

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of) DOCKET NO. 891317-WU
Lakeview Villas to Southern States)
Utilities, Inc. and amendment of) ORDER NO. 22915
Certificate No. 003-W in Clay County.)

ISSUED: 5-9-90

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
THOMAS M. BEARD
BETTY EASLEY
GERALD L. GUNTER

ORDER APPROVING TRANSFER AND AMENDING
CERTIFICATE No. 003-W

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR THE PURPOSE
OF THIS TRANSFER AND SETTING RATES AND CHARGES

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 and setting rates and charges, 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

On November 20, 1989, Southern States Utilities, Inc. (SSUI) filed an application with this Commission for the transfer of Lakeview Villas (Lakeview or Utility), and the amendment of Certificate No. 003-W, held by SSUI, to include the territory served by Lakeview. Lakeview is a small water utility serving a mobile home park in Clay County, and is designed to serve 24 equivalent residential connections (ERCs) at build-out.

DOCUMENT NUMBER-DATE

04017 MAY-9 1990

FPC-RECORDS/REPORTING

SSUI purchased Lakeview in October of 1985, and commenced operation of the system on or about November 1, 1985. As of November, 1989, the Utility only had 15 customers connected to the system. Little, if any, growth has occurred during the four years since SSUI took over operation and ownership.

Section 367.071, Florida Statutes, requires that a utility obtain approval prior to a transfer. Further, Rule 25-9.044, Florida Administrative Code, requires that a new owner of a utility must adopt the rates of the previous operating company. Although SSUI changed the rates charged by the previous owner without the approval of this Commission, the rates charged by SSUI produce essentially the same revenue as did the rate charged prior to the transfer. We will not initiate show cause proceedings or fine SSUI for failure to comply with Rule 25-9.044, Florida Administrative Code. However, SSUI is hereby reminded that it cannot initiate or change rates without prior Commission approval. Therefore, in future transactions, SSUI is directed to obtain this Commission's approval prior to purchasing a utility and changing its rates.

Application

Except as discussed previously, the application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer. In particular, the notarized application contains:

- 1) A filing fee in the amount of \$150.00, as prescribed by Rule 25-30.020, Florida Administrative Code.
- 2) Proof of notice of application to all interested governmental and regulatory agencies and all utilities within a four-mile radius of the territory, and proof of advertisement in a newspaper of general circulation in the county, as prescribed by Rule 25-30.030, Florida Administrative Code.
- 3) Proof of notice to all customers of record pursuant to Rule 25-30.030(g), Florida Administrative Code.

- 4) Evidence that the utility owns the land upon which the utility's facilities are located as required by Rule 25-30.035(f), Florida Administrative Code.

No objections to the application have been received and the time for filing such has expired. A description of the territory served by Lakeview is shown on Attachment A of this Order.

SSUI operates approximately 140 water and sewer systems in 24 counties in Florida. SSUI has been incorporated for nearly three decades and has demonstrated the ability to operate water and sewer systems effectively. Further, DER has no outstanding notices of violation or sanctions against the Utility. Therefore, we find that it is in the public interest to amend SSUI's Certificate No. 003-W in Clay County to include the territory served by Lakeview.

Rate Base

An audit of the books and records of the Utility has been conducted to determine rate base (net book value) at the time of the transfer. From the audit, we have determined that SSUI overstated utility plant-in-service and understated accumulated depreciation.

Utility Plant-in-Service

According to Lakeview's 1971 income tax report, the value of the water plant and lines is \$1,729. The labor expense was not recognized by the Utility. Therefore, we have estimated labor expense, which has been capitalized for installation of the transmission and distribution lines.

The value of the lines, in accordance with the tax report, is \$327. This includes approximately 1,000 feet of two-inch mains and approximately 700 feet of one-inch service lines to the 24 lots in the service area. It was estimated that the work would have taken approximately 100 hours at a labor rate of \$5 per hour in 1968-1969, when the system was installed. Therefore, \$500 has been added to the utility plant-in-service to offset a portion of the original cost overstated by SSUI.

According to SSUI's application, the plant is valued at \$13,293. However, with the original cost determined to be \$1,729, from Lakeview's income tax records and the estimated addition of capitalized labor expense, we find the appropriate amount of utility plant-in-service to be \$2,229.

Land

The land value was not indicated as a separate item in the application. We determined the value of the land when it was first placed in used and useful service in 1969 to be \$9. The value was determined from county records and was based upon a land value of \$.09 per square foot for 100 square feet where the well, pump and storage tank are located. Although the amount is insignificant, the value of the land is shown as a component of the rate base determination on Schedule 1.

Accumulated Depreciation

In accordance with its application, SSUI determined accumulated depreciation to be \$179. According to Lakeview's 1979 income tax report, the plant was fully depreciated for tax purposes by 1979. We have calculated the annual depreciation expense on the basis of 40 year asset life (2.5%) for the period from 1968 through March 31, 1984. From April 1, 1984, through October 11, 1985, the transfer date, depreciation rates were based upon Rule 25-30.140, Florida Administrative Code, which sets forth depreciation rates by class of asset. The result was an additional \$599, which was added to the accumulated depreciation account. In a similar manner, accumulated depreciation was calculated as a capitalized labor expense for Account No. 331 (transmission and distribution mains). That calculation added \$218 to the accumulated depreciation account. Therefore, accumulated depreciation is \$996.

CIAC and Amortization of CIAC

We found no evidence of CIAC. Lakeview indicated that the water service was provided without a connection charge as an incentive for the purchase of the lots by individuals. No evidence was found which indicated that water service connection charges were included in the purchase agreement for the lots and none have been included in our analysis.

Our calculation of rate base is shown on Schedule No. 1 for the water system, with adjustments shown on Schedule No. 2. Based on the adjustments set forth herein, rate base for Lakeview is \$1,242 for the water system as of October 11, 1985, the date of transfer.

This rate base calculation is used purely to establish the net book value of the property being transferred and does not include the normal ratemaking adjustments of working capital calculations and used useful adjustments.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the original cost calculation. It is Commission policy that in the absence of extraordinary circumstances a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this transfer do not appear to be extraordinary, nor has SSUI requested that an acquisition be included; therefore, an acquisition adjustment is not included in the calculation of rate base.

Rates and Charges

The rates and charges currently in effect for Lakeview are as follows:

Water Rates (Bi-Monthly)
Residential and General Service

Base Facility Charge
Meter Size

5/8" x 3/4"	\$ 5.00
Gallonage Charge per 1,000 gallons	\$ 0.71

Although Rule 25-9.044(1), Florida Administrative Code, states that a new utility must adopt and use the rates, classification and regulations of the former operating company unless authorized to change by the Commission, we are approving the rates charged by SSUI since they produce the same revenue

as the rates charged by the previous owner. SSUI shall continue to charge these rates until authorized to change by the Commission.

SSUI requested authority to charge its uniform miscellaneous service charges, which are shown below. The charges were approved October 7, 1987, pursuant to Docket No. 870820-WS, and are in effect for other counties in which SSUI operates. We find these rates to be reasonable and they are, therefore, approved.

Miscellaneous Service Charges

<u>Description</u>	<u>Water</u>	
	<u>Charge During Regular Hours</u>	<u>Charge After Regular Hours</u>
(1) Initial Connection	\$ 10.00	\$ 15.00
(2) Normal Reconnection	\$ 10.00	\$ 15.00
(3) Violation Reconnection	\$ 10.00	\$ 15.00
(4) Premises Visit Charge	\$ 5.00	\$ N/A

The utility requested approval of its uniform water service availability charge of \$225. The service area is built out and no charges for service availability have ever been collected. We find it appropriate to approve a service availability charge of \$225 for the Lakeview service area in order to have a uniform rate for the County.

SSUI is directed to file a tariff reflecting the change in certificated territory within thirty days of the date of this Order. The tariff for water rates shall reflect the rates in the body of this Order and shall be effective for service rendered after the stamped approval date on the revised tariff sheets. Miscellaneous service charges are effective for services rendered on or after the stamped approval date on the revised tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of assets from Lakeview Villas, Post Office Box 353,

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Keystone Heights, Florida 32656, to Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, is hereby granted. It is further

ORDERED that Certificate No. 003-W, held by SSUI, shall be returned to this Commission within 30 days of the date of this Order for appropriate entry. It is further

ORDERED that the rate base, which transfer for purposes reflects the net book value, is \$1,242. It is further

ORDERED that SSUI shall charge the rates and charges set forth in the body of this Order. It is further

ORDERED that SSUI's request to implement its uniform service availability charges is hereby granted. These charges shall become effective for connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that SSUI shall file tariff sheets consolidating the rates and charges set forth in the body of this Order in its tariff within 30 days of the date of this Order. The tariff sheets shall also reflect the territory set forth in Attachment A of this Order. It is further

ORDERED that the rates and charges approved herein shall be effective for service rendered on or after the stamped approval date of the tariff sheets. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition in the form provided by Rule 25-22.36, 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 the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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

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ATTACHMENT A

LAKEVIEW VILLAS

TERRITORY DESCRIPTION

The following described lands located in Section 28, Township 8 South, Range 23 East, Clay County, Florida:

Being more particularly described as follows:

In Section 28, Township 8 South, Range 23 East of Clay County and a portion of Plat Book 5, Page 5 of Lake Geneva Heights; Lots 1-23 of Block 4 and Lots 1-5, 20-24 of Book 6. Containing 9.6 acres more or less.

LAKEVIEW VILLAS
SCHEDULE OF RATE BASE
AS OF OCTOBER 11, 1985

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMM ADJUSTMENTS</u>	<u>BALANCE PER COMM</u>
Utility Plant in Service	\$13,293	\$(11,064)	\$ 2,229
Land	0	9	9
Accumulated Depreciation	(179)	(817)	(996)
Contributions-in-Aid-of Construction	0	0	0
CIAC Amortization	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$13,114</u>	<u>\$(11,872)</u>	<u>\$ 1,242</u>

SCHEDULE NO. 2

LAKEVIEW VILLAS

SCHEDULE OF RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant-in-Service (Note 1)	\$(11,064)
Land (Note 2)	9
Accumulated Depreciation (Note 3)	(817)
Contributions-in-Aid-of-Construction	0
CIAC Amortization	<u>0</u>
TOTAL	<u>\$(11,872)</u>

Notes to rate base adjustments schedule

1. Utility plant in service	
Overstated per auditor's report	\$(11,564)
Added capitalized labor Account 331	\$ 500
2. Land value based on auditor's report	\$ 9
3. Accumulated depreciation	
Per auditor's report adjustment	\$(599)
Added to recognize depreciation for added labor	\$(218)