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September 21, 2010

ROBERT M.C. ROSE, (1924-2006)

VIA HAND DELIVERY

Ann Cole, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

100402-SU

RECEIVED-FPSC  
10 SEP 21 AM 10:10  
COMMISSION  
CLERK

RE: Docket No.: \_\_\_\_\_; Alafaya Utilities, Inc.'s Application for Transfer of  
Facilities to Governmental Authority in Seminole County, Florida  
Our File No.: 30057.193

Dear Ms. Cole:

Enclosed for filing please find an original and seven (7) copies of an Application  
for Transfer of Facilities to a Governmental Authority for Alafaya Utilities, Inc. Pursuant  
to section 367.071(3) Florida Statutes, no filing fee is required for these Applications.

Should you have any questions regarding this matter, please feel free to contact  
me.

Very truly yours,

CHRISTIAN W. MARCELLI  
For the Firm

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FPSC-COM-1158191-01

COM \_\_\_\_\_ CWM/tlc  
APA \_\_\_\_\_ Enclosures  
ECR 5  
GCL H  
RAD \_\_\_\_\_  
SSC \_\_\_\_\_  
ADM \_\_\_\_\_  
OPC \_\_\_\_\_  
CLK EW

cc: Mr. Don Sudduth (w/enclosures) (via e-mail)  
John R. Stover, Esq., General Counsel (w/enclosures) (via e-mail)  
Richard Gestrich, City Manager (w/enclosures)

M:\1 ALTAMONTE\UTILITIES INC\ALAFAYA UTILITIES\193 ALAFAYA TRANSFER\FPSC Clerk 01 (Filing Application for Transfer of Facilities to a Governmental Authority).ltr.doc

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950 PENINSULA CORPORATE CIRCLE, SUITE 2020, BOCA RATON, FLORIDA 33487 (561) 982-7114 FAX (561) 982-7116

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application Of  
Alafaya Utilities, Inc.  
For Transfer of Wastewater  
Facilities to the City of Oviedo  
in Seminole County, Florida

---

DOCKET NO.: 100402-SU

APPLICATION FOR TRANSFER OF FACILITIES  
TO A GOVERNMENTAL AUTHORITY

Applicant, ALAFAYA UTILITIES, INC. or ("Applicant"), by and through its undersigned attorneys, and pursuant to § 367.071, Fla. Stat., files this Application for Transfer of Facilities to a Governmental Authority and in support thereof states as follows:

1. Applicant operates under Wastewater Certificate No. 379-S in Seminole County, Florida.
2. The name and address of Applicant and its authorized representatives, for purposes of this application, are:

Alafaya Utilities, Inc.  
200 Weathersfield Avenue  
Altamonte Springs, FL 32714

Authorized Representatives:  
Martin S. Friedman, Esquire  
Christian W. Marcelli, Esquire  
Rose, Sundstrom & Bentley, LLP  
2180 W. State Road 434, Suite 2118  
Longwood, Florida 32779  
407-830-6331 (telephone)  
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[mfriedman@rsbattorneys.com](mailto:mfriedman@rsbattorneys.com)  
[cmarcelli@rsbattorneys.com](mailto:cmarcelli@rsbattorneys.com)

RECORDED & INDEXED DATE  
7875 SEP 21 09  
FPSC-COMMISSION CLERK

3. The name and address of the City of Oviedo (the "City") and its authorized representatives, for purposes of this application, are:

City of Oviedo  
400 Alexandria Blvd.  
Oviedo, Florida 32765

Authorized Representative:  
Richard Gestrich  
City Manager  
400 Alexandria Blvd.  
Oviedo, Florida 32765

4. A copy of the Agreement for Purchase and Sale of Reclaimed Water and Wastewater Assets by and between Alafaya Utilities, Inc. and the City of Oviedo, Florida, dated April 15, 2010, is attached hereto as Exhibit "A" (the "Agreement"). The Agreement has been executed by the Mayor of Oviedo. The transaction closed on September 14, 2010.

5. This Application must be approved as a matter of right as a sale to a governmental authority pursuant to § 367.071(4)(a), Fla. Stat.

6. Subsequent to the closing of this transaction, Applicant will retain no assets that would constitute a system providing or proposing to provide reclaimed water or wastewater service to the public for compensation.

7. Prior to purchase, the City of Oviedo obtained from Applicant its most recent available income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction.

8. Pursuant to the Agreement, the Applicant and the City will jointly read all customer meters. Applicant will bill for all service rendered prior to closing and the City will assist the Applicant in collecting said revenues, if necessary.

9. There are no fines owed relative to the Applicant's reclaimed water or wastewater facilities. Applicant will pay any and all outstanding regulatory assessment fees and file a final Regulatory Assessment Fee Return with the Division of Administration of this Commission within the time period required by the rules of this Commission.

10. Applicant cannot currently locate original Wastewater Certificate 379-S for cancellation, and such certificates are no longer issued.

WHEREFORE, Applicant respectfully requests that this Commission approve the transfer of its wastewater facilities to the City of Oviedo as a matter of right, and cancel the wastewater certificate of this Applicant.

Respectfully submitted on this 21st day of  
September, 2010, by:

ROSE, SUNDSTROM & BENTLEY, LLP  
2180 W. State Road 434, Suite 2118  
Longwood, Florida 32779  
Telephone: (407) 830-6331  
Facsimile (407) 830-8522

BY: 

~~MARTIN S. FRIEDMAN, ESQUIRE~~  
✓CHRISTIAN W. MARCELLI, ESQUIRE  
Attorneys for Alafaya Utilities, Inc.

# EXHIBIT "A"

**AGREEMENT FOR PURCHASE AND SALE  
OF  
RECLAIMED WATER AND WASTEWATER ASSETS**

**By and Between**

**ALAFAYA UTILITIES, INC.**

**Seller,**

**and**

**CITY OF OVIEDO, FLORIDA**

**Purchaser**

**April 15, 2010**

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**EXHIBITS**

**Exhibit "A" (Florida Public Service Commission Rate Order as of September 28, 2009, approving two-stage rate increases for Alafaya Utilities, Inc.)**

**Exhibit "B" (Real Property)**

**Exhibit "C" (Easements, licenses, etc.)**

**Exhibit "D" (Treatment plants, etc.)**

**Exhibit "E" (Certificates, permits, etc.)**

**Exhibit "F" (Developer Agreements)**

**Exhibit "G" (Contracts and Leases)**

**Exhibit "H" (Pending Legal Actions)**

**Exhibit "I" (Service Area)**

**Exhibit "J" (Inventories)**



**AGREEMENT FOR PURCHASE AND SALE OF  
WASTEWATER AND RECLAIMED WATER ASSETS**

**THIS AGREEMENT FOR PURCHASE AND SALE OF RECLAIMED WATER AND WASTEWATER ASSETS** ("Agreement") is made as of this 15<sup>th</sup> day of April, 2010 by and between **Alafaya Utilities, Inc.**, a Florida corporation (hereafter "Seller"), and the **the City of Oviedo, Florida** a political subdivision of the State of Florida ("Purchaser").

**WHEREAS**, Seller owns and operates domestic wastewater collection, treatment and effluent disposal systems, including reclaimed water facilities (collectively, the "Utility System"), all of which are located in Seminole County, Florida, and commonly known as Alafaya Utilities, Inc.; and

**WHEREAS**, Seller was recently granted rate increases from Florida Public Service Commission that it intended to implement, see Exhibit "A" to this Agreement; and

**WHEREAS**, Seller had no intention of selling its utility assets, but received the threat of condemnation of its utility assets by the Purchaser, which threat Seller determined it was inadvisable to resist and incur unnecessary time and expenses in defense of such proceedings, but instead, in lieu of condemnation, agreed to negotiate an amicable resolution of the threat of condemnation by entering into this Agreement; and

**WHEREAS**, the Purchaser agreed to acquire the utility assets of Seller in lieu of condemnation and the Purchaser has the power and authority to provide wastewater and reclaimed water infrastructure and service within its service territory; and

**WHEREAS**, Seller agrees to sell under the threat of condemnation, and Purchaser desires to purchase in lieu of condemnation, the Utility System of Seller for the consideration and on the terms and subject to the conditions set forth in this Agreement; and

**NOW, THEREFORE**, in consideration of the foregoing recitals and benefits to be derived from the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby agree to sell and purchase the Utility System upon the following terms and conditions:

1. **RECITALS**. The foregoing recitals are true and correct and are incorporated herein.

2. **COVENANT TO PURCHASE AND SELL; DESCRIPTION OF PURCHASED ASSETS.**

- a. Purchaser shall buy from Seller, and Seller shall sell to Purchaser, the Purchased Assets (as defined below) upon the terms, and subject to the conditions precedent, set forth in this Agreement.
- b. "Purchased Assets" shall include all assets, business properties, and rights, both tangible and intangible, that Seller owns regarding the construction, operation or maintenance of the Utility System including, but not limited to:
  - i. The real property and interests in real property owned and held by Seller, in fee simple, and all buildings and improvements located thereon, as identified in **Exhibit "B"** to this Agreement ("Real Property").
  - ii. All easements, licenses, prescriptive rights, rights-of-way and rights to use public and private roads, highways, canals, streets and other areas owned by Seller for the construction, operation and maintenance of the Utility System, as identified in **Exhibit "C"** to this Agreement.
  - iii. All wastewater collection, treatment and disposal facilities of every kind and description whatsoever, including but not limited to one dewatering box, pumps, plants, wells, tanks, lift stations, transmission mains, distribution mains, supply pipes, collection pipes or facilities, irrigation quality water and effluent disposal facilities, valves, meters, meter boxes, service connections and all other physical facilities, including reclaimed water facilities, equipment and property installations owned by Seller and used in connection with the Utility System, together with all additions or replacements thereto, as identified in **Exhibit "D"** to this Agreement.
  - iv. All certificates, immunities, privileges, permits, license rights, consents, grants, ordinances, surveys, leaseholds, and all rights to construct, maintain and operate the Utility System and its plants and systems for the collection and disposal of wastewater, including reclaimed water, and every right of every character whatever in connection therewith, and the obligations thereof (hereinafter referred to as the "Certificates"); together with all rights granted to Seller under the Certificates, as identified in **Exhibit "E"** to this Agreement; to the extent that Seller's rights to the foregoing are transferable. **Exhibit "E"** shall also identify any of the foregoing

which are not transferable or which require third party consents to transfer.

- v. All items of inventory owned by Seller on the Closing Date, which shall not be unnecessarily depleted prior to that date. Inventory as of the date of signing this Agreement by Seller includes, but is not limited to those items identified in **Exhibit "J"** to this Agreement.
  - vi. All supplier lists, customer records, prints, plans, including plans in electronic or digital format, engineering reports, surveys, specifications, shop drawings, equipment manuals, and other information relating to the Utility System in Seller's possession, including rights of Seller to obtain copies of such items from engineers, contractors, consultants or other third parties, in paper and electronic form.
  - vii. All sets of record drawings, including as-built drawings, showing all facilities of the Utility System, including all original tracings, sepias or other reproducible materials in Seller's possession, including rights of Seller to obtain copies of such items from engineers, contractors, consultants or other third parties, in paper and electronic form.
  - viii. All rights and obligations of Seller under any Developer Agreements, as identified in **Exhibit "F"** to this Agreement, which are assumed by Purchaser pursuant to Article 11.b.iv. **Exhibit "F"** shall identify any of the foregoing which are not transferable or which require third party consents for the assumption by Purchaser.
  - ix. All rights and obligations of Seller under the Contracts and Leases, as identified in **Exhibit "G"** to this Agreement, which shall include, but not be limited to all agreements with respect to bulk service, effluent disposal and reuse, along with the headworks construction settlement, if any, which are assumed by Purchaser pursuant to Article 11.b.iv. **Exhibit "G"** shall contain a schedule identifying any third party consents necessary for the assumption by Purchaser.
  - x. All equipment, tools, parts, laboratory equipment, office equipment and other personal property owned by Seller in connection with the construction, operation and maintenance of the Utility System.
- c. "Excluded Assets". Notwithstanding any other provision in this Agreement that may be construed to the contrary, Purchased Assets do not

include the Excluded Assets. The following assets are excluded from the Purchased Assets:

- i. Cash, accounts receivable, bank accounts, equity and debt securities of any nature, deposits maintained by Seller with any governmental authority, and any prepaid expenses of Seller, which are Seller's sole property as of the Closing Date.
- ii. Escrow and other Seller provisions for payment of federal and state taxes, and other obligations to governmental entities, including regulatory assessment fees, which shall be Seller's responsibility to pay through the Closing Date.
- iii. The name and Florida corporation known as Alafaya Utilities, Inc. and related logos and signage owned or used by Seller, including without limitation, logos and signage using the Utilities, Inc. name and logo.
- iv. Computers, including without limitation, all Toughbook computers, and related software systems including billing systems.
- v. Meter reading devices and associated equipment.
- vi. Padlocks of all types and associated keys.
- vii. Cummins Onan 150Kw portable generator and trailer, 2004.
- viii. All vehicles.

### **3. LIABILITIES**

- a. Assumed Liabilities. On the Closing Date, the Purchaser shall assume and agree to discharge only the following Liabilities of Seller (the "Assumed Liabilities"):
  - i. Any liability to the customers of the Utility System incurred in the Ordinary Course of Business after the Closing;
  - ii. Any liability of Purchaser under this Agreement or any other document executed in connection with this Agreement;
  - iii. Any liability of Purchaser based upon Purchaser's acts or omissions occurring after the Effective Time;
  - iv. Any liability arising from or related to the operation of the Utility

System after the Closing;

- b. **Excluded Liabilities.** Notwithstanding the foregoing, the following shall not constitute liabilities assumed by the Purchaser:

All debts, liabilities, obligations, or other financial or service obligations of Seller, except as are expressly assumed by Purchaser hereunder or otherwise in writing. Purchaser does not assume and shall not be liable for any expense, assessment, exposure, fine, penalty, liability, act or omission of any kind whatsoever imposed or required by any third party, whether known or unknown, whether contingent, liquidated or unliquidated, including any federal, state, or local authority, whether arising or accruing under contract, tort, or pursuant to statute, rule, ordinance, law, regulation or otherwise, including, but not limited to, the Certificates, Contracts and Leases of Seller, and even as to those liabilities and obligations which Purchaser expressly hereby does assume, and Certificates required by Purchaser pursuant thereto, whether or not based upon, related to, or arising out of any violation of law, breach of Certificate obligation, breach of contract, occurrence of any tort or other event arising or accruing before or after the Closing Date when the operative act or omission was that of or attributable to the Seller for its actions prior to the Closing Date. Seller shall remain liable for and shall pay, perform or discharge all such liabilities and obligations; provided Seller is not hereby limited in its right to contest in good faith any such liabilities or obligations.

4. **PURCHASE PRICE.** The total consideration intended to be paid for the Utility System is the Purchase Price. By these presents, Seller and Purchaser covenant and agree that the Purchase Price to be paid to Seller is \$28,750,000 by wire transfer at Closing.

5. **REPRESENTATIONS AND WARRANTIES OF SELLER.** As a material inducement to Purchaser to execute this Agreement and perform its obligations hereunder, Seller represents and warrants to Purchaser as follows:

- a. Seller is a duly organized, validly existing corporation, and its status is active under the laws of the State of Florida. Seller has all requisite corporate power and authority and has taken all requisite corporate action necessary to (i) enter into this Agreement, and (ii) perform all of

the terms and conditions of this Agreement.

- b. The Board of Directors of Seller has approved Seller entering into this Agreement.
- c. This Agreement constitutes, and all other agreements to be executed by Seller with respect to this Agreement will constitute, when executed and delivered, valid and binding obligations of Seller, enforceable in accordance with their terms.
- d. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government applicable to Seller, the Articles of Incorporation or By-Laws of Seller, nor any Certificate, indenture, agreement, or other instrument to which Seller is a party, or by which it is bound.
- e. Seller has exclusive possession, control and ownership, rights of ingress and egress, and good and marketable title to all Real Property, including that used or located on property controlled by Seller in its business on the date of this Agreement. To Seller's knowledge, the Real Property is subject to no mortgage, pledge, lien, charge, security interest, encumbrance, or restriction except Permitted Encumbrances, as defined in Article 7 of this Agreement. At Closing, Seller shall deliver title to such Real Property free and clear of all debts, liens, pledges, charges or encumbrances whatsoever, other than Permitted Encumbrances. Seller makes no representation as to the condition of the Real Property, and Purchaser acknowledges that it is accepting the Real Property in accordance with the Title Policy referenced in Article 7 hereof.
- f. Seller has exclusive ownership, possession, control, rights of ingress and egress, and good and marketable title to all Purchased Assets other than the Real Property, including those used or located on property controlled by Seller in its business or elsewhere on the date of this Agreement. At Closing the Purchased Assets other than the Real Property are subject to no mortgage, pledge, lien, charge, security interest, encumbrance, or restriction except Permitted Encumbrances. At Closing, Seller shall deliver title to the Purchased Assets other than the Real Property free and clear of all debts, liens, pledges, charges or encumbrances, whatsoever. Seller makes no representation as to the condition of the Purchased Assets other than the Real Property, and Purchaser acknowledges that it is relying on its own investigation in its decision to consummate the transaction contemplated hereby.

g. Environmental Law Compliance.

i. Definitions.

(a) "Environmental Law" means any federal, state, or local statute, order, regulation, or ordinance, or common law or equitable doctrine relating to the protection of human health or the environment in effect as of the Closing Date and includes, but is not limited to, The Florida Air and Water Pollution Control Act (Chapter 403, Florida Statutes), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA")(42 U.S.C. § 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), and the Safe Drinking Water Act (42 U.S.C. § 300f et seq.), as such have been amended or supplemented as of the Closing Date, the regulations promulgated pursuant thereto, and in effect as of the Closing Date and any conditions and requirements contained in any permits possessed by Seller from any federal, state or local agencies necessary to operate the Utility System.

(b) "Hazardous Material" means petroleum or any substance, material, or waste which is regulated under any Environmental Law in the jurisdictions in which Seller conducts its business including, without limitation, any material or substance that is defined as or considered to be a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "toxic waste," or "toxic substance" under any provision of Environmental Law.

(c) "Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, or dispersal into the environment, at or from any property owned or operated by Seller or related to Hazardous Materials generated by Seller.

(d) "Remedial Action" means all actions required to (i) clean up, remove, or treat any Hazardous Material; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public health or welfare or

the environment; or (iii) perform pre-remedial studies and investigations or post-remedial monitoring and care directly related to or in connection with any such remedial action.

ii. Representations. To Seller's knowledge:

(a) Seller is in material compliance with all applicable Environmental Laws and has no material liability thereunder, and there is no reasonable basis for Seller to believe that any such liability exists.

(b) Seller has obtained all permits required, or has submitted applications for such permits in a timely manner, under applicable Environmental Laws necessary for the operation of its business as presently conducted as of the date of this Agreement.

(c) Except as set forth in this Agreement, Seller has not received within the last three years written notice (or to Seller's knowledge verbal notice) of any violation of applicable federal, state or local statutes, laws and regulations (including, without limitation, any applicable environmental, building, zoning, or other law, ordinance or regulation) relating to the Utility System.

(d) No polychlorinated biphenyl or asbestos-containing materials, in violation of Environmental Law are, or have been, present at any Utility System property when owned, operated, or leased by Seller, nor are there any underground storage tanks, active or abandoned, at any Utility System property owned, operated, or leased by Seller.

(e) There is no Hazardous Material in violation of Environmental Law located at any Utility System site that is owned, leased, operated, or managed by Seller other than chemicals used for treatment (such as chlorine); no Utility System site that is owned, leased, operated, or managed by Seller is listed or formally proposed for listing under CERCLA, the Comprehensive Environmental Response, Compensation Liability Information System ("CERCLIS") or on any similar state list that is the subject of federal, state, or local enforcement actions or other investigations that may lead to claims against Seller for clean-up costs, remedial work, damages to natural resources, or for personal injury



claims, including, but not limited to, claims under CERCLA; and there is no reasonable basis for Seller to be named in such claims or for any similar action to be brought against Seller.

(f) No written or to Seller's knowledge verbal notification of a Release of a Hazardous Material has been filed by or on behalf of Seller or any third party with respect to any Utility System property when owned, operated, or leased by Seller. No such Utility System property is listed or proposed for listing on the National Priority List promulgated pursuant to CERCLA, or CERCLIS, or any similar state list of sites requiring investigation or clean up.

(g) No Hazardous Material has been released in material violation of Environmental Law at, on, or under any Utility System property now owned, operated, or leased by Seller.

- h. Except as provided in **Exhibit "H"** hereto, there are no current actions, suits or proceedings at law or in equity pending or, to Seller's knowledge, threatened against the Seller before any federal, state, municipal or other court, administrative or governmental agency or instrumentality, domestic or foreign, which affect the Utility System or any of the Purchased Assets or the Seller's right and ability to make and perform this Agreement; nor is the Seller aware of any facts which to its knowledge are likely to result in any such action, suit or proceeding. Seller is not in default with respect to any Certificate, permit, order or decree of any court or of any administrative or governmental agency or instrumentality affecting the Utility System or any of the Purchased Assets. Seller agrees and warrants that it shall have a continuing duty to disclose up to and including the Closing Date the existence and nature of all pending judicial or administrative suits, actions, proceedings and orders which in any way relate to the construction, operation or maintenance of the Utility System.
- i. There are no facts known to management, officers or directors of Seller which have or would have a material adverse effect upon the physical condition or operation of the Utility System or the Purchased Assets which are not readily observable or which have not been disclosed or provided to Purchaser in connection with this transaction.
- j. No representation or warranty made by the Seller in this Agreement contains any untrue statement of material facts or omits to state any material fact required to make the statements herein contained not

misleading.

6. **REPRESENTATIONS AND WARRANTIES OF PURCHASER.** As a material inducement to Seller to execute this Agreement and to perform its obligations hereunder, Purchaser represents and warrants to Seller as follows:

- a. Purchaser has been duly organized, and is a validly existing political subdivision under the laws of the State of Florida. Purchaser has all requisite power and authority to (i) enter into this Agreement, and (ii) carry out and perform the terms and conditions of this Agreement.
- b. Prior to the execution of this Agreement Purchaser conducted and completed its due diligence relative to the Utility System and the Purchased Assets. Purchaser acknowledges that it is acquiring the Purchased Assets "as-is".
- c. This Agreement constitutes, and all other agreements to be executed by Purchaser with respect to this Agreement, will constitute, when executed and delivered, valid and binding obligations of Purchaser, enforceable in accordance with their terms.
- d. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government applicable to Purchaser, nor any indenture, agreement, or other instrument to which Purchaser is a party, or by which it is bound.
- e. All necessary public hearings and referenda required to authorize Purchaser's purchase of the Utility System and Purchaser entering into this Agreement will have been duly held prior to the Closing Date and all appropriate governmental actions required to be taken by Purchaser will have been duly taken prior to the Closing Date.

7. **TITLE INSURANCE AND PERMITTED ENCUMBRANCES.**

- a. At least twenty (20) days prior to the Closing, Seller shall cause to be issued and delivered to Purchaser's counsel a current title insurance commitment in favor of Purchaser issued by a title company licensed to do business in the State of Florida, covering the Real Property, which shall be in an amount equal to \$28,750,000. The cost of the title insurance commitment and title insurance policy shall be borne by Seller. The title insurance commitment shall commit the insurer to issue owner's title insurance policies to Purchaser covering the Real Property (substantially in accordance with the ALTA Standard Owner's Form B), reflecting title to the Real Property to be marketable and

insurable, except for the Permitted Encumbrances (as defined in Article 7.f. below), the standard printed exceptions usually contained in an owner's title insurance policy, and the standard exclusions from coverage; provided, however, that the title insurance company shall delete the standard exceptions customarily deleted for such items as materialman's liens, survey, and mechanic's liens. Seller shall execute at, or prior to, Closing, in favor of Purchaser and the title insurance company, the appropriate mechanic's lien affidavit and "Gap" affidavit sufficient to allow the title insurance company to delete all standard exceptions addressed by such affidavits.

Purchaser shall notify Seller in writing no less than ten (10) days after receipt of the title insurance commitment of any alleged material defect in Seller's title to the Real Property, other than those accepted herein and the Permitted Encumbrances (such written notice to include all exceptions, encumbrances, liens, easements, covenants, restrictions or other defects in Seller's title to the Real Property other than the Permitted Encumbrances), which render or may render Seller's title to the Real Property (i) unmarketable in accordance with standards adopted by The Florida Bar, or (ii) uninsurable. Any objections to title to the extent not shown on the notice furnished by Purchaser in accordance with the provisions of this paragraph shall be deemed to have been waived by Purchaser and Purchaser shall not be entitled to any damages or other remedies. Seller shall have thirty (30) days after receipt of Purchaser's notice to eliminate the objections to title set forth in Purchaser's notice. However, in no event shall Seller be required to bring suit or expend any sum in excess of \$500,000 in the aggregate to cure title defects (exclusive of mortgages against the Real Property, which are in a liquidated amount) that Seller has an obligation to discharge on or before Closing pursuant to the terms of this Agreement. If Seller fails to deliver title as herein provided, then Purchaser may:

- i. Accept whatever title Seller is able to convey with no abatement of the Purchase Price; or
  - ii. Reject title and terminate this Agreement with no further liability to either party to the other.
- b. Purchaser may not object to title by reason of the existence of any mortgage, lien, encumbrance, covenant, restriction or other matter that (i) may be satisfied with a payment of money and Seller advises Purchaser that Seller elects to do so by paying same at or prior to the Closing Date; (ii) any mechanic's lien or other encumbrance that can be

released of record, bonded or transferred of record to substitute security so as to relieve the Real Property from the burden thereof and Seller advises Purchaser that Seller elects to do so at or prior to Closing; or (iii) the title insurance company issuing the title insurance commitments affirmatively insures-over.

- c. Purchaser shall have the right, but not the obligation, to do such surveys on the fee parcels as Purchaser desires. Surveys procured by Purchaser shall be at the sole cost and expense of Purchaser.
- d. If Purchaser desires to have any standard survey exceptions deleted or modified in the Title Policy, Purchaser shall deliver to Seller's attorneys, no later than 10 days prior to the Closing Date, properly certified and current original surveys of the specified fee parcels that comply with Florida Law. As to each such survey timely delivered by Purchaser, Seller shall have included in the Title Policy a "blanket exception" as to the applicable fee parcel /survey.
- e. Seller shall deliver, promptly after Closing, the title insurance policy issued on the binder.
- f. As used above, "Permitted Encumbrances" include the following:
  - i. All present and future building restrictions, zoning regulations, laws, ordinances, resolutions, regulations and orders of any governmental authority having jurisdiction over the Real Property and the use thereof.
  - ii. Easements, restrictions, reservations, rights-of-way, conditions and limitations of record, if any, which are not coupled with any reverter or forfeiture provisions, including (without limitation) any drainage, canal, mineral, road, or other reservations of record in favor of the State of Florida or any of its agencies or governmental or quasi-governmental entities, or as may be set forth in any "Murphy Deeds", none of which, however, shall impair or restrict the use of the Real Property or the operation of the Utility System.
  - iii. Such other matters as are permitted under the terms of this Agreement, including but not limited to the Developer Agreements.

**8. CONDITIONS PRECEDENT TO CLOSING.** The obligations of each party to

close the transaction contemplated by this Agreement are subject to the conditions that, at or before the Closing Date:

Conditions Precedent for Purchaser and Seller

- a. Neither Party is prohibited by decree or law from consummating the transaction.
- b. There is not pending on the Closing Date any legal action or proceeding that prohibits the acquisition or sale of the Purchased Assets or prohibits Purchaser or Seller from closing the transaction or Purchaser from paying the Purchase Price, or that inhibits or restricts in any material manner Purchaser's use, title, or enjoyment of the Purchased Assets.
- c. Each of the other parties hereto has performed all of the undertakings required to be performed by them under the terms of this Agreement.
- d. There has been no material adverse change in the physical condition of the Purchased Assets. For purposes of this Agreement, a "material adverse change" shall mean a loss or damage to the Purchased Assets that materially reduces: (1) their value in the aggregate; or (2) the ability to operate the Utility System as operated by Seller prior to the Closing Date.
- e. All warranties and representations of the other party are true in all material respects as of the Closing Date, except to the extent they specifically refer to another date.
- f. Seller shall be entitled to all revenues for services rendered prior to Closing. Approximately three (3) days prior to the Closing Seller and Purchaser shall jointly read all customer meters. Seller shall bill for all customer services rendered prior to Closing in the ordinary course of business. Purchaser agrees for its part, to assist Seller in collecting said revenues, if necessary, including discontinuance of service for non-payment, as if said customers were its own.

Conditions Precedent for Purchaser

- a. The Charter of Purchaser requires a referendum prior to the issuance and sale of the long term debt required to pay the Purchase Price at Closing. Consequently, the Closing of the transaction contemplated herein is specifically conditioned upon an affirmative vote of the participating electorate consistent with the Charter requirements prior

to said issuance and sale.

Condition precedent for Seller

- a. Purchaser has performed each of the requirements and duties and has considered each of the criteria that are required by Florida Statutes, to be performed and considered in connection with the Purchaser's purchase of the Utility System prior to Closing this transaction.

9. **PRE-CLOSING CONDUCT; COVENANTS.** Prior to the Closing Date, the parties covenant to each other, and shall conduct themselves, as follows:

- a. During the period between February 15, 2010 and the Closing Date, Seller shall:
  - i. Operate and maintain the Utility System and Purchased Assets in a normal and ordinary manner to ensure that the condition of the Utility System and the Purchased Assets remains in all material respects unchanged, normal wear and tear and usage excepted, and the inventory on hand shall not be materially diminished or depleted, other than in the ordinary course of business;
  - ii. Promptly notify Purchaser of any notification received by Seller from any person, business, or agency of any existing, or potential Environmental Law violation;
  - iii. Provide Purchaser, or its designated agent(s), with unrestricted access to the business premises, Utility System, Purchased Assets, Seller's books and records, employees, agents, or representatives, on reasonable advance notice and during business hours.
  - iv. Promptly notify Purchaser of any event, activity or occurrence that has, or may have, a material adverse effect upon the Purchased Assets or this transaction.
- b. During the period between execution hereof and Closing, Seller shall:
  - i. Make no unbudgeted capital expenditures in excess of \$50,000 or enter into any contract, oral or written, relating to the Purchased Assets without the prior written consent of Purchaser;

- ii. Seller shall not, without the prior written consent of Purchaser, which shall not be unreasonably withheld, accept any Connection Charges or other fees from developers, enter into any new Developer Agreements or modify any existing developer agreements. Copies of any new or modified developer agreements shall be promptly delivered to Purchaser and shall not be signed by Seller without prior written consent from Purchaser.
- c. Seller shall maintain its existing levels of insurance on the Purchased Assets and Utility System and the risk of any loss shall remain with Seller.
- d. Purchaser, in its discretion, may cause to be performed, at its sole expense, a Phase I Environmental Survey (and a subsequent Phase II, if necessary) of each parcel of Real Property owned by Seller. If such Survey discloses the presence of any Hazardous Material, Seller shall have the right to perform such cleanup and remediation as is necessary hereunder. Upon Seller's failure to perform such cleanup and remediation, prior to the Closing Date, Purchaser may elect to either (i) terminate this Agreement, in which event neither party shall have any liability to the other; or (ii) proceed to Closing without abatement of the Purchase Price.

**10. TERMINATION OF AGREEMENT.**

- a. This Agreement may be terminated (i) by mutual written consent of the parties, (ii) by either party if the transactions contemplated hereby have not closed by September 15, 2010, or (iii) as provided in paragraphs b. and c. below.
- b. Purchaser may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:
  - i. The failure, in any material respect prior to Closing, of any conditions precedent to closing or pre-closing conduct and covenant set forth in Articles 8 and 9.
  - ii. Any material breach of this Agreement by Seller, including, but not limited to, a material breach of any representation or warranty, if Seller has not cured such breach within 30 days after notice from Purchaser; provided, however, such breach must in any event be cured ten days prior to the Closing Date unless the date for cure has been extended by Purchaser.

- iii. Purchaser intends to issue thirty (30) year Revenue Bonds (the "Bonds") to acquire the Purchased Assets. The Purchaser's obligation to close the transactions contemplated in this Agreement shall be and is expressly conditioned upon the issuance of such Bonds at an interest rate not to exceed 5.75% ("Rate"). In the event the Purchaser in good faith determines that its Bonds cannot be issued at an interest rate at or below the Rate, Purchaser shall have the right, but not the obligation, to terminate this Agreement. Purchaser shall immediately notify Seller in writing of such determination, with such notice setting forth in reasonable detail the bases upon which such determination was made. Upon receipt of such notice, Seller shall have the option of terminating this Agreement. In the event of termination by either Purchaser or Seller, Purchaser and Seller shall have no liabilities and no further obligations to each other under this Agreement other than obligations specifically contained elsewhere herein.
- c. Seller may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:
- i. Purchaser fails to conduct and complete its referendum noted in 8.a. of this Agreement by August 24, 2010.
  - ii. Closing does not occur by September 15, 2010.
  - iii. The failure, in any material respect prior to Closing, of any of the conditions precedent to closing set forth in Article 8.
  - iv. Any material breach of this Agreement by Purchaser, including, but not limited to, a material breach of any representation or warranty, if Purchaser has not cured such breach within 30 days after notice from Seller, provided, however, such breach must in any event be cured prior to the Closing Date unless the date for cure has been extended by Seller.
- d. Upon the occurrence of any of the bases for termination of this Agreement, the party seeking to terminate this Agreement shall provide written notice of its termination of this Agreement to the other by delivering the same as provided in Article 13.c.



- e. Upon the termination of this Agreement, the following shall occur:
  - i. To the extent permitted by Florida law, each party shall return all documents, including copies, in its possession, custody, or control, or in the possession, custody, or control, of its agents and consultants to the other, as the case may be. Each party, its agents and consultants, shall treat any information previously received as confidential, and shall not disclose or use such information, unless required by law.
  - ii. Except as otherwise set forth in this Agreement, each party shall be responsible for payment of its own attorney and other professional fees and other costs of any nature whatsoever incurred prior to the termination of this Agreement.
  - iii. This Agreement shall forthwith become void and (except for the willful breach of this Agreement by any party hereto) there shall be no liability on the part of Purchaser or Seller, or their respective Council members, officers or directors.

**11. CLOSING DATE AND CLOSING.**

- a. This transaction shall be closed on or before September 15, 2010, at a location mutually acceptable to both parties. As used in this Agreement, the term "Closing Date" shall mean the date that this transaction is closed, but in no event shall the Closing Date be extended beyond September 15, 2010.
- b. At Closing:
  - i. Purchaser shall pay the Purchase Price, subject to any adjustment as provided for in this Agreement.
  - ii. Title to the Real Property shall be conveyed to Purchaser by Special Warranty Deed free of all claims, liens, or encumbrances whatsoever, other than Permitted Encumbrances. Title to the remaining Purchased Assets shall be conveyed to Purchaser by Bill of Sale free of all claims, liens, or encumbrances, whatsoever, other than Permitted Encumbrances. Seller shall further provide to Purchaser such other instruments of conveyance as shall be, in the reasonable opinion of Purchaser and its counsel,

necessary to transfer the Utility System and Purchased Assets in accordance with this Agreement and, when necessary or desirable, in recordable form.

- iii. Seller shall assign its right, title and interest in those easements, licenses, etc. identified in **Exhibit "C."**
- iv. Seller and Purchaser shall enter into separate Assignment and Assumption Agreements with respect to the (i) Developer Agreements identified in **Exhibit "F"**, and (ii) Contracts and Leases identified in **Exhibit "G."** Notwithstanding the foregoing, other than the Developer Agreements noted above, Purchaser retains the option not to assume any agreements, contracts or leases of any type which Purchaser shall determine, in its sole discretion, are not consistent with the ordinary business practices of Purchaser and Purchaser's best interest, in which event, however, Seller may elect to terminate this Agreement and refuse to close.
- v. Real property and personal property taxes on the Purchased Assets and Utility System, and any other applicable taxes, shall be prorated as of the Closing Date and Seller shall be required to pay its pro rata share at Closing. All other taxes, assessments and regulatory assessment fees accrued or owed by Seller as of the date of Closing with respect to the Utility System and Purchased Assets shall remain the obligation of Seller. All other taxes and assessments imposed or attempted to be imposed from and after the date of Closing with respect to the Utility System and Purchased Assets, if any, shall be the obligation of Purchaser.
- vi. Recording fees, if any, to record the deeds and any other instruments necessary to deliver title to the Purchaser shall be paid by the Purchaser.
- vii. Connection Charges (defined as plant capacity, transmission line capacity, or other unit connection fees paid for the availability of utility capacity) received by Seller prior to Closing shall be retained by Seller. Connection Charges paid after Closing shall be retained by Purchaser. A schedule of connection charges received by Seller through February 15, 2010 shall be provided to Purchaser within 20 days of the execution of this Agreement.

- viii. All transfers required or necessary to carry out the intent and purpose of this Agreement shall take place, unless waived or extended by mutual consent.
- ix. Each of the parties shall pay the fees of its own attorneys, bankers, engineers, accountants, and other professional advisers or consultants in connection with the negotiation, preparation and execution of this Agreement, and any documents associated with the Closing.
- x. All bills of any kind for services, materials and supplies of any kind rendered in connection with the construction, operation and maintenance of the Utility System prior to Closing, including but not limited to electricity, phone service, and payroll for a period up to and including the Closing Date, shall be paid by Seller. Purchaser shall be responsible for all such costs and expenses incurred subsequent to Closing.
- xi. Purchaser shall assume the liability for customer deposits, and Seller shall, by electronic transfer, transfer all customer deposits and accrued interest thereon through Closing to Purchaser.
- xii. Subject to Seller's compliance with its obligations under subsection 9(b)(i) hereof:
  - (a) Prior to Closing, Seller may make individual capital expenditures of up to \$50,000 in the aggregate, without obtaining Purchaser's approval; and
  - (b) Purchaser will reimburse Seller for capital expenditures to the benefit of the system, not to include ordinary operating and maintenance expenses, made by Seller per (a) above, and for any other capital expenditures for which Purchaser has given advance, written approval.
- xv. Each party shall deliver to the other party a certificate stating that:
  - (a) The party is not prohibited by decree or law from consummating the transaction contemplated hereby.
  - (b) There is not pending on the Closing Date any legal action or proceeding that hinders the ability of either party to

close the transaction.

- (c) All warranties and representations of such party contained in this Agreement are true and correct in all material respects as of the Closing Date.
- xvi. Seller shall deliver to Purchaser, in a form reasonably acceptable to Purchaser, an opinion of Seller's counsel substantially to the effect that:
- (a) Seller is validly organized, existing and its status is active under the laws of the State of Florida.
  - (b) This Agreement has been duly and validly executed and approved by Seller and is a valid and binding agreement upon Seller.
  - (c) To Seller's counsel's actual knowledge, the execution, delivery and performance of this Agreement will not violate any agreement of or binding on, or any law applicable to, Seller.
- xvii. Purchaser shall deliver to Seller in a form acceptable to Seller, an opinion of Purchaser's Counsel substantially to the effect that:
- (a) Purchaser is validly organized and existing as a political subdivision under the laws of the State of Florida.
  - (b) This Agreement has been duly and validly executed and approved by Purchaser and is a valid and binding agreement upon Purchaser.
  - (c) To Purchaser's Counsel's actual knowledge, the execution, delivery and performance of this Agreement will not violate any agreement of, or binding on, or any law applicable to, Purchaser.

**12. POST CLOSING COOPERATION.**

- a. Seller and Purchaser shall, after the Closing Date, upon reasonable request of the other party and at no cost to the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such

further documents, acts, deeds, assignments, transfers, powers of attorney and assurances as may be required in order to implement and perform any of the obligations, covenants and agreements of the parties.

- b. Seller agrees to provide reasonable assistance to the Purchaser to transition the administration and operation of the Utility System and Purchased Assets for a period of One Hundred and Twenty (120) days after the Closing Date. Purchaser shall reimburse Seller for any costs or expenses incurred by any services provided under this subparagraph.
- c. The party requesting assistance hereunder shall reimburse the other for reasonable out-of-pocket expenses incurred in providing such assistance.
- d. The respective representations and warranties of the parties contained in this Agreement or any document delivered pursuant to this Agreement shall survive the consummation of the transactions contemplated hereby and continue for a period of one year from the Closing Date, and thereafter shall terminate.

**13. MISCELLANEOUS PROVISIONS.**

- a. This Agreement, the Documents and the Exhibits hereto, collectively embody the entire agreement and understandings between the parties and there are no other agreements or understandings, oral or written, with reference to this Agreement that are not merged into and superseded by this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be considered an original.
- b. Within 30 days after the execution of this Agreement, Seller shall prepare and the Purchaser and Seller will jointly submit a notice of the impending transfer of the system to the Florida Public Service Commission in a Petition for Termination of the Certificates of Authorization of Seller. Seller shall file reports, if any, required to satisfy its outstanding gross receipts tax, regulatory assessment fees, and other obligations and governmental assessments through the date of Closing. All of Seller's costs and expense relative to the termination of Seller's relationship with the Florida Public Service Commission, including regulatory assessment fees, shall be borne by Seller. Copies of the Order(s) of the Commission acknowledging sale of the system to Buyer shall be promptly provided to Buyer upon Seller's receipt thereof.
- c. Any notice or other document required or allowed to be given pursuant to this Agreement by either party to the other shall be in writing and shall be delivered personally, or by recognized overnight courier or sent by

certified mail, postage prepaid, return receipt requested, or by electronic or facsimile transmission with written confirmation.

If to Seller, such notice shall be delivered at:

Lisa Sparrow, President  
Utilities, Inc.  
2335 Sanders Road  
Northbrook, Illinois 60062  
847-498-6440  
[lasparrow@uiwater.com](mailto:lasparrow@uiwater.com)

with a copy to:

John Stover, Esquire  
Vice President & General Counsel  
Utilities, Inc.  
2335 Sanders Road  
Northbrook, IL 60062-6440  
847-498-6440  
[jrstover@uiwater.com](mailto:jrstover@uiwater.com)

If to Purchaser, such notice shall be delivered at:

Mayor Mary Lou Andrews  
Oviedo City Hall  
400 Alexandria Blvd  
Oviedo, FL 32765  
Phone: (407) 971-5555  
[mlandrews@cityofoviedo.net](mailto:mlandrews@cityofoviedo.net)

with a copy to:

Nabors, Giblin & Nickerson, P.A.  
Attention: Brian Armstrong, Esq.  
1500 Mahan Drive, Suite 200  
Tallahassee, FL 32308  
850-224-4070  
[barmstrong@ngn.com](mailto:barmstrong@ngn.com)

- d. The headings used are for convenience only, and they shall be disregarded in the construction of this Agreement.
- e. The drafting of this Agreement was a joint effort of the parties, and in the

interpretation hereof, it shall be assumed that no party had any more input or influence than any other.

- f. This Agreement is solely for the benefit of the parties hereto and no other causes of action shall accrue upon or by reason hereof to or for the benefit of any third party (other than successors and assigns), who or which is not a formal party hereto.
- g. In the event any term or provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted, as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.
- h. This Agreement may be amended or modified only if executed in writing and with the same formality as the original.
- i. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Florida.
- j. All words, terms, and conditions herein contained are to be read in concert, each with the other, and a provision contained under one heading may be considered to be equally applicable under another heading in the interpretation of this Agreement.
- k. Except as provided for herein, this Agreement may not be assigned without the prior written consent of the non-assigning party. If properly assigned, this Agreement shall be binding upon and inure to the benefit of the parties' successors and assigns.
- l. For purposes of this Agreement, an individual is deemed to have "knowledge" of a particular fact or other matter if such individual has actual awareness of such fact or matter, or a prudent individual could be expected to discover or otherwise become aware thereof in the ordinary course of conducting his business.
- m. Notwithstanding anything to the contrary contained herein or in any other instrument or document execute by or on behalf of the Purchaser or Seller in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement, or obligation of any present or future member, officer, employee, contractor or agent of the Purchaser or Seller, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to the Purchaser or Seller, in any such Person's

individual capacity, and no such Person, in an individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the Purchase Price or for any claim based hereon or on any such stipulation, covenant, agreement, or obligation, against any such Person, in an individual capacity, either directly or through the Purchaser or Seller or any successor to the Purchaser or Seller, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such Person, in an individual capacity, is hereby expressly waived and released. All references to the Purchaser in this paragraph shall be deemed to include the Purchaser, its Government members, Council members, officers, employees, contractors and agents. The provisions of this Section shall survive the termination of this Agreement.

- n. Purchaser shall bear no liability for accrued or current salaries or benefits of any kind related to Sellers construction, operation, or maintenance of the Utility System up to and including Closing.
- o. This Agreement shall be binding upon the successors and assigns of the parties hereto. Purchaser may collaterally assign its rights hereunder to any financial institution providing financing in connection with the transaction contemplated hereby.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**[EXECUTION PAGES TO FOLLOW]**



IN WITNESS WHEREOF, the parties have hereunto caused this Agreement to be executed the day and year aforesaid in counterparts, each counterpart to be considered an original.

ATTEST:

**ALAFAYA UTILITIES, INC.**

\_\_\_\_\_  
Secretary

LISA SPARROW  
President

(SEAL)

ATTEST:

**CITY OF OVIEDO, FLORIDA**



*Mary Lou Andrews*

Mary Lou Andrews  
Mayor

(SEAL)

**STATE OF FLORIDA  
COUNTY OF SEMINOLE**

The foregoing instrument was acknowledged before me this \_\_\_ day April, 2010 by LISA SPARROW, as President of Alafaya Utilities, Inc., a Florida corporation, on behalf of the corporation. She is personally known to me.

Notary Public

My Commission Expires:

**STATE OF FLORIDA  
COUNTY OF SEMINOLE**

The foregoing instrument was acknowledged before me this day of April, 2010, by Mary Lou Andrews, as Mayor of the City of Oviedo, on behalf of the City of Oviedo. She is personally known to me.

Notary Public *Linda A. DeBonis*  
My Commission Expires: *March 8, 2011*

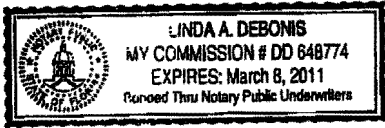


EXHIBIT "A"

FLORIDA PUBLIC SERVICE COMMISSION RATE ORDER AS OF  
SEPTEMBER 28, 2009, APPROVING TWO-STAGE RATE INCREASES FOR  
ALAFAYA UTILITIES, INC.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding rate  
increase in Seminole County by Alafaya  
Utilities, Inc.

DOCKET NO. 090121-SU  
ORDER NO. PSC-09-0651-PAA-SU  
ISSUED: September 28, 2009

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING RATE INCREASE  
AND  
FINAL ORDER APPROVING RATE REDUCTION IN FOUR YEARS AND GRANTING  
TEMPORARY RATES IN THE EVENT OF A PROTEST.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the reduction in rates in four years and proof of adjustment of the utility's books and records, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

Alafaya Utilities, Inc. (Alafaya or utility) is a Class A wastewater utility located in Seminole County serving approximately 7,523 residential customers and 1,200 reuse customers. The utility's 2008 annual report reflects wastewater revenues of \$3,791,018. The utility's last rate proceeding was in 2006.<sup>1</sup> Alafaya's wastewater rates were last adjusted on February 8, 2009, as a result of a Price Index and Pass-Through Application, filed pursuant to Section 367.081(4)(a)and(b), Florida Statutes (F.S.).

On March 12, 2009, the utility filed its application for a limited proceeding pursuant to Section 367.0822, F.S. Alafaya has filed for a limited proceeding in order to recover the costs of an upgrade and expansion of the utility's reclaimed water infrastructure, including extension of a main and necessary system enhancements, to recover digester costs exceeding those included in the utility's last rate case, and to recover the cost of the utility's modernization of its information,

<sup>1</sup> See Order No. PSC-07-0130-SC-SU, issued February 15, 2007, in Docket No. 060256-SU, In re: Application for rate increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.

DOCUMENT NUMBER-DATE

09960 SEP 28 09

FPSC-COMMISSION CLERK

customer service, and computer systems. We have determined that Alafaya met the filing requirements of Rule 25-30.445, Florida Administrative Code F.A.C.

A customer meeting was held in the utility's service area on May 27, 2009. Fifteen customers attended the meeting and ten customers spoke. Several customers expressed concern over the lack of reuse water and the lack of water pressure when reuse water is available. The utility's customers also complained of unsatisfactory customer service.

We have jurisdiction over this rate proceeding pursuant to Section 367.0822, F.S.

### DECISION

In its application, Alafaya requested a \$1,083,706 or 28.07 percent increase in its wastewater rates. Alafaya's proposed increase consists of additions to rate base for the cost of upgrading and expanding its reclaimed water infrastructure, including extension of a main and system enhancements, digester costs exceeding those included in Alafaya's last rate case, and the costs incurred by the utility for modernization of its information, customer service, and computer systems. The adjustments to operating expenses include depreciation expense, amortization expense, rate case expense, taxes other than income (TOTI), and income taxes. Alafaya's revenue increase is comprised of a return on rate base items, plus the increase in operating expenses, grossed-up for taxes. We have reviewed the application as well as supporting documentation. Based on our review, we approve an increase in wastewater revenues for Alafaya that shall be implemented in two phases. The phase one increase shall be \$654,085, or 17.51 percent, and the phase two increase shall be \$307,070 or 6.99 percent. Items included in the determination of the revenue increase are discussed below.

#### Plant Increases

In its filing, Alafaya included increases in plant of \$1,548,779 for a 1.5 million gallon ground storage tank, \$751,384 for a county road reuse main extension, \$2,374,766 for a new Equalization Tank (EQ tank), \$490,394 to replace a digester (net of retirements) that was not included in the utility's last rate case, and \$529,732 for the modernization of its information, customer service, and computer services. The total increase in utility plant in service for the items described above is \$5,695,055. In its filing, Alafaya estimated that the completion date for the new EQ tank will be March 31, 2010. Thereafter, in response to our staff's data request, Alafaya stated that a second quarter completion date in 2010 was a preferable target for the EQ tank. According to Section 367.081, F.S., we 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 we approve a longer period. We find that it is appropriate to remove the \$2,374,766 investment in the EQ tank from the total increase in plant of \$5,695,055. We also find that it is appropriate, as stated above, to implement the resulting revenue requirement in two phases. The first phase shall include plant increases, excluding the EQ tank, of \$3,320,289, and the second phase shall be based on the new EQ tank plant investment of \$2,374,766. The increase in rates resulting

from the construction of the new EQ tank shall not be implemented until it is completed and operational.

#### Used and Useful

Alafaya did not make a used and useful (U&U) determination for this filing. Section 367.081(3), F.S., provides that all prudent costs of a reuse project shall be recovered in rates. Alafaya's last U&U determination was made in Docket No. 060256-SU, In re: Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc. By Order No. PSC-07-0130-SC-SU, issued February 15, 2007, we found that Alafaya's wastewater treatment plant (Account 380.4) was 94 percent U&U. Consistent with our previous decision, we will apply the same 94 percent to the plant increases included in Account 380.4 for this docket to determine the appropriate U&U amount. The utility's increase in plant for this filing includes additions to Account 380.4 in the amount of \$490,394 for digester replacement equipment, with a related accumulated depreciation adjustment of \$572,214, for a total increase to rate base of \$1,062,608. We find that a non-U&U adjustment of 6 percent, or \$63,756, is appropriate for the determination of the revenue requirement for phase one. For phase two, the non-U&U adjustment shall be 6 percent of the \$2,364,236 net plant investment in the new EQ tank, or \$141,854.

#### Working Capital

Alafaya included an adjustment for an increase in cash working capital of \$16,745 in its filing. The utility included an increase in rate case expense of \$22,064 and an increase in TOTI of \$111,893. Alafaya computed one eighth of the total of \$133,957 for the items described above, or \$16,745, to determine the increase in working capital. Alafaya is a Class A utility and should be computing working capital based on the balance sheet approach. It is our practice to include half of the approved amount of rate case expense in the working capital calculation for Class A wastewater utilities.<sup>2</sup> As discussed below we have approved total rate case expense of \$30,290 in this case. Consistent with our practice, we will allow \$15,145 in the working capital calculation, which is half our approved amount of rate case expense.

#### Cost of Capital

In its filing, Alafaya used a weighted cost of capital consisting of Alafaya's parent company, Utilities, Inc.'s (UI's) total common equity of \$158,372,419 with a cost rate of 11.46 percent, and long-term debt of \$180,000,000 with a cost rate of 6.60 percent at December 31, 2007. According to our Rule 25-30.445(4)(e), F.A.C., a calculation of the weighted average cost of capital shall be provided for the most recent 12-month period, using the mid-point of the range of the last authorized rate of return on equity, the current embedded cost of fixed-rate capital, the

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<sup>2</sup> See Order Nos. PSC-08-0327-FOF-EI, issued May 19, 2008, in Docket No. 070304-EI, In re: Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company, PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.; and PSC-97-1225-FOF-WU, issued October 10, 1997, in Docket No. 970164-WU, In re: Application for increase in rates in Martin County by Hobe Sound Water Company.

actual cost of short-term debt, the actual cost of variable-cost debt, and the actual cost of other sources of capital that were used in the last individual rate proceeding of the utility. The return on equity of 11.46 percent is based on the leverage formula approved in Order No. PSC-06-0476-PAA-WS,<sup>3</sup> and was used in the utility's last rate proceeding. The utility's last proceeding also included balances for short-term debt and customer deposits in the cost of capital calculation. Alafaya did not include any amounts in this filing for short-term debt or customer deposits. The annual reports for 2007 and 2008 included additional components of short-term debt and customer deposits in its cost of capital schedules. While UI's amounts for common equity and long-term debt have remained relatively consistent from 2007 to 2008, the amount for short-term debt has increased dramatically from \$15,500,000 at the end of 2007 to \$49,775,000 at the end of 2008, at a reported cost rate of 3.75 percent. We find that it is appropriate to include the 2008 short-term debt amount of \$49,775,000 in determining the cost of capital for Alafaya and the 2008 customer deposit amount of \$104,582 at a cost rate of 6.00 percent. The adjustments described above result in an overall cost of capital of 7.96 percent for phase one and 8.17 percent for phase two.

#### Depreciation Expense

Alafaya included additional annual depreciation expense related to the limited proceeding plant additions in its revenue requirement determination in the amount of \$256,226. As discussed above, we have removed the EQ plant investment in the amount of \$2,374,766, which includes engineering costs of \$81,234 for phase one. Alafaya included depreciation expense of \$4,513 related to the engineering cost but did not include any depreciation expense related to the remaining EQ tank investment of \$2,293,532, since the completion date was estimated to be March 31, 2010. We shall exclude the depreciation expense of \$4,513 in the phase one calculation of revenue requirements related to the EQ tank engineering cost, to be consistent with excluding the investment. We shall include \$4,242 in depreciation expense in determining the phase two revenue requirement, which is the \$4,513 amount less a 6 percent non-U&U adjustment of \$271. The utility included a decrease in depreciation expense related to the retirement of digester equipment in the amount of \$46,365. We shall adjust the \$46,365 by \$4,358 to reflect the non-U&U portion, which results in an adjusted depreciation decrease due to retirements of \$43,583.

#### Rate Case Expense

The utility included in its filing an estimate of \$88,259 for current rate case expense. Our staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On May 4, 2009, the utility submitted a revised rate case expense estimate through completion of the PAA process of \$88,326. The components of the estimated rate case expense are as follows:

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<sup>3</sup> Order No. PSC-06-0476-PAA-WS, issued June 5, 2006, in Docket No. 060006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4), F.S.

	MFR		Additional	
	<u>Estimated</u>	<u>Actual</u>	<u>Estimated</u>	<u>Total</u>
Legal	\$15,375	\$424	\$15,018	\$15,442
WSC In-house Fees	60,808	3,165	57,643	60,808
Filing Fee	2,250	2,250	0	2,250
Travel - WSC	2,600	70	2,530	2,600
Miscellaneous	500	0	500	500
Notices	<u>6,726</u>	<u>0</u>	<u>6,726</u>	<u>6,726</u>
Total Rate Case Expense	<u>\$88,259</u>	<u>\$5,909</u>	<u>\$82,417</u>	<u>\$88,326</u>

We have examined the requested actual expenses, supporting documentation, and estimated expenses as listed above. Based on our review, we find that several adjustments are necessary.

We have reviewed the 1,461 hours and \$57,643 of estimated costs to complete this case by Water Service Corporation (WSC) employees. As of April 16, 2009, WSC had 74 actual hours worked at a cost of \$3,165, which when added to the \$57,643 results in a combined actual and estimated to complete cost for WSC employees of \$60,808. Alafaya asserts that additional hours are required to respond to data requests, to assist with the limited proceeding, and audit facilitation. However, Alafaya failed to provide any detailed documentation of what tasks were involved in its estimate to complete the case for each employee. By applying the individual employee rates and the average number of hours worked by WSC employees,<sup>4</sup> we determined that the estimated WSC fees to complete the case are unreasonable. Therefore, we shall decrease the WSC estimated costs to complete this case by \$55,006, which results in total costs for WSC employees of \$5,802 to be included in rate case expense.

The second adjustment addresses WSC's travel expenses. In its MFRs, Alafaya estimated \$2,600 for travel. WSC's actual travel expenses to date are \$70. Based on several previous UI rate cases, we note that for Limited Proceeding rate cases UI does not send a representative from its Illinois office to attend our Agenda Conference. Therefore, we find that the entire remaining amount of estimated travel expense shall be removed from rate case expense. Accordingly, rate case expense shall be decreased by \$2,530.

The third adjustment relates to WSC expenses for FedEx Corporation (FedEx), copies, and other miscellaneous costs. In its filing, the utility estimated \$500 for these items. The utility provided no breakdown or support for the \$500. We are also concerned with the amount of requested costs for FedEx expense. UI has requested and received our authorization to keep its records outside the state in Illinois, pursuant to Rule 25-30.110(2)(b), F.A.C. When a utility receives this authorization, it is required to reimburse us for the reasonable travel expense incurred by each Commission representative during the review and audit of the books and records. Further, these costs are not included in rate case expense or recovered through rates. In

<sup>4</sup> This methodology has been approved in other recent cases for Alafaya's sister companies. See Order Nos. PSC-09-0373-PAA-SU, issued May 27, 2009, in Docket No. 080250-SU, In re: Application for Increase in Wastewater Rates in Pinellas County by Mid-County Services, Inc. and PSC-09-0642-WS, issued June 22, 2009, in Docket No. 080248-SU, In re: Application for Increase in Water and Wastewater Rates in Pinellas County by Tierra Verde Utilities, Inc.



Docket No. 921293-SU, In Re: Application for a Rate Increase in Pinellas County by Mid-County Services, Inc.<sup>5</sup>, the utility requested recovery of the actual travel costs it paid for our staff auditors. Because the utility's books were maintained out of state, the auditors had to travel out of state to perform the audit. We have consistently disallowed this cost in rate case expense.<sup>6</sup> We find that the requested amount of shipping costs in this rate case directly relates to the records being retained out of state. The utility typically ships its MFRs, answers to data requests, etc., to its law firm located in central Florida, which subsequently submits them to us. The utility's ratepayers shall not have to bear the related costs of having the records located out of state. This is a decision of the shareholders of the utility, and they shall bear the related costs. Accordingly, we shall decrease miscellaneous rate case expense by \$500.

In summary, we have found it appropriate to decrease Alafaya's revised rate case expense by \$58,036 for unsupported and unreasonable rate case expense.

The appropriate total rate case expense is \$30,290. A breakdown of rate case expense is as follows:

	MFR <u>Estimated</u>	Utility Revised Actual & <u>Estimated</u>	Commission <u>Adjustments</u>	<u>Total</u>
Legal	\$15,375	\$15,442	\$0	\$15,442
WSC In-house Fees	60,808	60,808	(55,006)	5,802
Filing Fee	2,250	2,250	0	2,250
Travel - WSC	2,600	2,600	(2,530)	70
Miscellaneous	500	500	(500)	0
Notices	<u>6,726</u>	<u>6,726</u>	<u>0</u>	<u>6,726</u>
Total Rate Case Expense	<u>\$88,259</u>	<u>\$88,326</u>	<u>(\$58,036)</u>	<u>\$30,290</u>
 Annual Amortization	 <u>\$22,065</u>	 <u>\$22,081</u>	 <u>(\$14,508)</u>	 <u>\$7,573</u>

The approved total rate case expense shall be amortized over four years, pursuant to Section 367.0816, F.S. In its MFRs, Alafaya requested total rate case expense of \$88,259, which amortized over four years would be \$22,065. Based on the data provided by Alafaya and our adjustments discussed above, we find that annual rate case expense shall be \$7,573, which is a decrease of \$14,492.

<sup>5</sup> Order No. PSC-93-1713-FOF-SU, issued November 30, 1993.

<sup>6</sup> See Order Nos. 25821, issued February 27, 1991, in Docket No. 910020-WS, In re: Petition for rate increase in Pasco County by UTILITIES, INC. OF FLORIDA; and Order No. 20066, issued September 26, 1988, in Docket No. 870981-WS, In re: Application of MILES GRANT WATER AND SEWER COMPANY for an increase in Water and Sewer Rates in Martin County.

The utility's requests and our calculations are reflected in the following table:

<u>Increase in Rate Base and Rate of Return</u>	<u>Company Requested</u>	<u>Comm. Calculated Phase I</u>	<u>Comm. Calculated Phase II</u>
Increase in plant	\$5,979,988	\$3,605,222	\$2,374,766
Retirement of old equipment	(284,933)	(284,933)	
Accumulated Depreciation Non Used and Useful	286,163	296,693	(10,530)
CIAC	(280,000)	(280,000)	(141,854)
Accumulated Amortization of CIAC	18,288	18,288	
Cash Working Capital	<u>16,745</u>	<u>15,145</u>	
Total increase in rate base	\$5,736,251	\$3,306,659	\$2,222,382
Weighted Cost of Capital	8.88%	7.96%	8.18%
Rate of Return Required	\$509,183	\$263,216	\$181,692
<u>Increase in Operating Expenses and Other Taxes</u>			
Increase in depreciation expense – plant improvements	\$256,226	\$244,143	\$4,242
Decrease in depreciation expense – retirements	(46,365)	(43,583)	
Increase in CIAC amortization	(7,568)	(7,568)	
Amortization of rate case expense	22,064	7,573	
Increase in TOTI	<u>111,893</u>	<u>63,089</u>	<u>39,541</u>
Total increase in operating expenses and TOTI	\$336,250	\$263,654	\$43,783
Total Taxable Income	\$509,183	\$263,216	\$181,692
Multiply by State Income Tax (5.5 percent)	28,005	14,477	9,993
Total Federal Taxable Income	481,178	248,740	171,699
Multiply by Federal Income Tax (34 percent)	<u>163,601</u>	<u>84,571</u>	<u>58,378</u>
Total Revenue Increase Before RAFs	\$1,037,039	\$625,918	\$293,846
Multiply by RAF (4.5 percent)	<u>46,667</u>	<u>28,166</u>	<u>13,223</u>
Total Revenue increase	<u>\$1,083,706</u>	<u>\$654,085</u>	<u>\$307,070</u>

Rates

The rates we approve in this proceeding are designed to allow Alafaya the opportunity to generate additional revenues of \$654,085 for wastewater service for phase one and \$307,070 for phase two. As shown on Schedules 2 and 3, we have approved a change in the utility's reuse rate structure and rates.

Many of the customer complaints raised at the May customer meeting concerned the lack of reuse water and reuse water pressure. Alafaya has explored ways to alleviate this problem. First, as discussed above, Alafaya has installed a 1.5 million gallon ground storage tank to address reuse outage and pressure complaints. Second, Alafaya applied for a Consumptive Use

Permit for augmentation wells to address the pressure and reuse complaints. The utility later withdrew its application due to lack of St. Johns River Water Management District (SJRWMD) staff support. According to its data request response, Alafaya stated that the SJRWMD staff indicated that groundwater withdrawals should not be permitted until all other alternative water sources were considered and confirmed to be unavailable. On May 18, 2009, Alafaya met with the City of Oviedo (City) to discuss the City's renewed interest in making available a portion of its allocation of Iron Bridge reuse water. The utility and the City agreed to continue discussions regarding the development of a bulk reuse agreement between the parties.

Generally, reuse rates cannot be determined in the same fashion as other water and wastewater rates set by this Commission. Reuse rates based on rate base and revenue requirement would typically be so high that it would be impractical to use reuse at all based on the revenue needed to supply the service. In setting reuse rates, the type of customer being served must be considered. Also, it is important to balance the disposal needs of the utility with the consumption needs of the customer. In cases where a utility has excess reuse capacity, rates typically should be set lower to encourage customers to use reuse at a level sufficient to meet the utility's disposal need. In cases where a utility's reuse capacity is unable to meet demand, rates should be set higher or the rate structure should be changed to promote conservation. In this case, Alafaya is able to meet its disposal needs. In fact, Alafaya's reuse capacity is unable to meet demand.

Presently, the City does not have the infrastructure in place to provide reuse service to Alafaya's customers. As such, the only alternative irrigation source now available to Alafaya's customers is the City's potable water service. As shown on Schedule 1, Alafaya's residential reuse base facility charge is \$3.70 with a gallonage charge of \$0.39 per 1,000 gallons for residential and \$0.64 for general service. We find it appropriate to adopt a rate structure for reuse similar to the City's five-tier potable water rate structure with rates at 55 percent of the City's water gallonage rates and 50 percent of the monthly base charge for residential. We also approve an increase of 40 percent for the utility's existing reuse general service gallonage charge. As shown on Schedule 2, the recommended changes result in the following rates and rate structure for phase one residential wastewater and reuse rates:

Residential Wastewater

Monthly Base Charge	\$23.32
Gallage Charge	\$3.11 per 1,000 gallons

General Service Water

Base Facility Charges	
5/8" x 3/4"	\$23.32
1"	\$58.32
1-1/2"	\$116.64
2"	\$186.61
3"	\$373.23
4"	\$583.17
Gallage Charge	\$3.72 per 1,000 gallons

Residential Reuse

Monthly Base Charge	\$5.01
0 - 10,000 gallons	\$0.46 per 1,000 gallons
10,001 - 20,000 gallons	\$1.02 per 1,000 gallons
20,001 -30,000 gallons	\$1.91 per 1,000 gallons
30,001 - 40,000 gallons	\$2.73 per 1,000 gallons
Over 40,000 gallons	\$3.20 per 1,000 gallons

General Service Reuse

Gallage Charge	\$0.90 per 1,000 gallons
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The new reuse rates shown above are designed to encourage the reuse customer to conserve water and therefore increase the availability of reclaimed water for all of Alafaya's reuse customers. Currently, Alafaya has limited options to increase its reclaimed water supply. Augmentation wells are currently not an option. The reuse rates we have approved will continue to be less than the City's potable water and reuse rates (see Schedule 1), but will be high enough to encourage conservation. At 10,000 gallons, a typical residential reuse bill for phase one would be \$9.58 and \$10.24 for phase two. The City's potable water bill would be \$25.46 at the 10,000 gallon level.

Alafaya shall be required to file revised tariff sheets and a proposed customer notice to reflect the appropriate rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by our staff. Within 10 days of the date this Order is final, Alafaya shall be required to provide notice of the tariff changes to all customers. Alafaya shall provide proof the customers have received notice within 10 days after the date that the notice was sent.

Alafaya shall not implement phase two rates until the construction of an Equalization Tank has been completed and approved by DEP. The utility shall provide staff with the approval documentation no later than 15 days after the utility receives the final approval from DEP. At that time, the utility shall also file revised tariff sheets and a proposed customer notice to reflect the rates we have approved herein. The approved rates shall be effective for service rendered on

or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until our staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given no less than ten days after the date of the notice.

Four Year Rate Reduction

Section 367.0816, F.S., requires rates to be reduced immediately following the expiration of the four-year amortization period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return included in working capital, and the gross-up for regulatory assessment fees, which is \$8,717. The decreased revenue will result in the rate reduction approved as noted on Schedule No. 2.

The utility shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates shall not be implemented until our staff has approved the proposed customer notice. Alafaya shall provide proof of the date notice was given no less than 10 days after the date of the notice.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

Temporary Charges

In this proceeding we have approved an increase in wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the utility. Therefore, in the event of a protest filed by a substantially affected person, we approve the new rates we have established herein as temporary rates. Those rates collected by the utility shall be subject to the refund provisions discussed below.

Alafaya is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. UI has requested an incremental increase in its corporate undertaking in the amount of \$436,419. The current cumulative corporate undertaking amount outstanding for other UI systems is \$75,165. The new request would bring the cumulative amount outstanding to \$511,584. The following tables list the new request, the other amount(s) outstanding, and the proposed cumulative corporate undertaking amount outstanding for UI.

New Request for Corporate Undertaking

UI System	Corp. Undertaking Amount	Docket No.
Alafaya Utilities, Inc.	\$436,419	090121-SU

Current Corporate Undertaking Amount(s) Outstanding

<b>UI System</b>	<b>Corp. Undertaking Amount</b>	<b>Docket No.</b>
Labrador Utilities, Inc.	\$75,165	080249-WS
<b>Proposed Cumulative Total</b>	<b>\$511,584</b>	

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We reviewed the financial statements of the parent company to determine if UI can support a corporate undertaking on behalf of its subsidiaries. We used UI's 2006, 2007 and 2008 financial statements to determine the financial condition of the Company. Net income has been on average three times greater than the requested cumulative corporate undertaking amount over the three year period. However, UI experienced a net loss in 2008. UI has also experienced a steady decline in its interest coverage ratio and relative level of net income over the three year review period. In addition, UI's average equity ratio has decreased to 40.7 percent in 2008 from 44.8 percent in 2007.

UI does not have adequate liquidity, profitability, and interest coverage to support a corporate undertaking in the amount requested. While the existing corporate undertaking amount of \$75,165, secured on behalf of Labrador Utilities is still appropriate, the incremental increase in funds subject to refund in the amount of \$436,419 shall be secured. UI shall secure a surety bond, letter of credit, or escrow agreement to guarantee any new monies collected subject to refund. Alternatively, Alafaya could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as a security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect; and
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, Alafaya. Irrespective of the form of security chosen by the utility, an account of all monies received as a result of the rate increase shall be maintained by the utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Alafaya shall maintain a record of the amount of the corporate undertaking, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility shall file reports with our Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Alafaya Utilities, Inc.'s application for general rate increase in its wastewater system in Seminole County is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated herein by reference. It is further

ORDERED that Alafaya Utilities, Inc. is hereby authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED that Alafaya Utilities, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the rates we have approved. It is further

ORDERED that the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The utility shall provide our staff with proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notice is adequate. It is further

ORDERED that pursuant to Section 367.0816, Florida Statutes, the wastewater rates shall be reduced, as shown on Schedule No. 2, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period at the end of the four-year rate case expense amortization period as set forth in the body of this Order. It is further

ORDERED that the utility shall file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in rates due to the amortized rate case expense. It is further

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C. is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once these



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actions are complete, in the event that this Order becomes final, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 28th day of September, 2009.

  
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ANN COLE  
Commission Clerk

(SEAL)

MCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action, except for the four year statutory rate reduction and the approval of temporary rates in the event of a protest, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 19, 2009. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

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

Alafaya Utilities, Inc.  
 Comparison of Alafaya Residential Reuse Rates and City of Oviedo Reuse and Water Rates

Schedule No. 1

	<u>Alafaya Current Reuse Rates</u>	<u>City of Oviedo Current Reuse Rates</u>	<u>City of Oviedo Current Water Rates</u>	<u>Phase One Comm. Approved Reuse Rates</u>	<u>Phase Two Comm. Approved Reuse Rates</u>
<u>Alafaya's Reuse Rates</u>					
All Meters	\$3.70				
Gallonge Charge per 1,000 Gallons	\$0.39				
<u>City of Oviedo Reuse Rates</u>					
Monthly Base Charge		\$9.18			
<u>Reuse Gallonge</u>					
Charge per 1,000 Gallons					
0-10,000 gallons		\$1.09			
10,001-20,000 gallons		\$1.63			
Over 20,000 gallons		\$3.26			
<u>City of Oviedo Water Rates</u>					
Monthly Base Charge			\$10.02		
<u>Gallonge Charge</u>					
Charge per 1,000 Gallons					
0-3,000 gallons			\$0.83		
3,001-10,000 gallons			\$1.85		
10,001-15,000 gallons			\$3.48		
15,001-30,000 gallons			\$4.96		
Over 30,000 gallons			\$5.82		
<u>Commission approved Reuse Rates</u>					
Monthly Base Charge				\$5.01	\$5.36
<u>Gallonge Charge</u>					
Charge per 1,000 Gallons					
0-10,000 gallons				\$0.46	\$0.49
10,001-20,000 gallons				\$1.02	\$1.05
20,001 - 30,000 gallons				\$1.91	\$2.05
30,001 - 40,000 gallons				\$2.73	\$2.92
Over 40,000 gallons				\$3.30	\$3.42
<u>Typical Residential Reuse Bill</u>					
10,000 Gallons	\$7.60	\$20.08	\$25.46	\$ 9.58	\$10.24
20,000 Gallons	\$11.50	\$36.38	\$67.66	\$19.75	\$21.13
30,000 Gallons	\$15.40	\$68.98	\$117.26	\$38.89	\$41.61
40,000 Gallons	\$19.30	\$101.58	\$175.46	\$66.17	\$70.80

Alafaya Utilities, Inc.  
 Phase One Monthly Service Rates

Schedule No. 2

	<u>Present Rates</u>	<u>Comm. Approved Increase</u>	<u>Comm. Approved Rates</u>	<u>Four-Year Rate Reduction</u>
<u>Residential Base Facility Charge</u> 5/8 x 3/4"	\$21.65	\$1.67	\$23.32	\$0.31
Gallonge Charges per 1,000 Gallons	\$2.89	\$0.22	\$ 3.11	\$0.04
<u>General Service</u>				
Base Facility Charges				
5/8 x 3/4"	\$21.65	\$1.67	\$23.32	\$0.31
1"	\$54.14	\$4.18	\$58.32	\$0.78
1-1/2"	\$108.29	\$8.35	\$116.64	\$1.55
2"	\$173.35	\$13.36	\$186.61	\$2.49
3"	\$346.50	\$26.73	\$373.23	\$4.97
4"	\$541.41	\$41.76	\$583.17	\$7.77
Gallonge charge per 1,000 gallons	\$3.45	\$0.27	\$3.72	\$0.05
Residential Reuse BFC	\$3.70	\$1.31	\$5.01	\$0.07
Residential Reuse Gallonge Charge per 1,000 Gallons	\$0.39			
0-10,000 gallons		\$0.07	\$0.46	\$0.01
10,001 - 20,000 gallons		\$0.63	\$1.02	\$0.01
20,001 - 30,000 gallons		\$1.52	\$1.91	\$0.03
30,000 - 40,000 gallons		\$2.34	\$2.73	\$0.03
Over 40,000 gallons		\$2.81	\$3.20	\$0.04
Reuse General Service Charge Per 1,000 Gallons	\$0.64	\$0.26	\$0.90	\$0.01
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$30.32		\$32.66	
5,000 Gallons	\$36.10		\$38.88	
10,000 Gallons	\$50.55		\$54.45	

Alafaya Utilities, Inc.  
 Phase Two Monthly Service Rates

Schedule No. 3

	<u>Phase One Rates</u>	<u>Comm. Approved Increase</u>	<u>Comm. Approved Rates</u>
<u>Residential Base Facility Charge</u> 5/8 x 3/4"	\$23.32	\$1.63	\$24.95
Gallonge Charges per 1,000 Gallons	\$3.11	\$0.22	\$ 3.33
<u>General Service</u>			
<u>Base Facility Charges</u>			
5/8 x 3/4"	\$23.32	\$1.63	\$24.95
1"	\$58.32	\$4.08	\$62.40
1-1/2"	\$116.64	\$8.16	\$124.80
2"	\$186.61	\$13.05	\$199.67
3"	\$373.23	\$26.10	\$399.33
4"	\$583.17	\$40.79	\$623.96
Gallonge charge per 1,000 gallons	\$3.72	\$0.26	\$3.98
Residential Reuse BFC	\$5.01	\$0.35	\$5.36
<u>Residential Reuse Gallonge Charge per 1,000 Gallons</u>			
0-10,000 gallons	\$0.46	\$0.03	\$0.49
10,001-20,000 gallons	\$1.02	\$0.07	\$1.09
20,001- 30,000 gallons	\$1.91	\$0.13	\$2.05
30,001 – 40,000 gallons	\$2.73	\$0.19	\$2.92
Over 40,000 gallons	\$3.20	\$0.22	\$3.42
Reuse General Service Charge Per 1,000 Gallons	\$0.90	\$0.06	\$0.96
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>			
3,000 Gallons	\$32.66		\$34.94
5,000 Gallons	\$38.88		\$41.60
10,000 Gallons	\$54.45		\$58.26

**EXHIBIT "B"**

**REAL PROPERTY**

Below is the real property granted to Alafaya Utilities, Inc. pursuant to the following deeds\*:

<b>Description</b>	<b>Parties</b>	<b>Seminole County Book/Page</b>	<b>Date</b>
Quit Claim Deed	Live Oak Reserve Homeowners Association, Inc. and Alafaya Utilities, Inc.	5255/1266	April 7, 2004
Quit Claim Deed	Sanctuary Community Association, Inc. and Alafaya Utilities, Inc.	7292/1737	July 23, 2009
Quit Claim Deed	Live Oak Reserve, Ltd. and Alafaya Utilities, Inc.	7159/301	March 25, 2009
Quit Claim Deed	DOA Properties, LLC and Alafaya Utilities, Inc.	7091/1351	November 12, 2008
Quit Claim Deed	Sanctuary Community Association, Inc. and Alafaya Utilities, Inc.	7292/1737	July 23, 2009
Quit Claim Deed	South Country Corp. and Alafaya Utilities, Inc.	2481/107	September 17, 1992
Quit Claim Deed	Tousa Homes, Inc. and Alafaya Utilities, Inc.	6882/488	December 5, 2007

\*Property descriptions to be provided

**EXHIBIT "C"**

**EASEMENTS, LICENSES, ETC.**

**TO BE PROVIDED**

EXHIBIT "D"

TREATMENT PLANTS. ETC.



### Wastewater Treatment Plant and Blower Buildings

- 3 each duplex submersible lift stations and control panels
- 3 each surge blowers and control panel
- 3 each surge pumps and control panel
- 6 each process blower assemblies (3 Hoffman, 3 Spencer) and MCC panels
- 1 each 765 Kw Stewart Stevenson diesel generator and automatic transfer switch
- 1 each 2,500-gallon double-walled diesel fuel tank, above-ground
- 4 each RAS pumps
- 2 each high pressure membrane filter backwash pumps
- 2 each low pressure membrane filter backwash pumps
- 1 each effluent transfer pump station, duplex submersible
- 2 each polyethylene storage tanks, sodium hypochlorite
- 6 each Stenner chemical feed pumps
- 2 fiberglass instrumentation sheds
- 3 each composite samplers (influent, reuse, RIB)
- 4 each flow meters and chart recorders (influent, effluent, reuse, RIBs)
- 1 each 1/3 Hp turbidimeter sample pump
- 1 each GLI Model 53 pH meter and chart recorder
- 1 each Hach CL17 chlorine analyzer and chart recorder
- 1 each Hach 1720D turbidimeter and chart recorder
- 2 each digester blowers, Hoffman
- 1 each 4" digester sludge transfer pump
- 1 each 1/2 Hp digester decant pump
- Misc. hand tools in shop
- Misc. waterworks spare parts and fittings
- 1 each shop compressor
- 1 each spare clarifier gear reducer
- 1 each spare 88 Hp submersible Flygt pump

### Operations Building

- 1 each office, process lab, 2-bay carport, MCC
- Misc. process lab equipment (electronic scale, microscope, oven, supplies)
- 1 each under counter sample refrigerator
- 2 each office desks and misc. chairs
- 1 each full size refrigerator

### Reuse High Service Pump Control Building

- 4 each high service pumps (#1-50 Hp, #2-50 Hp, #3-100 Hp, #4-100 Hp)
- 1 each spare 50 Hp high service pump motor
- 1 each 30-gallon air compressor, hydro tank
- 1 each 10,000 gallon hydropneumatic tank, reuse
- 1 each PLC and motor control center

### Collection System

- 33 each duplex submersible lift stations and control panels
- Misc. air release valves on reuse and force main piping

**EXHIBIT "E"**

**CERTIFICATES, PERMITS, ETC.**

1. Florida Department of Environmental Protection Domestic Wastewater Facility Permit Number FLA011074-011 issued to Alafaya Utilities, Inc.
2. Florida Department of Environmental Protection Agricultural Use Plan for the Alafaya WWTF, Facility ID: FLA011074, dated April 7, 2008.
3. Florida Public Service Commission Wastewater Certificate No. 379-S issued to Alafaya Utilities, Inc.

**EXHIBIT "F"**

**DEVELOPER AGREEMENTS**

1. Developer Agreement dated June 11, 1998 by and between Richland Seminole Ranch, Ltd., and Alafaya Utilities, Inc.
2. Developer Agreement dated January 13, 2005, by and between Alafaya Utilities, Inc. and River Pine Estates
3. Utility Agreement (River Oaks Reserve Phase 2) dated September 7, 2006, by and between Alafaya Utilities Incorporated and Tousa Homes, Inc.
4. Wastewater and Reclaimed Water Utility Agreement (Oviedo Forest Subdivision) dated August 3, 2005, by and between Alafaya Utilities, Inc. and Lo Land Assets, LP.
5. Letter agreement dated August 7, 2009, among Most Precious Blood Catholic Church and Alafaya Utilities, Inc. (unsigned by Most Precious Blood Catholic Church)

**EXHIBIT "G"**

**CONTRACTS AND LEASES**

<b>Name</b>	<b>Parties</b>	<b>Assignable/ Consent Required</b>	<b>Date</b>
Ground Lease	Harry N. Jacobs and Norman A. Rossman and William J. Goodman	Assignable/written consent required	November 2, 1983
First Amendment to Ground Lease	Harry N. Jacobs and William J. Goodman and Norman A. Rossman	Assignable/written consent required (see original Ground Lease)	May 2, 1984
Assignment of Ground Lease	Norman A. Rossman and William J. Goodman and Alafaya Service Corporation	Assignable/written consent required (see original Ground Lease)	May 16, 1984
Sublease Agreement	Alafaya Service Corporation and Oviedo Utilities, Inc.	No assignment provision	April 15, 1985
Lease and Effluent Disposal Agreement	The Anden Group of Florida and Alafaya Utilities, Inc.	Assignable/no consent required	December 8, 1988
Agreement	Alafaya Utilities, Inc. and Florida Environmental Construction, Inc.	Contract terminated by Agreement and Mutual Release	December 3, 2007
Agreement and Mutual Release	Alafaya Utilities, Inc. and Florida Environmental Construction, Inc.	No assignment provision	February 2, 2010
Fence Maintenance Agreement	Live Oak Reserve Homeowner's Association and Alafaya Utility Services, Inc.	Assignable/requires prior written consent not to be unreasonably withheld	December 26, 2007
Lighting Service Contract	Utilities Inc. of Florida dba Alafaya Utilities Inc. and Progress Energy	Assignable/requires written consent	January 1, 2008
Contract pertaining to FDEP Agricultural Use Plan	Shelley's Septic Tanks Inc. dba Shelley's Environmental Systems and Alafaya Utilities	No assignment provision	January 31, 2006, renewable annually unless terminated

EXHIBIT "H"

PENDING LEGAL ACTIONS

NONE

EXHIBIT "I"

SERVICE AREA

TERRITORY SERVED

Per Order No. 14841 in Docket No. 850209-SU:

Township 21 South, Range 31 East.

Section 22

The S.E. 1/4 of the N.W. 1/4, the N.W. 1/4 of the S.W. 1/4 of the N.E. 1/4, the S.W. 1/4 of the S.W. 1/4 of the N.E. 1/4. The S 3/4 of the E 1/2 of the S.W. 1/4 of the N.E. 1/4 the E. 1/2 of the S.E. 1/4 of the N.E. 1/4, the N 1/2 of the S.E. 1/4 less the W. 1/4 of the N.W. 1/4 of the S.E. 1/4.

The S 8/46 chains of the N.E. 1/4 of the N.W. 1/4, the S. 1/2 of the W. 3/4 of the N.W. 1/4 of the N.E. 1/4, The N. 1/2 of the N.E. 1/4 of the S.W. 1/4 of the N.E. 1/4. The W. 1/2 of the N.W. 1/4 of the S.E. 1/4 of the N.E. 1/4. The S.W. 1/4 of the S.E. 1/4 of the N.E. 1/4.

Section 23

The S. 3/4 of the W. 1/2, the N.E. 1/4 of the N.W. 1/4, the W. 1/4 of the E. 1/2, the E. 1/2 of the N.W. 1/4 of the N.E. 1/4, the N.E. 1/4 of the N.E. 1/4, less the S. 295 feet thereof.

Section 26

The N. 1/2 of the N.W. 1/4, the S.E. 1/4 of the N.W. 1/4.

Per Order No. 15573 in Docket No. 860014-SU:

Township 21S, Range 31 E.

Section 23

The south 1/2 of the northwest 1/4 of said Section;  
The north 1/4 of the west 1/2 of the northeast 1/4 of the northwest 1/4 of said section;  
The southwest 1/4 of said section;

Section 26

The north 1/2 of the northwest 1/4 of said section;  
The southeast 1/4 of the northwest 1/4, less the north 1/2 of the northwest 1/4 of the southeast 1/4 of the northwest 1/4 of said section.

EFFECTIVE DATE: May 12, 1995

Lawrence N. Schumacher  
ISSUING OFFICER

PRESIDENT  
TITLE

(continued from sheet no. 3.0)

Per Order No. 18486 in Docket No. 870923-SU:

Township 21 South, Range 31 East

All of the Southwest 1/4 south of road in Section 13.

From the Northeast corner of Section 23, Township 21 South, Range 31 East, Seminole County, Florida run S 00 15'13" W 828.19 along the east line of the Northeast 1/4 of Section 23, thence run N 89 42'34" W 35.00 feet to the Point of Beginning. Thence continue N 89 42'34" W 1291.68 feet along the North line of the South 1/4 of the Northeast 1/4 of the Northeast 1/4 of said Section; thence run S 00 14'20" W 495.00 feet along the West line of the Northeast 1/4 of the Northeast 1/4 of said Section; thence run S 89 42'34" E 1291.56 feet along the South line of the Northeast 1/4 of the Northeast 1/4 of said Section; thence run N 00 15'13" E 495.00 feet along the Westerly Right of Way line of Lockwood Road to the point of Beginning.

South 3/4 of east 3/8 (less north 231 feet of east 660 feet and beginning 1,192.97 feet north 0° 25'58" west of southeast corner run south 56° 14'08" west 86.06 feet north 80° 10'45" west 316.41 feet, north 16° 03'38" west 188.67 feet, north 19° 45'34" east 141.29 feet, north 77° 12'32" east 379.06 feet, south 0° 25'58" east 414.36 feet to beginning), all in Section 23.

South 3/4 of east 1/4 plus north 3/4 of west 1/2 of east 1/2 south of State Road 203 and south 3/4 of east 1/2 of west 1/2 (less the north 495 feet of said south 3/4 of east 1/2 of west 1/2 and also less the north 330 feet of the east 301.74 feet of the north 1/2 of the southeast 1/4 of the northeast 1/4), all in Section 24.

West 1/4 (less beginning 1,607.33 feet north 0° 25'58" west of southwest corner run north 77° 12'32" east 800.92 feet to the westerly line of Lockwood Road, then southerly along said westerly line of Lockwood Road along a curve concave easterly having a radius of 1,003.48 feet, then run southerly along said curve and westerly line 292.05 feet through a central angle of 16° 40'32", then south 76° 55'43" west 631.73 feet, south 56° 14'08" west 315.67 feet, north 0° 25'58" west 414.36 feet to beginning) and northeast 1/4 of northwest 1/4 and north 495 feet of southeast 1/4 of northwest 1/4, all in Section 24.

EFFECTIVE DATE: May 12, 1995

Lawrence N. Schumacher  
ISSUING OFFICER

PRESIDENT  
TITLE



(continued from sheet no. 3.2)

West 1/2 of northwest 1/4, all in Section 25.

South 1/2 of north 1/2 of east 3/4 (less beginning 30 feet east southwest corner run east 2,543.29 feet, north 60° 7'52" west 1,325.05 feet, north 51° 21'58" west 638.59 feet, north 44° 26'23" west 382.81 feet, southerly on curve 182.37 feet, south 35° 22' west 810.22 feet, southerly on curve 347.39 feet, south 1° 18' west 160.95 feet to beginning and south 21 feet of west 417 feet of east 1,320 feet) and northeast 1/4 of northeast 1/4, and northeast 1/4 of northwest 1/4 (less road), all in Section 25.

East 3/4 of northeast 1/4, all in Section 26.

The southwest 1/4 of the southeast 1/4, all in Section 24, and the northwest 1/4 of the northeast 1/4, all in Section 25.

Township 21 South, Range 32 East

West 1/2 of Sections south of State Road 419 (less Government Lots 1, 2, 3 and 4), all in Section 19.

Southeast 1/4 of Government Lot 1 south of State Road 2037, Government Lot 2, less the northwest 1/4 of the northwest 1/4 of said Government Lot 2, together with Government Lots 3 and 4, all in Section 19.

Northwest 1/4 of Section 30.

(Less all road rights of way).

Any objections to the Application and notice shall be addressed to the Commission Clerk of the Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32301, with a copy to 7P. Marshall Deterding, Esquire, 2544 Blairstone Pines Drive, Tallahassee, Florida 32301.

EFFECTIVE DATE: May 12, 1995

Lawrence N. Schumacher  
ISSUING OFFICER

PRESIDENT  
TITLE

ALAFAYA UTILITIES, INC.  
SEWER TARIFF

SECOND REVISED SHEET NO. 3.4  
CANCELS FIRST REVISED SHEET NO. 3.4

(continued from sheet no. 3.3)

Per Order No. 19579 in Docket No. 000562-SU:

Township 21 South, Range 31 East.

The Northwest 1/4 of the Northwest 1/4 of Section 23, Township 21 South, Range 31 East, Seminole County, Florida, LESS: Beginning at the Northwest corner of said Section 23, run S. 00°04'40" E. 25.00 feet along the West line of said Northwest 1/4; thence run S. 89°47'12"E. 146.29 feet along the South Right of Way Line of MITCHELL HAMMOCK ROAD; thence run Southeasterly 284.82 feet along the arc of a curve concave Southerly having a radius of 1161.00 feet, a central angle of 14°02'10" and a chord of 283.71 feet that bears S.82°46'07"E.; thence run S.75°45'02"E. 300.24 feet; thence run Easterly 613.85 feet along the arc of a curve concave Northerly having a radius of 1293.00 feet, a central angle of 27°12'03"E.; thence run N.00°04'30"E. 137.11 feet along the East line of said Northwest 1/4 of the Northwest 1/4 to the Northeast corner of said Northwest 1/4 of the Northwest 1/4; thence run N. 89°47'12" W. 1327.03 feet along the North line of said Northwest 1/4 of the Northwest 1/4 to the Northwest corner of said Section 23 and the Point of Beginning.

Per Order No. PSC-83-0358-FOF-SU in Docket No. 920885-SU:

Township 21 South, Range 31 East, Seminole County

In Section 25

The Northwest 1/4 of the Southwest 1/4.

The North 3/4 of the Southwest 1/4 of the Southwest 1/4.

In Section 26

The East 3/4 of the Northeast 1/4 of the Southeast 1/4.

The East 3/4 of the South 1/4, less that portion lying North and West of the Centerline of the Northwest branch of the Little Econlockhatchee River.

EFFECTIVE DATE: May 12, 1995

Lawrence N. Schumacher  
ISSUING OFFICER

PRESIDENT  
TITLE

ALAFAYA UTILITIES, INC.  
WASTEWATER TARIFF

ORIGINAL SHEET NO. 3.5

TERRITORY SERVED

(Continued from Sheet No. 3.4)

Per Order No. PSC-96-1281-FOF-SU in Docket No. 951419-SU:

Township 21 South, Range 32 East.

Section 19,

That part of the West 7/8 of the East 1/2 lying Southerly of State Road 419.

Together with:

The East 1/2 of the Southeast 1/4 of the Southeast 1/4 of the Southeast 1/4.

Section 20,

That part of the West 3/4 lying Southerly of State Road 419 (LESS: Begin at the intersection of State Road 419 and the West line of said Section 20; thence South for a distance of 2,093 feet (more or less) to the Northwest corner of the South 1/4 of the Southwest 1/4; thence East along the North line of the South 1/4 of the Southwest 1/4 of said Section 20 for a distance of 1,580 feet (more or less); thence North 9° West for a distance of 1680 feet (more or less) to State Road 419; thence North 73° West along State Road 419 for a distance of 1482 feet (more or less) to the Point of Beginning. Also, (LESS: East 1/2 of the Southeast 1/4 of the Northwest 1/4 of the Southeast 1/4, lying Southerly of State Road 419).

Section 29,

The Northwest 1/4 (LESS: The Southeast 1/4 of the Southeast 1/4 of the Southeast 1/4 of the Northwest 1/4).

Together with:

The Northwest 1/4 of the Northeast 1/4 (LESS: The Southeast 1/4 of the Northwest 1/4 of the Northeast 1/4).

Together with:

The West 1/2 of the Southwest 1/4.

Section 30,

The East 1/2.

Together with:

The Southwest 1/4.

TYPE OF FILING: CERTIFICATE AMENDMENT  
EFFECTIVE DATE: NOVEMBER 10, 1997

LAWRENCE SCHUMACHER  
Issuing Officer

PRESIDENT  
Title

TERRITORY SERVED

(Continued from Sheet No. 3.5)

Township 21 South, Range 31 East.

Section 13,

Begin at the Southeast Corner; thence North along the East Line for a distance of 2,640 feet (more or less) to Willingham Road; thence South 45° West along said Willingham Road 1,867 feet (more or less) to the West Line of the East 1/4; thence South along the West line of the East 1/4 for a distance of 1,320 feet (more or less) to the South Line of said Section 13; thence East along said South line for 1,320 feet (more or less) to the Point of Beginning.

Section 24,

That part of the Northeast 1/4 of the Northeast 1/4 lying Northerly of State Road 419.

Township 21 South, Range 32 East.

Section 17,

The West 1/2 of the Southwest 1/4.

Together with:

The North 1,760 feet of the West 1/2 of the South 1/2 of the East 3/4 (LESS: The South 500 feet of the East 470.6 feet of the North 1,760 feet of the West 1/2 of the South 1/2 of the East 3/4).

Section 18,

The South 1/2 (LESS: The North 1/4 of the Southwest 1/4).

Section 19,

That part lying Northerly of State Road 419.

Section 20,

The Northwest 1/4 of the Northwest 1/4.

TYPE OF FILING: CERTIFICATE AMENDMENT  
EFFECTIVE DATE: NOVEMBER 10, 1997 .

LAWRENCE SCHUMACHER  
Issuing Officer

PRESIDENT  
Title

TERRITORY SERVED

(Continued from Sheet No. 3.6)

Township 21 South, Range 31 East.

Section 13,

That part of the North 3/4 lying Southerly and Easterly of the Econlockhatchee River (LESS: Begin at the Southeast Corner of the North 3/4; thence North along the East Line of said Section 13 for a distance of 1,320 feet (more or less) to Wilmington Road; thence South 45° West along said Wilmington Road for a distance of 1,867 feet (more or less) to the South Line of the North 3/4 of said Section 13; thence East along said South Line of the North 3/4 for a distance of 1,320 feet (more or less) to the Point of Beginning)

Township 21 South, Range 32 East.

Section 7,

That part of the South 1/2 lying Easterly of the Econlockhatchee River.

Section 8,

The South 1/2.

Section 17,

The North 1/2.

Section 18,

The North 1/2.

Together with:

The North 1/4 of the Southwest 1/4.

TYPE OF FILING: CERTIFICATE AMENDMENT  
EFFECTIVE DATE: NOVEMBER 10, 1997

LAWRENCE SCHUMACHER  
Issuing Officer

PRESIDENT  
Title

TERRITORY SERVED

(Continued from Sheet No. 3.7)

Township 21 South, Range 31 East.

Section 12,

That part of the East 1/2 of the West 1/2 lying South of State Road 426.

Together with:

The Southwest 1/4 of the Southwest 1/4.

Together with:

That part of the Northeast 1/4 lying South of State Road 426.

Together with:

The Southeast 1/4 (LESS: The North 330.5 feet of the Southeast 1/4).

Section 13,

That part of the North 3/4 lying Westerly of the Econlockhatchee River and lying Northerly of State Road 419.

Together with:

The West 3/4 of the South 1/4.

Section 14,

That part of the South 3/4 of the East 1/2, lying North and Easterly of State Road 419.

Section 24,

The Northwest 1/4 of the Northeast 1/4 lying North and Easterly of State Road 419.

TYPE OF FILING: CERTIFICATE AMENDMENT

EFFECTIVE DATE: NOVEMBER 10, 1997

LAWRENCE SCHUMACHER  
Issuing Officer

PRESIDENT  
Title

TERRITORY SERVED

(Continued from Sheet No. 3.8)

Township 21 South, Range 31 East.

Section 24,

That part of the Northeast 1/4 of the Northeast 1/4 lying Southerly of State Road 419.

Together with:

The North 330 feet of the East 301.74 feet of the Southeast 1/4 of the Northeast 1/4.

Township 21 South, Range 32 East.

Section 19,

That part of the Southwest 1/4 of Government Lot 1 lying Southerly of State Road 419.

Together with:

The Northwest 1/4 of the Northwest 1/4 of Government Lot 2.

Township 21 South, Range 31 East.

Section 23,

Begin 1,192.97 feet North 02°25'58" West of the Southeast Corner, run South 56°14'08" West, 66.06 feet; North 80°10'45" West, 316.41 feet; North 15°03'38" West, 188.67 feet; North 19°45'34" East, 141.29 feet; North 77°12'32" East, 379.06 feet; South 00°25'58" East, 414.36 feet to the Point of Beginning.

Section 24,

Begin 1,607.33 feet North 02°25'58" West of the Southwest Corner, run North 77°12'32" East, 800.92 feet to the Westerly Line of Lockwood Road; thence Southerly along said Westerly Line of Lockwood Road along a curve concave Easterly having a radius of 1,003.48 feet; thence Southerly along said curve and Westerly Line, 292.05 feet, through a central angle of 16°40'32", thence South 76°55'43" West 631.73 feet; thence South 56°14'08" West 315.67 feet; thence North 02°25'58" West, 414.36 feet to the Point of Beginning.

TYPE OF FILING: CERTIFICATE AMENDMENT

EFFECTIVE DATE: NOVEMBER 10, 1997

LAWRENCE SCHUMACHER  
Issuing Officer

PRESIDENT  
Title

ALAFAYA UTILITIES, INC.  
WASTEWATER TARIFF

ORIGINAL SHEET NO. 3.10

TERRITORY SERVED

(Continued from Sheet No. 3.9)

Township 21 South, Range 31 East.

Section 23,

The North 231 feet of the East 660 feet of the  
Southeast 1/4 of the Northeast 1/4.

Township 21 South, Range 31 East.

Section 26,

The West 1/4 of the Northeast 1/4.

TYPE OF FILING: CERTIFICATE AMENDMENT  
EFFECTIVE DATE: NOVEMBER 10, 1997

LAWRENCE SCHUMACHER  
Issuing Officer

PRESIDENT  
Title



FIRST REVISED SHEET NO. 3.11  
CANCELS ORIGINAL SHEET NO. 3.11

ALAFAYA UTILITIES, INC.  
WASTEWATER TARIFF

DESCRIPTION OF TERRITORY SERVED

PER ORDER NO. PSC-04-0149-FOF-SU

TOWNSHIP 21 SOUTH RANGE 31 EAST

Section 25

Serving the Oviedo Presbyterian Church

Commence at the Northeast corner of the Northwest 1/4 of Section 25, Township 21 South, Range 31 East, Seminole County, Florida; thence run West, a distance of 668 feet; thence South, a distance of 1,280 feet to the POINT OF BEGINNING; thence South 49° East, a distance of 436 feet; thence South 34° West, a distance of 704 feet; thence North 50° West, a distance of 424 feet; thence North 35° East, a distance of 279 feet; thence North 14° East, a distance of 257 feet; thence North 56° East, a distance of 208 feet to the POINT OF BEGINNING.

PER ORDER NO. PSC-06-0826B-FOF-SU

Section 26

Serving River Pine Estates

The West 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 26, Township 21 South, Range 31 East, Seminole County, Florida

Lawrence N. Schumacher  
Issuing Officer

President  
Title

**EXHIBIT "J"**

**INVENTORIES**

**TO BE PROVIDED**