No. 20160145-WU, *In re: Application for limited revenue proceeding in St. Johns County, by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.*

³ Document Nos. 02085-2022, filed March 24, 2022 and 02313-2022, filed April 7, 2022.

⁴ Document No. 11758-2022, filed November 29, 2022.

Discussion of Issues

Issue 1: Should the transfer of Certificate No. 647-W in St. Johns County from Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility to Windward Camachee Marina Owner LLC d/b/a Camachee Cove Yacht Harbor Utility, be approved?

Recommendation: Yes. The transfer of the water system and Certificate No. 647-W is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Utility's existing rates and late payment charge, as shown on Schedule No. 3, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The Utility is current with respect to regulatory assessment fees (RAFs) and annual reports and should be responsible for filing annual reports and paying RAFs for all future years. (Lewis, Veaghn, Bethea)

Staff Analysis: On December 1, 2021, Windward filed an application for the transfer of Certificate No. 647-W from Camachee to Windward in St. Johns County. The application complies with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale to the Buyer occurred on August 31, 2021, contingent upon the Commission's approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

Windward provided notice of the application pursuant to 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 service territory, which is appended to this recommendation as Attachment A. Windward provided a copy of a recorded utility easement on November 22, 2022, as evidence that Windward has rights to long-term use of the land upon which the treatment facilities are located pursuant to Rule 25-30.037(2)(s), 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 included the purchase price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer's agreements, customer advances, leases, or debt of Camachee that must be disposed of with regard to the transfer. According to the Purchase Agreement, the total purchase price for the entire marina, including the water utility assets, is \$32,885,000. On November 14, 2022, the Buyer stated the specific purchase price of the water utility assets should be set equal to the net book value (NBV) as established by the Commission.⁵ As discussed in Issue 2, staff has calculated a NBV of \$228,846 for the water system. Therefore, staff recommends a purchase price of \$228,846 for the water utility assets should be recognized.

⁵ Document No. 11556-2022.

Facility Description and Compliance

The Utility's water treatment plant is rated at 70,977 gallons per day (gpd). Raw water is drawn from two ground wells and treated by reverse osmosis, aeration, and chlorination. Water is stored in a 24,000-gallon ground tank and a 264-gallon bladder tank before distribution. The Florida Department of Environmental Protection (DEP) conducted an inspection of the water treatment facilities on June 14, 2021, and it was found to be in compliance with the DEP's rules and regulations, including primary and secondary standards.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(l) and (m), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. As referenced in the transfer application, the Buyer will fulfill the commitments, obligations, and representation of the Seller with regards to utility matters. The Buyer indicated that it has no experience in the water or wastewater industry; however, Windward retained the existing plant operators and office personnel to ensure the continued operation of the water facilities.

Furthermore, the Buyer has stated that it will use its sister company, Windward Marina St. Augustine, to provide funding to the Utility. Staff reviewed the financial statement of Windward Marina St. Augustine, and believes the Buyer has documented adequate resources to support the Utility's operations. Based on the above, staff recommends that the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates were last approved in a 2017 limited proceeding rate case for water.⁶ Subsequently, the rates have been amended by four price index rate adjustments with the last one being in 2020. The Utility has no initial customer deposits, no service availability charges, and the Utility is built out. The late payment charge was approved in 2009.⁷ 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.

In addition, the Utility has miscellaneous service charges, which were also approved in 2009. However, the miscellaneous service charges do not conform to Rule 25-30.460, F.A.C., and are discussed in Issue 3. Therefore, staff recommends that the Utility's existing rates and late payment charge as shown on Schedule No. 3, should remain in effect, until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C.

⁶ Order No. PSC-17-0108-PAA-WS, issued March 27, 2017, in Docket No. 20160145-WU, *In re: Application for limited revenue proceeding in St. Johns County, by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.*

⁷ Order No. PSC-09-0752-PAA-WU, issued November 16, 2009, in Docket No. 20090185-WU, *In re: Application for grandfather certificate to operate water utility in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.*

Regulatory Assessment Fees and Annual Report

In its application, the Buyer indicated that it will be responsible for paying the Utility's RAFs and filing its annual reports for the year of transfer and subsequent years. The Seller fulfilled the Utility's RAF and annual report requirements for 2020 and the Buyer fulfilled these requirements for 2021. The Buyer is responsible for the Utility's 2022 RAFs and annual report, which are due by March 31, 2023. Based on the above, staff has verified that the Utility is current with respect to its RAFs and annual reports.

Conclusion

Based on the foregoing, the transfer of the water system and Certificate No. 647-W is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Utility's existing rates and late payment charge, as shown on Schedule No. 3, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The Utility is current with respect to regulatory assessment fees (RAFs) and annual reports and should be responsible for filing annual reports and paying RAFs for all future years.

Issue 2: What is the appropriate net book value for the Windward Camachee Marina Owner LLC d/b/a Camachee Cove Yacht Harbor Utility water system for transfer purposes, and should an acquisition adjustment be approved?

Recommendation: The appropriate net book value (NBV) of the water system for transfer purposes is \$228,846, as of August 31, 2021. No acquisition adjustment is warranted as the purchase price is equal to NBV. Within 90 days of the date of the final order, the Utility 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 the Utility's 2022 Annual Report when filed. (Veaghn)

Staff Analysis: Rate base was last established for the Utility as of December 31, 2008.⁸ 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 August 31, 2021. Staff's recommended NBV is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

The Utility reflected a UPIS balance of \$573,206 as of August 31, 2021. Audit staff determined the Seller did not make the Commission ordered adjustments established in Order No. PSC-10-1026-PAA-WU to reflect the correct plant balance as of December 31, 2008. Using staff's work papers from the last rate case to establish the beginning balances, and supporting invoices for plant additions, audit staff calculated a UPIS balance of \$554,392 as of August 31, 2021. Therefore, staff recommends a UPIS balance of \$554,392 as of August 31, 2021.

Land

The Utility reflected a land balance of \$10,000 as of August 31, 2021. Camachee's land balance was established in Order No. PSC-2010-1026-PAA-WU. There have been no additions to land since December 31, 2008. Therefore, staff recommends a land balance of \$10,000 as of August 31, 2021.

Accumulated Depreciation

The Utility reflected an accumulated depreciation balance of \$339,350 as of August 31, 2021. Camachee recorded accumulated depreciation as a grand total; it was not broken down by plant account. Staff auditors recalculated depreciation accruals for all water accounts since the last rate case through August 31, 2021, using the audited UPIS balances and the depreciation rates established by Rule 25-30.140, F.A.C. As a result, staff recommends that the accumulated depreciation balance be decreased by \$3,805. Accordingly, staff recommends a total accumulated depreciation balance of \$335,545 as of August 31, 2021.

⁸ Order No. PSC-10-0126-PAA-WU, issued March 3, 2010, in Docket No. 20090230-WU, *In re: Application for staff-assisted rate case in St. Johns County by Camachee Island Company, Inc. d/b/a/ Camachee Cove Yacht Harbor Utility.*

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

The Utility reflected CIAC and accumulated amortization of CIAC balances of \$0 as of August 31, 2021. The Utility has no authorized service availability charges, and has not received any donated property. Therefore, staff recommends a CIAC balance of \$0, and accumulated amortization of CIAC balances of \$0, as of August 31, 2021.

Net Book Value

The Utility reflected a NBV of \$243,855 as of August 31, 2021. Based on the adjustments described above, staff recommends a NBV of \$228,846. Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts balances for UPIS and accumulated depreciation are shown on Schedule Nos. 1 and 2, as of August 31, 2021.

Acquisition Adjustment

Under Rule 25-30.0371, F.A.C., an acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. As discussed in Issue 1, the Buyer stated the purchase price of the water utility and its assets should be set equal to the NBV established by the Commission. Because the NBV for this Utility at the time of transfer is equal to the purchase price, an acquisition adjustment is not warranted.

Conclusion

Based on the above, staff recommends a NBV of \$228,846, as of August 31, 2021. No acquisition adjustment should be included in rate base. Within 90 days of the date of the consummating order, the Buyer 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 the Utility's 2022 Annual Report when filed.

Issue 3: Should Windward Camachee Marina Owner LLC d/b/a Camachee Cove Yacht Harbor Utility's miscellaneous service charges be revised to conform to amended Rule 25-30.460, F.A.C.?

Recommendation: Yes. The miscellaneous service charges should be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of the initial connection and normal reconnection charges. Windward should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. Windward should be required to charge the approved miscellaneous services charges until authorized to change them by the Commission in a subsequent proceeding. (Betha)

Staff Analysis: Effective June 4, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.⁹ The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. The Utility's miscellaneous service charges consist of initial connection and normal reconnection charges. The normal reconnection charge is more than the premises visit charge. Since the premises visit entails a broader range of tasks, staff believes the premises visit charge should reflect the amount of the normal reconnection charge of \$30. Therefore, staff recommends that the initial connection and normal reconnection charges be removed, the premises visit charge should be revised to \$30, and the definition for the premises visit charge be updated to comply with amended Rule 25-30.460, F.A.C. The Utility's existing and staff's recommended miscellaneous service charges are shown below in Table 3-1.

Table 3-1
Utility Existing and Staff Recommended Miscellaneous Service Charges

	<u>Utility Existing</u>	<u>Staff Recommended</u>
Initial Connection Charge	\$25.00	-
Normal Reconnection Charge	\$30.00	-
Violation Reconnection Charge	\$30.00	\$30.00
Premises Visit Charge	\$15.00	\$30.00

Conclusion

Based on the above, staff recommends the miscellaneous service charges should be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of the initial connection and normal reconnection charges. Windward should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheet

⁹ Order No. PSC-2021-0201-FOF-WS, issued June 4, 2021, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. Windward should be required to charge the approved miscellaneous services charges until authorized to change them by the Commission in a subsequent proceeding.

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 issuance of the order, a consummating order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed, the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, and proof that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C. (Sandy)

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 issuance of the order, a consummating order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed, the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, and proof that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C.

Windward Camachee Marina Owner LLC
d/b/a Camachee Cove Yacht Harbor Utility

Water Service Area
St. Johns County

Township 7 South, Range 30 East

Sections 5 and 8

Territory description of portions of Sections 5 and 8, Township 7 South, Range 30 East, St. Johns County, Florida, Being more fully described as follows:

For point of reference, commence at an old red cedar post found by previous surveys and described in deeds as marking the Southwest corner of said Government Lot 3, Section 5, Township 7 South, Range 30 East, also being the Point of Beginning; thence North 21°03'00" West, 686.19'; thence North 60°12'45" East, 6.66'; thence North 31°46'56" West, 669.00'; thence North 24°31'19" West, 1434.26'; thence North 03°52'55" West, 1638.13'; thence North 08°52'55" West, 557.00'; thence North 30°51'32" East, 60.46'; thence North 16°38'00" West, 70.00'; thence North 03°38'00" West, 462.00'; thence South 27°38'00" East, 1452.00'; thence South 02°38'00" East, 1320.00'; thence South 22°08'00" East, 462.00'; thence South 73°38'00" East, 130.00'; thence South 30°56'51" East, 515.05'; thence South 18°00'36" West, 478.81'; thence South 38°34'49" East, 613.35'; thence North 57°27'21" East, 173.28'; thence North 21°12'24" West, 76.64'; thence South 75°55'59" East, 126.55'; thence South 30°55'59" East, 50.00'; thence South 29°04'01" West, 70.00'; thence South 16°39'00" East, 133.08'; thence North 85°12'32" East, 75.94' to the intersection with a curve being concave to the South, having a radius of 50.00' and Delta of 33°33'37"; thence along the chord of said curve, North 86°13'12" East, 28.87'; thence North 07°10'06" West, 228.78'; thence North 63°02'16" East, 157' more or less to the mean highwater line; thence Southeasterly, meandering along the mean highwater line, 1200' more or less; thence South 25°01'07" West, 110.00'; thence South 22°57'00" East, 24.24'; thence South 67°03'00" West, 115.75'; thence South 00°31'00" East, 718.29' to the intersection with a curve being concave to the Southeast having a radius of 2392.00' and Delta of 02°42'18", said curve also being the Northerly right-of-way line of State Road A-1-A; thence Southwesterly along said curve an arc length distance of 112.93' to the Point of Curvature of said curve; thence South 48°31'00" West, along said Northerly right-of-way line, 381.63'; thence North 21°03'00" West, 1022.21' to the Point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

**Windward Camachee Marina Owner LLC
d/b/a Camachee Cove Yacht Harbor Utility**

**pursuant to
Certificate Number 647-W**

to provide water service in St. Johns 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>
PSC-09-0752-PAA-WU *	11/16/09 *	20090185-WS 20210189-WU	Grandfather Certificate Transfer

***Order Number and date to be provided at time of issuance.**

**Windward Camachee Marina Owner LLC
d/b/a Camachee Cove Yacht Harbor Utility**

Schedule of Net Book Value as of August 31, 2021

<u>Description</u>	<u>Balance Per Utility</u>	<u>Adjustments</u>	<u>Staff</u>
Utility Plant in Service	\$573,205	(\$18,814)	\$554,392
Land & Land Rights	10,000	0	10,000
Accumulated Depreciation	(339,350)	3,805	(335,545)
CIAC	0	0	0
AA of CIAC	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$243,855</u>	<u>(\$15,009)</u>	<u>\$228,846</u>

**Windward Camachee Marina Owner LLC
d/b/a Camachee Cove Yacht Harbor Utility**

Schedule of Staff Recommended Account Balances as of August 31, 2021

Account No.	Description	UPIS	Accumulated Depreciation
304	Structures & Improvements	\$204,210	(\$103,170)
307	Wells and Springs	41,910	(41,910)
309	Supply Mains	14,771	(3,343)
310	Power Generation Equipment	24,827	(4,250)
311	Pumping Equip	19,850	(11,103)
320	Water Treatment Equipment	68,385	(66,559)
330	Distribution Reservoirs	80,515	(34,158)
331	Transmission and Distribution Mains	85,131	(61,990)
334	Meter and Meter Install.	10,241	(6,391)
340	Office Furniture & Equip.	377	(377)
347	Misc. Equip	4,175	(2,296)
	Total	<u>\$554,392</u>	<u>(\$335,547)</u>

**Windward Camachee Marina Owner LLC
d/b/a Camachee Cove Yacht Harbor Utility**

Monthly Water Rates

Residential and General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$21.35
3/4"	\$32.03
1"	\$53.38
1-1/2"	\$106.75
2"	\$170.80
3"	\$341.60
4"	\$533.75
6"	\$1,067.50

Charge Per 1,000 gallons – Residential

0 – 3,000 gallons	\$3.48
3,001 – 6,000 gallons	\$10.37
6,001 – 12,000 gallons	\$15.57
Over 12,000 gallons	\$20.74

Charge Per 1,000 gallons – General Service

\$13.89

Flat Rate – General Service

\$109.72

Private Fire Protection

Base Facility Charge by Meter Size

5/8" x 3/4"	\$1.78
3/4"	\$2.67
1"	\$4.45
1 1/2"	\$8.90
2"	\$14.23
3"	\$28.47
4"	\$44.48
6"	\$88.96

Miscellaneous Service Charges

Late Payment Charge

\$5.00