

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of ) DOCKET NO. 890354-WS  
Certificates Nos. 351-W and 307-S from )  
Cove Utilities, Inc. to King's Cove ) ORDER NO. 21557  
Utilities, Inc. in Lake County. )  
\_\_\_\_\_ ) ISSUED: 7-17-89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
THOMAS M. BEARD  
JOHN T. HERNDON

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is final except for the establishment of rate base which is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Background

Citizens National Bank of Leesburg (CNB) was awarded certificate of title to the assets of Cove Utilities, Inc., (Cove) through foreclosure by Lake County Circuit Court on March 22, 1988. After acquiring Cove, CNB changed the name of the utility to King's Cove Utilities, Inc. (King's Cove).

On March 9, 1989, an application was filed requesting Commission approval of the transfer of Certificates Nos. 351-W and 307-S from Cove to King's Cove. The utility provides water and sewer service to 118 residential customers in Lake County, Florida.

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and sewer service to 118 residential customers in Lake County, Florida.

Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer of facilities. In particular, the notarized application contains:

- a) Two checks totaling \$300 which, upon calculation, equates to the correct filing fee as prescribed by Section 367.141 Florida Statutes.
- b) Adequate service territory description pursuant to Rule 25-30.035(i), Florida Administrative Code. Said territory to be served is described as being in Lake County, and more particularly as described in Attachment A attached.
- c) Proof of notice to all customers of record pursuant to Rule 25-30.030(g), Florida Administrative Code.
- d) Proof of notice to all interested governmental and regulatory agencies, and all utilities within a four-mile radius of the territory to be served, and proof of advertisement in a newspaper of general circulation in the county, as prescribed by Rule 25-30.030 Florida Administrative Code.
- e) Evidence that the utility owns the land on which the utility's facilities will be located as required by Rule 25-30.035(3)(f) Florida Administrative Code.

Also, no objections to the requested transfer have been received and the time for filing such has expired.

On May 10, 1989, we conducted a plant site inspection of King's Cove. The water and sewer facilities were found to be operating satisfactorily. The Department of Environmental Regulations (DER) currently has no outstanding notice of violation actions on the water or sewer systems.

CNB is the parent of King's Cove. Although CNB does not have any formal experience in water and sewer utility operations, it has retained the services of two of Cove's employees and Plant Technicians, Inc., who serviced the water and sewer plants for Cove. Further, CNB is developing property where the utility is located and, therefore, has a vested interest in seeing that the utility operates satisfactorily.

Since CNB has demonstrated its ability to operate this utility, and has the financial resources to provide quality service, we find that the transfer is in the public interest.

#### Rate Base

CNB stated in its application that it did not receive any books and records from the previous owner of the utility. Since there were no books and records available on which to conduct a rate base audit, we used the original cost study data from Docket No. 830447 to determine rate base.

The original cost of the water and sewer systems was determined to be \$69,860 and \$147,763, respectively, as of September 30, 1983. Utility plant in service (UPIS) has been updated to account for plant additions and retirements. A review of the invoices submitted for plant additions, along with a field inspection confirms the existence of additional plant. As a result, UPIS is \$73,567 for water and \$148,708 for sewer.

There have been no additional land purchases; therefore, the value of the land remains at \$1,902 and \$13,314 for water and sewer, respectively.

Accumulated depreciation has been calculated using 2.5% rate approved in Docket No. 830447 in accordance with Commission Order No. 13388. Accumulated depreciation for water and sewer is \$16,166 and \$38,795, respectively.

We calculated contributions-in-aid-of-construction (CIAC) for water and sewer by bringing CIAC balances forward, adjusting for additions and retirements. Customer billing records indicate there have been 25 additional water and 27 additional sewer connections since 1983, resulting in 114 water

and sewer connections at the date of transfer. King's Cove's approved water meter installation fee is \$65 and its sewer connection fee is \$35. CIAC has also been adjusted to reflect plant that was expensed by the utility. Therefore, CIAC is \$48,845 for water and \$98,198 for sewer.

We have calculated CIAC amortization using 2.5% rate approved in Docket No. 830447, Commission Order No. 13388. CIAC Amortization for water and sewer is \$9,569 and \$24,887, respectively.

The rate base calculations for King's Cove do not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments. The rate base calculations are used purely to establish the book value of the property being transferred. For purposes of this transfer, rate base for King's Cove is \$20,027 for water and \$49,916 for sewer. Our calculations of rate base are shown on Schedules Nos. 1 and 2, with adjustments shown on Schedule No. 3.

#### Rates and Charges

Pursuant to Rule 25-9.044(1), Florida Administrative Code, when a utility is transferred, the new owner is required to adopt and use the rates and charges previously approved for the former owner, unless authorized to change by the Commission. The utility has not requested to change the rates and we see no reason to change them at this time. Therefore, King's Cove is directed to continue charging the rates and charges previously approved for Cove Utilities, Inc. Further, CNB shall submit an original tariff for King's Cove within thirty days of the effective date of this Order.

#### Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the utility's rate base at the date of transfer. As mentioned previously, CNB acquired Cove through foreclosure; therefore, the outstanding mortgage is considered to be the purchase price. At the time of foreclosure, the outstanding mortgage was \$373,000, which included the utility and other properties; approximately \$158,000 relates to the utility based on the utility's calculation. We have calculated rate base for the water and sewer systems to be \$69,943.

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In the absence of extraordinary circumstances, it has been Commission policy that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this exchange were not extraordinary. King's Cove has not requested an acquisition adjustment and we have not included an acquisition adjustment in the rate base.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of Certificates Nos. 351-W and 307-S from Cove Utilities, Inc., Post Office Box 490047, Leesburg, Florida 34749-0047, to King's Cove Utilities, Inc., Post Office Box 490047, Leesburg, Florida 34749-0047, is hereby approved. King's Cove shall return Certificates Nos. 351-W and 307-S to this Commission within 20 days for appropriate entry. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value, is \$20,027 for water and \$49,916 for sewer. It is further

ORDERED that King's Cove Utilities, Inc. shall charge the rates and charges previously approved by this Commission for the customers of Cove Utilities, Inc. It is further

ORDERED that King's Cove shall file an original tariff within 30 days of the date of this Order. It is further

ORDERED that the provisions of this Order, issued as Proposed Agency Action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 7, 1989. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

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By ORDER of the Florida Public Service Commission,  
this 17th, day of July, 1989.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

ALC

by: Kay Lynn  
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action establishing rate base is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 7, 1989. In the absence of such a petition, this order shall become effective August 8, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on August 8, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT A

- Township 19 South, Range 24 East  
Section 1  
King's Cove Subdivision

Commencing at the Southeast corner of the Southwest 1/4 of said Section 1, thence South 89°52'46" West, along the South line of the said 1/4 1118.22 feet to the POINT OF BEGINNING: thence continue South 89°52'46" West, along said South line 339.27 feet; thence North 00°07'14" West, 150.00 feet; thence South 89°52'46" West, 16.72 feet; thence North 00°07'14" West 75.00 feet to the beginning of a curve concave to northwest and having a radius of 25.00 feet; thence southwesterly along said curve through a central angle of 90°00'00", an arc distance of 39.27 feet to the end of said curve; thence South 89°52'46" West, 144.79 feet; thence North 00°07'14" West, 95.47 feet; thence North 43°02'46" West, 95.56 feet; thence North 46°57'14" East, 25.00 feet; thence North 43°02'46" West 150.00 feet to a point on the southerly right-of-way of Twin Palms Road (District Number 1-5915); thence South 46°57'14" West, along said right-of-way 9.25 feet to the beginning of curve concave to the northwest and having a radius of 516.40 feet; thence along the curve through a central angle of 26°21'52" an arc distance of 237.62 feet to the end of said curve; thence South 73°19'06" West, 322.25 feet to the beginning of a curve concave to the Southeast and having a radius of 25.00 feet; thence along said curve through a central angle of 97°42'28", an arc distance of 42.63 feet to the end of said curve and a point on a curve concave to the southwest and having a radius of 1950.08 feet, said point also being on the northeasterly right-of-way of State Road 466-A; thence northwesterly along said right-of-way line through a central angle of 6°55'41", an arc distance of 235.80 feet; thence North 58°40'57" East, 150.00 feet to a curve concave to the southwest and having a radius of 2100.08 feet; thence southerly along said curve through a central angle of 5°19'18" an arc distance of 195.06 feet to a point on the northerly right-of-way line of Twin Palms Road (Dist. 1-5915), thence North 73°19'06" East, along said right-of-way 207.10 feet to a point on a curve concave to the northwest and having a radius of 466.40 feet; thence along said curve through a central angle of 26°21'52", an arc distance of 214.61 feet to the end of said curve; thence North 46°57'14" East, 288.00 feet; thence North 47°35'22" East, 383.18 feet; thence North 48°11'49" East, 325.10 feet to the beginning of a curve concave to the northwest and having a radius of 25.00 feet; thence northerly along said curve through a central angle of 90°00'00", an arc distance



of 39.27 feet to the end of said curve; thence North  $41^{\circ}48'11''$  West, 349.61 feet to the beginning of a curve concave to the northwest and having a radius of 25.00 feet; thence southwesterly along said curve through a central angle of  $89^{\circ}33'21''$ , an arc distance of 39.08 feet to the end of said curve; thence South  $47^{\circ}45'10''$  West, 689.81 feet; thence North  $42^{\circ}14'50''$  West, 518.77 feet; thence South  $71^{\circ}33'26''$  West 15.82 feet; thence North  $8^{\circ}21'41''$  West 101.57 feet; thence North  $71^{\circ}33'26''$  East 55.31 feet; thence North  $84^{\circ}10'30''$  West 126.10 feet; thence North  $61^{\circ}04'44''$  East 125.86 feet; thence North  $68^{\circ}08'51''$  East 91.78 feet; thence North  $51^{\circ}36'12''$  East 147.29 feet; thence North  $54^{\circ}50'04''$  East 97.10 feet; thence North  $30^{\circ}13'13''$  East 72.73 feet; thence South  $62^{\circ}58'24''$  East 100.16 feet; thence South  $30^{\circ}13'13''$  West 51.40 feet to a point on a curve concave to the south and having a radius of 50.00 feet; thence northeasterly, easterly, and southeasterly along said curve through a central angle of  $107^{\circ}58'36''$  an arc distance of 94.23 feet to the end of said curve; thence South  $41^{\circ}48'11''$  East 744.32 feet to the beginning of a curve concave to the southwest and having a radius of 145.36 feet; thence southeasterly along said curve through a central angle of  $13^{\circ}47'46''$  an arc distance of 35.00 feet; thence North  $70^{\circ}00'00''$  East 585.43 feet; thence South  $46^{\circ}20'00''$  East 178.77 feet; thence South  $43^{\circ}40'00''$  West 156.00 feet; thence South 320.00 feet; thence West 383.85 feet; thence South  $6^{\circ}30'00''$  West 115.64 feet; thence South  $19^{\circ}15'00''$  West 320.00 feet; thence South  $45^{\circ}00'00''$  West 200.00 feet; thence South  $00^{\circ}07'14''$  East 110.00 feet; thence South  $89^{\circ}52'46''$  West 90.00 feet; thence South  $00^{\circ}07'14''$  East 115.00 feet to the POINT OF BEGINNING.

King's Cove Subdivision

First Addition

Commence at the Southeast corner of the Southwest 1/4 of said Section 1; thence run North along the East line of said Southwest 1/4 a distance of 1481.74 feet to a point of beginning; from said POINT OF BEGINNING run South  $55^{\circ}09'37''$  East, a distance of 51.01 feet to the beginning of a curve concave to the northerly and having a radius of 523.41 feet; thence run Easterly along said curve through a central angle of  $27^{\circ}50'23''$ , a distance of 254.32 feet to the end of said curve; thence South  $83^{\circ}00'00''$  East, a distance of 792.23 feet; thence North  $07^{\circ}20'20''$  West, a distance of 243.14 feet; thence South  $82^{\circ}39'40''$  West, a distance of 360.00 feet; thence North  $83^{\circ}00'00''$  West, a distance of 330.00 feet; thence North  $07^{\circ}00'00''$  East, a distance of 70.00 feet; thence North  $83^{\circ}00'00''$  West, a distance of 210.00 feet; thence due North 60 feet, thence due West 50.00 feet; thence North  $75^{\circ}56'54''$  West, a distance of 116.37 feet; thence North

51°39'40" West, 123.16 feet to the beginning of a curve concave Southerly and having a radius of 461.86 feet; thence Westerly and Southwesterly along said curve through a central angle of 80°08'31" a distance of 646.01 feet to the end of said curve; thence South 48°11'49" West 586.30 feet to the Northeasterly right-of-way of Maple Leaf Drive, according to the Plat of King's Cove Subdivision; recorded in Plat Book 22, Pages 44 and 45 of the Public Records of Lake County, Florida; thence run South 41°48'11" East along said right-of-way of Maple Leaf Drive 250.00 feet to the beginning of a curve concave Southwesterly and having a radius of 145.36 feet; thence Southeasterly along said curve through a central angle of 13°47'46", a distance of 35.00 feet; thence North 70°00'00" East 585.43 feet; thence South 46°20'00" East, 178.77 feet; thence North 34°50'11" East, 182.17 feet; thence North 37°51'20" East, 150.00 feet; thence South 51°39'40" East, 103.28 feet to the East line of the Southwest 1/4; thence North along said East line of the Southwest 1/4, 63.74 feet to the POINT OF BEGINNING.

King's Cove Subdivision

Second Addition

From the Southeast corner of the Southwest 1/4 of said Section 1, run South 89°52'46" West along the South line of said Southwest 1/4, 1457.49 feet to the Southwest corner of Lot 11, Block "A", King's Cove Subdivision, according to the plat thereof as recorded in Plat Book 22, Pages 44 and 45 of the Public Records of Lake County, Florida, and the POINT OF BEGINNING of this description. From said POINT OF BEGINNING continue South 89°52'46" West, 624.55 feet to a point on a curve concave Westerly and having a radius of 2100.08 feet, run thence Northwesterly along said curve through a central angle of 9°04'26", a distance of 332.24 feet to the Southerly right-of-way of Twin Palms Road; run thence North 73°19'06" East along the Southerly right-of-way of Twin Palms Road 199.52 feet to the beginning of a curve concave Northerly and having a radius of 516.40 feet; run thence Northeasterly along said curve through a central angle of 26°21'52", a distance of 237.62 feet; thence North 46°57'14" East, 9.25 feet; thence South 43°02'46" East, 150.00 feet; thence South 46°57'14" West, 25.00 feet; thence South 43°02'46" East, 95.56 feet; thence South 00°07'14" East, 95.47 feet; thence North 89°52'46" East, 144.79 feet to the beginning of a curve Northwesterly and having a radius of 25.00 feet; run thence Northeasterly along said curve through a central angle of 90°00'00" a distance of 39.27 feet; thence South 00°07'14" East, 75.00 feet; thence North 89°52'46" East, 16.72 feet to a point that is North 00°17'14" West of the POINT OF BEGINNING; run thence South 00°07'14" East, 150.00 feet to the POINT OF BEGINNING.

SCHEDULE NO. 1

KING'S COVE UTILITIES, INC.  
SCHEDULE OF WATER RATE BASE  
AS OF MARCH 22, 1988

<u>Description</u>	<u>Balance per Order No. 13388</u>	<u>Commission Adjustment</u>	<u>Balance Per Commission</u>
Utility Plant-in-Service	\$67,299	\$ 6,268(1)	\$73,567
Land	1,902	0	1,902
Accumulated Depreciation	( 9,916)	( 6,250)(2)	(16,166)
Contributions-in-aid-of-construction	(41,889)	( 6,956)(3)	(48,845)
CIAC Amortization	<u>4,843</u>	<u>4,726 (4)</u>	<u>9,569</u>
Total	<u>\$22,239</u>	<u>\$(2,212)</u>	<u>\$20,027</u>

SCHEDULE NO. 2

KING'S COVE UTILITIES, INC.  
SCHEDULE OF SEWER RATE BASE  
AS OF MARCH 22, 1988

<u>Description</u>	<u>Balance per Order No. 13388</u>	<u>Commission Adjustment</u>	<u>Balance Per Commission</u>
Utility Plant-in-Service	\$147,763	\$ 945(1)	\$148,708
Land	13,314	0	13,314
Accumulated Depreciation	(22,109)	(16,686)(2)	(38,795)
Contributions-in-aid-of-construction	(97,253)	( 945)(3)	(98,198)
CIAC Amortization	<u>14,336</u>	<u>10,551 (4)</u>	<u>24,887</u>
Total	<u>\$56,051</u>	<u>\$(6,135)</u>	<u>\$49,916</u>

KING'S COVE UTILITIES, INC.  
 RATE BASE ADJUSTMENTS

SCHEDULE NO. 3

<u>Explanation</u>	<u>Water</u>	<u>Sewer</u>
<u>Utility Plant-in-Service</u>		
1) To adjust plant to reflect year end instead of 13-month average	\$ 659	\$ 0
1) To reflect plant additions	6,297	945
1) To reflect plant retirement	( 688)	0
Net adjustment	<u>\$ 6,268</u>	<u>\$ 945</u>
<u>Accumulated Depreciation</u>		
2) To reflect accumulated depreciation to date using 2.5% rate approved per Commission Order No. 13388	<u>(\$6,250)</u>	<u>\$(16,686)</u>
<u>Contributions-in-aid-of-Construction</u>		
3) To adjust CIAC to reflect year-end instead of 13-month average	\$ ( 659)	0
3) To reflect 25 water and 27 sewer connections	(1,625)	( 945)
3) To reflect plant additions that were expensed	<u>(4,672)</u>	0
Net Adjustment	<u>\$(6,956)</u>	<u>\$( 945)</u>
<u>CIAC Amortization</u>		
4) To reflect CIAC amortization to date using 2.5% rate approved per Commission Order No. 13388	<u>\$ 4,726</u>	<u>\$ 10,551</u>