

State of Florida



Public Service Commission
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DATE: AUGUST 8, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYO)

FROM: DIVISION OF ECONOMIC REGULATION (CLAPP, E. BASS, RIEGER) DM
OFFICE OF THE GENERAL COUNSEL (HARRIS) J.M. Hall JDS

RE: DOCKET NO. 011379-SU - APPLICATION FOR TRANSFER OF CERTIFICATE NO. 422-S IN GULF COUNTY FROM GULF AIRE PROPERTIES D/B/A GULF AIRE WASTEWATER TREATMENT PLANT TO ESAD ENTERPRISES, INC. D/B/A BEACHES SEWER SYSTEM.
COUNTY: GULF

AGENDA: 08/20/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION ISSUES 2, 3, AND 5 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\011379SU.RCM

CASE BACKGROUND

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

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

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

DISCUSSION OF ISSUES

ISSUE 1: Should the transfer of Certificate No. 422-S from Gulf Aire to ESAD Enterprises, Inc. be approved?

RECOMMENDATION: Yes, the transfer of Certificate No. 422-S from Gulf Aire to ESAD should be approved. However, ESAD should be formally put on notice of its obligation to comply with all of the requirements of Chapter 367, Florida Statutes, and Rule 25-30, Florida Administrative Code. The failure to do so may result in the initiation of show cause proceedings and the possible imposition of sanctions, including penalties, fines, and possible revocation of the certificate. ESAD should be responsible for all future RAFs and annual reports. A description of the territory being transferred is appended to this recommendation as Attachment A. (CLAPP, E. BASS, RIEGER)

STAFF ANALYSIS: As stated in the case background, Gulf Aire applied for a transfer of Wastewater Certificate No. 422-S in Gulf County from Gulf Aire to ESAD on October 19, 2001. The application was incomplete and deficiency letters were sent on November 9, 2001

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and May 10, 2002. The final deficiency corrections were received on July 16, 2002.

The application is in compliance with the governing statute, Section 367.071, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for transfer. The utility provides service to approximately 249 wastewater customers. The application contains a check in the amount of \$750, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code.

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

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

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

The application also contains a statement, pursuant to Rule 25-30.037(2)(j), Florida Administrative Code, regarding how the transfer is in the public interest. ESAD indicated that the transfer is in the public interest because the shareholders of ESAD Enterprises, Inc., have a combined net worth of \$1 million, which it believes is the requisite financial ability to own and operate the utility. In addition, the stockholders live within the service territory and personally know the quality of the wastewater service. ESAD contracts with a certified operator for plant operations. Also, one of the stockholders is retired and spends most of his time performing repairs or enhancing the system and its surroundings.

Rule 25-30.037(2)(l), Florida Administrative Code, requires the buyer to submit a proposed net book value of the system at the time of transfer. The buyer indicated that the proposed net value of the utility is based upon Gulf Aire's year end statement. Rate base is discussed further in Issue 3.

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

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

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

owner for the purchase of the lift station property and provided staff with a copy of a recorded quit claim deed in the name of the utility.

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

It should be noted that both the seller and the buyer had a great deal of difficulty preparing and filing all of the requirements needed for the transfer application. The 2001 RAFs were not filed until June 25, 2002, and the 2001 annual report was not filed until July 11, 2002. Staff had numerous meetings and telephone conversations with both parties expressing the necessity of completing these matters in a timely manner. Gulf Aire Properties, Inc., was dissolved in 2001 and the buyers have no prior experience in operating a wastewater system or managing a regulated entity. Staff has made every effort to assist the buyers in understanding the rules and statutory requirements pertinent to owning a regulated wastewater system and it appears that they are willing and able to perform those responsibilities.

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

ISSUE 2: What is the rate base of Gulf Aire at the time of transfer?

RECOMMENDATION: The rate base, which for transfer purposes reflects the net book value at the time of transfer, is \$7,371 for the wastewater system as of December 1, 2000. (CLAPP)

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

The audit report contained six audit exceptions concerning the utility's books and records. These audit exceptions and staff's recommendations are discussed in detail below, except for audit exception number 6 which will be discussed in Issue 5. The utility's proposed rate base and staff's recommended adjustments are shown on Schedule Nos. 1 and 2.

Audit Exception No. 1 and No. 2. These exceptions were the audit opinions that Gulf Aire failed to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) and failed to maintain a record of each customer's account. Pursuant to Rule 25-30.115(1), Florida Administrative Code, all water and wastewater utilities are to maintain their accounts and records in conformity with the NARUC USOA. Pursuant to Rule 25-30.335(7), Florida Administrative Code, the utility shall maintain a record of each customer's account for the most current 2 years.

Upon Commission approval of this transfer Gulf Aire will no longer be a utility regulated by this Commission. Therefore, no action is recommended on these issues with regard to Gulf Aire. However, as discussed in Issue 1, staff recommends that ESAD be reminded of its obligation to comply with all of the requirements of Chapter 367, Florida Statutes, and Chapter 25-30, Florida Administrative Code, which includes the obligation to maintain its books and records pursuant to Rule 25-30.115(1), Florida Administrative Code, and to maintain a record of each customer's account pursuant to Rule 25-30.335(7), Florida Administrative Code. Staff has worked with the owners of ESAD regarding the NARUC USOA and they appear to understand these requirements.

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

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

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

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

In order to determine the appropriate amount of CIAC, staff relied on audit work papers and the staff recommendation for the utility's only staff assisted rate case, Docket No. 861569-SU, as a starting point, even though rate base was not formally established in that docket. According to those records, prior to Commission jurisdiction, 25 customers paid \$600 per connection, and

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21 customers paid \$800 per connection, for a total of \$31,800 in cash CIAC. In addition, it was determined that the developer had installed and written off on its tax returns \$49,250 for collection lines, which was imputed as CIAC. The total CIAC as of December 31, 1986, was determined to be \$81,050.

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

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

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

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

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

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

ISSUE 3: Should an acquisition adjustment be approved?

RECOMMENDATION: No. An acquisition adjustment was requested; however, an acquisition adjustment should not be included in the calculation of rate base for transfer purposes. (CLAPP, HARRIS)

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

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

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

In the absence of extraordinary circumstances, it has been Commission practice that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. The buyer stated in its application for transfer that it was seeking an acquisition adjustment, however, staff finds there are no extraordinary circumstances regarding this purchase that would justify an acquisition adjustment to rate base. Therefore, staff recommends that an acquisition adjustment not be included in the calculation of rate base. Staff's recommendation is consistent with previous Commissions decisions in this regard. See Order No. PSC-01-0425-PAA-WU, issued February 22, 2001, in Docket No. 001083-WU; Order No. PSC-01-1271-PAA-SU, issued June 6, 2001, in Docket No. 010382-SU; Order No. PSC-01-1655-PAA-WS, issued August 13, 2001, in Docket No. 000793-WS; and Order No. PSC-01-1917-PAA-WS, issued September 24, 2001, in Docket No. 001551-WS.

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It should be noted that the Commission recently adopted a rule regarding the appropriate treatment of acquisition adjustments that occur when the purchase price of a utility differs from its rate base, pursuant to Order No. PSC-02-0997-FOF-WS, issued July 23, 2002, in Docket No. 001502-WS. In the case of Gulf Aire, because the purchase occurred and the application was filed prior to the adoption of the rule, the new rule is not applicable in this docket. Staff notes that even if the newly adopted rule were applicable to this docket, staff's recommendation would remain the same, since positive acquisition adjustments would still not be allowed absent a showing of extraordinary circumstances.

ISSUE 4: Should the rates and charges approved for this utility be continued?

RECOMMENDATION: Yes, ESAD should continue charging the rates and charges approved for Gulf Aire, with the exception of AFPI for treatment facilities, until authorized to change by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariff sheets. (CLAPP)

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

Wastewater Monthly Service Rates
Residential and General Service

Flat Rate: \$32.20

Service Availability Charges

Plant Capacity Charge

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

Main Extension Charge

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

Customer Connection

Residential	\$100.00
Commercial	Actual

Inspection Fee

All connections	Actual Cost
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Guaranteed Revenue Charge with Prepayment
of Service Availability Charges

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

Allowance for Funds Prudently Invested
Collection Facilities

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

Miscellaneous Service Charges

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

Rule 25-9.044(1), Florida Administrative Code, provides that:

In case of change of ownership or control of a utility which places the operation under a different or new utility . . . the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission).

ESAD has not requested a change in the rates and charges of the utility. Accordingly, staff recommends that, pursuant to Rule 25-9.044(1), Florida Administrative Code, the utility should continue charging the rates and charges approved for Gulf Aire with the exception of the AFPI charges for treatment facilities which will be discussed more fully in Issue 5 until authorized to change by the Commission in a subsequent proceeding. ESAD has filed a revised tariff. If the Commission approves staff's recommendation, the tariff should be effective for services rendered or connections made on or after the stamped approval date.

ISSUE 5: Should the utility be required to discontinue collection of Allowance for Funds Prudently Invested (AFPI) for treatment facilities and to refund the over collection of AFPI?

RECOMMENDATION: Yes. The utility should be required to discontinue collection of AFPI for treatment facilities and to refund over collection of AFPI. The refunds should be made with interest pursuant to Rule 25-30.360, Florida Administrative Code, to each customer who paid the excess AFPI. (CLAPP)

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

Exception No. 6 of the staff audit was the opinion that the utility has collected excess AFPI for the treatment facilities. Gulf Aire's annual reports reflected a total of 130 ERCs for the year ended December 31, 1989, and 217 ERCs for the year ended December 31, 2000. The difference in the number of ERCs added is 87, which exceeds the 78 ERCs authorized for AFPI collection. AFPI was also collected from five customers in 2001; however, the utility discontinued collecting AFPI in 2001 when the new owner became aware that the utility was no longer entitled to collect the charge. Staff estimates that the amount of the refund will be \$8,758.96 plus interest.

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

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ISSUE 6: Should this docket be closed?

RECOMMENDATION: No. If no timely protest by a substantially affected person is received to the proposed agency action issues, a Consummating Order should be issued upon the expiration of the protest period. The docket should remain open until the utility provides verification that the refund recommended in Issue 5 has been properly completed, at which time the docket should be closed administratively. (Harris)

STAFF ANALYSIS: If no timely protest is received to the proposed agency action issues by a person whose substantial interests are affected, a Consummating Order should be issued upon the expiration of the protest period. The docket should remain open until the utility provides verification that the refund recommended in Issue 5 has been properly completed, at which time the docket should be closed administratively.

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

Territory Description

Parcel No. 1:

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

Commence at the point of intersection of the Northeastern right of way line of State Road 30 - U.S. Highway 98 and the South boundary line of Section 32, Township 6 South, Range 11 West, as same is shown on the official plat of Port St. Joe Beach, Unit Two, as recorded in Plat Book 2, Page 6, in the Public Records of Gulf County, Florida; thence South 89° 52' 49" along the South boundary line of said Section 32 for 22.105 feet; thence North 39° 51' 00" West along the Northeastern right of way line of said State Road 30

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

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

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Parcel No. 2:

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

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Gulf Aire Wastewater Treatment Plant

Legal Description
St. Joe Beach, Unit 3

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

Thence North 37° 20' 42" West, a distance of 100.63 feet to a concrete monument,

Thence South 50° 08' 28" West, a distance of 307.51 feet to a concrete monument,

Thence North 39° 51' 32" West, a distance of 151.55 feet to a concrete monument,

Thence South 89° 53' 28" West, a distance of 130.07 feet to a concrete monument,

Thence North 00° 06' 32" West, a distance of 62.55 feet to a concrete monument,

Thence North 39° 51' 32" West, a distance of 817.95 feet to a concrete monument,

Thence North 50° 10' 21" East, a distance of 994.44 feet to a concrete monument,

Thence North 89° 35' 24" East, a distance of 411.33 feet to a concrete monument,

Thence South 32° 07' 20" East, a distance of 131.14 feet to a point for corner,

Thence South 12° 26' 21" East, a distance of 69.63 feet to a point for corner,

Thence South 04° 08' 43" East, a distance of 69.18 feet to a point for corner,

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Thence South 57° 15' 53" East, a distance of 49.93 feet to a point for corner,

Thence South 38° 59' 19" East, a distance of 54.23 feet to a point for corner,

Thence South 28° 14' 37" East, a distance of 114.61 feet to a point for corner,

Thence North 80° 18' 40" East, a distance of 41.59 feet to a point for corner,

Thence North 65° 25' 58" East, a distance of 115.45 feet to a point for corner,

Thence South 57° 43' 28" East, a distance of 269.67 feet to a point for corner,

Thence South 40° 03' 57" East, a distance of 197.31 feet to a point for corner,

Thence South 35° 32' 16" East, a distance of 86.02 feet to a point of corner,

Thence South 30° 06' 05" East, a distance of 159.51 feet to a point for corner,

Thence South 23° 35' 13" East, a distance of 77.47 feet to a point for corner,

Thence South 42° 22' 25" East, a distance of 77.16 feet to a point for corner,

Thence South 50° 03' 49" East, a distance of 224.32 feet to a point for corner,

Thence South 49° 17' 21" East, a distance of 113.45 feet to a point for corner,

Thence South 42° 27' 35" East, a distance of 145.59 feet to a point for corner,

Thence North 89° 55' 11" East, a distance of 110.69 feet to a concrete monument,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

South $39^{\circ} 51' 00''$ East, 431.52 feet to a point on the line between Fractional Section 31, Township 6 South, Range 11 West and Fractional Section 6, Township 7 South, Range 11 West, said point being South $89^{\circ} 52' 49''$ West, 98.01 feet from the section corner; thence South $89^{\circ} 52' 49''$ West, along said Section line for 22.105 feet to a point that is 50.00 feet from and at right angle to the center line of said U.S. Highway No. 98; thence South $39^{\circ} 51' 00''$ East, 359.90 feet; thence, leaving said right of way line South $50^{\circ} 09' 00''$ West, 222 feet, more or less, to a point on the mean high water line of the Gulf of Mexico; thence meandering Northwesterly along and with said mean high water line to a point that bears South $50^{\circ} 09' 00''$ West from the Point of Beginning; thence North $50^{\circ} 09' 00''$ East, 263 feet, more or less, to the Point of Beginning.

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

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

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SCHEDULE 1

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

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

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SCHEDULE 2

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

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