



Public Service Commission  
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TALLAHASSEE, FLORIDA 32399-0850

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MAY 22 AM 11:28  
COMMISSION CLERK  
CG RRR PC  
Watt

DATE: MAY 22, 2003  
TO: DIRECTOR, DIVISION OF THE COMMISSION ADMINISTRATIVE SERVICES (BAYÓ)  
FROM: DIVISION OF ECONOMIC REGULATION (JOHNSON, REDEMANN, KAPROTH) *ll*  
OFFICE OF THE GENERAL COUNSEL (CROSBY, HELTON) *Watt*  
RE: DOCKET NO. 020892-WS - APPLICATION FOR TRANSFER OF FACILITIES AND CERTIFICATES NOS. 431-W AND 364-S IN HIGHLANDS COUNTY FROM BUTTONWOOD BAY WATER & SEWER COMPANY, LLC TO SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES.  
COUNTY: HIGHLANDS  
AGENDA: JUNE 3, 2003 - REGULAR AGENDA - PROPOSED AGENCY ACTION FOR ISSUES NOS. 3 AND 4 - INTERESTED PERSONS MAY PARTICIPATE  
CRITICAL DATES: NONE  
SPECIAL INSTRUCTIONS: NONE  
FILE NAME AND LOCATION: S:\PSC\ECR\WP\020892.RCM

CASE BACKGROUND

Buttonwood Bay Water & Sewer Company, LLC (Buttonwood or utility) is a Class C utility located in Highlands County serving approximately 961 water and wastewater residential and general service customers. The utility is in a portion of the Southwest Florida Water Management District that is designated as a water use caution area. The annual report for 2002 shows that gross revenues were \$60,128 and \$49,194 with net operating losses of \$21,961 and \$50,851, for the water and wastewater systems, respectively. The utility was granted Water Certificate No. 431-W and Wastewater Certificate No. 364-S pursuant to Order No. 13672, issued September 11, 1984, in Docket No. 840177-WS.

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DOCKET NO. 020892-WS

DATE: MAY 22, 2003

On August 17, 2002, Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities (Sun Communities or Buyer) filed an application for transfer of Buttonwood Bay to Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities. Sun Communities Acquisitions, LLC, acquired the utility and ownership of the development property at a foreclosure sale on November 26, 2001. Sun Communities Operating, L.P. is the sole member of Sun Communities Acquisitions, LLC, the buyer of the utility.

This recommendation addresses the transfer of Buttonwood to Sun Communities, whether a show cause proceeding should be initiated for failure to obtain Commission approval prior to transferring the facilities, rate base, acquisition adjustment, and rates. The Commission has jurisdiction to consider this matter pursuant to Sections 367.071, and 367.161 Florida Statutes.

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DISCUSSION OF ISSUES

**ISSUE 1:** Should Buttonwood Bay Water & Sewer Company, LLC, be ordered to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Section 367.071, Florida Statutes?

**RECOMMENDATION:** No. A show cause proceeding should not be initiated. (CROSBY, HELTON)

**STAFF ANALYSIS:** As stated in the case background, the sale of the utility through foreclosure occurred on November 26, 2001, without prior approval of the Commission, which is an apparent violation of Section 367.071(1), Florida Statutes. Section 367.071(1), Florida Statutes, states, in part, that:

No utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof..., without determination and approval of the commission that the proposed sale, assignment, or transfer is in the public interest...

Section 367.161(1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any provision of Chapter 367, Florida Statutes. Although the utility's facilities were transferred as a result of foreclosure, in closing on the transfer without prior Commission approval, the utility's act was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., the Commission having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule."

Although Buttonwood's failure to obtain Commission approval prior to closing on the transfer of its facilities to Sun Communities is an apparent violation of Section 367.071(1), Florida Statutes, there are circumstances which appear to mitigate the

DOCKET NO. 020892-WS  
DATE: MAY 22, 2003

utility's apparent violation. The transfer occurred through foreclosure. According to the Summary Judgment as to Counts I (Action to Foreclose Mortgage on Real Property) and II (Action to Foreclose Security Interest in Personal Property), dated November 5, 2001, in the Circuit Court of the Tenth Judicial Circuit in and for Highlands County, Florida, Case No. GC-01-370, Judge J. David Langford ordered the property to be sold at the entrance of the Highlands County Courthouse on November 26, 2001.

Therefore, Staff does not believe that the apparent violation of Section 367.071, Florida Statutes, rises in these circumstances to the level which warrants the initiation of a show cause proceeding. Staff recommends that the Commission not order Buttonwood to show cause for failing to obtain Commission approval prior to the transfer of its facilities to Sun Communities.

**ISSUE 2:** Should the transfer of the facilities and Certificate Nos. 431-W and 364-S from Buttonwood to Sun Communities be approved?

**RECOMMENDATION:** Yes, the transfer of the facilities and Certificate Nos. 431-W and 364-S from Buttonwood to Sun Communities is in the public interest and should be approved. The utility is current on its 2002 regulatory assessment fees (RAFs) and annual report. Sun Communities should be responsible for remitting all future RAFs and annual reports to the Commission. A description of the territory served by the utility is appended to this memorandum as Attachment A. (JOHNSON, REDEMANN, KAPROTH)

**STAFF ANALYSIS:** As discussed in the case background, on August 15, 2002, Sun Communities filed an application for transfer of Certificate Nos. 431-W and 364-S from Buttonwood to Sun Communities. The application, as filed, was deficient. Sun Communities submitted the corrected information on February 4, 2003. The application is in substantial compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer. The application contains a check in the amount of \$3,000, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. Because the transfer occurred through a foreclosure, the applicant has provided evidence in the form of a recorded Certificate of Title dated December 7, 2001, and a Certificate of Sale dated November 26, 2001, that the utility owns the land upon which its facilities are located, as required by Rule 25-30.037(2)(g), Florida Administrative Code.

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to the transfer of the utility or the notice of application have been received and the time for filing such has expired. A description of the territory served by the utility is appended to this memorandum as Attachment A.

As previously discussed, Sun Communities is wholly-owned by Sun Communities Operating, LP. According to the application, Sun Communities Operating, LP also owns and operates the Saddle Oak Country Club system, another system regulated by the Commission in Marion County, and it has the financial strength to meet the capital needs of the utility. The buyer states that the transfer is in the public interest because of Sun Communities Operating,

LP's experience in the utility industry, and its technical and financial ability.

With regard to the buyer's technical ability, the buyer will continue to utilize the same professional operation and management personnel utilized by the previous owner to operate and maintain the utility. This team of professional operators and managers are knowledgeable on regulatory requirements and procedures. As mentioned earlier, the managing member of Sun Communities has technical experience operating a utility system in Florida. Therefore, the buyer appears to have the technical ability to effectively provide quality service to its customers.

With regard to the buyer's financial ability, a statement was provided that it has both the regulatory experience and the financial ability to ensure consistent compliance with the Florida Department of Environmental Protection (DEP) regulations. In addition, Sun Communities has the capability to provide investment capital and operational funding as needed by the utility. Sun Communities Operating LP's financial statements indicate that it had assets of over \$997 million and over \$475 million in equity at the end of 2001.

Sun Communities Acquisitions, LLC acquired the utility assets and ownership of the development property in November 2001, as a result of a foreclosure on the development's second mortgage of \$3,616,806. The purchased assets were subject to an existing first mortgage of \$15,500,000. In March, 2002, Sun Communities Operating, LP purchased the first mortgage. The first and second mortgages included all of the development property and all of the utility assets for a total purchase price of \$19,116,806.

The application contains a statement that the buyer will fulfill the commitments, obligations, and representations of the sellers with regard to utility matters. There are no outstanding customer deposits, guaranteed revenue contracts, customer advances, or leases. The application contains a copy of the Summary Judgment, the Certificate of Title, and the Certificate of Sale which includes the purchase price, and a list of the assets purchased and liabilities assumed and not assumed.

According to the buyer, a reasonable investigation of the utility has been performed and the system appears to be in satisfactory condition and in compliance with all applicable

DOCKET NO. 020892-WS

DATE: MAY 22, 2003

standards set by the DEP. Staff has verified that there are no outstanding notices of violation from DEP and Southwest Florida Water Management District.

According to our records, Sun Communities filed the 2001 and 2002 annual reports and paid the 2001 and 2002 RAFs. No annual report penalties or RAFs are due. If the transfer is approved, Sun Communities will be responsible for all future RAFs and annual reports.

Based on the above, staff recommends that the transfer of the facilities and Certificate Nos. 431-W and 364-S from Buttonwood to Sun Communities is in the public interest and should be approved. A description of the territory served by the utility is appended to this memorandum as Attachment A.

**ISSUE 3:** What is the rate base of Buttonwood at the time of transfer?

**RECOMMENDATION:** The rate bases, which for transfer purposes reflect the net book value, are \$81,947 for the water system and \$214,331 for the wastewater system as of January 1, 2002. (JOHNSON, REDEMANN)

**STAFF ANALYSIS:** Rate base has never been established by the Commission for this utility. The buyer was unable to obtain the books and records to support the capital improvements and rate base as reported in the annual reports. Therefore, an original cost study was completed by the buyer to determine the appropriate value of the components of rate base, as of January 1, 2002. It has been Commission practice to use original cost study estimates in cases in which supporting documentation is not available. Staff has reviewed the cost study and determined it to be a reasonable estimate of the original cost of the utility assets when first dedicated to public use.

The rate base components were determined using the original cost study from the date of acquisition through January 1, 2002. A copy of the utility's original cost estimates are shown in Attachment B. A discussion of each component of rate base follows:

**UTILITY PLANT-IN-SERVICE**

The utility assets are composed of a water and wastewater system. The water system has two wells with a total design capacity of 720,000 gallons per day (gpd). Water is pumped from the wells into a 15,000 gallon hydropneumatic tank. From the hydropneumatic tank the water flows into the water distribution system. The peak daily flows are about 400,000 gpd and the average daily flows are about 200,000 gpd.

The wastewater system has four lift stations transmitting wastewater to a concrete treatment plant. The plant has a permitted capacity of 98,000 gpd based on its annual average daily flow (AADF). After the wastewater is treated, the effluent is chlorinated and flows to an evaporation/percolation pond. The AADF for the year 2002 was 40,600 gpd. The maximum average daily flow for the peak month of January 2002 was 67,000 gpd.

Sun Communities was able to provide as-built water and wastewater system maps. Based on the maps and a visual inspection

of the systems, a description of the assets, linear measurements, and replacement costs were determined. The replacement costs of the assets were then trended to the original in-service date. The Handy Whitman Index was used to trend the cost to the estimated service dates for the utility's assets.

Upon review of the utility's original cost study, staff believes that the values shown in the study are reasonable estimates of the utility's plant-in-service balances for water and wastewater. Therefore, because no adjustments to plant-in-service balances are necessary, staff recommends that \$493,300 and \$949,773 be recorded as the appropriate plant-in-service balances for water and wastewater, respectively.

#### LAND

The original cost study reflected land balances of \$4,600 for the .92 acre of land for the water system and \$31,000 for 6.2 acres of land for the wastewater system. On the wastewater site are percolation ponds and a 98,000 gpd extended aeration treatment plant. Staff agrees with the utility that the appropriate land balances are \$4,600 for water and \$31,000 for wastewater.

#### ACCUMULATED DEPRECIATION

The original cost study indicates accumulated depreciation balances of \$290,349 for water and \$654,970 for wastewater. Staff's review of the accumulated depreciation balances indicates that the utility used the appropriate depreciation rates based on Rule 25-30.140(2), Florida Administrative Code. Therefore, staff recommends accumulated depreciation balances of \$290,349 for water and \$654,970 for wastewater be approved.

#### CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION (CIAC) AND AMORTIZATION OF CIAC

By Order No. 13672, issued September 11, 1984, the utility was granted a system capacity charge of \$600 per ERC for water service; a meter installation fee of \$70 for a 5/8" x 3/4" meter, with larger meters to be installed at cost; and a system capacity charge of \$875 per ERC for wastewater service. However, based on the utility's annual reports filed with the Commission, these service availability charges were never collected or recorded on the utility's books.

The buyer relied on Order No. 13672, to determine the appropriate amounts of CIAC that the previous owner should have collected and recorded as of January 1, 2002. By using the number of customers, the system capacity fee and the meter installation fee, the company was able to determine the CIAC balances. Per Order 13672, \$30,000 for contributed water lines is included in the CIAC balance for water. The appropriate CIAC and amortization of CIAC is reflected in the utility's original cost study. The cost study, indicates that the water CIAC and accumulated amortization balances are \$215,960 and \$90,356, respectively. The utility's wastewater CIAC balance is \$227,500 and the accumulated amortization balance is \$116,028.

Based on staff's review, the utility's proposed balances for water and wastewater CIAC and accumulated amortization of CIAC appear reasonable. According to the cost study, the water plant is 62% contributed and the wastewater plant is 38% contributed. Staff recommends that the amounts in the cost study for water CIAC of \$215,960 and accumulated amortization balance of \$90,356, and the wastewater CIAC balance of \$227,500 and the accumulated amortization balance of \$116,028 be approved.

#### RATE BASE

Staff's calculation of rate base for water and wastewater are shown on Schedule Nos. 1 and 2, respectively. Based on the above, staff recommends that rate base for Sun Communities be established as \$81,947 for the water system and \$214,331 for the wastewater system as of January 1, 2002. This rate base calculation is used solely to establish the net book value of the property being transferred and does not include the normal rate making adjustments of working capital calculations and used and useful adjustments.

**ISSUE 4:** Should an acquisition adjustment be included in the calculation of rate base?

**RECOMMENDATION:** No. An acquisition adjustment should not be included in the calculation of rate base for transfer purposes. (JOHNSON, CROSBY)

**STAFF ANALYSIS:** An acquisition adjustment results when the purchase price differs from the rate base for transfer purposes. The acquisition adjustment resulting from the transfer of Sun Communities would be calculated as follows:

|                                  |           |
|----------------------------------|-----------|
| Purchase Price:                  | \$296,278 |
| Less Staff Calculated Rate Base: | \$296,278 |
| Acquisition Adjustment:          | \$ 0      |
|                                  | =====     |

In the absence of extraordinary circumstances, it has been Commission practice that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. In this case, the utility was acquired along with the development through a foreclosure for \$19,116,806. According to the buyer the amount of the purchase price to be allocated to the utility is the rate base amount as determined by the original cost study, which would not result in an acquisition adjustment.

Since the buyer stated in its application for transfer that it was not seeking an acquisition adjustment, and there are no extraordinary circumstances regarding this purchase that would justify an acquisition adjustment to rate base, staff recommends that an acquisition adjustment not be included in the calculation of rate base. Staff's recommendation is consistent with previous Commissions decisions in this regard. See Order No. Order No. PSC-01-1655-PAA-WS, issued August 13, 2001, in Docket No. 000793-WS; Order No. PSC-01-1917-PAA-WS, issued September 24, 2001, in Docket No. 001551-WS; and Order No. PSC-02-1299-PAA-SU, issued September 23, 2002, in Docket No. 011379-SU; PSC-02-1832-PAA-WU, issued December 20, 2002, in Docket No. 011632-WU;

It should be noted that the Commission adopted Rule 25-30.0371, Florida Administrative Code, effective August 4, 2002, to address the appropriate treatment of acquisition adjustments that occur when

DOCKET NO. 020892-WS

DATE: MAY 22, 2003

the purchase price of a utility differs from its rate base. In the case of Sun Communities' purchase of Buttonwood, the purchase occurred prior to the adoption of the rule; therefore, the rule is not applicable in this case. Staff notes that even if the rule were applicable to this docket, staff's recommendation would remain the same, since there is no acquisition adjustment and there do not appear to be any extraordinary circumstances.

**ISSUE 5:** Should the rates and charges approved for this utility be continued?

**RECOMMENDATION:** Yes, Sun Communities should continue charging the rates and charges approved for this utility system until authorized to change by the Commission in a subsequent proceeding. The tariff reflecting the change in ownership should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. (JOHNSON)

**STAFF ANALYSIS:** The utility's rates and service availability charges were originally approved by the Commission when the original certificates were granted in Order 13672, in Docket No. 840177-WS, issued August 24, 1984. The rates were recently increased in an administrative price index proceeding pursuant to Rule 25-30.420, Florida Administrative Code, effective May 16, 2003. The utility's approved rates and charges are as follows:

**Monthly Water Service Rates**

**Residential, General Service and Multi-Residential  
Base Facility Charge:**

**Meter Size:**

|             |          |
|-------------|----------|
| 5/8" x 3/4" | \$ 6.78  |
| 1"          | \$ 16.95 |
| 1 1/2"      | \$ 32.90 |
| 2"          | \$ 54.23 |
| 3"          | \$108.47 |
| 4"          | \$169.48 |
| 6"          | \$338.97 |

Charge per 1,000 gallons \$ .67

Monthly Wastewater Service Rates

Residential Service  
Base Facility Charge:  
Meter Size:

|   |    |      |
|---|----|------|
| All meter sizes                                 | \$ | 6.96 |
| Charge per 1,000 gallons<br>(10,000 gallon cap) | \$ | .68  |

General Service and Multi-Residential

Base Facility Charge:

Meter Size:

|                          |    |        |
|--------------------------|----|--------|
| 5/8" x 3/4"              | \$ | 6.86   |
| 1"                       | \$ | 17.39  |
| 1 1/2"                   | \$ | 34.80  |
| 2"                       | \$ | 55.67  |
| 3"                       | \$ | 111.33 |
| 4"                       | \$ | 165.70 |
| 6"                       | \$ | 347.95 |
| Charge per 1,000 gallons | \$ | .68    |

Miscellaneous Service Charges

|  | Water    | Wastewater  |
|--|----------|-------------|
| Initial Connection Fee                           | \$ 15.00 | \$ 15.00    |
| Normal Reconnection Fee                          | \$ 15.00 | \$ 15.00    |
| Violation Reconnection Fee                       | \$ 15.00 | Actual Cost |
| Premises Visit Fee<br>(in Lieu of disconnection) | \$ 10.00 | \$ 10.00    |

Service Availability Charges

|                              | Water       | Wastewater  |
|------------------------------|-------------|-------------|
| Meter Installation Fee       |             |             |
| 5/8"x3/4"                    | \$ 70.00    |             |
| All other Meter sizes        | Actual Cost |             |
| System Capacity Charge       | \$600.00    | \$875.00    |
| Back-Flow Preventor          | Actual Cost |             |
| Consumer Connection (Tap-In) | Actual Cost | Actual Cost |

Rule 25-9.044(1), Florida Administrative Code, provides that:

In case[s] of change of ownership or control of a utility which places the operation under a different or new utility . . . the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission)  
. . . .

Sun Communities has not requested a change in the rates and charges of the utility. Therefore, staff recommends that, pursuant to Rule 25-9.044(1), Florida Administrative Code, Sun Communities should continue operations under the existing tariff and apply the approved rates and charges until authorized to change by the Commission in a subsequent proceeding. The utility has filed a revised tariff reflecting the change in issuing officer due to the transfer of control. If the Commission approves staff's recommendation, the tariff filing should be effective for services rendered or connections made on or after the stamped approval date.

DOCKET NO. 020892-WS

DATE: MAY 22, 2003

**ISSUE 6:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no timely protest is received to the proposed agency action issues, upon the expiration of the protest period a Consummating Order should be issued and the docket should be closed. (CROSBY)

**STAFF ANALYSIS:** If no timely protest is received to the proposed agency action issues, upon the expiration of the protest period a Consummating Order should be issued and the docket should be closed.

SUN COMMUNITIES ACQUISITIONS, LLC d/b/a BUTTONWOOD BAY UTILITIES

HIGHLANDS COUNTY

WATER AND WASTEWATER TERRITORY SERVED

Township 35 South, Range 29 East

Section 27

That portion of the Southwest 1/4 of the Northwest 1/4 of said Section 27 lying West of U.S. Highway No. 27.

Section 28

That Portion of the East 2,233 feet of the North 3,484 feet of said Section 28 lying East of Jackson Creek as it now runs.

A more complete description is listed below:

PARCEL NO. 1 (WASTEWATER TREATMENT PLANT SITE, I-2 CU)

The East 750 feet of the North 2560 feet of Section 28, Township 35 South, Range 29 East, Highlands County, Florida, less the North 2200 feet thereof. Said Parcel No.1 containing 6.2 Acres, more or less.

PARCEL NO. 2 (WATER PLANT SITE, I-2 CU)

Commence at the Northeast corner of Section 28, Township 35 South, Range 29 East, Highlands County, Florida, and run Southerly along the East boundary of said Section 28, a distance of 1360 feet; thence run Westerly and parallel to the North boundary of said Section 28, a distance of 720 feet to the Point of Beginning; thence continue to run Westerly 200 feet; thence run Southerly 200 feet; thence run Easterly 200 feet; thence run Northerly 200 feet to the Point of Beginning. All parallel to the North and East boundary lines of Section 28, Township 35 South, Range 29 East, Highlands County, Florida. Said Parcel No. 2 containing 0.92 Acres, more or less.

Distribution site together with a right-of-way over and upon all streets, alleyways and utility easements located within the subdivision for the purpose of installing and maintaining water and sewage distribution systems.

DOCKET NO. 020892-WS

DATE: MAY 22, 2003

PARCEL NO. 3 (MOBILE HOME PARK SITE, M-2)

The North 2060 feet of Section 28, Township 35 South, Range 29 East, Highlands County, Florida, lying East of Jackson Creek right-of-way, less the North 1040 feet thereof and less; commence at the Northeast corner of Section 28, Township 35 South, Range 29 East, Highlands County, Florida, and run Southerly along the East boundary of said Section 28, a distance of 1330 feet; thence run Westerly and parallel to the North Boundary of said Section 28, a distance of 720 feet to the Point of Beginning; thence continue to run Westerly 200 feet; thence run Southerly 200 feet; thence run Easterly 200 feet; thence run Northerly 200 feet to the Point of Beginning. All parallel to the North and East boundary lines of Section 28, Township 35 South, Range 29 East, Highlands County, Florida. Said Parcel No. 3 containing 35.4 Acres, more or less.

PARCEL NO. 4 (RECREATIONAL VEHICLE SITE, CG-1)

The North 3524 feet of Section 28, Township 35 South, Range 29 East, Highlands County, Florida, lying East of Jackson Creek right-of-way, less the North 2060 feet of said Section 28. Said Parcel No. 4 containing 49.0 Acres, more or less.

PARCEL NO. 5 (BUSINESS, B-3)

The South 600 feet of Southwest 1/4, of Northwest 1/4, West of Highway No. 27 right-of-way, of Section 27, Township 35 South, Range 29 East, Highlands County, Florida. Said Parcel No. 5 containing 4.0 Acres, more or less.

PARCEL NO. 6 (MOBILE HOME SUBDIVISION, M-1)

The North 1040 feet of Section 28, Township 35 South, Range 29 East, Highlands County, Florida, lying East of Jackson Creek right-of-way, less the right of way for Skipper Road. Said Parcel No. 6 containing 40.0 Acres, more or less.

DOCKET NO. 020892-WS  
DATE: MAY 22, 2003

SCHEDULE 1

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES  
SCHEDULE OF WATER RATE BASE  
AS OF JANUARY 1, 2002

| <u>DESCRIPTION</u>                             | <u>BALANCE<br/>PER UTILITY</u> | <u>STAFF'S<br/>ADJUSTMENTS</u> | <u>BALANCE<br/>PER STAFF</u> |
|--|--------------------------------|--------------------------------|------------------------------|
| Utility Plant in Service                       | \$ 493,300                     | \$ (0)                         | \$493,300                    |
| Land   | 4,600                          | 0                              | 4,600                        |
| Contributions in Aid<br>of Construction (CIAC) | (215,960)                      | 0                              | (215,960)                    |
| Accumulated Depreciation                       | (290,349)                      | (0)                            | (290,349)                    |
| Amortization of CIAC                           | <u>90,356</u>                  | <u>0</u>                       | <u>90,356</u>                |
| WATER RATE BASE                                | <u>\$ 81,947</u>               | <u>\$ 0</u>                    | <u>\$ 81,947</u>             |

DOCKET NO. 020892-WS  
DATE: MAY 22, 2003

SCHEDULE 2

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES  
SCHEDULE OF WASTEWATER RATE BASE  
AS OF JANUARY 1, 2002

| <u>DESCRIPTION</u>                                 | <u>BALANCE<br/>PER UTILITY</u> | <u>STAFF'S<br/>ADJUSTMENTS</u> | <u>BALANCE<br/>PER STAFF</u> |
|--|--------------------------------|--------------------------------|------------------------------|
| Utility Plant in Service                           | \$ 949,773                     | \$ (0)                         | \$ 949,773                   |
| Land   | 31,000                         | 0                              | 31,000                       |
| Contributions in Advance<br>of Construction (CIAC) | (227,500)                      | 0                              | (227,500)                    |
| Accumulated Depreciation                           | (654,970)                      | (0)                            | (654,970)                    |
| Amortization of CIAC                               | <u>116,028</u>                 | <u>0</u>                       | <u>116,028</u>               |
| WASTEWATER RATE BASE                               | <u>\$ 214,331</u>              | <u>\$ 0</u>                    | <u>\$ 214,331</u>            |

Original Cost Study - Water System Plant In Service

Florida Public Service Commission

Buttonwood Bay Utilities

Schedule 1 Revised 3/12/03

Docket No.

Page 1 of 1

Estimated Original Cost at January 1, 2002

Preparer: J. Coto/G. Morse

| Line No. | NARUC Account | Description                                     | Year Installed (2) | Age (Yrs.) | FPSC (3) Depreciation Rate (%) | Costing Method     |         | Index Values (1) |               | Replacement Cost (5) | Estimated Original Cost | Accumulated Depreciation | Original Cost Less Accum. Depreciation |
|----------|---------------|---|--------------------|------------|--------------------------------|--------------------|---------|------------------|---------------|----------------------|-------------------------|--------------------------|--|
|          |               |   |                    |            |                                | Actual Invoice (4) | Trended | Test Yr          | Yr. Installed |                      |                         |                          |  |
| 1        | 303           | Land and Land Rights                            | 1984               | 17.5       |                                | Estimated (7)      |         |                  |               | \$ 4,600             | \$ 4,600                | \$ -                     | \$ 4,600                               |
| 2        | 304           | Structures and Improvements                     | 1984               | 17.5       | 3.57%                          |                    | Trended | 313.00           | 191.00        | 8,860                | 2,807                   | 1,754                    | 1,053                                  |
| 3        | 307           | Wells and Springs                               | 1984               | 17.5       | 3.70%                          |                    | Trended | 291.00           | 198.00        | 44,000               | 29,938                  | 19,385                   | 10,553                                 |
| 4        | 309           | Supply Mains                                    | 1984               | 17.5       | 3.13%                          |                    | Trended | 333.00           | 222.00        | 17,208               | 11,472                  | 6,284                    | 5,188                                  |
| 5        | 310           | Power Generation Equipment                      | 1984               | 17.5       | 5.88%                          |                    | Trended | 531.00           | 245.00        | 40,000               | 18,456                  | 18,456                   | -                                      |
| 6        | 311           | Pumping Equipment                               | 1984               | 17.5       | 5.88%                          |                    | Trended | 531.00           | 245.00        | 50,000               | 23,070                  | 23,070                   | -                                      |
| 7        | 320           | Water Treatment Equipment                       | 1984               | 17.5       | 5.88%                          |                    | Trended | 385.00           | 232.00        | 101,000              | 60,862                  | 60,862                   | -                                      |
| 8        | 330           | Distribution Reservoirs & Standpipes            |                    |            |                                |                    |         |                  |               |                      |                         |                          |  |
| 9        |               | -Steel Tanks                                    | 1984               | 17.5       | 3.33%                          |                    | Trended | 270.00           | 208.00        | 50,000               | 38,519                  | 22,447                   | 16,072                                 |
| 10       | 331           | Transmission and Distribution Lines             | 1984               | 17.5       | 2.50%                          |                    | Trended | 215.00           | 138.00        | 266,000              | 170,735                 | 74,697                   | 96,038                                 |
| 11       | 333           | Services  | 1984               | 17.5       | 2.86%                          |                    | Trended | 275.00           | 193.00        | 144,150              | 101,167                 | 50,634                   | 50,533                                 |
| 12       | 334           | Meters and Meter Installations                  | 1984               | 17.5       | 5.88%                          | Actual (6)         |         |                  |               | 29,890               | 29,890                  | 12,135                   | 17,755                                 |
| 13       | 335           | Hydrants  | 1984               | 17.5       | 2.50%                          |                    | Trended | 505.00           | 232.00        | 2,600                | 1,194                   | 523                      | 672                                    |
| 14       | 338           | Backflow Prevention Devices                     | 2001               | 0.5        | 4.00%                          | Actual Cost        |         |                  |               | 5,190                | 5,190                   | 104                      | 5,086                                  |
| 15       |               | <b>Total Net Original Cost Plant In Service</b> |                    |            |                                |                    |         |                  |               | <b>\$ 763,498</b>    | <b>\$ 497,900</b>       | <b>\$ 290,349</b>        | <b>\$ 207,551</b>                      |

Footnotes:

(1) Based on Handy Whitman Indices at mid year for the test year and estimated year of installation.

(2) As indicated in latest FPSC Annual Reports.

(3) Depreciation rates based on FPSC Order No. 13060 dated March 7, 1984.

(4) Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities, was not able to obtain any actual invoices or support for the original plant investment.

Therefore, the Company has prepared an original cost study to support the original plant investment.

(5) Represents the estimated cost today for similar facilities as prepared by Excel Engineering Consultants per the attached replacement cost analysis.

(6) Represents the estimated original cost of meters (including installation) based upon the approved meter installation fee of \$70 per meter.

This cost was established by the FPSC in Order No. 13872 of Docket No. 840177-WS dated September 11, 1984.

(7) From Replacement Cost Support Schedule 1.

Original Cost Study - Wastewater System Plant In Service

Florida Public Service Commission

Buttonwood Bay Utilities  
 Docket No.  
 Estimated Original Cost at January 1, 2002

Schedule 2 Revised 3/12/03  
 Page 1 of 1  
 Preparer: J. Coto/G. Morse

| Line No. | NARUC Account | Description                              | Year Installed (2) | Age (Yrs.) | FPSC (3) Depreciation Rate (%) | Costing Method     |         | Index Values (1) |               | Todays Replacement Cost (5) | Estimated Original Cost | Accumulated Depreciation | Original Cost Less Accum. Depreciation |
|----------|---------------|--|--------------------|------------|--------------------------------|--------------------|---------|------------------|---------------|-----------------------------|-------------------------|--------------------------|--|
|          |               |  |                    |            |                                | Actual Invoice (4) | Trended | Test Yr          | Yr. Installed |                             |                         |                          |  |
| 1        | 353           | Land and Land Rights                     | 1984               | 17.5       |                                | Estimated          |         |                  |               | 31,000                      | \$ 31,000               | \$ -                     | \$ 31,000                              |
| 2        | 354           | Structures and Improvements              | 1984               | 17.5       | 3.70%                          | Trended            |         | 313.00           | 191.00        | 21,600                      | 13,181                  | 8,535                    | 4,648                                  |
| 3        | 360           | Collection Sewers - Force                | 1984               | 17.5       | 3.70%                          | Trended            |         | 215.00           | 138.00        | 48,000                      | 30,809                  | 19,949                   | 10,860                                 |
| 4        | 361           | Collection Sewers - Gravity              | 1984               | 17.5       | 2.50%                          | Trended            |         | 215.00           | 138.00        | 398,741                     | 255,936                 | 111,972                  | 143,964                                |
| 5        | 361           | Collection Sewers - Manholes             | 1984               | 17.5       | 3.70%                          | Trended            |         | 215.00           | 138.00        | 151,450                     | 97,210                  | 62,943                   | 34,266                                 |
| 6        | 363           | Services to Customers                    | 1984               | 17.5       | 2.86%                          | Trended            |         | 275.00           | 193.00        | 288,300                     | 202,334                 | 101,268                  | 101,068                                |
| 7        | 371           | Pumping Equipment                        | 1984               | 17.5       | 6.67%                          | Trended            |         | 531.00           | 245.00        | 220,000                     | 101,507                 | 101,507                  | -                                      |
| 8        | 380           | Treatment and Disposal Equipment         | 1984               | 17.5       | 6.67%                          | Trended            |         | 385.00           | 232.00        | 412,873                     | 248,798                 | 248,798                  | -                                      |
| 9        |               | Total Net Original Cost Plant In Service |                    |            |                                |                    |         |                  |               | <u>\$ 1,571,964</u>         | <u>\$ 980,773</u>       | <u>\$ 654,970</u>        | <u>\$ 325,803</u>                      |

Footnotes:

- (1) Based on Handy Whitman Indices at mid year for the test year and estimated year of installation.
- (2) As indicated in latest FPSC Annual Reports.
- (3) Depreciation rates based on FPSC Order No. 13080 dated March 7, 1984.
- (4) Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities, was not able to obtain any actual invoices or support for the original plant investment. Therefore, the Company has prepared an original cost study to support the original plant investment.
- (5) Represents the estimated cost today for similar facilities as prepared by Excel Engineering Consultants per the attached replacement cost analysis.

## Buttwood Bay Utilities

Impact From Imputation of CIAC By FPSC

| Line No. | Year                        | Reported (1)<br>Connections | 0.57<br>Additions(3) | System<br>Capacity/<br>Meter Fee | Annual<br>CIAC<br>Additions | Amortization<br>Rate(4) | Age<br>(Yrs.) | Accumulated<br>Amortization<br>(Plant) | Accumulated<br>Amortization<br>(Meters) | Net<br>CIAC       |
|----------|-----------------------------|-----------------------------|----------------------|----------------------------------|-----------------------------|-------------------------|---------------|--|---|-------------------|
| 1        | 1984                        | 6                           | 18.00                | \$ 670                           | \$ 11,220                   | 3.51%                   | 17.5          | \$ 6,634                               | \$ 258                                  | \$ 4,328          |
| 2        | 1985                        | 24                          | 14.00                | 670                              | 10,080                      | 3.51%                   | 16.5          | 4,865                                  | 973                                     | 4,242             |
| 3        | 1986                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 15.5          | -                                      | -                                       | -                 |
| 4        | 1987 (2)                    | 50                          | 29.00                | 670                              | 20,900                      | 3.51%                   | 14.5          | 8,856                                  | 1,781                                   | 10,263            |
| 5        | 1988 (2)                    | 50                          | 29.00                | 670                              | 20,900                      | 3.51%                   | 13.5          | 8,245                                  | 1,658                                   | 10,897            |
| 6        | 1989                        | 21                          | 12.00                | 670                              | 8,670                       | 3.51%                   | 12.5          | 3,159                                  | 645                                     | 4,866             |
| 7        | 1990                        | 42                          | 24.00                | 670                              | 17,340                      | 3.51%                   | 11.5          | 5,813                                  | 1,187                                   | 10,341            |
| 8        | 1991                        | 60                          | 34.00                | 670                              | 24,600                      | 3.51%                   | 10.5          | 7,518                                  | 1,548                                   | 15,534            |
| 9        | 1992                        | 175                         | 100.00               | 670                              | 72,250                      | 3.51%                   | 9.5           | 20,007                                 | 4,085                                   | 48,158            |
| 10       | 1993                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 8.5           | -                                      | -                                       | -                 |
| 11       | 1994                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 7.5           | -                                      | -                                       | -                 |
| 12       | 1995                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 6.5           | -                                      | -                                       | -                 |
| 13       | 1996                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 5.5           | -                                      | -                                       | -                 |
| 14       | 1997                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 4.5           | -                                      | -                                       | -                 |
| 15       | 1998                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 3.5           | -                                      | -                                       | -                 |
| 16       | 1999                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 2.5           | -                                      | -                                       | -                 |
| 17       | 2000                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 1.5           | -                                      | -                                       | -                 |
| 18       | 2001                        | 0                           | 0.00                 | 670                              | -                           | 3.51%                   | 0.5           | -                                      | -                                       | -                 |
| 19       |                             | <u>428</u>                  | <u>260</u>           |                                  | <u>185,960</u>              |                         |               | <u>65,096</u>                          | <u>12,135</u>                           | <u>108,728</u>    |
| 20       |                             |                             |                      |                                  |                             |                         |               |  |   |                   |
| 21       | Water Lines Per Order 13672 |                             |                      |                                  | 30,000                      | 2.50%                   | 17.5          | 13,125                                 | -                                       | 16,875            |
| 22       |                             |                             |                      |                                  |                             |                         |               |  |   |                   |
| 23       | Total Water CIAC            |                             |                      |                                  | <u>\$ 215,960</u>           |                         |               | <u>\$ 78,221</u>                       | <u>\$ 12,135</u>                        | <u>\$ 125,603</u> |

| Line No. | Year             | Reported (1)<br>Connections | 0.57<br>Additions(3) | System<br>Capacity<br>Fee | Annual<br>CIAC<br>Additions | Amortization<br>Rate(4) | Age<br>(Yrs.) | Accumulated<br>Amortization | Net<br>CIAC       |
|----------|------------------|-----------------------------|----------------------|---------------------------|-----------------------------|-------------------------|---------------|-----------------------------|-------------------|
| 24       | 1984             | 6                           | 18.00                | \$ 875                    | \$ 15,750                   | 4.29%                   | 17.5          | \$ 11,824                   | \$ 3,926          |
| 25       | 1985             | 24                          | 14.00                | 875                       | 12,250                      | 4.29%                   | 16.5          | 8,671                       | 3,579             |
| 26       | 1986             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 15.5          | -                           | -                 |
| 27       | 1987 (2)         | 50                          | 29.00                | 875                       | 25,375                      | 4.29%                   | 14.5          | 15,785                      | 9,590             |
| 28       | 1988 (2)         | 50                          | 29.00                | 875                       | 25,375                      | 4.29%                   | 13.5          | 14,696                      | 10,679            |
| 29       | 1989             | 21                          | 12.00                | 875                       | 10,500                      | 4.29%                   | 12.5          | 5,631                       | 4,869             |
| 30       | 1990             | 42                          | 24.00                | 875                       | 21,000                      | 4.29%                   | 11.5          | 10,360                      | 10,640            |
| 31       | 1991             | 60                          | 34.00                | 875                       | 29,750                      | 4.29%                   | 10.5          | 13,401                      | 16,349            |
| 32       | 1992             | 175                         | 100.00               | 875                       | 87,500                      | 4.29%                   | 9.5           | 35,661                      | 51,839            |
| 33       | 1993             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 8.5           | -                           | -                 |
| 34       | 1994             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 7.5           | -                           | -                 |
| 35       | 1995             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 6.5           | -                           | -                 |
| 36       | 1996             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 5.5           | -                           | -                 |
| 37       | 1997             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 4.5           | -                           | -                 |
| 38       | 1998             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 3.5           | -                           | -                 |
| 39       | 1999             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 2.5           | -                           | -                 |
| 40       | 2000             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 1.5           | -                           | -                 |
| 41       | 2001             | 0                           | 0.00                 | 875                       | -                           | 4.29%                   | 0.5           | -                           | -                 |
| 42       | Total Sewer CIAC | <u>428</u>                  | <u>260</u>           |                           | <u>\$ 227,500</u>           |                         |               | <u>\$ 116,028</u>           | <u>\$ 111,472</u> |

Footnotes:

- (1) As reported in the FPSC Annual Reports adjusted in 1984 to include one addl ERC for commercial account and 15 ERCs for RV park based upon 3 inch service.
- (2) No data available for 1987 or 1988. However, based on year end number of connections for 1986 of 28 and beginning year connections of 128 for 1989, it is therefore evident that 100 connections were added during the two year period. It was assumed that 50 connections were added in 1987 and 50 added in 1988. It was assumed that every new water connection is also a sewer connection.
- (3) In the FPSC Staff Recommendation in Original Certificate Application in Docket No. 840177-WS, the staff recognized that service availability charges should be based on an "ERC" concept with mobile homes equating to 0.57 of an ERC. It is noted that the one commercial account (Short Utilities) was recognized as 1 ERC and the RV park was recognized as 15 ERCs based upon 3 inch service.
- (4) Represents the composite rate for the system computed from the data contained in the Original Cost Study for the respective systems.