

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of	)	DOCKET NO. 891187-WS
assets from Silver Lake Properties,	)	
Inc. to Southern States Utilities, Inc.)	)	ORDER NO. 23397
and Amendment of Certificates Nos.	)	
76-W and 284-S in Putnam County.	)	ISSUED: 8-23-90
	)	

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TRANSFER

AND

ORDER TO SHOW CAUSE

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE  
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 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 October 10, 1989, an application was filed with this Commission for the transfer of assets from Silver Lake Properties, Inc. (Silver Lake, Seller or Utility) to Southern States Utilities, Inc. (SSUI) in Putnam County. The application was filed following execution of a purchase agreement on September 27, 1989. The closing occurred on

DOCUMENT NUMBER-DATE

07658 AUG 23 1990

FPSC-RECORDS/REPORTING

October 16, 1989, contingent upon approval of the transfer by the Commission.

Silver Lake constructed the water and wastewater systems in 1983 to serve Silver Lake Oaks, a mobile home subdivision which it is developing. The Utility serves approximately 30 equivalent residential connections (ERCs) and expects to serve 53 ERCs at buildout. The Utility was exempt from Commission regulation due to the water and wastewater services being provided without specific compensation.

On October 13, 1989, three days before the sale, Silver Lake implemented SSUI's approved county-wide water and wastewater rates for Putnam County.

#### 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 filing fee in the amount of \$300, 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) Adequate service territory and system maps and a territory description pursuant to Rule 25-30.035(h) and (i), Florida Administrative Code. Said territory to be served is described in Attachment A to this Order.
- 4) Proof of notice to all customers of record pursuant to Rule 25-30.030(g), Florida Administrative Code.
- 5) Evidence that the utility owns the land upon which the utility's facilities are located as required by Rule 25-30.035(3)(f), Florida Administrative Code.

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No objections have been received and the time for filing such has expired.

SSUI is in the business of acquiring water and sewer utility systems, and has the expertise and financial ability to provide the customers of Silver Lake Oaks with quality service. Therefore, we find that the transfer is in the public interest, and it is approved. Certificates Nos. 76-W and 284-S, currently held by SSUI in Putnam County, are hereby amended to include the area served by Silver Lake, as described in Attachment A. SSUI is directed to return Certificates Nos. 76-W and 284-S to the Commission for entry reflecting the transfer, within 30 days of the date of this Order.

#### Rate Base

An audit of the books and records of the Utility was conducted to determine the rate base (net book value) at the time of transfer. During the audit, it was determined that the Seller commingled the books and records of the Utility with its other business operations. Based on the information obtained from the audit, plant-in-service is \$11,725 for the water system and \$55,074 for the wastewater system, as shown on Schedules 1 and 2, for the water and wastewater systems, respectively.

Also, land valuations have been included for the plant sites based on the cost per acre at the time the land was dedicated to public service. The value of the land is \$1,070 for the water system and \$6,602 for the wastewater system, as shown on Schedule 3.

Accumulated depreciation and amortization of contributions-in-aid-of-construction (CIAC) have been recalculated in accordance with Rule 25-30.140, Florida Administrative Code. These recalculations resulted in weighted composite depreciation rates of 3.90% and 4.25%, respectively for the water and wastewater systems. Amortization of CIAC is based on the amortization rate of 2.78% for the transmission and distribution lines for the water system and 2.86% for the collection lines for the wastewater system. These adjustments, shown on Schedule 3, result in a decrease in accumulated depreciation for the water system of \$2,720, and an increase in accumulated depreciation for the wastewater system of \$6,890. Further, the adjustments result in a decrease in amortization

of CIAC of \$118 and \$366 for the water and wastewater systems, respectively. Therefore, rate base is \$5,945 for the water system and \$32,002 for the wastewater system.

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.

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 the purchase of a utility system at a premium or discount shall not affect the rate base calculation. Since the circumstances in this exchange do not appear to be extraordinary, an acquisition adjustment is not included in the calculation of rate base.

#### Rates and Charges

SSUI has requested that it be allowed to continue charging the rates implemented by Silver Lake and previously approved for SSUI's other systems in Putnam County. The rates are as follows:

	<u>Bi-Monthly Rates</u>	
	<u>Water</u>	<u>Wastewater</u>
Base Facility Charge	\$10.36	\$13.30
Gallonge Charge, For Each 1,000 Gallons	2.35	3.77*

\*Maximum of 16,000 gallons bimonthly for residential service

Since the rates set forth above are reasonable, SSUI 's request to continue to charge these rates is hereby approved.

Further, SSUI collects a combined water and wastewater deposit of \$60.00 for its other Putnam County systems. SSUI's request to collect the \$60.00 deposit from the customers of the Silver Lake systems, split equally between water and wastewater, is hereby approved.

In addition, SSUI has requested authorization to implement its uniform miscellaneous service charges, which are as follows:

	<u>Normal Working Hours</u>	<u>After Normal Working Hours</u>
Initial Connection	\$ 10.00	\$ 15.00
Normal Reconnection	\$ 10.00	\$ 15.00
Violation Reconnection	\$ 10.00	\$ 15.00
Premises Visit in Lieu of Disconnection	\$ 5.00	N/A

We find these miscellaneous service charges to be reasonable, and they are approved. These charges shall be effective on the date that the tariff sheets are approved.

SSUI has also requested approval to charge its uniform service availability charges of \$225 for connections to the water system and \$350 for connections to the wastewater system. These charges are designed to recover the cost of tapping into existing lines. SSUI has completed the noticing requirements in accordance with Rule 25-30.565, Florida Administrative Code. Additionally, SSUI has not requested gross-up of CIAC for this system.

The Agreement for Purchase and Sale between SSUI and Silver Lake states that SSUI will allow Silver Lake to connect the remaining mobile home sites, approximately 30 ERCs, to the water and wastewater systems without charging service availability charges. As represented by SSUI to the Commission, SSUI will book the service availability charges with a credit to CIAC for the full amount of the authorized charges.

SSUI's request to collect its uniform service availability charges without the gross-up of CIAC, effective for connections on or after the approval date on the tariff sheets is hereby approved. In instances where SSUI does not collect the approved service availability charges, it shall impute CIAC as though the full, authorized charges were collected. This treatment is consistent with previous Commission decisions made in other SSUI transfer cases, such as Docket No. 881340-WS and Docket No. 881339-WS.

SSUI is directed to file tariff sheets reflecting the rates and charges approved herein within 30 days of the date of this Order.

Show Cause

As stated previously, on October 13, 1989, three days before the transfer, Silver Lake implemented rates. These rates were the same as those approved at that time for SSUI's other water and wastewater systems in Putnam County. Prior to that date, the Seller recovered its costs through lot rents without specific compensation for water and wastewater service.

On December 5, 1989, SSUI responded to an inquiry from Commission Staff regarding the unauthorized rates. In its response SSUI stated that:

...the rates and charges implemented as stated in the Notice to Customers dated October 13, 1989, were charged pursuant to Mr. Cutts' authority as owner of the system. Pursuant to the original tariff sheets for water and sewer rates found in Exhibit Q of the Application, the rates were authorized on September 27, 1989, and effective as of October 13, 1989.

The rates implemented by the Seller are those approved for other systems owned by SSUI in the county at the time this application was filed. The labor costs and other operating expenses are shared among SSUI's Putnam County systems. Also, the requested rates are now less than the current rates approved for the other SSUI-owned Putnam County systems due to recent approval of a 1989 price index and pass-through. Therefore, we are not requiring SSUI to refund of the illegally collected rates.

However, SSUI, as owner and operator of over 140 systems within the State of Florida, many of which are under this Commission's jurisdiction, is fully aware of the regulatory process and is aware that rates and charges must be approved by this Commission prior to implementation. SSUI has accepted no responsibility for the action although it is the sole beneficiary of the unauthorized rate implementation.

The Commission should be able to expect a utility such as SSUI to conduct its operations on a more professional level than is demonstrated in this incident. A fine of \$1,000 seems appropriate in this case to encourage SSUI to comply with state statutes and Commission rules in the future.

Therefore, SSUI is hereby ordered to show cause why it should not be fined \$1,000 for violation of Section 367.081, Florida Statutes, and Commission Rule 25-9.044, for charging unauthorized rates.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer of assets from Silver Lake Properties, Inc., 723 Julia Street, Post Office Box 495, Palatka, Florida 32078-0495, to Southern States Utilities, Inc., 100 Color Place, Apopka, Florida 32703, is hereby approved. Certificates Nos. 76-W and 284-S shall be returned to this Commission within 30 days of the date of this Order for appropriate entry. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value, is \$5,945 for the water system and \$32,002 for the wastewater system. It is further

ORDERED that Southern States Utilities, Inc. shall charge the customers of the Silver Lake's systems the rates and charges approved in the body of this Order. It is further

ORDERED that SSUI's request to collect its uniform service availability charges, without the gross-up of CIAC, is hereby approved. The uniform service availability charges shall be effective for connections on or after the stamped approval date on the tariff. It is further

ORDERED that SSUI's request to implement its uniform miscellaneous service charges is hereby approved, as set forth in the body of this Order. These charges shall be effective for service rendered on or after the stamped approval date on the tariff. It is further

ORDERED that SSUI's request to collect a combined water and wastewater deposit is hereby approved, as set forth in the body of this Order. It is further

ORDERED that SSUI shall file tariff sheets reflecting the rates and charges approved in the body of this Order within 30 days of the date of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless

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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 SSUI shall show cause, in writing, why it should not be fined \$1,000 for violation of Section 367.081, Florida Statutes, and Commission Rule 25-9.044, for charging unauthorized rates. It is further

ORDERED that SSUI's written response to the show cause must be received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 12, 1990. It is further

ORDERED that SSUI's written response to the show cause must contain specific allegations of fact and law. It is further

ORDERED that SSUI's failure to file a written response to this show cause order within the prescribed time period will constitute an admission of noncompliance with the statutory and regulatory provisions cited in the body of this Order and a waiver of any right to a hearing. It is further

ORDERED that in the event SSUI timely files a written response which raises material questions of fact and requests a hearing pursuant to Section 120.57(1), Florida Statutes, further proceedings may be scheduled before a final determination is made.

By ORDER of the Florida Public Service Commission,  
this 23rd day of AUGUST, 1990.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

ALC



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 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 September 13, 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

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must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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.

PUTNAM COUNTY

DESCRIPTION FOR SILVER LAKES OAKS

Township 10 South, Range 26 East

In Section 17

The West 532 feet of the South 1430 feet of the East 922 feet of the Southeast 1/4 of Section 17, Township 10 South, Range 26 East, Putnam County, Florida.

SCHEDULE 1

Silver Lake Oaks  
 Water Rate Base Schedule  
 As of October 16, 1989

DESCRIPTION	PER SOUTHERN STATES	ADJUSTMENTS	BALANCE PER STAFF
Land	\$0	1,070	\$1,070
Plant in Service	25,515	(13,790)	\$11,725
Accumulated Depreciation	(5,597)	2,720	(\$2,877)
Contributions (C.I.A.C.)	(4,815)	0	(\$4,815)
Amortization of C.I.A.C.	960	(118)	\$842
TOTAL	16,063	(10,118)	\$5,945

SCHEDULE 2

Silver Lake Oaks  
 Sewer Rate Base Schedule  
 As of October 16, 1989

DESCRIPTION	PER SOUTHERN STATES	ADJUSTMENTS	BALANCE PER STAFF
-----	-----	-----	-----
Land	\$0	6,602	\$6,602
Plant in Service	37,199	17,875	\$55,074
Accumulated Depreciation	(7,715)	(6,890)	(\$14,605)
Contributions (C.I.A.C.)	(18,375)	0	(\$18,375)
Amortization of C.I.A.C.	3,672	(366)	\$3,306
	-----	-----	-----
TOTAL	14,781	17,221	\$32,002
	-----	-----	-----

Silver Lake Oaks  
 Rate Base Adjustments  
 As of October 16, 1989

SCHEDULE 3

Explanation -----	Adjustment -----	
	WATER -----	SEWER -----
1) Depreciable Plant		
To remove unsupported plant previously recorded.	(\$13,790)	\$0
To reflect the inclusion of supported plant not previously recorded.	0	17,875
Total Adjustment to Depreciable Plant	----- (\$13,790) -----	----- \$17,875 -----
2) Land		
To include plant site at estimated cost at the time land was dedicated to public service.	\$1,070	\$6,602
Total Adjustment to Land	----- \$1,070 -----	----- \$6,602 -----
3) Accumulated Depreciation		
To reduce accumulated depreciation to reflect calculation at the depreciation rate of 3.9%, pursuant to Rule 25-30.140, Florida Administrative Code.	\$2,720	\$0
Increase accumulated depreciation to reflect the accumulated depreciation associated with supported plant not previously booked and reflect the calculation of depreciation at the rate of 4.25%, pursuant to Rule 25-30.140, Florida Administrative Code.	0	(6,890)
Total Adjustment to Accumulated Depreciation	----- \$2,720 -----	----- (\$6,890) -----
5) Amortization - CIAC		
Reduce amortization of CIAC to reflect the calculation of CIAC pursuant to Rule 25-30.140, Florida Administrative Code at a rate of 2.78% and 2.86%, respectively for water and sewer.	(\$118)	(\$366)
Total Adjustment to Amortization of CIAC	----- (\$118) -----	----- (\$366) -----