

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificate to operate
water utility in Pasco County by HV Utility
Systems, L.L.C.

DOCKET NO. 110022-WU
ORDER NO. PSC-12-0353-PAA-WU
ISSUED: July 9, 2012

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER SETTING INITIAL RATES AND CHARGES
AND
FINAL ORDER GRANTING CERTIFICATE NO. 659-W

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action setting initial rates and miscellaneous service charges is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

On January 7, 2011, Equity LifeStyle Properties, Inc. (ELPI) filed an application for an original water certificate in Pasco County on behalf of its subsidiary, HV Utility Systems, L.L.C. (HV Utility or Utility). Since approximately 1973, the Utility has been providing potable water service to the Hacienda Village Mobile Home Park (Hacienda MHP), which is located east of U.S. Highway 19 near the city of New Port Richey. The Hacienda MHP is in the Southwest Florida Water Management District (SWFWMD) and is in the Northern Tampa Bay water use caution area.

Wastewater service is currently provided by the Utility under Certificate No. 285-S, which we granted in 2004.¹ HV Utility's 2011 annual report reflecting wastewater service

¹ See Order No. PSC-04-1148-PAA-SU, issued November 18, 2004, in Docket No. 030747-SU, In re: Application for transfer of assets and Certificate No. 285-S in Pasco County to HV Utility Systems, L.L.C., by Hacienda Utilities, Ltd.

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FPSC-COMMISSION CLERK

indicates that the Utility had gross operating revenues of \$89,831 and a net operating loss of \$155,429.

HV Utility currently serves approximately 505 residential connections in addition to 2 clubhouses, an office, and a pool. Based on projected revenues, the Utility will be a Class C water utility. ELPI currently includes the cost of water service in customers' lot rental fees. Therefore, ELPI is exempt from our regulation, pursuant to Section 367.022(5), Florida Statutes (F.S.). Moreover, ELPI intends to offset the establishment of rates and charges with appropriate decreases in lot rental fees.

We recently granted certificates and initial rates and charges to three of ELPI's wholly-owned utilities, including OB Utility Systems, L.L.C. (Docket No. 110020-WS), COL Utility Systems, L.L.C. (Docket No. 110021-WS), and MFL Utility Systems, L.L.C. (Docket No. 110023-WS). Further, CC Utility Systems, LLC d/b/a Coral Cay Water & Sewer Company, a Class C water and wastewater utility in Broward County,² and BE Utility Systems, LLC, a Class C water utility in Lee County,³ are wholly-owned by ELPI and regulated by us.

In the instant docket, Pasco County (County) and the City of New Port Richey (City) filed objections to the application on July 13, 2011. Following several rounds of meetings and discussions in which the Utility, County, and City participated, the County and City withdrew their objections on March 19, 2012, and March 27, 2012, respectively. Our staff conducted a customer meeting on May 1, 2012, in order to allow HV Utility's customers to provide input regarding the Utility's quality of service and to answer customers' questions about the Utility's proposed rates and charges.

The purpose of this order is to address the Utility's application for an original water certificate, as well as the appropriate initial rates and charges for HV Utility. We have jurisdiction pursuant to Sections 367.031, 367.045, 367.081, 367.091, and 367.101, F.S.

² In 1995, the Commission granted the transfer of water and wastewater certificates to CC Utility Systems, LLC, which underwent two name changes in Dockets Nos. 010670-WS and 030454-WS. See Order No. PSC-95-0622-FOF-WS, issued May 22, 1995, in Docket No. 940850-WS, In re: Application for transfer of Certificates Nos. 481-W and 417-S in Broward County from Colonies Water Company to MHC-DeAnza Financing Limited Partnership d/b/a Colonies Water Company; Order No. PSC-01-1499-FOF-WS, issued July 18, 2001, in Docket No. 010670-WS, In re: Application for acknowledgement of corporate reorganization and name change on Certificate Nos. 417-S and 481-W in Broward County from MHC-DeAnza Financing Limited Partnership, d/b/a Colonies Water Company, to CM Utility Systems, L.L.C. d/b/a Colonies Water Company; Order No. PSC-03-0919-FOF-WS, issued August 11, 2003, in Docket No. 030454-WS, In re: Application for name change on Certificate Nos. 481-W and 417-S in Broward County from CM Utility Systems, L.L.C. d/b/a Colonies Water Company to CC Utility Systems, L.L.C. d/b/a Coral Cay Water & Sewer Company.

³ In 1995, the Commission granted the transfer of a water certificate to BE Utility Systems, LLC, which underwent a name change in Docket No. 010563-WU. See Order No. PSC-95-0623-FOF-WU, issued May 22, 1995, in Docket No. 940849-WU, In re: Application for transfer of Certificate No. 366-W in Lee County from DeAnza Properties-XI, Ltd., d/b/a Buccaneer Water Service, to MHC-DeAnza Financing Limited Partnership, d/b/a Buccaneer Water Service.

ORIGINAL WATER CERTIFICATE

As previously stated, ELPI filed an application for an original water certificate on January 7, 2011. The Utility subsequently provided additional information to correct deficiencies in the original filing. However, as previously noted, the County and the City filed objections to the application on July 13, 2011, but withdrew those objections on March 19, 2012, and March 27, 2012, respectively. The Utility's application is in compliance with the governing statutes, Sections 367.031 and 367.045, F.S., and other pertinent statutes and administrative rules concerning an application for an original certificate.

Notice. The application contained proof of compliance with the noticing provisions of Rule 25-30.030, F.A.C. On July 13, 2011, objections were filed by the County and the City. HV Utility subsequently filed three Unopposed Motions for Extension of Time to File Motion to Dismiss (Unopposed Motions) on July 28, 2011, September 14, 2011, and December 14, 2011. In its Unopposed Motions, the Utility stated that it was continuing discussions with the County and the City in an attempt to resolve the concerns raised. We granted the Utility's July 28, 2011 Unopposed Motion,⁴ as well as its September 14, 2011 Unopposed Motion.⁵ In conjunction with each of the three Unopposed Motions, the Utility filed a Motion to Dismiss the County's and City's objections on August 2, 2011, September 14, 2011, and December 14, 2011. In each of the first two Motions to Dismiss, the Utility stated that it was filing the motion in an abundance of caution but requested that we not rule upon the motion until it ruled upon the corresponding Unopposed Motion. The Utility withdrew each of the first two Motions to Dismiss after we granted the corresponding Unopposed Motions. In the Utility's third Motion to Dismiss, it stated that the County's and City's objections were not timely filed and must be dismissed. On March 15, 2012, HV Utility filed a letter requesting that we proceed to rule upon the Utility's December 14, 2011 Motion to Dismiss. Subsequently, the County withdrew its objection on March 19, 2012, and the City filed its withdrawal on March 27, 2012. No further objections from the County, the City, or any other entities have been received, and the time for filing such has expired.

Territory. The Utility provided adequate service territory maps, as prescribed by Rule 25-30.033(1)(n), F.A.C. Our staff verified that the maps represent HV Utility's proposed territory. The resulting description of the proposed service territory is appended to this recommendation as Attachment A.

Proof of Ownership. Rule 25-30.033(1)(j), F.A.C., requires evidence in the form of a warranty deed that the utility owns the land upon which the utility treatment facilities are or will be located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. The application contained a copy of an unexecuted warranty deed conveying the property on which the water facilities are located from MHC Hacienda Village, L.L.C., a wholly-owned subsidiary of ELPI and the current owner of the property, to HV Utility. According to the application, the deed will be executed upon issuance of a final order granting a water certificate to the Utility. Pursuant to Rule 25-30.033(1)(j), F.A.C., the Utility shall be required to submit an

⁴ See Order No. PSC-11-0333-PCO-WU, issued August 5, 2011, in Docket No. 110022-WU.

⁵ See Order No. PSC-11-0398-PCO-WU, issued September 21, 2011, in Docket No. 110022-WU.

executed and recorded copy of the warranty deed within 30 days after the date of the order granting the certificate.

Financial and Technical Ability. In accordance with Rule 25-30.033(1)(e), F.A.C., HV Utility provided a statement describing its financial and technical ability to provide water service. The application included ELPI's 2009 10-K Annual Report, as filed with the U.S. Securities and Exchange Commission. According to ELPI, the information indicates that it has ample financial backing to ensure the safe, efficient, and sufficient provision of water and wastewater service to the proposed service territory. The Utility has the ability to raise cash when necessary to finance its operations through its parent company, ELPI, which is publicly traded on the New York Stock Exchange. Our staff has reviewed ELPI's financial statements and other documentation included in the 10-K Annual Report, and they appear to show adequate resources to support HV Utility's water operations.

The Utility has been providing service to Hacienda MHP since approximately 1973. In addition, the application referenced ELPI's ownership interest in properties throughout the United States and Canada (307 properties as of December 31, 2010). As previously noted, properties owned and operated by ELPI in Florida include utilities that are currently regulated by us. In addition, HV Utility's wastewater utility has been compliant with our rules since its certification. According to the applicant, utilities wholly owned by ELPI have a history of contracting professional, licensed companies that provide plant operation and maintenance services.

According to the SWFWMD, there are no outstanding compliance issues related to the Utility's Small General Water Use Permit, which expires on March 16, 2032. Additionally, the Florida Department of Environmental Protection (DEP) conducted an inspection of the water facilities on August 10, 2011; the report indicated that the Utility was substantially compliant and noted that deficiencies were promptly addressed by the Utility. The Utility also has an active wastewater facility permit issued by the DEP, which expires on June 30, 2016.

Regulatory Requirements. HV Utility understands that it must maintain its books and records according to the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA). The Utility also understands the requirements to file annual reports and pay regulatory assessment fees by March 31 for the preceding year ending December 31. In addition, the Utility is aware that it may not change its rates, serve outside its certificated territory, or transfer the Utility without our prior approval.

Conclusion. Based on the above information, we hereby find that it is in the public interest to grant HV Utility's request for an original water certificate. Accordingly, we hereby grant the Utility Certificate No. 659-W to serve the territory described in Attachment A, effective the date of our vote. The resultant order shall serve as the Utility's water certificate and shall be retained by the Utility as such. Pursuant to Rule 25-30.033(1)(j), F.A.C., the Utility shall submit an executed and recorded copy of the warranty deed within 30 days after the date of the order granting the certificate.

INITIAL WATER RATES AND RETURN ON EQUITY

Subsections (t), (u), (v), and (w) of Rule 25-30.033(1), F.A.C., specify the requirements for establishing rates and charges for original certificates, including submission of a cost study, growth projections, and data related to the utility plant, capital structure, and operating and maintenance (O&M) expenses. In the instant case, the Utility's water facilities are currently in operation and are built out. Therefore, the requested rates and charges in the application are based upon the actual operating costs of the existing systems at designed capacity. This is consistent with our policy for setting initial rates and charges. The cost study provided in the application includes data related to the existing plant, capital structure, and O&M expenses and excludes customer growth projections.

Utility Facilities. HV Utility's service territory covers a 67-acre area near New Port Richey. This area encompasses the Hacienda MHP, which consists of mobile homes, two clubhouses, an office, and a pool. ELPI is currently reviewing various metering companies to install meters throughout the Hacienda MHP and has not yet decided on a vendor. Thus, HV Utility has not yet completed installation and calibration of meters in conjunction with its application for initial rates and charges.

The existing water treatment facilities include a plant with 2 water supply wells and a hydropneumatic tank with a capacity of 5,000 gallons. The plant has a designed capacity of 0.375 million gallons per day (mgd). One of the plant's wells is equipped with a 350 gallon per minute (gpm) pump, while the other is equipped with a 150 gpm pump. The plant's treatment process consists of hypochlorination for disinfection and a sequestering agent for iron control. The facilities are interconnected for reliability with L W V Utilities, Inc.⁶

Rate Base. In setting initial rates and charges for a new utility, our practice has been to set rates so that the utility will have an opportunity to earn a fair return on its investment when approximately 80 percent of its projected customers are being served. Typically, in the early years of development, the customer base of a utility is not sufficient to allow the utility to recover its O&M expenses and earn a fair return on its investment; but, as growth reaches 80 percent of a utility's projected designed capacity, the initial rates become compensatory. In the instant case, HV Utility's water facilities are in existence and serving its customers at designed capacity. Schedule Nos. 1 and 2 contain the Utility's estimated rate base and revenue requirement and the resulting proposed rates and charges.

HV Utility did not have documentation to support the original cost of the water facilities. Therefore, an original cost study was prepared by an accounting firm to estimate the cost of the assets when first dedicated to public service. The Utility's estimated cost for Utility Plant in Service (UPIS) is \$553,351 for the water facilities.

⁶ We granted L W V Utilities, Inc., Certificate No. 152-W in 1986. According to a DEP inspection report (most recent inspection conducted on August 10, 2011), the plant has a designed capacity of 0.146 MGD, 2 water supply wells, and a hydropneumatic tank with a capacity of 3,000 gallons.

Rule 25-30.580(1)(a), F.A.C., provides that the maximum amount of contributions-in-aid-of-construction (CIAC), net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of a utility's facilities and plant when at their designed capacity. Rule 25-30.580(1)(b), F.A.C., provides that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution systems. Because the proposed service territory is a mobile home park in which ELPI rents, rather than sells, lots to customers, no CIAC has been collected by the Utility. Therefore, the CIAC balance is \$0 for the water system. Should the Utility wish to extend its service territory outside of the Hacienda MHP in the future, it must request a service availability policy and charges that are consistent with the guidelines in Rule 25-30.580, F.A.C., which require that at a minimum the cost of the lines should be contributed.

The Utility's estimated accumulated depreciation balance is based on the average service life guidelines for Class C utilities, as set forth in Rule 25-30.140, F.A.C. Based on the guidelines, the water accumulated depreciation balance is \$357,286. An estimated working capital allowance of \$10,128 is based on 1/8 of the estimated O&M expenses for the water system, pursuant to Rule 25-30.433(2), F.A.C.

We find that HV Utility's estimated rate base of \$206,193 for water, as shown on Schedule No. 1, is reasonable. This rate base is established only as a tool to aid us in setting initial rates and is not intended to formally establish rate base. This is consistent with our practice in applications for original certificates.⁷

Cost of Capital. As required by Rule 25-30.033(1)(w), F.A.C., the application contained a schedule of HV Utility's capital structure, including a statement of the methods of financing the Utility's operations. The Utility's capital structure, as shown on Schedule No. 2, consists of 40 percent equity and 60 percent debt. Equity contributions or advances from related entities will be made as required by the Utility to finance and support its operations.

The Utility's proposed return on equity of 10.85 percent is consistent with our current leverage formula in effect at the time of our vote.⁸ The Utility's cost of debt of 4.25 percent is

⁷ See Order No. PSC-11-0586-PAA-WS, issued December 21, 2011, in Docket No. 110023-WS, In re: Application for certificates to provide water and wastewater service in Lake County by MFL Utility Systems, L.L.C.; Order No. PSC-11-0583-PAA-WS, issued December 20, 2011, in Docket No. 110021-WS, In re: Application for certificates to provide water and wastewater service in Lake County by COL Utility Systems, L.L.C.; Order No. PSC-11-0580-PAA-WS, issued December 19, 2011, in Docket No. 110020-WS, In re: Application for certificates to provide water and wastewater service in Marion County by OB Utility Systems, L.L.C.; Order No. PSC-11-0113-PAA-WS, issued February 11, 2011, in Docket No. 050192-WS, In re: Application for certificates to provide water and wastewater service in Sumter County by Central Sumter Utility Company, L.L.C.; Order No. PSC-08-0540-PAA-WS, issued August 18, 2008, in Docket No. 080103-WS, In re: Application for certificates to provide water and wastewater service in Hardee and Polk Counties by TBBT Utility LLC; Order No. PSC-08-0228-PAA-WS, issued April 7, 2008, in Docket No. 060602-WS, In re: Application for certificate to provide water and wastewater service in Lee and Charlotte Counties by Town and Country Utilities Company; Order No. PSC-07-0983-PAA-WS, issued December 10, 2007, in Docket No. 060726-WS, In re: Application for certificates to provide water and wastewater service in Glades County and water service in Highlands County by Silver Lake Utilities, Inc.

⁸ See Order No. PSC-11-0287-PAA-WS, issued July 5, 2011, in Docket No. 110006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and

based on the prime rate in effect at the time the application was filed (3.25 percent) plus 100 basis points.⁹

Accordingly, we hereby approve an overall cost of capital of 6.89 percent for HV Utility based on a capital structure consisting of 40 percent equity and 60 percent debt, a return on equity of 10.85 percent, and a cost of debt of 4.25 percent. We find that this is a reasonable overall cost of capital for calculating the revenue requirement for this original certificate case. We further set the Utility's authorized return on equity at 10.85 percent with a range of plus or minus 100 basis points.

Net Operating Income. HV Utility's estimated net operating income for water service is shown on Schedule No. 1 and is based on the rate base for the water system and the overall estimated cost of capital of 6.89 percent, as previously discussed. The resulting net operating income figure is \$14,207.

Revenue Requirement. HV Utility's proposed revenue requirement is based on O&M expenses, depreciation, taxes other than income, and net operating income, as previously described. Included in O&M expenses are chemicals, purchased power, plant maintenance, laboratory testing, insurance, and contractual services. Taxes other than income include property taxes and projected regulatory assessment fees of 4.50 percent of gross revenues.

The Utility's proposed revenue requirement for the water system of \$120,672 includes \$81,020 for O&M, \$16,973 for depreciation expense, and \$8,472 for taxes other than income. We find that the proposed revenue requirement for the water system of \$120,672 is reasonable and shall be used to set initial rates for water service.

Rates. HV Utility's proposed residential and general service rates are based on a revenue requirement of \$120,672 for water service. As shown on Schedule No. 1, the Utility's requested rates include a monthly base facility charge (BFC) and a single gallonage charge for all water customers.

For water service, the Utility proposed a residential and general service BFC of \$7.58 for 5/8" x 3/4" meters. For both residential and general service water usage, the Utility proposed a gallonage charge of \$3.16 per 1,000 gallons for all levels of usage. We find that the Utility's

wastewater utilities pursuant to Section 367.081(4)(f), F.S.; see also Rules 25-30.415 and 25-30.033(1)(w) and (3), F.A.C.

⁹ See Order No. PSC-11-0586-PAA-WS, issued December 21, 2011, in Docket No. 110023-WS, In re: Application for certificates to provide water and wastewater service in Lake County by MFL Utility Systems, L.L.C.; Order No. PSC-11-0583-PAA-WS, issued December 20, 2011, in Docket No. 110021-WS, In re: Application for certificates to provide water and wastewater service in Lake County by COL Utility Systems, L.L.C.; Order No. PSC-11-0580-PAA-WS, issued December 19, 2011, in Docket No. 110020-WS, In re: Application for certificates to provide water and wastewater service in Marion County by OB Utility Systems, L.L.C.; Order No. PSC-08-0540-PAA-WS, issued August 18, 2008, in Docket No. 080103-WS, In re: Application for certificates to provide water and wastewater service in Hardee and Polk Counties by TBBT Utility LLC; Order No. PSC-08-0228-PAA-WS, issued April 7, 2008, in Docket No. 060602-WS, In re: Application for certificate to provide water and wastewater service in Lee and Charlotte Counties by Town and Country Utilities Company.

proposed rates and rate structure are reasonable, consistent with our practice for setting initial water rates, and are hereby approved.

Section 723.037, F.S., which is enforced by the Florida Department of Business and Professional Regulation, requires that 90 days' written notice be provided to the affected residents when a mobile home park wishes to modify its lot rental fees. In addition, the Hacienda MHP's prospectus must be amended. Our staff will work with the Utility to establish the effective date of its tariffs once Hacienda MHP's prospectus has been amended.

Customer Meeting. Approximately 175 HV Utility customers attended a noticed customer meeting held at the Hacienda MHP Clubhouse on May 1, 2012. The purpose of the meeting was to allow customers to ask questions and provide input regarding the Utility's quality of service. At the meeting, our staff gave opening remarks, and representatives of the Utility and the Office of Public Counsel (OPC) were present. Approximately 9 customers spoke and raised 10 specific concerns.

Of the 10 specific concerns expressed by customers, summarized in Table 1 below, our staff identified the cost of future repairs to the facilities and billing as the most prevalent issues.

<u>Type of Complaint</u>	<u>Total</u>
Cost of repairs	2
Billing (BFC, tiers)	2
Discontinue service while away	2
Service to homes outside Hacienda MHP	2
Commission's procedures	1
Service to common areas	1
Provision of wastewater service	1
Billing while away	1
Water quality testing	1
Index and rate case	1
Total	14

The majority of those who attended the meetings expressed concern over the Utility's justification for charging rates and charges as specific compensation for the provision of water service. While some of the comments referenced the Utility's aging infrastructure and whether the cost of plant improvements would be borne by the customers, other comments addressed how service and bills will be provided when seasonal residents are away. Customers also described

concerns with respect to water quality testing, our procedures in a case such as the instant case, and future index filings and rate cases.

Conclusion. The water rates, as discussed above and shown on Schedule No. 1, are reasonable and shall be approved. HV Utility shall be required to file a proposed customer notice to reflect the approved rates for the water system. The approved rates shall be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. HV Utility shall be required to charge the approved rates until authorized to change them by us in a subsequent proceeding. A return on equity of 10.85 percent plus or minus 100 basis points is hereby approved.

MISCELLANEOUS SERVICE CHARGES

Pursuant to Section 367.091, F.S., HV Utility requested authority to apply certain miscellaneous service charges. Utilities may apply for miscellaneous service charges, including initial connection, normal reconnection, violation reconnection, and premises visit charges, in accordance with Rule 25-30.460, F.A.C. HV Utility's proposed miscellaneous service charges, which are based upon actual expenses, are shown on Schedule No. 2. The Utility's proposed charges are similar to or lower than charges previously approved by us for other Class C utilities.¹⁰ Additionally, our practice has been to place the burden of such charges on the cost causer rather than the general body of ratepayers. This is consistent with one of the fundamental principles of rate making – ensuring that the cost of providing service is recovered from the cost causer.¹¹

We find that HV Utility's request for authority to apply certain miscellaneous service charges, as reflected on Schedule No. 2, is reasonable and shall be approved. In addition, we find that the changes to the Utility's miscellaneous service charges discussed herein are reasonable and shall be approved. HV Utility shall be required to file a proposed customer notice to reflect the approved charges for the water and wastewater systems. The approved miscellaneous service charges shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the

¹⁰ See Order No. PSC-11-0583-PAA-WS, issued December 20, 2011, in Docket No. 110021-WS, In re: Application for certificates to provide water and wastewater service in Lake County by COL Utility Systems, L.L.C.; Order No. PSC-11-0580-PAA-WS, issued December 19, 2011, in Docket No. 110020-WS, In re: Application for certificates to provide water and wastewater service in Marion County by OB Utility Systems, L.L.C.; Order No. PSC-10-0552-PAA-WU, issued September 3, 2010, in Docket No. 090366-WU, In re: Application for certificate to operate water utility in Marion County by Arma Water Service, LLC; Order No. PSC-08-0228-PAA-WS, issued April 7, 2008, in Docket No. 060602-WS, In re: Application for certificate to provide wastewater service and to establish new water and wastewater rates in Lee and Charlotte Counties by Town and Country Utilities Company.

¹¹ See Order No. PSC-03-1119-PAA-SU, issued October 7, 2003, in Docket No. 030106-SU, In re: Application for staff-assisted rate case in Lee County by Environmental Protection Systems of Pine Island, Inc.; Order No. PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, In re: Application for transfer of Certificate No. 123-W in Lake County from Theodore S. Jansen d/b/a Ravenswood Water System to Crystal River Utilities, Inc.

proposed customer notice. The Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. HV Utility shall be required to collect the approved charges until authorized to change them by us in a subsequent proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that HV Utility Systems, L.L.C. shall be granted water Certificate No. 659-W to serve the territory set forth in Attachment A, effective June 19, 2012. It is further

ORDERED that this order shall serve as HV Utility Systems, L.L.C.'s water certificate and shall be retained by the Utility as such. It is further

ORDERED that all matters contained herein, whether set forth in the body of this order or in the schedules attached hereto, are incorporated herein by reference. It is further

ORDERED that HV Utility Systems, L.L.C. shall submit an executed copy of the warranty deed within 30 days after the date of this order granting the certificate. It is further

ORDERED that we hereby approve an overall cost of capital of 6.89 percent, a return on equity of 10.85 percent, and a cost of debt of 4.25 percent for HV Utility Systems, L.L.C. It is further

ORDERED that HV Utility Systems, L.L.C. shall file tariffs which reflect the rates and charges approved in this order. It is further

ORDERED that the water rates, as shown on Schedule No. 1, appear reasonable and shall be approved. It is further

ORDERED that the rates and charges set forth herein shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The approved rates shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that HV Utility Systems, L.L.C. shall be required to collect the approved rates and charges until authorized to change them by this Commission in a subsequent proceeding. It is further

ORDERED that we hereby approve HV Utility Systems, L.L.C.'s request for authority to apply certain miscellaneous service charges, as reflected on Schedule No. 2. It is further

ORDERED that the changes to the HV Utility Systems, L.L.C.'s miscellaneous service charges discussed herein are reasonable and are hereby approved. It is further

ORDERED that HV Utility Systems, L.L.C. shall be required to file a proposed customer notice to reflect the approved charges for the water and wastewater systems. The approved miscellaneous service charges shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The approved charges shall not be implemented until our staff has approved the proposed customer notice. It is further

ORDERED that HV Utility Systems, L.L.C. shall provide proof of the date notice was given no less than ten days after the date of the notice. HV Utility Systems, L.L.C. shall be required to collect the approved miscellaneous service charges until authorized to change them by us in a subsequent proceeding.

ORDERED that the certification portion of this order will become final agency action upon the date of our vote. It is further

ORDERED that the provisions of this order regarding the setting of initial rates and charges as well as miscellaneous service charges, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that the docket shall remain open to allow HV Utility Systems, L.L.C. to file a proposed customer notice reflecting the Commission-approved rates and charges and to provide proof of the date notice was given no less than ten days after the date of the notice.

By ORDER of the Florida Public Service Commission this 9th day of July, 2012.



ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action setting initial rates and miscellaneous service charges is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 30, 2012. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

HV Utility Systems, L.L.C.
Hacienda Village Mobile Home Park
Description of Water Territory
Pasco County

A PARCEL OF LAND LYING AND BEING IN THE SOUTH ONE HALF OF SECTION 3, TOWNSHIP 26 SOUTH, RANGE 16 EAST, SAID LANDS LYING AND BEING IN PASCO COUNTY, FLORIDA, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

COMMENCING AT THE SOUTHWEST CORNER OF THE SOUTHEAST 1/4 OF SAID SECTION 3; SAID POINT BEING THE POINT OF BEGINNING OF THE HEREIN DESCRIBED PARCEL; THENCE N89°38'46"W ALONG THE SOUTH LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 3 A DISTANCE OF 1780.46 FEET; THENCE N00°29'16"E A DISTANCE OF 398.00 FEET; THENCE N89°32'38"W A DISTANCE OF 308.26 FEET TO THE EAST RIGHT OF WAY LINE OF ROWAN ROAD; THENCE N18°44'48"W ALONG SAID EAST RIGHT OF WAY LINE A DISTANCE OF 165.39 FEET TO THE POINT OF CURVATURE OF A CURVE CONCAVE TO THE WEST HAVING A RADIUS OF 830.00 FEET AND A CENTRAL ANGLE OF 08°31'42"; THENCE NORTHWESTERLY ALONG SAID CURVE FOR AN ARC DISTANCE OF 123.54 FEET TO THE POINT OF TANGENCY OF SAID CURVE; THENCE N27°16'30"W A DISTANCE OF 366.71 FEET; THENCE DEPARTING SAID EAST RIGHT OF WAY LINE S89°34'20"E A DISTANCE OF 3248.57 FEET TO THE WEST LINE OF CYPRESS KNOLLS SUBDIVISION AS RECORDED IN PLAT BOOK 15, PAGE 46 OF THE PUBLIC RECORDS OF PASCO COUNTY, FLORIDA; THENCE S00°26'03"W ALONG SAID WEST LINE OF CYPRESS KNOLLS SUBDIVISION A DISTANCE OF 988.85 FEET TO THE SOUTH LINE OF THE SOUTHEAST 1/4 OF SECTION 3; THENCE N89°38'46"W ALONG SAID SOUTH LINE OF THE SOUTHEAST 1/4 OF SECTION 3 A DISTANCE OF 886.26 FEET TO THE POINT OF BEGINNING. CONTAINS 66.55 ACRES MORE OR LESS.

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

HV Utility Systems, L.L.C.

pursuant to

Certificate Number 659-W

to provide water service in Pasco County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-12-0353-PAA-WU	July 9, 2012	110022-WU	Original Certificate

**HV UTILITY SYSTEMS, L.L.C.
WATER SYSTEM**

Rate Base

Utility Plant in Service	\$ 553,351
Accumulated Depreciation	(357,286)
Working Capital Allowance (1/8 O&M)	10,128
Water Rate Base	<u>\$ 206,193</u>

Revenue Requirement

Operating Revenues	<u>\$ 120,672</u>
Operating and Maintenance (O&M)	81,020
Net Depreciation Expense	16,973
Taxes Other Than Income	8,472
Net Operating Income	<u>\$ 14,207</u>
Water Rate Base	\$ 206,193
Rate of Return	6.89%

Monthly Service Rates – Residential & General Service

Base Facility Charge	
5/8" x 3/4"	\$ 7.58
1"	18.95
1.5"	37.90
2"	60.64
3"	113.70
4"	189.50
6"	379.00
Charge per 1,000 gallons	\$ 3.16

Comparison of Residential Service Bills

3,000 gallons	\$ 17.06
5,000 gallons	\$ 23.38
10,000 gallons	\$ 39.18

HV UTILITY SYSTEMS, L.L.C.

Cost of Capital

Capital Structure	Balance per Filing	Percent Ratio	Commission Approved Cost Rate	Commission Approved Weighted Cost
Equity	\$ 82,477	40 %	10.85%	4.34%
Debt	\$ 123,716	60 %	4.25%	2.55%
Total	\$ 206,193	100%	--	6.89%
Return on Equity			High	Low
Range of Reasonableness			11.85%	9.85%

Miscellaneous Service Charges

Description	Commission Approved Business Hours Charges
Initial Connection Charge	\$ 15.00
Normal Reconnection Charge	\$ 15.00
Violation Reconnection Charge	\$ 15.00
Premises Visit in Lieu of Disconnection Charge	\$ 10.00