

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer
of Certificate No. 422-S in Gulf
County from Gulf Aire Properties
d/b/a Gulf Aire Wastewater
Treatment Plant to ESAD
Enterprises, Inc. d/b/a Beaches
Sewer System.

DOCKET NO. 011379-SU
ORDER NO. PSC-02-1299-PAA-SU
ISSUED: September 23, 2002

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

ORDER APPROVING TRANSFER OF CERTIFICATE,
APPROVING REVISED TARIFF, AND HOLDING DOCKET OPEN
AND
NOTICE OF PROPOSED AGENCY ACTION ORDER
ESTABLISHING RATE BASE, DISALLOWING ACQUISITION ADJUSTMENT
AND ORDERING CUSTOMER REFUNDS

NOTICE is hereby given by the Florida Public Service
Commission that the action establishing rate base, disallowing
acquisition adjustment, and ordering customer refunds, 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 25-22.029, Florida
Administrative Code.

BY THE COMMISSION:

BACKGROUND

Gulf Aire Properties, Inc. d/b/a Gulf Aire Wastewater
Treatment Plant (Gulf Aire or utility) is a Class C utility serving

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FPSC-COMMISSION CLERK

approximately 254 wastewater customers in Gulf County. Water service is provided by the City of Mexico Beach. The Northwest Florida Water Management District (NFWFMD) does not consider this area a water resource caution area. Pursuant to Order No. 17638, issued June 2, 1987, in Docket No. 861336-SU, we granted Gulf Aire Certificate No. 422-S for its wastewater system. The certificate was amended pursuant to Order No. 19621, issued July 7, 1988, in Docket No. 880921-SU, to include additional territory, and amended a second time pursuant to Order No. 25275, issued October 30, 1991, in Docket No. 910660-SU, to correct, add, and delete territory. The utility's 2001 annual report shows total operating revenue of \$109,425 and a net operating loss of \$1,019.

We became aware of the transfer of the utility and sent an application for transfer to the owner of record on July 26, 2001, which gave a deadline date for filing of September 14, 2001. When no application was received, a follow-up letter, sent by certified mail, was issued on September 27, 2001, reminding the owner of the requirement to file the application and giving a deadline for filing the application of October 26, 2001.

On October 19, 2001, a joint application for transfer of the wastewater system was filed by Gulf Aire Properties, Inc. and ESAD Enterprises, Inc. d/b/a Beaches Sewer System (ESAD or buyer). According to the application, on October 22, 1999, the utility and the buyer entered into an agreement for purchase and sale of the utility. The closing on the transfer took place on December 1, 2000. We have jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

TRANSFER OF CERTIFICATE

As stated previously, Gulf Aire applied for a transfer of Wastewater Certificate No. 422-S in Gulf County from Gulf Aire to ESAD on October 19, 2001. The application was incomplete and deficiency letters were sent on November 9, 2001 and May 10, 2002. The final deficiency corrections were received on July 16, 2002.

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. The application contains a check in the amount of \$750, which is the

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correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code.

Section 367.071, Florida Statutes, requires that no utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof, or majority organizational control without our prior approval unless such sale, assignment, or transfer is made contingent upon our approval. The closing on the transfer of the utility facilities and purchase of the land upon which the utility facilities are located took place on December 1, 2000. According to the agreement for purchase and sale, closing of the transfer is contingent upon our approval in compliance with the statute.

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

The application contains documentation to comply with Rule 25-30.037(2)(g), (h), (i), and (k), Florida Administrative Code, regarding terms of the sale and financing of the purchase. The application contains a copy of the agreement for purchase and sale which includes the sales price, terms of payment, and a list of the assets purchased and liabilities assumed of Gulf Aire. The purchase price for the utility and land is \$320,000. The sale was a cash transaction with Gulf Aire Properties, Inc. The stockholders of ESAD Enterprises, Inc., personally borrowed \$350,000 to finance the purchase through a two-year, renewable, balloon loan with an interest rate of Prime plus 2%. The stockholders loaned ESAD the \$350,000 for the \$320,000 purchase of the utility and \$30,000 start-up funds at the same terms that the stockholders received.

The application also contains a statement, pursuant to Rule 25-30.037(2)(j), Florida Administrative Code, regarding how the transfer is in the public interest. ESAD indicated that the transfer is in the public interest because the shareholders of ESAD Enterprises, Inc., have a combined net worth of \$1 million, which it believes is the requisite financial ability to own and operate

the utility. In addition, the stockholders live within the service territory and personally know the quality of the wastewater service. ESAD contracts with a certified operator for plant operations. Also, one of the stockholders is retired and spends most of his time performing repairs or enhancing the system and its surroundings.

Rule 25-30.037(2)(1), Florida Administrative Code, requires the buyer to submit a proposed net book value of the system at the time of transfer. The buyer indicated that the proposed net value of the utility is based upon Gulf Aire's year end statement. Rate base is discussed subsequently in this Order.

The application states that the buyer has performed a reasonable investigation of the utility system as required by Rule 25-30.037(3)(p), Florida Administrative Code. Included is a statement that the buyer has reviewed the overall condition of the wastewater treatment plant and facilities and found them to be in satisfactory condition. The buyer added that the system seems to be in general compliance with the requirements of the Department of Environmental Protection (DEP).

According to the utility's annual report, the current permitted wastewater treatment capacity is 70,000 gallons per day (gpd). The average daily flows for the calendar year 2001, was approximately 20,000 gpd, with the treated effluent sent to percolation ponds or used for on site irrigation. We have verified that there are no outstanding notices of violation.

Rule 25-30.037(2)(q), Florida Administrative Code, requires the utility to provide proof of ownership or agreement for long term use of the land upon which its facilities are located. The application contains a recorded Warranty Deed transferring the property upon which the utility treatment facilities are located from Gulf Aire to ESAD. After the closing on the transfer, the buyer became aware that a lift station was on private property without an easement. ESAD negotiated with the private property owner for the purchase of the lift station property and provided us with a copy of a recorded quit claim deed in the name of the utility.

Rule 25-30.037(2)(r), Florida Administrative Code, requires the application to contain a statement regarding the disposition of any outstanding regulatory assessment fees (RAFs), fines, or refunds owed. Gulf Aire paid the 1999 RAFs, and filed the 2000 annual report. ESAD paid the 2000 and 2001 RAFs, and filed the 2001 annual report. According to our records, the utility is current with respect to its regulatory assessment fees through 2001, and has filed an annual report for 2001, and all prior years. ESAD shall be responsible for all future RAFs and annual reports.

Based on the above, we find that the transfer of facilities of Gulf Aire to ESAD is in the public interest and shall be approved. However, ESAD is formally put on notice of its obligation to comply with all of the requirements of Chapter 367, Florida Statute, and Rule 25-30, Florida Administrative Code. The failure to do so may result in the initiation of show cause proceedings and the possible imposition of sanctions, including penalties, fines, and possible revocation of the certificate. Certificate No. 422-S, held by Gulf Aire, is transferred to ESAD. ESAD shall be responsible for all future RAFs and annual reports. A description of the territory being transferred is appended to this Order as Attachment A.

RATE BASE

Our staff performed an audit by examining, on a test basis, the utility's books and records since its inception. Rate base has never been set for this utility. According to the utility's records, the proposed rate base is based on Gulf Aire's year end statement which reflects \$130,143 for the wastewater system as of December 31, 2000.

The audit report contained six audit exceptions concerning the utility's books and records. These audit exceptions and our findings are discussed in detail below. The utility's proposed rate base and our adjustments are shown on Schedule Nos. 1 and 2.

Audit Exception No. 1 and No. 2. These exceptions were the audit opinions that Gulf Aire failed to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) and failed to maintain a record of each customer's account. Pursuant to Rule 25-30.115(1), Florida Administrative Code, all water and wastewater

utilities are to maintain their accounts and records in conformity with the NARUC USOA. Pursuant to Rule 25-30.335(7), Florida Administrative Code, the utility shall maintain a record of each customer's account for the most current 2 years.

As discussed above, ESAD is reminded of its obligation to comply with all of the requirements of Chapter 367, Florida Statutes, and Chapter 25-30, Florida Administrative Code, which includes the obligation to maintain its books and records pursuant to Rule 25-30.115(1), Florida Administrative Code, and to maintain a record of each customer's account pursuant to Rule 25-30.335(7), Florida Administrative Code.

Audit Exception No. 3. This exception was the audit opinion that the utility's wastewater Utility-Plant-in-Service (UPIS) account is overstated. Gulf Aire's books and records included total depreciable UPIS of \$512,250. However, the audit staff reviewed all invoices that could be located to support plant additions for the years 1987 through 2000. Supporting documentation either could not be located or reflected that the cost was not utility related for \$191,682 of UPIS additions reported by the utility. The verified UPIS totals \$320,568. Accordingly, we find that the utility's rate base shall be adjusted to remove the unsupported UPIS, leaving a balance of \$320,568 in UPIS at the date of transfer.

Audit Exception No. 4. This exception was the audit opinion that utility did not have ownership or continued long-term use of all the land upon which the facilities are located, which is required pursuant to Rule 25-30.037(2)(q), Florida Administrative Code. One of the utility's lift stations is located on land which it did not own or have an agreement for continued use of the land.

In May 2002, ESAD purchased the land upon which the lift station is located for \$7,500. ESAD provided a copy of the recorded Quit-Claim Deed which transferred the property to ESAD. Accordingly, this exception has been corrected. While we may consider the purchase price of the lift station land as an addition to rate base during the utility's next rate proceeding, it was not an asset purchased by ESAD at the time of transfer and shall not be included in rate base as of the date of the transfer.

Audit Exception No. 5. This exception was the audit opinion that the utility does not maintain a record of Contributions-In-Aid-of-Construction (CIAC) collections. Audit staff could find no supporting documentation for the CIAC reported in the utility's annual reports. Utility records indicate there are 249 customers and 57 additional connections have been prepaid pending construction.

In order to determine the appropriate amount of CIAC, we relied on audit work papers and the staff recommendation for the utility's only staff assisted rate case, Docket No. 861569-SU, as a starting point, even though rate base was not formally established in that docket. According to those records, prior to our assumption of jurisdiction, 25 customers paid \$600 per connection, and 21 customers paid \$800 per connection, for a total of \$31,800 in cash CIAC. In addition, it was determined that the developer had installed and written off on its tax returns \$49,250 for collection lines, which was imputed as CIAC. The total CIAC as of December 31, 1986, was determined to be \$81,050.

Pursuant to Order No. 17638, issued on June 2, 1987, in Docket No. 861336-SU, we grandfathered the utility's \$800 system capacity charge per equivalent residential connection (ERC). In 1987, the utility collected CIAC for 115 ERCs (\$92,000). The utility's service availability charges were reduced to \$500 per ERC (\$300 plant capacity charge, \$100 main extension charge, and \$100 customer connection charge) pursuant to Order No. 19435, issued on June 6, 1988, in Docket No. 880596-SU. From 1988 through 2000, the utility collected CIAC for 142 ERCs (\$71,000).

According to the audit, the utility appears to have received CIAC payments for 303 ERCs, from the date of its inception through 2000, for a total CIAC of \$244,050. The utility records indicated a balance of \$212,054. Therefore, we are adjusting the utility's CIAC balance to include additional unrecorded CIAC of \$31,996, for a balance of \$244,050 at the date of transfer.

Audit Exception No. 6. Th exception addresses over collection of Allowance for Funds Prudently Invested (AFPI) and will be discussed subsequently in this Order.

Audit Disclosure No. 1. This disclosure was the audit opinion that the utility's 2000 annual report contained incorrect accumulated depreciation because the UPIS was incorrect as stated in Audit Exception No. 3 above. The utility reported accumulated depreciation of \$278,147 as of December 31, 2000. The audit balance is \$211,536, a decrease of \$66,611, the difference between our calculated accumulated depreciation on the recommended UPIS balance and the utility's reported amount. Accordingly, the utility's accumulated depreciation is reduced by \$66,611, to \$211,536 as of the date of the transfer.

Audit Disclosure No. 2. This disclosure was the audit opinion that the utility's 2000 annual report contained incorrect accumulated amortization of CIAC, \$93,730, as a result of under accounting for CIAC collection as stated in Audit Exception No. 5 above. The audit balance is \$128,025 for an increase of \$34,295. As a result, we find the utility's Accumulated Amortization of CIAC shall be increased by \$34,295, to \$128,025 as of the date of the transfer.

It should be noted that it appears the utility's CIAC level exceeds the 75% maximum contribution level we established pursuant to Rule 25-30.585, Florida Administrative Code. The new owner appears to be making investments to upgrade existing plant which will decrease the contribution level. However, the utility is put on notice that the contribution level may be examined in a subsequent rate proceeding.

Based on these adjustments, as of December 31, 2000, rate base for the utility system is \$7,371 for the wastewater system. The schedule of wastewater rate base is shown on Schedule No. 1, with adjustments set forth on Schedule No. 2. The rate base calculations are used solely to establish the net book value at the time the property is transferred. As such, the calculations do not include the normal ratemaking adjustments for working capital and used and useful.

ACQUISITION ADJUSTMENT

An acquisition adjustment results when the purchase price differs from rate base for transfer purposes. The acquisition adjustment resulting from the transfer of Gulf Aire would be calculated as follows:

Purchase Price	\$320,000
Less Calculated Rate Base	<u>7,371</u>
Positive Acquisition Adjustment	<u>\$312,629</u>

An acquisition adjustment was requested by the buyer. The buyer believes that the utility rate base in the annual report plus the current market value of land in the development supports the request for a positive acquisition adjustment. The buyer stated that it considered the purchase price to be fair considering the number of customers, the monthly expenses, the possibility of expansion, and the potential monthly income of the acquired utility.

In the absence of extraordinary circumstances, it has been our practice that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. The buyer stated in its application for transfer that it was seeking an acquisition adjustment, however, we do not find any extraordinary circumstances regarding this purchase that would justify an acquisition adjustment to rate base. As a result, an acquisition adjustment will not be included in the calculation of rate base. This is consistent with previous decisions in this regard. See Order No. PSC-01-0425-PAA-WU, issued February 22, 2001, in Docket No. 001083-WU; Order No. PSC-01-1271-PAA-SU, issued June 6, 2001, in Docket No. 010382-SU; Order No. PSC-01-1655-PAA-WS, issued August 13, 2001, in Docket No. 000793-WS; and Order No. PSC-01-1917-PAA-WS, issued September 24, 2001, in Docket No. 001551-WS.

It should be noted that we recently adopted a rule regarding the appropriate treatment of acquisition adjustments that occur when the purchase price of a utility differs from its rate base, pursuant to Order No. PSC-02-0997-FOF-WS, issued July 23, 2002, in Docket No. 001502-WS. In the case of Gulf Aire, because the purchase occurred and the application was filed prior to the adoption of the rule, the new rule is not applicable in this docket. We note that even if the newly adopted rule were applicable to this docket, our finding would remain the same, since

positive acquisition adjustments would still not be allowed absent a showing of extraordinary circumstances.

CONTINUATION OF RATES AND CHARGES

We approved the current rates for wastewater service in an administrative price index proceeding effective September 25, 1998; guaranteed revenue charges and service availability charges were approved pursuant to Order No. 19435, issued June 6, 1988, in Docket No. 880596-SU; AFPI charges were approved pursuant to Order No. 22339, issued December 26, 1989, in Docket No. 881024-SU; and a late charge was approved pursuant to Order No. PSC-97-1616-FOF-SU, issued December 24, 1997, in Docket No. 971441-SU. The utility's approved rates and charges are as follows:

Wastewater Monthly Service Rates
Residential and General Service

Flat Rate: \$32.20

Service Availability Charges
Plant Capacity Charge

Residential - per ERC (240) \$300.00
Commercial - per gallon per day 1.25

Main Extension Charge

Residential - per ERC (240) \$100.00
Commercial - per gallon per day 0.4167

Customer Connection

Residential \$100.00
Commercial Actual

Inspection Fee

All connections Actual Cost

Guaranteed Revenue Charge with Prepayment
of Service Availability Charges

Residential - per ERC (240)	\$ 8.82
Commercial - per gallon	0.03675

Allowance for Funds Prudently Invested
Collection Facilities

Per ERC as of December 1993*	\$638.34
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*Until service is extended to 185
additional ERCs from January 1, 1989

Miscellaneous Service Charges

Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00
Late Payment Charge	\$ 3.00

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).

ESAD has not requested a change in the rates and charges of the utility. Accordingly, pursuant to Rule 25-9.044(1), Florida Administrative Code, the utility shall continue charging the rates and charges approved for Gulf Aire with the exception of the AFPI charges for treatment facilities which will be discussed more fully subsequently until we authorize a change in a subsequent proceeding. ESAD has filed a revised tariff. The tariff shall be effective for services rendered or connections made on or after the stamped approval date.

DISCONTINUANCE OF AFPI CHARGES

According to Order No. 20886, issued on March 13, 1989, in Docket No. 881024-SU, Gulf Aire was granted authority to collect AFPI for treatment facilities until service was extended to an additional 78 ERCs. As of December 1993, the approved AFPI charge was \$625.64 per ERC. Pursuant to Rule 25-30.434, Florida Administrative Code, AFPI is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers. The rule further prescribes that the utility can continue to collect AFPI until all projected ERCs included in the calculation of the charge have been added.

Exception No. 6 of the audit was the audit opinion that the utility has collected excess AFPI for the treatment facilities. Gulf Aire's annual reports reflected a total of 130 ERCs for the year ended December 31, 1989, and 217 ERCs for the year ended December 31, 2000. The difference in the number of ERCs added through December, 2000, is 87, which exceeds the 78 ERCs authorized for AFPI collection by nine ERCs. The seller has submitted documentation in the form of notarized statements from two customers, showing that he added 12 connections in 2000, prior to selling the system, for which no AFPI was collected. Therefore it appears that the seller did not over collect AFPI and no refund is due from the seller. When the buyer took over the utility, it collected AFPI from three connections in December, 2000. The buyer also collected AFPI from five customers in 2001. The buyer discontinued collecting AFPI in 2001 when it became aware that the utility was no longer entitled to collect the charge. The amount of the refund due from the buyer is \$1,876.92 for the three connections in 2000, plus \$3,128.20 for the five connections in 2001, for a total of \$5,005.12 plus interest.

Therefore, the utility shall no longer collect AFPI charges for treatment facilities. Further, the utility is required to refund all AFPI collected in excess of the amount allowed by Order No. 20886. The refund shall be made with interest pursuant to Rule 25-30.360, Florida Administrative Code, to each customer who paid the excess AFPI charges.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that transfer of Certificate No. 422-S from Gulf Aire Properties, Inc. to ESAD Enterprises, Inc. is approved effective December 1, 2000. The territory the utility is authorized to serve is shown on Attachment A of this Order, which by reference is incorporated herein. It is further

ORDERED that ESAD Enterprises, Inc. is responsible for compliance with all obligations of Chapter 367, Florida Statutes and Chapter 25-30, Florida Administrative Code. It is further

ORDERED that ESAD Enterprises, Inc. is responsible for all further Annual Reports and Regulatory Assessment Fees. It is further

ORDERED that rate base, which for transfer purposes reflects the net book value of the system, is \$7,371 for the wastewater system as of December 1, 2000, the date of transfer. It is further

ORDERED that an acquisition adjustment shall not be included in the calculation of rate base for transfer purposes. It is further

ORDERED that ESAD Enterprises, Inc. shall continue to charge the rates and charges approved in Gulf Aire's tariff, except for AFPI charges for treatment facilities until authorized to change by this Commission in a subsequent proceeding. It is further

ORDERED that the revised tariff shall become effective for service rendered on or after the stamped approval date. It is further

ORDERED that ESAD Enterprises, Inc. shall discontinue collection of AFPI for treatment facilities and shall refund all excess AFPI charges collected in 2001 and 2002, with interest, to each customer such charge was collected from pursuant to Rule 25-30.360, Florida Administrative Code. It is further

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

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

ORDERED this Docket shall remain open until staff verifies the refunds ordered herein have been made. Once refunds have been verified, the docket shall be closed administratively. It is further

ORDERED that the provisions of this Order establishing rate base, disallowing acquisition adjustment, and ordering customer refunds, 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 Director, Division of the Commission Clerk and Administrative Services, 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.

By ORDER of the Florida Public Service Commission this 23rd day of September, 2002.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

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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, disallowing acquisition adjustment, and ordering customer refunds is preliminary in nature. Any person whose substantial interests are affected by such action 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 Director, Division of the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 14, 2002. 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 on all matters in this Order other than those identified above as preliminary or proposed may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services 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

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notice of appeal with the Director, Division of the Commission Clerk and Administrative Services 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.

ATTACHMENT A

GULF AIRE PROPERTIES D/B/A
GULF AIRE WASTEWATER TREATMENT PLANT
Gulf County
Wastewater Service Area

Territory Description

Parcel No. 1:

Commence at the point of intersection of the Northeastern right of way line of U.S., Highway 98 - State Road 30 and the South boundary line of Section 32, Township 6 South, Range 11 West, as same is shown on the official plat of Port St. Joe Beach, Unit Two as recorded in Plat Book 2, Page 6, in the Public Records of Gulf County, Florida, and extend a line South 89° 52' 49" West along said South boundary line of Section 32 for 22.105 feet; thence North 39° 51' 00" West along said Northeastern right of way line for 521.37 feet to the Point of Beginning. Thence North 50° 09' 00" East for 1,447.838 feet; thence South 89° 33' 45.5" West for 817.824 feet to a St. Joe Paper Company concrete monument; thence North 02° 42' 30" East for 1,325.895 feet to a St. Joe Paper Company concrete monument; thence South 89° 53' 47" West for 865.720 feet; thence South 49° 07' 27.5" West for 1,062.211 feet to a point on the Northeastern right of way line of said State Road 30 - U.S. 98; thence South 40° 52' 32.5" East along said right of way line for 468.621 feet to a point of curve; thence along the arc of a curve to the right which has a radius of 39,646.755 feet and a central angle of 00° 59' 30" for 686.20 feet to a point of tangent; thence South 39° 53' 02.5" East for 330.017 feet; thence South 39° 51' 00" East along said right of way line for 545.682 feet to the Point of Beginning, said lands being in Sections 31 and 32, Township 6 South, Range 11 West, Gulf County, Florida, (having an area of 59.315 acres, more or less) less and except the following:

Commence at the point of intersection of the Northeastern right of way line of State Road 30 - U.S. Highway 98 and the South boundary line of Section 32, Township 6 South, Range 11 West, as same is shown on the official plat of Port St. Joe Beach, Unit Two, as recorded in Plat Book 2, Page 6, in the Public Records of Gulf County, Florida; thence South 89° 52' 49" along the South boundary

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line of said Section 32 for 22.105 feet; thence North $39^{\circ} 51' 00''$ West along the Northeastern right of way line of said State Road 30 - U.S. Highway 98, said right of way being 66.00 feet wide, for 1067.052 feet; thence North $39^{\circ} 53' 03''$ West along said right of way for 129.96 feet; thence South $49^{\circ} 07' 27.5''$ West for 66.01 feet to a point on the Southwestern right of way line of said State Road 30 - U.S. Highway 98 for the Point of Beginning. Thence North $39^{\circ} 53' 03''$ West along said right of way line for 201.20 feet to a Point of Curve; thence along the arc of a curve to the left which has a radius of 39,580.755 feet and a central angle of $00^{\circ} 59' 30''$ for 685.06 feet to a Point of Tangent; thence North $40^{\circ} 52' 32.5''$ West along said right of way line for 468.62 feet; thence South $49^{\circ} 07' 27.5''$ West for 217 feet, more or less, to a point on the mean high waterline of the Gulf of Mexico; thence meander said mean high waterline in a Southeasterly direction for 1,355 feet, more or less, to a point that is South $49^{\circ} 07' 27.5''$ West of the Point of Beginning; thence North $49^{\circ} 07' 27.5''$ East for 225 feet, more or less, to the Point of Beginning.

Said parcel of land being in Fractional Section 31, Township 6 South, Range 11 West, Gulf County, Florida, and having an area of 6.96 acres, more or less. This parcel of land is shown as Tract A on the official plat of Gulf Aire, as recorded in Plat Book 3, Page 13, in the Public Records of Gulf County, Florida.

Parcel No. 2:

Commence at the point of intersection of the Northeastern right of way line of State Road 30 - U.S. Highway 98 and the South boundary line of Section 32, Township 6 South, Range 11 West, as same is shown on the official plat of Port St. Joe Beach, Unit Two, as recorded in Plat Book 2, Page 6, in the Public Records of Gulf County, Florida; thence South $89^{\circ} 52' 49''$ West along said South boundary line of Section 32 for 22.105 feet; thence North $39^{\circ} 51' 00''$ West along said Northeastern right of way line of State Road 30 - U.S. Highway 98 for 521.37 feet; thence South $50^{\circ} 09' 00''$ West for 66.00 feet to a point on the Southwestern right of way line of said highway for the Point of Beginning. Thence North $39^{\circ} 51' 00''$ West along said right of way line for 545.652 feet; thence North $39^{\circ} 53' 02.5''$ West along said right of way line for 329.987 feet to a point of curve; thence along the arc of a curve to the left which has a radius of 39,580.755 feet and a central angle of $00^{\circ} 59' 30''$ for 685.057 feet to a point of tangent; thence North $40^{\circ} 52' 32.5''$ West along said right of way line for 468.621 feet; thence South $49^{\circ} 07' 27.5''$ West for 217 feet, more or less, to the water of the Gulf of Mexico; thence turn left and meander the waters of said Gulf of Mexico in a Southeasterly direction for 2,029 feet, more or less, to a point that is South $50^{\circ} 09' 00''$ West of the Point of Beginning; thence North $50^{\circ} 09' 00''$ East for 228 feet, more or less, to the Point of Beginning, said lands being in Fractional Section 31, Township 6 South, Range 11 West, Gulf County, Florida, and having an area of 10.36 acres, more or less.

Gulf Aire Wastewater Treatment Plant

**Legal Description
St. Joe Beach, Unit 3**

Commence at a concrete monument marking the northernmost corner of Lot 1, Block 49, of Port St. Joe Beach, Unit 2, a subdivision as per map or plat thereof as recorded in the public records of Gulf County, Florida, and run

Thence North $37^{\circ} 20' 42''$ West, a distance of 100.63 feet to a concrete monument,

Thence South $50^{\circ} 08' 28''$ West, a distance of 307.51 feet to a concrete monument,

Thence North $39^{\circ} 51' 32''$ West, a distance of 151.55 feet to a concrete monument,

Thence South $89^{\circ} 53' 28''$ West, a distance of 130.07 feet to a concrete monument,

Thence North $00^{\circ} 06' 32''$ West, a distance of 62.55 feet to a concrete monument,

Thence North $39^{\circ} 51' 32''$ West, a distance of 817.95 feet to a concrete monument,

Thence North $50^{\circ} 10' 21''$ East, a distance of 994.44 feet to a concrete monument,

Thence North $89^{\circ} 35' 24''$ East, a distance of 411.33 feet to a concrete monument,

Thence South $32^{\circ} 07' 20''$ East, a distance of 131.14 feet to a point for corner,

Thence South $12^{\circ} 26' 21''$ East, a distance of 69.63 feet to a point for corner,

Thence South $04^{\circ} 08' 43''$ East, a distance of 69.18 feet to a point for corner,

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Thence South $57^{\circ} 15' 53''$ East, a distance of 49.93 feet to a point for corner,

Thence South $38^{\circ} 59' 19''$ East, a distance of 54.23 feet to a point for corner,

Thence South $28^{\circ} 14' 37''$ East, a distance of 114.61 feet to a point for corner,

Thence North $80^{\circ} 18' 40''$ East, a distance of 41.59 feet to a point for corner,

Thence North $65^{\circ} 25' 58''$ East, a distance of 115.45 feet to a point for corner,

Thence South $57^{\circ} 43' 28''$ East, a distance of 269.67 feet to a point for corner,

Thence South $40^{\circ} 03' 57''$ East, a distance of 197.31 feet to a point for corner,

Thence South $35^{\circ} 32' 16''$ East, a distance of 86.02 feet to a point of corner,

Thence South $30^{\circ} 06' 05''$ East, a distance of 159.51 feet to a point for corner,

Thence South $23^{\circ} 35' 13''$ East, a distance of 77.47 feet to a point for corner,

Thence South $42^{\circ} 22' 25''$ East, a distance of 77.16 feet to a point for corner,

Thence South $50^{\circ} 03' 49''$ East, a distance of 224.32 feet to a point for corner,

Thence South $49^{\circ} 17' 21''$ East, a distance of 113.45 feet to a point for corner,

Thence South $42^{\circ} 27' 35''$ East, a distance of 145.59 feet to a point for corner,

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Thence North $89^{\circ} 55' 11''$ East, a distance of 110.69 feet to a concrete monument,

Thence North $89^{\circ} 50' 23''$ East, a distance of 30.87 feet to a concrete monument,

Thence South $39^{\circ} 54' 37''$ East, a distance of 32.26 feet to a concrete monument,

Thence South $51^{\circ} 09' 12''$ West, a distance of 149.52 feet to a concrete monument,

Thence North $39^{\circ} 59' 24''$ West, a distance of 154.20 feet to a point on a curve,

Thence along a curve to the left having a radius of 69.84 feet, a central angle of $090^{\circ} 00' 00''$, an arc length of 109.70 feet, and a chord which bears North $84^{\circ} 59' 24''$ West to a point on a line,

Thence South $50^{\circ} 00' 30''$ West, a distance of 232.69 feet to a concrete monument,

Thence North $38^{\circ} 48' 06''$ West, a distance of 180.22 feet to a concrete monument,

Thence South $89^{\circ} 55' 11''$ West, a distance of 284.80 feet to a concrete monument,

Thence North $39^{\circ} 49' 02''$ West, a distance of 194.52 feet to a concrete monument,

Thence South $50^{\circ} 19' 23''$ West, a distance of 149.94 feet to a concrete monument,

Thence South $39^{\circ} 49' 02''$ East, a distance of 70.24 feet to a concrete monument,

Thence North $89^{\circ} 57' 47''$ West, a distance of 91.30 feet to a concrete monument,

Thence North $39^{\circ} 49' 49''$ West, a distance of 10.32 feet to a concrete monument,

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Thence South $53^{\circ} 04' 28''$ West, a distance of 233.03 feet to a concrete monument,

Thence North $36^{\circ} 55' 32''$ West, a distance of 150.00 feet to a concrete monument,

Thence North $53^{\circ} 04' 28''$ East, a distance of 19.06 feet to a concrete monument,

Thence North $89^{\circ} 56' 27''$ West, a distance of 116.68 feet to the Point of Beginning and containing 1,979,802 square feet or 45.45 acres of land, more or less.

Township 6 South, Range 11 West and Township 7 South, Range 11 West, Gulf County, Florida. A portion of Southeast quarter of Fractional Section 31, Township 6 South, Range 11 West; a portion of Northwest quarter of Northwest quarter of Section 5, Township 7 South, Range 11 West and a portion of Northeast quarter of Northeast quarter; Fractional Section 6, Township 7 South, Range 11 West, being more particularly described as follows:

Beginning at a point on the Southwesterly right of way line of U.S. Highway No. 98 (State Road No. 30), said point being 33.00 feet from and at right angle to the center line of said U.S. Highway No. 98, said point also being North $39^{\circ} 51' 00''$ West, 431.52 feet from the point of intersection of said right of way line with the South line of Fractional Section 31, Township 6 South, Range 11 West; thence along said right of way line as follows:

South $39^{\circ} 51' 00''$ East, 431.52 feet to a point on the line between Fractional Section 31, Township 6 South, Range 11 West and Fractional Section 6, Township 7 South, Range 11 West, said point being South $89^{\circ} 52' 49''$ West, 98.01 feet from the section corner; thence South $89^{\circ} 52' 49''$ West, along said Section line for 22.105 feet to a point that is 50.00 feet from and at right angle to the center line of said U.S. Highway No. 98; thence South $39^{\circ} 51' 00''$ East, 359.90 feet; thence, leaving said right of way line South $50^{\circ} 09' 00''$ West, 222 feet, more or less, to a point on the mean high water line of the Gulf of Mexico; thence meandering Northwesterly along and with said mean high water line to a point that bears South $50^{\circ} 09' 00''$ West from the Point of Beginning; thence North

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50° 09' 00" East, 263 feet, more or less, to the Point of Beginning.

Commencing at the Southwest corner of Section 32, Township 6 South, Range 11 West, Gulf County, Florida; thence North 89° 52' 49" East, along the South line of said Section 32, according to the record plat of Port St. Joe Beach, Unit 2, as recorded in Plat Book 2, Page 6, Public Records of Gulf County, Florida; for a distance of 10.035 feet to a point on the Northeasterly right of way line of U.S. Highway No. 98 (State Road No. 30) said point being 33.00 feet from and at right angle to the centerline of said U.S. Highway 98; thence along said Northeasterly right of way line as follows: North 39° 51' 00" West, 1067.05 feet; thence North 39° 53' 03" West, 69.08 feet; thence leaving said Northeasterly right of way line, North 49° 07' 27.5" East, 384.67 feet; thence North 49° 07' 28" East, 331.33 feet to the point of curvature of a curve to the left, said curve having a radius of 305.00 feet; thence Northeasterly along the arc of said curve through a central angle of 25° 25' 19" for 135.33 feet to the Southwest corner of Lot 39, Block C, Gulf Aire Phase II as recorded in Plat Book 3, Pages 30 and 31, in the Public Records of Gulf County, Florida for the Point of Beginning; thence South 66° 17' 51" East, along the South line of said Lot 39 for 155.46 feet to the Southeast corner of said Lot 39; thence North 2° 42' 30" East along the East line of Block C 128.82 feet; thence North 89° 31' 41" East, 225.31 feet; thence South 0° 21' 51" West, 192 feet; thence North 89° 38' 09" West, 230.55 feet; thence North 67° 43' 35" West (radially), 185.19 feet to a point on a curve to the left (Northeasterly); thence along said curve having a delta of 11° 17' 22", a radius of 305 feet and an arc distance of 60.10 feet to the Point of Beginning, having a chord bearing of North 29° 20' 50" East. This described legal is for common ingress and egress to surrounding properties.

Commence at the Northeast corner of Original Government Lot 7, Fractional Section 31, Township 6 South, Range 11 West, Gulf County, Florida, and run thence South 89° 53' 47" West for 865.72 feet to the Point of Beginning; thence South 49° 07' 27.5" West for 794.98 feet; thence North 40° 56' 23" West for 686.19 feet; thence North 89° 53' 47" East for 1050.75 feet to the Point of Beginning. Said parcel of land lying and being in Original Government Lot 7, Fractional Section 31, Township 6 South, Range 11 West, Gulf County, Florida, and having an area of 6.26 acres, more or less.

SCHEDULE 1

GULF AIRE PROPERTIES D/B/A
 GULF AIRE WASTEWATER TREATMENT PLANT
 SCHEDULE OF WASTEWATER RATE BASE
 AS OF DECEMBER 1, 2000

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>		<u>COMMISSION BALANCE</u>
Utility Plant in Service	\$512,250	(\$191,682)	A	\$320,568
Land	14,364	0		14,364
Contributions in Aid of Construction (CIAC)	(212,054)	(31,996)	B	(244,050)
Accumulated Depreciation	(278,147)	66,611	C	(211,536)
Amortization of CIAC	<u>93,730</u>	<u>34,295</u>	<u>D</u>	<u>128,025</u>
WASTEWATER RATE BASE	<u>\$130,143</u>	<u>(\$122,772)</u>		<u>\$ 7,371</u>

SCHEDULE 2

GULF AIRE PROPERTIES D/B/A
GULF AIRE WASTEWATER TREATMENT PLANT
SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS

	<u>EXPLANATION</u>	<u>COMMISSION APPROVED ADJUSTMENT</u>
A	Plant In Service To remove unsupported depreciable plant	(\$191,682)
B	Contributions in Aid of Construction (CIAC) To add unrecorded CIAC	(31,996)
C	Accumulated Depreciation To remove depreciation for unsupported plant	66,611
D	Accumulated Amortization of CIAC To increase amortization for unrecorded CIAC and to correct the amortization rate used	<u>34,295</u>
	Total Adjustments	<u>(\$122,772)</u>