



# Public Service Commission

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RECORDS AND REPORTING

**DATE:** JANUARY 25, 2001

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF REGULATORY OVERSIGHT (CLAPP, REDEMANN)  
DIVISION OF LEGAL SERVICES (CROSBY, GERVASI)

**RE:** DOCKET NO. 991889-WS - APPLICATION FOR TRANSFER OF CERTIFICATES NOS. 525-W AND 454-S IN HIGHLANDS COUNTY FROM CRYSTAL LAKE CLUB TO CWS COMMUNITIES LP D/B/A CRYSTAL LAKE CLUB.  
COUNTY: HIGHLANDS

**AGENDA:** FEBRUARY 6, 2001 - REGULAR AGENDA - PROPOSED AGENCY ACTION FOR ISSUES 4 AND 5 - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** COMMISSION MAY WANT TO CONSIDER DOCKETS NO. 001083-WU AND 991889-WS CONSECUTIVELY

**FILE NAME AND LOCATION:** S:\PSC\RGO\WP\991889WS.RCM

### CASE BACKGROUND

Crystal Lake Club (Crystal Lake or utility) is a Class C utility serving 443 residential water and wastewater customers in Highlands County. The utility was granted Wastewater Certificate No. 454-S by Order No. 21515, issued July 7, 1989, in Docket No. 881002-SU and Water Certificate No. 525-W by Order No. 22300, issued December 12, 1989, in Docket No. 891011-WU. The utility's 1999 annual report lists total gross revenues of \$59,290 for water and \$51,512 for wastewater with net operating losses of \$5,857 for water and \$13,583 for wastewater.

On December 9, 1999, Crystal Lake submitted an application for transfer of the utility from Crystal Lake Community, Limited Partnership; Diamond Valley Associates, Ltd.; Friendly Village, Lancaster Associates, Ltd. d/b/a Crystal Lake Club (partners or

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seller) to CWS Communities LP d/b/a Crystal Lake Club (CWS or buyer). Many deficiencies were found in this application. The final corrections were received on October 27, 2000. The transfer application is the subject of this recommendation.

According to the application, on March 6, 1998, the sellers and CWS entered into a real property exchange transaction, where CWS exchanged property (unnamed in the contract) that was not a mobile home park or a manufactured home community for the Crystal Lake Mobile Home Park and all improvements and easements including the Crystal Lake Club utility system. The contributed value (negotiated sales price) for the exchanged property is \$10,131,149. The utility also provided an estimate of the rate base at the time of transfer, using the 1990 information formalized in transfer Docket No. 900527-WS and updated to August 30, 1999. This analysis resulted in a proposed value of the utility system as of the date of the proposed transfer of \$172,900 for water and \$258,600 for wastewater.

Section 367.071, Florida Statutes, requires that no utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof, or majority organizational control without prior approval of the Commission unless such sale, assignment, or transfer is made contingent upon Commission approval. The parties closed on the exchange of the utility on August 30, 1999, without having made the transfer contingent upon the approval of the Commission, which is an apparent violation of Section 367.071, Florida Statutes. This matter will be discussed further in Issue 1. The Commission has jurisdiction pursuant to Sections 367.071 and 367.061, Florida Statutes.

#### **DISCUSSION OF ISSUES**

**ISSUE 1:** Should Crystal Lake Club be ordered to show cause, in writing within 21 days, why it should not be fined for its failure to obtain Commission approval prior to transferring its facilities to CWS, in apparent violation of Section 367.071, Florida Statutes?

**RECOMMENDATION:** No. A show cause proceeding should not be initiated, but the utility should be placed on notice that it is expected to know and comply with the Commission's rules and regulations. (CROSBY)

**STAFF ANALYSIS:** Section 367.071(1), Florida Statutes, requires that:

No utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof . . . , without determination and approval of the commission that the proposed sale, assignment, or transfer is in the public interest . . . . However, a sale, assignment, or transfer of its certificate of authorization, facilities . . . may occur prior to commission approval if the sale, assignment, or transfer is made contingent upon commission approval.

As stated in the case background, Crystal Lake Club closed on the transfer of its facilities to CWS on August 30, 1999, prior to obtaining Commission approval. In addition, the Real Estate Exchange and Contribution Agreement contained no provisions to make the agreement contingent upon Commission approval.

Section 367.161(1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any provision of Chapter 367, Florida Statutes. In closing on the transfer of its facilities prior to Commission approval, the utility's act was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., the Commission having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule."

Although Crystal Lake Club's failure to obtain Commission approval prior to transferring facilities is an apparent violation of Section 367.071(1), Florida Statutes, there are circumstances that appear to mitigate the utility's apparent violation. Based on information provided by CWS, Crystal Lake Club was transferred on August 30, 1999 as part of a large property exchange which involved other time sensitive sale transactions. In addition to the large property exchange in this docket, CWS also purchased Alafaya Palm Valley Associates, Ltd. (Docket No. 991984-WS), and Route 19A North Joint Venture (Docket No. 001083-WU) at about the same time Crystal Lake Club was purchased. The circumstances are the same in each of

DOCKET NO. 991889-WS  
DATE: JANUARY 25, 2001

these transactions. Order No. PSC-00-1675-PAA-WS, issued on September 19, 2000, in Docket No. 991984-WS, placed CWS on notice that it is expected to know and comply with the Commission's rules and regulations.

Crystal Lake Club's failure to obtain the Commission's approval prior to transferring its facilities appears to be due to a lack of understanding and knowledge of the Commission's rules and regulations. Although Crystal Lake Club is held to know the Commission's rules and statutes under which it must operate, when this matter was brought to the utility's attention, the utility stated that it was not aware of the statutory requirement to obtain prior approval of the transfer from the Commission. Staff does not believe that the apparent violation of Section 367.071, Florida Statutes, rises in these circumstances to the level which warrants the initiation of a show cause proceeding. Staff recommends that Crystal Lake Club should not be ordered to show cause for failure to obtain Commission approval prior to transferring its facilities to CWS. CWS should again be placed on notice that it is expected to know and comply with the Commission's rules and regulations.

**ISSUE 2:** Should Crystal Lake be ordered to show cause, in writing within 21 days, why it should not be fined up to \$5,000 per day for failure to maintain its accounts and records in conformance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), and for failure to maintain its books and records in-state, in apparent violation of Rules 25-30.115(1) and 25-30.110(1)(b), Florida Administrative Code, respectively?

**RECOMMENDATION:** No. Crystal Lake should not be ordered to show cause at this time. However, the utility should be ordered to maintain its books and records in conformance with the 1996 NARUC USOA. The utility should also be ordered to maintain its books and records in-state or request the requisite authorization from the Commission to continue to maintain them out-of-state. The utility should be ordered to submit a statement with its 2000 Annual Report from its accountant by March 31, 2001, stating that its books and records are in conformance with the 1996 NARUC USOA and indicating that its books and records are being maintained in-state or requesting authorization to maintain them out-of-state. (CROSBY, CLAPP)

**STAFF ANALYSIS:** Rule 25-30.115(1), Florida Administrative Code, states "Water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform Systems of Accounts adopted by the National Association of Regulatory Utility Commissioners." Accounting Instruction 2, of the NARUC USOA for Class C utilities states:

Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto. (emphasis added)

Further, Accounting Instruction 4, of the NARUC USOA for Class C utilities states:

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be segregated monthly. Each utility shall close its books at the end

of each calendar year unless otherwise authorized by the Commission. (emphasis added)

Rule 25-30.450, Florida Administrative Code, states:

In each instance, the utility must be able to support any schedule submitted, as well as any adjustments or allocations relied on by the utility. The work sheets, etc., supporting the schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time. The supporting work sheets, etc., shall list all reference sources necessary to enable Commission personnel to track to original source of entry into the financial and accounting system and, in addition, verify amounts to the appropriate schedules. (emphasis added)

During a staff audit of Crystal Lake's books and records in March 2000, staff learned that its accounts are commingled with those of the Crystal Lake Mobile Home Park and the books and records are maintained out-of-state. Even though the utility's books and records are commingled, staff was able to extract the necessary information for transfer purposes. The resulting audit report contained audit exceptions related to the utility's books and records.

**Audit Exception No. 1.** This exception was the audit opinion that the utility was not maintaining its books pursuant to Rule 25-30.115(1), Florida Administrative Code, which requires all water and wastewater utilities to maintain their accounts and records in conformance with the NARUC Uniform System of Accounts. The auditor further stated that: the utility accounts are commingled with those of the operation of the Crystal Lake community; documentation was not maintained at the utility location; the utility contracts with a CPA firm to prepare its Annual Report to the Commission; and, the Annual Report is prepared by extracting utility activity from its Crystal Lake community general ledger.

Moreover, documentation relative to utility operations and plant was located out-of-state, in apparent violation of Rule 25-30.110(1)(b), Florida Administrative Code. That rule requires that "[u]nless otherwise authorized by the Commission, each utility shall maintain its records at the office or offices of the utility within this state and shall keep those records open for inspection during business hours by Commission staff."

Section 367.161, Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 per day for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failure to maintain its accounts and records in conformance with the NARUC USOA, or its failure to maintain its accounts and records in-state, would meet the standard for a "willful violation." In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., the Commission, having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

The seller's failure to maintain the utility's books and records in accordance with 1996 NARUC USOA is in apparent violation of Rule 25-30.115, Florida Administrative Code. However, the sellers do not operate the utility anymore because CWS has acquired its facilities and is currently operating the utility. Staff has received a verbal commitment from CWS of its intention to bring the books and records into compliance with the 1996 NARUC USOA. Moreover, with respect to the utility's practice of maintaining its books and records out-of-state, during the course of this proceeding, the utility endeavored to make the necessary information available to staff for the purposes of the audit. In light of these circumstances, staff believes that a show cause proceeding should not be initiated at this time.

For the foregoing reasons, staff recommends that Crystal Lake should not be ordered to show cause at this time, in writing within 21 days, why it should not be fined up to \$5,000 per day for failure to maintain its accounts and records in conformance with the NARUC USOA or for failure to maintain its books and records in-state, in apparent violation of Rules 25-30.115(1) and 25-30.110(1)(b), Florida Administrative Code, respectively. However, the utility should be ordered to maintain its books and records in conformance with the 1996 NARUC USOA. The utility should also be ordered to maintain its books and records in-state or request the requisite authorization from the Commission to

continue to maintain them out-of-state.<sup>1</sup> The utility should be ordered to submit a statement with its 2000 Annual Report from its accountant by March 31, 2001, stating that its books and records are in conformance with the 1996 NARUC USOA and indicating that its books and records are being maintained in-state or requesting authorization to maintain the books and records out-of-state.

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<sup>1</sup>In determining whether to request such authorization from the Commission, the utility should be aware that Section 367.121(1)(k), Florida Statutes, authorizes the Commission "[to] assess a utility for reasonable travel costs associated with reviewing the records of the utility and its affiliates when such records are kept out-of-state." And Rule 25-30.110(1)(c), Florida Administrative Code, defines reasonable travel expenses as "those travel expenses that are equivalent to travel expenses paid by the Commission in the ordinary course of its business."

**ISSUE 3:** Should the transfer of Certificates Nos. 525-W and 454-S from Crystal Lake Community, Limited Partnership; Diamond Valley Associates, Ltd.; Friendly Village, Lancaster Associates, Ltd. d/b/a Crystal Lake Club to CWS Communities LP d/b/a Crystal Lake Club be approved?

**RECOMMENDATION:** Yes, the transfer of Certificates Nos. 525-W and 454-S from Crystal Lake Community, Limited Partnership; Diamond Valley Associates, Ltd.; Friendly Village, Lancaster Associates, Ltd. d/b/a Crystal Lake Club to CWS Communities LP d/b/a Crystal Lake Club should be approved. A description of the territory being transferred is appended to this memorandum as Attachment A. (CLAPP, REDEMANN)

**STAFF ANALYSIS:** As stated in the case background, Crystal Lake applied for a transfer of its Water Certificate No. 525-W and Wastewater Certificate No. 454-S in Highlands County to CWS on December 9, 1999. Staff identified numerous deficiencies in the utility's application. Those deficiencies were corrected on October 27, 2000. The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer. The application contains a check in the amount of \$1,500, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The applicant has provided evidence, in the form of a recorded affidavit, that the utility facilities are located on real property dedicated to the utility and located within the boundaries of the land known as Crystal Lake Club, which is owned by CWS Communities LP, as required by Rule 25-30.037(2)(q), Florida Administrative Code.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to the application were received, and the time for the filing of such objections has expired. A description of the territory served by the utility is appended to this memorandum as Attachment A. The service area attached is the original service area granted to the utility in Order No. 21515, issued July 7, 1989 and Order No. 22300, issued December 12, 1989.

Regarding the Buyer's technical ability, CWS will continue with the management team that has operated the water and wastewater utility for the past ten years. At the present time, the utility provides safe and reliable water and wastewater service to its customers, according to the application. CWS has the financial resources to maintain consistent compliance with environmental

regulations. Staff has contacted the Department of Environmental Protection (DEP) and has learned that there are no outstanding notices of violation against the utility.

According to the application, the Buyer's financial ability will not be affected by this transfer. CWS has provided the company's consolidated financial statements. The financial statements disclosed assets of \$369,840,000 and equity of \$290,328,000. CWS has indicated that it will provide the financial stability required to maintain the utility systems in accordance with Commission standards.

The application contains a copy of the real estate exchange and contribution agreement which includes the contributed value (negotiated sales price), terms of payment and a list of the assets purchased and liabilities assumed of Crystal Lake Mobile Home Park. The application also contains a statement that the transfer is in the public interest because the Crystal Lake Mobile Home Park will continue to receive the same quality and service as in the past since the same team will continue to operate the water and wastewater facilities.

Supplemental information from the applicant stated that at the time of closing there were no outstanding or pending customer deposits, guaranteed revenue contracts, developer agreements, or customer advances related to the utility. Additionally, the applicant stated that the buyer will fulfill the commitments, obligations and representations of the seller with regard to utility matters. The buyer stated that the existing debts of the utility will be paid by the utility.

According to our records, the utility is current on its regulatory assessment fees and has filed an annual report for 1999 and all prior years. CWS will be responsible for future annual reports and the payment of all regulatory assessment fees for the year 2000. The application states that CWS's representative has performed a reasonable investigation of the utility system. The water and wastewater plant facilities appear to be in satisfactory condition and in compliance with all applicable standards set by the Florida Department of Environmental Protection (DEP).

Based on the above, staff recommends that the transfer of assets and facilities from the seller to the buyer and the transfer of Water Certificate No. 525-W and Wastewater Certificate No. 454-S is in the public interest and should be approved.

**CWS COMMUNITIES LP d/b/a CRYSTAL LAKE CLUB**

**HIGHLANDS COUNTY  
WATER AND WASTEWATER SERVICE AREA**

In Section 2, Township 34 South, Range 28 East

All that part of the SE 1/4 and the SE 1/4 of the NE 1/4 of Section 2, Township 34 South, Range 28 East, lying West of the A.C.L. Railroad right-of-way together with that part of lots 9 to 14 inclusive, of WARREN AND MONDAY'S SUBDIVISION as recorded in P.B. 1, Page 10, Highlands County, Florida, lying within the following described boundary.

Commence at the SE corner of Sec. 2, T. 34 S., R. 28 E.; run thence N. 1° 08' 50" W. along the line between Section 1 and 2 for 242.14 feet for a point of beginning, thence N. 89° 48' 08" W., 2042.29 feet; thence N. 1° 16' 18" W. in and parallel with the West line of said SE 1/4 for 2352.93 feet to intersect the North line of said SE 1/4 (being also the South line of said WARREN AND MONDAY SUBDIVISION); thence run N. 20° 20' 23" W. 899.56 feet to a point herein designated point "A" which is the Westerly end of a control line along Lake Denton; thence continue N. 20° 20' 23" W. 30 feet, more or less, to the shore of Lake Denton, thence Easterly along the meanders of Lake Denton, 370 feet, more or less to intersect the North line of lot 9 of WARREN AND MONDAY SUBDIVISION; thence N. 88° 38' 32" E., 50.0 feet, more or less along said North line to a point of the aforesaid control line which bears N. 68° 29' 12" E., 417.65 feet from said point "A", thence continue N. 88° 38' 32" E. along said North line of Lot 9, 626.48 feet to intersect the East line of SW 1/4 of NE 1/4, thence N. 1° 12' 34" W., 331.46 feet to the NW corner of SE 1/4 of NE 1/4, thence N. 88° 38' 48" E. along North line of SE 1/4 of NE 1/4, 220.95 feet to the Westerly R/W line of the A.C.L. Railroad R/W, thence S. 18° 16' 58" E. along said Westerly R/W, 3746.87 feet to the East line of Section 2; thence S. 1° 08' 50" E., along the section line 149.60 feet to the point of beginning. Lying in Section 2, Township 34 South, Range 28 East, Highlands County, Florida. Also a 50 foot easement whose centerline is described as beginning at a point 437.82 feet North and 2051.50 feet West of the Southeast corner of Section 2, Township 34 South, Range 28 East, Highlands County, Florida, run N. 89° 48' 08" W., 1548.40 feet, to the beginning of a 100 foot

DOCKET NO. 991889-WS  
DATE: JANUARY 25, 2001

easement, thence continue N. 89° 48' 08" W., 300.0 feet to a point  
in the East right-of-way boundary of SR-17A.

**ISSUE 4:** What is the rate base of Crystal Lake at the time of transfer?

**RECOMMENDATION:** The rate bases, which for transfer purposes reflect the net book value, are \$161,702 for the water system and \$223,687 for the wastewater system as of August 30, 1999. (CLAPP)

**STAFF ANALYSIS:** Rate base for the utility was established by Order No. PSC-94-0243-FOF-WS, issued March 4, 1994, in Docket No. 930572-WS, at \$164,461 for the water system and \$186,580 for the wastewater system. According to the application, the proposed rate base is \$162,209 for the water system and \$231,261 for the wastewater system. Rate base was determined by starting with the 1998 Annual Report and updating the information to the August 30, 1999 transfer date.

An audit of the utility's books was performed and the resulting report contained three audit exceptions concerning the utility's books and records. In Audit Exception No. 1, the auditor stated that the utility did not maintain its books and records in conformance with the NARUC USOA. This Exception is discussed in Issue 2.

**Audit Exception No. 2.** This exception was the audit opinion that Plant-in-Service and Accumulated Depreciation were incorrect. The audit balances from the previous audit were used for the beginning balances and verified Annual Report additions plus other additions and retirements were used to determine the depreciable plant balances. A water storage tank rehabilitation was attributed to Plant-in-Service instead of to expenses. An item was incorrectly posted to wastewater Plant-in-Service. The resulting Plant-in-Service should be decreased by \$9,482 for the water system and decreased by \$212 for the wastewater system. Staff applied Rule 25-30.140, Florida Administrative Code, depreciation rates to the audited plant subaccount balances from July 1993 to August 30, 1999. The resulting Accumulated Depreciation should be decreased by \$7,029 for the water system and increased by \$11,799 for the wastewater system.

**Audit Exception No. 3.** This exception was the audit opinion that the contributions-in-aid-of-construction (CIAC) and Amortization of CIAC were incorrect. Using the audit balances from the previous audit and verified Annual Report additions, the per audit CIAC and CIAC amortization were recalculated. The resulting CIAC is \$475 more for the water system and \$325 less for the wastewater system. The resulting Amortization of CIAC is \$2,421 more for the water system and \$4,112 more for the wastewater system.

DOCKET NO. 991889-WS  
DATE: JANUARY 25, 2001

Staff recommends that, as of August 30, 1999, rate base for the Crystal Lake system is \$161,702 for the water system and \$223,687 for the wastewater system. The schedule of water rate base is shown on Schedule No. 1, with adjustments set forth on Schedule No. 2. The schedule of wastewater rate base is shown on Schedule No. 3, with adjustments set forth on Schedule No. 4. The rate base calculations are used solely to establish the net book value at the time the property is transferred. As such, the calculations do not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments.

**SCHEDULE 1**

**CRYSTAL LAKE CLUB  
SCHEDULE OF WATER RATE BASE  
AS OF AUGUST 30, 1999**

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 398,816	\$ ( 9,482)	\$ 389,334
Land	3,403	0	3,403
Accumulated Depreciation	(121,107)	7,029	(114,078)
Contributions in Advance of Construction (CIAC)	(165,450)	( 475)	(165,925)
Amortization of CIAC	<u>46,547</u>	<u>2,421</u>	<u>48,968</u>
 WATER RATE BASE	 <u>\$ 162,209</u>	 <u>\$ ( 507)</u>	 <u>\$ 161,702</u>

**SCHEDULE 2**

**CRYSTAL LAKE CLUB  
SCHEDULE OF WATER RATE BASE ADJUSTMENTS**

<b><u>EXPLANATION</u></b>	<b><u>STAFF RECOMMENDED ADJUSTMENT</u></b>
<b>Utility Plant-in-Service</b>	
1) To account for verified additions and retirements from June 1993 through August 30, 1999	\$( 9,482)
<b>Accumulated Depreciation</b>	
1) To recalculate depreciation based on service life pursuant to Rule 25-30.140(2)	7,029
<b>Contributions in Advance of Construction (CIAC)</b>	
1) To account for CIAC from June 1993 through August 1999.	( 475)
<b>Accumulated Amortization of CIAC</b>	
1) To account for amortization of CIAC from June 1993 through August 1999	<u>2,421</u>
<b>TOTAL ADJUSTMENT</b>	<b><u>\$( 507)</u></b>

CRYSTAL LAKE CLUB  
SCHEDULE OF WASTEWATER RATE BASE  
AS OF AUGUST 30, 1999

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 544,618	\$ ( 212)	\$ 544,406
Land	7,914	0	7,914
Accumulated Depreciation	(200,912)	( 11,799)	(212,711)
Contributions in Advance of Construction (CIAC)	(175,350)	325	(175,025)
Amortization of CIAC	<u>54,991</u>	<u>4,112</u>	<u>59,103</u>
WASTEWATER RATE BASE	<u>\$ 231,261</u>	<u>\$ ( 7,574)</u>	<u>\$ 223,687</u>

**SCHEDULE 4**

**CRYSTAL LAKE CLUB  
SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS**

<u>EXPLANATION</u>	<u>STAFF RECOMMENDED ADJUSTMENT</u>
<b>Utility Plant-in-Service</b>	
1) To account for verified additions and retirements from June 1993 through August 1999	\$( 212)
<b>Accumulated Depreciation</b>	
1) To recalculate depreciation based on service life pursuant to Rule 25-30.140(2)	( 11,799)
<b>Contributions in Advance of Construction (CIAC)</b>	
1) To account for CIAC from June 1993 through August 1999.	( 325)
<b>Accumulated Amortization of CIAC</b>	
1) To account for amortization of CIAC from June 1993 through August 1999	<u>4,112</u>
<b>TOTAL ADJUSTMENT</b>	<u>\$( 7,574)</u>

**ISSUE 5:** Should an acquisition adjustment be approved?

**RECOMMENDATION:** No. An acquisition adjustment was not requested. Moreover, an acquisition adjustment cannot be determined at this time. (CLAPP)

**STAFF ANALYSIS:** An acquisition adjustment results when the purchase price differs from the original cost calculation adjusted to the time of the acquisition. The buyer stated in the application that it was not seeking an acquisition adjustment. However, as previously noted, the Buyer acquired the utility as part the manufactured home community commonly know as Crystal Lake Club in a property exchange transaction, valued at \$10,131,149. Neither party to the overall sales transaction was able to place a separate value on the purchase of the utility facilities.

Moreover, in the absence of extraordinary circumstances, it has been Commission practice that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. There are no extraordinary circumstances regarding this purchase that would justify an acquisition adjustment to rate base. The treatment of the acquisition adjustment in this instance is consistent with previous Commissions decisions. See Order No. PSC-00-1675-PAA-WS, issued September 19, 2000, in Docket No. 991984-WS; Order No. PSC-00-1659-PAA-WU, issued September 18, 2000, in Docket No. 000334-WU; Order No. PSC-00-1515-PAA-WU, issued August 21, 2000, in Docket No. 000333-WU; and Order No. PSC-00-1389-PAA-WU, issued July 31, 2000, in Docket No. 991001-WU.

In summary, the buyer is not requesting an acquisition adjustment. The buyer was unable to provide a separate purchase price for the utility's assets because the utility assets were included, non-specifically, in the overall sales transaction for the mobile home community. Therefore, staff recommends that an acquisition adjustment cannot be determined at this time.

**ISSUE 6:** Should the rates and charges approved for this utility be continued?

**RECOMMENDATION:** Yes, CWS should continue charging the rates and charges approved for this utility system until authorized to change by the Commission in a subsequent proceeding. The tariff reflecting the change in ownership should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. (CLAPP)

**STAFF ANALYSIS:** Crystal Lake's current rates for service were approved by the Commission in a administrative price index proceeding effective January 14, 2000. The remainder of the utility's charges were approved effective October 1, 1994, pursuant to the staff-assisted rate case Order No. PSC-94-0243-FOF-WS, issued March 4, 1994, in Docket No. 930572-WS. The utility's approved rates and charges are as follows:

**Water Monthly Service Rates**  
**Residential and General Service**

Base Facility Charge

Meter Sizes:

5/8" x 3/4"	\$ 2.78
3/4"	4.16
1"	6.94
1 1/2"	13.87
2"	22.19
3"	44.40
4"	69.37
6"	138.76

Gallonage Charge

Per 1,000 gallons	\$ 1.29
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**Wastewater Monthly Service Rates**  
**Residential and General Service**

Base Facility Charge

Meter Sizes:

5/8" x 3/4"	\$ 3.63
3/4"	5.44
1"	9.06
1 1/2"	18.11
2"	28.99
3"	57.96

4"	90.57
6"	181.13

Gallonage Charge  
 Per 1,000 Gallons  
 (Maximum charge of 6,000 gallons)

Residential	\$	1.42
General Service		1.71

**Miscellaneous Service Charges**

	<u>Water</u>	<u>Wastewater</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

**Service Availability Charges**

	<u>Water</u>	
System Capacity Charge Residential-per ERC		\$375.00
Meter Installation Fee		100.00

	<u>Wastewater</u>	
System Capacity Charge Residential-per ERC		\$700.00

Rule 25-9.044(1), Florida Administrative Code, provides that:

In case of change of ownership or control of a utility which places the operation under a different or new utility . . . the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the commission) . . . .

CWS has not requested a change in the rates and charges of the utility. Accordingly, staff recommends that, pursuant to Rule 25-9.044(1), Florida Administrative Code, the utility continue operations under the existing tariff and apply the approved rates and charges until authorized to change by the Commission in a subsequent proceeding. The utility has filed a revised tariff reflecting the change in issuing officer due to the transfer. If

DOCKET NO. 991889-WS  
DATE: JANUARY 25, 2001

the Commission approves staff's recommendation, the tariff filing should be effective for services rendered or connections made on or after the stamped approval date.

DOCKET NO. 991889-WS  
DATE: JANUARY 25, 2001

**ISSUE 7:** Should this docket be closed?

**RECOMMENDATION:** Yes, if no timely protest is received to the proposed agency action issues, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed. (CROSBY)

**STAFF ANALYSIS:** If no timely protest is received to the proposed agency action issues, upon the expiration of the protest period, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed.