

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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12 OCT -4 AM 9:18
COMMISSIONER
CLERK

DATE: October 4, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Engineering (Brady, Rieger) *pb SDR PV TR RLT*
Division of Accounting and Finance (Kaproth) *KK*
Office of the General Counsel (Lawson) *ALM*

RE: Docket No. 120148-WU – Application for approval of transfer of Harbor Hills Utility, L.P. water system and Certificate No. 522-W in Lake County to Harbor Waterworks, Inc.

AGENDA: 10/16/12 – Regular Agenda – Proposed Agency Action for Issues 2, 3, and 4 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Place on Agenda before Docket No. 120158-SU

FILE NAME AND LOCATION: S:\PSC\ENG\WP\120148.RCM.DOC

Case Background

On May 3, 2012, Harbor Waterworks, Inc. (HWW, Buyer) filed an application for the transfer of Certificate No. 522-W from Harbor Hills Utility, L.P. (HHU, Utility, Seller) in Lake County. The Utility is located in the St. Johns River Water Management District (SJRWMD) within a water resource caution area. The Utility is a Class B water system providing service to a golf course and country club community serving approximately 592 residential and 27 general service customers. According to the Utility's 2011 Annual Report, the Utility's gross revenues were \$373,104 with an operating loss of \$3,490.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Certificate No. 522-W was originally granted in 1989 under the name of Lake Griffin Utilities, Inc. (Lake Griffin).¹ In 1992, all property belonging to Mr. John McNamara, including Lake Griffin, was confiscated by the Federal Government through a Decree of Forfeiture and Order Appointing a Special Trustee. The Federal Government retained possession of the Utility until the Commission approved the transfer to HHU in 1994.² The water system was acquired by HWW via an Asset Purchase Agreement (Purchase Agreement) executed on or about February 28, 2012. The Purchase Agreement was made subject to Commission approval pursuant to Section 367.071(1), Florida Statutes (F.S.).

HWW also acquired the assets of the Harbor Hills wastewater system in the Purchase Agreement. A majority, but not all, of the water customers are on private septic systems. Approximately 55 residential and 3 general service customers received wastewater service from an affiliate of HHU. Since there was no charge for wastewater service, the system was not jurisdictional pursuant to the definition of a utility in Section 367.021(12), Florida Statutes (F.S.). On May 17, 2012, HWW filed a pending application for a wastewater certificate and initial rates and charges in Docket No. 120158-SU. The application also includes a request to change the billing cycle for water customers from bi-monthly to monthly and a new miscellaneous service charge.

This recommendation addresses the transfer of the water system, the net book value of the water system at the time of transfer, change in the billing cycle from bi-monthly to monthly, and new miscellaneous service charge. The Commission has jurisdiction pursuant to Sections 367.071 and 367.091, F.S.

¹ See Order No. 21835, issued September 5, 1989, in Docket No. 890554-WU, In re: Application of Lake Griffin Utilities, Inc. for an original certificate in Lake County.

² See Order No. PSC-94-1543-FOF-WU, issued December 13, 1994, in Docket No. 940453-WU, In re: Application for transfer of Certificate No. 522-W from Lake Griffin Utilities, In. to Harbor Hills Utilities, L.P. in Lake County.

Discussion of Issues

Issue 1: Should the transfer of Certificate No. 522-W from Harbor Hills Utilities, L.P. to HWW be approved?

Recommendation: Yes. The transfer of the water system to HWW is in the public interest and should be approved effective the date of the Commission's vote. The territory being transferred is described in Attachment A. The resultant order should serve as HWW's Certificate No. 522-W and be retained. The Utility's existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, (F.A.C.). HWW should be responsible for the Utility's annual reports and RAFs for 2012 and future years. (Brady, Kaproth, Rieger, Lawson)

Staff Analysis: On May 3, 2012, an application was filed for approval of the transfer of Certificate No. 522-W from HHU to HWW, pursuant to Section 367.071, F.S. The application is in compliance with the governing statutes and other pertinent statutes and administrative rules concerning an application for transfer of certificate. The closing occurred upon the execution of the Purchase Agreement on or about February 28, 2012; however, pursuant to Section 367.071, F.S., the transfer was made contingent upon Commission approval.

Noticing, Land Ownership, and Territory

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. No objections to the notice have been filed with the Commission and the time for filing objections has expired. Rule 25-30.037(2)(h), F.A.C., requires evidence that the utility owns the land upon which the utility treatment facilities are, or will be, located. Because of prior ownership issues, the application contains a commitment for title insurance issued by First American Title Insurance Company. This Commission has accepted title insurance in circumstances where proof of ownership is by Quit Claim or otherwise clouded.³ As such, staff recommends that the Utility has provided adequate proof of ownership. A description of the territory being transferred is appended to this recommendation as Attachment A.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(h) and (i), F.A.C., the application contains a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. Other than customer deposits, there were no contracts to be disposed of in the transfer. The final purchase price for these assets is to be based upon the Commission's determination of rate base at the time of the transfer. According to the Purchase Agreement, the parties estimated a value of \$507,471 for the portion of the assets attributable to the potable

³ See Order No. PSC-03-0787-FOF-WS, issued July 2, 2003, in Docket No. 020091-WS, In re: Application for transfer of majority organizational control of Service Management Systems, Inc., holder of Certificates Nos. 517-W and 450-S in Brevard County, from Petrus Group, L.P. to IRD Osprey, LLC d/b/a Aquarina Utilities.

water system and the irrigation system for phases 1 through 5 of the Harbor Hills development. This portion of the purchase price was paid 80 percent in cash at the closing. The remaining 20 percent is to be paid upon the approval of the transfer by the Commission.

Technical and Financial Ability

Pursuant to Rule 25-30.037(1)(j), F.A.C., HWW's application contains statements describing the technical and financial ability of the applicant to provide service to the proposed service area. According to the application, HWW brings a level of Florida-specific expertise that is not typical for private utility ownership within the State. The directors of HWW have been in the water and wastewater utility management, operations, and maintenance industry for many years, providing service to more than 450 Florida facilities throughout their careers. Further, the application indicates that the President and Vice President of HWW have 27 and 35 years, respectively, of operation or ownership, including a number of utilities previously regulated by the Commission. The application indicates that operating, billing, collection, and customer services will be provided by contract through an affiliated entity, U.S. Water Services Corporation, which currently provides such services to approximately 70,000 customers. The application also contains personal financial statements for the President and Vice President of HWW. Based on the above, it appears that HWW has demonstrated its technical and financial ability to provide service to the existing service territory.

Facility Description and Compliance

The Harbor Hills water system consists of two water treatment plants that have one well each. Gas chlorination is used for disinfection. During the most recent DEP inspection, the water system was cited for a deficiency regarding a failure to operate the water treatment plant within the designated maximum-day operating capacity. No enforcement activities to resolve this deficiency are planned by DEP at this time.

Because of the high per capita water demand in the Harbor Hills development, the Consumptive Use Permit (CUP) issued by the SJRWMD on June 24, 2010, required the Seller to install a separate irrigation distribution system in phases 6 and 7. According to the CUP, upon the sale of 50 homes in phase 6, surface water pumps are to be installed and water from Lake Griffin is to be the sole source of irrigation of residential and common areas in phases 6 and 7 of the Harbor Hills development. The CUP also required the Utility to propose a water conservation rate structure to the district by March 31, 2011, and within 30 days of the District's approval of the proposed water conservation rate structure, the Utility was to present that same proposed rate structure to the Commission for approval under a formal rate making procedure. According to the Buyer, the SJRWMD has agreed that the submission of the proposed rate structure may be made subsequent to the Commission's determination on the transfer. While the required irrigation system for phases 6 and 7 have been installed by the Seller, they are not currently being used. As such, those assets were not included in the purchase price of the water system and are not a part of this transfer application. The Buyer anticipates filing an application to address the District's requirement for a conservation rate structure following the Commission's approval of the transfer of the water assets. The purchase price of the irrigation assets and appropriate irrigation rates and charges may be addressed at that time.

The Buyer is aware that the Utility's books and records must be maintained in accordance with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts and that it may not change the Utility's rates or charges, extend or delete the Utility's service territory, change the Utility's name, or transfer the Utility facilities or majority control without Commission approval. Further, the Buyer has confirmed that it intends to fulfill the commitments, obligations, and representations of the Seller with regard to utility matters, pursuant to Rule 25-30.037(2)(j), F.A.C.

Staff has verified that the Utility is current on the filing of annual reports and regulatory assessment fees (RAFs) through June 30, 2012. Since the Utility's water revenues are in excess of \$200,000, the Utility is required to pay RAFs semi-annually pursuant to Rule 25-30.120(2)(a), F.A.C.

Rates and Charges

Initial rates and charges were established by the Commission in Order No. 23039 in the application for an original water certificate in Docket No. 890554-WU.⁴ The approved rates are billed on a bi-monthly basis. The charges approved in that docket included tap-in, meter installation, plant capacity, and main extension charges, as well as an allowance for funds prudently invested (AFPI).⁵ The AFPI charge was to be capped once the Utility reached 650 equivalent residential connections (ERCs), or December 1995, whichever comes first. The capped charge was to continue to be collected until the system serves 813 ERCs. The initial rates and charges are still in effect with the exception of price index increases in 2008 and 2009. The Utility's existing rates and charges are shown on Schedule No. 2.

Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, staff recommends that the Utility's existing rates and charges shown on Schedule No. 2 remain in effect until a change is authorized by this Commission in a subsequent proceeding. The Utility's request to change from bi-monthly to monthly billing is addressed in Issue 3.

Conclusion

Based on the above, staff recommends that the transfer of the water system to HWW is in the public interest and should be approved effective the date of the Commission's vote. The territory being transferred is described in Attachment A. The resultant order should serve as HWW's Certificate No. 522-W and be retained. The Utility's existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. HWW should be responsible for the Utility's annual reports and RAFs for 2012 and future years.

⁴ See Order No. 23039, issued June 6, 1990, in Docket No. 890554-WU, In re: Application of Lake Griffin Utilities, Inc. for water certificate in Lake County.

⁵ See Order No. 23029-A, issued June 11, 1990.

Issue 2: What is the net book value of the Harbor Hills water system for transfer purposes?

Recommendation: The net book value of the Harbor Hills water system for transfer purposes is \$497,925, as of February 28, 2012. Within 30 days of the date of the final order, HWW should be required to provide general ledgers which show its books have been updated to reflect the Commission-approved balances as of February 28, 2012, along with a statement that the adjustments will be reflected in the Utility's 2012 annual report. (Brady, Rieger, Lawson)

Staff Analysis: Rate Base for the Harbor Hills water system was last established as of June 1, 1994, in Docket No. 940453-WU. An audit was conducted to establish rate base as of December 31, 2010, in Docket No. 110019-WS.⁶ That docket was subsequently withdrawn; however, the audit was used in determining net book value at the time of transfer in the current docket. Net book value is used to determine whether an acquisition adjustment should be approved and does not include normal rate making adjustments for used and useful plant or working capital. Staff's recommended net book value balances as of February 28, 2012, are described below and shown on Schedule No. 1.

Utility Plant in Service (UPIS) and Land

The Utility's audited general ledger reflected water UPIS and land balances of \$1,690,762 and \$12,500, respectively, as of December 31, 2010. No additional water system assets were added prior to the date of transfer of February 28, 2012. The water system consists primarily of lines, wells, pumps, reservoirs, and meter equipment. Staff recommends UPIS and land balances as of \$1,690,762 and \$12,500, respectively, be included in net book value as of February 28, 2012.

Accumulated Depreciation

The Utility's audited general ledger reflected an accumulated depreciation balance of \$721,667 as of December 31, 2010. Additional accumulated depreciation of \$44,219 should be added to reflect a balance of \$770,435 as of February 28, 2012, pursuant to the guideline service lives in Rule 25-30.140, F.A.C. Therefore, staff recommends that the Utility's accumulated depreciation balance is \$770,435, as of February 28, 2012.

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

The Utility's audited general ledger reflected a CIAC balance of \$779,193 and an accumulated amortization of CIAC balance of \$328,396 as of December 31, 2010. Staff has confirmed that there were four additional customers added in 2011 from which the Utility collected an additional \$3,620 in CIAC. Staff recommends that CIAC and accumulated

⁶ In re: Application Aqua Utilities Florida, Inc.'s application for original certificate for an existing wastewater system, request for initial rates and charges for Harbor Hills Utilities, L.P.'s wastewater system, amendment of wastewater Certificate No. 120-S, in Lake County, to include Harbor Hills Utilities, L.P.'s wastewater service area; and application for approval of transfer of Harbor Hills Utilities, L.P.'s water system to Aqua Utilities Florida, Inc., amendment of Aqua Utilities Florida, Inc.'s water Certificate No. 106-W, in Lake County, to include the Harbor Hills Utilities, L.P.'s water service territory, and cancellation of Harbor Hills Utilities, L.P.'s water Certificate No. 522-W.

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amortization of CIAC balances of \$782,813 and \$347,907, respectively, be included in net book value as of February 28, 2012.

Net Book Value

Staff, therefore, recommends that the net book value of the Harbor Hills water system is \$497,925, as of February 28, 2012, as shown on Schedule No. 1. Schedule No 1 also contains staff's recommended NARUC account balances for UPIS and accumulated depreciation as of February 28, 2012.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the net book value of the assets at the time of the acquisition. However, according to the Purchase Agreement, the final purchase price will be the net book value established by the Commission at the time of the transfer. Therefore, there is no acquisition adjustment pursuant to Rule 25-30.0371, F.A.C.

Conclusion

Based on the above, staff recommends that the net book value of the Harbor Hills water system for transfer purposes is \$497,925, as of February 28, 2012. Within 30 days of the date of the final order, HWW should be required to provide general ledgers which show its books have been updated to reflect the Commission-approved balances as of February 28, 2012, along with a statement that the adjustments will be reflected in the Utility's 2012 annual report.

Issue 3: Should HWW's request to change from a bi-monthly to a monthly billing cycle be approved?

Recommendation: Yes, the request to change from a bi-monthly to a monthly billing cycle should be approved. HWW should be required to bill on a monthly basis until authorized to change the billing cycle by this Commission in a subsequent proceeding. HWW should be required to file a proposed customer notice to reflect the monthly billing cycle for the water system. The monthly billing cycle should be effective for services rendered on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the monthly billing cycle should not be implemented until staff has approved the proposed customer notice. HWW should provide proof of the date notice was given within ten days after the date of the notice. (Brady, Lawson)

Staff Analysis: HWW currently bills customers a base facility charge of \$17.17, along with a gallonage charge of \$1.23, on a bi-monthly basis. The Buyer has requested a change in the Utility's billing cycle from bi-monthly to monthly. HWW receives bills from its vendors on a monthly basis and believes that timely payment ultimately reduces future costs to customers. HWW also believes that the best business practice is to match up revenues as closely as possible to expenses. Finally, HWW believes that monthly billing has a higher success rate than bi-monthly billing and that is the reason it is normal utility business practice. HWW also notes that its request to change the billing cycle from bi-monthly to monthly was in all notices of its application and it is not aware of any objections.

Staff concurs with HWW's assessment that a monthly billing cycle is the normal utility business practice. Requests for bi-monthly billing cycles are normally submitted by very small utility systems where billing costs represent a higher proportion of costs than would be the case with a large system such as Harbor Hills. Staff also concurs with HWW that no customer concerns have been received with regard to proposed change in the billing cycle. In addition, because of the concerns of the SJRWMD related to high per capita water demand, monthly bills may further encourage water conservation because customers will have a better understanding of their water usage patterns.

Staff recommends that HWW's request to change from a bi-monthly to a monthly billing cycle be approved. HWW should be required to bill on a monthly basis until authorized to change the billing cycle by this Commission in a subsequent proceeding. HWW should be also required to file a proposed customer notice to reflect the monthly billing cycle for the water system. The monthly billing cycle should be effective for services rendered on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the monthly billing cycle should not be implemented until staff has approved the proposed customer notice. HWW should provide proof of the date notice was given within ten days after the date of the notice.

Issue 4: Should HWW's proposed returned check charge be approved?

Recommendation: Yes. HWW's proposed returned check charge should be approved. HWW should be required to file a proposed customer notice to reflect the approved charge. The returned check charge should be effective for services rendered on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the charge should not be implemented until staff has approved the proposed customer notice. HWW should provide proof of the date notice was given within ten days after the date of the notice. HWW should be required to charge the approved charge until a change is authorized by the Commission in a subsequent proceeding. (Brady, Lawson)

Staff Analysis: Rule 25-30.460, F.A.C., defines four basic categories of miscellaneous service charges. The purpose of these charges is to place the burden for requesting or causing these services on the cost causer, rather than the general body of ratepayers. In Order No. 23039, the Commission approved miscellaneous service charges for the four categories in the rule as shown on Schedule No. 2.

HWW has requested authorization to collect an additional charge when checks are returned for non-sufficient funds. Instead of a specific charge, HWW proposes that the returned check charge referenced in the controlling statutes, Sections 68.065 and 832.08(5), F.S. Section 68.065, F.S., allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 832.08(5), F.S., the following fees may be assessed:

- 1) \$25, if the face value does not exceed \$50,
- 2) \$30, if the face value exceeds \$50 but does not exceed \$300,
- 3) \$40, if the face value exceeds \$300,
- 4) or five percent of the face amount of the check, whichever is greater.

Staff believes HWW's request is appropriate and consistent with recent Commission decisions.⁷

Staff recommends that HWW's proposed returned check charge be approved. HWW should be required to file a proposed customer notice to reflect the approved charge. The returned check charge should be effective for services rendered on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the charge should not be implemented until staff has approved the proposed customer notice. HWW should provide proof of the date notice was given within ten days after the date of the notice. HWW should be required to charge the approved charge until a change is authorized by the Commission in a subsequent proceeding.

⁷ Order No. PSC-10-0364-TRF-WS, issued June 7, 2010, in Docket No. 100170-WS, In re: Application for authority to collect non-sufficient funds charges, pursuant to Sections 68.065 and 832.08(5), F.S., by Pluris Wedgefield, Inc. and Order No. PSC-10-0474-TRF-WS, issued July 28, 2010, in Docket No. 100313-WS, In re: Application for authority to collect non-sufficient funds charges, pursuant to Sections 68.065 and 832.08(5), F.S., by Utilities, Inc.

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Issue 5: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action issues are filed by a substantially affected person within 21 days of the date of the order, the docket should be closed upon the issuance of a consummating order. (Lawson)

Staff Analysis: If no protest to the proposed agency action issues are filed by a substantially affected person within 21 days of the date of the order, the docket should be closed upon the issuance of a consummating order.

Harbor Waterworks, Inc.
Description of Water Territory
in
Lake County

Township 18 South, Range 24 East
Sections 13 and 14

Township 18 South, Range 25 East
Sections 7 and 18

The following described lands located in portions of Sections 13 & 14, Township 18 South, Range 24 East, and Sections 7 & 18, Township 18 South, Range 25 East, Lake County, Florida:

Begin at the Southeast corner of Section 12, Township 18 South, Range 24 East, for the Point of Beginning; thence run North 00°07'21" West along the East boundary of said Section 12 a distance of 66.62 feet to the centerline of Lake Griffin Road and a point on a curve having a radial bearing of North 27°13'16" West, said curve being concave Northwesterly having a radius of 615.63 feet; thence run Easterly along said centerline an arc distance of 228.02 feet, said arc having a delta of 21°13'18", a tangent distance of 115.33 feet, a chord bearing of North 52°10'04" East and a chord distance of 226.72 feet to a point of tangency; thence run North 41°33'27" East along said centerline a distance of 403.94 feet to a point of curvature, said curve being concave Northwesterly having a radius of 1,730.29 feet; thence run Northeasterly along said centerline an arc distance of 240.35 feet, said arc having a delta of 07°57'32", a tangent distance of 120.37 feet, a chord bearing of North 37°34'41" East and a chord distance of 240.16 feet to a point of tangency; thence run North 33°35'55" East along said centerline a distance of 88.27 feet to a point of curvature, said curve being concave Southeasterly having a radius of 234.54 feet; thence run Easterly along said centerline an arc distance of 307.05 feet, said arc having a delta of 75°00'30", a tangent distance of 180.00 feet, a chord bearing of North 71°06'10" East and a chord distance of 285.59 feet to a point of tangency; thence run South 71°23'35" East along said centerline a distance of 606.85 feet to a point of curvature, said curve being concave Northeasterly having a radius of 919.44 feet; thence run Easterly along said centerline an arc distance of 249.03 feet, said arc having a delta of 15°31'06", a tangent distance of 125.28 feet, a chord bearing of South 79°09'08" East and a chord distance of 248.27 feet to a point of tangency; thence run South 86°54'41" East along said centerline of Lake Griffin Road a distance of 1,406.31 feet to the intersection of the East line of the Southwest 1/4 of the Southeast 1/4 of Section 7, Township 18 South, Range 25 East; thence run South 00°08'17" West along said East line a distance of 72.64 feet to a point on the North boundary of the Northeast 1/4 of Section 18, Township 18 South, Range 25 East; thence run North 89°14'04" East along the North boundary of said Section 18 a distance of 207.76 feet; thence run South 09°02'54" West a distance of 1,000 feet; thence run Easterly to the waters edge of Lake Griffin to a point, said point to be known as Point "A"; return to the Southeast corner of said Section 12 and the Point of Beginning; thence run South 89°40'50" West along the North boundary of the Northeast 1/4 of said Section 13 a distance of 278.32 feet; thence continue South 89°40'50" West along said line a distance of

2,374.36 feet to the North 1/4 corner of said Section 13; thence run South 89°50'32" West along the North boundary of the Northwest 1/4 of said Section 13, a distance of 1,959.26 feet; thence run South 01°05'13" East along the West line of the East 1/2 of the Northwest 1/4 of the Northwest 1/4 of said Section 13 a distance of 1,324.76 feet; thence South 89°50'18" West along the South line of said Northwest 1/4 of the Northwest 1/4 of said Section 13 a distance of 329.42 feet; thence run South 01°15'47" East along the West line of the East 30 acres of the Southwest 1/4 of the Northwest 1/4 of said Section 13 a distance of 1,324.85 feet; thence run North 89°50'05" East along the South line of said Southwest 1/4 of the Northwest 1/4 said Section 13, a distance of 986.58 feet to the Southeast corner of said Southwest 1/4 of the Northwest 1/4 of said Section 13; thence run South 01°07'54" East along the West line of the East 1/2 of the Southwest 1/4 of said Section 13 a distance of 2,426.57 feet; thence run South 89°54'49" East a distance of 210.00 feet; thence run South 01°07'54" East a distance of 210.00 feet to the South boundary of said Section 13; thence run North 89°54'49" West along said Southerly boundary a distance of 210.00 feet; thence run South 00°18'48" East along the West line of the East 1/2 of the Northwest 1/4 of Section 24, Township 18 South, Range 24 East, a distance of 2,676.64 feet to a point on the East-West mid-section line of said Section 24; thence run South 89°55'50" East along said mid-section line a distance of 663.16 feet; thence run North 00°06'52" West a distance of 669.10 feet; thence run South 89°55'35" east a distance of 665.48 feet; thence run North 00°05'03" East a distance of 9.04 feet; thence run South 89°55'19" East a distance of 660 feet; thence run North 00°05'03" East a distance of 1,997.99 feet to a point on the North boundary of said Section 24; thence run South 89°54'49" East along said North boundary line a distance of 613.85 feet; thence continue Easterly along said line to the waters edge of Lake Griffin; thence Northeasterly along the waters edge to said Point "A".

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

Harbor Waterworks, Inc.
pursuant to
Certificate Number 522-W

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

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
21835	09/05/89	890554-WU	Original Certificate
PSC-94-1543-FOF-WU	12/13/94	940453-WU	Transfer of Certificate
*	*	120148-WU	Transfer of Certificate

***Order Number and date to be provided at time of issuance.**

Harbor Waterworks, Inc.
Water Service

Water Net Book Value as of February 28, 2012

Description	Staff Recommended
Utility Plant in Service	\$1,690,766
Land	12,500
Accumulated Depreciation	(770,435)
Contributions in Aid of Construction (CIAC)	(782,813)
Accumulated Amortization of CIAC	<u>347,907</u>
Water Net Book Value	\$ 497,925

Water Account Balances as of February 28, 2012

Account	Description	UPIS	Accumulated Depreciation
304	Structures & Improvements	\$ 4,419	\$ 1,397
307	Wells & Springs	132,717	104,337
309	Supply Mains	4,565	2,869
310	Power Generating Equipment	687	487
311	Pumping Equipment	194,563	194,563
320	Water Treatment Equipment	28,371	22,809
330	Distribution Reservoirs	101,789	27,812
331	Transmission & Distribution Mains	833,412	296,075
333	Services	184,599	43,126
334	Meters and Meter Installations	38,355	15,004
335	Hydrants	139,207	43,221
336	Backflow Prevention Devices	14,235	7,965
341	Transportation Equipment	<u>13,847</u>	<u>10,770</u>
		\$ 1,690,766	\$770,435

**Harbor Waterworks, Inc.
 Water Service**

Residential and General Water Service Rates

Base Facility Charge	Existing Bi-Monthly	Proposed Monthly
5/8" x 3/4"	\$ 17.17	\$ 8.59
3/4"	25.74	12.87
1"	42.91	21.46
1-1/2"	85.81	42.91
2"	137.30	68.65
3"	274.60	137.30
4"	429.06	214.53
6"	858.11	429.06
 Charge per 1,000 gallon	 \$ 1.23	 \$ 1.23

Comparison of Monthly Residential Water Bills

	Existing Bi-Monthly	Proposed Monthly
3,000 gallons	\$ 20.86	\$ 12.28
5,000 gallons	\$ 23.32	\$ 14.74
10,000 gallons	\$ 29.47	\$ 20.89

Water Service Availability Charges

Customer Connection (Tap-in) Charge	\$100.00
Meter Installation Charge	
5/8" x 3/4" Meters	\$ 85.00
1" Meters	\$ 85.00
Meters over 1"	Actual Cost
Main Extension Charge	
Per residential ERC (350 gallons per day)	\$457.00
All others per gallon	\$1.3058
Plant Capacity Charge	
Per residential ERC (350 gallons per day)	\$263.00
All others per gallon	\$0.7500

Harbor Waterworks, Inc.
Water Service

Water Initial Customer Deposits

Meter Size	Deposit
5/8" x 3/4"	\$ 40.00
1"	\$ 75.00
1 1/2"	\$150.00
2" and over	\$235.00

Water Miscellaneous Service Charges

Description	Charge
Initial Connection Charge	\$ 15.00
Normal Reconnection Charge	\$ 15.00
Violation Reconnection Charge	\$ 15.00
Premises Visit Charge (in lieu of disconnection)	\$ 10.00
Returned Check Charge (Sections 68.065 and 832.08(5), F.S.)	Per Statute

Water Allowance for Funds Prudently Invested

<u>Month</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
January	6.30	82.36	164.61	253.77	350.65	456.17
February	12.59	89.17	171.69	261.78	359.38	465.69
March	18.89	95.98	179.37	269.80	368.11	475.21
April	25.19	102.78	186.74	277.81	376.83	484.74
May	31.48	109.59	194.12	285.83	385.56	494.26
June	37.78	116.40	201.50	293.84	394.84	503.78
July	44.08	123.20	208.87	301.85	403.01	513.31
August	50.37	130.01	216.25	309.87	411.74	522.83
September	56.67	136.82	223.63	317.88	420.46	532.35
October	62.96	143.62	231.00	325.90	429.19	541.88
November	69.26	150.43	238.38	333.91	437.92	551.40
December	75.56	157.24	245.76	341.93	446.64	560.92