

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for transfer) DOCKET NO. 941151-WS
of facilities from Orange-) ORDER NO. PSC-96-0413-S-WS
Osceola Utilities, Inc. to) ISSUED: March 25, 1996
Southern States Utilities, Inc.)
in Osceola County, including)
transfer of Certificate No. 289-)
S, amendment of Certificate No.)
066-W for additional territory,)
and cancellation of Certificate)
No. 335-W)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING SETTLEMENT STIPULATION AND
ADJUSTING RATE BASE FOR FORMER
ORANGE-OSCEOLA UTILITIES, INC. FACILITIES

BY THE COMMISSION:

BACKGROUND

Orange-Osceola Utilities, Inc. (OOU) is a Class A utility which provides water and wastewater service to customers in the Buenaventura Lakes development in Osceola County. According to the utility's 1994 annual report, the utility serves 8,740 water customers and 7,010 wastewater customers. In 1994, the utility had annual operating revenues of \$1,166,244 and \$2,563,684 for water and wastewater, respectively. Additionally, the utility had net operating income of \$279,913 for water and \$593,738 for wastewater.

Southern States Utilities, Inc. (SSU) is a Class A utility which provides water and wastewater service to 73,399 water customers and 34,662 wastewater customers in Florida. According to SSU's 1994 annual report, the utility had annual operating revenues of \$23,833,363 for water and \$16,757,514 for wastewater. The utility had a net operating income of \$3,209,786 and \$2,360,462 for water and wastewater, respectively.

On October 27, 1994, SSU filed an application for transfer of facilities from OOU to SSU. By Order No. PSC-95-1325-FOF-WS,

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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issued October 31, 1995, we approved the transfer of OOU to SSU. On November 21, 1995, OOU filed a protest to Order No. PSC-95-1325-FOF-WS and request for hearing pursuant to the provisions of Chapter 120.57(1), Florida Statutes. The protest was limited to the Commission's disallowance of capitalized interest in the utility's rate base. On November 30, 1995, SSU filed a petition to intervene in these proceedings. We granted SSU's request to intervene by Order No. PSC-96-0088-PCO-WS, issued January 17, 1996. An administrative hearing has been scheduled for July 1 and 2, 1996.

On June 28, 1995, SSU filed an application for a rate increase. That request is currently being reviewed under Docket No. 950495-WS. In anticipation of completing the purchase of the OOU facilities prior to completing the rate case, SSU included OOU in its rate application. OOU and SSU closed on the sale of the utility on December 1, 1995.

STIPULATION

OOU and SSU have proposed to stipulate all issues related to the net book value of the former OOU water and wastewater facilities up through the end of the period ended December 31, 1994, as established in Order No. PSC-95-1325-FOF-WS with the exception of the allowance for funds used during construction (AFUDC)/capitalized interest issue and other adjustments outlined in Exhibit A to the stipulation. The stipulation is contingent upon our agreement to hear the AFUDC/capitalized interest issue in this transfer proceeding separate and apart from the SSU rate case proceeding and provided we will consider the other adjustments outlined in Exhibit A, either at the time of addressing this stipulation or within the rate case proceeding in Docket No. 950495-WS. A copy of the stipulation is included as Attachment A. Upon reviewing the stipulation, we find that the stipulation appears reasonable and appropriate. Accordingly, we find it appropriate to approve the stipulation. We believe that the adjustments raised in Exhibit A can be addressed at this time. Outlined below are the adjustments that we believe are appropriate.

ADJUSTMENTS TO RATE BASE

Accumulated Depreciation

In Order No. PSC-95-1325-FOF-WS, we made a number of adjustments to correct the utility's level of accumulated depreciation. In determining whether or not a stipulation was possible, the utilities found two additional items which they believe should be adjusted. Regarding the first adjustment, the

utility retired several plant items and appropriately made the corresponding adjustment to accumulated depreciation on its books. However, in recalculating the appropriate level of accumulated depreciation for the transfer docket, our auditors and the utility inadvertently omitted those depreciation adjustments from the final calculation. We find it appropriate to make those adjustments at this time.

The second adjustment is more in the nature of a mathematical error. OOU previously utilized incorrect depreciation rates. In response to the staff audit, the utility submitted a recalculation of its accumulated depreciation based on the Commission's guideline depreciation rates. The utility included the depreciation associated with the AFUDC in that calculation. The audit exception regarding removal of the AFUDC included an accumulated depreciation adjustment that was based on the depreciation rates that the utility previously used rather than the Commission's guideline rates. We accepted the auditor's adjustment in our final calculation of the utility's accumulated depreciation. We agree with the utility that in light of the previous corrections that were made by the utility, the depreciation that was removed to reflect the removal of AFUDC from plant in service should have been based upon the guideline rates rather than the utility's previous rates. Therefore, we find it appropriate to make this adjustment as well. We, however, note that OOU and SSU still do not agree with the removal of the AFUDC from plant-in-service, but to the extent that it is removed, the associated depreciation that is removed shall be based upon the Commission's guideline rates.

Approval of the utility's proposed adjustments reduces the level of accumulated depreciation by \$6,381 for water and \$233,895 for wastewater. Our calculation of rate base including these adjustments is included as Attachment B. The water and wastewater rate base is shown on Schedules Nos. 1 and 3, respectively. Adjustments to rate base are itemized on Schedules Nos. 2 and 4. This docket shall remain open pending completion of the formal hearing on the AFUDC/capitalized interest issue.

Based on the foregoing, it is

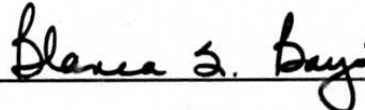
ORDERED by the Florida Public Service Commission that the stipulation filed by Orange-Osceola Utilities, Inc. and Southern States Utilities, Inc. attached hereto as Attachment A and by reference incorporated herein, shall be approved. It is further

ORDERED that rate base for the former Orange-Osceola Utilities, Inc. facilities is hereby adjusted as set forth in Attachment B, incorporated herein by reference. It is further

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ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 25th
day of March, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

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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.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 and/or wastewater 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.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Transfer of)
Facilities from ORANGE-OSCEOLA)
UTILITIES, INC. to SOUTHERN STATES) Docket No. 941151-WS
UTILITIES, INC. in Osceola County,)
including transfer of Certificate)
No. 289-S, amendment of Certificate)
No. 066-W for additional territory,)
and cancellation of Certificate No.)
335-W.)

PROPOSED STIPULATION

COMES NOW, ORANGE-OSCEOLA UTILITIES, INC. (hereinafter "OOU") and SOUTHERN STATES UTILITIES, INC. (hereinafter "SSU"), by and through their undersigned attorneys, and pursuant to the provisions of Section 367.071, Florida Statutes (1995) and Rule 25-30.037, Florida Administrative Code ("F.A.C."), and files this Proposed Stipulation, and in support thereof states as follows:

1. By Order No. PSC-95-1325-FOF-WS, dated October 31, 1995, the Florida Public Service Commission approved the transfer of OOU's water and wastewater utility facilities in Osceola County to SSU by final action. Also included within that order was the establishment of the net book value of the facilities as of December 31, 1994, issued as Proposed Agency Action.

2. By Petition dated November 21, 1995, OOU protested Order No. PSC-95-1325-FOF-WS, and requested a hearing pursuant to the provisions of Section 120.57(1), Florida Statutes, on the issue of the net book value proposed under that order.

3. SSU was granted intervention by the protest of Order No. PSC-95-1325-FOF-WS by Commission Order PSC-96-0088-PCO-WS issued on January 17, 1996.

4. OOU and SSU as protestants/parties to the proposed establishment of net book value in the transfer proceeding, are concerned primarily with the issue of the AFUDC/capitalized interest, one other issue related to proper retirement of assets, and a mathematical error arising from the proposed removal of AFUDC/capitalized interest. OOU and SSU have agreed to have the hearing held on the AFUDC/capitalized interest matter separate and apart from any other proceedings before the Public Service Commission.

5. OOU and SSU hereby propose to stipulate to the establishment and components of net book value for the OOU facilities as of December 31, 1994, but for the AFUDC/capitalized interest issue, the two other retirement issues, and the mathematical error as outlined in Exhibit A hereto. OOU and SSU further propose that the Commission receive evidence and decide the AFUDC/capitalized interest issue as the sole issue in this transfer Docket No. 941151-WS. OOU and SSU further propose that because the one issue related to proper retirement of assets and the mathematical error, as outlined in Exhibit A hereto, are relatively simple to verify and review, those be taken up with consideration of this Stipulation, or if that is not possible, that they be taken up for

consideration and decided in the rate proceeding currently pending for SSU in Docket No. 950495-WS.

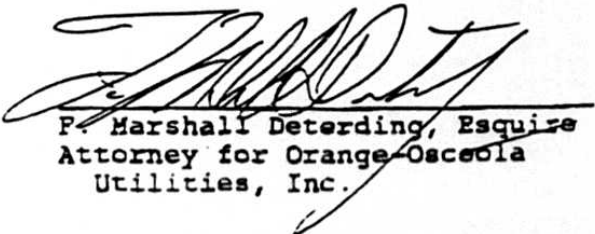
6. SSU proposes to stipulate that it will not raise the AFUDC/capitalized interest issue as an issue in Docket No. 950495-WS.

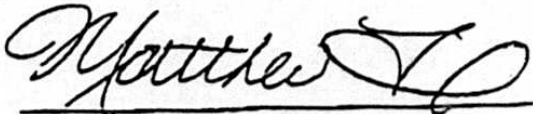
WHEREFORE, OOU and SSU propose to stipulate with the Florida Public Service Commission to all issues related to the net book value of the former OOU water and wastewater facilities up through the end of the period ended December 31, 1994, as established in Order No. PSC-95-1325-FOP-WS with the exception of the AFUDC/capitalized interest and other adjustments outlined in Exhibit A hereto provided the Florida Public Service Commission will hear the AFUDC/capitalized interest issue, in this transfer proceeding separate and apart from the SSU rate case proceeding and will consider the other adjustments outlined in Exhibit A hereto, either at the time of entering into this Stipulation or within the rate case proceeding in Docket No. 950495-WS.

Respectfully submitted this 25th day of February, 1996; by:

ROSE, SUNDSTROM & BENTLEY
2548 Blairstone Pines Drive
Tallahassee, Florida 32.2301
(904) 877-6555

SOUTHERN STATES UTILITIES, INC.
1000 Color Place
Apopka, Florida 32703
(407) 880-0058


P. Marshall Deterding, Esquire
Attorney for Orange-Osceola
Utilities, Inc.

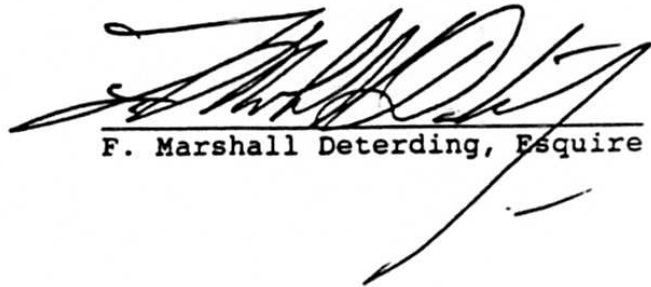

Matthew Feil, Esquire
Attorney for Southern States
Utilities, Inc.

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ATTACHMENT A
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by Hand Delivery to Tim Vaccaro, Esquire, Florida Public Service Commission, Division of Legal Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399, this 25th day of February, 1996.



F. Marshall Deterding, Esquire

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ORANGE-ORCEOLA UTILITIES, INC.
SCHEDULE OF WASTEWATER RATE BASE
As of December 31, 1994

DESCRIPTION	BALANCE PER PAA ORDER	BSU PROPOSED ADJUSTMENTS	BALANCE PER SSU/OCU
Utility Plant in Service	\$ 15,807,018		\$ 15,807,018
CWIP	315,687		315,687
Land	972,611		972,611
Accumulated Depreciation	(4,718,583)	233,885 (1)	(4,484,688)
Contributions-in-aid-of Construction	(8,674,401)		(8,674,401)
CAC Amortization	1,415,973		1,415,973
TOTAL	<u>\$ 7,118,305</u>	<u>\$ 233,885</u>	<u>\$ 7,352,200</u>

EXPLANATION

- A. To remove the difference between that portion of accumulated depreciation associated with the AFUCC /capitalized interest removed from utility plant in service based on the rates required by FPSC and the rates actually used by OCU on their books 35,317
- B. To remove depreciation for ordinary replacements recorded in plant in service but not accumulated depreciation 186,578
- TOTAL (1) 233,885



ORANGE-GSCECLA UTILITIES, INC.

SCHEDULE OF WATER RATE BASE

As of December 31, 1994

DESCRIPTION	BALANCE PER <u>PAA ORDER</u>	SSU PROPOSED <u>ADJUSTMENTS</u>	BALANCE PER <u>SSU/CCU</u>
Utility Plant in Service	\$ 6,477,383		\$ 6,477,383
Land	16,838		16,838
Accumulated Depreciation	(1,690,665)	6,381 (1)	(1,684,284)
Contributions-in-aid-of Construction	(3,437,298)		(3,437,298)
CIAC Amortization	773,779		773,779
TOTAL	<u>\$ 2,140,037</u>	<u>\$ 6,381</u>	<u>\$ 2,146,418</u>

EXPLANATION

- A. To remove the difference between that portion of accumulated depreciation associated with the AFUDC/capitalized interest removed from utility plant in service based on the rates required by FPSC and the rates actually used by CCU on their books (513)
- B. To remove depreciation for ordinary retirements recorded in plant in service but not accumulated deprec 6,394
- TOTAL (1) 5,281



ORANGE-OSCEOLA UTILITIES, INC.

SCHEDULE OF WATER RATE BASE

As of December 31, 1994

<u>DESCRIPTION</u>	<u>BALANCE PER ORDER NO. PSC- 95-1325-FOF-WS</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$6,477,383	N/A	\$6,477,383
Land	\$ 16,838	N/A	\$ 16,838
Accumulated Depreciation	(\$1,690,665)	\$6,381 (1)	(\$1,684,284)
Contributions-in-aid-of-Construction	(\$3,437,298)	N/A	(\$3,437,298)
CIAC Amortization	<u>\$ 773,779</u>	<u>N/A</u>	<u>\$ 773,779</u>
TOTAL	<u>\$2,140,037</u>	<u>\$6,381</u>	<u>\$2,146,418</u>

ORANGE-OSCEOLA UTILITIES, INC.

SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Accumulated Depreciation	
A. To remove accumulated depreciation associated with plant retirements	\$ 6,894
B. To adjust the accumulated depreciation associated with the AFUDC removed from utility plant in service to reflect the correct depreciation rates	<u>(\$ 513)</u>
TOTAL (1)	<u>\$ 6,381</u>

ORANGE-OSCEOLA UTILITIES, INC.

SCHEDULE OF WASTEWATER RATE BASE

As of December 31, 1994

<u>DESCRIPTION</u>	<u>BALANCE PER ORDER NO. PSC- 95-1325-FOF-WS</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$15,807,018	N/A	\$15,807,018
Construction Work In Progress	\$ 315,687	N/A	\$ 315,687
Land	\$ 972,611	N/A	\$ 972,611
Accumulated Depreciation	(\$ 4,718,583)	\$233,895 (1)	(\$ 4,484,688)
Contributions-in-aid-of-Construction	(\$ 6,674,401)	N/A	(\$ 6,674,401)
CIAC Amortization	<u>\$ 1,415,973</u>	<u>N/A</u>	<u>\$ 1,415,973</u>
TOTAL	<u>\$ 7,118,305</u>	<u>\$233,895</u>	<u>\$ 7,352,200</u>

ORANGE-OSCEOLA UTILITIES, INC.

SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Accumulated Depreciation	
A. To remove accumulated depreciation associated with plant retirements	\$ 198,578
B. To adjust the accumulated depreciation associated with the AFUDC removed from utility plant in service to reflect the correct depreciation rates	<u>\$ 35,317</u>
TOTAL (2)	<u>\$ 233,895</u>