

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 422-W and 359-S of Aqua Utilities Florida, Inc. to HC Waterworks, Inc. in Highlands County.

DOCKET NO. 130175-WS  
ORDER NO. PSC-14-0314-PAA-WS  
ISSUED: June 13, 2014

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING NET BOOK VALUE FOR TRANSFER PURPOSES, APPROVING  
ACQUISITION ADJUSTMENT  
AND  
FINAL ORDER APPROVING TRANSFER OF WATER AND WASTEWATER  
CERTIFICATE NOS. 422-W AND 359-S.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein determining net book value and approving an 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 (F.A.C.).

Background

On June 24, 2013, HC Waterworks, Inc. (HCW or Utility) filed an application for the transfer of Certificate Nos. 422-W and 359-S on behalf of Aqua Utilities Florida, Inc. (Aqua) in Highlands County. The service area is located in the Southwest Florida Water Management District (SWFWMD), and is in a water use caution area. According to Aqua's 2012 Annual Report, the Utility serves 950 water customers in three subdivisions known as Leisure Lakes, Lake Josephine and Sebring Lakes (collectively the HCW systems) and 294 wastewater customers in Leisure Lakes.

The present application for transfer approval is one of six active applications that have been simultaneously filed with the Commission. These applications request transfer approval of water and wastewater systems previously owned by Aqua in five different counties. HCW,

along with the utilities who filed the other five transfer applications, have been recently created, and share common management and ownership.

According to its 2012 Annual Report, Aqua had total revenues of \$15,773,003 (\$9,646,699 for water and \$6,126,304 for wastewater). It provided service to 62 water systems and 30 wastewater systems within 17 counties. Water and wastewater rates for most of Aqua's systems were last approved in 2012 in a file and suspend rate case.<sup>1</sup> Recently, Aqua made a decision to cease operations in the state. As a result, 53 water systems and 26 wastewater systems owned by Aqua have been transferred to non-jurisdictional entities. The remaining nine water systems and four wastewater systems owned by Aqua have not yet been transferred and are the subject of the six applications discussed above.

Certificate Nos. 422-W and 359-S were originally granted in 1984 under the name of Leisure Lakes Utility.<sup>2</sup> In 2005, Florida Water Services Corporation transferred its Leisure Lakes water and wastewater Certificate Nos. 422-W and 359-S to Aqua.<sup>3</sup> The most recent Commission-approved certificate activity to Certificate Nos. 422-W and 359-S was a 2006 acknowledgment of corporate reorganization and name change to Aqua.<sup>4</sup>

In this Order we address the transfer of Certificate No. 422-W for the Leisure Lakes, Sebring Lakes, and Lake Josephine water systems, and Certificate No. 359-S for the Leisure Lakes wastewater system; the net book values of the water systems and wastewater system at the time of transfer, and whether an acquisition adjustment should be approved. We have jurisdiction pursuant to Section 367.071, Florida Statutes (F.S.).

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<sup>1</sup> See Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

<sup>2</sup> See Order No. 12879, issued January 13, 1984, in Docket No. 830336-WS, In re: Application of Leisure Lakes Utility for a certificate to operate a water and wastewater utility in Highlands County.

<sup>3</sup> See Order No. PSC-05-1242-PAA-WS, issued December 20, 2005, in Docket No. 040951-WS, In re: Joint application for approval of sale of Florida Water Services Corporation's land, facilities, and certificates in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, a portion of Seminole, Volusia, and Washington counties to Aqua Utilities Florida, Inc.

<sup>4</sup> See Order No. PSC-06-0973-FOF-WS, issued November 22, 2006, in Docket No. 060643-WS, In re: Joint application for acknowledgment of corporate reorganization and request for approval of name change of Certificate 268-S in Lee County from AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.; Certificates 479-S and 549-W in Alachua County from Arrendondo Utility Company, Inc. d/b/a Aqua Utilities Florida, Inc.; Certificates 053-W, 441-S, and 507-W in Palm Beach and Sumter Counties from Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.; and Certificate 346-W in Marion County from Ocala Oaks Utilities, Inc. d/b/a Aqua Utilities Florida, Inc. to Aqua Utilities Florida, Inc.; for cancellation of Certificates 424-W, 371-S, 441-W, 503-S, and 585-W in Highlands, Lake, and Polk Counties held by AquaSource Utility, Inc. d/b/a Aqua Utilities Florida, Inc.; Certificates 123-W, 510-S, and 594-W in Lake and Polk Counties held by Crystal River Utilities, Inc. d/b/a Aqua Utilities Florida, Inc.; and Certificates 083-S and 110-W in Pasco County held by Jasmine Lakes Utilities Corporation d/b/a Aqua Utilities Corporation d/b/a Aqua Utilities Florida, Inc.; and for amendment of Certificates 422-W, 120-S, 106-W, 154-S, 209-W, 506-S, and 587-W in Highlands, Lake, Pasco, and Polk Counties held by Aqua Utilities Florida, Inc.

### Approving Application for Transfer

On June 24, 2013, HCW filed an application for approval of the transfer of Aqua's Highlands County water and wastewater systems and Certificate Nos. 422-W and 359-S on behalf of Aqua. The application is in compliance with the governing Statute, Section 367.071, F.S., and Administrative Rules concerning applications for transfer of certificates. The closing occurred on March 28, 2013, contingent upon our approval, pursuant to Section 367.071(1), F.S.

### Noticing, Territory, and Land Ownership

We find that the application is in compliance with the noticing provisions set forth in Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed and the time for doing so has expired. A description of the Utility's water and wastewater service territories is incorporated in this Order as Attachment A. The application contains a copy of a Quit Claim Deed that was executed on March 29, 2013, as evidence that HCW owns the land upon which the water and wastewater treatment facilities are located pursuant to Rule 25-30.037(2)(q), F.A.C.

### Purchase Agreement and Financing

Pursuant to Rules 25-30.037(2)(h) and (i), F.A.C., the application contains a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, leases, or debt of Aqua that must be disposed of with regard to the transfer. According to the Purchase Agreement, the total purchase price of \$1,363,189 was paid for the portion of the assets attributable to the water and wastewater service.

### Facility Description and Compliance

The Leisure Lakes water treatment system consists of two wells with chloramine used for disinfection. The Sebring Lakes water treatment system consists of three wells with liquid chlorination used for disinfection. In October 2002, the Sebring Lakes system was interconnected with the Lake Josephine system and began providing water to Lake Josephine customers.

On August 8, 2013, the Florida Department of Environmental Protection (DEP) notified HCW it had received a number of complaints regarding the color, odor, and particulate material in the water being provided to customers of the Lake Josephine water system. However as part of the application process, Commission staff contacted DEP and confirmed that the issues have since been resolved.

On April 11, 2014, we received notification from DEP it had several complaints from customers of the Leisure Lakes water system regarding color and odor. On April 21, 2014, HCW explained the cause of the problem was a sand filter for hydrogen sulfides (the source of

the odor). The filtering system was installed in connection with Aqua's 2010 rate case.<sup>5</sup> After installation of the filtering system, the water developed high levels of trihalomethanes, and HCW switched from chlorine to chloramines disinfection to remain in compliance with DEP standards. The resulting reaction between the chloramine and hydrogen sulfides changed the color of the treated water. The Utility increased the frequency of system flushing to address customer concerns, which has caused it to exceed its Consumptive Use Permit of 56,800 gallons per day (average) from SWFWMD. DEP and SWFWMD are monitoring the situation, and no enforcement action has been taken at this time.

The wastewater treatment plant provides service to Leisure Lakes and is rated at 50,000 gallons per day, permitted on an annual average daily flow. Effluent is disposed in a two-cell rapid infiltration basin (percolation pond). According to DEP, the system is not subject to any outstanding violations or consent orders.

### Technical and Financial Ability

Pursuant to Rule 25-30.037(1)(j), F.A.C., the application contains statements describing the technical and financial ability of the applicant to provide service to the proposed service area. HCW's directors have considerable Florida-specific expertise in private utility ownership within the state. The directors of HCW have been in the water and wastewater utility management, operations, and maintenance industry for many years, providing service to more than 550 Florida facilities throughout their careers. Further, the application indicates that the President and Vice President of HCW have 28 and 36 years, respectively, of operation or ownership of utilities, including a number of utilities previously regulated by the Commission. We also reviewed the personal financial statements for the President and Vice President of HCW<sup>6</sup> and did not identify any concerns. The application indicates that operating, billing, collection, and customer services will be provided by contract through an affiliated entity, U.S. Water Services Corporation (U.S. Water), which currently provides such services to utilities serving approximately 80,000 customers in Florida. The President of U.S. Water is part owner of other systems regulated by the Commission, including Harbor Waterworks, Inc.,<sup>7</sup> Lakeside Waterworks, Inc.,<sup>8</sup> LP Waterworks, Inc.,<sup>9</sup> and several of the systems previously owned by Aqua.<sup>10</sup>

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<sup>5</sup> See Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

<sup>6</sup> See Document No. 02835-12 in Docket No. 120148-WU, In re: Application for approval of transfer of Harbor Hills Utility, L.P. water system and Certificate No. 522-W in Lake County to Harbor Waterworks, Inc.

<sup>7</sup> See Order No. PSC-12-0587-PAA-WU, issued October 29, 2012, in Docket No. 120148-WU, In re: Application for approval of transfer of Harbor Hills Utility, L.P. water system and Certificate No. 522-W in Lake County to Harbor Waterworks, Inc.

<sup>8</sup> See Order No. PSC-13-0425-PAA-WS, issued September 18, 2013, in Docket No. 120317-WS, In re: Application for approval to transfer water and wastewater system Certificate Nos. 567-W and 494-S in Lake County from Shangri-La by the Lake Utilities, Inc. to Lakeside Waterworks, Inc.

<sup>9</sup> See Order No. PSC-14-0130-PAA-WS, issued March 17, 2014, in Docket No. 130055-WS, In re: Application for approval of transfer of LP Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S, to LP Waterworks, Inc., in Highlands County.

We requested a three-year projected budget to further evaluate the ability of HCW to maintain operations of the Utility going forward. The projected budget included data on net operating income, cost of capital, and rate base. The projections appear to be reasonable and take into consideration future capital improvements, as well as anticipated increases in costs. Based on the above, we find that HCW has demonstrated the technical and financial ability to provide service to the existing service territory.

### Rates and Charges

The Utility's rates and charges were last approved in 2012 in a file and suspend rate case.<sup>11</sup> In 2013, in accordance with Section 367.0816, F.S., the rates were subsequently reduced to reflect the expiration of rate case expense approved in 2010.<sup>12</sup> The Utility's existing rates and charges are shown on Schedule Nos. 1 and 2. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by the Commission. Therefore, the Utility's existing rates and charges shall remain in effect until a change is authorized by this Commission in a subsequent proceeding.

### Regulatory Assessment Fees and Annual Reports (RAFs)

We have verified that the Utility is current on RAFs for the calendar year ended December 31, 2013. The Utility received an extension to file its 2013 Annual Report. HCW shall be responsible for filing the Utility's 2013 Annual Report and paying 2014 RAFs. The Utility shall be responsible for filing all future annual reports and RAFs.

Based on the above, we find that the transfer of Aqua's water system and wastewater system and the transfer of Certificate Nos. 422-W and 359-S to HC Waterworks, Inc., is in the public interest and shall be approved effective the date of our vote, June 5, 2014. The resultant order shall serve as HC Waterworks, Inc. certificates and shall be retained by the Utility. The Utility's existing rates and charges shall remain in effect until we authorize a change in a subsequent proceeding. The tariff pages reflecting the transfer shall be effective on or after the

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<sup>10</sup> See Docket No. 130171-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to The Woods Utility Company in Sumter County; Docket No. 130172-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 501-W and 435-S of Aqua Utilities Florida, Inc. to Sunny Hills Utility Company in Washington County; Docket No. 130173-WU, In re : Application for approval of transfer of certain water and wastewater facilities and Certificate No. 053-W of Aqua Utilities Florida, Inc.'s to Lake Osborne Waterworks, Inc. in Palm Beach County; Docket No. 130174-WU, In re: Application for approval of transfer of Aqua Utilities Florida, Inc.'s water systems and Certificate No. 002-W in Brevard County; and Docket No. 130176-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to Jumper Creek Utility Company in Sumter County.

<sup>11</sup> See Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

<sup>12</sup> See Order No. PSC-10-0297-PAA-WS, issued May 10, 2010, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. HCW shall be responsible for filing the Utility's 2013 Annual Report and paying 2014 RAFs and shall be responsible for filing all future annual reports and RAFs.

#### Determining Net Book Value

The purpose of establishing Net Book Value (NBV) for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. The NBV, as described below, is shown on Schedule Nos. 3 and 4.

#### Utility Plant in Service (UPIS)

The Utility's general ledgers for the three systems reflected total water and wastewater UPIS water and wastewater balances of \$3,686,016 and \$384,456, respectively, as of March 28, 2013. The only adjustment necessary corrects a misallocation of a plant addition between the water systems, thus having no net effect on UPIS. Therefore, we find the UPIS water and wastewater balances as of March 28, 2013, are \$3,686,016 and \$384,456, respectively, as shown on Schedule Nos. 3 and 4.

#### Land and Land Rights

The value of land and land rights was last established by Order No. PSC-09-0385-FOF-WS.<sup>13</sup> At that time, we approved a land value totaling \$25,450 for water and \$2,200 for wastewater. We have not identified any adjustments. Therefore, we find land and land rights to be \$25,450 for water and \$2,200 for wastewater.

#### Accumulated Depreciation

The Utility's general ledger reflects accumulated depreciation balances of \$585,769 and \$274,502, for water and wastewater respectively, as of March 28, 2013. Depreciation accruals to UPIS were not posted in March 2013. Additional changes due to the UPIS adjustment described above did not have a net effect on the water balance, as it was a reallocation among the water systems. As a result, accumulated depreciation shall be increased by \$10,912 for water and \$782 for wastewater. Therefore, the Utility's accumulated depreciation balances as of March 28, 2013, shall be \$596,681 and \$275,284 water and wastewater respectively, as shown on Schedule Nos. 3 and 4.

#### Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

As of March 28, 2013, the Utility's general ledger reflects water and wastewater CIAC balances of \$838,480 and \$278,950, respectively; and accumulated amortization of CIAC

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<sup>13</sup> See Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

balances of \$444,576 and \$234,609, respectively. Our audit decreased water CIAC by \$1,210 to remove a non-utility addition, and thus a corresponding adjustment to reduce the water accumulated amortization of CIAC shall be made. We find that amortization of CIAC accruals were not posted in March 2013. As a result, accumulated amortization of CIAC shall be increased by \$2,436 for water and \$575 for wastewater. Therefore, we find that the Utility's CIAC balances as of March 28, 2013, for water and wastewater are \$837,270 and \$278,950, respectively; and accumulated amortization of CIAC balances for water and wastewater are \$447,012 and \$235,184, respectively, as shown on Schedule Nos. 3 and 4.

#### Net Book Value

The Utility's general ledger reflects NBVs of \$2,731,793 and \$67,813, respectively, for water and wastewater as of March 28, 2013. Based on the adjustments described above and as shown on Schedule Nos. 3 and 4, we find that the NBVs for the Utility's water and wastewater systems as of March 28, 2013, are \$2,724,527 and \$67,606, respectively, for a total NBV of \$2,792,133. Schedule Nos. 3 and 4 contain the National Association of Regulatory Utility Commissioners Uniform System of Accounts and balances for UPIS and accumulated depreciation as of March 28, 2013.

Based on the above, we find that the NBVs of HCW's water and wastewater systems for transfer purposes are \$2,724,527 and \$67,606, respectively, as of March 28, 2013. Within 30 days of the date of the final order, HCW shall be required to provide general ledgers which show its books have been updated to reflect our approved balances as of March 28, 2013. The adjustments shall be reflected in the Utility's 2013 Annual Report when filed.

#### Approving a Negative Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. Pursuant to Rule 25-30.3071, F.A.C., a positive acquisition adjustment results when the purchase price is greater than the NBV and a negative acquisition adjustment results when the purchase price is less than the NBV. Rule 25-30.371, F.A.C., further states that a positive acquisition adjustment shall not be included in rate base absent proof of extraordinary circumstances. Positive acquisition adjustments, if approved, increase rate base. With respect to negative acquisition adjustments, Rule 25-30.371, F.A.C., states that no negative acquisition adjustment shall be included in rate base if the purchase price is greater than 80 percent of the NBV. If the purchase price is equal to or less than 80 percent of the NBV, a negative acquisition adjustment shall be included in rate base equal to 80 percent of the NBV, less the purchase price. Negative acquisition adjustments reduce rate base. Pursuant to Rule 25-30.0371(4)(b)2, F.A.C., if the purchase price is equal to or less than 50 percent of the NBV, then 50 percent of the negative acquisition adjustment is amortized over a seven-year period and 50 percent amortized over the remaining life of the assets, beginning with the date of the issuance of the order approving the transfer of assets. The Utility estimates that the remaining life of the applicable water assets is 24 years and 12 years for the wastewater assets.

The calculation of HCW's acquisition adjustment is shown below. The purchase price of \$1,363,189 was allocated based on the relative ratio of water and wastewater net book value.

Table 1

Calculation of Negative Acquisition Adjustment		
	Water System	Wastewater System
Net book value as of March 28, 2013	\$2,724,527	\$67,606
80 percent of net book value	\$2,179,622	\$54,085
Purchase price	\$1,330,182	\$33,007
Negative acquisition adjustment	\$849,440	\$21,078

Pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$849,440 for the water system and \$21,078 for the wastewater system shall be recognized for rate-making purposes as of March 28, 2013. Beginning with the date of the issuance of this Order, 50 percent of the negative acquisition adjustment, which is \$424,720 for the water system and \$10,539 for the wastewater system, shall be amortized over a seven-year period and the remaining 50 percent shall be amortized over the remaining life of the assets as discussed above.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificate Nos. 422-W and 359-S to HC Waterworks, Inc. is in the public interest and is hereby approved, effective the date of our vote, June 5, 2014. The transferred territory is more properly described in Attachment A. This Order shall serve as HC Waterworks Inc.'s Certificate Nos. 422-W and 359-S and be retained by the Utility. It is further

ORDERED that the Utility's existing rates and charges shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. It is further

ORDERED that the tariff pages reflecting the transfer shall be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that HC Waterworks, Inc. shall be responsible for filing the Utility's 2013 Annual Report, paying 2014 RAFs, and for filing all future annual reports and RAFs. It is further

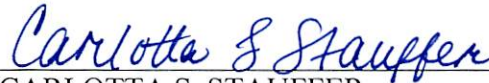
ORDERED that beginning with the date of the issuance of this Order, 50 percent of the negative acquisition adjustment, which is \$424,720 for the water system and \$10,539 for the wastewater system, shall be amortized over a seven-year period and the remaining 50 percent shall be amortized over the remaining life of the assets as discussed above. It is further



ORDERED that the provisions of this order issued as proposed agency action shall become final and effective if no protest to the proposed agency action is filed by a substantially affected person with the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within 21 days of the date of the order in the form provided by Rule 28-106.201, F.A.C. It is further

ORDERED that the docket shall be closed administratively after HC Waterworks, Inc. has provided proof, within 30 days of the date of issuance of this Order, that its general ledgers have been updated to reflect Commission-approved balances as of March 28, 2013, along with a written statement that these adjustments will be reflected in the Utility's 2013 annual report.

By ORDER of the Florida Public Service Commission this 13th day of June, 2014.



CARLOTTA S. STAUFFER  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 net book value for transfer purposes, and approving a negative 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 Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 4, 2014. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

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

**ATTACHMENT A**  
**LAKE JOSEPHINE / SEBRING LAKES**

**HIGHLANDS COUNTY**

**Lake Josephine**

**Township 35 South, Range 29 East; Section 27.** The Southwest 1/4 of Section 27, less the Westerly 305 feet of the Northwest 1/4 of the Southwest 1/4 of Section 27, Township 35 South, Range 29 East. **Section 28** The Southeast 1/4 of the Southeast 1/4 of Section 28. **Section 31** The East 1/2 of Section 31. **Sections 32 and 33** All of Sections 32 and 33. **Section 34** The Northwest 1/4; and The Northwest 1/4 of the Southwest 1/4.

**Township 36 South, Range 29 East Section 4** Lots 16 through 25 of Sebring Lake Acres Unit 1 described as the North 830 feet of the East 1/2 of the Northwest 1/4 of the Northwest 1/4 of Section 4, Township 36 South, Range 29 East.

**Sebring Lakes**

**Township 36 South, Range 29 East; Sections 3 and 4.** A portion of Sebring Lakes Unit 1-A, 1-B, 2-A, 2-B, and 2-C located in Highlands County, Florida, Sections 3 and 4, Township 36 South, Range 29 East, being more particularly described as follows:

Commence at the Southeast corner of Section 3, Township 36 South, Range 29 East; thence N00°29'33"E along the East line of Section 3 a distance of 1,298.93 feet to a point on the Westerly right-of-way line of U.S. Highway 27; thence N31°32'59"W along the Westerly right-of-way line of U.S. 27 a distance of 400 feet more or less to a point on the North line of Josephine Creek and for a Point of Beginning:

Thence continue N31°32'59"W along said West right-of-way line U.S Highway 27 a distance of 1,264.43 feet to a point on the North line of the South 1/2 of Section 3; thence S89°41'36"W along the North line of the South 1/2 of Section 3 a distance of 3,155.71 feet to the Southeast corner of the West 1/2 of the Northwest 1/4; thence N00°53'45"E along the East line of the West 1/2 of the Northwest 1/4 a distance of 669.33 feet to the Northeast corner of the South 1/2 of the Southwest 1/4 of the Northwest 1/4; thence S89°46'12"W along the North line of the South 1/2 of the Southwest 1/4 of the Northwest 1/4 a distance of 1,331.90 feet to a point on the West line of Section 3; thence N01°01'32"E along the West line of Section 3 a distance of 2,013.48 feet to the Northwest corner of Section 3, also being the Northeast corner of Section 4; thence S89°55'46"W along the North line of Section 4 a distance of 570 feet to a point on the Easterly line of Josephine Creek; thence run Southwesterly along the Easterly line of Josephine Creek a distance of 2,400 feet, more or less; thence Southerly along the Easterly line of Josephine Creek a distance of 900 feet; thence Easterly along the Northerly line of Josephine Creek a distance of 8,100 feet, more or less, to the Point of Beginning.

**LEISURE LAKES-WATER**

**HIGHLANDS COUNTY**

**Township 36 South, Range 29 East; Section 15.** Beginning at the Northwest corner of said Section 15; thence run N87°55'51"E along the North line of said Section 15 a distance of 650 feet; thence S00°06'24"W along the East line of the West 1/4 of said section a distance of 3,500 feet; thence run N89°38'45"W a distance of 700 feet, more or less, to a point on the West section line of said Section 15; thence run 3,500 feet, more or less, North along said West section line to the Point of Beginning. **Section 16** Beginning at the Northeast corner of said Section 16; thence run 2,050 feet, more or less, South along the Eastern section line of said Section 16 to the intersection of said boundary with the Eastern edge of Jack Creek as it now runs; thence run North following the meanderings of said Jack Creek a distance of a distance of 2,400 feet, more or less, to the intersection with the North section line of said Section 16; thence following said North section line run East a distance of 875 feet, more or less, to the Point of Beginning.

**LEISURE LAKES-WASTEWATER**

**HIGHLANDS COUNTY**

**Township 36 South, Range 29 East; Section 15.** Beginning at the Northwest corner of said Section 15; thence run N87°55'51"E along the North line of said Section 15 a distance of 650 feet; thence S00°06'24"W along the East line of the West 1/4 of said section a distance of 3,500 feet; thence run N89°38'45"W a distance of 700 feet, more or less, to a point on the West section line of said Section 15; thence run 3,500 feet, more or less, North along said West section line to the Point of Beginning. **Section 16.** Beginning at the Northeast corner of said Section 16; thence run 2,050 feet, more or less, South along the Eastern section line of said Section 16 to the intersection of said boundary with the Eastern edge of Jack Creek as it now runs; thence run North following the meanderings of said Jack Creek a distance of a distance of 2,400 feet, more or less, to the intersection with the North section line of said Section 16; thence following said North section line run East a distance of 875 feet, more or less, to the Point of Beginning.

**FLORIDA PUBLIC SERVICE COMMISSION**  
**authorizes**  
**HC Waterworks, Inc.**  
**pursuant to**  
**Certificate Number 422-W**

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

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
12879	01/13/84	830336-WS	Grandfather Certificate
22916	05/09/90	891250-WS	Transfer of Certificate
PSC-97-0427-FOF-WS	04/16/97	970028-WS	Name Change
PSC-05-1242-PAA-WS	12/20/05	040951-WS	Transfer of Certificate
PSC-06-0973-FOF-WS	11/22/06	060643-WS	Revised Certificate
PSC-14-0314-PAA-WS	06/13/14	130175-WS	Transfer

**FLORIDA PUBLIC SERVICE COMMISSION**  
**authorizes**  
**HC Waterworks, Inc.**  
**pursuant to**  
**Certificate Number 359-S**

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

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
12879	01/13/84	830336-WS	Grandfather Certificate
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PSC-97-0427-FOF-WS	04/16/97	970028-WS	Name Change
PSC-05-1242-PAA-WS	12/20/05	040951-WS	Transfer of Certificate
PSC-14-0314-PAA-WS	06/13/14	130175-WS	Transfer

**SCHEDULE 1  
HC Waterworks Inc.  
Water System**

**Residential, General, Multi-Family, Irrigation Service**

Base Facility Charge by Meter Sizes:

5/8" x 3/4"	\$18.92
3/4"	\$28.38
1"	\$47.31
1 1/2"	\$94.61
2"	\$151.38
3"	\$302.77
4"	\$473.07
6"	\$946.15
8"	\$1,513.83
10"	\$2,176.13

Charges per 1,000 gallons – Residential and Irrigation Service

0 – 6,000 gallons	\$6.46
6,001 – 12,000 gallons	\$9.71
Over 12,000 gallons	\$12.93

Charge per 1,000 gallons – General and Multi-Family Service

\$7.25

**Private Fire Protection Service**

2"	\$12.62
3"	\$25.23
4"	\$39.43
6"	\$78.85
8"	\$126.16
10"	\$181.34

**Initial Customer Deposits**

Residential Service

\$89.06

General Service

2 times average estimated bill

**Miscellaneous Service Charges**

**Schedule of Miscellaneous Service Charges**

	<b><u>During Hours</u></b>	<b><u>After Hours</u></b>
Initial Connection Charge	\$22.00	\$33.00
Normal Reconnection Charge	\$22.00	\$33.00
Violation Reconnection Charge	\$35.00	\$55.00
Premises Visit Charge (in lieu of disconnection)	\$22.00	\$33.00
Late payment Charge	\$5.00	\$5.00

**Returned Check Charge**

\$50.00 or less	\$25.00
\$50.01 to \$300.00	\$30.00
\$300.01 and above	\$40.00



**Service Availability Charges****Administration and Engineering Charge**Development size

2-50 customers	\$366.00
51-250 customers	\$457.00
Over 250 customers	\$501.00

**Main Extension Charge**

Per ERC	\$446.00
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**Meter Installation Charge**

5/8" x 3/4"	\$210.00
All other meter sizes	Actual Cost

**Meter With Built-In Backflow Preventer**

All Meter Sizes	Actual Cost
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**Plant Capacity Charge**

Per ERC	\$700.00
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**Service Installation Charge**

3/4"	\$1,000.00
All other meter sizes	Actual Cost

**Stand Alone Backflow Prevention Device**

All Types	Actual Cost
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**Allowance for Funds Prudently Invested (AFPI)  
(Formerly Leisure Lakes)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
January	1.54	20.10	39.80	60.71	82.93
February	3.08	21.74	41.53	62.55	84.89
March	4.62	23.37	43.27	64.39	86.85
April	6.16	25.00	45.00	66.24	88.80
May	7.70	26.64	46.73	68.08	90.76
June	9.24	28.27	48.47	69.92	92.72
July	10.77	29.90	50.20	71.76	94.68
August	12.31	31.53	51.93	73.60	96.64
September	13.85	33.17	53.67	75.44	98.60
October	15.39	34.80	55.40	77.29	100.55
November	16.93	36.43	57.14	79.13	102.51
December	18.47	38.07	58.87	80.97	104.47

\*Remaining ERCs 401 (350 GPD/ERC) as of 2008

**Allowance for Funds Prudently Invested  
(Formerly Sebring Lakes)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
January	13.33	174.21	345.86	529.06	724.71
February	26.66	188.44	361.04	545.27	742.02
March	40.00	202.66	376.22	561.48	759.34
April	53.33	216.89	391.40	577.70	776.66
May	66.66	231.11	406.58	593.91	793.97
June	79.99	245.33	421.76	610.12	811.29
July	93.33	259.56	436.94	626.33	828.61
August	106.66	273.78	452.12	642.54	845.93
September	119.99	288.01	467.31	658.75	863.24
October	133.32	302.23	482.49	674.97	880.56
November	146.66	316.45	497.67	691.18	897.88
December	159.99	330.68	512.85	707.39	915.19

\*Remaining ERCs 105 (350 GPD/ERC) as of 2008

**SCHEDULE 2  
HC Waterworks Inc.  
Wastewater System**

**Residential Service**

Base Facility Charge All Meter Sizes \$22.59

Charge per 1,000 gallons\* \$ 7.64

\*6,000 gallon cap

**General Service and Multi-Family**

**Base Facility Charge**

5/8" x 3/4" \$22.59

3/4" \$33.90

1" \$56.50

1 1/2" \$112.98

2" \$180.78

3" \$361.54

4" \$564.91

6" \$1,129.83

8" \$1,807.20

10" \$2,598.61

Charge per 1,000 gallons \$9.16

**Initial Customer Deposits**

Residential Service \$105.37

General Service 2 times average estimated bill

**Miscellaneous Service Charges**

**Schedule of Miscellaneous Service Charges**

**During Hours**

**After Hours**

Initial Connection Charge \$22.00 \$33.00

Normal Reconnection Charge \$22.00 \$33.00

Violation Reconnection Charge Actual Cost Actual Cost

Premises Visit Charge (in lieu of disconnection) \$22.00 \$33.00

Late Payment Charge \$5.00 \$5.00

**Returned Check Charge**

\$50.00 or less \$25.00

\$50.01 to \$300.00 \$30.00

\$300.01 and above \$40.00

**Service Availability Charges**

**Administration and Engineering Charge**

Development size

2-50 customers	\$366.00
51-250 customers	\$457.00
Over 250 customers	\$501.00

**Main Extension Charge**

Per ERC	\$ 480.00
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**Plant Capacity Charge**

Per ERC	\$1,300.00
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**Service Installation Charge**

4"	\$2,000.00
All other meter sizes	Actual Cost

**SCHEDULE 3**  
**HC Waterworks, Inc.**  
**Water System**

**Schedule of Net Book Value as of March 28, 2013**

Description	Utility Proposed	Adjustment		Approved
<b>Lake Josephine</b>				
Utility Plant In Service	\$2,074,883	\$4,840	A1	\$2,079,723
Land & Land Rights	20,100	0		20,100
Accumulated Depreciation	(277,624)	(5,965)	B1	(283,589)
CIAC	(347,588)	0		(347,588)
Amortization of CIAC	<u>198,860</u>	<u>1,256</u>	D1	<u>200,116</u>
Net Book Value	<u>\$1,668,631</u>	<u>\$131</u>		<u>\$1,668,762</u>
<b>Leisure Lakes</b>				
Utility Plant In Service	\$894,466	\$6,000	A2	\$900,466
Land & Land Rights	550	0		550
Accumulated Depreciation	(170,370)	(3,144)	B2	(173,514)
CIAC	(156,728)	1,210	C1	(155,518)
Amortization of CIAC	<u>101,931</u>	<u>283</u>	D2	<u>102,214</u>
Net Book Value	<u>\$669,849</u>	<u>\$4,349</u>		<u>\$674,198</u>
<b>Sebring Lakes</b>				
Utility Plant In Service	\$716,667	(\$10,840)	A3	\$705,827
Land & Land Rights	4,800	0		4,800
Accumulated Depreciation	(137,775)	(1,803)	B3	(139,578)
CIAC	(334,164)	0		(334,164)
Amortization of CIAC	<u>143,785</u>	<u>897</u>	D3	<u>144,682</u>
Net Book Value	<u>\$393,313</u>	<u>(\$11,746)</u>		<u>\$381,567</u>
<b>Total</b>				
Utility Plant In Service	\$3,686,016	\$0	A	\$3,686,016
Land & Land Rights	25,450	0		25,450
Accumulated Depreciation	(585,769)	(10,912)	B	(596,681)
CIAC	(838,480)	1,210	C	(837,270)
Amortization of CIAC	<u>444,576</u>	<u>2,436</u>	D	<u>447,012</u>
Net Book Value	<u>\$2,731,793</u>	<u>(\$7,266)</u>		<u>\$2,724,527</u>

**HC Waterworks, Inc.****Water System****Explanation of  
Adjustments to Net Book Value as of March 28, 2013**

<b>Explanation</b>	<b>Amount</b>
A. Utility Plant In Service (UPIS)	
1) To reflect plant additions.	\$4,840
2) To reflect plant additions.	6,000
3) To remove non-utility items.	(10,840)
Total UPIS	<u>\$0</u>
B. Accumulated Depreciation	
1) To reflect appropriate amount of accumulated depreciation	(\$5,965)
2) To reflect appropriate amount of accumulated depreciation	(3,144)
3) To reflect appropriate amount of accumulated depreciation	(1,803)
Total Accumulated Depreciation.	<u>(\$10,912)</u>
C. Contributions in Aid of Construction (CIAC)	
1) To reflect appropriate amount of CIAC.	<u>\$1,210</u>
D. Amortization of CIAC	
1) To reflect appropriate amount of amortization of CIAC.	\$1,256
2) To reflect appropriate amount of amortization of CIAC.	283
3) To reflect appropriate amount of amortization of CIAC.	897
Total Accumulated Amortization of CIAC.	<u>\$2,436</u>
Total Adjustments to Net Book Value as of March 28, 2013	<u>(\$7,266)</u>

**HC Waterworks, Inc.**  
**Water System**

**Schedule of Account Balances as of March 28, 2013**

Account		Lake Josephine		Leisure Lakes		Sebring Lakes		Total	
		Accumulated		Accumulated		Accumulated		Accumulated	
No.	Description	UPIS	Depreciation	UPIS	Depreciation	UPIS	Depreciation	UPIS	Depreciation
301	Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302	Franchises	0	0	298	160	0	0	298	160
304	Structures & Improvements	1,050,779	142,651	18,171	7,553	73,441	19,577	1,142,392	169,781
307	Wells	102,461	30,888	19,280	5,370	42,440	17,583	164,182	53,841
309	Supply Mains	62,340	25,974	4,029	2,121	0	0	66,369	28,095
310	Power Generation Equipment	48,938	15,518	27,093	25,225	47,091	10,810	123,123	51,553
311	Pumping Equipment	32,207	9,586	62,336	22,131	58,329	20,198	152,872	51,915
320	Water Treatment Equipment	245,715	67,934	328,382	21,964	254,050	14,601	828,148	104,499
330	Dist. Reservoirs & Standpipes	13,286	2,317	165,654	23,564	36,712	13,035	215,652	38,916
331	Transmission & Dist. Mains	378,061	11,140	87,848	29,951	143,236	37,015	609,145	78,106
333	Services	23,577	6,966	65,128	1,341	2,877	1,026	91,582	9,333
334	Meter and Meter installation	115,075	5,480	101,234	22,002	32,878	(346)	249,188	27,136
335	Hydrants	0	0	18,345	10,882	0	0	18,345	10,882
336	Backflow Prevention Devices	0	0	0	0	548	228	548	228
339	Other Plant and Misc. Equipment	0	0	2,046	621	601	209	2,647	830
341	Transportation Equipment	0	(20,000)	0	0	0	0	0	(20,000)
343	Tools, Shop, Garage	3,031	(20,399)	0	0	0	0	3,031	(20,399)
344	Laboratory Equipment	0	0	0	0	13,624	5,642	13,624	5,642
345	Power Operated Equipment	0	0	0	0	0	0	0	0
347	Miscellaneous Equipment	<u>4,251</u>	<u>5,534</u>	<u>620</u>	<u>629</u>	<u>0</u>	<u>0</u>	<u>4,871</u>	<u>6,163</u>
	Total	<u>\$2,079,723</u>	<u>\$283,589</u>	<u>\$900,466</u>	<u>\$173,514</u>	<u>\$705,827</u>	<u>\$139,578</u>	<u>\$3,686,016</u>	<u>\$596,681</u>

**SCHEDULE 4**  
**HC Waterworks, Inc.**  
**Wastewater System**

**Schedule of Net Book Value as of March 28, 2013**

<b>Description</b>	<b>Utility</b>			<b>Ordered</b>
	<b>Proposed</b>	<b>Adjustment</b>		
<b>Leisure Lakes</b>				
Utility Plant In Service	\$384,456	\$0		\$384,456
Land & Land Rights	2,200	0		2,200
Accumulated Depreciation	(274,502)	(782)	A	(275,284)
CIAC	(278,950)	0		(278,950)
Amortization of CIAC	<u>234,609</u>	<u>575</u>	B	<u>235,184</u>
Net Book Value	<u>\$67,813</u>	<u>(\$207)</u>		<u>\$67,606</u>



**Explanation of  
Adjustments to Net Book Value as of March 28, 2013**

<b>Explanation</b>	<b>Amount</b>
A. Accumulated Depreciation	
To reflect appropriate amount of accumulated depreciation.	<u>(\$782)</u>
B. Amortization of CIAC	
To reflect appropriate amount of amortization of CIAC	<u>\$575</u>
Total Adjustments to Net Book Value as of March 28, 2013	<u>(\$207)</u>

**HC Waterworks, Inc.****Wastewater System****Schedule of Account Balances as of March 28, 2013**

<b>Account</b>			<b>Accumulated</b>
<b>No.</b>	<b>Description</b>	<b>UPIS</b>	<b>Depreciation</b>
352	Franchises	\$298	\$230
354	Structures & Improvements	4,580	4,493
355	Power Generation Equipment	17,947	6,615
361	Collection Sewers Gravity	167,963	113,655
363	Services to Customers	26,876	9,876
364	Flow Measuring Devices	7,695	5,236
370	Receiving Wells	11,836	10,584
371	Pumping Equipment	29,607	16,841
380	Treatment Disposal	113,609	112,860
382	Outfall Sewer Lines	934	(6,048)
389	Other Plant and Misc. Equipment	2,126	620
393	Tools Shop and Garage Equip.	984	322
		<u>\$384,456</u>	<u>\$275,284</u>