

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for transfer of Certificate  
Nos. 611-W and 527-S in Charlotte County  
from Hunter Creek Utilities, LLC to MSM  
Utilities, LLC, in Charlotte County.

DOCKET NO. 031042-WS  
ORDER NO. PSC-05-0147-PAA-WS  
ISSUED: February 7, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON  
LISA POLAK EDGAR

ORDER APPROVING TRANSFER OF ASSETS AND CERTIFICATE NOS. 611-W AND  
527-S FROM HUNTER CREEK UTILITIES, LLC TO MSM UTILITIES, LLC  
AND  
NOTICE OF PROPOSED AGENCY ACTION ESTABLISHING RATE BASE  
AT THE TIME OF TRANSFER AND ADDRESSING INCLUSION OF A  
POSITIVE ACQUISITION ADJUSTMENT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein to establish rate base at the time of transfer and to address inclusion of a positive acquisition adjustment 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.

**CASE BACKGROUND**

On November 12, 2003, an application was filed for the transfer of the assets and certificates of Hunter Creek Utilities, LLC (Hunter Creek or utility) to Rivers Edge Utilities, LLC (Rivers Edge). On September 23, 2004, the application was amended to transfer the utility to MSM Utilities, LLC (MSM).

Hunter Creek is a Class C water and wastewater utility currently providing service to approximately 50 lots in The Oaks at Rivers Edge (formerly known as Hunter Creek Village). The development is located in an unincorporated portion of Charlotte County north of Punta Gorda and contains 100 acres adjacent to a tributary of the Peace River. The total number of

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developed lots at the end of Phase III will be 284, or 227 equivalent residential connections (ERCs). The service area is in the Southern Water Use Caution Area of the Southwest Florida Water Management District (SWFWMD). The utility's 2003 annual report indicated combined annual revenues of \$16,569, with a combined net operating loss of \$46,660.

The utility's water and wastewater facilities have been in existence and providing service since 1982; however, Charlotte County did not come under our jurisdiction until September 27, 1994. The utility owner, Mr. John Leonette, originally filed for a non-profit exemption from Commission regulation pursuant to Section 367.022(7), Florida Statutes. After failing to meet the requirements for that exemption, Mr. Leonette withdrew his request for an exemption and filed, instead, for original water and wastewater certificates on June 10, 1998.

We granted the utility Certificate Nos. 611-W and 527-S on April 19, 1999, in Docket No. 980731-WS.<sup>1</sup> The docket was held open and any extension of service was withheld pending verification by September 30, 1999, of the utility's sustained compliance with the Florida Department of Environmental Protection's (FDEP's) maximum standards for radon contamination. When Mr. Leonette failed to meet the deadline, we initiated proceedings for possible deletion of unserved territory.<sup>2</sup> Shortly thereafter, Mr. Leonette began construction on plant improvements and, upon FDEP verification of sustained compliance, we canceled territory deletion proceedings and closed the docket on April 25, 2000.<sup>3</sup>

In August of 2000, when the previous utility and development owner, Mr. Ernest MacLachlan died, the Trustees of the Ernest E. MacLachlan Revocable Trust and the Zola M. MacLachlan Revocable Trust (MacLachlan Trusts), began foreclosure proceedings against Mr. Leonette for property which included the utility facilities. A Final Judgment of Foreclosure was issued by the Circuit Court on July 26, 2002, which ultimately resulted in a Certificate of Title being issued to the MacLachlan Trusts on December 10, 2002.<sup>4</sup> Since the transfer was pursuant to a court-ordered foreclosure sale, there were no provisions for the sale to be contingent upon Commission approval pursuant to Section 367.071(1), Florida Statutes. We have previously recognized that, due to the exigencies of this type of situation, show cause proceedings are not warranted.<sup>5</sup>

Since the MacLachlan Trusts were in negotiations to sell the utility to a third party developer, they requested an extension of time in which to file an application for transfer of

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<sup>1</sup> Order No. PSC-99-0756-FOF-WS, issued April 19, 1999, in Docket No. 980731-WS, In Re: Application for certificate to provide water and wastewater service in Charlotte County by Hunter Creek Utilities, LLC.

<sup>2</sup> Order No. PSC-99-2380-PCO-WS, issued December 6, 1999, in Docket No. 980731-WS.

<sup>3</sup> Order No. PSC-00-0818-FOF-WS, issued April 25, 2000, in Docket No. 980731-WS.

<sup>4</sup> Case No. 01-746-CA, in the Circuit Court of the Twentieth Judicial Circuit in and for Charlotte County, Florida.

<sup>5</sup> Order No. PSC-00-0758-PAA-SU, issued April 17, 2000, in Docket No. 991056-SU, In Re: Application for transfer of Certificate No. 456-S from Del Vera Limited Partnership to Coolidge-Ft. Myers Realty Limited Partnership d/b/a Heron's Glen Utilities in Lee County and Order No. PSC-03-0518-FOF-WS, issued April 18, 2003, in Docket No. 020382-WS.

certificates. When negotiations failed, the MacLachlan Trusts established a utility corporation and filed an application for transfer on November 12, 2003, to Rivers Edge Utilities, LLC. On September 23, 2004, the application was amended to request the transfer of Hunter Creek's facilities and certificates to MSM. The closing occurred on December 15, 2004, contingent upon Commission approval.

This Order addresses the transfer of facilities and certificates from Hunter Creek to MSM, rate base for transfer purposes, an acquisition adjustment, and the rates and charges. We have jurisdiction to consider this matter pursuant to Section 367.071, Florida Statutes.

### **TRANSFER OF FACILITIES AND CERTIFICATE NOS. 611-W AND 527-S**

On September 23, 2004, Hunter Creek filed its application for the transfer of Certificate Nos. 611-W and 527-S to MSM. The transfer of assets occurred on December 15, 2004, subject to our approval. The application is in compliance with the governing statutes, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules pertaining to an application for the sale, assignment, or transfer of certificates of authorization. The territory being transferred is described in Attachment A to this Order.

Pursuant to Rule 25-30.030, Florida Administrative Code, the application contained the requisite proof of noticing. No objections to the application were received by the Commission and the time for filing such has expired.

The application indicated that the buyer is a Florida Limited Liability Company established in Florida on August 23, 2004. It is 100% owned by five partners all of which are Trustees for Trusts in their names (Buyer Trustees).<sup>6</sup>

As noted in the Case Background, at the time of the transfer to MSM, the utility was owned by the MacLachlan Trusts based on a Certificate of Title issued on December 10, 2002, pursuant to a foreclosure action. The MacLachlan Trusts subsequently entered into a Vacant Land Purchase Contract (contract) with MSM Land Investments, L.L.C. An addendum to the contract clarified that the buyer and seller consider \$229,000 of the total purchase price of \$4,500,000 to be apportioned to the purchase of the utility.

The application stated that all necessary financing to complete the sale of the utility assets has been provided as equity capital contributions by the Buyer Trustees. The total amount of funding provided specifically to the utility was \$300,000. The utility had no customer deposits, guaranteed revenue contracts, developer agreements, leases, or customer advances at the time of the closing.

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<sup>6</sup> Ben J. Maltese, Trustee of the Ben J. Maltese Revocable Trust dated 09/09/97, 30% owner; Gerald G. Mansour Trustee of the Gerald G. Mansour Revocable Trust dated 11/18/91, 15% owner; Gerald J. Mansour Trustee of the Gerald J. Mansour Revocable Trust dated 10/06/83, 15% owner; Ghassan M. Saab, Trustee of the Ghassan M. Saab Trust dated 02/16/87, 15% owner; and Khalil Saab, Trustee of the Khalil Saab Revocable Trust dated 10/10/94, 25% owner.

Rule 25-30.037(2)(q), Florida Administrative Code, requires evidence that the utility owns the land upon which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. The application included a copy of an executed 99-Year Lease Agreement between Waterfront Homes of Charlotte, LLC (Waterfront) and MSM. Waterfront is a corporation established by MSM Land Investments L.L.C. at the time of the closing to receive the land assets of the development. We find that the term of the lease meets the requirements of the rule with respect to continued use of the land; however, we take no position on the prudence of the costs of the lease until it is reviewed in a future rate proceeding.

We have verified that, in accordance with Rule 25-30.110, Florida Administrative Code, annual reports for the utility have been filed for 2003 and all prior years. The prior owner, Mr. Leonette, paid the utility's 1998 regulatory assessment fees (RAFs) late on September 18, 1999, but failed to pay RAfs from 1999 through November 25, 2002, when he lost ownership in the foreclosure. We decided in Order No. PSC-03-0962-FOF-WS<sup>7</sup> not to initiate show cause proceedings; instead, we requested permission from the Florida Department of Financial Services to write off amounts for 1999 through November 25, 2002 as uncollectible. We have confirmed that RAfs from November 25, 2002 through 2003 have been paid by the MacLachlan Trusts. The penalties and interest on the late payment of 1998 RAfs was paid on December 3, 2004. Therefore, there are no penalties or interest outstanding for annual report or RAf payments. A statement was provided with the application that the MacLachlan Trusts will be responsible for filing the utility's 2004 annual report and paying 2004 RAfs by March 31, 2005. MSM shall be responsible for filing the utility's annual reports and paying RAfs for all subsequent years.

As described in more detail below, all books and records for the utility were lost in the foreclosure. In order to calculate rate base for transfer purposes, the MacLachlan Trusts hired an outside accountant to perform an original cost study. The Managing Partner of the Buyer Trusts also provided a statement affirming his intent to maintain continuous property records for the utility in accordance with Rule 25-30.110, Florida Administrative Code. Furthermore, the Managing Partner attested that he understands the requirement to keep the books and records of the utility in conformity with the National Association of Regulatory Utility Commissioners uniform system of accounts as required by Rule 25-30.115, Florida Administrative Code; he intends to hire an outside expert to ensure compliance with all Commission rules.

Pursuant to Rule 25-30.037(2)(p), Florida Administrative Code, the application contained a statement from the Managing Partner of the Buyer Trustees that the utility facilities appear to be in satisfactory condition and, to the best of his knowledge, are in compliance with all applicable standards set by the FDEP. We have confirmed with the FDEP that there are no outstanding notices of violation issued for the utility systems. In addition, we have confirmed with the SWFWMD that, although the utility is in a Water Use Caution Area, there are no current restrictions on Hunter Creek's wells.

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<sup>7</sup> Order No. PSC-03-0962-FOF-WS, issued August 25, 2003, in Docket No. 030449-WS, In Re: Disposition of delinquent regulatory assessment fees for Hunter Creek Utilities, LLC in Charlotte County.

Pursuant to Rule 25-30.037(2), Florida Administrative Code, the application contained a statement indicating how the transfer is in the public interest, including a summary of the buyer's experience and financial ability. The Managing Partner of the Buyer Trustees also provided a statement of his willingness to fulfill the obligations, commitments, and representations of the seller with regard to utility matters.

The application indicated that the Buyer Trustees purchased ownership of the development known as The Oaks at Rivers Edge as well as the water and wastewater system that serve its residents. As such, the Buyer Trustees have a substantial investment in the Community and are committed to providing quality service to the customers of the utility, including operating the systems in accordance with the utility's FDEP permits. While the Buyer Trustees have not previously owned or operated any water and wastewater utilities, the statement indicates that they intend to continue to employ personnel familiar with the administrative and regulatory affairs, and operation and maintenance of the water and wastewater facilities.

We reviewed the personal financial statements for the Buyer Trustees, which reflected significant financial resources. According to the application, the Buyer Trustees have provided initial capitalization for MSM in the amount of \$300,000.

Based upon all the above, we find that the transfer of assets and Certificate Nos. 611-W and 527-S from Hunter Creek Utilities, LLC, to MSM Utilities, LLC, is in the public interest and shall be approved. The territory being transferred is described in Attachment A to this Order. The effective date of the transfer shall be January 18, 2005. The MacLachlan Trusts shall be responsible for filing the utility's 2004 annual report and paying 2004 RAFs by March 31, 2005, and MSM Utilities, LLC, shall be responsible for filing annual reports and paying RAFs for all subsequent years.

#### **RATE BASE AT TIME OF TRANSFER**

We have never set rate base for the utility. The transfer occurred on December 15, 2004. Therefore, we find that rate base shall be established for transfer purposes as of December 31, 2004.

#### **UTILITY PLANT IN SERVICE (UPIS) AND LAND EASEMENT**

As noted above, all books and records for the utility were lost in the foreclosure proceedings, so the MacLachlan Trusts hired an outside regulatory consultant to conduct an original cost study. The consultant used documentation such as FDEP sanitary survey reports, construction permits, and contracts to identify Hunter Creek's UPIS. For a majority of the water plant items, and for all of the wastewater plant items, the consultant was able to obtain copies of actual 1982 construction invoices for Hunter Creek. For the remainder of the water plant items, the consultant used invoices for utility facilities similar to Hunter Creek that were constructed nearby and at approximately the same time.

The utility facilities consist of one 30,000 gallon per day (gpd) water treatment plant with two wells and one 15,000 gpd wastewater treatment plant. In addition, the utility has constructed

water distribution and wastewater collection lines throughout Phase I and a portion of Phase II of the development. As noted above, the utility is leasing the land under the utility facilities from its land-owner affiliate, Waterfront Homes of Charlotte, LLC. Therefore, no cost for land under the utility's treatment plants is included in rate base. However, the utility was required by FDEP to purchase a sovereign submerged land easement in 1992 for a reject water discharge pipe. Since the easement was required by FDEP, we find that the one-time easement payment and site preparation costs of \$12,698 shall be included in rate base as land easement.

We have reviewed the invoices and methodology used in the utility's original cost study and made a net adjustment of \$225 to water plant based on a scrivener's error and additional meter invoices. Otherwise, we find that the invoices and methodology are reasonable and that the utility's proposed UPIS balances, as of December 31, 2004, of \$371,011 for water, as adjusted, and \$188,366 for wastewater, shall be approved.

#### ACCUMULATED DEPRECIATION

The utility's original cost study used a 40-year depreciation rate for all water and wastewater plant items. The reason given for not using the guideline rates required by Rule 25-30.140, Florida Administrative Code, was that the existing rates and charges were based on a 40-year depreciation rate. As previously noted, rate base has never been established for this utility. In addition, the utility's tax statements were lost in the foreclosure proceeding. Therefore, there is no means for us to verify whether or not the prior owners used a 40-year depreciation rate for tax purposes. Therefore, we find that accumulated depreciation, as of December 31, 2004, shall be \$251,503 for water and \$128,230 for wastewater, based on the guidelines rates in Rule 25-30.140, Florida Administrative Code.

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

The utility's service availability policy is for the developer to install the water distribution and wastewater collection lines to the boundary of each new lot and for the lot owner, or the developer, to pay all approved service availability fees. Pursuant to Rule 25-30.570, Florida Administrative Code, if the amount of CIAC has not been recorded on the utility's books and the utility does not submit competent substantial evidence as to the amount of CIAC, the amount of CIAC shall be imputed to be the amount of plant costs charged to the cost of land sales for tax purposes, if available, or the proportion of the cost of the facilities and plant attributable to the water transmission and distribution system and the sewage collection system.

Due to its size, Hunter Creek is composed of distribution and collection lines without transmission mains. Therefore, the utility's original cost study proposed that the costs of the utility's distribution and collections lines, along with the costs of meters and meter installation, be imputed as CIAC. In addition, in 2000 the utility had to purchase and install radon abatement equipment. The portion of the total cost for this abatement equipment which was funded by a FDEP grant was also included in CIAC. We find that the utility's proposed CIAC, as of December 31, 2004, of \$89,840 for water and \$96,166 for wastewater is reasonable and shall be approved. The associated December 31, 2004 amortization of CIAC, using guideline

depreciation rates instead of the 40-year rates proposed by the utility, is \$36,566 for water and \$60,030 for wastewater.

### RATE BASE

Based upon all of the above, we find that a rate base for transfer purposes, as of December 31, 2004, of \$78,932 for the utility's water system and \$24,000 for the utility's wastewater system shall be approved. Schedules 1 and 2 to this Order show the calculation for water and wastewater rate base, respectively. Schedule 3 to this Order shows our approved adjustments to the utility's proposed water and wastewater rate bases. Schedules 4 and 5 to this Order show our approved water and wastewater account balances, respectively, for UPIS and accumulated depreciation, as of December 31, 2004. We note that rate base for transfer purposes does not include the normal rate making adjustments for used and useful or working capital. Within 30 days of the date of this Order, MSM Utilities, LLC is required to provide a statement from its accountant indicating that the utility's books have been adjusted to reflect our approved rate base adjustments and balances.

### ACQUISITION ADJUSTMENT

An acquisition adjustment results when the purchase price differs from the original cost of the assets adjusted to the time of the acquisition. The calculation of the acquisition adjustment for this transfer is shown below.

Purchase Price	\$229,000
Combined Rate Base	<u>\$102,932</u>
Positive Acquisition Adjustment	\$126,068

Pursuant to Rule 25-30.0371, Florida Administrative Code, a positive acquisition adjustment shall not be included in rate base absent proof of extraordinary circumstances. The buyer has neither requested an acquisition adjustment nor identified any extraordinary circumstances. Therefore, we find that an acquisition adjustment shall not be included in the calculation of rate base for transfer purposes.

### RATES AND CHARGES

Rule 25-9-044(1), Florida Administrative Code, provides that "[i]n the 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)."

Hunter Creek's current service rates and charges were approved by Order No. PSC-99-0756-FOF-WS<sup>8</sup>, as shown below. The utility does not have any approved service availability charges or customer deposits. It does have our standard miscellaneous service charges and meter test deposits.

**Monthly Residential Water Service**

Minimum Charge	\$10.50
Gallonge Charge	
0-5,000 gallons	\$ 3.25
5,001 – 8,000 gallons	\$ 4.88
Over 8,000 gallons	\$ 7.32

**Monthly Residential Wastewater Service**

Minimum Charge	\$ 6.50
Gallonge Charge	
0 – 10,000 gallons	\$ 2.50
Maximum monthly charge	\$31.50

We find that the existing rates and charges for Hunter Creek shall be continued until authorized to change by this Commission in a subsequent proceeding. The tariff sheets reflecting the existing rates and charges shall be effective for services rendered or connections made on or after the stamped approval date.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of assets and Certificate Nos. 611-W and 527-S from Hunter Creek Utilities, LLC to MSM Utilities, LLC, is in the public interest and shall be approved effective January 18, 2005. It is further

ORDERED that Attachment A and all schedules attached hereto are incorporated herein by reference. It is further

ORDERED that the Trustees of the Ernest E. MacLachlan Revocable Trust and the Zola M. MacLachlan Revocable Trust shall be responsible for filing the utility's 2004 annual report and paying 2004 regulatory assessment fees by March 31, 2005. It is further

ORDERED that MSM Utilities, LLC, shall be responsible for filing annual reports and paying regulatory assessment fees for 2005 and all subsequent years. It is further

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<sup>8</sup> Order No. PSC-99-0756-FOF-WS, issued April 19, 1999, in Docket No. 980731-WS, In Re: Application for certificate to provide water and wastewater service in Charlotte County by Hunter Creek Utilities, LLC.



ORDERED that the rate base for transfer purposes, as of December 31, 2004, is \$78,932 for the water system and \$24,000 for the wastewater system. It is further

ORDERED that within 30 days of the date of this Order, MSM Utilities, LLC is required to provide a statement from its accountant indicating that the utility's books have been adjusted to reflect our approved rate base adjustments and balances. It is further

ORDERED that no positive acquisition adjustment shall be included in the calculation of rate base for transfer purposes. It is further

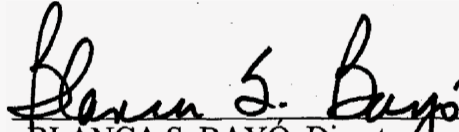
ORDERED that the existing rates and charges for Hunter Creek Utilities, LLC shall be continued until authorized to change by this Commission in a subsequent proceeding. It is further

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

ORDERED that the provisions of this Order to establish rate base at the time of transfer and to address inclusion of a positive acquisition adjustment, 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. It is further

ORDERED that if no timely protest is received to the proposed agency action issues on rate base and a positive acquisition adjustment, this Order shall become final upon the issuance of a Consummating Order. However, the docket shall remain open pending receipt of the statement from MSM Utilities, LLC's accountant indicating that the utility's books have been adjusted to reflect our approved rate base adjustments and balances. Upon receipt of such statement, the docket shall be administratively closed.

By ORDER of the Florida Public Service Commission this 7th day of February, 2005.

  
BLANCA S. BAYO, Director  
Division of the Commission Clerk  
and Administrative 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 to establish rate base at the time of transfer and to address inclusion of a positive acquisition adjustment is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 28, 2005. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

Any party adversely affected by the Commission's final action in this matter may request:

- (1) reconsideration of the decision by filing a motion for reconsideration with the 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 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**

**WATER AND WASTEWATER SERVICE TERRITORY  
HUNTER CREEK UTILITIES, LLC  
CHARLOTTE COUNTY**

**RIVERS EDGE COMMUNITY**

**Township 40 South, Range 23 East**  
**Section 12**

The NE 1/4 of the NW 1/4 of the SW 1/4 of the SW 1/4, of Section 12, Township 40 South, Range 23 East.

And

The SE 1/4 of the NW 1/4 of the SW 1/4 of the SW 1/4, of Section 12, Township 40 South, Range 23 East.

And

The NW 1/4 of the SW 1/4 of Section 12, Township 40 South, Range 23 East.

And

That portion of Government Lot 2, Section 12, Township 40 South, Range 23 East, lying South of Lee Branch Creek.

And

The Westerly 30 feet of the SW 1/4 of the SW 1/4 of Section 12, Township 40 South, Range 23 East.

**Township 40 South, Range 23 East**  
**Section 11**

All of Government Lot 5, lying South of Lee Branch Creek in Section 11, Township 40, South, Range 23 East.

And

The NE 1/4 of the SE 1/4 of Section 11, Township 40 South, Range 23 East, lying East of Hunter's Creek.

Schedule 1

HUNTER CREEK UTILITIES, LLC  
Water Rate Base  
As of December 31, 2004

Description	Utility Balance	Com'n Adjustments	Approved Balance
Utility Plant in Service	\$ 370,786	\$ 225 A	\$ 371,011
Land Easement	\$ 12,698	\$ - 0 -	\$ 12,698
Accumulated Depreciation	\$(140,181)	\$(111,322) B	\$(251,503)
Contributions in Aid of Construction	\$( 89,840)	\$ - 0 -	\$( 89,840)
Accumulated Amortization of CIAC	\$ 32,976	\$ 3,590 C	\$ 36,566
Total Water Rate Base	\$ 186,439	\$(107,507)	\$ 78,932

Schedule 2

**HUNTER CREEK UTILITIES, LLC**  
**Wastewater Rate Base**  
**As of December 31, 2004**

<b>Description</b>	<b>Utility Balance</b>	<b>Com'n Adjustments</b>	<b>Approved Balance</b>
Utility Plant in Service	\$ 188,366	\$ - 0 -	\$ 188,366
Land	\$ - 0 -	\$ - 0 -	\$ - 0 -
Accumulated Depreciation	\$(105,955)	\$( 22,275) B	\$(128,230)
Contributions in Aid of Construction	\$( 96,166)	\$ - 0 -	\$( 96,166)
Accumulated Amortization of CIAC	\$ 54,092	\$ 5,938 C	\$ 60,030
Total Wastewater Rate Base	\$ 40,337	\$( 16,337)	\$ 24,000

**Schedule 3**

**HUNTER CREEK UTILITIES, LLC**  
**Schedule of Water and Wastewater Rate Base Adjustments**  
**As of December 31, 2004**

<b>Explanation</b>	<b>Approved Rate Base Adjustments</b>	
	<b>Water</b>	<b>Wastewater</b>
<b>A. Utility Plant In Service</b>		
To made a correcting adjustment and to add additional meter installation invoices	\$ 255	
<b>B. Accumulated Depreciation</b>		
To reflect guideline depreciation rates.	\$(111,322)	\$( 22,275)
<b>C. Amortization of CIAC</b>		
To reflect guideline depreciation rates	\$ <u>3,590</u>	\$ <u>5,938</u>
<b>Total Adjustments</b>	\$(107,507)	\$( 16,337)

Schedule 4

**HUNTER CREEK UTILITIES, INC.**  
**Commission Approved Water Account Balances**  
**As of December 31, 2004**

<b>Acct. No.</b>	<b>Account Name</b>	<b>Plant Balance</b>	<b>Accumulated Depreciation Balance</b>
304	Structures & Improvements (Buildings)	\$105,120	\$ 87,593
304	Structures & Improvements (Electrical)	\$ 26,600	\$ 22,163
307	Wells	\$ 13,070	\$ 10,890
309	Supply Mains (Piping)	\$ 10,025	\$ 7,043
334	Flow Meters for Supply Mains	\$ 1,550	\$ 1,550
311	High Service Pumping Equipment	\$ 4,000	\$ 4,000
320	Water Treatment Equipment (Original)	\$ 46,518	\$ 46,518
320	Water Treatment Equipment (Replaced)	\$ 85,683	\$ 22,680
330	Distribution Reservoirs	\$ 23,500	\$ 16,020
331	Distribution Lines	\$ 35,107	\$ 20,790
333	Services	\$ 11,425	\$ 7,335
334	Meter & Meter Installation	\$ 4,613	\$ 2,609
335	Hydrants	\$ 2,800	\$ 1,575
339	Miscellaneous Equipment	\$ 1,000	\$ 737
		<u>\$371,011</u>	<u>\$251,503</u>

Schedule 5

**HUNTER CREEK UTILITIES, INC.**  
**Commission Approved Wastewater Account Balances**  
**As of December 31, 2004**

<b>Acct. No.</b>	<b>Account Name</b>	<b>Plant Balance</b>	<b>Accumulated Depreciation Balance</b>
361	Collection Sewers (Gravity)	\$ 62,241	\$ 35,010
361	Collection Sewers (Manholes)	\$ 16,915	\$ 14,085
363	Collection Sewers (Service)	\$ 17,010	\$ 10,935
370	Receiving Wells	\$ 25,000	\$ 1,000
380	Treatment & Disposal (Equipment)	\$ 30,000	\$ 30,000
380	Treatment & Disposal (Ponds)	\$ 37,200	\$ 37,200
		<u>\$188,366</u>	<u>\$128,230</u>