

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint application for
authority to transfer
Certificates Nos. 336-W and 291-S
in Martin County from
Radnor/Plantation Corporation
d/b/a Plantation Utilities to
IHC Realty Partnership, L.P.
d/b/a Plantation Utilities.

DOCKET NO. 970429-WS
ORDER NO. PSC-98-0994-FOF-WS
ISSUED: July 20, 1998

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER APPROVING TRANSFER

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATE BASE FOR
PURPOSES OF THE TRANSFER

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service
Commission that the action establishing rate base for purposes of
the transfer and denial of an acquisition adjustment as discussed
herein 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 28-106.111, Florida
Administrative Code.

Background

Radnor/Plantation Corporation d/b/a Plantation Utilities
(Plantation or utility) is a Class B utility which provides water

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FPSC-RECORDS/REPORTING

and wastewater service in Martin County. According to the utility's 1996 annual report, it serves 129 water and 110 wastewater customers. In 1996, the utility had annual operating revenues of \$392,463 and \$326,288 for water and wastewater, respectively. Additionally, the utility had net operating income of \$107,439 for water and \$61,001 for wastewater. The utility's facilities consist of one water treatment plant, one water transmission and distribution system, one wastewater treatment plant, and one wastewater collection system.

On April 4, 1997, Plantation and IHC Realty Partnership, L.P. d/b/a Plantation Utilities (IHC) filed a joint application for authority to transfer Certificates Nos. 336-W and 291-S from Plantation to IHC. IHC is purchasing the Indian River Plantation Resort and Marina (Resort) which includes the water and wastewater utility assets. The Resort constitutes approximately 40% of the water and wastewater customer base of the utility. The applicants state that the transfer is in the public interest for the following reasons: (1) the buyer has a continuing interest in the system due to the joint ownership of the Resort and utility; (2) the buyer will continue to employ the operations and clerical personnel currently employed by the utility, including the utility manager, after the purchase, and the buyer will continue to utilize the name Plantation Utilities, so that from the customer perspective, no changes in the operation of the system will be readily apparent; and (3) the buyer has the financial resources to provide real and significant benefits to the utility customers as the utility's capital or operational needs demand.

No Show Cause Required

Section 367.161(1), Florida Statutes, authorizes us 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. Section 367.071(1), Florida Statutes, prohibits a utility from selling its facilities without the determination and approval of the Commission that the proposed sale is in the public interest and that the buyer will fulfill the commitments, obligations, and representations of the utility. According to the application, Plantation sold the utility assets to IHC on April 2, 1997, prior to obtaining the Commission's approval of the sale.

Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim,

familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failure to obtain antecedent Commission approval before selling its facilities, would meet the standard for a "willful violation." 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, F.A.C., 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 "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6.

Failure to obtain Commission approval prior to completing the sale of the utility assets is an apparent violation of Section 367.071(1), Florida Statutes. However, we note that in their joint application, Plantation and IHC explain that the transaction involved the sale of the Indian River Plantation Resort development as part of a large commercial transaction, which included the utility assets. Plantation and IHC determined that it was necessary for the transfer to occur immediately, if at all, due to numerous commercial considerations. More importantly, they have conditioned the finality of the sale of the utility assets upon our approval. Should the Commission determine, within eighteen months from the date of closing, or by October 2, 1998, that the transfer is not in the public interest, IHC has agreed to transfer all facilities, rights and obligations related to the utility back to Plantation for \$1,962,468, which sum constitutes the aggregate rate base for the utility assets as determined by the utility's annual report, plus ten percent. Moreover, prior to the filing of the application, representatives of Plantation and IHC informed us of their need to go forward with the overall transaction and the intent to condition the sale of the utility assets upon Commission approval.

For the foregoing reasons, we find that the utility's apparent violation of Section 367.171(1), Florida Statutes, does not warrant the initiation of show cause proceedings. Therefore, we do not find it appropriate to order Plantation to show cause why it should not be fined for failing to obtain our approval prior to selling the utility assets to IHC.

Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules. 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. The applicants have provided evidence that the utility owns the land upon which its facilities are located as required by Rule 25-30.037(2)(q), Florida Administrative Code, in the form of a special warranty deed supported by title insurance.

The application contains 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. A description of the territory served by the utility is appended to this Order as Attachment A. The utility rewrote the territory description that was granted by Order No. 9885 issued March 17, 1981, in Docket No. 800154-WS to make the description more clear. The rewritten description describes the same area as the above mentioned order.

Regarding the buyer's technical ability to operate the system, the applicants state that the buyer has not previously owned or operated any other water or wastewater utilities. However, the buyer will continue to employ the operations and clerical personnel currently employed by the utility, including the utility manager. The applicants state that the continued employment of the personnel who operate the utility on a day to day basis will ensure that water and wastewater services will continue with the same high quality of service that has existed under the previous owner.

The applicants further state that after reasonable investigation, the buyer has determined that the system being acquired appears to be in satisfactory condition and in compliance with all applicable standards set by the Florida Department of Environmental Protection (DEP) with the exception of one problem with the water system. At the time the application was filed, the water system exceeded DEP's maximum contaminant levels for lead and copper. Plantation was previously required to install corrosion control facilities to address the exceedences of the action levels for lead and copper. Sampling done on December 31, 1996, after installation of the corrosion control system revealed samples in excess of the standard for lead. Therefore, the utility instituted a corrosion control program which involves injection of a corrosion

inhibitor into the system. DEP approved the utility's corrosion control treatment system on August 25, 1997. Additionally, according to DEP, there are no outstanding notices of violation against the utility.

Regarding the buyer's financial ability, the application states that the buyer has the financial resources to provide real and significant benefits to the utility customers as the utility's capital or operational needs demand. The buyer is wholly owned by IHC Realty Corporation and IHC Member Corporation. Those entities are subsidiaries of Interstate Hotels Corporation, the nation's largest independent hotel management company. Interstate Hotels Corporation is wholly owned by Interstate Hotels Company, a public entity. As of December 31, 1996, Interstate Hotels Company owned, managed, leased or performed related services for 212 hotels located in the United States, Canada, Israel, the Caribbean, Thailand, Panama and Russia. The owned hotels operate under the trade names Embassy Suites, Hilton, Holiday Inn, Marriott, Radisson and Westin.

The buyer provided financial statements for IHC Realty Corporation and Interstate Hotels Company. According to the statement, as of December 31, 1996, IHC Realty Corporation held in excess of \$500 million in assets, over \$4 million of which was in liquid assets. Current liabilities were slightly over \$4 million and equity was in excess of \$501 million. Net income for 1996 was nearly \$15 million. Based upon the financial ability of the Buyer's immediate parent company, we find that the buyer has the financial ability to operate the water and wastewater facilities.

The application contains a copy of the Memorandum of Agreement of Sale Regarding the Sale of Utilities Assets (Agreement) which includes the purchase price, terms of payment and a list of the assets purchased and liabilities assumed. According to the Agreement, the purchase price is \$1,784,062. The purchase price is equal to the utility's total rate base as of December 31, 1996 as shown in the utility's 1996 annual report. The buyer purchased the water and wastewater systems by a cash transaction pursuant to the buyer's draw down on a Letter of Credit from Credit Lyonnais. Based on the application, there are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, debt of the utility, or leases that must be disposed of in association with the transfer of the utility.

According to the application, responsibility for payment of regulatory assessment fees shifted from the seller to the buyer as of the closing date, April 2, 1997. The utility is current on its 1997 regulatory assessment fees. However, it is delinquent in filing its 1997 annual report. We will monitor receipt of the annual report and will initiate a separate proceeding on our own motion, if necessary. Additionally, the buyer has provided a statement that it will fulfill the commitments, obligations, and representations of the seller regarding utility matters.

Based on the foregoing, we find that the transfer of Certificates Nos. 336-W and 291-S from Plantation to IHC is in the public interest and it is hereby approved.

Rate Base

According to the application, the net book value of the systems being transferred is approximately \$1,109,000 for water and \$660,000 for wastewater as of the date of the transfer. Rate base for the wastewater system was last established in Docket No. 880654-SU, which was a wastewater rate case. According to Order No. 21415, issued June 20, 1989, in that docket, rate base for the wastewater system was \$730,289 as of December 31, 1988. The water rate base was not considered in that docket. Rate base for the water system was last established in Docket No. 850054-WS, which was a certificate transfer case. According to Order No. 14630, issued July 25, 1985, in that docket, rate base for the water system was \$634,545 as of December 31, 1984.

We have conducted an audit of Plantation's books and records to determine the rate base (net book value) as of December 31, 1996. We have determined that the utility's books and records were maintained in substantial compliance with Commission directives. The audit report contained a number of adjustments primarily related to misclassified items and unsupported plant additions. The utility filed a response to the audit report on October 31, 1997. We hereby make the following adjustments as a result of the rate base audit.

Utility Plant-in-Service and Land

We find it appropriate to reduce water plant-in-service by a total of (\$54,515) and to reduce wastewater plant-in-service by a total of (\$17,639). Order No. 14630 specified the appropriate balances for utility plant-in-service and land. The utility

inadvertently understated water utility plant-in-service by \$1,642 and overstated water land by the same amount. An increase to water utility plant-in-service of \$1,642 and a decrease of \$1,642 to water land is necessary to properly reflect the utility plant-in-service and land balances approved by Order No. 14630.

The utility recorded \$711 in capitalized repairs for water utility plant-in-service. The items recorded were for legal expenses, equipment repairs, and annual engineering services. We find that the additions should have been charged to operations and maintenance expense accounts in the periods they were incurred, rather than to utility plant-in-service. In its response to the audit report, the utility disagreed with the adjustment on the basis that it was immaterial. While we agree that the adjustment will not have a significant impact on the utility's rate base balance, we find that the utility's argument regarding materiality is insufficient cause to disregard the adjustment. Therefore, we find it appropriate to reduce the water utility plant-in-service by \$711.

The utility did not record the retirement of utility plant in the amount of \$5,813 for water and \$3,457 for wastewater. Therefore, we find it appropriate to reduce utility plant-in-service by \$5,813 for water and \$3,457 for wastewater to reflect the retirements.

The utility recorded \$8,548 and \$928 in capital additions for water and wastewater, respectively. The expenditures were related to a pump used for the irrigation of a golf course located inside the utility's service area. The audit report indicated that these items should be removed from rate base because they are not utility property. In its response, the utility disagreed with the adjustment. The utility stated that the expenditures were related to a pump used for delivery of reuse water from the wastewater treatment plant to the storage facilities at the golf course, and that therefore, the expenditures are utility property and should not be eliminated. However, the utility stated that the \$8,548 water addition was misclassified should be reclassified as wastewater plant.

According to Order No. 21415, issued June 20, 1989, in Docket No. 880654-SU, the utility has been providing effluent to the golf course, a related party through the parent organization, for a number of years. Disposal of effluent through spray irrigation was determined to be the most cost effective and beneficial means of

effluent disposal for the wastewater customers and the environment, as well as to the golf course. No charge has ever been levied for effluent sent to the golf course, nor has the utility requested approval of a charge.

Order No. 21415 states that "the golf course owns and operates all of the pumping and related equipment and pays for the cost of pumping and maintenance of all spray irrigation from the holding pond to the eventual spraying of the golf course." The expenditures discussed in this adjustment occur between the wastewater treatment plant and the holding pond. Therefore, it appears that the items are utility property. Additionally, we agree with the utility that the water addition should be reclassified to wastewater plant. Therefore, we find it appropriate to reduce water utility plant-in-service by \$8,548 and to correspondingly increase wastewater utility plant-in-service by the same amount.

The utility recorded capital additions of \$56,883 for water and \$6,927 for wastewater for which it could not produce supporting documentation during the audit. Following the audit, the utility was able to provide supporting documentation for \$23,554 of the water capital additions. Therefore, we find that a reduction of \$33,329 to water utility plant-in-service is necessary to remove the remaining items for which the utility could not produce supporting documentation. The utility did not provide any additional supporting documentation for the wastewater additions. Therefore, we find it appropriate to reduce wastewater utility plant-in-service by \$6,927.

By Order No. 20853, issued March 3, 1989, the allowance for funds used during construction (AFUDC) annual rate was set at 8.21 percent for water utility plant-in-service. However, the Order also provided for a reduced rate of 7.21 percent for the period of August 11, 1986, through July 31, 1988. The audit reveals that the utility did not use the Commission approved rates when calculating the amount of capitalized interest. Therefore, we find that a reduction to water utility plant-in-service of \$6,696 is necessary to reflect the approved AFUDC rates.

By Order No. 21415, issued June 20, 1989, the utility was required to make an adjustment to wastewater utility plant-in-service in the amount of \$15,803. We find that the utility did not make the required adjustment to its books. Therefore, wastewater

utility plant-in-service shall be reduced by \$15,803 to properly reflect the required adjustment.

The utility recorded \$1,060 as water capital additions. The expenditure was for a deposit that was forfeited when the utility made the decision not to purchase four new permeators. By NARUC, Class B, Account No. 426, "[t]his account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are...5. Imprudent expenses." We find that this is not a capital expenditure and that it is imprudent in nature. We also find that the utility was cognitive of the risk of losing the deposit if it chose not to purchase the equipment. Therefore, we find it appropriate to reduce water utility plant-in-service by \$1,060. This amount shall be recorded as a miscellaneous non-utility expense.

Accumulated Depreciation

In Docket No. 791033-WS, which was a rate case, the Commission established a composite depreciation rate of 2.5 percent for water and wastewater. That same rate was applied again in the utility's certificate transfer case processed in Docket No. 850054-WS. However, in Docket No. 880654-SU, the Commission began using the guideline depreciation rates contained in Rule 25-30.140, Florida Administrative Code, for the wastewater system only. Rule 25-30.140(4)(a), Florida Administrative Code, requires all utilities to maintain depreciation rates as prescribed by the Commission. Accordingly, the utility shall use the composite depreciation rate of 2.5 percent for the water system and the guideline rates for the wastewater system.

We find that the utility has been using the guideline depreciation rates for the water system rather than the Commission approved 2.5 percent composite depreciation rate. Therefore, we have recalculated the utility's accumulated depreciation for the water system using the composite rate. Additionally, accumulated depreciation was recalculated for water and wastewater to correspond to the audit adjustments to utility plant-in-service as discussed above. The total approved adjustment to accumulated depreciation is \$154,102 for the water system and \$9,572 for the wastewater system.

Amortization of Contributions-in-Aid-of-Construction (CIAC)

We have recalculated the utility's CIAC amortization to reflect the correct composite rates and retirements that were not reflected in the utility's calculation. The total approved adjustment to CIAC amortization is \$220 for the water system and \$8,856 for the wastewater system.

Rate Base

Our calculation of rate base for water and wastewater is shown on Schedules Nos. 1 and 3, respectively. Adjustments to rate base are itemized on Schedules Nos. 2 and 4, for water and wastewater, respectively. Based on the adjustments set forth herein, we find it appropriate to establish rate base for Plantation at \$1,206,862 for the water system and \$660,420 for the wastewater system as of December 31, 1996. This rate base calculation is used purely to establish the net book value of the property being transferred and does not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the original cost calculation. The acquisition adjustment resulting from the transfer of Plantation is calculated as follows:

Purchase Price:	\$1,784,062
Staff Calculated Rate Base:	<u>\$1,867,282</u>
Negative Acquisition Adjustment:	<u>(\$ 83,220)</u>

In the past, we have determined that in the absence of extraordinary circumstances, a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. The circumstances in this exchange do not appear to be extraordinary. According to the application, the applicants did not request an acquisition adjustment. As discussed above, the purchase price is equal to the utility's rate base as shown in its 1996 annual report. Therefore, it appears that it was the intention of the buyer and seller to transfer the system at a price equal to its rate base. Also, we have found nothing during the audit that would require an acquisition adjustment. For the

foregoing reasons, we shall not include a negative acquisition adjustment in the calculation of rate base.

Rates and Charges

The utility's approved rates were effective November 30, 1996, pursuant to an administratively approved 1996 price index adjustment. The utility's current miscellaneous service charges and wastewater service availability charges became effective September 29, 1989, by Order No. 21415, issued in Docket No. 880654-SU, which was a rate case. The utility does not have any service availability charges for water service. The utility's approved rates and charges are as follow:

WATER

Monthly Service Rates

Residential and General Service

Flat Rate per 1,000 gallons

All Customers \$ 7.56

WASTEWATER

Monthly Service Rates

Residential

Base Facility Charge:

Meter Size:

All Meter Sizes \$ 11.12

Gallonage Charge per 1,000 gallons

(Maximum 6,000 gallons) \$ 4.47

General Service

Base Facility Charge:

Meter Size:

5/8" x 3/4"	\$ 11.12
1"	\$ 27.79
1-1/2"	\$ 55.59
2"	\$ 88.94
3"	\$177.90
4"	\$333.56
6"	\$694.91

Gallonage Charge per 1,000 gallons

(No Maximum) \$ 5.38

Miscellaneous Service Charges

Initial Connection Fee	\$ 15.00
Normal Reconnection Fee	\$ 15.00
Violation Reconnection Fee:	
Water	\$ 15.00
Wastewater	Actual Cost
Premises Visit Fee (in lieu of disconnection)	\$ 10.00

Service Availability Charges

Wastewater:

System Capacity Charge	
Residential - Per Unit	\$1,000.00
Plan Review Charge	Actual Cost
Inspection Fee	Actual Cost

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

[i]n cases 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).

IHC has not requested a change in the rates or service availability charges of the utility, and we see no reason to change them at this time. Accordingly, the utility shall continue operations under the existing tariff and apply the approved rates and charges. The utility has filed a tariff reflecting the transfer of ownership. The tariff shall be effective for services rendered or connections made on or after the stamped approval date of the tariff.

If there are no timely protests filed by a substantially affected person to the proposed agency actions taken herein, no further action will be required and the docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificates Nos. 336-W and 291-S from Radnor/Plantation Corporation d/b/a Plantation Utilities, 555 Northeast Ocean Boulevard, Stuart, Florida 34996, to IHC Realty Partnership, L.P., d/b/a Plantation Utilities, Foster Plaza Ten, 680 Andersen Drive, Pittsburgh, Pennsylvania 15220, is hereby approved. It is further

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ORDERED that rate base for purposes of the transfer, reflecting net book value, is \$1,206,862 for the water system and \$660,420 for the wastewater system, as of December 31, 1996. It is further

ORDERED that IHC Realty Partnership, L.P., d/b/a Plantation Utilities shall continue to charge the rates and charges approved in the utility's tariff until authorized to change by this Commission in a subsequent proceeding. The rates and charges shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

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 28-106.201, 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 20th Day of July, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

Commissioner J. Terry Deason dissented from the decision in this Order not to recognize a negative acquisition adjustment in the calculation of rate base.

(S E A L)

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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 for purposes of the transfer and denial of an acquisition adjustment is preliminary in nature and will not become effective or final, except as provided by Rule 28-106.111, 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 28-106.111, Florida Administrative Code, in the form provided by Rule 28-106.201, 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 10, 1998. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 28-106.111, 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 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.

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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.

RADNOR/PLANTATION CORPORATION D/B/A PLANTATION UTILITIES

MARTIN COUNTY

WATER AND WASTEWATER TERRITORY DESCRIPTION

UTILITY SERVICE AREA

Being a parcel of land lying in Government Lots 3, 4, 5, 6; 7, 8, 9 and 10 of Section 31, Township 37 South, Range 42 East and a portion of Government Lot 1 of Section 32, Township 37 South, Range 42 East, more particularly described as follows:

Begin at a point of intersection of the Southeasterly Right-of-Way line of State Road A-1-A (being a 200 feet Right-of-Way) and the South line of the North 1000 feet of Government Lots 3, 4 and 5 of said Section 31; thence North $88^{\circ}44'44''$ East along said South line of the North 1000 feet of Government Lots 3, 4 and 5, a distance of 1650 feet more or less to the Mean High Water line of the Atlantic Ocean; thence Southeasterly along the Mean High Water line of the Atlantic Ocean, a distance of 1880 feet more or less to the Easterly prolongation of the South line of Government Lot 6 of Section 31, Township 37 South, Range 42 East; thence North $89^{\circ}23'27''$ West along the Easterly prolongation of the South line of Government Lot 6, a distance of 510 feet more or less to the Easterly Right-of-Way of MacArthur Boulevard relocated, as recorded in O.R. Book 438, Page 293 through 295, Public Records of Martin County, Florida; thence along said South line of Government Lot 6 of Section 31, Township 37 South, Range 42 East, a distance of 396.89 feet; thence departing said South line of Government Lot 6, North $01^{\circ}10'31''$ East, a distance of 45.00 feet; thence North $89^{\circ}23'27''$ West, a distance of 231.50 feet; thence North $01^{\circ}10'31''$ East, a distance of 45.00 feet; thence North $89^{\circ}23'27''$ West, a distance of 60.00 feet; thence South $01^{\circ}10'31''$ West, a distance of 735.34 feet; thence South $43^{\circ}49'29''$ East, a distance of 69 feet more or less to the Mean High Water line of the Indian River; thence along the Mean High Water line of the Indian River, Southerly, Westerly and Northwesterly, a distance of 4950 feet more or less; thence North $12^{\circ}15'46''$ West, a distance of 174 feet more or less to the Easterly Right-of-Way line of State Road A-1-A;

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thence along the Easterly Right-of-Way of State Road A-1-A, (being a 200 foot Right-of-Way), North $62^{\circ}27'20''$ East, a distance of 1937.31 feet to the **Point of Beginning**.

TOGETHER WITH THE FOLLOWING:

Commence at a point of intersection of the Southeasterly right-of-way of State Road A-1-A being a 200 foot right-of-way and the South line of the North 1000 feet of Government Lot 4 of said Section 31, thence North $88^{\circ}44'44''$ West, along said South line of the north 1000 feet, a distance of 415.17 feet to the Northwesterly right-of-way line of State Road A-1-A and the Point of Beginning of the following described parcel:

Thence continue North $88^{\circ}44'44''$ West, along the aforesaid South line of the North 1000 feet, a distance of 1505.00 feet more or less to the intersection with the Mean High Water line of the Indian River; thence meander the said Mean High Water line Southerly, a distance of 375.00 feet more or less to the intersection with the North line of said Government Lot 8; thence South $89^{\circ}07'26''$ East, along said North line of Government Lot 8, a distance of 351.00 feet more or less to that point of intersection with a line that is 880.00 feet West of, as measured at right angles and parallel with the East line of said Government Lot 8, thence South $00^{\circ}59'59''$ West, along lastly said line, a distance of 248.73 feet to the said Northwesterly right-of-way line of State Road A-1-A; thence North $62^{\circ}27'20''$ East, along said Northwesterly right-of-way line, a distance of 1245.66 feet to the **Point of Beginning**.

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RADNOR/PLANTATION CORPORATION D/B/A PLANTATION UTILITIES

SCHEDULE OF WATER RATE BASE

As of December 31, 1996

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY'S BOOKS</u>	<u>COMMISSION ADJUSTMENTS</u>		<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$1,471,840	(\$54,515)	1	\$1,417,325
Land	164,510	(1,642)	2	162,868
Plant Held for Future Use	0	0		0
Construction Work in Progress	0	0		0
Accumulated Depreciation	(444,734)	154,102	3	(290,632)
Contributions-in-aid-of- Construction	(97,126)	0		(97,126)
CIAC Amortization	<u>14,207</u>	<u>220</u>	4	<u>14,427</u>
Totals	<u>\$1,108,697</u>	<u>\$98,165</u>		<u>\$1,206,862</u>

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RADNOR/PLANTATION CORPORATION D/B/A PLANTATION UTILITIES

SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>		<u>ADJUSTMENT</u>
Utility Plant in Service		
A. To properly reflect the utility plant in service balance reflected in Commission Order No. 14630		\$1,642
B. To remove capitalized repairs that should be reclassified as operations and maintenance expenses		(711)
C. To remove retired plant		(5,813)
D. To reclassify wastewater additions related to effluent reuse service		(8,548)
E. To remove unsupported plant additions		(33,329)
F. To reflect the Commission's approved AFUDC rates		(6,696)
G. To reclassify a forfeited deposit to miscellaneous nonutility expense		<u>(1,060)</u>
	Total (1)	<u>(\$54,515)</u>
Land		
A. To properly reflect the land balance reflected in Commission Order No. 14630	(2)	<u>(\$1,642)</u>
Accumulated Depreciation		
A. Commission approved composite depreciation rate for water, and to correspond to the audit adjustments to utility plant in service	(3)	<u>\$154,102</u>
CIAC Amortization		
A. To reflect the correct composite rate and retirements not reflected in the utility's calculation	(4)	<u>\$220</u>

RADNOR/PLANTATION CORPORATION D/B/A PLANTATION UTILITIES

SCHEDULE OF WASTEWATER RATE BASE

As of December 31, 1996

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY'S BOOKS</u>	<u>COMMISSION ADJUSTMENTS</u>		<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$1,217,716	(\$17,639)	1	\$1,200,077
Land	165,091	0		165,091
Plant Held for Future Use	0	0		0
Construction Work in Progress	0	0		0
Accumulated Depreciation	(461,185)	9,572	2	(451,613)
Contributions-in-aid-of- Construction	(322,955)	0		(322,955)
CIAC Amortization	<u>60,964</u>	<u>8,856</u>	3	<u>69,820</u>
Totals	<u>\$659,631</u>	<u>\$789</u>		<u>\$660,420</u>

SCHEDULE NO. 4
Page 1 of 1

RADNOR/PLANTATION CORPORATION D/B/A PLANTATION UTILITIES

SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>		<u>ADJUSTMENT</u>
Utility Plant in Service		
A. To remove retired plant		(\$3,457)
B. To reclassify wastewater additions related to effluent reuse service		8,548
C. To remove unsupported plant additions		(6,927)
D. To reflect an adjustment required by Order No. 21415		(15,803)
	Total (1)	<u>(\$17,639)</u>
Accumulated Depreciation		
A. To adjust balance to correspond to the audit adjustments to utility plant in service	(2)	<u>\$9,572</u>
CIAC Amortization		
A. To reflect retirements not reflected in the utility's calculation	(3)	<u>\$8,856</u>