

State of Florida



Public Service Commission

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DATE: AUGUST 26, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF WATER AND WASTEWATER (BRADY)
DIVISION OF LEGAL SERVICES (CIBULA, CROSBY)

pb
JPW
smc *RS* *of* *AWA*

RE: DOCKET NO. 981858-WS - APPLICATION FOR AUTHORITY TO
TRANSFER FACILITIES OF ROTONDA WEST UTILITY CORPORATION
AND CERTIFICATES NOS. 565-W AND 493-S TO AQUASOURCE
UTILITY, INC., EXCLUDING A PORTION OF SERVICE TERRITORY.
COUNTY: CHARLOTTE

AGENDA: 9/7/99 - REGULAR AGENDA - PROPOSED AGENCY ACTION FOR
ISSUES NOS. 4 AND 5 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\981858.RCM

DOCUMENT NUMBER-DATE

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PSC - RECORDS/REPORTING

CASE BACKGROUND

Rotonda West Utility Corporation (Rotonda, utility or seller) is a Class A water and wastewater utility located in Charlotte County. According to its 1998 Annual Report, the utility provided service to an average of 3,105 water and 2,853 wastewater connections with combined operating revenues of \$3,249,329 and a combined net operating income of \$673,599.

The utility was originally established as Cape Haze Water Company, Inc., on June 17, 1957, to provide potable water for the development of lots on Cape Haze Peninsula. In 1969 the utility, along with the land holdings, was acquired by Cavanaugh Communities Corporation which changed the name of the utility in 1972 to Rotonda West Utility Corporation. The stock of the utility was subsequently acquired in 1980 by Rotonda Properties, Inc. Ownership did not change again until December 15, 1998, when the assets of the utility were sold to AquaSource Utility, Inc. (AquaSource or buyer). On December 14, 1998, an application for authority to approve the transfer was filed, opening this docket. Rotonda's apparent violation of Section 367.071, Florida Statutes, for transferring utility facilities prior to Commission approval, will be addressed in Issue 1.

In addition to its complex ownership history, jurisdiction over privately-owned water and wastewater utilities in Charlotte County has transferred back and forth between Charlotte County and the Commission several times. Most recently, jurisdiction was returned to the Commission on September 30, 1994, pursuant to a resolution by the Board of County Commissioners of Charlotte County. By Order No. PSC-95-0780-FOF-WS, issued June 28, 1995, in Docket No. 941131-WS, Rotonda was granted grandfather Certificates Nos. 565-W ad 493-S. Two other Charlotte County utilities were granted grandfather certificates at essentially the same time in 1995, Fiveland Investments, Inc. (Fiveland) and Sandalhaven Utility, Inc. (Sandalhaven).

Upon the utility's notice to local utilities and governmental agencies of the application for transfer, an inquiry was received from the Director of Charlotte County Utilities regarding a potential territory overlap between Rotonda and Fiveland. Staff

determined that a territory overlap did exist among Rotonda, Fiveland and Sandalhaven. On April 22, 1999, AquaSource filed a supplemental petition in this docket for the exclusion of the portion of Rotonda's service territory which overlaps with Fiveland and Sandalhaven. The issue of excluding the overlapping territory in the transfer of certificates will be addressed in Issue 3.

Several letters were also received from customers of the utility in response to notices of the transfer. Staff sent each customer a letter addressing the customers' concerns and requesting verification of whether the customers wished to pursue a hearing on the matter. The customers were not asked to respond if they did not wish to pursue a hearing. No response was received within the time frame specified, nor have any of the customers had any further contact with staff regarding the transfer. Based on the lack of further contact, staff has concluded that the customers do not wish to pursue a hearing on the matter.

This recommendation addresses whether the transfer of Certificates Nos. 565-W and 493-S from Rotonda to AquaSource is in the public interest, the exclusion of a portion of Rotonda's service territory from the transfer of certificates, and the apparent violation of Section 367.071, Florida Statutes, for transferring the utility's facilities without prior Commission approval.

DISCUSSION OF ISSUES

ISSUE 1: Should Rotonda West Utility Corporation be ordered to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Section 367.071, Florida Statutes?

RECOMMENDATION: No. A show cause proceeding should not be initiated. (CIBULA)

STAFF ANALYSIS: As stated in the case background, Rotonda closed on the transfer of its facilities to AquaSource on December 15, 1999, prior to obtaining Commission approval. Section 367.071(1), Florida Statutes, states that:

No utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof..., without determination and approval of the commission that the proposed sale, assignment, or transfer is in the public interest...

Section 367.161(1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any provision of Chapter 367, Florida Statutes. In closing on the transfer of its facilities prior to Commission approval, the utility's act was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., the Commission having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule."

Although Rotonda's failure to obtain Commission approval prior to transferring its facilities to AquaSource is an apparent violation of Section 367.071(1), Florida Statutes, according to a letter dated March 12, 1999, there is a provision in the contract

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between Rotonda and AquaSource which states that the sale is subject to this Commission's jurisdiction and if the Commission does not approve the transfer, the parties will "unwind" the transaction.

Staff does not believe that the apparent violation of Section 367.071, Florida Statutes, rises in these circumstances to the level which warrants the initiation of a show cause proceeding. Therefore, staff recommends that the Commission not order Rotonda to show cause for failing to obtain Commission approval prior to transferring its facilities to AquaSource.

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ISSUE 2: Should the transfer of Certificates Nos. 565-W and 493-S from Rotonda West Utility Corporation to AquaSource Utility, Inc., be approved?

RECOMMENDATION: Yes, the transfer should be approved. The territory being transferred will be addressed in Issue 3. (BRADY, CIBULA, CROSBY)

STAFF ANALYSIS: On December 14, 1998, an application was filed for approval of the transfer of Certificates Nos. 565-W and 493-S from Rotonda West Utility Corporation to AquaSource Utility, Inc. The application was completed on August 10, 1999. The closing occurred on December 15, 1998.

Except as indicated in Issue 1, the application as filed and amended is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules pertaining to an application for the sale, assignment, or transfer of a certificate of authorization. The application contained the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. And, in response to Rule 25-30.037(2)(t), Florida Administrative Code, which requires the return of the utility's original certificates, the application provided a copy of a letter from staff dated November 19, 1998, in which staff verifies that grandfather certificates had, apparently, never been issued. As for the other requirements for authority to transfer facilities, the application contained the following information.

Noticing. The application contained proof of noticing as required by Rule 25-30.030, Florida Administrative Code. However, the notice to customers was not given within the time-frame prescribed by the rule and the notice to local utilities and governmental agencies inadvertently left off several pages. Staff required both notices to be reissued. The notice to customers had to be reissued a third time as the time-frame for customers to respond to the second notice was not adequate.

Mostly as a consequence of the inadequate time for response to the second notice, the Commission received a number of inquiries and complaints from customers of the utility. Staff addressed each

customer's concerns in a written response in which staff requested verification whether the customer wished to pursue a formal hearing. No response was received from any of the customers within the time-frame specified, nor have any of the customers had any further contact with the Commission regarding the transfer. Staff has therefore concluded that the customers do not wish to pursue a hearing on the matter.

The Commission also received a response to the second notice given to local utilities and governmental agencies. The response was from the Director of Charlotte County Utilities in which a potential territory overlap was identified between Rotonda and Fiveland. Staff researched the problem and concluded that the territory for three Charlotte County grandfathers, Rotonda, Fiveland, and Sandalhaven, all overlapped in one section of their territory. On April 22, 1999, the Commission received a supplement to the filing from AquaSource in which it requested that the disputed territory be excluded from the transfer. The matter of the territory exclusion will be addressed in Issue 3.

Finally, another response to the notice given to local utilities and governmental agencies was filed by the Southwest Florida Regional Planning Council (Council). Staff of the Council reviews various proposals, notices, applications, permits and environmental impact statements for compliance with regional goals, objectives and policies determined by the Strategic Regional Policy Plan (Regional Plan). The review of this filing by the staff of the Council designated the filing as "Regionally Significant and Consistent with the Regional Plan."

Sales Contract, Financing, and Land Ownership. As required by Rules 25-30.037(2)(g), (h), (i), (k) and (q), Florida Administrative Code, the application was accompanied by the Agreement for Purchase and Sale of Water and Wastewater Assets (sales contract) which contained the provisions required by Commission rules. The agreed upon purchase price was \$20,300,000. This was a cash transaction financed by AquaSource's parent, DQE, Inc. (DQE). A list of customer deposits or advance facility charges and an accounting of the amount of each individual deposit or receivable was to be provided at the closing. According to the application, there are no guaranteed revenue contracts, developer

agreements, customer advances, debt of the utility, and leases that must be disposed of in association with the transfer of the assets of the utility. A copy of the deed transferring ownership of all utility land upon which treatment facilities are located was attached to the sales contract. An executed and recorded copy of this deed was subsequently filed on March 12, 1999.

Annual Reports and Regulatory Assessment Fees (RAFs). Staff has confirmed that the utility is current on Annual Reports and RAFs through 1998 and there are no penalties, interest or refunds due. Since the transfer occurred December 15, 1998, the application indicates that AquaSource will be responsible for filing the utility's Annual Reports and RAFs from January 1, 1999 forward.

Financial and Technical Ability. Pursuant to Rule 25-30.037(2)(j), Florida Administrative Code, the application provided a statement of AquaSource's financial and technical ability. AquaSource is a wholly owned subsidiary of DQE which is an energy services holding company. DQE's other subsidiaries include Duquesne Light Company and Montauk. Formed on June 1, 1997, AquaSource is now reportedly the largest investor-owned water utility in Texas with experienced staff which has been providing services for municipal and private water utilities for more than 25 years. Recently, AquaSource has acquired a number of water and wastewater systems in Florida and appears to be in the process of acquiring still more. DQE's and AquaSource's financial statements were attached as verification of financial ability. DQE's statements indicate assets exceeding \$4.6 billion with total long-term debt of \$1.4 billion. AquaSource's statements indicate assets in excess of \$123.0 million with long-term debt just under \$18.0 million.

Environmental Compliance. Pursuant to Rules 25-30.037(2)(p), Florida Administrative Code, the application contained a statement that, after reasonable investigation, the buyer has determined that the systems being acquired appear to be in satisfactory condition and in compliance with all applicable standards set by the Florida Department of Environmental Protection (FDEP). Staff has confirmed with the FDEP that the utility is currently in satisfactory compliance with its environmental requirements and rules.

Public Interest. As required by Rule 25-30.037(2)(j), Florida Administrative Code, the buyer provided a statement that it intends to fulfill the commitments, obligations and representations of the seller with regard to utility matters. The application indicates that AquaSource is constantly expanding its technical capabilities and is implementing improved quality control, maintenance management, and training and safety programs. These improvements are intended to provide direct and tangible benefits to utilities owned and operated by AquaSource and municipal utilities served by AquaSource. Currently, AquaSource operates water and wastewater systems serving approximately 125,000 customers. AquaSource stated its intent to continue to employ the operations and clerical personnel previously employed by the seller and that no changes in the operations of the system should be readily apparent due to the continuity of operating personnel and operations.

Based on all the above, staff recommends that the transfer of Certificates Nos. 565-W and 493-S from Rotonda West Utility Corporation to AquaSource Utility, Inc., is in the public interest and should be approved. The territory to be transferred will be addressed in Issue 3.

ISSUE 3: Should AquaSource Utility, Inc.'s request to exclude the portion of Section 3, Township 42 South, Range 20 East, in Charlotte County, Florida, which overlaps with the service territories of Fiveland Investments, Inc. (now owned by Charlotte County) and Sandalhaven Utility, Inc. (now owned by Utilities, Inc. of Sandalhaven), be approved?

RECOMMENDATION: Yes. The territory transferred to AquaSource Utility, Inc. in Section 3, Township 42 South, Range 20 East, in Charlotte County, Florida, should exclude the northwest quarter lying east of Lemon Bay and north and west of an existing canal. A description of the territory to be transferred to AquaSource Utility, Inc., is appended as Attachments A and B. (BRADY)

STAFF ANALYSIS: As noted in the Case Background and in Issue 2, during the pendency of this docket, it was learned that there was a territory overlap among three Charlotte County grandfathers, Rotonda, Fiveland, and Sandalhaven. All three utilities were granted grandfather certificates within a few months of each other in 1995. The territory overlap is in Section 3, Township 42 South, Range 20 East, of Charlotte County. Fiveland and Sandalhaven both serve identical territory in Section 3 with Fiveland providing water service and Sandalhaven providing wastewater service.

Fiveland's water certificate and Sandalhaven's wastewater certificate granted the northwest quarter of Section 3 lying east of Lemon Bay and north and west of an existing canal. Rotonda's water and wastewater certificates contain all of Section 3. Based on staff's research, it appears that the error in territory overlap occurred in the granting of Rotonda's grandfather certificates pursuant to Order No. PSC-95-0780-FOF-WS, issued June 28, 1995, in Docket No. 941131-WS. The following summarizes the history of the disputed territory.

As noted in the Case Background, Rotonda was originally established on June 17, 1957, under the name of Cape Haze Water Company, Inc. (Cape Haze). On July 28, 1964, the Board of County Commissioners of Charlotte County adopted a Resolution bringing water and wastewater public utilities in the County under what was then known as the "Water and Sewer System Regulatory Law" pursuant to Section 367.23, Florida Statutes. Apparently, none of the

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affected utilities were issued certificates until after Chapter 71-278, Laws of Florida, became effective on September 1, 1971. Then, by Order No. 5347, issued March 7, 1972, in Docket No. C-71520-WS, Cape Haze was granted Certificates Nos. 60-W and 59-S under its new corporate name of Rotonda West Utility Corporation. Its certificates contained the east half and south half of the northwest quarter of Section 3.

By Order No. 8514, issued October 9, 1978, in Docket No. 780499-W, Fiveland was granted water Certificate No. 312-W under the name of Grove City Realty Corporation. Certificate No. 312-W was later transferred to Fiveland by Order No. 9876, issued March 17, 1981, in Docket No. 800491-W. The territory granted and transferred in Section 3 was the same as it is now, i.e., the northwest quarter of the section lying east of Lemon Bay and north and west of an existing canal. By a 1980 act of the Florida Legislature under Chapter 80-99, Laws of Florida, Charlotte County was excluded from the provisions of Chapter 367, Florida Statutes. As a consequence, Rotonda's and Fiveland's certificates were canceled by Order No. 11496, issued January 10, 1983, in Docket No. 830011-WS.

Sandalhaven was established shortly thereafter on June 29, 1983 under the jurisdiction of Charlotte County with territory essentially duplicating Fiveland's. When Fiveland was originally formed, the developer contemplated both water and wastewater services. For some reason, the services were subsequently split with water provided by Fiveland and wastewater provided by Sandalhaven.

When Charlotte County returned jurisdiction to the Commission on September 30, 1994, Rotonda, Fiveland and Sandalhaven all filed for grandfather certificates. Fiveland's water territory in Section 3, Township 42 South, Range 20 East, was the same as previously certificated under Commission jurisdiction with Sandalhaven's wastewater territory matching. However, the information provided in Rotonda's application contained slightly varying versions of the legal description for said Section 3 from that previously granted by the Commission. In addition, while under Charlotte County jurisdiction, Rotonda was granted additional territory in 1990 and 1993. Pursuant to staff's interpretation of

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supplemental information provided by the utility, the territory in Section 3 was consolidated to include all of Section 3, Township 42 South, Range 20 East. This now appears to have been an error.

At the time staff was made aware of the potential territory overlap Fiveland had a pending application in Docket No. 981930-WU for a transfer of its facilities to Charlotte County and a cancellation of its water certificate and Sandalhaven had a pending application in Docket No. 98121-SU for a transfer of its facilities to Utilities, Inc. of Sandalhaven (UI). By Order No. PSC-99-1220-FOF-WU, issued June 21, 1999, the Commission acknowledged the transfer of Fiveland's facilities to Charlotte County. However, Certificate No. 571-W was to remain active and the docket open pending resolution in this docket of the territory being transferred back to the County. The transfer of Sandalhaven is still pending Commission approval.

Staff informally discussed the matter of the territory overlap with the three affected utilities. Although none of the utilities are serving the territory at this time, both Fiveland and Sandalhaven indicated they were unwilling to delete the overlapping territory from their certificates. On April 22, 1999, AquaSource filed a modification to the application filed in this docket in which it requested that:

In the spirit of cooperation with Charlotte County, AquaSource Utility, Inc. hereby agrees that the description of the service area it is acquiring in connection with its purchase of the assets of Rotonda West Utility Corporation, exclude that portion of its service area in the northwest quarter of Section 3 of Township 42 South, Range 20 East which overlaps with the service areas of the aforementioned utilities.

Staff believes AquaSource's request is appropriate since it appears that the territory overlap was inadvertently granted to Rotonda in its grandfather certificates.

Staff therefore recommends that the northwest quarter of Section 3, Township 42 South, Range 20 East, in Charlotte County, Florida, lying east of Lemon Bay and north and west of an existing

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canal be excluded from the territory transferred to AquaSource from Rotonda. A description of the territory to be transferred from Rotonda to AquaSource is appended as Attachments A and B.

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ISSUE 4: What is the rate base of Rotonda West Utility Corporation at the time of transfer?

RECOMMENDATION: The rate base is \$2,782,513 for the water system and \$3,814,128 for the wastewater system, as of December 31, 1998, for a combined total rate base of \$6,596,641. (BRADY)

STAFF ANALYSIS: According to the application, the net book value of the systems being transferred was \$3,160,778 for the water system and \$2,880,938 for the wastewater system. The values were from the rate base last established for the utility by Order No. PSC-96-0663-FOF-WS, issued May 13, 1996, in Docket No. 950336-WS, using a thirteen month average projected test year ending December 31, 1995.

The transfer from Rotonda to AquaSource occurred on December 15, 1998. Staff requested an audit in which it was determined that no rate base transactions occurred between December 15 and December 31. Therefore, the general ledger as of December 31, 1998, was used as the basis of "per books" audit information. In general, the audit revealed that not all ratemaking adjustments required in Order No. PSC-96-00663-FOF-WS had been posted as of December 31, 1998. Further, some transactions posted to plant-in-service accounts were either incorrect or lacked support. As a consequence, the audit report contained several disclosures.

The disclosures are summarized below. In all instances, AquaSource agreed to make the adjustments recommended by the auditors. However, for plant additions not allowed because the utility did not have adequate support, AquaSource states that it reserves the right to revisit the transactions in a subsequent rate proceeding if it is able to locate adequate documentation. Also, AquaSource states that it reserves the right to argue the reclassification of Disclosure No. 5b in a future rate proceeding if the reclassification would be consistent with other plant treatment in that proceeding. Staff notes that AquaSource is free to argue what it may in future proceedings before this Commission.

Disclosure No. 1 -- Utility Sales Agreement. This disclosure lists the non-transferred utility assets which total \$2,265,238. It also recommends the acquisition adjustment be based on the net audited value of plant assets of \$7,521,230.

Disclosure No. 2 -- Prior Rate Case Adjustments -- Land. This disclosure recommends a number of adjustments to land in service based on Orders Nos. PSC-96-0663-FOF-WS and PSC-96-0663A-FOF-WS issued May 13, 1996 and June 12, 1996, respectively, in Docket No. 950336-WS (the utility's last rate case).

Disclosure No. 3 -- Prior Rate Case Adjustments -- Unsupported Plant. This disclosure recommends the utility follow the instructions in Order No. 96-0663-FOF-WS to transfer \$86,136 in unsupported plant additions and \$3,340 in related accumulated depreciation to "non-utility" accounts.

Disclosure No. 4 -- Utility Master Plan. This disclosure recommends the utility follow the instructions in Order No. 96-0663-FOF-WS to reclassify a utility master plan costing \$125,360 from a deferred asset account to utility plant in service accounts.

Disclosure No. 5a -- Unsupported Plant Additions. This disclosure recommends the utility follow the practice in the prior rate case and transfer a net of \$262,206 in unsupported plant addition reclassifications, along with related accumulated depreciation of \$8,750, from plant in service to "non-utility" accounts.

5b -- Improperly Classified Plant Additions. This disclosure recommends that a total of \$186,449 had been improperly classified as plant additions instead of expensed as incurred. The corresponding accumulated depreciation was a total of \$16,205.

Disclosure No. 6 -- Treatment of Gain or Loss on Plant Retirements. This disclosure relates to the appropriate general ledger treatment of the sale of two trucks and a trailer in 1997 amounting to \$19,600.

Disclosure No. 7 -- Replacement of Permeators. This disclosure recommends the removal of permeators purchased in excess of 100% of their replacement value during the five year life specified for

this equipment in the Uniform System of Accounts. The disclosure also recommends the utility establish a permeator sub-account on a going-forward basis using a depreciation life of five years.

Disclosure No. 8 -- Construction Work in Progress (CWIP). This disclosure recommends the utility expense \$77,461 for a sludge processing project that will not be completed. The disclosure also recommends that \$52,900 in Plant Held for Future Use (PHFU) related to an uncompleted reuse wastewater project in Disclosure No. 9, below, be transferred to CWIP.

Disclosure No. 9 -- Plant Held for Future Use (PHFU) and Associated Contributions in Aid of Construction (CIAC). This disclosure recommends the utility reclassify \$137,585 of PHFU for two reuse projects and several expense items, reclassify \$104,268 in unsupported plant additions for both wastewater and water, and remove \$166,600 for a warehouse and related land which have been sold. The disclosure also recommends an imputation to CIAC and corrections to CIAC on PHFU.

Disclosure No. 10 -- Accumulated Depreciation and Accumulated Amortization of CIAC. This disclosure recommends the appropriate amount for "true-up" of depreciation and amortization actually accumulated during the year. At the time of the field audit, the true-up had not been performed.

Disclosure No. 11 -- Non-Utility Plant. This disclosure is a summary recommendation on booking the non-utility adjustments in Disclosures Nos. 2 and 3 as well as a recommendation to depreciate the amount based on a twenty-five year service life.

Staff concurs with the audit findings except the recommendation in Disclosure No. 1 that the acquisition adjustment be based on the net audited value of plant assets of \$7,521,230. This value includes a net of \$924,589 in non-utility plant. Non-utility plant is a carry over from Rotonda's last rate proceeding in Charlotte County in which the County Commission ruled that portions of rate base lacked original cost documentation or were considered contributed. The County Commission required the utility to remove these amounts from rate base along with any associated

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CIAC and accumulated depreciation. These amounts were then recorded as non-utility plant.

As of the utility's last rate case, non-utility plant totaled \$10,011,352 along with non-utility CIAC of \$9,316,420 and non-utility accumulated depreciation of \$658,133. The net difference of these amounts was \$36,789 which the utility was amortizing over a ten year period. No amortization had been taken for 1998. The non-utility plant, adjusted to the time of the transfer, has been increased by adjustments in Disclosures Nos. 2, 3, 5 and 9, above. When the amount of non-utility plant was relatively small, the auditors believe that the previous method of amortization was reasonable. Due to the increased amount, the auditors believe that it is now more appropriate to depreciate this amount (net of land) over the utility's composite service life of twenty-five years.

The resulting net non-utility plant is \$924,589. Staff is not recommending the inclusion of non-utility plant in rate base established for purposes of transfer. However, staff does believe that the amount should be considered in evaluating the acquisition adjustment in Issue 5.

The calculation of water rate base is shown on Schedule No. 1, with adjustments set forth on Schedule No. 2. The calculation of wastewater rate base is shown on Schedule No. 3, with adjustments set forth on Schedule No. 4. Based on these schedules, as of December 31, 1998, rate base for Rotonda for purpose of the transfer is \$2,782,513 for the water system and \$3,814,128 for the wastewater system for a combined utility total rate base of \$6,596,641. The numbers in brackets on the adjustment schedules refer to the Disclosure Nos. summarized above.

The rate base calculations are used solely to establish the net book value of the property being transferred. As such, the calculations do not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments. Also, as noted above, staff has excluded net non-utility plant of \$924,589 from rate base calculation.

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SCHEDULE 1

ROTONDA WEST UTILITY CORPORATION
 SCHEDULE OF WATER RATE BASE
 AS OF DECEMBER 31, 1998

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 8,067,121	\$ (252,624)	\$ 7,814,497
Land and Land Rights	382,390	(2,369)	380,021
Accumulated Depreciation	(2,368,608)	108,373	(2,260,235)
Contributions in Advance of Construction (CIAC)	(3,328,953)	(251,141)	(3,580,094)
Amortization of CIAC	408,800	4,903	413,703
Construction Work in Progress	14,070	0	14,070
Plant Held for Future Use (PHFU)	1,524,453	(74,790)	1,449,663
PHFU - CIAC	(1,550,781)	101,669	(1,449,112)
PHFU - Amortization	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL WATER RATE BASE	<u>\$ 3,148,492</u>	<u>\$ (365,979)</u>	<u>\$ 2,782,513</u>

SCHEDULE 2

ROTONDA WEST UTILITY CORPORATION
SCHEDULE OF WATER RATE BASE ADJUSTMENTS
(Numbers in brackets refer to Disclosure No.)

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service	
1) Prior Rate Case adjustments to land [2]	\$ 2,002
2) Prior Rate Case adjustments to land [2]	367
3) Prior Rate Case unsupported plant [3]	(55,295)
4) Reclassify plant additions that should be expensed [5]	(81,195)
5) Current unsupported plant [5]	(6,246)
6) Remove permeators that were replaced [7]	<u>(112,257)</u>
Total	(252,624)
Land and Land Rights	
1) Prior Rate Case adjustments to land [2]	(2,369)
Accumulated Depreciation	
1) Prior Rate Case unsupported plant [3]	7,852
2) Current unsupported plant [5]	218
3) Adjust depreciation on plant additions expensed [5]	7,838
4) Correct gain on sale [6]	(6,163)
5) Remove acc. dep. on replaced permeators [7]	112,257
6) True-up of depreciation expense [10]	(13,227)
7) True-up on amortization of franchise fees [10]	<u>(402)</u>
Total	108,373
Contributions in Advance of Construction (CIAC)	
1) Prior Rate Case adjustments to land [2]	(95,149)
2) Correct posting error [9]	<u>(155,992)</u>
Total	(251,141)
Accumulated Amortization of CIAC [10]	4,903
Plant Held for Future Use (PHFU)	
1) Reclassify utility plant in service assets [9]	(74,790)
PHFU - CIAC	
1) Correct posting error [9]	128,669
2) Impute CIAC for repurchase of previously-owned land [9]	<u>(27,000)</u>
Total	101,669
TOTAL ADJUSTMENT	<u>\$ (365,979)</u>

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SCHEDULE 3

ROTONDA WEST UTILITY CORPORATION
 SCHEDULE OF WASTEWATER RATE BASE
 AS OF DECEMBER 31, 1998

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>STAFF ADJUSTMENTS</u>	<u>BALANCE PER STAFF</u>
Utility Plant in Service	\$ 5,656,138	\$(331,072)	\$ 5,325,066
Land and Land Rights	76,308	0	76,308
Accumulated Depreciation	(1,315,222)	(11,803)	(1,327,025)
Contributions in Advance of Construction (CIAC)	(1,759,083)	0	(1,759,083)
Amortization of CIAC	174,009	3,653	177,662
Construction Work in Progress	1,204,920	(24,561)	1,180,359
Plant Held for Future Use	250,826	(100,463)	150,363
PHFU - CIAC	(36,845)	27,323	(9,522)
PHFU - Amortization	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL WASTEWATER RATE BASE	<u>\$ 4,251,051</u>	<u>\$(436,923)</u>	<u>\$3,814,128</u>

SCHEDULE 4

ROTONDA WEST UTILITY CORPORATION
SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS
(Numbers in brackets refer to Disclosure No.)

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service	
1) Prior Rate Case unsupported plant [3]	\$(30,841)
2) Prior Rate Case unsupported plant [3]	(255,961)
3) Plant additions that should be expensed [5]	(105,254)
4) Reclassify reuse project from PHFU [9]	<u>60,984</u>
Total	(331,072)
Accumulated Depreciation	
1) Prior Rate Case unsupported plant [3]	3,080
2) Current unsupported plant [5]	8,532
3) Reclassify unsupported plant [5]	8,367
4) To remove gain on sale [6]	(6,163)
5) To record acc. dep. on reuse project [9]	(11,151)
6) True-up of amortization on franchise fee [10]	(402)
7) True-up depreciation [10]	<u>(14,066)</u>
Total	(11,803)
Accumulated Amortization of CIAC - True-up [10]	3,653
Construction Work in Progress	
1) Reclassify PHFU [8 & 9]	52,900
2) Remove canceled sludge processing project [9]	<u>(77,461)</u>
Total	(24,561)
Plant Held for Future Use (PHFU)	
1) Add back land incorrectly written-off [9]	66,600
2) Remove PHFU [9]	(137,585)
3) Remove PHFU [9]	<u>(29,478)</u>
Total	(100,463)
Plant Held for Future Use-CIAC - True-up [10]	27,323
TOTAL ADJUSTMENT	<u><u>\$(436,923)</u></u>

ISSUE 5: Should a positive acquisition adjustment be approved?

RECOMMENDATION: No, the \$13,703,359 positive acquisition adjustment should not be included in the calculation of rate base for transfer purposes. The utility should not be permitted to reserve a right to revisit this issue should Commission practice with regard to acquisition adjustments change in the future.
(BRADY, CIBULA)

STAFF ANALYSIS: An acquisition adjustment results when the purchase price differs from the original cost calculation adjusted to the time of the acquisition. The acquisition adjustment resulting from the transfer of Rotonda to AquaSource is calculated as follows:

Purchase Price	\$20,300,000
Rate Base Adjusted to December 31, 1998	\$ <u>6,596,641</u>
Positive Acquisition Adjustment	\$13,703,359

In the absence of extraordinary circumstances, it is the practice of this Commission that the purchase of a utility at a premium or discount shall not affect the rate base calculation. The circumstances in this case do not appear to be extraordinary. However, as noted in Issue 4, there was a net of \$924,589 in non-utility plant acquired by AquaSource in the transfer as verified during the last rate case and adjusted during this audit. While staff is not recommending that this amount be included in rate base at the time of transfer, the fact that additional, disallowed assets were included in the purchase price makes the transaction somewhat less positive than it would be if AquaSource had not paid for these assets.

Staff would note that, while AquaSource is not requesting an acquisition adjustment at this time, it wishes to reserve the right to revisit the matter should Commission practice with regard to acquisition adjustments change in the future. Staff disagrees that the utility should be permitted to reserve a right to revisit this issue. A decision on whether an acquisition adjustment should be included in the calculation of rate base for transfer purposes

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should be made at the time the Commission makes its decision on the transfer application. While Commission practice may change at a later date, the relevant circumstances should be based on those at the time of the transfer.

Staff therefore recommends that a \$13,703,359 positive acquisition adjustment should not be included in the calculation of rate base. Also, staff recommends that the utility not be permitted to reserve a right to revisit this issue should Commission practice with regard to acquisition adjustments change in the future.

ISSUE 6: Should the rates and charges approved for Rotonda West Utility Corporation be continued?

RECOMMENDATION: Yes, the rates and charges approved for the utility should be continued. The tariff reflecting the transfer should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. (BRADY)

STAFF ANALYSIS: The utility's current water service charges, including fire protection service, were administratively approved pursuant to a 1998 price index effective November 1, 1998. Service availability fees and charges (exclusive of allowance for funds prudently invested (AFPI) described later) were administratively approved pursuant to a miscellaneous tariff filing effective September 30, 1997. These existing water rates and charges are set forth below. In addition, the utility has customer deposits, meter test deposits and miscellaneous service charges.

**WATER TARIFF
GENERAL, RESIDENTIAL, MULTI RESIDENTIAL SERVICES**

Monthly Base Facility Charges

<u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$ 17.61
1"	44.03
1-1/2"	88.05
2"	140.89
3"	281.76
4"	440.27
6"	880.54
8"	1,408.85
10"	2,024.97

Gallonage Charge \$4.00 per 1,000 gallons

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**WATER TARIFF
FIRE PROTECTION SERVICE
Monthly Charges**

<u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$ 1.47
1"	3.67
1-1/2"	7.34
2"	11.74
3"	23.49
4"	36.69
6"	73.38
8"	117.41
10"	168.75

**WATER TARIFF
SERVICE AVAILABILITY FEES AND CHARGES**

<u>Description</u>	<u>Amount</u>
<u>Inspection Fee</u>	\$ Actual Cost [1]
<u>Service Installation Fee</u>	
5/8" x 3/4"	\$ 195.00
1"	370.00
1-1/2"	685.00
2"	885.00
3"	2,210.00
4"	4,300.00
6"	6,335.00
8"	Actual Cost [1]
10"	Actual Cost [1]
<u>Plan Review Charge</u>	\$ Actual Cost [1]
<u>Fire Hydrant Charge</u>	
Residential	\$ 64.00
General Service	110.00

<u>Plant Capacity Charge (per ERC)</u>	
5/8" x 3/4"	\$ 1,272.00
1"	3,180.00
1-1/2"	6,360.00
2"	10,176.00
3"	20,352.00
4"	31,800.00
6"	63,600.00
8"	101,760.00
10"	146,280.00

[1] Actual Cost is equal to the total cost incurred for services rendered to a customer.

The utility's existing wastewater residential service charges were administratively approved by tariff correction effective March 31, 1999. General service and multi residential service charges were administratively approved pursuant to a 1998 price index effective November 1, 1998. The reuse service rate was administratively approved pursuant to a 1997 price index/pass through effective June 27, 1997. Service availability fees and charges (exclusive of AFPI described later) were administratively approved pursuant to a miscellaneous tariff filing effective September 30, 1997. The wastewater rates and charges are set forth below. In addition, the utility has customer deposits and miscellaneous service charges.

**WASTEWATER TARIFF
RESIDENTIAL SERVICE**

Monthly Base Facility Charge	\$14.31
Gallonge Charge (per 1,000 gallons with a 10,000 gallon cap.)	\$ 3.73

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**WASTEWATER TARIFF
GENERAL AND MULTI RESIDENTIAL SERVICES**

Monthly Base Facility Charges

<u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$ 14.31
1"	35.79
1-1/2"	71.57
2"	114.52
3"	229.03
4"	357.86
6"	715.73
8"	1,145.15
10"	1,646.01

Gallonage Charge \$4.47 per 1,000 gallons

**WASTEWATER TARIFF
REUSE SERVICE**

Monthly Base Facility Charges \$ N/A

Gallonage Charge (per 1,000 gallons) \$0.35

**WASTEWATER TARIFF
SERVICE AVAILABILITY FEES AND CHARGES**

<u>Description</u>	<u>Amount</u>
<u>Inspection Fee</u>	\$ Actual Cost [1]
<u>Plan Review Charge</u>	\$ Actual Cost [1]
<u>Plant Capacity Charge (per ERC)</u>	
5/8" x 3/4"	\$ 1,716.00
1"	4,290.00
1-1/2"	8,580.00
2"	13,728.00
3"	27,456.00

4"	42,900.00
6"	85,800.00
8"	137,280.00
10"	197,340.00

[1] Actual Cost is equal to the total cost incurred for services rendered to a customer.

As noted above, in addition to water and wastewater service availability charges, the utility's service availability tariffs also include approved AFPI charges. These charges were established in prior Charlotte County rate case dockets in which they were called carrying cost recovery charges. The charts of AFPI charges are shown on Attachments C through F. Staff notes that the escalation of the AFPI charges has expired and the charges are now capped at the maximum rate where they still apply. Reorganization of AFPI charges into the applicable service availability tariffs will be addressed in later tariff proceeding.

Staff recommends that AquaSource continue to charge the utility's existing rates and charges. AquaSource has filed water and wastewater tariffs reflecting the transfer. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets.

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ISSUE 7: Should this docket be closed?

RECOMMENDATION: Yes, if no timely protest is received to the proposed agency action issues, upon the expiration of the protest period, the order should become final and effective upon the issuance of a consummating order and the docket should be closed.
(CIBULA)

STAFF ANALYSIS: If no timely protest is received to the proposed agency action issues, upon the expiration of the protest period, the order should become final and effective upon the issuance of a consummating order and the docket should be closed.

ATTACHMENT A

TERRITORY DESCRIPTION
AQUASOURCE UTILITY, INC.
CHARLOTTE COUNTY

WATER SERVICE AREA

Township 41 South, Range 20 East, Charlotte County, Florida

SECTION 13	All of said Section.
SECTION 14	All of said Section.
SECTION 15	All of said Section.
SECTION 21	Commence at the SE corner of Section 21, thence N 00°32'57" E, a distance of 215.11 feet to the <u>Point of Beginning</u> , thence N 89°46'02" W, a distance of 1,254.80, thence N 00°32'57" E, a distance of 118.46 feet, thence S 89°46'02" E, a distance of 1,254.80 feet, thence S 00°32'57" W, a distance of 118.46 feet to the <u>Point of Beginning</u> .
SECTION 22	All of said Section.
SECTION 23	All of said Section.
SECTION 24	All of said Section.
SECTION 25	All of said Section.
SECTION 26	All of said Section.
SECTION 27	The East 1/2.
SECTION 34	The East 1/2.
SECTION 35	All of said Section.
SECTION 36	All of said Section.

ATTACHMENT A

Township 41 South, Range 21 East, Charlotte County, Florida

SECTION 17 That portion lying west of S.R. 771 together with that portion of Section 17 lying east of the Seaboard Coastline Railroad being described as follows:

Commence at the SW corner of Section 17, thence N 88°26'07" E, along the south line of Section 17, a distance of 38.1 feet to the Point of Beginning, thence N 24°30'00" E, a distance of 400 feet more or less to the south R/W line of Rotonda Blvd., East, thence S 89°59'53" E, a distance of 624.69 feet, thence, S 00°09'34" E, a distance of 344.69 feet, thence S 88°26'07" W, along the south line of said Section 17, a distance of 849.10 feet to the Point of Beginning.

SECTION 18 All of said Section.

SECTION 19 That portion lying west of the Seaboard Coast Line Railroad together with that portion of Section 19 lying east of the Seaboard Coast Line Railroad being described as follows:

Commence at the NE corner of said Section 19, thence S 00°07'14" W, along the east line of said Section 19, a distance of 78.5 feet to a point, said point being the Point of Beginning, thence continue S 00°07'14" W, a distance of 382.15 feet to a point, thence S 89°58'47" W, a distance of 177.27 feet to a point, thence N 24°43'08" E, a distance of 428.0 feet more or less to the Point of Beginning.

ATTACHMENT A

- SECTION 20 Commence at the NW corner of Section 20, thence N 88°26'20" E, along the north line of said Section 20, a distance of 40.10 feet to the Point of Beginning, thence continue N 88°26'20" E, along said north line, a distance of 807 feet to a point, thence S 00°09'34" E, a distance of 481.6 feet to a point, thence N 89°58'47" W, a distance of 849.1 feet to the east line of said Section 20, thence N 00°07'14" E, along said east line a distance of 460.65 feet to the Point of Beginning.
- SECTION 29 That portion lying west of S.R. 771.
- SECTION 30 All of said Section.
- SECTION 31 All of said Section 31 lying west of the west R/W line of S.R. 771.
- SECTION 32 Commence at the NE corner of Section 32, Township 41 South, Range 21 East, said point also being the Point of Beginning, thence S 00°48'48" E, along the east line of said section to the SE corner, thence N 89°35'44" W, along the South line of said section, a distance of 2,900 feet more or less to a point on a curve concave to the NE, said curve having a central angle of 22°47'51", a radius of 5,779.58 feet, and arc of 4,000 feet, thence continue westerly along said curve an arc distance of 3,000 feet more or less to a point that intersects the west line of said Section 32, thence N 00°09'16" E, along the west line of said Section 32 to the east R/W of S.R. 771, thence continue N 00°09'16" E, to the NW corner of said Section 32, thence easterly along the north line of the section to the NE corner thereof being also the Point of Beginning.
- SECTION 33 All of said Section.

ATTACHMENT A

SECTION 34 All of said Section.
SECTION 35 All of said Section.

Township 42 South, Range 20 East, Charlotte County, Florida

SECTION 1 All of said Section, less the south 1,275 feet.

SECTION 2 That portion of Section 2 being bounded by the north, south, and west section lines of said Section 2, and being bounded on the east by the west shoreline of the west branch of Coral Creek together with:

Commence at the NE corner of Section 2, Township 42 South, Range 20 East, said point also being the Point of Beginning, thence southerly along the east section line a distance of 2,900 feet more or less, thence N 89°31'30" W, a distance of 1,800 feet more or less to the east bank of the west branch of Coral Creek, thence northerly along the east bank of Coral Creek to the north line of said Section 2, thence east along said north line to the NE corner of Section 2 and the Point of Beginning.

SECTION 3 All of said Section 3, less the northwest quarter lying east of Lemon Bay and north and west of an existing canal.

SECTION 4 All that portion of Don Pedro Island lying in Section 4, less the north 812 feet thereof.

SECTION 10 The easterly 2,200 feet of the N 1/2 of the NE 1/4 of said Section 10, together with all that portion of Don Pedro Island lying within said Section 10.

SECTION 11 That portion of Section 11 lying north of the inland waterway and south of Coral Creek.

ATTACHMENT A

Township 42 South, Range 21 East, Charlotte County, Florida

SECTION 1 Commence at the NW corner of Section 1, Township 42 South, Range 21 East, thence S 01°36'56" W, a distance of 190 feet to the Point of Beginning, thence S 89°50'49" E, a distance of 40 feet, thence S 01°36'57" E, a distance of 106.46 feet, to the PC of a curve concave to the NW, said curve having a central angle of 09°44'42", a radius of 2,772.09 feet, and arc of 471.48 feet, thence continue southerly along said curve to a point that intersects with the west line of said Section 1, thence N 00°32'16" E, along the west line of said Section 1 to the Point of Beginning.

SECTION 2 All of Section 2, Township 42 South, Range 21 East, less the following described portion.

Commence at the SE corner of said Section 2, said point also being the Point of Beginning, thence S 89°12'54" W, along the south section line a distance of 700 feet more or less, thence N 00°30' W, a distance of 1,800 feet to the PC of a curve concave to the NW, said curve having a central angle of 34°56'57", a radius of 2,772.04 feet, and arc of 1,690.91 feet, thence continue northerly along said curve to a point that intersects the east line of Section 2, thence S 01°36'56" E, along the east line of Section 2 to the SE corner and Point of Beginning.

SECTION 3 All of said Section.

ATTACHMENT A

SECTION 4 All of Section 4, Township 42 South, Range 21 East, less the following described property:

Commence at the SW section corner of said Section 4, said point also being the Point of Beginning, thence N 00°17'22" E, along the west line of Section 4, a distance of 200 feet, thence S 45° E, a distance of 300 feet more or less to the south line of Section 4, thence S 89°56'12" W, along the south line of Section 4 to the SW corner and the Point of Beginning.

SECTION 5 Commence at the NE corner of Section 5, said point also being the Point of Beginning, thence S 00°17'22" W, along the east line of said Section 5, a distance of 4,850 feet, thence S 45° W, a distance of 700 feet more or less to the south line of said Section 5, thence N 89°54'50" W, along said south line, a distance of 4,600 feet, thence N 48°28'41" W, a distance of 550 feet more or less to the west line of Section 5, thence N 00°25'49" W, along said west line a distance of 1,000 feet to a point on a curve concave to the NW, said curve having a central angle of 39°30'00" a radius of 1,940 feet, and arc of 1,311.12 feet, thence continue northerly along said curve and arc a distance of 1,311.12 feet, thence N 12°47'16" E, a distance of 440 feet to the PC of a curve concave to the SE, said curve having a central angle of 33°10'00", a radius of 2,060 feet, and arc of 1,192.4 feet, thence N 45°57'16" E, a distance of 2,377.12 feet, thence N 45° W, a distance of 350 feet more or less to the north section line of Section 5, thence S 89°35'44" E, along the north section line a distance of 2,700 feet more or less to the Point of Beginning.

ATTACHMENT A

SECTION 6 That portion of Section 6, Township 42 South, Range 21 East, bounded on the north by the north line of Section 6, on the west by the west section line and the east by the west R/W of S.R. 771.

SECTION 8 That portion of Section 8, Township 42 South, Range 21 East, being more particularly described as follows:

Commence at the NE corner of said Section 8; thence N 89°54'50" W, along the north line of said section a distance of 1,500 feet more or less to a point on a curve concave to the NE having a radius of 5,500.00 feet, a central angle of 05°00'00", and arc distance of 440.70 feet which said point is also the Point of Beginning, thence southwesterly along said curve 440.70 feet to its PT, which PT is the PC of a circle concave to the NE having a radius of 5,050.00 feet, a central angle of 12°00'00", and arc distance of 1,057.67 feet, thence southwesterly along said curve a distance of 1,057.67 feet to its PT, thence N 43°00'00" W, a distance of 50.00 feet, thence S 53°00'00" E, a distance of 40.00 feet, thence N 43°00'00" W, a distance of 850.00 feet to a point, thence S 47°00'00" E, a distance of 140.00 feet to a point, thence N 43°00'00" W, a distance of 620 feet more or less to the north line of said Section 8, thence easterly along said north line a distance of 2,400 feet more or less to the Point of Beginning.

ATTACHMENT A

SECTION 9

Commence at the NE corner of Section 9, said point also being the Point of Beginning, thence S 00°35'03" W, along the east line of said Section 9, a distance of 3,124.40 feet more or less, thence N 85° W, a distance of 1,819.58 feet to the PC of a curve concave to the NE, said curve having a central angle of 72°00'00", a radius of 1,060 feet, and arc of 1,332.04 feet, thence northerly along said curve an arc distance of 1,332.04 feet, thence N 13° W, a distance of 500 feet to the PC of a curve concave to the SW, said curve having a central angle of 33°11'25", a radius of 940 feet, and arc of 544.52 feet, thence northerly along said curve an arc distance of 544.52 feet to a point, thence N 43°48'35" E, a distance of 60.00 feet to the PC of a curve concave to the SW, said curve having a central angle of 35°48'35", a radius of 1,000.00 feet, and arc of 625.00 feet, thence along said curve a distance of 625.00 feet, thence N 82°00'00" W, a distance of 135.00 feet to a point on a curve concave to the NE, said curve having a central angle of 42°00'00", a radius of 1,000.00 feet, and arc of 733.04 feet, thence along said curve a distance of 580 feet more or less to the intersection with the north line of said Section 9, thence N 89°56'12" E, along the north line of said Section 9, 4,500 feet more or less to the Point of Beginning.

ATTACHMENT A

SECTION 10 Commence at the NE corner of Section 10, said point also being the Point of Beginning, thence S 0°05'37" W, along the east line of said Section 10, a distance of 4,697.27 feet, thence S 89°30'00" W, a distance of 987 feet to the PC of a curve concave to the NE, said curve having a central angle of 40°29'59", a radius of 2,060 feet, and arc of 1,456.13 feet, thence westerly along said curve an arc distance of 1,456.13 feet, thence N 50° W, a distance of 750 feet to the PC of a curve concave to the SW, said curve having a central angle of 35°, a radius of 1,950 feet, and arc of 1,185 feet, thence N 85° W, a distance of 1,380 feet, to the west line of said Section 10, thence N 00°35'03" E, along the west line of said section a distance of 3,124.40 feet, to the NW corner, thence N 89°25'14" E, along the north line of said section to the Point of Beginning.

TERRITORY DESCRIPTION
AQUASOURCE UTILITY, INC.
CHARLOTTE COUNTY

WASTEWATER SERVICE AREA

Township 41 South, Range 20 East, Charlotte County, Florida

- SECTION 13 All of said Section.
SECTION 14 All of said Section.
SECTION 15 All of said Section.
- SECTION 21 Commence at the SE corner of Section 21, thence N 0°32'57" E, a distance of 215.11 feet to the Point of Beginning, thence N 89°46'02" W, a distance of 1,254.80 feet, thence N 0°32'57" E, a distance of 118.46 feet, thence S 89°46'02" E, a distance of 1,254.80 feet, thence S 0°32'57" W, a distance of 118.46 feet to the Point of Beginning.
- SECTION 22 All of said Section.
SECTION 23 All of said Section.
SECTION 24 All of said Section.
SECTION 25 All of said Section.
SECTION 26 All of said Section.
SECTION 27 The East 1/2.
SECTION 34 The East 1/2.
SECTION 35 All of said Section.
SECTION 36 All of said Section.

Township 41 South, Range 21 East, Charlotte County, Florida

- SECTION 17 That portion lying west of S.R. 771 together with that portion of Section 17 lying east of the Seaboard Coastline Railroad being described as follows:

ATTACHMENT B

Commence at the SW corner of Section 17, thence N 88°26'07" E, along the south line of Section 17 a distance of 38.1 feet to the Point of Beginning, thence N 24°30'00" E, a distance of 400 feet more or less to the south R/W line of Rotonda Blvd., East, thence S 89°59'53" E, a distance of 624.69 feet, thence, S 00°09'34" E, a distance of 344.69 feet, thence S 88°26'07" W, along the south line of said Section 17 a distance of 849.10 feet to the Point of Beginning.

SECTION 18 All of said Section.

SECTION 19 That portion lying west of the Seaboard Coast Line Railroad together with that portion of Section 19 lying east of the Seaboard Coast Line Railroad being described as follows:

Commence at the NE corner of said Section 19, thence S 00°07'14" W, along the east line of said Section 19, a distance of 78.5 feet to a point, said point being the Point of Beginning, thence continue S 00°07'14" W, a distance of 382.15 feet to a point, thence S 89°58'47" W, a distance of 177.27 feet to a point, thence N 24°43'08" E, a distance of 428.0 feet more or less to the Point of Beginning.

SECTION 20 Commence at the NW corner of Section 20; thence N 88°26'20" E, along the north line of said Section 20 a distance of 40.10 feet to the Point of Beginning, thence continue N 88°26'20" E, along said north line a distance of 807.0 feet to a point, thence S 00°09'34" E, a distance of 481.6 feet to a point, thence N 89°58'47" W, a distance of 849.1 feet to the east line of said Section 20, thence N 00°07'14" E, along said east line a distance of 460.65 feet to the Point of Beginning.

ATTACHMENT B

- SECTION 29 That portion lying west of S.R. 771.
- SECTION 30 All of said Section.
- SECTION 31 All of said Section 31 lying west of the west R/W line of S.R. 771.
- SECTION 32 Commence at the NE corner of Section 32, Township 41 South, Range 21 East, said point also being the Point of Beginning, thence S 00°48'48" E, along the east line of said section to the SE corner, thence N 89°35'44" W, along the south line of said section a distance of 2,900 feet more or less to a point on a curve concave to the NE, said curve having a central angle of 22°47'51", a radius of 5,779.58 feet, and arc of 4,000 feet, thence continue westerly along said curve an arc distance of 3,000 feet more or less to a point that intersects the west line of said Section 32, thence N 00°09'16" E, along the west line of said section to the east R/W of S.R. 771, thence continue N 00°09'16" E, to the NW corner of said Section 32, thence easterly along the north line of the section to the NE corner thereof being also the Point of Beginning.
- SECTION 33 All of said Section.
- SECTION 34 All of said Section.
- SECTION 35 All of said Section.

Township 42 South, Range 20 East, Charlotte County, Florida

- SECTION 1 All of said Section, less the south 1,275 feet.
- SECTION 2 That portion of Section 2 being bounded by the north, south, and west section lines of said Section 2, and being bounded on the east by the west shoreline of the west branch of Coral Creek together with:

ATTACHMENT B

Commence at the NE corner of Section 2, Township 42 South, Range 20 East, said point also being the Point of Beginning, thence southerly along the east section line a distance of 2,900 feet more or less, thence N 89°31'30" W, a distance of 1,800 feet more or less to the east bank of the west branch of Coral Creek, thence northerly along the east bank of Coral Creek to the north line of said Section 2, thence east along said north line to the NE corner of Section 2 and the Point of Beginning.

- SECTION 3 All of said Section 3, less the northwest quarter lying east of Lemon Bay and north and west of an existing canal.
- SECTION 4 All that portion of Don Pedro Island lying in Section 4, less the north 812 feet thereof.
- SECTION 10 The easterly 2,200 feet of the N 1/2 of the NE 1/4 of said Section 10, together with all that portion of Don Pedro Island lying within said Section 10.
- SECTION 11 That portion of Section 11 lying north of the inland waterway and south of Coral Creek.
- SECTION 12 That portion of Section 12 lying north of the inland waterway and south of Coral Creek.

Township 42 South, Range 21 East, Charlotte County, Florida

- SECTION 1 Commence at the NW corner of Section 1, Township 42 South, Range 21 East, thence S 01°36'56" W, a distance of 190 feet to the Point of Beginning, thence S 89°50'49" E, a distance of 40 feet, thence S 01°36'57" E, a distance of 106.46 feet, to the PC of a curve concave to the NW, said curve having a central angle of 09°44'42", a radius of 2,772.09

ATTACHMENT B

feet, and arc of 471.48 feet, thence continue southerly along said curve to a point that intersects with the west line of said Section 1, thence N 00°32'16" E, along the west line of said Section 1 to the Point of Beginning.

SECTION 2 All of Section 2, Township 42 South, Range 21 East, less the following described portion.

Commence at the SE corner of said Section 2, said point also being the Point of Beginning, thence S 89°12'54" W, along the south section line a distance of 700 feet more or less, thence N 00°30' W, a distance of 1,800 feet to the PC of a curve concave to the NW, said curve having a central angle of 34°56'57", a radius of 2,772.04 feet, and arc of 1,690.91 feet, thence continue northerly along said curve to a point that intersects the east line of Section 2, thence S 01°36'56" E, along the east line of Section 2 to the SE corner and Point of Beginning.

SECTION 3 All of said Section.

SECTION 4 All of Section 4, Township 42 South, Range 21 East, less the following described property.

Commence at the SW corner of said Section 4, said point also being the Point of Beginning, thence N 00°17'22" E, along the west line of Section 4 a distance of 200 feet, thence S 45° E, a distance of 300' more or less to the south line of Section 4, thence S 89°56'12" W, along the south line of Section 4 to the SW corner and the Point of Beginning.

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SECTION 5 Commence at the NE corner of Section 5, said point also being the Point of Beginning. Thence S 0°17'22" W, along the east line of said Section 5, a distance of 4,850 feet. Thence S 45° W, a distance of 700 feet more or less to the south line of said Section 5. Thence N 89°54'50" W, along said south line a distance of 4,600 feet. Thence N 48°28'41" W, a distance of 550 feet more or less to the west line of Section 5. Thence N 00°25'49" W, along said west line a distance of 1,000 feet to a point on a curve concave to the NW, said curve having a central angle of 39°30'00", a radius of 1,940 feet, and arc of 1,311.12 feet, thence continue northerly along said curve an arc distance of 1,311.12 feet, thence N 12°47'16" E, a distance of 440 feet to the PC of a curve concave to the SE, said curve having a central angle of 33°10'00", a radius of 2,060 feet, and arc of 1,192.4 feet, thence N 45°57'16" E, a distance of 2,377.12 feet, thence N 45° W, a distance of 350 feet more or less to the north section line of Section 5, thence S 89°35'44" E, along the north section line, a distance of 2,700 feet more or less to the Point of Beginning.

SECTION 6 That portion of Section 6, Township 42 South, Range 21 East, bounded on the north by the north line of Section 6, on the west by the west section line and the east by the west R/W of S.R. 771.

SECTION 8 That portion of Section 8, Township 42 South, Range 21 East, being more particularly described as follows:

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Commence at the NE corner of said Section 8, thence N 89°54'50" W, along the north line of said Section 8, a distance of 1,500 feet more or less to a point on a curve concave to the NE having a radius of 5,500.00 feet, a central angle of 05°00'00", and arc distance of 440.70 feet, which said point is also the Point of Beginning, thence southwesterly along said curve 440.70 feet to its PT, which PT is the PC of a circle concave to the NE having a radius of 5,050.00 feet, a central angle of 12°00'00", and arc distance of 1,057.67 feet, thence southwesterly along said curve a distance of 1,057.67 feet to its PT, thence N 43°00'00" W, a distance of 50.00 feet; thence S 53°00'00" E, a distance of 40.00 feet; thence N 43°00'00" W, a distance of 850.00 feet to a point, thence S 47°00'00" E, a distance of 140.00 feet to a point, thence N 43°00'00" W, a distance of 620 feet more or less to the north line of said Section 8, thence easterly along said north line a distance of 2,400 feet more or less to the Point of Beginning.

SECTION 9

Commence at the NE corner of Section 9, said point also being the Point of Beginning, thence S 0°35'03" W, along the east line of said Section 9 a distance of 3,124.40 feet more or less, thence N 85° W, a distance of 1,819.58 feet to the PC of a curve concave to the NE, said curve having a central angle of 72°00'00", a radius of 1,060 feet, and arc of 1,332.04 feet, thence northerly along said curve an arc distance of 1,332.04 feet, thence N 13° W, a distance of 500 feet to the PC of a curve concave to the SW, said curve having a central angle of 33°11'25", a radius of 940 feet, and arc of 544.52 feet, thence northerly along said curve an arc distance of 544.52 feet to a point, thence N 43°48'35" E, a distance of 60.00 feet to the PC of a curve concave to the SW, said curve having a

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central angle of $35^{\circ}48'35''$, a radius of 1,000.00 feet, and arc of 625.00 feet, thence along said curve a distance of 625.00 feet, thence $N 82^{\circ}00'00'' W$, a distance of 135.00 feet to a point on a curve concave to the NE, said curve having a central angle of $42^{\circ}00'00''$, a radius of 1,000.00 feet, and arc of 733.04 feet, thence along said curve a distance of 580 feet more or less to the intersection with the north line of said Section 9, thence $N 89^{\circ}56'12'' E$, along the north line of said Section 9, 4,500 feet more or less to the Point of Beginning.

SECTION 10

Commence at the NE corner of Section 10, said point also being the Point of Beginning, thence $S 0^{\circ}05'37'' W$, along the east line of said Section 10 a distance of 4,697.27 feet, thence $S 89^{\circ}30'00'' W$, a distance of 987 feet to the PC of a curve concave to the NE, said curve having a central angle of $40^{\circ}29'59''$, a radius of 2,060 feet, and arc of 1,456.13 feet, thence westerly along said curve an arc distance of 1,456.13 feet, thence $N 50^{\circ} W$, a distance of 750 feet to the PC of a curve concave to the SW, said curve having a central angle of 35° , a radius of 1,950 feet, and arc of 1,185 feet, thence $N 85^{\circ} W$, a distance of 1,380 feet to the west line of said Section 10, thence $N 0^{\circ}35'03'' E$, along the west line of said section a distance of 3,124.40 feet to the NW corner, thence $N 89^{\circ}25'14'' E$, along the north line of said Section 10 to the Point of Beginning.

ATTACHMENT C

ROTONDA WEST UTILITY CORPORATION
 WATER TREATMENT PLANT (WTP)
 ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI)

1993 WTP AFPI			1994 WTP AFPI				
	New	Present	Total	New	Present	Total	
	1	2		1	2		
January	11.41	39.42	50.83	January	148.75	39.42	188.17
February	22.83	39.42	62.25	February	160.55	39.42	199.97
March	34.24	39.42	73.66	March	172.34	39.42	211.76
April	45.65	39.42	85.07	April	184.14	39.42	223.56
May	57.06	39.42	96.48	May	195.93	39.42	235.35
June	68.48	39.42	107.90	June	207.73	39.42	247.15
July	79.89	39.42	119.31	July	219.53	39.42	258.95
August	91.30	39.42	130.72	August	231.32	39.42	270.74
September	102.71	39.42	142.13	September	243.12	39.42	282.54
October	114.13	39.42	153.55	October	254.91	39.42	294.33
November	125.54	39.42	164.96	November	266.71	39.42	306.13
December	136.95	39.42	176.37	December	278.51	39.42	317.93
1995 WTP AFPI			1996 WTP AFPI				
	New	Present	Total	New	Present	Total	
	1	2		1	2		
January	291.20	39.42	330.62	January	444.52	39.42	483.94
February	303.89	39.42	343.31	February	458.20	39.42	497.62
March	316.59	39.42	356.01	March	471.89	39.42	511.31
April	329.28	39.42	368.70	April	485.57	39.42	524.99
May	341.98	39.42	381.40	May	499.25	39.42	538.67
June	354.67	39.42	394.09	June	512.94	39.42	552.36
July	367.38	39.42	406.78	July	526.62	39.42	566.04
August	380.06	39.42	419.48	August	540.31	39.42	579.73
September	392.75	39.42	432.17	September	553.99	39.42	593.41
October	405.45	39.42	444.87	October	567.67	39.42	607.09
November	418.14	39.42	457.56	November	581.36	39.42	620.78
December	430.83	39.42	470.25	December	595.04	39.42	634.46
1997 WTP AFPI							
	New	Present	Total				
	1	2					
January	609.82	39.42	649.24				
February	624.59	39.42	664.01				
March	639.37	39.42	678.79				
April	654.15	39.42	693.57				
May	668.92	39.42	708.34				
June	683.70	39.42	723.12				
July	698.47	39.42	737.89				
August	713.25	39.42	752.67				
September	728.02	39.42	767.44				
October	742.80	39.42	782.22				
November	757.58	39.42	797.00				
December	772.35	39.42	811.77				

- 1) The AFPI shown above in the column labeled "New" are assessed for only the first 1,844 ERC's connected after the commencement of the AFPI on January 1, 1993.
- 2) The AFPI shown above in the column labeled "Present" are recognize the carrying costs of the Cape Haze Water Treatment Plant through December 31, 1992. These charges are assessed for only the first 889 ERC's connected after January 1, 1993.

ATTACHMENT D

ROTONDA WEST UTILITY CORPORATION
WATER TRANSMISSION AND DISTRIBUTION SYSTEMS
ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI)

The Following AFPI will be assessed per all ERC's connected after the commencement of the AFPI

	1991	1992	1993	1994	1995	1996	1997	1998
January	2.40	31.38	62.78	96.93	134.08	174.54	218.65	266.78
February	4.79	33.96	65.61	100.00	137.43	178.19	222.63	271.13
March	7.19	36.56	68.43	103.08	140.77	181.84	226.61	275.47
April	9.59	39.16	71.26	106.15	144.12	185.48	230.59	279.82
May	11.98	41.76	74.08	109.22	147.47	189.13	234.57	284.17
June	14.38	44.36	76.91	112.30	150.81	192.78	238.55	288.51
July	16.77	46.96	79.73	115.37	154.16	196.43	242.53	292.86
August	19.17	49.56	82.56	118.44	157.51	200.08	246.51	297.21
September	21.57	52.16	85.38	121.52	160.85	203.72	250.49	301.56
October	23.96	54.76	88.21	124.59	164.20	207.37	254.47	305.90
November	26.36	57.36	91.03	127.66	167.55	211.02	258.45	310.25
December	28.76	59.96	93.86	130.74	170.89	214.67	262.43	314.60

ATTACHMENT E

ROTONDA WEST UTILITY CORPORATION
 SEWER (WASTEWATER) TREATMENT PLANT (STP)
 ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI)

1993 STP AFPI			1994 STP AFPI				
	New	Present	Total		New	Present	Total
January	0.65	293.53	294.18	January	8.53	452.33	460.86
February	1.31	306.67	307.98	February	9.22	466.58	475.80
March	1.96	319.81	321.77	March	9.90	480.82	490.72
April	2.62	332.96	335.58	April	10.59	495.07	505.66
May	3.27	346.10	349.37	May	11.28	509.32	520.60
June	3.92	359.24	363.16	June	11.96	523.58	535.52
July	4.58	372.38	376.96	July	12.65	537.81	550.46
August	5.23	385.52	390.75	August	13.33	552.06	565.39
September	5.89	398.66	404.55	September	14.02	566.30	580.32
October	6.54	411.80	418.34	October	14.70	580.55	595.25
November	7.19	424.94	432.13	November	15.39	594.80	610.19
December	7.85	438.08	445.93	December	16.07	609.04	625.11
1995 STP AFPI			1996 STP AFPI				
	New	Present	Total		New	Present	Total
January	16.82	624.51	641.33	January	25.78	811.45	837.23
February	17.58	639.98	657.54	February	26.59	828.27	854.86
March	18.30	655.44	673.74	March	27.39	845.08	872.47
April	19.04	670.91	689.95	April	28.20	861.89	890.09
May	19.78	686.38	706.16	May	29.00	878.70	907.70
June	20.53	701.84	722.37	June	29.81	895.51	925.32
July	21.27	717.31	738.58	July	30.61	912.32	942.93
August	22.01	732.78	754.79	August	31.42	929.13	960.55
September	22.75	748.24	770.99	September	32.22	945.95	978.17
October	23.50	763.71	787.21	October	33.03	962.76	995.79
November	24.24	779.18	803.42	November	33.83	979.57	1,013.40
December	24.98	794.64	819.62	December	34.63	996.38	1,031.01
1997 STP AFPI							
	New	Present	Total				
January	35.51	1,014.67	1,050.18				
February	36.38	1,032.97	1,069.35				
March	37.26	1,051.26	1,088.52				
April	38.13	1,069.56	1,107.69				
May	39.00	1,087.85	1,126.85				
June	39.88	1,106.15	1,146.03				
July	40.75	1,124.44	1,165.19				
August	41.62	1,142.73	1,184.35				
September	42.50	1,161.03	1,203.53				
October	43.37	1,179.32	1,222.69				
November	44.24	1,197.62	1,241.86				
December	45.12	1,215.91	1,261.03				

* The AFPI shown above are assessed for only the first 884 ERC's connected after the commencement of the AFPI on January 1, 1993

ATTACHMENT F

ROTONDA WEST UTILITY CORPORATION
WASTEWATER COLLECTION SYSTEMS
ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI)

The following AFPI will be assessed per all ERC's connected after the commencement of the AFPI

	1991	1992	1993	1994	1995	1996	1997	1998
January	0.79	10.39	20.79	32.09	44.38	57.75	72.32	88.21
February	1.59	11.25	21.73	33.11	45.48	58.95	73.64	89.65
March	2.38	12.11	22.68	34.12	46.59	60.16	74.95	91.08
April	3.18	12.97	23.60	35.14	47.70	61.37	76.26	92.52
May	3.97	13.83	24.53	36.16	48.80	62.57	77.58	93.95
June	4.76	14.69	25.47	37.17	49.91	63.78	78.89	95.39
July	5.56	15.55	26.40	38.19	51.01	64.98	80.21	96.82
August	6.35	16.41	27.34	39.21	52.12	66.19	81.52	98.26
September	7.15	17.28	28.27	40.22	53.23	67.39	82.84	99.69
October	7.94	18.14	29.21	41.24	54.33	68.60	84.15	101.13
November	8.73	19.00	30.14	42.26	55.44	69.80	85.47	102.56
December	9.53	19.86	31.08	43.27	56.54	71.01	86.78	104.00