

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint application by United Waterworks, Inc., United Water Florida Inc., and Sunray Utilities - Nassau, Inc., for approval of transfer of Certificates Nos. 502-W and 436-S and utility facilities from Sunray Utilities - Nassau, Inc., to United Water Florida Inc.,; cancellation of Certificates Nos. 502-W and 436-S; amendment of Certificates Nos. 179-S and 236-W for additional territory; and for limited proceeding to adjust rates in Nassau County.

DOCKET NO. 970209-WS
ORDER NO. PSC-97-0928-FOF-WS
ISSUED: August 4, 1997

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TRANSFER AND AMENDING CERTIFICATES

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE TRANSFER AND APPROVING IMPLEMENTATION OF UNITED WATER FLORIDA INC.'S EXISTING RATES AND CHARGES WHILE RETAINING THE PLANT CAPACITY AND GUARANTEED REVENUE CHARGES OF SUNRAY UTILITIES - NASSAU, INC.

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein establishing rate base and approving the implementation of United Water Florida Inc.'s existing rates and charges while retaining the plant capacity and

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#PSC-RECORDS/REPORTING

guaranteed revenue charges of Sunray Utilities - Nassau, Inc. 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.

BACKGROUND

On February 19, 1997, United Waterworks Inc. (United Waterworks), United Florida Water Inc. (UWF), a Florida corporation formerly known as Jacksonville Suburban Utilities Corporation, and Sunray Utilities - Nassau, Inc. (Sunray) filed a joint application to transfer Certificates Nos. 502-W and 436-S from Sunray to UWF. In addition, they asked the Commission to establish rate base balances for Sunray's facilities. By design, the purchase price for Sunray's facilities will be adjusted to conform with the verified net plant balance on Sunray's books. The applicants further asked the Commission to approve, with two exceptions, collection of UWF's rates and charges. The exceptions concern retention of Sunray's plant capacity and guaranteed revenue charges. The applicants further asked the Commission to affirm that Sunray's facilities are part of UWF's single utility system whose service transverses county boundaries. Finally, they proposed cancelling Sunray's certificates and amending UWF's operating certificates, Certificates Nos. 236-W and 179-S, to include the additional territory in Nassau County.

Sunray is a Class C utility in Nassau County that serves about 163 customers. In 1996, Sunray reported collecting operating revenues of \$138,269, while recording a net operating loss of \$95,438. By contrast, UWF provides water and wastewater service in three neighboring counties in northeast Florida: Duval, St. Johns, and Nassau. This Commission has previously found that UWF's facilities are functionally related and comprise a single utility system whose service transverses county boundaries.

TRANSFER APPLICATION

On August 21, 1996, Sunray and UWF's parent organization, United Waterworks, entered into an Agreement of Purchase and Sale concerning the intended purchase by United Waterworks of the water and wastewater facilities owned and operated by Sunray in Nassau County. That agreement also provided for a subsequent transfer of the utility system to UWF as a contribution to the utility's capital account. This capital contribution treatment accords with

the accounting procedures used in UWF's most recent rate proceeding to identify UWF's cost of capital for ratemaking purposes. In this proceeding, the applicants have requested authority to transfer Sunray's certificates to UWF and have requested the cancellation of those certificates upon amendment of UWF's Commission issued operating certificates (236-W and 179-S) to include Sunray's service area in Nassau County.

The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer of a certificate. The application contains a check in the amount of \$5,000, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The filing fee includes \$3,000 for amendment of the water and wastewater certificates and \$2,000 to process the limited proceeding portion of this case.

The applicants have provided proof that Sunray owns the land upon which its treatment facilities are located pursuant to Rule 25-30.037(2)(q), Florida Administrative Code. Further, the applicants provided proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system to be transferred. No objections to the notice of application have been received, and the time for filing such has expired.

The application also contains a copy of the purchase contract which discloses the purchase price, terms for payment and a list of the assets purchased and the liabilities assumed. A description of the territory requested by UWF is appended to this Order as Attachment A.

UWF and its affiliates have owned and operated utility systems for over one hundred years, providing service to more than two million individuals in thirteen states. UWF has provided service in Northeast Florida for more than twenty-five years. UWF has shown that its superior financial condition will enable it to attract sufficient capital to meet existing and future construction requirements. Further, Sunray's parent company has agreed to sell all of its utility assets to UWF because it is no longer interested in providing utility service. UWF serves a large service area with many customers, which should reduce the frequency and necessity for rate increases due to inherent economies of scale. Accordingly, we find that UWF possesses the financial, managerial, and technical capabilities needed to assure satisfactory service for this system.

We have contacted the Department of Environmental Protection (DEP) concerning Sunray's compliance status and were informed that this system is not subject to any outstanding Notices of Violation or consent orders. In addition, UWF reported that Sunray's system is in satisfactory condition and is in compliance with all DEP operating standards.

Based on the foregoing, we find it in the public interest to approve the transfer of Sunray's operating certificates, 502-W and 436-S, to UWF. Following this transfer, those certificates shall be cancelled and UWF's Certificates Nos. 236-W and 179-S shall be amended to include the former Sunray service areas in Nassau County.

RATE BASE

UWF has asked us to establish rate base values for the acquired systems to match their net book values at the closing date. As of December 31, 1995, the reported net book values were \$970,237 and \$1,025,527 for the respective water and wastewater systems. As noted below, our staff auditor updated the net plant balance through December 31, 1996 to reflect more current information. The seller and buyer agreed that the purchase price for the acquired systems would exactly match the net book balance at the closing date, subject to verification as to compliance with any prescribed accounting principles.

An acquisition adjustment results when the purchase price differs from the original cost calculation. 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 proceeding, the purchase price and the net book value will be identical and, thus, an acquisition adjustment is not an issue in this case.

Sunray's rate base has not been established by this Commission in any previous order. Instead, Sunray's initial rates were determined using anticipated plant balances rather than audited records. Thus, the rate base determination in this case required examination of Sunray's accounting records since its inception. The audit examination was conducted for the period ending December 31, 1996. The audit disclosed that the recorded values on Sunray's books were supported by appropriate accounting records. One adjustment was proposed: removal of general plant that Sunray will

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 5

retain. The adjustment removes \$8,158 for office equipment and its \$7,135 related provision for accumulated depreciation.

Our approved rate base balances for the respective water and wastewater systems are shown on the attached Schedule No. 1. Adjustments are set forth on Schedule No. 2. Based on the adjustments set forth herein, we find that the appropriate rate base amounts for this proceeding are \$795,370 for water and \$975,492 for wastewater. These rate base calculations are used purely to establish the net book value of the property being transferred and do not include the normal ratemaking adjustments for working capital or used and useful adjustments.

RATES AND CHARGES

Pursuant to Order No. PSC-97-0618-FOF-WS, issued May 30, 1997, in Docket No. 960451-WS, UWF's approved rates and charges became effective May 19, 1997.

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

In case 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).

Pursuant to Section 367.0822, Florida Statutes, UWF has requested by way of a limited proceeding that Sunray's rates be changed to conform with the rates UWF uses for its single operating system, with two exceptions. Those exceptions concern retention of Sunray's plant capacity and guaranteed revenue charges. Retention of system specific plant capacity and guaranteed revenue charges has been approved for other systems acquired by UWF. See Order No. PSC-93-0201-FOF-WS, issued February 9, 1993, in Docket 920877-WS. Also, Sunray's present plant capacity and guaranteed revenue charges appear reasonable upon review.

Adoption of UWF's existing rates for an acquired system has been approved in other limited proceeding filings. By Order No. PSC-93-1480-FOF-WS, issued October 11, 1993, in Docket No. 930204-WS, implementation of UWF's rates was approved when UWF purchased the Ponte Vedra system in St. Johns County. Likewise, by Order No.

22794, issued April 10, 1990, in Docket No. 890759-WS, implementation of UWF's rates was approved for the Ponce De Leon system in St. Johns County. Adoption of UWF's rates was likewise allowed by Order No. 23111, issued June 25, 1990, in Docket No. 891110-WS, involving UWF's purchase of St. Johns North Utility Corporation. UWF contends that application of its rates for the acquired system will result in uniform, non-preferential rates for all UWF customers, which will produce cost savings due to a reduction in accounting, data processing, and administrative expenses. UWF further states that reduced expenses will benefit current and future customers.

A properly noticed customer meeting was conducted on June 12, 1996, but no customers attended. A comparison of Sunray's rates and UWF's rates shows that rate reductions are expected for residential users, although rate increases are expected for most general and commercial customers. A comparison of UWF's and Sunray's rates is attached as Schedule No. 3.

A related rate structure issue is whether UWF's land and facilities are functionally related within the meaning of Section 367.021(11), Florida Statutes. Since UWF has requested that its uniform rates be implemented in the Sunray service area, we must evaluate whether the utility's land and facilities are functionally related before determining whether the uniform rates can be implemented.

"Florida law . . . allows uniform rates only for a utility system that is composed of facilities and land functionally related in the providing of water and wastewater service to the public." Citrus County v. Southern States Utilities, Inc., 656 So. 2d 1307, 1309 (Fla. 1st DCA 1995). In Citrus County, the court determined that the evidence did not support uniform rates absent a showing that the utility's facilities "were operationally integrated, or functionally related, in any aspect of utility delivery service other than fiscal management." Id. at 1310.

In the utility's recent rate case, by Order No. PSC-97-0618-FOF-WS, issued May 30, 1997, in Docket No. 960451-WS, we accepted stipulations stating that the evidence in that proceeding showed that UWF's facilities and land are functionally related and form a single system, and that the Commission has exclusive jurisdiction over UWF's facilities in all three counties. The question presented in this case is whether the acquisition by UWF of the Sunray-Nassau facilities would result in those facilities being

functionally related to UWF's other facilities such that they would become a portion of UWF's single system. Consistent with Citrus County, we have evaluated whether the acquisition of the Sunray system in Nassau County would change the functional relatedness of UWF's facilities and land.

UWF provides water and wastewater service in three adjoining counties: twenty water and seven wastewater facilities in Duval County, eight water and three wastewater facilities in St. Johns County, and one water and two wastewater facilities in Nassau County. The various facilities are treated as a single system, and decisions are made for the entire system serving the three counties.

Specifically, UWF manages all of its facilities from its office in Duval County, which is centrally located to all of its service areas. In terms of driving time from the office, it takes approximately the same amount of time to reach the most remote service area in each of the three counties. The central office personnel in Duval County provide the same services to all of the service areas in the three counties, including engineering, operation, maintenance, testing, customer service, accounting, purchasing, planning, budgeting, personnel and other administrative functions. The utility employs a monitoring system in all of its facilities known as the Supervisory Control and Data Acquisition (SCADA) system. Under the SCADA system, all facilities are monitored by on-site personnel 16 hours a day and by the use of alarm and pager systems for the other 8 hours each day. Also, UWF is in the process of preparing a utility master plan which will address the need for and timing of construction projects to improve or increase the capacity of all of the utility's facilities, wherever located.

According to the utility, the acquisition of the Sunray facilities in Nassau County will not change its organization or method of operation. Because UWF is currently operating Sunray's facilities under an Operation and Management Agreement, this facility is essentially treated as though it were another facility in UWF's single utility system.

Based on the foregoing, we find that UWF's facilities and land are functionally related and constitute a single system. Accordingly, we find it appropriate to grant UWF's request to adopt its existing rates and charges for the Sunray system while retaining Sunray's plant capacity and guaranteed revenue charges.

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 8

CLOSING OF DOCKET

If there are no timely protests to our establishment of rate base and our approval of the implementation of UWF's existing rates and charges while retaining Sunray's plant capacity and guaranteed revenue charges, no further action is required, and the docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of assets and Certificates Nos. 502-W and 436-S, from Sunray Utilities - Nassau, Inc. to United Water Florida Inc. is hereby approved. It is further

ORDERED that Certificates Nos. 236-W and 179-S held by United Water Florida, Inc. are hereby amended to include the territory described in Attachment A of this Order. It is further

ORDERED that Certificates Nos. 502-W and 436-S held by Sunray Utilities - Nassau, Inc. are hereby cancelled. It is further

ORDERED that rate base, which for transfer purposes reflects net book value of the system, is \$795,370 and \$975,492, for the water and wastewater systems, respectively. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that United Water Florida, Inc.'s request to adopt its existing rates and charges for the Sunray Utilities - Nassau, Inc.'s system, while retaining Sunray Utilities - Nassau, Inc.'s plant capacity and guaranteed revenue charges, is hereby approved. It is further

ORDERED that United Water Florida, Inc. shall charge Sunray Utilities - Nassau, Inc.'s customers the rates and charges approved herein until authorized to change by this Commission in a subsequent proceeding. It is further

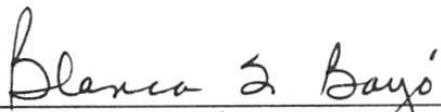
ORDERED that the rates and charges approved herein shall be effective for service rendered or connections made after the stamped approval date on the tariff sheets. It is further

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 9

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission, this 4th day of August, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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 establishing rate base and approving the implementation of United Water Florida Inc.'s existing rates and charges while retaining the plant capacity and guaranteed revenue charges of Sunray Utilities - Nassau, Inc. is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 25, 1997. 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 on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 11

completed within thirty (30) days of the effective date 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.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting 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 Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 12

ATTACHMENT A

UNITED FLORIDA WATER INC.
SUNRAY UTILITIES - NASSAU COUNTY, INC.

TERRITORY DESCRIPTION

ORDER NO. 19392

DESCRIPTION OF TERRITORY SERVED

TOWNSHIP 3 NORTH, RANGE 27 EAST:

The portion of Section 51 lying Southerly of the Railroad right-of-way, and Easterly of Lofton Creek.

The portion of Section 52 lying Easterly of Lofton Creek.

The fractional portion of Section 33, if any, lying in the Southeasterly most corner of Township 3 North, Range 27 East.

TOWNSHIP 3 NORTH, RANGE 28 EAST:

All of Section 37.

All of Section 44, LESS and EXCEPT such portion of the section as may lie Northerly of the right-of-way of Green Pine Road, as well as Northerly of a line extending Green Pine Road from its intersection with Chester Road, directly and due West to terminate at the North-South boundary line between Range 28 East and Range 27 East, which is also the Westerly boundary line of Section 44.

Section 50, LESS and EXCEPT such portions as may lie Easterly or Northerly of the right-of-way of Blackrock Road (SR-107).

TOWNSHIP 2 NORTH, RANGE 27 EAST:

That portion of Section 38 lying Easterly of Lofton Creek, LESS and EXCEPT the subdivision of Meadowfield Bluffs.

All of Section 39.

All of Section 40.

All of Section 12.

All of Section 37.

All of Section 1.

That portion of Section 13 lying Easterly of Lofton Creek.

That portion of Section 11 lying Easterly of Lofton Creek.

That portion of Section 14 lying Easterly of Lofton Creek.

That portion of Section 24 lying Easterly of Lofton Creek.

TOWNSHIP 2 NORTH - RANGE 28 EAST:

All of Section 30.

The westerly 1/2 of Section 29.

In Section 32, the Northerly 1/4 of the Northeasterly 1/4 of the Northwesterly 1/4 together with the Northwesterly 1/4 of the Northwesterly 1/4 of said Section.

Section 26, LESS and EXCEPT that part of the Easterly 1/4 platted as NASSAU LAKES SUBDIVISION.

In Section 27, (a) that portion of Government Lot 3 lying Westerly of State Road 107, LESS and EXCEPT such portion thereof as may be platted as Nassau Lakes Subdivision: TOGETHER WITH (b) that portion of the Westerly 1/2 LESS and EXCEPT such portion as may be platted as Nassau Lakes Subdivision.

Section 25 LESS and EXCEPT so much land in the Northeast 1/4 as may lie Northerly of the Railroad right-of-way (Seaboard Coast Line, a/k/a/ CSX) and FURTHER LESS and EXCEPT so much of the Southeast 1/4 as may lie Southerly of the right-of-way of SR-200 (U.S. Highway A1A).

That part of Section 37, Township 2 North, Range 28 East, Nassau County, Florida and being more particularly described as follows:

Commence at a concrete monument at the Southerwesterly corner of Tract "B" as shown on the Plat of Piney Island, as recorded in Plat Book 4, Pages 62 and 63, of the

Public records of said Nassau County, Florida, said point being an intersection of the Northeasterly right-of-way line of Piney Island Drive (a 60 foot right-of-way) with the Northwesterly right-of-way line of the Seaboard Coastline Railroad (a 120 foot right-of-way) both as shown on the said Plat of Piney Island; thence South $30^{\circ}54'59''$ East, 417.45 feet to an intersection with the Southeasterly right-of-way line of State Road No. 200 (also known as State Road No. A1A), (a 184 foot right-of-way); and the Point of Beginning; thence North $59^{\circ}05'01''$ East, along the said Southeasterly right-of-way line, a distance of 1612 feet more or less to the 3.40 foot elevation contour line; thence Southeasterly, Southerly, Southwesterly, Westerly, Northwesterly and Northerly along the said 3.40 foot contour line, a distance of 9500 feet more or less to an intersection with the aforementioned Southeasterly right-of-way line of State Road No. 200 (Also known as State Road No. A1A), said point lying South $59^{\circ}05'01''$ West and 1387 feet more or less from the Point of Beginning; thence North $59^{\circ}05'01''$ East along the said Southeasterly right-of-way line a distance of 1387 feet more or less to the Point of Beginning.

Those portions of Sections 40 and 41 more particularly described as:

All of that certain lot, piece or parcel of land situate, lying and being in Section 40, Township 2 North, Range 28 East, County of Nassau and State of Florida, and more particularly described by metes and bounds as follows: Beginning at a point on the Southeasterly line of said Section 40, said point lying North $41^{\circ}00'$ East a distance of 3376 feet from the Southeast corner of Section 40, thence North $09^{\circ}35'$ West a distance of 557 feet to a point on the Easterly right-of-way of a graded County Road (40' r/o/w), thence North $4^{\circ}19'$ West along said right-of way a distance of 669 feet to a point, thence North $06^{\circ}25'$ East continuing along said right-of-way a distance of 664 feet to a point at the intersection of the said Easterly right-of-way and the Southerly right-of-way line of the Old Fernandina-Yulee Road (40' r/o/w), thence North $88^{\circ}21'$ East along said right-of-way line of the Old Fernandina-Yulee Road a distance of 651 feet to a point on the Westerly right-of-way line of a county

road, thence South 18°50' East along said Westerly right-of-way line a distance of 890 feet, more or less, to a point on the Section line between said Section 40 and Section 41, thence South 41°00' West along said section in a distance of 1352 feet, more or less to the Point of Beginning.

TOGETHER WITH:

All of that certain lot, piece or parcel of land situate, lying and being in Section 41, Township 2 North, Range 28 East, County of Nassau and State of Florida, and more particularly described by metes and bounds as follows; Beginning at a point on the Section line between said Section 41 and Section 40, said point lying North 41°00' East a distance of 3376 feet from the Southeast corner of Section 40, thence South 09°35' East a distance of 44.1 feet to a point, thence South 87°42' East a distance of 1109 feet to a point on the Westerly right-of-way line of a graded County Road (40' r/o/w), thence in a Northwesterly direction along the said right-of-way line and around a curve to the left a distance of 1181 feet to a point on the Section line between said Section 41 and Section 40, thence South 41°00' West along said Section line a distance of 1352 feet, more or less, to the Point of Beginning.

TOGETHER WITH:

All of that certain lot, piece or parcel of land situate, lying and being in Sections 40 and 41, Township 2 North, Range 28 East, County of Nassau and State of Florida, and more particularly described by metes and bounds as follows: Beginning at a point on the boundary line between said Sections 40 and 41 that lies North 41°00' East a distance of 3376.0 feet from the Southern most corner of said Section 40; thence South 9°35' East a distance of 44.1 feet to a point; thence North 87°42' West, a distance of 73.26 feet, more or less, to a point on the Easterly right-of-way line of a graded County Road (40' right-of-way); thence North 02°37' West, along the easterly right-of-way line of said County Road, a distance of 590.38 feet to a point; thence South 09°35' East, a distance of 557.0 feet to the Point of Beginning.

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 16

ORDER NO. 21173

In Township 2 North, Range 28 East, Nassau County,
Florida:

That portion of Sections 24 and 39 lying South of the Seaboard
Coastline
Railroad and,

The Northeast 1/4 of the Northeast 1/4 of Section 27 and,

That part of Sections 37 and 40 lying North of an
Easterly extension of the South line of the North 1/2 of
Section 27 and South of the Seaboard Coastline Railroad
and,

The Southeast 1/4 of Section 25;

LESS and EXCEPT those portions previously granted by
Order Number 19392, dated May 31, 1988.

ORDER NO. 23194

All parcels of land contained in Section 44 North of the
centerline of the right-of-way of State Road 200, East of ITT
Rayonier private forest road #21, and West of the centerline of the
CSX railroad right-of-way contained in Township 2 North, Range 27
East, Nassau County, Florida.

All parcels of land contained in Sections 50 and 51 North of
the centerline of the right-of-way of State Road 200 and West of
the centerline of the CSX Railroad right-of-way lying in Township
3 North, Range 27 East, Nassau County, Florida.

ORDER NO. 23411

All lands contained in Section 1 lying West of the CSX
Railroad right-of-way.

All lands contained in Section 2 lying East of I-95 West of
the CSX Railroad right-of-way.

All lands contained in Section 11 lying East of I-95, LESS and
EXCEPT that parcel of land described in Official Records Book 546,
Page 1286 of the Public Records of Nassau County, Florida.

All lands contained in Section 14 East of I-95.

All lands contained in Section 23 East of I-95.

All lands contained in Section 41 East of I-95 and West of the CSX Railroad right-of-way, LESS and EXCEPT a parcel described as follows:

Commence at the intersection of the centerline of the CSX railroad right-of-way and CR-108; proceed in a Northwesterly direction 3,900 feet to a point; thence North 10 degrees East for a distance of approximately 3,400 feet until said bearing intersects the centerline of the CSX Railroad right-of-way; thence Southeasterly directly along the centerline of the CSX Railroad right-of-way back to the Point of Beginning.

All lying in Township 3 North, Range 26 East.

All parcels of land contained in Section 44 East of the ITT Rayonier private forest road #21, LESS and EXCEPT the lands described as follows:

Commence at the intersection of the Northeast corner of said Section 44 and proceed in a Westerly direction along the Northerly Section line of said Section 44 for a distance of approximately 2,800 feet to a point; thence in a Southerly direction along a line perpendicular to the Northerly Section line of said Section 44 for a distance of approximately 1,300 feet to a point; thence Easterly along a line parallel to the Northerly Section line of said Section 44 for a distance of approximately 1,600 feet to a point at the intersection of the Southeast Section line of said Section 44; thence Northeast along the Southeast Section line of said Section 44 to the Point of Beginning.

Also, LESS and EXCEPT, those parcels of land described in the Official Records Book 235, Page 514 of the Public Records of Nassau County, Florida.

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 18

Also, LESS and EXCEPT, those parcels of land described in the Official Records Book 513, Page 91 and Deed Book 81, Page 359 of the Public Records of Nassau County, Florida.

All lying in Township 2 North, Range 27 East.

All lands contained in Sections 50 and 56 West of U.S. 17, LESS and EXCEPT that parcel which is described as follows:

Commence at the intersection of the centerline of U.S. 17 and the Southeast Section line of said Section 50; proceed Northwest along the centerline of U.S. 17 approximately 5,600 feet to a point; thence Southwest perpendicular to the centerline of U.S. 17 approximately 1,100 feet to a point; thence Southeast parallel to the centerline of the CSX Railroad right-of-way to a point of intersection with ITT Rayonier private forest road #55; thence Southerly along the centerline of said forest road #55 to the intersection of the South Section line of said Section 50; thence East along the South Section line of said Section 50 to the Southeast corner of Section 50; thence Northeast along the Southeast Section line of said Section 50 to the Point of Beginning.

All lands contained in Sections 50, 53, 54, 55 and 56 East of the centerline of the U.S. 17 right-of-way South of Crandall Road, ITT Rayonier private forest road #9 and Roses Bluff Road, LESS and EXCEPT that parcel of land described by exception 33 of Deed Book 99, Page 413 of the Public Records of Nassau County, Florida; and LESS and EXCEPT that parcel contained in Sections 50, 53, 54, 55 and 56 described as follows:

Commence at the intersection of the centerline of U.S. 17 and Southeasterly Section line of said Section 50; proceed Northeast along the Southeast Section line of said Section 50 approximately 3,300 feet to a point; thence Northwest perpendicular to the Southeast Section line of said Section 50 for a distance of approximately 14,000 feet to a point; thence Southwesterly and parallel to the Southeast Section line of said Section 50 for a distance of

approximately 2,400 feet to a point at the intersection of the centerline of U.S. 17; thence Southeast along the centerline of U.S. 17 to the Point of Beginning.

All lands contained in Section 51 North of SR-200 East of the West line of the parcel described in the Official Records Book 351, Page 757 of the Public Records of Nassau County, Florida, South of the ITT Rayonier private forest road #35, LESS and EXCEPT the Priest Lots 5 and 6 as described in Deed Book 95, Page 448 of the Public Records of Nassau County, Florida; and those parcels described in the Official Records Book 389, Page 124, the Official Records Book 546, Page 1286, and the Official Records Book 576, Page 431 of the Public Records of Nassau County, Florida.

All lying in Township 3 North, Range 27 East.

LESS and EXCEPT all parcels of land contained in Section 44, Township 2 North, Range 27 East, Nassau County, Florida, South of the centerline of the right-of-way State Road 200.

LESS and EXCEPT all parcels of land contained in Section 50, Township 3 North, Range 27 East, Nassau County, Florida, lying South of Lofton Creek and Southeast of a tributary of Lofton Creek which crosses U.S. 17 approximately 7,600 feet Northwest of the intersection of U.S. 17 and the Southwest boundary of Section 50, Township 3 North, Range 27 East, Nassau County, Florida.

ORDER NO. 23843

All that certain tract or parcel of land being a portion of Government Lot 2, Section 27 and a portion of Section 40, Township 2 North, Range 28 East, Nassau County, Florida, said parcel being a portion of lands described in the Official Records of said County in Book 555, Page 869 and being more particularly described as follows: For a Point of Beginning commence at a concrete monument set at the point where the Westerly right-of-way line of State Road No. 107 (a 66-foot right-of-way as established) intersects the Northerly right-of-way line of Parliament Drive (right-of-way varies) and run South $74^{\circ}50'00''$ West, along said Northerly right-of-way line, a distance of 193.37 feet to a concrete monument found at an angle point; run thence South $68^{\circ}02'40''$ West, continuing

along said Northerly right-of-way line, a distance of 84.59 feet to a second angle point: run thence South $74^{\circ}50'00''$ West, continuing along last mentioned Northerly right-of-way line, a distance of 59.11 feet to a 5/8 inch rebar (found) at the Southeast corner of Tract "A", Nassau Lakes Subdivision - Phase 1-A, according to plat recorded in Plat Book 5, Pages 70 and 71, Public Records of said county; run thence North $00^{\circ}40'39''$ West, along the Easterly line of said Tract "A", a distance of 426.89 feet to a concrete monument found at an angle point: run thence North $14^{\circ}38'53''$, East continuing along last mentioned Easterly line, a distance of 526.20 feet to a concrete monument found on the Southerly line of Government Lot 1 (as found monumented): run thence North $89^{\circ}12'41''$ East, along last mentioned Southerly line, a distance of 350.00 feet to a concrete monument found on the Northwesterly right-of-way line of said State Road No. 107: run thence South $40^{\circ}16'30''$ West, along said Northwesterly right-of-way line, a distance of 65.10 feet to a concrete monument found at a point of curvature: run thence in a Southerly direction along the arc of a curve in the Westerly right-of-way line of said State Road No. 107, said curve being concave to the East and having a radius of 606.69 feet: a chord distance of 462.71 feet to a concrete monument found at the point of tangency of said curve, the bearing of the aforementioned chord being South $17^{\circ}51'30''$ West; run thence South $04^{\circ}33'30''$ East, continuing along last mentioned Westerly right-of-way line, a distance of 354.11 feet to the Point of Beginning.

The land thus described contains 6.00 acres more or less and is subject to any easements of record lying within.

All that certain tract or parcel of land being a portion of Government Lot 2, Section 27, Township 2 North, Range 28 East, Nassau County, Florida, said parcel being a portion of lands recorded in the Official Records of said County in Book 555, Page 869 and being more particularly described as follows: for a Point of Beginning commence at a concrete monument found at the point where the Southerly right-of-way line of Parliament Drive (right-of-way varies) intersects the Westerly right-of-way line of State Road No. 107 (a 66 foot right-of-way as established) and run South $04^{\circ}33'30''$ East, along said Westerly right-of-way line, a distance of 1126.13 feet to a concrete monument (found); run thence South $89^{\circ}29'53''$ West, along the Northerly line of lands now or formerly of ITT Rayonier, Inc., a distance of 400.00 feet to a concrete monument found at the Southeast corner of Tract "D", Nassau Lakes Subdivision - Phase 1-B, according to plat recorded in Plat Book 5, Pages 72 and 73, Public Records of said County; run thence North

00°59'55" West, along the Easterly line of said Tract "D" and the Easterly line of Tract "C", Nassau Lakes Subdivision - Phase 1-A, according to plat recorded in Plat Book 5, Pages 70 and 71, Public Records of said County, a distance of 1047.45 feet to a concrete monument found on the Southerly right-of-way line of aforementioned Parliament Drive; run thence North 74°50'00" East, along said Southerly right-of-way line, a distance of 79.30 feet to a concrete monument found at an angle point; run thence North 81°37'20" East, continuing along said Southerly right-of-way line, a distance of 84.59 feet to a concrete monument found at a second angle point; run thence North 74°50'00" East, continuing along said last mentioned Southerly right-of-way line, a distance of 174.62 feet to the Point of Beginning.

The land thus described contains 9.11 acres, more or less, and is subject to any easements of record lying within.

All that certain tract or parcel of land being a portion of Section 26 and a portion of Section 27, all lying in Township 2 North, Range 28 East, Nassau County, Florida, said parcel being a portion of lands described in the Official Records of said County in Book 555, Page 869 and being more particularly described as follows: for a Point of Beginning commence at a concrete monument found at the Northwest corner of said Section 27 and run North 88°49'3" East, along the Northerly line of said Section 27, a distance of 2637.50 feet to a "Rayonier" monument found at the Northeast corner of the Northwest one-quarter of said Section 27, the same being the Northwest corner of Government Lot 1: run thence South 00°59'55" East, along the Westerly line of said Government Lot 1, a distance of 1386.43 feet to a "Rayonier" monument found of the Northwest corner of Government Lot 2 (as found monumented): thence continue South 00°59'55" East, along the Westerly line of Government Lot 2, a distance of 375 feet more or less to a point on a Northerly line of Nassau Lakes Subdivision-Phase 1-A. According to plat recorded in Plat Book 5, Pages 70 and 71, Public Records of said County, said point lying on the approximate Northerly edge of water of Bahama Lake (as shown on said subdivision plat); run thence in a Westerly direction along the Northerly edge of water of said Bahama Lake, a distance of 380 feet more or less, to the Southeast corner of Lot 1, Block 1, of aforementioned Nassau Lakes Subdivision-Phase 1-A: run thence North 26°11'50" West, along the Easterly line of said Lot 1, Block 1, a distance of 300 feet, more or less to a 1/2-inch iron pipe found at the Northeast corner thereof; thence continue North 26°11'50" West, a distance of 60.41 feet to a concrete monument (found); run thence in a Southwesterly

direction along the arc of a curve in the Northerly right-of-way line of Nassau Lakes Circle (a 60 foot right-of-way as established), said curve being concave to the Northwest and having a radius of 339.20 feet, a chord distance of 110.00 feet, to the point of tangency of said curve, the bearing of the aforementioned chord being South $65^{\circ}51'38''$ West; run thence South $75^{\circ}11'31''$ West, continuing along said Northerly right-of-way line, a distance of 173.12 feet to the most Easterly corner of Lot 15, Block 2, said Nassau Lakes Subdivision-Phase 1-A; run thence North $58^{\circ}40'43''$ West, along the Northeasterly line of said Lot 15, Block 2, a distance of 540 feet more or less to the most Northerly corner thereof, said point lying on the Easterly edge of water of Lake Paradise (as shown on aforementioned subdivision plat); run thence in a Southerly and Southwesterly direction along the edge of water of Lake Paradise, the same being a Westerly and Northerly line of said Nassau Lakes Subdivision Phase 1-A, a distance of 1200 feet, more or less to the most Northerly corner of Lot 1, Block 2, said Nassau Lakes Subdivision-Phase 1-A; run thence South $48^{\circ}52'57''$ West, along the Northwesterly line of said Lot 1, Block 2, and the Southwesterly prolongation thereof, the same being a Northwesterly line of Block 4 of said Nassau Lakes Subdivision-Phase 1-A, a distance of 1,560 feet more or less to a 1/2-inch iron pipe found at the most Westerly corner of Lot 6, Block 4, said Nassau Lakes Subdivision-Phase 1-A; run thence North $18^{\circ}07'39''$ West, a distance of 3283.10 feet to a concrete monument found on the Northerly line of aforementioned Section 26; run thence North $89^{\circ}52'00''$ East, along said Northerly line, a distance of 1166.70 feet to the Point of Beginning.

The land thus described contains 170.00 Acres, more or less, and is subject to any easements of record lying within.

SCHEDULE NO. 1

SUNRAY - NASSAU, INC.
 SCHEDULE OF WATER RATE BASE
 AS OF DECEMBER 31, 1996

<u>Description</u>	<u>Balance per Utility</u>	<u>Adjust</u>	<u>Commission Approved Balance</u>
Utility Plant in Service	\$1,270,691	\$(8,158)	\$1,262,533
Accumulated Depreciation	\$ (288,016)	\$ 7,135	\$ (280,881)
CIAC	\$ (216,701)	\$ 0	\$ (216,701)
Accumulated Amortization	\$ 30,419	\$ 0	\$ 30,419
Totals	<u>\$ 796,393</u>	<u>\$(1,023)</u>	<u>\$ 795,370</u>

SUNRAY - NASSAU, INC.
 SCHEDULE OF WASTEWATER RATE BASE
 AS OF DECEMBER 31, 1996

<u>Description</u>	<u>Balance per Utility</u>	<u>Adjust</u>	<u>Commission Approved Balance</u>
Utility Plant in Service	\$1,783,784		\$1,783,784
Accumulated Depreciation	\$ (539,695)	\$0	\$ (539,695)
CIAC	\$ (333,570)	\$0	\$ (333,570)
Accumulated Amortization	\$ 64,973	\$0	\$ 64,973
Totals	<u>\$ 975,492</u>	<u>\$0</u>	<u>\$ 975,492</u>

ORDER NO. PSC-97-0928-FOF-WS
DOCKET NO. 970209-WS
PAGE 24

SCHEDULE NO. 2

<u>EXPLANATION OF ADJUSTMENTS</u>	<u>WATER</u>	<u>WASTEWATER</u>
<u>PLANT IN SERVICE</u>		
a) Remove general and miscellaneous office equipment retained by Sunray	<u>\$ (8,158)</u>	
<u>ACCUMULATED DEPRECIATION</u>		
a) Adjustments to reserve account due to adjustments to plant	<u>\$ 7,135</u>	

COMPARISON OF RATES

SCHEDULE NO. 3

Water: Residential - Quarterly

	<u>Sunray</u>	<u>UWF</u>
5/8" meter - BFC	\$ 32.52	\$ 17.38
Gallonge Charge - per 1,000 gallons	\$ 1.36	\$ 1.35

Wastewater: Residential - Quarterly

5/8" meter - BFC	\$ 41.97	\$ 23.98
Gallonge Charge - per 1,000 gallons	\$ 2.54	\$ 3.34

Residential - Combined Quarterly

Total Bill @ 18K	\$ 144.69	\$ 135.78
Total Bill @ 27K	\$ 179.79	\$ 177.99

Water: General Service - Monthly

2" meter - BFC	\$ 88.67	\$ 82.89
6" meter - BFC	\$ 541.76	\$ 746.15
10" meter - BFC	N/A	\$2,072.86
Gallonge Charge	\$ 1.36	\$ 1.35

Wastewater: General Service - Monthly

2" meter - BFC	\$ 111.91	\$ 132.55
6" meter - BFC	\$ 699.44	\$1,193.12
8" meter - BFC	N/A	\$2,120.65
Gallonge Charge	\$ 3.00	\$ 4.01

Sunray - Retained Charges

	<u>Water</u>	<u>Wastewater</u>
Plant Capacity Charge	\$ 368.00	\$ 370.00
Guaranteed Revenues	\$ 10.84	\$ 13.99

Note - UWF will not collect Sunray's previously approved Allowance for Funds Prudently Invested (AFPI) Charges, which were \$166.72 for water and \$180.91 for wastewater.