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: February 19, 2016

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: David Frank, Public Utility Analyst I, Division of Accounting & Finance

RE: 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

Please place the following email and its attachments in the above-referenced docket file.

From:	Hall-Cynthia
To:	David Frank
Subject:	KWRU Appraisal
Date:	Tuesday, January 26, 2016 12:12:10 PM
Attachments:	KWRU Appraisal Report.pdf

Good morning, David. Attached is the appraisal report that KWRU had prepared iin January 2015 n connection with the possible purchase/sale transaction (which did not take place).

Please feel free to contact me if you have any further questions.

Regards,

Cynthia Hall
Assistant CountyAttorney
MonroeCouty

From: Carnago-Jaclyn
Sent: Tuesday, January 26, 2016 12:01 PM
To: Hall-Cynthia
Subject: appraisal

Jaclyn Carnago
Paralegal, Monroe County Attorney's Office
2798 Overseas Highway
Marathon, FL 33050-2227
Tel: (305) 289-2584

KWRU Stock Island WWTP

Monroe County, Florida

Public Utility Appraisal Report

Effective Date: December 31, 2014

Report Date: January 2015

For

KW Resort Utilities Corporation

Prepared By

Hartman Consultants, LLC

With the Supplemental Real Property By

Appraisal Company of Key West, Inc.

Project Number 14076.00

January 26, 2015
HC #14076.00

Mr. William L. Smith, Jr.
Chairman of the Board
KW Resort Utilities Corporation
6630 Front Street
Key West, FL 33040

Re: Appraisal Report of KW Resort Utilities Corporation (KWRU)

Dear Mr. Smith:

Hartman Consultants, LLC (HC) presents the Appraisal Report ("Report") with an effective date of appraisal (Valuation Date) on 12/31/2014. The property is located on Stock Island, in Monroe County, adjacent to Key West, Florida. Significant assistance was provided by Mr. James E. Wilson, MRICS of the Appraisal Company of Key West (ACWK) for the fee simple and easement properties. I was supported by Ms. Tara L. Hollis, CPA on this assignment as a primary investigator of the income approach to value. The purpose of the Report is to render Mr. Hartman's opinion of Fair Market Value and to provide substantiating evidence concerning the same. Fair Market Value is defined by Publication 561 of the IRS (4/2007) as the following: "Fair Market Value (FMV) is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts". There are no restrictions put on this property by KWRU. There are enhancements provided for the property by KWRU (developer and redevelopment agreements, AWT WWTP Expansion Permit/Design/Bid, etc., Navy proposal for service pending, and the like).

The opinion of FMV provided herein to KWRU is to be provided by Robert E. Pender, ASA (REP) to the Florida Keys Aqueduct Authority (FKAA). Each party will provide the other party's information for negotiations of a potential Asset Purchase Agreement (APA) in 2015.

Supplementing this Report and appendices are the analysis performed by HC and support information provided by the client, Weiler Engineering Corporation (WEC), ACKW, FDEP, FPSC, HC, GAI and Willdan Financial Services (WFS). Such materials may be found in the HC, ACKW and WFS files under project number HC 14076.00.

As a precedent for developing the opinion of value, KWRU was evaluated using the approaches which are recognized throughout the industry and as set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal

Foundation (2014-2015 Edition), and in the Valuing Machinery and Equipment by American Society of Appraisers (MTS Committee). They are:

- Replacement Cost New Less Depreciation;
- Income; and
- Comparable Sales

In each valuation approach, considerations and adjustments are made which are typical for the wastewater public utility industry in Florida as performed by buyers, sellers and/or their consultants.

Each valuation approach if considered applicable, results in a distinct finding or amount. The applicable finding or amount is considered by Mr. Hartman as an input to his reconciliation and subsequent opinion of value for the utility property. Utilities are special purpose properties with distinct characteristics. This property represents an essential use and a monopoly providing central/regional wastewater utility service for Stock Island and potentially for the Navy facilities adjacent thereto. It is a public utility, which is privately owned. The use is the property's highest and best use.

The results of the calculations and analyses performed in accordance with each applicable approach are detailed throughout the body of the Report and are summarized below:

Valuation Approach	Amount
Replacement Cost New Less Depreciation (RCNLD)	$29,100,000
Income	$23,500,000
Comparable Sales and/or Project Costs	$26,300,000

Considering the results provided above in conjunction with my experience and professional judgment, my opinion of the FMV of the KWRU Wastewater Utility property complete as of 12/31/2014 is:

$27,100,000

(Twenty Seven Million, One Hundred Thousand Dollars)

The above assumes standard industry and conditions as shown in Section 1. The other standard assumptions, extraordinary assumptions and hypothetical conditions are presented in Section 1 and/or in the section of the Report addressing the approach for which the specific assumption is made (Sections 4, 5 or 6). There is no prospective assumption or condition that KWRU will have the AWT WWTP expanded from 499,99 gpd ADF to 849,999 gpd ADF in either the RCNLD (Section 4) or in the Comparale Sales (Section 6) of this Report. The valuation hypothetical condition of the AWT WWTP expansion and future activities are projected in the income approach. If growth is not realized, or a moratorium is enacted due to not

constructing the AWT WWTP, then the income approach would be impacted by the non-realization of future customer revenues. A mitigating characteristic is the relatively low user rates of KWRU and the ability of a not-for-profit to adjust rates to meet revenue requirements and to impose capacity changes or assessments to recover the value of capacity utilized.

Due to the lowest level of reliance on the income approach and due to the ability to mitigate the hypothetical condition taken, it is my opinion that the potential impact on the opinion of value would be slight.

If the expansion is constructed, then the Cost Approach and Comparable Sales Approach both would increase significantly.

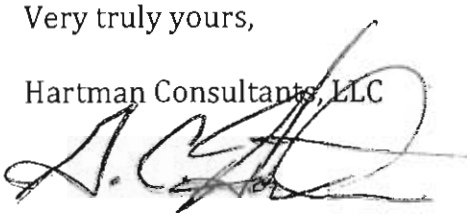
It is my opinion that the above would result in a greater opinion of value for the KWRU system.

The above relies upon the opinion of value of Mr. James E. Wilson, MRICS for the real estate interests provided with the system property. An HC subconsultant WFS and Ms. Tara L. Hollis, CPA worked with myself on the income approach portion of this Report.

Should you have questions or need further assistance, do not hesitate to call.

Very truly yours,

Hartman Consultants, LLC



Gerald C. Hartman
Florida P.E. #27703
BCEE #88-10034
ASA #7542

PUBLIC UTILITY APPRAISAL REPORT
KW RESORT UTILITIES CORPORATION

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PUBLIC UTILITY APPRAISAL REPORT
KW RESORT UTILITIES CORPORATION

LIST OF SCHEDULES

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Section 1

SECTION 1
INTRODUCTION

1.1 PROJECT SCOPE AND AUTHORIZATION

This Appraisal Report ("Report") of the KW Resort Utilities Corporation, near Key West FL, was requested by KW Resort Utilities. The public utility system was constructed to provide advanced wastewater treatment and beneficial reuse of the highly treated reclaimed water for customers in the Key of Stock Island area of Monroe County, Florida.

1.2 OWNERSHIP INTEREST

The assets are a part of the KW Resort Utilities ongoing system with facilities, permits, etc. and a going concern at the effective date of the appraisal. We have performed these services for the property in "fee simple," which includes all rights (the bundle of rights) that can be legally vested in an owner, subject to encumbrances whatever they may be. This fee simple ownership includes ownership of all of the property, fee simple ownership of certain real property, easement rights, wastewater operational rights, water reuse allocation rights, any exclusive certified area/franchise property rights, as well as other tangible and intangible assets. In other words, the fee simple value has been determined, without deduction for any liens or other encumbrances that may exist.

Fee simple ownership is the most comprehensive type of ownership since the owner may dispose of the property in any manner they select. One possessing this property has no restrictions or limitations upon ownership except those imposed by governmental entities and those which were willfully created by agreement.

1.3 PURPOSE AND USE OF APPRAISAL

The purpose of this appraisal is to provide the KW Resort Utilities with the appraised fair market value of the property as the regional wastewater and reclaimed water system for Stock Island and potentially adjacent areas. The users of this Report could include the owners of KW Resort Utilities, attorneys, the FKAA, financial underwriters, bond rating agencies, insurers for the proposed transaction and the federal Internal Revenue Service for the tax consequences of the assumed transaction.

1.4 IMPORTANT VALUATION DEFINITIONS

Appraisal (noun) – the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.[1]

Client – the party or parties who engage, by employment of contract, an appraiser in a specific assignment.[2]

Cost – the amount required to create, produce, or obtain a property.[3]

Easement – an interest in real property that transfers use, but not ownership, of a portion of an owner's property. [4]

Extraordinary Assumption – an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinion or conclusions. [5]

Fair Market Value – Fair Market Value (FMV) is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. [6]

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[1] Uniform Standards of Professional Appraisal Practice ("USPAP"), 2014-2015 Edition, Published by the Appraisal Foundation, page U-1
[2] *lbid*, page U-2
[3] *lbid*, page U-2
[4] The Appraisal of Real Estate, 12th Edition, Published by the Appraisal Institute, page 71
[5] *Ibid,* page U-3
[6] IRS Publication 561 dated 4/2007

Fee Simple - absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.[7]

Highest and Best Use (in appraising real property) – is the reasonably probable and legal use of vacant land or an approved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value.[8]

Hypothetical Condition – a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.[9]

Intended Use – the use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.[10]

Intended User - the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.[11]

Jurisdictional Exception – an assignment condition established by applicable law regulation, which precludes an appraiser from complying with a part of Uniform Standards of Professional Appraisal Practice (USPAP).[12]

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[7] *lbid*, page 697
[8] *lbid*, page 305
[9] USPAP, 2014-2015 Edition, Published by the Appraisal Foundation, page U-3
[10] *lbid*
[11] *lbid*
[12] *lbid*

Leased Fee Interest – a lessor's, or landlord's, interest with specified rights that include the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease.[13]

Market Value - a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.[14]

Market Value (noun) – the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.[15]

Regulated Industry – industry that is regulated by government to a significant extent.

Replacement Cost New ("RCN") – the current cost of a similar new property having the nearest equivalent utility as the property being appraised, as of a specific date.[16]

Reproduction Cost New – the current cost of producing a new replica of a property with the same, or closely similar materials, as of a specific date.[17]

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[13] The Appraisal of Real Estate, 12th Edition, Published by the Appraisal Institute, page 81

[14] USPAP, 2012-2013 Edition, Published by the Appraisal Foundation, page U-3

[15] International Valuation Standards, 2000 Edition, Published by the International Valuation Standards Committee, pages 92-93

[16] Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets, Second Edition, Published by American Society of Appraisers, page 585

[17] *lbid*

Appraisal Report – a written report prepared under Standards Rule 2-2(a) or 8-2(a) of a Complete or Limited Appraisal performed under STANDARD 1 or STANDARD 7.[18]

Taking – is the acquisition of a parcel of land (or other property(though condemnation.[19]

Value – is the amount, relative worth, functionality, or importance of an item, which may or may not be equal to price or cost.[20]

1.5 EFFECTIVE DATE OF APPRAISAL

The effective date of appraisal is December 31, 2014.

1.6 TYPE OF PROPERTY

The owner owns a special purpose property permitted as a public wastewater collection, treatment and reclaimed water production facility, as investor owned. The system is provided the rights thereof by the State of Florida, and by contract, assemblage, and other means. Such properties have the configuration of a customer base and utilize the local natural resources via permit rights, etc. for the specific community that the facilities, operations, and management serve.

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[18] USPAP, 2014-2015 Edition, Published by the Appraisal Foundation, pages U-22 and U-62

[19] The Dictionary of Real Estate Appraisal, 4th Edition, Published by the Appraisal Institute, Page 285

[20] Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets, Second Edition, Published by American Society of Appraisers, Page 594.

1.7 SPECIALTY PROPERTY – AN ONGOING UTILITY BUSINESS

The KW Resort Utilities includes assets, customers, its service area and all other attributes of a fully functioning utility business. The KW Resort Utilities is considered a special purpose property. There are four (4) criteria, which establish whether property should be considered special purpose property:

a. Uniqueness;
b. Property must be used for a special purpose;
c. No widespread market for the type of property;
d. The property's use must be economically feasible and reasonably expected to be replaced.

The function of this utility property is to collect wastewater from customers, transmit the same to the treatment plant, treat the customer's wastewater and produce beneficial reuse water to transmit to a specific service area. The utility system was specially built for the specific purposes for which it was designed, and continues to be used for those purposes.

There is no question that with any purchase or acquisition of the KW Resort Utilities, that the majority of those assets would continue to be substantially used for utility purposes and they would continue to be renewed, replaced and/or maintained for such purposes.

1.8 INTANGIBLE PROPERTY

In the valuation of utility property using the cost approach, it must be recognized that the replacement cost new of the facilities less depreciation of the same only represents the component of value of the physical assets. These assets, however, are hypothetically assumed to be in use and not idle, but are used to provide service within the service area to a customer base as part of an ongoing business operation. In other words, the value of a "live" utility functioning as an ongoing business must be considered as part of this appraisal in the cost approach.

Any purchaser would acquire a utility system completely installed and operational with customers who historically were and are assumed to in the future be taking regular service and therefore, immediately derive revenues at the full complement of connected customers as well as purchase all permitted rights for wastewater and reclaimed water operations and the future right to service the remainder of the service area with the potential to serve others and to have all of the rights granted by the State of Florida to a public utility of this nature. Similarly, if a purchaser were to construct, in a hypothetical situation, its own utility system, it would not have the ability to generate revenues from a full complement of customers or have the ongoing bundle of rights for this specific geographic area and would be required to successfully obtain permits to provide service and such permits could be contested. These considerations are included in the cost approach delineated herein.

1.9 SUMMARY OF DATA COLLECTION

Data collection on this assignment involved records of KW Resort Utilities, FDEP, WEL, FPSC, Monroe County, other systems in the Florida Keys, supplier quotations, construction market costs, reliance on ACKW for real property, site survey as provided, HC reference library and Hartman and Associates, Inc. information and other sources of information.

1.10 SUMMARY OF CONFIRMATION ACTIVITIES

A variety of analyses and surveys were used to confirm and/or cross-check the data and information provided. Calls, comparisons of reports, field inspections, records testing, and comparisons of source information were accomplished.

1.11 SUMMARY OF REPORTING MEASURES

This Report is an Appraisal Report with disclosures included.

1.12 EXTRADORINARY ASSUMPTIONS

a. No responsibility is assumed for legal matters, nor is any opinion on the title rendered herewith. We assume that the title to the property is good and marketable.

b. All existing liens and encumbrances, if any, have been disregarded and the property appraised as though it was free and clear.

c. The appraiser has made no survey of the property though surveys were provided and, unless specifically stated, assumed there are not encroachments involved.

d. The sketches and maps in this Report are included to assist the reader in visualizing the property and are not necessarily to scale or depict all items above or below ground.

e. Based upon HC's research and it is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in this Report.

f. It is assumed that all applicable zoning and land use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in this Report.

g. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or public entity or organization have been or can be obtained or renewed for any use on which the value estimate in this Report is based.

h. The improvements on or off-site are considered for purposes of this appraisal to be completed in a good and workmanlike manner.

i. Furnishings, mobile equipment, tools, or business furniture and utility management items indicated and typically considered as part of real estate and/or major personal property item have been aggregated and valued.

j. Responsible ownership and competent property management are assumed.

k. It is assumed that there are no hidden or unapparent conditions of the property, soil, or structures which would render it more or less valuable.

Further, unless otherwise stated in this Report, the existence of hazardous material or any other environmental problems or conditions, which may or may not be present on the property, was not observed or disclosed. We have no knowledge of the existence of such materials or conditions on or in such close proximity that it would cause a loss in value. We, however, did not search to detect such substances or conditions. The presence of substances such as asbestos, ureaformaldehyde foam insulation, radon, or potentially hazardous materials which could have an adverse effect on the value of the property were not observed or detected in our inspections. The value estimate is predicated on the assumption that there is no such material or condition on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or knowledge required to discover them.

l. No responsibility is assumed for the absence or presence of any endangered species on this property. This appraisal assumed that there are no endangered species which would prevent, restrict, or adversely affect any development or improvement of this property.

m. No impact studies and/or special market, or feasibility analysis or studies have been required or made unless otherwise specified. We reserve the right to alter, amend, revise, or rescind any of the statement, findings, opinion, value estimates, or conclusions contained herein if any of these studies require it.

n. Certain data used in compiling this report was furnished from sources which we consider reliable; however, we do not guarantee

the correctness of such data, although so far as possible, we have checked and/or verified the same and believe the data to be accurate.

o. We have accepted as correct and reliable all information provided by the owner and owner's counsel, or the owner's agents, which was used in the preparation of this Report. All data came from sources deemed reliable, but no liability is assumed for omissions or inaccuracies that subsequently may be disclosed in any data used in the completion of the appraisal.

p. Since the effective date of value of the property is not an actual trial date, the appraiser reserves the right to consider and evaluate any additional value influencing data and/or other pertinent factors that might become available between the effective date of this Report and the date of trial if applicable, and to make any adjustments to the Report that may be required.

q. Neither I, nor anyone employed by me, has any present or contemplated interest in the property appraised.

r. Possession of this Report, or copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone except for the client without the prior written consent of Hartman Consultants, LLC and in any event, only in its entirely and with proper qualification.

s. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of Hartman Consultants LLC excepting appropriate legal requirements.

t. Acceptance of, and/or use of, this Report constitutes acceptance of the above conditions and assumptions.

u. No other legal agreements, customer agreements, developer agreements or other utility-related agreements were disclosed or provided and therefore have not been included in this Report.

v. It is assumed that any and all permits and easements can be transferred in the event of an acquisition with minimal effort.

w. All assets are to be sold "as-is" without warranties or guarantees.

HC contracted with KW Resort Utilities provided for additional extraordinary assumptions. The additional extraordinary assumptions are that the facilities are:

x. In good working order and no costs are to be incurred in an appropriate transfer.

y. All of the necessary equipment was functioning and is expected to function in an industry standard fashion.

z. All equipment will operate at their nameplate or nominal design capacity as a functional system meeting all federal, state and local regulations at such capacity.

aa. No damage has occurred which has not been repaired.

bb. An experienced and trained work force for the management and operations of these facilities is in place with sufficient records and standard operating procedures for proper operations and maintenance.

cc. The AWT- WWTP expansion permit application to FDEP will be approved prior to closing.

dd. The AWT – WWTP construction contract bid price will either be transferred to the buyer or the construction activity and start-up will be completed by KW Resort Utilities prior to closing.

ee. Ownership is full fee simple without encroachments or other party interests.

ff. All permits, rights and privileges are in place for on-going operations of both treatment plant and the supply of reuse water.

gg. All customers are in-place and the business is functional and profitable.

1.13 HYPOTHETICAL CONDITIONS

HC contracted with KW Resort Utilities and provided for additional hypothetical conditions. The hypothetical conditions are as follows:

a. The pending FDEP permit for the expansion of the AWT WWTP from 499,999 gpd AADF to 850,000 gpd AADF which was recommended by the FDEP staff for approval and the intent to issue the permit was advertised will be issued by closing.

b. The expansion of the AWT WWTP to 850,000 gpd AADF will be substantially complete or under contract by closing.

c. The expected closing and transfer of ownership and operations date for KW Resort Utilities is in the 12/2015 to 3/2016 period.

1.14 EFFECT OF EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

The effects of the Extraordinary Assumptions and Hypothetical Conditions are to value a potential transaction with FKAA. Presently, there is no agreement with FKAA. Due to the nature of the special purpose property which is fixed and non-portable, and the location of the property there are significant benefits to FKAA.

Since this plant is the provider of beneficial reclaimed water, due to the regulatory considerations that are present, and the fact that FKAA cannot replace the reclaimed water supply without significant capital costs, it is likely a transaction, which has yet to be negotiated, would occur. In the past 38 years of my experience in wastewater mergers and acquisitions, one would expect some type of transaction to occur.

1.15 PROCESS AND PROCEDURES FOLLOWED

The process utilized was confirming the valuation assignment, gathering the necessary information for the appraisal activities, conducting, evaluating and considering the cost approach under a replacement cost new less depreciation in continued use, the income approach, and finally the sales comparison approach. Following the determinations from each distinct approach, Mr. Hartman weighed the approaches utilizing his training, experience and knowledge of the market and the subject system. Following the weighting of the approaches, an Opinion of Value was determined and reported in this Appraisal Report.

1.16 HIGHEST AND BEST USE

The highest and best use for the KW Resort Utilities is as a public wastewater system. Note that the use of the utility system is a monopoly and a special purpose property and also has the characteristics of an essential use. Since the property is specifically designed, configured, and constructed solely for the public wastewater utility system use, no alternate highest and best use was considered.

1.17 APPROPRIATE MARKET USED

The appropriate market for the KW Resort Utilities is as a special purpose wastewater utility system providing for utility service in the public utility market, namely as a non-for-profit wastewater system.

1.18 EXCLUSIONS

This appraisal has excluded the following aspects of the Utility and those aspects are not included in the Opinion of Value delineated herein:

a. Utility's cash equivalents, accounts receivable and deferred tax assets;
b. Assumption of liabilities of the Utility;
c. Property owned by other associated parties; and
d. Activities, rights, and privileges of other associated parties.

In other words, this appraisal is of all of the property of the Utility.

1.19 DEPARTURES/SCOPE LIMITATIONS

This appraisal has no known departures or scope limitations.

1.20 ASSUMED TERMS AND CONDITIONS

The standard terms and conditions commonly used in the wastewater industry are assumed for this appraisal. The purchase price would be as a cash and/or donation purchase in U.S. Dollars at the time of closing. There are no limitations relative to exposure, financing, futures, prepaid or discounted connections, or other factors. We assume that no properties are vested or have prepaid capacity or discounted connections in any fashion whatsoever.

The standard terms and conditions assumed are listed below:

- Purchase Price, as Cash and/or donation as Closing, Paid by Buyer
- Bill of Sale Provided by Seller
- Satisfaction of Liens, Encumbrances or Title Problems to Obtain Free and Clear Title by Seller
- Easement, Land Rights, or Other Utility Rights Transferred by Seller
- Regulatory Conduct and Compliance to Maintain Permits without Deficiency
- Transfer of all Necessary Agreements to Buyer
- Transfer of Customer Deposits to Buyer
- Transfer of all Records, Drawings, Reports, Permits and Like Documents to Buyer
- 100% Accounts Receivable Collected Forward to Seller as Collected by Buyer
- Vendor Invoices, Materials, Supplies as Incurred up to Closing Paid by Seller
- Inventory of Consumables at Closing at Appropriate Levels for Continuous Operations
- All Taxes and/or Fees Paid by Seller Pro Rate through Closing

- Inspection of all Closing Documents
- Consideration for Performance and Penalty or Resolution of Non-performance
- Verification of Proper Authorization to Bind a Party
- Conduct After Agreement and Before Closing not to Diminish Value or Hamper Operations
- Seller Keeps Existing Funds, Restricted Funds and Satisfies Debt and Lien Obligations
- "As-is" Type of Transaction
- Rolling Stock, Movable Equipment, Laboratory Equipment, Tools and Accessories or Appurtenances Included in Sale
- Closing Date, Time, Place and Procedures
- No Outstanding Litigation
- Assistance in Petitions or Transfer, No Objections, Contractual Extent and Type of Cooperation
- Payment of Representative Fees and Costs as Incurred by Each Party
- Payment of Documentary Stamps, Recording Costs by Buyer
- Payment of Title Search and Policy by Buyer
- Construction Work in Progress Completed by Seller up to Transfer/Closing Date

1.21 CLIENT

The Client is KW Resort Utilities located in Florida.

1.22 ADDITIONAL ITEMS

For the purpose of this report, the following additional items warrant attention of the reader.

a. Fair Market Value (FMV) is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act and both having reasonable knowledge of the relevant facts.

b. Since this property is a special purpose property, it is restricted to its permitted use as a wastewater collection, transmission treatment and a reuse production facility. No other restrictions are contemplated.

Section 2

SECTION 2
DESCRIPTION OF FACILITIES

2.01 KWRU Expansion Program

The Owners of KWRU realized that the entire Key of Stock Island needed central sewage service. In March of 2002 WEC developed a three (3) phased program, design and permitting for KWRU to expand from 250,000 gpd and approximately 1,000 connections (approximately 2,000 ERC's) to 499,999 gpd AADF and a nominal 2,500 connections (approximately 5,000 ERC's). Monroe County reserved some 1,500 ERC's for collection system service for approximately $4,600,000 on July 31, 2002. That reservation did not include the costs of AWT treatment and reuse (See Appendix G). That program has been completed. For the calendar year of 2014 the existing flows are at or exceeding 90% of AWT WWTP capacity.

KWRU has very little inflow and/or infiltration. BRIAN, Inc. rehab inspection and analysis is hired to video inspect the collection system and make repairs as they may be found.

WEC and BRIAN, Inc. both independently have found the collection system to be in good to new condition and having minimal inflow and/or infiltration (Appendix I).

Mr. Devon Villareal provided the FDEP Wastewater compliance inspection report with the inspection January 30, 2013 and report February 14, 2013. The findings were that KWRU was in compliance with all permits (Appendix I).

The existing FDEP WWTP operating permit expires on February 19, 2017.

As of December 31, 2013 pursuant to the FPSC annual report some 4,183.65 ERC's were connected to the system. As of December 31, 2014 approximately 4,615 ERC's were customers of the system. The current December 31, 2014 treatment plant capacity of the system is 5,179 ERC's.

In Appendix H, the reader can find the advertisement, the intent to issue by FDEP and the capacity page of the Draft Permit. The AWT WWTP is expected to be expanded to 849,999 gpd AADF. Within Stock Island, KWRU's FPSC service area, the build-out capacity in ERC's is 8,882 ERC's.

The transmission systems and effluent reuse/disposal systems are in place to serve the build-out condition. It is expected that the majority of the re-development and growth and existing development connections will occur in the 2015-2024 time period, increasing the connected ERC's to approximately 7,500 ERC's. Thereafter, future re-development, under-utilized acreage or other customers are expected to connect over time.

Some of the near term growth is:

1. Stock Island Marina Village – Estimated 30,250 gpd or 313 ERC's.
2. Oceanside Marina – Estimated 26,125 gpd or 271 ERC's.
3. Sunset Marina – 15,000 gpd or some 155 ERC's.
4. Bernstein Development – 30,000 gpd or some 310 ERC's.
5. Approximately 40 acres of scarified or under-utilized land - unknown flow and ERC's.
6. Unconnected Residential Units – Future
7. Unconnected Developed Non-Residential – Future

2.02 Collection Systems and Reuse Systems

The following is from the December 18, 2014 WEC report which can be found in its entirety as Appendix E.

Lincoln Gardens Gravity Collection System

The Lincoln Gardens area of South Stock Island consists of a residential area served by a gravity collection system. The gravity mains and manholes are located in the public right of way or in permanent easement granted to the Utility.

The gravity piping is generally vitrified clay. Much of the pipe has been slip-lined with plastic liners, including the gravity laterals. The piping is in good condition. Salinity records show that there is very little saltwater infiltration. Flow records demonstrate that the wet weather inflow and infiltration is limited.

There are three Utility-owned lift stations (discharge into gravity piping) and Utility-owned force main pump stations in the system. The Sunset Trailer Park area discharges into the Lincoln Gardens gravity collection system, using a number of small grinder lift stations.

The gravity collection system consists of approximately:

- 20,525 LF of 8" gravity main
- 300 LF of 10" gravity main
- 53 manholes
- 3,015 LF of 4" gravity service laterals (to property line)

Key West Golf Club Development Gravity Collection System

The Key West Golf Club Development is a residential community located on North Stock Island. It is served by a gravity collection system that discharges to two force main pump stations. The gravity collection system is constructed of PVC and is in new condition. It is located within the common area (streets) of the development.

The gravity collection system consist of approximately:

- 6,285 LF of 8" gravity main
- 662 LF of 6" gravity main
- 36 manholes
- 3,150 LF of 6" gravity lateral (to property line)
- One pump station with two 5 HP, 230 V, 3 Φ solids –handling pups

South Stock Island Vacuum Collection System

The South Stock Island vacuum collection system serves the remainder of the properties south of US Highway 1 that are not served by the Lincoln Gardens gravity collection system or by the KWRU force main system. The vacuum system is constructed of PVC piping, fiberglass vacuum pits and concrete buffer tanks. 6" PVC gravity laterals connect properties to the vacuum pits and buffer tanks.

Certain larger properties were provided with a vacuum stub from which privately-owned vacuum collections systems were extended onto the properties. The quantities of privately-owned vacuum collection system piping and pits are not included in the following summary.

The vacuum collection system consist of approximately:

- 13,665 LF of 10" vacuum main
- 4,709 LF of 8" vacuum main
- 5,435 LF of 6" vacuum main
- 1,095 LF of 4" vacuum main
- 1,670 LF of 3" vacuum service lateral (to vacuum pits)

- 71 vacuum pits
- 14 buffer tanks
- 2,368 LF of 6" gravity lateral (to property line)

The vacuum collection system is operated by vacuum provided from the vacuum pump station located at 6630 Front Street at the KWRU WWTP site. The vacuum collection tank is buried, with adjacent inlet and discharge valve vaults. The submersible sewage pumps are located in the vacuum collection tank, are rail mounted and are readily accessible through two quick-release manways. The vacuum pumps and motor control center are located in an adjacent building. All components are in good condition.

The vacuum pump station consists of:

- One 5,000 gallon vacuum collection tank
- Two 25 HP, 460 V, 3 Φ, submersible sewage solids-handling pumps
- Four 25 HP, 460 V, 3 Φ, vacuum pumps
- Motor control center
- Vacuum Station building

Sewage Force Main Systems

The KWRU sewage force main systems consist of force main piping of varying sizes and 10 Utility-owned pump stations. There are approximately 29 privately-owned pump stations connected to the KWRU force main systems. The piping is PVC or HDPE and is in new to good condition and is located in the public right of way and in easements. The quantities of privately-owned force mains are not included in the summary below.

The force main systems consist of approximately:

- 8,110 LF of 8" force main
- 3,636 LF of 6" force main
- 11,085 LF of 4" force main

The sewage pumping stations consist of:

- Pines & Palms Pump Station: Two 5 HP, 480 V, 3 Φ, submersible solids-handling pumps
- Boyd's Campground Pump Station: Two 5 HP, 230 V, 3 Φ, submersible grinder pumps
- Laundromat Lift Station: Two 0.5 HP, 240 V, 1 Φ, submersible solids-handling pumps
- L2A Pump Station: Two 5 HP, 230 V, 3 Φ, submersible grinder pumps
- Forcemain Pump Station: Two 5 HP, 230 V, 3 Φ, submersible grinder pumps

- L4 Lift Station: Two 0.5 HP, 230 V, 1 Φ, submersible solids-handling pumps
- L3 Lift Station: Two 0.5 HP, 230 V, 1 Φ, submersible solids-handling pumps
- L1 Lift Station: Two 0.5 HP, 230 V, 3 Φ, submersible solids-handling pumps
- Bayshore Manor Pump Station: Two 2 HP, 230 V, 3 Φ, submersible grinder pumps
- Monroe County Animal Shelter: Two 2 HP, 230 V, 3 Φ, submersible solids-handling
- MCDC Main Pump Station: Two 15 HP, 460 V, 3 Φ, submersible solids-handling pumps
- Golf Course Main Pump Station: Two 5HP, 408 V, 3 Φ, submersible grinder pumps

Reclaimed Water Mains

The KWRU reclaimed water transmission system pumps reclaimed water to the Key West Golf Club, the Monroe County Detention Center and has recently been extended to the Lower Florida Keys Medical Center, Gerald Adams elementary school and the Florida Keys Community College. The transmission mains are constructed of PVC and HDPE pipe and are in new to good condition. The piping is located in the public right of way and in easements.

There are two Utility-owned reclaimed water pumping stations. The main pumping station is located at the KWRU WWTP at 6630 Front Street. This pump station is in good condition. The secondary pump station is located adjacent to the reclaimed water storage pond on the Key West Golf Club. The secondary pump station withdraws reclaimed water from the 8" transmission main upstream of the discharge into the storage pond. It pumps reclaimed water to the Monroe County Detention center and other users on North College Road. The secondary pump station is in new condition.

The reclaimed water transmission system consists of approximately:

- 8,150 LF of 8" transmission main
- 4,525 LF of 4" transmission main
- 16 LF of 3" transmission main

The reclaimed water pumping stations consist of:

- Main Pump Station: Two 40 HP, 460 V, 3 Φ, dry-well water pumps
- Golf Course Pond Pump Station: Two 2 HP, 230 V, 3 Φ, submersible water pumps

On-Site Infrastructure Owned by Others

Certain larger properties on Stock Island that are connected to the KWRU-owned vacuum sewer system, the gravity sewer system or to the sewer force mains have on-site collection systems that are owned and maintained by the property owners. The types and quantities of infrastructure on these properties has been estimated using available design drawings, permitting information scaled aerial photographs and historical knowledge of the facilities.

Many of these larger properties have been re-developed in recent years. The piping generally consists of PVC or HDPE piping and is in new to good condition. The attached spreadsheet provides information regarding the type of collection systems and the estimated quantities of infrastructure present for each property.

2.03 AWT WWTP and Injection Wells

KWRU has an existing 499,999 gpd AADF AWT WWTP. They have two (2) back-up 10-inch injection wells. The primary means of effluent use is through the:

- Key West Golf Club – an 18-hole golf course with all amenities and green areas. The golf club has approximately 1.5 mg of on-site storage for the reclaimed water. The golf club was sold approximately 250,000 gpd AADF. The green areas can accommodate approximately 750,000 gpd AADF if required.
- Monroe County Detention Center (MCDC) – this facility uses reclaimed water for the toilets and other non-human contact water uses as well as for irrigation. MCDC was sold approximately 15,000 gdp AADF. Note that institutional and emergency uses are not a portion of the reclaimed water sales.
- Lower Florida Key Medical Center – a recent new customer.
- Gerald Adams Elementary School – a recent new customer.
- Florida Keys Community College – a recent system extension.

There is an agreement for reuse water for the developing Sunset Marina as shown in Appendix G for another reclaimed water customer.

Future additional reclaimed water users will be the re-developing areas discussed earlier.

The KWRU service area is shown on Figure 1.

The following pages are taken directly from the FDEP approved WEC Preliminary Design Report.

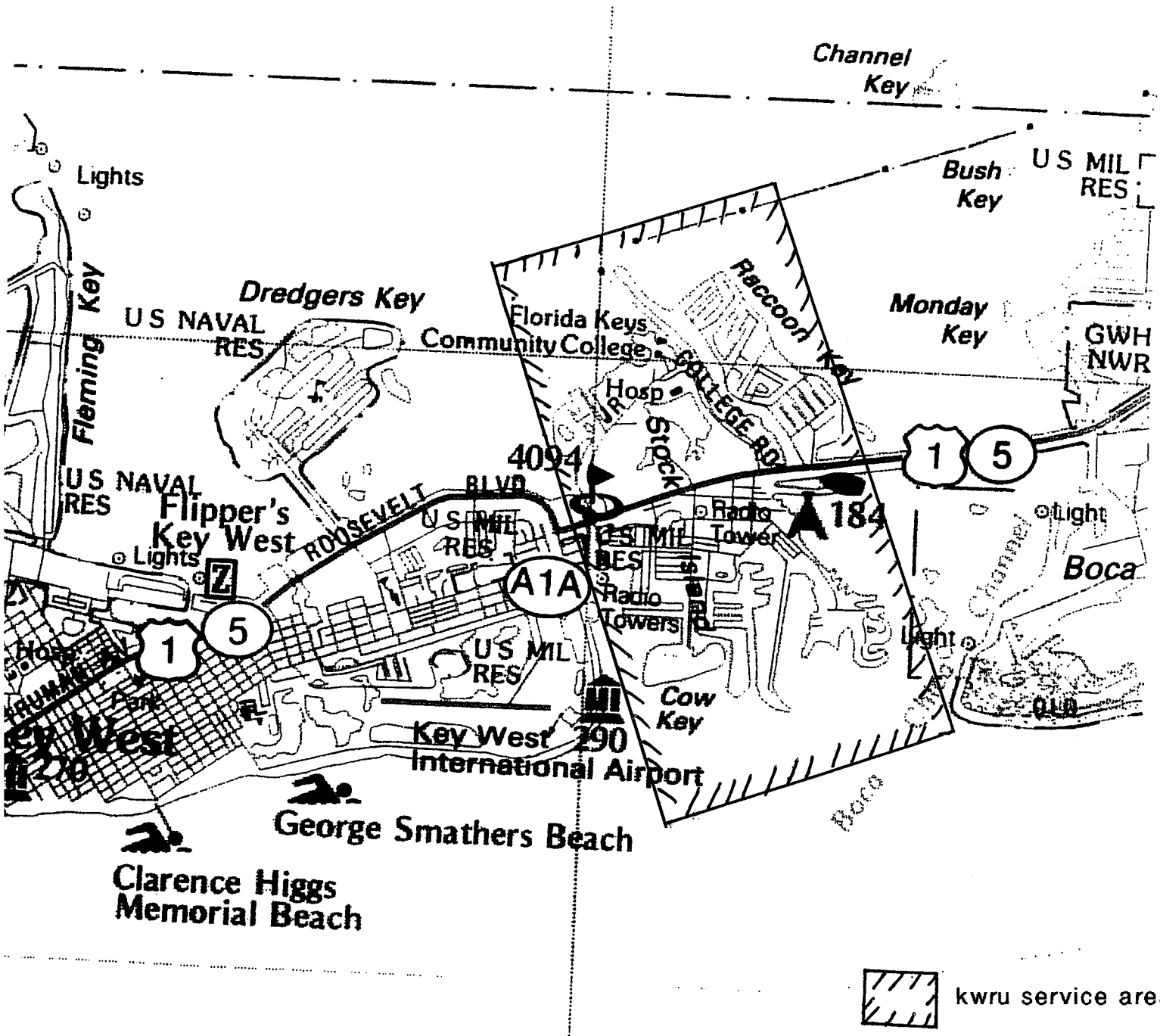

Channel Key
Lights
Bush Key
US MIL RES
Fleming Key
Dredgers Key
US NAVAL RES
Florida Keys Community College
Raccoon Key
Monday Key
GWH NWR
COLLEGE RD
Hosp
Stock
4094
1
5
US NAVAL RES
Flipper's Key West
ROOSEVELT BLVD
US MIL RES
Radio Tower
184
Light
Lights
Z
A1A
Boca
Channel
Radio Towers
Light
Cow Key
Key West 290
International Airport
George Smathers Beach
Clarence Higgs Memorial Beach
kwru service area
L O R I D A
kwru service area

figure 1

ENVIRONMENTAL ASSESSMENT

On two sides, the property is located between a construction and demolition debris transfer station and a commercial fishing boat dock, on the third by a marina. The fourth side of the property is the open water of the boat basin. The entire property is enclosed by a fence. No additional impacts to the adjacent properties will result. All treatment processes will be protected from the 25-year flood event and all electrical equipment will be located above the 100-year flood elevation.

DISPOSAL AND REUSE

The facility disposes of effluent to reuse ponds at the Key West Golf Club, and at the Monroe County Detention Center, the Florida Keys Community College and the Lower Keys Medical Center or two Class V injection wells. The effluent that is sent to the reuse facilities meets the standards contained in Part III of Chapter 62-610, FAC. The modified facility will continue to produce effluent that meets the Part III standards. As is the current practice, during times the effluent does not meet these standards, all flow will be sent to the injection well system. The injection wells are permitted under the authority of DEP permit numbers 184940-018-UO and 184940-019-UO. The wells are in compliance with the FDEP requirements. The wells are 10" in diameter and have an open hole drilled to at least 110', and cased to 60'. Two additional wells of the same dimensions are proposed as part of the expansion.

The modification will result in the facility producing effluent that is in compliance with the following Advanced Wastewater Treatment Facility Effluent Standards contained in Chapter 99-395, Laws of Florida:

Parameter	Limit	Basis
$CBOD_5$/TSS	5 mg/L	annual average
Total Nitrogen	3 mg/L	annual average
Total Phosphorus	1 mg/L	annual average

TECHNICAL INFORMATION/DESIGN CRITERIA

Design Loading Rates

$CBOD_5$	250 mg/L		
TSS	250 mg/L	Q_{AADF}	849,000 gpd
TN	40 mg/L	Q_{MDF}*	976,350 gpd
TP	8 mg/L	Q_{PHF}**	1,273,500 gpd

	Flow (gpd)	CBOD (lb/day)	TSS (lb/day)	TN (lb/day)	TP (lb/day)
Q_{AADF}	849,000	1,771	1,771	284	57
Q_{MDF}	976,350	2,036	2,036	326	66
Q_{PHF}	1,273,500	2,656	2,656	425	85

* Q_{MDF} is the design maximum day flow.
** Q_{PHF} is the design peak hour flow.

Flow Metering and Sampling Provisions

Facility flows are measured by Greyline Instruments SLT 5.0 Level and Flow Monitoring systems installed upstream of the V-notch weirs located at the end of each chlorine contact chamber. Each system is attached to a chart recorder. The chart paper is replaced as needed. The system is calibrated by comparison with a certified Doppler flow meter at least annually as required by FAC Rules 62-601.200(17) and 62-601.500(6).

Flow-proportioned influent composite samples are collected prior to the surge tanks from a sample tap on the influent line to the facility. All influent samples are collected so they do not contain digester supernatant, filter backwash or return activated sludge or any other plant process recycled waters in accordance with FAC Rule 62-601.500(4). Effluent total suspended solids grab samples are taken after filtration and prior to disinfection. All other effluent samples are collected after disinfection and prior to discharge. Grab samples are collected during periods of minimal treatment plant removal efficiencies or maximum hydraulic/organic loading. Flow proportioned effluent composite samples are collected for compliance monitoring, in addition to the grab samples collected for High Level Disinfection monitoring.

TANK SIZES AND DETENTION TIMES

PROPOSED 0.849 MGD FACILITY

Unit Process	Number and Capacity	Detention Time based on design capacity of 849,000 gpd AADF
Flow Equalization	Two existing at 75,000 gal each, One proposed at 104,550 gal. Total Flow Equalization Volume: 254,550 gal	7.2 hrs
Aeration basins	Two existing at 116,250 gal each, One proposed at 163,300 gal: Total Aeration Volume: 395,800 gal	11.2 hrs.
Anoxic basins	Two existing at 109,910 gal each, One proposed at 154,725 gal: Total Anoxic Volume: 374,545 gal	9.0 hrs.
Re-aeration basins	Two existing at 23,840 gal each, One proposed at 32,525 gal: Total Re-aeration Volume: 80,205 gal	2.3 hrs.
Clarifiers	Two existing at 53,011 gal each, One proposed at 112,602 gal: Total Clarifier Volume: 218,624 gal	6.2 hrs.
Digesters	Two existing at 37,598 gal each, One existing at 53,011 gal, One proposed at 317,950 gal: Total Digester Volume: 446,157 gal	N/A
Filter	Two existing at 96 ft³ each and Two proposed at 96 ft³ each: Total filter Volume: 384 ft³	N/A
Chlorine Contact	Four existing at 5,745 gal each	26 mins.

PROCESS

From the collection system, wastewater will flow through proposed self-cleaning static bar screens, one before each of the three surge tanks. From the surge tanks, raw influent is directed to the aeration basins. At this point, a sodium hydroxide feed system is provided as a source of alkalinity. The amount of alkalinity fed to the system will be dependent on facility operation once the system operation is stable. The combined surge tank volume of 254,550 gallons will provide adequate flow equalization for current and future flows to the facility.

The wastewater will flow through the aeration basins where BOD removal and nitrification take place. After the aeration basins, the nitrified wastewater will be injected with a carbon source as it enters the anoxic zone for the denitrification process. In the anoxic basins, a complete mix will ensure full denitrification and drive off excess nitrogen gas. Next, the wastewater enters the re-aeration tank where any excess feed of carbon will be biologically removed. The effluent from the re-aeration tanks will be injected with aluminum sulfate (alum) to begin the process of phosphorous removal. After re-aeration, the wastewater enters the clarifiers for the sedimentation process.

An additional alum injection site is proposed in the clarifier discharge header prior to the filters to allow for dosing of alum at this alternative location. This alum injection point will be automatically activated during periods of production of reclaimed water when phosphorus removal is not required should the effluent be diverted to the wells. The alum feed pumps will automatically start whenever the reclaimed water criteria for high level disinfection is not met, ensuring that the effluent phosphorus discharge limits are met any time effluent is discharged to the disposal wells.

Return activated sludge and scum from the clarifier will be returned to the influent end of the aeration basins. Incorporated in the return piping will be a waste activated sludge valve to divert wasted sludge to the aerobic digesters.

The total digester volume of 446,157 gallons will provided adequate digester space in conjunction with the existing drying beds and proposed mobile centrifuge to achieve compliance with the standards for residuals treatment and disposal as required by the FAC. Residuals generated by the facility are aerobically digested, followed by dewatering either on drying beds or by the proposed mobile centrifuge. The residuals are aerobically digested and will be disposed of in a Class I or II solid waste landfill.

Effluent from the clarifiers is directed to sand filters, then to the chlorine contact chambers where the required contact time is met prior to disposal to the reuse system or injection well system. The treatment plant currently uses gas chlorine for disinfection. The use of liquid sodium hypochlorite for disinfection will be implemented as part of the WWTP modification due to safety concerns with gas chlorine.

Treated wastewater (effluent) is pumped to storage ponds on the Key West Golf Course for slow rate land application, to the Monroe County Detention Center for toilet flushing and cooling water and to the hospital and college on College Road for irrigation and cooling water. As an alternate disposal method, Class V underground injection wells are provided at the wastewater treatment plant site. There are two existing 10" Class V wells and two proposed 10" Class V wells.

SCADA

A Supervisory Control and Data Acquisition (SCADA) system in proposed as part of the facility expansion. The facility currently has continuous monitoring of Total Residual Chlorine and Turbidity as part of the reclaimed water system. There are also high level monitoring probes at various points on the process tanks. The upgrade intends to add to these monitoring systems and tie all inputs into a Web based communications system that will allow remote monitoring and limited control of the process. Automated control of process variables including dissolved oxygen levels, chemical feeds are proposed as well. It is requested that a variance to the minimum staffing requirement be included in the permit modification, reducing the staffing to 6 hours per day, 7 days per week upon completion of the SCADA system. A summary list of the existing and proposed SCADA inputs is presented below.

Chlorine Residual

CL17 output to circular chart recorder (existing)
CL17 output to reclaimed water pump shut-down (existing)
CL17 output to SCADA software (new)
CL17 Hi and Low Alarm to PC (new)
Flow meter output to bleach feed pumps (new)

Turbidity

NTU output to chart recorder (existing)
NTU output to reclaimed water pump shut-down (existing)
NTU output to SCADA software (new)
NTU Hi Alarm output to SCADA software (new, or program in PC)

Dissolved Oxygen/ORP

LDO probe output to blower controller, each aeration train (new)
LDO probe output to SCADA software, each aeration train (new)
ORP probe output to glycerin feed pump, each anoxic train (new)
ORP probe output to SCADA software, each anoxic train (new)

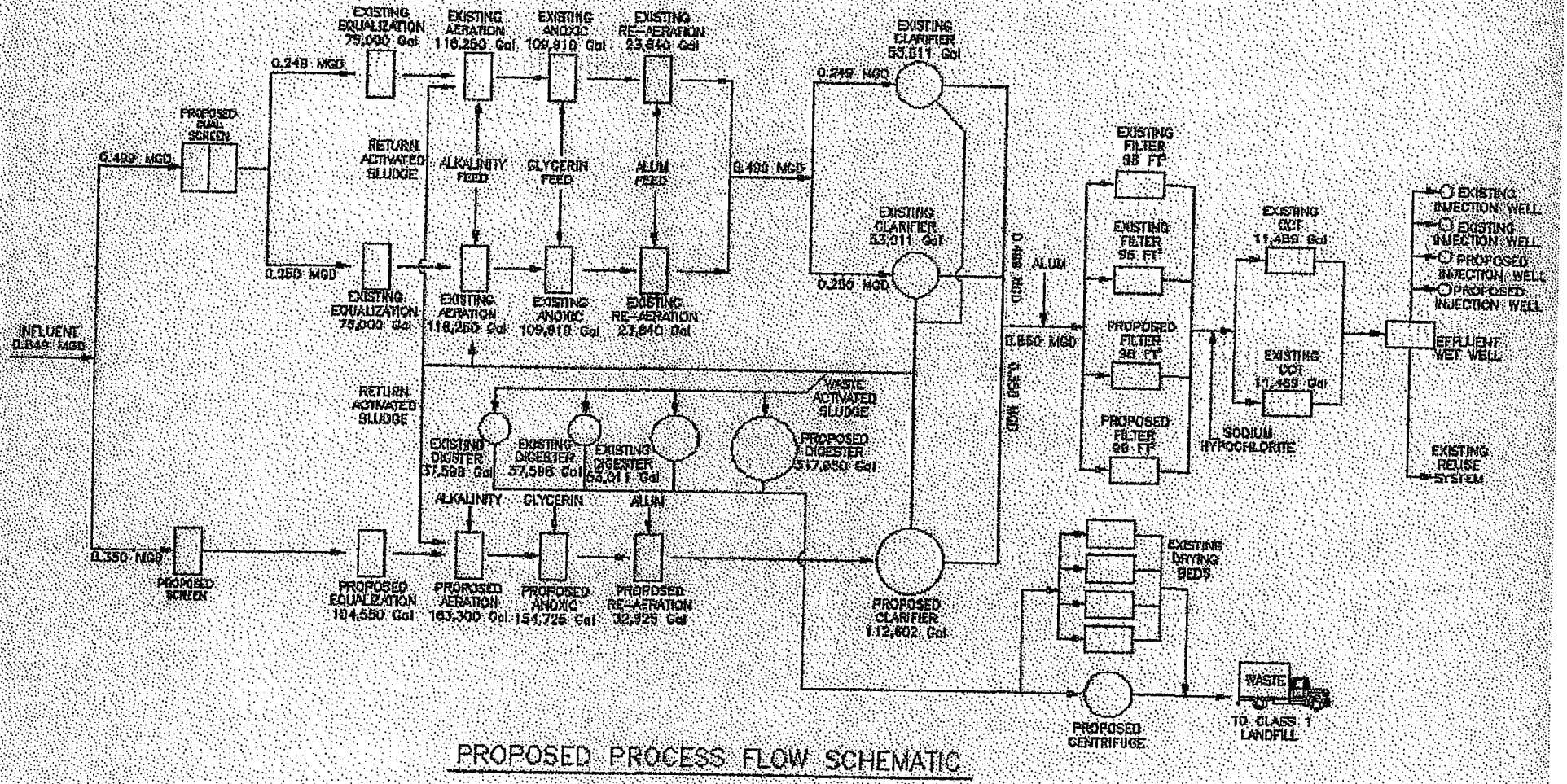
Tank Levels
Surge Tank Hi Level Alarm output to SCADA software, each train (new)
Aeration Tank Hi Level Alarm output to SCADA software, each train (Existing output to Chatterbox)
CCC Hi Level/Hi Flow Alarm output to SCADA software, each train (new)
Mud Well Hi Level Alarm output to SCADA software (Existing output to Chatterbox)
Filter Cells Hi Level Alarm output to SCADA software (new)
Influent Screening Hi Level Alarm output to SCADA software (new)

Vacuum Pump Station
All standard outputs and alarms to SCADA software (Existing output to Chatterbox)

Blower Proportional Controller
Input from LDO probes (new)
Programmable Hi and Low set-points, at Controller (new)
Programmable Hi and Low set-points and adjustable gain from SCADA software (new)
Hi and Low DO Alarm from Controller to SCADA software (new)
HOA and Alarm Acknowledge capabilities from SCADA software (new)

Liquid Chlorine Controller
Input from Flow Meters (new)
Programmable Hi and Low set-points, at controller (new)
Programmable Hi and Low set-points and adjustable gain, from SCADA software
Pump Feed Failure Alarm to SCADA software (new)
Hi and Low CL2 Alarm to SCADA software (new)
HOA control and Alarm Acknowledge capabilities from SCADA software (new)

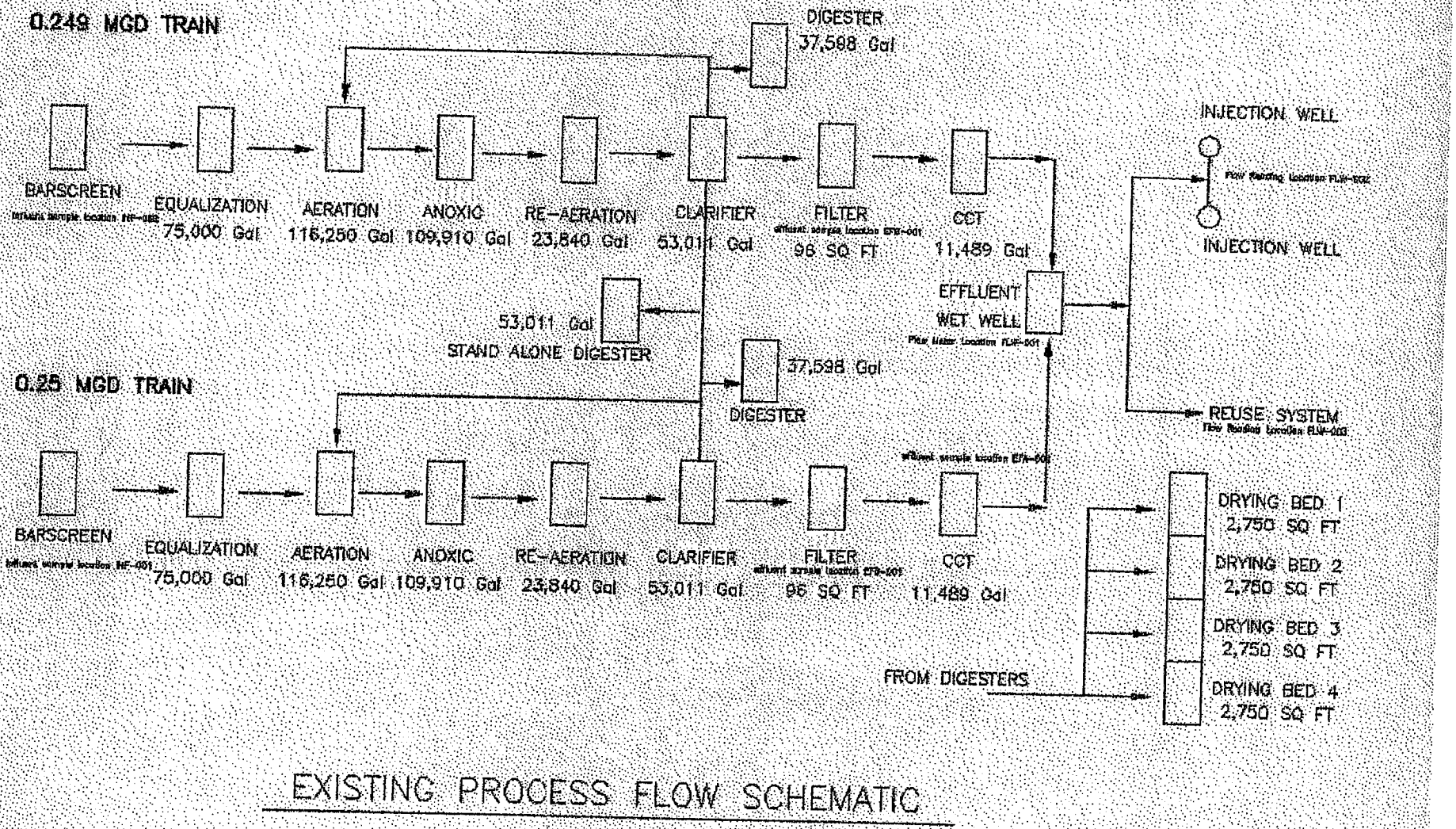
Figure 2: Proposed Process Flow Schematic



PROPOSED PROCESS FLOW SCHEMATIC

2-13

Figure 3: Existing Process Flow Schematic



EXISTING PROCESS FLOW SCHEMATIC

K W RESORT UTILITIES CORPORATION

0.849 MGD AWT EXTENDED AERATION PROCESS WWTP

UNIT PROCESS CALCULATIONS

I. PLANT FLOWS (HYDRAULIC LOADINGS)

Permitted Capacity 499,000 gpd {0.499 MGD}

Q_{AADF}	849,000 gpd	{design capacity, based on annual average daily flow}
Q_{MDF}	976,350 gpd	
Q_{PHF}	1,273,500 gpd	

II. ORGANIC LOADING

$CBOD_5$	250 mg/L
TN	40 mg/L
TP	8 mg/L

$CBOD_{AADF}$

(8.34lb/gal)(250 mg/L)(0.849 MGD) = 1,771 lb/day

$CBOD_{MDF}$

(8.34lb/gal)(250 mg/L)(0.97635 MGD) = 2,036 lb/day

$CBOD_{PHF}$

(8.34lb/gal)(250 mg/L)(1.2735 MGD) = 2,656 lb/day

TN_{AADF}

(8.34lb/gal)(40 mg/L)(0.849 MGD) = 284 lb/day

TN_{MDF}

(8.34lb/gal)(40 mg/L)(0.97635 MGD) = 326 lb/day

TN_{PHF}

(8.34lb/gal)(40 mg/L)(1.2735 MGD) = 425 lb/day

TP_{AADF}

(8.34lb/gal)(8 mg/L)(0.849 MGD) = 57 lb/day

TP_{MDF}

(8.34lb/gal)(8 mg/L)(0.97635 MGD) = 66 lb/day

TP_{PHF}

(8.34lb/gal)(8 mg/L)(1.2735 MGD) = 85 lb/day

III. SOLIDS LOADING

TSS 250 mg/L

TSS_{AADF}

(8.34lb/gal)(250 mg/L)(0.849 MGD) = 1,771 lb/day

TSS_{MDF}

(8.34lb/gal)(250 mg/L)(0.97635 MGD) = 2,036 lb/day

TSS_{PHF}

(8.34lb/gal)(250 mg/L)(1.2735 MGD) = 2,656 lb/da

IV. UNIT PROCESSES

Q_{AADF}	849,000 gpd	= 35,375 gallons per hour = 590gpm
Q_{MDF}	976,350 gpd	= 40,682 gallons per hour = 678gpm
Q_{PHF}	1,273,500 gpd	= 53,063 gallons per hour = 885gpm

A. AERATION BASIN DETENTION TIME = $\frac{V}{Q}$

Volume
Two existing tanks at 116,250 gal each, One proposed tank at 163,300 gal; Total = 395,800 gal

θ_{AADF} = 395,800 gallons/35,375 gph = 11.2 hrs
θ_{MDF} = 395,800 gallons/40,682 gph = 9.8 hrs
θ_{PHF} = 395,800 gallons/53,063 gph = 7.5 hrs

- Volumetric Loading

$$\frac{(1,771 \text{ lb/d } CBOD_5)(7.48 \text{ gal/ft}^3)(1000)}{395,800 \text{ gallons}} = 33.5 \text{ kg/m}^3 \cdot \text{day}$$

B. ANOXIC BASIN

Flow 849,000 gpd, annual average daily flow
Nitrogen Loading: 40 mg/l influent TN
Effluent Limit: 3 mg/L
[MLVSS] 2,625 mg/L
U_{DN} 0.05 lb NO_3-N/lb VSS · day {Metcalf & Eddy}
Required Volume $\frac{(\Delta TN)(1000000)}{(U_{DN})(MLVSS)(8.34)}$
= 37000000/0.05 * 2625 * 8.34 = 37000000/1094.6
=33,802 gallons will provide 1 hour detention time

To ensure adequate detention time, three anoxic basins, two existing with 109,910 gallons and one proposed with 154,725 gal shall be provided. The extra volume will result in an increase in the hydraulic detention time and the amount of endogenous carbon available for denitrification.

Detention Times:
θ_{AADF} =374,545 gallons/35,375 gph = 10.6 hrs.
θ_{MDF} = 374,545 gallons/40,682 gph = 9.2 hrs.
θ_{PHF} = 374,545 gallons/53,063gph = 7.1 hrs.

C. REAERATION BASIN

Flow 849,000gpd AADF
Size Two existing at 23,840 gal each, One proposed at 32,525 gal; Total = 80,205 gal

Detention times
θ_{AADF} = 80,205 gallons/35,375gph =2.3 hrs.
θ_{MDF} = 80,205 gallons/40,682 gph= 2.0 hrs.

θ_{PHF} = 80,205 gallons/53,063 gph = 1.5 hrs.

D. RETURN ACTIVATED SLUDGE (RAS)

Required: 0.5 to 1.5 times the maximum flow
Q_{PHF} = 1,273,500 gpd = 885 gpm
0.5 x 885 gpm = 442.5 gpm
1.5 x 885 gpm = 1,327.5 gpm

E. CLARIFIERS (calculations based on three clarifiers)

Volume of clarifiers: Two existing at 53,011 gal each, One proposed at 112,602 gal; Total = 218,624 gal

1. Detention Time:

θ_{AADF} = 218,624 gallons/35,375 gph = 6.2 hrs.
θ_{MDF} = 218,624 gallons/40,682 gph = 5.4 hrs.
θ_{PHF} = 218,624 gallons/53,063 gph = 4.2 hrs.

2. Hydraulic loading (at PHF)
Total Clarifier surface area = $(\pi \times 13^2)(2) + (\pi \times 16.75^2)$ = 1,943.3 ft^2
SL_{HYD} = 1,273,500 gpd/1,943.3 ft^2
= 655 gpd/ft^2
655 < 1000 gpd/ft^2 (per "Ten State Standards")

3. Weir Loading (at PHF)
Weir length = (2 x πx 13')(2) + (2 x π x 16.75') = 268.6 ft
Weir Overflow Rate: 1,273,500 gpd/268.6 ft = 3,160.8gpd/ft

4,741 < 10,000 gpd/ft (per "Ten State Standards")

4. Solids Removal*
TSS_{INF} = 250 mg/L
Facility treatment efficiency is 92%-95%.
after 95% removal = 12.5 mg/L
after 92% removal = 20 mg/L

*5 mg/L is required for AWT treatment, filtration is provided as required

F. FILTERS

Filter area = 384 ft^2, 96 ft^2 each
Q_{PHF} = 1,273,500 gpd = 885 gpm
All 4 Filters: 885 gpm/384 ft^2 = 2.3 gpm/ft^2
3 Filters: 885 gpm/288 ft^2 = 3.1 gpm/ft^2

Maximum Filtration Rate = 5 gpm/ft^2 min (from Metcalf & Eddy chart on p. 676)

G. DISINFECTION (calculations based on four chlorine contact chambers in two basins)

The Chlorine Contact Chamber is required to provide a minimum contact period of 15 minutes at design peak hourly flow or the maximum pumping rate. The facility has flow equalization, which will result in using a peaking factor of 1.5 instead of 4.

Detention time = V/Q

Volume = 11,489 gal per basin, 5,745 gal per chamber, 22,978 gal total
Flow = Q_{PHF} = 1,273,500 gpd or 885 gpm or 53,063 gph
Θ = V/Q Θ = 0.25 hr,
$V_{REQUIRED}$ = (0.25 hr)(53,063 gph) = 13,266 gal
22,978 gal > 13,266 gal therefore size is Adequate

@ 75% Operation (1 of 4 chambers off line) = 17,234 gal > 13,266 gal

22,978 gal/53,063 gph = 26 min. detention time with all 4 in service.

17,234 gal/53,063 gph = 19.5 min. detention time with 3 of 4 in service.

H. SODIUM HYPOCHLORITE SYSTEM

1 pound per day (ppd) chlorine gas = 1 gpd of 12.5% Trade NaOCl

Min. Total Residual Chlorine (TRC) = 1.0 mg/L

Avg. chlorine ppd in recent years (based on 0.343 MGD Flow) = 38.8 ppd

Cl_2 Dosage = (38.8 ppd)/((8.34 lb/day)(.343 MGD)) = 14 mg/L

Cl_2 Dosage rate, in ppd for design flow = (.849MGD)(8.34lb/gal)(14mg/L) = 99.2 ppd

Gallons of 12.5% NaOCl needed per day = (99.2 ppd Cl_2)(1 gpd 12.5% NaOCl/ 1 ppd Cl_2)
= 99.2 gal/day

With 1.5 safety factor = (99.2 gal/day)(1.5) = **148.8 gal/day**

Min. Tank size needed: (148.8 gal/day)(15** days) = 2,500 gal

Tank will be opaque for UV protection and rated for exterior use

* Dosage rate based on average feed rate of chlorine gas needed to satisfy chlorine demand and maintain desired TRC.

** Due to short shelf life of the sodium hypochlorite solution, a tank that allows for only 15 days of storage will be used instead of 30 days to prevent degradation of the sodium hypochlorite solution.

I. PHOSPHORUS REMOVAL

ALUM	$Al_2(SO_4)_3 + 18H_2O$
ALUM STRENGTH	48.5 %
DENSITY OF ALUM SOL'N	11.2 lb/gal
MOLECULAR WT. OF ALUM	594.0
MOLECULAR WT. OF ALUMINUM	26.98
MOLECULAR WEIGHT OF P	30.97

STEP 1 WEIGHT OF ALUMINUM REQUIRED PER UNIT OF PHOSPHORUS

A. THEORETICAL DOSAGE 1 MOLE AL PER 1 MOLE P
ALUMINUM REQUIRED = (MW AL/MW P)
= (26.98/30.97)
= 0.87 lb AL/lb P

STEP 2 WEIGHT OF ALUMINUM AVAILABLE PER GALLON OF ALUM

A. Weight of alum per gallon of solution
= 0.485 X 11.2 lb/gal = **5.43 lb/gal**

B. Weight of Aluminum per gallon
= 5.43 lb/gal * (2 * 26.98/594.0) = **0.493 lb/gal**

STEP 3 POUNDS OF P IN INFLUENT
= mg/L P *FLOW, MGD * 8.34
= 8*0.849*8.34
= 56.6 lbs influent phosphorus

STEP 4 AMOUNT OF ALUM SOLUTION REQUIRED PER LB OF PHOSPHORUS

Alum Dosage = (0.87 lb AL/lb P) * (1 GAL ALUM SOL/0.493 lb AL)
= 1.76 GAL ALUM SOLUTION/lb P
= 1.76*28.3 lb
= 49.8 gallons of alum solution required for 0.849 MGD facility capacity

Since significant biological uptake of phosphorus occurs in the activated sludge process, the clarifier influent will have significantly less than the 8 mg/l used in the dosing calulations, providing a safety factor in the designed dosing rate.

Min. tank size needed: (49.8 gal/day) (30 days) = 1,494 gal tank

Tank will be opaque for UV protection and rated for exterior use

J. GLYCERIN

Solution used will be 70% Glycerin as provided by manufacturer

Glycerin BOD: 870,000 mg/L

7 lb BOD = 1 gal Glycerin

Dissolved Oxygen (D.O.) going into anoxic zone = 2 mg/L

Influent NH_4 = 40 mg/L

NH_4 to NO_3 = (62/17)(40 mg/l) = 146 mg/L NO_3

Oxygen present = (((16*3)/(62))(146 mg/L)+2)(8.34 lb/gal)(0.849MGD) = 814 lbs/day

Glycerin solution needed per day: (814 lb D.O.)/(7 lb/gal glycerin) = **116.3 gal/day***

Min. tank size needed: (116.3 gal/day)*(15 days) = 1744.50 gal

* There is no safety factor being used for glycerin need because the tanks have been oversized to allow for endogenous decay which provides an additional carbon source.

K. ALKALINITY DOSING

Strength	50%
Density of Solution	12.76 lb/gallon
Molecular Weight NaOH	39.997
Molecular Weight Na	22.98
Molecular Weight OH	17.00

Weight of NaOH = 0.5x12.76 lb/gal
= 6.38 lbs lb/gal

OH per gallon 6.38 x (17.00/39.997)
= 2.71 lbs

Pounds of NH_4 per day (40 mg/L)(8.34 lb/gal)(0.849MGD)
= 283 lbs

Pounds of $CaCO_3$ needed per day (283lbs)(7.07 lbs $CaCO_3$/ lb NH_4)
= 2,001 lbs

Pounds of H_2O per day (120 mg/L)(8.34 lb/gal)(0.849 MGD)
= 850 lbs

Pounds of $CaCO_3$ added per day = 2001-850 = 1,151 lbs

Milliequivalent weights of $CaCO_3$: 50 mg/meq
NaOH: 40 mg/meq

Pounds of NaOH per day = (40/50)(1,151 lbs) = **921 lbs**

During nitrification/denitrification in aeration basins there is release of some alkalinity so no safety factor will be used

Min. tank size needed: ((921 lbs*2)/(12.76 lb/gal))*30 days = 4,331 gal

Tank will be opaque for UV protection and rated for exterior use

The theoretical dose is 1 mole NaOH per 1 mg/L alkalinity. The above calculations are based on assumptions regarding the alkalinity concentration needed and may change accordingly. All chemical feed pumps will be sized to accommodate any variables encountered.

2.04 Original Cost Less Depreciation

Original Cost Less Depreciation (OCLD) is not FMV. The OCLD of the net plant in service as of December 31, 2013 is $11,979,838 (see page 18 of 18 of utility plant in service-restated-Order No. PSC-09-0057-FOF-SU). The Monroe County CIAC as of 2004 was $4,606,000. The weighted average service life is 45 years for the CIAC. The OCLD of that CIAC is $3,582,444. The facilities are owned and operated by KWRU. The original cost for the utility began in 1985 and the majority of the existing assets were built originally in the following three time periods; 1986, 1996-99 and 2002-2008.

Section 3

SECTION 3
VALUATION METHODS

3.1 GENERAL

The objective of this Report is to determine the fair market value of the Utility. Fair market value assumes that both the buyer and the seller are aware of all relevant information and that neither party is under the compulsion to act. The method utilized herein to provide a basis for an opinion of value considering the three approaches consisting of:

i. the cost approach;
ii. the income approach; and
iii. the comparable sales approach.

These approaches analyze various aspects of the utility system, including the physical conditions of the existing utility system, the cash flows anticipated to be generated by the utility system in the future, and finally, the transaction factors related to the acquisition of similar systems in the past. Even though none of these methods may be considered ideal on a stand-alone basis, since each evaluated a particular facet of the utility system, the consideration and relative weighting of all three provides valuable input when considering other factors and the use of judgment in determining the value of the Utility. The remainder of this section provides a general description of the valuation approaches considered for the Report.

3.2 COST APPROACH

Replacement cost new less depreciation (RCNLD) is a cost approach method selected for this report that is commonly utilized in the determination of value in utilities and has been an accepted method in litigation cases involving the acquisition of utilities throughout the United States. The primary reason for this is the fact that most utilities are comprised of complex treatment, pumping, and piping networks which all have various services lives and different years of installation. In order to address these technically complex facilities, the RCNLD method has been developed.

There is a difference between the reproduction cost and replacement cost of utility assets. The reproduction cost is a duplication of exactly the same facilities. In contrast, the replacement cost is the provision of facilities that would be available today with their improved efficiencies and more effective cost utilizing the commercially available materials, equipment, etc. complete as one single project and obtaining the economy of scale thereof. The replacement cost method assumes that the most economical sequence of construction is utilized. This means that the cost of restoration, impacts of conflicts, etc. are not included. In addition, only one (1) start

up and shut down cost is included. Similarly, any premiums or overtime costs or special procurement mobilization/demobilization costs are not included other than for the single large economic construction project. The replacement cost approach excludes excess capital, as delineated above, which an investor would normally not pay for in the existing facilities. Rather, the approach is based upon the theory of the substitution and the prevailing market concept that no investor would pay more than the cost to replace the same system with the same characteristics in the most efficient manner.

There are three (3) components to the overall depreciation taken in this approach. The first component of depreciation, and the first to be applied, is the physical depreciation of the property. The second level is the functional obsolescence of the existing property and is deducted from the replacement cost new less physical depreciation. The functional obsolescence is associated with the facilities themselves and is inherent to the Utility itself being derived from construction, configuration, operations, management, and administration. The final component of depreciation in the method is for external obsolescence. External obsolescence accrues from all outside factors impacting the Utility. The impact of regulation, customer acceptance, historical rate and charge regulation or lack thereof, the ability to generate excess revenues sufficient to support the system, development conditions, and many other factors external to the system itself.

The RCNLD analysis is based upon the following assumptions:

1. All Utility physical assets are designed, permitted and constructed in one continuous effort.

2. The construction activities are assumed to follow the same historical sequence as that followed in the service area. For example, gravity collection mains, force mains and manholes were assumed to be constructed before or simultaneously with the roads and driveways. The vacuum system is as constructed.

3. The engagement of general contractors, acting for the Utility and under its supervision, utilizing current construction practices and procedures to replace the property in such a manner so as to achieve all efficiencies that these procedures and practices would allow.

4. The replacement unit prices from recent sources are adjusted based on the appropriate index.

5. The replacement unit prices include the costs of all labor, material, and equipment directly related to specific items.

6. The replacement cost includes the cost associated with overhead and engineering fees incurred throughout the course of the project. These costs

are presented as a percentage of the total construction costs of the replaced facilities and depreciated in the replacement cost analysis.

3.2.1 Depreciation Analysis

Depreciation is defined basically as the loss of value or worth of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence. These causes and their effects are usually unique to each utility.

3.2.1.1 Average Service Life (ASL) Schedule

The appropriate ASL schedule for valuation of any utility should consider manufacturers' anticipated service lives, maintenance of facilities, service lives of like components and the utility system as determined by field inspections. This information is utilized to obtain the ASL for the Utility assets under normal service, including proper maintenance and repair. HC has incorporated ASLs being used by representatives of the wastewater industry in this appraisal. The ASLs utilized in the replacement cost approach are shown in **Table 4-3** located in **Section 4.**

The effects of both the level of maintenance performed on the Utility and the deficiencies of the Utility on the value of the assets are addressed later in this analysis. These effects are determined based on inspection, evaluation, and analyses of the Utility assets which provide specific functions for the Utility. The impacts from lack of maintenance and observed deficiencies are then applied in the replacement cost analysis.

3.2.2 Cost Determination

Complete Construction costs are used in the determination of the estimated cost-new valuation.

3.2.3 Indirect Cost Components and Percentages

The cost approach includes the costs associated with overhead incurred throughout the course of construction. These costs are presented as a percentage of the total construction costs of the replaced facilities. Engineering and other costs are depreciated, as they are associated with the assets in the replacement cost analysis.

3.3 INCOME APPROACH

The income approach values a utility based on the present value of the available cash flows anticipated to be generated in the future. The theory behind this particular approach is based upon the concept of converting the anticipated financial benefits of ownership in the future to an estimate of the present value in today's environment. Depending upon the circumstances surrounding each acquisition, the income stream may be based on the net operating revenues derived from existing and future growth as well as the value of capital contributions received from new system growth in the future.

Utilizing this approach, the net income for the utility is projected over a specific timeframe and subsequently expressed in terms of its value today based upon the use of an appropriate present value or discount factor. In order to reflect future financial and operational conditions as accurately as possible, this approach relies heavily on past and present financial data such as that found in audited financial statements and financial reports. The projection of net income is available over the specified time period, which has been determined to be 36 years. It is anticipated that certain pipe and property would exceed 36 years in future life; while equipment, instrumentation, meters, etc. would have to be replaced well before a thirty six (36) year period. For the purposes of this report, a 30 year period plus reversion is used. Note that renewals and replacements (R & R) and a recovery of maintenance costs are provided in the rate revenue. Finally, any other adjustments, which may be appropriate, are made based on the circumstances surrounding the particular acquisition.

In general, the development of an income approach would involve the following steps and decisions:

1. Determine the appropriate term to use for the projection period. Based on the individual circumstances, this period may change from acquisition to acquisition. For example, the anticipated remaining useful life of the physical assets may be used if adequate information exists for this determination.

2. Review relevant past and present financial and operating data available for the utility as it exists today. This will include sources of operating and capital revenues and expenses; transfers; depreciation (if appropriate); personnel and associated costs; historical customer growth and usage patterns; known and anticipated changes in future customer statistics; and similar factors.

3. Develop a customer and usage forecast corresponding to the projection period chosen based on the review of past and present actual financial data and any known or anticipated changes in the future.

4. Develop a schedule of revenues and expenses for the projection period based on the customer forecast and current financial statistics of the system while reflecting applicable adjustment thereto pursuant to the ownership assumed in the analysis. In projecting the revenues and expenses, other adjustments may be necessary based on the assumptions inherent in the particular analysis.

5. Determine any appropriate capital contributions and/or capital expenditures which may be necessary as a result of new customer growth or capital improvement needs in the future. This facet of the cash flow analysis will depend on factors such as the remaining capacity in the existing system and the assumed customer forecast. Based on such assumptions, the inclusion of capital revenues and/or capital expenditures in the present value analysis may be appropriate. Such capital revenues are only collected up to the full utilization of existing capacity, no system expansion beyond the 850,000 gpd AWT WWTP capacity are provided.

6. Determine the applicable present value discount factor to be utilized in the analysis. This factor will vary depending on the ownership assumed in the future. For example, under non-for-profit ownership, the current interest rate on long-term tax free revenue bonds may serve as the basis for the discount rate.

7. Apply the present value discount factor to the anticipated cash flows for the projection period.

8. Make any other appropriate adjustments which may be necessary.

For this particular valuation, there are factors which nullify the importance of the income approach in the opinion of value. The income approach is further discussed in **Section 5**.

3.4 COMPARABLE SALES AND COMPARABLE PROJECTS DEPRECIATED APPROACH

The comparable sales approach to utility valuation assumes that knowledgeable buyers and sellers of water, wastewater and reclaimed utilities generally know the "Market" for such utility systems. The purpose of this market approach is to examine the history of water, wastewater and reclaimed utility acquisitions, and to analyze the conditions under which the systems were acquired in an effort to arrive at an implied purchase price for the subject system. Research has been conducted in order to gather a database of information regarding utility acquisitions. In order to compare the different transactions, various financial, technical, legal, and customer service information was analyzed and adjusted. Moreover, discussions with the negotiators, buyers, and sellers are useful and informative to the analyses.

Since recent Air Vac collection systems have been installed in the Florida Keys in Islamorada, Cudjoe Key and other areas. Such costs were reviewed and depreciated as a comparison. This serves as a check to the replacement cost new plan take-offs and contractor estimates. Both would then be depreciated and adjusted the same to render a second check of the cost approach and what the market has paid for similar facilities.

3.5 SUMMARY

In order to determine the fair market value for the Utility to be acquired, this Report considers three valuation approaches. The three valuation approaches include the; 1) cost approach; 2) income approach (not used) and 3) comparable sales approach (modified as stated above). Each approach is independent and results in a separate and distinct finding. Such findings are subsequently weighted and considered together with other factors to formulate an opinion of value for the Utility. The resulting opinion of value is based upon the foregoing findings as well as professional experience utilizing the extraordinary assumptions and hypothetical conditions as stated herein.

Section 4

SECTION 4
COST APPROACH

4.1 INTRODUCTION

This section of the Report presents the Cost Approach for the Utility property that are providing wastewater services for the KWRU customers. The methodology selected for use in the Cost Approach valuation of the above Utility is replacement cost new less depreciation ("RCNLD"). This method is commonly utilized in the determination of value of public utilities and has been an accepted method with regard to value for several court cases involving the acquisition of utilities throughout the United States. The primary reason for using the RCNLD method is the fact that most utilities are comprised of complex treatment, pumping, and piping networks with various service lives and years of installation. In order to address these technically complex facilities, the RCNLD method has been chosen for the Cost Approach for valuation.

4.2 REPLACEMENT COST DETERMINATION

The replacement cost of this special purpose property to be in place and in-service is determined by calculating the construction cost of the same, equivalent or like-kind new facilities which the marketplace would install and deducting the various forms of depreciation. The determination of replacement assumes that replacing the Utility is one (1) large project with inherent economies of scale which are represented in the determination of replacement costs. The replacement costs used are derived from a variety of sources. These sources include:

a. Actual construction costs of projects from HC research;
b. Calls to contractors for estimates of prices, including those direct cost components which are generally described in **Table 4-1** herein;
c. Calls to manufacturers for material prices as well as for their experiences associated with the installation of their equipment;
d. Bill of sales where applicable;
e. Utilization of various construction cost estimating manuals such as the RS Means Cost Data ("RS Means") and/or the Engineering News Record ("ENR") Cost Indices/Information for various components; and
f. Utilizing capacity ratios as necessary to interpolate to a needed equivalent facility from two (2) comparable bids of slightly differing size.

Table 4-1
Direct Cost Components Included in Unit Prices

Item No.	Description
1	Replacement Cost of the Item
2	Sales Taxes, as Applicable
3	Freight
4	Rigging and Moving, as Applicable
5	General Electrical Item Related
6	Item Foundation or Fixture
7	Item Piping Connection to Value of Plant Piping, as Applicable
8	Debugging, as Applicable
9	Item Operation and Maintenance (O&M) Manual
10	Start-Up
11	Labor and Cost for Construction
12	Equipment/Machinery/Tools/Specials Necessary for Installation

Data obtained from the above sources has been summarized and included within the analyses provided. Additionally, construction work in progress is not valued and is considered as part of the standard terms and conditions of a utility transaction.

The American Society of Appraisers ("ASA"), in their Principals of Valuation courses involving the machinery and technical specialties which include the specific provision for public utilities, have developed valuation guidelines. Through their courses title ME 201, 202, 203, and 204 for machinery and equipment valuation, the methodology is summarized. These guidelines provide for the rounding of valuation amounts. This report is compliant with the Uniform Standards of Professional Appraisal Practice, 2014-2015 Edition. The rounding pursuant to ASA guidelines are shown in **Table 4-2,** below.

Table 4-2
Rounding of Valuation Amounts

Amount Determined	Rounded to Nearest (1)
0-$2,000	$10
$2,001-$20,000	$100
$20,001-$500,000	$1,000
$500,001-$10,000,000	$10,000
Over $10,000,000	$100,000

Source: ASA guidelines

4.2.1 INDIRECT COST COMPONENTS

The indirect cost components included in this analysis are legal costs; insurance costs and other related insurance items; licenses, permits, and fees; technical services; financing; and complete overhead costs. **Table 4-3** below presents these costs as a percentage of the asset. This is customary and typical for the industry. Note that the ASCE Manual of Practice No. 45 and the Florida Institute of Consulting Engineering curves are utilized for the technical service aspects. Also note that it is assumed that the construction period for this project would be 18 months using a 50% convention and a developer's 4.5% interest rate on financing provided for a calculated value of 3.4% of costs. WEC, HC and KWRU have costs, which are typical for a utility system of this kind. Those costs involve the administration, owner's overhead and planning costs associated with the owner's activities. This percentage has been taken at 3.5%. The total indirect cost for the project has been determined at 21.7%.

Table 4-3
Indirect Cost Components and Percentages

Description	Percentage (1)
Legal	1.0%
Insurances, etc.	0.5%
Licenses, Permits, and Fees	1.0%
Accounting	0.5%
Engineering & Surveying, Procurement, Monthly Pay Requests, Construction Management and Record Drawings	8.9% (2)
Testing, Technical Services, O&M Manual, Start-Up and Certification	2.9% (2)
Financing (18 months – 50% convention)	3.4% (3)
Administration, Overhead, Planning, Owner's Rep., etc.	3.5% (4)
Total	21.7%

Notes: (1) Otherwise stated from market review of total project costs without premiums or interveners or special services.
(2) ASCE MOP 45 and FICE curves.
(3) Assumes financing @ 4.5%
(4) Administration as part-time @ 1.0%, Owner's Overhead @ 1.0%, Planning @ 0.5%, and Rep. @ 1.0%.

4.3 RECOMMENDED DEPRECIATION SCHEDULE

Each Utility component has been assigned an average service life. HC's professional staff has performed numerous property studies including surveys of Florida utilities, analysis of Public Service Commission regulated utilities, specific surveys and reports for utility systems, as well as utilizing the available information on

depreciation of public utility property specific to the design specification delineated within this section. HC has used the information compiled and their professional experience and judgement to assign appropriate average services lives.

Table 4-4 summarized utility system component average service life ("ASL") for each of the various categories of property utilized in this appraisal for physical depreciation. The depreciation has been taken on a straight-line basis utilizing the components and the average service lives shown on **Table 4-4.**

Table 4-4
Water and Wastewater System Component
Average Service Life (ASL)

Category	ASL
Raw Wastewater Force or Vacuum Mains	75 Years
Vacuum Pit	30 Years
Vacuum Station (WWTP)	60 Years
Services	60 Years
Gravity Sewers	75 Years
Manholes	60 Years
Lift Stations	50 Years
Wastewater Treatment Plant (Structure & Improvements)	50 Years
Pumping Equipment	20 Years
Treatment Equipment	40 Years
Tanks / Reservoirs	60 Years
Chemical Tanks	40 Years
Electrical Equipment	30 Years
Master Meter	15 Years
Valves	75 Years
Disinfection Equipment	20 Years
Site Work	50 Years
Land	ACKW / N/A
Easements	ACKW / N/A
Inventory / Consumables	At Cost
Equipment, Tools & Portable Items	15 Years Composite

4.4 ESCALATION INDICES

The escalation indices used in this Report are applied when trending capital costs – the Engineering News Record Construction Cost Index, sales operations – the FPSC Price Deflation and CPI and as the risk free rate portion of the discount factor build-up method. **Table 4-5** presents a summary of these indices.

Table 4--5

Escalation Indices

Year	FPSC Annual Commission-Apprvd Index of Regulated Water & WW Utilities	U.S. Dept. of Labor Bureau of Labor Stats - Customer Price Index - Avg. All Urban Consumers (CPI-U) US		Engineering News Record Construction Cost Index		Risk Free Rate as calculated from Daily U.S. Treasury Yield Curve Rates	
	FPSC Price Deflator	CPI-U		ENR CCI		Ann. Avg Risk Free Rate	
		Index	% Chg.	Index	% Chg.	%	Chg.
		90.9		3,535			
1982	9.02%	96.5	6.13%	3,825	8.20%		
1983	5.99%	99.6	3.21%	4,066	6.30%		
1984	4.25%	103.9	4.30%	4,146	1.97%		
1985	3.76%	107.6	3.55%	4,195	1.18%		
1986	3.33%	109.6	1.90%	4,295	2.38%		
1987	2.69%	113.6	3.66%	4,406	2.58%		
1988	2.89%	118.3	4.08%	4,519	2.56%		
1989	4.35%	124.0	4.83%	4,615	2.12%		
1990	4.12%	130.7	5.40%	4,732	2.54%	8.61%	
1991	4.12%	136.2	4.23%	4,835	2.18%	8.14%	-0.47%
1992	3.63%	140.3	3.03%	4,985	3.10%	7.67%	-0.47%
1993	3.33%	144.5	2.95%	5,210	4.51%	6.59%	-1.07%
1994	2.56%	148.2	2.61%	5,408	3.80%	7.37%	0.78%
1995	1.95%	152.4	2.81%	5,471	1.16%	6.88%	-0.49%
1996	2.49%	156.9	2.93%	5,620	2.72%	6.71%	-0.17%
1997	2.13%	160.5	2.34%	5,826	3.67%	6.61%	-0.10%
1998	2.10%	163.0	1.55%	5,920	1.61%	5.58%	-1.03%
1999	1.21%	166.6	2.19%	6,059	2.35%	5.87%	0.30%
2000	1.36%	172.2	3.38%	6,221	2.67%	5.94%	0.07%
2001	2.50%	177.1	2.83%	6,343	1.96%	5.49%	-0.45%
2002	2.33%	179.9	1.59%	6,538	3.07%	5.40%	-0.09%
2003	1.31%	184.0	2.27%	6,694	2.39%	4.96%	-0.44%
2004	1.60%	188.9	2.68%	7,115	6.29%	5.04%	0.09%
2005	2.17%	195.3	3.39%	7,446	4.65%	4.64%	-0.40%
2006	2.74%	201.6	3.23%	7,751	4.10%	4.89%	0.24%
2007	3.09%	207.3	2.85%	7,966	2.77%	4.84%	-0.05%
2008	2.39%	215.3	3.84%	8,310	4.32%	4.28%	-0.56%
2009	2.55%	214.5	-0.36%	8,570	3.13%	4.08%	-0.20%
2010	0.56%	218.1	1.64%	8,802	2.71%	4.25%	0.17%
2011	1.18%	224.9	3.16%	9,066	2.99%	3.91%	-0.34%
2012	2.41%	229.6	2.07%	9,313	2.73%	2.92%	-0.99%
2013	1.63%	233.0	1.46%	9,546	2.50%	3.45%	0.52%
2014	1.41%	235.0	0.88%	9,699	1.61%	3.66%	0.21%
30-Yr Avg	2.46%		2.88%		2.89%		
20-Yr Avg	**1.96%**		**2.42%**		**3.08%**	**5.16%**	
10-Yr Avg	2.01%		2.40%		3.62%	4.23%	
5-Yr Avg	1.44%		1.60%		2.81%	3.72%	
1-Yr Avg						3.66%	
	(Estab. Jan 27, 2014)	(through Mar 2014)		(through Apr 2014)		through 4/22/14	
	(Upd. Apr 23, 2014)	(Upd. Apr 23, 2014)		(Upd. Apr 23, 2014)		(Upd. Apr 23, 2014)	

4.5 REPLACEMENT COST NEW LESS PHYSICAL DEPRECIATION (RCNLPD) BASED UPON UTILITY PLANT IN SERVICE

One method of attaining the RCNLPD is through a trending methodology. The other method is a construction cost estimating exercise for the existing assets.

Appendix F presents the NARUC Utility Plant in Service (UPIS) listing for KWRU.

Table 4-6 presents the Tangible Personal Property (TPP) trended and physically depreciated only. Note that intangible property and real property are not included in the table.

Table 4-6
RCNLPD Based Upon UPIS
(Tangible Personal Property Only)

Description	Yr (1)	OC (2)	Esc. (3)	RCN (4)	ASL (5)	PD% (6)	RCNLPD (7)
Structures	1985	82,300	2.31	190,100	50	58	79,800
Furniture	1985	2,500	2.31	-	15	-	300
Misc. Equipment	1985	44,200	2.31	-	15	-	4,400
Pumps	1985	163,100	2.31	-	20	-	16,300
Force Mains [28]	1986	385,100	2.26	870,300	75	37	548,300
Gravity	1986	228,800	2.26	517,100	75	37	325,800
Reuse Pond	1986	525,000	2.26	1,187,000	60	47	629,100
Force Mains [24]	1990	76,100	2.05	156,000	75	32	106,100
Gravity	1990	38,000	2.05	77,900	75	32	53,000
Plant	1990	38,000	2.05	77,900	50	48	40,500
Force Mains [22]	1992	39,600	1.95	77,200	75	29	54,800
Force Mains [21]	1993	404,100	1.86	752,300	75	28	541,700
Force Mains [20]	1994	129,900	1.79	232,500	75	27	146,500
Force Mains [18]	1996	23,700	1.73	41,000	75	24	31,200
Force Mains [16]	1998	21,800	1.64	35,800	75	21	28,300
Gravity [20] (1994)	1990-8	475,000	1.79	851,900	75	27	621,900
Services [22] (1992)	1985-99	448,000	1.95	873,600	60	37	550,400
Plant Expansion	1996	150,500	1.73	260,400	50	24	197,900
Plant [17]	1997	849,500	1.66	1,414,200	50	34	933,400
Plant [14]	2000	30,400	1.56	47,400	50	28	34,200
Force Mains [13]	2001	68,200	1.53	104,400	75	17	86,700
Office Str. [12]	2002	44,500	1.48	65,900	30	40	39,500
Force Mains [12]	2002	227,600	1.48	336,900	75	16	283,000
Gravity [12]	2002	2,500	1.48	3,700	75	16	3,100
Reuse FM [12]	2002	165,200	1.48	244,500	75	16	205,400
Furniture Misc. Eq. [12]	2002	10,600	1.48	15,700	15	80	3,100
CIAC [12]	2002	213,000	1.48	315,200	75	16	264,800
Electrical/Etc. [11]	2003	53,500	1.45	77,600	30	37	48,900
Vacuum Sta. Str.	2003	378,000	1.45	548,100	50	22	427,500
Str. Other	2003	6,100	1.45	8,800	50	22	6,900
Gen. Imp.	2003	4,900	1.45	7,100	30	37	4,500
10" Vacuum Main	2003	1,243,100	1.45	1,802,500	75	15	1,532,100

8" Vacuum Main	2003	395,400	1.45	573,300	75	15	487,300
6" Vacuum Main	2003	437,300	1.45	634,000	75	15	539,000
4" Vacuum Main	2003	64,900	1.45	94,100	75	15	80,000
Vac. Main App.	2003	147,000	1.45	213,200	75	15	181,200
Gravity Sewers	2003	185,600	1.45	269,100	75	15	228,700
Type A Vac. Pit	2003	316,300	1.45	458,600	30	37	288,900
Type B Vac. Pit	2003	256,100	1.45	371,300	30	37	233,900
Type C Vac. Pit	2003	252,200	1.45	365,700	30	37	230,400
Reuse Pump St.	2003	44,000	1.45	63,800	40	28	45,900
Pumps	2003	5,500	1.45	8,000	20	55	3,600
Pumps	2003	7,300	1.45	10,600	20	55	4,800
Reclaimed Mn 8"	2003	70,400	1.45	102,100	75	15	86,800
Plant Equipment	2003	822,100	1.45	1,192,000	40	28	858,200
Vac. Stat. FM	2003	1,700	1.45	2,500	75	15	2,100
Software, etc.	2003	5,200	1.45	7,500	15	73	2,000
Gravity Sewers [10]	2004	85,600	1.36	116,400	75	13	101,300
Services	2004	118,000	1.36	160,500	60	17	133,200
Reuse Panel	2004	3,200	1.36	4,400	30	33	2,900
Pump	2004	2,600	1.36	3,500	20	50	1,800
Emer. Rec.	2004	1,400	1.36	1,900	30	33	1,300
Plant Skim	2004	21,200	1.36	28,800	40	25	21,600
Plant [9]	2005	1,200	1.3	1,600	50	18	1,300
Collection	2005	134,200	1.3	174,500	75	12	153,600
Services	2005	65,800	1.3	85,500	60	15	72,700
Pumps	2005	19,300	1.3	25,100	20	45	13,800
Plant	2005	10,800	1.3	14,000	40	23	10,800
Pumps	2005	5,900	1.3	7,700	20	45	4,200
Generator [8]	2006	109,300	1.25	136,600	30	27	99,700
Sewers	2006	368,100	1.25	460,100	75	11	409,500
Services	2006	142,100	1.25	177,600	60	13	154,500
Pump	2006	5,300	1.25	6,600	20	40	4,000
Reuse Tm.	2006	13,800	1.25	17,300	75	11	15,400
Pump	2006	7,900	1.25	9,900	20	40	5,900
Plant	2006	40,200	1.25	50,300	50	16	42,300
Pipe	2006	21,300	1.25	26,600	75	11	23,700
Additions Stn. [7]	2007	12,000	1.22	14,600	50	14	12,600
Gravity SWR	2007	44,100	1.22	53,800	75	9	49,000
Services	2007	123,200	1.22	150,300	60	12	132,300
Pumps	2007	22,900	1.22	27,900	20	35	18,100

Treatment Plant	2007	13,700	1.22	16,700	50	14	14,400
Lab	2007	1,900	1.22	2,300	20	35	1,500
Structures Multi [6]	2008	29,700	1.17	34,700	50	12	30,500
Electrical/Power	2008	29,100	1.17	34,000	30	20	27,200
Gravity SWT APP	2008	12,300	1.17	14,400	30	20	11,500
Services	2008	15,800	1.17	18,500	60	10	16,700
Plant	2008	3,200	1.17	3,700	30	20	3,000
Pumps	2008	31,900	1.17	37,300	20	30	26,100
Plant	2008	1,912,800	1.17	2,238,000	50	12	1,969,400
Sewers	2008	35,300	1.17	41,300	75	8	38,000
Office Equipment	2008	700	1.17	800	20	30	600
Force Main [5]	2009	17,500	1.13	19,800	75	7	18,400
Sewers	2009	300	1.13	300	75	7	300
Plant	2009	8,300	1.13	9,400	50	10	8,500
CIAC	2009	35,100	1.13	39,700	60	8	36,500
Force Mains [4]	2010	22,000	1.1	24,200	75	5	23,000
CIAC	2010	21,400	1.1	23,500	60	7	21,900
Recon MC	2010	52,100	1.1	57,300	60	7	53,300
Power Gen. [2]	2012	18,000	1.04	18,700	30	7	17,400
Plant	2012	9,300	1.04	9,700	50	4	8,900
250 Gen. Set	2013	25,100	1.02	25,600	30	3	24,800
Pumps	2013	42,800	1.02	43,700	20	5	41,500
Plant	2013	68,900	1.02	70,300	50	2	68,900
Gravity	2014	6,000	1.00	6,000	75	0	6,000
Pumps	2014	34,000	1.00	34,000	20	0	34,000
Reuse	2014	4,000	1.00	4,000	75	0	4,000
Plant	2014	27,200	1.00	27,200	50	0	27,200
250 Gen. Set	2014	15,000	1.00	15,000	30	0	15,000
Reuse P.S.	2014	10,500	1.00	10,500	20	0	10,500
Struct/P.S.	2014	28,000	1.00	28,000	50	0	28,000
Force Mains	2014	82,000	1.00	82,000	75	0	82,000
Vac. Pumps	2014	24,000	1.00	24,000	10	0	24,000
							15,300,70
						Subtotal	0
							15,300,00
						Rounded	0
						Overheads (8) at 21.7%	3,320,000
							18,620,00
						Total	0
						Total	18,600,00
						Rounded	0

Footnotes:
(1) Year installed, which in certain line items differ with the year purchased.
(2) OC is the original cost without overhead or intangibles. Tax basis original cost.
(3) Esc. - is the escalation factor taken by the ratio of 9,699 ENR CCI to the year applicable.
(4) RCN - is the replacement cost new as a result of #2 multiplied by #3 above.
(5) ASL - is the average service life taken from Table 4-4 and applied to the property.
(6) PD % - is the percent depreciated for that property. The factor is calculated by 1-PD%.
(7) RCNLPD - is the trended replacement cost new less physical depreciation.
(8) Overheads only apply to the non-portable or fixed TPP which have such requirements and the percentage is taken from Table 4-3.

Table 4-7 presents the equipment and tools to be used for the UPIS trending and the facilities costing approached.

Table 4-7
Equipment & Tools
KWRU (UPIS + Budget)

Description	Yr (1)	OC (2)	Esc. (3)	RCN (4)	ASL (5)	PD% (6)	RCNLPD (7)
A. Vehicles							
Vac. Truck	2002	19,400	1.45	28,700	15	80	5,700
Truck	2004	7,500	1.36	10,200	10	-	800
Truck	2006	18,900	1.25	23,600	10	80	4,700
Truck & B	2006	6,500	1.25	8,100	10	80	1,600
Vehicles	2009	18,600	1.13	21,000	10	50	10,500
Truck	2006	5,100	1.25	6,400	10	80	1,300
Truck	2012	24,900	1.04	25,900	10	20	20,700
Truck	2013	11,700	1.02	11,900	10	10	10,700
Truck	2014	10,000	1.00	-	10	0	10,000
						Subtotal	$66,000
B. Tools							
Tools	1984	1,100	-	-	15	-	100
Tools (1993)	1985-2001	15,000	-	-	15	-	1,500
Tools	2002	1,400	1.48	2,100	15	80	400
Tools	2003	13,300	1.45	19,300	15	73	5,200
Tools	2004	3,500	1.36	4,800	15	67	1,600

Tools	2005	4,400	1.30	5,700	15	60	2,300
Tools	2006	200	1.25	300	15	53	100
Tools	2008	4,900	1.17	5,700	15	40	3,400
Tools	2009	100	1.13	100	15	33	100
Tools (2011)	2010-2013	4,000	1.07	4,300	15	27	3,100
Tools	2014	1,600	1.00	1,600	15	0	1,600
						Subtotal	$19,400
C. Lab & Equip							
Equipment (1994)	1984-2003	10,000	-	-	10	-	1,000
Equipment (1994)	2004	1,900	1.36	-	10	-	200
Equipment (1994)	2006	600	1.25	800	10	80	200
Equipment (1994)	2007	1,900	1.22	2,300	10	70	700
Equipment (1994)	2008	7,600	1.17	8,900	10	60	3,600
Equipment (2011)	2009-2014	6,000	1.07	6,400	10	30	4,500
						Subtotal	$10,200
D. Power Equip.							
Backhoe	1999	23,000	-	-	15	-	2,300
Jet Vac.	2006	25,000	1.25	31,300	12	67	10,300
Screener	2006	24,600	1.25	30,800	15	53	14,500
Restor. Clnr	2008	11,800	1.17	13,800	15	40	8,300
						Subtotal	$35,400
E. Office							
Various (2004)	1995-2014	25,000	1.36	34,000	15	67	11,200
						Subtotal	$11,200
F. Other							
Misc. & Various (2004)	1995-2014	12,000	1.36	16,300	15	67	5,400
						Subtotal	$5,400
						Total	$147,600
						Rounded	$148,000

Table 4-8 presents the inventory and supplies, which also will be used for both approaches.

Table 4-8
Inventory & Supplies
KWRU (Consumables)

Description	O.C.	RCNLPD
Chemicals	24,700	24,700
Supplies	15,400	15,400
Spare Parts, etc.	26,200	26,200
Inventory	33,600	33,600
	Total	$99,900
	Rounded	$100,000

The real property in the amount of $8,542,000 was provided by Mr. James E. Wilson, MRICS of the Appraisal Company of Key West.

The intangible property opinion is summarized in **Table 4-9.**

Table 4-9
Intangible Property

1. **Method A - % of TPP**

   Cases 7.5% - 25%; Nichols 7.5% - 25%; Others Range 5% to 35%.

   Opinion is well managed and opportunity for expansion and growth to 849,999 gpd AADF AWT WWTP or about from 4,615 ERC's to 8,882 ERC's or approximately 92% growth or almost double capability.

2. **Method B – Build-Up Method**

a. FPSC Certificate/Franchise -	$400,000
b. Contracts/Agreements -	$1,300,000
i. MC	100,000
ii. MCDC	50,000
iii. Golf Course	700 gpd
AADF Reuse	1,050,000
iv. Marina Reuse	70,000
v. Other (Various)	30,000
c. Permits	$160,000
d. Management Procedures & Practices	$60,000
e. Expansion Design, Planning, Engineering Not Constructed	$200,000
f. Building Business	$150,000
g. SOP's Router, Maint., R&R Programs	$30,000
h. Customer Lists, Data, Billing & Financial	$80,000
i. Studies, Investigations, Facilities Drawings, Atlases, Programs Maintenance and R&R	$120,000
Total	$2,500,000

The UPIS trending approach is summarized on **Table 4-10.**

Table 4-10
UPIS NARUC Trended
RCNLD

Description		Amount
1. RCNLPD (1)		$18,600,000
2. Equipment & Tools (2)		148,000
3. Inventory & Supplies (3)		100,000
	Subtotal	$18,848,000
4. Functional Depreciation		($188,000)
5. External Depreciation		0
	Total TPP	$18,660,000
6. Real Property		$8,542,000
7. Intangible Property 4		2,500,000
	Total	29,702,000
	Rounded	$29,700,000

(1) Table 4-6
(2) Table 4-7
(3) Table 4-8
(4) Table 4-9

4.6 RCNLD CONSRUCTION COST

Section 4.5 presented a RCN of $20,300,000 rounded and a RCNLPD of $15,300,000 rounded without overheads. The composite level of physical depreciation is 25% for the KWRU system.

The equipment and tools RCNLPD is the same as in Section 4.5 (reference **Table 4-7**) at $148,000.

The inventory and supplied RCNLDP is the same as in Section 4.5 (reference **Table 4-8**) at $100,000.

Based upon the inspections and reports reviewed, there exists very little, if any, functional depreciation in this system. All tangible personal property is in use, held for emergencies, or id industry standard for spare parts / inventory / etc. Nonetheless, I have taken an allocation of $188,000 as functional depreciation. This same amount is used in Section 4.6 for the loss in value for this category.

I have found no external depreciation. If fact the utility has plottage value that has not been accounted for in this Report. Moreover, there are other opportunities where KWRU would be synergistic with and thereby command a premium.

The real property is the same as in Section 4.5 at $8,542,000.

The intangible property is also the same as in Section 4.5 at $2,500,000 although the percentage of the TPP's RCNLPD differs somewhat.

Finally, the overheads are the same at a 21.7% of the fixed non-portable TPP.

Table 4-11 summarizes the WEC December 18, 2014 Asset Description and condition assessment as found reproduced in Appendix E. I surveyed 40 AWT WWTP's total project costs with capacity. Three (3) were in the Keys (Islamorada, Ocean Reef Club and Key Colony facilities). **Figure 4-1** and Appendix I present this information.

I found that for a design capacity of 500,000 gpd that the cost per gallon of capacity was $18.90.

Table 4-11 applies the overheads to the collection system construction costs but not to the AWT WWTP due to the total project cost was used.

Finally, the systemwide physical depreciation of 25% was applied.

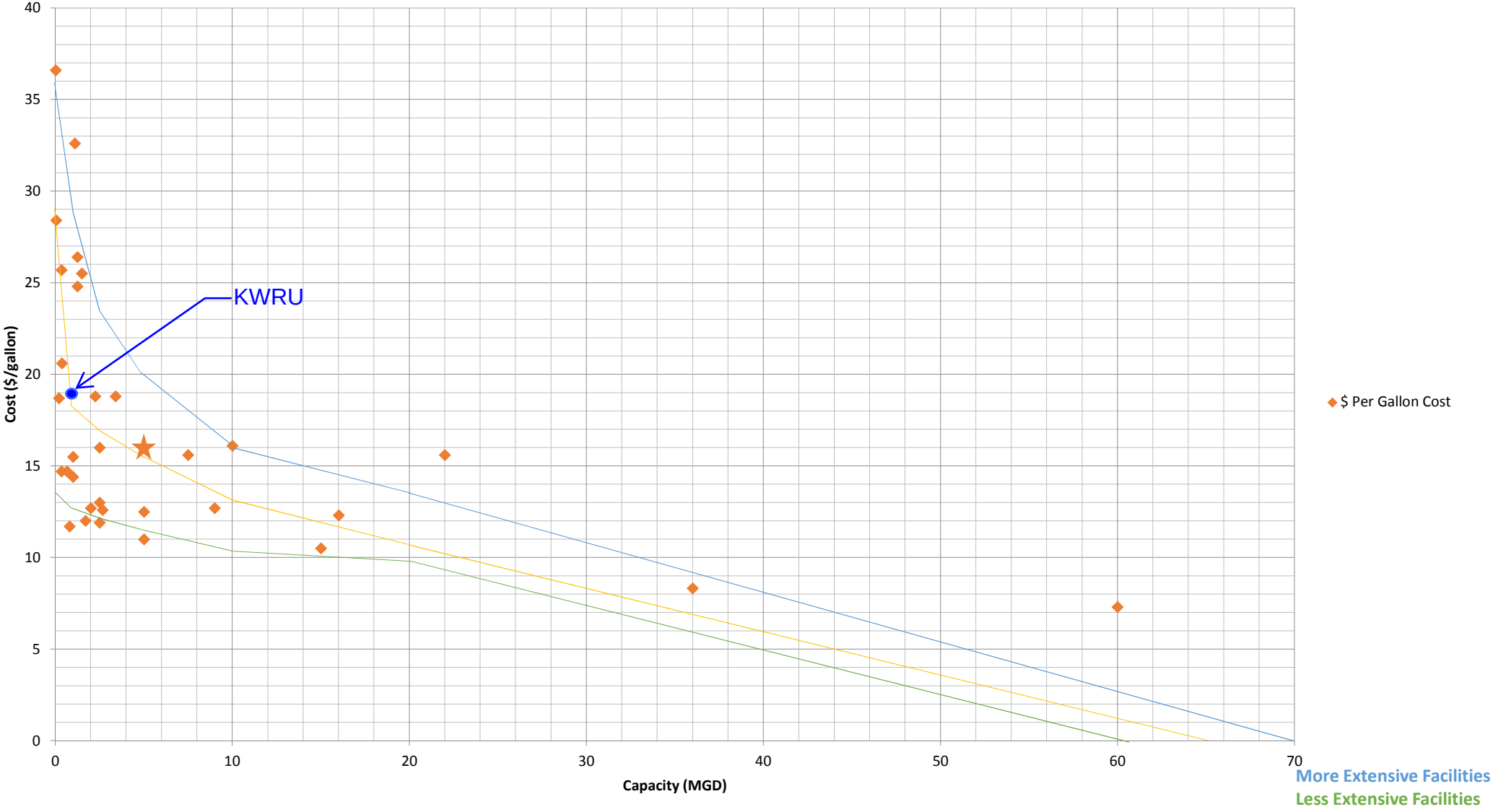
The result was a RCNLPD of KWRU at $16,800,000.

Table 4-11
KWRU Asset Listing
RCNLPD for Fixed TPP

Description	Quantity	Unit Cost	Cost for TPP
10" Gravity Sewer	300 LF	$90/LF	27,000
8" Gravity Sewer	26,807 LF	75/LF	2,011,000
6" Gravity Sewer	6,180 LF	60/LF	371,000
Manholes	89	6,200 EA	552,000
4" Service	3,015 LF	50/LF	151,000
10" Vacuum Main	13,665 LF	80/LF	1,093,000
8" Vacuum Main	4,709 LF	70/LF	330,000
6" Vacuum Main	5,435 LF	55/LF	299,000
4" Vacuum Main	1,095 LF	45/LF	49,000
3" Vacuum Services	1,670 LF	40/LF	67,000
Vacuum Pits & App	71		1,030,000
Buffer Tanks & App	14	Mult.	465,000
Master Vacuum P.S.	1	LS	1,040,000
8" Force Main	8,110 LF	72/LF	584,000
6" Force Main	3,636 LF	57/LF	207,000
4" Force Main	11.085 LF	47/LF	521,000
KWRU Pump Stations	10	LS	717,000
8" Reuse Main	8,150 LF	72/LF	587,000
4" Reuse Main	4,525 LF	47/LF	213,000
3" Reuse Main	16 LF	40/LF	1,000
KWRU Reuse P.S.	2	LS	355,000
		Subtotal	10,670,000
Overheads	21.70%	N/A	2,315,000
		Subtotal	12,985,000
AWT WWTP with 2 @ 10" injection wells, ponds, reuse quality & system. AADF	500,000 gpd	18.9	9,450,000
		Subtotal	22,435,000
Less Systemwide Depreciation	25%	N/A	5,609,000
		Subtotal	16,826,000
		Rounded	16,800,000

Figure 4-1

Construction Cost New Graphical Analysis of AWT MBR WWTP Surveyed



KWRU AWT WWTP with Injection Wells, Reuse and Storage

Table 4-12 presents the RCNLD of KWRU.

Table 4-12
KWRU RCNLD Summary

Description		Amount
1. RCNLPD (1)		16,800,000
2. Equipment & Tools		148,000
3. Inventory & Supplies		100,000
	Subtotal	17,048,000
4. Functional Depreciation		(188,000)
5. External Depreciation		0
	Total TPP	16,860,000
6. Real Property		8,542,000
7. Intangible Property		2,500,000
	RCNLD	27,902,000
	Rounded	27,900,000

(1) Table 4-11
(2) Table 4-9

4.7 RCNLD Opinion

Section 4.5 using UPIS trended resulted in an amount of $29,700,000. Specials are included in this analysis.

Section 4.6 using a construction cost estimate approach resulted in an amount of 27,900,000 and did not include specials. Specials alone would not probably account for $1,800,000 on this system. Based upon the detailed quotations for the design-build projects an amount of $1,200,000 is reasonable considering the lack of water crossings and other items.

Therefore my opinion of for the KWRU system is $29,100,000 or twenty nine million, one hundred thousand dollars.

Section 5

SECTION 5
INCOME APPROACH

5.1 GENERAL

The purpose of this section of the Report is to calculate the fair market value of KW Resort Utilities Corp (the "Utility" or KWRU) wastewater system based on the income approach. In general, the income approach values the wastewater system based on the present value of the available cash flows generated from the ongoing operations of the system. Historical financial and customer data is utilized together with certain proforma adjustments in order to develop the projected operating results for the system and estimate future cash flows available to the Utility owner. The projected cash flows are then discounted to calculate the present value of the available funds. Under this approach, the value of the utility system is assumed to be equal to the value of the future cash flows available to the Utility current owner, if such ownership is maintained throughout the projection period.

5.2 DATA SOURCES

The analyses developed herein utilize a significant amount of data that has been prepared by KWRU. Although the information provided in such data sources has not been independently verified, for purposes of this analysis, the information is assumed to be accurate and reliable. The income approach uses the following data:

1. The wastewater annual reports for calendar years ended December 31, 2009 through December 31, 2013 as filed with the Florida Public Service Commission (FPSC).

2. Budget Overview for the year ending December 31, 2014.

3. The adopted Utility rates and charge tariff effective March 30, 2013.

5.3 PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

The development of the income approach to valuation analysis required certain assumptions and considerations with regard to financial, economic, and operational conditions that may occur in the future. Although such assumptions and considerations are applied based on current and historical data pertaining to the utility system, to the extent that actual future conditions differ from those utilized herein, the results may vary from those in the analysis. The principal assumptions and considerations utilized in the income approach as developed in **Schedules 5-1** and **5-2** are summarized as follows:

1. The income approach analysis is based on the Utility operating at its highest and best use as a non-for-profit system.

2. Based on the 2013 Annual Report, the wastewater system serves approximately 4,183 Equivalent Residential Connections (ERCs) as of December 31, 2013. As discussed previously in **Section 2**, it is projected that 432 customers were added in 2014. From 2015 through 2034 the Utility is expected to add between 138 and 300 customers per year on an annual basis to reach a total of 8,880 ERCs in 2034. Thereafter, the growth rate is anticipated to be 0% per year.

3. Rate revenues for the Test Year are based on the Utility's Tariff effective March 30, 2013 and have been adjusted annually based on anticipated customer growth and inflation. It is KWRU's current practice to annually adjust revenues to reflect inflationary influences. This practice promotes rate stability and an overall financially healthy utility system. We have reviewed the FPSC's annual price deflator as an indicator of inflationary trends affecting utilities. A 10, 20, and 30 year average of this index was calculated and evaluated for use in this analysis. The 30-year average corresponds to the 30-year term of the model in this analysis but was discarded because of the extreme fluctuations in the index in the late 1970s. An annual inflationary adjustment of 1.96%, based on the 20-year average of the FPSC Deflator Index was utilized throughout the projection period as the base rate revenue adjustment.

4. Operating and Maintenance (O&M) expenses were based on audited operating results for the year ending December 31, 2013 with inflationary and normalizing adjustments, where appropriate, to develop the Test Year 2014 projected results (the

"Test Year"). Most notably, the not-for-profit approach excludes depreciation, amortization, regulatory assessment fees and taxes and includes a provision for Renewal and Replacement.

5. O&M Expenses were adjusted annually based on the following:

Escalation Reference	Description	Annual Factor
0	Constant	1.0000
1	General Inflation	1.0238
2	Labor	1.0388
3	Customer Growth	Varies
4	Customer Growth & Inflation	Varies
5	Rate Revenue	1.0196
6	Rate Revenue & Customer Growth	Varies
7	Supplies/Repairs & Maintenance	1.0303

Sources and derivations for these escalation factors are discussed below.

6. The general inflation factor was calculated using the 20-year average Consumer Price Index for All U.S. City Urban Consumers (CPI-U) as determined by the U.S. Department of Labor's Bureau of Labor Statistics. The 30-year average index was discarded because of extreme variability in the late 1970s.

7. The labor escalation factor is based upon the general inflation factor plus 1.50%, reflecting the fact that labor rate factors are typically slightly higher than the CPI-U factors due to merit increases.

8. The customer growth and inflation factor is used to reflect changes to expenses likely to rise based upon both customer growth and inflation, such as the cost of postage or utilities. This factor is calculated by combining the inflation and customer growth factors.

9. The supplies/repairs and maintenance factor is based upon the 20-year Engineering News Record (ENR) construction cost index.

10. The current principal and interest payments of the Utility have not been included in these projections.

11. A provision for Renewals and Replacements is included. The amount is projected based on 5.0% of the prior year's revenues, which is the typical industry standard and provided for the rate covenant for most Utility financings.

12. For calculating cash flows from the wastewater system operations, an analysis period of 30 years was used, together with a discount rate of 4.58 percent. The discount rate is based on the Utility being owned and operated as a public, not-for-profit entity and was developed based on the following:

Factor	Rate
Risk Free Rate (1)	3.34%
Futures Risk (2)	0.54%
Industry Risk (3)	0.48%
Specific Risk (4)	0.22%
Total	**4.58%**

(1) Based on the 1-year average of the Daily 30-year T-Bill risk free rate as of 12/31/2014.
(2) Based on the predicted dollar value in future periods by the US Treasury.
(3) Based on the averages on industry betas which determined low industry risk with an average beta less than 1.
(4) Based on the creditworthiness by state listing provided by Standard's and Poor's in 2008.

5.4 FINDINGS

The income approach valuation methodology utilizes the available data sources and applicable assumptions to develop the projected operating results for each year of the projection period. The projected operating results include estimated revenues, operating expenses, and other expenditures for the wastewater system.

5.5 VALUE INDICATED BY THE INCOME APPROACH

Utilizing the adjusted Test Year O&M expenditure requirements and the current and proposed rates for KWRU, an income analysis for the 30-year period was prepared. The results of this analysis are presented on **Schedule 5-2** as summarized in **Table 5-1** below:

Table 5-1
Summary of Income Approach Results
From Water Operations (1)

Description	Amount
Present Value of Net Revenues	$15,800,000
Reversion Value	7,700,000
Total Income Approach Value	**$23,500,000**

(1) This conclusion is relative only in conjunction with the circumstances presented herein and made part of such projections, and no assurances are made pursuant to the results or outcome projected herein. Moreover, the annual inflation/deflator factors are significant assumptions incorporated herein.

5.6 CONSIDERATION

As shown in **Table 5-1** above, we calculated a reversion value for the Utility System assets. The reversion value represents the value, based upon the last projected cash flow, of the utility system at that specific point in time. In the instant case, the reversion value in year 30 of the utility system is $7,700,000. Considering the reversion value, along with the present value of the net revenues of the utility system over a 30-year projection period, we conclude an income approach value of **$23,500,000**.

SCHEDULE 5-1
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Historical Operating Results and Test Year Development
Not-For-Profit

	Actual (1)						Adjusted
	2009	2010	2011	2012	2013	Adjustments	Test Year
Operating Revenues							
Measured Wastewater Revenue							
Residential	$ 752,383	$ 738,538	$ 684,339	$ 651,583	$ 619,537	$ 63,983	$ 683,520
Commercial	434,658	452,268	516,383	697,383	709,917	73,317	783,234
Total Metered Revenue	1,187,041	1,190,806	1,200,722	1,348,966	1,329,454	137,300	1,466,754
Sales to Reuse Customers	54,175	35,884	51,649	33,468	45,270		45,270
Rent from Property	12,000	9,700	6,000	2,400	3,129		3,129
Other Water Revenues	39,438	39,316	87,857	71,284	47,510		47,510
Total Operating Revenues	$ 1,292,654	$ 1,275,706	$ 1,346,228	$ 1,456,118	$ 1,425,363	$ 137,300	$ 1,562,663
Operating Expenses							
Salaries and Wages - Employees	$ 486,151	$ 298,583	$ 344,794	$ 392,632	$ 421,904	$ 16,356	$ 438,260
Salaries and Wages - Officers	-	147,000	124,000	135,800	141,792	(100,000)	41,792
Employee Pensions and Benefits	68,391	66,559	76,328	73,449	95,361	(14,150)	81,211
Purchased Sewage Treatment	-	-	-	-	-		-
Sludge Removal Expense	13,408	19,716	21,847	28,183	30,176	3,116	33,292
Purchased Power	182,623	151,219	139,967	147,971	138,420	14,295	152,715
Fuel for Purchased Power		-	-	-	-		-
Chemicals	57,199	22,769	38,768	41,787	38,516	3,978	42,494
Materials and Supplies	20,780	27,510	53,611	48,099	46,076	1,394	47,470
Contractual Services - Engineering	65,471	29,379	15,756	22,523	9,196	357	9,553
Contractual Services - Accounting	15,730	14,496	11,595	19,484	19,381	751	20,132
Contractual Services - Legal	55,483	11,608	7,436	25,372	18,789	728	19,517
Contractual Services - Mgt. Fees	60,000	55,120	59,880	60,000	60,000	(60,000)	-
Contractual Services - Testing	24,964	19,619	38,288	18,890	12,860	499	13,359
Contractual Services - Other	95,572	44,543	222,293	71,999	106,351	4,123	110,474
Rent of Building/Property	8,776	-	-	2,700	100	2	102
Rental of Equipment		3,739	2,375	2,001	750	18	768
Transportation Expenses	5,115	8,502	9,938	8,576	21,863	(10,808)	11,055
Insurance - General Liability	27,409	24,734	30,183	27,105	23,019	547	23,566
Insurance - Workers Comp	17,136	13,923	13,782	16,103	19,190	456	19,646

SCHEDULE 5-1
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Historical Operating Results and Test Year Development
Not-For-Profit

	Actual (1)						Adjusted
	2009	2010	2011	2012	2013	Adjustments	Test Year
Advertising Expense	608	217	4,116	635	1,426	34	1,460
Regulatory Commission Expense - Amortization of Rate Case Expense	116,654	116,654	116,654	-	-	-	-
Bad Debt Expense	958	-	-	-	-		-
Miscellaneous Expense	51,063	51,260	52,829	49,309	40,969	12,550	53,519
Rate Case Adjustments	-	-	-	-	-		-
Total Operating Expenses	$ 1,373,491	$ 1,127,150	$ 1,384,440	$ 1,192,618	$ 1,246,139	$ (125,752)	$ 1,120,387
Depreciation Expense	401,623	386,299	378,372	376,799	439,585	(439,585)	-
Amortization of CIAC	(200,438)	(191,529)	(305,355)	(322,940)	(331,213)	331,213	-
Other Expense (inc. R&R)	-	-	-	-	-	66,473	66,473
Utility Regulatory Assessment Fee	56,495	59,260	60,580	65,525	63,699	(63,699)	-
Property Taxes	28,504	31,007	27,000	(960)	15,752	(15,752)	-
Payroll Taxes					46,118		46,118
Other Taxes and Licenses	4,926	667	5,469	314	325		325
Total Operating Expenses	$ 1,664,601	$ 1,412,854	$ 1,550,506	$ 1,311,356	$ 1,480,405	$ (247,103)	$ 1,233,302
Net Income	$ (371,947)	$ (137,148)	$ (204,278)	$ 144,762	$ (55,042)	$ 384,402	$ 329,360

Notes:
(1) Source: KW Resort Utilities Corp. Annual Reports.

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Adjusted Test Year	Projected 2015	2016	2017	2018
Operating Revenues						
Metered Revenue						
Water	6	$ 683,500	$ 742,200	$ 802,900	$ 834,200	$ 896,800
Wastewater	6	783,200	850,400	920,000	955,900	1,027,600
Total Metered Revenue		1,466,700	1,592,600	1,722,900	1,790,100	1,924,400
Sales to Irrigation Customers	6	45,300	49,200	53,200	55,300	59,400
Rent from Property	1	3,100	3,200	3,300	3,400	3,500
Other Water Revenues	6	47,500	51,600	55,800	58,000	62,400
Total Operating Revenues		$ 1,562,600	$ 1,696,600	$ 1,835,200	$ 1,906,800	$ 2,049,700
Operating Expenses						
Salaries and Wages - Employees	2	$ 438,300	$ 455,300	$ 473,000	$ 491,300	$ 510,300
Salaries and Wages - Officers	2	41,800	43,400	45,100	46,800	48,600
Employee Pensions and Benefits	2	81,200	84,300	87,600	91,000	94,500
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	33,300	36,300	39,400	42,700	46,100
Purchased Power	4	152,700	166,500	180,900	195,900	211,500
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	42,500	46,300	50,300	54,500	58,800
Materials and Supplies	7	47,500	48,900	50,400	51,900	53,500
Contractual Services - Engineering	2	9,600	10,000	10,400	10,800	11,200
Contractual Services - Accounting	2	20,100	20,900	21,700	22,500	23,400
Contractual Services - Legal	2	19,500	20,300	21,100	21,900	22,700
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	13,400	13,900	14,400	15,000	15,600
Contractual Services - Other	2	110,500	114,800	119,300	123,900	128,700
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	11,100	11,400	11,700	12,000	12,300
Insurance - General Liability	1	23,600	24,200	24,800	25,400	26,000
Insurance - Workers Comp	1	19,600	20,100	20,600	21,100	21,600

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Adjusted Test Year	Projected 2015	2016	2017	2018
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	53,500	54,800	56,100	57,400	58,800
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 1,120,600	$ 1,173,800	$ 1,229,200	$ 1,286,500	$ 1,346,000
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	66,500	73,300	79,600	86,100	89,500
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	46,100	47,900	49,800	51,700	53,700
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 1,233,500	$ 1,295,300	$ 1,358,900	$ 1,424,600	$ 1,489,500
Net Income		$ 329,100	$ 401,300	$ 476,300	$ 482,200	$ 560,200
Present Value of Net Income		**$ 329,100**	**$ 383,700**	**$ 435,500**	**$ 421,600**	**$ 468,400**
Period		-	1	2	3	4
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

Present Value of Total Income	$ 15,800,000
Reversion	$ 7,700,000
Total	$ 23,500,000

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2019	2020	2021	2022	2023
Operating Revenues						
Metered Revenue						
Water	6	$ 961,500	$ 1,028,400	$ 1,097,500	$ 1,169,000	$ 1,242,800
Wastewater	6	1,101,700	1,178,300	1,257,500	1,339,400	1,424,000
Total Metered Revenue		2,063,200	2,206,700	2,355,000	2,508,400	2,666,800
Sales to Irrigation Customers	6	63,700	68,100	72,700	77,400	82,300
Rent from Property	1	3,600	3,700	3,800	3,900	4,000
Other Water Revenues	6	66,900	71,600	76,400	81,400	86,500
Total Operating Revenues		$ 2,197,400	$ 2,350,100	$ 2,507,900	$ 2,671,100	$ 2,839,600
Operating Expenses						
Salaries and Wages - Employees	2	$ 530,100	$ 550,700	$ 572,000	$ 594,200	$ 617,200
Salaries and Wages - Officers	2	50,500	52,500	54,500	56,600	58,800
Employee Pensions and Benefits	2	98,200	102,000	106,000	110,100	114,400
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	49,600	53,300	57,100	61,100	65,200
Purchased Power	4	227,700	244,500	262,000	280,200	299,100
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	63,300	68,000	72,900	78,000	83,300
Materials and Supplies	7	55,100	56,800	58,500	60,300	62,100
Contractual Services - Engineering	2	11,600	12,000	12,500	13,000	13,500
Contractual Services - Accounting	2	24,300	25,200	26,200	27,200	28,300
Contractual Services - Legal	2	23,600	24,500	25,400	26,400	27,400
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	16,200	16,800	17,500	18,200	18,900
Contractual Services - Other	2	133,700	138,900	144,300	149,900	155,700
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	12,600	12,900	13,200	13,500	13,800
Insurance - General Liability	1	26,600	27,200	27,800	28,500	29,200
Insurance - Workers Comp	1	22,100	22,600	23,100	23,600	24,200

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	Escalation Reference	Projected 2019	2020	2021	2022	2023
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	60,200	61,600	63,100	64,600	66,100
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 1,407,800	$ 1,471,900	$ 1,538,500	$ 1,607,800	$ 1,679,600
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	96,200	103,200	110,300	117,800	125,400
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	55,800	58,000	60,200	62,500	64,900
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 1,560,100	$ 1,633,400	$ 1,709,300	$ 1,788,400	$ 1,870,200
Net Income		$ 637,300	$ 716,700	$ 798,600	$ 882,700	$ 969,400
Present Value of Net Income		**$ 509,500**	**$ 547,900**	**$ 583,800**	**$ 617,000**	**$ 647,900**
Period		5	6	7	8	9
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

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	Escalation Reference	Projected 2024	2025	2026	2027	2028
Operating Revenues						
Metered Revenue						
Water	6	$ 1,299,100	$ 1,348,900	$ 1,400,100	$ 1,452,800	$ 1,507,000
Wastewater	6	1,488,600	1,545,600	1,604,300	1,664,700	1,726,800
Total Metered Revenue		2,787,700	2,894,500	3,004,400	3,117,500	3,233,800
Sales to Irrigation Customers	6	86,000	89,300	92,700	96,200	99,800
Rent from Property	1	4,100	4,200	4,300	4,400	4,500
Other Water Revenues	6	90,400	93,900	97,500	101,200	105,000
Total Operating Revenues		$ 2,968,200	$ 3,081,900	$ 3,198,900	$ 3,319,300	$ 3,443,100
Operating Expenses						
Salaries and Wages - Employees	2	$ 641,100	$ 666,000	$ 691,800	$ 718,600	$ 746,500
Salaries and Wages - Officers	2	61,100	63,500	66,000	68,600	71,300
Employee Pensions and Benefits	2	118,800	123,400	128,200	133,200	138,400
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	68,400	71,300	74,300	77,400	80,600
Purchased Power	4	314,000	327,400	341,200	355,500	370,300
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	87,400	91,100	95,000	99,000	103,100
Materials and Supplies	7	64,000	65,900	67,900	70,000	72,100
Contractual Services - Engineering	2	14,000	14,500	15,100	15,700	16,300
Contractual Services - Accounting	2	29,400	30,500	31,700	32,900	34,200
Contractual Services - Legal	2	28,500	29,600	30,700	31,900	33,100
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	19,600	20,400	21,200	22,000	22,900
Contractual Services - Other	2	161,700	168,000	174,500	181,300	188,300
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	14,100	14,400	14,700	15,000	15,400
Insurance - General Liability	1	29,900	30,600	31,300	32,000	32,800
Insurance - Workers Comp	1	24,800	25,400	26,000	26,600	27,200

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	Escalation Reference	Projected 2024	2025	2026	2027	2028
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	67,700	69,300	70,900	72,600	74,300
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 1,746,900	$ 1,813,700	$ 1,882,900	$ 1,954,700	$ 2,029,200
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	133,300	139,400	144,700	150,200	155,900
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	67,400	70,000	72,700	75,500	78,400
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 1,947,900	$ 2,023,400	$ 2,100,600	$ 2,180,700	$ 2,263,800
Net Income		$ 1,020,300	$ 1,058,500	$ 1,098,300	$ 1,138,600	$ 1,179,300
Present Value of Net Income		**$ 652,100**	**$ 646,900**	**$ 641,800**	**$ 636,300**	**$ 630,200**
Period		10	11	12	13	14
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

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	Escalation Reference	Projected 2029	2030	2031	2032	2033
Operating Revenues						
Metered Revenue						
Water	6	$ 1,562,800	$ 1,620,200	$ 1,679,300	$ 1,740,000	$ 1,802,500
Wastewater	6	1,790,700	1,856,500	1,924,200	1,993,800	2,065,400
Total Metered Revenue		3,353,500	3,476,700	3,603,500	3,733,800	3,867,900
Sales to Irrigation Customers	6	103,500	107,300	111,200	115,200	119,300
Rent from Property	1	4,600	4,700	4,800	4,900	5,000
Other Water Revenues	6	108,900	112,900	117,000	121,200	125,600
Total Operating Revenues		$ 3,570,500	$ 3,701,600	$ 3,836,500	$ 3,975,100	$ 4,117,800
Operating Expenses						
Salaries and Wages - Employees	2	$ 775,400	$ 805,500	$ 836,700	$ 869,100	$ 902,800
Salaries and Wages - Officers	2	74,100	77,000	80,000	83,100	86,300
Employee Pensions and Benefits	2	143,800	149,400	155,200	161,200	167,400
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	83,900	87,300	90,900	94,600	98,400
Purchased Power	4	385,600	401,400	417,700	434,600	452,100
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	107,400	111,800	116,400	121,100	126,000
Materials and Supplies	7	74,300	76,500	78,800	81,200	83,700
Contractual Services - Engineering	2	16,900	17,600	18,300	19,000	19,700
Contractual Services - Accounting	2	35,500	36,900	38,300	39,800	41,300
Contractual Services - Legal	2	34,400	35,700	37,100	38,500	40,000
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	23,800	24,700	25,700	26,700	27,700
Contractual Services - Other	2	195,600	203,200	211,100	219,300	227,800
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	15,800	16,200	16,600	17,000	17,400
Insurance - General Liability	1	33,600	34,400	35,200	36,000	36,900
Insurance - Workers Comp	1	27,800	28,500	29,200	29,900	30,600

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2029	2030	2031	2032	2033
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	76,100	77,900	79,800	81,700	83,600
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 2,106,400	$ 2,186,400	$ 2,269,400	$ 2,355,200	$ 2,444,100
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	161,700	167,700	173,800	180,200	186,700
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	81,400	84,600	87,900	91,300	94,800
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 2,349,800	$ 2,439,000	$ 2,531,400	$ 2,627,000	$ 2,725,900
Net Income		$ 1,220,700	$ 1,262,600	$ 1,305,100	$ 1,348,100	$ 1,391,900
Present Value of Net Income		**$ 623,700**	**$ 616,900**	**$ 609,700**	**$ 602,300**	**$ 594,600**
Period		15	16	17	18	19
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2034	2035	2036	2037	2038
Operating Revenues						
Metered Revenue						
Water	6	$ 1,866,800	$ 1,903,300	$ 1,940,500	$ 1,978,400	$ 2,017,100
Wastewater	6	2,139,000	2,180,800	2,223,400	2,266,900	2,311,200
Total Metered Revenue		4,005,800	4,084,100	4,163,900	4,245,300	4,328,300
Sales to Irrigation Customers	6	123,600	126,000	128,500	131,000	133,600
Rent from Property	1	5,100	5,200	5,300	5,400	5,500
Other Water Revenues	6	130,100	132,600	135,200	137,800	140,500
Total Operating Revenues		$ 4,264,600	$ 4,347,900	$ 4,432,900	$ 4,519,500	$ 4,607,900
Operating Expenses						
Salaries and Wages - Employees	2	$ 937,800	$ 974,200	$ 1,012,000	$ 1,051,200	$ 1,092,000
Salaries and Wages - Officers	2	89,600	93,100	96,700	100,400	104,300
Employee Pensions and Benefits	2	173,900	180,600	187,600	194,900	202,500
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	102,300	104,700	107,200	109,700	112,300
Purchased Power	4	470,200	481,400	492,800	504,500	516,500
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	131,000	134,100	137,300	140,600	143,900
Materials and Supplies	7	86,200	88,800	91,500	94,300	97,200
Contractual Services - Engineering	2	20,500	21,300	22,100	23,000	23,900
Contractual Services - Accounting	2	42,900	44,600	46,300	48,100	50,000
Contractual Services - Legal	2	41,600	43,200	44,900	46,600	48,400
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	28,800	29,900	31,100	32,300	33,600
Contractual Services - Other	2	236,600	245,800	255,300	265,200	275,500
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	17,800	18,200	18,600	19,000	19,500
Insurance - General Liability	1	37,800	38,700	39,600	40,500	41,500
Insurance - Workers Comp	1	31,300	32,000	32,800	33,600	34,400

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2034	2035	2036	2037	2038
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	85,600	87,600	89,700	91,800	94,000
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 2,536,300	$ 2,620,600	$ 2,707,900	$ 2,798,100	$ 2,891,900
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	193,400	200,300	204,200	208,200	212,300
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	98,500	102,300	106,300	110,400	114,700
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 2,828,500	$ 2,923,500	$ 3,018,700	$ 3,117,000	$ 3,219,200
Net Income		$ 1,436,100	$ 1,424,400	$ 1,414,200	$ 1,402,500	$ 1,388,700
Present Value of Net Income		**$ 586,600**	**$ 556,400**	**$ 528,200**	**$ 500,900**	**$ 474,300**
Period		20	21	22	23	24
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2039	2040	2041	2042	2043
Operating Revenues						
Metered Revenue						
Water	6	$ 2,056,500	$ 2,096,700	$ 2,137,700	$ 2,179,500	$ 2,222,100
Wastewater	6	2,356,400	2,402,500	2,449,500	2,497,400	2,546,200
Total Metered Revenue		4,412,900	4,499,200	4,587,200	4,676,900	4,768,300
Sales to Irrigation Customers	6	136,200	138,900	141,600	144,400	147,200
Rent from Property	1	5,600	5,700	5,800	5,900	6,000
Other Water Revenues	6	143,200	146,000	148,900	151,800	154,800
Total Operating Revenues		$ 4,697,900	$ 4,789,800	$ 4,883,500	$ 4,979,000	$ 5,076,300
Operating Expenses						
Salaries and Wages - Employees	2	$ 1,134,300	$ 1,178,300	$ 1,224,000	$ 1,271,500	$ 1,320,800
Salaries and Wages - Officers	2	108,300	112,500	116,900	121,400	126,100
Employee Pensions and Benefits	2	210,400	218,600	227,100	235,900	245,000
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	115,000	117,700	120,500	123,400	126,300
Purchased Power	4	528,800	541,400	554,300	567,500	581,000
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	147,300	150,800	154,400	158,100	161,900
Materials and Supplies	7	100,100	103,100	106,200	109,400	112,700
Contractual Services - Engineering	2	24,800	25,800	26,800	27,800	28,900
Contractual Services - Accounting	2	51,900	53,900	56,000	58,200	60,500
Contractual Services - Legal	2	50,300	52,200	54,200	56,300	58,500
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	34,900	36,300	37,700	39,200	40,700
Contractual Services - Other	2	286,200	297,300	308,800	320,800	333,200
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	20,000	20,500	21,000	21,500	22,000
Insurance - General Liability	1	42,500	43,500	44,500	45,600	46,700
Insurance - Workers Comp	1	35,200	36,000	36,900	37,800	38,700

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2039	2040	2041	2042	2043
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	96,200	98,500	100,800	103,200	105,700
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 2,988,600	$ 3,088,800	$ 3,192,500	$ 3,300,000	$ 3,411,100
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	216,400	220,600	225,000	229,400	233,800
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	119,100	123,700	128,500	133,500	138,700
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 3,324,400	$ 3,433,400	$ 3,546,300	$ 3,663,200	$ 3,783,900
Net Income		$ 1,373,500	$ 1,356,400	$ 1,337,200	$ 1,315,800	$ 1,292,400
Present Value of Net Income		**$ 448,500**	**$ 423,600**	**$ 399,300**	**$ 375,700**	**$ 352,900**
Period		25	26	27	28	29
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

Section 6

SECTION 6

COMPARABLE CONSTRUCTION COST AND SALES ANALYSIS

6.01 INTRODUCTION

The third approach is the Comparable Sales Approach. This approach provides an indication of value by analyzing recent sales of similar property to the subject or KWRU.

This approach is most reliable when the subject property sold at FMV recently or there is an active market providing a sufficient number of sales of comparable properties.

While the KWRU is a special purpose property and has certain unique characteristics, it is not so unique that the approach is not feasible. There is an active sales market for water/wastewater utilities not only in Florida, but also nationally. The most normal sale is from an Investor Owned Utility (IOU) to either a non-for-profit entity (like FGUA, etc.) or the governmental entity of local jurisdiction (like FKAA, etc.).

The systems such as KWRU sell as complete utility properties with all rights and privileges and as an on-going concern (i.e., a "live" plant versus a "dead" plant).

The water and wastewater utility market is a monopoly with an exclusive service area which can not be invaded in Florida without a special circumstance (See Mad Hatter Utilities vs. Pasco County).

USPAP in the Frequently Asked Question concerning pending sales as a comparable (page F-105); addresses the question as "USPAP does not require the use of a pending sale as a comparable, nor does USPAP prohibit such use". The response continues with the statement that "not considering a pending sale of a property highly similar to the subject could constitute an omission that would significantly affect the appraisal".

The Water Management Services, Inc. system has received a bank loan on the FMV of the system and the system is for sale at its FMV. This is the only Island system with over 1,500 ERC's in Florida that is in this category known to myself. I considered this potential sale.

The KWRU system did not transact recently and the system at the time was much different and in a different condition than the system which presently exists. USPAP, for real property requires consideration of prior sales of the same property, if transacted within three (3) years (not the case with KWRU) or some consideration if transacted "recently" (also not the case with KWRU).

Again due to the stable market for water and wastewater properties the courts have considered sales within five (5) years as "recent", and for more similar properties up to ten (10) years as "recent" with the statement that sales nearing ten (10) years old should have less weight and are more subject to skewing in the adjustments and complicated by changes in the market.

I have limited the age of sale to ten (10) years.

I have limited the minimum number of ERC's to seven hundred and fifty (750) due to the higher degree of variance in smaller sales and thereby a lower level of reliability.

The metric used is the value per ERC (equivalent residential connection), which is used, by most Public Service Commissions, Regulatory Entities for Water Utilities, investors, credit institutions, and buyers and sellers in the industry.

6.02 Comparable Sales Analysis

The listing of sales and single potential sale is shown on **Table 6-1.**

Table 6-1
Sales Listing

	From	**To**
1.	Florida Water Service Corporation – Amelia Island	Nassau County, Florida
2.	North Fort Myers Utility, Inc.	Florida Governmental Utility Authority
3.	Little Sumter Utility Company	Village Center Community Development District
4.	Miles Grant W&S Company	Martin County, Florida
5.	On-Top-Of-The World Utility Co.	Bay Laurel Center Community Development District
6.	Village of Royal Palm Beach, Florida	Palm Beach County, Florida
7.	Water Management Services, Inc.	Not-For-Profit Entity
8.	City of Westfield, Indiana	Citizens Energy Group
9.	North Topsail, Utilities, Inc.	Pluris Utilities, Inc.
10.	Utilities Inc. of Maryland	Washington Suburban Sanitary Commission
11.	Carabas Woods/Woodberry Carolina Water Service, Inc.	Charlotte – Mecklenburg Utility Department, North Carolina
12.	Township of Kinder, PA	Little Washington Water Company
13.	Penn Township, PA	Aqua America, Inc.

The time adjustment factors are taken from Table 6-2.

Table 6-2

Escalation Indices

Year	FPSC Annual Commission-Apprvd Index of Regulated Water & WW Utilities	U.S. Dept. of Labor Bureau of Labor Stats - Customer Price Index - Avg. All Urban Consumers (CPI-U) US		Engineering News Record Construction Cost Index		Risk Free Rate as calculated from Daily U.S. Treasury Yield Curve Rates	
	FPSC Price Deflator	CPI-U		ENR CCI		Ann. Avg Risk Free Rate	
		Index	% Chg.	Index	% Chg.	%	Chg.
		90.9		3,535			
1982	9.02%	96.5	6.13%	3,825	8.20%		
1983	5.99%	99.6	3.21%	4,066	6.30%		
1984	4.25%	103.9	4.30%	4,146	1.97%		
1985	3.76%	107.6	3.55%	4,195	1.18%		
1986	3.33%	109.6	1.90%	4,295	2.38%		
1987	2.69%	113.6	3.66%	4,406	2.58%		
1988	2.89%	118.3	4.08%	4,519	2.56%		
1989	4.35%	124.0	4.83%	4,615	2.12%		
1990	4.12%	130.7	5.40%	4,732	2.54%	8.61%	
1991	4.12%	136.2	4.23%	4,835	2.18%	8.14%	-0.47%
1992	3.63%	140.3	3.03%	4,985	3.10%	7.67%	-0.47%
1993	3.33%	144.5	2.95%	5,210	4.51%	6.59%	-1.07%
1994	2.56%	148.2	2.61%	5,408	3.80%	7.37%	0.78%
1995	1.95%	152.4	2.81%	5,471	1.16%	6.88%	-0.49%
1996	2.49%	156.9	2.93%	5,620	2.72%	6.71%	-0.17%
1997	2.13%	160.5	2.34%	5,826	3.67%	6.61%	-0.10%
1998	2.10%	163.0	1.55%	5,920	1.61%	5.58%	-1.03%
1999	1.21%	166.6	2.19%	6,059	2.35%	5.87%	0.30%
2000	1.36%	172.2	3.38%	6,221	2.67%	5.94%	0.07%
2001	2.50%	177.1	2.83%	6,343	1.96%	5.49%	-0.45%
2002	2.33%	179.9	1.59%	6,538	3.07%	5.40%	-0.09%
2003	1.31%	184.0	2.27%	6,694	2.39%	4.96%	-0.44%
2004	1.60%	188.9	2.68%	7,115	6.29%	5.04%	0.09%
2005	2.17%	195.3	3.39%	7,446	4.65%	4.64%	-0.40%
2006	2.74%	201.6	3.23%	7,751	4.10%	4.89%	0.24%
2007	3.09%	207.3	2.85%	7,966	2.77%	4.84%	-0.05%
2008	2.39%	215.3	3.84%	8,310	4.32%	4.28%	-0.56%
2009	2.55%	214.5	-0.36%	8,570	3.13%	4.08%	-0.20%
2010	0.56%	218.1	1.64%	8,802	2.71%	4.25%	0.17%
2011	1.18%	224.9	3.16%	9,066	2.99%	3.91%	-0.34%
2012	2.41%	229.6	2.07%	9,313	2.73%	2.92%	-0.99%
2013	1.63%	233.0	1.46%	9,546	2.50%	3.45%	0.52%
2014	1.41%	235.0	0.88%	9,699	1.61%	3.66%	0.21%
30-Yr Avg	2.46%		2.88%		2.89%		
20-Yr Avg	**1.96%**		**2.42%**		**3.08%**	**5.16%**	
10-Yr Avg	2.01%		2.40%		3.62%	4.23%	
5-Yr Avg	1.44%		1.60%		2.81%	3.72%	
1-Yr Avg						3.66%	
	(Estab. Jan 27, 2014)	(through Mar 2014)		(through Apr 2014)		through 4/22/14	
	(Upd. Apr 23, 2014)	(Upd. Apr 23, 2014)		(Upd. Apr 23, 2014)		(Upd. Apr 23, 2014)	

The results of applying the adjustment to the sales are shown on Table 6-3. The weighted average of the 13 sales was $4,640 per ERC. Applying the weighted average to the ERC's of KWRU of 4,615 results in an indication of $21,400,000. Sizing is evaluated on Figure 6-1. The result for the complete sample set is $20,500,000.

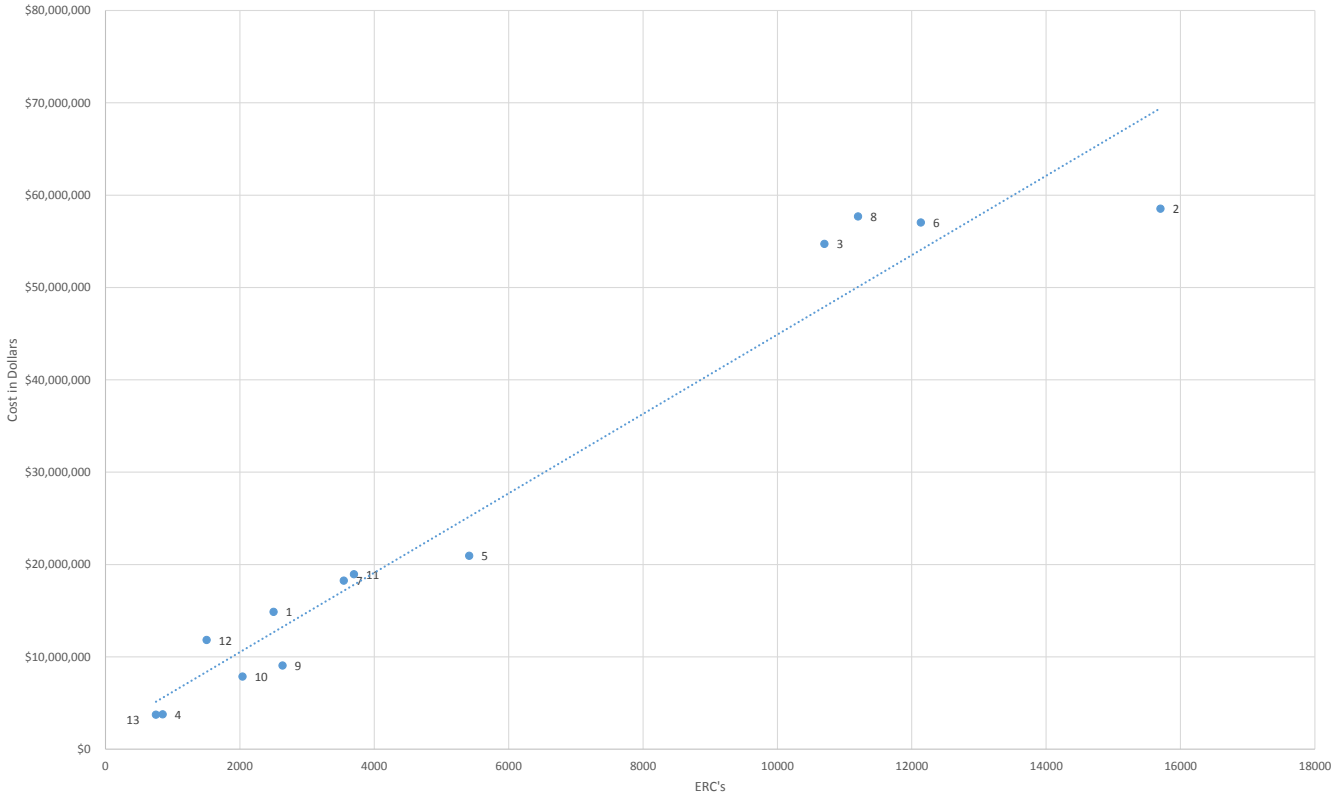
Table 6-3
Adjusted Utility Sales KWRU Analysis

Sale # (1)	Type (2)	Allocable Punch Price (3)	Time Adj. (4)	Adj. P.P.	ERC's	$/ERC
1	W/S	$9,907,000	1.501	$14,870,000	2,501	$5,946
2	S	51,750,000	1.131	58,529,999	15,700	3,728
3	W/S	36,970,000	1.480	54,716,000	10,700	5,114
4	W/S	3,308,000	1.143	3,781,000	850	4,448
5	W/S	19,000,000	1.102	20,938,000	5,412	3,869
6	W/S	45,594,000	1.251	57,038,000	12,136	4,700
7	W	18,800,000	0.971	18,250,000	3,547	5,147
8	W/S	57,700,000	1.000	57,700,000	11,200	5,152
9	S	8,000,000	1.132	9,056,000	2,635	3,437
10	W/S	6,294,000	1.251	7,874,000	2,040	3,860
11	W/S	18,200,000	1.041	18,946,000	3,698	5,123
12	S	11,357,051	1.041	11,822,000	1,505	7,856
13	S	3,668,000	1.016	3,727,000	751	4,962
Totals (Rounded to 4 S.F.)				$337,200,000	72,680	$4,640 Ave.

Ave. 4,615 x 4,640 = $21,400,000

(1) From Table 6-1
(2) W= Water; S=Sewer or Wastewater; W/S=Both
(3) Using net utility plant in service from Annual Report Ratio to purchase price.
(4) From Table 6-2

Figure 6-1


$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
Cost in Dollars
0
2000
4000
6000
8000
10000
12000
14000
16000
18000
ERC's
13
4
12
10
1
9
7
11
5
3
8
6
2

A major factor is location. As an island utility, the system would be more valuable. Table 6-4 presents two island utilities. The range in indicated value is from $23,800,000 to $27,400,000 with the average being $25,600,000.

It is reasonable to me that an island utility would be at a premium. On Sanibel Island (the Sanibel Seven System, a 1983 sale; sold at a 35% premium). Most Florida island utilities sell at a premium in my 38 years of transactions in the state.

Based upon my experience and training, it is my opinion that a 25% premium is reasonable for the KWRU wastewater system. The comparable sales approach indication of value; in my opinion is $26,300,000.

Table 6-4
Island Only Results

1.	Amelia Island	$5,946 x 4,615 = $27,400,000
2.	St. George Island	$5,147 x 4,615 = $23,800,000
		Average - $25,600,000

6.03 Comparable Project Costs

Due to the Florida Legislative requirements for sewering the Keys and providing advanced waste treatment, there is a current and active market for the construction of wastewater utility facilities. The selected projects and costs were derived from the FDEP "Report to the Department of Community Affairs – 10-year work program for Monroe County Florida Keys Wastewater Improvements" dated April 2008 and from proposals and bid tabulations.

Table 6-5 presents the reported costs or estimates and ERC's for seven (7) projects. Such unit costs are greater than the fair market value of KWRU due to the following factors:

1. New versus depreciated (a 70% factor is used); and
2. Utility conflicts, premiums and specials (an 80% factor is used based upon bid tabulations)

Table 6-5
Florida Keys Wastewater Improvements
Project Costs

Project	Description	Cost	ERC's	$/ERC
1.	2008 North Plantation Key	$10,490,000	400	$26,200
2.	2009/2010 Remainder Islamorada (Est).	115,000,000	11,600	9,900
3.	2008 Layton/Long Key	5,700,000	350	16,300
4.	2010 Marathon (Est.)	70,000,000	7,800	8,970
5.	2009/2010 Big Coppitt Geiger, Rockland & Shark Keys (Est.)	47,200,000	2,200	21,500
6.	2011/2012 Duck and Conch Keys (Est.)	20,600,000	375	54,900
7.	11/21/2012 Lower Sugarloaf North to Big Pine Key – Addenda #5 (Water mains removed as well as certain specials)	81,000.000	7,400	10,900
Weighted Average:		349,990,000	30,125	-------
Say		350,000,000	30,100	11,600

Taking the unadjusted for time weighted average of $11,600 per ERC and applying the above two factors (70% x 80% = 56%) results in $11,600 x 0.56 = $6,500/ERC.

The above verification method illustrates the reasonableness of the 25% premium discussed in Section 6.02. The standard comparable sales indicated FMV for KWRU was $5,700/ERC. The above construction cost adjusted value is $6,500/ERC.

Removing the highest cost projects #1, #5 and #6 results in the following - $271,700,000 for 27,150 ERC's or $10,000 per ERC gross and with the two factors applied results in $5,600/ERC.

Both the Florida Island Utility Sales Market and the recent Florida Keys construction programs market data, with adjustments; both support my opinion of $5,700/ERC for the KWRU property or applied to the 4,615 ERC's results in $26,300,000.

Section 7

SECTION 7
RECONCILIATION OF VALUATION APPROACHES

The RCNLD, income and comparable sales approaches with the supporting analysis and documents provide useful information. In addition, my thirty-eight years of water and wastewater utility design, construction, bidding, purchase and sales, appraisals, negotiations, regulatory matters, financings, and rates and charge activities on hundreds of assignments in the State with my market participation have given me the ability to understand the fair market value of water and wastewater utility property. I am a registered professional engineer and have specialized experience, training and practice in water and wastewater utilities. I am an American Academy of Environmental Engineers board certified environmental engineer with my specialty being water and pollution control (wastewater). I am not only an Accredited Senior Appraiser, but also have the machinery and technical specialties certification and the public utilities specialty certification. One of my public utility specialties is water and wastewater utilities.

It is with the combination of the work performed, my experience and my training with registrations and accreditations and in consideration of the real property and easements appraisal; I render my opinion of value as of December 31, 2014 for the KW Resort Utilities property as:

$27,100,000.000
(twenty seven million one hundred thousand dollars)

For the reader's information the results of the approaches were found to be as of December 31, 2014 the following:

RCNLD	$29,100,000
Income	$23,500,000
Comparable Sales Costs	$26,300,000

Even though the above opinion of value was not derived mathematically, I offer the following approximate weighting for informational purposes.

The cost approach is to values all of the real property, tangible property and intangible property. It is specific to the utility's configuration, facilities, and its on-going concern. The market will see some risk associated with the cost approach involving deferred maintenance, latent defects and not observable deficiencies in the due diligence process. Nonetheless, for the KW Resort Utilities system, the cost approach is the strongest indicator of highest and best use/full fair market value given the extraordinary assumptions and hypothetical conditions taken in this work.

It provides full compensation as dampened somewhat by the other approaches. Mathematically, the weighting calculates to approximately 50%.

The income approach for this public owned utility typically does not capture all of the value of the assets. A difficulty with the income approach is the amount of assumptions and lack of information available. Moreover, there is significant uncertainty due to the prospective nature of forecasting future financial performance, which may or may not be realized. Therefore, the income approach for the subject property is the least reliable indicator. Mathematically, the weighting calculates to approximately 20%.

The comparable sales approach is the standard approach relied upon for real estate appraisals. The water and wastewater systems market values have increased greater than inflation in the past five years. The service provided is monopolistic in nature.

There are regulatory factors, Florida legislature factors, Earmarked Grant and low cost loan factors (FDEP SRF, US Loan Forgiveness, State Allocation, FEMA, others which target the Florida Keys for Wastewater Improvements. I believe the analysis of comparable construction costs new is reliable.

I believe the comparable sales approach values all of the property considered (RP, TTP and IP). I believe the adjustments taken are reflective of the market and costs which a buyer may consider necessary associated with the standard terms and conditions in the industry. There is an active AWT wastewater treatment plant market in Florida and especially the Florida Keys. Only California has a more active market for such state of the art facilities. I believe that the comparable construction cost new is also a strong indicator of value for the KW Resort Utilities AWT WWTP property. Both the Florida Island comparable sale and the adjusted comparable construction cost, as adjusted, indicator converged or verified each other. Neither reflected the planning, design and permitting activities for the expansion of the AWT WWTP facility and the availability of no discharge beneficial reuse by the Key West Golf Club, the MCDC, the Marina and the other identified reuse customers on the Key of Stock Island. These customers, as the flows to the AWT WWTP increase, will represent a significant additional customer base. The current reclaimed water rate is significantly below Florida Island comparable rates. It is probable that the non-for-profit buyer would increase the rate in the future. The beneficial reuse considerations are not reflected in this Report, yet have an increased buyer incentive in the marketplace. Mathematically, the weighting calculates to approximately 30%.

The summary above discusses considerations in the reconciliation of the approaches into the opinion of value.

USPAP Checklist

1. Client Intended Users – Section 1
2. Intended Use Letter- Section 1
3. Property Identification – Section 2, 4 and Appendix
4. Property Physical Characteristics – Section 2, 4 and Appendix
5. Property Interest – Section 1
6. Type of Value – Fair Market Value
7. Define and Source – Section 1
8. Effective Date – December 31, 2014
9. Summary of Scope of Work – Section 1
10. Three Approaches Consideration – Sections 4, 5 and 6
11. Use of Property – Current Use
12. Appropriate Market – Not-for-Profit
13. Extraordinary Assumptions – Section 1
14. Hypothetical Conditions – Section 1
15. Signed Certification – Certification Page
16. Effect of Assumptions and Conditions – Letter of Transmittal Section 1, Sections 4, 5, and 6.

Appendix A

HARTMAN CONSULTANTS, LLC
APPRAISERS CERTIFICATION

I certify that, to the best of my knowledge and belief, the statements of fact contained in this report are true and correct. I further certify that the reported analyses, opinions and conclusions are limited only by the reported assumptions, extraordinary assumptions, hypothetical conditions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.

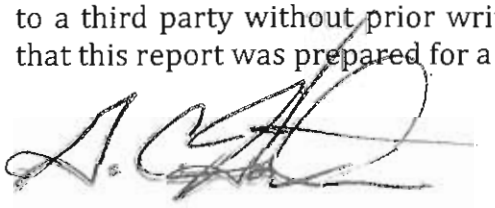
I have no present or prospective interest in the property which is the subject of this report, and I have no personal interest or bias with respect to the parties involved. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

My analyses, opinions, and conclusions were developed, and this Report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation.

The use of this Report is subject to the requirements of the American Society of Appraisers and the State of Florida relating to review by its duly authorized representatives. As of the date of this report, Mr. Gerald C. Hartman has completed the requirements of the continuing education program and testing of the American Society of Appraisers for a public utility specialized MTS Accredited Senior Appraiser and the State of Florida Board of Professional Regulation as applicable to Professional Engineers.

I have made personal inspections of the property that is the subject of this Report. Subconsultants performed various tasks directly under my supervision. Mr. James E. Wilson, MRICS, RZ 2164 performed the real property and easements appraisal which was relied upon for this report. Except as noted herein, no other person provided significant professional assistance to the person signing this Report.

I do not authorize the out-of-context quoting from or partial reprinting of this Appraisal Report. Further, neither all nor part of this Report shall be disseminated to a third party without prior written consent of Hartman Consultants, LLC. Note that this report was prepared for a specific use and no other use is authorized.



Gerald C. Hartman, P.E., BCEE, ASA
ASA No. 7542

January 23, 2015
Date

CERTIFICATE OF APPRAISAL

I HEREBY CERTIFY THAT UPON APPLICATION FOR VALUATION BY:

PREPARED FOR INCLUSION WITH AN APPRAISAL REPORT BY:

MR. GERALD HARTMAN, PE, BCEE, ASA
HARTMAN CONSULTANTS, LLC
2107 WATER KEY DRIVE
WINDERMERE, FLORIDA 34786

&

CLIENT:

MR. WILLIAM L. SMITH, JR., CHAIRMAN OF THE BOARD
KEY WEST RESORT UTILITIES
6630 FRONT STREET
STOCK ISLAND, KEY WEST, FLORIDA 33040

I have personally examined the subject property:

and based on analysis of market data, site visit, physical walk through, and research, it is my opinion that the *Fair Market Value of the Fee Simple Interest* of the Subject Property, Main Sewer Treatment Plant (6630 Front Street), Land Only, plus the Sewer Utility Easements throughout North and South Stock Island, and the Proposed Easements throughout the Key West Golf Course (6450 College Road, Key West), subject to definitions, assumptions and limiting conditions, as of November 18, 2014, is:

EIGHT MILLION FIVE HUNDRED FORTY TWO THOUSAND DOLLARS
($ 8,542,000)

I ADDITIONALLY CERTIFY that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.

- The reported analyses, opinion, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- My engagement in this assignment was not contingent upon developing or reporting predetermined results.

- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or a direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

- My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

- James E. Wilson has performed a site visit and physical walk through of the property that is the subject of this report.

- No one has provided significant professional assistance to the persons signing this report other than integrating this report with Mr. Gerald Hartman, PE, BCEE, ASA, Hartman Consultants, LLC.

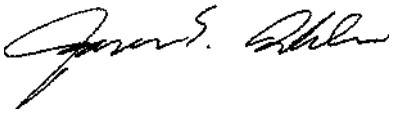
- The use of this report is subject to the requirements of the State of Florida relating to review by the Florida Real Estate Appraisal Board of the Department of Professional Regulations, Division of Real Estate.

- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

- I have appraised the main sewer plant parcel of the subject property (real property only) on January 4, 2012. I have not prepared an appraisal, feasibility study, consultation assignment, or any other related service for the subject easement parcels over the past three years or prior.

- James E. Wilson has completed the Professional Standards and Ethics education requirement of the Appraisal Institute for Associate Members.

APPRAISAL COMPANY OF KEY WEST



James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164

ASA®

The American Society of Appraisers

Attests that

GERALD C. HARTMAN, ASA

has successfully participated in the

Society's mandatory Reaccreditation Program

and has complied with its continuing education requirements, as set forth in the organization's Constitution, Bylaws and Administrative Rules. Therefore, formal reaccreditation has been granted by the International Board of Governors and will remain valid through

August 15, 2016

International President

Chairman, Int'l Board of Examiners

120 PDH - 8/15/2011

State of Illinois

LICENSE NO. 062.053100

Department of Financial and Professional Regulation
Division of Professional Regulation

LICENSED
PROFESSIONAL ENGINEER

GERALD C HARTMAN

EXPIRES:
11/30/2015

MANUEL FLORES
ACTING SECRETARY

JAY STEWART
DIRECTOR

The official status of this license can be verified at www.idfpr.com

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American Academy of Environmental Engineers Certification Board of
American Academy of Environmental Engineers and Scientists

Certifies That

Gerald C. Hartman

Has maintained the requirements for

Board Certified Environmental Engineer

in the specialty(ies) of

Water Supply and Wastewater

This certification is valid through **December 31, 2014.**

Certification Number: ***88-10034***

Appendix B

Gerald C. Hartman, PE, BCEE, ASA

Education

M.S. Duke University, 1976

B.S. Duke University, 1975

Registrations/Certifications

Arizona No. 28939

Colorado No. 31200

Florida No. 27703

Georgia No. 17597

Illinois No. 062-053100

Indiana No. 10100292

Kentucky No. 22463

Louisiana No. 30816

Maine No. 10395

Maryland No. 12410

Mississippi No. 12717

Nevada No. 20259

New Mexico No. 15990

New York No. 088623-1

North Carolina No. 15264

Ohio No. 70152

Pennsylvania No. 38216

South Carolina 15389

Tennessee No. 105550

Virginia No. 131184

Wisconsin 32971-6

NCEES National P.E. No. 20481

American Society of Appraisers Accredited Senior Appraiser No. 7542

Professional Summary

Management Consulting/Valuation/Expert Testimony

Mr. Hartman is an experienced utility engineer and appraiser specializing in utilities and systems. He is a qualified expert witness in the area of utility system valuation and financing, facility siting, certification/service area/franchises and formation/creation, management and acquisition projects. Mr. Hartman is accepted in various Federal Courts, Circuit Courts, Division of Administrative Hearings, Public Service Commissions, arbitration, and quasi-judicial hearings conducted by cities and counties, as a technical expert witness in the areas of utility systems (water, wastewater, stormwater, solid waste, gas and electric), certification/service area/franchises, facility planning, utility conveyance, transmission and distribution, utility resources, utility treatment, engineering, permitting and regulations, utility system design and construction, and utility systems valuation (water , wastewater, stormwater, solid waste, gas, and electric systems), costing and damages.

Professional Experience

Machinery and Technical Specialties, ASA – Public Utilities

Public Utilities Appraisal Specialty Certified, ASA

Tangible Personal Property – VAB, Magistrate
Orange County, FL (2009 and 2010)

Tangible Personal Property – Special Magistrate Osceola County, FL (2011, 2012, and 2013/2014) Hendry County, FL (2012 and 2013/2014)

Financial Reports

Mr. Hartman has been involved in over 300 capital charge, impact fee and installation charge studies involving water, wastewater and fire service for various entities. He also has participated in over 150 user rate adjustment reports. Mr. Hartman assisted in the development of over 70 revenue bond issues, 20 short-term bank loan systems, 10 general obligation bonds, numerous grant/loan programs, numerous capacity sale programs, and 20 privatization programs. Mr. Hartman has been involved in over $3 billion in utility bond and commercial loan financings for water and wastewater utility, and over $4 billion in utility grants, matching funding, cost-sharing; SRF loans and Federal Loans (R.D., etc.), assessments and CIAC programs.

Utility Appraisals, Valuations and Evaluations

Mr. Hartman has been involved in some 500 utility negotiations, valuations and evaluations, and has been a qualified expert witness by the courts with regard to utility, arbitrations and condemnation cases. He has participated in the valuation of numerous utility systems. His experience includes:

Skills

Management Consulting
Utility System Valuation
Expert Witness Services
Rates, Fees, and Charges
Funding and Financing
Utility Certifications, Franchises, Service Areas
Economic Evaluations
Creditworthiness Analysis
Environmental Engineering
Water/Wastewater Systems Engineering
Stormwater Systems
Water Resource Services
Electric System Appraisals

Relevant Training/Courses

Numerous AWRA, AWWA, ASCE, WEF, AASE, ASA, NSPE, PE Seminars, Courses, Ethics, Continuing Education (multiple states)
USPAP Exams 2003,04,09/10
ASA ME201, ME202, ME203, ME204 Mach. & Technical Specialties, BV201 Public Utilities, PP201.
ASA Public Utilities Specialty Designation Exam Parts I, II, and III Numerous Technical Appraisal Courses/Exams in personal property (tangible & intangible), business valuation, and other areas
Appraisal Review & Management ARM 201 and 204

Year	Project	Party Represented
2014	Illinois Value Consulting	Confidential
2014	New River Light & Power (ongoing)	Owner
2014	KWRU – Wastewater Utility (ongoing)	Owner
2014	Citrus County/Duke Energy 1/1/13	County
2014	Minto Prop./SID W&WW&RU	District
2014	North Maine Utilities F.O.	Village
2014	3 Appraisals Review	Glenview
2014	Eastlake W&WW (Condemn)	County
2014	Pebble Creek Utilities W&WW (Con.)	County
2014	Mooresville Water (Condemn) ARM	Attorney
2014	Cauley Creek WRF	Owner
2013	Tega Cay Water and Wastewater	Both
2013	Harrison, Ohio Water	City
2013	Water Management Services	Bank
2013	North Lee Rural Water Association, Tupelo, MS (Partial)	City
2013	NPUC (Cost/Comp) Wastewater	Bank
2013	Progress Energy Florida (Citrus County) TPP 1/1/12	County
2013	Village of Oakwood Water/Wastewater System	Village
2013	Richmond Generation Station (Review)	City
2013	Peru Generation Station (Review)	City
2013	Dover, Delaware Electric System	City
2013	C-51 Reservoir	Owner
2013	C-25 Reservoir	Owner
2013	Eglin Air Force Base	Proposer
2013	Duke Energy (Citrus County) TPP Electric 1/1/13	County
2012	Beverly Hills Waste Management	Owner
2012	Town of Belleair	Town
2012	Orchid Springs Utilities	City
2012	Tymber Creek Utilities – Stock Transfer	Owner(s)
2012	Peoples of Balstrop – (Condemnation)	Owner
2012	Senoia Water System	County
2011	Pine Island Utility System	Owner
2011	Town of Franklinton Water/Wastewater System	Both
2011	Kill Devil Hills Wastewater Treatment Plant	Bank
2011	Chesapeake Electric Utility – Marianna, Florida	City
2011	City of South Daytona Electric Utility	City
2011	On Top of the World Communities Water, Wastewater, and Reuse System – Marion County, Florida (Bay Laurel Center Community Development District)	District
2011	City of Vero Beach Electric Utility	City
2011	City of Vero Beach Water, Wastewater, and Reuse System	City
2010	Rolling Oaks Water and Wastewater System, Beverly Hills Waste Management System (SW)	Owner/Bank
2010	Liberty Water – Tall Timbers Wastewater System, TX (Condemnation)	Owner
2010	Heritage Hills Water and Sewer System, NY	Owner
2010	Waterside Villages of Currituck Waste Water Treatment Plant, NC	District
2010	Tindall Hammock Irrigation and Soil Conservation District Water/Wastewater System	District
2010	Great Wolf Resort Utilities, PA	Owner
2010	Town of Indian River Shores Water and Sewer System Assets	Town
2010	City of Vero Beach Water and Sewer System Assets, Town of Indian River Shores (Partial)	City
2010	City of Griffin Water System Assets, GA	Water Authority
2010	Golden Beach Water Assets	City

Affiliations

Diplomate – American Academy of Environmental Engineers

American Society of Appraisers

American Society of Civil Engineers

American Water Works Association

Florida Engineering Society

National Society of Professional Engineers

Water and Environment Federation

Year	Project	Party Represented
2010	Fearington Utilities	NFP
2009	On Top of the World Communities Water, Wastewater, and Reuse System – Marion County, Florida (Bay Laurel Center Community Development District)	District
2009	Aquarina Water and Wastewater	Bank
2009	Cocoa Beach (electric)	City
2009	Parkland Utilities	Owner
2009	GISTRO	NFP
2009	Fruitland Park (electric)	City
2009	Town of Golden Beach Water and Wastewater System	City
2008	Park Water Company	City
2008	Crooked Lake Sewerage Company	City
2008	Vanguard Wastewater System	City
2008	Traxler Enterprises	City
2008	Louisiana Land and Water Company	Owner
2008	Sandy Creek Water and Wastewater	County
2008	Bayside Water and Wastewater	County
2008	Fern Crest Utilities, Inc.	Buyer
2008	Turnpike Utilities, LLC – W/S North Carolina	Owner
2008	Nags Head, Moneray Shores, Currituck Sewer, Corollo #1 & #2	Buyer
2008	Service Management Systems, Inc.	Bank
2008	Slash Creek Utility System	Owner
2008	Kill Devil Hills Utility Company	Owner
2008	Orchid Springs Utilities	City
2008	City of North Miami Beach – Utilities	Owner
2007	Pine Island Water System	Owner
2007	Pine Island Currituck Sewer	Owner
2007	Gulf Coast Electric Cooperative	County
2007	Marion Utilities, Sunshine Utilities and Windstream Utilities	County
2007	Ocean Reef/NKLUA/Card Sound I.Q.	FKAA
2007	Irish Acres	County
2007	I-20 Systems South Carolina	Owner
2007	Town & Country Update	Owner
2007	Service Management Systems, Inc.	C.B. Ellis
2007	Bulow Village Resort	County
2007	Intercoastal Utilities	Owner
2006	Donaldsonville/Peoples Utilities	Owner
2006	MSM Utilities, Inc.	Owner
2006	BSU/Citrus Park	Owner
2006	Jasmine Lakes and Palm Terrace	City
2006	The Arbors	County
2006	Oak Centre	County
2006	Silver Oaks Estates	County
2006	Regal Woods	County
2006	Golden Glen	County
2006	Willow Oaks	County
2006	South Oak	County
2006	Gulf State Community Bank – Utility Holdings	Bank
2006	Rolling Green	County
2006	South 40, Citrus Park and Raven Hill	County
2006	Holiday Utility Company, Inc.	Bank
2006	Old Bahama Bay	Management

Year	Project	Party Represented
2006	Utility Consolidation Program	County
2006	Loch Harbor Water & Wastewater System	Owner
2005	Lake Wales Utility Company	Bank
2005	Pennichuck Water Company	Confidential
2005	K.W. Resort Utilities, Inc.	Confidential
2005	Water Management Services, Inc.	Owner
2005	Town and Country Utility Co.	Confidential
2005	Village of Royal Palm Beach	Village
2005	Orange/Osceola/Lake/Seminole Counties	Confidential
2005	Utilities, Inc. (Partial) (Condemnation)	Owner
2005	Village of Royal Palm Beach	Village
2005	Bald Head Island Utilities, Inc.	Village
2005	Broward County	Confidential
2005	Burkim Enterprises, Inc. (Condemnation)	Owner
2005	Lyman Utilities, Inc. Harrison County, MS (Condemnation)	Owner
2004	Quail Meadow Utility Company	County
2004	Silver Springs Shores Regional	County
2004	Matanzas Shores	County
2004	El Dorado Utilities, NM (Condemnation)	Owner
2004	CDF to City of Tupelo, MS	CDF
2004	Pesotum, Illinois – IAWC	Village
2004	Philo, Illinois – IAWC	Village
2004	Central Florida	Confidential
2004	Skyview	City
2004	Polk Utilities	NFP
2004	St. Johns Services Company	County
2004	Intercoastal Utilities Company	County
2004	Stonecrest Utilities	County
2004	Meredith Manor	County
2004	Lake Harriet Estates	County
2004	Lake Brantley	County
2004	Fern Park	County
2004	Druid Hills	County
2004	Dol Ray Manor	County
2004	Apple Valley	County
2004	Kingsway Utility Area	County
2004	Lake Suzy Utilities (water portion)	County
2004	Sanibel Bayous Wastewater Corporation	City
2004	Ocean City Utilities	FCURIA/County
2004	People's Water of Donaldsonville, LA (Condemnation)	Owner
2003	Harmony Homes	County
2003	Florida Central Commerce Park	County
2003	Chuluota	County
2003	District 3C (Miramar portion)	City
2003	Lincoln Utilities/Indiana Water Service	Owner
2003	Gibsonia Estates	City
2003	Lake Gibson Estates	City
2003	Jungle Den Utilities	Association
2003	Holiday Haven Utilities	Association
2003	Salt Springs	County
2003	Smyrna Villas	County
2003	South Forty	County
2003	Citrus Park	County

Year	Project	Party Represented
2003	Spruce Creek South	County
2003	Spruce Creek	County
2003	Spruce Creek Country Club Estates	County
2003	Longwood Franchise (electric)	City
2003	Casselberry Franchise (electric)	City
2003	Apopka Franchise (electric)	City
2003	Winter Park Acquisition (electric)	City
2003	Stonecrest/Steeplechase	County
2003	Marion Oaks	County
2003	Kingswood Utilities	County
2003	Oakwood Utilities	County
2003	Sunny Hills Utilities	Confidential
2003	Interlachen Lake/Park Manor	Confidential
2003	Tomoka/Twin Rivers	Confidential
2003	Beacon Hills	Buyer
2003	Woodmere	Buyer
2003	Bay Lake Estates	City
2003	Fountains	City
2003	Intercession City	City
2003	Lake Ajay Estates	City
2003	Pine Ridge Estates	City
2003	Tropical Park	City
2003	Windsong	City
2003	Buenaventura Lakes	City
2002	Lelani Heights Utilities	County
2002	Fisherman Haven Utilities	County
2002	Fox Run Utilities, Inc.	County
2002	Ponce Inlet	City
2002	Amelia Island Utilities	City
2002	Florida Public Utilities (Condemnation)	City
2002	AquaSource – LSU	County
2002	Park Place Utility Company, GA	Owner
2002	Kingsway Utility System	Owner/County
2002	Pennichuck Water Company, NH	City
2002	Philo Water System, IL	Village
2002	Pasco County – 2 systems	County
2002	Marion Consolidation – 10 systems	County
2002	Sugarmill (Condemnation)	UCCNSB
2002	Deltona	Conference
2002	Palm Coast	FCURIA
2002	Bald Head Island Utilities, NC	Village
2002	White's Creek – Lincolnshire, SC (Condemnation)	Owner
2002	Bluebird Utilities, Tupelo, MS	NFP
2001-2002	Due Diligence – 260 systems (VA, NC, SC)	Buyer
2001	Shady Oaks	County
2001	Davie/Sunrise	City
2001	Lindale Utilities	County
2001	Aquarina	Owner
2001	Intercoastal Utilities	County
2001	Beverly Beach	City
2001	Citrus County Utility Consolidation Plan (numerous)	County
2001	Pasco County Utility Acquisition Plan (numerous)	County
2001	Skylake Utilities	City

Year	Project	Party Represented
2001	Town of Lauderdale-By-The-Sea	Town
2001	John Knox Village	City
2001	Silver Springs Regional	County
2001	DeSoto Countywide FWSC Franchise and Assets	County
2001	Zellwood Station Co-Op	Co-Op
2001	Palm Cay	County
2000	The Great Outdoors	Owner
2000	Destin Water Users	City
2000	Pine Run	County
2000	Oak Run	County
2000	Dundee Wastewater (partial)	City
2000	Polk City Water	City
2000	A.P. Utilities (2 systems)	County
2000	CGD Utilities	Bank
2000	Boynton Beach (partial)	City
2000	Aqua-Lake Gibson Utilities	City
2000	Bartelt Enterprises, Ltd. (2 systems)	Owner
2000	49 'Ner Water System, Tucson, AZ (Condemnation)	Owner
2000	Stock Island Wastewater and Reuse System	Owner
1999	Osceola Power Station (Electric)	Owner
1999	Okeelanta Power Station (Electric)	Owner
1999	Del Webb (3 systems)	County
1999	Destin Water Users Co-Op	City
1999	O&S Water Company	City
1999	Rolling Springs Water Company	County
1999	ORCA Water & Solid Waste	Authority
1999	Marianna Shores Water and Wastewater	City
1999	Mount Olive Utilities	City
1999	AP Utilities (3 systems)	County
1999	Tangerine Water Association	City
1999	Laniger Enterprises Water & Wastewater	Bank
1999	IRI golf Water System, AZ (Condemnation)	Investor
1999	South Lake Utilities	City
1999	St. Lucie West CDD	City
1999	Polk City/Lakeland	City
1999	Dobo System, Hanover County, NC	County
1999	Rampart Utilities	County
1999	Garlits to Marion County	County
1998	Golf and Lake Estates	City
1998	Sanibel Bayous/E.P.C.	City
1998	Tega Cay Utility Company, SC	City
1998	Marlboro Meadows, MD (Condemnation)	Owner
1998	Sugarmill Water and Wastewater/Volusia County	UCCNSB
1998	SunStates Utilities, Inc.	Owner
1998	Town of Hope Mills/FPWC, NC	Town
1998	River Hills, SC	County
1998	Town of Palm Beach	Town
1998	K.W. Utilities, Inc.	Buyer
1998	Orange Grove Utility Company, MS (Condemnation)	Owner
1998	Garden Grove Water Company	City
1998	Sanlando Utilities, Inc.	County
1997	Golden Ocala Water and Wastewater System	County
1997	Holiday Heights, Daetwyller Shores, Conway, Westmont	County

Year	Project	Party Represented
1997	University Shores	County
1997	Sunshine Utilities	County
1997	Bradfield Farms Utility, NC	Owner
1997	Palmetto Utility Corporation	Owner
1997	A.P. Utilities	County
1997	Village of Royal Palm Beach	Village
1997	Jasmine Lake Utilities Corporation	Lender
1997	Arizona (confidential)	Owner
1997	Village Water Ltd., FL	Owner
1997	N.C. System – CMUD (3 systems)	Owner
1997	Courtyards of Broward	City
1997	Miami Springs	City
1997	Widefield Homes Water Company, CO	Company
1997	Peoples Water System	ECUA
1997	Quail Meadows, GA	County
1997	Rolling Green, GA	County
1996	Keystone Heights	City
1996	Buchannan	Owner
1996	Keystone Club Estates	City
1996	Lakeview Villas	City
1996	Geneva Lakes	City
1996	Postmaster Village	City
1996	Landen Sewer System, CMUD, NC	Company
1996	Citizens Utilities, AZ	City
1996	Widefield Water and Sanitation, CO	District
1996	Consolidation Program Game Plan	County
1996	Marion Oaks	County
1996	Marco Shores	Company
1996	Marco Island	Company
1996	Cayuga Water System, GA	Authority
1996	Glendale Water System, GA	Authority
1996	Lehigh Acres Water and Wastewater, GA	Authority
1996	Lindrick Services Company	Company
1996	Carolina Blythe Utility, NC	City
1996	Ocean Reef R.O. WTPs	NKLUA
1995	Sanibel Bayous	City
1995	Rotunda West Utilities	Investor
1995	Palm Coast Utility Corporation	ITT
1995	Sunshine State Parkway	Company
1995	Orange Grove Utilities, Inc., Gulfport, MS (Condemnation)	Company
1995	Georgia Utilities, Peachtree, GA	City
1995	Beacon Hills Utilities	Company
1995	Woodmere Utilities	Company
1995	Springhill Utilities	Company
1995	Okeechobee Utility Authority	OUA
1995	Okeechobee Beach Water Association	OUA
1995	City of Okeechobee	OUA
1995	Mad Hatter Utilities, Inc.	Company
1994	Eastern Regional Water Treatment Plant	Owner
1994	GDU – Port St. Lucie Water and Wastewater (Franchise/Condemnation)	City
1994	St. Lucie County Utilities	City
1994	Marco Island/Marco Shores	Sun Bank
1994	Heater of Seabrook, SC (Condemnation)	Company

Year	Project	Party Represented
1994	Placid Lake Utilities, Inc.	Company
1994	Ocean Reef Club Solid Waste System	ORCA
1994	Ocean Reef Club Wastewater System	ORCA
1994	South Bay Utilities, Inc.	Company
1994	Kensington Park Utilities, Inc.	Company
1993	River Park Water System	SSU/Allete
1993	Taylor Woodrow, Sarasota Cnty (Condemnation)	Taylor Woodrow
1993	Atlantic Utilities, Sarasota Cnty (Condemnation)	Company
1993	Alafaya Utilities, Inc.	Bank
1993	Anden Group Wastewater System, PA	Company
1993	West Charlotte Utilities, Inc.	District
1993	Rolling Oaks (SW)	Owner
1993	Sanlando Utilities, Inc.	Investor
1993	Venice Gardens Utilities	Company
1992	Myakka Utilities, Inc.	City
1992	Kingsley Service Company	County
1992	Mid Clay Utilities, Inc.	County
1992	Clay Utilities, Inc.	County
1992	RUD#1 (4 systems review)	Meadowoods/ Kensington Park
1992	Uddo Landfill (SW) (Condemnation)	Owner
1992	Martin Downs Utilities, Inc.	County
1992	Fox Run Utility System	County
1992	Leilani Heights	County
1992	River Park Water and Sewer	SSU/Allete
1992	Central Florida Research Park	Bank of America
1992	Rolling Oaks Utility	Investor
1992	City of Palm Bay Utilities	PBUC
1992	North Port – GDU Water and Sewer (Franchise/Condemnation)	City
1992	Palm Bay – GDU Water and Sewer (Franchise/Condemnation)	City
1992	Sebastian – GDU Water and Sewer	City
1991	Sanibel – Sanibel Sewer System, Ltd.	City
1991	St. Augustine Shores, St. Johns County (Condemnation)	SSU/Allete
1991	Remington Forest, St. Johns County	SSU/Allete
1991	Palm Valley, St. Johns County	SSU/Allete
1991	Valrico Hills, Hillsborough County	SSU/Allete
1991	Hershel Heights, Hillsborough County	SSU/Allete
1991	Seaboard Utilities, Hillsborough County	UFUC
1991	Federal Bankruptcy – Lehigh Acres	Topeka/Allete
1991	Meadowoods Utilities, Regional Utility District #1	Investor
1991	Kensington Park Utilities, Reg. Utility District #1	Investor
1991	Industrial Park, Orange City	City
1991	Country Village, Orange City	City
1991	John Know Village, Orange City	City
1991	Land O'Lakes, Orange City	City
1990	Orange-Osceola Utilities, Osceola County	County
1990	Morningside East and West, Osceola County	County
1990	Magnolia Valley Services, Inc., New Port Richey	City
1990	West Lakeland Industrial, City of Lakeland	City
1990	Highlands County Landfill (Condemnation)	Owner
1990	Venice Gardens Utilities, Sarasota County	SSU/Allete
1990	South Hutchinson Services, St. Lucie County	SHS
1990	Indian River Utilities, Inc.	City

Year	Project	Party Represented
1990	Coraci Landfill (SW) (Condemnation)	Owner
1990	Terra Mar Utility Company	City
1989	Seminole Utility Company, Winter Springs	Topeka/Allete
1989	North Hutchinson Svcs., Inc., St. Lucie County	NHS
1989	Sugarmill Utility Company	UCCNSB
1989	Ocean Reef Club, Inc., ORCA	Company
1989	Prima Vista Utility Company, City of Ocoee	PVUC
1989	Deltona Utilities, Volusia County	SSU
1989	Poinciana Utilities, Inc., Jack Parker Corporation	JPC
1989	Julington Creek	Investor
1989	Silver Springs Shores	Bank
1988	Eastside Water Company, Hillsborough County	County
1988	Twin County Utilities	Company
1988	Burnt Store Utilities	Company
1988	Deep Creek Utilities	Company
1988	North Beach Water Co., Indian River County	NBWC
1988	Bent Pine Utility Company, Indian River County	BPUC
1988	Country Club Village, SSU	CCV
1987	Sugarmill Utility Co., Florida Land Corporation	FLC
1987	N. Orlando Water & Sewer Co., Winter Springs	NOWSCO
1987	Osceola Services Company, FCS (nfp)	OSC
1987	Orange City Water Company, Orange City	City
1987	West Volusia Utility Company, Orange City	City
1987	Seacoast Utilities, Inc., Florida Land Corporation	FLC
1987	Utilities Commission, City of New Smyrna Beach (partial SA/Assets) (Electric)	Commission

and numerous other utility valuations in the 1976-1987 period.

Utility Management Consulting

Mr. Hartman has been involved in utility transfers from public, not-for-profit, district, investor-owned, and other entities to cities, counties, not-for-profit corporations, districts, and private investors. He has been involved in staffing, budget preparation, asset classification, form and standards preparation, utility policies and procedures manuals/training, customer development programs, standard customer agreements, capacity sales, and other programs. Mr. Hartman has been involved in over 100 interlocal agreements with respect to service area, capacity, service, emergency interconnects, back-up or other interconnects, rates, charges, service conditions, ownership, bonding and other matters.

Additionally, Mr. Hartman has assisted in the formation of newly certificated utilities, newly created utility departments for cities and counties, new regional water supply authorities, new district utilities, and other utility formations. Mr. Hartman has assisted in utility reserve areas for the Cities of Haines City, Sanibel, Lakeland, St. Cloud, Winter Haven, Bartow, Palm Bay, Orange City, and many others. He has participated in the certification of many utilities such as ECFS, Malabar Woods, B&C Water Resources, Inc., Farmton Water Resources, Inc. and many others; and certification disputes such as Windstream, Intercoastal Dulay Utilities, FWSC/ITT, and others and served as service area certification staff of the regulatory for St. Johns County; i.e., Intercoastal, etc.; as service area transfer/certification staff of the regulatory for Flagler County; i.e., Palm Coast to FWSC. He has served as a local County regulatory staff professional in Collier,

Citrus, Hernando, Flagler and St. Johns Counties, as well as elsewhere. Mr. Hartman also provided technical assistance to many utility service area agreements such as Winter Haven/Lake Wales/Haines City, etc. and North Miami Beach – MDWASD and others. For over 30 years, Mr. Hartman has been a professional assisting in the resolution of utility issues.

Utility Finance, Rates, Fees and Charges

Mr. Hartman has been involved in hundreds of capital charge, impact fee, and installation charge studies involving water, wastewater, stormwater, solid waste, gas and electric service for various entities and at the rate regulatory commissions. He also has participated in hundreds of user rate adjustment reports. Since 1976, Mr. Hartman assisted in the development of over 50 revenue bond issues, 20 short-term bank loan systems, 2 general obligation bonds, 26 grant/loan programs, 10 capacity sale programs, and 20 privatization programs. He has been involved in over hundreds of utility acquisition/utility appraisals for acquisition, and is a qualified expert witness with regard to utility rates and charges, and utility negotiation, arbitration and condemnation cases. A few of his rate, charge and bond projects include:

+ City of Dunnellon Impact Fee Case 2013
+ Bay County Revenue Bond Issue Series 2014
+ City of Fernandina Beach, Impact Fee Case and Bond Issue
City of Fernandina Beach, Revenue Bond Issue, 2013
+ City of North Miami Beach Water and Wastewater Rate, Fee and Charge Study, 2013
+ City of North Miami Beach $65 Million Water Revenue Bond Issue, 2012
+ DeKalb County Revenue Bond Issue $373 Million Services 2011
+ Polk City Services 2010 - $10 Million Revenue Bond Issue
+ Bay Laurel Services 2011 - $45 Million Revenue Bond Issue
+ Bay County Water Rate, Charge and Fee Study, Wholesale and Retail, 2013
+ Bay County Wastewater Rate, Charge and Fee Study, AWT and Retail, + 2013
+ Bucks County – City of Philadelphia Wholesale Utility Services Analysis, 2011
+ Timber Creek FPSC Utility Rates and Charges, 2011 and 2012
+ Polk City Water and Wastewater Rate, Fee and Charge Study, 2010
+ Lake Worth Wholesale Charges Analysis for 7 entities, 2012
+ THISCD Water and Wastewater Rate, Fee and Charge Study, 2012
+ City of Ft. Meade Water and Wastewater Rate, Fee and Charge Study, 2013
+ City of Ft. Meade Stormwater Rate Study, 2012
+ City of Ft. Myers Beach Water/Wastewater Rate, Fee and Charge Study, 2013
+ Dunnellon Rate and Surcharge Review, 2012/2013
+ Bay Laurel Center Community Development District – Water, Wastewater and Reclaimed Water Rate Study, Line Charge Study, and Miscellaneous Charge Study, 2010
+ Skyland Utilities, LLC – FPSC, 2009

- Bluefield Utilities, LLC – FPSC, 2009
- Grove Land Utilities, LLC – FPSC, 2009
- Tindall Hammock Irrigation and Soil Conservation District – Water and Wastewater Rate and Charge Study, 2008
- Bay County – Wholesale Rate Study and Impact Fee Study – 2007
- Flagler County – Impact Fee Analysis, 2005
- Flagler County – Base Facility Charge Analysis, 2005
- Marion County – Silver Springs Regional – Water/Wastewater Revenue Sufficiency, 2004
- Beverly Beach – Water and Wastewater System, 2004
- Village of Bald Head Island – Water and Wastewater Rate Sufficiency, 2004
- Farmton Water Resources, Inc. – FPSC, 2004
- B&W Water Resources, Inc. – FPSC, 2004
- Marion County – Stonecrest, Marion Oaks, Spruce Creek, Salt Springs,
- South Forty, Smyral Villas – Rate Integration/Phasing Program, 2003
- City of North Miami Beach – Water and Wastewater Adjustment, 2003
- City of Fernandina Beach – Water and Wastewater Rate Study, 2002
- St. Johns County – St. Johns Water Co. Rates, 2003
- St. Johns County – Intercoastal Rates, 2001
- Nashua, NH – Pennichuck Water Co., 2002
- City of Deltona – Water and Wastewater, 2002
- Town of Lauderdale By-The-Sea, 2001
- FCURA – Palm Coast Rates, Certification, 2000
- Marion County – Pine Run, Oak Run, A.P. Utilities – Rate Integration, 2000
- City of North Miami Beach – Revenue Sufficiency Analysis, 2000
- North Key Largo Utility Authority, 2000
- Port St. Lucie – St. Lucie West – CDD, 1999
- Hanover County – Water and Wastewater, 1999
- UCCNSB/Sugarmill, 1999
- Town of Hope Mills, 1998
- Town of Palm Beach, 1998
- City of Winter Haven, 1998
- Palmetto Resources, Inc. – Raw Water, Reuse, Water, and Wastewater, 1997
- City of Miami Springs – Analysis, 1997
- Widefield – Water and Wastewater, 1997
- Bullhead City – Wastewater, 1996
- Marion County, 1996
- Utilities Commission, City of New Smyrna Beach – Water/Wastewater Rate Study, 1995
- Okeechobee Utility Authority - Rate and charge study, 1995
- Southern States - Statewide rate case, 1995

+ Lee County - Rates and charges, 1995
+ Venice - Reuse rate study, 1994
+ Utilities Commission, City of New Smyrna Beach - Capital charge study, 1996
+ Port St. Lucie - Water, gas and wastewater rates, 1994
+ Port St. Lucie - Capital charge study, 1995
+ Bullhead City - Assessment study, 1996
+ Englewood - Assessment study, 1996
+ Sanibel - Capacity sale study, 1995
+ City of New Port Richey - Rate and charge study, 1995
+ Acme Improv. District, Wellington, Florida - Water/Wastewater studies, 1994
+ Charlotte County, Florida - Water/wastewater studies; Rotunda West rate case, 1993
+ Clay County, Florida - Water/wastewater studies, 1992
+ City of Deerfield Beach, Florida - Water/wastewater studies, 1992
+ City of Dunedin, Florida - Water/wastewater studies, 1991
+ Englewood Water District, Florida - Water/wastewater studies, 1993
+ City of Green Cove Springs, Florida - Water/wastewater studies, 1991
+ Hernando County, Florida - Water/wastewater studies, 1992
+ City of Lakeland, Florida - Water studies, 1976-89
+ Martin County, Florida - Water/wastewater studies, 1993
+ City of Naples, Florida - Water/wastewater and solid waste studies, 1992/94
+ City of New Port Richey, Florida - Water/wastewater studies, 1994
+ City of North Port, Florida - Water/wastewater studies, 1992
+ City of Orange City, Florida - Water/wastewater studies, 1985-94
+ City of Palm Bay, Florida - Water/wastewater studies, 1985-94
+ City of Panama City Beach, Florida - Water/wastewater studies, 1993
+ City of Sanibel, Florida - Water and reuse studies, 1988-94
+ Southern States Utilities Inc., Florida - Water/wastewater studies and statewide rate cases, 1991/93
+ City of Tamarac, Florida - Water/wastewater studies, 1993
+ Utilities Commission, City of New Smyrna Beach, Florida - + Water/wastewater and reuse studies, 1992/94
+ Volusia County, Florida - Solid waste studies, 1989
+ City of West Palm Beach, Florida - Water/wastewater/reuse studies, 1993/94
+ City of Sebastian, Florida - Water/wastewater studies, 1993
+ City of Tarpon Springs, Florida - Water/wastewater studies, 1994
+ City of Miami Springs, Florida - Water/wastewater/solid waste studies, 1994
+ City of Edgewater, Florida - Water/wastewater/solid waste studies, 1987-90
+ City of Venice, Florida - Reuse studies, 1994
+ City of Port St. Lucie - Water/wastewater studies, 1994

- Ocean Reef Club, Monroe County, Florida - Wastewater studies, 1994
- Placid Lakes Utilities Inc., Florida - Water/wastewater studies, 1994
- Old Overtown-Liberty Park, Birmingham, Alabama - Wastewater studies, 1994
- Bullhead City, Arizona - Wastewater studies, 1994
- Lehigh Utilities Inc., Lee County, Florida - Florida Public Service Commission rate cases for water, wastewater and reuse, 1993
- Marco Island and Marco Shores Utilities Inc., Collier County, Florida - Florida Public Service Commission rate cases for water, wastewater and reuse, 1993
- Venice Gardens Utilities Inc., Sarasota County, Florida - Rate cases for water, wastewater and reuse, 1989/91/93
- Mid-Clay and Clay Utilities Inc., Clay County, Florida - Water/wastewater studies, 1993

Several expert witness assignments including Palm Bay vs. Melbourne; Tequesta vs. Jupiter; Town of Palm Beach vs. City of West Palm Beach; City of Sunrise vs. Davie; Kissimmee vs. Complete Interiors; and others.

Economic Evaluations/Credit Worthiness Analyses

Credit Worthiness Analysis for Drinking Water State Revolving Fund (1999) – Florida Department of Environmental Regulation

Credit Rating Reviews (1980-2000) – for numerous investor-owned utilities; many city-owned utilities (Winter Haven, Port St. Lucie, Miramar, Tamarac, Palm Bay, North Port, etc.); many county-owned utilities; several not-for-profit utilities; and utility authorities (OUA, etc.)

Financial Feasibility and Engineer's Revenue Bond Reports (1980-2000) – for over $2 billion of water and/or wastewater bonds for some fifty (50) entities in the Southeast United States including Clay, Lee, Hernando, Martin, and other counties; Lakeland, West Palm Beach, Miramar, Tamarac, Panama City Beach, Winter Haven, Naples, North Port, Palm Bay, Port St. Lucie, New Port Richey, Clermont, Orange City, Deerfield Beach, Sanibel, City of Peachtree City, Widefield, and many other cities; Lee County Industrial Development Authority, Englewood Water District, and other utilities.
Privatization Procurement and Analysis for many water and wastewater systems including Sanibel, Town of Palm Beach, Temple Terrace, Palm Bay, Widefield, Bullhead City and sever others.

Service Areas and Negotiations

Mr. Hartman has participated in over thirty-five (35) service area formations, Chapter 25 F.S. certifications, Chapter 180.02 reserve areas, authority creations, and interlocal service area agreements including Lakeland, Haines City, Bartow, Winter Haven, Sanibel, St. Cloud, Palm Bay, SBWA, ECFS, MWUC, Edgewater, Orange City, UCCNSB, Port St. Lucie, Martin County, OUA, NKLUA, DDUA, and many others. Mr. Hartman has been a primary negotiator for interlocal service agreements regarding capacity, joint-use, bulk service, retail service, contract operations and

many others for entities such as the Town of Palm Beach, Miramar, Lauderdale-By-The-Sea, North Miami Beach, Collier County, Marion County, St. Johns County, JEA

and many others.

Expert Testimony

+ Mr. Hartman has been accepted in various Circuit Courts, Florida Division of Administrative Hearings, Florida Public Service Commission, arbitration, and quasi- judicial hearings conducted by cities and counties, as a technical expert witness in the areas of electric systems, solid waste systems, stormwater systems, gas systems, wastewater systems and/or biosolids facilities, water supply, facility planning, water resources, water treatment, water quality engineering, water system design and construction, wastewater collection, wastewater transmission, wastewater treatment, effluent/reclaimed water use, sludge processing and disposal, costing, damages, rates/charges, service and service areas, and utility systems valuation and utility systems valuation. Recently, Mr. Hartman has been an expert witness on utility condemnation, utility arbitration, water rates and use permitting DOAH case, utility rate setting DOAH case, service area and utility service civil case, City of Atlanta Water Treatment Plant Construction, City of Milwaukee Cryptosporidium, Jupiter vs. Tequesta Water Contract Services, Winter Park electric, Okeelanta/Osceola Power Plants, UCCNSB and many other condemnation cases. Mr. Hartman has been an expert witness in permitting and regulatory cases.

Mr. Hartman has given oral testimony on some 200 occasions over the past 38 years. He has assisted in the resolution of a similar number of matters without formal testimony.

Publications / Presentations

Papers/Presentations (Since 1994)

2014 Hartman, G.C. and T.L. Hollis "Utility Optimization and Ownership Considerations", Indiana Section AWWA February 12-13, 2014.

2013 Hartman, G.C. "Stormwater Reuse/Water Harvesting", Fl. Water & Environment Association, January 24, 2013.

2012 Hartman G.C., T.L. Hollis "Optimization of Utility Performance", Florida-CFOA.

2007 Hartman, G.C. and Wanielista, M. P. "Stormwater Reuse: The Utility Business Practice." 9th Biennial Conference on Stormwater Research & Watershed Management. May 2, 2007.

2005 Wanielista, Marty and G.C. Hartman, "Regional Stormwater Facilities", Stormwater Management for Highways Transportation Research Board TRB AFB60, July 12, 2005.

2004 Hartman, G.C., D. Cooper, N. Eckloff and R. Anderson, "Water," The Bond Buyer's Sixth Southeast Public Finance Conference, February 23, 2004.

2003 Hartman, G.C., "Utility Valuation," Wake Forest University Law School Seminar Series, February 6-8, 2003.

2003 Hartman, G.C., H.E. Schmidt, Jr. and M.S. Davis, "Biosolids Application in Rural DeSoto County, Florida," WEF/AWWA/CWEA Joint Residuals and Biosolids Management Conference, February 19-22,2003.

2003 Hartman, G.C. and Dr. M. Wanielista, "Irrigation Quality Water – Examples and Design Considerations," ASCE Conference, April 4, 2003.

2003 Hartman, G.C., M.A. Rynning and V. Hargray, "Assessing the Water Demands of Commercial Customer," WEF Volume 6, No. 4, July/August 2003 – Utility Executive.

2002 Hartman, G.C., M. Sloan, N.J. Gassman, and D.M. Lee, "Developing a Framework to Balance Needs for Consumptive Use and Natural Systems with Water Resources Availability," WEF Watershed 2002 Specialty Conference, February 23-27, 2002.

2000 Hartman, G.C., M.A. Rynning, and V. Hargray, "Assessment of Commercial Customer Water Impacts," AWWA 2000.

1999 Hartman, G.C. contributing author, Chapter 14B, Nichols on Eminent Domain, RCNLD Valuation of Public Utilities, March 1999 Edition, Release No. 48.

1998 Hartman, G.C., "In-House, Outsourcing and the Not-for-Profit Utilities Option," Florida Government Finance Officers Association (FGFOA) Conference, March 27, 1998.

1998 Hartman, G.C. and D.P. Dufresne, "Understanding Groundwater Mounds – A Key to Successful Design, Operation and Maintenance of Rapid Infiltration Basins," April 4-7, 1998, FWWA/WET/FPCOA Joint Meeting.

1998 Hartman, G.C. and Seth Lehman, "Financing Water Utilities – Acquisition and Privatization Projects," AWWA Annual Conference, June 24, 1998.

1997 Hartman, G.C., Seth Lehman, "Financing Utility Acquisitions," AWWA/WEF Joint Management Conference, February 1997.

1997 Hartman, G.C., B.V. Breedlove, "Water: Where It Comes From and Where It Goes," FRT & G/FDEP Conference, September 1997.

1997 Hartman, G.C., W.D. Wagner, T.A. Cloud, and R.C. Copeland, "Outsourcing Programs in Seminole County," AWWA/WEF/FPCOA Conference, November 1997.

1997 Hartman, G.C., M.B. Alvarez, J.R. Voorhees, and G.L. Basham, "Using Color as an Indicator to Comply with the Proposed D/DBP Rule," AWWA, Water Quality Technology Conference, November 1997.

1996 Hartman, G.C., M.A. Rynning, and R.A. Terrero, "5-Year Reserve Capacity – Can Customers Afford the Cost?" FSASCE Annual Meeting, 1996.

1996 Hartman, G.C., T.A. Cloud, and M.B. Alvarez, "Innovations in Water and Wastewater Technology," Florida Quality Cities, August 1996.

1995 Hartman, G.C. and R.C. Copeland, "Utility Acquisitions – Practices, Pitfalls and Management," AWWA Annual Conference, 1995.

1995 HHHartman, G.C., "Safe Drinking Water Act," and "Stormwater Utilities," FLC Annual Meeting, 1995.

1994 Hartman, G.C. and R.J. Ori, "Water and Wastewater Utility Acquisition," AWWA National Management Specialty Conference, 1994.

Books

Hartman, G.C., *Utility Management and Finance*, (presently under contractual preparation with Lewis Publishing Company/CRC Press).

Vesilind, P.A., Hartman, G.C., Skene, E.T., *Sludge Management and Disposal for the Practicing Engineer*; Lewis Publishers, Inc.; Chelsea, Michigan; 1986, 1988, 1991

PROFESSIONAL QUALIFICATIONS

JAMES E. WILSON, III, MRICS

James E. Wilson has been a resident of South Florida since 1976. His education includes a Bachelor of Science in Business Administration with a Major in Economics from the University of Florida, 1987-1991. His experience in the real estate industry began in early 1992 as a residential real estate appraiser in Pompano Beach, Florida. He appraised a wide variety of single and multi-family residential properties in Dade, Broward, and Palm Beach counties over a two-year period. In the search of advancement and challenge, James Wilson moved to the City of Key West, Monroe County, Florida in order to obtain experience and practice commercial real estate appraisal valuation techniques in a demanding and somewhat unique market area. Over the past 22 years James has been exposed to a wide-range of appraisal projects, including highest and best use studies, complex property appraisals, and wetland and environmentally sensitive valuations including transferrable development rights. His appraisal experience includes financial and investment analysis, appraisal review, feasibility and planning analysis, as well as market research and analysis. James Wilson is a State Certified General Real Estate Appraiser (licensed to perform residential and commercial appraisals) and a General Associate Member of the Appraisal Institute. He is a member of RICS (Royal Institution of Chartered Surveyors), which is an international member organization for professionals in property, land, real estate, construction and related environmental issues. Jim is past President of the Key West Gator Club, 2013/2014 President of the Sunset Key West Rotary Club, member of Class VII Leadership Monroe, 2012 President of the Key West Chamber of Commerce, and has been elected to continue to serve on the Board of Directors of the Key West Chamber of Commerce. Jim is still an active member on the Board of Directors for the Key West Chamber of Commerce.

Education:

SOUTH BROWARD HIGH SCHOOL, Hollywood, FL, 1987.

UNIVERSITY OF FLORIDA, Gainesville, Florida - Bachelor of Science in Business Administration - Major in Economics, 1987-1991.

APPRAISAL INSTITUTE

Appraisal Reporting of Complex Residential Properties, October, 1993.
Persuasive Style in Narrative Appraisal Reports, May, 1994.
ACE 1779 - "Special Purpose Properties - The Challenge of Real Estate Appraising in Limited Markets", September, 1996.
410 Standards of Professional Practice, Part A (USPAP), 8/97.
420 Standards of Professional Practice, Part B, August, 1997.
520 Highest & Best Use and Market Analysis, October, 1997.
Non-Conforming Uses Seminar, January, 1998.
510 Advanced Income Capitalization, May, 1998.
530 Advanced Sales Comparison & Cost Approach, May, 1998.
540 Report Writing & Valuation Analysis, August, 1998.
550 Advanced Applications, February, 1999.
Regression Analysis in Appraisal Practice: Concepts & Applications, Seminar, March, 2000.
General Demonstration Appraisal Report Writing Seminar, March, 2000.
800 Separating Personal & Real Property from Intangible Business Assets, March, 2002.
Successful Completion of the General Comprehensive Examination for the Appraisal Institute
Uniform Appraisal Standards for Federal Land Requisitions, March, 2007
General Demonstration Appraisal Report Writing Seminar, August, 2007
Valuation of Conservation Easements, January, 2008.
Appraising Distressed Commercial Real Estate, June, 2009
Oil Spills and Property Values, Webinar, August, 2010
Business Practices and Ethics, September, 2010
A Debate of the Allocation of Hotel Total Assets, October 26, 2010
Appraisal Institute Update, May 19, 2011
Appraisal Curriculum Overview (2-day General) May, 2011

Professional Qualifications of James E. Wilson, III (Continued)

APPRAISAL INSTITUTE

Perspectives from Commercial Review Appraisers, July 20, 2011

Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets, 05/07/2012 - 05/08/2012

Purchase Price Allocations for Financial Report and Tax, April 16, 2014

Behind the Headlines, the New Real Estate Real Estate Economy, May 16, 2014

GOLD COAST SCHOOL OF REAL ESTATE

Real Estate Principles, Practices, and Law - FREC Course I, May, 1992.
Salesman Post-License Program, February, 1994.
Mortgage Broker, Exam-Prep Program, September, 1992.
AB I - Appraisal Board - Fundamentals of R.E. Appraising, 5/92.
AB II - Appr. Board - Appraising Resid. & Income Properties, 2/94.
AB IIb - Appraisal Board - Cert. Resid. Appraisal Course, 7/94.
AB III - Appraisal Board - Certified General Appraisal Course (Income Capitalization Course), February, 1995.
USPAP - Uniform Standards of Professional Appraisal Practice, 6/92.
USPAP Course, September, 1995.
A-102 - Plan Reading for Appraisers, September, 1995.
National USPAP Update Course, June 2006
Techniques of Income Property Appraisal, June 2006

McKISSOCK DATA SYSTEMS

Automated Valuation Models, October, 2000.
Uniform Standards of Professional Appraisal Practice, October,2000.
Factory Built Housing, October, 2000.
Appraiser Liability, September, 2002.
Appraising Nonconforming & Difficult Properties, September,2002.
Appraiser Liability, USPAP, September, 2002.
Appraising for the Secondary Market, October, 2004.
Appraising High-Value Residential Properties, October, 2004.
Florida Laws and Regulations, October, 2004.
Limited Appraisals and the Scope of Work Decision, October, 2004.
National USPAP Equivalent, October, 2004.
Florida Laws and Regulations, September 2006.
Disclosures and Disclaimer, September, 2006.
Appraisal Trends, September 2006.
National USPAP Update Equivalent(2008-2009), November, 2008.
Introduction to Expert Witness Testimony, November 2008.
Mortgage Fraud-Protect Yourself, November, 2008.
Florida Appraisal Supervisor-Trainee Roles and Relationships, November, 2008.
Florida Laws and Regulations, November, 2008.
National USPAP Update Equivalent (2010-2011), August, 2010.
Risky Business: Ways to Minimize Liability, August, 2010.
Florida Laws and Regulations, August 2010.
Florida Apprisal Supervisor-Trainee Roles and Relationships, August, 2010.

Professional Qualifications of James E. Wilson, III (Continued)

The Changing World of FHA Appraising, August, 2010.
Systems Built Housing: Advances in Housing for the New Millennium, October, 2012
Deriving and Supporting Adjustments, October, 2012
Introduction to Regression Analysis for Appraisers, October, 2012
Introduction to Residential Green Building for Appraisers, October, 2012
Florida Appraisal Laws and Regulations Update
National USPAP Update Equivalent (2012-2013), October, 2012
UAD-Up Close and Personal, November, 2014
Expert Witness Testimony: To Do or Not to Do, November, 2014
Analyze This! Applications of Appraisal Analysis, November, 2014
Florida Appraisal Laws and Regulations Update
Reviewers Checklist , November, 2014
National USPAP Update Equivalent (2014-2015) , November, 2014

VALUE INFORMATION TECHNOLOGY, INC.
"Perspectives on Appraisals" FREAB Course ACE#1591, June, 1995.

NORTH BROWARD BOARD OF REALTORS
ACE 591 - Basics of Construction - How a Florida Home is Built II, January, 1994.

Certification:

State certified general real estate appraiser, as designated by the Department of Professional Regulation, State of Florida; Registration No. RZ 2164.

Licensed Real Estate Salesperson, as designated by the Department of Professional Regulation, State of Florida; License No. SL 0589552 (currently inactive).

Professional Associations:

Key West Board of Realtors
General Associate Member of the Appraisal Institute
Member of RICS (Royal Institute of Chartered Surveyors), October, 2010 Member#1299389

Affiliations:

Past President of the Key West Gator Club (Alumni Organization of the University of Florida
Member of Class VIII, Leadership Monroe County
Board Member of the Rotary Club of Sunset Key West, 2013/2014 President, 2009 Treasurer, 2010 Vice President, 2011 President-Elect,2012 President Board of Directors of the Key West Chamber of Commerce, Current Board Member

Experience:

WILCO VALUATIONS, P.A. d/b/a APPRAISAL COMPANY OF KEY WEST, James Wilson, President and his wife, Maria Virginia Wilson, also a State Certified General Real Estate Appraiser purchased the Appraisal Company of Key West from Mr. Richard Padron in April, 2004. Mr. Padron has continued to be a Fee Commercial Real Estate Appraiser with the Appraisal Company of Key West, which has ensured continuity and quality control.

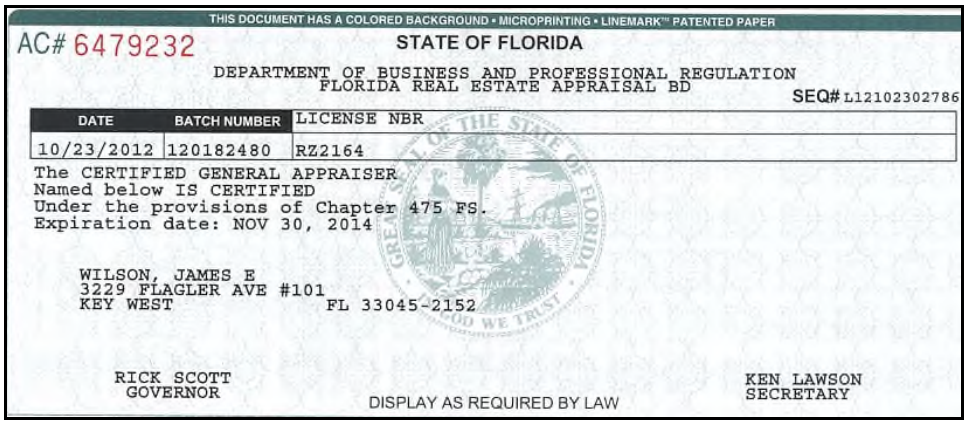
APPRAISAL COMPANY OF KEY WEST, INC., Fee Commercial Real Estate Appraiser, April, 1994 to April, 2004.

F.C.P. APPRAISAL SERVICES, INC., Senior Real Estate Appraiser and Trainer, May, 1992 to April, 1994.

Appraised various types of properties in the Florida Keys, including:

Retail Stores	Commercial/Residential Condominiums
Restaurants	Full-Service Marinas/Boat Yards
Strip Centers	Environmentally Sensitive Acreage
Office Buildings	Industrial Uses
Mixed-Use Properties	Guest Houses /Hotels/Motels
Service Stations	Mobile Home and RV Parks
Multi-family Projects	Warehouse (including mini-storage)
Proposed Developments	Special-Use Properties including Schools
Single-family Estates	Seafood Processing Plants

APPRAISER CERTIFICATION



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AC# 6479232

STATE OF FLORIDA

DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FLORIDA REAL ESTATE APPRAISAL BD

SEQ# L12102302786

DATE	BATCH NUMBER	LICENSE NBR
10/23/2012	120182480	RZ2164

The CERTIFIED GENERAL APPRAISER
Named below IS CERTIFIED
Under the provisions of Chapter 475 FS.
Expiration date: NOV 30, 2014

WILSON, JAMES E
3229 FLAGLER AVE #101
KEY WEST FL 33045-2152

RICK SCOTT
GOVERNOR

DISPLAY AS REQUIRED BY LAW

KEN LAWSON
SECRETARY

Tara Hollis, CPA, MBA

Principal Consultant

Ms. Hollis specializes in rate and cost of service studies, feasibility and financial reports, and debt structuring analysis for the issuance of utility indebtedness for major capital improvement programs. She has an extensive range of experience in financial analysis including budget analyses, customer and usage analyses, development of revenue requirements, cost of service allocations, and sensitivity analyses related to the implementation of conservation efforts. Included in these broad areas of financial analyses are detailed analyses pertaining to the sufficient recovery of revenue such as utility rates and rate design alternatives, the determination of specialized user fees and charges, service availability and impact fees, and various miscellaneous service charges.

Ms. Hollis has extensive experience related to reviewing and analyzing compliance with bond covenant requirements and contractual obligations. She has assisted in the development of numerous bond documents including engineering reports and official statements for the issuance of municipal debt instruments. Ms. Hollis creates computerized dynamic spreadsheet models for use in valuing and analyzing future sales, profitability, and financial performance ratios of utility systems and to determine fund needs for capital expansion programs.

Ms. Hollis has been a principal investigator in water, wastewater, and electric system comparable sales. She has been involved with the preparation of over 100 utility system valuations utilizing the cost, income, and comparable sales approaches. Additionally, Ms. Hollis is currently pursuing the Certified Valuation Analyst designation from the National Association of Certified Valuators and Analysts.

Professional Experience

- Development of extensive and dynamic computer models for water, wastewater and reclaimed water rate studies, feasibility studies, forecasts, and valuations.
- Development of retail and bulk rates; impact fees; capital funding plans; and user rates and charges including the preparation of water, wastewater, reclaimed water, and stormwater user rate studies for public utilities.
- Water conservation rate analysis, structuring, and enactment.
- Miscellaneous service charges for a variety of customer request services including customer deposits, water meter installation charges, water and wastewater taps, turn-on charges, and the initiation of service charges.
- Development and analysis of the adequacy of wholesale rates and rate components for revenue and litigation purposes.
- Development of presentation workshops and accompanying briefing documents for utility rate study and cost of service clients to foster client and audience understanding of the analysis conducted.
- Facilitate focus groups and stakeholder coordination meetings relative to the impact of potential rate adjustments on customers.
- Prepared Request for Inclusion, Loan Documents, Ordinances/Resolutions, and Monthly Pay Applications, Davis-Bacon Wage requirement audits, etc.
- Preparation of grant administration paperwork.
- Development of Customer Accommodation Programs for water and wastewater services.
- Assistance with litigation, negotiations, and expert witness services. Served as an expert witness in utility rate and financial matters.
- Preparation of damages reports relating to contract breaches and product failures.
- Assistance and documentation for revenue and other special forms of tax-exempt bond financing including detailed projections and reports to support the issuance

Education

Master of Business Administration, University of Central Florida

Bachelor of Science, Business Administration, University of Central Florida

Certifications

C.P.A. Florida, No. AC-0031100

Areas of Expertise

- *Business & Financial Analysis*
- *Dynamic Computer Modeling*
- *Utility Rate and Cost Studies*
- *Feasibility and Financial Analysis and Reporting*
- *Debt Structuring Analyses*
- *Expert Witness Testimony and Litigation Support*
- *Equity Recapture Strategies*
- *Utility Optimization Services*
- *Utility Regulatory Services*

Affiliations

- *American Water Works Association*
- *National Association of Certified Valuators and Analysts, Member*

18 Years' Experience

of over $1 billion in long-term indebtedness.

- Preparation of Bond Resolutions, Official Statement, Certificates of Compliance, Additional Bonds Test certificates, and other related documents in support of long-term indebtedness.
- Conducting valuation studies using various techniques including the cost approach, income approach, and comparable sales approach for water, wastewater, and electric utility systems, and developing detailed financial forecasts and cash flow models to be used in damages calculations.
- Preparation of Utility Annual Reports and review of compliance issues as required by the Bonds Resolutions.
- Provided Utility Consulting Professional Services to Florida entities including:

- Apopka, FL	- Bay County, FL	- Bay Laurel Center CDD, FL
- Cape Coral, FL	- Citrus County, FL	- Clermont, FL
- DeLand, FL	- Eustis, FL	- Fellsmere, FL
- Fernandina Beach	- Fort Meade, FL	- Fort Myers Beach, FL
- Fruitland Park, FL	- Hillsborough County, FL	- Indian River Shores, FL
- JEA, FL	- Lake Wales, FL	- Marion County, FL
- Melbourne, FL	- Mulberry, FL	- Nassau County, FL
- North Miami Beach, FL	- Palm Bay, FL	- Polk City, FL
- Port St. Lucie, FL	- Sanibel, FL	- Sarasota County, FL
- Seminole County, FL	- St. Johns County, FL	- Tindall Hammock ISCD, FL
- Vero Beach, FL	- Winter Haven, FL	- Winter Park, FL

Selected Relevant Experience

- **Water, Wastewater, and Reclaimed Water Rate Study; Miscellaneous Charge Study; and Line Charge Study - Bay Laurel Center CDD – Ocala, FL:** Project Manager. The main objectives of this study were 1) to develop rates that would further promote water resource conservation and continue to provide revenue sufficiency; 2) to modify reclaimed water rates; 3) to review, update, and recommend a comprehensive list of miscellaneous charges; and 4) to review and update the District's current water and wastewater line charges.

- **Water, Wastewater, and Reclaimed Water Financial and Operational Optimization Report – Vero Beach, FL:** Project Manager. Identified and modeled optimization options including reviewing and recommending engineering, efficiency, cost center, revenue and expense, staffing, funding, and billing options. Included benchmarking against industry standards and comparative utilities; Billing Frequency Analysis on customer data; comparing alternate rate structures; and completing a Readiness-to-Serve Charge Study.

- **Water, Wastewater, and Reclaimed Water Systems Valuation – Vero Beach, FL:** Project Manager. Prepared a valuation report to determine the approximate value of the City's water, wastewater, and reclaimed water systems. Valuation included a value for the entire system as well as a value for two fractional components: mainland unincorporated areas and within the City limits on both the mainland and beach areas. The valuation services included acquiring historic background information and documentation, performing field inspections, and asset verifications. Three methodologies were used in the final report which included the Cost Approach, Income Approach, and Comparable Sales Approach. Additionally, the report included an analysis of the economic and financial impacts to the City and the General Fund as a result of the potential sale of the systems.

- **Wastewater Treatment Program – Mulberry, FL:** Project Manager. Implemented funding strategies and bridge financing alternatives for Wastewater Improvements Program. Prepared multiple comparisons and utility rate financial explorations.

Assisted in rate adjustments and revenue sufficiency analysis for water and wastewater. Obtained 66% grant for program implementation through the State Revolving Fund (SRF). Acted as FDEP liaison and provided funding support during construction.

- **Consulting Engineer's Report – Polk City, FL:** Project Manager. Created rate/optimization model which identified optimization options & projected financial feasibility and sustainability. Worked with staff to reduce costs, add revenue streams, revamp billing practices for more appropriate cost recovery, and refinance outstanding debts & receive additional funding for upgrading their systems, bringing the City from negative cash flows and near-dissolution to a position of financial strength.

Papers, Publications, and Presentations

Ms. Hollis has presented project specific information on numerous occasions to various groups including City/County Boards, Authorities, Commissions/Councils, etc. regarding rates, charges, valuations, bonds and financing, utility optimizations, etc. In addition, Ms. Hollis has presented the following non-project specific presentations:

- Hollis, Tara L., Parker, Daryll B. "Financial Forces Impacting Utility Systems", presented at the Growth and Infrastructure Consortium Annual Conference, Bradenton, FL, November 2014.
- Hollis, Tara L., Hartman, Gerald C. "Financial Forces Impacting Small Utility Systems." 2014 Indiana Section AWWA Conference, February 2014.
- Hollis, Tara L., Isaacs, Tony W. "Financial Sustainability as a Basis for Utility Management." South Carolina Rural Water Association Decision Maker's Summit 2011. April 11, 2011.
- Hartman, Gerald C., Hollis, Tara L., Isaacs, Tony W. "Discussion of Outside City Utility Rate Surcharge." Special Meeting – Various Municipality Leaders in State of Florida (Hosted by the City of North Miami Beach and the City of North Miami). October 28, 2008.

Appendix C

A P P R A I S A L R E P O R T

A Collaborative, Supplemental Appraisal Report

Property Located At:

Key West Resort Utilities

Main Sewer Treatment Plant (Fee Simple)
As If Vacant Land
6630 First Avenue
Stock Island, Monroe County, Florida 33040

Plus 25 Sewer Easements
Throughout Stock Island, Unincorporated
Monroe County & City of Key West
Florida 33040

Prepared For Inclusion with An Appraisal Report by:

Mr. Gerald Hartman, PE, BCEE, ASA
Hartman Consultants, LLC
2107 Water Key Drive
Windermere, Florida 34786

Client:

Mr. William L. Smith, Jr., Chairman of the Board
Key West Resort Utilities
6630 Front Street
Stock Island, Key West, Florida 33040

Valuation Date:

November 18, 2014

Prepared By

JAMES E. WILSON, MRICS, PRESIDENT
STATE-CERTIFIED GENERAL REAL ESTATE APPRAISER
RZ 2164

APPRAISAL COMPANY OF KEY WEST
3144 Northside Drive, Suite 201
Key West, Florida 33040

OUR FILE NO.: 115-14

APPRAISAL Co.
OF KEY WEST

3144 Northside Drive, Ste 201
Key West, FL 33040
Office: (305) 296-4563
Fax: (305) 922-2119

Website: fla-keysappraisals.com
E-mail: jim@fla-keysappraisals.com

December 15, 2014

Mr. Gerald Hartman, PE, BCEE, ASA
Hartman Consultants, LLC
2107 Water Key Drive
Windermere, Florida 34786

Mr. William L. Smith, Jr., Chairman of the Board
Key West Resort Utilities
6630 Front Street
Stock Island, Key West, Florida 33040

Re: Collaborative , Supplemental Appraisal Report of:
Key West Resort Utilities
Main Sewer Treatment Plant (Fee Simple)
As If Vacant Land
6630 First Avenue
Stock Island, Monroe County, Florida 33040
Our File No.: 115-14

Plus 25 Sewer Utility Easements
Throughout Stock Island, Unincorporated
Monroe County & City of Key West
Florida 33040

Dear Mr. Hartman:

Per your request, I performed an appraisal report and estimate of the *Fair Market Value of the Fee Simple Interest* of the Subject Property Land (As If Vacant) of the Main Sewer Treatment Plant for Key West Resort Utilities, as of November 18, 2014. Furthermore, I have rendered my estimate of the *Fair Market Value* of the 21 sewer easements (land only) also owned by Key West Resort Utilities Corporation. Finally, I have reported my opinion of the *Fair Market Value of the Leasehold Interest* in the subject's four sewer easements throughout the Key West Golf Course. There is a long-term master land lease encumbering the golf course; thus, these easements would be part of the leasehold interest. This multi-parcel appraisal report is a supplement to the overall valuation of the tangible and intangible assets of the Key Haven Resort Utilities Corporation as prepared by Hartman Consultants, LLC.

The subject property of this report is the owned vacant land and utility easements, which encompass Key West Resort Utilities Corporation, which is a privately owned utility company that provides wastewater service to the Key of Stock Island, Monroe County, Florida. This utility is operated under the authority of the State of Florida Public Service Commission. The subject property consists of the main sewage treatment facility on Front Street, Stock Island, which encompasses three sewage treatment plants with a current capacity of 0.499 million gallons per day (MGD) with a planned expansion to 0.849 MGD in 2015. The current site and building improvements include: drying beds, vacuum pump building, various small electrical, mechanical shop and storage buildings, emergency generator, plus a manufactured office unit. The subject is a special-purpose property; thus, it has a limited-market due to its unique design, layout, and construction, which restricts its utility for the specific use as a wastewater treatment facility. The subject operation is a substantial going-concern that encompasses the vacuum collection system and services. In the case at hand, my appraisal includes only the subject land (As if Vacant), per the client's request. This report specifically excludes the collection system, sewer treatment tanks, pumps, lift stations, plus all building and site improvements. The valuation of the Key West Resort Utilities going-concern, intangible assets, buildings, site improvements, and furniture, fixture, and equipment as part of the utility operation are valued within the appraisal report prepared by Hartman Consultants, LLC.

Dimensions and the site area of the subject sewer treatment site, Parcel "A" (SP No. 1) and the adjoining easements, Parcels "B" (SP No. 2) and "C" (SP No.3) were referenced from a survey performed by Island Surveying, Inc., Frederick H. Hildebrandt, dated February 19, 1997, with revisions on March 24, 1997 and April 7, 1997, plus a Site Layout plan, prepared by Siemens, Water Technologies, dated July 7, 2006, plus a copy of a survey/site plan that did not indicate an author or preparation date. Any deviations from the reported dimensions or the calculated areas, plus any further easements and/or encroachments could result in a change in value.

According to the survey, metes and bounds legal description, the subject main sewer treatment site consists of a quadrilateral polygon, irregular-shaped parcel encompassing 2.00 acres or 87,120 square feet of land. Only a small point of the parcel actually abuts Front Street. According to the survey, access to the site is via a non-exclusive access easement, Parcel "C" that extends northerly from the subject site along the westerly side of Front Street. This easement encompasses approximately 9,038 square feet. The survey also depicts Parcel "B," a 15 foot wide drainage easement at the southwesterly side of the subject site. This easement encompasses approximately 3,750 square feet. Copies of the surveys and legal descriptions are located in the Addenda section of the attached report.

The subject property also encompasses 14 additional sewer easements and lift station pads or small sites in South Stock Island, which is part of Unincorporated Monroe County. The 16 easements in South Stock Island total approximately 48,422 square feet or 1.11 acres. The sewer collection extends across the Overseas Highway also known as U.S. Highway No. 1 into North Stock Island. North Stock Island is within the boundaries of the City of Key West. There are five easements for lift stations (1,225 total

square feet), plus four large easements throughout the Key West Golf course with a total of 168,091 square feet or 3.86 acres. Overall the subject property consists of 2 acres of an owned, fee simple industrial tract, plus 25 easement parcels that contain a total of 5 acres. Thus, the total subject site area is 7 acres of upland.

The footprint size of eight of the lift stations were given by the client, as they have not been delineated or surveyed, but part of a development agreement. The proposed golf course easements are delineated in a recent survey. The dimensions and parcel areas are based on a survey prepared by Island Surveying, Inc., dated October 21, 2014. Any deviations from the reported dimensions or the calculated areas, plus any further easements and/or encroachments could result in a change in value.

Fair Market Value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell or both having reasonable knowledge of relevant facts.

Market Value is defined as the most probable price in cash (or its equivalency) for which the appraised property will sell in a competitive market under all conditions requisite to a fair sale. Market value assumes a normal or reasonable time for exposure on the open market.

This report contains the results of my investigation and analysis made in order to furnish an estimate of the *Fair Market Value of the Fee Simple Interest* of the property described herein. The Fee Simple Interest is the unencumbered value of the subject property. The subject property is primarily owner occupied, and not unencumbered by any long term leases, except for the large golf course parcels. A Fee Simple Interest Valuation has been detailed herein.

The Key West Golf Course land is owned by the City of Key West. There is a long-term master ground lease agreement that expires on June 5, 2080. As a result, a Leasehold Interest exists with Key West Golf Club, LLC(KWGC). At this point there are no easement agreements or subleases with Key West Resort Utilities Corporation (KWRU) per Mr. William L. Smith Jr. and the Key West Golf Club as they have common ownership. Mr. Smith indicated that a future easement agreement will not require the KWRU to pay any further fees to KWGC; however, KWRU is responsible for pipe maintenance and surface conditions must be restored if disturbed due to repairs or replacements. As a result, the proposed easements throughout the Golf Course would be a Leasehold Interest. A Leased Fee valuation is not applicable, in the case at hand. However, the reader is cautioned that a title search was <u>not</u> made; thus, no other encumbrances are considered herein. No personal property has been included herein.

Based on analysis of market data, site visit, physical walk through, and research, it is my opinion that the *Fair Market Value of the Fee Simple Interest* of the Subject Property, Main Sewer Treatment Plant (6630 Front Street), Land Only, plus the Sewer Utility Easements throughout North and South Stock

Island, and the Proposed Easements throughout the Key West Golf Course (6450 College Road, Key West), subject to definitions, assumptions and limiting conditions, as of November 18, 2014, is:

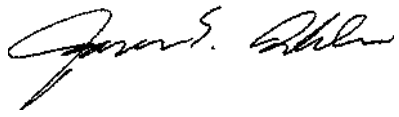
EIGHT MILLION FIVE HUNDRED FORTY TWO THOUSAND DOLLARS
($ 8,542,000)

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report.

This confidential report is prepared for the sole use of and benefits of Mr. Gerald Hartman, PE, BCEE, ASA, Hartman Consultants, LLC and Mr. William L. Smith, Jr., Chairman of the Board, Key West Resort Utilities Corporation, and based, in part, upon documents, writings, and information owned and possessed by the client. This report is provided for informational purposes only to third parties authorized to receive it. The appraiser-client relationship is with Mr. Smith, as the client. This report should not be used for any purpose other than to understand the information available to the client concerning this property. Appraisal Company of Key West assumes no responsibility if this report is used in any other manner.

If you have any questions regarding this appraisal report, please feel free to contact me. Thank you for giving me the opportunity to provide this service for you. This transmittal letter must remain attached to the report, which contains 116 pages including related exhibits, in order for the value opinion set forth to be considered valid.

Respectfully submitted,



James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164
email: jim@fla-keysappraisals.com

Report Attached:
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SUMMARY OF FACTS AND CONCLUSIONS

Subject Property Address: Key West Resort Utilities
Main Sewer Treatment Plant (Fee Simple)
As If Vacant Land
6630 First Avenue
Stock Island, Monroe County, Florida 33040

Plus 25 Sewer Utility Easements
Throughout Stock Island, Unincorporated
Monroe County & City of Key West
Florida 33040

Property Type: Commercial Land (As If Vacant)
Utilized as Commercial Wastewater Treatment Facility
& Collection System

Zoning: See Chart on Following for Each Parcel

Zoning	Future Land Use
MI = Maritime Industries	MC = Mixed Use / Commercial
PR = Parks & Refuge	R = Recreation
URM = Urban Residential Mobile Home	RH = Residential High
RV = Recreational Vehicle	PS = Public Service
MU = Mixed Use	CG = General Commercial
PS = Public Service	MDR = Medium Density Residential
CG = General Commercial	
PRD = Planned Residential Development	

Flood Hazard Zones: Map Number 12087C1528K, dated February 18, 2005, Zone AE 8 and 9 feet

Subject Parcels:

Summary of Subject Parcels								
Subject Parcel Nos.	Location	Key	Parcel	Description	Zoning	Future Land Use	Subject Site Size (SF)	Subject Site Size (Acres)
1	6630 Front Street	Stock Island	"A"	KWRU STP Main Site	MI	MC	87,120	2.00
2	6630 Front Street	Stock Island	"B"	Drainage Easement (Rear)	MI	MC	3,750	0.09
3	6630 Front Street	Stock Island	"C"	Non-Exclusive Access Easement (Fronts on Street)	MI	MC	9,038	0.21
4	7th Ave. & Fifth St.	Stock Island	"M"	Utility Easement: Lift Station (Fronts on Street)	PR	R	248	0.01
5	9th Ave. & Fifth St.	Stock Island	"N"	Utility Easement: Lift Station	PR	R	200	0.00
6	Blk A Lincoln Gardens	Stock Island	Block "A"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
7	Blk B Lincoln Gardens	Stock Island	Block "B"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
8	Blk C Lincoln Gardens	Stock Island	Block "C"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
9	Blk D Lincoln Gardens	Stock Island	Block "D"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
10	Blk E Lincoln Gardens	Stock Island	Block "E"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
11	Blk G, Lots 8 & 53 Lincoln Gardens	Stock Island	Block "G", Lots 8 & 53	Utility Sewer Easement (Side Yard)	URM	RH	1,110	0.03
12	Blk F, Lot 8 Lincoln Gardens	Stock Island	Block "F", Lot 8	Utility Sewer Easement (Side Yard)	URM	RH	1,388	0.03
13	Blk G, Lots 23 & 38 Lincoln Gardens	Stock Island	Block "G", Lots 23 & 38	Utility Sewer Easement (Side Yard)	URM	RH	1,110	0.03
14	Blk F, Lot 23 Lincoln Gardens	Stock Island	Block "F", Lot 23	Utility Sewer Easement (Side Yard)	URM	RH	1,388	0.03
15	Lift Station Pines & Palms Sub.	Stock Island	Pine & Palm	Utility Easement: Lift Station	URM	RH	150	0.00
16	Lift Station Boyd's Campground	Stock Island	Boyd's Campground	Utility Easement: Lift Station	RV	MC	150	0.00
17	Lift Station Dolphin Deli	Stock Island	Dolphin Deli (Mongelli)	Utility Easement: Lift Station	MU	MC	150	0.00
18	Lift Station MC Detention Center	Stock Island	Detention Center	Utility Easement: Lift Station	PS	PS	400	0.01
19	Lift Station Sunset Marina	Stock Island	Sunset Marina	Utility Easement: Lift Station	CG	CG	150	0.00
20	Lift Station KWGC HOA	Stock Island	KWGC HOA	Utility Easement: Lift Station	PRD	MDR	225	0.01
21	Lift Station KWGC	Stock Island	KWGC	Utility Easement: Lift Station	PRD	MDR	225	0.01
22	Lift Station Bayshore Manor	Stock Island	Bayshore Manor	Utility Easement: Lift Station	PS	PS	225	0.01
23	KWGC Easement "A"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	88,108	2.02
24	KWGC Easement "B"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	5,814	0.13
25	KWGC Easement "C"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	61,175	1.40
26	KWGC Easement "D"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	12,994	0.30
	Totals:						**304,878**	**7.00**
	Total Fee Simple:						**87,120**	**2.00**
	Total Easements:						**217,758**	**5.00**

Highest and Best Use "As Improved": Commercial Wastewater Treatment Facility & Collection System (Utility)

Gross Building Area (GBA): Not Considered in this Valuation (Land Only)

Subject Values:

Summary of Land Value Estimates for Subject Properties												
Subject Parcel Nos.	Location	Parcel	Property Rights	Subject Site Size (SF)	Subject $/SF	Subject Site Value (Rnd)	X Prop. Utility Adj. Mult./ Easement Ratio	Subject Adj. Site Value (Rnd)	Adj. $/SF	X Assemblage Factor Multip.	Final Subject Adj. Site Value (Rnd)	Final $/SF
1	6630 Front Street	"A"	Fee Simple	87,120	$24.45	$2,130,000	1.00	$2,130,000	$24.45	1.50	$3,195,000	$36.67
2	6630 Front Street	"B"	Easement	3,750	$15.00	$56,000	0.80	$45,000	$12.00	1.50	$68,000	$18.13
3	6630 Front Street	"C"	Easement	9,038	$14.00	$127,000	0.80	$102,000	$11.29	1.50	$153,000	$16.93
4	7th Ave. & Fifth St.	"M"	Easement	248	$50.00	$12,000	0.80	$10,000	$40.32	1.50	$15,000	$60.48
5	9th Ave. & Fifth St.	"N"	Easement	200	$55.00	$11,000	0.80	$9,000	$45.00	1.50	$14,000	$70.00
6	Blk A Lincoln Gardens	Block "A"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
7	Blk B Lincoln Gardens	Block "B"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
8	Blk C Lincoln Gardens	Block "C"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
9	Blk D Lincoln Gardens	Block "D"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
10	Blk E Lincoln Gardens	Block "E"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
11	Blk G, Lots 8 & 53 Lincoln Gardens	Block "G", Lots 8 & 53	Easement	1,110	$15.00	$17,000	0.80	$14,000	$12.61	1.50	$21,000	$18.92
12	Blk F, Lot 8 Lincoln Gardens	Block "F", Lot 8	Easement	1,388	$15.00	$21,000	0.80	$17,000	$12.25	1.50	$26,000	$18.73
13	Blk G, Lots 23 & 38 Lincoln Gardens	Block "G", Lots 23 & 38	Easement	1,110	$15.00	$17,000	0.80	$14,000	$12.61	1.50	$21,000	$18.92
14	Blk F, Lot 23 Lincoln Gardens	Block "F", Lot 23	Easement	1,388	$15.00	$21,000	0.80	$17,000	$12.25	1.50	$26,000	$18.73
15	Lift Station Pines & Palms Sub.	Pine & Palm	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
16	Lift Station Boyd's Campground	Boyd's Campground	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
17	Lift Station Dolphin Deli	Dolphin Deli (Mongelli)	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
18	Lift Station MC Detention Center	Detention Center	Easement	400	$50.00	$20,000	0.80	$16,000	$40.00	1.50	$24,000	$60.00
19	Lift Station Sunset Marina	Sunset Marina	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
20	Lift Station KWGC HOA	KWGC HOA	Easement	225	$55.00	$12,000	0.80	$10,000	$44.44	1.50	$15,000	$66.67
21	Lift Station KWGC	KWGC	Easement	225	$55.00	$12,000	0.80	$10,000	$44.44	1.50	$15,000	$66.67
22	Lift Station Bayshore Manor	Bayshore Manor	Easement	225	$55.00	$12,000	0.80	$10,000	$44.44	1.50	$15,000	$66.67
23	KWGC Easement "A"	KWGC	Easement	88,108	$20.00	$1,762,000	0.80	$1,410,000	$16.00	1.50	$2,115,000	$24.00
24	KWGC Easement "B"	KWGC	Easement	5,814	$25.00	$145,000	0.80	$116,000	$19.95	1.50	$174,000	$29.93
25	KWGC Easement "C"	KWGC	Easement	61,175	$24.00	$1,468,000	0.80	$1,174,000	$19.19	1.50	$1,761,000	$28.79
26	KWGC Easement "D"	KWGC	Easement	12,994	$24.00	$312,000	0.80	$250,000	$19.24	1.50	$375,000	$28.86
	Totals:			**304,878**	**$21.57**	**$6,576,000**		**$5,692,000**	**$18.67**		**$8,542,000**	**$28.02**
	Total Fee Simple:			**87,120**	**$24.45**	**$2,130,000**		**$2,130,000**	**$24.45**		**$3,195,000**	**$36.67**
	Total Easements:			**217,758**	**$20.42**	**$4,446,000**		**$3,562,000**	**$16.36**		**$5,347,000**	**$24.55**

Reconciliation

Key West Resort Utilities, Stock Island, Florida

Fair Market Valuation

Valuation Method:	Fair Market Value
Cost Approach	Not Applicable
Income Approach	Not Applicable
Sales Comparison Approach	$8,542,000
Fair Market Value, as of November 18, 2014 (Rnd):	**$8,542,000**

Date of Valuation:	November 18, 2014
Date of Site Visit:	November 18, 2014
Date of Report:	December 12, 2014
Marketing Time:	12 to 24 Months based on a list price within 5 percent of appraised value and based on stable economic conditions and subject to the approval process for the sale of a private utility to possibly a public utility.
Exposure Time:	Equal to present marketing time.

AN APPRAISAL REPORT

This is an report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

INTENDED USER: Mr. Gerald Hartman, PE, BCEE, ASA
Hartman Consultants, LLC
2107 Water Key Drive
Windermere, Florida 34786

CLIENT: Mr. William L. Smith, Jr., Chairman of the Board
Key West Resort Utilities
6630 Front Street
Stock Island, Key West, Florida 33040

APPRAISER: James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164

SUBJECT PROPERTY: Key West Resort Utilities
Main Sewer Treatment Plant (Fee Simple)
As If Vacant Land
6630 First Avenue
Stock Island, Monroe County, Florida 33040

Plus 25 Sewer Utility Easements
Throughout Stock Island, Unincorporated
Monroe County & City of Key West
Florida 33040

PURPOSE AND INTENDED USE OF THE APPRAISAL

The *purpose* of this appraisal is to report my opinion of the *Fair Market Value of the Fee Simple Interest* of the Subject Property Land (As If Vacant) of the Main Sewer Treatment Plant for Key West Resort Utilities, as of November 18, 2014. Furthermore, I have rendered my estimate of the *Fair Market Value* of the 21 sewer easements (land only) also owned by Key West Resort Utilities Corporation. Finally, I have reported my opinion of the *Fair Market Value of the Leasehold Interest* in the subject's four sewer easements throughout the Key West Golf Course. There is a long-term master land lease encumbering the golf course; thus, these easements would be part of the leasehold interest. This multi-parcel appraisal report is a supplement to the overall valuation of the tangible and intangible assets of the Key Haven Resort Utilities Corporation as prepared by Hartman Consultants, LLC.

Per the client's request, I have not considered the valuation of the building nor site improvements. The subject easements and land owned by Key West Resort Utilities Corporation (KWRU) connect the underground sewer infrastructure. The KWRU provides treated, reclaimed water for irrigation to the Key West Golf Course. The tangible components of the utility including casings, carrier piping, lift stations, force mains, operating pumps, valves, sewage treatment plants, mechanical and storage buildings, tanks, site improvements, intercepts, plus a manufactured office unit have been valued separately by Hartman Consultants along with any intangible assets to provide a market value of the whole utility and its service area.

The KWRU (formerly New Age Utilities) has been in continuous operation since 1968/1969 with a relocation of the plant in 1984 and further expansion in 1994. It currently serves approximately 0.499 customers. The waste treatment plant has a current capacity of 0.499 million gallons per day (MGD) with a planned expansion to 0.849 MGD in 2015. Much of the infrastructure is located in the public right of way. The subject contains special easements and a main fee simple parcel that have been assembled to make the system function with surface and below surface equipment and special pump lift station easements.

The *function* of this appraisal is to provide a multiple parcel and easement appraisal report of the subject as a guide for negotiations between KWRU and Florida Keys Aqueduct Authority (FKAA) as a potential buyer.

The *intended use* of this appraisal is as a supplement to Hartman Consultants, LLC Appraisal Report, which is intended to assist Mr. William L. Smith, Jr., Chairman of the Board of Directors, Key West Resort Utilities Corporation in arriving at a Fair Market Value estimate for the subject property as described in this report. The report has been exclusively prepared for the sole use of the client, Mr. William L. Smith, Jr., Chairman of the Board of Directors, Key West Resort Utilities Corporation and

the intended user Mr. Gerald Hartman, PE, BCEE, ASA, Hartman Consultants, LLC. This appraisal report may not be used or relied upon by any other party, unless specifically involved with the purpose of this report. Any party who otherwise uses or relies upon any information in this report, without the preparer's written consent, does so at his or her own risk. Possession of this report, or a copy thereof, does not carry with it the right of publication.

PROPERTY RIGHTS APPRAISED

This appraisal is made with the understanding that the present ownership of the main sewer treatment plant property includes all the rights that may lawfully be held under a Fee Simple Estate. These rights are sometimes referred to in appraisal literature as the "bundle of rights". It includes the right to use, keep others from using, sell, rent or otherwise dispose of the property. The elements which have been included in this appraisal are the land, as if vacant. Per the client's request, any existing building, site improvements, plus furniture, fixtures, and equipment were not included in my valuation.

This report contains the results of my investigation and analysis made in order to furnish an estimate of the *Market Value of the Fee Simple Interest* of the property described herein. The Fee Simple Interest is the unencumbered value of the subject property. The subject property is primarily owner occupied, and not unencumbered by any long term leases, except for the large golf course parcels. A Fee Simple Interest Valuation has been detailed herein.

The Key West Golf Course land is owned by the City of Key West. There is a long-term master ground lease agreement that expires on June 5, 2080. As a result, a Leasehold Interest exists with Key West Golf Club, LLC(KWGC). At this point there are no easement agreements or subleases with Key West Resort Utilities Corporation (KWRU) per Mr. William L. Smith Jr. and the Key West Golf Club as they have common ownership. Mr. Smith indicated that a future easement agreement will not require the KWRU to pay any further fees to KWGC; however, KWRU is responsible for pipe maintenance and surface conditions must be restored if disturbed due to repairs or replacements. As a result, the proposed easements throughout the Golf Course would be a Leasehold Interest. Further details of the lease agreement are noted later in this report. A Leased Fee valuation is not applicable, in the case at hand.

LEGAL DESCRIPTION

The metes and bounds legal descriptions for the subject parcels of the subject property from the survey is quite lengthy. Therefore, they have been included in the Addenda section of the report.

FAIR MARKET VALUE DEFINITION

Fair Market Value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell or both having reasonable knowledge of relevant facts.

MARKET VALUE DEFINITION

Market Value, is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a) Buyer and seller are typically motivated;

b) both parties are well informed or well advised and each acting in what he considers his own best interest;

c) a reasonable time is allowed for exposure in the open market;

d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Office of the Comptroller of Currency)

FEE SIMPLE ESTATE DEFINITION

According to The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, "Fee Simple Estate is absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

LEASEHOLD INTEREST DEFINITION

According to The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, "Leasehold Interest, is the interest held by the lessee (tenant or renter) through a lease transferring the rights and use of occupancy for a state term under certain conditions."

EASEMENT DEFINITION

According to The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, "Easement is an interest in real property that conveys use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities. Governments dedicate conservation, open space, and preservation easements."

Easements typically permit a specified portion of a property for a identified use, usually for access for an adjoining property or an underground utility. A property that has use of an easements gains additional property rights.

ADDITIONAL DEFINITIONS & VALUATION METHODS

Special-Purpose Property: A limited use -market property with a unique physical design, special construction materials, or a layout that restricts its utility to the use for which it was built, also called special-design property. (Source: The Dictionary of Real Estate Appraisal, Fifth Edition, 2010)

Connectivity: Connectivity is an attribute or function shared by common elements to promote a use. In the case of a sewer treatment utility, connectivity involves efficient delivery of sewer services to residential, commercial and industrial customers. It begins with a sewage disposal plant for waste water. The system is designed to meet peak demand capacity for delivery on demand. Good connectivity defines reliability, continuity of sewer services over different peak uses, and efficient, well planned delivery systems.

Across the Fence Method: A land valuation method typically used to estimate the value of a real estate corridor, including railroad or pipeline rights of way, highways, or other corridor real estate. The price or value of land adjacent to the corridor (i.e., "across the fence") is considered for the valuation. Other considerations include corridor factor and usage factor adjustments. (Source: The Dictionary of Real Estate Appraisal, Fifth Edition, 2010)

Across the Fence (ATF) Value: In the valuation of real estate corridors, the value concluded based on a comparison with adjacent lands before the consideration of any other adjustment factors. The ATF

value accounts for location and market conditions. Accordingly, this is an intermediate value without (or prior to) the consideration of the corridor factor. (Source: The Dictionary of Real Estate Appraisal, Fifth Edition, 2010)

Corridor: A long, narrow strip of land or real property rights for which the highest and best use is to provide an economic benefit by connecting the end points, and sometimes serving intermediate points along the way. Most corridors provide these connections for energy (oil and gas pipelines, electrical power transmission lines), transportation (road, rail, aqueducts, canals, aviation, aircraft overflight), or communications (Fiber-optic lines) purposes. Abandoned corridors may or may not have a highest and best use of continued corridor use. (Source: The Dictionary of Real Estate Appraisal, Fifth Edition, 2010)

Corridor Factor: In the valuation of existing corridors, a factor that expresses the ratio of the price paid for a transportation or communications corridor (i.e., the sale price of an existing corridor) and the across the fence (ATF) value. Typically used in the valuation of existing corridors and not the assembly of a new corridor. Also called *railroad factor, synergism factor, enhancement factor, and continuity factor.* (Source: The Dictionary of Real Estate Appraisal, Fifth Edition, 2010)

Enhancement Factor: Often referred to as a corridor, assemblage or plottage factor, it is a factor that expresses the value of an existing corridor above and beyond an across the fence (ATF) pricing. If negative, it would reflect questions of highest and best use. If positive, it would reflect a value higher than the across the fence pricing which typically does not reflect the single use of a corridor. This factor also includes assembly costs related to acquisition both voluntary and involuntary, including condemnation procedures, and the time value of money in making a proposed corridor connected and functional. When pricing out existing corridors a buyer would consider the substitute cost of a corridor and the incentive to avoid assemblage costs by paying a price higher than the immediate pricing from across the fence valuations.

Corridor Valuation: The process of estimating market value of the right to use corridor real estate. According to the Bureau of Land Management and U.S. Forest Service, relevant valuation approaches include land-based methods such as the across the fence method going rate (sales comparison) approach, alternate route (cost avoidance) approach, and before and after method, and no-land-based methods such as liquidation value, replacement, income value, and competitive bid methods.

SUBJECT'S MARKET AREA (NEIGHBORHOOD) ANALYSIS

Stock Island, an unincorporated community, is located less than one mile northeast of the island of Key West, is surrounded by water and bisected by U.S. Highway 1. This island is known as Stock Island, which is separated from the City of Key West by Cow Key Channel. The southerly half of Stock Island has developed into an industrial center and affordable housing hub servicing the Key West area. The main KWRU sewer treatment facility along with 16 easements are located in South Stock Island, while the remaining nine subject easements are located in North Stock Island.

The south side of Stock Island, which is divided from the north side by U.S. Highway No. 1, is developed with many mobile home parks and subdivisions, as well as single and multi-family residential areas. It is also the center of the local fishing industry, with other industrial and commercial business uses as well. This is an area of mixed zoning and uses which services the demands and requirements of the Key West market.

The north side of Stock Island is considered to be within the City of Key West's easternmost boundary and is taxed as such. The north section of Stock Island is comprised of County offices and structures including the public health unit, County offices, County Jail, the public hospital and convalescent center, Florida Keys Community College, Tennessee Williams Performing Arts Center, Gerald Adams Elementary School, the former Key West land fill and transfer station, which is being redeveloped by the Key West Department of Transportation for vehicle and bus parking, a privately-owned nursing home, plus the botanical gardens.

The northside of Stock Island also includes a 390-unit resort townhouse single family project, which is known as Key West Golf Club Development. The project is surrounded by an 18 hole public, Rees Jones designed golf course, which is located directly northerly from the subject across U.S. Highway No. 1 or the Overseas Highway from the subject property. The sale of part of Normans' Island to Monroe County led to the development of a new county jail. The Monroe County Detention Center was completed on November 19, 1993 at an estimated cost of $33 million. The Sheriff's Department building was also completed on the site. The Keys Overnight Temporary Shelter (KOTS) facility is located on the Key West jail property and it provides showers and overnight shelter for homeless persons. The shelter opens at 6 pm daily and guests have to leave by 7:30 am daily. This installation has been controversial and embroiled in law suits by adjacent property owners, such as Sunset Marina Residences due to the number of homeless traveling along College Road and the access road to the jail and Sunset Marina Dockominium in early morning and evening hours. The City of Key West has proposed to move the shelter to the nearby former Easter Seals property and potentially the Monroe County Mosquito Control Board Office property, both of which are owned by the City of Key West; however, it appears that this has failed at this point in time.

The former City land fill dump, later waste-to-energy incinerator for the disposal of refuse from the City of Key West and subsequently a transfer station has been closed and is in the process of being converted for Key West Department of Transportation use. Also a new SPCA facility will be developed on a portion of this site. The project is expected to start late 2015. Sunset Marina, was purchased and developed with 60 waterfront condominium units and an upgraded marina facility, containing 165 wet boat slips, sold as dockominiums (condominium ownership). The project has been completely sold out. The marina and upland area on the westerly portion of the development was recently purchased.

Another condominium project about one mile southeasterly from the subject property is known as Oceanside Marina. These units were built as an annex to the dockominiums and existing marina operation. The Oceanside Marina/King's Pointe Marina was purchased for redevelopment, then the recession hit and the property became bank-owned for an extended period of time. The property was purchased by well-known Florida Keys developer, Mr. Pritam Singh in mid 2013. The upland will be redeveloped with 78 new, market rate dwelling units (vacation rentals), 17 new hotel rooms and a new restaurant with up to 150 seats.

Peninsular Marina (now Key West Harbour Yacht Club) was a major marina transaction about 8 years ago for $30 million. This project is located approximately two miles southeasterly from the subject property. It was subsequently redeveloped into a full-service marina encompassing about 100 wet boat slips, about 379 dry boat slips, plus a dockmaster's office, ship store, restaurant/bar, gym, large swimming pool plus other amenities. The marina redevelopment reportedly cost $50 million. When the economic recession occurred, causing the drastic decline in demand and price of dockominiums, the management of the project stopped selling slips and concentrated on renting the unsold slips. Ownership and management has changed the name to Florida Marina Clubs. Marketing of some of the slips has just recently begun again.

In addition, a large assemblage of waterfront properties along the westerly side of Safe Harbor in Stock Island was completed a few years ago at a total reported cost of about $200 million. The property was to be converted from mostly commercial fishing to an upscale marina featuring mega yacht slips. Due to the economy, this project also stalled and was in default. One of the main investors purchased the note from the lender at a significant discount and has taken control of the property. A large portion of the marina has been redeveloped with a new floating concrete dock system. The development plan has been down scaled to include recreational and commercial vessels with an emphasis on keeping the local flavor of the area. The marina is now known as Island Marina Village. A new hotel is proposed on the site. These delayed redevelopment projects are moving ahead again and will enhance and revive the Stock Island neighborhood.

General Economic Conditions:

The renovations, improvements and demand for properties within the area had been steady; however, because of the national slow down in the housing market supply had exceeded demand until late 2011.

A distinct decline in the residential sales volume and property values due to increases in inventory, less demand and the difficulty in obtaining financing from the height of the market 2005/2006 until last year affected the real estate market. During this downturn, "short sale", foreclosure, and distressed sales activity became quite prominent, unfortunately, affecting the entire market. It appears that the residential market began to rebound in 2011. Inventory has actually become tight since 2012 with increases noted in asking and sales prices in 2013 and year-to-date 2014.

With respect to the commercial retail sector, the market has experienced an increase in the availability of vacant commercial space in the commercial real estate area during the recession. However, it appears that the commercial market "bottomed out" near the end of 2011. There has been a significant increase in sales and leasing activity in 2013 and year-to-date 2014. Rental rates and occupancy rates are climbing.

Signs of recovery have been outstanding since late 2011 in the tourism market. Tourism statistics have been strong. Most lodging facilities in Key West are near or above 2007 levels in ADR, occupancy, and RevPAR. However, positive signs in the other commercial categories have still lagged, especially in the office market.

In conclusion, the subject property is located in an area of mixed uses. At this time, the demand for wet dockominium slips has diminished somewhat and sales have occurred at a much smaller rate, compared to the height of the market in 2005/2006. Recent Stock Island wet-boat slip sales have indicted a modest recovery which may take a few more years to return to pre-recession levels. Sunset Marina has actually experienced a significant amount of sales in 2011, 2012, 2013 and year-to-date 2014. The prices are back at the original developer sellout prices of 2002/2003, and the sales activity is quite encouraging.

There are no comparable recent active listings of private utilities including fee simple owned parcels and associated utility easements.

In terms of demographic trends taking place in Stock Island, Florida, the following data has been compiled by from the CCIM Site To Do Business:

Demographic and Income Profile - Appraisal Version

Prepared by James Wilson
Latitude: 24.571250411
Longitude: -81.74763302

Summary	Census 2010	2013	2018
Population	29,846	30,147	31,153
Households	12,835	12,994	13,507
Families	6,414	6,439	6,628
Average Household Size	2.23	2.22	2.21
Owner Occupied Housing Units	5,438	5,222	5,546
Renter Occupied Housing Units	7,397	7,772	7,961
Median Age	41.2	41.9	42.6
Trends: 2013 - 2018 Annual Rate	**Area**	**State**	**National**
Population	0.66%	0.99%	0.71%
Households	0.78%	0.98%	0.74%
Families	0.58%	0.87%	0.63%
Owner HHs	1.21%	1.32%	0.94%
Median Household Income	2.71%	3.47%	3.03%

	2013		2018	
Households by Income	Number	Percent	Number	Percent
<$15,000	1,597	12.3%	1,503	11.1%
$15,000 - $24,999	1,198	9.2%	1,096	8.1%
$25,000 - $34,999	1,901	14.6%	1,537	11.4%
$35,000 - $49,999	2,017	15.5%	1,758	13.0%
$50,000 - $74,999	2,775	21.4%	3,157	23.4%
$75,000 - $99,999	1,491	11.5%	2,149	15.9%
$100,000 - $149,999	1,067	8.2%	1,124	8.3%
$150,000 - $199,999	482	3.7%	632	4.7%
$200,000+	466	3.6%	550	4.1%
Median Household Income	$47,881		$54,743	
Average Household Income	$64,982		$73,629	
Per Capita Income	$28,318		$32,229	

	Census 2010		2013		2018	
Population by Age	Number	Percent	Number	Percent	Number	Percent
0 - 4	1,547	5.2%	1,519	5.0%	1,548	5.0%
5 - 9	1,232	4.1%	1,353	4.5%	1,423	4.6%
10 - 14	1,113	3.7%	1,148	3.8%	1,315	4.2%
15 - 19	1,386	4.6%	1,216	4.0%	1,182	3.8%
20 - 24	1,962	6.6%	1,930	6.4%	1,672	5.4%
25 - 34	4,820	16.1%	4,858	16.1%	4,978	16.0%
35 - 44	4,675	15.7%	4,474	14.8%	4,481	14.4%
45 - 54	4,909	16.4%	4,794	15.9%	4,479	14.4%
55 - 64	4,443	14.9%	4,584	15.2%	4,740	15.2%
65 - 74	2,301	7.7%	2,705	9.0%	3,402	10.9%
75 - 84	1,071	3.6%	1,136	3.8%	1,430	4.6%
85+	387	1.3%	428	1.4%	504	1.6%

Data Note: Income is expressed in current dollars.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2013 and 2018.

October 16, 2014

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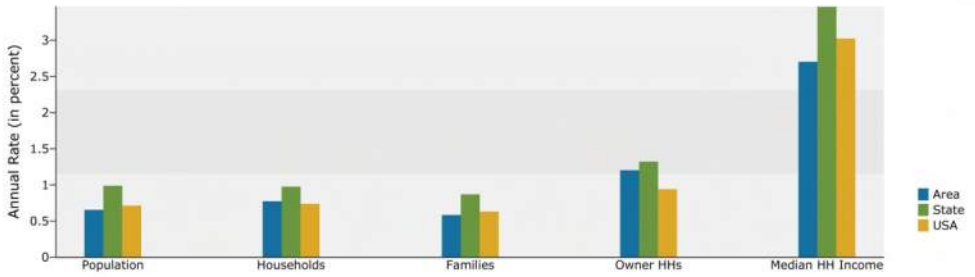
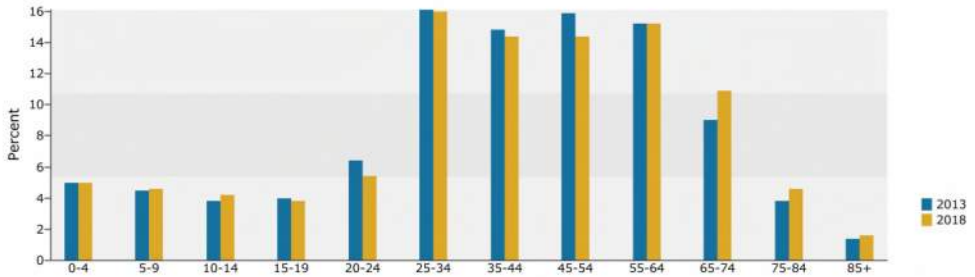
Demographic and Income Profile - Appraisal Version

Prepared by James Wilson
Latitude: 24.571250411
Longitude: -81.74763302

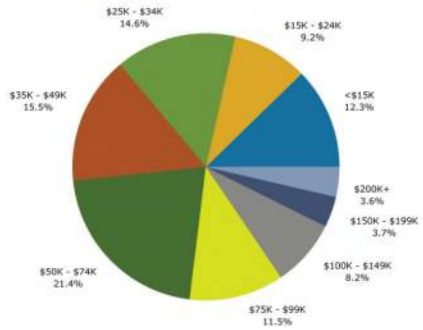
Trends 2013-2018



Population by Age



2013 Household Income



Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2013 and 2018.

October 16, 2014

Conclusion:

In summary, the sewer treatment facility parcel of the subject property is located in the South Stock Island, which is just outside of the City limits of Key West, where there is a concentration of services, employment and shopping. However, many of the sewer easements are also located in North Stock Island, which is actually within the City Limits of Key West. Residential uses are located off the highway; these neighborhoods, as well as neighboring communities support the commercial businesses in the area. Since property values began to escalate in the City of Key West work-force rentals and commercial service business began to migrate to Stock Island which was a more affordable alternative. Hence, property values are starting to rebound. There are currently a few residential developments and recreational marina conversions that are being redeveloped or expanded again since the stagnation during the recession.

The entire surrounding neighborhood is going through gentrification, especially around Safe Harbor. The considerable amount of automobile traffic along U.S. Highway No. 1 provides good exposure to this area. I anticipate continued improvement in the general quality of the neighborhood, particularly with the increased demand for property due to building and environmental restriction placed on all properties in the Florida Keys.

The following average daily two-way traffic data was provided by the State of Florida Department of Transportation for the subject's market area.

Average Two-way Florida DOT Traffic Count

Station	Location	2008	2009	2010	2011	2012	2013
50	CR 941/SR US 1 Hwy, Cow Key Bridge	3,000	2,900	2,400	2,600	2,200	3,500
165	SR 5/US 1, 200' Cow Key Bridge	34,602	35,471	36,027	36,540	36,564	36,287
201	SR 5/US 1, Cow Key Bridge	48,500	38,500	35,500	38,500	37,500	43,000

Marketability of the Subject Property

The subject property is a privately-owned utility, which is basically a monopoly for the Stock Island market area. The Florida Keys Aqueduct Authority (FKAA), a public utility, is in preliminary negotiations to possibly purchase the subject utility. FKAA currently services Key Haven, Big Coppitt Regional, Bay Point, Cudjoe Regional, Duck Key Regional, and the City of Layton. Although the subject is a special-purpose property and part of a quite limited-market, the subject is quite marketable as it offers a functioning, reliable system to a captive market at a reasonable price. The connectivity and value of the easements and fee simple land (main sewer plant locale) is the purpose of this appraisal. The value of the system as a whole is a function of the condition and quality of the system, plus the customer base, and pricing (which is regulated by the Public Service Commission). Hartman Consultants, LLC is appraising the total assets of the business (tangible and intangible). Hartman will rely upon this report for the land values (as if vacant) of the fee simple parcel and the easements owned by the Key West Resort Utilities Corporation.

The typical purchaser of the subject property would be a utility operator. FKAA would likely be the most prudent buyer due to its experience with wastewater utilities and the proximity of other facilities in the Florida Keys. A buyer must carefully consider the due diligence for the condition, function, and estimated useful life of the sewage treatment plant and collection system in order to adequately analyze reserves for replacement for the system and infrastructure, plus future pricing. Financing may be obtained from numerous sources within the market place; however, banks or institutional lenders and bonds are the most common in the local market.

MARKETING TIME

The marketing time for the subject property is estimated between 12 to 24 months based on the comparable sales analyzed and interviews with local brokers. This marketing time is based on an asking price within 5% of appraised value. It should be noted that the marketing time could due to the approval process for the sale and acquisition of a utility, especially by a public entity.

EXPOSURE TIME

Exposure time considers the amount of time necessary to effect a sale of the subject property on the valuation date. In the case at hand, it is my opinion that the exposure time would be equal to the marketing time, based on a listing price within 5.0% of my appraised value.

OWNERSHIP

According to the Monroe County Public Records, the subject parcel is owned by

K W Resort Utilities Corp.
P.O. Box 2125
Key West, Florida 33045-2125

SALES HISTORY

According to the Monroe County Tax Assessor's records, there have been no sales of the subject property within the last five years. The prior sale of the subject was in 1982. The subject property has not been listed in the Local Board of Realtors Multiple Listing Service.

HISTORY OF THE SUBJECT UTILITY

Mr. Chris Johnson, President of Key West Resort Utilities gave the following synopsis of the subject utility's history and expansions over the years.

> The original private utility in Stock Island was New Age Utilities which began operation circa 1968/1969. New Age Utilities was located off of Shrimp Road and its service area was primarily Lincoln Gardens. In 1984 KWRU took all the flow from New Age Utilities to the current location, 6630 Front St, with the completion of what is now known as the WEST .250MGD Davco Treatment Plant. In 1994, a second .250 MGD Davco plant was added which is currently known as EAST Plant.
>
> KWRU has approximately 4,200 connections/customers. The plant is currently rated/permitted to operate at .499MGD (499,000 gallons per day). On July 3, 2014 KWRU published in the KW Citizen the DEP Intent to Issue Permit notice for the plant expansion that will increase the capacity to .849MGD (849,000 gallons per day).
>
> The plant expansions are as follows:
> - 1983 Original Plant (WEST) .250 MGD located at 6630 Front
> - First Expansion 1994 EAST .249 MGD bringing the total capacity to .499 MGD
> - Second Expansion 2015 .350 MGD bringing the total capacity to .849 MGD
>
> In 2002, KWRU expanded to take the Monroe County Jail, Juvenile Justice Building, Sheriff Headquarters, Public Buildings, Bayshore Mannor, SPCA, and other public

buildings. Several lift stations were constructed along with thousands of linear feet of force main sewer. Monroe County was then able to get out of the wastewater business by decommissioning the wastewater treatment plant at the Jail and the other plants across Jr. College Road from Bayshore Manor.

In 2003, KWRU and Monroe County completed the South Stock Island Vacuum Sewer Expansion Project which was a $4.6M project to construct a collection system. The collection system utilized vacuum sewer technology and it was designed to pick up a minimum of 1,500 customers. 1,500 customers had hooked on by 2011 and additional customers continue to connect as of this writing.

ZONING

The zoning districts and future land use districts for the subject parcels are summarized as follows.

Summary of Zoning & Future Land Use for Subject Parcels					
Subject Parcel Nos.	Location	Key	Parcel	Zoning	Future Land Use
1	6630 Front Street	Stock Island	"A"	MI	MC
2	6630 Front Street	Stock Island	"B"	MI	MC
3	6630 Front Street	Stock Island	"C"	MI	MC
4	7th Ave. & Fifth St.	Stock Island	"M"	PR	R
5	9th Ave. & Fifth St.	Stock Island	"N"	PR	R
6	Blk A Lincoln Gardens	Stock Island	Block "A"	URM	RH
7	Blk B Lincoln Gardens	Stock Island	Block "B"	URM	RH
8	Blk C Lincoln Gardens	Stock Island	Block "C"	URM	RH
9	Blk D Lincoln Gardens	Stock Island	Block "D"	URM	RH
10	Blk E Lincoln Gardens	Stock Island	Block "E"	URM	RH
11	Blk G, Lots 8 & 53 Lincoln Gardens	Stock Island	Block "G", Lots 8 & 53	URM	RH
12	Blk F, Lot 8 Lincoln Gardens	Stock Island	Block "F", Lot 8	URM	RH
13	Blk G, Lots 23 & 38 Lincoln Gardens	Stock Island	Block "G", Lots 23 & 38	URM	RH
14	Blk F, Lot 23 Lincoln Gardens	Stock Island	Block "F", Lot 23	URM	RH
15	Lift Station Pines & Palms Sub.	Stock Island	Pine & Palm	URM	RH
16	Lift Station Boyd's Campground	Stock Island	Boyd's Campground	RV	MC
17	Lift Station Dolphin Deli	Stock Island	Dolphin Deli (Mongelli)	MU	MC
18	Lift Station MC Detention Center	Stock Island	Detention Center	PS	PS
19	Lift Station Sunset Marina	Stock Island	Sunset Marina	CG	CG
20	Lift Station KWGC HOA	Stock Island	KWGC HOA	PRD	MDR
21	Lift Station KWGC	Stock Island	KWGC	PRD	MDR
22	Lift Station Bayshore Manor	Stock Island	Bayshore Manor	PS	PS
23	KWGC Easement "A"	Stock Island	KWGC	PRD	MDR
24	KWGC Easement "B"	Stock Island	KWGC	PRD	MDR
25	KWGC Easement "C"	Stock Island	KWGC	PRD	MDR
26	KWGC Easement "D"	Stock Island	KWGC	PRD	MDR

Zoning	**Future Land Use**
MI = Maritime Industries	**MC = Mixed Use / Commercial**
PR = Parks & Refuge	**R = Recreation**
URM = Urban Residential Mobile Home	**RH = Residential High**
RV = Recreational Vehicle	**PS = Public Service**
MU = Mixed Use	**CG = General Commercial**
PS = Public Service	**MDR = Medium Density Residential**
CG = General Commercial	
PRD = Planned Residential Development	

Since the subject wastewater collection system is located in eight different zoning districts. The detailed list of permitted and conditional uses, plus dimension regulations for each zoning district have been retained in my work file.

Maritime Industries District (MI) - Monroe County
The purpose of the MI district is to establish and conserve areas suitable for maritime uses such as ship building, ship repair and other water dependent manufacturing and service uses.

Wastewater treatment facilities and collection systems are a major conditional use. The subject property appears to be a legal, conforming use as it must have received approval for development of the sewage treatment plant.

Park and Refuge District (PR) - Monroe County
The purpose of the PR district is to establish and protect areas as parks, recreational areas and wildlife refuges.

Wastewater treatment facilities and collection systems are a major conditional use. The subject property appears to be a legal, conforming use as it must have received approval for development of the lift stations adjacent to Bernstein Park (County Park).

Urban Residential—Mobile Home District (URM) - Monroe County
The purpose of the URM district is to recognize the existence of established mobile home parks and subdivisions, but not to create new such areas, and to provide for such areas to serve as a reservoir of affordable and moderate-cost housing in the county.

Wastewater treatment facilities and collection systems are a major conditional use. The subject property appears to be a legal, conforming use as it must have received approval for development of the sewage collection systems and lift stations.

Recreational Vehicle District (RV) - Monroe County
The purpose of the RV districts is to establish areas suitable for the development of destination resorts for recreational vehicles and other transient units such as seasonal residential units.

Wastewater treatment facilities and collection systems are a major conditional use. The subject property appears to be a legal, conforming use as it must have received approval for development of the sewage collection systems and lift stations.

Mixed Use District (MU) - Monroe County
The purpose of the MU district is to establish or conserve areas of mixed uses, including commercial fishing, resorts, residential, institutional and commercial uses, and preserve these as areas representative of the character, economy and cultural history of the Florida Keys.

Wastewater treatment facilities and collection systems are a major conditional use. The subject property appears to be a legal, conforming use as it must have received approval for development of the sewage

collection systems and lift stations.

General Commercial District (CG) - City of Key West

The general commercial district (CG) is established to implement comprehensive plan policies for areas designated "CG" on the comprehensive plan future land use map. The CG district shall accommodate general commercial uses which shall include commercial retail, highway-oriented sales and services, other general commercial activities specified in section 122-1111 pertaining to land use by districts, customary accessory uses, and requisite community facilities. The general commercial district shall service the general commercial needs of residents and tourists which are not fulfilled in the historic area mixed use districts. The area is generally located along the North Roosevelt Corridor. Single-family, duplex and multiple-family residential activities may be accommodated only if approved as a conditional use pursuant to conditions and procedures identified in article III of this chapter. Height restrictions shall ensure a more effective land use transition from adjacent and nearby single-family neighborhoods.

The CG area shall not accommodate manufacturing of goods or other activities which may generate nuisance impacts, including glare, smoke or other air pollutants, noise, vibration, major fire hazards, or other impacts generally associated with more intensive industrial uses. On the other hand, transient lodging including hotels and motels, timesharing or fractional fee residential complexes or other transient quarters may be located within the CG district if the use complies with all provisions of the comprehensive plan and land development regulations.

Wastewater treatment facilities and collection systems appears to be a conditional use. The subject property appears to be a legal, conforming use as it must have received approval for development of the sewage collection systems and lift stations.

Mixed Use Planned Redevelopment/Development District (PRD) - City of Key West

The mixed use planned redevelopment/development district (PRD) is established to implement comprehensive plan policies for areas designated "PRD" on the comprehensive plan future land use map. The PRD district shall accommodate planned development or redevelopment of strategically located sites for large scale development. Such development or redevelopment generates community wide impacts and requires a regulatory framework that provides for comprehensive impact assessment as well as flexibility in negotiating development agreements (reference F.S. § 163.3220 et seq., the Florida Local Government Development Agreement Act) which significantly further the goals, objections, and policies of the comprehensive plan.

The PRD district regulations provide a regulatory framework for managing large scale development or redevelopment which generates potential community wide impacts. Such large scale development and redevelopment activities may include redevelopment of large scale shopping centers along the North Roosevelt Corridor or the anticipated large scale residential development targeted for the municipal golf course. A PRD designation may also be appropriate for managing potential community wide impacts generated by redevelopment of large scale and long established mobile home developments.

Wastewater treatment facilities and collection systems appears to be a conditional use. The subject property appears to be a legal, conforming use as it must have received approval for development of the sewage collection systems and lift stations.

Public and Semipublic Services District (PS) - City of Key West - City of Key West

The purpose and intent of the public and semipublic services district (PS) is to provide a management framework for implementing comprehensive plan policies for areas located outside of Old Town which are designated "PS" or "M" on the future land use map. All public and semipublic services developed shall comply with the comprehensive plan, performance criteria in chapter 102; articles III, IV, V and VII of chapter 108; section 108-956; and article II of chapter 110, as well as other applicable land development regulations.

Development plans for sites within the PS district shall provide sufficient acreage and open space and shall be properly screened and buffered in order to minimize potential adverse impacts on adjacent land uses. The maximum intensity of public and semi-public institutional structures and buildings on lands designated "PS," measured in terms of floor area ratio (FAR), shall not exceed eight-tenths (0.8), including floor area allocated to all uses. The maximum floor area ratio for structures and buildings accessory to principal uses recreation and open space both active and passive parks and recreation shall be two-tenths (0.2).

Concurrency

All known current easements and supporting infrastructure have been permitted per the utility rights granted to the owner/operator of the system; thus, does not appear to be any issues with concurrency.

UTILITIES

The subject parcels are serviced by public water, Florida Keys Aqueduct Authority (FKAA) and electric utilities (Keys Energy Services, KES), with the private sector providing cable TV and LP bottled gas. The property is also serviced by the subject operation, Key West Resort Utilities, a private cental sewer utility.

REAL ESTATE TAX AND ASSESSMENT AND BURDEN

Monroe County Tax Collector

6630 Front Street, Stock Island, Monroe County, FL 33040

Parcel No. 00123600-000101 - Alternate Key 8642113

Parcel 1-3 of Subject Property (Main Sewer Treatment Plant Parcel):

Year	Land	Building Imprv.	Misc. Imprv.	Total Assessment	Tax Burden	+ Non Ad Valorem Assessments	= Total Tax Burden	Tax Millage
2011	$534,000	$85,911	$119,030	$375,000	$4,068.03	$0.00	$4,068.03	10.84810
2012	$534,000	$83,936	$113,673	$375,000	$4,124.38	$0.00	$4,124.38	10.99840
2013	$534,000	$83,936	$113,355	$375,000	$4,091.15	$0.00	$4,091.15	10.90980
2014	$534,000	$80,973	$113,036	$375,000	$3,962.53	$0.00	$3,962.53	10.56670

Monroe County Tax Collector

6755 5th Street, Stock Island, Monroe County, FL 33040

Parcel No. 00123850-000100 - Alternate Key 8648821

Parcel 4 & 5 of Subject Property (Lift Stations near Berstein Park):

Year	Land	Building Imprv.	Misc. Imprv.	Total Assessment	Tax Burden	+ Non Ad Valorem Assessments	= Total Tax Burden	Tax Millage
2011	$37,886	$0	$0	$10,708	$213.04	$0.00	$213.04	10.84810
2012	$37,886	$0	$0	$11,778	$225.09	$0.00	$225.09	10.99840
2013	$37,886	$0	$0	$12,955	$233.10	$0.00	$233.10	10.90980
2014	$36,533	$0	$0	$14,250	$231.39	$0.00	$231.39	10.56670

Year	Total Assessment	% Change	Total Tax Burden	% Change
Totals 2011	$385,708		$4,281.07	
Totals 2012	$386,778	0.3%	$4,349.47	1.6%
Totals 2013	$387,955	0.3%	$4,324.25	-0.6%
Totals 2014	$389,250	0.3%	$4,193.92	-3.0%

Projected Real Estate Tax Analysis For 2014

	$ / S.F.
Total Assessment per Sq. Ft. of Building Area:	N/A
Total Assessment per Sq. Ft. of Site Area:	$3.88
Total Burden per Sq. Ft. of Building Area:	N/A
Total Burden per Sq. Ft. of Site Area:	$0.04

Based on the 2014 millage rate of $10.56670 per $1,000, the total 2014 assessed value is $389,250 and the tax burden is $4,193.92 or $0.04 per square foot of the subject's site area (including Subject Parcel 1, plus two adjoining easements and Parcels 3 & 4 (two lift station pads, adjacent to Bernstein Park). According to the Monroe Tax Collector's office, Subject Parcels do not have any delinquent taxes. It does not appear that a tax appeal is feasible. It does not appear that the other subject easements have separate property cards from the Monroe County Properly Appraiser's records and are not presently taxed separately by the Monroe County Tax Collector.

DESCRIPTION OF THE SUBJECT PROPERTY

Site Analysis: The subject property of this report is the vacant land and utility easements, which are owned by Key West Resort Utilities Corporation, a privately owned utility company that provides wastewater service to the Key of Stock Island, Monroe County, Florida. This utility is operated under the authority of the State of Florida Public Service Commission. The subject property consists of the main sewage treatment facility on Front Street, Stock Island, which encompasses three sewage treatment plants with a current capacity of 0.499 million gallons per day (MGD) with a planned expansion to 0.849 MGD in 2015. The current site and building improvements include: drying beds, vacuum pump building, various small electrical, mechanical shop and storage buildings, emergency generator, plus a manufactured office unit. The subject is a special-purpose property; thus, it has a limited-market due to its unique design, layout, and construction, which restricts its utility for the specific use as a wastewater treatment facility. The subject operation is a substantial going-concern that encompasses the vacuum collection system and services. In the case at hand, my appraisal includes only the subject land (As if Vacant), per the client's request. My appraisal report specifically excludes the collection system, sewer treatment tanks, pumps, lift stations, plus all building and site improvements. The valuation of the Key West Resort Utilities going-concern, intangible assets, buildings, site improvements, and furniture, fixture, and equipment as part of the utility operation are valued within the appraisal report prepared by Hartman Consultants, LLC.

Dimensions and the site area of the subject sewer treatment site, Parcel "A" (SP No. 1) and the adjoining easements, Parcels "B" (SP No. 2) and "C" (SP No.3) were referenced from a survey performed by Island Surveying, Inc., Frederick H. Hildebrandt, dated February 19, 1997, with revisions on March 24, 1997 and April 7, 1997, plus a Site Layout plan, prepared by Siemens, Water Technologies, dated July 7, 2006, plus a copy of a survey/site plan that did not indicate an author or preparation date. Any deviations from the reported dimensions or the calculated areas, plus any further easements and/or encroachments could result in a change in value.

According to the survey, metes and bounds legal description, the subject main sewer treatment site consists of a quadrilateral polygon, irregular-shaped parcel encompassing 2.00 acres or 87,120 square feet of land. The northerly boundary line is 510.80 linear feet, the westerly boundary line is 304.20 linear feet, the southerly boundary line is 234.83 linear feet, while the easterly boundary line is 240.30 linear feet. Only a small point of the parcel actually abuts Front Street. According to the survey, access to the site is via a non-exclusive access easement, Parcel "C" (Subject Parcel 3) that extends northerly from the subject site along the westerly side of Front Street. This easement encompasses approximately 9,038 square feet. The survey also depicts Parcel "B" (Subject Parcel 2), which is a 15 foot wide drainage easement at the southwesterly side of the subject site. This easement encompasses approximately 3,750 square feet. Copies of the surveys and legal descriptions are located in the Addenda section of the attached report.

Subject Parcel 4 (Parcel "M") has an address of 6755 5th Street, Stock Island (Unincorporated Monroe County) per the County Appraiser's office and is located near the intersection of Seventh Avenue and Fifth Street. The survey indicates that the site dimensions are 15 feet by 16.5 feet resulting in 248 square feet. It is improved with a 66 square foot CBS pump house building. The contributory value of the building and site improvements are not included herein.

Subject Parcel 5 (Parcel "N") also has an address of 6755 5th Street, Stock Island (Unincorporated Monroe County) per the County Appraiser's office and is located near the intersection of Nine Avenue and Fifth Street. The address is not likely accurate for this parcel. The survey indicates that the site dimensions are 10 feet by 20 feet resulting in 200 square feet. It is improved with a 55 square foot CBS pump house building. The contributory value of the building and site improvements are not included herein.

Subject Parcels 6 through 10 are located within the Lincoln Gardens No. 1 and No. 2 Subdivision, Plat Book 5, Pages 89 and 90, Stock Island (Unincorporated Monroe County), respectively. There are five blocks (A through E), which each have 50 lots per block. The sewer easements are six feet wide and run across the north side (or rear yard) of the 25 southerly lots on each block. The dimensions are approximately 6 feet wide by 992 feet in length resulting in 5,952 square feet for each block. The lift station on Block D is below ground. The contributory value of any site improvements are not included herein.

Subject Parcels 11 through 14 are located within the Lincoln Gardens No. 2 Subdivision, Plat Book 5, Pages 90, Stock Island (Unincorporated Monroe County). There are two adjacent blocks (F & G). Block F has 30 lots, while Block G has 60 lots. The first sewer easement is six feet wide and runs across the north side (or side yards) of Lot 8 and 53 of Block G. The dimensions are approximately 6 feet wide by 92.5 feet in length per lot (total of 185 linear feet) resulting in 1,110 square feet. The second easement is 15 feet wide and runs across the north side (or side yard) of Lot 8 of Block F. The dimensions are approximately 15 feet wide by 92.5 feet in length resulting in 1,388 square feet. There is a lift station within this easement. The third sewer easement is six feet wide and runs across the north side (or side yards) of Lot 23 and 38 of Block G. The dimensions are approximately 6 feet wide by 92.5 feet in length resulting in 1,110 square feet. The second easement is 15 feet wide and runs across the north side (or side yard) of Lot 23 of Block F. The dimensions are approximately 15 feet wide by 92.5 feet in length resulting in 1,388 square feet. There is a lift station within this easement. The contributory value of any site improvements are not included herein.

Subject Parcel 15 has an address of 6620 Maloney Avenue, Stock Island (Unincorporated Monroe County), part of Unit 16, Pine & Palm Trailer Park, A condominium. According to the client, the lift station pad is10 feet by 15 feet resulting in 150 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcel 16 has an address of 6401 Maloney Avenue, Stock Island (Unincorporated Monroe County) at Boyd's Campground, a large RV resort and campground. According to the client the lift station pad is10 feet by 15 feet resulting in 150 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcel 17 has an address of 6401 Maloney Avenue, Stock Island (Unincorporated Monroe County) adjacent to Roostica and the Dolphin Deli restaurants, and a laundromat part. According to the client, the lift station pad is10 feet by 15 feet resulting in 150 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcel 18 has an address of 5501 College Road, Key West adjacent to Monroe County Detention Center. According to the client, the lift station pad is 20 feet by 20 feet resulting in 400 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcel 19 has an address of 5555 College Road, Key West adjacent to Sunset Marina. According to the client, the lift station pad is 10 feet by 15 feet resulting in 150 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcel 20 has an address of 6450 College Road, Key West within the Key West Golf Club Home Owner's Association and adjacent to the maintenance structure within the planned unit development. According to the client, the lift station pad is 15 feet by 15 feet resulting in 225 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcel 21 has an address of 6450 College Road, Key West within the Key West Golf Club adjacent to Hole 11, and adjacent to College Road. According to the client the lift station pad is 15 feet by 15 feet resulting in 225 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcel 22 has an address of 5200 College Road, Key West, adjacent to Bay Shore Manor. Bayshore Manor is a multipurpose assisted-living facility operated by Monroe County and serves as a residential facility for the elderly residents of Monroe County. According to the client, the lift station pad is 15 feet by 15 feet resulting in 225 square feet. The contributory value of any building and site improvements are not included herein.

Subject Parcels 23-26 have an address of 6450 College Road, Key West within the Key West Golf Club. These sewer easements extend throughout the golf course. Subject Parcel 23 (Easement "A") encompasses 88,108 square feet or 2.02 acres. Subject Parcel 24 (Easement "B") contains 5,814 square feet or 0.13 acres. Subject Parcel 25 (Easement "C") consists of 61,175 square feet or 1.40 acres. Finally, Subject Parcel 26 (Easement "D") is comprised of 12,994 square feet or 0.30 acres.

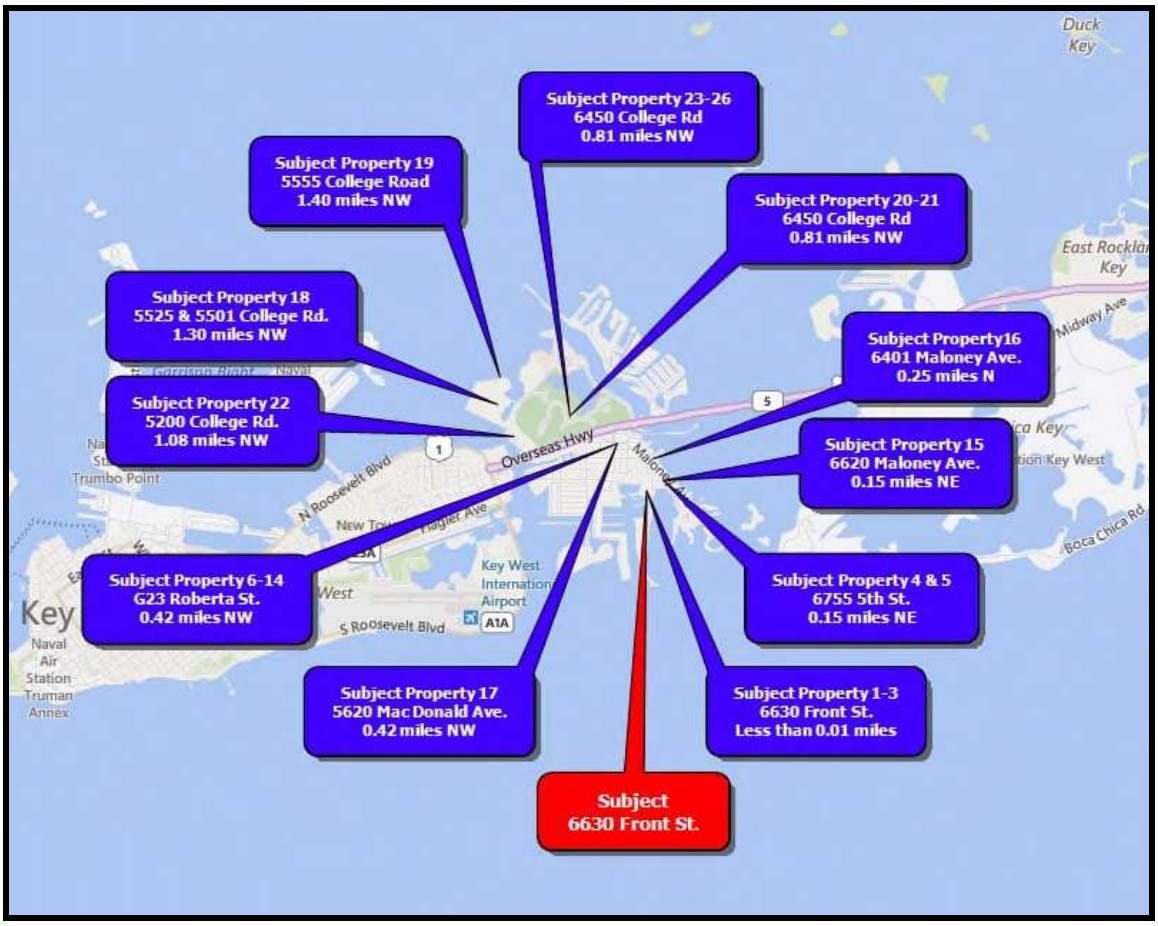
To summarize, the subject property has 14 sewer easements and lift station pads or small sites in South Stock Island, which is part of Unincorporated Monroe County. The 16 total easements (including the two adjacent to the main plant) in South Stock Island total approximately 48,422 square feet or 1.11 acres. The sewer collection system extends across the Overseas Highway also known as U.S. Highway No. 1 into North Stock Island. North Stock Island is within the boundaries of the City of Key West. There are five easements for lift stations (1,225 total square feet), plus four large easements throughout the Key West Golf course with a total of 168,091 square feet or 3.86 acres. Overall, the subject property consists of 2 acres of an owned, fee simple industrial tract, plus 25 easement parcels that contain a total of 5 acres. Thus, the total subject site area is 7 acres of upland.

A summary of the 26 parcels is as follows.

Summary of Subject Parcels								
Subject Parcel Nos.	Location	Key	Parcel	Description	Zoning	Future Land Use	Subject Site Size (SF)	Subject Site Size (Acres)
1	6630 Front Street	Stock Island	"A"	KWRU STP Main Site	MI	MC	87,120	2.00
2	6630 Front Street	Stock Island	"B"	Drainage Easement (Rear)	MI	MC	3,750	0.09
3	6630 Front Street	Stock Island	"C"	Non-Exclusive Access Easement (Fronts on Street)	MI	MC	9,038	0.21
4	7th Ave. & Fifth St.	Stock Island	"M"	Utility Easement: Lift Station (Fronts on Street)	PR	R	248	0.01
5	9th Ave. & Fifth St.	Stock Island	"N"	Utility Easement: Lift Station	PR	R	200	0.00
6	Blk A Lincoln Gardens	Stock Island	Block "A"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
7	Blk B Lincoln Gardens	Stock Island	Block "B"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
8	Blk C Lincoln Gardens	Stock Island	Block "C"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
9	Blk D Lincoln Gardens	Stock Island	Block "D"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
10	Blk E Lincoln Gardens	Stock Island	Block "E"	Utility Sewer Easement (Rear)	URM	RH	5,952	0.14
11	Blk G, Lots 8 & 53 Lincoln Gardens	Stock Island	Block "G", Lots 8 & 53	Utility Sewer Easement (Side Yard)	URM	RH	1,110	0.03
12	Blk F, Lot 8 Lincoln Gardens	Stock Island	Block "F", Lot 8	Utility Sewer Easement (Side Yard)	URM	RH	1,388	0.03
13	Blk G, Lots 23 & 38 Lincoln Gardens	Stock Island	Block "G", Lots 23 & 38	Utility Sewer Easement (Side Yard)	URM	RH	1,110	0.03
14	Blk F, Lot 23 Lincoln Gardens	Stock Island	Block "F", Lot 23	Utility Sewer Easement (Side Yard)	URM	RH	1,388	0.03
15	Lift Station Pines & Palms Sub.	Stock Island	Pine & Palm	Utility Easement: Lift Station	URM	RH	150	0.00
16	Lift Station Boyd's Campground	Stock Island	Boyd's Campground	Utility Easement: Lift Station	RV	MC	150	0.00
17	Lift Station Dolphin Deli	Stock Island	Dolphin Deli (Mongelli)	Utility Easement: Lift Station	MU	MC	150	0.00
18	Lift Station MC Detention Center	Stock Island	Detention Center	Utility Easement: Lift Station	PS	PS	400	0.01
19	Lift Station Sunset Marina	Stock Island	Sunset Marina	Utility Easement: Lift Station	CG	CG	150	0.00
20	Lift Station KWGC HOA	Stock Island	KWGC HOA	Utility Easement: Lift Station	PRD	MDR	225	0.01
21	Lift Station KWGC	Stock Island	KWGC	Utility Easement: Lift Station	PRD	MDR	225	0.01
22	Lift Station Bayshore Manor	Stock Island	Bayshore Manor	Utility Easement: Lift Station	PS	PS	225	0.01
23	KWGC Easement "A"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	88,108	2.02
24	KWGC Easement "B"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	5,814	0.13
25	KWGC Easement "C"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	61,175	1.40
26	KWGC Easement "D"	Stock Island	KWGC	Utility Sewer Easement	PRD	MDR	12,994	0.30
	Totals:						**304,878**	**7.00**
	Total Fee Simple:						**87,120**	**2.00**
	Total Easements:						**217,758**	**5.00**

A location map of the subject parcels and the approximate distance of the easements to the main sewer treatment plant facility is as follows.

LOCATION MAP



Topography: Although no soil engineering report was made available to appraiser, it appears that the subject parcels and most of the properties in the immediate neighborhood show no signs of any subsurface instability. The subject sites are generally level and slightly above grade, with adequate drainage. A geographical survey was not provided by the client.

Census Tract: According to the preliminary Monroe County 2010 Census Maps, the subject parcels on North Stock Island with the City of Key West's city limits are located in Census Tract Number 9719, while the subject parcels on South Stock Island with Unincorporated Monroe County are located in Census Tract Number 9718.

Flood Zone: The subject parcels are located in Flood Zone Areas AE, Elevations 8 or 9 feet, as defined by the Federal Emergency Management Agency, Flood Insurance Rate Maps of Monroe County, Florida, Map Number 12087C1528K, dated February 18, 2005. Monroe County participates in a National Flood Insurance Program and is covered by a regular program. An elevation certificate was not provided for the subject parcels.

Environmental Factors: An environmental screening, audit or site assessment report was not made available for the subject parcels. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the properties, such as the presence of radon, asbestos insulation polychlorinated biphenyl, petroleum leakage, chemical additives, and existence of toxic waste, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. The main sewer treatment plant parcel includes an above ground, 230 gallon fuel (diesel) storage tank within a CBS containment area. Furthermore, it is a large wastewater treatment facility with a large collection system. I have assumed that the subject parcels do not have any environmental concerns requiring clean-up or remediation.

ADA Compliance: The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific survey or analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property.

HIGHEST AND BEST USE

In the Dictionary of Real Estate Appraisal, Fifth Addition (2010), Highest and Best Us is Defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported , financially feasible, and that results in the highest value "

The four specific criteria that must be met for highest and best use are:

Physical Possibility-that is the physically possible use or uses for the site.

Legal Permissibility-that is the uses legally permitted typically by zoning.

Financial Feasibility-that is the probable and permissible uses, either singly or with multiple uses, that will produce a net return to the site.

Maximum Productivity-that is the use or uses that will offer the highest return.

"The definition immediately above applies specifically to the highest and best use of the land. It is to be recognized that in a case where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value at its highest and best use exceeds the total value of the property in its existing use. Implied within these definitions is recognition of the contribution that a specific use to a community environment or to community development goals provides in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. In the context of investment value an alternative term would be "most profitable use."

The Highest and Best Use of the land as if vacant and available for use may be different from the Highest and Best Use of the improved property. This is true when the improvements do not constitute an appropriate use. The existing use will continue unless and until land value in its Highest and Best Use exceeds the sum value of the entire property in its existing use and the cost to remove the improvements.

Since the appraisal of the subject property is based on a particular premise of use, the Highest and Best Use analysis determines just what this premise of use should be. A Highest and Best Use analysis consists of considering the Highest and Best Use of a property under two assumptions: (1) with a vacant

and available site and (2) with the property as improved. These two assumptions on Highest and Best Use are correlated into one final estimate of Highest and Best Use. In the case at hand, I am appraising the subject property overall, As If Vacant, per the client's request. The smaller light station easements, plus sewer collection easements are ideally situated as such, but would need to be combined with adjoining parcels to offer greater utility for commercial or residential development.

Possible Use - The physical aspects of the land impose the first constraints on any possible use of the property. The main sewer treatment site is slightly irregular in shape; however, it does have adequate access, especially considering the access easement along Front Street. Based on the site size and layout, various land uses are possible. The smaller lift station and narrow easements would have to be incorporated with the parent or adjacent parcels for commercial and/or residential redevelopment. However, these easements are absolutely necessary for the residential subdivisions, commercial and public uses, especially the Key West Golfcourse, which could not operate without the reuse water. The These existing features of development support the physically possible and desirable development of a utility for sewer and water service, which offers proof of the subject's easements and owned parcels for this desirable, physically possible, special use that provides connectivity to the customers and the suppliers of reuse water and sewage treatment.

Legally Permissible Use - The subject wastewater treatment plant and sewage collection system services the Stock Island community. The parcels are located within various zoning districts in Unincorporated Monroe County in South Stock Island and the City of Key West in North Stock Island. Wastewater utilities are a conditional to major conditional use in the various zoning districts. The subject use is legally permissible, but would have to go through the planning board and city/county board of commissioners approval process, in addition to environmental approval process. The extensive list of permitted uses, conditional uses, density, intensity, and dimensional regulations within the various zoning districts have been retained in the work file.

Feasible Use - Vacant land in the Stock Island market area is in great demand with a recent rebound in values, as this Key is mostly built-up. The current use of the land is basically a monopoly as there is not a competing wastewater provider in Stock Island. Sewer Utilities are generally low risk due to a captive customer base and reliable income stream. The collection system costs and upgrades should be recovered by customer charges, although price increases must pass public service commission review and approvals. As a result, it is financially feasible.

Maximally Productive/Most Profitable Use:
Given the assemblage factor of the main parcel and various sewer easements, development of a wastewater utility with a main sewage treatment plant and a collection system spanning all of Stock Island is the Highest and Best Use of the subject parcels, as if vacant. The main parcel is one of the few industrial zoned tracts in the Lower Keys. The utility is vital to the commercial and residential uses in Stock Island and continued operation of the Key West Golf Course would not be possible with the

availability of the substantial reuse water supply. Alternative sewage treatment connections are not available to the 4,200 customer base; thus, the subject operation is a viable monopoly with stable demand to keep the system operational. The collection system is efficient and no other use can reasonably compete with the special character and function of the easements in providing connectivity with the customer base and the main plant. The easements vary in size for the various pump and lift station platforms, but their overall function and utility are vital. There appears to be no alternative routing for the subject easements that would prove to be a more efficient for the current, privately owned, utility.

Legal Restrictions: Easement descriptions, except for the small lift station sites are available, and have been utilized to determine the size and shape of the easements as applied to their value and function. The subject is a privately owned utility, which is subject to county, state and federal laws with specific requirements for performance. The subject is a monopoly for a single purpose use.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS
SCOPE OF WORK

The scope of the appraisal is to appraise the fee simple interest in the main sewer treatment plant site, as well as, the easements owned by the Key West Resort Utility, Corporation, a privately operated wastewater utility. The subject is a special-purpose property; thus, it has a limited-market due to its unique design, layout, and construction, which restricts its utility for the specific use as a wastewater treatment facility. The subject operation is a substantial going-concern that encompasses the vacuum collection system and services. In the case at hand, my appraisal includes only the subject land (As if Vacant), per the client's request. This report specifically excludes the collection system, sewer treatment tanks, pumps, lift stations, plus all building and site improvements. The valuation of the Key West Resort Utilities going-concern, intangible assets, buildings, site improvements, and furniture, fixture, and equipment as part of the utility operation are valued within the appraisal report prepared by Hartman Consultants, LLC. This multi-parcel appraisal report is a supplement to the overall valuation of the whole utility prepared by Hartman Consultants, LLC.

There are three typical approaches to value to consider in each appraisal assignment. The three traditional approaches to value are the Cost Approach, the Direct Sales Comparison Approach and the Income (Direct Capitalization and/or Discounted Cash Flow) Approach. The three approaches to value are not always applicable to the assignment; however, the three approaches to value are always considered.

All appraisals begin by identifying the subject property (property to be appraised) and the appraisal problem. Data relevant to the subject property is obtained from various sources including but not limited to: the Monroe County Tax Appraiser's Office, surveys, building plans and specifications and the

property owner. If possible, more than one source is utilized to confirm information. Improvements, if applicable, are inspected and measured by the appraisers. If and when building plans or sketches are made available, the measurements are verified for accuracy. Land size is based on recorded plat maps, Monroe County public records, legal descriptions or surveys (when available). The local geographical market was researched and analyzed.

The appraiser describes the building improvements in detail, if applicable; these descriptions are based on a physical inspection and/or plans and specifications. The appraiser is not a contractor nor structural engineer; therefore, structure soundness or damage cannot be warranted. The appraiser will note any apparent or potential problems such as deferred maintenance, water damage or spalding. In the case at hand, my assignment is to value the land only, as the site and building improvements, plus furniture, fixtures, equipment and the intangible assets of the whole wastewater utility are being appraised by Hartman Consultants, LLC.

The Cost Approach consists of combining the estimated value of the land, based on comparable sales, with the depreciated value of the improvements. The vacant land sales are always inspected. The cost of the improvements is estimated by utilizing a cost service, Marshall and Swift, plus knowledge of costs to construct obtained from local contractors.

If applicable, exterior site visits of the comparable improved sales are always made; interior walk-through visits are made when possible. Sales prices for the comparable sales are obtained from the public records. Prices are customarily confirmed with a party to the transaction, i.e., buyer, seller, closing agent/attorney, or real estate agent. The public records are researched for mortgage terms and information.

The comparable sales are researched utilizing First America Real Estate Solution and Realist.com, (FARES), Rapattoni and LoopNet.com are computerized MLS (Multiple Listing System). All sources use data from the Monroe County Property Appraiser's Office, as well as, from the public records. The data is verified and compiled into sale sheets located within this report. Additional data sources include: newspaper clippings and the National Multiple Listing Service. Real estate agents in the market area are interviewed for the most current information on sales and listings. All of the information is analyzed in preparing the report and is utilized in supporting the indicated value.

The reader of the appraisal should be made aware that the valuation contained herein is based on a specific date. The value estimated on the specified valuation date will likely differ from the value one, two or three years in the future or in the past. The reader is advised to review the Assumptions and Limiting Conditions in Section, as well as, the Certificate of Value.

Finally, the three indicated values developed by the approaches, are reconciled to produce the final estimate of value. A brief description of each of the approaches to value follows:

THE COST APPROACH

The Cost Approach is determined by taking the value of the land and adding to it the depreciated value of the present improvements. A separate land analysis is done to determine the value of the land. This approach is based on the Principle of Substitution, which states that a purchaser will not pay more for an existing property than the cost to reproduce it, in a similar area, assuming that it could be reproduced without delay.

The Cost Approach is a method in which the value of a property is derived from creating a substitute property with the same utility as the subject property. In the Cost Approach, the appraiser must estimate the market value of the subject site as if vacant, by using the Sales Comparison Approach, then estimate the reproduction or replacement cost new of the improvements. Depreciation from all sources is estimated and subtracted in this appraisal from replacement cost new of the improvements. The depreciated replacement cost of all improvements is then added to the estimated site value with the results being an indicated value by the Cost Approach,

In the case at hand, the Cost Approach was considered, but deemed not applicable as the buildings and site improvements are not included in my appraisal assignment, as the fair market value of the total assets of the Key West Resort Corporation is included in the whole utility appraisal prepared by Hartman Consultants, LLC.

THE INCOME APPROACH:

The Income Approach to value presumes that no prudent buyer will pay more for the subject property than the capitalized rental value attainable through ownership of the property. The buyer will only be willing to pay the present value of what he considers those future benefits to be. This approach is considered to be the strongest indicator of current fair market value when the property is purchased as an income-producing property having a reliable historical cash flow. The subject was built and has historically been utilized as an owner-user property.

Market rents for easements that serve the public interest, health, safety, and welfare are limited to non-existent, especially easements for the a special purpose, such as wastewater infrastructure and collection system. Therefore, the Income Approach was considered, but deemed not applicable in the case at hand. Per the client's request, my assignment is to appraise the subject parcels, "as if vacant"; thus, estimate the land value only.

THE SALES COMPARISON APPROACH

This approach is also based on the Principle of Substitution. When applied, it states that when similar (comparable) properties in similar locations are adjusted for any dissimilarities, the value from these comparable properties can indicate an estimate of value. There have been no recent sales proximate to

the subject of waste water treatment facilities of only the real property. The sewage treatment plant that services Key Haven was sold to Florida Keys Aqueduct Authority for over $2 million; however this transfer also considered the business value of going-concern of the private utility. A nominal amount was recorded for the plant and site. However, there has been an active market for commercial land sales within the Stock Island market area.

The valuation of vacant land is usually best achieved by the Sales Comparison Approach. The application of this approach produces a value estimate for land and easements by comparing them with similar properties that have recently sold or granted easements for a given price, in the same or competitive neighborhoods with similar uses. Typically, the appropriate unit of measure or comparison is the sales price per square foot or acre. The reliability of this valuation data is dependent upon the comparability of each land sale to the subject, market conditions at the time of sale, and conditions of sale (concessions/entitlements, etc.). Fortunately, there is a significant amount of commercial land sales data in the Stock Island market, along with a large amount of Right-of-Way sales, plus acquisitions made in the Upper Keys for connection to a central wastewater treatment facility.

Conclusion:

In the case at hand, the Sales Comparison Approach is believed to be the most reliable, accurate, sufficient, and credible method of valuing the subject fee simple land value and easements. The Cost Approach does not apply as the building and site improvements are not included in this valuation. The Income Approach would more readily apply to the property as a whole (value of the total assets, both tangible and intangible of the utility). As a result, the Sales Comparison Approach is as follows.

THE SALES COMPARISON APPROACH

This approach to value is based upon the principal of substitution; that is, when a property is placed in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming no costly delays in making the substitution. These sales are analyzed and compared to the subject property. The Sales Comparison Approach bases its value indication on recent sales that are pertinent to the value of the subject property. From these comparable sales, the appraiser must extract meaningful "common denominators" to be applied to the subject building. Typically, the sale price per square foot of the land area, and the overall sale price are the most common denominators used in estimating the value of the properties similar to the subject.

Market Data Analysis:

A thorough search was conducted for commercial vacant land sales in the subject's market area. Extensive research has indicated recent, reliable commercial land sales. The subject property (main sewer treatment plant and sewer utility easements) is proposed to be purchased by Florida Keys Aqueduct Authority (FKAA). I have also analyzed right-of-way sales with limited utility, purchased by mostly private adjacent land owners, plus commercial land sales in the Upper Keys, which were acquired for the new sewer collection system in Islamorada. Furthermore, I researched sales of small sites of excess land in the Key West Golf Club planned unit development.

Land Valuation of Subject Property Main Site (Subject Parcel No. 1):

A thorough search was conducted for recent sales of similarly zoned land in the Stock Island market area. I have utilized available land sales within the subject property's market area and within similar zoning districts. The comparable sales in the subject's immediate area available for analysis are reported. I feel these sales provide the best available indication of site value. Since the subject main tract is a large light industrial use. Due to the lack of recent dry, Maritime Industries zoned vacant parcels, I have also researched sales within the MU, mixed-use and I , Industrial zoning districts.

Commercial Land Comparable Sales

Comp. No.	Adress/Key	Sale Date	Total Sales Price	Less ROGO Adj.	Less Improv. Adj.	Land Price Adj'd	Upland Size Sq. Ft.	Water Front	Upland Size Acres	Adjusted Price/SF of Land Area	Adjusted Price/Acre of Land Area	Zoning
1	5948 Peninsular Avenue, Stock Island	Pending	$2,000,000	$0	$0	$2,000,000	23,451	1	0.54	$85.28	$3,703,704	MU
2	6500 Front Street, Stock Island	08/21/14	$2,400,000	$0	-$80,000	$2,320,000	131,600	1	3.02	$17.63	$768,212	MI
3	6840 Front Street, Stock Island	05/27/14	$3,000,000	$0	-$500,000	$2,500,000	40,657	1	0.93	$61.49	$2,688,172	MI
4	5610 Overseas Highway, Stock Island	03/07/14	$2,300,000	$0	$0	$2,300,000	109,341	0	2.51	$21.04	$916,335	UC
5	5950 Peninsular Avenue, Stock Island	06/13/13	$4,750,000	-$1,280,000	-$75,000	$3,395,000	349,351	1	8.02	$9.72	$423,317	MU
6	5655 MacDonald Avenue, Stock Island	09/30/11	$650,000	-$110,000	$0	$540,000	25,000	0	0.57	$21.60	$947,368	MU
Subj.	**6630 Front Street, Stock Island**	**NA**	**NA**	**NA**		**NA**	**87,120**	**0.75**	**2.00**	**NA**	**NA**	**MI**
	Valuation Date:	**11/18/2014**				**Mean**	**113,233**		**2.60**	**$36.13**	**$1,574,518**	
						Median	**74,999**		**1.72**	**$21.32**	**$931,852**	
						Minimum	**23,451**		**0.54**	**$9.72**	**$423,317**	
						Maximum	**349,351**		**8.02**	**$85.28**	**$3,703,704**	

COMPARABLE SALES MAP

Discussion of Improved Commercial Property Land Sales:
Each of the comparable sales was analyzed in order to make comparisons to the subject property. Each of the sales is discussed below:

Land Sale No. 1 - 5948 Peninsular Avenue, Stock Island, Alternate Key Nos. 1160407, 1160415, 1160423: This is the pending sale (closing mid-December) of the old Hickory House property from Monroe County to well known Florida Keys developer, Pritam Singh. The purchase price is $2 million. The sale will be cash to seller and is an arm's length transaction. Mr. Singh is redeveloping the adjacent Oceanside Marina property. Monroe County has requested proposals or bids for purchase numerous times with a small pool of bidders due to its limited access and exposure from Maloney Avenue. The zoning is MU, Mixed Use with a future land use of MC, Mixed Commercial use. The pending transaction was verified with the seller and buyer. This parcel has been appraised by my office in the past.

A survey, performed by Frederick H. Hildebrandt, dated November 17, 1997, updated March 9, 1999, indicated that this parcel contains a total of 23,451 square feet of upland land area. The irregular-shaped waterfront site is comprised of three contiguous lots, Lot s30, 31 and the Westerly one-half of Lot 32, Block 46, Stock Island Maloney Subdivision, Plat Book 1, Page 55. The subject site fronts approximately 125.0 feet along a private driveway on the property's easterly boundary and extending approximately 165.0+ feet along the northerly side of Peninsular Avenue. The property's westerly boundary appears to meander approximately 150 feet along a deep water channel that has direct Atlantic Ocean access.

The property is improved with a 2,965 square foot, one-story wood-frame 155 seat restaurant structure, a one-story, 324 square foot, CBS/masonry Storage building (formerly a fish house), a 747 square foot one-story wood-frame structure used as office/storage and a 485 square foot one and one-half story structure used for storage with a three-fixture restroom on the second level. The property contains a total gross building area of 4,521 square feet, plus approximately 1,020 square feet of patio/decking, used for dining which was built in 1958, per public records. According to the Monroe County Tax Assessors records, the structures were built in 1958. However, the property has been vacant for about eight years and is in disrepair. The property was originally purchased for public water access and park, but with the onset of the recession, budget concerns, and the limited access of the property, Monroe County decide to sell the property. Monroe County purchased the property for $3,125,000 at the height of the market November 28,2006. Mr. Singh has indicated that the buildings and site improvements have no contributory value to him.

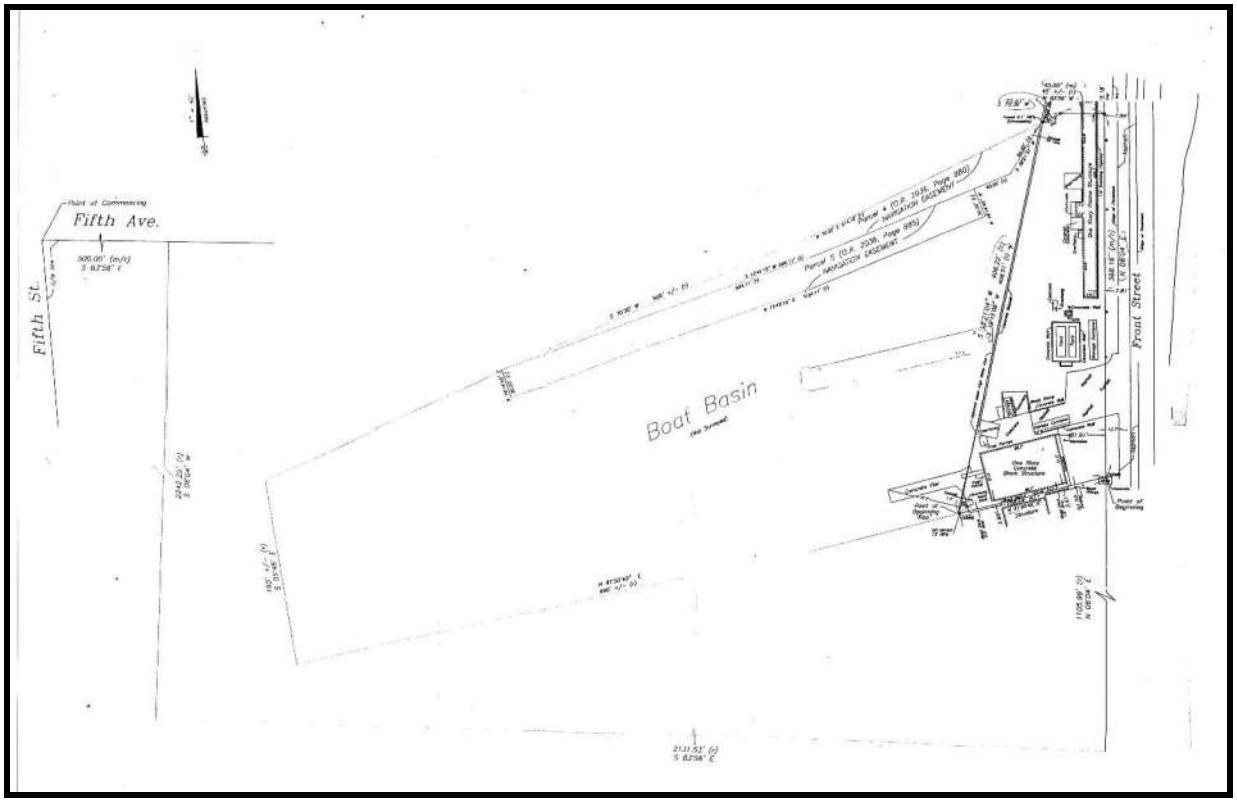
Land Sale No. 2 - 6500 Front Street, Stock Island, Alternate Key No. 8630166: This is the recent sale of a large vacant commercial waterfront tract containing 134,600 square feet or 3.09 acres of upland area, plus 1.61 acres of submerged land. This comparable is an extremely irregularly-shaped lot known as the "Boot" due to its unusual shape. This property has limited access from Front Street but wraps around the westerly portion of the subject site and has extensive water frontage along Safe Harbor. The property has historically been utilized for commercial fishing with a large amount of dockage and trap storage on the upland. This property has a minimal amount of building area, 1,186 square feet. The contributory value of the building improvements were estimated at $80,000. This nominal amount was deducted in order to arrive at the extracted land value. The site area and building area is as reported from the Monroe County Tax Appraiser's records.

This property recently sold for $2.4 million and closed on August 21, 2014. This sales was arm's length with cash to the seller and conventional institutional financing. The grantors/sellers were Joseph R. Rackman and Jeffrey W. Bolotin, as Trustees of the Island Trust Agreement, dated March 10, 1989 to the grantee/buyer, Safe Harbor Seafood, LLC (Ricardo Diaz, Managing Member). The zoning is MI, Maritime Industries with a future land use of MC, Mixed Commercial use. The transaction was verified with the closing agent. This land sale has a 50-year restriction that the property shall be exclusively used as a working marina and the upland can not be redeveloped with non-water-dependent commercial activities, including hotels, motels or transient uses. The dockage can not be used as live-aboards or transiently. After 10 years, an application for non-Traditional Working Waterfront Uses may be applied for with the County. As a result, the redevelopment potential of this property is restricted and it appears to be reflective in the sales price.

Land Sale No. 3 - 6840 Front Street, Stock Island, Alternate Key Nos. 1157651: This is the recent transaction/agreement of a deep water access commercial property a few blocks southerly from the subject property. This property recently sold for $3 million and it closed on May 27, 2014. This sale was an arm's length transaction with cash to the seller and private financing. Conventional financing will eventually replace the private financing. The subject was bank-owned at the time of sale, Special Acquisitions VIII, Inc. (Capital Bank). The property was part of a large scale $200 million plus redevelopment of properties bordering Safe Harbor. Due to the recession and very high assemblage prices, the project stalled and foreclosures took place. This property was on the market for 392 days. The buyer was 6840 Marina, LLC (Joe O'Connell and Noah Singh, managing members). The zoning is MI, Maritime Industries a future land use of MC, Mixed Commercial use. The transaction was verified with the buyers and listing agent. This property has been appraised by my office prior to the transaction on numerous occasions. Based on a detailed inspection, the estimated contributory value of the building improvements ($500,000) was deducted from the sales price ($3 million) in order to arrive at the extracted land value ($2.5 million) for this comparable.

This comparable consists of a commercial marina fishing use property, plus ownership of the adjacent bay bottom or submerged land. The upland portion of the property contains approximately 40,657 square feet or 0.93 acres. The submerged land portion of the property contains approximately 211,266 square feet or 4.85 acres. The upland area of the property is improved with a one-story CBS/masonry building containing 5,103 square feet of gross building area, which is utilized as an office, fish/crustacean processing and packing facility, walk-in cooler/freezer and storage area, plus a small retail fish market and second level recently finished office space. The site is also improved with a concrete pier that extends approximately 75 feet into the boat basin. The buyer is presently building-out office and retail space, and eventually a restaurant in the existing building. The submerged land will likely be developed with a mid-size marina, but with large slips in the future.


FISHBUSTER'Z



Land Sale No. 4 - 5610 Overseas Highway, Stock Island, Alternate Key No. 1158224: This is the recent sale of a large vacant commercial tract containing 109,341 square feet or 2.51 acres. This comparable is an irregularly-shaped lot with 506.76 linear feet along the southerly side of the Overseas Highway, aka, US Highway, No. 1 and extending southerly with 170.63 feet of frontage along the easterly side of 3rd Street. This property was bordered by 2nd Street; however, this block of 2nd Street (202 to 210 linear feet in length) was abandoned by Monroe County and split between this property and Murray Marine, which is adjacent easterly. This property was recently sold by Keys Federal Credit Union. They initially purchased the property to develop a central bank office with drive-through. However, the recession and change in management led to leasing another property. As a result, this property was sold to CVS. Construction of the new CVS was just completed. This property sold for $2.3 million and it closed on March 7, 2014 after being listed for a few years and then awaiting for County approvals while under contract. This sales was arm's length with cash to the seller and no financing noted, all cash. The zoning is UC, Urban Commercial with a future land use of MC, Mixed Commercial use. The transaction was verified with the listing broker and seller. Furthermore, this parcel was appraised by my office on numerous occasions, along with the adjacent right-of-way that was purchased by Keys Federal Credit Union and incorporated into the parent tract. This land sale has no

residential ROGO development, but it did have nonresidential (commercial) floor area ROGO redevelopment rights. These rights were not considered to be significantly valuable at the time of sale, due to the site size and zoning.

Land Sale No. 5 - 5950 Peninsular Avenue, Stock Island, Alternate Key No. 1161624: This is commonly known as the Oceanside Marina, the former developer changed the name to King's Pointe Marina for two to three years. The overall property encompasses 10.13 acres of upland and 9.971 acres of submerged land, resulting in a gross acreage of 19.84. The prior developer, Mr. Doug Walker purchased the property in 1993 from the lender who foreclosed on the property. Subsequently, in the mid to late 90s the marina was converted to a dockominium and the individual slips were sold at a rapid pace. Subsequently, a residential condominium project was developed and sold-out. Finally, a 52-unit dry barn was built and sold-out as a rackominium. In 2004, 8.02 acres of upland which was improved with 50,805 square feet of gross building (not including rackominium), plus 6.45 acres of submerged land was sold to the Keys Caribbean/Cortex development group, who had plans for redevelopment of upland with a new boat barn, 32 luxury townhomes, plus 8 new 70 foot wet slips. In addition, the marina front restaurant was converted to a private club, which closed after one year. The redevelopment never transpired due to the recession and housing slump. The lender finally took the property back over a year ago. There was little management and capital expenditures for a three to four year period.

The property was bank-owned at the time of sale by Atlas FL SPE, LLC (BB&T). This property was on the market for 205 days. The buyer was Oceanside Investors, LLC (Pritam Singh, managing member). The zoning is MC, Mixed Use with a future land use of MC, Mixed Commercial use. The transaction was verified with the listing broker, buyer and seller. This property has been appraised by my office prior to the transaction on numerous occasions.

The buyer is now redeveloping the property with 78 new, market rate dwelling units (vacation rentals), 17 new hotel rooms and a new restaurant with up to 150 seats. Mobile home parks have been purchased

in the Lower Keys in order to transfer ROGOs (transferrable redevelopment rights to this property). A number of adjustments need to be made to the sales price resulting in the extracted land value. According to the buyer, the existing marina buildings do not have any contributory value, the fuel dock and ship store were under performing and in disrepair. Even the Sailfish Club (private club or restaurant/bar) will be donated and moved to another location. As a result, the value (at the time of sale) of the ROGO, existing transient entitlements were deducted at 32 units times $40,000 per unit, plus the value of the five rackominium units (dry boat storage slots) at $15,000 per unit was also deducted resulting in the adjusted sales price or extracted land value of $3,395,000. This comparable sets the lower limit of value due to its being a distressed and the timing of the purchase.

Land Sale No. 6-5655 MacDonald Avenue, Alternate Key No. 1158585: This land sale consists of four contiguous, vacant, scarified lots fronting on the northerly side of MacDonald Avenue. The property contains a total of 25,000 square feet with 200 feet of street frontage on MacDonald Avenue. The property was is not encumbered by any leases. This property sold for $650,000 and it closed on September 30,2011. This sale was an arm's length transaction with cash to the seller and no financing noted, all cash. Monroe County purchased this property from 5671 MacDonald, LLC, R & S of Key West, Inc., and H-Try, LLC in order to build a new fire station. Construction of the new fire station has been recently completed. The zoning is MU, Mixed Use with a future land use of MC, Mixed Commercial use. The transaction was verified with the seller and buyer. Furthermore, this parcel was appraised by my office multiple times, along with the adjacent right-of-way that was purchased by Monroe County and incorporated into the parent tract. An approximate 62.5 square foot portion was subsequently deeded to an adjacent land owner. After the sale, a portion of MacDonald Avenue was abandoned by Monroe County and an adjacent right-of-way owned by a private land owner was also purchased and assembled.

Per a letter from Mr. Townsley Schwab, Monroe County Director of Planning and Environmental Resources, dated December 17, 2010, confirms the pro-rated development rights for Lots 13-15, Block 31 of Maloney Subdivision based on a prior Pre-application Meeting Letter Of Understanding (PMLOU) for Lots 9, 12, 13-16, 19 and 20, Block 31, dated November 10, 2004. Per Mr. Schwab, Lots 13-15 have the pro-rated entitlements of 3 ROGO exemptions per lot and 688.5 square feet of NROGO exemption per lot. Thus, these three lots have entitlements for a total of 9 ROGOs and 2,065 square feet of NROGO exemptions. According to the prior PMLOU, Lot 12 has 2 ROGO exemptions. Therefore, the total entitlements are 11 ROGOs and 2,065 square feet of NROGO exemptions; thereby, superior in development rights to the subject property. For purposes of comparison to the subject property, the value of the 11 ROGOs was deducted from the sale price at $10,000 per ROGO or $110,000, which was reasonable at the time of sale. The estimated value of ROGOs has increased significantly as the residential market has rebounded since 2011.

Value Conclusion for the Subject Main Site:

Each of the comparable sales was also analyzed based on the following factors to make comparisons to the subject property. The architecture of Stock Island has developed in a unique and individual manner. I have analyzed six comparable sales less than one mile from the subject property in Stock Island. Each sale is considered generally similar to the subject in location within the commercial market area, though some are superior in water frontage. However, adjustments are required for individual physical characteristics which typically affect value. Each characteristic is detailed below with an explanation of adjustments which were made to the comparable sales.

Market Conditions:

Pending Sale No. 1 is scheduled to close in mid-December, while Sale Nos 2 through 4 closed in 2014. Sale 5 closed in mid-2013. Sale 6 closed in September 2011. It appears that the commercial real estate market in the Lower Keys and Key West "hit bottom" towards the end of 2011. There has definitely been an upswing in market activity in 2013 and 2014. Since all of the sales are considered recent and post recession, no adjustment for changes (depreciation or appreciation) in market (time) conditions are

warranted in this analysis.

Financing/Condition of Sale:
All of the comparable sales were considered cash equivalent, either cash or owner financing at market rates. Thus, none of the comparables required adjustment for financing. All the sales were arm's length transactions, hence, no adjustments were required for conditions of sale. Sale Nos. 3 and 5 were bank-owned at the time sale; however, they were marketed for a lengthy period of time. No positive adjustments were warranted.

Site Size:
There is a fairly wide range of upland land area for the comparable sales. Typically site area has an inverse relationship to the price per square foot. The differences of the comparable site areas and the sizes influence on the overall price is analyzed within my regression analysis model.

Waterfront/Water Views:
The subject property is a dry tract, but located about 70 to 90 feet easterly from Safe Harbor; however, it does have prime water views of Safe Harbor to the south and west. The neighboring "Boot" property wraps around the subject property along the water. Redevelopment of the adjacent property is severely limited to working waterfront and commercial fishing. Furthermore, the strip along the waterfront is not large in depth and the set backs from the waterfront and the subject property would really restrict large significant development. Thus, it is anticipated that the subject's views will be preserved. The subject's location is superior to non waterfront to typical dry commercial and industrial land. The views and locations are considered in the ranking of the regression model.

Zoning/Development Rights:
The subject is zoned MI, Maritime Industries, due to its proximity to the working waterfront and the future land use is Mixed Commercial. Comparables 2 and 3 are located in the same zoning district. All of the other comparables are located in generally similar zoning districts and the future land uses are the same. As a result, no adjustments were warranted.

Each of the comparable sales was analyzed and researched with comparable units of measure considered. In order to eliminate some of the disparities, I analyzed the comparable sales based on a multiple regression analysis model and found a very reliable correlation between the site size (SF) and water frontage/views of each comparable used herein.

The x-variables, two independent variables, are the site size (square feet) and the comparables location within the market area. The y-variable, dependent variable, is the comparable's adjusted sale price. This data population sample of the comparable sales indicates a tight correlation which is measured by the R^2 of the data set. In the case at hand, a correlation of +0.73 was indicated. Correlations near 1.0 are

considered most reliable; therefore, the subject's correlation is considered reliable, and the population sample appears appropriate in my valuation model and can be considered credible in the units of measure for the subject property.

"As Is " Land Value Analysis of the Subject Main Site :
The computer analysis of this model indicated the following value for the subject property:

Subject No./Coefficients	$1,114,561.73	
	Site Area (SF) 1	Waterfront2
Parcel 1 - X_n	87,120	0.75
Bn	$4.55	$819,564.03

In equation form, the regression model looks like this:
$Y = (X_1 \text{ X } B_1) + (X_2 \text{ X } B_2) + \text{Intercept}$

Subject Parcel:

$Y = (87{,}120 \text{ x } \$4.55) + (0.75 \text{ x } \$819{,}564.03) + (\$1{,}114{,}561.73) = \$2{,}125{,}631$

Indicated Land Value of the Subject Parcel No. 1 in Fee Simple Estate by the Sales Comparison Approach, via the Multiple Regression Method, as of November 18, 2014 (Rnd): . . . $2,130,000

Summary of Land Valuation					
Subject Property	Estimated Value (Rnd.)	Site Size S.F.	Site Size Acre	Site $ / S.F.	Site $ / Acre
6630 Front Street	$2,130,000	87,120	2.00	$24.45	$1,065,000

Correlation and Conclusion:
The comparables utilized within this analysis of the Subject Parcel 1 site range in sales prices per square foot of upland area from $9.72 to $85.28 with a mean at $36.13 and a median at $21.32. In general, the most recent, waterfront sites sold at the upper-end of the spectrum. The multiple regression model indicates the subject's land value at $2,130,000 (rounded) or $24.45 per square foot or $1,065,000 per acre. This estimate is also supported by older Industrial zoned, dry tracts that sold on Rockland Key and in Marathon. The range was about $850,000 to $1,100,000 per acre or $20 to $25 per square foot.

Valuing the Easements Parcels:
Key Haven Resort Utility Corporation (KWRU) does not have definitive ownership of easement rights throughout its utility system corridor or collection system. KWRU does not have ownership over County

or State-Owned right-of-ways. The value of the KWRU owned easements a result of the rights created by the easement and the cost to acquire the easement for a special purpose. Most easements in utilities are somewhat restrictive because subsurface pumps and piping prevent construction on the surface and can only be easily maintained where no surface construction is permissible.

The following Easement Valuation Matrix offers guidance and perspective on the different kinds of issues and easement uses as they relate to the percentage of value of the fee simple of a parcel.

EASEMENT VALUATION MATRIX

Percentage of Fee	Comments	Potential Types of Easements
90%- 100%	Severe Impact on surface use Conveyance of future uses	Overhead electric Flowage easements Railroad ROW Irrigation canals Access roads
75% - 89%	Major impact on surface use Conveyance of future uses	Pipelines Drainage easements Flowage easements
51%- 74%	Some impact on surface use Conveyance of ingress/egress rights	pipelines Scenic easements
50%	Balanced use by both owner and easement holder	Water or sewer lines Cable line Telecommuniations
2d%- 49th	Location along a property line location across non usable Land area	Water or sewer line Cable lines
11%- *29%*	Subsurface or air rights that have minimal effect on use and utility	Air rights Water or sewer line
0% to 10%	Nominal effect on use and utility	Small subsurface easement

(Source: Right of Way, May/June 2006, "Easement Valuation" by Donald Sherwood, SR/WA, p. 33)

The ratio of the utility kind of easement values to fee values is either relatively balanced between both owner and easement holder with the easement percentage of fee value at 50%, but may be as little as 5%-10% when water and sewer lines run along a property line or across non useable land for a small subsurface easement or as high as 75% when there is an impact on the surface use, in this case pumping station platforms with enclosures and below ground construction that would restrict surface use of the property.

With the subject collection and lift station easements the ratio is believed to be at the higher end with placement of the station pad in the center of the easement. Most of the subject easements are larger with a lot of vacant area. A 75% ratio appears to be reasonable. Thus, if most of the Fee Simple Commercial

Parcels in the Stock Island market area are $20 per square foot of site area, then the Easement values should generally be in the $15 per square foot range ($20 X 0.75 = $15). In order, to estimate the easement land values, I have also analyzed land sales for public use (sewer) in the Upper Keys, where land values are significantly lower than the Stock Island market area.
The following resume summarizes the comparable land sales.

Commercial Vacant Land Sales in the Forida Keys, Purchased for Publlic Use

Comp. No.	Address	Key	Comments	Sale Date	Sales Price	Improvement Adjustment	Adjusted Sales Price	Site Area SF	Hwy. Front	Water Front	Zoning	Adjusted $ / S.F.
7	Portion of 82100 Overseas Hwy.	Islamorada	Comm Lot, No Rogos, Public Use (Sewer)	03/12/14	$215,000	$0	$215,000	15,000	0.0	0.0	TC	$14.33
8	104450 Overseas Highway	Key Largo	Waterfront, No Rogos, Public Use (Park)	12/19/13	$5,000,000	$0	$5,000,000	350,012	1.0	1.0	SC	$14.29
9	3833 S. Rosesvelt Blvd.	Key West	Part. Env. Sens., No Rogos, Public Use (Airport)	11/06/13	$500,000	$0	$500,000	65,340	1.0	0.0	LDR-C	$7.65
10	92431 Overseas Highway	Key Largo	Waterfront, No Rogos, Public Use (Sewer)	03/15/10	$200,000	$0	$200,000	28,613	1.0	0.0	SC	$6.99
11	95098-95190 Overseas Highway	Key Largo	Comm Lots, No Rogos, Public Use (Sewer)	09/25/09	$450,000	($100,000)	$350,000	29,732	1.0	0.0	SC	$11.77
12	81990 Overseas Highway	Upper Matecumbe	Waterfront, No Rogos, Public Use (Sewer)	06/05/09	$1,950,000	$0	$1,950,000	123,710	1.0	1.0	MU	$15.76
13	80700 Overseas Highway	Upper Matecumbe	Waterfront, No Rogos, Public Use (Sewer)	06/05/09	$1,850,000	$0	$1,850,000	154,638	1.0	1.0	MU	$11.96
14	76153 Overseas Highway	Lower Matecumbe	Waterfront, No Rogos, Public Use (Sewer)	04/20/09	$2,500,000	$0	$2,500,000	141,570	1.0	1.0	MU	$17.66
	Effective Date			**11/18/14**	**Mean**		**$1,570,625**	**113,577**				**$12.55**
					Median		**$1,175,000**	**94,525**				**$13.12**
					Minimum		**$200,000**	**15,000**				**$6.99**
					Maximum		**$5,000,000**	**350,012**				**$17.66**

All of the above sales were purchased for public or quasi-public use. Most of the sales were acquired for the Key Largo Wastewater District or Islamorada sites for sewer pump stations. The Village of Islamorada will be connected to the Main Sewage Treatment Plant in Key Largo. The above Fee Simple sales indicate a range per square foot from $6.99 to $17.66 with a mean of $12.55 and a median at $13.12. The sales at the lower-end of the spectrum have limited development potential other than public use. The Upper Keys has land values of about 30% to 40% less than Stock Island commercial, dry vacant land. These comparables offer support for the subject's easement parcels.

In addition, in order to further support my estimated values for the subject easement parcels, I have analyzed recent Right-of-Way (ROW) parcels that were considered excess and sold from the Florida Department of Transportation (FDOT) to private, adjacent land owners. These sales are as follows.

Right of Way Sales

Sale #	Sale Date	Loc./Key	D.O.T. Sale	Road Front	Monroe Cty P.R.	Site SF	Sale Price	Adj. Price	$/SF
15	08/22/14	Ramrod Key, FDOT #3707	Resale	Yes	Book 2700, Page 2005	11,983	$100,000	$100,000	$8.35
16	02/15/13	Stock Island, Pt of Vacated MacDonld Ave.	Yes	Yes	Book 2613, Page 2144	1,500	$21,000	$21,000	$14.00
17	06/06/12	Big Pine Key, FDOT #3318	Yes	Yes	Book 2575, Page 488	13,749	$124,000	$124,000	$9.02
18	08/28/08	Key Largo, FDOT #6018	Yes	Yes	Book 2377, Page 2371	7,500	$56,250	$56,300	$7.51
19	08/29/07	Key Largo	Yes	Yes	Book 2341, Page 1028	6,000	$90,000	$90,000	$15.00
20	08/29/07	Stock Island, FDOT #3866	Yes	Yes	Book 2318, Page 793	25,338	$380,070	$380,100	$15.00
21	11/13/07	Key Largo	Yes	Yes	Book 2331, Page 1430	1,499	$22,485	$22,500	$15.01
						Mean	**$113,401**		**$11.98**
						Median	**$90,000**		**$14.00**
						Minimum	**$21,000**		**$7.51**
						Maximum	**$380,070**		**$15.01**

11/18/2014

All of the above sales were purchased by private adjacent land owners from the FDOT. These sales have limited utility and were bought for access, while some of the larger parcels, can be partially used for additional parking. Most property owners purchased the parcels to control the frontage in front of their commercial properties. The above ROW sales indicate a range per square foot from $7.51 to $15.01 with a mean of $11.98 and a median at $14.00. The two most reliable sales are Sale Nos. 16 and 20, which are both located in Stock Island. Sale No. 16 was the sale of part of the right-of-way owned by a private land owner for $14.00 per square foot for a small 1,500 square foot site. This parcel really has no utility; however, Monroe County purchased the strip to control it as the adjacent portion of MacDonald Avenue was abandoned. The County bought Sale No. 6 an adjacent property for $21.60 per square foot. The purchase of the small ROW parcel indicates a discount of 35%. All of the lots, ROW, and abandoned street were assembled for the development of the new fire station.

Easement Values on Stock Island:

As a result, I projected land values for the larger subject easement parcels located in South Stock Island at $13 to $15 per square foot. I further discounted the easement values by 20% as the property rights are less than Fee Simple. The adjusted values range from $10.42 to $12.61 per square foot, which is reasonable and about 35% to 50% discount from dry commercial land values in South Stock Island.

Easement Values for the Key West Golf Course:

The Key West Golf Course land is owned by the City of Key West. There is a long-term master ground lease agreement that expires on June 5, 2080. As a result, a Leasehold Interest exists with Key West

Golf Club, LLC(KWGC). At this point there are no easement agreements or subleases with Key West Resort Utilities Corporation (KWRU) per Mr. William L. Smith Jr. and the Key West Golf Club as they have common ownership. Mr. Smith indicated that a future easement agreement will not require the KWRU to pay any further fees to KWGC; however, KWRU is responsible for pipe maintenance and surface conditions must be restored if disturbed due to repairs or replacements. As a result, the proposed easements throughout the Golf Course would be a Leasehold Interest. A Leased Fee valuation is not applicable, in the case at hand. However, the reader is cautioned that a title search was not made; thus, no other encumbrances are considered herein. No personal property has been included herein.

Commercial dry land sales in New Town, Key West are generally in the $30 to $50 per square foot range. Residential land sales in New Town, Key West have also been in the $30 to $50 per square foot range. The large subject easements in throughout the Key West Golf Course are within the PRD, Planned Redevelopment/Development District. Due to their location within the Key West's city limits and Golf Course, I estimated land values for these easement at the upper-end of the spectrum at $20 to $25 per square foot depending on size. I further discounted the easement values by 20% as the property rights are less than Fee Simple. The adjusted values range from $16.00 to $19.95 per square foot, which is reasonable and about 40% to 65% discount from commercial and residential land values in New Town, Key West, which is well-supported and reasonable.

Small (Lift Station Pads or Footprints) Easement Values:

Since these parcels are extremely small 150 to 400 square feet, I researched small excess land sales purchased by homeowners for extra yard area or carports in the Key West Golf Course planned unit development. The sales are as follows.

Small Excess Land, Parking Sales (Key West Golf Course)									
Sale #	**Sale Date**	**Lot**	**Use**	**Alt. Key**	**Monroe Cty P.R.**	**Site SF**	**Sale Price**	**Adj. Price**	**$/SF**
22	05/06/02	Lot A-354 Excess Land	Yard/Pool	8880766	Book 1793, Page 0335	695	$15,000	$15,000	$21.58
23	03/24/05	Lot A-434 Carport	Carport	9006944	Book 2107, Page 2494	185	$22,000	$22,000	$118.92
24	09/17/04	Lot A-434 Carport	Carport	9006944	Book 2044, Page 1688	185	$17,500	$17,500	$94.59
25	07/10/01	Lot A-434 Carport	Carport	9006944	Book 1720, Page 2313	185	$15,000	$15,000	$81.08
26	02/14/03	Lot A-3 Carport	Carport	9034972	Book 1870, Page 173	198	$15,000	$15,000	$75.76
27	07/30/01	Lot A-424 Carport	Carport	9042529	Book 1915, Page 0122	185	$15,000	$15,000	$81.08
28	07/10/01	Lot A-415 Carport	Carport	9006856	Book 1717, Page 1165	182	$13,700	$13,700	$75.27
29	07/10/01	Lot A-419 Carport	Carport	9006867	Book 1717, Page 1171	182	$13,700	$13,700	$75.27
30	07/10/01	Lot A-428 Carport	Carport	9006922	Book 1717, Page 1189	185	$13,700	$13,700	$74.05
31	07/10/01	Lot A-422 Carport	Carport	9006889	Book 1723, Page 1680	185	$15,000	$15,000	$81.08
32	07/10/01	Lot A-415 Carport	Carport	9006812	Book 1723, Page 1422	185	$16,500	$16,500	$89.19
33	07/10/01	Lot A-417 Carport	Carport	9006845	Book 1725, Page 2316	185	$16,500	$16,500	$89.19
						Mean	**$15,717**		**$79.76**
						Median	**$15,000**		**$81.08**
						Minimum	**$13,700**		**$21.58**
						Maximum	**$22,000**		**$118.92**
			11/18/2014						

As a result, I projected land values for the subject's small lift station pad easement parcels at $50 to $60 per square foot or $9,000 to $20,000. I further discounted the easement values by 20% as the property rights are less than Fee Simple. The adjusted values range from $44.00 to $46.67 per square foot or $7,000 to $16,000, which is reasonable.

Assemblage Factor:

Florida court and arbitration cases, as well as, appraisers and market participants have recognized the need for an enhancement or assemblage factor to the ownership of a package of property easements and fee owned parcels serving utility customers. The cost and time to assemble the subject corridor easements, sewer treatment site, and pumping or lift station parcels, is substantial and well beyond the cost to purchase the individual parcels. As a result, plottage hopefully occurs wherein the value of the whole is greater than the sum of the parts.

Arbitration awards for utility corridors in Florida have ranged from 30% to 75% above across the fence pricing to determine market value. This was found in Bellaire v. Florida Power and Winter Park v. Florida Power. The judge affirmed that assemblage goes beyond the estimated cost of acquiring similar sites that do not form a specifically desired assemblage.

Plottage, often used in conjunction with assemblage, is what the judge has termed the increment of value created when two or more sites are combined to produce greater utility. It is my opinion, that this is the

case for the subject utility waste treatment plant site, connecting easements for the collection system and pump stations. Most utilities have the power of eminent domain, with proceedings involving administrative expenses, attorney fees, expert witness fees, and court costs for both parties. Additional severance damages may also be included when considering a system connectivity value to the owner or a buyer in the market place.

A major consideration, therefore, is the cost of an assemblage to connect and run all of the lines leading to the customer. It would be considered by a buyer knowing that in creating a utility system, in eminent domain, Florida law is very specific about paying all of the property owner costs in acquisition, either voluntarily or by taking procedures which involve mediation and eventually a court decision in many cases.

The following table, based upon discussions with Florida DOT appraisers, represents a typical parcel Assemblage cost for parcels with a market value of less than $250,000.

Typical Assembly Costs in Corridor Acquisitions	
Administration	$1,200
Acquisition Consultant	$4,500
Appraisers	$10,000
Lawyers	$82,500
Review Appraisers	$5,000
Title Search	$1,000
Damages/Benefits	$10,000
Testimony /Witness Allowance	$4,000
Total:	$108,200

In many smaller parcel cases the acquisition cost per parcel will exceed the market value of the parcel by as much as 200%. On average, for condemnation proceedings which typically include 35% voluntary acquisitions and 65% contested, the assembly cost per parcel can average 100% above the market value. For a $250,000 or less valued parcel the assemblage cost ratio would be 43% or a factor of 1.43 applied to the parcel value.

Another example of the potential cost of the parcels bordering Safe Harbor by the New Stock Development Company. As the assemblage progressed, acquisition costs skyrocketed well above 200% due to rampant speculation. This also took place at the height of the real estate market. The prices were also ramped due to the developers' exuberance.

Cost Avoidance

In terms of a buyer paying a higher price than across the fence for a single use assemblage, the most telling rationale is cost avoidance. Therefore, to estimate the value to the utility, after first appraising the easements and fee owned parcels, all of the values are adjusted in total to its final value with an assemblage factor. In the appraiser's opinion it is reasonable to apply an assemblage ratio to the subject owned easements and fee owned parcels. Given the limited number of owned parcels and easements that create the connectivity of the utility system relative to the area of the service, it is reasonable that an assemblage or enhancement factor of 1.50 or 50% above the market value for each individual item can be applied.

The final value for all of the subject property with adjustment for assemblage, is indicated as follows:

Subject Values:

Summary of Land Value Estimates for Subject Properties												
Subject Parcel Nos.	Location	Parcel	Property Rights	Subject Site Size (SF)	Subject $/SF	Subject Site Value (Rnd)	X Prop. Utility Adj. Mult./ Easement Ratio	Subject Adj. Site Value (Rnd)	Adj. $/SF	X Assemblage Factor Multip.	Final Subject Adj. Site Value (Rnd)	Final $/SF
1	6630 Front Street	"A"	Fee Simple	87,120	$24.45	$2,130,000	1.00	$2,130,000	$24.45	1.50	$3,195,000	$36.67
2	6630 Front Street	"B"	Easement	3,750	$15.00	$56,000	0.80	$45,000	$12.00	1.50	$68,000	$18.13
3	6630 Front Street	"C"	Easement	9,038	$14.00	$127,000	0.80	$102,000	$11.29	1.50	$153,000	$16.93
4	7th Ave. & Fifth St.	"M"	Easement	248	$50.00	$12,000	0.80	$10,000	$40.32	1.50	$15,000	$60.48
5	9th Ave. & Fifth St.	"N"	Easement	200	$55.00	$11,000	0.80	$9,000	$45.00	1.50	$14,000	$70.00
6	Blk A Lincoln Gardens	Block "A"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
7	Blk B Lincoln Gardens	Block "B"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
8	Blk C Lincoln Gardens	Block "C"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
9	Blk D Lincoln Gardens	Block "D"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
10	Blk E Lincoln Gardens	Block "E"	Easement	5,952	$13.00	$77,000	0.80	$62,000	$10.42	1.50	$93,000	$15.63
11	Blk G, Lots 8 & 53 Lincoln Gardens	Block "G", Lots 8 & 53	Easement	1,110	$15.00	$17,000	0.80	$14,000	$12.61	1.50	$21,000	$18.92
12	Blk F, Lot 8 Lincoln Gardens	Block "F", Lot 8	Easement	1,388	$15.00	$21,000	0.80	$17,000	$12.25	1.50	$26,000	$18.73
13	Blk G, Lots 23 & 38 Lincoln Gardens	Block "G", Lots 23 & 38	Easement	1,110	$15.00	$17,000	0.80	$14,000	$12.61	1.50	$21,000	$18.92
14	Blk F, Lot 23 Lincoln Gardens	Block "F", Lot 23	Easement	1,388	$15.00	$21,000	0.80	$17,000	$12.25	1.50	$26,000	$18.73
15	Lift Station Pines & Palms Sub.	Pine & Palm	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
16	Lift Station Boyd's Campground	Boyd's Campground	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
17	Lift Station Dolphin Deli	Dolphin Deli (Mongelli)	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
18	Lift Station MC Detention Center	Detention Center	Easement	400	$50.00	$20,000	0.80	$16,000	$40.00	1.50	$24,000	$60.00
19	Lift Station Sunset Marina	Sunset Marina	Easement	150	$60.00	$9,000	0.80	$7,000	$46.67	1.50	$11,000	$73.33
20	Lift Station KWGC HOA	KWGC HOA	Easement	225	$55.00	$12,000	0.80	$10,000	$44.44	1.50	$15,000	$66.67
21	Lift Station KWGC	KWGC	Easement	225	$55.00	$12,000	0.80	$10,000	$44.44	1.50	$15,000	$66.67
22	Lift Station Bayshore Manor	Bayshore Manor	Easement	225	$55.00	$12,000	0.80	$10,000	$44.44	1.50	$15,000	$66.67
23	KWGC Easement "A"	KWGC	Easement	88,108	$20.00	$1,762,000	0.80	$1,410,000	$16.00	1.50	$2,115,000	$24.00
24	KWGC Easement "B"	KWGC	Easement	5,814	$25.00	$145,000	0.80	$116,000	$19.95	1.50	$174,000	$29.93
25	KWGC Easement "C"	KWGC	Easement	61,175	$24.00	$1,468,000	0.80	$1,174,000	$19.19	1.50	$1,761,000	$28.79
26	KWGC Easement "D"	KWGC	Easement	12,994	$24.00	$312,000	0.80	$250,000	$19.24	1.50	$375,000	$28.86
	Totals:			**304,878**	**$21.57**	**$6,576,000**		**$5,692,000**	**$18.67**		**$8,542,000**	**$28.02**
	Total Fee Simple:			**87,120**	**$24.45**	**$2,130,000**		**$2,130,000**	**$24.45**		**$3,195,000**	**$36.67**
	Total Easements:			**217,758**	**$20.42**	**$4,446,000**		**$3,562,000**	**$16.36**		**$5,347,000**	**$24.55**

Based on analysis of market data, site visit, physical walk through, and research, it is my opinion that the *Fair Market Value of the Fee Simple Interest* of the Subject Property, Main Sewer Treatment Plant (6630 Front Street), Land Only, plus the Sewer Utility Easements throughout North and South Stock Island, and the Proposed Easements throughout the Key West Golf Course (6450 College Road, Key West), subject to definitions, assumptions and limiting conditions, as of November 18, 2014, is:

EIGHT MILLION FIVE HUNDRED FORTY TWO THOUSAND DOLLARS
($ 8,542,000)

RECONCILIATION AND CONCLUSION

The following value indications have been developed in my analysis of market data.

Reconciliation

Key West Resort Utilities, Stock Island, Florida

Fair Market Valuation

Valuation Method:	Fair Market Value
Cost Approach	Not Applicable
Income Approach	Not Applicable
Sales Comparison Approach	$8,542,000
Fair Market Value, as of November 18, 2014 (Rnd):	**$8,542,000**

THE COST APPROACH

The Cost Approach is a method in which the value of a property is derived from creating a substitute property with the same utility as the subject property. In the Cost Approach, the appraiser must estimate the market value of the subject site as if vacant, by using the Direct Sales Comparison Approach. Then estimate the reproduction or replacement cost new of the improvements. Depreciation from all sources is estimated and subtracted in this appraisal from replacement cost new of the improvements. The depreciated replacement cost of all improvements is then added to the estimated site value with the results being an indicated value by the Cost Approach.

In the case at hand, the Cost Approach was considered, but deemed not applicable as the buildings and site improvements are not included in my appraisal assignment, as the fair market value of the total assets of the Key West Resort Corporation is included in the whole utility appraisal prepared by Hartman Consultants, LLC.

THE INCOME APPROACH:

The Income Approach to value presumes that no prudent buyer will pay more for the subject property than the capitalized rental value attainable through ownership of the property. The buyer will only be willing to pay the present value of what he considers those future benefits to be. This approach is considered to be the strongest indicator of current fair market value when the property is purchased as

an income-producing property having a reliable historical cash flow. The subject was built and has historically been utilized as an owner-user property.

Market rents for easements that serve the public interest, health, safety, and welfare are limited to non-existent, especially easements for the a special purpose, such as wastewater infrastructure and collection system. Therefore, the Income Approach was considered, but deemed not applicable in the case at hand. Per the client's request, my assignment is to appraise the subject parcels, "as if vacant"; thus, estimate the land value only.

THE SALES COMPARISON APPROACH

This approach is also based on the Principle of Substitution. When applied, it states that when similar (comparable) properties in similar locations are adjusted for any dissimilarities, the value from these comparable properties can indicate an estimate of value. There have been no recent sales proximate to the subject of waste water treatment facilities of only the real property. However, there has been an active market for commercial land sales within the Stock Island market area.

The valuation of vacant land is usually best achieved by the Sales Comparison Approach. The application of this approach produces a value estimate for land and easements by comparing them with similar properties that have recently sold or granted easements for a given price, in the same or competitive neighborhoods with similar uses. Typically, the appropriate unit of measure or comparison is the sales price per square foot or acre. The reliability of this valuation data is dependent upon the comparability of each land sale to the subject, market conditions at the time of sale, and conditions of sale (concessions/entitlements, etc.). Fortunately, there is a significant amount of commercial land sales data in the Stock Island market, along with a large amount of Right-of-Way sales, plus acquisitions made in the Upper Keys for connection to a central wastewater treatment facility.

In the case at hand, the Sales Comparison Approach is believed to be the most reliable, accurate, sufficient, and credible method of valuing the subject fee simple land value and easements. The Cost Approach does not apply as the building and site improvements are not included in this valuation. The Income Approach would more readily apply to the property as a whole (value of the total assets, both tangible and intangible of the utility).

Based on analysis of market data, site visit, physical walk through, and research, it is my opinion that the *Fair Market Value of the Fee Simple Interest* of the Subject Property, Main Sewer Treatment Plant (6630 Front Street), Land Only, plus the Sewer Utility Easements throughout North and South Stock Island, and the Proposed Easements throughout the Key West Golf Course (6450 College Road, Key West), subject to definitions, assumptions and limiting conditions, as of November 18, 2014, is:

EIGHT MILLION FIVE HUNDRED FORTY TWO THOUSAND DOLLARS
($ 8,542,000)

CERTIFICATE OF APPRAISAL

I HEREBY CERTIFY THAT UPON APPLICATION FOR VALUATION BY:

PREPARED FOR INCLUSION WITH AN APPRAISAL REPORT BY:

MR. GERALD HARTMAN, PE, BCEE, ASA
HARTMAN CONSULTANTS, LLC
2107 WATER KEY DRIVE
WINDERMERE, FLORIDA 34786

&

CLIENT:

MR. WILLIAM L. SMITH, JR., CHAIRMAN OF THE BOARD
KEY WEST RESORT UTILITIES
6630 FRONT STREET
STOCK ISLAND, KEY WEST, FLORIDA 33040

I have personally examined the subject property:

and based on analysis of market data, site visit, physical walk through, and research, it is my opinion that the *Fair Market Value of the Fee Simple Interest* of the Subject Property, Main Sewer Treatment Plant (6630 Front Street), Land Only, plus the Sewer Utility Easements throughout North and South Stock Island, and the Proposed Easements throughout the Key West Golf Course (6450 College Road, Key West), subject to definitions, assumptions and limiting conditions, as of November 18, 2014, is:

EIGHT MILLION FIVE HUNDRED FORTY TWO THOUSAND DOLLARS
($ 8,542,000)

I ADDITIONALLY CERTIFY that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.

- The reported analyses, opinion, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- My engagement in this assignment was not contingent upon developing or reporting predetermined results.

- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or a direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

- My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

- James E. Wilson has performed a site visit and physical walk through of the property that is the subject of this report.

- No one has provided significant professional assistance to the persons signing this report other than integrating this report with Mr. Gerald Hartman, PE, BCEE, ASA, Hartman Consultants, LLC.

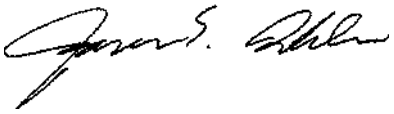
- The use of this report is subject to the requirements of the State of Florida relating to review by the Florida Real Estate Appraisal Board of the Department of Professional Regulations, Division of Real Estate.

- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

- I have appraised the main sewer plant parcel of the subject property (real property only) on January 4, 2012. I have not prepared an appraisal, feasibility study, consultation assignment, or any other related service for the subject easement parcels over the past three years or prior.

- James E. Wilson has completed the Professional Standards and Ethics education requirement of the Appraisal Institute for Associate Members.

APPRAISAL COMPANY OF KEY WEST



James E. Wilson, MRICS, President
State-certified general real estate appraiser
RZ 2164

ASSUMPTIONS AND LIMITING CONDITIONS

APPRAISAL DEVELOPMENT AND REPORTING PROCESS: In preparing this appraisal, the appraiser inspected the subject site and both the exterior and interior of the improvements. Information on comparable land and improved sales were gathered, confirmed, and analyzed. This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) the Uniform Standards of Professional Appraisal Practice. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report.

This confidential report is prepared for the sole use of and benefits of Mr. Gerald Hartman, PE, BCEE, ASA, Hartman Consultants, LLC and Mr. William L. Smith, Jr., Chairman of the Board, Key West Resort Utilities Corporation, and based, in part, upon documents, writings, and information owned and possessed by the client. This report is provided for informational purposes only to third parties authorized to receive it. The appraiser-client relationship is with Mr. Smith, as the client. This report should not be used for any purpose other than to understand the information available to the client concerning this property. Appraisal Company of Key West assumes no responsibility if this report is used in any other manner.

In preparing this appraisal, the appraiser visited the subject site and made a physical walk-through of the improvements. Information on comparable improved sales and construction costs was gathered, confirmed, and analyzed.

THIS VALUATION IS CONTINGENT UPON THE FOLLOWING CONDITIONS:

This appraisal is to be used in whole and not in part, in particular, no part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, without the written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraiser or firm with which he is connected.

The distribution of value between land and building applies only under the present program of utilization and is invalidated if used in making a summation appraisal.

No responsibility is assumed by the Appraiser for matters, which are of legal nature, nor is any opinion on the title rendered herewith. Good title is assumed.

The property has been appraised as though free of liens and encumbrances, except as herein described.

The management of the property is assumed to be competent and the ownership in responsible hands.

The subject property of this report is the owned vacant land and utility easements, which encompass Key West Resort Utilities Corporation, which is a privately owned utility company that provides wastewater service to the Key of Stock Island, Monroe County, Florida. The subject is a special-purpose property; thus, it has a limited-market due to its unique design, layout, and construction, which restricts its utility for the specific use as a wastewater treatment facility. The subject operation is a substantial going-concern that encompasses the vacuum collection system and services. In the case at hand, my appraisal includes only the subject land (As if Vacant), per the client's request. This report specifically excludes the collection system, sewer treatment tanks, pumps, lift stations, plus all building and site improvements. The valuation of the Key West Resort Utilities going-concern, intangible assets, buildings, site improvements, and furniture, fixture, and equipment as part of the utility operation are valued within the appraisal report prepared by Hartman Consultants, LLC.

Dimensions and the site area of the subject sewer treatment site, Parcel "A" (SP No. 1) and the adjoining easements, Parcels "B" (SP No. 2) and "C" (SP No.3) were referenced from a survey performed by Island Surveying, Inc., Frederick H. Hildebrandt, dated February 19, 1997, with revisions on March 24, 1997 and April 7, 1997, plus a Site Layout plan, prepared by Siemens, Water Technologies, dated July 7, 2006, plus a copy of a survey/site plan that did not indicate an author or preparation date. Any deviations from the reported dimensions or the calculated areas, plus any further easements and/or encroachments could result in a change in value.

The footprint sizes for eight of the lift station pads were given by the client, as they have not been delineated or surveyed, but part of a development agreement. The proposed golf course easements are delineated in a recent survey. The dimensions and parcel areas are based on a survey prepared by Island Surveying, Inc., dated October 21, 2014. Any deviations from the reported dimensions or the calculated areas, plus any further easements and/or encroachments could result in a change in value.

The Appraiser is not required to give testimony in court unless arrangements have been previously made thereof.

The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.

Information, estimates and opinions furnished to the appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraiser is assumed by the Appraiser.

Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the Appraiser is affiliated.

The Appraiser has no present or contemplated future interest in the property, and the compensation is in no manner contingent upon the value reported.

Possession of this report does not carry with it the right of publication or advertisement of any of its conclusions, nor may any except the applicant use the same for any purpose without the previous written consent of the appraiser or the applicant.

The appraiser does not assume the responsibility for the condition of the roof, termite damage, or physical condition of the structures without the benefit of an engineering report. The appraisers assignment was to value the land only; thus,

An environmental screening, audit or site assessment report was not made available for the subject parcels. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the properties, such as the presence of radon, asbestos insulation polychlorinated biphenyl, petroleum leakage, chemical additives, and existence of toxic waste, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. The main sewer treatment plant parcel includes an above ground, 230 gallon fuel (diesel) storage tank within a CBS containment area. Furthermore, it is a large wastewater treatment facility with a large collection system. I have assumed that the subject parcels do not have any environmental concerns requiring clean-up or remediation.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific survey or analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property.

This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organizations with which the Appraiser is affiliated.

Subsurface rights other than sewer easements were not considered in this report.

The discovery of latent conditions is beyond the scope of this appraisal. Detection of latent conditions requires the expertise of qualified persons such as architects and engineers. Latent conditions include,

among other things, non-apparent structural conditions; presence of prohibited hazardous wastes; presence of radon gas, methane gas, asbestos, lead, petroleum products and other air, soil, or water contaminants; and many other conditions too numerous to mention which may affect the value of the property being appraised. The appraiser conducting this appraisal is not qualified to detect latent conditions and have conducted this appraisal upon the assumption that no latent conditions (including those mentioned above and others) exist on the property covered by this appraisal.

ACCORDINGLY NOTICE IS HEREBY GIVEN that neither the appraisers conducting this appraisal, nor the APPRAISAL COMPANY OF KEY WEST make any warranty, express or implied, to property covered by this appraisal, and neither shall have any liability to any person for differences in the value of the appraised property, or other damages, resulting from discovery of latent conditions (including those mentioned above and others) on, or in proximity to, the appraised lands.

This appraisal report is in conformity with the Uniform Standards of Professional Appraisal Practices and this appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

I hereby certify that to the best of my knowledge and belief the statements of fact contained in this report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct; also this report sets forth all the limiting conditions affecting the analyses, opinions and conclusions contained in this report; also this report has been made in conformity with the Appraisal Institute.

ADDENDA

PROFESSIONAL QUALIFICATIONS

JAMES E. WILSON, III, MRICS

James E. Wilson has been a resident of South Florida since 1976. His education includes a Bachelor of Science in Business Administration with a Major in Economics from the University of Florida, 1987-1991. His experience in the real estate industry began in early 1992 as a residential real estate appraiser in Pompano Beach, Florida. He appraised a wide variety of single and multi-family residential properties in Dade, Broward, and Palm Beach counties over a two-year period. In the search of advancement and challenge, James Wilson moved to the City of Key West, Monroe County, Florida in order to obtain experience and practice commercial real estate appraisal valuation techniques in a demanding and somewhat unique market area. Over the past 22 years James has been exposed to a wide-range of appraisal projects, including highest and best use studies, complex property appraisals, and wetland and environmentally sensitive valuations including transferrable development rights. His appraisal experience includes financial and investment analysis, appraisal review, feasibility and planning analysis, as well as market research and analysis. James Wilson is a State Certified General Real Estate Appraiser (licensed to perform residential and commercial appraisals) and a General Associate Member of the Appraisal Institute. He is a member of RICS (Royal Institution of Chartered Surveyors), which is an international member organization for professionals in property, land, real estate, construction and related environmental issues. Jim is past President of the Key West Gator Club, 2013/2014 President of the Sunset Key West Rotary Club, member of Class VII Leadership Monroe, 2012 President of the Key West Chamber of Commerce, and has been elected to continue to serve on the Board of Directors of the Key West Chamber of Commerce. Jim is still an active member on the Board of Directors for the Key West Chamber of Commerce.

Education:

SOUTH BROWARD HIGH SCHOOL, Hollywood, FL, 1987.

UNIVERSITY OF FLORIDA, Gainesville, Florida - Bachelor of Science in Business Administration - Major in Economics, 1987-1991.

APPRAISAL INSTITUTE

Appraisal Reporting of Complex Residential Properties, October, 1993.
Persuasive Style in Narrative Appraisal Reports, May, 1994.
ACE 1779 - "Special Purpose Properties - The Challenge of Real Estate Appraising in Limited Markets", September, 1996.
410 Standards of Professional Practice, Part A (USPAP), 8/97.
420 Standards of Professional Practice, Part B, August, 1997.
520 Highest & Best Use and Market Analysis, October, 1997.
Non-Conforming Uses Seminar, January, 1998.
510 Advanced Income Capitalization, May, 1998.
530 Advanced Sales Comparison & Cost Approach, May, 1998.
540 Report Writing & Valuation Analysis, August, 1998.
550 Advanced Applications, February, 1999.
Regression Analysis in Appraisal Practice: Concepts & Applications, Seminar, March, 2000.
General Demonstration Appraisal Report Writing Seminar, March, 2000.
800 Separating Personal & Real Property from Intangible Business Assets, March, 2002.
Successful Completion of the General Comprehensive Examination for the Appraisal Institute
Uniform Appraisal Standards for Federal Land Requisitions, March, 2007
General Demonstration Appraisal Report Writing Seminar, August, 2007
Valuation of Conservation Easements, January, 2008.
Appraising Distressed Commercial Real Estate, June, 2009
Oil Spills and Property Values, Webinar, August, 2010
Business Practices and Ethics, September, 2010
A Debate of the Allocation of Hotel Total Assets, October 26, 2010
Appraisal Institute Update, May 19, 2011
Appraisal Curriculum Overview (2-day General) May, 2011

Professional Qualifications of James E. Wilson, III (Continued)

APPRAISAL INSTITUTE

Perspectives from Commercial Review Appraisers, July 20, 2011

Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets, 05/07/2012 - 05/08/2012

Purchase Price Allocations for Financial Report and Tax, April 16, 2014

Behind the Headlines, the New Real Estate Real Estate Economy, May 16, 2014

GOLD COAST SCHOOL OF REAL ESTATE

Real Estate Principles, Practices, and Law - FREC Course I, May, 1992.
Salesman Post-License Program, February, 1994.
Mortgage Broker, Exam-Prep Program, September, 1992.
AB I - Appraisal Board - Fundamentals of R.E. Appraising, 5/92.
AB II - Appr. Board - Appraising Resid. & Income Properties, 2/94.
AB IIb - Appraisal Board - Cert. Resid. Appraisal Course, 7/94.
AB III - Appraisal Board - Certified General Appraisal Course (Income Capitalization Course), February, 1995.
USPAP - Uniform Standards of Professional Appraisal Practice, 6/92.
USPAP Course, September, 1995.
A-102 - Plan Reading for Appraisers, September, 1995.
National USPAP Update Course, June 2006
Techniques of Income Property Appraisal, June 2006

McKISSOCK DATA SYSTEMS

Automated Valuation Models, October, 2000.
Uniform Standards of Professional Appraisal Practice, October,2000.
Factory Built Housing, October, 2000.
Appraiser Liability, September, 2002.
Appraising Nonconforming & Difficult Properties, September,2002.
Appraiser Liability, USPAP, September, 2002.
Appraising for the Secondary Market, October, 2004.
Appraising High-Value Residential Properties, October, 2004.
Florida Laws and Regulations, October, 2004.
Limited Appraisals and the Scope of Work Decision, October, 2004.
National USPAP Equivalent, October, 2004.
Florida Laws and Regulations, September 2006.
Disclosures and Disclaimer, September, 2006.
Appraisal Trends, September 2006.
National USPAP Update Equivalent(2008-2009), November, 2008.
Introduction to Expert Witness Testimony, November 2008.
Mortgage Fraud-Protect Yourself, November, 2008.
Florida Appraisal Supervisor-Trainee Roles and Relationships, November, 2008.
Florida Laws and Regulations, November, 2008.
National USPAP Update Equivalent (2010-2011), August, 2010.
Risky Business: Ways to Minimize Liability, August, 2010.
Florida Laws and Regulations, August 2010.
Florida Apprisal Supervisor-Trainee Roles and Relationships, August, 2010.

Professional Qualifications of James E. Wilson, III (Continued)

The Changing World of FHA Appraising, August, 2010.
Systems Built Housing: Advances in Housing for the New Millennium, October, 2012
Deriving and Supporting Adjustments, October, 2012
Introduction to Regression Analysis for Appraisers, October, 2012
Introduction to Residential Green Building for Appraisers, October, 2012
Florida Appraisal Laws and Regulations Update
National USPAP Update Equivalent (2012-2013), October, 2012
UAD-Up Close and Personal, November, 2014
Expert Witness Testimony: To Do or Not to Do, November, 2014
Analyze This! Applications of Appraisal Analysis, November, 2014
Florida Appraisal Laws and Regulations Update
Reviewers Checklist , November, 2014
National USPAP Update Equivalent (2014-2015) , November, 2014

VALUE INFORMATION TECHNOLOGY, INC.
"Perspectives on Appraisals" FREAB Course ACE#1591, June, 1995.

NORTH BROWARD BOARD OF REALTORS
ACE 591 - Basics of Construction - How a Florida Home is Built II, January, 1994.

Certification:

State certified general real estate appraiser, as designated by the Department of Professional Regulation, State of Florida; Registration No. RZ 2164.

Licensed Real Estate Salesperson, as designated by the Department of Professional Regulation, State of Florida; License No. SL 0589552 (currently inactive).

Professional Associations:

Key West Board of Realtors
General Associate Member of the Appraisal Institute
Member of RICS (Royal Institute of Chartered Surveyors), October, 2010 Member#1299389

Affiliations:

Past President of the Key West Gator Club (Alumni Organization of the University of Florida
Member of Class VIII, Leadership Monroe County
Board Member of the Rotary Club of Sunset Key West, 2013/2014 President, 2009 Treasurer, 2010 Vice President, 2011 President-Elect,2012 President Board of Directors of the Key West Chamber of Commerce, Current Board Member

Experience:

WILCO VALUATIONS, P.A. d/b/a APPRAISAL COMPANY OF KEY WEST, James Wilson, President and his wife, Maria Virginia Wilson, also a State Certified General Real Estate Appraiser purchased the Appraisal Company of Key West from Mr. Richard Padron in April, 2004. Mr. Padron has continued to be a Fee Commercial Real Estate Appraiser with the Appraisal Company of Key West, which has ensured continuity and quality control.

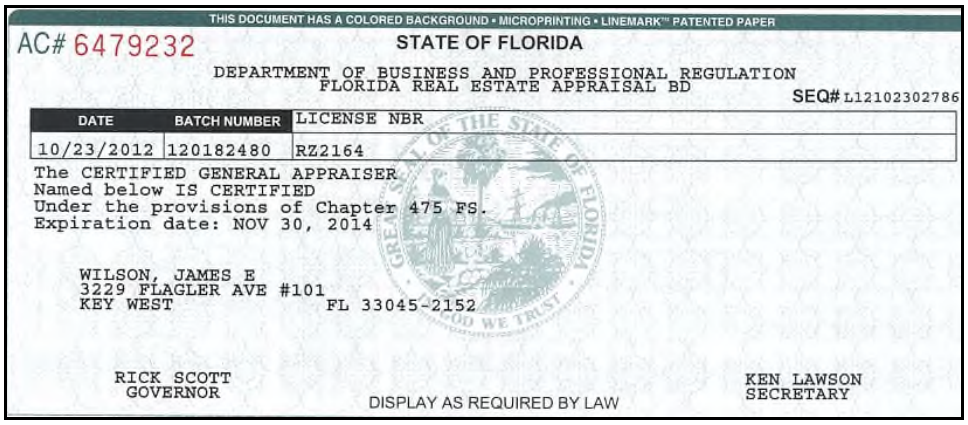
APPRAISAL COMPANY OF KEY WEST, INC., Fee Commercial Real Estate Appraiser, April, 1994 to April, 2004.

F.C.P. APPRAISAL SERVICES, INC., Senior Real Estate Appraiser and Trainer, May, 1992 to April, 1994.

Appraised various types of properties in the Florida Keys, including:

Retail Stores	Commercial/Residential Condominiums
Restaurants	Full-Service Marinas/Boat Yards
Strip Centers	Environmentally Sensitive Acreage
Office Buildings	Industrial Uses
Mixed-Use Properties	Guest Houses /Hotels/Motels
Service Stations	Mobile Home and RV Parks
Multi-family Projects	Warehouse (including mini-storage)
Proposed Developments	Special-Use Properties including Schools
Single-family Estates	Seafood Processing Plants

APPRAISER CERTIFICATION



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AC# 6479232

STATE OF FLORIDA

DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FLORIDA REAL ESTATE APPRAISAL BD

SEQ# L12102302786

DATE	BATCH NUMBER	LICENSE NBR
10/23/2012	120182480	RZ2164

The CERTIFIED GENERAL APPRAISER
Named below IS CERTIFIED
Under the provisions of Chapter 475 FS.
Expiration date: NOV 30, 2014

WILSON, JAMES E
3229 FLAGLER AVE #101
KEY WEST FL 33045-2152

RICK SCOTT
GOVERNOR

DISPLAY AS REQUIRED BY LAW

KEN LAWSON
SECRETARY

SUBJECT PROPERTY

View of Safe Harbor from Subject Parcel 1 (Main Wastewater Treatment Plant)

View of Safe Harbor and Adjacent Commercial Fishing Parcel from Subject Parcel 1

SUBJECT PROPERTY

View of Front Access to Subject Parcel No. 1

Street View of Front Street Northerly

SUBJECT PROPERTY

Street View of Front Street Southerly

View of Subject Parcel No. 3

SUBJECT PROPERTY

View of Subject Parcel No. 21

View of Subject Parcel No. 23-26

SUBJECT PROPERTY

View of Subject Parcel No. 23-26

View of Subject Parcel No. 23-26

SUBJECT PROPERTY

View of Subject Parcel No. 23-26

View of Subject Parcel No. 23-26

SUBJECT PROPERTY

View of Subject Parcel No. 23-26

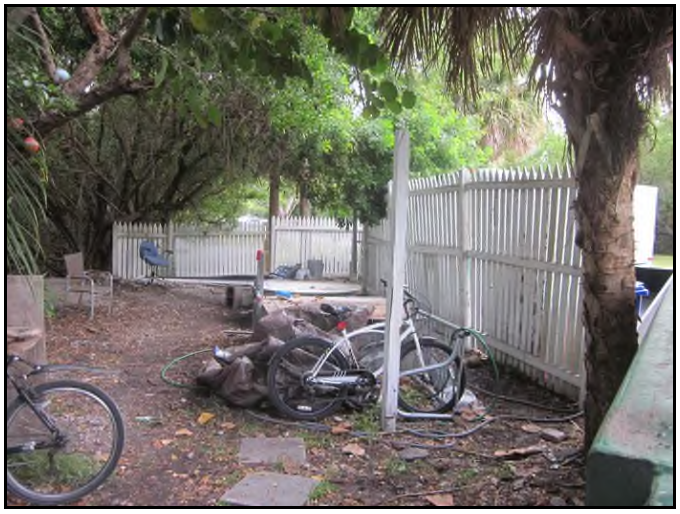
View of Subject Parcel No. 23-26

SUBJECT PROPERTY

View of Subject Parcel No. 23-26

View of Subject Parcel No. 23-26

SUBJECT PROPERTY



View of Subject Parcel No. 20

View of Subject Parcel No. 1

SUBJECT PROPERTY

View of Subject Parcel No. 1

View of Subject Parcel No. 1

SUBJECT PROPERTY

View of Subject Parcel 22

View of Subject Parcel 16

SUBJECT PROPERTY

View of Subject Parcel 17

View of Force Main Lift Station

SUBJECT PROPERTY

View of Lincoln Gardens Lift Station

View of Lincoln Gardens Lift Station

SUBJECT PROPERTY

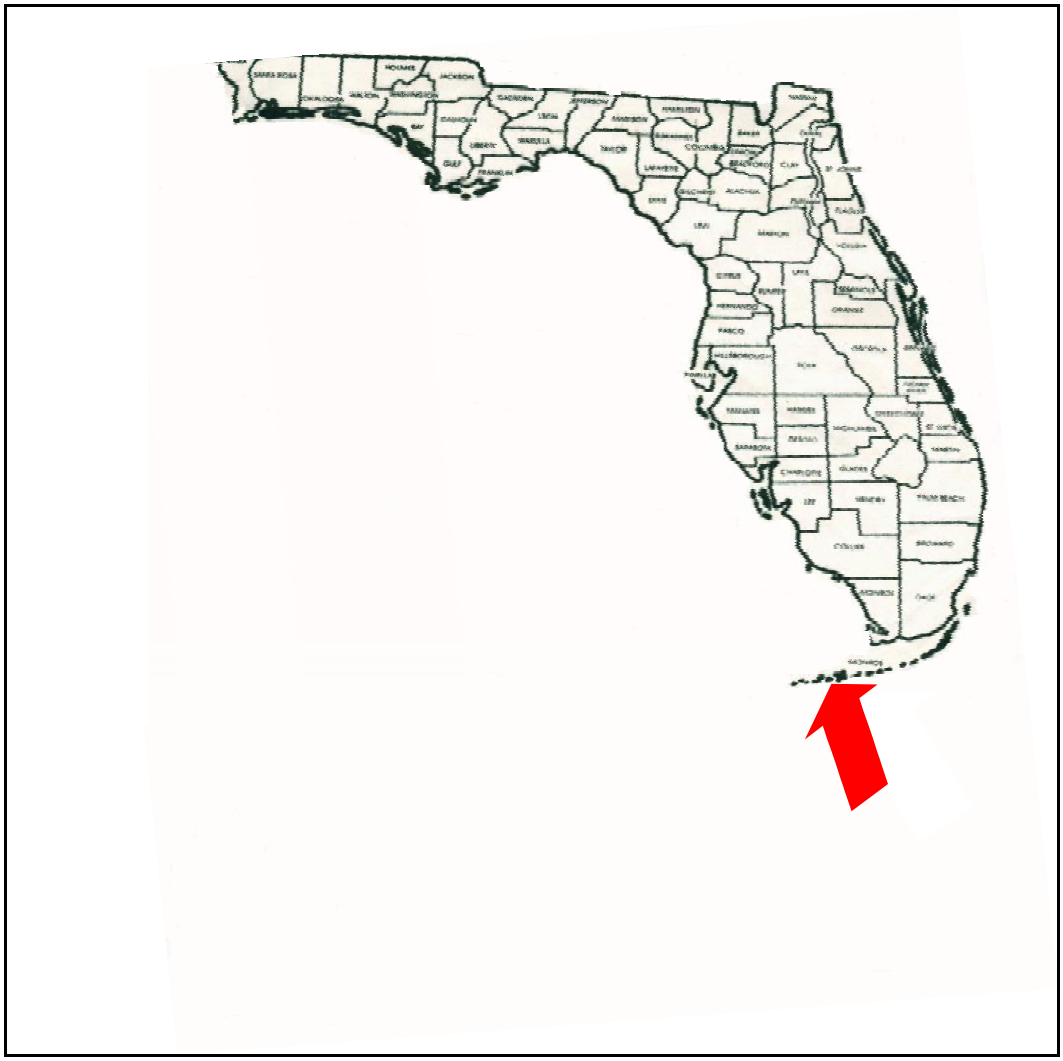
View of Subject Parcel 18

View of Subject Parcel 15

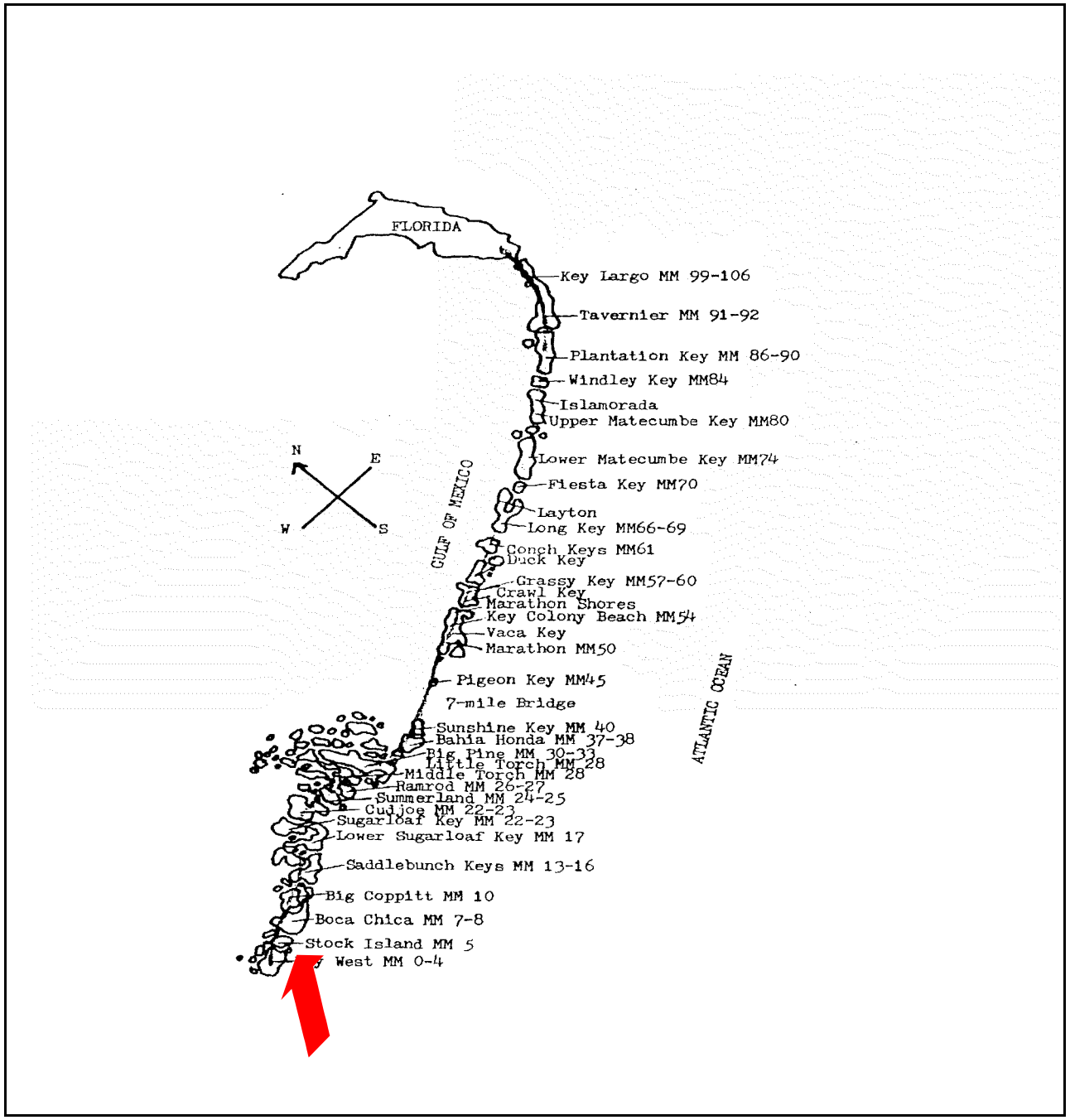
SUBJECT PROPERTY

View of Subject Parcel 19

STATE MAP



FLORIDA KEYS MAP

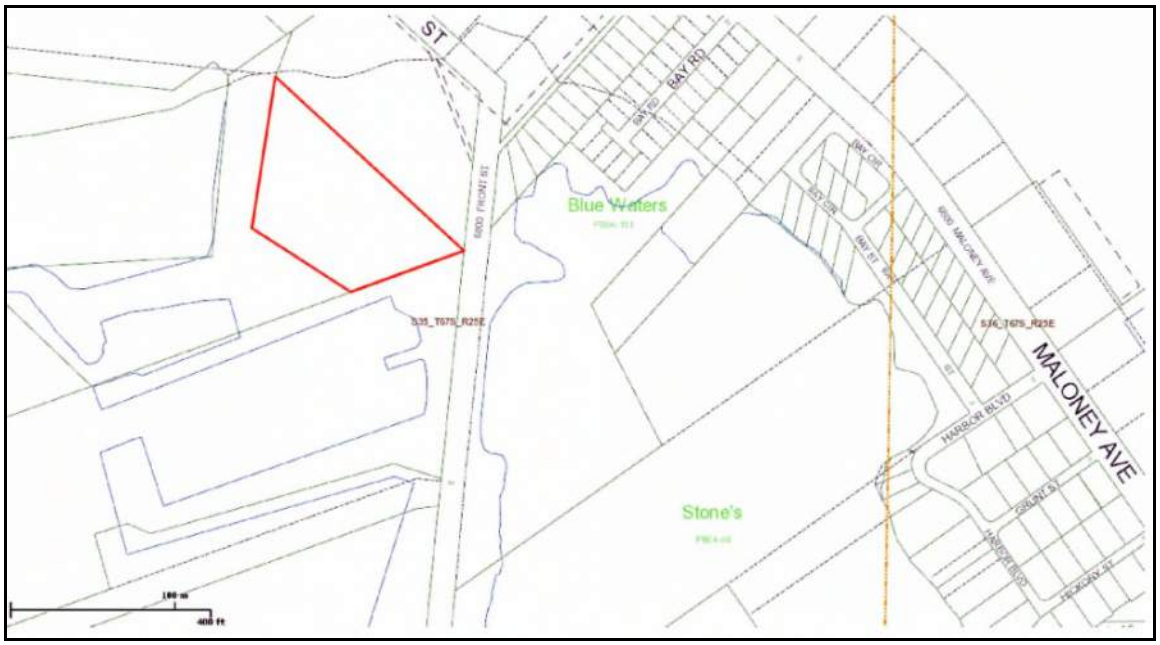


LOCATION MAP 1

LOCATION MAP 2

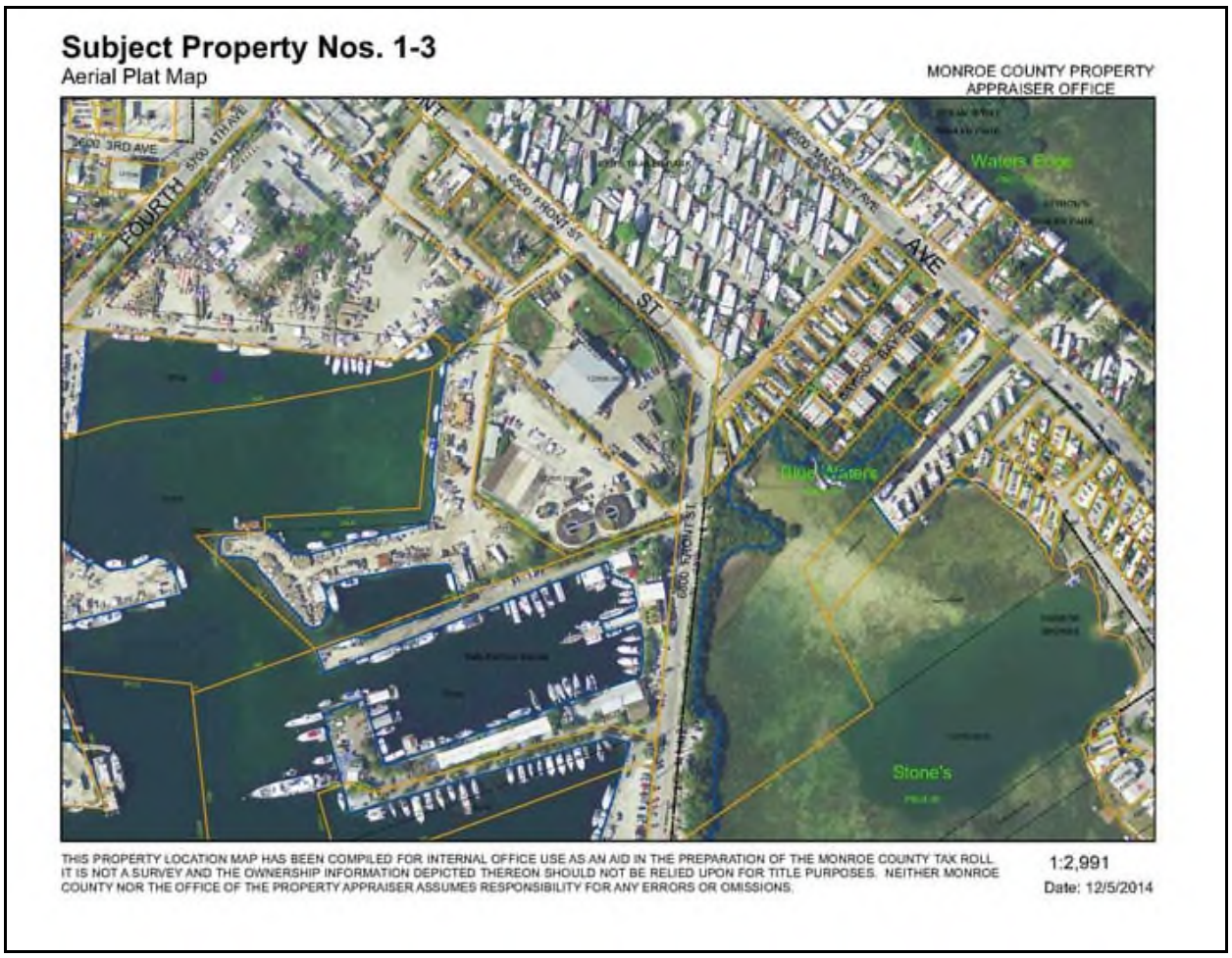
LOCATION MAP 3

PLAT MAP



AERIAL MAP

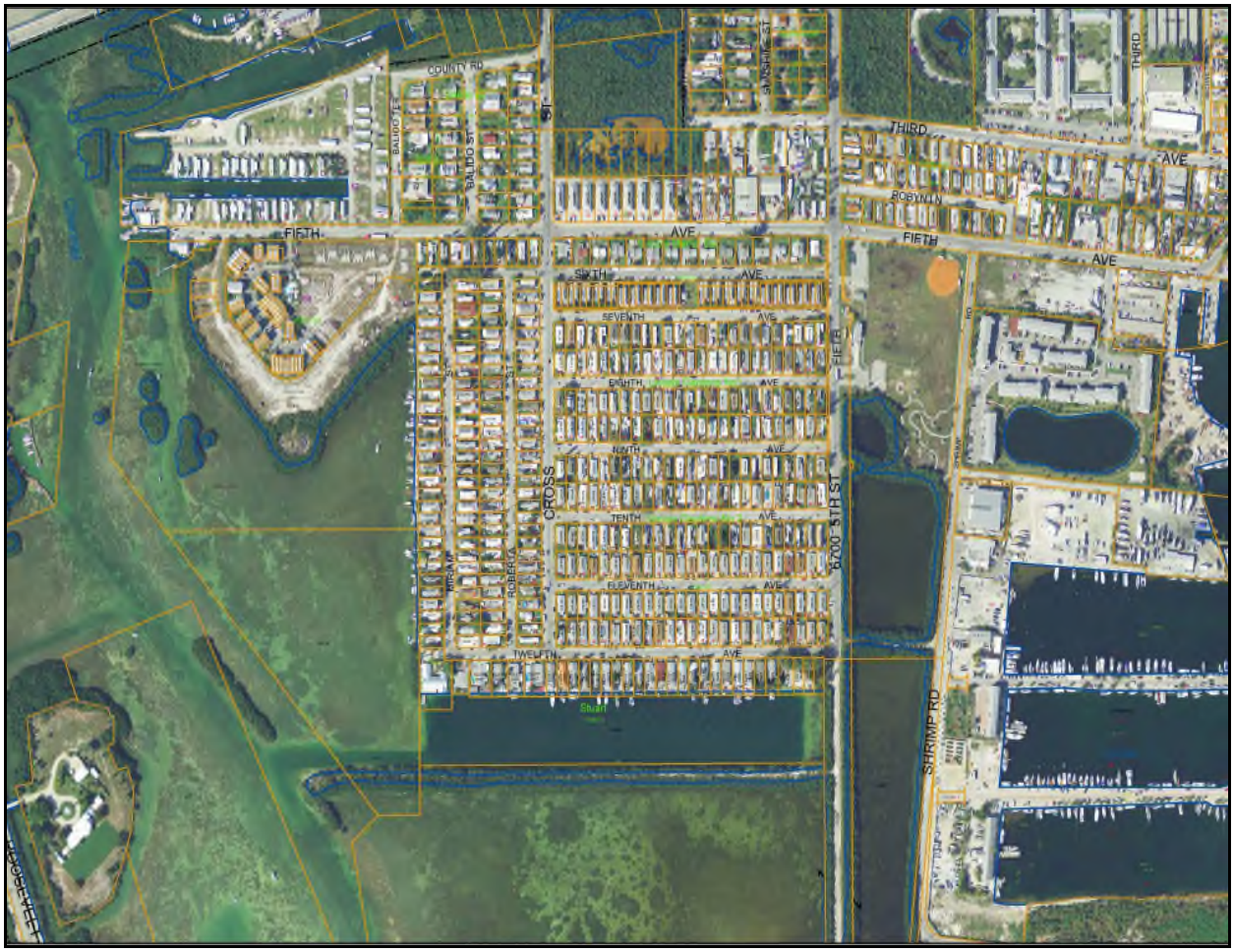
AERIAL PLAT MAP
SUBJECT PROPERTY 1-3
6630 FRONT STREET, STOCK ISKLAND



AERIAL PLAT MAP
SUBJECT PROPERTY 4
6755 5TH STREET, STOCK ISLAND

AERIAL PLAT MAP
SUBJECT PROPERTY 5
6755 5TH STREET, STOCK ISLAND

AERIAL PLAT MAP
SUBJECT PROPERTY 6-14
G23 ROBERTA AVENUE, STOCK ISLAND



AERIAL PLAT MAP
SUBJECT PROPERTY 15
6620 MALONEY AVENUE, STOCK ISLAND

AERIAL PLAT MAP
SUBJECT PROPERTY 16
6401 MALONEY AVENUE, STOCK ISLAND

AERIAL PLAT MAP
SUBJECT PROPERTY 17
5620 MALONEY AVENUE, STOCK ISLAND

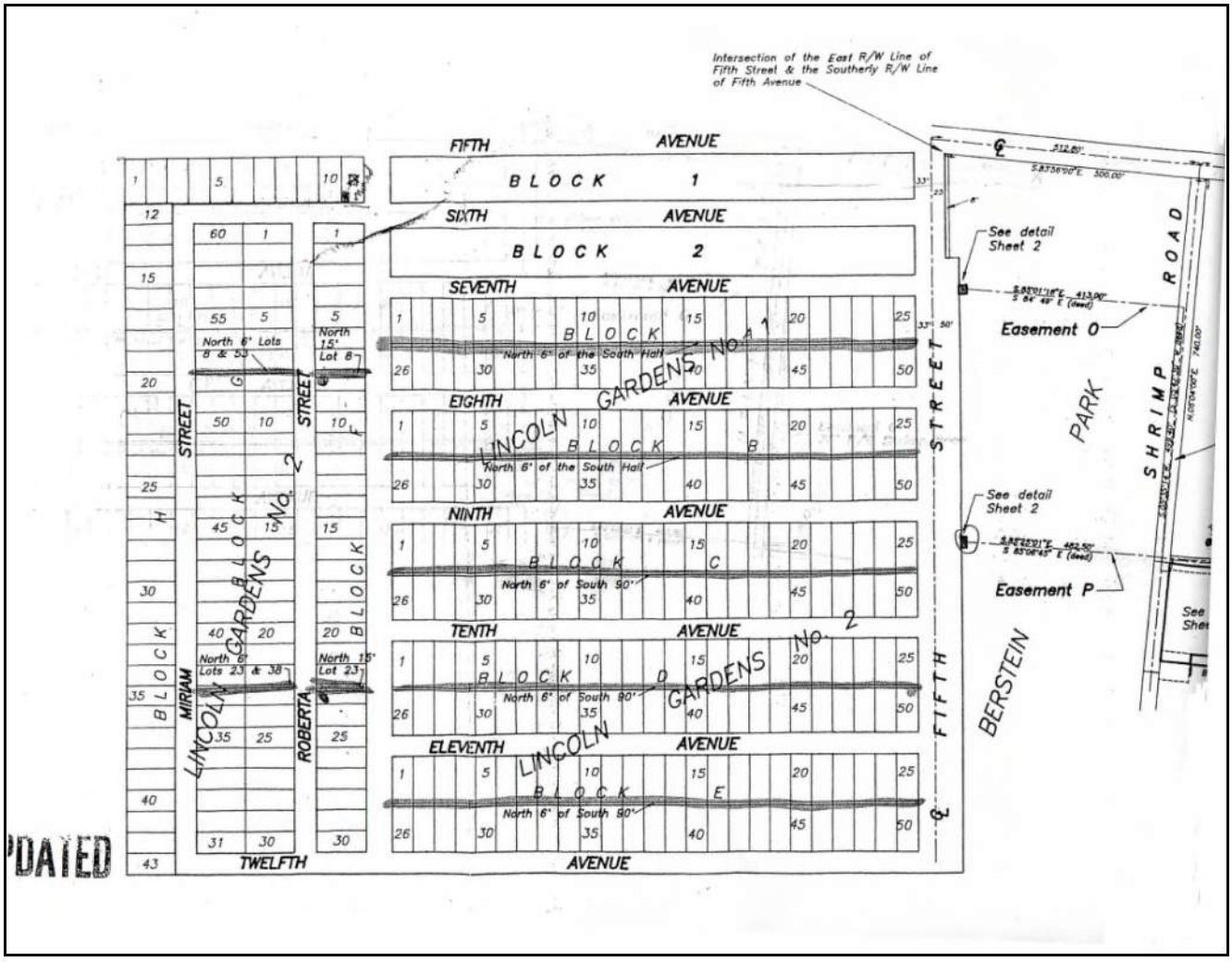
AERIAL PLAT MAP
SUBJECT PROPERTY 18
5525 COLLEGE & 5501 COLLEGE ROAD, KEY WEST
&
SUBJECT PROPERTY 19
5555 COLLEGE ROAD, KEY WEST

AERIAL PLAT MAP
SUBJECT PROPERTY 20 & 21
6450 COLLEGE ROAD, KEY WEST

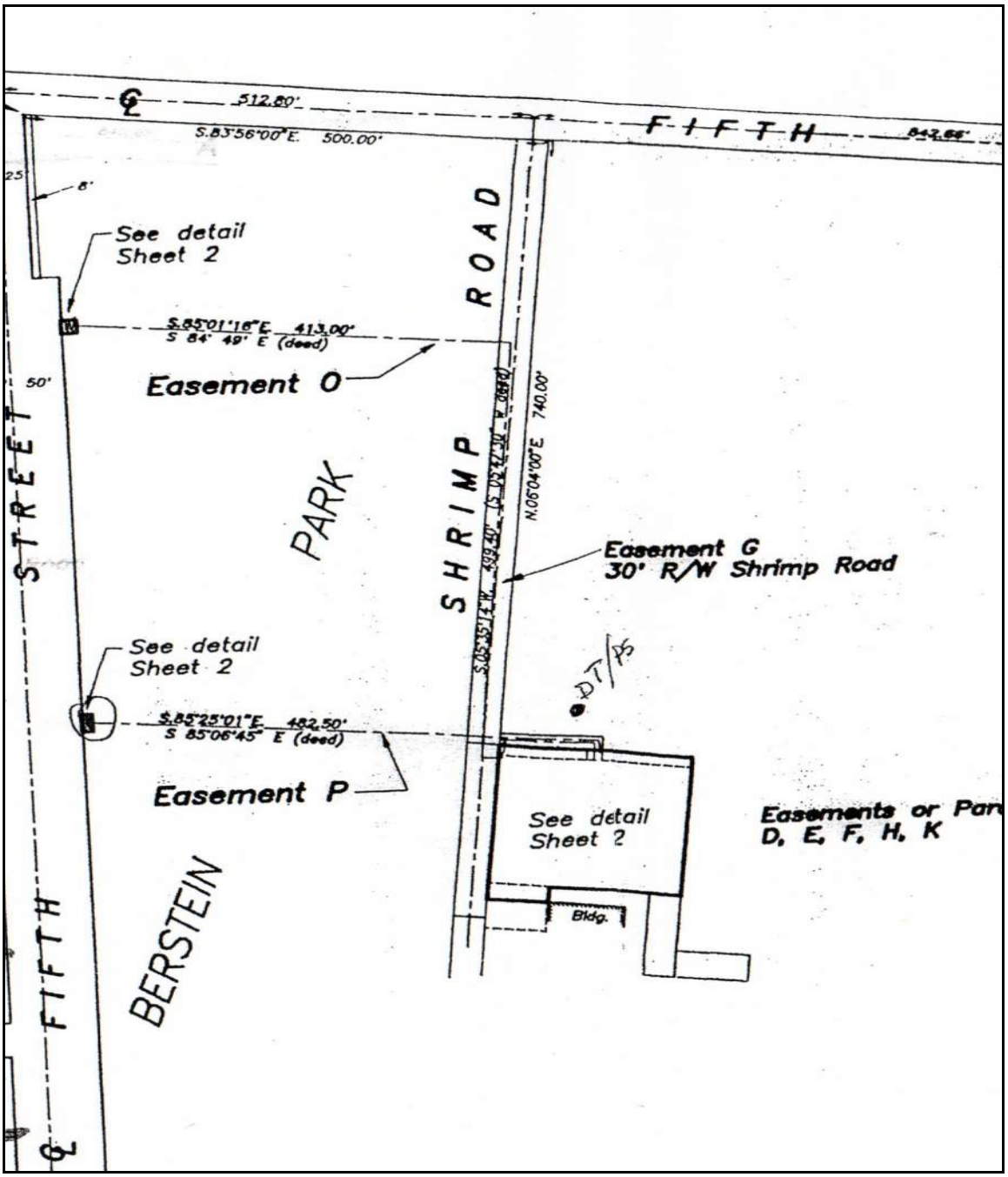
AERIAL PLAT MAP
SUBJECT PROPERTY 22
5200 COLLEGE ROAD, KEY WEST

AERIAL PLAT MAP
SUBJECT PROPERTY 23-26
6450 COLLEGE ROAD, KEY WEST

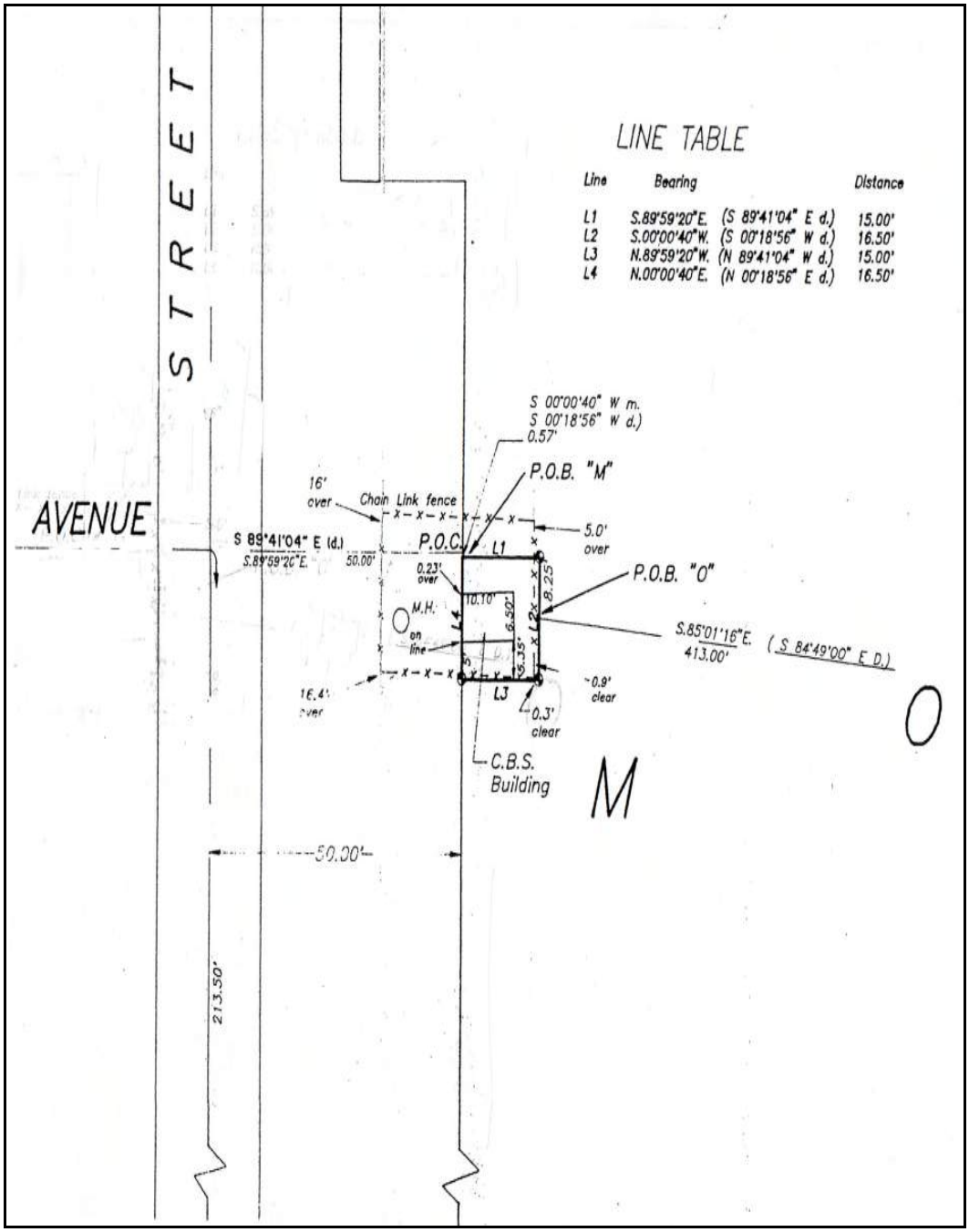
SURVEY


Intersection of the East R/W Line of Fifth Street & the Southerly R/W Line of Fifth Avenue
FIFTH AVENUE
BLOCK 1
SIXTH AVENUE
BLOCK 2
SEVENTH AVENUE
EIGHTH AVENUE
NINTH AVENUE
TENTH AVENUE
ELEVENTH AVENUE
TWELFTH AVENUE
LINCOLN GARDENS No. 1
LINCOLN GARDENS No. 2
MIRIAM STREET
ROBERTA STREET
FIFTH STREET
BERSTEIN PARK
SHRIMP ROAD
See detail Sheet 2
Easement O
Easement P
North 6' Lots 8 & 53
North 15' Lot 8
North 6' Lots 23 & 38
North 15' Lot 23
North 6' of the South Half
North 6' of South 90'
PDATED

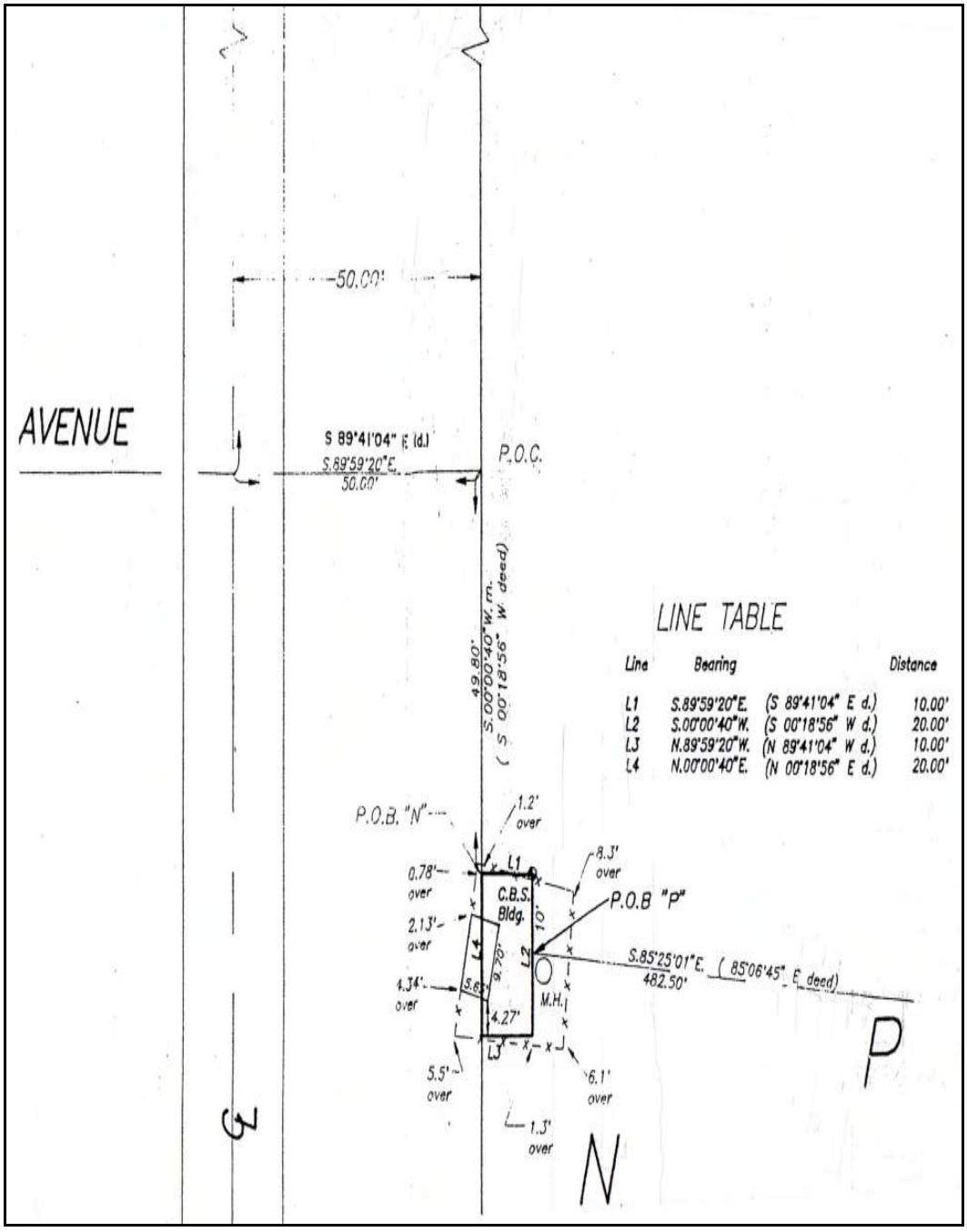
SURVEY


512.80'
S.83°56'00"E. 500.00'
FIFTH
See detail Sheet 2
S.85°01'16"E 413.00'
S 84° 49' E (deed)
Easement O
50'
STREET
PARK
SHRIMP ROAD
N.06°04'00"E 740.00'
Easement G
30' R/W Shrimp Road
See detail Sheet 2
S.85°25'01"E 482.50'
S 85°06'45" E (deed)
Easement P
See detail Sheet 2
Bldg.
Easements or Par
D, E, F, H, K
FIFTH
BERSTEIN

SURVEY


LINE TABLE
Line Bearing Distance
L1 S.89°59'20"E. (S 89°41'04" E d.) 15.00'
L2 S.00°00'40"W. (S 00°18'56" W d.) 16.50'
L3 N.89°59'20"W. (N 89°41'04" W d.) 15.00'
L4 N.00°00'40"E. (N 00°18'56" E d.) 16.50'
STREET
AVENUE
S 00°00'40" W m.
S 00°18'56" W d.)
0.57'
P.O.B. "M"
16' over
Chain Link fence
5.0' over
P.O.C.
L1
S 89°41'04" E (d.)
S.89°59'20"E.
50.00'
0.23' over
10.10'
8.25'
P.O.B. "O"
M.H.
on line
6.50'
3.35'
L4
L2
S.85°01'16"E. (S 84°49'00" E D.)
413.00'
L3
0.9' clear
0.3' clear
C.B.S. Building
M
O
50.00'
213.50'

SURVEY


50.00'
AVENUE
S 89°41'04" E (d.)
S.89°59'20"E.
50.00'
P.O.C.
49.80'
S.00°00'40"W. m.
(S 00°18'56" W deed)
LINE TABLE
Line Bearing Distance
L1 S.89°59'20"E. (S 89°41'04" E d.) 10.00'
L2 S.00°00'40"W. (S 00°18'56" W d.) 20.00'
L3 N.89°59'20"W. (N 89°41'04" W d.) 10.00'
L4 N.00°00'40"E. (N 00°18'56" E d.) 20.00'
P.O.B. "N"
1.2' over
0.78' over
2.13' over
1.34' over
8.3' over
P.O.B "P"
C.B.S. Bldg.
10.0'
9.76'
5.6'
4.27'
M.H.
S.85°25'01"E. (85°06'45" E deed)
482.50'
5.5' over
6.1' over
1.3' over
℄
N
P

LEGAL DESCRIPTION A, B & C

LEGAL DESCRIPTION:

A

A parcel of filled land on Stock Island, Monroe County, Florida, being a portion of that certain submerged land described in T.I.I.F. Deed No.:19837-A; said parcel being more particularly described by "metes and bounds" as follows:
Commence at the intersection of the Southeasterly right-of-way line of Fourth Avenue and the Southwesterly right-of-way line of Front Street; then S 47° 13'30" E along Southwesterly right-of-way line for 1003.76 feet to the Westerly right-of-way line of a 50 foot wide access easement; thence S 6°01'50" W along said Westerly right-of-way line for 313.78 feet to the Point of Beginning of the hereinafter described parcel of land; thence S 70°27'50" W for 240.30 feet; thence N 57°15'03" W for 234.83 feet; thence N 9°16'30" E for 304.20 feet to an intersection with a line 251.44 feet Southwesterly of as measured at right angles and parallel to said Southwesterly right-of-way of Front Street; thence S 47° 13'30" E along said parallel line for 510.80 feet to the Point of Beginning. Said parcel contains 2.00 Acres, more or less.

Together with a non-exclusive Drainage Easement, the legal description of which is below:

B

An area being 15 feet in width, the Southerly line thereof being more particularly described as follows:
Begin at the most Southerly corner of the property described in the parcel described above; thence South 70 degrees, 27 minutes, 50 seconds West along the Southwesterly prolongation of the Southeasterly boundary line of said above parcel for 250 feet, more or less, to the Easterly shore line of the existing harbor and the point of termination of said Southerly line.

Together with a non-exclusive Access Easement, the legal description of which is below:

C

An area having a minimum width of 25.00 feet and being more particularly described as follows:
Commence at the intersection of the Southeasterly right-of-way line of Fourth Avenue and the Southwesterly right-of-way line of Front Street; thence S47°13'30" E along said Southwesterly right-of-way line for 1003.76 feet to the Westerly right-of-way line of an existing 50 foot wide access easement; thence S 6°01'50" W along said Westerly right-of-way line for 313.78 feet to the most Easterly corner of the Proposed S.T.P. site , said corner being the Point of Beginning of the hereinafter described non-exclusive access easement; thence N47°13'30" W along the Northeasterly boundary of said proposed S.T.P. site for 76.71 feet; thence N42°46'30" E for 25.00 feet; thence N69°24'10" E for 24.06 feet to an intersection with a line that is 25.00 feet Westerly of, as measured at right angles and parallel to said Westerly right-of-way line of the aforementioned 50 feet wide access easement; thence N 6°01'50" E along said parallel line for 255.73 feet to an intersection with said Southwesterly right-of-way line of the aforementioned Front Street; thence S47° 13'30" E along said Southwesterly right-of-way line for 31.20 feet to an intersection with said Westerly right-of-way line of the aforementioned 50 foot wide access easement; thence S6°01'50" W along said Westerly right-of-way line for 313.78 feet to the Point of Beginning.

The lessee's entire interest in and to the leasehold estate in the following described real property created by and under that certain Business Lease, dated November 15, 1980, as amended by Extension and Modification of Business Lease, dated November 16, 1982, by and between Safe Harbor Marine Railway Corp., a Florida corporation, and Nu-Age Utility Corp., a Florida Corporation, which Extension and Modification of Business Lease was recorded November 18, 1982 in Official Records of Monroe County, Florida in Book 866, Page 2478, and the lessee's interest thereunder assigned to Stock Island Utility Company by assignment dated November 16, 1982:

LEGAL DESCRIPTION G

G A non exclusive access easement being 30.00 feet in width, located on a portion of Block 57, Maloney's Subdivision of part of Stock Island according to the plat thereof as recorded in Plat Book 1, Page 55 of the Public Records of Monroe County, Florida and a portion of filled submerged lands lying adjacent thereto as described in T.I.I.F. Deed No 24078, said easement being more particularly described as follows:
Commence at the intersection of the Easterly right-of-way line of Fifth Street (as constructed) and the Southerly right-of-way of Fifth Avenue (as constructed); thence S83° 56'00" E along said Southerly right-of-way line for 470.00 feet to the Point of Beginning of the hereinafter described non exclusive access easement; thence S6 04'00" W for 740.00 feet; thence S83° 56'00" E for 30.00 feet to the Northwesterly corner of the existing Sewage Treatment Plant site; thence N6°04'00" E for 740.00 feet to an intersection with said Southerly right-of-way line of Fifth Avenue; thence N83° 56'00" W along said Southerly right-of-way line for 30.00 feet to the Point of Beginning.

LEGAL DESCRIPTION M & P

M

Commence at the intersection of the centerline of Fifth Street as described in Official Records Book 152 at Page 414 of the Public Records of Monroe County, Florida and the centerline of Seventh Avenue, as shown on the Plat of Lincoln Gardens No. 1, according to the Plat thereof, as recorded in Plat Book 5 at Page 89 of the Public Records of Monroe County, Florida; thence South 89 degrees, 59 minutes 20 seconds East along the Easterly prolongation of said centerline of Seventh Avenue for 50.00 feet to an intersection with the Easterly right-of-way line of said Fifth Street; thence South 0 degrees 18 minutes 56 seconds West to said Easterly right-of-way line for 49.8 feet to the Point of Beginning of the following described paicel of land; thence South 89 degrees 41 minutes 04 seconds East for 15.00 feet; thence South 0 degrees 18 minutes 56 seconds West for 16.50 feet ; thence North 89 degrees 41 minutes 04 seconds West for 15.00 feet to an intersection with said Easterly right-of-way line; thence North 0 degrees 18 minutes 56 seconds East along said Easterly right-of-way line for 16.50 feet to the Point of Beginning

ALSO:
The North six (6) feet of the South half of Block B of Lincoln Gardens No. 1, as recorded in Plat Book 5 at Page 89 of the Public Records of Monroe County, Florida.

ALSO:

1. The North 6.0 feet of the South 90 feet of Block C of Lincoln Gardens No. 2 as recorded in Plat Book 5 at Page 90 of the Public Records of Monroe County, Florida.

2. The North 6.0 feet of the South 90 feet of Block D of Lincoln Gardens No. 2 as recorded in Plat Book 5 at Page 90 of the Public Records of Monroe County, Florida.

3. The North 6.0 feet of the South 90 feet of Block E of Lincoln Gardens No. 2 as recorded in Plat Book 5 at Page 90 of the Public Records of Monroe County, Florida.

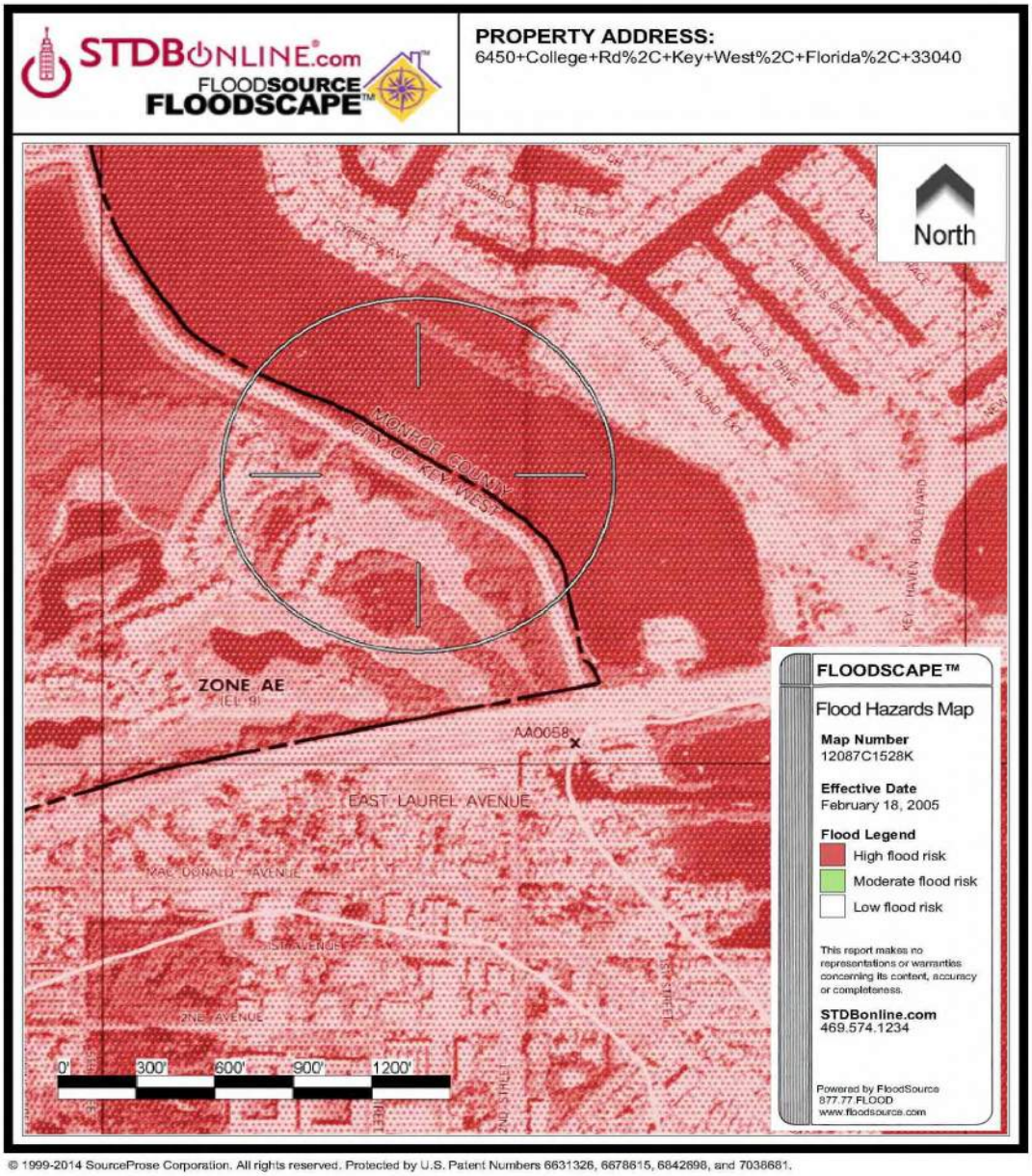
4. The North 6.0 feet of Lots 8 and 53, Block G of Lincoln Gardens No. 2 as recorded in Plat Book 5 Page 90 of the Public Records of Monroe County, Florida.

5. The North 15.0 feet of Lot 8, Block F of Lincoln Gardens No 2 as recorded in Plat Book 5 at Page 90 of the Public Records of Monroe County, Florida.

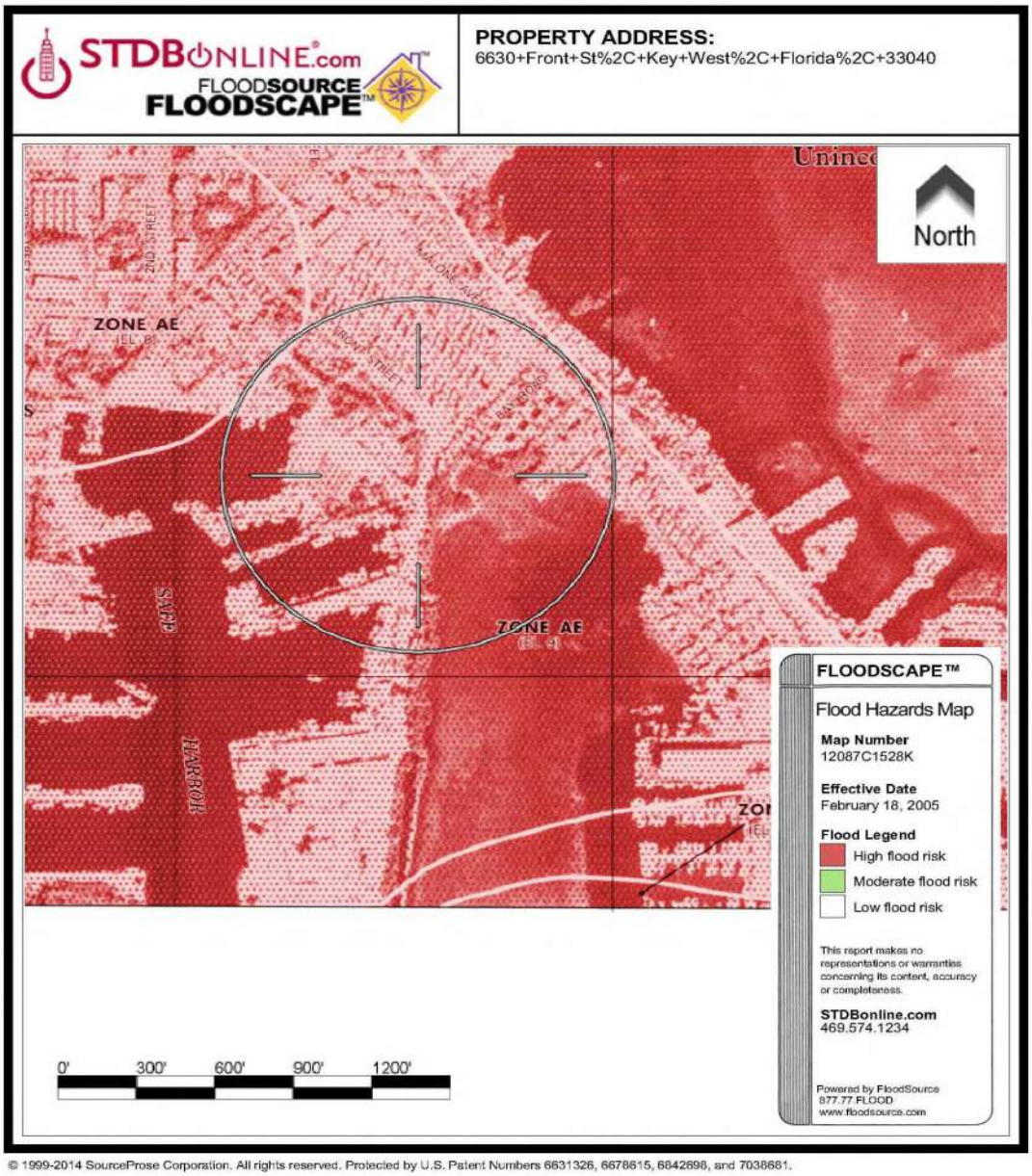
6. The North 6.0 feet of Lots 23 and 38, Block G of Lincoln Gardens No. 2 as recorded in Plat Book 5 at Page 90 of the Public Records of Monroe County, Florida.

7. The North 15.0 feet of Lot 23 , Block F of Lincoln Gardens No. 2 as recorded in Plat Book 5 at Page 90 of the Public Records of Monroe County, Florida.

FLOOD MAP & PANEL
6450 COLLEGE ROAD, KEY WEST



FLOOD MAP & PANEL
6630 FRONT STREEY, KEY WEST



Appendix D

CLASS "A" OR "B"

WATER AND/OR WASTEWATER UTILITIES
(Gross Revenue of More Than $200,000 Each)

ANNUAL REPORT

OF

SU336-13-AR
KW Resort Utilities Corp
Exact Legal Name of Respondent

168-S
Certificate Number(s)

Submitted To The

STATE OF FLORIDA

12/31/2013
HC #14076.00

PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED

31-Dec-13

Form PSC/WAW 3 (Rev. 12/99)

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GENERAL INSTRUCTIONS

1. Prepare this report in conformity with the 1996 National Association of Regulatory Utility Commissioners Uniform System of Accounts for Water and/or Wastewater Utilities (USOA).

2. Interpret all accounting words and phrases in accordance with the USOA.

3. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.

4. For any question, section, or page which is not applicable to the respondent, enter the words "Not Applicable". Do not omit any pages.

5. Where dates are called for, the month and day should be stated as well as the year.

6. All schedules requiring dollar entries should be rounded to the nearest dollar unless otherwise specifically indicated.

7. Complete this report by means which result in a permanent record, such as by computer or typewriter.

8. If there is not enough room on any schedule, an additional page or pages may be added; provided the format of the added schedule matches the format of the schedule with not enough room. Such a schedule should reference the appropriate schedules, state the name of the utility, and state the year of the report.

9. If it is necessary or desirable to insert additional statements for the purpose of further explanation of schedules, such statement should be made at the bottom of the page or an additional page inserted. Any additional pages should state the name of the utility, the year of the report, and reference the appropriate schedule.

10. For water and wastewater utilities with more than one rate group and/or system, water and wastewater pages should be completed for each rate group and/or system group. These pages should be grouped together and tabbed by rate group and/or system.

11. All other water and wastewater operations not regulated by the Commission and other regulated industries should be reported as "Other than Reporting Systems".

12. Financial information for multiple systems charging rates which are covered under the same tariff should be reported as one system. However, the engineering data must be reported by individual system.

13. For water and wastewater utilities with more than one system, one (1) copy of workpapers showing the consolidation of systems for the operating sections, should be filed with the annual report.

14. The report should be filled out in quadruplicate and the original and two copies returned by March 31, of the year following the date of the report. The report should be returned to:

Florida Public Service Commission
Division of Water and Wastewater
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0873

The fourth copy should be retained by the utility.

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Schedule of Year End Capital Structure	F-5	Bonds	F-15
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Accumulated Depreciation	F-8	Notes Payable	F-I8
Accumulated Amortization	F-8	Accounts Payable to Associated Companies	F-18
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Miscellaneous Current & Accrued Assets	F-12		

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Schedule of Year End Water Rate Base	W-2	Water Operating Revenue	W-9
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Water Utility Plant Accounts	W-4	Pumping and Purchased Water Statistics, Source Supply	W-11
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Schedule of Year End Wastewater Rate Base	S-2	CIAC Additions / Amortization	S-8
Wastewater Operating Statement	S-3	Wastewater Utility Expense Accounts	S-9
Wastewater Utility Plant Accounts	S-4	Wastewater Operating Revenue	S-10
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Analysis of Entries in Wastewater Depreciati Reserve	S-6	Wastewater Treatment Plant Information	S-12
		Other Wastewater System Information	S-13

EXECUTIVE SUMMARY

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

CERTIFICATION OF ANNUAL REPORT

I HEREBY CERTIFY, to the best of my knowledge and belief:

YES	NO		
X		1.	The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission.
X		2.	The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission.
X		3.	There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the the financial statement of the utility.
X		4.	The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the the report as to the business affairs of the respondent are true, correct and complete for the period for which it represents.

Items Certified

1.	2.	3.	4.

(Signature of Chief Executive Officer of the utility) *

1.	2.	3.	4.
X	X	X	X

(Signature of Chief Financial Officer of the utility) *

* Each of the four items must be certified YES or NO. Each item need not be certified by both officers. The items being certified by the officer should be indicated in the appropriate area to the left of the signature.

NOTICE: Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.

ANNUAL REPORT OF

YEAR OF REPORT
31-Dec-13

KW Resort Utilities Corp County: **Monroe**

(Exact Name of Utility)

List below the exact mailing address of the utility for which normal correspondence should be sent:

KW Resort Utilities Corp
6630 Front Street
Key West, Florida 33040

Telephone: (305) 295-3301

E Mail Address: Chris@kwru.com

WEB Site: www.kwru.com

Sunshine State One-Call of Florida, Inc. Member Number **KW1229**

Name and address of person to whom correspondence concerning this report should be addressed:

Christopher Johnson
6630 Front Street
Key West, FL 33040

Telephone: 305 295-3301

List below the address of where the utility's books and records are located:

KW Resort Utilities Corp
6630 Front Street
Key West, Florida 33040

Telephone: 305 295-3301

List below any groups auditing or reviewing the records and operations:

Jeffrey E, Allen, PA.,CPA

Date of original organization of the utility: **01/01/1972**

Check the appropriate business entity of the utility as filed with the Internal Revenue Service

Individual	Partnership	Sub S Corporation	1120 Corporation
		X	

List below every corporation or person owning or holding directly or indirectly 5% or more of the voting securities of the utility:

	Name	Percent Ownership
1.	William Smith Jr	70%
2.	Alexander Smith	10%
3.	Barton Smith	10%
4.	Leslie Johnson	10%
5.		
6.		
7.		
8.		

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

DIRECTORY OF PERSONNEL WHO CONTACT THE FLORIDA PUBLIC SERVICE COMMISSION

NAME OF COMPANY REPRESENTATIVE (1)	TITLE OR POSITION (2)	ORGANIZATIONAL UNIT TITLE (3)	USUAL PURPOSE FOR CONTACT WITH FPSC
Christopher A. Johnson	President	KW Resort Utilities Corp.	All utility matters
Jeffery E Allen, PA.	CPA	Jeffery E Allen, CPA.	Regulatory and accounting matters
Barton Smith ESQ (305) 296-8448	Director	KW Resort Utilities Corp.	Legal Counsel
Deobrah Swain (305) 441-0123 Ext. 220	Consultant	Milian, Swain & Assoc. Inc.	Regulatory and accounting matters

(1) Also list appropriate legal counsel, accountants and others who may not be on general payroll.
(2) Provide individual telephone numbers if the person is not normally reached at the company.
(3) Name of company employed by if not on general payroll.

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

COMPANY PROFILE

Provide a brief narrative eompany profile whieh eovers the following areas:

A. Brief company history.
B. Public services rendered.
C. Major goals and objectives.
D. Major operating divisions and functions.
E. Current and projeeted growth pattems.
F. Major transactions having a material effect on operations.

A. K W Resort Utilites Corporation was formed for the purpose of taking possession of a sewage treatment faeility loeated on Stoek lsland, Florida from a trustee of the Court. Possession was taken on January 1, 1985. The Stock of the Utility was sold to WS Utility, lnc. August 13, 1998.

B. K W Resort Utilities Corporation provides wastewater treatment services to the residential area of Stock lsland, Florida in the immediate vieinity of the treatment plant.

C. K W Resort Utilities Corporation's goal is to provide a fair retum on investment to its stoekholders while providing quality wastewater treatment serviees to its eustomers

D. The Utility provides wastewater treatment services only

E. KW Resort Utilities expects healthy growth in the reeovering economy, the hospitality seetor has been very active since 2011. The Utility has done engineering and design for a WWTP expansion treatment plant capacity is 83% and the permitting and construction for the new connections is underway.

F. None

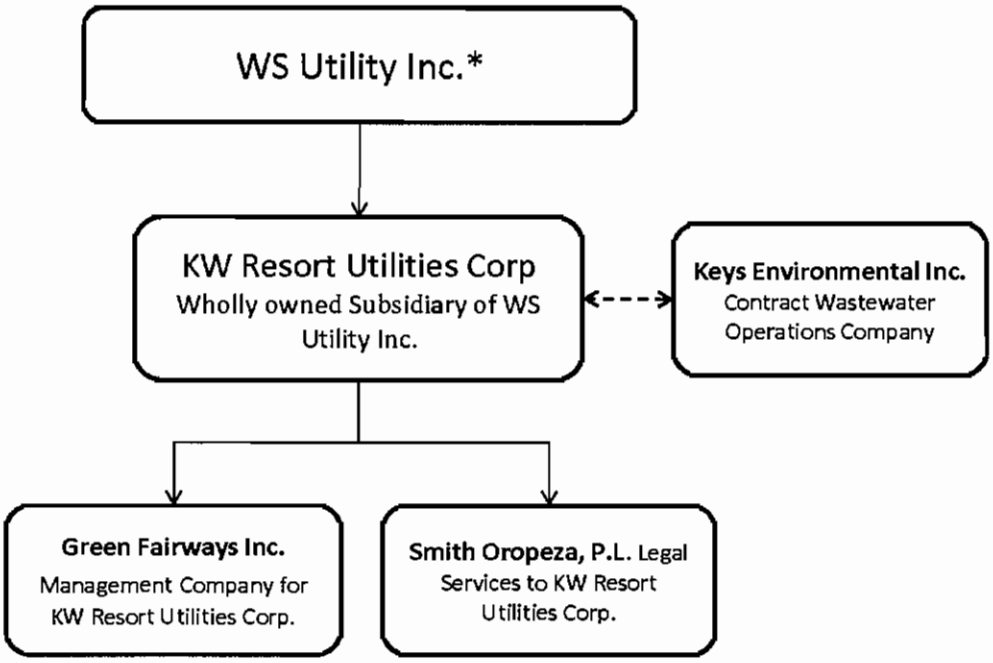
UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

PARENT / AFFILIATE ORGANIZATION CHART

Current as of 12/31/2013

Complete below an organizational chart that show all parents, subsidiaries and affiliates of the utility.
The chart must also show the relationship between the utility and affiliates listed on E-7, E-10(a) and E-10(b).



*Ownership of WS Utility Inc. is as follows:
70% William Smith
10% Alexander Smith
10% Leslie Johnson
10% Barton Smith

UTILITY NAME: KW Resort Utilities Corp

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COMPENSATION OF OFFICERS

For each officer, list the time spent on respondent as an officer compared to time spent on total business activities and the compensation received as an officer from the respondent.

NAME (a)	TITLE (b)	% OF TIME SPENT AS OFFICER OF THE UTILITY (c)	OFFICERS' COMPENSATION (d)
Christopher Johnson	President	100	$141,792
Gwen Smith	Board Secretary	Annual Meeting as needed	0

COMPENSATION OF DIRECTORS

For each director, list the number of director meetings attended by each director and the compensation received as a director from the respondent.

NAME (a)	TITLE (b)	NUMBER OF DIRECTORS' MEETINGS ATTENDED (c)	DIRECTORS' COMPENSATION (d)
William L. Smith, Jr	Chairman	1	$500
Alexander Smith	Director	1	$500
Barton W. Smith	Director	1	$500
Gwenn Smith	Board Secretary	As needed	$0

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BUSINESS CONTRACTS WITH OFFICERS, DIRECTORS AND AFFILIATES

List all contracts, agreements, or other business arrangements* entered into during the calendar year (other than compensation related to position with Respondents) between the Respondent and officer and director listed on page E-6. In addition, provide the same information with respect to professional services for each firm, partnership, or organization with which the officer or director is affiliated.

NAME OF OFFICER, DIRECTOR OR AFFILIATE (a)	IDENTIFICATION OF SERVICE OR PRODUCT (b)	AMOUNT (c)	NAME AND ADDRESS OF AFFILIATED ENTITY (d)
See E-10(a)		$	

* Business Agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years. Although the Respondent and/or other companies will benefit from the arrangement, the officer or director is, however, acting on his behalf or for the benefit of other companies or persons.

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AFFILIATION OF OFFICERS AND DIRECTORS

For each of the officials listed on page E-6, list the principle occupation or business affiliations or connections with any other business or financial organizations, firms, or partnerships. For purposes of this part, an official will be considered to have an affiliation with any business or financial organization, firm or partnership in which he is an officer, director, trustee, partner, or a person exercising similar functions.

NAME (a)	PRINCIPLE OCCUPATION OR BUSINESS AFFILIATION (b)	AFFILIATION OR CONNECTION (c)	NAME AND ADDRESS OF AFFILIATION OR CONNECTION (d)
William L. Smith, Jr.	President	WS Utility, Inc.	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	President	Green Fairways Inc.	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	Partner	Smith Hemmesch Burke & Kaczynski	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	Member	Benicia Partners LLC	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	Manager	Courtland Court LLC	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	Manager	Smith & Smith	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	Member	Antioch Golf LLC	2280 WHITE OAK CIRCLE STE 100 AURORA, IL 60502
	Member	Rail Golf LLC	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	Member	Deer Creek Golf LLC	25055 S. WESTERN AVE. UNIVERSITY PARK, IL 60484
	Managing Member	Gulf County Land LLC	10 South Lasalle Street Suite 2660 Chicago, IL 60603
	Manager	900 Commerce LLC	10 South Lasalle Street Suite 2660 Chicago, IL 60603
Barton Smith	Manager	Smith Oropeza PL	138-142 Simonton St. Key West, FL 33030
	Managing Member	Sunset Marina LLC	5555 COLLEGE ROAD KEY WEST, FL 33040
	Owner	Stock Island Holdings, LLC	5555 COLLEGE ROAD KEY WEST, FL 33040
	Managing Member	Sunset Title Insurance, LLC	138-142 Simonton Street KEY WEST, FL 33040
Christopher Johnson	President	Keys Environmental Inc.	1212 Von Phister St. Key West FL 33040
	Managing Member	Johnson Constructors LLC	1212 Von Phister St. Key West FL 33040
	Trustee (Chairman)	Key West Rotary Club Foundation Inc.	819 Peacock Plaza #822 Key West, FL 33040
Alexander Smith	Manager	ACS 216 Harbor Place LLC	107 Front Street 216 Key West, FL 33040

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BUSINESSES WHICH ARE A BY-PRODUCT, COPRODUCT OR JOINT-PRODUCT RESULT OF PROVIDING WATER OR WASTEWATER SERVICE

Complete the following for any business which is conducted as a byproduet, coproduct, or joint produet as a result of providing water and / or wastewater service. This would include any business which requires the use of utility land and facilities. Examples of these types of businesses would be orange groves, nurseries, tree farms, fertilizer manufacturing, etc. This would not include any business for which the assets are properly included in Aceount 121 - Nonutility Property along with the assoeiated revenue and expenses segregated out as nonutility also.

	ASSETS		REVENUES		EXPENSES	
BUSINESS OR SERVICE CONDUCTED (a)	BOOK COST OF ASSETS (b)	ACCOUNT NUMBER (c)	REVENUES GENERATED (d)	ACCOUNT NUMBER (e)	EXPENSES INCURRED (f)	ACCOUNT NUMBER (g)
None	$		$		$	

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BUSINESS TRANSACTIONS WITH RELATED PARTIES

List each contract, agreement, or other business transaction exceeding a cumulative amount of $500 in any on year, entered into between the Respondent and a business or financial organization, firm, or partnership named on pages E-2 and E-6, identifying the parties, amounts, dates and product, and asset, or service involved.

Part I. Specific Instructions: Services and Products Received or Provided

1. **Enter in this part all transactions involving services and products received or provided.**

2. **Below are some types of transactions to include:**
   - **-management, legal and accounting services**
   - **-computer services**
   - -engineering & construction services
   - -repairing and servicing of equipment
   - **-material and supplies furnished**
   - **-leasing of structures, land, and equipment**
   - -rental transactions
   - -sale, purchase or transfer of various products

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION SERVICE AND/OR NAME OF PRODUCT (b)	CONTRACT OR AGREEMENT EFFECTIVE DATES (c)	ANNUAL CHARGES (P)urchased (S)old (d)	AMOUNT (e)
Green Fairways	Management & Construction Services	7/1/99 - Open	P	$60,000
Green Fairways	Parts relating to Reclaimed Water System		S	$3,207
Smith Oropeza P.L.	General Legal Representation	3/1/2013	P	$3,983
Smith Oropeza P.L.	PSC Claim vs. Monroe County	1/3/2013	P	$14,806
Keys Environmental, Inc.	Sub contract work for KWRU	1/6/2013	S	$10,946

UTILITY NAME: KW Resort Utilities Corp

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BUSINESS TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Part II. Specific Instructions: Sale, Purchase and Transfer of Assets

1. Enter in this part all transactions relating to the purchase, sale, or transfer of assets.

2 Below are examples of some types of transactions to include:
- -purchase, sale or transfer of equipment
- -purchase, sale or transfer of land and structures
- -purchase, sale or transfer of securities
- -noncash transfers of assets
- -noncash dividends other than stock dividends
- -write-off of bad debts or loans

3. The columnar instructions follow:

(a) Enter name of related party or company.
(b) Describe briefly the type of assets purchased, sold or transferred.
(c) Enter the total received or paid. Indicate purchase with "P" and sale with "S".
(d) Enter the net book value for each item reported.
(e) Enter the net profit or loss for each item reported. (column (c) - column (d))
(f) Enter the fair market value for each item reported. In space below or in a supplemental schedule, describe the basis used to calculate fair market value.

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION OF ITEMS (b)	SALE OR PURCHASE PRICE (c)	NET BOOK VALUE (d)	GAIN OR LOSS (e)	FAIR MARKET VALUE (f)
None		$	$	$	$

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COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR ** (d)	CURRENT YEAR (e)
	UTILITY PLANT			
101-106	Utility Plant	F-7	$ 12,023,925	$ 12,172,514
108-110	Less: Accumulated Depreciation and Amortization	F-8	(5,169,419)	(5,609,004)
	Net Plant		$ 6,854,506	$ 6,563,510
114-115	Utility Plant Acquisition adjustment (Net)	F-7	-	-
116 *	Other Utility Plant Adjustments			
	Total Net Utility Plant		$ 6,854,506	$ 6,563,510
	OTHER PROPERTY AND INVESTMENTS			
121	Nonutility Property	F-9	$ -	$ -
122	Less: Accumulated Depreciation and Amortization		-	-
	Net Nonutility Property		$	$
123	Investment In Associated Companies	F-10	-	603,012
124	Utility Investments	F-10	-	-
125	Other Investments	F-10	-	-
126-127	Special Funds	F-10	-	-
	Total Other Property & Investments		$ -	$ 603,012
	CURRENT AND ACCRUED ASSETS			
131	Cash		$ 246,599	$ 379,559
132	Special Deposits	F-9		52,414
133	Other Special Deposits	F-9		-
134	Working Funds			-
135	Temporary Cash Investments			-
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	205,548	127,851
145	Accounts Receivable from Associated Companies	F-12	883,534	
146	Notes Receivable from Associated Companies	F-12		
151-153	Material and Supplies			
161	Stores Expense			
162	Prepayments		6,340	17,918
171	Accrued Interest and Dividends Receivable			
172 *	Rents Receivable			
173 *	Accrued Utility Revenues			
174	Misc. Current and Accrued Assets	F-12	13,125	15,573
	Total Current and Accrued Assets		$ 1,355,146	$ 593,315

* Not Applicable for Class B Utilities

** Beginning Balances of Utility Plant and Accumulated Depreciation Restated

UTILITY NAME: KW Resort Utilities Corp

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COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	F-13	$ -	$ -
182	Extraordinary Property Losses	F-13	-	-
183	Preliminary Survey & Investigation Charges		-	
184	Clearing Accounts		-	
185 *	Temporary Facilities		-	
186	Misc. Deferred Debits	F-14		-
187 *	Research & Development Expenditures		-	
190	Accumulated Deferred Income Taxes		-	
	Total Deferred Debits		$ -	$ -
	TOTAL ASSETS AND OTHER DEBITS		$ 8,209,652	$ 7,759,836

* Not Applicable for Class B Utilities

NOTES TO THE BALANCE SHEET

The space below is provided for important notes regarding the balance sheet.

UTILITY NAME: KW Resort Utilities Corp

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COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR ** (d)	CURRENT YEAR (e)
	EQUITY CAPITAL			
201	Common Stock Issued	F-15	$ 1,000	1,000
204	Preferred Stock Issued	F-15		
202, 205 *	Capital Stock Subscribed			
203, 206 *	Capital Stock Liability for Conversion			
207 *	Premium on Capital Stock			
209 *	Reduction in Par or Stated Value of Capital Stock			
210 *	Gain on Resale or Cancellation of Reacquired Capital Stock			
211	Other Paid - In Capital		797,142	797,142
212	Discount On Capital Stock			
213	Capital Stock Expense			
214-215	Retained Earnings	F-16	(1,113,569)	(1,160,696)
216	Reacquired Capital Stock			
218	Proprietary Capital (Proprietorship and Partnership Only)		-	-
	Total Equity Capital		$ (315,428)	$ (362,554)
	LONG TERM DEBT			
221	Bonds	F-15	-	-
222 *	Reacquired Bonds		-	-
223	Advances from Associated Companies	F-17		
224	Other Long Term Debt	F-17	458,788	417,054
	Total Long Term Debt		$ 458,788	417,054
	CURRENT AND ACCRUED LIABILITIES			
231	Accounts Payable		127,660	93,133
232	Notes Payable	F-18		
233	Accounts Payable to Associated Companies	F-18		
234	Notes Payable to Associated Companies	F-18	1,031,500	852,903
235	Customer Deposits		152,333	157,307
236	Accrued Taxes		34,387	35,341
237	Accrued Interest	F-19	101,925	-
238	Accrued Dividends			
239	Matured Long Term Debt			
240	Matured Interest			
241	Miscellaneous Current & Accrued Liabilities	F-20	33,865	195,208
	Total Current & Accrued Liabilities		$ 1,481,670	1,333,892

* Not Applicable for Class B Utilities

** Beginning Balance Retained Earnings Restated

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COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR ** (d)	CURRENT YEAR (e)
	DEFERRED CREDITS			
251	Unamortized Premium On Debt	F-13	$ -	$ -
252	Advances For Construction	F-20	-	-
253	Other Deferred Credits	F-21	-	-
255	Accumulated Deferred Investment Tax Credits		-	
	Total Deferred Credits		$ -	$ -
	OPERATING RESERVES			
261	Property Insurance Reserve		$ -	$
262	Injuries & Damages Reserve		-	
263	Pensions and Benefits Reserve		-	
265	Miscellaneous Operating Reserves		-	
	Total Operating Reserves		$ -	$ -
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions in Aid of Construction	F-22	$ 9,201,714	$ 9,313,612
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	(2,617,093)	(2,942,168)
	Total Net C.I.A.C.		$ 6,584,621	$ 6,371,445
	ACCUMULATED DEFERRED INCOME TAXES			
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		$	$
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		-	
283	Accumulated Deferred Income Taxes - Other			
	Total Accumulated Deferred Income Tax		$ -	$ -
	TOTAL EQUITY CAPITAL AND LIABILITIES		$ 8,209,652	$ 7,759,836

** Beginning Balance CIAC and Accum Amortization Restated

UTILITY NAME: KW Resort Utilities Corp

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COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
	UTILITY OPERATING INCOME			
400	Operating Revenues	F-3(b)	$ 1,456,118	$ 1,425,362
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)		
	Net Operating Revenues		$ 1,456,118	$ 1,425,362
401	Operating Expenses	F-3(b)	$ 1,192,618	$ 1,246,137
403	Depreciation Expense:	F-3(b)	$ 376,799	$ 439,585
	Less: Amortization of CIAC	F-22	(322,940)	(325,075)
	Net Depreciation Expense		$ 53,859	$ 114,510
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)	-	-
407	Amortization Expense (Other than CIAC)	F-3(b)	-	-
408	Taxes Other Than Income	W/S-3	64,879	125,894
409	Current Income Taxes	W/S-3		-
410.10	Deferred Federal Income Taxes	W/S-3		-
410.11	Deferred State Income Taxes	W/S-3		-
411.10	Provision for Deferred Income Taxes - Credit	W/S-3	-	-
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3	-	-
412.11	Investment Tax Credits Restored to Operating Income	W/S-3	-	-
	Utility Operating Expenses		$ 1,311,356	$ 1,486,541
	Net Utility Operating Income		$ 144,762	$ (61,179)
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	-	-
413	Income From Utility Plant Leased to Others		-	-
414	Gains (losses) From Disposition of Utility Property			-
420	Allowance for Funds Used During Construction			-
	Total Utility Operating Income [Enter here and on Page F-3(c)]		$ 144,762	$ (61,179)

* For each account, Column e should agree with Cloumns f, g and h on F-3(b)

COMPARATIVE OPERATING STATEMENT (Cont'd)

WATER SCHEDULE W-3 * (f)	WASTEWATER SCHEDULE S-3 * (g)	OTHER THAN REPORTING SYSTEMS (h)
$	$ 1,425,362	$ -
$	$ 1,425,362	$ -
$	$ 1,246,137	$ -
	439,585	-
	(325,075)	
$	$ 114,510	$ -
	-	-
	-	-
	125,894	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	
$	$ 1,486,541	$ -
$	$ (61,179)	$ -
	-	-
	-	-
	-	-
	-	-
$	$ (61,179)	$ -

* Total of Schedules W-3 / S-3 for all rate groups.

UTILITY NAME: KW Resort Utilities Corp

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COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
Total Utility Operating Income [from page F-3(a)]			$ 144,762	$ (61,179)
	OTHER INCOME AND DEDUCTIONS			
415	Revenues-Merchandising, Jobbing, and Contract Deductions		$ -	$ -
416	Costs & Expenses of Merchandising Jobbing, and Contract Work		-	-
419	Interest and Dividend Income		47	31,974
421	Nonutility Income		9,279	39,050
426	Miscellaneous Nonutility Expenses		49,878	18,130
Total Other Income and Deductions			$ 59,204	$ 89,154
	TAXES APPLICABLE TO OTHER INCOME			
408.2	Taxes Other Than Income		$ -	$ -
409.2	Income Taxes		-	-
410.2	Provision for Deferred Income Taxes		-	
411.2	Provision for Deferred Income Taxes - Credit		-	-
412.2	Investment Tax Credits - Net		-	-
412.3	Investment Tax Credits Restored to Operating Income		-	-
Total Taxes Applicable To Other Income			$ -	$ -
	INTEREST EXPENSE			
427	Interest Expense	F-19	$ 100,924	$ 78,212
428	Amortization of Debt Discount & Expense	F-13	-	-
429	Amortization of Premium on Debt	F-13	-	-
Total Interest Expense			$ 100,924	$ 78,212
	EXTRAORDINARY ITEMS			
433	Extraordinary Income		$ -	$
434	Extraordinary Deductions		-	
409.3	Income Taxes, Extraordinary Items			
Total Extraordinary Items			$ -	$ -
NET INCOME			$ 103,042	$ (50,238)

Explain Extraordinary Income:

NONE

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SCHEDULE OF YEAR END RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	WATER UTILITY (d)	WASTEWATER UTILITY (e)
101	Utility Plant In Service	F-7	$ -	$ 12,172,514
	Less: Nonused and Useful Plant (1)			
108	Accumulated Depreciation	F-8	-	(5,609,004)
110	Accumulated Amortization	F-8	-	-
271	Contributions In Aid of Construction	F-22	-	(9,313,612)
252	Advances for Construction	F-20		-
	Subtotal		$	$ (2,750,102)
272	Add: Accumulated Amortization of Contributions in Aid of Construction	F-22	-	2,942,168
	Subtotal		$	$ 192,065
114	Plus or Minus: Acquisition Adjustments (2)	F-7	-	-
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7	-	-
	Working Capital Allowance (3)			269,633
	Other (Specify):			
	RATE BASE		$	$ 461,698
	NET UTILITY OPERATING INCOME		$	$ (61,179)
	ACHIEVED RATE OF RETURN (Operating Income / Rate Base)			-13.25%

NOTES :

(1) Estimate based on the methodology used in the last rate proceeding.

(2) Include only those Acquisition Adjustments that have been approved by the Commission.

(3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

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SCHEDULE OF CURRENT COST OF CAPITAL
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING (1)

CLASS OF CAPITAL (a)	DOLLAR AMOUNT (2) (b)	PERCENTAGE OF CAPITAL (c)	ACTUAL COST RATES (3) (d)	WEIGHTED COST (c x d) (e)
Common Equity	$		12.67%	
Preferred Stock				
Long Term Debt	417,054	29.22%	7.36%	2.15%
Short Term Debt				
Customer Deposits	157,307	11.02%	6.00%	0.66%
Tax Credits - Zero Cost				
Tax Credits - Weighted Cost				
Deferred Income Taxes				
Other - Note Payable- Assoc Company	852,903	59.76%	6.50%	3.88%
Total	$ 1,427,264	100.00%		6.69%

1 If the utility's capital structure is not used, explain which capital structure is used.

2 Should equal amounts on Schedule F-6, Column (g).

3 Mid-point of the last authorized Return On Equity or current leverage formula if none has been established.

Must be calculated using the same methodology used in the last rate proceeding using current annual report year end amounts and cost rates.

APPROVED RETURN ON EQUITY

Current Commission Return on Equity:	12.67%
Commission order approving Return on Equity:	Docket No. 070293-SU

APPROVED AFUDC RATE
COMPLETION ONLY REQUIRED IF AFUDC WAS CHARGED DURING YEAR

Current Commission Approved AFUDC rate:	None
Commission order approving AFUDC rate:	

If any utility capitalized any charge in lieu of AFUDC (such as interest only), state the basis of the charge, an explanation as to why AFUDC was not charged and the percentage capitalized.

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SCHEDULE OF CAPITAL STRUCTURE ADJUSTMENTS
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING

CLASS OF CAPITAL (a)	PER BOOK BALANCE (b)	NON-UTILITY ADJUSTMENTS (c)	NON-JURISDICTIONAL ADJUSTMENTS (d)	OTHER (1) ADJUSTMENTS SPECIFIC (e)	OTHER (1) ADJUSTMENTS PRO RATA (f)	CAPITAL STRUCTURE (g)
Common Equity	$ (362,554)	$		362,554	$	$ -
Preferred Stock						
Long Term Debt	417,054					417,054
Short Term Debt					-	
Customer Deposits	157,307					157,307
Tax Credits - Zero Cost						
Tax Credits - Weighted Cost						
Deferred Ine. Taxes						
Other - Notes Payable Assoc. Co	852,903				-	852,903
Total	$ 1,064,710	$		362,554	$ -	$ 1,427,264

(1) Explain below all adjustments made in Columns (e) and (f):

Adjustment to eliminate negative equity

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UTILITY PLANT
ACCOUNTS 101 - 106

ACCT. (a)	DESCRIPTION (b)	WATER (e)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
	Plant Aecounts:				
101	Utility Plant In Service	$	$ 12,172,514	$	$ 12,172,514
102	Utility Plant Leased to Other				-
103	Property Held for Future Use				-
104	Utility Plant Purehased or Sold				-
105	Construetion Work in Progress				-
106	Completed Construetion Not Classified				-
	Total Utility Plant	$	$ 12,172,514	$ -	$ 12,172,514

UTILITY PLANT ACQUISITION ADJUSTMENTS
ACCOUNTS 114 AND 115

Report each acquisition adjustment and related accumulated amortization separately.
For any acquisition adjustments approved by the Commission, include the Order Number.

ACCT. (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
114	Acquisition Adjustment	$	N/A		
Total Plant Acquisition Adjustments		$ -	$ -	$ -	$ -
115					
	Beginning Bal	$	$	$	$ -
	Accumulated Amortization				
Total Accumulated Amortization		$ -	$ -	$ -	$ -
Net Acquisition Adjustments		$ -	$ -	$ -	$ -

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ACCUMULATED DEPRECIATION (ACCT. 108) AND AMORTIZATION (ACCT. 110)

DESCRIPTION (a)	WATER (b)	WASTEWATER (c)	OTHER THAN REPORTING SYSTEMS (d)	TOTAL (e)
ACCUMULATED DEPRECIATION Account 108 Balance first of year	$	$ 5,169,419	$ -	$ 5,169,419
Credit during year:				
Aeeruals eharged to:				
Aeeount 108.1 (1)	$	$ 439,585	$	$ 439,585
Account 108.2 (2)				-
Account 108.3 (2)				-
Other Aeeounts (specify):				-
Restate Accumulated Depreciation		-		-
				-
Salvage	-			-
Other Credits (Speeify):				
Total Credits	$ -	$ 439,585	$ -	$ 439,585
Debits during year:				
Book cost of plant retired	-	-		-
Cost of Removal	-	-		-
Other Debits (specify):				
				-
Total Debits	$ -	$ -	$ -	$ -
Balance end of year	$ -	$ 5,609,004	$ -	$ 5,609,004
ACCUMULATED AMORTIZATION Account 110 Balance first of year	$			
Credit during year:				
Aeeruals eharged to:				
	$ -	$ -	$	$ -
Aeeount 110.2 (2)				-
Other Accounts (speeify):				
	-	-		-
Total eredits	$ -	$ -	$ -	$ -
Debits during year:				
Book cost of plant retired				-
Other debits (speeify):				
				-
Total Debits	$ -	$ -	$ -	$ -
Balance end of year	$ -	$ -	$ -	$ -

-1 Aeeount 108 for Class B utilities.
-2 Not applieable for Class B utilities.
-3 Aeeount 110 for Class B utilities.

UTILITY NAME: KW Resort Utilities Corp

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REGULATORY COMMISSION EXPENSE
AMORTIZATION OF RATE CASE EXPENSE (ACCOUNTS 666 AND 766)

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	CHARGED OFF DURING YEAR	
		ACCT. (d)	AMOUNT (e)
	$		$
Total	$		$ 0

NONUTILITY PROPERTY (ACCOUNT 121)

Report separately each item of property with a book cost of $25,000 or more included in Account 121.
Other Items may be grouped by classes of property.

DESCRIPTION (a)	BEGINNING YEAR (b)	ADDITIONS (c)	REDUCTIONS (d)	ENDING YEAR BALANCE (e)
NONE	$	$	$	$ -
Total Nonutility Property	$	$	$	$ -

SPECIAL DEPOSITS (ACCOUNTS 132 AND 133)

Report hereunder all special deposits carried in Accounts 132 and 133.

DESCRIPTION OF SPECIAL DEPOSITS (a)	YEAR END BOOK COST (b)
SPECIAL DEPOSITS (Account 132):	
Total Special Deposits	$ -
OTHER SPECIAL DEPOSITS (Account 133):	
NONE	$ -
Total Other Special Deposits	$ -

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INVESTMENTS AND SPECIAL FUNDS
ACCOUNTS 123 - 127

Report hereunder all investments and special funds carried in Accounts 123 through 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (Account 123):		
WS Utilities / Investment	$	$ 603,012
Total Investment in Associated Companies		$ 603,012
UTILITY INVESTMENTS (Account 124):		
N/A	$	$ -
Total Utility Investment		$ -
OTHER INVESTMENTS (Account 125):		
N/A	$	$ -
Total Other Investment		$ -
SPECIAL FUNDS (Class A Utilities: Accounts 126 and 127; Class B Utilities: Account 127):		
N/A		$ -
Total Special Funds		$ -

UTILITY NAME: KW Resort Utilities Corp

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ACCOUNTS AND NOTES RECEIVABLE - NET
ACCOUNTS 141 - 144

Report hereunder all accounts and notes receivable included in Accounts 141, 142, and 144. Amounts included in Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION (a)		TOTAL (b)
CUSTOMER ACCOUNTS RECEIVABLE (Account 141):		
Water	$	
Wastewater	57,177	
Other		
Total Customer Accounts Receivable		$ 57,177
OTHER ACCOUNTS RECEIVABLE (Account 142):		
Other Miscellaneous	$ 76,952	
Escrow Deposits	3,722	
Total Other Accounts Receivable		$ 80,674
NOTES RECEIVABLE (Account 144):		
	$	
Total Notes Receivable		$ -
Total Accounts and Notes Receivable		$ 137,851
ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS (Account 143)		
Balance first of year	$ (10,000)	
Provision for uncollectibles for current year	$	
Collection of accounts previously written off		
Utility Accounts		
Others		
Total Additions	$	
Deduct accounts written off during year:		
Utility Accounts		
Others		
Total accounts written off	$ -	
Balance end of year		$ (10,000)
TOTAL ACCOUNTS AND NOTES RECEIVABLE - NET		$ 127,851

UTILITY NAME: KW Resort Utilities Corp

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ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 145

Report each account receivable from associated companies separately.

DESCRIPTION (a)	TOTAL (b)
NONE	$
Total	$ 0

NOTES RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 146

Report each note receivable from associated companies separately.

DESCRIPTION (a)	INTEREST RATE (b)	TOTAL (c)
NONE	%	$ -
Total		$ -

MISCELLANEOUS CURRENT AND ACCRUED ASSETS
ACCOUNT 174

DESCRIPTION - Provide itemized listing (a)	BALANCE END OF YEAR (b)
Utility deposits (Water and electric)	$ 13,125
Undeposited Funds	2,448
Total Miscellaneous Current and Accrued Assets	$ 15,573

UTILITY NAME: KW Resort Utilities Corp

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UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT
ACCOUNTS 181 AND 251

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Account 181):		
N/A	$	$
Total Unamortized Debt Discount and Expense	$	$ -
UNAMORTIZED PREMIUM ON DEBT (Account 251):		
N/A	$	$ -
Total Unamortized Premium on Debt	$	$ -

EXTRAORDINARY PROPERTY LOSSES
ACCOUNT 182

Report each item separately.

DESCRIPTION (a)	TOTAL (b)
N/A	$ -
Total Extraordinary Property Losses	$ -

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MISCELLANEOUS DEFERRED DEBITS
ACCOUNT 186

DESCRIPTION - Provide itemized listing (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
DEFERRED RATE CASE EXPENSE (Class A Utilities: Account 186.1)		
None	$	$
Total Deferred Rate Case Expense	$ -	$ -
OTHER DEFERRED DEBITS (Class A Utilities: Account 186.2):		
None	$	$
Total Other Deferred Debits	$ -	$ -
REGULATORY ASSETS (Class A Utilities: Account. 186.3):		
None	$ -	$
Total Regulatory Assets	$ -	$ -
TOTAL MISCELLANEOUS DEFERRED DEBITS	$ -	$ -

UTILITY NAME:	KW Resort Utilities Corp	YEAR OF REPORT 31-Dec-13

CAPITAL STOCK
ACCOUNTS 201 AND 204*

DESCRIPTION (a)	RATE (b)	TOTAL (c)
COMMON STOCK		
Par or stated value per share	1.00	1.00
Shares authorized		1,000
Shares issued and outstanding		1,000
Total par value of stock issued		1,000
Dividends declared per share for year	None	None
REFERRED STOCK		
Par or stated value per share		
Shares authorized		
Shares issued and outstanding		
Total par value of stock issued		
Dividends declared per share for year	None	None

* Account 204 not applicable for Class B utilities.

BONDS
ACCOUNT 221

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
N/A	%		$ -
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total			$ -

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

UTILITY NAME: KW Resort Utilities Corp

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STATEMENT OF RETAINED EARNINGS

1 Dividends should be shown for each class and series of capital stock. Show amounts as dividends per share.
2 Show separately the state and federal income tax effect of items shown in Account No. 439.

ACCT. NO. (a)	DESCRIPTION (b)	AMOUNTS (c)
215	Unappropriated Retained Earnings:	
	Balance Beginning of Year ** ADJUSTED	$ (1,113,569)
	Changes to Account:	
439	Adjustments to Retained Earnings (requires Commission approval prior to use):	
	Credits:	$
	Total Credits:	$ -
	Miscellaneous Prior Period Corrections	$ 3,111
		-
	Total Debits:	$ 3,111
435	Balance Transferred from Income {income/(loss)}	$ (50,238)
436	Appropriations of Retained Earnings:	
	Total Appropriations of Retained Earnings	$ -
	Dividends Declared:	
437	Preferred Stock Dividends Declared	
438	Common Stock Dividends Declared	
	Total Dividends Declared	$ -
215	Year end Balance	$ (1,160,696)
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	
214	Total Appropriated Retained Earnings	$ -
Total Retained Earnings		$ $ (1,160,696)
Notes to Statement of Retained Earnings:		

UTILITY NAME: KW Resort Utilities Corp

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ADVANCES FROM ASSOCIATED COMPANIES
ACCOUNT 223

Report each advance separately.

DESCRIPTION (a)	TOTAL (b)
NONE	$
Total	$ -

OTHER LONG-TERM DEBT
ACCOUNT 224

DESCRIPTION OF OBLIGATION INCLUDING DATE OF ISSUE AND DATE OF MATURITY (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
BB&T , 02/2004 - 03/2017	prime +.075 %	F	$ 417,054
Total			$ 417,054

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

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NOTES PAYABLE
ACCOUNTS 232 AND 234

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
NOTES PAYABLE (Account 232):			
NONE	%		$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total Account 232			$ -
NOTES PAYABLE TO ASSOC. COMPANIES (Account 234):			
WS Utilities	6.00 %	F	$ 852,903
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total Account 234			$ 852,903

* For variable rate obligations, provide the basis for the rate. (i.e., prime + 2%, etc.)

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES
ACCOUNT 233

Report each account payable separately.

DESCRIPTION (a)	TOTAL (b)
N/A	$
Total	$ -

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ACCRUED INTEREST AND EXPENSE
ACCOUNTS 237 AND 427

DESCRIPTION OF DEBIT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR ACCT. DEBIT (c)	INTEREST ACCRUED DURING YEAR AMOUNT (d)	INTEREST PAID DURING YEAR (e)	BALANCE END OF YEAR (f)
ACCOUNT NO. 237.1 - Accrued Interest on Long Term Debt					
BB&T	$	427.0	$ 17,835	$ 17,835	$
			-		-
Total Account 237.1	$ -		$ 17,835	$ 17,835	$ -
ACCOUNT NO. 237.2 - Accrued Interest on Other Liabilities					
WS Utilities	$	427.0	$ 60,162	$ 60,162	$ -
Escrow Deposit Interest		427.0	215	215	
					-
Total Account 237.2	$ -		$ 60,377	$ 60,377	$ -
Total Account 237 (1)	$ -		$ 78,212	$ 78,212	$ -
INTEREST EXPENSED:					
Total accrual Account 237			$ 78,212		
Net Interest Expensed to Account No. 427 (2)			$ 78,212		

(1) Must agree to F-2 (a), Beginning and Ending Balance of Accrued Interest.

(2) Must agree to F-3 (c), Current Year Interest Expense

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MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES
ACCOUNT 241

DESCRIPTION - Provide itemized listing (a)	BALANCE END OF YEAR (b)
Suspense & Other Liailities	$ 162,594
Deferred Income - Residential	30,114
CitiBusiness/Advantage	2,500
Total Miscellaneous Current and Accrued Liabilities	$ 195,208

ADVANCES FOR CONSTRUCTION
ACCOUNT 252

NAME OF PAYOR * (a)	BALANCE BEGINNING OF YEAR (b)	DEBITS ACCT. DEBIT (c)	DEBITS AMOUNT (d)	CREDITS (e)	BALANCE END OF YEAR (f)
Monroe County / SSI Advance for Construction	$ 0		$	$	$ -
Total	$		$	$	$ -

* Report advances separately by reporting group, designating water or wastewater in column (a).

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OTHER DEFERRED CREDITS
ACCOUNT 253

DESCRIPTION - Provide itemized listing (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
REGULATORY LIABILITIES (Class A Utilities: Account 253.1):		
NONE	$	$ -
Total Regulatory Liabilities	$	$ -
OTHER DEFERRED LIABILITIES (Class A Utilities: Account 253.2):		
	$	$ -
Total Other Deferred Liabilities	$	$ -
TOTAL OTHER DEFERRED CREDITS	$	$ -

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CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271

DESCRIPTION (a)	WATER (W-7) (b)	WASTEWATER (S-7) ** (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance first of year	$ N/A	$ 9,201,714	$ -	$ 9,201,714
Add credits during year:	$	$ 111,898	$ -	$ 111,898
Less debit charged during the year	$	$ -	$ -	$ -
Total Contribution In Aid of Construction	$	$ 9,313,612	$ -	$ 9,313,612

ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 272

DESCRIPTION (a)	WATER (W-8(a)) (b)	WASTEWATER (S-8(a)) ** (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance first of year	$ N/A	$ 2,617,093	$ -	$ 2,617,093
Debits during the year:	$	$ 325,075	$ -	$ 325,075
Credits during the year	$	$ -	$ -	$ -
Total Accumulated Amortization of Contributions In Aid of Construction	$	$ 2,942,168	$ -	$ 2,942,168

** Beginning Balance CIAC and Accumulated Amortization Restated

UTILITY NAME: KW Resort Utilities Corp

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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (UTILITY OPERATIONS)

1 The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computations of all tax accruals.

2 If the utility is a member of a group which files a consolidated federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments or sharing of the consolidated tax among the group members.

DESCRIPTION (a)	REF. NO. (b)	AMOUNT (c)
Net income for the year	F-3(c)	$ (50,238)
Reconciling items for the year:		
Taxable income not reported on books:		
Deductions recorded on books not deducted for return:		
Income recorded on books not included in return:		
Deduction on return not charged against book income:		
Federal tax net income		$ (50,238)

Computation of tax :

The Company is taxed as a Subchapter - S Corp.; therefore this Schedule is not applicatble.

WATER OPERATION SECTION

The Company is a wastewater service only, therefore this section has been omitted.

WASTEWATER OPERATION SECTION

UTILITY NAME: KW Resort Utilities Corp

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WASTEWATER LISTING OF SYSTEM GROUPS

List below the name of each reporting system and its certificate number. Those systems which have been consolidated under the same tariff should be assigned a group number. Each individual system which has not been consolidated should be assigned its own group number.
The wastewater financial schedules (S-2 through S-10) should be filed for the group in total.
The wastewater engineering schedules (S-11 and S-12) must be filed for each system in the group.
All of the following wastewater pages (S-2 through S-12) should be completed for each group and arranged by group number.

SYSTEM NAME / COUNTY	CERTIFICATE NUMBER	GROUP NUMBER
KW Resort Utilities / Monroe	168-S	1

UTILITY NAME: KW Resort Utilities Corp

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SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

SCHEDULE OF YEAR END WASTEWATER RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	WASTEWATER UTILITY (d)
101	Utility Plant In Service	S-4A	$ 12,172,514
	Less: Nonused and Useful Plant (1)		
108	Accumulated Depreciation	S-6B	5,609,004
110	Accumulated Amortization	F-8	-
271	Contributions In Aid of Construction	S-7	9,313,612
252	Advances for Construction	F-20	
	Subtotal		$ (2,750,102)
272	Add: Accumulated Amortization of Contributions in Aid of Construction	S-8A	$ 2,942,168
	Subtotal		$ 192,065
	Plus or Minus:		
114	Acquisition Adjustments (2)	F-7	-
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7	-
	Working Capital Allowance (3)		269,633
	Other (Specify):		-
	WASTEWATER RATE BASE		$ 461,698
	WASTEWATER OPERATING INCOME	S-3	$ (61,179)
	ACHIEVED RATE OF RETURN (Wastewater Operating Income / Wastewater Rate Base)		-13.25%

NOTES (1) Estimate based on the methodology used in the last rate proceeding.

(2) Include only those Acquisition Adjustments that have been approved by the Commission.

(3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

UTILITY NAME: KW Resort Utilities Corp

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SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	WASTEWATER UTILITY (d)
	UTILITY OPERATING INCOME		
400	Operating Revenues	S-9B	$ 1,425,362
530	Less: Guaranteed Revenue (and AFPI)	S-9A	
	Net Operating Revenues		$ 1,425,362
401	Operating Expenses	S-10A	$ 1,246,137
403	Depreciation Expense	S-6A	439,585
	Less: Amortization of CIAC	S-8A	(325,075)
	Net Depreciation Expense		$ 114,510
406	Amortization of Utility Plant Acquisition Adjustment	F-7	-
407	Amortization Expense (Other than CIAC)	F-8	-
	Taxes Other Than Income		
408.1	Utility Regulatory Assessment Fee		63,699
408.11	Property Taxes		15,752
408.12	Payroll Taxes		46,118
408.13	Other Taxes and Licenses		325
408	Total Taxes Other Than Income		$ 125,894
409.1	Income Taxes		
410.1	Deferred Federal Income Taxes		
410.11	Deferred State Income Taxes		
411.1	Provision for Deferred Income Taxes - Credit		-
412.1	Investment Tax Credits Deferred to Future Periods		
412.11	Investment Tax Credits Restored to Operating Income		-
	Utility Operating Expenses		$ 1,486,541
	Utility Operating Income		$ (61,179)
	Add Back:		
530	Guaranteed Revenue (and AFPI)	S-9A	$ -
413	Income From Utility Plant Leased to Others		-
414	Gains (losses) From Disposition of Utility Property		
420	Allowance for Funds Used During Construction		
	Total Utility Operating Income		$ (61,179)

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
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SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR ** (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)
351	Organization	$			
352	Franchises *	92,864			92,864
353	Land and Land Rights	375,000			375,000
354	Structures and Improvements	542,756			542,756
355	Power Generation Equipment	160,523	25,106		185,629
360	Collection Sewers - Force	3,648,542			3,648,542
361	Collection Sewers - Gravity	1,194,421			1,194,421
362	Special Collecting Structures	-			
363	Services to Customers	90,452			90,452
364	Flow Measuring Deviees				
365	Flow Measuring Installations	2,675			2,675
366	Reuse Services				
367	Reuse Meters and Meter Installations				
370	Receiving Wells	875,899			875,899
371	Pumping Equipment	253,079	42,823		295,902
374	Reuse Distribution Reservoirs				
375	Reuse Transmission and Distribution System	316,298			316,298
380	Treatment and Disposal Equipment	4,156,254	68,930		4,225,184
381	Plant Sewers	28,762			28,762
382	Outfall Sewer Lines				
389	Other Plant Miseellaneous Equipment	44,203			44,203
390	Office Furniture and Equipment	21,596			21,596
391	Transportation Equipment	82,329	11,730		94,059
392	Stores Equipment	1,862			1,862
393	Tools, Shop and Garage Equipment	29,393			29,393
394	Laboratory Equipment	21,191			21,191
395	Power Operated Equipment	85,826			85,826
396	Communication Equipment				
397	Miscellaneous Equipment				
398	Other Tangible Plant				
	Total Wastewater Plant	$ 12,023,925	$ 148,589	$ 0	$ 12,172,514

NOTE: Any adjustments made to reelassify property from one aeeount to another must be footnoted.

** Beginning Plant Balances Restated

UTILITY NAME: KW Resort Utilities Corp

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

YEAR OF REPORT
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WASTEWATER UTILITY PLANT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	.1 INTANGIBLE PLANT (g)	.2 COLLECTION PLANT (h)	.3 SYSTEM PUMPING PLANT (i)	.4 TREATMENT AND DISPOSAL (j)	.5 RECLAIMED WASTEWATER TREATMENT PLANT (i)	.6 RECLAIMED WASTEWATER DISTRIBUTION PLANT (j)	.7 GENERAL PLANT (k)
351	Organization	$ -	$	$	$	$	$	$
352	Franchises	92,864						
353	Land and Land Rights				375,000	-	-	-
354	Structures and Improvements				542,756			
355	Power Generation Equipment				185,629			
360	Collection Sewers - Force		3,648,542					
361	Collection Sewers - Gravity		1,194,421					
362	Special Collecting Structures							
363	Services to Customers		90,452					
364	Flow Measuring Devices		2,675					
365	Flow Measuring Installations							
366	Reuse Services							
367	Reuse Meters and Meter Installations							
370	Receiving Wells			875,899				
371	Pumping Equipment			295,902				
374	Reuse Distribution Reservoirs							
375	Reuse Transmission and Distribution System						316,298	
380	Treatment and Disposal Equipment				4,225,184			
381	Plant Sewers				28,762			
382	Outfall Sewer Lines							
389	Other Plant Miscellaneous Equipment	-			44,203			
390	Office Furniture and Equipment							21,596
391	Transportation Equipment							94,059
392	Stores Equipment							1,862
393	Tools, Shop and Garage Equipment							29,393
394	Laboratory Equipment							21,191
395	Power Operated Equipment							85,826
396	Communication Equipment							-
397	Miscellaneous Equipment							-
398	Other Tangible Plant							
	Total Wastewater Plant	$ 92,864	$ 4,936,090	$ 1,171,801	$ 5,401,534	$ -	$ 316,298	$ 253,927

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
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SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

BASIS FOR WASTEWATER DEPRECIATION CHARGES

ACCT. NO. (a)	ACCOUNT NAME (b)	AVERAGE SERVICE LIFE IN YEARS (c)	AVERAGE NET SALVAGE IN PERCENT (d)	DEPRECIATION RATE APPLIED IN PERCENT (100% - d) / c (e)
351	Organization			
352	Franchises	40		2.50%
354	Structures and Improvements	30		3.33%
355	Power Generation Equipment	20		5.00%
360	Collection Sewers - Force	30		3.33%
361	Collection Sewers - Gravity	30		3.33%
362	Special Collecting Structures			
363	Services to Customers	38		2.63%
364	Flow Measuring Devices			
365	Flow Measuring Installations			
366	Reuse Services			
367	Reuse Meters and Meter Installations			
370	Receiving Wells	25		4.00%
371	Pumping Equipment	10		10.00%
375	Reuse Transmission and Distribution System	43		2.33%
380	Treatment and Disposal Equipment	30		3.33%
381	Plant Sewers	35		2.86%
382	Outfall Sewer Lines			
389	Other Plant Miscellaneous Equipment	10		10.00%
390	Office Furniture and Equipment	10 / 6		10% / 16.67%
391	Transportation Equipment	10		10.00%
392	Stores Equipment			
393	Tools, Shop and Garage Equipment	10		10.00%
394	Laboratory Equipment	15		6.67%
395	Power Operated Equipment	12		8.33%
396	Communication Equipment			
397	Miscellaneous Equipment			
398	Other Tangible Plant			
	Wastewater Plant Composite Depreciation Rate *			

* If depreciation rates prescribed by this Commission are on a total composite basis, entries should be made on this line only.

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

ANALYSIS OF ENTRIES IN WASTEWATER ACCUMULATED DEPRECIATION

ACCT. NO. (a)	ACCOUNT NAME (b)	BALANCE AT BEGINNING OF YEAR * (c)	ACCRUALS (d)	OTHER CREDITS ** (e)	TOTAL CREDITS (d + e) (f)
301	Organization	$	$		
302	Franchises	31,290	2,322		2,322
354	Structures and Improvements	249,372	19,360		19,360
355	Power Generation Equipment	43,472	8,654		8,654
360	Collection Sewers - Force	1,646,418	121,618		121,618
361	Collection Sewers - Gravity	328,337	27,389		27,389
362	Special Collecting Structures				
363	Services to Customers	12,815	2,380		2,380
364	Flow Measuring Devices	2,008	444		444
365	Flow Measuring Installations				
366	Reuse Services				
367	Reuse Meters and Meter Installations				
370	Receiving Wells	297,086	29,197		29,197
371	Pumping Equipment	229,996	5,835		5,835
375	Reuse Transmission and Distribution System	66,487	7,356		7,356
380	Treatment and Disposal Equipment	2,085,802	198,714		198,714
381	Plant Sewers	5,647	822		822
382	Outfall Sewer Lines				
389	Other Plant Miscellaneous Equipment	24,101	-		-
390	Office Furniture and Equipment	24,064	1,766		1,766
391	Transportation Equipment	38,116	5,224		5,224
392	Stores Equipment	465	103		103
393	Tools, Shop and Garage Equipment	21,699	1,758		1,758
394	Laboratory Equipment	7,697	1,413		1,413
395	Power Operated Equipment	54,547	5,232		5,232
396	Communication Equipment				
397	Miscellaneous Equipment				
398	Other Tangible Plant				
	Total Depreciable Wastewater Plant in Service	$ 5,169,419	$ 439,585	$ -	$ 439,585

* Balance at Beginning of the Year restated to reflect accumulated depreciation per NARUC.
Use ( ) to denote reversal entries.
Beginning Balances Restated

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

ANALYSIS OF ENTRIES IN WASTEWATER ACCUMULATED DEPRECIATION

ACCT. NO. (a)	ACCOUNT NAME (b)	PLANT RETIRED (g)	SALVAGE AND INSURANCE (h)	COST OF REMOVAL AND OTHER CHARGES (i)	TOTAL CHARGES (g-h+i) (j)	BALANCE AT END OF YEAR (e+f-j) (k)
301	Organization	$				
302	Franchises				-	33,612
354	Structures and Improvements					268,732
355	Power Generation Equipment					52,126
360	Collection Sewers - Force					1,768,036
361	Collection Sewers - Gravity					355,726
362	Special Collecting Structures					
363	Services to Customers					15,195
364	Flow Measuring Devices					2,452
365	Flow Measuring Installations					
366	Reuse Services					
367	Reuse Meters and Meter Installations					
370	Receiving Wells					326,283
371	Pumping Equipment					235,831
375	Reuse Transmission and Distribution System					73,843
380	Treatment and Disposal Equipment					2,284,516
381	Plant Sewers					6,469
382	Outfall Sewer Lines					
389	Other Plant Miscellaneous Equipment					24,101
390	Office Furniture and Equipment					25,830
391	Transportation Equipment					43,340
392	Stores Equipment					568
393	Tools, Shop and Garage Equipment					23,457
394	Laboratory Equipment					9,110
395	Power Operated Equipment					59,779
396	Communication Equipment					
397	Miscellaneous Equipment					
398	Other Tangible Plant					
	Total Depreciable Wastewater Plant in Service	$ -	$ -	$ -	$ -	$ 5,609,004

* Specify nature of transaction.
Use ( ) to denote reversal entries.

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271

DESCRIPTION (a)	REFERENCE (b)	WASTEWATER (c)
Balance first of year *		$ 9,201,714
Add credits during year:		
Contributions received from Capacity, Main Extension and Customer Connection Charges	S-8A	$ 111,898
Contributions received from Developer or Contractor Agreements in cash or property	S-8B	
Total Credits		$ 111,898
Less debits charged during the year (All debits charged during the year must be explained below)		$
Total Contributions In Aid of Construction		$ 9,313,612

* Balance first of year restated.

Explain all debits charged to Account 271 during the year below:

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER CIAC SCHEDULE "A"

ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY, MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Biltmore Const-Keys Energy Trans. Bldg	4.49	2,700.00	12,123
Longstock II Phase II	36.95	2,700.00	99,775
Total Credits			$ 111,898

ACCUMULATED AMORTIZATION OF WASTEWATER CONTRIBUTIONS IN AID OF CONSTRUCTION

DESCRIPTION (a)	WASTEWATER (b)
Balance first of year **	$ 2,617,093
Debits during the year:	
Accruals charged to Account 272	$ 325,075
Other debits (specify) :	
Total debits	$ 325,075
Total credits	$ -
Balance end of year	$ 2,942,168

** Balance first of year restated.

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER CIAC SCHEDULE "B"
ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION
RECEIVED FROM ALL DEVELOPERS OR CONTRACTORS AGREEMENTS
WHICH CASH OR PROPERTY WAS RECEIVED DURING THE YEAR

DESCRIPTION (a)	INDICATE CASH OR PROPERTY (b)	AMOUNT (c)
None		
Total Credits		$ 0

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER OPERATING REVENUE

ACCT. NO. (a)	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS * (d)	AMOUNTS (e)
	WASTEWATER SALES			
	Flat Rate Revenues:			
521.1	Residential Revenues			$
521.2	Commercial Revenues			
521.3	Industrial Revenues			
521.4	Revenues From Public Authorities			
521.5	Multiple Family Dwelling Revenues			
521.6	Other Revenues			
521	Total Flat Rate Revenues	-	-	$ -
	Measured Revenues:			
522.1	Residential Revenues	1,625	1,625	619,537
522.2	Commercial Revenues	471	471	709,917
522.3	Industrial Revenues			
522.4	Revenues From Public Authorities			
522.5	Multiple Family Dwelling Revenues			
522	Total Measured Revenues	2,096	2,096	$ 1,329,454
523	Revenues From Public Authorities			
524	Revenues From Other Systems			
525	Interdepartmental Revenues			
	Total Wastewater Sales	2,096	2,096	$ 1,329,454
	OTHER WASTEWATER REVENUES			
530	Guaranteed Revenues			$
531	Sale of Sludge			
532	Forfeited Discounts			
534	Rents From Wastewater Property			3,129
535	Interdepartmental Rents			
536	Other Wastewater Revenues (Including Allowance for Funds Prudently Invested or AFPI)			47,510
	Total Other Wastewater Revenues			$ 50,639

* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

521.1 includes accruals

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY KW Resort Utilities / Monroe

WASTEWATER OPERATING REVENUE

ACCT. NO. (a)	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS * (d)	AMOUNTS (e)
	RECLAIMED WATER SALES			
	Flat Rate Reuse Revenues:			
540.1	Residential Reuse Revenues			$
540.2	Commercial Reuse Revenues			
540.3	Industrial Reuse Revenues			
540.4	Reuse Revenues From Public Authorities			
540.5	Other Revenues			
540	Total Flat Rate Reuse Revenues			$ -
	Measured Reuse Revenues:			
541.1	Residential Reuse Revenues			
541.2	Commercial Reuse Revenues	2	2	45,270
541.3	Industrial Reuse Revenues			
541.4	Reuse Revenues From Public Authorities			
541	Total Measured Reuse Revenues	2		$ 45,270
544	Reuse Revenues From Other Systems			
	Total Reclaimed Water Sales			$ 45,270
	Total Wastewater Operating Revenues			$ 1,425,362

* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER UTILITY EXPENSE ACCOUNT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	CURRENT YEAR (c)	.1 COLLECTION EXPENSES-OPERATIONS (d)	.2 COLLECTION EXPENSES-MAINTENANCE (e)	.3 PUMPING EXPENSES - OPERATIONS (f)	.4 PUMPING EXPENSES - MAINTENANCE (g)	.5 TREATMENT & DISPOSAL EXPENSES - OPERATIONS (h)	.6 TREATMENT & DISPOSAL EXPENSES - MAINTENANCE (i)
701	Salaries and Wages - Employees	$ 421,904	$					
703	Salaries and Wages - Officers, Directors and Majority Stockholders	141,792						
704	Employee Pensions and Benefits	95,361						
710	Purchased Sewage Treatment							
711	Sludge Removal Expense	30,176					30,176	
715	Purchased Power	138,420			15,943		122,477	
716	Fuel for Power Purchased							
718	Chemicals	38,516					38,516	
720	Materials and Supplies	46,076	29,958					
731	Contractual Services-Engineering	9,196						
732	Contractual Services - Accounting	19,381						
733	Contractual Services - Legal	18,789						
734	Contractual Services - Mgt. Fees	60,000						
735	Contractual Services - Testing	12,860					12,860	
736	Contractual Services - Other	106,351	9,524	53,864		5,653		37,310
741	Rental of Building/Real Property	100						
742	Rental of Equipment	750					750	
750	Transportation Expenses	21,863						
756	Insurance - Vehicle							
757	Insurance - General Liability	23,019						
758	Insurance - Workman's Comp.	19,190						
759	Insurance - Other							
760	Advertising Expense	1,426						
766	Regulatory Commission Expenses - Amortization of Rate Case Expense							
767	Regulatory Commission Exp.-Other							
770	Bad Debt Expense							
775	Miscellaneous Expenses	40,969					810	
	Total Wastewater Utility Expenses	$ 1,246,137	$ 39,481	$ 53,864	$ 15,943	$ 5,653	$ 205,589	$ 37,310

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER UTILITY EXPENSE ACCOUNT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMIN. & GENERAL EXPENSES (k)	.9 RECLAIMED WATER TREATMENT EXPENSES-OPERATIONS (l)	.10 RECLAIMED WATER TREATMENT EXPENSES-MAINTENANCE (m)	.11 RECLAIMED WATER DISTRIBUTION EXPENSES-OPERATIONS (n)	.12 RECLAIMED WATER DISTRIBUTION EXPENSES-MAINTENANCE (o)
701	Salaries and Wages - Employees	$	421,904	$			
703	Salaries and Wages - Officers, Directors and Majority Stockholders		141,792				
704	Employee Pensions and Benefits		95,361				
710	Purchased Sewage Treatment						
711	Sludge Removal Expense						
715	Purchased Power						
716	Fuel for Power Purchased						
718	Chemicals						
720	Materials and Supplies		16,118				
731	Contractual Services-Engineering		8,339				
732	Contractual Services - Accounting		18,379				
733	Contractual Services - Legal		18,789				
734	Contractual Services - Mgt. Fees		60,000				
735	Contractual Services - Testing						
736	Contractual Services - Other						
741	Rental of Building/Real Property		100				
742	Rental of Equipment						
750	Transportation Expenses		21,863				
756	Insurance - Vehicle						
757	Insurance - General Liability		29,333				
758	Insurance - Workman's Comp.		19,980				
759	Insurance - Other						
760	Advertising Expense		1,426				
766	Regulatory Commission Expenses - Amortization of Rate Case Expense						
767	Regulatory Commission Exp.-Other						
770	Bad Debt Expense						
775	Miscellaneous Expenses		40,158				
	Total Wastewater Utility Expenses	$ -	$ 893,542	$ -	$ -	$ -	$ -

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

CALCULATION OF THE WASTEWATER SYSTEM METER EQUIVALENTS

METER SIZE (a)	TYPE OF METER (b)	EQUIVALENT FACTOR (c)	NUMBER OF METERS (d)	TOTAL NUMBER OF METER EQUIVALENTS (c x d) (e)
Residential 5/8"		1.0	1,625	1,625
5/8"	Displacement	1.0	451	451
3/4"	Displacement	1.5		0
1"	Displacement	2.5		0
1 1/2"	Displacement or Turbine	5.0	3	15
2"	Displacement, Compound or Turbine	8.0	10	80
3"	Displacement	15.0		0
3"	Compound	16.0		0
3"	Turbine	17.5	1	18
4"	Displacement or Compound	25.0	1	25
4"	Turbine	30.0		0
6"	Displacement or Compound	50.0		0
6"	Turbine	62.5	3	188
8"	Compound	80.0	2	160
8"	Turbine	90.0		0
10"	Compound	115.0		0
10"	Turbine	145.0		0
12"	Turbine	215.0		0
	Total Wastewater System Meter Equivalents			2,561

CALCULATION OF THE WASTEWATER SYSTEM EQUIVALENT RESIDENTIAL CONNECTIONS

Provide a calculation used to determine the value of one wastewater equivalent residential connection (ERC).
Use one of the following methods:

(a) If actual flow data are available from the preceding 12 months, divide the total annual single family residence (SFR) gallons sold by the average number of single family residence customers for the same period and divide the result by 365 days.

(b) If no historical flow data are available, use:

ERC = (Total SFR gallons treated (Omit 000) / 365 days / 280 gallons per day)

For wastewater only utilities:

Subtract all general use and other non residential customer gallons from the total gallons treated.
Divide the remainder (SFR customers) by 365 days to reveal single family residence customer gallons per day

NOTE: Total gallons treated includes both treated and purchased treatment.

ERC Calculation:

151,927,000 (total gallons treated) /365 days / 280 gpd = 1,487

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	499,999		
Basis of Permit Capacity (1)	AADF		
Manufacturer	Davco/US Filter		
Type (2)	AWT		
Hydraulic Capacity	749,999		
Average Daily Flow	416,238		
Total Gallons of Wastewater Treated	151,927,000		
Method of Effluent Disposal	Golf Course/ Reuse		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit (i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT
31-Dec-13

SYSTEM NAME / COUNTY KW Resort Utilities / Monroe

OTHER WASTEWATER SYSTEM INFORMATION

Furnish information below for each system. A separate page should be supplied where necessary.

1. Present number of ERCs* now being served 4,320

2. Maximum number of ERCs* which can be served 5,179 at 100% Capacity 4,661 at 90% capacity

3. Present system connection capacity (in ERCs*) using existing lines 5,179 100 capacity

4. Future connection capacity (in ERCs*) upon service area buildout 8,882 100 capacity

5. Estimated annual increase in ERCs* 432

6. Describe any plans and estimated completion dates for any enlargements or improvements of this system
The utility is engaging in the design and engineering of a WWTP expansion of .350MGD which if permitted would bring the total wastewater capacity to .849MGD. The Utility plans to Permit the WWTP iu the secoud quarter of 2014.

7. If the utility uses reuse as a means of effluent disposal, attach a list of the reuse end users and the amount of reuse provided to each, if known. Key West Golf Club: 59.388 MG; Monroe County Detention Center: 3.162 MG

8. If the utility does not engage in reuse, has a reuse feasibility study been completed? N/A
If so, when?

9. Has the utility been required by the DEP or water management district to implement reuse? N/A
If so, what are the utility's plans to comply with this requirement?

10. When did the company last file a capacity analysis report with the DEP? April 10, 2012

11. If the present system does not meet the requirements of DEP rules:
    a. Attach a description of the plant upgrade necessary to meet the DEP rules.
    b. Have these plans been approved by DEP? N/A
    c. When will construction begin?
    d. Attach plans for funding the required upgrading.
    e. Is this system under any Consent Order with DEP? No

12. Department of Environmental Protection ID # FLA014951-258748

* An ERC is determined based on the calculation on S-11.

Reconciliation of Revenue to
Regulatory Assessment Fee Revenue
Wastewater Operations

YEAR OF REPORT
31-Dec-13

UTILITY NAME: **KW Resort Utilities Corp**

(A)	(B)	(C)	(D)
Accounts	Gross Wastewater Revenues per Sch S-9	Gross Wastewater Revenues per RAF Return	Difference (B)-(C)
Gross Revenues:			
Total Flat-Rate Revenues	-	342,420	(342,420)
Total Measured Revenues	1,329,454	985,259	344,195
Revenues from Public Authorities			
Revenues from Other Systems			
Interdepartmental Revenues			
Total Other Wastewater Revenues	50,639	87,846	(37,207)
Reclaimed Water Sales [1]	45,270	-	45,270
Total Wastewater Operating Revenue	1,425,362	1,415,525	9,837
Less: Expense for Purchased Wastewater from FPSC Regulated Utility			
Net Wastewater Operating Revenues	1,425,362	1,415,525	9,837

Appendix E

WEILER ENGINEERING CORPORATION

WEC excellence in engineering

201 WEST MARION AVENUE - SUITE 1306 | PUNTA GORDA | FL 33950
TEL 941-505-1700 | FAX 941-505-1702 | WWW.WEILERENGINEERING.ORG

6805 OVERSEAS HIGHWAY | MARATHON | FL 33050
TEL (305) 289-4161 | FAX(305) 289-4162

MEMORANDUM

To: Christopher Johnson

From: Ed Castle, PE

Date: 18 December 2014

Re: Evaluation of Collection Systems Served by KWRU

Introduction

KW Resort Utility engaged the Weiler Engineering Corporation (WEC) to provide a report documenting the quantity, type and condition of the various collection systems connected to the KW Resort Utility Corp. wastewater treatment plant. The reclaimed water transmission system is included in the report

KWRU Owned Systems

Lincoln Gardens Gravity Collection System

The Lincoln Gardens area of South Stock Island consists of a residential area served by a gravity collection system. The gravity mains and manholes are located in the public right of way or in permanent easement granted to the Utility.

The gravity piping is generally vitrified clay. Much of the pipe has been slip-lined with plastic liners, including the gravity laterals. The piping is in good condition. Salinity records show that there is very little saltwater infiltration. Flow records demonstrate that the wet weather inflow and infiltration is limited.

There are three Utility-owned lift stations (discharge into gravity piping) and Utility-owned force main pump stations in the system. The Sunset Trailer Park area discharges into the Lincoln Gardens gravity collection system, using a number of small grinder lift stations.

The gravity collection system consists of approximately:

- 20,525 LF of 8" gravity main
- 300 LF of 10" gravity main
- 53 manholes
- 3,015 LF of 4" gravity service laterals (to property line)

Key West Golf Club Development Gravity Collection System

The Key West Golf Club Development is a residential community located on North Stock Island. It is served by a gravity collection system that discharges to two force main pump stations. The gravity collection system is constructed of PVC and is in new condition. It is located within the common area (streets) of the development.

The gravity collection system consists of approximately:

- 6,282 LF of 8" gravity main
- 662 LF of 6" gravity main
- 36 manholes
- 3,150 LF of 6" gravity lateral (to property line)
- One pump station with two 5 HP, 230 V, 3 ϕ solids-handling pups

South Stock Island Vacuum Collection System

The South Stock Island vacuum collection system serves the remainder of the properties south of US Highway 1 that are not served by the Lincoln Gardens gravity collection system or by the KWRU force main systems. The vacuum system is constructed of PVC piping, fiberglass vacuum pits and concrete buffer tanks. 6" PVC gravity laterals connect properties to the vacuum pits and buffer tanks.

Certain larger properties were provided with a vacuum stub from which privately-owned vacuum collections systems were extended onto the properties. The quantities of privately-owned vacuum collection system piping and pits are not included in the following summary.

The vacuum collection system consist of approximately:

- 13,665 LF of 10" vacuum main
- 4,709 LF of 8" vacuum main
- 5,435 FL of 6" vacuum main
- 1,095 LF of 4" vacuum main
- 1,670 LF of 3" vacuum service lateral (to vacuum pits)
- 71 vacuum pits
- 14 buffer tanks
- 2,368 LF of 6" gravity lateral (to property line)

The vacuum collection system is operated by vacuum provided from the vacuum pump station located at 6630 Front Street at the KWRU WWTP site. The vacuum collection tank is buried, with adjacent inlet and discharge valve vaults. The submersible sewage pumps are located in the vacuum collection tank, are rail mounted and are readily accessible through two quick-release manways. The vacuum pumps and motor control center are located in an adjacent building. All components are in good condition.

The vacuum pump station consists of:

- One 5,000 gallon vacuum collection tank
- Two 25 HP, 460 V, 3 ϕ, submersible sewage solids-handling pumps

- Four 25 HP, 460 V, 3 ϕ, vacuum pumps
- Motor control center
- Vacuum Station building

Sewage Force Main Systems

The KWRU sewage force main systems consist of force main piping of varying sizes and 10 Utility-owned pump stations. There are approximately 29 privately-owned pump stations connected to the KWRU force main systems. The piping is PVC or HDPE and is in new to good condition and is located in the public right of way and in easements. The quantities of privately-owned force mains are not included in the summary below.

The force main systems consist of approximately:

- 8,110 LF of 8" force main
- 3,636 LF of 6" force main
- 11,085 LF of 4" force main

The sewage pumping stations consist of:

- Pines & Palms Pump Station: Two 5 HP, 480 V, 3 ϕ, submersible solids-handling pumps
- Boyd's Campground Pump Station: Two 5 HP, 230 V, 3 ϕ, submersible grinder pumps
- Laundromat Lift Station: Two 0.5 HP, 240 V, 1 ϕ, submersible solids-handling pumps
- L2A Pump Station: Two 5 HP, 230 V, 3 ϕ, submersible grinder pumps
- Forcemain Pump Station: Two 5 HP, 230 V, 3 ϕ, submersible grinder pumps
- L4 Lift Station: Two 0.5 HP, 230 V, 1 ϕ, submersible solids-handling pumps
- L3 Lift Station: Two 0.5 HP, 230 V, 1 ϕ, submersible solids-handling pumps
- L1 Lift Station: Two 0.5 HP, 230 V, 3 ϕ, submersible solids-handling pumps
- Bayshore Manor Pump Station: Two 2 HP, 230 V, 3 ϕ, submersible grinder pumps
- Monroe County Animal Shelter: Two, 2 HP, 230 V, 3 ϕ, submersible solids-handling
- MCDC Main Pump Station: Two 15 HP, 460 V, 3 ϕ, submersible solids-handling pumps
- Golf Course Main Pump Station: Two 5 HP, 408 V, 3 ϕ, submersible grinder pumps

Reclaimed Water Mains

The KWRU reclaimed water transmission system pumps reclaimed water to the Key West Golf Club, the Monroe County Detention Center and has recently been extended to the Lower Florida Keys Medical Center, Gerald Adams elementary school and the Florida Keys Community College. The transmission mains are constructed of PVC and HDPE pipe and are in new to good condition. The piping is located in the public right of way and in easements.

There are two Utility-owned reclaimed water pumping stations. The main pumping station is located at the KWRU WWTP at 6630 Front Street. This pump station is in good condition. The secondary pump station is located adjacent to the reclaimed water storage pond on the Key West Golf Club. The secondary pump station withdraws reclaimed water from the 8" transmission main upstream of the discharge into the storage pond. It pumps reclaimed water to the Monroe County Detention center and other users on North College Road. The secondary pump station is in new condition.

The reclaimed water transmission system consists of approximately:

- 8,150 LF of 8" transmission main
- 4,525 LF of 4" transmission main
- 16 LF of 3" transmission main

The reclaimed water pumping stations consist of:

- Main Pump Station: Two 40 HP, 460 V, 3 ϕ, dry-well water pumps
- Golf Course Pond Pump Station: Two 2 HP, 230 V, 3 ϕ, submersible water pumps

On-site Infrastructure Owned by Others

Certain larger properties on Stock Island that are connected to the KWRU-owned vacuum sewer system, the gravity sewer system or to the sewer force mains have on-site collection systems that are owned and maintained by the property owners. The types and quantities of infrastructure on these properties has been estimated using available design drawings, permitting information, scaled aerial photographs and historical knowledge of the facilities.

Many of these larger properties have been redeveloped in recent years. The piping generally consists of PVC or HDPE piping and is in new to good condition. The attached spreadsheet provides information regarding the type of collection systems and the estimated quantities of infrastructure present for each property.

Property	Location	System Description	8" VM	6" VM
Oceanside Marina & Hickory House	5948 &5950 Peninsular Ave	Mixed gravity, pumped and vacuum	1312	
Key West Harbor Yacht Club	6010 (?) Peninsular Ave	Vacuum and Sani-Sailor pump-out		1060
Gulf Seafood	6011 & adjacent Peninsular Ave	Pump-out & short gravity into KWRU BT		
Peter Bacle (Stock Island Lobster?) 3 parcels	6639 Maloney Avenue	Gravity into KWRU vac pit, included in KWRU vacuum count		
Tortuga West Housing	6900 Maloney Ave	Vacuum		
Harbor Shores Condo	6800 Maloney Ave	Gravity (into KWRU BT, added to KWRU qtys)		
Coconut Grove Trailer Park	6621 Maloney Ave	Vacuum		
El Mar RV Park	6700 Maloney Ave	Gravity (into KWRU VP)		
Pfaning (2 parcels)(Area east of Styrons)	6633 Maloney Ave	Not conneccted		
Losley Housing	6630 Maloney Ave	Gravity(into Pines & Palms PS)		
Pines & Palms Housing	6620 Maloney Ave	Gravity (into Pines & Palms PS)		
Coconut Palm MHP (Styron's)	6611 Maloney Ave	Vacuum		
Ocean Spray Trailer Park	6529 Maloney Ave	Vacuum		
Hideaway Trailer Park	6531 Maloney Ave	Vacuum		
Roy's Trailer Park	6500 Maloney Ave	Gravity into private pump station		
Boyd's Campground	6401 Maloney Ave	Gravity (into KWRU pump station)		

Liz Trailer Park East	5730 Fourth Ave	Vacuum (not connected)		
Liz Trailer Park West	S730 Fourth Ave	Gravity into KWRU Vac Pit		
Bernstien Residuary	5700 Fourth Ave	Connected to KWRU BT, included in KWRU Vacuum count		
Meridian West & Dogtrack	6701 Shrimp Road & Fifth Avenu	Vacuum		385
Longstock LLC - Stock Island Marina Village	7009 to 7013 Shrimp Road	Gravity into private lift stations, Sanisailor pump-out		
Cayo del Mar (Lopez Apts)	SS01 Third Ave	Gravity into KWRU manhole		
Monroe County Housing	S201-5233 Fifth Ave	Gravity into KWRU manhole		
Sunset Trailer Park	S031 Fifth Ave	On-site cluster E-One pump stations into KWRU manhole		
Islander Village Housing (Drive-In)	S030 Fifth Ave	Onsite Gravity & pump station into KWRU FM		
Woodsons #1 and #2 Trailer Park	632S First St	On-site vacuum system		
Tropic Palms Mobile Home Park	6125 Second St	On-site vacuum system		
Waters Edge Colony	5700 Laurel Avenue	On-site vacuum system		150
Coral Hammock	SS10 Overseas Highway	On-site vacuum system		
Banyan Grove Residences	S4SS MacDonald	On-site vacuum system		595
Flagler Village	S300 MacDonald	On-site vacuum system		
Leo's Campground	S236 Suncrest	Hybrid gravity & vacuum		60
Hurricane Hole Marina	S110 Overseas Highway	Gravity into BT and 6" VM		114S

FKAA and Keys Engery Systems	End of Front St	Gravity & 7 pump stations, E-Ones		
Bama Two	6840 Front St.	Pump Station into FM		
Safe Harbor & Bama One	6810 Front St	Gravity, 2 pump station & boat pumpout		
FKAA Complex (US 1 & College Rd)	S101 College Rd	E-One pump station to KWRU Bayshore Manor PS		
Bayshore Manor	S100 College Rd	Gravity into KWRU pump station		
Monroe County Animal Shelter	S200 CollegeRd	Gravity into KWRU pump Station		
Power Squadron (leased from City)	S20S College Rd	Not connected		
FKAA, Mosquito, Easter Seals	S100-S230 College Rd	Gravity & 3 PS, pump to Bayshore Manor PS		
American Legion	S610 College Rd	1 Pump Sation & FM into KWRU manhole		
KOTS	SS25 College Rd	Gravity and 1 pump station (into MCDC Main?)		
MCDC 2 (Sheriff's)	SS2S College Rd	Gravity and 1 pump station (into MCDC Main?)		
Sunset Marina	SSS5 College Rd	Gravity, 1 pump station		
Sunset Marina Residences (condo)	S601 - S607 College Rd	Gravity and 1 pump station		
Key West Transportation Center	College Rd.	Gravity and 1 pump station		
Key West Solid Waste Transer Station	5701 College Rd	Not conneccted		

Gerald Adams Elementary School	5855 College Rd	Gravity and 3 pump stations		
K.W. Health & Rehab	5860 College Rd	Not Connected (will be PS into LFKHS FM)		
Lower Fla Keys Health System	5900 College Rd	Gravity and 1 pump station		
Florida Keys Community College	5901 College Rd	Gravity and 3 pump stations		
Constellation Yachts (Multi-Hull)	6811 Shrimp Road	Duplex grinder pump station and force main		
CVS Phamacy	5610 Overseas Hwy	Vacuum		
Maloney Avenue Extension	Maloney and 4th Ave	Vacuum, added to KWRU-owned quantities		
Monroe County Fire Station	5655 MacDonald Avenue	Gravity into KWRU Vac Pit		
Suncrest Trailer Park	5176 Suncrest Rd	Private BT		
		Totals	**1312**	**3395**

Vacuum Infrastructure				Services to Bldg	Gravity	
4" VM	3" VL	Vac Pits	B Tanks	4" gravity laterals	6" gravity	8" gravity
	695	1	6	1135	670	
2242	125	7	3	643		
						62
164	235	5		200		
				2835		1780
510		6		690		
				600		370
				105	615	
				720	620	
520	275	6		1600	180	
150	85	2		360		
120	85	3		335	130	
				3400		1625
				4800		2362

379	30	3		390	239	
				150	185	
1095	620	20		460		
				1713		2310
				1107	995	125
				200	455	
				1311	1203	801
				820	1039	588
117	30	3		150	295	
265	100	5		600	605	
422	275	12		1555	906	
1130	375	17		1225	255	
	165	11		215		
870	65	13		299	351	
	206	6		2032	431	815
			1	90	60	

				433	329	
				15		
				175	405	
				55	1250	
						175
					200	
					308	
				70		
				160		
					120	
					128	336
				168	64	720
					135	

					300	
						350
				1580	357	1240
	10	1			335	
					157	
	20		1	160	130	
7984	**3396**	**121**	**11**	**32556**	**13452**	**13659**

	Pump Stations				Force	
manholes	Pump Sta #1	Pump Sta #2	Pump Sta #3	Pump Sta #4	2" or smaller FM	3" FM
8	Two, 2 hp, 230 V, 1 Ph	Two, 2 hp, 230 V, 1 Ph			724	
2						
8						
2						
	Assume Two, 2 hp, 230 V, 1 Ph					
13						

15	Two, 5 HP 208 V, 3 Ph	Two, 2 HP 208 V, 3 Ph	Two, 2 HP 208 V, 3 Ph	Two, 5 HP 208 V, 3 Ph		2442
19						
8	8 Stations, Two, 1 HP, 240 V, 1 Ph E-One					
6	Two 5 HP, 240 V, 3 Ph					
11						

	7 5tations, Two, 1 HP, 240 V, 1 Ph E-One				1390	
	Two, 1 HP, 240 V, 1 Ph				30	
	Assume Two, 2 hp, 230 V, 1 Ph	Assume Two, 2 hp, 230 V, 1 Ph				
	Two, 1 HP, 240 V, 1 Ph					
	Two 1 HP 240 V 1 Ph Grinder	Two 1 HP, 240 V, 1 Ph E-One	Two 1 HP, 240 V, 1 Ph E-One		1302	
	Two 2 HP, 230 V, 1 Ph				220	
	Two 1 HP E-One grinders				325	
	Two, 5 HP, 208 V, 3 Ph				85	
3	Two, 1.9 HP, 240 V, 3 Ph				895	
5	Two, 2 HP, 240 V, 3 Ph grinders					
4	Two, 5 HP, 480 V, 3 Ph grinders					134

	Two, 2 HP, 230 V, 1 Ph grinders	Assume Two, 2 hp, 230 V, 1 Ph	Assume Two, 2 hp, 230 V, 1 Ph		558	
	Two, 15 HP, 208 V, 3 Ph					
8	Marine Tech, Two, 2 HP, 230 V, 1 Ph grinders	Assume Two, 2 hp, 230 V, 1 Ph	Assume Two, 2 hp, 230 V, 1 Ph	Assume Two, 2 hp, 230 V, 1 Ph		
	Two 2 HP, 230 V, 1 Ph Grinders				30	
112	**33**	**6**	**4**	**2**	**5559**	**2576**

Mains		Boat Pump-outs				
4" FM	6" FM	2"or 3" suction	Pump-out Pedestals	Storage Tank	Peristaltic Pumps	2" or 3" Discharge Piping
			3		1	1565
		3710	38	1	4	32
		45	3		1	154
175						

2066		5966	100		8	2470

2900						
480		2600	142	1	1	25
1785						

480						
293	356					
8179	356	12821	290	2	15	4246

Appendix F

Appendix G

KWRU
KW RESORT UTILITIES

KW Resort Utilities Corp

6630 Front Street
Key West, FL 33040
305.295.3301
FAX 305.295.0143
www.kwru.com

VIA ELECTRONIC MAIL

Barton W. Smith, Managing Member
Sunset Marina, LLC
5555 College Road
Key West, Florida 33040

RE: Letter of Coordination for Re-Use Water Line on College Road:

Dear Mr. Smith,

Pursuant to the request by Sunset Marina, LLC, please allow this letter to serve as a letter of coordination for the re-use water line operated by KW Resort Utilities Corp., a Florida Corporation ("KWRU"). I have reviewed the proposal to develop fifty-four (54) residential units at the property located at SSSS College Road, Key West, Florida 33040 ("Property"). The re-use line operated by KWRU has more than sufficient capacity to supply re-use water to all of the proposed fifty-four (54) units, plus provide re-use water for exterior irrigation, car washing, boat washing and other exterior applications provided the development designs and installs a proper on site re-use distribution system.

Connecting to the re-use line would be a minimal effort as the neighboring county owned property, on which the Monroe County Detention Center resides, currently uses re-use water for several applications.

If you should have any questions, please do not hesitate to contact me.

Sincerely,

Christopher A. Johnson
President

CJ/CJ

This instrument was prepared by
and after recording, return to:

Mary Malia Lopez, Esq.
Weil, Gotshal & Manges
701 Brickell Avenue
Suite 2100
Miami, Florida 33131

WASTEWATER REUSE AGREEMENT

THIS WASTEWATER REUSE AGREEMENT ("Agreement"), dated as of the 13th day of December, 1994, by and between KW RESORT UTILITIES CORP., a Florida corporation, having an office at 6450 East Junior College Road, Key West, Florida 33040 ("Utility"), and KEY WEST COUNTRY CLUB, INC., a Florida corporation, having an office c/o Truman Annex Management Company, Building 21 - Truman Annex, Key West, Florida 33041 ("Customer").

R E C I T A L S:

A. Utility is a "wastewater public utility" as defined by Subsection 367.012(12), Florida Statutes, 1993, authorized by the Florida Public Service Commission ("PSC") to provide wastewater service to the public for compensation, pursuant to Wastewater Certificate of Authority ("Certificate") No. 168-S, within certain lands located on Stock Island, Key West, Monroe County, Florida, as more particularly described in the Certificate.

B. Utility currently provides sanitary sewer service to approximately 550 customers, which causes Utility to receive, treat and dispose of approximately 130,000 gallons of sewage and create approximately 130,000 gallons each day (when measured on an annual average) of wastewater treated to public access standards, as promulgated by the Florida Department of Environmental Protection and as described in the Certificate ("Reclaimed Water").

C. Customer is the owner of a leasehold interest in certain real property more particularly described on Exhibit "A" attached hereto and made a part hereof (the "Property").

D. Utility is willing to provide Reclaimed Water for irrigation use on the Property and Customer is willing to accept Reclaimed Water for irrigation use on the Property subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00) and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound thereby, it is agreed as follows:

1. Definitions. The following capitalized terms shall have the respective meanings set forth below or set forth in the respective sections of the Agreement identified below:

"Certificate" - as such term is defined in the Recitals hereof.

"Customer" - as such term is defined at the outset hereof.

"DEP" - shall mean the Florida Department of Environmental Protection.

"GPD" - shall mean gallons per day.

"Irrigation Facilities" - shall mean all tangible property located on the Property that is necessary for the irrigation of the Property from the Point of Delivery, including, but not limited to, the Storage Facilities, pipelines, pumps, valves, spray head assemblies and any improvements or modifications thereto.

"Point of Delivery" shall mean the point at which the Reclaimed Water Lines enter the Storage Facilities.

"Property" - as such term is defined in the Recitals hereof.

"PSC" - as such term is defined in the Recitals hereof.

"Rate" - as such term is defined in Section 3 hereof.

"Reclaimed Water" as such term is defined in the Recitals hereof.

"Reclaimed Water Lines" shall mean the pipelines, valves, pumps, and other appurtenances necessary for delivering Reclaimed Water from the Treatment Plant to the Point of Delivery.

"Storage Facilities" - shall mean those certain permanent bodies of water located on the Property used as receptacles and storage areas for Reclaimed Water.

"Treatment Plant" - shall mean the wastewater treatment plant owned by the Utility.

"Utility" - as such term is defined at the outset hereof.

"Utility's Affiliates" - any disclosed or undisclosed officer, director, employee, trustee, shareholder, partner, principal, parent, subsidiary or other affiliate of Utility, including, without limitation, Citicorp Real Estate, Inc.

2. Delivery of Reclaimed Water. Utility agrees to provide Reclaimed Water from the Treatment Plant to the Property in accordance with the terms and provisions of this Agreement.

(a) Quantity of Reclaimed Water. Utility shall supply Customer with the quantities of Reclaimed Water required by Customer from time to time in an amount not to exceed the entire capacity of Reclaimed Water produced by the Treatment Plant on the date of this Agreement. Utility and Customer hereby acknowledge that the entire capacity of Reclaimed Water produced by the Treatment Plant on the date of this Agreement is an annual average of 130,000 GPD. Customer agrees to purchase from Utility, at the price and upon the terms and conditions set forth in this Agreement, the entire capacity of Reclaimed Water produced by the Treatment Plant which are currently estimated at an annual average of 130,000 GPD of Reclaimed Water, provided, however, that Utility does not hereby guarantee any minimum daily volume of Reclaimed Water to be delivered to the Property.

(b) Reclaimed Water Lines. Utility and Customer acknowledge that certain Reclaimed Water Lines exist on the date of this Agreement. To the extent that title to all existing Reclaimed Water Lines to the Point of Delivery has not heretofore been conveyed to Utility prior to the date of this Agreement, Customer agrees to cooperate in executing any bills of sale or other documents necessary to convey title to such existing Reclaimed Water Lines to Utility, free and clear of all liens and encumbrances. Customer shall, at its sole cost and expense, install any additional Reclaimed Water Lines that may be necessary to comply with the terms of this Agreement. Customer shall convey title to such additional Reclaimed Water Lines to the Point of Delivery to Utility free and clear of any liens or encumbrances, by bill of sale or any other documents required by Utility, prior to the commencement of delivery of Reclaimed Water from the Treatment Plant to such additional Reclaimed Water Lines, it being the intent of Customer and Utility that all

existing and additional Reclaimed Water Lines to the Point of Delivery shall be owned, operated and maintained by Utility.

(c) Metering Devices. Utility shall maintain metering devices at the Treatment Plant for the purpose of determining the amount of Reclaimed Water delivered to the Storage Facilities. Customer shall have the right to read and test the metering devices at any reasonable time upon prior notice to Utility, at Customer's sole cost and expense.

(d) Irrigation Facilities. Utility and Customer acknowledge that certain Irrigation Facilities exist on the date of this Agreement. Customer shall, at its sole cost and expense, construct and install any additional Irrigation Facilities on the Property that may be necessary to comply with the terms of this Agreement and maintain such Irrigation Facilities in good operable condition and repair in accordance with all applicable laws and regulations. Customer shall maintain and operate the Irrigation Facilities so that the Irrigation Facilities can, at all times, store, withdraw and distribute on the Property not less than 130,000 GPD of Reclaimed Water.

(e) Exclusive Right. Utility shall have the exclusive right to deliver Reclaimed Water to Customer for storage, distribution and irrigation on the Property.

3. Charges.

(a) The initial rate to be paid by Customer to Utility for Reclaimed Water is twenty-five cents ($0.25) per one thousand (1,000) gallons of Reclaimed Water provided by Utility to the Storage Facilities as determined by metering devices located at the Treatment Plant, or such other rate as the Utility may, from time to time, be authorized to charge for Reclaimed Water by the PSC or such other governmental agency or subdivision having rate-making regulatory jurisdiction over the Utility, or in the absence of such regulation, the Rate set by the Utility for all Reclaimed Water customers (the "Rate").

(b) Customer agrees to reimburse Utility for any amounts, fees or charges that Utility may incur in testing samples of water drawn from monitoring wells on the Property in accordance with requirements imposed by the DEP or any other governmental or regulatory agency (the "Sampling Fees"). Utility acknowledges, for informational purposes only, that the present cost for Sampling Fees is approximately $500 per month.

(c) Customer also agrees to reimburse Utility for any amounts, fees or charges that Utility may incur in connection with daily testing of sewage and water in the Storage Facilities (the "Daily Testing Fees"; the Rate, the Sampling Fees and the Daily Testing Fees are sometimes hereinafter collectively referred to as the "Charges"). Utility acknowledges, for informational purposes only, that the present cost of Testing Fees is approximately $1,500 per month.

(d) Customer shall pay all Charges to Utility within five (5) days after receipt of any invoice from Utility setting forth the Charges for the preceding calendar month. If the Rate remains unpaid after five (5) days' written notice to Customer, Utility may, in its sole and absolute discretion, discontinue providing Reclaimed Water to Customer and Customer shall be considered in default under this Agreement.

4. Use of Reclaimed Water. Customer shall accept Reclaimed Water delivered by Utility, and shall use such Reclaimed Water for irrigation of the Property in any manner determined by Customer, except that use of Reclaimed Water shall be consistent with and fully in compliance with all applicable Federal, state and local laws and regulations. Prior to use of any Reclaimed Water, Customer shall file with the Utility a written plan detailing its intended use, which filing shall be updated as necessary by Customer. Customer shall not discharge Reclaimed Water directly into the surface waters of the State of Florida without written authorization from DEP or its successors, and other Federal, state or local authorities or agencies with jurisdiction over such matters. Customer shall take all reasonable precautions, including the installation of signs and labeling, to prevent confusion between Reclaimed Water and other water sources. Utility shall be deemed to be in possession and control of Reclaimed Water until the Reclaimed Water shall have been delivered to Customer at the Point of Delivery. After such delivery, Customer shall be deemed to be in posession and control of such Reclaimed Water.

5. Quality of Treated Effluent. Reclaimed Water provided by Utility to Customer shall conform to the standards specified by DEP Permit No. DC44-231541, or such other permit number as may hereafter be assigned to the foregoing permit by DEP, which permit is a public record of the State of Florida.

6. Sea Water Intrusion.

(a) Customer acknowledges and agrees that Utility's sewage collection system for the Treatment Plant is installed beneath the ground surface upon lands in which the sea water (salt water) water table is ordinarily within approximately one foot of the ground surface. Customer further acknowledges and agrees that there exists no means by which the Utility can reasonably guarantee that at all times it can prevent the sea water from intruding into the Utility's lines, and thus into the Treatment Plant. The parties acknowledge and agree that if such sea water intrusion ("Sea Water Intrusion") causes the Utility to produce treated effluent which exceeds 1,000 parts per million of chlorides, such treated effluent, if provided to the Customer, could be injurious to the Property. Within one day of actual notice of the presence of excessive chlorides in the treated effluent, Utility shall notify Customer by telephone and shall suspend delivery of Reclaimed Water to the Storage Facilities. Utility agrees that it shall expeditiously seek to determine the source of the sea water intrusion and agrees to use reasonable methods to cease such sea water intrusion as soon as is reasonably possible. Notwithstanding the foregoing, in the event Utility is prevented from or delayed in ceasing such sea water intrusion despite the use of reasonable methods, Utility's performance under this Agreement shall be excused for a period equal to the period of prevention or delay which shall not exceed ninety (90) days. In the event Utility shall be unable to cease such sea water intrusion despite the use of reasonable methods for a period in excess of ninety days, either Utility or Customer shall have the right to terminate this Agreement by written notice to the other party whereupon all parties shall be relieved of all further rights, obligations and liabilities under this Agreement, except for any rights, obligations or liabilities which by the specific terms of this Agreement survive the termination of this Agreement.

(b) Utility shall conduct tests no less than four days of each week to determine whether the quality of the treated effluent to be delivered to the Storage Facilities meets the standards of Reclaimed Water. Customer agrees that the Utility shall not be liable to Customer or to any party claiming by, through or under Customer, for the Utility's delivery of treated effluent into the Storage Facilities which does not meet the standards of Reclaimed Water, unless the Customer shall show that the Utility's delivery of such treated effluent occurred as a result of Utility's gross negligence or willful misconduct.

7. Permits. Utility shall obtain and maintain, at its expense, all governmental permits, consents, and approvals as required by law for the operation of Reclaimed Water Lines and the transmission of Reclaimed Water. Customer shall obtain and maintain, at its expense, all governmental permits, consents, and approvals as required by law for the operation of the Irrigation Facilities so that the Reclaimed Water can be disposed of on the Property consistent with this Agreement. Each party shall fully cooperate with and assist the other in obtaining and complying with all necessary permits, consents, and approvals as required by law for each party's operations to be performed under this Agreement. Each party's cooperation with the other shall include, but not be limited to, the execution and consent to the filing of any necessary documents and applications with governmental agencies to accomplish the purposes set forth in this Section.

8. Easement; Right of Access.

(a) Customer hereby grants to Utility an easement over, across, and upon the Property to the extent necessary to enable Utility to exercise its rights and perform its obligations under this Agreement (including, without limitation, ownership, operation, maintenance and repair of Reclaimed Water Lines and monitoring and testing of Reclaimed Water) and to enable Utility to make such tests, measurements, inspections and examinations as may be required to promote Utility's compliance with applicable environmental, health and regulatory requirements applicable to Utility and to this Agreement (the "Easement").

(b) The Easement shall be a non-exclusive easement and shall be enjoyed by Utility and its respective agents, representatives and employees, during the term of this Agreement.

(c) Customer hereby grants to any Federal, state or local authority or regulatory agency, including, without limitation, DEP, a right of access to the Property to the extent necessary to enable any such authority or agency to make such tests, measurements, inspections and examinations as may be permitted or required by applicable law (the "Right of Access").

(d) The Right of Access shall be non-exclusive and shall be enjoyed by any Federal, state or local authority or agency including, without limitation, DEP, its successors and assigns, and their respective agents, representatives and employees.

(e) Notwithstanding the existence of the Easement and the Right of Access, Customer retains all rights and privileges to

utilize the Property in any manner it deems appropriate provided such use is not inconsistent with the purposes intended for the Easement and the Right of Access.

9. Repair of Reclaimed Water Lines. In the event of any damage to or destruction of Reclaimed Water Lines due to any acts or omissions by Customer, its agents, representatives, employees, invitees or licensees, Utility shall repair or replace such Reclaimed Water Lines at the sole cost and expense of Customer. Customer shall pay all costs and expenses (including, without limitation, labor and materials costs) associated with such repair or replacement within five (5) days after receipt of any invoice from Utility setting forth any such costs and expenses.

10. Term. This Agreement shall become effective as of the ____ day of December, 1994 and shall continue in full force and effect for a term of fifteen (15) years until and including the ____ day of December, 2009. The term shall be automatically renewed for an additional period of fifteen (15) years by mutual written agreement of Utility and Customer.

11. Default. In the event of a default by either party of its duties and obligations hereunder, the non-defaulting party shall provide written notice to the defaulting party specifying the nature of the default and the defaulting party shall have five days to cure any default of a monetary nature and 30 days for any other default. If the default has not been cured within the applicable period (time being of the essence), the non-defaulting party shall be entitled to exercise all remedies available at law or in equity, including but not limited to, the right to damages, injunctive relief and specific performance.

12. Excuse from Performance.

(a) Force Majeure. If Utility is prevented from or delayed in performing any act required to be performed by Utility hereunder, and such prevention or delay is caused by strikes, labor disputes, inability to obtain labor, materials or equipment, storms, earthquakes, electric power failures, land subsidence, acts of God, acts of public enemy, wars, blockades, riots, acts of armed forces, delays by carriers, inability to obtain rights-of-way, acts of public authority, regulatory agencies, or courts, or any other cause, whether the same kind is enumerated herein, not within the control of Utility ("Force Majeure"), the performance of such act shall be excused for a period equal to the period of prevention or delay.

(b) Governmental Acts. If for any reason during the term of this Agreement, other than the fault of Customer, any Federal, state or local authorities or agencies fail to issue necessary permits, grant necessary approvals or require any change in the operation of the treatment, transmission and distribution systems or the application and use of Reclaimed Water ("Governmental Acts"), then, to the extent that such Governmental Acts shall affect the ability of any party to perform any of the terms of this Agreement in whole or in part, the affected party shall be excused from the performance thereof and a new agreement shall be negotiated, if possible, by the parties hereto in conformity with such permits, approvals or requirements. Notwithstanding the foregoing, neither Customer nor Utility shall be obligated to accept any new agreement if it substantially adds to its burdens and obligations hereunder.

(c) Emergency Situations. Utility shall not be held liable for damages to Customer and Customer hereby agrees not to hold Utility liable for damages for failure to deliver Reclaimed Water upon the occurrence of any of the following events:

(1) A lack of Reclaimed Water due to loss of flow to the Treatment Plant or due to process or distribution failure;

(2) Contamination in the Reclaimed Water making it unusable for irrigation, including, without limitation, Sea Water Intrusion;

(3) Equipment or material failure in Reclaimed Water delivery, including storage, pumping and piping provided the Utility has utilized its best efforts to maintain the Treatment Plant in good operating condition; and

(4) Force Majeure, unforeseeable failures or breakdown of pumping transmission or other facilities, unauthorized use of effluent, any and all governmental requirements, acts or action of any government, public or governmental authority, commission or board, agency, agent, official or officer, the enactment of any statute, ordinance, resolution, regulation, rule or ruling, order, decree or judgment, restraining order or injunction of any court, including, without limitation, Governmental Acts.

13. Successors and Assigns. This Agreement, the Easement and the Right of Access granted hereby shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

14. Indemnification. Customer shall indemnify and defend Utility and Utility's Affiliates and hold Utility and Utility's Affiliates harmless from and against any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses, including, without limitation, attorneys' fees and disbursements, suffered or incurred by Utility or any of Utility's Affiliates and arising out of or in connection with use, occupancy, or operation of the Reclaimed Water Lines, Irrigation Facilities, the Property, or Customer's activities on or about the Property. Customer's duty to indemnify shall also include, but not be limited to, indemnification from and against any fine, penalty, liability, or cost arising out of Customer's violation of any law, ordinance, or governmental regulation, requirement or permit applicable to Customer's operation of the Irrigation Facilities or Customer's activities on or about the Property. The provisions of this Section 14 shall survive the termination of this Agreement.

15. Insurance. Customer shall maintain or cause to be maintained during the entire term of this Agreement, and any extension thereof, a policy of commercial general liability insurance with a broad form contractual liability endorsement covering Customer's indemnification obligations contained in Section 14 of this Agreement, and with a combined single limit of not less than $1,000,000 general liability, insuring Utility and Utility's Affiliates, as additional insureds, against any injuries or damages to person or property that may result from or are related to Utility's and/or Utility's representatives' actions or omissions under this Agreement, in such forms and with an insurance company acceptable to Utility, and shall deliver a copy of such insurance policy together with a certificate of insurance to Utility prior to or upon execution of this Agreement. All such insurance shall be written on an "occurrence form".

16. Transfer of Property. The right of Customer to sell, transfer, assign or encumber the Property shall not be unreasonably restricted by this Agreement, provided, however, that Customer must deliver written notice to Utility of any proposed sale or transfer no less than sixty (60) days prior to such sale or transfer and the proposed vendee, transferee or assignee shall agree to expressly assume all obligations of Customer under this Agreement.

17. Notices. Except for the telephone notice specified by Section 6 of this Agreement, all notices, demands, requests or other communications by either party under this Agreement shall be in writing and sent by (a) first class U.S. certified or registered mail, return receipt requested, with postage prepaid, or (b) overnight delivery service or courier, or (c) telefacsimile or similar facsimile transmission with receipt confirmed as follows:

If to Utility:

KW Resort Utilities Corp.
6540 East Junior College Road
Key West, Florida 33040
Telephone Number: (305) 294-9578
Telecopier: (305) 294-9579
Attention: Plant Manager

with copies to:

Citicorp Real Estate, Inc.
2001 Ross Avenue
1400 Trammell Crow Center
Dallas, Texas 75201
Telecopier: (214) 953-3769
Attention: Nelda Sullivan

- and -

Citicorp Real Estate, Inc.
Legal Department
599 Lexington Avenue
New York, New York 10043
Telecopier: (212) 793-6766
Attention: General Counsel
Reference: Key West Resort
Property: Key West Resort
Monroe County, Florida

- and -

Weil, Gotshal & Manges
701 Brickell Avenue, Suite 2100
Miami, Florida 33131
Telecopier: (305) 374-7159
Attention: Barry Frank

If to Customer:

Key West Country Club, Inc.
c/o Truman Annex Management Company
Building 21 - Truman Annex
Key West, Florida 33041
Telephone: (305) 296-5601
Telecopier: (305) 296-1003
Attention: Pritam Singh

with a copy to:

Allison & Robertson, P.A.
100 S.E. Second Street, Suite 3350
Miami, Florida 33131
Telecopier: (305) 347-4001
Attention: John R. Allison, III, Esq.

18. Required Capital Expenditures. In the event that material capital expenditures are required to the Treatment Plant or the Reclaimed Water Lines in order to meet any change in applicable Federal, state or local laws or regulations for the distribution of Reclaimed Water, then Utility shall promptly notify Customer of such laws or regulations and the capital expenditures required in order to lawfully provide Customer with Reclaimed Water as required pursuant to this Agreement. Within thirty (30) days of Customer's receipt of such notice from Utility, Customer shall notify Utility, in writing, either (a) that it has elected to terminate this Agreement, which termination shall be effective no later than the last date Utility can provide the Reclaimed Water without being in violation of such amended laws or regulations, or (b) that it shall assume and promptly pay the obligations for such material capital expenditures, whereupon Utility shall continue to provide Reclaimed Water pursuant to the terms of this Agreement. Anything to the contrary notwithstanding, to the extent that any such material capital expenditures are otherwise required by any such laws or regulations in order for the Utility to lawfully provide utility services other than Reclaimed Water to its customers, then Customer shall not have the obligation to make such capital expenditures, and Utility shall have the affirmative obligation to make such capital expenditures and provide Customer with Reclaimed Water pursuant to the terms of this Agreement.

19. Miscellaneous Provisions.

(a) This Agreement shall not be altered, amended, changed, waived, terminated or otherwise modified in any respect

or particular, and no consent or approval required pursuant to this Agreement shall be effective, unless the same shall be in writing and signed by or on behalf of the party to be charged.

(b) All prior statements, understandings, representations and agreements between the parties, oral or written, are superseded by and merged in this Agreement, which alone fully and completely expresses the agreement between them in connection with this transaction and which is entered into after full investigation, neither party relying upon any statement, understanding, representation or agreement made by the other not embodied in this Agreement. This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties hereto, and without regard to or aid of canons requiring construction against Utility or the party drafting this Agreement.

(c) No failure or delay of either party in the exercise of any right or remedy given to such party hereunder or the waiver by any party of any condition hereunder for its benefit (unless the time specified herein for exercise of such right or remedy has expired) shall constitute a waiver of any other or further right or remedy nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or any other right or remedy. No waiver by either party of any breach hereunder or failure or refusal by the other party to comply with its obligations shall be deemed a waiver of any other or subsequent breach, failure or refusal to so comply.

(d) This Agreement may be executed in one or more counterparts, each of which so executed and delivered shall be deemed an original, but all of which taken together shall constitute but one and the same instrument. It shall not be necessary for the same counterpart of this Agreement to be executed by all of the parties hereto.

(e) Each of the exhibits and schedules referred to herein and attached hereto is incorporated herein by this reference.

(f) The caption headings in this Agreement are for convenience only and are not intended to be a part of this Agreement and shall not be construed to modify, explain or alter any of the terms, covenants or conditions herein contained.

(g) This Agreement shall he interpreted and enforced in accordance with the laws of the State of Florida without reference to principles of conflicts of laws.

(h) Each of the parties to this Agreement agrees that at any time after the execution hereof, it will, on request of the other party, execute and deliver such other documents and further assurances as may reasonably be required by such other party in order to carry out the intent of this Agreement.

(i) If any provision of this Agreement shall be unenforceable or invalid, the same shall not effect the remaining provisions of this Agreement and to this end the provisions of this Agreement are intended to be and shall be severable. Notwithstanding the foregoing sentence, if (i) any provision of this Agreement is finally determined by a court of competent jurisdiction to be unenforceable or invalid in whole or in part, (ii) the opportunity for all appeals of such determination have expired, and (iii) such unenforceability or invalidity alters the substance of this Agreement (taken as a whole) so as to deny either party, in a material way, the realization of the intended benefit of its bargain, such party may terminate this Agreement within 30 days after the final determination by notice to the other. If such party so elects to terminate this Agreement, then this Agreement shall be terminated and neither party shall have any further rights, obligations or liabilities hereunder, except for any rights, obligations or liabilities which by the specific terms of this Agreement survive the termination of this Agreement.

(j) In the event of any litigation arising out of or connected in any manner with this Agreement, the non-prevailing party shall pay the costs of the prevailing party, including its reasonable counsel and paralegal fees incurred in connection therewith through and including all other legal expenses and the costs of any appeals and appellate costs relating thereto. Wherever in this Agreement it is stated that one party shall be responsible for the attorneys' fees and expenses of another party, the same shall automatically he deemed to include the fees and expenses in connection with all appeals and appellate proceedings relating or incidental thereto. This subsection (j) shall survive termination of this Agreement.

(k) This Agreement shall not he deemed to confer in favor of any third parties any rights whatsoever as third-party beneficiaries, the parties hereto intending by the provisions hereof to confer no such benefits or status.

(1) THE PARTIES HERETO DO HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT ANY PARTY MAY HAVE TO A JURY TRIAL IN EVERY JURISDICTION IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR RESPECTIVE SUCCESSORS OR ASSIGNS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENT EXECUTED AND DELIVERED BY EITHER PARTY IN CONNECTION THEREWITH (INCLUDING, WITHOUT LIMITATION, ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT, AND ANY CLAIM OR DEFENSE ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR IS OTHERWISE VOID OR VOIDABLE). THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT.

IN WITNESS WHEREOF, Utility and Customer have executed this Agreement as of the day and year first above written.

UTILITY:

KW RESORT UTILITIES CORP., a Florida corporation

[signature]
Print Name: Brian R. Grant

[signature]
Print Name: Mart Alfs Fleming

By: [signature]
Name: Nelda Sullivan
Title: Vice President
Address: 6450 East Junior College Road
Key West, FL 33040

CUSTOMER:

KEY WEST COUNTRY CLUB, INC., a Florida corporation

[signature]
Print Name: Mary Melia Lopez

[signature]
Print Name: Cindy Lawson

By: [signature]
Name: John R. Allison, III
Title: Vice President
Address: Truman Annex
Box 4132
Key West, FL 33041

(ACKNOWLEDGEMENTS CONTINUE ON FOLLOWING PAGE)

STATE OF TEXAS)
)ss:
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 12th day of December, 1994, by Nelda Sullivan, as Vice President of KW Resort Utilities Corp., a Florida corporation, on behalf of said corporation. She is personally known to me or who has produced drivers license as identification.

My Commission Expires:

Alice B. Doman
Signature of Notary Public

ALICE B. DOMAN
NOTARY PUBLIC
State of Texas
Comm. Exp. [illegible]

Printed Name of Notary Public

[Notary Seal]

STATE OF FLORIDA)
)ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this ___ day of December, 1994, by John R. Allison, III, as Vice President of Key West Country Club, Inc., a Florida corporation, on behalf of said corporation. He is personally known to me or who has produced drivers license as identification.

My Commission Expires:

Cindy Lawson
Signature of Notary Public

Cindy Lawson
Printed Name of Notary Public

[Notary Seal]

OFFICIAL NOTARY SEAL
CINDY LAWSON
COMMISSION NUMBER
CC285123
MY COMMISSION EXP.
JUNE 22,1997

KWRU

$25,000,000 Purchase Price

Sources of Funds

One Time Payments

1) Navy
   Payment from Navy $6,750,000
   250,000[1] ÷ 167 = 1,500 x 4,500

2) Key Haven
   Payment to KWRU $1,080,000
   400 x 2,700 =

3) South Stock Island New Development
   1,000 EDU @ 4,500 = $4,500,000

$12,330,000

Annual Cash Flow from KWRU Plant $1,237,000

Comparable Sales

Prior Purchase
Key Haven 400 EDUs @
$2,500,000[2] $6,250/EDU

KWRU = 4,000 EDUs
+ 1,000 to come on South Stock Island
$5,000/EDU

[1] Navy contract for 200,000 gallons of wastewater flows. EDU based on water flows which is assumed to be 80% of wastewater flows. 200,000/.80 = 250,000 gallons of water flows per day.
[2] Note system required over $4 million in repairs. KWRU system does not need any repairs.

KWRU

2013	Net Income	$38,000	
		$60,000	WLS Consulting
		$63,000	PSC Tax
		$16,000	RE Taxes
		$18,000	BB&T Interest
		$60,000	WLS Interest
		$60,000	Customer Billing Savings
		$18,000	Accounting Services
	Net Income after credit for items not incurred by FKAA	$333,000	
			Treatment charge increase of
		$328,500	$2/1,000 Gal/day from $4 to $6/1,000
			Additional Flows of
			200,000 GPD @ 167 = 1.208
		$576,000	x $40/mo.
		$1,237,000	

UTILITY AGREEMENT

THIS UTILITY AGREEMENT ("Agreement"), dated as of the 16th day of August, 2001, by and between KW Resort Utilities Corp., a Florida corporation, having its office(s) at 6450 Junior College Road, Key West, Florida, 33040 ("Service Company"), and The County of Monroe, Florida, a Florida County having its office(s) at 5100 College Road, Key West, FL 33040, ("County").

R E C I T A L S

A. County is the owner of certain real property more particularly described on Exhibit "A", attached hereto and made a part hereof (the "Property").

B. County currently operates a jail and detention center on the Property ("Detention Facility"), which requires sanitary sewer service.

C. County currently operates public facilities at the Public Service Building, Bayshore Manor, and the Animal Shelter, all along College Road ("Public Buildings"), which requires sanitary sewer service.

D. County requests that Service Company provide central sewage collection services in and upon the Property.

E. Service Company owns, operates, manages and controls a central sewage system and is willing to provide sanitary sewer services pursuant to this Agreement.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00), and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound thereby, it is agreed as follows:

1. **On-Site Facilities**

The County owns and operates the following facilities, which it agrees to convey at no charge to the Service Company:

A. Lift station serving the Detention Facility Treatment Plant.

B. Lift station serving the Public Buildings and sewer main from the lift station to the Detention Facility Treatment Plant.

The County shall construct the following facilities, which it agrees to convey at no charge to the service company at the time of connection to the Service Company's system:

A. A second lift station serving the Public Buildings located at the Animal Shelter.

B. A sewer main from the second lift station to the existing sewer main serving the Detention Facilty.

The three County lift stations and appurtenant facility to be conveyed to Service Company are hereinafter referred to as "On-Site Facilities". All On-Site Facilities, laterals and Property Installations shall be in good working order upon connection to Service Company's system. Prior to commencing construction on the second lift station serving the Public Buildings, County shall provide Service Company with construction plans for approval by

Service Company, which approval shall not be unreasonably withheld. If the Service Company discontinues service to the County property for whatever reason (other than nonpayment or default by County) then the on-site facilities will be reconveyed by the Service Company to the County at no charge.

Service Company shall construct a reuse ("grayweter") line to Detention Facility, and agrees to make available a minimum of 32,000 gallons per day ("gpd") of graywater to County, but no more then 60,000 gallons per day. Graywater shall meet all reuse water quality standards required by law.

2. **Definitions**

"Business Day" – shall mean any day of the year in which commercial banks are not required or authorized to close in New York, New York.

"Central Sewage System" – shall mean the central sewage system owned and operated by the Service Company.

"Customer" – shall mean the County.

"Equivalent Residential Connections" – (ERC), shall be defined as one individual residential connection or, for commercial and other uses, the estimated flow based on the use and Chapter 64E-6 F.A.C., divided by the most recently approved "Capacity Analysis" rate per residential connection (currently 205 gallons per day per residential connection).

"Point of Delivery" – shall mean the point at which the county lines enter the three-lift station conveyed to the Service Company.

"Property Installations" – shall mean any service lines located on individual lots or parcels of the Property, on the County side of the Point of Delivery.

"Service Company's Affiliates" – shall mean any disclosed or undisclosed officer, director, employee, trustee shareholder, partner, principal, parent, subsidiary or other affiliate of Service Company.

"System" – shall mean all pipes, lines, manholes, lift or pump stations, reservoirs or impoundments constructed or installed on the Property in public rights-of-way or easements dedicated to Service Company, or on lands conveyed to Service Company by deed in fee simple, including, without limitation, Central Connection Lines.

"Tariff" – shall mean Service Company's existing and future schedules of rates and charges for sewer service.

3. **System Construction**

Service Company shall design and construct at its sole expense offsite facilities to connect the county lift station at the Detention Facility to the Central Sewage System (the "Project"). Said Project shall commence 30 days after execution hereof and be completed 180 days after commencement. County upon completion shall immediately provide all of its domestic wastewater to Service Company for treatment at Service Company's applicable tariff. The Service Company's current tariff is $605.52

for a 4" meter base facility charge per month and $2.92 per 1000 gallons measured off of water consumption. Additional wastewater services at the Public Service Building, Bay Shore Manor, the Animal Shelter and other shall pay the applicable tariffs. For instance if the Detention Center uses a 4" meter and the Public Service Building has a 2" meter then the County's rate shall be $605.62 + $196.35 plus $2.92 per thousand gallons per month. Notwithstanding Utility's Tariff, Utility agrees to treat all of County's re-use water, including air conditioning re-use water. County agrees to pay Utility for treating re-use water based upon a four-inch meter and Utility's current tariff, the re-use meter shall be read daily. The County represents that no re-use water is disposed via shallow injection well.

4. **System Decommissionary**

County currently operates a .105 MGD wastewater treatment plant on the property. After commencement of service by Service Company, County at its sole expense may at its option decommission and remove said plant. Notwithstanding the foregoing, Service Company agrees to assist County in said decommissionary by contributing to the cost of the engineering, permitting, and removing the existing plant the lesser of $10,000 or the sum of said costs.

5. **Property Rights**

Prior to Service Company's construction of the Project, County shall convey

a) A non-exclusive easement in the form attached hereto as Exhibit "B" in and to any and all portions of the On-Site Facilities not located in public rights-of-way, of sufficient size to enable Service Company ingress and egress and to operate, maintain and replace such portions of the On-Site Facilities not located within public rights-of-way for Service Company, other uses of Service Company's system and it's successor and assigns. If the Service Company discontinues service to the County property for whatever reason, then the easements granted to this section will lapse and expire and the County property so encumbered will be free and clear of such easements. Language similar to the foregoing must appear in the easements filed for record. The Service Company agrees to provide and execute the documents necessary to extinguish such easements.

b) Service Company at its sole discretion shall be permitted to pump other customer's wastewater through said lift station and force main and County shall provide easements for said connections at request of Service Company without any additional charge.

c) A bill of sale conveying title to On-Site Facilities free and clear of all liens and encumbrances.

6. **Rates, Fees, Charges**

a) All Customers will pay the applicable fees, rates and charges as set forth in the Tariff. Nothing contained in this Agreement shall serve to prohibit Service Company's right to bill or collect its rates and charges from Customers, nor to require compliance with any provision of its Tariff.

b) County shall pay to Service Company a reservation fee ("Capacity Reservation Fee"), in the amount of Two Thousand Seven Hundred ($2,700.00) dollars per E.R.C. connections to be reserved by County to serve the Property (individually, a "Connection", collectively, the "Connections").

The initial reservation shall be for 454 ERC's based upon an average flow of 83,000 gallons per day from the county jail and an estimated flow from the addition to the juvenile detention center of 10,045 gallons per day. Cost for said hook-ups is $1,225,800. Any additional flows of wastewater from the Detention Facility, Public Buildings, or expansions thereof, animal shelter or in excess of the estimated flow shall require additional capacity fee, which shall be based upon Florida Code Statute 64E-6.

c) The Capacity Reservation Fee for each connection shall be payable by County to Service Company as follows:

(I) 1/3, upon completion of the connection (estimated at this time to be $408,600).
(II) 1/3, one year after connection completion.
(III) 1/3, two years after connection completion.

d) Service Company hereby agrees to reserve such capacity for the benefit for County subject to the provisions of this Section 5, provided, however, that such reservations shall not be effective until Service Company has received the initial installment of the Capacity Reservation Fee in accordance with Section 6 © (I) hereof, and provided, further, that Service Company shall have the right to cancel such reservations in the event of County's failure to comply with the terms of this Agreement

e) In addition to the above charges, upon delivery hereof, County shall also pay Service Company $.40 per thousand gallons for "graywater" provided to County pursuant to Paragraph 1 herein.

f) In the event of default by County in the payment of Capacity Reservation Fee hereunder, which default is not cured as provided in paragraph 12, hereof, Service Company may cancel this agreement by giving thirty (30) days written notice of default and retain all payments hereunder as liquideted damages.

7. The capacity reservation fee described in paragraph 6(c)(I), hereafter 6(c)(I) funds (minus the cost incurred by Service Company to complete the Project including the graywater line), when due, must be deposited in an interest bearing escrow account with a federally insured financial institution that has an office in Key West, Florida. The mention of 6(c)(I) funds includes all accumulated interest. The terms of the escrow are as follows:

a) When the Service Company begins substantial physical construction to expand the capacity of its wastewater treatment plant or to extend its wastewater collection infrastructure to serve additional areas in South Stock Island or other islands then the escrow agent will release the 6(c)(I) funds to the Service Company in the following manner: the payments will be made monthly equal amounts based

on the expected completion date of the expansion as set forth in the Service Company's construction documents. Release of said funds shall be made by escrow agent upon presentation of construction invoices (including costs of real estate acquisition, purchase or installation of pipes and lift stations, and professional services; provided that such costs are exclusively attributable to such expansion of capacity or extension of collection infrastructure) to be paid by Service Company along with a statement from Service Company describing the construction for which the invoices seek payment. County hereby agrees to enforce, through Code Enforcement proceedings, its ordinance requiring all property owners located within Service Company's service area to connect to Service Company's System and to pay the tariff applicable to such connection. In the event of breach hereof by County which breach continues after notice and reasonable opportunity to cure as provided in Paragraph 12, below, all escrowed funds shall be released to Service Company.

b) However, if the Service Company agrees to sell its wastewater treatment plant and collection infrastructure to the FKAA before the Service company completes the construction just described, then the 6(c)(I) funds (or the balance then remaining undisbursed) must be transferred to the FKAA upon the completion of the actions needed to consummate the sale of the wastewater treatment plant and collection infrastructure to the FKAA. For the purposes of this paragraph 7, *sale* means the sale of physical assets, an equity purchase (and/or debt assumption or purchase) resulting in the FKAA acquiring a controlling interest in the Service Company, a long-term lease of the physical assets, or any other transaction that results in the FKAA assuming the obligation to operate the Service Company's wastewater treatment plant and current collection infrastructure.

c) If the Service company has not commenced expansion of the wastewater treatment plant or collection infrastructure by the year 2006 or, if the FKAA has not purchased the Service Company's assets as described above by the year 2006, then the escrow agent must release the 6(c)(I) funds to the Service Company.

8. **Absolute Conveyance**

Except as provided elsewhere in this contract regarding the reconveance of property and the extinguishment of easements if service is discontinued, County understands, agrees and acknowledges that County's conveyance of the On-Site Facilities and any and all easements, real property or personal property, or payment of any funds hereunder (including, without limitation, the Capacity Reservation Fee), shall, upon acceptance by Service Company, be absolute, complete and unqualified, and that neither County nor any party claiming by or through County shall have any right to such easements, real or personal property, or funds, or any benefit which Service Company may derive from such conveyance or payments in any form or manner.

9. **Delivery of Service: Maintenance**

a) Upon connection as provided in section 1, Service Company shall provide service to the Point of Delivery in accordance with the terms

of this Agreement and all applicable laws and regulations and shall operate and maintain the System in accordance with the terms and provisions of this Agreement. Service Company shall use its best efforts to provide service prior to February 15, 2002 In the event that Service Company is unable to provide service on February 15, 2002 thru no fault of Service Company, then all cost of alternative sewage disposal shall be County's until service is provided. Service means that the Service Company will process, treat and dispose of wastewater and will operate its system: in compliance with the quality and process standards required by DEP and the Service Company; in accordance with industry standards as they develop and any FKAA, County, or City of Key West requirements; and, in a manner that does not pose or cause health or environmental risk or damage (provided, that should any violation of health or environmental rule or law occur, service company shall be in compliance herewith if service company promptly undertakes and completes any necessary remedial action). Service also means the furnishing of graywater, described in section 1, meeting industry standards.

b) County shall, at its sole cost and expense, own, operate and maintain all Property Installations, which have not been conveyed to Service Company pursuant to the terms and conditions of this Agreement.

c) In the event County desires additional services over and above that reserved herein and provided Service Company has additional uncommitted capacity, Service Company shall provide said additional capacity provided County pays the additional connection fees required under Chapter 64E-6 F.A.C.

d) County shall pay for any extra expense of operating the Detention Center lift station resulting from prisoner or staff disposal of debris into the system or failure to maintain its grease trap. Service Company shall have the right to inspect the grease traps in order to insure their continued maintenance by County.

e) County shall only provide domestic waste water for treatment by Service Company. No water from air conditioning systems or swimming pools shall flow into the wastewater disposal system.

f) The Service Company agrees to keep its system in good repair, in full operating condition in compliance with applicable law and to promptly remedy all breakdowns, spills, contaminations and other acts of environmental damage or pollution.

10. **Repair of System**

In the event of any material damage to or destruction of any of the lift stations located on County property operated or maintained by Service Company due to any acts or omissions by County, or its agents, representatives, employees, invitees, licensees, detainees or inmates, Service Company shall repair or replace such damaged or destroyed portion of the System at the sole cost and expense of County. County shall pay all costs and expenses associated with such repair or replacement within thirty

(30) days after receipt of any invoice from Service Company setting forth any such costs and expenses.

11. **Term**

This Agreement shall become effective as of the 15th day of Aug, 2001, and shall continue for 99 years so long as Service Company, its successor or assignees, provides sewer service to the County, and the County's successors and assigns. 02 AJ

12. **Default**

In the event of a default by either party of its duties and obligations hereunder, the non-defaulting party shall provide written notice to the defaulting party specifying the nature of the default and the defaulting party shall have fifteen 15 days to cure any default of a monetary nature and thirty (30) days for any other default. If the default has not been cured within the applicable period (time being of the essence), the non-defaulting party shall be entitled to exercise all remedies available at law or in equity, including but not limited to, the right to damages, injunctive relief and specific performance. Service Company may, at its sole option, discontinue and suspend the delivery of service to the System in accordance with all requirements of applicable law and the Tariff, if County fails to timely pay all fees, rates and charges pursuant to the terms of this Agreement. The County, however, may withhold payment, without default, if the Service Company through no fault of the County: fails to provide consistent minimum wastewater and graywater services as required by section 9; causes or permits unexcused delays or interruptions in service or commencing service; cause or permits repeated or chronic failures to maintain quality standards; causes or permits damage to County property; causes or permits adverse health effects to the public or system users; causes or permits environmental damage; or, exposes the County or its officials and employees to suits or liability attributable to the Service Company's conduct.

13. **Excuse from Performance**

a) **Force Majeure**

If Service Company is prevented from or delayed in performing any act required to be performed by Service Company hereunder, and such prevention or delay is cased by strikes, labor disputes, inability to obtain labor, materials or equipment, storms, earthquakes, electric power failures, land subsidence, acts of God, acts of public enemy, wars, blockades, riots, acts of armed forces, delays by carriers, inability to obtain rights-of-way, acts of public authority, regulatory agencies, or courts, or any other cause, whether the same kind is enumerated herein, not within the control of Service Company ("Force Majeure"), the performance of such act shall be excused for a period equal to the period of prevention or delay. If the Service Company intends to claim force majeure as an excuse for nonperformance, then it must so notify the County in writing within ten business days of the force majeure event. The Service Company must also undertake all reasonable measures, at its expense, to restore full service at the earliest practical date. The

County is not obligated to pay any Service Company tariff, charge or fee until service is restored.

b) **Governmental Acts**

If for any reason during the term of this Agreement, other than for dua conduct of the Service.Company and its agents and representatives, and except for the lawful actions and decisions of the County in the exercise of its governmental powers, any federal, state or local authorities or agencies fail to issue necessary permits, grant necessary approvals or require any change in the operation of the Central Sewage System or the System ("Governmental Acts"), then, to the extent that such Governmental Acts shall affect the ability of any party to perform any of the terms of this Agreement in whole or in part, the affected party shall be excused from the performance thereof and a new agreement shall be negotiated, if possible, by the parties hereto in conformity which such permits, approvals or requirements. Notwithstanding the foregoing, neither County nor Service Company shall be obligated to accept any new agreement if it substantially adds to its burdans and obligations hereunder.

c) **Emergency Situations**

Service Company shall not be held liable for damages to County and County hereby agrees not to hold Service Company liable for damages for failure to deliver service to the Property upon the occurrence of any of the following events provided that service is restored within 24 hours:

1. A lack of service due to loss of flow or process or distribution failure;

2. Equipment or material failure in the Central Sewage System or the System, including storage, pumping and piping provided the Service Company has utilized its best efforts to maintain the Central Sewage System in good operating condition; and

3. Force Majeure, unforeseeable failure or breakdown of pumping, transmission or other facilities, any and all governmental requirements, acts or action of any government, public or governmental authority, commission or board, agency, agent, official or officer, the enactment of any statute, ordinance, resolution, regulation, rule or ruling, order, decree or judgment, restraining order or injunction of any court, including, without limitation, Governmental Acts.

14. **Successors and Assigns**

This Agreement and the easements granted hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

15 **Indemnification**

a) To the Extent authorized by Section 768.28, FS, the County agrees to indemnify and hold harmless the Service Company for claims, demands,

causes of action, losses, damages, and liabilities that arise out of the negligent act(s) or omission(s) of any County officer, employee, contractors (including subcontractors employed by a County contractor) and agents, in connection with the use of the system, the operation of the system, or the occupancy of the Property.

b) The Service Company agrees to indemnify and hold harmless the County for claims, demands, causes of action, losses, damages and liabilities that arise out of the negligent act(s) or omission(s) of any Service Company officer, employee, contractors (including subcontractors employed by a Service Company contractor) and agents in connection with the maintenance, expansion and operation of the system, including those acts or omissions that result in environmental damage or pollution.

16 **Notices**

All notices, demands, requests or other communications by either party under this Agreement shall be in writing and sent by (a) first class U.S. certified or registered mail, return receipt requested, with postage prepaid, or (b) overnight delivery service or courier, or (c) telefacsimile or similar facsimile transmission with receipt confirmed as follows:

If to Service Company:	KW Resort Utilities Corp. 6450 Junior College Road Key West, Florida 33040 Fax (305)294-1212
With a copy to:	W. Smith 11 E. Adams, Suite 1400 Chicago, Illinois 60603 Fax (312)939-7765
If to County:	County Administrator Public Service Building 5100 College Road Key West, FL 33040
With a copy to:	County Attorney PO Box 1026 Key West, FL 33041

18. **Tariff**

This Agreement is subject to all of the terms and provision of the Tariff. In the event of any conflict between the Tariff and the terms of this Agreement, the Tariff shall govern and control.

19. **Miscellaneous Provisions**

a) This Agreement shall not be altered, amended, changed, waived, terminated or otherwise modified in any respect or particular, and no consent or approval required pursuant to this Agreement shall be effective, unless the same shall be in writing and signed by or on behalf of the party to be charged.

b) All prior statements, understandings, representations and agreements between the parties, oral or written, are superseded by and merged in this Agreement, which alone fully and completely expresses the agreement between them in connection with this transaction and which is entered into after full investigation, neither party relying upon any statement, understanding, representation or agreement made by the other not embodied in this Agreement. This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties hereto, and without regard to or aid of canons requiring construction against Service Company or the party drafting this Agreement.

c) No failure or delay of either party in the exercise of any right or remedy given to such party hereunder or the waiver by any party of any condition hereunder for its benefit (unless the time specified herein for exercise of such right or remedy has expired) shall constitute a waiver of any other or further right or remedy nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or any other right or remedy. No waiver by either party of any breach hereunder or failure or refusal by the other party to comply with its obligations shall be deemed a waiver of any other or subsequent breach, failure or refusal to so comply.

d) This Agreement may be executed in one or more counterparts, each of which so executed and delivered shall be deemed an original, but all of which taken together shall constitute but one and the same instrument. It shall not be necessary for the same counterpart of this Agreement to be executed by all of the parties hereto.

e) Each of the exhibits and schedules referred to herein and attached hereto is incorporated herein by this reference.

f) The caption headings in this Agreement are for convenience only and are not intended to be a part of this Agreement and shall not be construed to modify, explain or alter any of the terms, covenants or conditions herein contained.

g) This Agreement shall be interpreted and enforced in accordance with the laws of the state in which the Property is located without reference to principles of conflicts of laws. In the event that the Florida Public Service commission loses or relinquishes its authority to regulate Service Company, then all references to such regulatory authority will relate to the agency of government or political subdivision imposing said regulations. If no such regulation exists, then this Agreement shall be governed by applicable principles of law.

h) Each of the parties to this Agreement agrees that at any time after the execution hereof, it will, on request of the other party, execute and deliver such other documents and further

assurances as may reasonably be required by such other party in order to carry out the intent of this Agreement.

i) If any provision of this Agreement shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Agreement and to this end the provisions of this Agreement are intended to be and shall be severed. Notwithstanding the foregoing sentence, if (I) any provision of this Agreement is finally determined by a court of competent jurisdiction to be unenforceable or invalid in whole or in part, (II) the opportunity for all appeals of such determination have expired, and (III) such unenforceability or invalidity alters the substance of this Agreement (taken as a whole) so as to deny either party, in a material way, the realization of the intended benefit of its bargain, such party may terminate this Agreement within thirty (30) days after the final determination by notice to the other. If such party so elects to terminate this Agreement, then this Agreement shall be terminated and neither party shall have any further rights, obligations or liabilities hereunder, except for any rights, obligations or liabilities which by this specific terms of this Agreement survive the termination of this Agreement.

j) The parties hereto do hereby knowingly, voluntarily, intentionally, unconditionally and irrevocably waive any right any party may have to a jury trial in every jurisdiction in any action, proceeding or counterclaim brought by either of the parties hereto against the other or their respective successors or assigns in respect of any matter arising out of or in connection with this agreement or any other document executed and delivered by either party in connection therewith (including, without limitation, any action to rescind or cancel this agreement, and any claim or defense asserting that this agreement was fraudulently induced or is otherwise void or voidable). This waiver is a material inducement for the parties hereto to enter into this agreement.

k) In the event of any litigation arising out of or connected in any manner with this Agreement, the non-prevailing party shall pay the costs of the prevailing party, including its reasonable counsel and paralegal fees incurred in connection therewith through and including all other legal expenses and the costs of any appeals and appellate costs relating thereto. Wherever in this Agreement it is stated that one party shall be responsible for the attorneys' fees and expenses of another party, the same shall automatically be deemed to include the fees and expenses in connection with all appeals and appellate proceedings relating or incidental thereto. This subsection (k) shall survive the termination of this Agreement.

l) This Agreement shall not be deemed to confer in favor of any third parties any rights whatsoever as third party beneficiaries, the parties hereto intending by the provisions hereof to confer no such benefits or status.

IN WITNESS WHEREOF, Service Company and Developer have executed this Agreement as of the day and year first above written.

KW RESORT UTILITIES CORP.

Wm L Smith Jr
Address 5950 Jr College Rd
Key West, Fla

By: Wm Smith
Title President

DANNY L. KOLHAGE, Clerk

By Pamela Hancock
Deputy Clerk

BOARD OF COUNTY COMMISSIONERS
OF MONROE COUNTY, FLORIDA

By George R. Wright
Mayor/Chairman

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY
By
ROBERT N. WOOD
DATE 8-28-01

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

The foregoing instrument was acknowledged before me this 23rd day of August, 2001, by William L Smith Jr, as President of KW Resort Utilities a Florida corporation, on behalf of said corporation. He/she is personally known to me or who has produced Drivers License as identification.

Abigail J. Hannon

My Commission Expires:

OFFICIAL SEAL
ABIGAIL J. HANNON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 2-6-2005

STATE OF FLORIDA)
) ss:
COUNTY OF MONROE)

The foregoing instrument was acknowledged before me this _____day of July, 2001, by _____, as Mayor of Monroe County, a political subdivision of the State of Florida. He is personally known to me.

My Commission Expires:

JdconKWUtilities2

Addendum A

A parcel of land, formerly submerged in the Bay of Florida, and being a part of Trustees of the Internal Improvement Trust Fund of the State of Florida (TIIF) Deed Number 19725, and said parcel lying in Section 27, Township 67 South, Range 25 East, and in Monroe County, Florida; and said parcel being more particularly described by metes and bounds as follows: COMMENCE at the intersection of the center line of the right of way of U. S. Highway No. 1, also known as the center line of the Florida East Coast Railroad, and the center line of the right of way of "Old Country Club Road" (OCCR), also known as Junior College Road (JCR) as these two center lines exist as of May 16, 1996, said intersection being known as Point #1 and having coordinates of N-[illegible] & E-[illegible] based on the Mercator Projection for the East Zone of Florida and run thence N 20° 11' 57" W (all bearings in this legal description are also based on the said Mercator Projection) along the center line of the OCCR for a distance of [illegible].44 feet to Point #2 (N-[illegible] & E-251213.25); thence N 62° 51' 57" W along the center line of the OCCR for a distance of [illegible] feet to Point #3 (N-[illegible] & E-[illegible]); thence N 30° 39' 57" W along the center line of the OCCR for a distance of [illegible] feet to Point #4 (N-[illegible].17 & E-[illegible]); thence N 30° 45' 57" W along the center line of the OCCR for a distance of [illegible] feet to Point #5 (N-[illegible] & E-[illegible]); thence N 63° 33' 57" W along the center line of the OCCR for a distance of 152.00 feet to Point #6 (N-[illegible] & E-[illegible]); thence N 19° 47' 05" E along the center line of the OCCR for a distance of 122.56 feet to Point #7 (N-[illegible] & E-[illegible]); thence N 69° 39' 57" W for a distance of [illegible] feet to Point #8 (N-[illegible] & E-[illegible]) and the SE'ly corner of the lands described in the said TIIF Deed No. 19725; thence N 20° 37' 03" E along the SE'ly boundary line of the lands described in the said TIIF Deed No. 19725 for a distance of 962.72 feet to Point #9 (N-[illegible] & E-[illegible]) and the POINT OF BEGINNING of the parcel of land being described herein said Point of Beginning being marked by an iron pipe; thence N 63° 38' 06" W for a distance of [illegible] feet to Point #10 (N-[illegible] & E-250772.37); thence S 46° 35' 19.5" W for a distance of 108.98 feet to Point #11 (N-[illegible] & E-250702.54); thence N 56° 13' 20" W for a distance of 241.24 feet to Point #12 (N-[illegible] & E-[illegible]) and the Approximate Mean High Tide Line of Florida Bay (MHTL); thence S 27° 02' 05" W and along the said MHTL for a distance of 179.79 feet to Point #13 (N-[illegible] & E-[illegible]); thence S 31° 02' 05" W and along the said MHTL for a distance of 127.17 feet to Point #14 (N-[illegible] & E-[illegible]); thence S 41° 02' 02" W and along the said MHTL for a distance of [illegible] feet to Point #15 (N-[illegible] & E-[illegible]); thence S 51° 22' 05" W and along the said MHTL for a distance of 146.25 feet to Point #16 (N-[illegible] & E-250157.33); thence N 52° 27' 57" W and along the said MHTL for a distance of [illegible] feet to Point #17 (N-[illegible] & E-250013.99); thence N 30° 37' 57" W and along the said MHTL for a distance of 315.40 feet to Point #18 (N-[illegible] & E-[illegible]); thence N 20° 27' 57" W and along the said MHTL for a distance of [illegible] feet to Point #19 (N-[illegible] & E-[illegible]); thence N 01° 32' 05" E along the said MHTL for a distance of [illegible] feet to Point #20 (N-[illegible].76 & E-[illegible]); thence N 16° 27' 55" E and along the said MHTL for a distance of 77.[illegible] feet to Point #21 (N-[illegible] & E-[illegible]); thence N 13° 45' 52" W and along the said MHTL for a distance of [illegible] feet to Point #22 (N-[illegible] & E-[illegible]); thence N 14° 57' 57.5" W and along the said MHTL for a distance of [illegible] feet to Point #23 (N-[illegible] & E-[illegible]); thence N 38° 35' 35" E and along the said MHTL for a distance of [illegible] feet to Point #24 (N-[illegible] & E-[illegible]); thence [illegible] 04' 36" E for a distance of [illegible] feet to Point #25 (N-[illegible] & E-[illegible]) and a concrete monument; thence S 13° 15' 20" W for a distance of 22.30 feet to Point #26 (N-[illegible] & E-[illegible]) and a concrete monument; thence S 44° 53' 02" E for a distance of [illegible] feet to Point #27 (N-[illegible] & E-250171.46) and a concrete monument; thence N 74° 45' 05" E for a distance of [illegible] feet to Point #28 (N-[illegible] & E-[illegible]) and a concrete monument; thence S 36° 38' 29" E for a distance of [illegible] feet to Point #29 (N-[illegible] & E-[illegible]) and a concrete monument; thence N 40° 22' 15" E for a distance of [illegible] feet to Point #30 (N-[illegible] & E-[illegible]) and a concrete monument; thence N 63° 38' 06" E for a distance of 318.[illegible] feet to Point #31 (N-[illegible] & E-[illegible]) to the Westerly and curved right of way line of the said Junior College Road and a concrete monument, said curve being concave to the Southeast and having a radius of [illegible] feet; thence SW'ly along the said curved right of way line for and arc distance of 66.04 feet to Point #32 (N-[illegible] & E-[illegible]) and a concrete monument; thence N 63° 32' 06" W for a distance of 47.61 feet back to Point #9 and the POINT OF BEGINNING, said parcel containing 12.[illegible] acres ([illegible] square feet), more or less.

EXHIBIT A

Exhibit B

THIS INSTRUMENT PREPARED BY:

John R. Jenkins, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301
(850) 877-6555

GRANT OF EASEMENT

THIS GRANT OF EASEMENT is made this ____day of _____, 200__, by _____ (AGrantor@), whose address is _____ to K. W. Resort Utilities Corp., (AGrantee@), whose address is 6450 Junior College Road, Key West, Florida 33040.

WITNESSETH, that Grantor, its successors and assigns, for and in consideration of the sum of Ten and No/100 Dollars ($10.00) and other good and valuable consideration to it in hand paid by Grantee, the receipt and sufficiency of which is hereby acknowledged, grants and conveys a utility easement, in perpetuity, over, in, through and under the property described in Exhibit AA@ attached hereto and made a part hereof (Property@). Notwithstanding the foregoing, in the event Grantee discontinues service for any event other than non-payment or default by Grantor then the easement granted shall lapse and expire.

1. Grantor permanently grants, sets over, conveys and delivers to Grantee, it successors and assigns, the nonexclusive right, privilege and easement to construct, reconstruct, lay and install, operate, maintain, relocate, repair, reconnect, replace, improve, remove and inspect sewer transmission and collection facilities, reuse transmission and distribution facilities and all appurtenances thereto, and all appurtenant equipment in, under, upon, over and across the Property with full right to ingress and egress through the Property for the accomplishment of the foregoing rights.

2. This Grant of Easement is a reservation and condition running with the Property and shall be binding upon the successor and assigns of Grantor, all purchasers of the Property and all those persons or entities acquiring right, title or interest in the Property by, through or under Grantor.

3. The Grantor warrants that it is lawfully seized in fee simple of the land upon which the above-described easement is situated, and that it has good and lawful authority to convey said land or any part thereof or interest therein, and said land is free from all encumbrances and that Grantor will warrant and defend the title thereto against the lawful claims of all persons whomsoever.

4. All easements and grants herein shall be utilized in accordance with established generally accepted practices of the water and sewer industry and all rules, regulations, ordinances, and laws established by governmental authorities having jurisdiction over such matters.

5. Grantor retains, reserves and shall continue to enjoy the use of the surface of the above described property for any and all purposes that do not interfere with Grantee=s use of the subject easement, including the right to grant easements for other public utility purposes. Grantor, its successors or assigns, may change the grade above Grantee=s installed facilities, or perform any construction on the surface of the above described property which is permitted hereunder; however, if the change in grade and/or construction requires the lowering relocation and/or protection of Grantee=s installed facilities (such

protection to include but not limited to the construction of a vault to protect the pipes), such lowering, relocation and/or protection shall be performed at the sole cost and expense of Grantor, its successors or assigns.

6. If in the future any portion of any driveways, sodded areas, gardens or plantings shall be destroyed, removed, damaged or disturbed in any way by Grantee as a result of Grantee installing, excavating, repairing, maintaining, replacing, reconnecting or attaching any underground sewer mains, lines or related facilities within the foregoing described easement, Grantee=s sole obligation to restore the surface of the easement area shall be limited to the replacement of sod and/or pavement, and Grantee shall have no obligation, nor be responsible or liable for any expense incurred in the replacement of gardens, plantings or trees or any boundary wall, building or structure located in the said easement area which may have been destroyed, removed, damaged or disturbed.

IN WITNESS WHEREOF, the undersigned has executed this instrument this ____ day of _____, 200__.

ed, and delivered in our presence.

S:

_____ _____Print Name:

_____ Print Name:

STATE OF FLORIDA
COUNTY OF MONROE

The foregoing instrument was acknowledged before me this _____ day of _____200____,by _____ who is personally know to me or who has produced _____ as identification.

My Commission Expires:
NOTARY PUBLIC

Appendix H

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
NOTICE OF INTENT TO ISSUE PERMIT

The Department of Environmental Protection gives notice of its intent to issue a permit to Key West Resort Utilities Corporation., Christopher Johnson, President, 6630 Front Street, Key West, Florida 33040 to:

Operate an existing 0.499 million gallons per day (MGD) annual average daily flow (AADF) extended aeration process domestic wastewater treatment plant (WWTP). Disinfection is provided by chlorine gas.

Construct a new 0.350 MGD AADF treatment train to increase the existing capacity to 0.849 MGD. The plan also includes the addition of a dual influent screen on the existing plant as well as disposal to two new injection wells. Disinfection is to be provided by liquid chlorine. The existing treatment facility will continue with normal operation during construction.

The existing WWTP and the proposed 0.350 MGD treatment train has and will be modified to meet the 5-5-3-1 advanced wastewater treatment (AWT) standards requirement of Section 403.086(10), F.S. The extended aeration process will be switched to the AWT nutrient removal system prior to January 01, 2016. The changes to AWT include the addition of an alkalinity control system, a carbon injection system, an alum injection system, along with modifying the mixing and aeration at different phases of the treatment process.

The facility is located at latitude 24°34'2.4058" N, longitude 81°44'.7186" W on 6630 Front St., Stock Island, Key West, Florida 33045 in Monroe County.

The intent to issue and application file are available for public inspection during normal business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, except legal holidays, at the Department's South District Office, 2295 Victoria Ave, Suite 364, Ft. Myers, Florida 33901-3875, at phone number (239)344-5600.

The Department will issue the permit with the attached conditions unless a timely petition for an administrative hearing is filed under Sections 120.569 and 120.57, Florida Statutes, within fourteen days of receipt of notice. The procedures for petitioning for a hearing are set forth below.

A person whose substantial interests are affected by the Department's proposed permitting decision may petition for an administrative proceeding (hearing) under Sections 120.569 and 120.57, Florida Statutes. The petition must contain the information set forth below and must be filed (received by the Clerk) in the Office of General Counsel of the Department at 3900 Commonwealth Boulevard, Mail Station 35, Tallahassee, Florida 32399-3000.

Under Rule 62-110.106(4), Florida Administrative Code, a person may request an extension of the time for filing a petition for an administrative hearing. The request must be filed (received by the Clerk) in the Office of General Counsel before the end of the time period for filing a petition for an administrative hearing.

Petitions filed by any persons other than those entitled to written notice under Section 120.60(3), Florida Statutes, must be filed within fourteen days of publication of the notice or within fourteen days of receipt of the written notice, whichever occurs first. Section 120.60(3), Florida Statutes, however, also allows that any person who has asked the Department in writing for notice of agency action may file a petition within fourteen days of receipt of such notice, regardless of the date of publication.

The petitioner shall mail a copy of the petition to the applicant at the address indicated above at the time of filing. The failure of any person to file a petition or request for an extension of time within fourteen days of receipt of notice shall constitute a waiver of that person's right to request an administrative determination (hearing) under Sections 120.569 and 120.57, Florida Statutes. Any subsequent intervention (in a proceeding initiated by another party) will be only at the discretion of the presiding officer upon the filing of a motion in compliance with Rule 28-106.205, Florida Administrative Code.

A petition that disputes the material facts on which the Department's action is based must contain the following information, as indicated in Rule 28-106.201, Florida Administrative Code:

(a) The name and address of each agency affected and each agency's file or identification number, if known;
(b) The name, address, any e-mail address, any facsimile number, and telephone number of the petitioner, if the petitioner is not represented by an attorney or a qualified representative; the name, address, and telephone number of the petitioner's representative, if any, which shall be the address for service purposes during the course of the proceeding; and an explanation of how the petitioner's substantial interests will be affected by the determination;
(c) A statement of when and how the petitioner received notice of the Department's decision;
(d) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;
(e) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the Department's proposed action;
(f) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the Department's proposed action, including an explanation of how the alleged facts relate to the specific rules or statutes; and
(g) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the Department to take with respect to the Department's proposed action.

Because the administrative hearing process is designed to formulate final agency action, the filing of a petition means that the Department's final action may be different from the position taken by it in this notice. Persons whose substantial interests will be affected by any such final decision of the Department have the right to petition to become a party to the proceeding, in accordance with the requirements set forth above.

Mediation under Section 120.573, Florida Statutes, is not available for this proceeding.

FLORIDA DEPARTMENT OF
ENVIRONMENTAL PROTECTION
South District Office
Post Office Box 2549
Fort Myers, Florida 33902-2549

RICK SCOTT
GOVERNOR

CARLOS LOPEZ-CANTERA
LT. GOVERNOR

HERSCHEL T. VINYARD JR.
SECRETARY

STATE OF FLORIDA
DOMESTIC WASTEWATER FACILITY PERMIT

Sent Via Electronic Mail

PERMITTEE:
Key West Resort Utilities Corporation

RESPONSIBLE OFFICIAL:
Christopher Johnson, President
6630 Front Street
Key West, Florida 33040
(305) 289-4161
ChrisKW@bellsouth.net

FACILITY:

Key West Resort WWTP
6630 Front St., Stock Island
Key West, FL 33045
Monroe County
Latitude: 24°34' 2.4058" N Longitude: 81°44' .7186" W

PERMIT NUMBER: FLA014951
FILE NUMBER: INTENT
DATE OF MODIFICATION: Intent
EXPIRATION DATE: February 19, 2017

This permit is issued under the provisions of Chapter 403, Florida Statutes (F.S.), and applicable rules of the Florida Administrative Code (F.A.C.). This permit does not constitute authorization to discharge wastewater other than as expressly stated in this permit. The above named permittee is hereby authorized to operate the facilities in accordance with the documents attached hereto and specifically described as follows:

WASTEWATER TREATMENT:

Operate an existing 0.499 million gallons per day (MGD) annual average daily flow (AADF) extended aeration process domestic wastewater treatment plant (WWTP) consisting of: dual treatment trains with design flows of 0.249 MGD and 0.250 MGD which are piped together to allow the facility to operate as a single unit. Collection system influent flows to a splitter box which divides the flow to the separate treatment trains. Each train consists of: a bar screen, an aeration basin, an anoxic tank, a re-aeration basin, a clarifier, a sand filter and dual chlorine contact chambers (CCC). There are three (3) aerobic digesters; one integrated into each of the treatment trains and a stand-alone digester. Disinfection is provided by chlorine gas.

Construct a new 0.350 MGD AADF treatment train to increase the existing capacity to 0.849 MGD, consisting of: a 90 foot diameter tank that will consist of influent screening, a 105,554 gallon influent equalization tank, a 163,000 gallon aeration chamber, a 154,725 gallon post-anoxic chamber, a 32,525 gallon re-aeration zone, 112,602 gallon clarifier, and a 317,950 gallon digester. Effluent from the new plant will pass through proposed expanded sand filters and the existing chlorine contact chambers shared by the existing treatment trains. The plan also includes the addition of a dual influent screen on the existing plant as well as disposal to two new injection wells. Disinfection is to be provided by liquid chlorine. The existing treatment facility will continue with normal operation during construction.

The existing WWTP and the proposed 0.350 MGD treatment train has and will be modified to meet the advanced wastewater treatment (AWT) standards of Florida Law 403.086 (10) [§403.086(10), F.S.]. The extended aeration

process will be switched to the AWT nutrient removal system prior to January 01, 2016. The changes to AWT include the addition of an alkalinity control system, a carbon injection system, an alum injection system, along with modifying the mixing and aeration at different phases of the treatment process.

The final total volumes at 0.849 MGD capacity will be:

Flow Equalization = 254,550 gallons
Aeration Basins = 395,800 gallons
Anoxic Basins = 374,545 gallons
Re-Aeration Basins = 80,205 gallons
Clarifiers = 218,624 gallons
Digesters = 446,157 gallons
Four Filters = 384 cubic feet
Four Chlorine Contact Chambers = 22,980 gallons

REUSE OR DISPOSAL:

Underground Injection U-001: An existing 0.499 MGD AADF permitted capacity underground injection well system consisting of 2 Class V underground injection wells permitted under Department permit number(s) 184940-020 and 021 discharging to Class G-III ground water. Underground Injection Well System U-001 is located approximately at latitude 24°33' 55" N, longitude 81°44' 51" W.

Underground Injection U-002: Construct and operate a new 0.0.499 MGD AADF permitted capacity, underground injection well system consisting of: 2 Class V wells with a 10" diameter, at a depth of at least 110 feet, with PVC casing to a depth of at least 60 feet, made of Neat® cement, 60 foot depth, and a thickness of at least 2 inches, discharging to Class G-III ground water.

Underground Injection U-003: The summation of U-001 and U-002, an existing 0.998 MGD AADF permitted capacity underground injection well system consisting of 4 Class V underground injection wells, the summation of U-001 and U-002. Injection is into the Key Largo and Miami Oolite Formations for the primary means of disposal of non-hazardous secondary treated domestic wastewater treatment facility effluent to the existing injection wells for a maximum daily disposal of 1.27 MGD. The maximum injection rate shall not exceed a peak hourly flow rate of 882 gallons per minute.

Land Application R-001: An existing 0.499 MGD AADF permitted capacity slow-rate public access system. R-001 is a reuse system which consists of golf course irrigation at the Key West Golf Course. Toilet flushing, AC makeup water, and fire protection are provided at the Monroe County Detention Center. The Key West golf course irrigation system consists of two (2) interconnected lakes that do not discharge to surface waters.

Land Application R-002: A new 0.849 MGD AADF permitted capacity slow-rate public access system. R-002 is a reuse system which consists of golf course irrigation at the Key West Golf Course, and the ball field irrigation at the Florida Keys Community College. Toilet flushing, AC makeup water, and fire protection are provided at the Monroe County Detention Center, the Florida Keys Community College, and the Lower Keys Medical Center.

IN ACCORDANCE WITH: The limitations, monitoring requirements, and other conditions set forth in this cover sheet and Part I through Part X on pages 1 through 33 of this permit.

Preliminary Design Report

For

KW RESORT UTILITIES CORPORATION
WASTEWATER TREATMENT PLANT

Prepared For

KW Resort Utilities Corporation
6630 Front Street
Stock Island, Florida 33040

Prepared by

The Weiler Engineering Corporation
6805 Overseas Hwy
Marathon, Florida 33050
(305) 289-4161

WEC Job No. 12013.001

April 2014

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ATTACHMENT A: Anticipated Flows Report

Certification Statement

I certify that the information contained in this report is, to the best of my knowledge, true and correct; that the report was prepared in accordance with sound engineering principles and I have discussed the recommendations made in this report with the permittee's delegated representative.

Edward R. Castle, P.E.
Florida License No. 58574

The Weiler Engineering Corporation
6805 Overseas Hwy
Marathon, Florida 33050
305-289-4161

PROJECT DESCRIPTION

The project will include the installation of a new 0.350 MGD treatment train to increase capacity of existing treatment plant from 0.499 MGD to 0.849 MGD. The existing 0.499 MGD plant consists of two treatment trains, one 0.249 MGD train and one 0.250 MGD train. The new 0.350 MGD treatment train will include of a 90' diameter tank that will consist of influent screening, a 105,554 gallon influent equalization chamber, 163,300 gallon aeration chamber, 154,725 gallon post-anoxic chamber, 32,525 gallon re-aeration zone, 112,602 gallon clarifier, and a 317,950 gallon digester. The tank will be attached to concrete slab at existing grade with an elevated platform that will house the plant headworks and variable frequency drive blowers. Effluent from the new plant will pass through proposed expanded sand filters and the existing chlorine contact chambers shared by existing treatment trains. The plan also includes the addition of a dual influent screen on the existing plant as well as two new injection wells.

The existing treatment facility will continue with normal operation during construction of the new treatment train, so service will be provided without any interruptions during construction.

POPULATION

The facility provides wastewater treatment services for 1416 existing residential connections and 216 existing commercial connections consisting of a convalescent center, a college, restaurants, recreational vehicle parks, an animal clinic, a detention center, and a hospital. There are no industrial wastewater contributors to the facility.

SERVICE AREA

The service area is comprised of residential developments, marinas, office facilities and commercial businesses. Population is expected to increase as redevelopment of under-utilized properties takes place.

FLOW FORECAST

Wastewater Characteristics: The influent wastewater CBOD$_5$, TSS, TN and TP are presented below.

CBOD	250 mg/L	TN	40 mg/L
TSS	250 mg/L	TP	8 mg/L

Flow Patterns:

The facility is currently permitted at 0.499 MGD, based on the annual average daily flow. Flows are approaching the permitted capacity. During high use periods, such as tourist season, the maximum daily flows can reach or exceed 0.499 MGD.

Annual Average Daily Flow	416,000 gpd
Maximum Daily Flow	717,000 gpd

Contributions: All wastewater is currently being generated on Stock Island. Additional information can be found in Attachment A, Anticipated Flows Report.

Map of Service Area

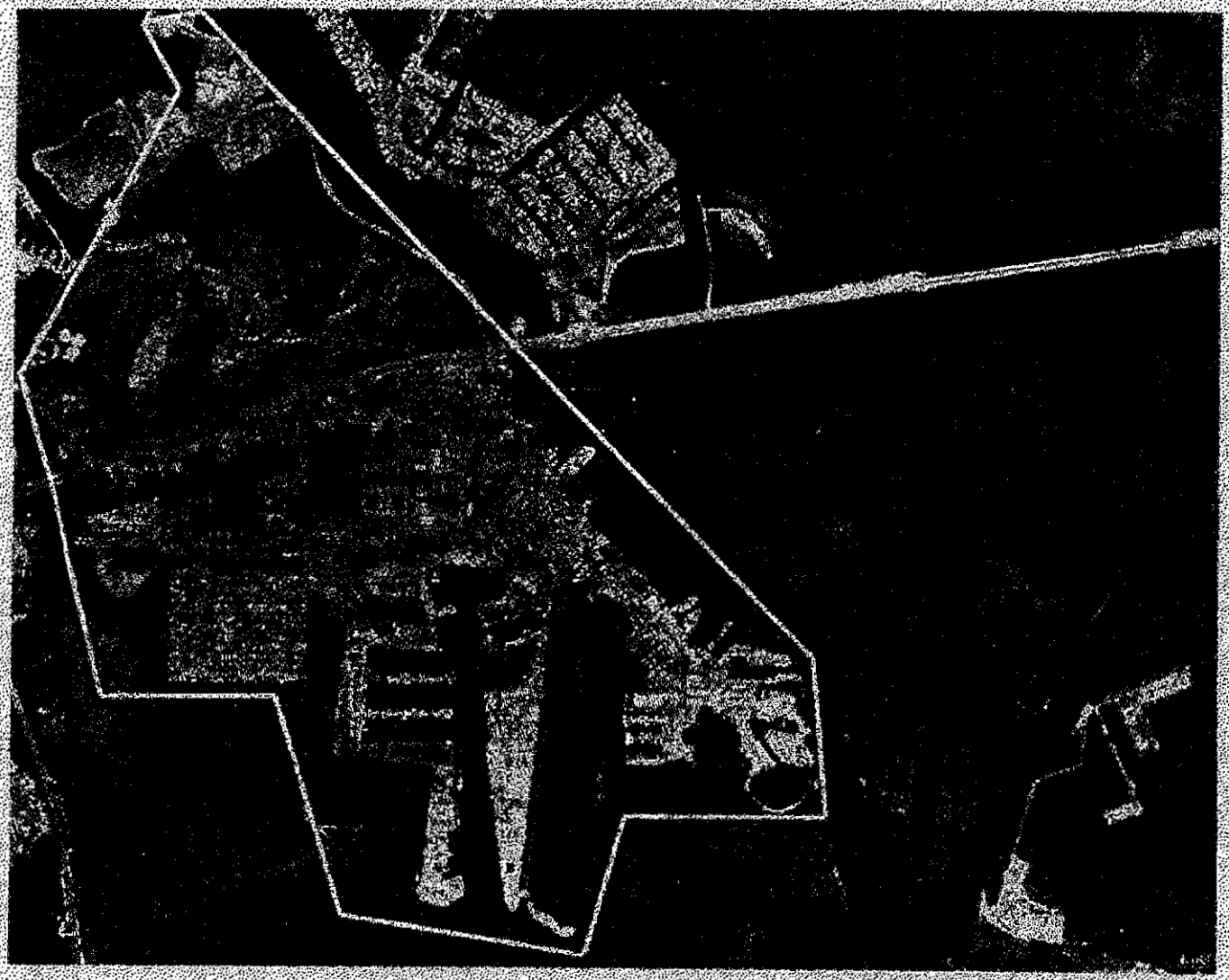
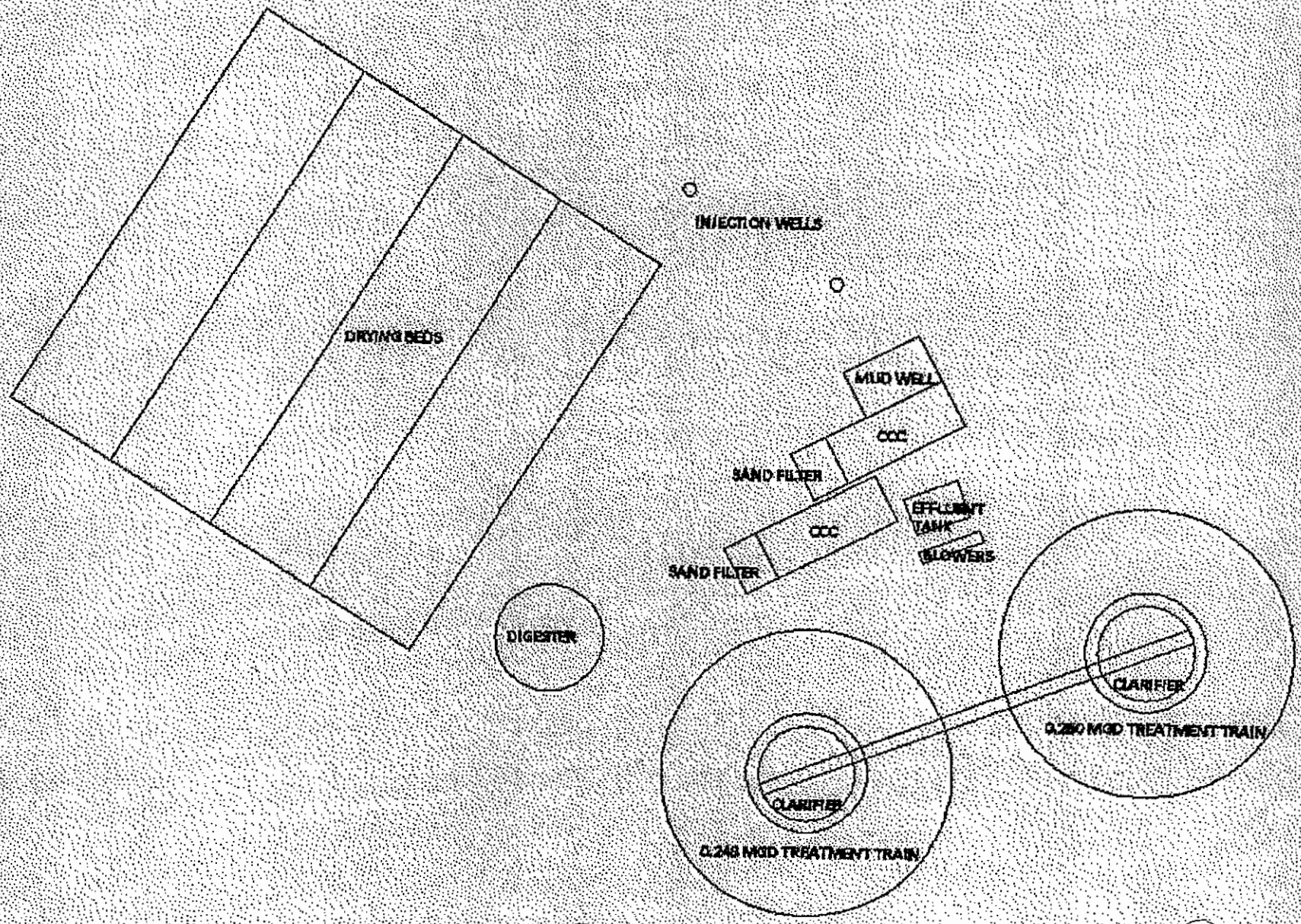


Figure 1: Existing Facility Site Plan



ENVIRONMENTAL ASSESSMENT

On two sides, the property is located between a construction and demolition debris transfer station and a commercial fishing boat dock, on the third by a marina. The fourth side of the property is the open water of the boat basin. The entire property is enclosed by a fence. No additional impacts to the adjacent properties will result. All treatment processes will be protected from the 25-year flood event and all electrical equipment will be located above the 100-year flood elevation.

DISPOSAL AND REUSE

The facility disposes of effluent to reuse ponds at the Key West Golf Club, and at the Monroe County Detention Center, the Florida Keys Community College and the Lower Keys Medical Center or two Class V injection wells. The effluent that is sent to the reuse facilities meets the standards contained in Part III of Chapter 62-610, FAC. The modified facility will continue to produce effluent that meets the Part III standards. As is the current practice, during times the effluent does not meet these standards, all flow will be sent to the injection well system. The injection wells are permitted under the authority of DEP permit numbers 184940-018-UO and 184940-019-UO. The wells are in compliance with the FDBP requirements. The wells are 10" in diameter and have an open hole drilled to at least 110'; and cased to 60'. Two additional wells of the same dimensions are proposed as part of the expansion.

The modification will result in the facility producing effluent that is in compliance with the following Advanced Wastewater Treatment Facility Effluent Standards contained in Chapter 99-395, Laws of Florida:

Parameter	Limit	Basis
$CBOD_5$/TSS	5 mg/L	annual average
Total Nitrogen	3 mg/L	annual average
Total Phosphorus	1 mg/L	annual average

TECHNICAL INFORMATION/DESIGN CRITERIA

Design Loading Rates

$CBOD_5$	250 mg/L		
TSS	250 mg/L	Q_{AADF}	849,000 gpd
TN	40 mg/L	Q_{MDF}*	976,350 gpd
TP	8 mg/L	Q_{PHF}**	1,273,500 gpd

	Flow (gpd)	CBOD (lb/day)	TSS (lb/day)	TN (lb/day)	TP (lb/day)
Q_{AADF}	849,000	1,771	1,771	284	57
Q_{MDF}	976,350	2,036	2,036	326	66
Q_{PHF}	1,273,500	2,656	2,656	425	85

* Q_{MDF} is the design maximum day flow.
** Q_{PHF} is the design peak hour flow.

Flow Metering and Sampling Provisions

Facility flows are measured by Greyline Instruments SLT 5.0 Level and Flow Monitoring systems installed upstream of the V-notch weirs located at the end of each chlorine contact chamber. Each system is attached to a chart recorder. The chart paper is replaced as needed. The system is calibrated by comparison with a certified Doppler flow meter at least annually as required by FAC Rules 62-601.200(17) and 62-601.500(6).

Flow-proportioned influent composite samples are collected prior to the surge tanks from a sample tap on the influent line to the facility. All influent samples are collected so they do not contain digester supernatant, filter backwash or return activated sludge or any other plant process recycled waters in accordance with FAC Rule 62-601.500(4). Effluent total suspended solids grab samples are taken after filtration and prior to disinfection. All other effluent samples are collected after disinfection and prior to discharge. Grab samples are collected during periods of minimal treatment plant removal efficiencies or maximum hydraulic/organic loading. Flow proportioned effluent composite samples are collected for compliance monitoring, in addition to the grab samples collected for High Level Disinfection monitoring.

TANK SIZES AND DETENTION TIMES

PROPOSED 0.849 MGD FACILITY

Unit Process	Number and Capacity	Detention Time based on design capacity of 849,000 gpd AADF
Flow Equalization	Two existing at 75,000 gal each, One proposed at 104,550 gal: Total Flow Equalization Volume: 254,550 gal	7.2 hrs
Aeration basins	Two existing at 116,250 gal each, One proposed at 163,300 gal: Total Aeration Volume: 395,800 gal	11.2 hrs.
Anoxic basins	Two existing at 109,910 gal each, One proposed at 154,725 gal: Total Anoxic Volume: 374,545 gal	9.0 hrs.
Re-aeration basins	Two existing at 23,840 gal each, One proposed at 32,525 gal: Total Re-aeration Volume: 80,205 gal	2.3 hrs.
Clarifiers	Two existing at 53,011 gal each, One proposed at 112,602 gal: Total Clarifier Volume: 218,624 gal	6.2 hrs.
Digesters	Two existing at 37,598 gal each, One existing at 53,011 gal, One proposed at 317,950 gal: Total Digester Volume: 446,157 gal	N/A
Filter	Two existing at 96 ft² each and Two proposed at 96 ft² each: Total filter Volume: 384 ft²	N/A
Chlorine Contact	Four existing at 5,745 gal each	26 mins.

PROCESS

From the collection system, wastewater will flow through proposed self-cleaning static bar screens, one before each of the three surge tanks. From the surge tanks, raw influent is directed to the aeration basins. At this point, a sodium hydroxide feed system is provided as a source of alkalinity. The amount of alkalinity fed to the system will be dependent on facility operation once the system operation is stable. The combined surge tank volume of 254,550 gallons will provide adequate flow equalization for current and future flows to the facility.

The wastewater will flow through the aeration basins where BOD removal and nitrification take place. After the aeration basins, the nitrified wastewater will be injected with a carbon source as it enters the anoxic zone for the denitrification process. In the anoxic basins, a complete mix will ensure full denitrification and drive off excess nitrogen gas. Next, the wastewater enters the re-aeration tank where any excess feed of carbon will be biologically removed. The effluent from the re-aeration tanks will be injected with aluminum sulfate (alum) to begin the process of phosphorous removal. After re-aeration, the wastewater enters the clarifiers for the sedimentation process.

An additional alum injection site is proposed in the clarifier discharge header prior to the filters to allow for dosing of alum at this alternative location. This alum injection point will be automatically activated during periods of production of reclaimed water when phosphorus removal is not required should the effluent be diverted to the wells. The alum feed pumps will automatically start whenever the reclaimed water criteria for high level disinfection is not met, ensuring that the effluent phosphorus discharge limits are met any time effluent is discharged to the disposal wells.

Return activated sludge and scum from the clarifier will be returned to the influent end of the aeration basins. Incorporated in the return piping will be a waste activated sludge valve to divert wasted sludge to the aerobic digesters.

The total digester volume of 446,157 gallons will provided adequate digester space in conjunction with the existing drying beds and proposed mobile centrifuge to achieve compliance with the standards for residuals treatment and disposal as required by the FAC. Residuals generated by the facility are aerobically digested, followed by dewatering either on drying beds or by the proposed mobile centrifuge. The residuals are aerobically digested and will be disposed of in a Class I or II solid waste landfill.

Effluent from the clarifiers is directed to sand filters, then to the chlorine contact chambers where the required contact time is met prior to disposal to the reuse system or injection well system. The treatment plant currently uses gas chlorine for disinfection. The use of liquid sodium hypochlorite for disinfection will be implemented as part of the WWTP modification due to safety concerns with gas chlorine.

Treated wastewater (effluent) is pumped to storage ponds on the Key West Golf Course for slow rate land application, to the Monroe County Detention Center for toilet flushing and cooling water and to the hospital and college on College Road for irrigation and cooling water. As an alternate disposal method, Class V underground injection wells are provided at the wastewater treatment plant site. There are two existing 10" Class V wells and two proposed 10" Class V wells.

SCADA

A Supervisory Control and Data Acquisition (SCADA) system in proposed as part of the facility expansion. The facility currently has continuous monitoring of Total Residual Chlorine and Turbidity as part of the reclaimed water system. There are also high level monitoring probes at various points on the process tanks. The upgrade intends to add to these monitoring systems and tie all inputs into a Web based communications system that will allow remote monitoring and limited control of the process. Automated control of process variables including dissolved oxygen levels, chemical feeds are proposed as well. It is requested that a variance to the minimum staffing requirement be included in the permit modification, reducing the staffing to 6 hours per day, 7 days per week upon completion of the SCADA system. A summary list of the existing and proposed SCADA inputs is presented below.

Chlorine Residual

CL17 output to circular chart recorder (existing)
CL17 output to reclaimed water pump shut-down (existing)
CL17 output to SCADA software (new)
CL17 Hi and Low Alarm to PC (new)
Flow meter output to bleach feed pumps (new)

Turbidity

NTU output to chart recorder (existing)
NTU output to reclaimed water pump shut-down (existing)
NTU output to SCADA software (new)
NTU Hi Alarm output to SCADA software (new, or program in PC)

Dissolved Oxygen/ORP

LDO probe output to blower controller, each aeration train (new)
LDO probe output to SCADA software, each aeration train (new)
ORP probe output to glycerin feed pump, each anoxic train (new)
ORP probe output to SCADA software, each anoxic train (new)

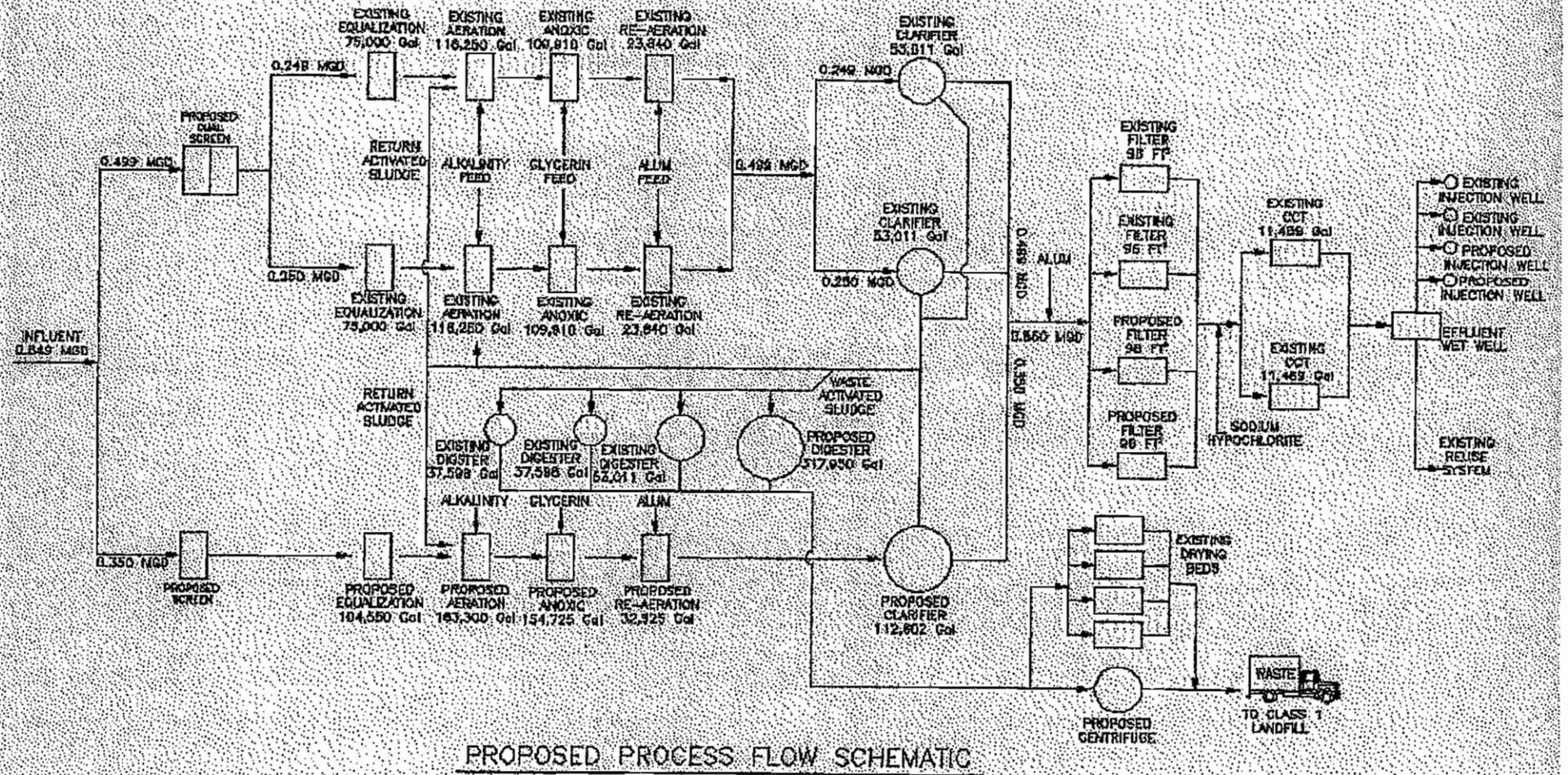
Tank Levels
Surge Tank Hi Level Alarm output to SCADA software, each train (new)
Aeration Tank Hi Level Alarm output to SCADA software, each train (Existing output to Chatterbox)
CCC Hi Level/Hi Flow Alarm output to SCADA software, each train (new)
Mud Well Hi Level Alarm output to SCADA software (Existing output to Chatterbox)
Filter Cells Hi Level Alarm output to SCADA software (new)
Influent Screening Hi Level Alarm output to SCADA software (new)

Vacuum Pump Station
All standard outputs and alarms to SCADA software (Existing output to Chatterbox)

Blower Proportional Controller
Input from LDO probes (new)
Programmable Hi and Low set-points, at Controller (new)
Programmable Hi and Low set-points and adjustable gain from SCADA software (new)
Hi and Low DO Alarm from Controller to SCADA software (new)
HOA and Alarm Acknowledge capabilities from SCADA software (new)

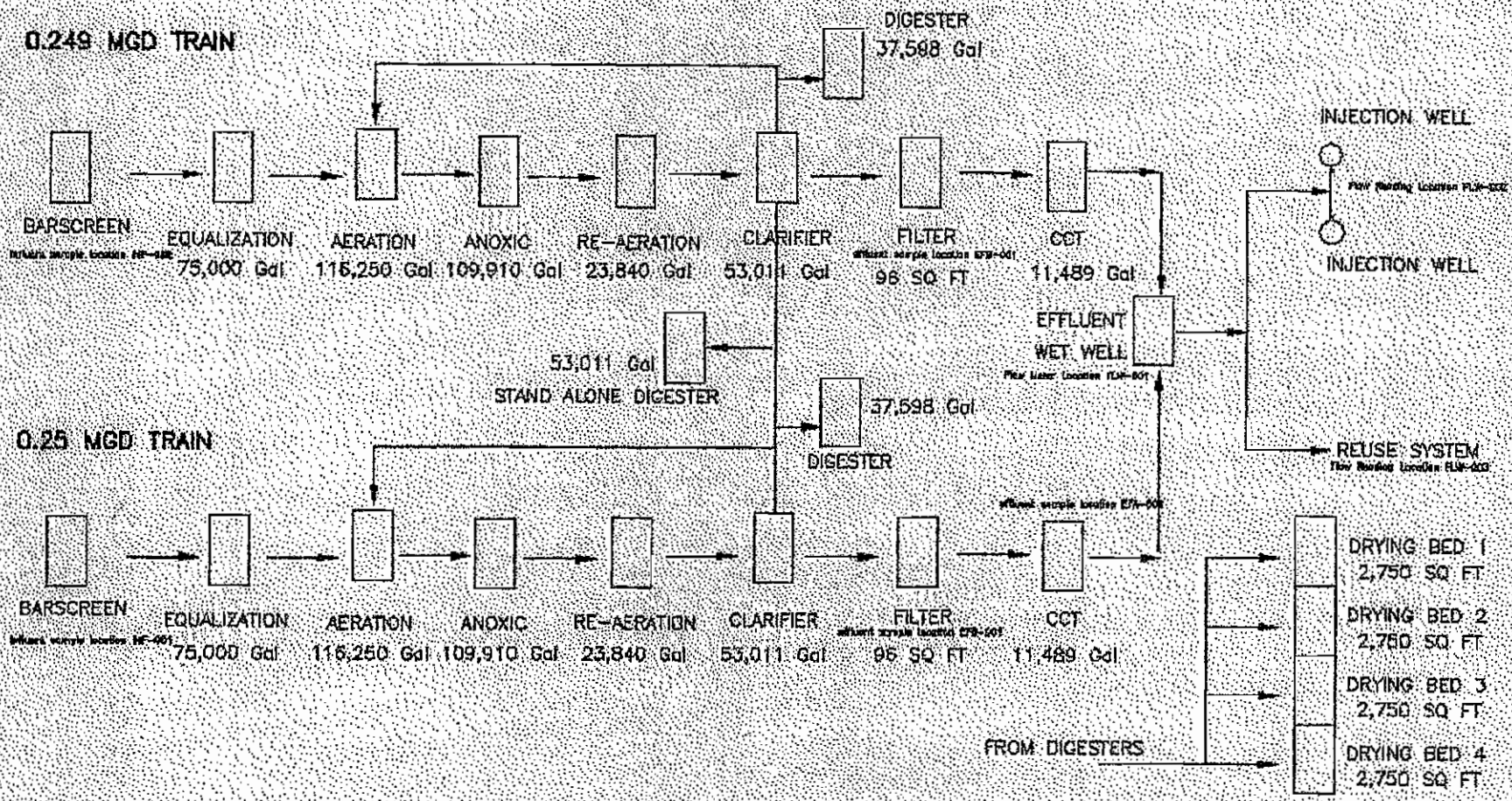
Liquid Chlorine Controller
Input from Flow Meters (new)
Programmable Hi and Low set-points, at controller (new)
Programmable Hi and Low set-points and adjustable gain, from SCADA software
Pump Feed Failure Alarm to SCADA software (new)
Hi and Low CL2 Alarm to SCADA software (new)
HOA control and Alarm Acknowledge capabilities from SCADA software (new)

Figure 2: Proposed Process Flow Schematic



PROPOSED PROCESS FLOW SCHEMATIC

Figure 3: Existing Process Flow Schematic



EXISTING PROCESS FLOW SCHEMATIC

K.W RESORT UTILITIES CORPORATION

0.849 MGD AWT EXTENDED AERATION PROCESS WWTP

UNIT PROCESS CALCULATIONS

I. PLANT FLOWS (HYDRAULIC LOADINGS)

Permitted Capacity 499,000 gpd {0.499 MGD}

Q_{AADF}	849,000 gpd	{design capacity, based on annual average daily flow}
Q_{MDF}	976,350 gpd	
Q_{PHF}	1,273,500 gpd	

II. ORGANIC LOADING

$CBOD_5$	250 mg/L
TN	40 mg/L
TP	8 mg/L

$CBOD_{AADF}$

(8.34lb/gal)(250 mg/L)(0.849 MGD) = 1,771 lb/day

$CBOD_{MDF}$

(8.34lb/gal)(250 mg/L)(0.97635 MGD) = 2,036 lb/day

$CBOD_{PHF}$

(8.34lb/gal)(250 mg/L)(1.2735 MGD) = 2,656 lb/day

TN_{AADF}

(8.34lb/gal)(40 mg/L)(0.849 MGD) = 284 lb/day

TN_{MDF}

(8.34lb/gal)(40 mg/L)(0.97635 MGD) = 326 lb/day

TN_{PHF}

(8.34lb/gal)(40 mg/L)(1.2735 MGD) = 425 lb/day

TP_{AADF}

(8.34lb/gal)(8 mg/L)(0.849 MGD) = 57 lb/day

TP_{MDF}

(8.34lb/gal)(8 mg/L)(0.97635 MGD) = 66 lb/day

TP_{PHF}

(8.34lb/gal)(8 mg/L)(1.2735 MGD) = 85 lb/day

III. SOLIDS LOADING

TSS 250 mg/L

TSS_{AADF}

(8.34lb/gal)(250 mg/L)(0.849 MGD) = 1,771 lb/day

TSS_{MDF}

(8.34lb/gal)(250 mg/L)(0.97635 MGD) = 2,036 lb/day

TSS_{PHF}

(8.34lb/gal)(250 mg/L)(1.2735 MGD) = 2,656 lb/da

IV. UNIT PROCESSES

Q_{AADF}	849,000 gpd	= 35,375 gallons per hour = 590gpm
Q_{MDF}	976,350 gpd	= 40,682 gallons per hour = 678gpm
Q_{PHF}	1,273,500 gpd	= 53,063 gallons per hour = 885gpm

A. AERATION BASIN DETENTION TIME = $\frac{V}{Q}$

Volume
Two existing tanks at 116,250 gal each, One proposed tank at 163,300 gal; Total = 395,800 gal

θ_{AADF} = 395,800 gallons/35,375 gph = 11.2 hrs
θ_{MDF} = 395,800 gallons/40,682 gph = 9.8 hrs
θ_{PHF} = 395,800 gallons/53,063 gph = 7.5 hrs

- Volumetric Loading

$$\frac{(1,771 \text{ lb/d } CBOD_5)(7.48 \text{ gal/ft}^3)(1000)}{395,800 \text{ gallons}} = 33.5 \text{ kg/m}^3 \cdot \text{day}$$

B. ANOXIC BASIN

Flow 849,000 gpd, annual average daily flow
Nitrogen Loading: 40 mg/l influent TN
Effluent Limit: 3 mg/L
[MLVSS] 2,625 mg/L
U_{DN} 0.05 lb NO_3-N/lb VSS · day {Metcalf & Eddy}
Required Volume $\frac{(\Delta TN)(1000000)}{(U_{DN})(MLVSS)(8.34)}$
= 37000000/0.05 * 2625 * 8.34 = 37000000/1094.6
=33,802 gallons will provide 1 hour detention time

To ensure adequate detention time, three anoxic basins, two existing with 109,910 gallons and one proposed with 154,725 gal shall be provided. The extra volume will result in an increase in the hydraulic detention time and the amount of endogenous carbon available for denitrification.

Detention Times:
θ_{AADF} =374,545 gallons/35,375 gph = 10.6 hrs.
θ_{MDF} = 374,545 gallons/40,682 gph = 9.2 hrs.
θ_{PHF} = 374,545 gallons/53,063gph = 7.1 hrs.

C. REAERATION BASIN

Flow 849,000gpd AADF
Size Two existing at 23,840 gal each, One proposed at 32,525 gal; Total = 80,205 gal

Detention times
θ_{AADF} = 80,205 gallons/35,375gph =2.3 hrs.
θ_{MDF} = 80,205 gallons/40,682 gph= 2.0 hrs.

θ_{PHF} = 80,205 gallons/53,063 gph = 1.5 hrs.

D. RETURN ACTIVATED SLUDGE (RAS)

Required: 0.5 to 1.5 times the maximum flow
Q_{PHF} = 1,273,500 gpd = 885 gpm
0.5 x 885 gpm = 442.5 gpm
1.5 x 885 gpm = 1,327.5 gpm

E. CLARIFIERS (calculations based on three clarifiers)

Volume of clarifiers: Two existing at 53,011 gal each, One proposed at 112,602 gal; Total = 218,624 gal

1. Detention Time:

θ_{AADF} = 218,624 gallons/35,375 gph = 6.2 hrs.
θ_{MDF} = 218,624 gallons/40,682 gph = 5.4 hrs.
θ_{PHF} = 218,624 gallons/53,063 gph = 4.2 hrs.

2. Hydraulic loading (at PHF)
Total Clarifier surface area = $(\pi \times 13^2)(2) + (\pi \times 16.75^2)$ = 1,943.3 ft^2
SL_{HYD} = 1,273,500 gpd/1,943.3 ft^2
= 655 gpd/ft^2
655 < 1000 gpd/ft^2 (per "Ten State Standards")

3. Weir Loading (at PHF)
Weir length = (2 x π x 13')(2) + (2 x π x 16.75') = 268.6 ft
Weir Overflow Rate: 1,273,500 gpd/268.6 ft = 3,160.8gpd/ft

4,741 < 10,000 gpd/ft (per "Ten State Standards")

4. Solids Removal*
TSS_{INF} = 250 mg/L
Facility treatment efficiency is 92%-95%.
after 95% removal = 12.5 mg/L
after 92% removal = 20 mg/L

*5 mg/L is required for AWT treatment, filtration is provided as required

F. FILTERS

Filter area = 384 ft^2, 96 ft^2 each
Q_{PHF} = 1,273,500 gpd = 885 gpm
All 4 Filters: 885 gpm/384 ft^2 = 2.3 gpm/ft^2
3 Filters: 885 gpm/288 ft^2 = 3.1 gpm/ft^2

Maximum Filtration Rate = 5 gpm/ft^2 min (from Metcalf & Eddy chart on p. 676)

G. DISINFECTION (calculations based on four chlorine contact chambers in two basins)

The Chlorine Contact Chamber is required to provide a minimum contact period of 15 minutes at design peak hourly flow or the maximum pumping rate. The facility has flow equalization, which will result in using a peaking factor of 1.5 instead of 4.

Detention time = V/Q

Volume = 11,489 gal per basin, 5,745 gal per chamber, 22,978 gal total
Flow = Q_{PHF} = 1,273,500 gpd or 885 gpm or 53,063 gph
Θ = V/Q Θ = 0.25 hr,
$V_{REQUIRED}$ = (0.25 hr)(53,063 gph) = 13,266 gal
22,978 gal > 13,266 gal therefore size is Adequate

@ 75% Operation (1 of 4 chambers off line) = 17,234 gal > 13,266 gal

22,978 gal/53,063 gph = 26 min. detention time with all 4 in service.

17,234 gal/53,063 gph = 19.5 min. detention time with 3 of 4 in service.

H. SODIUM HYPOCHLORITE SYSTEM

1 pound per day (ppd) chlorine gas = 1 gpd of 12.5% Trade NaOCl

Min. Total Residual Chlorine (TRC) = 1.0 mg/L

Avg. chlorine ppd in recent years (based on 0.343 MGD Flow) = 38.8 ppd

Cl_2 Dosage = (38.8 ppd)/((8.34 lb/day)(.343 MGD)) = 14 mg/L

Cl_2 Dosage rate, in ppd for design flow = (.849MGD)(8.34lb/gal)(14mg/L) = 99.2 ppd

Gallons of 12.5% NaOCl needed per day = (99.2 ppd Cl_2)(1 gpd 12.5% NaOCl/ 1 ppd Cl_2)
= 99.2 gal/day

With 1.5 safety factor = (99.2 gal/day)(1.5) = **148.8 gal/day**

Min. Tank size needed: (148.8 gal/day)(15** days) = 2,500 gal

Tank will be opaque for UV protection and rated for exterior use

* Dosage rate based on average feed rate of chlorine gas needed to satisfy chlorine demand and maintain desired TRC.

** Due to short shelf life of the sodium hypochlorite solution, a tank that allows for only 15 days of storage will be used instead of 30 days to prevent degradation of the sodium hypochlorite solution.

I. PHOSPHORUS REMOVAL

ALUM	$Al_2(SO_4)_3 + 18H_2O$
ALUM STRENGTH	48.5 %
DENSITY OF ALUM SOL'N	11.2 lb/gal
MOLECULAR WT. OF ALUM	594.0
MOLECULAR WT. OF ALUMINUM	26.98
MOLECULAR WEIGHT OF P	30.97

STEP 1 WEIGHT OF ALUMINUM REQUIRED PER UNIT OF PHOSPHORUS

A. THEORETICAL DOSAGE 1 MOLE AL PER 1 MOLE P
ALUMINUM REQUIRED = (MW AL/MW P)
= (26.98/30.97)
= 0.87 lb AL/lb P

STEP 2 WEIGHT OF ALUMINUM AVAILABLE PER GALLON OF ALUM

A. Weight of alum per gallon of solution
= 0.485 X 11.2 lb/gal = **5.43 lb/gal**

B. Weight of Aluminum per gallon
= 5.43 lb/gal * (2 * 26.98/594.0) = **0.493 lb/gal**

STEP 3 POUNDS OF P IN INFLUENT
= mg/L P *FLOW, MGD * 8.34
= 8*0.849*8.34
= 56.6 lbs influent phosphorus

STEP 4 AMOUNT OF ALUM SOLUTION REQUIRED PER LB OF PHOSPHORUS

Alum Dosage = (0.87 lb AL/lb P) * (1 GAL ALUM SOL/0.493 lb AL)
= 1.76 GAL ALUM SOLUTION/lb P
= 1.76*28.3 lb
= 49.8 gallons of alum solution required for 0.849 MGD facility capacity

Since significant biological uptake of phosphorus occurs in the activated sludge process, the clarifier influent will have significantly less than the 8 mg/l used in the dosing calulations, providing a safety factor in the designed dosing rate.

Min. tank size needed: (49.8 gal/day) (30 days) = 1,494 gal tank

Tank will be opaque for UV protection and rated for exterior use

J. GLYCERIN

Solution used will be 70% Glycerin as provided by manufacturer

Glycerin BOD: 870,000 mg/L

7 lb BOD = 1 gal Glycerin

Dissolved Oxygen (D.O.) going into anoxic zone = 2 mg/L

Influent NH_4 = 40 mg/L

NH_4 to NO_3 = (62/17)(40 mg/l) = 146 mg/L NO_3

Oxygen present = (((16*3)/(62))(146 mg/L)+2)(8.34 lb/gal)(0.849MGD) = 814 lbs/day

Glycerin solution needed per day: (814 lb D.O.)/(7 lb/gal glycerin) = **116.3 gal/day***

Min. tank size needed: (116.3 gal/day)*(15 days) = 1744.50 gal

* There is no safety factor being used for glycerin need because the tanks have been oversized to allow for endogenous decay which provides an additional carbon source.

K. ALKALINITY DOSING

Strength	50%
Density of Solution	12.76 lb/gallon
Molecular Weight NaOH	39.997
Molecular Weight Na	22.98
Molecular Weight OH	17.00

Weight of NaOH = 0.5x12.76 lb/gal
= 6.38 lbs lb/gal

OH per gallon 6.38 x (17.00/39.997)
= 2.71 lbs

Pounds of NH_4 per day (40 mg/L)(8.34 lb/gal)(0.849MGD)
= 283 lbs

Pounds of $CaCO_3$ needed per day (283lbs)(7.07 lbs $CaCO_3$/ lb NH_4)
= 2,001 lbs

Pounds of H_2O per day (120 mg/L)(8.34 lb/gal)(0.849 MGD)
= 850 lbs

Pounds of $CaCO_3$ added per day = 2001-850 = 1,151 lbs

Milliequivalent weights of $CaCO_3$: 50 mg/meq
NaOH: 40 mg/meq

Pounds of NaOH per day = (40/50)(1,151 lbs) = **921 lbs**

During nitrification/denitrification in aeration basins there is release of some alkalinity so no safety factor will be used

Min. tank size needed: ((921 lbs*2)/(12.76 lb/gal))*30 days = 4,331 gal

Tank will be opaque for UV protection and rated for exterior use

The theoretical dose is 1 mole NaOH per 1 mg/L alkalinity. The above calculations are based on assumptions regarding the alkalinity concentration needed and may change accordingly. All chemical feed pumps will be sized to accommodate any variables encountered.

ATTACHMENT A

ANTICIPATED FLOWS REPORT

Anticipated Flows

KW Resort Utilities Corporation
Wastewater Treatment Facility

Monroe County

DEP Permit FLA014951

Permit Expiration Date: 19 February 2017

Report Prepared by:

Weiler Engineering
6805 Overseas Highway
Marathon, Florida 33050
305.289.4161

INTRODUCTION

This Anticipated Flows Report is provided with the Preliminary Design Report to be submitted with an application for modification of the existing plant at Key West Resort Utilities (DEP Permit No. FLA014951). This report will provide information regarding the facility's operation and recent flows, and the need for expansion of the plant.

GENERAL INFORMATION

The KWRU facility is currently a 0.499 MGD AADF permitted wastewater treatment plant (WWTP) located on Stock Island in Monroe County, Florida.

Presently, the wastewater treatment facility consists of two post-anoxic biological nutrient removal treatment trains, installed separately but piped together to allow the facility to operate as a single plant. The trains, with design flows of 0.249 MGD and 0.250 MGD, respectively, are equipped with sand filters and chlorine contact chambers.

Treated wastewater is pumped to the Key West Golf Club reuse storage ponds for slow rate land application and to the Monroe County Detention Center for toilet flushing and cooling water, as well as the Lower Keys Medical Center, and Florida Keys Community College for irrigation and cooling water. Backup effluent disposal is provided by two (2) ten-inch Class V Group III underground injection wells.

FUTURE FLOW POPULATION PROJECTION

The KWRU WWTP currently treats wastewater flows from 2932 wastewater accounts consisting of residences, restaurants, an animal clinic, a laundromat, a convalescence facility, a detention center, a hospital, and a college. The AADF at KWRU has been increasing in recent past, most likely a result of the upturn in the economy. The AADF for 2012 was 0.382 MGD. This increased to 0.416 in 2013. In the first quarter of 2014 which coincides with peak tourist season, the average daily flows have been approximately .450 MGD.

In 2014 and 2015, at least four re-developments are expected to begin operating. Based on the plans and wastewater services agreements available to date, these projects will increase flows as described below:

Stock Island Marina Village - Consisting of re-development of the working waterfront on the western side of Safe Harbor on Stock Island, the project includes the addition of wet slip dockage for boats, a large fish house, commercial office space and a hotel. The project is expected to generate approximately 30,250 GPD of wastwater.

Oceanside Marina - The existing marina is being redeveloped to add 78 residential units, 4 transient rental units, a restaurant, a bath house with laundry facilities, 3 swimming pools, a recreational facility and employee housing. The project is expected to generate an additional 26,125 GPD of wastewater in addition to that already being generated.

Sunset Marina - This project is in the planning phase and is expected to add approximately 60 residential units to the existing site, increasing wastewater flows by 15,000 GPD.

Bernstein Development - This project is in the planning phase and is expected to be similar in size and amenities to the Stock Island Marina Village project. It is expected to generate approximately 30,000 GPD of wastewater.

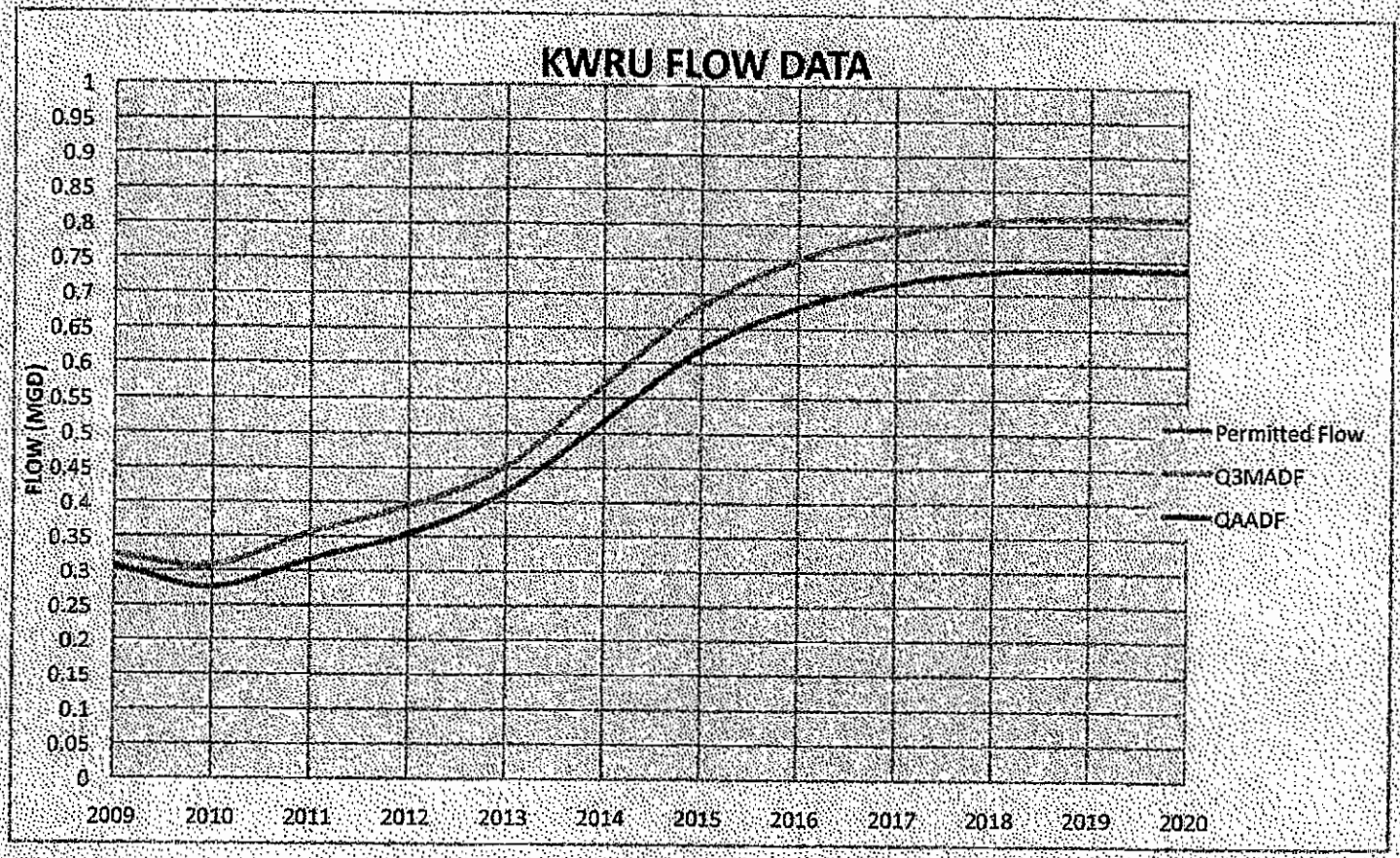
A review of the Monroe County Property Appraiser's GIS maps and associated data, it appears that there is approximately 40 acres of additional scarified or underutilized properties in the KWRU service area that are sites for potential redevelopment. Some large waterfront parcels exist and appear to have been recently purchased as investment properties. These parcels in particular have a high potential for redevelopment.

Although there are restrictions in place limiting new building rights, transferable development rights can be purchased from other properties with high densities in less desirable locations, such as older, land-locked mobile home parks. These development rights can then be used to allow units to be constructed in the more desirable waterfront properties in closer proximity to Key West. For these reasons, and based on the redevelopment history in the keys, it is apparent that the potential for further increases in flow exist in the KWRU service area.

The graph below shows the flow trends at KWRU from

PROJECTED FLOWS

This chart shows the average flows to the facility over the past four years and the expected flow through 2020.



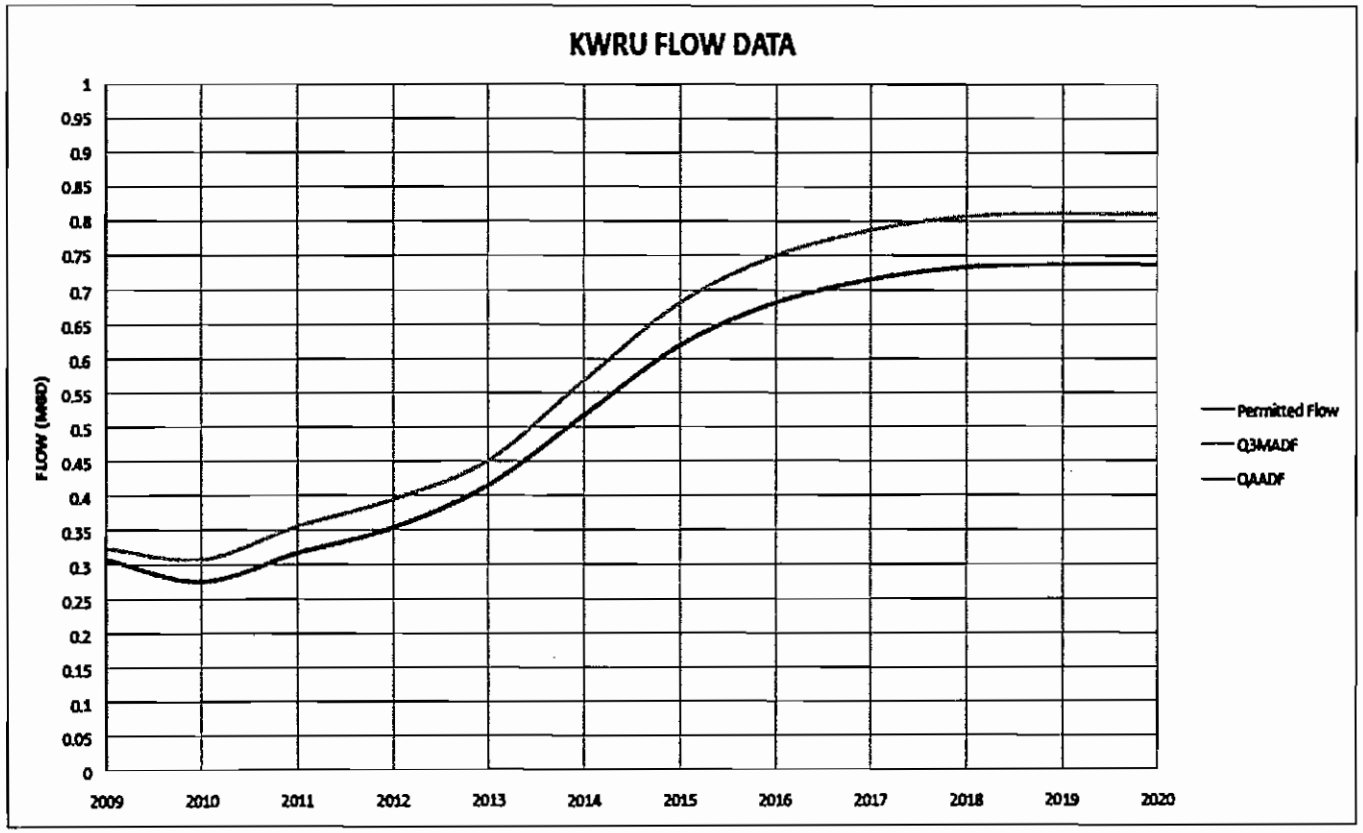
SUMMARY AND CONCLUSIONS

The annual average daily flow to the KWRU WWTP may reach 0.74 MGD AADF or 148% of existing plant capacity following development of the known underutilized or undeveloped properties in the Stock Island service area. This may represent "build-out" flows, although some redevelopment of other existing occupied properties with higher use facilities is possible. With the expansion of the WWTP capacity to 0.849 MGD, the anticipated flows will represent 87% of the proposed permitted capacity, allowing for an additional 100,000 GPD of capacity for such redevelopments.

year	Q_{AADF}	Q_{3MADF}		Ratio
2009	0.308	0.324	SEP-NOV	1.05
2010	0.276	0.308	AUG-OCT	1.12
2011	0.318	0.356	SEP-NOV	1.12
2012	0.354	0.395	OCT-DEC	1.12
2013	0.416	0.452	AUG-OCT	1.09
2014	0.518	0.569		1.10
2015	0.620	0.682		
2016	0.682	0.750		
2017	0.716	0.788		
2018	0.734	0.807		
2019	0.738	0.811		
2020	0.738	0.811		

2014 = 2013 + new developments
Developments in the works
0.18-0.2 mgd

2015 - 2017
developments from my spreadsheet



scarified vacant land and underutilized land, with allowable densities. When exactly the other developments will happen depends on the economy and other factors, but this is, I think, a realistic projection.

KWRU can expect to hit 0.650 MGD with the 3-MADF in mid- to late-2015. That would put KWRU solidly under the requirement of 62-600.408 (8) (c). KWRU has submitted the required permit application at this point, going up to 0.850. This should justify the 0.850 MGD expansion, and is aligned with FDEP rules. Therefore it is my opinion that my evaluation and recommendation complies with the rule.

Edward R. Castle, P.E.

Appendix I

CAPACITY RESERVATION AND INFRASTRUCTURE CONTRACT
KW Resort Utilities Corporation

THIS CONTRACT is entered into this 31st day of July, 2002, by and between Monroe County, a political subdivision of the State of Florida, whose address is Gato Building, 1100 Simonton Street, Key West, FL 33040 (County), and KW Resort Utilities Corp., a Florida corporation whose address is 6450 College Road, Key West, FL 33040 (Utility), for the purchase of wastewater treatment plant capacity reservation to serve South Stock Island and the installation and expansion for the wastewater collection treatment system on South Stock Island. Whereby the County agrees to provide initial funding for the installation and expansion of the Utility wastewater treatment system and the Utility agrees to provide wastewater treatment services to the residences and businesses of South Stock Island.

IN CONSIDERATION of the mutual promises and benefits set forth below, the parties agree as follows:

1. A. The County agrees to purchase from the Utility, and the Utility agrees to sell, capacity at its wastewater treatment plant sufficient to treat 1500 e.d.u.'s. The Utility agrees that the capacity purchased is to serve the South Stock Island area. As consideration for the purchase the County agrees to fund the Utility's construction of the wastewater collection system on South Stock Island , in an amount not to exceed $4,606,000, pursuant to the plans dated May 30, 2002 from Weiler Engineering Corporation. The plans are attached to this contract as Exhibit A and made a part of it. The Utility's completion of the system must be done in 16 months from the commencement date of this contract unless delayed by acts of war, legal challenges, acts of God, or lack of funding from the government.

B. The Utility agrees that the County will make monthly partial payments of the construction costs of $4,606,000 to the Utility in amounts equal to the percentage of South Stock Island infrastructure work satisfactorily completed during the previous month. The parties agree that the construction costs of $4,606,000 is allocated as follows:

i.	Collection system infrastructure	$3,500,000
ii.	Contingency amount	380,000
iii.	Engineering and engineering inspection	279,000
iv.	Construction administration and legal fees	347,000
v.	Testing	100,000
	Total	$4,606,000

The Utility agrees that the maximum amount due it from the County under this contract is $4,606,000. If the construction of the South Stock Island infrastructure expansion described in paragraph one costs in excess of $4,606,000, the excess costs are solely the responsibility of the Utility and do not operate in any way to relieve the Utility of its obligation to complete the infrastructure so that it satisfactorily collects wastewater in South Stock Island and transports it to the Utility's plant for treatment. In order to insure that the collection infrastructure is satisfactorily completed and that all contractors (in any tier) and materialmen are paid, the Utility agrees to purchase, or require its contractors to purchase, performance and payment bonds in a form and amount satisfactory to the County. No payment will be made by the County until the bonds are purchased. The Utility must also supply the County with the names of all contractors before payment can be made.

C. Payments to the Utility will be made as follows:

i. On the first business day of each month the Utility shall submit to the County Engineer an invoice, in a form satisfactory to the County Clerk, for payment for the work completed, or materials delivered, during the prior month. The invoice must contain:

a) An engineer's certificate that the percentage of work requested for payment has been completed in a good workmanlike manner and the amount requested represents the percentage of work completed, or materials delivered to the Utility for incorporation into the work provided they are kept separate from other materials at the Utility's site(s) and are identifiable as materials for incorporation in the work authorized by this contract, together with any supporting documentation requested by the County Engineer.

b) Partial lien waivers for interim payments from the contractors, materialmen, and Utility. Final waivers are necessary for final payment. An engineer's certificate that the South Stock Island Infrastructure expansion is functioning satisfactorily and in accordance with the design and performance criteria of Ex. A is also required for final payment.

ii. The County Engineer must review the invoice and within 5 business days, inspect the work completed and materials delivered, and inform the Utility in writing of any error or omission in the invoice and what must be done to correct the deficiency. If the invoice is satisfactory he shall forward the invoice to the County Clerk for payment. The Clerk must then promptly review the invoice. If the Clerk determines there is an error or omission in the invoice, he must inform the Utility in writing. If the invoice is not returned to the Utility by the Engineer or Clerk for correction, the Clerk must make the payment to the Utility within 20 business days of the County Engineer's receipt of the invoice. A corrected invoice need only be returned to the officer who noted the deficiency, with a copy to the County Engineer and, if satisfactorily corrected, shall be paid by the Clerk within 20 days of the officer's receipt of a corrected invoice.

iii. If there is a dispute between the Utility and one of its contractors which disrupts, delays or stops the work, the County reserves the right to withhold payment(s) until the dispute is resolved.

D. The Utility agrees to keep its financial records pertaining to this contract according to generally accepted accounting principles. The records must be kept three years after the date of the County Clerk's, or County's issuance of an audit for this contract.

The Utility must make its financial records pertaining to this contract available to an auditor employed by the County or Clerk during regular business hours (Monday-Friday, 9 AM - 5 PM, holidays excepted). If the auditor determines that money paid by the County to the Utility was not spent as authorized by this contract, or that the $600 portion of the capacity reservation fees collected from property owners was not spent on AWT conversion and operating costs as required by this contract, or that capacity reservation fees collected from property owners were not remitted to the County as required by this contract, then the Utility must repay to the County the amounts not spent or remitted as required by this contract, together with interest calculated at the rate set forth in Sec. 55.03, Fla. Stat., from the date the auditor determines that the funds were improperly spent or withheld.

E. The parties agree that nothing in this contract may be construed to create privity, or any other contractual or legal relationship however described, between the County and

any contractors, subcontractors, design professionals and administrative personnel, and materialmen, of the Utility. Such persons may not seek payment from the County but only from the Utility or the Utility's sureties.

F. The South Stock Island wastewater collection infrastructure constructed pursuant to this contract is, and will remain, the sole property of the Utility. Nothing in this contract may be construed as creating any County obligation or liability to the Utility or any third parties to construct, maintain, repair or operate the infrastructure.

G. The payments due the Utility pursuant to this contract may be paid out of County non-ad valorem revenue sources only. The Utility agrees that it may not seek to compel the County to pay any amount out of ad valorem funds that may be due the Utility under this contract.

3. Utility agrees to reimburse County, to the extent of its collection of capacity reservation fees from all new customers connecting to the vacuum sewer system to be constructed pursuant to the plans of Ex. A. and funded by this contract. Utility shall account and pay to the County on a monthly basis all amounts due. The capacity reservation fee is $2,700 per EDU (equivalent dwelling unit) as set forth in the Utility's tariff filed with the Public Service Commission, which fee shall remain at $2,700 until January 1, 2007. Notwithstanding, the foregoing Utility shall not be required to repay the County the advanced funds unless there are monies generated by connections to the South Stock Island wastewater collection infrastructure project and only to the extent of collections from that project.

4. Utility agrees to repay the funds advanced by County for the construction of the South Stock Island wastewater collection infrastructure project. Utility's obligation of repayment is limited to the capacity reservation fees collected by the Utility from new customers connecting to the project. Utility shall account for the collection of new customer capacity reservation fees on a monthly basis. Utility shall pay to the County the total sum of the new customer capacity reservation fees collected during any month by the fifth business day of the succeeding month. Utility has neither the authority nor the obligation to enforce the mandate of the State of Florida or to require the owners of residences and businesses of South Stock Island to abandon their current wastewater treatment system and connect to the wastewater collection infrastructure project.

5. Utility further agrees to convert its wastewater treatment system to Advanced Waste Water Treatment (5-5-3-1), hereafter AWT, by January 1, 2007 provided that the County so requests and that Utility is allowed to recapture the costs of its conversion to AWT and increased operating costs by a resolution of the County Commission. Such resolution requesting that the Utility convert to AWT and that allows Utility to recapture the costs of its conversion to AWT and increased operating costs must be adopted before January 1, 2003. Any repayment of funding by the County to construct the project from the collection of new capacity reservation fees shall be proportionally discounted and reduced by the Utility's cost of conversion to AWT standards. Utility shall be allowed to retain a fixed fee of $600 per capacity reservation fee (EDU) from the project to cover the incremental cost of conversion and initial AWT operation. The net amount due to the County from the collection of any new capacity reservation fees would be equal to $2,100 (capacity reservation fee $2,700 per EDU less discount for AWT conversion $600). Any connection fees collected from users of the existing wastewater collection system who connected to that system prior to the effective date of this contract, and which fees were reserved for AWT, must be spent on AWT. The Utility agrees to complete the AWT upgrade at its own expense if the fees collected for the upgrade under this paragraph do not cover the total cost of the upgrade. The Utility agrees to use its best efforts to require the property owners of South Stock Island to connect to the new collection infrastructure. If the owner of a property required to connect to the new collection system refuses to do so, the Utility shall refer the refusal to the County which may use any available legal or equitable remedy to compel connection.

6. Utility agrees not to add the construction cost funded by the County to its cost basis utilized by the Public Service Commission to calculate a reasonable return on invested capital. Utility

further agrees not to use the advances in calculating any impact fees, connection charges or any like charges imposed on Utility's customers, i.e., that the advances will be applied as a credit against such fees otherwise charged.

7. The Utility agrees to indemnify and hold harmless the County, members of the County Commission, County officers and employees, and County contractors, from any acts or omission committed by the Utility's officers, employees, and contractors (of any tier) during the course of performing the work required by this contract. This paragraph will survive the completion of the work. The purchase of the insurance required by paragraph 8 does not vitiate this indemnification/hold harmless paragraph.

8. During the term of this contract the Utility must keep in full force and effect the insurance set forth in Exhibit B. Exhibit B is attached to this contract and made a part of it.

9. The Utility warrants that he/it has not employed, retained or otherwise had act on his/its behalf any former County officer or employee subject to the prohibition of Section 2 of Ordinance No. 010-1990 or any County officer or employee in violation of Section 3 of Ordinance No. 010-1990. For breach or violation of this provision the County may, in its discretion, terminate this contract without liability and may also, in its discretion, deduct from the contract or purchase price, or otherwise recover, the full amount of any fee, commission, percentage, gift, or consideration paid to the former County officer or employee.

10. This contract is governed by the laws of the State of Florida. Venue for any litigation arising under this contract must be in a court of competent jurisdiction in Monroe County, Florida. In the case of litigation, the prevailing party is entitled to costs plus a reasonable fair market value attorney's fees.

11. The parties agree that this written contract represents their final mutual understanding and replaces any prior communications or representations between the parties, whether written or oral. This contract may only be modified in a writing agreed to, and executed by, both parties.

12. County hereby agrees to grant perpetual R.O.W. easements to Utility for the wastewater collection infrastructure contemplated by Exhibit A, as long as such easements are used for wastewater collection infrastructure. The County agrees to provide the Utility access to existing County Stock Island rights-of-way necessary for construction. The County also agrees to and hereby does permit this project without any additional permitting requirements.

13. Because County will repave the following streets following project completion, after installation of the pipes and other subterranean infrastructure under the streets and R.O.W. County will only require that Utility or its contractors to backfill, compact and level street trenches for the following streets.

STREET	FROM	TO
Front	Utility	End
Cross Street	US 1	12th Avenue
5th Street	US 1	12th Avenue
5th Avenue	End (radio station)	4th Avenue
4th Avenue	5th Avenue	Maloney Ave. (excluding Maloney intersection)
3rd Avenue	End past Sunshine	4th Avenue
Sunshine (B)	3rd Avenue	2nd Avenue
2nd Avenue	Sunshine (B)	3rd Street (excluding 3rd St. Intersection)
2nd Avenue	3rd Street	Maloney Avenue
2nd Terrace	3rd Avenue	2nd Avenue
2nd Street	3rd Avenue	1st Avenue
Peninsula Avenue	End Peninsula Marine	Maloney Ave. (excluding Maloney intersection)
Peninsula Avenue	Maloney Avenue	End by Hickory House

14. This contract is binding on the heirs, successors, and assigns of the parties and shall bind such heirs, successors and assigns as if they were the original parties to this contract.

15. The Utility warrants and represents that:

A. its existing facilities, and facilities to be constructed, are, and will be, in compliance with all applicable environmental permits, laws, rules, and orders;

B. the contract is Utility's legal and binding obligation, enforceable against it in accordance with its terms;

C. Utility has taken all necessary corporate actions to approve, enter into, become bound by, and perform the Contract;

D. Utility holds all necessary permits, certificates, licenses, and authorizations from the PSC and any environmental regulatory agency with jurisdiction over the Utility and the new South Stock Island infrastructure; and

E. Utility's current rates, including its capacity reservation fees, have been duly approved by the PSC.

16. The Utility shall be deemed in default under this Contract in the event that, and as soon as, any of the following occurs:

A. Utility fails to perform any obligation to the County under this Contract as and when due;

B. Utility fails to reimburse or pay to the County, as and when due, any amount to which the County is or becomes entitled under this Contract or otherwise;

C. Utility breaches any representation or warranty to the County in this Contract or in any related agreement or instrument;

D. Utility fails to obtain any license, permit certificate, or order that it needs to construct and operate, as planned, the expansion of its system contemplated by this Contract, or any such license, permit, certificate, or order is rescinded, revoked, suspended, or nullified, or is modified in a materially adverse respect;

E. The Florida PSC declines or refuses to approve any rate, rate plan, or rate change that Utility proposes, requests, or needs to construct and operate the Stock Island infrastructure or to operate profitably;

F. Utility becomes insolvent, or ceases to pay its debts and obligations as and when due, or becomes the subject of a petition filed under the United States Bankruptcy Code; or

G. a receiver or similar custodian is appointed for Utility, its Stock Island facilities, or any substantial part of its business or properties.

17. In the event that Utility is in default under this Contract and fails to remove or cure such default within 30 business days after written notice thereof by the County, then the County may take any or all of the following actions, in any combination and order, all in the County's sole discretion and without limiting any other rights or remedies that the County may have under this Contract or applicable law in the circumstances:

A. terminate this Contract and the County's performance, duties, and obligations hereunder;

B. suspend or refuse to make any or all further payments to Utility that otherwise might or would be or become due or payable to Utility under this Contract;

C. exercise its rights under any performance, payment, or surety bond or similar agreement or policy that Utility or the County may have;

D. assume responsibility for and control over completion of construction of the Stock Island infrastructure and facilities;

E. require Utility to furnish collateral satisfactory in form and amount to the County;

F. file a complaint or initiate a proceeding with the Florida PSC;

G. initiate a suit for any and all available monetary damages and injunctive and equitable relief and remedies in any court of competent jurisdiction; and

H. file a petition with any such court for appointment of a receiver for some or all of Utility's facilities and properties, and recommend a person or entity to serve in such capacity.

18. This contract commences on the signature date of the last party to sign it.

19. All communication of the parties required by this contract shall be in writing and addressed to:

Monroe County Administrator 1100 Simonton Street Key West, FL 33040	KW Resort Utilities Corp. 6450 College Road Key West, FL 33040

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year written below.

(SEAL)
ATTEST: DANNY L. KOLHAGE, CLERK

By _____
Deputy Clerk

BOARD OF COUNTY COMMISSIONERS
OF MONROE COUNTY, FLORIDA

By _____
Mayor/Chairperson

(SEAL)
ATTEST:

By _____
Title _____

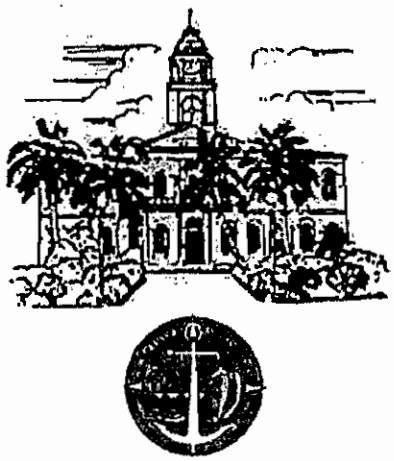
KW RESORT UTILITIES CORP.

By _____
Title _____

JdconKWRU702B

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY.
BY: _____
ROBERT N. WHITE
DATE 7-30-02

COUNTY of MONROE
KEY WEST FLORIDA 33040
(305) 294-4641



Engineering Department
1100 Simonton Street
Key West, FL 33040

January 28, 2005

Mr. Chris Johnson
KW Resort Utilities
6630 Front Street
Key West, FL 33040

RE: Right-of-Way
2nd St., Stock Island

Dear Mr. Johnson:

Thank you for inquiring into the right-of-way width of 2nd Street on Stock Island. Based on field conditions and extensive review by Monroe County, it is our position that we maintain a section of right-of-way approximately 75' wide between Second Avenue and Third Avenue on Second Street. The west side of the right-of-way coincides with the general placement of fences on the west side of Second Street between Second Avenue and Third Avenue.

We understand that it is necessary for you to cut into the recently paved Second Avenue in order to make the proper connections to your customers on the West Side of Second Avenue.

Any work performed between the platted eastern edge of right-of-way and the westerly fence line would be considered work in the public right-of-way and not work on private property. As such, all work performed would fall under the guidelines of the Monroe County Public Works Manual Volumes I & II. Furthermore, due to the extensive nature of the work you would be performing we ask that you apply to our office for a permit to perform such work in the right-of-way. Your contact person regarding any permit information is Mr. Clark Briggs, 295-4306. We will provide any sections of the Public Works Manual that you may require to perform the work to County standards.

We will also require that a Monroe County representative be present when the work is performed. Details of these requirements will be outlined on the permit. There will be no permit fee for KW Resort Utilities for the work performed on Second Avenue.

Please do not hesitate to contact us if we can be of any further assistance.

Sincerely,

Berry B. Rikard, Jr., P.E.
Assistant County Engineer

BBR/jl
SecondStRWChrisJohnson.DOC

COUNTY of MONROE
KEY WEST FLORIDA 33040
(305) 294-4641

Engineering Department
1100 Simonton Street
Key West, FL 33040

January 28, 2005

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Sincerely,

Berry B. Rikard, Jr., P.E.
Assistant County Engineer

BBR/jl
SecondStRWChrisJohnson.DOC

COUNTY of MONROE
KEY WEST FLORIDA 33040
(305) 294-4641

Monroe County
Engineering Division
1100 Simonton Street, Room 2-216
Key West, Florida 33040
(305) 295-4329
(305) 295-4321 (fax)

The County has decided to pursue abandoning Second Street rather than MacDonald Avenue, as indicated in my previous letter
Judy Steele

April 11, 2005

Mr. Doug Carter
K W Resort Utilities
P.O. Box 2125
Key West, Florida 33045

Dear Mr. Carter:

This is to inform you that the Monroe County Board of County Commissioners (BOCC) is planning to abandon a 50 foot section of Second Street that is adjacent to the Stock Island Fire Station (Lot 10 Block 35, Maloney Subdivision, Plat Book 1-55). The section of roadway that will be abandoned is shown on the attached figures.

Prior to abandoning the roadway, the BOCC is required to verify that KW Resort Utilities does not object to the abandonment. As confirmation of no objection by KW Resort Utilities, please sign this letter where indicated and return it to:

Monroe County Engineering Division
Attn: Judy Steele
1100 Simonton Street, Room 2-216
Key West, Florida 33040

If you should have any questions, please feel free to contact me at 305-295-4329 or by email at steele-judith @monroecounty-fl.gov.

Sincerely,

Judy Steele

Judith R. Steele
Senior Administrator, Special Projects

Chris,
What do we have in this area of Second St.
Thanks.

Verification of no objection to abandonment of a portion of Second Street, Stock Island, FL by K W Resort Utilities:

_____

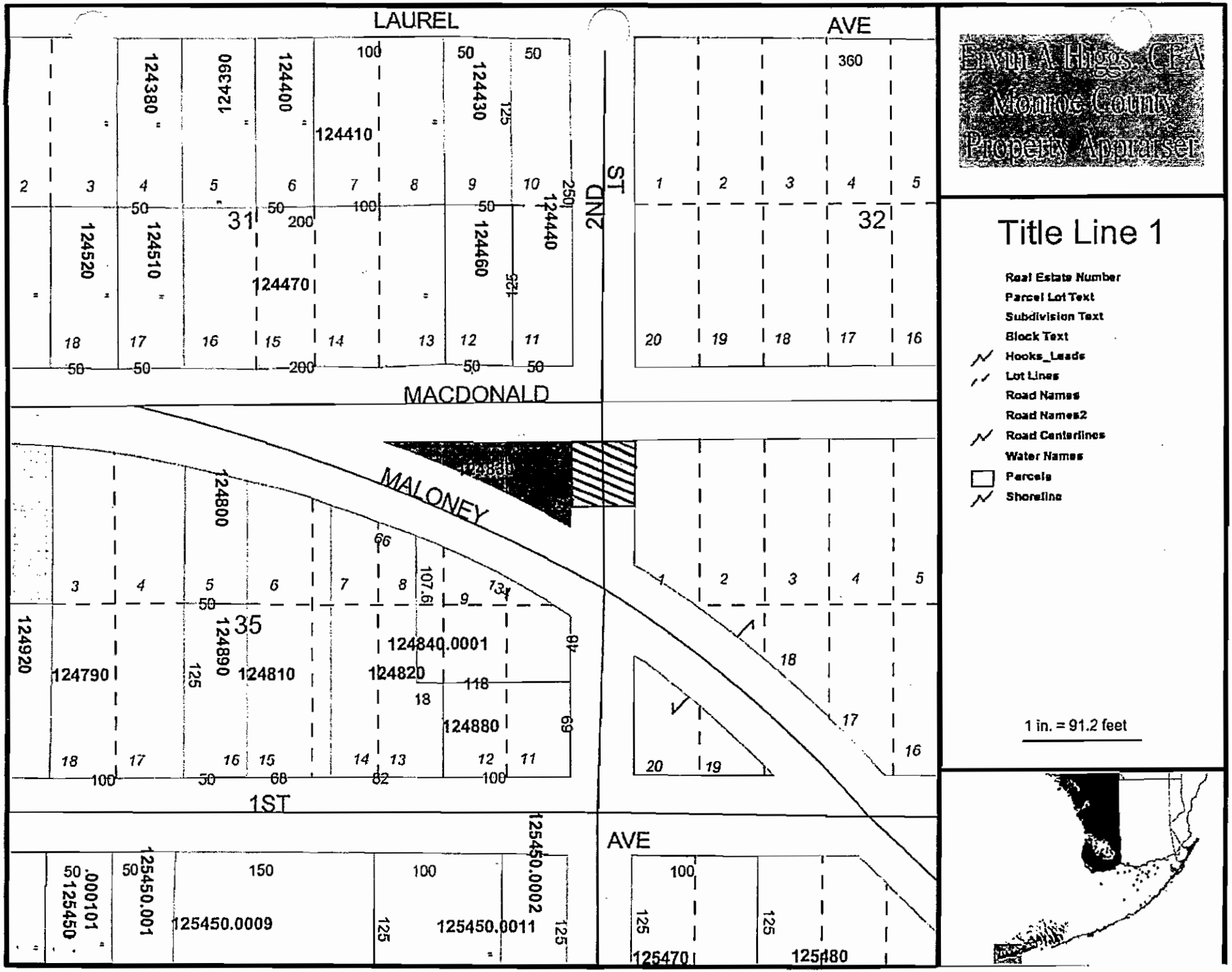
Print Name

_____

Signature

Title:

Date: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MACDONALD
MALONEY
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125450.0009
125450.0011
125470
125480
Elvin A. Higgs, CFA
Monroe County
Property Appraiser
Title Line 1
Real Estate Number
Parcel Lot Text
Subdivision Text
Block Text
Hooks_Leads
Lot Lines
Road Names
Road Names2
Road Centerlines
Water Names
Parcels
Shoreline
1 in. = 91.2 feet

ENGINEERING REPORT

for

Stock Island Sewer Expansion - Phases 1, 2 & 3

Owner:

William L. Smith, Jr.
President, Key West Resort Utilities
6450 Junior College Road
Key West, FL 33040
305-294-5232

Monroe County, FLORIDA

WEC Job No.: 02013.001

by

WEC THE WEILER ENGINEERING C O R P O R A T I O N
20020 Veterans Blvd., Suites 7-9
PORT CHARLOTTE, FLORIDA 33954
L.B. # 6656

MARCH, 2002

TABLE OF CONTENTS

1. ENGINEERS CERTIFICATION
2. INTRODUCTION
3. EXISTING CONDITIONS
4. PROPOSED CONDITIONS
5. DESIGN CONSIDERATIONS

ENGINEERS CERTIFICATION

THIS IS TO CERTIFY THAT THE ENCLOSED ENGINEERING REPORT WAS PERFORMED BY ME OR UNDER MY RESPONSIBLE CHARGE.

John Jay Johnson, P.E. #57891

Date

INTRODUCTION

The project is located on Stock Island just north of Key West in Monroe County, Florida. The project area consists of approximately 700 acres. This project will include the continuing construction of a vacuum sewer collection system. Phase 1 of the project is the installation of a vacuum/pump station at the existing Treatment Plant and construction of part of the vacuum collection system. Phase 2 and Phase 3 of the project completes construction of the vacuum collection system.

EXISTING CONDITIONS

Key West Resort Utilities currently supplies service to approximately 936 customers (single family residences, multi-family residences & commercial retail and 11 additional metered services) on Stock Island, Florida. In 1996, the wastewater treatment plant was upgraded from 0.250 mgd to 0.499 mgd.

The wastewater treatment plant, owned and operated by Key West Resort Utilities, has a permitted capacity of 499,000 gallon per day. Effluent is currently disposed of by spray irrigation to The Key West Golf Course (primary method), by injection wells, and by existing sludge drying beds (if needed). Each system of disposal is adequate for the existing facility.

The existing collection system consists of approximately 6 miles of vitrified clay, PVC and ductile iron pipe used for gravity sewer and force mains. The system has recently been expanded to include the Monroe County Detention Center that reaches the Treatment Plant through a series of force mains and gravity sewer. The Detention Center flows are expected to be on line soon and are estimated to be 100,000 GPD.

The Key West Resort Utility Wastewater Treatment Plant currently services only a portion of the residences on Stock Island in Key West, Florida. The existing collection system serves approximately 30% of the franchised area. From the most recent "Capacity Analysis Report" dated March 4, 2002, the annual average daily flow (AADF) for the year 2001 was 0.196 MGD, the maximum three-month average daily flow was 0.235 MGD, and the average metered flow rates for 2000 were reported as 56,500 GPD. 1023 residential services were connected to the system in 2001. Using the three-month maximum daily flow and the number of connected residential services, and subtracting metered commercial account flows of 56,500 GPD, the average daily flow per residential connection may be calculated as 174 GPD per residential connection.

A primary goal of the Monroe County Comprehensive Plan is the elimination of cesspools and the improvement of failing septic tanks and packaged treatment plants as necessary to meet state and county

standards. As regulatory requirements continue to make building, operating and maintaining individual on-site disposal systems and private package plants more difficult and make the rules more stringent more connections will volunteer or be required to hook up to the KWRU system. The KWRU has recently entered into a Reimbursement Contract with Monroe County for the reimbursement for the preparation of engineering plans needed for the expansion of the KWRU into south Stock Island.

PROPOSED CONDITIONS

Preliminary cost estimates were prepared for a vacuum sewage collection system, a low-pressure grinder system, and a gravity system. It was determined that a vacuum system presents the most feasible alternative. The collection system expansion was divided into three phases to best integrate the system with the surroundings.

The layout for the Stock Island vacuum collection system was designed to be an integrated system served by one central vacuum station while retaining the flexibility of a three phase construction, without jeopardizing overall system integrity. This was accomplished by adequately sizing the entire system pipe network to allow for future flows being brought into the phased system as the collection system is expanded. The projected flows for each phase are shown on the Phasing Plan Schedule. Design flows were based on a projected use of 205 GPD for residential users and complete build out of both residential and commercial properties. Design flows for commercial properties were estimated on the maximum potential for area usage based on 10D-6 F.A.C. Expected flows for residential properties are based on 174 GPD per residential connection and the current build out of residential properties. Expected flows for commercial properties are estimated at 80% of flow as designated by 10D-6 F.A.C. This adjustment factor was established by examination of existing water use data compared to flows predicted by 10D-6 F.A.C. Design flows for properties with existing Package Plants were estimated as the design capacity of the plant. Expected flows for properties with existing package plants were estimated by examination of existing flow data.

Phase 1 includes the areas north of Second Ave to US41 and bordered on the west by Suncrest Road and on the east by First Street. Phase 1 also includes the construction of the centralized vacuum and pump station to which all future flows will be transmitted. The vacuum/pump station will share the property currently occupied by the Key West Resort WWTP. Expected flows from Phase 1 include 450 ERCs or 78,262 GPD of wastewater flow. With the addition of the Monroe County Detention Center and Phase 1, the total expected flows to the treatment facility are expected to increase from 0.196 MGD to 0.374 MGD and reach 75% of plant capacity.

Phase 2 encompasses the area south of Second Ave to Fifth Ave and bordered on the east by Second Terrace/Fourth St. and on the west by Baldo Terrace. Also included in Phase 2 is the area of Suncrest Road. Phase 2 includes 314 ERCs or 54,582 GPD of wastewater flow. The addition of Phase 2 is expected to increase flows to the treatment facility to 0.43 MGD or 86% of plant capacity.

Phase 3 includes properties to the south of Fourth Avenue along Maloney Ave and the area around Peninsular Ave. This phase also includes the area to the west along Fifth Ave. Phase 3 includes 316 ERCs or 54,998 GPD of wastewater flows. The addition of Phase 3 is expected to increase flows to the treatment facility to 0.485 MGD. This is 97% of plant capacity.

Note that the design flows are the maximum potential for flows that may or may not occur over the next

50 years. Actual flows expected after system construction are shown as expected flows. Design flows are used for collection system design and expected flows are utilized for the Treatment Plant Capacity Analysis. This approach recognizes that the collection system should be designed for any and all contingencies due to the economy of scale achieved by including the capacity in the lines now and the undesirability of future street disturbance to increase the capacity of collection lines at a later date. These higher design flows are also used for vacuum station design for similar reasons. The lower expected flows are used for plant capacity analysis due the reality that expanding the treatment plant for theoretical flows that may not occur create a project that is not economically viable. Additional connections to the system can be controlled to ensure that the Treatment Plant operates within permit parameters at all times.

DESIGN CONSIDERATIONS

The following represent the general design assumptions and guidelines used during the design process. Guidelines utilized in the design include but are not limited to: Chapter 10D-6-F.A.C., AirVac, New England Interstate Water Pollution Control Commission (NEIWPCC), EPA Design Manual: Chapter 3: Vacuum Sewer Systems, Recommended Standards for Wastewater Facilities (10 State Standards), Design of Municipal Wastewater Treatment Plants, WEF Manual of Practice No. 8, ASCE Manual Report on Engineering Practice No. 76, and Water Supply and Sewerage-McGraw-Hill-Sixth Edition.

SEWAGE FLOWS
A detailed survey was conducted of the project area to determine present and future flow projections. Following are design assumptions and considerations.

q Mobile Homes, Single Family Residences, Trailers and Apartments were assigned a rate of 205 GPD for design flows and 174 GPD for expected flows.
q Commercial Properties were given a flow rate based upon 10D-6 for a given business type, s.f. of floor space, # of employees and/or other factors listed in 10D-6. Note that when specific information was unavailable, estimates were made on the high side to account for any change of use that may occur on the property and our design flows for commercial properties should not be used for the assignment of ERCs for assessment purposes. Expected flows for commercial properties are estimated at 80% of flow as designated by 10D-6 F.A.C. This adjustment factor was established by examination of existing water use data compared to flows predicted by 10D-6 F.A.C. Design flows for properties with existing Package Plants were estimated as the design capacity of the plant. Expected flows for properties with existing package plants were estimated by examination of existing flow data.
q Vacant Properties were given a flow rate based upon similar size properties that are already developed. Again, estimates were made on the high side to account for a change of use that may occur on the property and our design flows for commercial properties should not be used for the assignment of ERCs for assessment purposes.
q GPD estimates were converted to GPM using a peaking factor of 3.5 as recommended by the NEIWPCC.

VACUUM SEWER PROFILES

q The sewers are laid in a saw-tooth profile with a minimum slope of 0.2%
q Greater slopes are utilized occasionally to avoid other utility obstacles and to meet adjoining pipe grades.
q Where lifts occur within 125 l.f. of each other, a fall of 0.25 feet was used between lifts.
q Sewer mains were laid so that a minimum of 3 foot of cover was maintained over the entire section of

pipe.
q Grade changes and Plan Changes were made with 45-degree fittings with minimum 2-foot spacing and no 90 degree fittings were utilized.
q Connections to mains were made with a 6 l.f. minimum from lifts and a 20 l.f. minimum from lifts on a branch line.
q Vacuum valves are cycled to achieve an approximate 2 to 1 air to liquid ratio. At the design pressure of -16 to -20 ft of pressure, scouring velocities of 15 to 18 feet per second are attained.

FRICTION LOSSES

q Friction losses for vacuum sewer installed at slopes between 0.2% and 2% are cumulative and based upon the following equation:

F = 2.75 X 0.2083 X ((100/C)**1.85) X (Qmean**1.85 /(D** 4.8655)) ft/100ft
Where:
F = Friction loss
C = 15 for PVC pipe
Qmean = flow in pipe in GPM (cumulative flow from previous sections in addition to the average flow in the pipe under consideration)
D= Inner diameter of SDR21 PVC pipe.

q Friction losses for vacuum sewers installed at slopes greater than 2% are ignored.
q Total friction losses per line are considered maximum in the range of 5-6. Only line A approaches this limit at 5.02. AirVac engineers have assured us that this friction loss level is acceptable.

VACUUM LOSSES AT LIFTS

q The maximum lift utilized was 1.5 feet.
q Vacuum loss at lift was calculated as the lift of the pipe inverts minus the diameter of the pipe.
q The maximum lift per line is 13 feet. Only Line C approaches this static limit with a total of 9 feet. We expect to utilize some of the remaining static lift potentials during construction to lift lines over or under unforeseen obstacles encountered in the field.

PIPE SIZING

q 3-inch diameter pipe was utilized in the branches between vacuum valve stations and sewer mains. 300 l.f. was utilized as the maximum length of 3 inch diameter pipe. We did not approach this limit as the maximum 3 inch line length is approximately 150 l.f.
q 4-inch diameter pipe was utilized as the minimum sized for sewer mains with the max. length of 4 inch pipe to be 2000 l.f. The maximum flow for a 4 inch pipe was accepted at 38 GPM.
q 6-inch diameter pipe was utilized for flow ranges between 30 GPM and 106 GPM.
q 8 inch diameter pipe was utilized for flow ranges between 106 GPM and 200 GPM.
q A 10 inch diameter pipe was considered the maximum allowable for a vacuum sewer with a maximum flow of 370 GPM.
q Pipes were sized with an approximate safety factor of 20%
q For calculation of Friction factors, i.d. of the pipes were assumed to be: 3in=3.15, 4in=4.05, 6in=5.96, 8in=7.76 and 10in=9.67.
q For calculation of pipe volumes, the volume of pipe c.f. per l.f. were assumed to be: 3in=0.0547, 4in=0.0904, 6in=0.1959, 8in=0.3321, 10in=0.5095

VACUUM VALVE STATIONS

q The AirVac standard valve pit details were utilized for design
q A maximum of 30 GPM was used per air valve.
q Standard details for valve pit placement are shown on the drawings.
q Where flows exceeded 30 GPM per valve pit, a dual valve buffer tank was utilized.

VACUUM STATION
AirVac provided the calculations and preliminary layout of the Vacuum Station. This is due to the fact that the vacuum stations come as a prefabricated unit and the unique and empirical nature of the current state of vacuum system designs. Vacuum Station calculations:

Peak Flow = Qmax = 885 g.p.m.
Average Flow = Qa = Qmax = Qmax = 253 g.p.m.
Peak Factor 3.5
Minimum Flow = Qmin = Qa = 126 g.p.m.
2
Vacuum Pump Capacity Required = Qvp = A x Qmax c.f.m.
(Insert A in Calculation for Qvp:) 7.5 gal/ft3

Longest Line Length A 8 x 885 c.f.m.
0' - 5,000' 6 7.5 gal/ft3
5001' - 7,000' 7 See 'T'
7001' - 10,000' 8 Calc.
10,001' - 12,000' 9 Qvp = 944 a.c.f.m.
12,001' - 15,000' 11

Discharge Pump Capacity Qdp = Qmax = 885 g.p.m.

Collection Tank Operating Volume
(for 15 min. cycle at Qmin)

Vo = 15 Qmin (Qdp-Qmin) Vo = 1.84 Qmax for 3.5 Peak Factor
Qdp Vo = 1.64 Qmax for 4.0 Peak Factor
Vo = 1628 gal.

Total Volume Collection Tank Vct = 3 Vo + 400 = 5300 _ gal.
NOTE: MINIMUM Vct = 400 gal. Use 5300 gallon
Vacuum Reservoir/Moisture
Removal Tank Vrt = Included gal.
(Recommended Volume Vrt = 400 gal.)

System Pump Down Time
for Operating Range t = (0.045 cfm - min.) (2/3 Vp + (Vct - Vo) + Vrt) gal.
of 16" to 20" Hg Vacuum gal. Qvp cfm
t = 0.045 (54509) + (5300 - 1628) + (0)
.
't' should be less than 3 mins. If over, 910 cfm *
increase Qvp to give 't' under 3 mins.

If 't' is under 1 min. increase Vrt t = 2.88 mins. 3.77 min @1290 cfm

* Requires 2 pumps operating + 1 spare = 3 pumps @ 455 ACFM each
Total Pipe Volume = 81,763 Gallons x 2/3 = 54,509 Gallons

RETURN TO HOME PAGE

Customer Costs/Incentives

The following information explains the estimated expenses that affect residents who are required to connect to a central sewer system when the service is available in their neighborhood. This information applies to single-family residential properties. (See Footnote 1)

A capacity fee, which is the customer's share of costs the County incurred in constructing wastewater treatment plants and associated transmission systems.

All new customers that connect to the County's central sewer system pay this fee. The current capacity fee is $1,642 per single-family residential home. Customers may pay the fee up-front or finance this amount through the County for up to 20 years at an annual interest rate of 3%. If paid over time, the fee will be billed monthly. (See Footnote 2) There will be a one-time, $15 fee paid to the Clerk of Court related to financing the capacity fee. For residents who qualify based on income and family size, the capacity fee may be covered by a program offered through the Sarasota Office of Housing and Community Development (phone 316-1070).

A non-ad valorem assessment, which pays a portion of the costs the County incurred during the construction of the collection system in the customer's neighborhood.

The estimated non-ad valorem assessment is approximately $165 per year for 20 years per single-family residential home. This assessment starts with the year that central sewer service is made available to the property. The assessment will appear on the property tax bill each year. This assessment also may be paid up front, at an estimated cost of $1,900. (See Footnote 4)

The on-lot expense for abandoning the customer's septic system and connecting the home to the central sewer system.

The property owner pays this cost directly to the plumber he or she hires to perform the work. (See "A Word About On-Lot Work".) This cost will vary depending on several factors, such as, how many septic tanks are located on the property, the location of the service lateral in relation to the new sewer, and the amount of restoration work that has to be done after the pipe is installed. For a single-family home using one septic tank on a lot size of one-third acre with minimal restoration requirements (i.e.: disruption to landscaping, driveway, etc.), the on-lot costs for connection to the central sewer system will average approximately $1,000.

The addition of a rate surcharge may be necessary if sufficient grants cannot be obtained to offset the remainder of expenses involved in constructing the sewer facilities.

The worst-case estimate based on receipt of only $5 million in grants is an estimated additional $20 per

month billed on the utility bill. Final amounts will be determined based on actual project costs.

A monthly wastewater service charge based on water use.

The average water use of a single-family home is 3,000 to 5,000 gallons per month, which translates to a wastewater service charge of $32 to $45 per month. For customers using wells for drinking water, the flat fee for wastewater service is $39.98 per month. (See Footnote 3)

Expenses are based on 2001 rates. See 2001 Rates for more information.

Operation and Maintenance Performance Report

Key West Resort Utility Wastewater Treatment Facility

FLA014951

Monroe County

DEP Permit FLA014951

Permit Expiration Date **April 10, 2012**

Report Prepared by:
Weiler Engineering
201 W Marion Avenue
Suite 1306
Punta Gorda, Florida 33950
941.505.1700

CERTIFICATIONS

I certify that the information contained in this report is, to the best of my knowledge, true and correct; that the report was prepared in accordance with sound engineering principles and I have discussed the recommendations made in this report with the permittee's delegated representative.

The Weiler Engineering Corporation
6805 Overseas Highway
Marathon, Florida 33050

Edward Castle, P. E. 58574

Date

I certify that I have reviewed the information contained n this report and am fully aware of any recommendations and schedules included in the report.

Certified Operator
Mark Burkemper, B-5355

Date

KW Resort Utilities
6630 Front Street
Key West, Florida 33040

I certify that I have reviewed the information contained in this report and am fully aware of any recommendations and schedules included in the report.

Chris Johnson, President
KW Resort Utilities, Corp.
6630 Front Street
Key West, Florida 33040

Date

INTRODUCTION

The Key West Resort Utility (KWRU) wastewater treatment facility is designed to achieve Advanced Wastewater Treatment (AWT) levels, with a permitted capacity of 0.499 million gallons per day (MGD) based on the annual average daily flow (AADF).

The facility is a Category III, Class C; permitted to operate under the authority of FDEP Permit FLA014951. Staffing is by a Class C or higher operator for 6 hours per day, 7 days per week, in compliance with Permit Condition V and applicable DEP rules.

Effluent Carbonaceous Biochemical Oxygen Demand ($CBOD_5$), Total Suspended Solids (TSS), fecal coliform, pH, Total Nitrogen and Total Phosphorus are monitored pursuant to Permit Condition I.A.1 to determine efficiency of the treatment process.

Influent Total Nitrogen, Total Phosphorus, $CBOD_5$ and TSS are monitored pursuant to Permit Condition I.B.1 to determine loading to the facility.

FACILITY OPERATION

At the facility there is a vacuum building which houses four pumps connected to an auto-dialer that notifies the operator of low vacuum. The building was clean and no visible spills of oil or other fluids were observed.

Collection system influent from both the vacuum and gravity systems flows to a splitter box, which sends flow to the separate treatment trains. The facility is composed of dual plants with design flows of 0.249 MGD and 0.25 MDG, which are piped together to allow the facility to operate as a single plant.

Each treatment train consists of a bar screen, an equalization basin, an aeration tank, an anoxic tank, a re-acration basin, a clarifier, a sand filter, and a chlorine contact chamber.

From the surge tanks, raw influent is directed to dual aeration basins of equal size where nitrification takes place. There is a sodium bicarbonate feed system to add any required alkalinity in an amount dependant on facility operation. This system will be used when the facility is operated in the AWT mode. Each aeration basin is equipped with multiple air headers and the contents appear to be evenly mixed with no dead spots. The mixed liquor color was good; no odors were present, and a crisp white foam was observed.

When the facility is operated as an AWT facility, nitrified wastewater will be injected with a carbon source as required prior to flowing to the anoxic zone for the denitrification process where a complete mix drives off excess nitrogen gas.

When operated as an AWT facility, the mixed liquor flows from the anoxic basins to the re-aeration basins. In order to achieve pbospborus reduction, the effluent from the re-aeration tanks will be injected with aluminum sulfate.

Currently, the anoxic and re-aeration basins are operating as aeration basins. Flow from eacb treatment train's aeration basin is delivered to the clarifiers. The stilling wells did not contain excessive solids, and clear water was observed above the blankets; no pop-ups or floating solids seen. Each of the Return Activated Sludge (RAS) and the Waste Activated Sludge (WAS) lines were in the appropriate positions and were functioning properly. The skimmer arms were properly operating. The weirs appeared level and were maintained free of algae.

From the clarifiers, flow is delivered to the back-washable sand filters, which were free of solids or trash and operating properly. Once the water leaves the sand filters, turbidity samples are collected for analysis by the in-line continuous turbidity meter.

The final stage of treatment is the chlorine contact chambers where the required contact time and required high level disinfection is obtained prior to disposal to the reuse system or injection well system. Samples are automatically collected for analysis by a Hacb in-line chlorine meter to ensure the total residual chlorine level is at least 1 mg/L.

In accordance with F.A.C. Rule 62-600.300(4)(b), the 6 mg/L cblorine dosage rate was obtained from the Great Lakes/Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers, 1997 edition.

The contents of each chlorine contact chamber were clear; no floating material or excessive solids observed. Baffles were in place to minimize short circuiting. It was observed that the gas chlorine cylinders were properly stored.

From the chlorine contact chambers, effluent is discharged to either the reuse system or the injection well system. A Leopold-Stevens meter and totalizer on the effluent tank is used to provide hydraulic loading information for the facility.

The effluent is pumped to reuse storage ponds for slow-rate land application on the golf course at the Key West Golf Club. The Monroe County Detention Center (MCDC) also receives treated wastewater which is used for toilet flushing and cooling water. At the facility there are two ten-inch Class V Group III underground injection wells that provide alternate effluent disposal.

Residuals (WAS) are maintained in the three aerobic digesters for fifteen (15) days and are then put into under-drained drying beds. Residuals are left on the beds for sixty (60) days. When the total solids reach 80%, dried residuals are removed by Waste Management, Inc. and taken to the Medley Landfill and Recycling Center, located at 9350 NW 89th Avenue, Medley, Florida 33178.

The three month average daily flows indicate the facility is operating between 45 and 62% of the permitted capacity of 0.499 MGD.

July2011	0.307	Jan 2011	0.282
Jun	0.302	Dec	0.259
May	0.298	Nov	0.283
Apr	0.295	Oct	0.227
Mar	0.297	Sept	0.245
Feb	0.285	Aug	0.224

Safe and dry access points from which influent and effluent samples are collected are provided.

The facility sends the samples collected as required by Permit Conditions I.A.1, I.B.1, and I.C.1 to US Water in Marathon Florida, Laboratory Certification #E85433, and to Sanders Laboratories Inc., in Nokomis, Florida, Laboratory Certification #E84380. All on-site tests are performed by an operator certified in accordance with FAC Chapter 62-602.

The facility operations staff performs the required duties in a professional, thorough, and competent manner. The log book included the required information regarding facility operation.

PHYSICAL CONDITION

SURGE TANKS:

The facility has dual surge tanks, both of which are in good condition. All influent enters the surge tanks after passing through the manually-cleaned bar screens.

AERATION BASINS:

The facility has dual aeration basins which are in good condition. The contents of each basin were aerating evenly with no dead spots observed.

ANOXIC TANK:

The dual anoxic tanks are in new condition, and when placed into operation, will function as intended.

RE-AERATION BASIN:

The tanks are in new condition and will also operate as intended when placed into service.

CLARIFIERS:

The facility has two circular clarifiers, each is in good condition. The sludge mechanisms and transfer equipment were operating properly.

DIGESTERS:

There are three aerobic digesters; one integrated into each of the treatment trains and a new stand alone digester. All are in good condition, and were aerating evenly with no dead spots observed.

CHLORINE CONTACT CHAMBERS:

There are dual chlorine contact chambers. The contents of each tank were very clear with no accumulated solids observed.

FILTERS:

There are dual sand filters in like new condition after having been repainted and new media installed. The filters were operating properly with no accumulated solids observed.

DISPOSAL SYSTEM:

The dual 10" injection wells are in compliance with current standards. The operator has not reported any problems with the wells during the term of the current permit.

The reuse storage ponds at the Key West Golf Club have a combined surface area of 94,200 ft^2. The ponds were not overgrown and did not contain excessive algae.

The reuse storage system at the Monroe County Detention Center is comprised of three (3) interconnected tanks totaling 102,372 gallons; these tanks are in good condition.

BYPASS/OVERFLOWS:

No evidence of bypass or overflow was observed at the facility or in the operations log book.

OPERATION AND MAINTENANCE PROGRAM

RECORD DRAWINGS and OPERATION AND MAINTENANCE MANUAL:

Current record drawings and the Operation and Maintenance Manual are maintained in the Key West Resort Utility office at 6630 Front Street, Stock Island, Florida 33040.

OPERATION AND MAINTENANCE LOG:

The Operation and Maintenance log is kept at the facility, and is current to the most recent on-site visit by the facility operator.

B.R.I.A.N., INC.

REHAB INSPECTION ANALYSIS OF LAKE HAMILTON

31004 HWY 27, PO BOX 478
LAKE HAMILTON, FL 33851
(863) 438-9356 - FAX (863) 439-3755

VIDEO INSPECTION SHEET

JOB:	STOCK ISLAND	TOTAL FOOTAGE:	319
LOCATION:	3RD AVENUE	TAPE #:	SI-1A
CONTRACTOR:	KEYS ENVIROMENTAL	PAGE #:	2

TAPE FOOTAGE	LINE FOOTAGE	REMARKS
0.17.03	0.0	START OF RUN
	2.0	MINER LEAK AT JOINT
	2.5 TO 3.0	CRACK LEAKING
	5.0	START OF FILM
	23.7	LATERAL SOUTH
	106.6	LATERAL SOUTH WITH MINER CRACK (HEAVEY FLOW)
	117.3	VCP TO PVC LEAKING JOINT
	119.3	PVC TO VCP
	181.8	VCP TO PVC
	182.9	LATERAL SOUTH
	185.5	PVC TO VCP
0.34.38	319.0	END OF RUN

VIDEO M.H. DEPTH: 4 M.H. CONDITION: 26

>>>> DIRECTION OF MEASUREMENT >>>>

HEADING: WEST

>>>> DIRECTION OF FLOW >>>>

MANHOLE NO.	25	MANHOLE NO.	26
PIPE SIZE:	8	CREW LEADER:	BPB
TYPE OF PIPE:	VCP	TV OPERATOR:	BPB
DATE:			

3rd Ave

NOTES:

B.R.I.A.N., INC.

REHAB INSPECTION ANALYSIS OF LAKE HAMILTON

31004 HWY 27, PO BOX 478
LAKE HAMILTON, FL 33851
(863) 438-9356 - FAX (863) 439-3755

VIDEO INSPECTION SHEET

JOB:	STOCK ISLAND	TOTAL FOOTAGE:	201.6
LOCATION:	ROBYN LANE	TAPE #:	SI-1A
CONTRACTOR:	KEYS ENVIROMENTAL	PAGE #:	3

TAPE FOOTAGE	LINE FOOTAGE	REMARKS
0.34.38	0.0	START OF RUN
	4.0	VCP TO PVC
	8.0	START OF RUN
	23.1	PVC TO VCP
	24.6	LATERAL SOUTH
	24.7	LATERAL NORTH
	25.3	VCP TO PVC
	106.2	PVC TO VCP
	107.9	LATERAL SOUTH
	107.9	LATERAL NORTH 1" OFFSET IN LAY
	156.6	PVC TO VCP
159.1	100.9	BAD CRACK IN LINE MINER LEAK
	188.0	VCP TO PVC
	189.8	LATERAL SOUTH
	191.7	LATERAL NORTH
	193.4	PVC TO VCP
	201.6	LEAKING JOINT

VIDEO M.H. DEPTH: 3' M.H. CONDITION:

>>>> DIRECTION OF MEASUREMENT >>>>

HEADING: WEST

>>>> DIRECTION OF FLOW >>>>

Robyn

MANHOLE NO.	27	MANHOLE NO.	28
PIPE SIZE:	8"	CREW LEADER:	BPB
TYPE OF PIPE:	VCP	TV OPERATOR:	BPB
DATE:			

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

WASTEWATER COMPLIANCE INSPECTION REPORT

FACILITY AND INSPECTION INFORMATION

@ = Optional

Name and Physical Location of Facility	WAFR ID:	County	Entry Date/Time
Key West Resort Utility	FLA014951	Monroe	1/30/2013 09:50:00 AM
6630 Front St., Stock Island		Phone	@ Exit Date/Time
Key West, FL 33045		(305) 289-4161	1/30/2013 11:20:00 AM

Name(s) of Field Representatives(s)	Title	Email	Phone

Name and Address of Permittee or Designated Representative	Title	Phone	@ Operator Certification #
Christopher Johnson	President	(305) 289-4161	
6630 Front Street	Email		
Key West, FL 33040	chriskw@bellsouth.net		

Inspection Type	C	E	1		Samples Taken(Y/N): N	@ Sample ID#:	Samples Split (Y/N): N
X Domestic _ Industrial					Were Photos Taken(Y/N): N	@ Log book Volume :	@ Page

FACILITY COMPLIANCE AREAS EVALUATED

IC: In Compliance; MC: Minor Out of Compliance; NC: Out of Compliance; SC: Significant Non-Compliance; NA: Not Applicable; NE or Blank: Not Evaluated

Significant Non-Compliance Criteria Should be Reviewed when Out of Compliance Ratings Are Given in Areas Marked by a "♦"

	PERMITS/ORDERS		SELF MONITORING PROGRAM		FACILITY OPERATIONS		EFFLUENT/DISPOSAL
IC	1. ♦Permit	NA	3. Laboratory	IC	6. Facility Site Review	IC	9. ♦Effluent Quality
NE	2. ♦Compliance Schedules	IC	4. Sampling	IC	7. Flow Measurement	IC	10. ♦Effluent Disposal
		IC	5.♦Records & Reports	IC	8.♦Operation & Maintenance	IC	11. Biosolids/Sludge
						NA	12. Groundwater
NA	14. Other:					NE	13. SSO Survey

Facility and/or Order Compliance Status: X In-Compliance _ Out-Of-Compliance _ Significant-Out-Of-Compliance

Recommended Actions: See attached Field Notes

Name(s) and Signature(s) of Inspector(s)	District Office/Phone Number	Date
Devon Villareal	SDB/ (305)289-7070	2/14/13
@ Signature of Reviewer	District Office/Phone Number	Date

Single Event Violation Codes(s):

INSPECTION REPORT SUMMARY

Facility Name: Key West Resort Utility
Facility ID: FLA014951
Inspection Type: CEI
Inspection Date: 1/30/2013

FACILITY BACKGROUND:

Facility Address: 6630 Front St., Stock Island, Key West, FL 33045, Monroe County
Program/ Permit Information: DW, permit issue date: 2/20/2012, expiration date: 2/19/2017
Treatment Summary: Extended aeration with filtration and chlorinated effluent to two Class V wells or reuse
Permitted Capacity: 0.499 MGD

1. **Permit:** RATING - IN COMPLIANCE

   1.1 Observation: A copy of the permit was onsite and available to plant personnel.

2. **Compliance Schedules:** RATING - NOT EVALUATED

   2.1 Observation: No observations were recorded.

3. **Laboratory:** RATING - NOT APPLICABLE

   3.1 Observation: No observations were recorded.

4. **Sampling:** RATING - IN COMPLIANCE

   4.1 Observation: Calibrations were performed correctly.

   Additional Comments: Need to perform primary calibration verification at least annually for field chlorine meter.

   4.2 Observation: Sample collection is being performed in accordance with DEP-SOP-001/01

   4.3 Observation: Safe and dry access to influent and effluent sampling points are provided.

5. **Records and Reports:** RATING - IN COMPLIANCE

   5.1 Observation: *General* - A copy of the current laboratory certification was available at the time of the inspection (62-620.350(1) F.A.C.).

   5.2 Observation: *General* - Operators' certification(s) were current and available on-site.

   5.3 Observation: *General* - The certified operator's daily logbook was complete.

   Please Note: A more efficient and paperless alternative to reporting discharge and groundwater monitoring data is available at http://www.edmr.dep.statc.fl.us.

6. **Facility Site Review:** RATING - IN COMPLIANCE

   6.1 Observation: *General* - The facility grounds were secured properly.

   6.2 Observation: *General* - The facility grounds were clean and well maintained.

   6.3 Observation: *General* - Foul odors did not permeate beyond the boundaries of the plant site at the time of the inspection.

   6.4 Observation: *AlternatePower* - An alternative power source is available at the WWTF.

   6.5 Observation: *AlternatePower* - The onsite generator is tested under load on a routine basis

6.6 Observation: *AlternatePower* - A record of testing was available for the onsite generator.

6.7 Observation: *Headworks* - Screening and grit are being collected in suitable containers.

6.8 Observation: *Headworks* - There were no excessive odors emanating from the headworks at the time of the inspection.

6.9 Observation: *Headworks* - The har screen is cleaned on a routine basis.

6.10 Observation: *SurgeTanks* - No prohlems or deficiencies noted.

6.11 Observation: *AerationBasins/Act.Sludge* - The contents in the aeration chambers appeared to be adequately mixed.

6.12 Observation: *Blowers/Motors* - The hlower was operational at the time of the inspection.

6.13 Observation: *Blowers/Motors* - The hlowers were equipped with belt guards.

6.14 Observation: *Clarifiers* - The clarifier weirs appear to be level.

6.15 Observation: *Clarifiers* - The skimmer appeared to be functioning properly.

6.16 Observation: *Clarifiers* - The clarifier had good settling and clear effluent.

6.17 Observation: *Filtration* - The filter was heing bypassed at the time of the inspection.

6.18 Observation: *Disinfection* - The chlorine gas cylinders were tagged empty/full.

6.19 Observation: *Disinfection* - The chlorine gas cylinders were properly secured.

6.20 Observation: *Disinfection* - The alarm indicator for the chlorine system was operational at the time of the inspection.

6.21 Observation: *Disinfection* - The chlorine contact chamber was clean and the effluent leaving the plant was clear

6.22 Observation: *Digestors* - The digestors were free from excessive odors.

7. **Flow Measurement:** RATING - IN COMPLIANCE

7.1 Observation: The copy of the flow calibration report is current and satisfactory.

Additional Comments: Calibrated on April 20, 2012.

7.2 Observation: The chart recorder for the flow meter was operational at the time of the inspection.

8. **Operation and Maintenance:** RATING - IN COMPLIANCE

8.1 Observation: *General* - The facility was operated and maintained in accordance with the description in the Permit.

8.2 Observation: *General* - A certified operator as required by Rule 62-602 and the Permit, was operating the WWTF.

8.3 Observation: *General* - The operator is performing treatment plant operation and maintenance duties in a responsihle and professional manner

9. **Effluent Quality:** RATING - IN COMPLIANCE

9.1 Observation: The final effluent chlorine residual was within the acceptable range.

Additional Comments: Continuous Chlorine meter TRC = 3.72 mg/L

9.2 Observation: A review of the Discharge Monitoring Reports did not reveal any effluent exceedances.

Additional Comments: The current effluent annual averages are as follows: TSS = 3.7 mg/L, CBOD = 1.3 mg/L, TN (report only) = 29.0 mg/L, and TP (report only) = 4.6 mg/L.

10. **Effluent Disposal:** RATING - IN COMPLIANCE

    10.1 Observation: *Reuse* - All plastic reclaimed water piping, pipelines, valves, outlets, and other appurtenances were color-coded Pantone Purple.

    10.2 Observation: *Reuse* - Please see specific comment

    Additional Comments: At the time of the inspection, the filters were being bypassed due to an upset event and there was no discharge to reuse. The bypass was reported to the Department on January 23, 2013. The filters were placed back into service during the afternoon of January 30, 2013, after the inspection.

11. **Biosolids/Sludge:** RATING - IN COMPLIANCE

    11.1 Observation: *General* - Residuals were being disposed of in accordance with the permit.

12. **Groundwater Quality:** RATING - NOT APPLICABLE

    12.1 Observation: No observations were recorded.

13. **SSO Survey:** RATING - NOT EVALUATED

    13.1 Observation: No observations were recorded.

14. **Other:** RATING - NOT APPLICABLE

    14.1 Observation: No observations were recorded.

SCHEDULE 5-1
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Historical Operating Results and Test Year Development
Not-For-Profit

	Actual (1)						Adjusted
	2009	2010	2011	2012	2013	Adjustments	Test Year
Operating Revenues							
Measured Wastewater Revenue							
Residential	$ 752,383	$ 738,538	$ 684,339	$ 651,583	$ 619,537	$ 63,983	$ 683,520
Commercial	434,658	452,268	516,383	697,383	709,917	73,317	783,234
Total Metered Revenue	1,187,041	1,190,806	1,200,722	1,348,966	1,329,454	137,300	1,466,754
Sales to Reuse Customers	54,175	35,884	51,649	33,468	45,270		45,270
Rent from Property	12,000	9,700	6,000	2,400	3,129		3,129
Other Water Revenues	39,438	39,316	87,857	71,284	47,510		47,510
Total Operating Revenues	$ 1,292,654	$ 1,275,706	$ 1,346,228	$ 1,456,118	$ 1,425,363	$ 137,300	$ 1,562,663
Operating Expenses							
Salaries and Wages - Employees	$ 486,151	$ 298,583	$ 344,794	$ 392,632	$ 421,904	$ 16,356	$ 438,260
Salaries and Wages - Officers	-	147,000	124,000	135,800	141,792	(100,000)	41,792
Employee Pensions and Benefits	68,391	66,559	76,328	73,449	95,361	(14,150)	81,211
Purchased Sewage Treatment	-	-	-	-	-		-
Sludge Removal Expense	13,408	19,716	21,847	28,183	30,176	3,116	33,292
Purchased Power	182,623	151,219	139,967	147,971	138,420	14,295	152,715
Fuel for Purchased Power		-	-	-	-		-
Chemicals	57,199	22,769	38,768	41,787	38,516	3,978	42,494
Materials and Supplies	20,780	27,510	53,611	48,099	46,076	1,394	47,470
Contractual Services - Engineering	65,471	29,379	15,756	22,523	9,196	357	9,553
Contractual Services - Accounting	15,730	14,496	11,595	19,484	19,381	751	20,132
Contractual Services - Legal	55,483	11,608	7,436	25,372	18,789	728	19,517
Contractual Services - Mgt. Fees	60,000	55,120	59,880	60,000	60,000	(60,000)	-
Contractual Services - Testing	24,964	19,619	38,288	18,890	12,860	499	13,359
Contractual Services - Other	95,572	44,543	222,293	71,999	106,351	4,123	110,474
Rent of Building/Property	8,776	-	-	2,700	100	2	102
Rental of Equipment		3,739	2,375	2,001	750	18	768
Transportation Expenses	5,115	8,502	9,938	8,576	21,863	(10,808)	11,055
Insurance - General Liability	27,409	24,734	30,183	27,105	23,019	547	23,566
Insurance - Workers Comp	17,136	13,923	13,782	16,103	19,190	456	19,646

SCHEDULE 5-1
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Historical Operating Results and Test Year Development
Not-For-Profit

	Actual (1)						Adjusted
	2009	2010	2011	2012	2013	Adjustments	Test Year
Advertising Expense	608	217	4,116	635	1,426	34	1,460
Regulatory Commission Expense - Amortization of Rate Case Expense	116,654	116,654	116,654	-	-	-	-
Bad Debt Expense	958	-	-	-	-		-
Miscellaneous Expense	51,063	51,260	52,829	49,309	40,969	12,550	53,519
Rate Case Adjustments	-	-	-	-	-		-
Total Operating Expenses	$ 1,373,491	$ 1,127,150	$ 1,384,440	$ 1,192,618	$ 1,246,139	$ (125,752)	$ 1,120,387
Depreciation Expense	401,623	386,299	378,372	376,799	439,585	(439,585)	-
Amortization of CIAC	(200,438)	(191,529)	(305,355)	(322,940)	(331,213)	331,213	-
Other Expense (inc. R&R)	-	-	-	-	-	66,473	66,473
Utility Regulatory Assessment Fee	56,495	59,260	60,580	65,525	63,699	(63,699)	-
Property Taxes	28,504	31,007	27,000	(960)	15,752	(15,752)	-
Payroll Taxes					46,118		46,118
Other Taxes and Licenses	4,926	667	5,469	314	325		325
Total Operating Expenses	$ 1,664,601	$ 1,412,854	$ 1,550,506	$ 1,311,356	$ 1,480,405	$ (247,103)	$ 1,233,302
Net Income	$ (371,947)	$ (137,148)	$ (204,278)	$ 144,762	$ (55,042)	$ 384,402	$ 329,360

Notes:
(1) Source: KW Resort Utilities Corp. Annual Reports.

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Adjusted Test Year	Projected 2015	2016	2017	2018
Operating Revenues						
Metered Revenue						
Water	6	$ 683,500	$ 742,200	$ 802,900	$ 834,200	$ 896,800
Wastewater	6	783,200	850,400	920,000	955,900	1,027,600
Total Metered Revenue		1,466,700	1,592,600	1,722,900	1,790,100	1,924,400
Sales to Irrigation Customers	6	45,300	49,200	53,200	55,300	59,400
Rent from Property	1	3,100	3,200	3,300	3,400	3,500
Other Water Revenues	6	47,500	51,600	55,800	58,000	62,400
Total Operating Revenues		$ 1,562,600	$ 1,696,600	$ 1,835,200	$ 1,906,800	$ 2,049,700
Operating Expenses						
Salaries and Wages - Employees	2	$ 438,300	$ 455,300	$ 473,000	$ 491,300	$ 510,300
Salaries and Wages - Officers	2	41,800	43,400	45,100	46,800	48,600
Employee Pensions and Benefits	2	81,200	84,300	87,600	91,000	94,500
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	33,300	36,300	39,400	42,700	46,100
Purchased Power	4	152,700	166,500	180,900	195,900	211,500
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	42,500	46,300	50,300	54,500	58,800
Materials and Supplies	7	47,500	48,900	50,400	51,900	53,500
Contractual Services - Engineering	2	9,600	10,000	10,400	10,800	11,200
Contractual Services - Accounting	2	20,100	20,900	21,700	22,500	23,400
Contractual Services - Legal	2	19,500	20,300	21,100	21,900	22,700
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	13,400	13,900	14,400	15,000	15,600
Contractual Services - Other	2	110,500	114,800	119,300	123,900	128,700
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	11,100	11,400	11,700	12,000	12,300
Insurance - General Liability	1	23,600	24,200	24,800	25,400	26,000
Insurance - Workers Comp	1	19,600	20,100	20,600	21,100	21,600

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Adjusted Test Year	Projected 2015	2016	2017	2018
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	53,500	54,800	56,100	57,400	58,800
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 1,120,600	$ 1,173,800	$ 1,229,200	$ 1,286,500	$ 1,346,000
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	66,500	73,300	79,600	86,100	89,500
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	46,100	47,900	49,800	51,700	53,700
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 1,233,500	$ 1,295,300	$ 1,358,900	$ 1,424,600	$ 1,489,500
Net Income		$ 329,100	$ 401,300	$ 476,300	$ 482,200	$ 560,200
Present Value of Net Income		**$ 329,100**	**$ 383,700**	**$ 435,500**	**$ 421,600**	**$ 468,400**
Period		-	1	2	3	4
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

Present Value of Total Income	$ 15,800,000
Reversion	$ 7,700,000
Total	$ 23,500,000

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2019	2020	2021	2022	2023
Operating Revenues						
Metered Revenue						
Water	6	$ 961,500	$ 1,028,400	$ 1,097,500	$ 1,169,000	$ 1,242,800
Wastewater	6	1,101,700	1,178,300	1,257,500	1,339,400	1,424,000
Total Metered Revenue		2,063,200	2,206,700	2,355,000	2,508,400	2,666,800
Sales to Irrigation Customers	6	63,700	68,100	72,700	77,400	82,300
Rent from Property	1	3,600	3,700	3,800	3,900	4,000
Other Water Revenues	6	66,900	71,600	76,400	81,400	86,500
Total Operating Revenues		$ 2,197,400	$ 2,350,100	$ 2,507,900	$ 2,671,100	$ 2,839,600
Operating Expenses						
Salaries and Wages - Employees	2	$ 530,100	$ 550,700	$ 572,000	$ 594,200	$ 617,200
Salaries and Wages - Officers	2	50,500	52,500	54,500	56,600	58,800
Employee Pensions and Benefits	2	98,200	102,000	106,000	110,100	114,400
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	49,600	53,300	57,100	61,100	65,200
Purchased Power	4	227,700	244,500	262,000	280,200	299,100
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	63,300	68,000	72,900	78,000	83,300
Materials and Supplies	7	55,100	56,800	58,500	60,300	62,100
Contractual Services - Engineering	2	11,600	12,000	12,500	13,000	13,500
Contractual Services - Accounting	2	24,300	25,200	26,200	27,200	28,300
Contractual Services - Legal	2	23,600	24,500	25,400	26,400	27,400
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	16,200	16,800	17,500	18,200	18,900
Contractual Services - Other	2	133,700	138,900	144,300	149,900	155,700
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	12,600	12,900	13,200	13,500	13,800
Insurance - General Liability	1	26,600	27,200	27,800	28,500	29,200
Insurance - Workers Comp	1	22,100	22,600	23,100	23,600	24,200

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
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Not-For-Profit

	Escalation Reference	Projected 2019	2020	2021	2022	2023
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	60,200	61,600	63,100	64,600	66,100
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 1,407,800	$ 1,471,900	$ 1,538,500	$ 1,607,800	$ 1,679,600
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	96,200	103,200	110,300	117,800	125,400
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	55,800	58,000	60,200	62,500	64,900
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 1,560,100	$ 1,633,400	$ 1,709,300	$ 1,788,400	$ 1,870,200
Net Income		$ 637,300	$ 716,700	$ 798,600	$ 882,700	$ 969,400
Present Value of Net Income		**$ 509,500**	**$ 547,900**	**$ 583,800**	**$ 617,000**	**$ 647,900**
Period		5	6	7	8	9
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2024	2025	2026	2027	2028
Operating Revenues						
Metered Revenue						
Water	6	$ 1,299,100	$ 1,348,900	$ 1,400,100	$ 1,452,800	$ 1,507,000
Wastewater	6	1,488,600	1,545,600	1,604,300	1,664,700	1,726,800
Total Metered Revenue		2,787,700	2,894,500	3,004,400	3,117,500	3,233,800
Sales to Irrigation Customers	6	86,000	89,300	92,700	96,200	99,800
Rent from Property	1	4,100	4,200	4,300	4,400	4,500
Other Water Revenues	6	90,400	93,900	97,500	101,200	105,000
Total Operating Revenues		$ 2,968,200	$ 3,081,900	$ 3,198,900	$ 3,319,300	$ 3,443,100
Operating Expenses						
Salaries and Wages - Employees	2	$ 641,100	$ 666,000	$ 691,800	$ 718,600	$ 746,500
Salaries and Wages - Officers	2	61,100	63,500	66,000	68,600	71,300
Employee Pensions and Benefits	2	118,800	123,400	128,200	133,200	138,400
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	68,400	71,300	74,300	77,400	80,600
Purchased Power	4	314,000	327,400	341,200	355,500	370,300
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	87,400	91,100	95,000	99,000	103,100
Materials and Supplies	7	64,000	65,900	67,900	70,000	72,100
Contractual Services - Engineering	2	14,000	14,500	15,100	15,700	16,300
Contractual Services - Accounting	2	29,400	30,500	31,700	32,900	34,200
Contractual Services - Legal	2	28,500	29,600	30,700	31,900	33,100
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	19,600	20,400	21,200	22,000	22,900
Contractual Services - Other	2	161,700	168,000	174,500	181,300	188,300
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	14,100	14,400	14,700	15,000	15,400
Insurance - General Liability	1	29,900	30,600	31,300	32,000	32,800
Insurance - Workers Comp	1	24,800	25,400	26,000	26,600	27,200

SCHEDULE 5-2
KW RESORT UTILITIES CORP
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Not-For-Profit

	Escalation Reference	Projected 2024	2025	2026	2027	2028
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	67,700	69,300	70,900	72,600	74,300
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 1,746,900	$ 1,813,700	$ 1,882,900	$ 1,954,700	$ 2,029,200
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	133,300	139,400	144,700	150,200	155,900
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	67,400	70,000	72,700	75,500	78,400
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 1,947,900	$ 2,023,400	$ 2,100,600	$ 2,180,700	$ 2,263,800
Net Income		$ 1,020,300	$ 1,058,500	$ 1,098,300	$ 1,138,600	$ 1,179,300
Present Value of Net Income		**$ 652,100**	**$ 646,900**	**$ 641,800**	**$ 636,300**	**$ 630,200**
Period		10	11	12	13	14
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
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Not-For-Profit

	Escalation Reference	Projected 2029	2030	2031	2032	2033
Operating Revenues						
Metered Revenue						
Water	6	$ 1,562,800	$ 1,620,200	$ 1,679,300	$ 1,740,000	$ 1,802,500
Wastewater	6	1,790,700	1,856,500	1,924,200	1,993,800	2,065,400
Total Metered Revenue		3,353,500	3,476,700	3,603,500	3,733,800	3,867,900
Sales to Irrigation Customers	6	103,500	107,300	111,200	115,200	119,300
Rent from Property	1	4,600	4,700	4,800	4,900	5,000
Other Water Revenues	6	108,900	112,900	117,000	121,200	125,600
Total Operating Revenues		$ 3,570,500	$ 3,701,600	$ 3,836,500	$ 3,975,100	$ 4,117,800
Operating Expenses						
Salaries and Wages - Employees	2	$ 775,400	$ 805,500	$ 836,700	$ 869,100	$ 902,800
Salaries and Wages - Officers	2	74,100	77,000	80,000	83,100	86,300
Employee Pensions and Benefits	2	143,800	149,400	155,200	161,200	167,400
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	83,900	87,300	90,900	94,600	98,400
Purchased Power	4	385,600	401,400	417,700	434,600	452,100
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	107,400	111,800	116,400	121,100	126,000
Materials and Supplies	7	74,300	76,500	78,800	81,200	83,700
Contractual Services - Engineering	2	16,900	17,600	18,300	19,000	19,700
Contractual Services - Accounting	2	35,500	36,900	38,300	39,800	41,300
Contractual Services - Legal	2	34,400	35,700	37,100	38,500	40,000
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	23,800	24,700	25,700	26,700	27,700
Contractual Services - Other	2	195,600	203,200	211,100	219,300	227,800
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	15,800	16,200	16,600	17,000	17,400
Insurance - General Liability	1	33,600	34,400	35,200	36,000	36,900
Insurance - Workers Comp	1	27,800	28,500	29,200	29,900	30,600

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2029	2030	2031	2032	2033
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	76,100	77,900	79,800	81,700	83,600
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 2,106,400	$ 2,186,400	$ 2,269,400	$ 2,355,200	$ 2,444,100
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	161,700	167,700	173,800	180,200	186,700
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	81,400	84,600	87,900	91,300	94,800
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 2,349,800	$ 2,439,000	$ 2,531,400	$ 2,627,000	$ 2,725,900
Net Income		$ 1,220,700	$ 1,262,600	$ 1,305,100	$ 1,348,100	$ 1,391,900
Present Value of Net Income		**$ 623,700**	**$ 616,900**	**$ 609,700**	**$ 602,300**	**$ 594,600**
Period		15	16	17	18	19
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2034	2035	2036	2037	2038
Operating Revenues						
Metered Revenue						
Water	6	$ 1,866,800	$ 1,903,300	$ 1,940,500	$ 1,978,400	$ 2,017,100
Wastewater	6	2,139,000	2,180,800	2,223,400	2 266,900	2,311,200
Total Metered Revenue		4,005,800	4,084,100	4,163,900	4,245,300	4,328,300
Sales to Irrigation Customers	6	123,600	126,000	128,500	131,000	133,600
Rent from Property	1	5,100	5,200	5,300	5,400	5,500
Other Water Revenues	6	130,100	132,600	135,200	137,800	140,500
Total Operating Revenues		$ 4,264,600	$ 4,347,900	$ 4,432,900	$ 4,519,500	$ 4,607,900
Operating Expenses						
Salaries and Wages - Employees	2	$ 937,800	$ 974,200	$ 1,012,000	$ 1,051,200	$ 1,092,000
Salaries and Wages - Officers	2	89,600	93,100	96,700	100,400	104,300
Employee Pensions and Benefits	2	173,900	180,600	187,600	194,900	202,500
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	102,300	104,700	107,200	109,700	112,300
Purchased Power	4	470,200	481,400	492,800	504,500	516,500
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	131,000	134,100	137,300	140,600	143,900
Materials and Supplies	7	86,200	88,800	91,500	94,300	97,200
Contractual Services - Engineering	2	20,500	21,300	22,100	23,000	23,900
Contractual Services - Accounting	2	42,900	44,600	46,300	48,100	50,000
Contractual Services - Legal	2	41,600	43,200	44,900	46,600	48,400
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	28,800	29,900	31,100	32,300	33,600
Contractual Services - Other	2	236,600	245,800	255,300	265,200	275,500
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	17,800	18,200	18,600	19,000	19,500
Insurance - General Liability	1	37,800	38,700	39,600	40,500	41,500
Insurance - Workers Comp	1	31,300	32,000	32,800	33,600	34,400

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2034	2035	2036	2037	2038
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	85,600	87,600	89,700	91,800	94,000
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 2,536,300	$ 2,620,600	$ 2,707,900	$ 2,798,100	$ 2,891,900
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	193,400	200,300	204,200	208,200	212,300
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	98,500	102,300	106,300	110,400	114,700
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 2,828,500	$ 2,923,500	$ 3,018,700	$ 3,117,000	$ 3,219,200
Net Income		$ 1,436,100	$ 1,424,400	$ 1,414,200	$ 1,402,500	$ 1,388,700
Present Value of Net Income		**$ 586,600**	**$ 556,400**	**$ 528,200**	**$ 500,900**	$ 474,**300**
Period		20	21	22	23	24
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2039	2040	2041	2042	2043
Operating Revenues						
Metered Revenue						
Water	6	$ 2,056,500	$ 2,096,700	$ 2,137,700	$ 2,179,500	$ 2,222,100
Wastewater	6	2,356,400	2,402,500	2,449,500	2,497,400	2,546,200
Total Metered Revenue		4,412,900	4,499,200	4,587,200	4,676,900	4,768,300
Sales to Irrigation Customers	6	136,200	138,900	141,600	144,400	147,200
Rent from Property	1	5,600	5,700	5,800	5,900	6,000
Other Water Revenues	6	143,200	146,000	148,900	151,800	154,800
Total Operating Revenues		$ 4,697,900	$ 4,789,800	$ 4,883,500	$ 4,979,000	$ 5,076,300
Operating Expenses						
Salaries and Wages - Employees	2	$ 1,134,300	$ 1,178,300	$ 1,224,000	$ 1,271,500	$ 1,320,800
Salaries and Wages - Officers	2	108,300	112,500	116,900	121,400	126,100
Employee Pensions and Benefits	2	210,400	218,600	227,100	235,900	245,000
Purchased Water/Sewage Treatment	4	-	-	-	-	-
Sludge Removal Expense	4	115,000	117,700	120,500	123,400	126,300
Purchased Power	4	528,800	541,400	554,300	567,500	581,000
Fuel for Purchased Power	4	-	-	-	-	-
Chemicals	4	147,300	150,800	154,400	158,100	161,900
Materials and Supplies	7	100,100	103,100	106,200	109,400	112,700
Contractual Services - Engineering	2	24,800	25,800	26,800	27,800	28,900
Contractual Services - Accounting	2	51,900	53,900	56,000	58,200	60,500
Contractual Services - Legal	2	50,300	52,200	54,200	56,300	58,500
Contractual Services - Mgt. Fees	2	-	-	-	-	-
Contractual Services - Testing	2	34,900	36,300	37,700	39,200	40,700
Contractual Services - Other	2	286,200	297,300	308,800	320,800	333,200
Rent of Building/Property	1	100	100	100	100	100
Rental of Equipment	1	800	800	800	800	800
Transportation Expenses	1	20,000	20,500	21,000	21,500	22,000
Insurance - General Liability	1	42,500	43,500	44,500	45,600	46,700
Insurance - Workers Comp	1	35,200	36,000	36,900	37,800	38,700

SCHEDULE 5-2
KW RESORT UTILITIES CORP
INCOME APPROACH ANALYSIS
Proforma Operating Results
Not-For-Profit

	Escalation Reference	Projected 2039	2040	2041	2042	2043
Advertising Expense	1	1,500	1,500	1,500	1,500	1,500
Regulatory Commission Expense - Amortization of Rate Case Expense	Input	-	-	-	-	-
Bad Debt Expense	1	-	-	-	-	-
Miscellaneous Expense	1	96,200	98,500	100,800	103,200	105,700
Rate Case Adjustments	1	-	-	-	-	-
Total Operating Expenses		$ 2,988,600	$ 3,088,800	$ 3,192,500	$ 3,300,000	$ 3,411,100
Depreciation Expense	0	-	-	-	-	-
Amortization of CIAC	0	-	-	-	-	-
Other Expense (inc. R&R)	Input	216,400	220,600	225,000	229,400	233,800
Utility Regulatory Assessment Fee	0	-	-	-	-	-
Property Taxes	0	-	-	-	-	-
Payroll Taxes	2	119,100	123,700	128,500	133,500	138,700
Other Taxes and Licenses	1	300	300	300	300	300
Total Operating Expenses		$ 3,324,400	$ 3,433,400	$ 3,546,300	$ 3,663,200	$ 3,783,900
Net Income		$ 1,373,500	$ 1,356,400	$ 1,337,200	$ 1,315,800	$ 1,292,400
Present Value of Net Income		**$ 448,500**	**$ 423,600**	**$ 399,300**	**$ 375,700**	**$ 352,900**
Period		25	26	27	28	29
Discount Rate		4.58%	4.58%	4.58%	4.58%	4.58%

ESCALATION REFERENCES
PLURIS PCU, INC.
Combined Water and Wastewater System

Description	Factor	Fiscal Year 2015	2016	2017	2018
Constant	0	1.0000	1.0000	1.0000	1.0000
General Inflation	1	1.0238	1.0238	1.0238	1.0238
Labor	2	1.0388	1.0388	1.0388	1.0388
Customer Growth	3	1.0650	1.0610	1.0575	1.0544
Customer Growth / Inflation	4	1.0903	1.0863	1.0827	1.0795
Rate Revenue	5	1.0196	1.0196	0.9825	1.0196
Rate Revenue / Customer Growth	6	1.0858	1.0818	1.0390	1.0750
Supplies / Repairs & Maintenance	7	1.0303	1.0303	1.0303	1.0303

ESCALATION REFERENCES
PLURIS PCU, INC.
Combined Water and Wastewater System

Description	Factor	Fiscal Year 2019	2020	2021	2022	2023
Constant	0	1.0000	1.0000	1.0000	1.0000	1.0000
General Inflation	1	1.0238	1.0238	1.0238	1.0238	1.0238
Labor	2	1.0388	1.0388	1.0388	1.0388	1.0388
Customer Growth	3	1.0516	1.0491	1.0468	1.0447	1.0428
Customer Growth / Inflation	4	1.0766	1.0740	1.0716	1.0695	1.0675
Rate Revenue	5	1.0196	1.0196	1.0196	1.0196	1.0196
Rate Revenue / Customer Growth	6	1.0722	1.0696	1.0672	1.0651	1.0632
Supplies / Repairs & Maintenance	7	1.0303	1.0303	1.0303	1.0303	1.0303

ESCALATION REFERENCES
PLURIS PCU, INC.
Combined Water and Wastewater System

Description	Factor	Fiscal Year 2024	2025	2026	2027	2028
Constant	0	1.0000	1.0000	1.0000	1.0000	1.0000
General Inflation	1	1.0238	1.0238	1.0238	1.0238	1.0238
Labor	2	1.0388	1.0388	1.0388	1.0388	1.0388
Customer Growth	3	1.0253	1.0184	1.0181	1.0177	1.0174
Customer Growth / Inflation	4	1.0497	1.0426	1.0423	1.0419	1.0416
Rate Revenue	5	1.0196	1.0196	1.0196	1.0196	1.0196
Rate Revenue / Customer Growth	6	1.0453	1.0383	1.0380	1.0376	1.0373
Supplies / Repairs & Maintenance	7	1.0303	1.0303	1.0303	1.0303	1.0303

ESCALATION REFERENCES
PLURIS PCU, INC.
Combined Water and Wastewater System

Description	Factor	Fiscal Year 2029	2030	2031	2032	2033
Constant	0	1.0000	1.0000	1.0000	1.0000	1.0000
General Inflation	1	1.0238	1.0238	1.0238	1.0238	1.0238
Labor	2	1.0388	1.0388	1.0388	1.0388	1.0388
Customer Growth	3	1.0171	1.0168	1.0166	1.0163	1.0160
Customer Growth / Inflation	4	1.0413	1.0410	1.0407	1.0405	1.0402
Rate Revenue	5	1.0196	1.0196	1.0196	1.0196	1.0196
Rate Revenue / Customer Growth	6	1.0370	1.0367	1.0364	1.0362	1.0359
Supplies / Repairs & Maintenance	7	1.0303	1.0303	1.0303	1.0303	1.0303

ESCALATION REFERENCES
PLURIS PCU, INC.
Combined Water and Wastewater System

Description	Factor	Fiscal Year 2034	2035	2036	2037	2038
Constant	0	1.0000	1.0000	1.0000	1.0000	1.0000
General Inflation	1	1.0238	1.0238	1.0238	1.0238	1.0238
Labor	2	1.0388	1.0388	1.0388	1.0388	1.0388
Customer Growth	3	1.0158	1.0000	1.0000	1.0000	1.0000
Customer Growth / Inflation	4	1.0399	1.0238	1.0238	1.0238	1.0238
Rate Revenue	5	1.0196	1.0196	1.0196	1.0196	1.0196
Rate Revenue / Customer Growth	6	1.0356	1.0196	1.0196	1.0196	1.0196
Supplies / Repairs & Maintenance	7	1.0303	1.0303	1.0303	1.0303	1.0303

ESCALATION REFERENCES
PLURIS PCU, INC.
Combined Water and Wastewater System

Description	Factor	Fiscal Year 2039	2040	2041	2042	2043
Constant	0	1.0000	1.0000	1.0000	1.0000	1.0000
General Inflation	1	1.0238	1.0238	1.0238	1.0238	1.0238
Labor	2	1.0388	1.0388	1.0388	1.0388	1.0388
Customer Growth	3	1.0000	1.0000	1.0000	1.0000	1.0000
Customer Growth / Inflation	4	1.0238	1.0238	1.0238	1.0238	1.0238
Rate Revenue	5	1.0196	1.0196	1.0196	1.0196	1.0196
Rate Revenue / Customer Growth	6	1.0196	1.0196	1.0196	1.0196	1.0196
Supplies / Repairs & Maintenance	7	1.0303	1.0303	1.0303	1.0303	1.0303

Escalation Indices

Year	FPSC Annual Commission-Apprvd Index of Regulated Water & WW Utilities FPSC Price Deflator %	U.S. Dept. Of Labor Bureau of Labor Stats - Consumer Price Index - Avg. All Urban Consumers (CPI-U) US City CPI-U Index	 % Chg.	Engineering News Record Construction Cost Index ENR CCI Index	 % Chg.	Risk Free Rate as calculated from Daily U.S. Treasury Yield Curve Rates Ann. Avg Risk Free Rate %	 Chg.
		90.9		3,535			
1982	9.02%	96.5	6.13%	3,825	8.20%		
1983	5.99%	99.6	3.21%	4,066	6.30%		
1984	4.25%	103.9	4.30%	4,146	1.97%		
1985	3.76%	107.6	3.55%	4,195	1.18%		
1986	3.33%	109.6	1.90%	4,295	2.38%		
1987	2.69%	113.6	3.66%	4,406	2.58%		
1988	2.89%	118.3	4.08%	4,519	2.56%		
1989	4.35%	124.0	4.83%	4,615	2.12%		
1990	4.12%	130.7	5.40%	4,732	2.54%	8.61%	
1991	4.12%	136.2	4.23%	4,835	2.18%	8.14%	-0.47%
1992	3.63%	140.3	3.03%	4,985	3.10%	7.67%	-0.47%
1993	3.33%	144.5	2.95%	5,210	4.51%	6.59%	-1.07%
1994	2.56%	148.2	2.61%	5,408	3.80%	7.37%	0.78%
1995	1.95%	152.4	2.81%	5,471	1.16%	6.88%	-0.49%
1996	2.49%	156.9	2.93%	5,620	2.72%	6.71%	-0.17%
1997	2.13%	160.5	2.34%	5,826	3.67%	6.61%	-0.10%
1998	2.10%	163.0	1.55%	5,920	1.61%	5.58%	-1.03%
1999	1.21%	166.6	2.19%	6,059	2.35%	5.87%	0.30%
2000	1.36%	172.2	3.38%	6,221	2.67%	5.94%	0.07%
2001	2.50%	177.1	2.83%	6,343	1.96%	5.49%	-0.45%
2002	2.33%	179.9	1.59%	6,538	3.07%	5.40%	-0.09%
2003	1.31%	184.0	2.27%	6,694	2.39%	4.96%	-0.44%
2004	1.60%	188.9	2.68%	7,115	6.29%	5.04%	0.09%
2005	2.17%	195.3	3.39%	7,446	4.65%	4.64%	-0.40%
2006	2.74%	201.6	3.23%	7,751	4.10%	4.89%	0.24%
2007	3.09%	207.3	2.85%	7,966	2.77%	4.84%	-0.05%
2008	2.39%	215.3	3.84%	8,310	4.32%	4.28%	-0.56%
2009	2.55%	214.5	-0.36%	8,570	3.13%	4.08%	-0.20%
2010	0.56%	218.1	1.64%	8,802	2.71%	4.25%	0.17%
2011	1.18%	224.9	3.16%	9,066	2.99%	3.91%	-0.34%
2012	2.41%	229.6	2.07%	9,313	2.73%	2.92%	-0.99%
2013	1.63%	233.0	1.46%	9,546	2.50%	3.45%	0.52%
2014	1.41%	236.9	1.70%	9,806	2.72%	3.34%	-0.11%
30-Yr Avg	2.46%		2.79%		2.92%		
20-Yr Avg	**1.96%**		**2.38%**		**3.03%**	**4.95%**	
10-Yr Avg	2.01%		2.30%		3.26%	4.06%	
5-Yr Avg	1.44%		2.01%		2.73%	3.57%	
1-Yr Avg						3.34%	
	(Estab. Jan 27, 2014) (Upd. Apr 23, 2014)	(through Nov 2014) (Upd. Jan 8, 2015)		(through Jan 2015) (Upd. Jan 8, 2015)		through 1/7/15 (Upd. Jan 8 2015)	

NOAA National
Weather Service
Forecast Office
Rainfall Scorecard

Atlanta Ann. Rain
Inches

44.6
51.7
46.2
38.9
35.6
38.4
47.8
52.9
53.6
56.4
48.5
31.9
41.4
69.4
48.2
39.2
37.0
66.0
10.3

49.7
47.1
49.2
52.0
66.0

(through Mar 2014)
(Upd. Apr 23, 2014)

STATE OF FLORIDA

MARSHALL WILLIS, DIRECTOR
DIVISION OF ACCOUNTING & FINANCE
(850) 413-6900

Public Service Commission

February 15, 2013

Mr. Christopher Johnson
KW Resort Utilities, Corp.
6630 Front Street
Key West, FL 33040

Re: Application for 2012 Price Index Rate Adjustment for KW Resort Utilities, Corp. in Monroe County

Dear Mr. Johnson:

The following tariff sheets have been approved effective March 30, 2013:

Wastewater Tariff
Fourteenth Revised Sheet No. 12.0
Fourteenth Revised Sheet No. 13.0
Thirteenth Revised Sheet No. 14.0
Fourteenth Revised Sheet No. 15.0
Eleventh Revised Sheet No. 15.5
Seventh Revised Sheet No. 15.6
Tenth Revised Sheet No. 15.7
Tenth Revised Sheet No. 15.9

Please incorporate these tariff sheets into the approved tariff on file at the utility's office. If you have any questions, please contact Shellie Yeomans at (850) 413-6844 at our office.

Sincerely,

Marshall Willis
Director

REC'D FEB 26 2013

MW/sy
Enclosures

FOURTEENTH REVISED SHEET #12.0
CANCELS THIRTEENTH REVISED SHEET #12.0

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

GENERAL SERVICES
RATE SCHEDULE GS

AVAILABILITY - Available throughout the area served by the Company.

APPLICABILITY - For sewer services for all purposes who are not classified as residential.

LIMITATIONS - Subject to all Rules and Regulations of this Tariff and General Rules and Regulations of The Commission as amended from time to time.

RATE - Monthly.

METER SIZE -	**BASE FACILITY CHARGE**	**GALLONAGE CHARGE PER 1,000 GALLONS**
5/8" x ¾"	$ 17.81	$ 4.64
1"	44.53	4.64
1 ½"	89.05	4.64
2"	142.47	4.64
3"	284.95	4.64
4"	445.24	4.64
6"	890.49	4.64
8"	1,602.86	4.64
8" Turbo	2,048.10	4.64

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days, written notice, separate and apart from any other bill, service may then be disconnected.

EFFECTIVE DATE: MARCH 30, 2013
ORDER NO.:
TYPE OF FILING: 2012 PRICE INDEX INCREASE
FOR SERVICE RENDERED ON OR AFTER MARCH 30, 2013

Christopher A. Johnson
Issuing Officer

President
Title

FOURTEENTH REVISED SHEET #13.0
CANCELS THIRTEENTH REVISED SHEET #13.0

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

RESIDENTIAL SERVICE
RATE SCHEDULE RS

AVAILABILITY -	Available throughout the area served by the Company.
APPLICABILITY -	For sewer services for all purposes in private residences and individually metered apartment units.
LIMITATIONS -	Subject to all Rules and Regulations of this Tariff and General Rules and Regulations of The Commission as amended from time to time.
RATE -	All Residential $17.81 base rate per month, in advance, (includes single family homes, mobile homes, individually metered apartment units).
MINIMUM CHARGE -	Per month, in advance.
Gallonage Charge per 1,000 Gallons 10,000 gallons maximum	$3.87
TERMS OF PAYMENT -	Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days, written notice, separate and apart from any other bill, service may then be disconnected.

EFFECTIVE DATE: MARCH 30, 2013
ORDER NO.:
TYPE OF FILING: 2012 PRICE INDEX INCREASE
FOR SERVICE RENDERED ON OR AFTER MARCH 30, 2013

Christopher A. Johnson
Issuing Officer

President
Title

THIRTEENTH REVISED SHEET #14.0
CANCELS TWELFTH REVISED SHEET #14.0

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

REUSE OF RECLAIMED WATER

AVAILABILITY -	For Key West Golf Club, Monroe County Detention Center, Florida Keys Community College, Gerald Adams Elementary School, Lower Keys Medical Center, and Senior Care Nursing Center.
APPLICABILITY -	For Key West Golf Club, Monroe County Detention Center, Florida Keys Community College, Gerald Adams Elementary School, Lower Keys Medical Center, and Senior Care Nursing Center.
LIMITATIONS -	Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission as amended from time to time.
BILLING PERIOD -	Monthly.
RATE -	Charge for reclaimed water: $0.68 per 1000 gallons of reclaimed water. Reimbursement to Company for monies or fees or charges the Company may incur for testing samples of water withdrawn from monitoring wells on Golf Course and Monroe County Detention Center. Reimbursement to Company for monies or fees or charges that the Company may incur in connection with daily testing of sewage in water in Golf Course Storage Pond.
TERMS OF PAYMENT -	Bills are due and payable when rendered. In accordance with Rule 25-30-320, Florida Administrative Code, if a Customer is delinquent in paying the bill for wastewater service, service may then be discontinued.

EFFECTIVE DATE: MARCH 30, 2013
ORDER NO.:
TYPE OF FILING: 2012 PRICE INDEX INCREASE
FOR SERVICE RENDERED ON OR AFTER MARCH 30, 2013

Christopher A. Johnson
Issuing Officer

President
Title

FOURTEENTH REVISED SHEET #15.0
CANCELS THIRTEENTH REVISED SHEET #15.0

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

PRIVATE LIFT STATION OWNERS

AVAILABILITY - Available throughout the area served by the Company.

LIMITATIONS - Subject to all Rules and Regulations of this Tariff and General Rules and Regulations of The Commission as amended from time to time.

RATE - Monthly.

METER SIZE -	**BASE FACILITY CHARGE**	**GALLONAGE CHARGE PER 1,000 GALLONS**
5/8" x ¾"	$ 17.81	$ 4.64
1"	44.53	4.64
2"	142.47	4.64

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days, written notice, separate and apart from any other bill, service may then be disconnected.

EFFECTIVE DATE: MARCH 30, 2013
ORDER NO.:
TYPE OF FILING: 2012 PRICE INDEX INCREASE
FOR SERVICE RENDERED ON OR AFTER MARCH 30, 2013

Christopher A. Johnson
Issuing Officer

President
Title

ELEVENTH REVISED SHEET #15.5
CANCELS TENTH REVISED SHEET #15.5

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

BULK WASTEWATER RATE FOR SAFE HARBOR MARINA

AVAILABILITY - For Safe Harbor Marina.

APPLICABILITY - For Safe Harbor Marina

LIMITATIONS - Subject to all Rules and Regulations of this Tariff and General Rules and Regulations of The Commission as amended from time to time.

BILLING PERIOD - Monthly.

RATE -

13 Residential living units at 1 ERC each (apartments, Mobile homes, House Boats with apartments)	$343.66
18 Live Aboard Boats at .6ERC each	286.38
27 Non Live Aboard Boats at 1/5 ERC each	143.20
6 Vacant slips at 1/5 ERC each	30.84
2 Bathhouses at 1 ERC each	52.87
2 Commercial Businesses at ½ ERC each	26.43
1 Commercial Bar	33.73
Total Bulk Rate	$ 917.11

TERMS OF PAYMENT Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days, written notice, separate and apart from any other bill, service may then be disconnected.

EFFECTIVE DATE: MARCH 30, 2013
ORDER NO.:
TYPE OF FILING: 2012 PRICE INDEX INCREASE
FOR SERVICE RENDERED ON OR AFTER MARCH 30, 2013

Christopher A. Johnson
Issuing Officer

President
Title

SEVENTH REVISED SHEET #15.6
CANCELS SIXTH SHEET #15.6

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

BULK WASTEWATER RATE FOR SOUTH STOCK ISLAND MARINAS

AVAILABILITY - For South Stock Island Marinas.

APPLICABILITY - Yacht Clubs of America (redeveloped former property of Peninsular Marina)

LIMITATIONS - Subject to all Rules and Regulations of this Tariff and General Rules and Regulations of The Commission as amended from time to time.

BILLING PERIOD- Monthly.

RATE - 6 Residential living units at 1 ERC each.....$101.96
2" Meter that serves ship store, club house, swimming pool bar, restaurant, locker rooms, bathrooms, laundry facilities, business located on property, 100 wet slips served by dockside sewer, 3 boat barns dry storage to accommodate 100's of boats, fitness center, and sauna.....$142.47

Gallonage Charge Per 1,000 Gallons $4.64

TERMS OF PAYMENT Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days, written notice, separate and apart from any other bill, service may then be disconnected.

EFFECTIVE DATE: MARCH 30, 2013
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Christopher A. Johnson
Issuing Officer

REC'D FEB 26 2013

President
Title

TENTH REVISED SHEET #15.7
CANCELS NINTH SHEET #15.7

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

GENERAL SERVICE MULTIPLE AGREEMENT FOR KEY WEST GOLF CLUB HOME OWNERS ASSOCIATION

AVAILABLITY - For Key West Golf Club Home Owners Association.

APPLICABILITY - For Key West Golf Club Home Owners Association.

LIMITATIONS - Subject to all Rules and Regulations of this Tariff and General Rules and Regulations of The Commission as amended from time to time.

BILLING PERIOD- Monthly

RATE -

Large Swimming Pool	$105.75
Small Swimming Pool	$ 31.31

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days, written notice, separate and apart from any other bill, service may then be disconnected.

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Christopher A. Johnson
Issuing Officer

President
Title

TENTH REVISED SHEET #15.9
CANCELS NINTH SHEET #15.9

NAME OF COMPANY: KW RESORT UTILITIES CORPORATION
SEWER TARIFF

TEMPORARY SERVICE AGREEMENT

DEWATERING SLUDGE LOADS

AVAILABILITY - Dewatering Sludge Load Customers

APPLICABILITY - Dewatering Sludge Load Customers

LIMITATIONS - Subject to all Rules and Regulations of this Tariff and General Rules and Regulations of The Commission as amended from time to time.

BILLING PERIOD- Monthly.

RATE - $4.64 per thousand gallons.

MINIMUM CHARGE - $719.20 (155,000 gallons)
(20 ERC's X 250 gallons/day X 31days X $4.64/1000 gallons).

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days, written notice, separate and apart from any other bill, service may then be disconnected.

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Christopher A. Johnson
Issuing Officer

President
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