

ACCEPTED FOR FILING BY  
THE BOARD OF COUNTY  
COMMISSIONERS AT ITS  
MEETING ON

BCC Mtg. Date: September 19, 2017

# Fax

## FACSIMILE

**Date:** 8/24/2017

**To:** Clerk, Board of County Commissioners, Orange County  
**From:** Office of Commission Clerk

**Subject:**

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State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** August 24, 2017

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Accounting and Finance (Andrews, Norris)  
Office of the General Counsel (Mapp)

*BS*  
*ALM*

**RE:** Docket No. 20160075-WU – Joint application for authority to transfer assets and Certificate No. 623-W in Orange and Lake Counties from Oak Springs, LLC to Oak Springs MHC, LLC.

**AGENDA:** 09/07/17 – Regular Agenda – Participation at the Commission's Discretion

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Brisé

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

### Case Background

On April 5, 2016, Oak Springs MHC, LLC (OSMHC, Applicant, or Buyer) filed an application for the transfer of Certificate No. 623-W from Oak Springs, LLC (Seller) in Orange and Lake Counties. The service area is located in the St. Johns River Water Management District (SJRWMD). Water use restrictions have been imposed district wide to encourage conservation. According to the Utility's 2016 Annual Report, it serves approximately 310 residential customers and three general service customers, and for 2016, experienced an operating loss of \$19,004.

The water system serving the Oak Springs community has been operating as a part of a mobile home community with no separate charge for water service since 1973. The Seller had been providing water and wastewater service solely to the mobile home rental community tenants as a part of the lot rent, and was therefore exempt from Commission regulation pursuant to Section

Docket No. 20160075-WU

Date: August 24, 2017

367.022(5), Florida Statutes (F.S.)<sup>1</sup> To promote water conservation, in 2004, the Seller was required by the SJRWMD to form a private utility capable of charging for water use. On November 9, 2004, the Seller was granted Certificate No. 623-W to operate a water utility.<sup>2</sup> The rates and charges for utility service were approved by the Commission in 2004. Wastewater service continues to be provided as part of the lot rent.

On July 13, 2017, the Commission voted to approve the transfer of assets and Certificate No. 623-W from Oak Springs, LLC to Oak Springs MHC, LLC and set net book value. Following the Commission's vote, an error was discovered within Issue 2 of that recommendation, regarding the appropriate accumulated depreciation of meters and meter installations.

This recommendation addresses corrections to the accumulated depreciation of meters and meter installations and the resulting correct net book value. The Commission has jurisdiction pursuant to Sections 367.071, 367.091, and 367.121, F.S.

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<sup>1</sup> Oak Springs was granted an exemption from Commission regulation pursuant to Order No. PSC-96-1246-FOF-WS, issued October 7, 1996, in Docket No. 960589-WS, *In re: Request for Exemption from Florida Public Service Commission Regulation from Provision of Water and Wastewater Service in Lake County by Oak Springs Manufactured Home Community*.

<sup>2</sup> Order No. PSC-1120-PAA-WU, issued November 9, 2005, in Docket No. 040515-WU, *In re: Application for certificate to operate water utility in Orange and Lake Counties by Oak Springs, LLC*.

Docket No. 20160075-WU  
Date: August 24, 2017

Issue 1

## Discussion of Issues

**Issue 1:** Should the Commission reconsider, on its own motion, its vote on Issue 2, regarding calculation of net book value?

**Recommendation:** Yes, the Commission, on its own motion, should reconsider a limited portion of its vote on Issue 2 with respect to accumulated depreciation of meters and meter installations and the resulting net book value. If the Commission approves staff's recommendation, staff will incorporate this correction into the final order. (Andrews, Mapp)

**Staff Analysis:** As a general rule, administrative agencies have inherent or implied power, comparable to that possessed by courts, to rehear or reopen a cause and reconsider its action or determination therein where the proceeding is in essence a judicial one.<sup>3</sup> This power, however, must be exercised before an appeal from the original order is filed or before such an order has become final by the lapse of time to file a timely notice of appeal.<sup>4</sup> An administrative tribunal has the power, upon its own motion or by request, to correct or amend any orders still under its control, provided the parties will not suffer by reason of the correction or amendment.<sup>5</sup> Since the final order has not yet issued, staff believes the utility will not be prejudiced by this correction, since it will still have an opportunity to request reconsideration or appeal once the final order is issued

## Calculation Error

On July 13, 2017, the Commission voted to approve Issue 2, which pertains to the appropriate net book value (NBV). The NBV for the water system reflects a recalculation of accumulated depreciation. There was an inadvertent formula error within staff's calculation of accumulated depreciation. The accumulated depreciation of meters and meter installations was listed as \$59,718, when in fact it should have been \$56,690, resulting in a \$3,028 overstatement of accumulated depreciation. Correction of this error results in lower accumulated depreciation and a higher NBV of \$109,978. Staff notes that the change in NBV has no effect on the Commission's vote to not include an acquisition adjustment. The corrected NBV is shown on Schedule No. 1, with the corrections highlighted.

A similar error also affected the amount that represented the NBV per the Utility. The summary schedule of NBV in staff's previous recommendation, Schedule No. 2, Page 1 of 3, reflects an incorrect total of \$113,607 in the column labeled "Balance Per Utility" due to a formula error. The balances of the NBV components reflected in that column should total \$109,857 (\$444,857 + \$3,750 - \$338,750), which is consistent with the Utility's transfer application. The incorrect figure of \$113,607 was also cited in the analysis of Issue 2. Although this does not affect the calculation of NBV, staff believes the correction provides clarity. Therefore, staff recommends the inclusion of this additional correction. This correction is reflected in Schedule No. 1, Page 1 of 3, with the correction also highlighted.

<sup>3</sup> Reich v. Dept. of Health, 868 So. 2d 1275 (Fla. 1st DCA 2004); Smull v. Town of Jupiter, 854 So. 2d 780 (Fla. 4th DCA 2003).

<sup>4</sup> Id.

<sup>5</sup> Boyd v. Southeastern Tel. Co., 105 So. 2d. 889 (Fla. 1958) (citing State v. Seaboard Air Line Ry. Co., 111 So. 391 (Fla. 1927)).

Docket No. 20160075-WU  
Date: August 24, 2017

Issue 1

**Conclusion**

Based on the above, the Commission, on its own motion, should reconsider a limited portion of its vote on Issue 2 with respect to accumulated depreciation of meters and meter installations and the resulting net book value. If the Commission approves staff's recommendation, staff will incorporate this correction into the final order.

Docket No. 20160075-WU  
Date: August 24, 2017

Issue 2

**Issue 2:** Should this docket be closed?

**Recommendation:** Once all requirements of the Commission's July 13, 2017, vote have been met, this docket may be closed administratively. (Mapp)

**Staff Analysis:** Once all requirements of the Commission's July 13, 2017, vote have been met, this docket may be closed administratively.

Docket No. 20160075-WU  
Date: August 24, 2017

Schedule No. 1  
Page 1 of 3

# **Oak Springs, LLC. Water System Schedule**

## **Water System**

### **Schedule of Net Book Value as of May 31, 2015**

<b>Description</b>	<b>Balance Per Utility</b>	<b>Adjustments</b>	<b>Staff Recommendation</b>
Utility Plant in Service	\$444,857	\$0	\$444,857
Land & Land Rights	3,750	(1,017)	2,733
Accumulated Depreciation	<u>(338,750)</u>	<u>1,138</u>	<u>(337,612)</u>
Total	<u>\$109,857</u>	<u>\$121</u>	<u>\$109,978</u>

Docket No. 20160075-WU  
Date: August 24, 2017

Schedule No. 1  
Page 2 of 3

**Explanation of Staff's Recommended  
Adjustments to Net Book Value as of May 31, 2015  
Water System**

<b>Explanation</b>	<b>Amount</b>
A. Land & Land Rights To reflect appropriate amount of land & land rights.	<u>(\$1,017)</u>
B. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>\$1,138</u>
Total Adjustments to Net Book Value as of May 31, 2015.	<u>\$121</u>



Docket No. 20160075-WU  
Date: August 24, 2017

Schedule No. 1  
Page 3 of 3

**Oak Springs, LLC**  
**Water System**  
**Schedule of Staff Recommended Account Balances as of May 31, 2015**

<b>Account</b>		<b>UPIS</b>	<b>Accumulated Depreciation</b>
<b>No. Description</b>			
301 Organization		\$10,000	\$0
304 Structures & Improvements		1,198	(1,198)
307 Wells & Springs		88,110	(88,110)
309 Supply Mains		3,754	(3,754)
310 Power Generation Equipment		48,627	(26,055)
311 Pumping Equipment		36,900	(904)
320 Water Treatment Equipment		19,325	(19,325)
330 Distribution Reservoirs & Standpipes		61,889	(35,217)
331 Transmission & Distribution Lines		62,738	(59,718)
333 Services		32,810	(32,810)
334 Meters and Meter Installations		65,256	(56,690)
335 Hydrants		10,850	(10,431)
336 Backflow Prevention Devices		<u>3,400</u>	<u>(3,400)</u>
Total		<u>\$444,857</u>	<u>(\$337,612)</u>