

ORIGINAL

M E M O R A N D U M

October 16, 2000

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (CROSBY) *ps*

RE: DOCKET NO. 990731-WU - APPLICATION FOR TRANSFER OF WATER FACILITIES FROM SUNRISE WATER COMPANY, INC., HOLDER OF CERTIFICATE NO. 584-W, TO KEEN SALES, RENTALS AND UTILITIES, INC., HOLDER OF CERTIFICATE NO. 582-W, IN POLK COUNTY, FOR CANCELLATION OF CERTIFICATE NO. 584-W, AND FOR AMENDMENT OF CERTIFICATE NO. 582-W TO INCLUDE ADDITIONAL TERRITORY.

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Attached is a letter dated October 10, 2000, from Keen Sales, Rentals and Utilities, Inc., transmitting the utility's rebuttal to Order No. PSC-00-1388-PAA-WU, issued July 31, 2000 in this docket. PLEASE PLACE THE LETTER AND ATTACHMENTS IN THE ABOVE-REFERENCED DOCKET FILE. Thank you.

alc

Attachments

cc: Division of Regulatory Oversight (Clapp, Redemann, Daniels, Messer) \*

APP \_\_\_\_\_ \*Copies of the Attachments were previously given to Staff.  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

KSRU

Keen Sales, Rentals and Utilities, Inc.

685 Dyson Road  
Haines City, FL 33844  
Business Phone 941-421-6827

October 10, 2000

Ms. Alice Crosby  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Sunrise Water Company

Dear Ms. Crosby:

Enclosed please find our rebuttal to Commission Order #PSC-00-1388-PAA-WU, issued July 31, 2000.

I realize that you informed by secretary, verbally, that this issue was to be presented to the Commission at their October 17, 2000, meeting. However, we want to try to expedite matters and are, therefore, submitting our rebuttal.

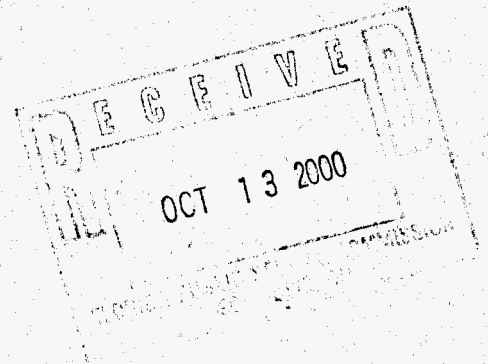
If you have any questions, please feel free to contact me.

Sincerely,

  
J. Ray Keen  
President

JRK/mmc  
Enclosures

cc: Mr. Tim Devlin  
Ms. Catherine Bedell  
Mr. J. Terry Deason



## ACQUISITION ADJUSTMENT

The Public Service Commission Auditor that established the Sunrise Water Company Rate Base was informed that I purchased the system for \$100,000. The Auditor gave no indication during the examination of the utility records, nor in the September 8, 1999, Commission Report, that my investment would be reduced by \$58,293.00, applicable to an Acquisition Adjustment.

Commission Order #PSC-00-1388-PAA-WU, issued July 31, 2000, per page 7, states as follows:

"In the absence of extraordinary circumstances, it has been Commission practice that the purchase of a utility system at a premium or discount, shall not effect the Rate Base calculation. The circumstances in this exchange do not appear to be extraordinary. In addition, Keen has not requested an Acquisition Adjustment. Therefore, an Acquisition Adjustment has not been included in the calculation of Rate Base."

I did inform the Auditor that my investment in Sunrise was \$100,000, and was under the assumption that the utility would earn on such. I did not specifically use the term "Acquisition Adjustment" as I was not familiar with the terminology; however, my intentions of earning on the full investment were explicitly conveyed to the Auditor.

The transmission and distribution system, which is approximately 25 years old, requires an abnormal and extraordinary amount of care to maintain as evidenced by the time the utility's maintenance operator expends repairing leaks and replacing sections of service lines.

The disallowance of the \$58,293 Acquisition Adjustment would not be in the best interest of the utility nor it's customers as Sunrise would not be accorded a depreciation reserve sufficient to offset projected capital expenditures necessary to maintain the system in compliance with FPSC and DEP standards. The absence of the Acquisition Adjustment, for obvious reasons, could also uniformly compromise the expeditious disposition of customer related service matters.

I respectfully request that the Florida Public Service Commission allow the utility to earn on the positive Acquisition Adjustment based on the extraordinary circumstances alluded to in order to insure the preservation of the utility's financial integrity and the customer's high quality of service.

## CONTRIBUTIONS IN AID OF CONSTRUCTION

### "CIAC"

Sunrise Water Company offers the following information regarding the Commission's \$12,393 imputation of CIAC per order PSC-00-1388-PAA-WU.

According to page 2 of Commission Order PSC-97.0832-FOF-WU, the utility has 282 single family residences and mobile homes and this service area is completely built out.

Commission Order PSC-00-1388-PAA-WU, issued July 31, 2000, per pages 5 and 6, states as follows:

"In addition, the audit reflected a zero balance for contributions-in-aid-of-construction. A comment was included in the CIAC workpaper section to that effect. There was some concern regarding this comment since a system capacity charge of \$450 per equivalent residential connection (ERC) had been grandfathered with the utility when it came under Commission regulation. The workpapers from the Polk County rate case did not include any CIAC amounts and there have been no additional collections of CIAC documented by the utility since this Commission received jurisdiction in Polk County.

Our practice has been that CIAC collected prior to the jurisdictional date is recognized in the calculation of rate base. (Lindrick Service Corporation, Order No. 12691, issued November 16, 1983, in Docket No. 830062-WS). Further this Commission has imputed CIAC based on Rule 25-30.570, Florida Administrative Code, when there has been no explanation for the absence of CIAC. (Tamiami Utility Company, Order No. 13796 issued October 27, 1984, in Docket No. 830559-WS).

Rule 25-30.570, Florida Administrative Code, states, in part, "If the amount of CIAC has not been recorded on the utility's books . . . the amount of CIAC shall be imputed to be the . . . portion of the cost of the facilities and plant attributable to the water transmission and distribution system . . ." Therefore, CIAC has been imputed in the portions of the cost of the facilities

and plant attributable to the water transmission and distribution system (Account No. 334). The associated accumulated amortization has been imputed based on the accumulated depreciation for the water transmission and distribution system.

Schedule 2 of this Order sets forth Sunrise's calculated rate base, Commission adjustments, and the resulting rate base. The rate base equals utility plant-in-service of \$84,346, less accumulated depreciation of \$36,209, plus land value of \$553, less imputed CIAC of \$54,10 for a total of \$41,707.

The utility differs with the Commission accorded interpretation of Rule 25-30.570 and the recognition of CIAC based on Order 12691.

Regarding the absence of explanation and the imputation based on the transmission and distribution system, please consider the following information:

- \* The \$12393 imputation of CIAC was the balance in the transmission and distribution mains account established by Polk County in the utility's 1993 rate case.
- \* The Polk County Board of County Commissioners (PCBCC) maintained jurisdiction of Sunrise at the time of the rate case and up through July 1, 1996.
- \* The PCBCC's Rules and Regulations applicable to CIAC are similar if not identical to those of the Florida Public Service Commission.
- \* The Polk County Board of County Commissioners established the Sunrise rate base at December 31, 1993. The Florida Public Service Commission accepted the balances in all the rate base component accounts, with the exception of CIAC.
- \* The Polk County Board of County Commissioners determined the non-existence of contributions at December 31, 1993.

The regulating body of Sunrise (PCBCC) determined that there was no CIAC during the same period that the FPSC imputed such.

The utility is of the opinion that PCBCC's determination as to the absence of CIAC should satisfy the "explanation" provision of Rule 25-30.570. Sunrise believes that the Commission's assumption of CIAC collections prior to the jurisdictional date to be valid had the ruling body, of the utility, at the time, not determined otherwise.

Sunrise respectfully requests that the Florida Public Service Commission reconsider this issue based on the noted circumstances.

KSRU

*Keen Sales, Rentals and Utilities, Inc.*

685 Dyson Road  
Haines City, FL 33844  
Business Phone 941-421-6827

September 22, 2000

Ms. Alice Crosby  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Sunrise Water Company

Dear Ms. Crosby:

Sunrise Water Company never received the September 8, 1999, Audit Report establishing Rate Base (Docket #990731-WU / Audit Control #99-166-3-2) nor the accompanying Commission Order PSC-00-1388-PAA-WU issued July 31, 2000.

It appears that the Florida Public Service Commission has inadvertently been mailing correspondence to the former owners (Whiting) instead of the current owners (Keen).

Attachment #1, a sworn affidavit by a representative of the former owners (Whiting) stating that numerous mailings from the FPSC have been sent to them.

Attachment #2, is a letter dated September 11, 2000, to Macauly Whiting, Jr. (former owner) indicating the FPSC will conduct a Staff-Assisted Audit.

It is respectfully requested that Sunrise (Keen) be accorded an opportunity to respond to the information contained in the noted Audit Report and Order based on the foregoing circumstances. Sunrise further requests that the FPSC ascertain that all future mailings are forwarded to the address of the current owner of the Utility, which is:

685 Dyson Road  
Haines City, Florida 33844

Thank you for your considerations in this matter. Please notify us of the time frame in which we have to respond to the Commission Report and Order.

Sincerely,



J. Ray Keen  
President

JRK/mmc  
Enclosures (2)

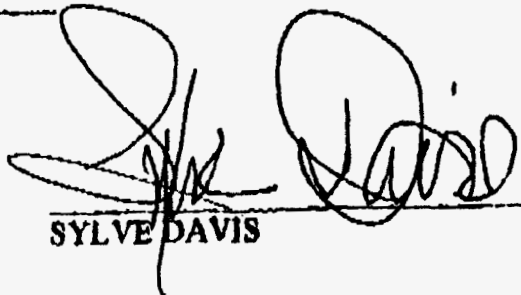
cc: Mr. Tyler Van Leuven



AFFIDAVIT

I, SYLVE DAVIS, HEREBY AFFIRM THAT WE AT DECKER ENERGY INTERNATIONAL (D/B/A WHITING WATER WORKS) HAVE RECEIVED NUMEROUS MAILINGS FROM THE FLORIDA PUBLIC SERVICE COMMISSION THAT SHOULD HAVE ACTUALLY GONE TO KEEN SALES, RENTALS AND UTILITIES, INC., REGARDING SUNRISE WATER WORKS.

DATED: 9/22/2000

  
SYLVE DAVIS

SWORN TO AND SUBSCRIBED BEFORE ME THIS THIS THE 22<sup>nd</sup> DAY OF  
SEPTEMBER, 2000.

**ROBERT ALAN CAUSEY**  
Notary Public - State of Florida  
My Commission Expires Feb 17, 2004  
Commission # CC901609

  
NOTARY PUBLIC

STATE OF FLORIDA

Commissioners:  
J. TERRY DEASON, CHAIRMAN  
E. LEON JACOBS, JR.  
LILA A. JABER  
BRAULIO L. BAEZ



DIVISION OF REGULATORY OVERSIGHT  
DANIEL M. HOPPE, DIRECTOR  
(850)413-6480

## Public Service Commission

September 11, 2000

Macauly Whiting, Jr.  
Sunrise Water Company  
P. O. Box 2397  
Winter Park, FL 32790-2397

Re: Docket No. 001118-WU; Sunrise Water Company  
Audit Request; Staff-assisted Rate Case  
Audit Control No. 00-252-3-1

Dear Mr. Whiting:

The Florida Public Service Commission will conduct a staff-assisted rate case in accordance with Commission audit procedures. Access will be requested to documents and records of the utility and, if necessary, supporting records for affiliate company transactions that affect regulated operations. Staff auditors may also request to review the utility's external audit working papers for the most recent independent audit. Charleston Winston, (813) 356-1444, the district office supervisor, will coordinate this audit. Questions regarding the audit or audit staff should be directed to the district supervisor or myself. My phone number is (850) 413-6487.

The Audit Access to Records rule for each industry states:

In those instances where the utility disagrees with the auditor's assessment of a reasonable response time to the audit request, the utility shall first attempt to discuss the disagreement with the auditor and reach an acceptable revised date. If agreement cannot be reached, the utility shall discuss the issue with successive levels of supervisors at the Commission until an agreement is reached.

**Macauly Whiting, Jr.**  
**Page 2**  
**September 11, 2000**

A formal report is expected to be issued for internal Commission use in November 2000. A copy of the final report will be mailed to the company liaison listed in the Commission Mailing Directory.

Sincerely,



**Denise N. Vandiver**  
**Bureau Chief - Auditing Services**

**DNV:sp**

**cc: District Office Supervisor**  
**Division of Legal Services**  
**Division of Records and Reporting**  
**Public Counsel**