

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for the transfer)
of assets from Gospel Island Estates)
to Southern States Utilities, Inc. and)
amendment of Certificate No. 189-W in)
Citrus County.)

DOCKET NO. 891321-WU
ORDER NO. 23024
ISSUED: 6-4-90

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
BETTY EASLEY
GERALD L. GUNTER

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR PURPOSES
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 for purposes of this transfer and the setting of rates and charges, which are 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. (Southern States) filed an application with this Commission requesting approval of the transfer of Gospel Island Estates (Gospel Island or Utility). Gospel Island is a developer-owned utility, providing water service to five homes in Citrus County. The Utility is designed to serve 23 equivalent residential connections (ERCs) at build-out. The system was built in 1977 and Southern States has been operating it since 1987.

When the prior owner operated the system, it was of insufficient size to be a regulated utility. When Southern

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States began operating the system in 1987, it became a part of an interrelated group of systems operated by Southern States in Citrus County. Southern States did not begin charging the customers of Gospel Island until March, 1988. The rates charged by Southern States are consistent with those approved by the Commission for the other water systems Southern States owns in Citrus County.

Upon becoming aware of the purchase of the Gospel Island System by Southern States, on September 18, 1989, Commission Staff informed Southern States, that it needed to file an application within 90 days. Southern States filed its application on November 20, 1989. On December 15, 1989, Southern States was directed to explain why it did not file upon transfer to include the Gospel Island system in its certificated territory. Southern States responded on January 24, 1990, stating that:

Initially, the application to include the Gospel Island system in Southern States Utilities' certificated territory was not filed based on the lack of necessary information required for the application from the seller. Due to the very limited number of customers involved with this system (one customer in October 1986, three customers by July, 1987 and a total of five currently) and its exempt status prior to transfer to Southern States Utilities, the utility did not spend the time and resources required to obtain all of the information necessary to process the application. Therefore, the application was not completed until recently, when a review of the status of certificate transfers brought it to the attention of Southern States Utilities' management that this system as well as a number of other very small systems had not been properly transferred to Southern States Utilities by the Florida Public Service Commission. We are now attempting to correct any previous deficiencies in not filing proper certificate transfer applications with the Commission, and we expect to file all future transfer applications as required by the Commission rules.

Upon consideration, we will not institute show cause proceedings since Southern States filed its application within

two months of being notified that an application was necessary. Further, no harm has been found to have occurred to any party affected by the transfer.

Application

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 check 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 its facilities are located as required by Rule 25-30.035(3)(f), Florida Administrative Code.

No objections to the notice of application have been received and the time for filing such has expired. A description of the territory to be transferred is appended to this memorandum as Attachment A.

On February 12, 1990, a plant inspection was conducted; the plant was operating satisfactorily at the time of the inspection. The Department of Environmental Regulation and the Citrus County Health Department currently have no outstanding notices of violation against the system.

Since the previous owner no longer desires to be in the utility business and because Southern States has extensive experience and the financial resources to provide the customers of Gospel Island with quality service, we find that the transfer is in the public interest and is, therefore, approved.

Certificate No. 189-W, held by Southern States, is amended to include the territory shown on Attachment A. Southern States is directed to return Certificate No. 189-W to this Commission within 30 days of the date of this Order for amendment to reflect the additional territory.

Rate Base

An audit of Gospel Island's books and records has been conducted to determine the rate base (net book value) at the time of the transfer. Since the Utility was unable to provide documentation to substantiate the original cost of the system, we performed an original cost study. As a result of the cost study, the original cost of the system has been determined to be \$19,269.

The original builder of the Utility bought the land for \$25,495 and subdivided the land into 25 separate lots of various sizes; the Utility is located on one of the lots. The value of the land could not be determined by valuing cost per square foot or by like sales due to the irregularity of the lot sizes and differences in terrain. The value of the land has been determined by dividing the price paid by the number of lots. The value of the land, in accordance with our calculation, is \$1,020.

Accumulated depreciation has been calculated to be \$4,665. Since the plant was constructed in 1977, we calculated depreciation from 1978 to 1987, using Commission approved rates.

According to documentation provided by the Utility, assets and land were treated as developer costs on the partnership books and on the individual partners' federal income tax returns. Rule 25-30.570, Florida Administrative Code, requires that if the utility does not submit evidence as to the amount of contributions-in-aid-of-construction (CIAC), CIAC will be imputed to be the amount of plant costs charged to the cost of land sales. The value of utility plant and land has been classified as contributed since they were expensed as development costs for tax purposes and the benefit of cost recovery has already been received. Therefore, CIAC is \$20,289.

CIAC amortization, calculated by applying the same rates used for accumulated depreciation, is determined to be \$4,665

Our calculation of rate base is shown on Schedule No. 1, with adjustments shown on Schedule No. 2. Since all of the Utility assets have been expensed, rate base for the Gospel Island system is \$0, as of September 2, 1987, the date of transfer.

An acquisition adjustment results when the purchase price differs from the rate base 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 exchange do not appear to be extraordinary, nor has Southern States requested an acquisition adjustment. Therefore, an acquisition adjustment is not included in the calculation of rate base.

The 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 and useful adjustments.

Rates

Although the Utility was built in 1977, the first customer did not connect to the system until 1986. There were only three houses connected to the system at the time Southern States purchased the system in September, 1987. Currently, there are only five houses connected to the system. The previous owner did not charge for water service.

By comparing the rates and operating costs of similar systems it owns in Citrus County, Southern States designed and began charging the customers of Gospel Island bi-monthly rates of \$10.00 for 5/8" x 3/4" meters, plus \$1.00 per 1,000 gallons of water used. These rates are consistent with the rates approved by the Commission for Southern States' other water systems in Citrus County. We find them to be reasonable and they are, therefore, approved.

Southern States has requested that it be allowed to collect a \$40.00 customer deposit. The \$40.00 deposit will approximately cover a customer's bill at 10,000 gallons per month for two billing periods, which is consistent with Rule 25-30.311(7), Florida Administrative Code. This will be

administratively approved by the Commission Staff when the tariffs are filed.

Uniform Service Availability and
 Miscellaneous Service Charges

The previous owner of Gospel Island collected a \$200 service availability charge from its three customers, but did not collect miscellaneous service charges. Southern States continued to charge Gospel Island's service availability charge after purchasing the system. However, Southern States has requested that it be allowed to charge its uniform service availability and miscellaneous service charges, which are as follows:

Uniform Service Availability Charges

Meter Installation Fees

5/8 X 3/4"	\$ 75.00
3/4"	85.00
1"	100.00
1 1/2"	175.00
2" and above	Actual Cost

Tap Fees

Short Service	\$150.00
Long Service	175.00
Long Service Paved	200.00

Uniform Miscellaneous Service Charges

<u>Type of Charge</u>	<u>During Regular Working Hours</u>	<u>After Regular Working Hours</u>
Initial Connection	\$ 10.00	\$ 15.00
Normal Connection	\$ 10.00	\$ 15.00
Violation Reconnection	\$ 10.00	\$ 15.00
Premises Visit Charge	\$ 5.00	N/A

Southern States filed evidence that it has completed the proper newspaper noticing of these proposed charges and has

provided notice to individuals of record who have requested information relating to the service availability fees. These charges are consistent with the charges approved by the Commission for Southern States' other water systems in Citrus County. Therefore, Southern States' request to charge its uniform service availability charges and miscellaneous service charges, as set forth above, is approved. These charges shall be effective for service provided or connections made, respectively, on or after the stamped approval date of the tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of assets from Gospel Island Estates, 2223 E. Norwell Bryant Highway, Hernando, Florida 32642, to Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, is hereby approved. It is further

ORDERED that Certificate No. 189-W, held by Southern States in Citrus County, is hereby amended to include the territory shown in Attachment A of this Order. Southern States shall return Certificate No. 189-W to this Commission within 30 days of the date of this Order for appropriate entry. It is further

ORDERED that rate base, for the purpose of this transfer, is \$0. It is further

ORDERED that Southern States shall charge the customers of the Gospel Island system the rates approved in the body of this Order. It is further

ORDERED that the rates approved herein shall be effective for meter readings on or after 30 days from the stamped approval date of the tariff sheets. It is further

ORDERED that Southern States' request to charge its uniform service availability and miscellaneous service charges, as set forth in the body of this Order, is hereby approved. It is further

ORDERED that Southern States shall submit tariff sheets incorporating the Gospel Island system into its tariff and

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reflecting the rates and charges approved herein within 30 days of the date of this Order. It is further

ORDERED that the uniform service availability and customer deposits shall be effective for connections made on or after the stamped approval date of the tariff sheets. It is further

ORDERED that the uniform miscellaneous service charges 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.

By ORDER of the Florida Public Service Commission, this 4th day of JUNE, 1990.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ALC

by: Kay Flynn
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 for purposes of this transfer and setting rates and charges 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 June 25, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date 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 the date described above, 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.

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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.

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Attachment A

SOUTHERN STATES UTILITIES, INC.
CITRUS COUNTY
DESCRIPTION FOR GOSPEL ISLAND ESTATES

Township 19 South, Range 20 East

In Section 9

For a point of beginning use the SW corner of the NE 1/4; thence run North 0°00'42" West 300 feet, also the West line of the NE 1/4; thence South 89°19'37" East 329.79 feet; thence North 0°03'27" West 1020.04 feet; thence South 89°22'30" East 330.06 feet; thence South 0°09'05" East 660.65 feet; thence South 0°09'50" East 659.69 feet; thence North 89°19'37" West 662.34 feet, also the South line of the NE 1/4, to the Point of Beginning.

Schedule No. 1

GOSPEL ISLAND ESTATES
SCHEDULE OF RATE BASE
AS OF SEPTEMBER 2, 1987

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$16,430.00	\$ 2,839 (1)	\$ 19,269
Land	0	1,020 (2)	1,020
Accumulated Depreciation	(986)	(3,679) (3)	(4,665)
Contributions-in-aid-of- Construction	0	(20,289) (4)	(20,289)
CIAC Amortization	<u>0</u>	<u>4,665 (5)</u>	<u>4,665</u>
TOTAL	<u>\$ 15,544</u>	<u>(15,444)</u>	<u>\$ 0</u>

Schedule No. 2

GOSPEL ISLAND ESTATES
RATE BASE ADJUSTMENTS

<u>Explanation</u>	<u>Adjustment</u>
<u>Utility Plant-in-Service</u>	
1) To adjust plant to reflect audit and original cost study.	<u>\$ 2,839</u>
<u>Land</u>	
2) To reflect a value for utility land.	<u>\$ 1,020</u>
<u>Accumulated Depreciation</u>	
3) To reflect depreciation associated with plant balances established by the original cost study. Rates calculated per Rule 25-30.140, Florida Administrative Code.	<u>\$(5,844)</u>
<u>Contributions-in-aid-of-Construction</u>	
4) To show plant and land as contributed since these items were expensed by the seller.	<u>\$(20,289)</u>
<u>CIAC Amortization</u>	
5) To reflect amortization associated with CIAC. Rates calculated per Rule 25-30.140, Florida Administrative Code.	<u>\$ 6,830</u>