



**SOUTHLAKE UTILITIES, INC.**  
 333 U.S. Highway 27, Clermont, FL 34711  
 Telephone (352) 394-8898 Facsimile (352) 394-8894  
 Florida Public Service Commission Certs. 464-S 533-W

April 13, 2000

By Facsimile: (850) 413-6203

Ms. Blanca S. Bayó  
 Director  
 Division of Records and Reporting  
 Florida Public Service Commission  
 2540 Shumard Oak Boulevard  
 Tallahassee, FL 32399-0850

ORIGINAL

RE: Complaint by D. R. Horton Custom Homes, Inc. against Southlake Utilities, Inc., before the Florida Public Service Commission, Docket No. 980992-WS ("Complaint") and Petition by D. R. Horton Custom Homes, Inc., to Eliminate Authority of Southlake Utilities, Inc. to Collect Service Availability Charges and AFPI Charges in Lake County, Docket No. 981609-WS ("Petition")

Dear Ms. Bayó:

The following documents which have previously been delivered to members of the Commission staff do not appear to be listed in the Documents Filing Index available over the internet from the Case Management System. We would appreciate it if you could add them to the record. Copies are enclosed.

3/9/00 — Copy of letter Southlake's letter to WAW/Fletcher in response to Mr. Deterding's 3/1/00 letter to WAW/Fletcher, 6 pages.

2/24/00 — Copy of cover fax and updated forecast from Southlake to WAW/Davis, 3 pages.

2/4/00 — Copy of Southlake's letter to WAW/Fletcher in response to 1/3/2000 Deterding/Boyd letter to WAW/Fletcher, 23 pages.

1/4/00 — Copy of Southlake's letter to WAW/Merchant regarding equity, debt, and utility plant and service, 2 pages.

12/22/99 — Copy of faxed billing analysis to WAW/Davis, 1 page.

12/22/99 — Copy of fax memo to WAW/Davis listing water meters by size and 1,803 residential units as of 12/1/99, 2 pages.

AFA  
 APP  
 CAF  
 CMU  
 CTR  
 EAG  
 LEG  
 MAS  
 QPC  
 RRR  
 SEC  
 WAW  
 OTH

DOCUMENT NUMBER-DATE

04581 APR 14 8

FPSC-RECORDS/REPORTING

12/20/99 — Copy of faxed Application for New Residential Service to WAW/Merchant, 1 page

12/17/99 — Copy of letter to LEG/Cibula regarding results of Water Management District water audit showing that D. R. Horton homes in Clear Creek using average of 871 g.p.d. water, 12 pages.

9/27/99 — Copy of fax to WAW/Fletcher providing one-year option to lease 8/22/90 and 1/25/94 valuation basis.

Thank you for your assistance,

Sincerely,

A handwritten signature in cursive script that reads "Robert L. Chapman, III". The signature is written in black ink and is positioned above the printed name and title.

Robert L. Chapman, III  
President

Cc:

Scott Schildberg, Esq.  
F. Marshall Deterding, Esq.



**Southlake**

**SOUTHLAKE UTILITIES, INC.**

333 U.S. Highway 27, Clermont, FL 34711

Telephone (352) 394-8898 Facsimile (352) 394-8894

Florida Public Service Commission Certs. 464-S 533-W

March 9, 2000

By Facsimile: (850) 413-7018

Mr. Bart Fletcher  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RE: Emergency Petition by D.R. Horton Custom Homes, Inc., to Eliminate Authority of Southlake Utilities, Inc. to Collect Service Availability Charges and AFPI Charges in Lake County, Docket No. 981609-WS ("Petition")

Dear Bart:

I am in receipt of Mr. Deterding's letter to you dated March 1, 2000. Southlake Utilities, Inc. ("Southlake Utilities") disagrees with the assertions in the letter: For example, let's examine the Southlake Utilities growth projections for the water system:

- 1) The PSC Annual Report form does not ask us to predict growth for the next or upcoming year. Instead it asks us to state, in response to question 2, "Present system connection capacity (in ERC's) using existing lines," question 3, "future connection capacity (in ERC's) upon service area buildout," and question 4, "estimated annual increase in ERCs." In this context we believe "estimated annual increase" refers to the annual increase through service area buildout.

Our long term buildout estimate (based on existing development permits and the time limits written into those permits) forecast that the system will achieve 15,564 buildout Equivalent Residential Connections (ERCs) within 15 1/2 years of its inception, *an estimated annual increase in ERCs of 1,000 per year.* (15.5 x 1,000 = 15,500) To this we added 64 ERCs which went online at system initialization. (See attached Exhibit A, DEP Conditional Clearance letter, March 24, 1994, authorizing service to a maximum of 100 residential units. Because of building configuration and the fact

that all the initial living units were apartments rated at 250 Gallons Per Day ("GPD") of water and 235 GPD wastewater, initial service totaled 64 ERCs.)

Our shorter-term forecasts, such as the current forecasts that were submitted to Mr. Ted Davis on February 24, are estimates based on the number of units currently occupied in each development, the proposed number of units for each development, our review of existing development permits, the time limits written into those permits, and development plans submitted to governmental authorities and the schedules in those plans.

We believe that it is prudent to have an executable plan in place that will allow us to meet the needs of *all development authorized by law within our territory and to meet all projected buildout schedules*. Examples of the types of development schedules we must work with are attached as Exhibits B, C, D, E, and F.

Exhibit B. PUD application for the subdivision now named Woodridge submitted in 1990 by Condev to Lake County providing in Section 3 a Phasing and Land Use Summary and in Section 5 water usage and sewage production.

Exhibit C. A letter dated June 7, 1991, from Condev Properties to Lake County detailing Condev's projected utility requirements for Woodridge.

Exhibit D. A letter from DEP extending the expiration of the water distribution system permits for Woodridge from June 10, 1996 to June 15, 1999.

Exhibit E. Sections from Lake County Revised Planned Unit Development Ordinance #74-90 granting zoning for 722 dwelling units (Section I.A.1.) and specifying a schedule of Development Phasing (Section VII).

Exhibit F. Sections from the Development Order for Designation of Southlake as a Florida Quality Development (Development of Regional Impact) stipulating that the right to develop terminates in 15 years (2006) (Lake Co. O.R. Book 1117 page 1373 paragraph IV.B.1.) and granting authority for construction of 8,000 dwelling units and 200,000 square feet of retail (Lake Co. O.R. Book 1117 page 1374 paragraph IV.C.1.).

- 2) Achieving 15,564 ERC's in 15 1/2 years from the the initial clearance date ERCs requires a 37.6% annual growth rate.

- 3) Southlake Utilities is actually growing at 67.77% per year, a rate 80.24% faster than the 37.6% rate necessary to achieve 15,564 ERCs in 15.5 years ( $37.6 + (.8024 \times 37.6) = 67.77$ ).
- 4) Southlake originally projected reaching 15,564 ERCs by growing 37.6% annually. Southlake actually grew at an annual rate of 67.8% for its first five years. Southlake will now reach 15,564 ERCs by the end of the next ten years even if it experiences a more modest future annual growth rate of only 25.26% per year, instead of the originally projected 37.6%.

Our responses on the annual reports and in our forecasts reflect realistic and conservative estimates and we stand by them.

Because our construction plans are phased to match plant capacity as closely as possible to actual connections, a slowdown in growth is financially beneficial to developers from the standpoint of plant capacity charges. Our costs go up, from inflation and because it is more expensive to build capacity in smaller increments. However our current plant capacity charges were fixed in 1990. Our projections are based on those charges remaining the same for the foreseeable future.

The actual growth of calculated water ERC's (total gallons sold in a calendar year divided by number of days in the year divided by 350) is as follows:

<u>Year</u>	<u>ERCs</u>	<u>Increase</u>
1994	109.8	n/a
1995	188.2	71.4%
1996	409.7	117.7%
1997	526.5	28.5%
1998	947.0	79.9%
1999	1,462.5	54.3%
Total increase, 1995-1999:		1,352.7
Annual percentage increase:		67.8%

Southlake Utilities yearly water flows and growth percentages are shown on Chart A, attached.

If water consumption continues to grow at the rate shown above and on Chart A, Southlake Utilities will need to be able to provide 15,564 calculated ERCs during the year 2004.

To provide an additional verification of our projections, we have performed standard curvilinear regression analysis of the five years of historical data using the formula  $y = b + c_1x + c_2x^2 + \dots + c_6x^6$ . This analysis provides additional confirmation in that it indicates that Southlake Utilities will need to be

able to provide 15,564 calculated ERCs during the year 2010. Please refer to Chart B for this trendline projection.

With regard to the wastewater flows, Southlake has also been experiencing tremendous growth as shown by the following table:

<u>Year</u>	<u>ERCs</u>	<u>Increase</u>
1994 <sup>1</sup>	81.1	n/a
1995 <sup>1</sup>	134.0	65.2%
1996 <sup>2</sup>	219.3	63.9%
1997 <sup>1</sup>	301.5	37.5%
1998 <sup>3</sup>	317.5	5.3%
1999 <sup>1</sup>	521.8	73.1%
Total increase, 1995-1999:		440.7
Annual percentage increase:		47.0%

- 
1. Wastewater treated per Annual Reports (based on FDEP monthly operating reports). ERCs for years 1994 and 1995 calculated per formula in Schedule S-5 of the Annual Report form:  $ERC = (\text{Total Gallons Treated} / 365 \text{ days}) / 275 \text{ Gallons Per Day}$ . Year 1994 adjusted for actual days in operation. Years 1996 through 1999 calculated per formula in Schedule S-6 of the Annual Report form:  $ERC = (\text{Total Gallons Treated} / 365 \text{ days}) / 280 \text{ Gallons Per Day}$ . Year 1996 adjusted to 366 days for leap year.
  2. From April 7 to June 14, 1996, Southlake Utilities conducted DEP required percolation pond load tests. The test methodology required a large volume of water to be introduced into the wastewater treatment plant between the chlorine contact chamber and the flow meter. In analyzing the wastewater flows for 1996, we have eliminated the entire load test volume, totaling 35.467 million gallons. The remaining annual flow totals 22.068 million gallons.
  3. Wastewater treated per FDEP monthly operating reports. Please see Southlake's response to Staff's First Data Request, Question 1(g), (December 29, 1998) which used the correct information. There was a typographical error in the 1998 Annual Report in which the 1997 flow was listed for 1998.

Southlake Utilities growth planning projections are based on a periodic review of permits issued to developers and on the time limits for development set forth in those permits. Developers within our service area hold permits for five PUDs (planned unit developments) and two DRIs (Developments of Regional Impact.) Each of these permits requires that development be completed within a specified time period. We believe that

it is prudent for us to plan to meet the demands which developers expect to be placing upon us.

Mr. Deterding closes his letter with the assertion that our estimates of needed "plant improvements is vastly overstated and offered for no purpose other than to justify continuation of their existing Service Availability Charges, despite evidence they that they should be discontinued altogether." This assertion is wrong. Plant improvements are not overstated. The plant improvements are planned to enable Southlake Utilities to timely provide service.

Furthermore, there has been explosive growth within our service area and a tremendous backlog of development entitlements that have already been granted to landowners in the territory.

In addition, Service Availability Charges will not be collected unless projected growth materializes. If only half of the projected growth actually materializes, perhaps because of an economic downturn, we will only collect half of the anticipated amount of Service Availability Charges. We would cut our plant improvement program proportionally.

Moreover, on a per unit (ERC or gallon) basis, costs generally go down as quantity (capacity) increases. Costs per unit generally and go up as quantity decreases.

There is a simple reason for this: the surface-to-volume laws of geometry which mean, for example, as the diameter of a tank or a pipe or a well increases, the amount of material necessary to construct the tank or pipe or well increases arithmetically while the capacity increases geometrically. To provide a concrete example, we have included an engineer's construction cost estimate (attached as Exhibit G) comparing the cost of constructing two 100,000 gallon ground storage tanks to the cost of constructing a 200,000 gallon ground storage tank. A \$1.67 cost per gallon is estimated for the two 100,000-gallon tanks. The cost declines to \$1.29 per gallon if a 200,000-gallon tank is constructed. Put this example another way, a 100% increase in capacity can be had for only a 57.2% increase in expenditure.

These principles mean that if actual Southlake Utilities growth is less than forecasted growth, the per-ERC costs for improvements will increase, not decrease. If growth lower than projected occurs, this would mean that higher, not lower, Service Availability Charges are justified. Higher growth projections actually benefit our customers because our cost forecasts are based on larger unit purchases which passes the resulting savings to our customers through Service Availability Charges, which are the lowest of the four public utilities serving our immediate area.

In addition, enclosed for your information as Exhibits H and I are copies of March 1, 2000 and March 3, 2000 information sheets provided by Norman Mears. These information sheets are preliminary in nature and subject to revision with the completion of the annual reports for 1999.

In summary, the projected growth rate charts filed with the Commission on June 18, 1999 and revised on February 24, 2000 are based on the best information available to Southlake Utilities. This information has been derived from plans and permits filed with appropriate governmental authorities by developers within our service area.

Sincerely,

Robert L. Chapman, III  
President

Cc: James Ade, Esq.,  
Ms. Blanca Bayo,  
Samantha Cibula, Esq.,  
Mr. Ted Davis,  
F. Marshall Deterding, Esq.,  
Mr. Norman Mears,  
Ms. Patricia Merchant,  
Scott Schildberg, Esq.

Enclosures.

# SOUTHLAKE UTILITIES

## Fax Memo

Date: February 24, 2000

TO: Mr. Ted Davis FAX: (850) 413-6967

cc: Mr. Bart Fletcher FAX: (850) 413-7018  
Ms. Samantha Cibula FAX: (850) 413-6203  
Ms. Patricia Merchant FAX: (850) 413-6919  
Mr. Norman Mears FAX: (850) 562-9887  
✓ Mr. Scott Schildberg FAX: (904) 354-5842  
Mr. F. Marshall Deterding FAX: (850) 656-4029

FROM: Bob Chapman PHONE: (919) 403-7654  
Southlake Utilities, Inc. FAX: (919) 402-8282

I am pleased to provide the attached information for your review, as promised.

It updates the forecasts submitted on June 18, 1999 as part of our First Supplemental Response to Staff's First Data Request of December 28, 1998. Among the significant revisions are the following:

1994-1998 totals are presented

1999 actual instead of projected is presented

Southlake FQD apartment complex and Summer Bay Holiday Inn moved from 1999 projected connection to 2000 projected connection. Arroyo, High Grove, and Walker Heights Huang moved from 1999 to 2000 connection start dates.

Minor refinements in 7-year projection based on current knowledge of developer intentions.

Norman Mears has been travelling for the past several days and has not had an opportunity to review it, so I have stamped it as a DRAFT. As soon as he has verified the numbers, we will send a final version.

Two (2) pages follow.

Schedule showing the projected growth rate for utilization of the existing plant and line capacity and future line and plant capacity.

Water Division

Projected Growth in Equivalent Residential Connections (ERC's)

**DRAFT**

Description	ERC's									
	1994 -1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Arroyo (Orange County)	0.0	0.0	57.0	79.0	105.0	149.0	160.0	118.0	95.0	0.0
Clear Creek (Horton)	58.0	79.0	56.0	88.0	35.0	0.0	0.0	0.0	0.0	0.0
Glenbrook	0.0	0.0	58.0	78.0	83.0	81.0	107.0	101.0	94.0	71.0
Handy Way (Miller Bros.)	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High Grove	0.0	0.0	42.5	42.5	42.5	42.5	0.0	0.0	0.0	0.0
Macci	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Orlando Vacation Resort	0.0	0.0	0.0	183.0	0.0	0.0	0.0	0.0	0.0	0.0
Publix Shopping Center	0.0	34.3	19.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Southlake FQD	310.0	0.0	241.0	480.0	660.0	820.0	855.0	850.0	800.0	700.0
Southlake Shell (Ware Oil)	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Summer Bay	154.1	51.7	190.0	241.0	301.0	361.0	406.0	376.0	352.0	201.0
Walker Heights, Davis Prop.	0.0	0.0	223.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Walker Heights, Huang	0.0	0.0	33.0	122.0	122.0	121.0	122.0	0.0	0.0	0.0
Winn Dixie Shopping Center	18.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Winn Dixie Shopping Retail	1.4	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Horton	111.0	8.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Jones	69.7	16.0	20.0	15.0	16.0	0.0	0.0	0.0	0.0	0.0
Worthwhile Development	247.2	0.0	260.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Wooldridge	27.0	16.0	22.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Other	0.0	2.6	84.7	10.0	16.0	13.0	8.0	0.0	0.0	0.0
Other ERCs, Zoned Density	0.0	2.5	<u>150.0</u>	<u>150.0</u>	<u>200.0</u>	<u>200.0</u>	<u>150.0</u>	<u>200.0</u>	<u>200.0</u>	<u>200.0</u>
<b>ERC's Connected</b>	<b><u>1,011.0</u></b>	<b><u>212.6</u></b>	<b><u>1,459.9</u></b>	<b><u>1,497.5</u></b>	<b><u>1,580.5</u></b>	<b><u>1,787.5</u></b>	<b><u>1,808.0</u></b>	<b><u>1,645.0</u></b>	<b><u>1,541.0</u></b>	<b><u>1,172.0</u></b>

Note: "ERC's Connected" represents plant capacity reserved by connected customers, not actual flows.

Schedule showing the projected growth rate for utilization of the existing plant and line capacity and future line and plant capacity.

REV. 11/2000

Wastewater Division

Projected Growth in Equivalent Residential Connections (ERC's)

**DRAFT**

Description	BRC's 1994 -1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Arroyo (Orange County)	0.0	0.0	57.0	79.0	105.0	149.0	160.0	118.0	95.0	0.0
Clear Creek (Horton)	58.0	70.0	56.0	88.0	35.0	0.0	0.0	0.0	0.0	0.0
Glenbrook	0.0	0.0	58.0	78.0	83.0	81.0	107.0	101.0	94.0	71.0
Handy Way (Miller Bros.)	9.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High Grove	0.0	0.0	42.5	42.5	42.5	42.5	0.0	0.0	0.0	0.0
Macci	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Orlando Vacation Resort	0.0	0.0	0.0	183.0	0.0	0.0	0.0	0.0	0.0	0.0
Publix Shopping Center	0.0	40.0	19.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Southlake FQD	340.0	0.0	241.0	480.0	660.0	820.0	855.0	850.0	800.0	700.0
Southlake Shell (Ware Oil)	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Summer Bay	151.8	57.4	190.0	241.0	301.0	361.0	406.0	376.0	352.0	201.0
Walker Heights, Davis Prop.	0.0	0.0	223.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Walker Heights, Huang	0.0	0.0	33.0	122.0	122.0	121.0	122.0	0.0	0.0	0.0
Winn Dixie Shopping Center	21.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Winn Dixie Shopping Retail	1.6	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Horton	111.0	8.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Jones	68.0	16.0	20.0	15.0	16.0	0.0	0.0	0.0	0.0	0.0
Worthwhile Development	266.9	0.0	260.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Woodridge	27.0	16.0	22.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
Woodridge, Other	0.0	3.0	84.7	10.0	16.0	13.0	8.0	0.0	0.0	0.0
Other ERCs, Zoned Density	0.0	0.8	<u>150.0</u>	<u>150.0</u>	<u>200.0</u>	<u>200.0</u>	<u>150.0</u>	<u>200.0</u>	<u>200.0</u>	<u>200.0</u>
<b>ERC's Connected</b>	<u>1,061.0</u>	<u>214.1</u>	<u>1,459.9</u>	<u>1,497.5</u>	<u>1,580.5</u>	<u>1,787.5</u>	<u>1,808.0</u>	<u>1,645.0</u>	<u>1,541.0</u>	<u>1,172.0</u>

Note: "ERC's Connected" represents plant capacity reserved by connected customers, not actual flows.



**Southlake**

**SOUTHLAKE UTILITIES, INC.**  
333 U.S. Highway 27, Clermont, FL 34711  
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February 4, 2000

Mr. Bart Fletcher  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Emergency Petition by D. R. Horton Custom Homes, Inc., to Eliminate Authority of Southlake Utilities, Inc. to Collect Service Availability Charges and AFPI Charges in Lake County, Docket No. 981609-WS ("Petition")

Dear Bart:

This letter is in response to the January 3, 2000 letters by F. Marshall Deterding and James E. Boyd on behalf of D. R. Horton Custom Homes, Inc., ("D.R. Horton"). This letter will provide a general explanation regarding Horton's claims of inconsistency and then will address the specific items listed in the Boyd letter.

**General Response:**

Southlake Utilities, Inc. ("Southlake") must revise its growth forecasts frequently for the reasons set forth below. The changes in growth forecasts and other factors result in changes in the level of facilities needed. Because Southlake is a small utility company, a change in demand that would be minor to a large utility company may necessitate changes in facilities by Southlake. Southlake sees such changes as appropriate - not inconsistent. Utility companies must adapt to changing situations and base their projections on the information available.

The most significant cause of change is the change in developer forecasts. We must rely on developer forecasts as our main source for projecting growth and the resulting facilities expansion. Unfortunately, these forecasts have proven to be quite volatile.

For example, the following projects, originally slated for groundbreaking in 1999 or prior, were moved to "on-hold" status by the respective developer in 1999:

Nelson Park Apartments	358 units	261 ERCs (w)	281 ERCs (ww)
Raintree Apartments	313 units	226 ERCs (w)	246 ERCs (ww)
Holiday Inn Summer Bay	238 units	140 ERCs (w)	162 ERCs (ww)

As of February 3, 2000, none of these projects has been cancelled—just postponed.

As imprecise as developer forecasts are, they are in reality the only information available. It is our responsibility to make plans that will enable us to meet the needs customers tell us to expect.

In addition to changes in growth and facility projections arising from delays in the schedule of development provided by developers, changes also result because of changes in the rate of usage originally projected by developers. For example a developer may purchase 350 gallons per day of capacity per connection for a group of single family homes but then decide to sell the houses instead to short-term vacation rental companies. Our experience has shown that vacation renters use substantially more water than permanent residents. Most of the vacation rental houses within our territory have been built by D. R. Horton Custom Homes.

For example, in its permit applications to the Florida DEP, D. R. Horton proposed that 246 homes it planned to construct would require an average of 300 gallons of potable water per day ("GPD") — a total of 73,800 gallons per day. Under FDEP permit WD35-80599-001, DEP authorized 86,100 GPD for these 246 single family homes (i.e. an average of 350 GPD per house.) Copies of this application and permits attached. In an application for service for these 246 houses, D. R. Horton agreed that Southlake Utilities Tariffs "provide for a water plant allocation of 350 gallons per day and a wastewater allocation per day of 300 gallons per day per SF Home. Utility will not be obligated to provide capacity of service in excess of that allocation ..."

As part of complying with a water audit requirement of the St. Johns River Water Management District, we recently performed metered use calculations covering the 366-day period ending November 17, 1999. The district is interested in determining whether leakage is causing high water use. We had originally suspected leakage in our system, and we conducted tests using ultrasonic flow meters and ground scanning radar provided by the Florida Rural Water Association to pursue that possibility. No leaks were found, and the water audit indicates total losses of only 3.2%, which is considered quite low. However, through the water audit we were surprised to learn that, as a group, the houses within our service area which were constructed by D. R. Horton had an overall average annual daily consumption of 871 gallons of potable water per house per day. This means that, on average, a D. R. Horton home uses 248% of the capacity reserved for it. According to information provided to us by the St. Johns River Water Management District, well known water conservation practices, particularly landscaping practices, could have greatly reduced such a high water demand. Such water conservation practices include use of low volume micro-irrigation systems; not installing high demand grasses like D. R. Horton selected; soil conditioning to reduce excessive percolation; and xeriscaping.

The impact of the changes in growth and usage projections is multiplied by the Department of Environmental Protection's requirement that we construct and operate our water facilities based on a peak day demand formula in which peak demand is 2.25 times average demand. When applied, this principle requires us to construct and operate 787.5 gallons of water plant capacity for each ERC

connected. Applying this factor to the D. R. Horton homes average usage of 871 GPD would require 1,959.75 GPD of water plant capacity for each house D. R. Horton builds.

Our physical facilities planning is also very much affected by Florida Public Service Commission Rules practices for determining whether property is needed, i.e. whether it is used or useful. Section 367.081 (2)(a)(2), Florida Statutes (1999), provides:

For purposes of such proceedings, the commission shall consider utility property, including land acquired or facilities constructed or to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year used to set final rates unless a longer period is approved by the commission, to be used and useful in the public service, if:

- a. such property is needed to serve current customers;
- b. such property is needed to serve customers 5 years after the end of the test year used in the commission's final order on a rate request as provided in subsection (6) at a growth rate for equivalent residential connections not to exceed 5 percent per year; or
- c. Such property is needed to serve customers more than 5 full years after the end of the test year used in the commission's final order on a rate request as provided in subsection (6) only to the extent that the utility presents clear and convincing evidence to justify such consideration.

Applying the five percent (5%) for five years results in a limit of a twenty-five percent (25%) reserve. Because it serves a high growth area, Southlake currently experiences growth of more than 25% in a single year. For example, comparing the 1997 to 1998 Annual Reports shows a 25.6% one-year increase in water ERCs, from 754 to 947. We anticipate that the 1999 Annual Report, when submitted, will show an increase from 947 to 1,341 water ERCs, a 41.6% increase.

For all of the above reasons, we must revise our growth forecasts very frequently, sometimes as often as once a month. Each revised forecast represents our effort to predict requirements based on the best information available at the time. It is an unavoidable side effect of all of this is that our forecasts may go up and down and up as projects are announced, postponed, then completed. Accordingly, the levels of needed investment may appear inconsistent in comparing forecasts.

Southlake is compelled to point out two significant facts that the letters overlook.

1. Since our franchise was granted by the Florida Public Service Commission nearly ten years ago we have met capacity requirements of all the developers in our service area in a timely manner. No project within our territory has ever been delayed by lack of water or sewer capacity.

2. Of the four providers serving our immediate area, Southlake Utilities, Inc., Lake Groves Utilities (Utilities, Inc.), Polk County Utilities, and Kissimmee Utilities, our prices are lowest by far. As an example, suppose we look at the total cost of service for water and wastewater for one year with monthly consumption of 10,000 gallons plus the initial plant capacity charges for these four providers:

Southlake Utilities, Inc.	\$ 1,625.92	
Lake Groves (Utilities, Inc.)	\$ 1,900.66	(17% more)
Kissimmee Utilities	\$ 4,003.18	(146% more)
Polk Co. Utilities	\$ 4,929.02	(203% more)

Specific Response:

The Boyd letter statements are repeated in boldface, followed by our response in normal type.

**Projected Utility Plant in Service Additions, Water (Page 4 of Southlake Response)**

**A. Southlake revised this schedule to conform to the Water Facilities Plan ("WFP") prepared by CPH Engineer's Inc. ("CPH"). The schedule shows \$1,239,500 in plant additions for the year 2000, with an increase in plant capacity (maximum day basis) from 1.075 mgd to 2.448 mgd. Of the \$1,239,500 total, \$50,000 is attributable to a chlorination upgrade, and \$659,500 is attributable to Phase 2 improvements identified in the WFP.**

- 1. Southlake is currently expanding its water treatment plant (WTP) under FDEP Permit No. WC35-0080599-010 issued 1/29/99. This expansion will increase the permitted capacity to 2.916 mgd. These improvements are identified in the WFP as "Phase 1." According to the WFP, these Phase 1 improvements will be financed by Southlake, with subsequent improvements (Phases 2 through 5) financed by State Revolving Loan Funds. (It should be noted that the WFP was submitted to FDEP in conjunction with an application for State Revolving Loan Funds. We have the following questions regarding the year 2000 program:**

These statements accurately reflect Southlake's position as of December 2, 1999, with the following clarifications:

1. Nelson Park Apartments did not achieve a Florida Housing Finance Agency bond closing that was scheduled for December 31, 1999. That development is delayed with the effect that requirements for 89,500 gallons of water capacity and 84,130 gallons of wastewater capacity will shift from 2000 to 2001.
2. Work on the application for the State Revolving Loan Fund loan was suspended in April 1999, pending resolution of the current action before the Commission brought by D. R. Horton. The work was suspended because Southlake Utilities cannot provide the State Revolving Loan Fund

with dependable loan repayment *pro formas* until all issues in the present case are resolved. We hope these issues are resolved in time to allow us to resume the loan application process as soon as possible.

**a. Why is the year 2000 capacity shown as 2.448 mgd, when the Phase 1 improvements will increase capacity to 2.912 mgd?**

The expanded water treatment plant will have an estimated capacity of 2.912 mgd. However, the initial capacity of the water system is limited by the rated flow of the supply wells. The initial available flow available from the supply wells in 2000 is anticipated to be 1,700 gallons per minute. The formula is 1,700 current well flow gallons per minute times 60 minutes per hour times 24 hours equals 2.448 mgd.

**b. Why is it necessary to construct Phase 2 improvements in the year 2000 when the Phase 1 improvements will result in a rated capacity of 2.912mgd?**

Phase 2 is a three-year project planned for completion in 2002. Our projections forecast 20% of the work to be performed in 2000, 30% of the work to be performed in 2001 and the remaining 50% of the work to be performed in 2002, when the facility is projected to be placed in service.

**c. Why is it necessary to construct Phase 2 improvements in the year 2000, when the capacity of the Phase 1 improvements (2.912 mgd) will reportedly be sufficient through the year 2002? (The schedule shows a maximum day flow projection of 2.843 mgd in 2002, and 3.645 mgd in 2003.)**

As stated in our response to A.1.b. above, the construction of Phase 2 Water improvements is anticipated to take place over three years, 2000, 2001, and 2002, with completion in 2002 in order to meet the 3.645 mgd requirement forecast for 2003.

**2. The \$50,000 chlorination upgrade is shown as a separate line item from the Phase 2 improvements. However the Phase 2 improvements (as defined by CPH) specifically include this item. (See underlined language in Exhibit I, attached.)**

There are two separate chlorination upgrade phases and each phase is estimated to cost \$50,000. The first \$50,000 cost is to meet the requirements of the currently underway Phase 1 improvements and is shown as a separate line item. The second \$50,000 cost relates to the expense of converting from using 150 pound containers of chlorine gas to using ton cylinders of chlorine gas and complying with the regulations listed under 40 CFR part 68-Accidental Release Prevention along with provisions to add polyphosphate to stabilize the treated water and to add hydroflourasylic acid to the water supply.

According to the CPH WFP:

150 lb. Cylinders are currently used to provide gas for chlorination of the water supply. The amount of chlorine being used is small enough that the amount of chlorine gas stored is less than the threshold limit of 2,500 lbs. That will require a Risk Management Plan and chlorine scrubber facilities. However, at some time in the future, the amount of chlorine used will be sufficient that ton cylinders of chlorine may be used instead of 150 lb. Cylinders to supply chlorine gas. The water treatment plant design will need to accommodate the possible future enclosure of the chlorine storage facility and scrubbing of chlorine gas, in case of a chlorine leak.

- B. The plant in service additions shown in the schedule are specifically identified as "total on-site plant additions." However, the costs shown for Phase 2 (totaling \$3,297,500) and Phase 3 (totaling \$2,130,500) include the cost of distribution system improvements. (See underlined language in Exhibit II, attached.)**

In its forecasting classifications, Southlake classified additions contributed in-kind by developers such as mains and lift stations as "off-site improvements" and classified all other improvements (i.e., improvements not contributed in-kind by developers) as "on-site improvements." Phase 1 of the WFP includes the following main improvements not contributed by developers.

Installation of 4,500 LF of 16-inch water main from future WTPB to existing main at US27	\$200,000
Install 7,000 LF of 20 inch water main from future WTPB to CR 545	\$480,000
Construction and Engineering Contingencies	\$170,000

Phase 2 of the WFP includes the following main improvements not contributed by developers.

Install 7,000 LF of 16-inch water main south along CR 545	\$300,000
Install 4,000 LF of 12-inch water main along County Road to connect to existing 12-inch main at Summer Bay	\$120,000
Construction and Engineering Contingencies	\$105,000

These improvements are part of our effort to improve reliability by "looping" the system so that there are no long dead-end branches, which can lead to stagnant water, and to provide alternative sources of water supply in case of main breaks.

- C. The schedule shows the following phasing information:**

<u>Phase</u>	<u>Year Initiated</u>	<u>Year Completed</u>	<u>Plant Capacity, Max Day (mgd)</u>
2	2000	2002	3.456

3	2002	2004	6.912
4	2004	2005	6.912
5	2006	2007	8.640

This phasing information is inconsistent with the schedule provided in the WFP (see Exhibit II, attached). It should be noted that the schedule shown in Exhibit II was obtained from the FDEP Bureau of Water Facilities Funding in Tallahassee, and was not included in Southlake's response to the Third Data Request. Phasing information derived from the WFP, is as follows:

<u>Phase</u>	<u>Year</u>	<u>Plant Capacity, Max Day (mgd)*</u>
2	2000	5.832
3	2005	8.964
4	2010	11.124
5	2015	13.284

\* In accordance with FDEP plant rating criteria, plant capacity (maximum day basis) is assumed the smaller of the following:

1. Total well capacity, or:
2. Total high service pump capacity divided by a peak hour to maximum day factor of 2.0.

Given the above inconsistencies between the schedule and the WFP, there appears to be no justification for including the Phase 4 and Phase 5 improvements in the schedule (which runs through the year 2007). The Phase 3 improvements will provide a total maximum day capacity of 8.964 mgd as derived from the WFP. This would be more than sufficient to handle the projected 6.396 mgd maximum daily flow for the year 2007 as shown on the schedule.

Mr. Boyd's "derived phasing" as stated above does not appear in our WFP. In fact it differs rather markedly from the design recommendations of the WFP. The difference is that Mr. Boyd proposes a facilities design that assumes no down time for maintenance and repair of equipment, no equipment failures, and no draw-down rest time of wells. Our professional engineers do not recommend that we not follow Mr. Boyd's approach.

From our own experience during the Sarah's Place apartment building fire in 1998, we know that pumps and wells can fail when they are most needed. Fortunately it was our 500 gpm well pump which failed, not our 1,200 gpm well pump. Had it been the other way around, a much larger disaster could have ensued. When fire protection is involved and when the health and welfare of the community is at stake, we will always opt for a conservative design philosophy.

The recommendations of CPH Engineers in the WFP, signed and sealed by Allen R. Baker, PE, on February 16, 1999, use appropriate

conservative design practice. So do the professional recommendations received by Southlake Utilities from R. H. Wilson & Associates, R. H. Wilson, PE, confirmed at the end of this letter. Both engineers recommend that future plant expansion be based on "firm capacity" rather than total capacity. Firm capacity of a water plant is assumed to be smaller the smaller of the following:

1. Total well capacity with the largest well (the largest) out of service at each plant, or:
2. Total high service pump capacity with the largest pump off-line plant.

Well capacity, rather than high service pump capacity, is the limiting factor in our forecasts through 2007. By the end of 2007 we envision a total well count of 11, as follows:

Well A1.1	500 gpm	.720 mgd	Phase 1	Plant A
Well A1.2	1,200 gpm	1.728 mgd	Phase 1	Plant A
Well A1.3	1,200 gpm	1.728 mgd	Phase 1	Plant A
Well B2.1	1,200 gpm	1.728 mgd	Phase 2	Plant B
Well B2.2	1,200 gpm	1.728 mgd	Phase 2	Plant B
Well A3.1	1,200 gpm	1.728 mgd	Phase 3	Plant A
Well B3.1	1,200 gpm	1.728 mgd	Phase 3	Plant B
Well B3.2	1,200 gpm	1.728 mgd	Phase 3	Plant B
Well B4.1	1,200 gpm	1.728 mgd	Phase 4	Plant B
Well B4.2	1,200 gpm	1.728 mgd	Phase 4	Plant B
Well B5.1	1,200 gpm	1.728 mgd	Phase 5	Plant B

Because of concerns resulting from the proximity of a petroleum storage facility adjacent to wells A1.1 and A 1.2 (see below this section) we envision the possibility of being required to deactivate those wells, leaving nine active wells, two serving Water Treatment Plant A and seven serving Water Treatment Plant B.

According to Section Section 7-1 of the WFP, firm well capacity is based on "one well offline at each plant." According to the Section 5.4.2 of the WFP it is "a normal design procedure" to provide sufficient wells to meet maximum day demand plus fire flow with one well out of service.

We are also concerned about drawdown constraints imposed by adjacent wetlands. Six of the nine active wells will be adjacent to wetlands. Each will draw from the Upper Floridan Aquifer, typically at depths of 300 to 400 ft. The wells will have drawdown cone impact on the adjacent wetlands. According to the recently released draft of *Water 2020, Work Group Area I: East -Central Florida Conceptual Water Supply Plan* by St. Johns River Water Management District and CH2M Hill, p. 21 "Each type of wetland has an associated maximum drawdown limit beyond which unacceptable harm is expected to occur." The report's model limits surficial drawdown to between 0.35 and 0.85 feet, depending on the type of wetland. For this reason our planning envisions phasing in a plan for

alternation of wells with alternating 30 day rest periods, i.e. 30 days on, 30 days off beginning with Phase 4. When a well is off-line at rest it is not counted as part of plant capacity.

The following table summarizes active capacity by phase through year 2007:

Phase 2	WTP-A — online A1.2 or A1.3 WTP-A — offline A1.2 or A1.3 WTP-A — deactivated A1.1 WTP-B — online B2.1 or B2.2 WTP-B — offline B2.1 or B2.2 Plant capacity, maximum day: 3.456 mgd
Phase 3	WTP-A — online A1.3 or A3.1 WTP-A — offline A1.3 or A3.1 WTP-A — deactivated A1.1 and A1.2 WTP-B — online three of B2.1, B2.2, B3.1, B3.2 WTP-B — offline one of B2.1, B2.2, B3.1, B3.2 Plant capacity, maximum day: 6.912 mgd
Phase 4	WTP-A — online A1.3 or A3.1 WTP-A — offline A1.3 or A3.1 WTP-A — deactivated A1.1 and A1.2 WTP-B — online three of B2.1, B2.2, B3.1, B3.2, B4.1, B4.2 (30 day alternation) WTP-B — offline three of B2.1, B2.2, B3.1, B3.2, B4.1, B4.2 (30 day alternation) Plant capacity, maximum day: 6.912 mgd
Phase 5	WTP-A — online A1.3 or A3.1 WTP-A — offline A1.3 or A3.1 WTP-A — deactivated A1.1 and A1.2 WTP-B — online three of B2.1, B2.2, B3.1, B3.2, B4.1, B4.2 (30 day alternation) WTP-B — online B5.1 (not adjacent to sensitive wetlands) WTP-B — offline three of B2.1, B2.2, B3.1, B3.2, B4.1, B4.2 (30 day alternation) Plant capacity, maximum day: 8.640 mgd

Research for the WFP was conducted during the period July to November, 1998, when the draft WFP was delivered to Southlake and its consulting engineer, R. H. Wilson, PE. The WFP draft was then reviewed by R. H. Wilson, PE, and Southlake's staff and subsequently revised. This process was completed in February, 1999, at which time the report, bearing the date November, 1998, was finalized.

Demand forecasts are based on developer surveys conducted by CPH during the third and fourth quarters of 1998. This forecast projected flow demands requiring construction of capacity to meet a total peak-day demand of 8.964 mgd by the end of 2005. The CPH WFP anticipates a

required annual growth in capacity from 1.075 mgd at the end of 1999, to 8.964 mgd at the end of 2005 - an average annual growth in capacity of 35.4% per year over the seven years. (The percentage increase calculation is: Solve for  $i$ , percent increase, in the formula  $F_n = P(1+i)^n$  in which  $F = 8.964$ ,  $P = 1.075$ , and  $n = 7$  years.)

The Southlake revised forecast (C above), was prepared shortly before December 2, 1999. It incorporates revisions to the 1998 developer estimates based on notifications to Southlake Utilities of various development postponements. The Southlake December 2, 1999, forecast projects an increase in capacity from 1.075 mgd at the end of 1999 to 6.912 mgd at the end of 2005 - an average growth in capacity of 36.4% per year over six years rather than seven years. (The percentage increase calculation is: Solve for  $i$ , percent increase, in the formula  $F_n = P(1+i)^n$  in which  $F = 6.912$ ,  $P = 1.075$ , and  $n = 6$  years.) Because of development postponements, no water plant capacity increases were brought on line in 1999, although completion of plant expansion had originally been forecast for 1999 in the November, 1998 CPH WFP.

Our revised forecast assumes that we will complete Phase 4 by the end of 2005, and Phase 5 in 2007 rather than in 2010 and 2015 as per the WFP. Phase 4 improvements include installation of two additional 1,200 gpm wells and one 3,000 gpm high service pump at Water Treatment Plant B. Phase 5 improvements include installation of one additional 1,200 gpm well and one additional 3,000 gpm high service pump at Water Treatment Plant B.

Our decision to accelerate the construction of the three additional wells, as reflected in the December 3 forecast, is based on a serious concern that did not become known to us until November, 1999.

Southlake Utilities was provided with the results of a Phase I Environmental Site Assessment, dated November 10, 1999. Which found that "the Speedway facility is considered a recognized environmental condition to the WTP facility."

The petroleum storage tanks of a Speedway gasoline station are located approximately 200 feet northwest of the two existing Southlake public water supply wells. While Southlake management believes that a geological confining layer exists, it has been brought to Southlake's attention there could be gaps in confining layer in the broader geographic area surrounding these wells. If it is determined that the layer is not confining, it could affect the viability of these two wells.

Accordingly, Southlake decided to accelerate the construction of the three additional wells to insure sufficient capacity.

The maximum daily capacity figures in the December 2, 1999, revised forecasts are determined by projected available well capacity (including existing wells), as follows:

2000	—	1,700 gpm x 24 x 60 = 2.448 mgd
2001	—	2,400 gpm x 24 x 60 = 3.456 mgd
2002	—	2,400 gpm x 24 x 60 = 3.456 mgd
2003	—	3,600 gpm x 24 x 60 = 5,184 mgd
2004	—	4,800 gpm x 24 x 60 = 6.912 mgd
2005	—	4,800 gpm x 24 x 60 = 6.912 mgd
2006	—	6,000 gpm x 24 x 60 = 8.640 mgd
2007	—	6,000 gpm x 24 x 60 = 8.640 mgd

The CPH WFP firm capacity recommendations affect available capacity beginning in 2001 when two wells at WTP-B become available. The wetlands drawdown protection protocol begins with Phase 4.

- D. Southlake does not provide an itemized cost breakdown for the Phase 2 and Phase 3 improvements. Therefore, we are unable to review the reasonableness of these cost estimates. Also, remember that the overall Phase 2 (\$3,297,500) and Phase 3 (\$2,130,50) [sic] estimates include distribution system components that should not be considered part of the on-site plant additions.**

A detailed itemized breakdown for Phase 2 and Phase 3 improvements is presented in the WFP. It includes a descriptive narrative and cost-effectiveness analyses for various alternative approaches.

The Boyd letter indicated in Paragraph C above that D. R. Horton obtained a copy of the WFP from the FDEP Bureau of Water Facilities Funding in Tallahassee. The tables providing the information which D. R. Horton claimed were unavailable should have been included in the WFP copy. However, for convenience, we have summarized each of the WFP cost tables, excluding the alternative engineering cost comparisons, as follows:

<b>WFP Table</b>	<b>Phase 2 Improvements:</b>	<b>Amount:</b>
<b>6-1</b>	Improvements to Well E and construction of 1-1,200 gpm wells at WTPB	\$640,000
	Construction and Engineering	\$160,000
	Contingencies	
<b>6-5</b>	Fluoride and polyphosphate treatment at WTPA	\$60,000
	Fluoride and polyphosphate treatment at WTPB	\$60,000
	Construction and Engineering	\$30,000
	Contingencies	
<b>6-6</b>	Chlorine Gas at WTPA	\$40,000
	Construction and Engineering	\$10,000
	Contingencies	
	Chlorine Gas WTPB	\$284,000
	Construction and Engineering	\$71,000
	Contingencies	

<b>6-9</b>	300,000 gallon ground storage tank and two 15,000 gallon hydro tanks	\$400,000
	Construction and Engineering	\$100,000
	Contingencies	
<b>6-11</b>	300 KW Diesel Fuel Generator	\$80,000
	Construction and Engineering	\$20,000
	Contingencies	
<b>6-12</b>	Construction of High Service Pumping Facility with three (3) 1,350 gpm variable speed pumps at WTPB	\$394,000
	Construction and Engineering	\$98,500
	Contingencies	
<b>6-13</b>	Installation of 4,500 LF of 16-inch water main from future WTPB to existing main at US27	\$200,000
	Install 7,000 LF of 20 inch water main from future WTPB to CR 545	\$480,000
	Construction and Engineering	\$170,000
	Contingencies	
	<b>Total</b>	<b>\$3,297,500</b>

<b>WFP Table</b>	<b>Phase 3 Improvements:</b>	<b>Amount:</b>
<b>6-2</b>	Construct 1,200 gpm well at WTPA and 2- 1,200 gpm wells at WTPB	\$570,000
	Construction and Engineering	\$142,500
	Contingencies	
<b>6-10</b>	250,000 gallon Multi-leg Elevated Tank	\$414,000
	Construction and Engineering	\$103,500
	Contingencies	
<b>6-11</b>	Diesel Fuel Generator at WTPB	\$90,000
	Construction and Engineering	\$22,500
	Contingencies	
<b>6-12</b>	Install fourth 1.350 gpm variable speed pump at WTPA and 3,000 gpm constant speed pump at WTPB	\$210,000
	Construction and Engineering	\$52,500
	Contingencies	
<b>6-13</b>	Install 7,000 LF of 16-inch water main south along CR 545	\$300,000
	Install 4,000 LF of 12-inch water main along County Road to connect to existing 12-inch main at Summer Bay	\$120,000
	Construction and Engineering	\$105,000
	Contingencies	
	<b>Total</b>	<b>\$2,130,500</b>

We rely on the CPH engineering estimates for forecasting purposes. Actual costs cannot be determined until the individual projects are bid and performed. The CPH estimates do include distribution system components that are planned to be financed by Southlake. They do not include distribution system costs anticipated to be contributed by developers.

See response to Paragraph 1.B.

- E. According to the local FDEP office, none of the Phase 2 water plant improvements have been permitted through that agency. This circumstance brings into question the \$659,500 Phase 2 expenditure shown in the schedule for the year 2000.**

This circumstance does not bring into question such expenditures. Our experience has been that the local FDEP office can process applications and issue permits within 90 days. Our most recent water treatment plant permit application was submitted on May 4, 1998 and granted on June 16, 1998, requiring 43 days. Our most recent wastewater treatment plant permit application was submitted on May 15, 1998 and granted on August 3, 1998, requiring 80 days. Southlake anticipates that the DEP will be able to timely review and approve its permit applications.

**Projected Utility Plant in Service Additions, Wastewater (Pages 25 and 26 of Southlake Response)**

- A. Southlake prepared this schedule based on cost of projects initiated but not completed by 12/98, forecasted growth, and revised engineering cost estimates. The schedule shows \$849,510 in plant additions for the year 1999, with no increase in plant capacity. The schedule also shows \$1,614,451 in plant additions for the year 2000, with an increase in plant capacity from 0.300 to 0.550 mgd. For 2001, the schedule shows a \$1,621,641 expenditure, which will increase plant capacity to 1.0mgd. On a cost per gallon added basis, the schedule shows the following:**

<b>Year</b>	<b>Cost Per Gallon Added</b>
<b>2000</b>	<b>\$2.94</b>
<b>2001</b>	<b>2.32</b>

We note the following apparent inconsistencies between this information and other information provided by Southlake:

- 1. Southlake is currently expanding its wastewater treatment plant (WWTP) under FDEP Permit No. FLA010634-001 issued 8/3/98 (for minor modifications), and Permit No. FLA010634 issued 11/26/96 (for addition of clarifier). This expansion will increase the permitted capacity to 0.550 mgd. Based on information submitted by Southlake,**

we assume that the cost of these permitted improvements is itemized as follows:

Clarifier	\$ 449,260
Upgrade Treatment Unit	1,210,500
Bring Treatment Unit 2 On-Line	285,520
Percolation Pond Upgrade	25,000

For the years 1999 - 2001, Southlake is showing the following plant in service additions:

1999 -	\$849,510
2000 -	1,614,451
2000 -	<u>1,621,641</u>
Total	\$4,085,602

Of this amount, only \$970,010 is apparently attributable to existing permitted improvements, which will increase plant capacity to 0.550 mgd. The remainder (\$3,115,592) will apparently increase the plant capacity from 0.550 mgd to 1.0 mgd (the schedules show a projected plant capacity of 1.0 mgd in 2001). This equates to a cost per gallon added of \$6.92 (\$3,115,592/450,000 gallons), which is considerably higher than the cost per gallon figures shown in the schedule.

Our previous schedule contains a spreadsheet formula error. The intention was to divide the total cost of plant additions by the total gallons added. The total gallons added should be determined by subtracting the prior year total from the current year total. Inadvertently, the total two years prior was subtracted from the current year total. We have submitted a replacement schedule A, which is attached. The corrected costs per gallon added ranges from a high of \$8.90 to a low of \$2.99, with a cumulative cost of \$4.69 per gallon of treatment and disposal/reuse capacity. Year to year fluctuations in cost are largely the result of the fact that the forecast is a cash flow projection, in which expenditures for multi-year projects do not result in increased capacity until the project is completed and brought online.

2. Mr. Boyd's letter does not contain a paragraph 2.
3. For the year 2000, we believe that proposed expenditures are categorized as follows:

Upgrading Unit 1 and Unit 2 for Production of Public Access Effluent	\$1,087,200
Expenditure Under the "Tanks, Aeration, Digestion, Storage" Line Item	289,596
Expenditure Under the "Operation Building" Line Item Upgrade Treatment Unit 1	27,155
	210,500

According to the local FDEP office, none of the above improvements have been permitted with the exception of "Upgrading Treatment Unit 1." We also understand that no permit applications have been submitted for these improvements. For the years 1999 and 2000, we believe that the permitted versus un-permitted breakdown is as follows:

<u>Year</u>	<u>Permitted</u>	<u>Un-Permitted</u>	<u>Total Additions</u>
1999	\$759,510	\$90,000	\$849,510
2000	210,500	1,403,951	1,614,451

The un-permitted expenditure for 1999 (\$90,000) is for filters that are part of the proposed upgrading of Unit 1 and Unit 2 for the production of public access quality effluent.

Based on the above information, we have the following observations regarding the year 1999 and year 2000 programs:

- a. We do not understand why there was a \$90,000 expenditure in 1999 for an item (filters) that has not been permitted.

The \$90,000.00 was for a used Davco filter that was obtained in 1998 from Shaw Construction, largely because it represented a substantial cost saving opportunity. The seller's terms were very advantageous, providing no interest financing with no payment for due until December, 1999. However, because the re-use phase has been postponed until 4<sup>th</sup> quarter 2000, the filter was sold back to the vendor for \$90,000 on December 15, 1999. The disposition of this equipment will be reflected in Southlake's 1999 Annual Report.

To reconfirm our understanding of the time required to obtain wastewater treatment plant permitting from DEP, I spoke with Ms. Denise Judy of wastewater permitting at DEP in Orlando on February 3, 2000. Ms. Judy said that permits for complete applications are now being drafted in one week, followed by public notice and two weeks for public response, for a total turn-around of three weeks. She said that most applications are not complete when initially submitted and that DEP sends an RAI (Request for Additional Information) within 30 days. Typical applicants receive only one RAI. At this point the ball is in the applicant's court. If a complete application is resubmitted to DEP within 30 days, the total process should take less than 90 days, according to Ms. Judy.

I also spoke with Mr. Frank Huttner of the DEP drinking water section in Orlando. He told me that his division issues permits within six weeks of the receipt of a complete application. He said that it would "normally be safe" to allow 90 days start-to-finish, to

provide enough time for submitting additional information, if requested.

- b. **Unpermitted expenditures for the year 2000 total \$1,403,951. This amount of expenditure must include significant construction activity. Given the fact that the FDEP permit application associated with this activity has not yet been submitted, it would appear unlikely that this level of expenditure will be achieved in the year 2000.**

Based on developer forecasts we expect that we will need to proceed with this expansion. We expect timely permit approval when needed. If this level of expenditure is not achieved in 2000 it will be in response to changing developer requirements. Our experience with DEP is that permit applications are processed and permits issued within 90 days.

- B. **For the year 2002 through 2007, total proposed plant additions per the schedule is \$10,141,704. This will reportedly increase plant capacity from 1.0 mgd (year 2001) to 3.2 mgd (year 2007), for an increase of 2.2 mgd. The corresponding cost per gallon is \$4.61, which is significantly higher than the cost per gallon figures shown in the table.**

Please see our response to A.1. above and the replacement schedule A attached.

- C. **In trying to determine how the cost per gallon figures contained in the schedule were derived, it would appear that the "gallons added" was calculated by subtracting the current plant capacity from the capacity two years prior.**

The total gallons added should be determined by subtracting the prior year total from the current year total. Inadvertently in the December 3, 1999 Data Response, the total capacity from two years prior was subtracted from the current year total. As stated in A.1. above, we have submitted a replacement schedule A, which is attached. The corrected costs per gallon added ranges from a high of \$8.90 to a low of \$2.99, with a cumulative cost of \$4.69 per gallon of treatment and disposal/reuse capacity.

If you need additional information, please do not hesitate to contact me.

Sincerely,

Robert L. Chapman  
President

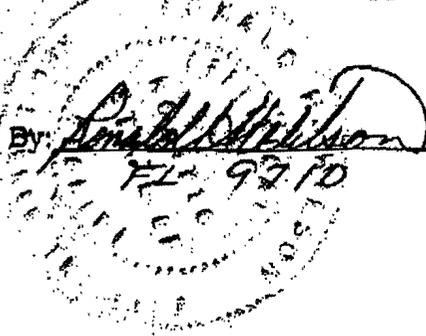
Enclosures: Corrected Schedule; DEP application pages 1, 2, 9; D. R. Horton Application for Service

Mr. Fletcher

page 17

Cc: Mr. James Adc. Esq., Ms. Blanca Bayo, Mr. Ted Davis, Mr. F. Marshall Deterding, Esq., Mr. Bart Fletcher, Mr. Norman Mears, Ms. Patricia Merchant, Mr. Scott Schildberg, Esq.

This letter reviewed and approved as to engineering accuracy:



By:

*Ronald D. Wilson*

Date: *4 Feb. 2000*

SEAL

SOUTHLAKE UTILITIES, INC.  
Wastewater Division  
Projected Utility Plant In Service Additions

Description	Acct. No.	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>On site:</b>										
<b>Structures &amp; Improvements</b>	<b>354</b>									
Operations building			27,155	26,947						
Shop building					29,030	31,589				
Sludge facility, transfer							34,229	29,667		
Sludge stabilization facility		-	-	-	-	-	-	-	25,129	19,270
			27,155	26,947	29,030	31,569	34,229	29,667	25,129	19,270
<b>Treatment &amp; Disposal Equipment</b>	<b>360</b>	849,510	1,587,298	1,594,894	1,751,253	1,891,503	2,000,748	1,734,107	1,468,827	1,128,354
Aeration basin air supply, headers, valves and fittings, risers, fine bubble diffusers		187,000		308,650	180,000	185,400	218,500		225,487	
Aerobic sludge residuals treatment expansion/anti-surge tank and system, plumbing			83,500		49,000	50,470		225,000	231,750	
Auxiliary generators			75,000					84,492		150,000
Chlorine contact chamber, yard piping			67,000		88,000	88,580		88,580		
Clarifier		449,260		507,681	298,000	304,880	505,000			
Clarifier, remove temporary, repipe			22,000							
Electrical service, systems, conduits, panels		9,200	27,000	32,400	18,800	19,500	32,400	72,000	32,400	33,372
Electronic equipment to meet FDEP limits on effluent quality, chlorine and turbidity analyser, pH monitors, etc.			125,000				170,450			125,400
Engineering and FDEP Permits		5,000		5,000	45,000	46,350		65,000		47,700
Equipment control rooms, C12 and turbidity monitoring			18,200						102,000	
Filters, backup			225,000		131,400	135,750		115,875		
Filters, primary		80,000	585,000		332,000	341,960	225,000		113,300	
Foundation and slab				130,500	82,000	94,760		220,000		130,500
Hydropneumatic tank, compressor				43,700			47,850		87,400	43,700
Percolation pond upgrade		25,000		109,683			109,640			112,870
Public access effluent lift stns.					180,000	185,400	185,400			190,982
Public access quality effluent pump stn.				38,000	45,000	46,350	47,741			91,000
Pumps				38,000	38,500	38,655	40,765		93,500	40,850
Rotary blowers, controls, panels		77,800		132,280	78,092	80,470	128,000		132,280	75,000
Site clearing, grading landscaping		6,250		11,250				67,000		

*E. Johnson*  
01-20-00

Tanks, aeration, digestion, storage	289,596	131,000	125,000	128,750	290,000	650,000	425,000		
Technical coatings and finishes	38,000	22,800		25,000		72,000	25,750		
Yard piping, reject water systems, chlorinated waer systems, filter backwash systems	31,000	66,400	-	72,000		74,160		85,000	
	-	-	-	-	-	-	-	-	-
<b>Total on-site plant additions</b>	<b>\$ 849,510</b>	<b>\$ 1,614,451</b>	<b>\$ 1,621,641</b>	<b>\$ 1,780,283</b>	<b>\$ 1,923,072</b>	<b>\$ 2,034,975</b>	<b>\$ 1,763,774</b>	<b>\$ 1,493,956</b>	<b>\$ 1,145,624</b>
Reserved capacity, MGD, including prepaid capacity (projected)	0.378	0.816	1.256	1.739	2.261	2.813	3.292	3.697	4.008
Plant capacity, MGD (projected)	0.300	0.550	1.000	1.200	1.500	2.000	2.200	2.700	3.200
Actual flow AADF, MGD (projected)	0.227	0.490	0.754	1.044	1.357	1.829	2.140	2.403	2.605
Reserve capacity, MGD (projected)	0.073	0.060	0.246	0.156	0.143	0.171	0.060	0.297	0.595
Cost per gallon of capacity added	\$6.29	\$6.46	\$3.60	\$8.90	\$6.41	\$4.07	\$8.82	\$2.99	\$2.29
Cumulative cost per gallon added	\$6.29	\$6.40	\$4.89	\$5.67	\$5.83	\$5.35	\$5.69	\$5.16	\$4.69

Corrected 01/19/00

**APPLICATION FOR NEW RESIDENTIAL SERVICE**

Location: Woodridge Subdivision Account No. 950080-

Received from: D. R. Horton Custom Homes TEL: (407) 857-9101

Service Address: \_\_\_\_\_

Mailing Address: 6250 Hazeltine National Drive, Suite 104, Orlando, Florida 32822

9-30-96 Date [Signature] Customer's Signature D.R. Customer's Signature

Title Holder of Property, if different:

Name: same Address: \_\_\_\_\_

**SERVICE AVAILABILITY & MISCELLANEOUS SERVICE CHARGES**

\*IF PAID BY 9/31/96

Water Plant Capacity Charge:	
Single-Family 5/8x3/4" meter -- \$420.00	\$ <u>420.00</u>
Meter Installation Fee:	
5/8x3/4" meter -- \$130.00; 1" meter -- \$210.00	\$ <u>DEFERRED</u>
Water Allowance for Funds Prudently Invested	
Per Tariff Sheet No. 39.0	\$ <u>37.61 *</u>
Wastewater Plant Capacity Charge:	
Single-Family 5/8x3/4" meter -- \$775.00	\$ <u>775.00</u>
Wastewater Allowance for Funds Prudently Invested	
Per Tariff Sheet No. 36.0	\$ <u>499.08 *</u>
Initial Connection: Water and/or Wastewater \$15.00	\$ <u>DEFERRED</u>
DEPOSITS: Water \$35.00; Wastewater \$35.00	\$ <u>DEFERRED</u>

TOTAL CHARGES PER HOME: \$ 1,731.69  
x 316

SERVICE AVAILABILITY CHARGES - 316 HOMES \$547,214.04  
LESS: AFPI REBATE \* (\$88,931.52) \*  
TOTAL SERVICE AVAILABILITY CHARGES \$458,282.52

**AGREEMENT**

Southlake Utilities, Inc., will provide service upon payment of the charges described above in accordance with its Water Tariff and Wastewater Tariff approved by the Florida Public Service Commission. The Tariffs provide for a water plant allocation of 350 gallons per day and a wastewater plant allocation of 300 gallons per day per SF Home. Utility will not be obligated to provide capacity or service in excess of that allocation and may require consumers to curtail use which exceeds such allocated capacity.

Date \_\_\_\_\_ Customer's Signature \_\_\_\_\_ Customer's Signature \_\_\_\_\_

Payment Rcvd \$ 458,282.52 \* by Robert Chapman III  
Date Service Turned On: \_\_\_\_\_ Meter Reading: \_\_\_\_\_  
Deposit \$ \_\_\_\_\_ Meter No. \_\_\_\_\_  
Deposit Date: \_\_\_\_\_  
Approval [Signature]  
Robert L. Chapman, III, President

\* \$ 359,857.52 check # 1290  
\* \$ 98,425.00 ESCROWED WITH DRHT, The Co pending completion of necessary capacity for water  
TOTAL \$ 458,282.52  
9-30-96  
9/22/96  
RJC TB



# Department of Environmental Protection

## Application for a Public Drinking Water Facility Construction Permit

**INSTRUCTIONS:** This form shall be completed and submitted by persons proposing to construct new, or alter existing, public drinking water facilities unless such proposed construction or alteration is permitted under the "General Permit for Construction of an Extension to a Public Drinking Water Distribution System," in which case Form 62-555.900(7) is to be completed and submitted. Complete this form and submit it in quadruplicate to the appropriate district office of the Department or the appropriate Approved County Public Health Unit (ACPHU) along with a check for the proper application processing fee and the following supporting documents: a signed and sealed engineering report (including design data); signed and sealed engineering plans and specifications; a certificate that the project has been approved by the governing body of the applicant (city commissioners, corporation, board, etc.); and, for each project involving the construction of a new drinking water treatment plant in a county regulated by the Florida Public Service Commission (PSC), a copy of the PSC certificate authorizing the applicant to provide service or a copy of the PSC order exempting the applicant from PSC regulation. All supporting documents, as well as this form, shall be submitted in quadruplicate. All information provided on this form shall be typed or printed in ink. Complete Parts I, II, IV, V, and VI.A of this form for all projects, and complete Parts III and VI.B through VI.E of this form when applicable. A signature page or cover letter for engineering reports, each sheet of engineering plans, and a cover or index sheet for engineering specifications shall be signed, dated, and sealed with an impression-type metal seal by the professional engineer(s) in responsible charge of the documents. Also, engineering plans and specifications shall be those intended for construction and shall not be stamped otherwise (e.g., "For Permitting Only," "For Review Only," etc.). Application processing fees are listed in Rule 62-4.050, Florida Administrative Code (F.A.C.). Checks for application processing fees shall be made payable to the Department of Environmental Protection or to the appropriate ACPHU. **NOTE THAT A SEPARATE APPLICATION AND A SEPARATE PROCESSING FEE ARE REQUIRED FOR EACH NON-CONTIGUOUS PUBLIC DRINKING WATER DISTRIBUTION SYSTEM PROJECT.**

### I. NAME, DESCRIPTION, AND LOCATION OF PROJECT, APPLICANT, ETC.

• **Project Name:** Clear Creek P.U.D.

• **Project Description:** 80± acre parcel with 246 single family homes located in Lake county

• **Project Location**

County: Lake Section: 25 Township: 24S Range: 26E  
 Latitude and Longitude of Each New Treatment Plant and Each New Raw Water Source (attach additional sheets if necessary):

Name of New Treatment Plant or Raw Water Source	Latitude	Longitude
	° ' " N	° ' " W
<u>N/A</u>	° ' " N	° ' " W
	° ' " N	° ' " W

• **Applicant**

Utility/Company Name: D.R. Horton Custom Homes Telephone No.: (407) 857-9101  
 Address: 6250 Hazeltine National Drive Suite 102  
 City: Orlando State: FL Zip Code: 32822

• **Public Water System Supplying Water for Project** (complete for distribution system projects)

System Name: Southlake PWS Identification No.: \_\_\_\_\_  
 System Owner: Southlake utilities, Incorporated Telephone No.: (919) 403-7659  
 Address: 800 U.S. Highway 27  
 City: Clermont State: FL Zip Code: 34711

Application for a Public Drinking Water Facility Construction Permit

Project Name: Clear Creek P.U.D.  
Applicant: D.R. Horton Custom Homes

• Owner/Operator of Project After It Is Placed into Service

Utility/Company Name: Southlake Utilities, Inc. Telephone No.: (352) 394-8898  
Address: 800 U.S. Highway 27  
City: Clermont State: FL Zip Code: 34711

• Professional Engineer in Responsible Charge of Designing Project

Name of Engineer: Jeffrey D. Einhouse  
Firm Name: CCL Consultants Telephone No.: 660-2120  
Address: 2603 Maitland Center Parkway  
City: Maitland State: FL Zip Code: 32751

**II. STATEMENT BY APPLICANT**

I, the undersigned owner or authorized representative\* of D.R. Horton Custom Homes, certify that all components that will be installed under this project and that will come into contact with drinking water or drinking water treatment chemicals (except components that will come into contact with raw water prior to its treatment by reverse osmosis) conform, or will conform, with American National Standards Institute/NSF International (ANSI/NSF) Standard 61. Also, I certify that all drinking water treatment chemicals that will be supplied under this project except fluoridation chemicals conform, or will conform, with ANSI/NSF Standard 60 and that all fluoridation chemicals that will be supplied under this project conform, or will conform, with ANSI and American Water Works Association Standard B701, B702, or B703 as applicable.

I agree that we will require the contractor to furnish us with record drawings for this project. Also, I agree that we will retain a professional engineer registered in Florida to inspect construction of this project for the purpose of determining if work proceeds in compliance with the construction permit and approved engineering plans and specifications.

I am fully aware that we must obtain a letter of clearance from the Department before we place this project into service for any purpose other than disinfection, testing for leaks, or testing equipment operation. Also, I am fully aware that, if we sell or legally transfer ownership of this project before obtaining a letter of clearance from the Department, we must submit to the Department an "Application for Transfer of a Public Water System Construction Permit" within 30 days after such sale or legal transfer of ownership.

Signature and Date

David Auld, Vice President  
Name and Title (please type or print)

\* Attach a letter of authorization.

**III. STATEMENT BY PUBLIC WATER SYSTEM SUPPLYING WATER FOR PROJECT (complete for distribution system projects)**

I, the undersigned owner or authorized representative\* of Southlake Utilities, certify that we will provide the potable water supply required by this project. As indicated below, the water treatment plant to which this project will be connected has the capacity to provide the potable water supply required by this project, and I certify that said plant is in compliance with the standards and criteria set forth in Chapters 62-550, 62-555, and 62-560, F.A.C. Also, said plant was constructed under one or more valid Department construction permits as indicated below, and I certify that connection of this project to said plant will not be a violation of any condition of this(these) construction permit(s).

• Name of Water Treatment Plant to Which this Project Will Be Connected: Southlake Utilities, Inc.

• Construction Permit Number(s) for Plant and Date(s) Permit(s) Issued: WC35-251071

• Permitted Maximum Day Capacity of Plant: 0.537 MGD

• Maximum Day Flow at Plant as Recorded on Monthly Operating Reports During Past 12 Months: 0.384 MGD

Signature and Date

Robert L. Chapman, III  
Name and Title (please type or print)

Attach a letter of authorization.

Application for a Public Drinking Water Facility Construction Permit

Project Name: Clear Creek P.U.D.

Applicant: D.R. Horton Custom Homes

E. Proposed Altered/New Distribution Facilities (including booster pumping facilities)

Distribution Facilities

1. Design/Projected Annual Average and Maximum Day Water Demands for Proposed Altered/New Distribution Facilities (i.e., water mains) Under this Project:

A = Type of Unit	B = Number of Units	C = Population per Unit	D = Total Population (Columns B x C)	E = Per Capita Average Day Water Demand	F = Total Average Day Water Demand (Columns D x E)	G = Total Maximum Day Water Demand†
Single-Family Home	246	3	738	100 gal/per	73,800	295,200
Mobile Home						
Apartment						
Commercial, Institutional, or Industrial Facility*						
Total	246				73,800	295,200

\* Description of Commercial, Institutional, and Industrial Facilities and Explanation of Method Used to Estimate Average Day Water Demand for These Facilities:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

† Explanation of Method Used to Estimate Maximum Day Water Demand: 246 homes X 3 persons/home X 100 gal/person/day X peak rate factor of 4

\_\_\_\_\_  
 \_\_\_\_\_

2. Design/Projected Maximum Hour Water Demand for Proposed Altered/New Distribution Facilities Under this Project and Basis of Design/Projection: Peak day 24hr = 1,230 gal/hr

\_\_\_\_\_  
 \_\_\_\_\_

Design/Projected Fire Demand Plus Coincident Draft (usually maximum day water demand) for Proposed Altered/New Distribution Facilities Under this Project and Basis of Design/Projection: 1,000 GPM

\_\_\_\_\_  
 \_\_\_\_\_

3. Operating Pressure Range for Proposed Altered/New Distribution Facilities Under this Project: 20-40

\_\_\_\_\_  
 \_\_\_\_\_

4. Will any proposed altered/new distribution facilities under this project be installed in areas of ground water for which there is existing documentation of the presence of low-molecular-weight petroleum products or organic solvents at concentrations exceeding ground water standards? No If yes, describe the nature and extent of such areas:

\_\_\_\_\_  
 \_\_\_\_\_

5. Will any proposed altered/new distribution facilities under this project connect previously separate public water systems that have separate water supply sources? No If yes, provide the names of the systems proposed to be interconnected and explain the purpose of each proposed interconnection:

\_\_\_\_\_  
 \_\_\_\_\_



**SOUTHLAKE UTILITIES, INC.**  
 333 U.S. Highway 27, Clermont, FL 34711  
 Telephone (352) 394-8898 Facsimile (352) 394-8894  
 Florida Public Service Commission Certs. 464-S 533-W

January 4, 2000

By Facsimile: (850) 413-6919

Ms. Patricia Merchant, CPA  
 Division of Water and Wastewater  
 Florida Public Service Commission  
 2540 Shumard Oak Boulevard  
 Tallahassee, FL 32399-0850

RE: Emergency Petition by D.R. Horton Custom Homes, Inc., to Eliminate Authority of Southlake Utilities, Inc. to Collect Service Availability Charges and AFPI Charges in Lake County, Docket No. 981609-WS ("Petition")

Dear Trish:

When we spoke by telephone before Christmas, you indicated that you were concerned about the level of CIAC used to fund plant expansion at Southlake Utilities — as opposed to the use of debt and equity investment to fund plant. Because you mentioned this, I thought it would be a good idea to do some research and to provide you with actual numbers:

As indicated on of our most recent annual report, calendar year 1998, the equity investment and debt structure is as follows:

Common Stock Issued	\$ 7,500
Additional Paid-in Capital	\$ 433,433
	<u>\$ 440,933</u>
Long Term Debt	\$ 764,809
Notes Payable	\$ 105,652
	<u>\$ 870,461</u>
Total	\$1,311,394

In addition, I anticipate that the 1999 Annual Report will show that total long term debt and notes payable have increased by approximately \$130,000.

Based on the guideline that debt and equity should account for at least 25% of the cost of plant in service, this level of investment and debt could support total plant of \$5,245,576 — ( $\$1,311,394 \div .25$ ).

The Southlake Utilities 1998 Utility Plant in Service, net of depreciation, was \$3,168,591. Although \$1,311,394 of debt and equity would account for 41% of the total, the company has experienced operating losses

because of its extremely high rate of growth which have reduced net equity.

At the end of 1998, our rate base calculations for water and wastewater were as follows:

	Water	Wastewater	Total
Utility Plant in Service	1,008,684	2,471,596	3,480,280
Accumulated Depreciation	<u>(53,531)</u>	<u>(258,158)</u>	<u>(311,689)</u>
Net Plant	955,153	2,213,438	3,168,591
Contributions in Aid of Const.	783,534	1,155,296	1,939,830
Accumulated Amort. of CIAC	<u>(60,593)</u>	<u>(165,949)</u>	<u>(226,542)</u>
Net CIAC	722,941	989,347	1,713,288
Working Capital Allowance	<u>20,608</u>	<u>26,188</u>	<u>46,796</u>
Rate Base	252,820	1,250,279	1,503,099
% Net CIAC to Net Plant	75.7%	44.7%	54.0%

As shown by this letter, Southlake Utilities did not exceed the 75% guideline as of December 3, 1999. In addition, as I pointed out in my letter of December 23, 1999, to Mr. Bart Fletcher, \$403,660 of AFPI was reclassified as CIAC in 1996 pursuant to Order No. PSC-96-1082-FOF-WS. This sum was paid by Southlake Community Foundation, Inc. Because Southlake Community was deemed a related party of Southlake Utilities, we were instructed by Staff that we could not use the AFPI refund approach which we used with all other developers and instead we were required to convert such AFPI into CIAC. If such funds were not eligible for the refund approach because of the relationship between the parties, such funds should be treated as a contribution to capital (i.e., additional investment)—not as additional CIAC. This treatment would further reduce our percentage of Net CIAC to Net Plant.

Please call me with any questions or suggestions.

Sincerely,

Robert L. Chapman, III  
President

Cc: Ms. Blanca Bayo  
Samantha Cibula, Esq.  
Mr. Ted Davis  
E. Marshall Deterding, Esq.  
✓ Mr. Bart Fletcher  
Mr. Norman Mears  
Scott Schildberg, Esq.

Post-it® Form 7671	Date 12/22/99	# of pages ▶
To MR. TEO DAVIS	From Bob Chapman	
Co./Dept. FPSC	Co. Southlake Utils	
Phone #	Phone # 919 403-7659	
Fax # 850-413-6967	Fax # 919 402-8282	

Southlake Utilities, Inc  
Billing Analysis  
December, 1998, through November, 1999

Customer Type	11/16/98- 12/16/98	12/16/98- 1/17/99	1/17/99- 2/17/99	2/17/99- 3/17/99	3/17/99- 4/17/99	4/19/99- 5/15/99	5/17/99- 6/17/99	6/17/99- 7/17/99	7/17/99- 8/17/99	8/17/99- 9/17/99	9/17/99- 10/17/99	10/17/99- 11/17/99
<b>Residential Service</b> (single-family homes)												
5/8 x 3/4"												
Number of bills	198	204	205	211	220	239	253	251	250	250	261	274
Gallons sold	4,093,000	3,608,000	3,829,000	3,837,000	5,277,000	4,578,000	5,738,000	4,718,000	5,588,000	7,086,000	5,194,000	5,288,000
<b>General Service</b> (includes apartments, houses for rent, and timeshares)												
5/8 x 3/4"												
Number of bills	66	70	73	86	100	100	104	108	119	124	125	129
Gallons sold	1,782,000	1,867,000	1,665,000	2,655,000	4,032,000	3,000,000	3,503,000	2,916,000	3,961,000	4,068,000	3,223,000	3,312,000
1"												
Number of bills	47	47	47	47	47	49	50	50	51	51	51	51
Gallons sold	3,186,000	3,044,000	2,853,000	2,867,000	3,265,000	3,192,000	3,502,000	3,138,000	2,875,000	3,336,000	2,771,000	2,889,000
1 1/2"												
Number of bills	10	10	10	10	10	10	10	9	9	9	9	9
Gallons sold	769,000	888,000	858,000	786,000	873,000	847,000	948,000	707,000	658,000	809,000	670,000	790,000
2"												
Number of bills	15	15	15	15	15	16	17	21	20	20	20	21
Gallons sold	2,955,000	3,074,000	3,291,000	3,056,000	4,860,000	4,486,000	4,771,000	3,437,000	4,064,000	4,310,000	2,841,000	3,376,000
3"												
Number of bills			1			1	1	1	1	1	1	1
Gallons sold			40,000			133,000	157,000	18,000	26,000	11,000		
4"												
Number of bills										1	1	1
Gallons sold										9,000	3,000	96,000
6" Construction/fire by-pass												
Number of bills	2	2	2	2	2	2	2	2	2	2	2	2
Gallons sold	1,000	51,000	32,000	228,000	13,000	17,000	18,000					
<b>Total Bills</b>	<b>338</b>	<b>348</b>	<b>353</b>	<b>371</b>	<b>394</b>	<b>417</b>	<b>437</b>	<b>442</b>	<b>452</b>	<b>458</b>	<b>470</b>	<b>488</b>
<b>Total Gallons Sold</b>	<b>12,786,000</b>	<b>12,532,000</b>	<b>12,568,000</b>	<b>13,429,000</b>	<b>18,320,000</b>	<b>16,253,000</b>	<b>18,637,000</b>	<b>14,934,000</b>	<b>17,172,000</b>	<b>19,629,000</b>	<b>14,702,000</b>	<b>15,751,000</b>

Fax Memo

December 22, 1999

To: Mr. Ted Davis

From: Robert L. Chapman, III  
Southlake Utilities, Inc.

*RLC III*

Subject: 1) Southlake Utilities water meters, by meter size and residential units as of December 1, 1999

1) Southlake Utilities water meters, by meter size, residential units of December 1, 1999

Meter size	Number	Residential Units	Description
5/8x3/4 inch	1		Macci Daycare
5/8x3/4 inch	10		Publix retail, including fire by-pass
5/8x3/4 inch	8		Winn Dixie retail, Inc. fire by-pass
5/8x3/4 inch	364	364	Single family homes, and rental houses
5/8x3/4 inch	14	14	Single family timeshare units
5/8x3/4 inch	1		Southlake Apartments, carwash
5/8x3/4 inch	2		Construction meters, Summer Bay
5/8x3/4 inch	1		Construction Trailer, Summer Bay
5/8x3/4 inch	1		Guard House, Summer Bay
<i>total</i>	<u>402</u>	<u>378</u>	
1 inch	44	362	Southlake Apartments, 362 units
1 inch	2		Handy Way store
1 inch	1		Stratford Homes pool
1 inch	1		Summer Bay administration building
1 inch	1		Spur Gas Station
1 inch	1		Speedway gas station
1 inch	1		Ridgeland Community Church
<i>total</i>	<u>51</u>	<u>362</u>	
1 1/2 inch	8	72	Southlake Apartments, 72 units
1 1/2 inch	1		Summer Bay clubhouse
<i>total</i>	<u>9</u>	<u>72</u>	

Meter size	Number	Residential Units	Description
2 inch	1	272	Construction, Southlake Apts. Phase II
2 inch	1		Irrigation of Southlake Apts., Phase I
2 inch	1		Irrigation at Clear Creek
2 inch	1		Publix
2 inch	14	353	Summer Bay, 353 time-share units
2 inch	2	330	Sarahs Place, 330 apartments
2 inch	1		Winn Dixie
<i>total</i>	<u>21</u>	<u>955</u>	
3 inch	1	36	Construction fire hydrant meter in use,
<i>total</i>	<u>1</u>	<u>36</u>	Summer Bay, 36 units
4 inch	1		Summer Bay maintenance/laundry
<i>total</i>	<u>1</u>		Building
6 inch	2		Sarah's Place Apts. fire flow
<i>total</i>	<u>2</u>		
<b>TOTAL</b>	<b>487</b>	<b>1,803</b>	

SOUTHLAKE UTILITIES, INC. P.O. Box 6209 Tallahassee, FL 32314-6209 TEL: (888) 876-FLOW

FAX: (904) 562-9887

APPLICATION FOR NEW RESIDENTIAL SERVICE

Location: Woodridge/D.R. Horton Homes Account No. \_\_\_\_\_

Received from: D.R. Horton Homes Telephone: TEL: 407/857-9101

Service Address: 44 Single Family Homes in Clear Creek FAX: 407/857-9228

Mailing Address: 6250 Hazeltine National Drive, Suite 104, Orlando, FL 32822

Date \_\_\_\_\_ Customer's Signature \_\_\_\_\_ Customer's Signature \_\_\_\_\_

Title Holder of Property, if different: \_\_\_\_\_

Name: \_\_\_\_\_ Address: \_\_\_\_\_

SERVICE AVAILABILITY & MISCELLANEOUS SERVICE CHARGES

Water Plant Capacity Charge: (1 ERC = 350 gpd) \$ \_\_\_\_\_ Prepaid
44 Single Family 5/8x3/4" Meters at \$420 each

Meter Installation Fee: \$ \_\_\_\_\_
44 5/8x3/4" Meters \$130.00 \$ 5,720.00

Water Allowance for Funds Prudently Invested \$ 3,600.52
Per Tariff Sheet No. 39.0, July 1998, at \$81.83 each.
Less A.F.P.I. Prepaid at \$35.85 each for 44 units (1,577.40)
2,023.12

Wastewater Plant Capacity Charge: \$ \_\_\_\_\_ Prepaid
44 Single Family 5/8x3/4" Meters at \$775 each

Wastewater Allowance for Funds Prudently Invested \$ 47,376.12
Per Tariff Sheet 36.0, July 1998, at \$1,076.73 each
Less A.F.P.I. Prepaid at \$471.65 each for 44 units (20,752.60)
26,623.52

Initial Connection: Water and/or Wastewater \$15.00 \$ 660.00

DEPOSITS: Water \$35.00; Wastewater \$35.00 \$ 3,080.00

Does not include additional AFPI true up if actual connection dates are after July, 1998.

TOTAL SERVICE AVAILABILITY CHARGES \$ 38,106.64

AGREEMENT

Southlake Utilities, Inc., will provide service upon payment of the charges described above in accordance with its Water Tariff and Wastewater Tariff approved by the Florida Public Service Commission. The Tariffs provide for a water plant allocation of 350 gallons per day and a wastewater plant allocation of 300 gallons per day per ERC. Utility will not be obligated to provide capacity or service in excess of that allocation, and may require Consumers to curtail use which exceeds such allocated capacity. Utility will reserve treatment capacity for four years from the date of payment of the charges described above in accordance with its Water Tariff and Wastewater Tariff approved by the Florida Public Service Commission. Should Customer not complete development within four years, charges collected shall not be refunded unless Utility can sell the reserved capacity within an additional four years. These service availability charges are based on estimated demand. If the actual demand after twelve months exceeds the estimated ERCs on which these charges are based, additional water and wastewater plant capacity charges and water and wastewater allowance for funds prudently invested will be due.

Date \_\_\_\_\_ Customer's Signature \_\_\_\_\_ Customer's Signature \_\_\_\_\_

Payment Rcvd \$ \_\_\_\_\_
Date Service Turned On: \_\_\_\_\_
Deposit \$ \_\_\_\_\_
Deposit Date: \_\_\_\_\_

by \_\_\_\_\_
Meter Reading: New Meter - 0
Meter No. Badger # \_\_\_\_\_

Approval \_\_\_\_\_
Robert L. Chapman, III, President

Post-it Fax Note 7671
Date 12/20/99
To PATRICIA MEXCHAMPT
From BOB CHAPMAN
Co./Dept. FPSC
Phone # 919 403 7654
Fax # 919 402 8282

Patricia F91 - Bob



**Southlake**

**SOUTHLAKE UTILITIES, INC.**  
333 U.S. Highway 27, Clermont, FL 34711  
Telephone (352) 394-8898 Facsimile (352) 394-8894  
Florida Public Service Commission Certs. 464-S 533-W

December 17, 1999

By Facsimile: (850) 413-6203

Ms. Samantha Cibula, Esquire  
Staff Attorney  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RE: Emergency Petition by D.R. Horton Custom Homes, Inc., to Eliminate Authority of Southlake Utilities, Inc. to Collect Service Availability Charges and AFPI Charges in Lake County, Docket No. 981609-WS ("Petition")

Dear Samantha:

Southlake Utilities is in the process of renewing certain Consumptive Use Permits issued by the St. Johns River Water Management District ("District"). As part of that process, the District has requested that we complete a Water Audit. According to the Water Audit Form which the District provided to us on December 10, 1999, "All consumptive use permit applicants that are requesting water for public supply type use must complete a water audit using the District's Water Audit Form pursuant to section 12.2.5.1(a) of the Applicant's Handbook: Consumptive Uses of Water ... The water audit is designed to provide assurances of water accountability within the treatment and water distribution systems. The information provided below must reflect volumes covering period of at least 12 consecutive months within the three year period preceding the application submittal."

As part of complying with this requirement, we have performed metered use calculations covering the 366 day period ending November 17, 1999. We were surprised to learn from these numbers that, as a group, the houses within our service area which were constructed by D. R. Horton Custom Homes, Inc. had an overall average annual daily flow of 871 gallons per house per day. See attached Exhibit A. This flow far exceeds the 350 gallons per day per house of water plant capacity reserved from Southlake Utilities, Inc. by D. R. Horton for these houses. It also exceeds the 350 gallons per day allocated to each lot in Woodridge under Florida Department of Environmental Protection Permit WD35-247809, 115,500 GPD for 330 lots ( $115,500 \text{ GPD} \div 330 = 350 \text{ GPD/ERC}$ ), and allocated in Clear Creek under FDEP permit WD35-80599-001, 86,100 GPD for 246 single family homes ( $86,100 \div 246 = 350 \text{ GPD/ERC}$ ). Copies of these permits are also attached.

Based on information provided to us by the District, D. R. Horton could have followed well known water conservation practices, particularly landscaping practices, which would have greatly reduced the water demand of the houses they have sold. These practices include use of low volume micro-irrigation systems; not installing the high demand grasses they have selected, such as St. Augustine; soil conditioning to reduce excessive percolation; and xeriscaping.

The Southlake Utilites, Inc. Tariff Service Availability and Main extension policy, as approved by the Florida Public Service Commission, contains the following provision with regard to plant capacity charges:

13.0 PLANT CAPACITY CHARGES

Utility requires that all Contributors pay for a pro rata share of the cost of Utility's water and wastewater treatment plant facilities whether the facilities have been constructed or not. Such charges to Contributors pursuant to this policy are calculated based upon the estimated demand of the Contributor's proposed installations and improvements upon the treatment facilities of the Utility and are computed by multiplying the number of calculated equivalent residential connections by the plant capacity reservation charges reflected in Sheet No. 38.0.

If the experience of the Contributor after twelve months of actual usage exceeds the estimated gallons on which the plant capacity charges are computed, the Utility shall have the right to collect additional contributions in aid of construction. The twelve month period shall commence when certificates of occupancy have been issued for Contributor's entire project.

Based on the historical requirements of houses built by D. R. Horton Custom Homes, Inc., it appears that D. R. Horton Custom Homes, Inc. has not paid for it's pro rata share of the cost of the Utility's water and wastewater treatment facilities. Accordingly, it may be necessary for Southlake Utilities, Inc. to collect additional contributions in aid of construction from D. R. Horton Custom Homes, Inc.'s existing construction and its future construction.

If you need additional information, please do not hesitate to contact me.

Sincerely,

Robert L. Chapman

Enclosures: Exhibit A, DEP Permits

Cc: Mr. James Ade, Esq., Ms. Blanca Bayo, Mr. Ted Davis, Mr. F. Marshall Deterding, Esq., Mr. Bart Fletcher, Mr. Norman Mears, Ms. Patricia Merchant, Mr. Scott Schildberg, Esq.

Type: Single Family Homes and  
Vacation Rental Houses

Builder: D. R. Horton Homes  
Location: Woodridge and Clear Creek Subdivisions,  
Clermont, FL 34711

Meter size: 5/8 x 3/4"

Meter reading date:	Days in billing period:	Connections with flow during period at units constructed by D. R. Horton :	Total flow, gallons of treated water, these connections:	Total gallons provided these connections, daily average:	Average gallons of daily flow provided, per unit:	Total plant capacity acquired by Horton for these units, average daily flow at 350 gpd	Total plant capacity required for these units, average daily flow at 350 gpd	Excess demand, gallons per day:	Excess demand, ERCs:
12/16/98	30	155	3,428,000	114,267	737	54,250	114,267	60,017	171
1/17/99	32	159	3,230,000	100,938	635	55,650	100,938	45,288	129
2/17/99	31	159	2,726,000	87,935	553	55,650	87,935	32,285	92
3/17/99	28	171	3,833,000	136,893	801	59,850	136,893	77,043	220
4/19/99	33	174	5,606,000	169,879	976	60,900	169,879	108,979	311
5/15/99	26	183	4,592,000	176,615	965	64,050	176,615	112,565	322
6/17/99	33	194	5,168,000	156,606	807	67,900	156,606	88,706	253
7/16/99	29	202	4,904,000	169,103	837	70,700	169,103	98,403	281
8/14/99	29	212	7,119,000	245,483	1,158	74,200	245,483	171,283	489
9/17/99	34	214	7,877,000	231,676	1,083	74,900	231,676	156,776	448
10/18/99	31	214	6,140,000	198,065	926	74,900	198,065	123,165	352
11/17/99	30	216	5,234,000	174,467	808	75,600	174,467	98,867	282
Period:	Days:		Total annual flow:	Average Annual Daily Flow, total	Average Annual Daily Flow per unit	Plant capacity reserved, per unit	Excess demand, average per unit	Units completed or currently under construction	ERCs utilized without payment of Plant Capacity Charges
12 months	366		59,857,000	163,544	871	350	521	246	366



# Florida Department of Environmental Protection

Lawton Chiles  
Governor

Central District  
3319 Maguire Boulevard, Suite 232  
Orlando, Florida 32803-3767

Virginia B. Wetherell  
Secretary

Permittee:  
Condev-Orlando U.S. Highway 27, Ltd.  
Post Office Box 1748  
Winter Park, FL 32790-1748  
  
Attention: Joseph J. Gardner, Partner

Permit Number: WD35-247809  
Date of Issue: 5/16/94  
Expiration Date: 05/16/99  
County: Lake  
Project: Southlake Utilities  
Woodridge Subdivision (330  
Lots) (115,500 GPD)

This permit is issued under the provisions of Chapter 403, Florida Statutes, and Florida Administrative Code Rule 17-555, (F.A.C.). The above named permittee is hereby authorized to perform the work shown on the application and approved drawing, plans, and other documents attached hereto or on file with the department and made a part hereof and specifically described as follows:

"Dry-line" extension of the Southlake Utilities water distribution system to serve Woodridge Subdivision (330 Lots) located on U.S. 27 one mile north of U.S. 192 in Lake County, Florida.

Conditions are attached to be distributed to the permittee only.

**GENERAL CONDITIONS:**

1. *The terms, conditions, requirements, limitations and restrictions set forth in this permit, are "permit conditions" and are binding and enforceable pursuant to Sections 403.141, 403.727, or 403.859 through 403.861, F.S. The permittee is placed on notice that the Department will review this permit periodically and may initiate enforcement action for any violation of these conditions.*
2. *This permit is valid only for the specific processes and operations applied for and indicated in the approved drawings or exhibits. Any unauthorized deviation from the approved drawings, exhibits, specifications, or conditions of this permit may constitute grounds for revocation and enforcement action by the Department.*
3. *As provided in subsections 403.087(6) and 403.722(5), F.S., the issuance of this permit does not convey any vested rights or any exclusive privileges. Neither does it authorize any injury to public or private property or any invasion of personal rights, nor any infringement of federal, state, or local laws or regulations. This permit is not a waiver of or approval of any other Department permit that may be required for other aspects of the total project which are not addressed in this permit.*
4. *This permit conveys no title to land or water, does not constitute State recognition or acknowledgement of title, and does not constitute authority for the use of submerged lands unless herein provided and the necessary title or leasehold interests have been obtained from the State. Only the Trustees of the Internal Improvement Trust Fund may express State opinion as to title.*
5. *This permit does not relieve the permittee from liability for harm or injury to human health or welfare, animal, or plant life, or property caused by the construction or operation of this permitted source, or from penalties therefore; nor does it allow the permittee to cause pollution in contravention of Florida Statutes and Department rules, unless specifically authorized by an order from the Department.*
6. *The permittee shall properly operate and maintain the facility and systems of treatment and control (and related appurtenances) that are installed and used by the permittee to achieve compliance with the conditions of this permit, as required by Department rules. This provision includes the operation of backup or auxiliary facilities or similar systems when necessary to achieve compliance with the conditions of the permit and when required by Department rules.*
7. *The permittee, by accepting this permit, specifically agrees to allow authorized Department personnel, upon presentation of credentials or other documents as may be required by law and at reasonable times, access to the premises where the permitted activity is located or conducted to:*
  - (a) *Have access to and copy any records that must be kept under conditions of the permit;*
  - (b) *Inspect the facility, equipment, practices, or operations regulated or required under this permit; and*
  - (c) *Sample or monitor any substances or parameters at any location reasonably necessary to assure compliance with this permit or Department rules.*

*Reasonable time may depend on the nature of the concern being investigated.*
8. *If, for any reason, the permittee does not comply with or will be unable to comply with any condition or limitation specified in this permit, the permittee shall immediately provide the Department with the following information:*
  - (a) *A description of and cause of noncompliance; and*
  - (b) *The period of noncompliance, including dates and times; or, if not corrected, the anticipated time the noncompliance is expected to continue, and steps being taken to reduce, eliminate, and prevent recurrence of the noncompliance.*

*The permittee shall be responsible for any and all damages which may result and may be subject to enforcement action by the Department for penalties or for revocation of this permit.*

**GENERAL CONDITIONS:**

9. In accepting this permit, the permittee understands and agrees that all records, notes, monitoring data and other information relating to the construction or operation of this permitted source which are submitted to the Department may be used by the Department as evidence in any enforcement case involving the permitted source arising under the Florida Statutes or Department rules, except where such use is prescribed by Section 403.111 and 403.73, F.S. Such evidence shall only be used to the extent it is consistent with the Florida Rules of Civil Procedure and appropriate evidentiary rules.
10. The permittee agrees to comply with changes in Department rules and Florida Statutes after a reasonable time for compliance; provided, however, the permittee does not waive any other rights granted by Florida Statutes or Department rules.
11. This permit is transferable only upon Department approval in accordance with Rule 17-4.120 and 17-30.300, F.A.C., as applicable. The permittee shall be liable for any non-compliance of the permitted activity until the transfer is approved by the Department.
12. This permit or a copy thereof shall be kept at the work site of the permitted activity.
13. This permit also constitutes:
  - ( ) Determination of Best Available Control Technology (BACT)
  - ( ) Determination of Prevention of Significant Deterioration (PSD)
  - ( ) Certification of compliance with state Water Quality Standards (Section 401, PL 92-500)
  - ( ) Compliance with New Source Performance Standards
14. The permittee shall comply with the following:
  - (a) Upon request, the permittee shall furnish all records and plans required under Department rules. During enforcement actions, the retention period for all records will be extended automatically unless otherwise stipulated by the Department.
  - (b) The permittee shall hold at the facility or other location designated by this permit records of all monitoring information (including all calibration and maintenance records and all original strip chart recordings for continuous monitoring instrumentation) required by the permit, copies of all reports required by this permit, and records of all data used to complete the application for this permit. These materials shall be retained at least three years from the date of the sample, measurement, report, or application unless otherwise specified by Department rule.
  - (c) Records of monitoring information shall include:
    1. the date, exact place, and time of sampling or measurements;
    2. the person responsible for performing the sampling or measurements;
    3. the dates analyses were performed;
    4. the person responsible for performing the analyses;
    5. the analytical techniques or methods used;
    6. the results of such analyses.
15. When requested by the Department, the permittee shall within a reasonable time furnish any information required by law which is needed to determine compliance with the permit. If the permittee becomes aware the relevant facts were not submitted or were incorrect in the permit application or in any report to the Department, such facts or information shall be corrected promptly.

PERMITTEE:  
Condev-Orlando U.S. Highway 27, Ltd.

Permit Number: WD35-247809  
Date of Issue:  
Expiration Date: 05/16/99

Attention: Joseph J. Gardner, Partner

SPECIFIC CONDITIONS:

1. General condition number 13 does not apply.
2. A LETTER OF CLEARANCE MUST BE ISSUED BY THE DEPARTMENT TO YOU PRIOR TO YOUR PLACING THIS PROJECT INTO SERVICE OR YOU, THE PERMITTEE, SHALL BE SUBJECT TO APPROPRIATE ENFORCEMENT ACTION. To obtain clearance of the facilities for service, the engineer of record shall submit a "Request for Letter of Release to Place Water Supply System into Service" [DER Form 17-555.910(9)] to the department, a copy of this permit, and a copy of satisfactory bacteriological sample results taken on two consecutive days from, or near, the point of connection to the existing system, from a point near Stations 110+00 and 120+00; from a point near Lots 1, 4, 8, 29, 115, 139, 155, 166, 190, 199, 204, 238, 279, 284 and 319; and from the blowoff.
3. Where water and sewer mains cross with less than 18" vertical clearance, the sewer will be 20' of either ductile iron pipe or concrete encased vitrified clay or PVC pipe, centered on the point of crossing. When a water main parallels a sewer main a separation, measured edge to edge, of at least 10' should be maintained where practical.
4. This permit does not pertain to any wastewater, stormwater or dredge and fill aspects of this project.
5. The permittee will promptly notify the Department upon sale or legal transfer of the permitted facility. In accordance with General Condition #11 of this permit, this permit is transferable only upon Department approval. The new owner must apply, by letter, for a transfer of permit within 30 days.
6. NOTE TO THE UTILITY: Pursuant to 403.859(6), Florida Statutes, do not provide water service to this project (other than flushing/testing) until the Department of Environmental Protection has issued a letter of clearance or you, the utility, shall be subject to enforcement action.
7. This "dry line" water distribution system permit allows the physical installation of a water distribution system prior to having an approved source of potable water. The issuance of this "dry line" water distribution confers absolutely no right to any service connections now or in the future.

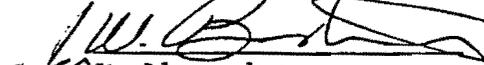
The second well and treatment plant currently undergoing construction under permit number WC35-210979 shall be cleared for service before this "dry-line" system can be cleared for service.

PERMITTEE:  
Condev-Orlando U.S. Highway 27, Ltd.  
Attention: Joseph J. Gardner, Partner

Permit Number: WD35-247809  
Date of Issue:  
Expiration Date: 05/16/99

SPECIFIC CONDITIONS:

STATE OF FLORIDA DEPARTMENT  
OF ENVIRONMENTAL PROTECTION

  
K. Alexander  
District Director

ISSUED 5/16/94



# Department of Environmental Protection

Lawton Chiles  
Governor

Central District  
3319 Maguire Boulevard, Suite 232  
Orlando, Florida 32803-3767

Virginia B. Wetherell  
Secretary

Permittee:  
D.R. Horton Custom Homes  
6250 Hazeltine National Drive, Suite 102  
Orlando, FL 32822

Permit Number: WD35-80599-001  
Date of Issue:  
Expiration Date: 07/31/99  
County: Lake  
Project: Southlake Utilities  
Clear Creek PUD

Attention: David Auld, Vice President

This permit is issued under the provisions of Chapter 403, Florida Statutes, and Florida Administrative Code Rule 62-555, (F.A.C.). The above named permittee is hereby authorized to perform the work shown on the application and approved drawing, plans, and other documents attached hereto or on file with the Department and made a part hereof and specifically described as follows:

Extension of the Southlake Utilities water distribution system to serve Clear Creek PUD [246 single-family homes] located on Woodcrest Way. The estimated average day water demand is 86,100 GPD.

General Conditions are attached to be distributed to the permittee only.

DEP FORM 62-1.201(5) Effective November 30, 1982 Page 1 of 4

**GENERAL CONDITIONS:**

1. The terms, conditions, requirements, limitations and restrictions set forth in this permit, are "permit conditions" and are binding and enforceable pursuant to Sections 403.141, 403.727, or 403.859 through 403.861, F.S. The permittee is placed on notice that the Department will review this permit periodically and may initiate enforcement action for any violation of these conditions.
2. This permit is valid only for the specific processes and operations applied for and indicated in the approved drawings or exhibits. Any unauthorized deviation from the approved drawings, exhibits, specifications, or conditions of this permit may constitute grounds for revocation and enforcement action by the Department.
3. As provided in subsections 403.087(6) and 403.722(5), F.S., the issuance of this permit does not convey any vested rights or any exclusive privileges. Neither does it authorize any injury to public or private property or any invasion of personal rights, nor any infringement of federal, state, or local laws or regulations. This permit is not a waiver of or approval of any other Department permit that may be required for other aspects of the total project which are not addressed in this permit.
4. This permit conveys no title to land or water, does not constitute State recognition or acknowledgement of title, and does not constitute authority for the use of submerged lands unless herein provided and the necessary title or leasehold interests have been obtained from the State. Only the Trustees of the Internal Improvement Trust Fund may express State opinion as to title.
5. This permit does not relieve the permittee from liability for harm or injury to human health or welfare, animal, or plant life, or property caused by the construction or operation of this permitted source, or from penalties therefore; nor does it allow the permittee to cause pollution in contravention of Florida Statutes and Department rules, unless specifically authorized by an order from the Department.
6. The permittee shall properly operate and maintain the facility and systems of treatment and control (and related appurtenances) that are installed and used by the permittee to achieve compliance with the conditions of this permit, as required by Department rules. This provision includes the operation of backup or auxiliary facilities or similar systems when necessary to achieve compliance with the conditions of the permit and when required by Department rules.
7. The permittee, by accepting this permit, specifically agrees to allow authorized Department personnel, upon presentation of credentials or other documents as may be required by law and at reasonable times, access to the premises where the permitted activity is located or conducted to:
  - (a) Have access to and copy any records that must be kept under conditions of the permit;
  - (b) Inspect the facility, equipment, practices, or operations regulated or required under this permit; and
  - (c) Sample or monitor any substances or parameters at any location reasonably necessary to assure compliance with this permit or Department rules.Reasonable time may depend on the nature of the concern being investigated.
8. If, for any reason, the permittee does not comply with or will be unable to comply with any condition or limitation specified in this permit, the permittee shall immediately provide the Department with the following information:
  - (a) A description of and cause of noncompliance; and
  - (b) The period of noncompliance, including dates and times; or, if not corrected, the anticipated time the noncompliance is expected to continue, and steps being taken to reduce, eliminate, and prevent recurrence of the noncompliance.

The permittee shall be responsible for any and all damages which may result and may be subject to enforcement action by the Department for penalties or for revocation of this permit.

**GENERAL CONDITIONS:**

9. In accepting this permit, the permittee understands and agrees that all records, notes, monitoring data and other information relating to the construction or operation of this permitted source which are submitted to the Department may be used by the Department as evidence in any enforcement case involving the permitted source arising under the Florida Statutes or Department rules, except where such use is prescribed by Section 403.111 and 403.73, F.S. Such evidence shall only be used to the extent it is consistent with the Florida Rules of Civil Procedure and appropriate evidentiary rules.
10. The permittee agrees to comply with changes in Department rules and Florida Statutes after a reasonable time for compliance; provided, however, the permittee does not waive any other rights granted by Florida Statutes or Department rules.
11. This permit is transferable only upon Department approval in accordance with Rule 17-4.120 and 17-30.300, F.A.C., as applicable. The permittee shall be liable for any non-compliance of the permitted activity until the transfer is approved by the Department.
12. This permit or a copy thereof shall be kept at the work site of the permitted activity.
13. This permit also constitutes:
  - ( ) Determination of Best Available Control Technology (BACT)
  - ( ) Determination of Prevention of Significant Deterioration (PSD)
  - ( ) Certification of compliance with state Water Quality Standards (Section 401, PL 92-500)
  - ( ) Compliance with New Source Performance Standards
4. The permittee shall comply with the following:
  - (a) Upon request, the permittee shall furnish all records and plans required under Department rules. During enforcement actions, the retention period for all records will be extended automatically unless otherwise stipulated by the Department.
  - (b) The permittee shall hold at the facility or other location designated by this permit records of all monitoring information (including all calibration and maintenance records and all original strip chart recordings for continuous monitoring instrumentation) required by the permit, copies of all reports required by this permit, and records of all data used to complete the application for this permit. These materials shall be retained at least three years from the date of the sample, measurement, report, or application unless otherwise specified by Department rule.
  - (c) Records of monitoring information shall include:
    1. the date, exact place, and time of sampling or measurements;
    2. the person responsible for performing the sampling or measurements;
    3. the dates analyses were performed;
    4. the person responsible for performing the analyses;
    5. the analytical techniques or methods used;
    6. the results of such analyses.
15. When requested by the Department, the permittee shall within a reasonable time furnish any information required by law which is needed to determine compliance with the permit. If the permittee becomes aware the relevant facts were not submitted or were incorrect in the permit application or in any report to the Department, such facts or information shall be corrected promptly.

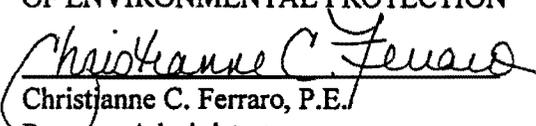
Permittee:  
D.R. Horton Custom Homes  
6250 Hazeltine National Drive, Suite 102  
Orlando, FL 32822  
Attention: David Auld, Vice President

Permit Number: WD35-80599-001  
Date of Issue:  
Expiration Date: 07/31/99  
County: Lake  
Project: Southlake Utilities  
Clear Creek PUD

**SPECIFIC CONDITIONS:**

1. General condition number 13 does not apply.
2. A LETTER OF CLEARANCE MUST BE ISSUED BY THE DEPARTMENT TO YOU PRIOR TO YOUR PLACING THIS PROJECT INTO SERVICE OR YOU, THE PERMITTEE, SHALL BE SUBJECT TO APPROPRIATE ENFORCEMENT ACTION. To obtain clearance of the facilities for service, the engineer of record shall submit a "Request for Letter of Release to Place Water Supply System into Service" [DEP Form 62-555.900(9)] to the Department, a copy of this permit, and a copy of satisfactory bacteriological sample results taken on two consecutive days from the point of connection, the six blowoffs and Lot 9.
3. Where water and sewer mains cross with less than 18" vertical clearance, the sewer will be 20' of either ductile iron pipe or concrete encased vitrified clay or PVC pipe, centered on the point of crossing. When a water main parallels a sewer main a separation, measured edge to edge, of at least 10' should be maintained where practical.
4. This permit does not pertain to any wastewater, stormwater or dredge and fill aspects of this project.
5. The permittee will promptly notify the Department upon sale or legal transfer of the permitted facility. In accordance with General Condition #11 of this permit, this permit is transferable only upon Department approval. The new owner must apply, by letter, for a transfer of permit within 30 days.
6. NOTE TO THE UTILITY: Pursuant to 403.859(6), Florida Statutes, do not provide water service to this project (other than flushing/testing) until the Department of Environmental Protection has issued a letter of clearance or you, the utility, shall be subject to enforcement action.

STATE OF FLORIDA DEPARTMENT  
OF ENVIRONMENTAL PROTECTION

  
Christjanne C. Ferraro, P.E.  
Program Administrator  
Water Facilities

ISSUED July 31, 1997

# Southlake Utilities

## Fax Memo

Date: September 27, 1999

To: Mr. Bart Fletcher  
Florida Public Service Commission

Fax: (850) 413-7018

cc: Mr. Norman Mears  
Mr. Scott Schildberg

Fax: (850) 562-9887  
Fax: (904) 354-5842

From: Bob Chapman

*RLC*

Fax: (919) 402-8282  
Phone: (919) 403-7654

At your request, I am enclosing a copy of the option to lease which was executed between Robert L. Chapman, II, and Elisabeth T. Chapman and Southlake Utilities, Inc. on August 22, 1990. It was for the 10 acre site now used for the wastewater treatment plant. This option expired on August 22, 1991.

I am also enclosing a fax form, which outlines the valuation basis of the property plus 2.526 acres for the water treatment plant, as of January 28, 1994, approximately two months prior before the facilities were placed in service.

If you have further questions, I would be happy to answer them.

AGREEMENT TO LEASE

I, Robert L. Chapman, and I, Elisabeth T. Chapman, do this day agree to lease on demand to Southlake Utilities, Inc., or its successors or assigns, ten (10) acres located in the South 1/2 of the East 1/2 of the Northwest 1/4 of the Southeast 1/4 of Township 24 South, Range 26 East of Lake County, Florida, for a ninety-nine (99) year term for the sum of \$35,000 per year, payable in arrears, net net, adjusted annually for inflation, if any, using the Gross National Product Deflator (or the successor index thereof), plus any and all assessments and real estate taxes.

This Agreement is made and entered into this day, August 22, 1990, and is valid only if exercised within one year.

\_\_\_\_\_  
\_\_\_\_\_

Robert L Chapman  
Elisabeth T. Chapman

Utilities

UTILITIES



**Southlake**

**DEVELOPMENT GROUP**

800 U.S. Highway 27 Clermont, FL 34711

(904) 394-8898

FAX: (904) 394-8894

VIA FAX

✓ 1-28-94  
J Hart  
CORRECTED

Date:

1 / 28 / 93 / 4

To:

VIC INCENELT, CPA  
CUTHILL & EDDY,  
(407) 628-5277

From:

ROBERT L. CHAPMAN III

Message:

→ 12.526 ACRES

RENT \$3,950 per month net-net  
PLUS INFLATION USING  
GROSS DOMESTIC PRODUCT DEFLATOR

→ APPRAISAL OF ADJACENT LAND

PARDU & HEID CHURCH SMITH & WALLER

= \$61,128 PER ACRE

X 12.526 = \$765,689

(Valuation @ 6% Cap. rate = \$790,000)

Number of Pages to Follow:     

- Robert