BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Application to transfer facilities and Certificate No. 628-W in Polk County from Alturas Utilities, L.L.C. to Alturas Water, LLC. | DOCKET NO. 20180175-WUORDER NO. PSC-2019-0304-PAA-WUISSUED: July 29, 2019 |

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman

JULIE I. BROWN

DONALD J. POLMANN

GARY F. CLARK

ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING NET BOOK VALUE

AND

ORDER APPROVING TRANSFER OF CERTIFICATE NO. 628-W

BY THE COMMISSION:

 NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein establishing net book value for transfer purposes and declining to make an acquisition adjustment is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

 On September 14, 2018, an application was filed to transfer the operations of Alturas Utilities, L.L.C. (Alturas Utilities or Utility) to Alturas Water, LLC (Buyer).[[1]](#footnote-1) Alturas Utilities is a Class C utility providing water service to approximately 48 residential customers and 7 general service customers in Polk County.[[2]](#footnote-2) The service territory is located in the Southwest Florida Water Management District.

 We granted a grandfather certificate to the Utility in 1997 originally in the name of Alturas Waterworks.[[3]](#footnote-3) In 1998, Alturas Waterworks was transferred to Keen Sales, Rentals and Utilities, Inc. (Keen).[[4]](#footnote-4) Alturas Utilities acquired a portion of Keen’s service territory in 2005 when the Commission granted the transfer.[[5]](#footnote-5) According to the Utility’s 2018 Annual Report, its total gross revenues were $24,789 and total operating expenses were $35,372, resulting in a net loss of $12,124.

 By Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, we established rates and charges for Alturas Utilities. We additionally ordered the Utility to refund customer deposits as well as over collected rate case expense from its 2009 rate case. By letter dated May 29, 2019, the Buyer provided evidence that the appropriate amount of customer deposits and rate case expense were refunded.

 This order addresses the application to transfer facilities and Certificate No. 628-W filed on September 14, 2018, the appropriate net book value for transfer purposes, and whether an acquisition adjustment is appropriate. We have jurisdiction in this case pursuant to Section 367.0814, Florida Statutes (F.S.).

Decision

Approving Transfer of Certificate No. 628-W

On September 14, 2018, the Buyer filed an application for the transfer of Certificate No. 628-W from Alturas Utilities, L.L.C. to Alturas Water, LLC in Polk County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale to Alturas Water, LLC occurred on June 15, 2018, contingent upon our approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

 The Buyer 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 water service territory which is appended to this order s Attachment A. The application contains a copy of a warranty deed agreement that was executed on June 15, 2018, as evidence that the Buyer owns or has rights to long-term use of the land upon which the water 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)(i), and (j), F.A.C., the application contains a statement regarding financing and a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. The Buyer stated in the application that he assumes responsibility for all customer deposits. There are no guaranteed revenue contracts, developer agreements, customer advances, leases, or debt of the Utility that must be disposed of with regard to the transfer. The Purchase Agreement was prepared for the sale of Alturas Utilities, L.L.C. and Sunrise Utilities, LLC for a total purchase price of $89,900. Based upon Equivalent Residential Connections, the allocated portion of the purchase price for Alturas Utilities is $18,789. According to the Buyer, the sale took place on June 15, 2018, subject to Commission approval, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

 The water treatment system consists of one well with a hydropneumatic tank rated at 3,000 gallons, and utilizes a chlorination process for disinfection. The distribution system consists of varying sizes of 1- to 4-inch polyvinyl chloride (PVC), concrete, and galvanized iron pipes.

 The last sanitary survey of the facility was conducted on July 31, 2018, by the Florida Department of Environmental Protection (DEP), which identified a variety of deficiencies. Additionally, Alturas Utilities has several open consent orders with the Polk County Department of Health (PCDH). Pursuant to Rule 25-30.037(2)(q), F.A.C., the Buyer provided a description of the required repairs and improvements as well as an approximate cost to complete the repairs and improvements. Additionally, the Buyer has provided documentation which demonstrates that he is working with PCDH and DEP to address the issues outlined in the open consent orders.

Technical and Financial Ability

 Pursuant to Rule 25-30.037(2), F.A.C., the application contains statements and documentation describing the technical and financial ability of the Buyer to provide service to the proposed service area. The Buyer was appointed to the Citrus County Water and Wastewater Authority, the local regulatory body for Citrus County, where he served for seven years. The Buyer also served as the “Class C” representative for the Legislative Study Committee for Investor-Owned Water and Wastewater Utility Systems in 2013. He attends yearly training classes through the Florida Rural Water Association and completed the National Association of Regulatory Utility Commissioners Utility Rate School in 2001. The Buyer is the owner and manager of several Class C water and wastewater facilities that are regulated by this Commission. We reviewed the personal financial statements of the Buyer, as well as the financial statements of the Buyer’s company, Florida Utility Services 1, LLC.[[6]](#footnote-6) Based on the above, 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 staff-assisted rate case.[[7]](#footnote-7) The Utility’s late payment charge was approved administratively in 2010.[[8]](#footnote-8) The Utility’s miscellaneous service charges were approved in 1997.[[9]](#footnote-9) The Utility’s existing rates and charges are shown on Schedule No. 2. 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. Therefore, we find that the Utility’s existing rates and charges shall remain in effect until a change is authorized by us in a subsequent proceeding.

Regulatory Assessment Fees (RAFs) and Annual Reports

 We have verified that the Utility is current with respect to annual reports and RAFs through December 31, 2018. The Buyer is responsible for filing annual reports and paying RAFs for 2019 and all subsequent years.

Conclusion

 Based on the foregoing, the transfer of the water system and Certificate No. 628-W is in the public interest and is hereby approved effective the date of our vote, July 9, 2019. The resultant order shall serve as the Buyer’s certificate and shall be retained by the Buyer. The existing rates and charges shall remain in effect until we authorize a change in a subsequent proceeding. The tariffs reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, F.A.C. The Buyer is responsible for paying all future RAFs and filing all future annual reports.

Establishing Net Book Value and Declining to Make an Acquisition Adjustment

Rate base was last established as of December 31, 2014.[[10]](#footnote-10) The purpose of establishing NBV for the water system for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for non-used and useful plant and working capital. The NBV has been updated to reflect balances as of June 15, 2018. The approved NBV, as described below, is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

 The Utility’s general ledger reflected a UPIS balance of $64,927, as of June 15, 2018. We reviewed the UPIS balance and have no adjustments. Therefore, we approve a UPIS balance of $64,927.

Land

 In Order No. PSC-16-0128-PAA-WU,[[11]](#footnote-11) we established the value of the land to be $500. The Utility’s general ledger reflected a land balance of $500. There have been no additions to land purchased since that order was issued. Therefore, we approve a land balance of $500, as of June 15, 2018.

Accumulated Depreciation

 The Utility’s general ledger reflected an accumulated depreciation balance of $43,329, as of June 15, 2018. Audit staff reviewed additional depreciation since the last rate case proceeding and calculated an accumulated depreciation balance of $43,392. As a result, accumulated depreciation shall be increased by $63 to reflect an accumulated depreciation balance of $43,392, as of June 15, 2018.

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

 As of June 15, 2018, the Utility’s general ledger reflected a fully amortized CIAC balance of $18,637. We reviewed the CIAC balances and have no adjustments. Therefore, we approve a CIAC balance of $18,637 and accumulated amortization of CIAC balance of $18,637, as of June 15, 2018.

Net Book Value

 The Utility’s general ledger reflected NBV of $22,098. Based on the adjustments described above, we find that the NBV for the Utility’s system is $22,035, as of June 15, 2018. The approved NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts balances for UPIS and accumulated depreciation are shown on Schedule No. 1.

Acquisition Adjustment

 An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The Utility and its assets were purchased for $18,789. As stated above, we find the appropriate NBV total to be $22,035. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, pursuant to Rule 25-30.0371(3), F.A.C., if the purchase price is greater than 80 percent of NBV, a negative acquisition adjustment will not be included in rate base. The purchase price of $18,789 is greater than 80 percent of Alturas Utilities’ net book value. Thus, we find that no negative acquisition adjustment shall be included in accordance with Rule 25-30.0371(3), F.A.C.

Conclusion

 Based on the above, we find that the NBV of the Alturas Utilities system for transfer purposes is $22,035, as of June 15, 2018. No acquisition adjustment shall be included in rate base. Within 90 days of the date of the final order, the Buyer shall notify this Commission in writing that it has adjusted its books in accordance with our decision. The adjustments shall be reflected in the Alturas Water, LLC 2019 Annual Report.

 Based on the foregoing, it is

 ORDERED by the Florida Public Service Commission that the application for transfer of Certificate No. 628-W in Polk County from Alturas Utilities, L.L.C. to Alturas Water, LLC is in the public interest and is hereby approved, effective the date of our vote, July 9, 2019. The resultant order shall serve as the Buyer’s certificate and shall be retained by the Buyer. It is further

ORDERED that the existing rates and charges shall remain in effect until we authorize a change in a subsequent proceeding. The tariffs reflecting the transfer shall be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that the Buyer is responsible for paying Regulatory Assessment Fees for 2019 and all subsequent years. The Buyer is responsible for filing all future annual reports. It is further

ORDERED that the net book value of the water system for transfer purposes is $22,035, as of June 15, 2018. An acquisition adjustment shall not be included in rate base. Within 90 days of the date of the final order, Alturas Water, LLC shall notify us in writing that it has adjusted its books in accordance with our decision. The adjustments shall be reflected in the 2019 Annual Report. It is further

 ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the “Notice of Further Proceedings” attached hereto. It is further

ORDERED that 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 shall be issued and the docket shall be closed administratively upon Commission staff’s verification that the revised tariff sheets have been filed and the Buyer has notified us in writing that it has adjusted its books in accordance with our decision.

 By ORDER of the Florida Public Service Commission this 29th day of July, 2019.

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|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMANCommission Clerk |

Florida Public Service Commission

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

JSC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

 The Florida Public Service Commission is required by Section 120.569(1), 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 net book value for transfer purposes and declining to make an acquisition adjustment is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 19, 2019. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating 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.

 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 Office of Commission Clerk, 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 wastewater utility by filing a notice of appeal with the Office of Commission Clerk 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.

**TERRITORY DESCRIPTION**

**Alturas Water, LLC**

**Polk County**

**Water Service**

**Township 30 South, Range 26 East**

**In Section 16**

The Northeast 1/4 less the Northwest 1/4 of the Northeast 1/4 and less the Northwest 1/4 of the Northeast 1/4 of the Northeast 1/4 and less Star Lake.

The Southeast 1/4 of the Southeast 1/4 of the Northwest 1/4.

The North 480 feet of the Southeast 114.

The East 672 feet of the Southeast 1/4 less the South 672 feet.

**FLORIDA PUBLIC SERVICE COMMISSION**

**authorizes**

**Alturas Water, LLC**

**pursuant to**

**Certificate Number 628-W**

to provide water service in Polk 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.

Order Number Date Issued Docket Number Filing Type

PSC-97-0513-FOF –WU 05/5/1997 19961109-WU Grandfather

PSC-98-1752-FOF-WU 12/22/1998 19980536-WU Transfer

PSC-05-0309-PAA-WU 03/21/2005 20040160-WU Partial Transfer and Issuance

of Certificate 628-W

\* \* 20180175-WU Transfer

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

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| **Alturas Water LLC.** |
| **Net Book Value as of June 15, 2018** |
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| **Description** | **Balance Per Utility** | **Adjustments**  | **Commission Approved** |
| Utility Plant in Service | $64,927  |  $0 | $64,927  |
| Land & Land Rights | 500  |  0  | 500 |
| Accumulated Depreciation | (43,329) |  (63) | (43,392) |
| CIAC | (18,637) |  0  | (18,637) |
| Amortization of CIAC | 18,637  |  0  | 18,637  |
|  |  |  |  |
| Total | $22,098  |  ($63) | $22,035  |

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| **Explanation of Commission Approved** |
| **Adjustments to Net Book Value as of June 15, 2018** |
|  |   |
| **Explanation** | **Amount** |
| Accumulated Depreciation |   |
|  To reflect appropriate amount of accumulated depreciation. | ($63) |
|  |  |

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| **Alturas Water LLC.**  |
| **Schedule of Commission Approved Account Balances as of June 15, 2018** |
|  |  |  |  |
| **Account**  |  |  | **Accumulated** |
| **No.** | **Description** | **UPIS** | **Depreciation** |
| 304 | Structures & Improvements | $519  | ($133)  |
| 307 | Wells & Springs | 6,987  | (6,987)  |
| 309 | Supply Mains | 237  | (59)  |
| 311 | Pumping Equipment | 9,108 | (5,827) |
| 320 | Water Treatment Equipment | 220 | (220) |
| 330 | Distribution Reservoirs | 22,822 | (9,685) |
| 331 | Transmission & Distribution Mains | 18,787 | (18,787) |
| 334 | Meters & Meter Installations | 6,247 | (1,694) |
|  |  |  |  |
|  | Total | $64,927  | ($43,392)  |
|  |  |  |  |

**Alturas Utilities, LLC**

**Monthly Water Rates**

|  |  |  |
| --- | --- | --- |
| **Residential and General Service**Base Facility Charge by Meter Size |  |  |
| 5/8” x 3/4" |  | $12.47 |
| 3/4" |  | $18.71 |
| 1" |  | $31.18 |
| 1 1/2" |  | $62.35 |
| 2" |  | $99.76 |
| 3" |  | $199.52 |
| 4" |  | $311.75 |
| 6" |  | $623.50 |
|  |  |  |
|  |  |  |
| Charge Per 1,000 gallons  |  | $5.63 |
|  |  |  |

|  |  |
| --- | --- |
|  | **Initial Customer Deposits** |
|  |  |  |  |
|  | Residential Service |  | General Service |
| 5/8” x 3/4”  | $86.00 |  | 2 times average estimated bill |
| Over 5/8” x 3/4” | 2 times average estimated bill |  | 2 times average estimated bill  |
|  |  |  |  |

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| **Miscellaneous Service Charges** |
|  |  |  |
|  |  | Business Hours |
|  |  |  |
| Initial Connection Charge |  | $15.00 |
| Normal Reconnection Charge |  | $15.00 |
| Violation Reconnection Charge |  | $15.00 |
| Premises Visit Charge (in lieu of disconnection) |  | $10.00 |
| Late Payment Charge |  | $5.50 |

1. A single purchase agreement effected the purchase of two separately certificated utilities, both located in Polk County. The transfer of Sunrise Utilities, LLC, is addressed in Docket No. 20180174-WU. [↑](#footnote-ref-1)
2. 2018 Annual Report on file with the Commission, p. 18. [↑](#footnote-ref-2)
3. Order No. PSC-97-0513-FOF-WU, issued May 5, 1997, in Docket No. 19961109-WU, *In re: Application for grandfather certificate to operate a water utility in Polk County by Alturas Water Works.* [↑](#footnote-ref-3)
4. Order No. PSC-98-1752-FOF-WU, issued December 22, 1998, in Docket No. 19980536-WU, *In re: Application for transfer of water facilities from Alturas Water Works to Keen Sales, Rentals and Utilities, Inc. in Polk County, cancellation of Alturas’ Certificate No. 591-W, and amendment of Keen’s Certificate No. 582-W to include additional territory.* [↑](#footnote-ref-4)
5. Order No. PSC-05-0309-PAA-WU, issued March 21, 2005, in Docket No. 20040160-WU, *In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Alturas Utilities, L.L.C., in Polk County.* [↑](#footnote-ref-5)
6. Document No. 06855-2018. [↑](#footnote-ref-6)
7. Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, *In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.* [↑](#footnote-ref-7)
8. WS-10-0098. [↑](#footnote-ref-8)
9. Order No. PSC-97-0513-FOF-WU, issued May 5, 1997, in Docket No. 19961109-WU, *In re: Application for Grandfather Certificate to operate a water utility in Polk County by Alturas Water Works*. [↑](#footnote-ref-9)
10. Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, *In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.* [↑](#footnote-ref-10)
11. *Id.* [↑](#footnote-ref-11)