

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for original certificate for an existing wastewater system, requesting initial rates and charges in Lake County by Harbor Waterworks, Inc.

DOCKET NO. 120158-SU
ORDER NO. PSC-12-0580-PAA-SU
ISSUED: October 26, 2012

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER SETTING INITIAL RATES AND CHARGES FOR
HARBOR WATERWORKS, INC.
AND
ORDER APPROVING APPLICATION FOR AN ORIGINAL CERTIFICATE FOR AN
EXISTING WASTEWATER SYSTEM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for granting a certificate for an existing wastewater system, 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

On May 17, 2012, Harbor Waterworks, Inc. (HWW or Utility), filed an application for an original wastewater certificate in Lake County. The Utility is located in the St. Johns River Water Management District (SJRWMD) within a water resource caution area. At the time of the application, the wastewater system was serving 55 residential and 3 general service customers for a total of 76 equivalent residential connections (ERCs). Water service is also being provided by HWW pending approval of the transfer of Certificate No. 522-W in Docket No. 120148-WU.¹ While the water system serves approximately 592 residential and 27 general service customers,

¹ Docket No. 120148-WU, In re: 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.

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most of those customers have septic tanks. A small portion of water customers who do not have septic tanks are served by the wastewater system.

According to the application, the wastewater system has been operational and continuously providing service since 1989. However, since there was no charge for service, the system was not jurisdictional pursuant to the definition of a utility in Section 367.021(12), Florida Statutes (F.S.). The wastewater system was acquired by HWW via a Purchase Agreement executed on or about February 28, 2012. HWW filed a completed application with respect to a certificate of authorization and initial rates and charges on May 17, 2012.

Pursuant to Section 367.031, F.S., this Commission shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application. HWW's application was timely protested on June 4, 2012, which stayed the 90-day clock. Commission staff conducted a noticed, informal meeting to discuss concerns raised in the objection on July 31, 2012. Subsequent to this meeting, the protest to the application for certificate was withdrawn on August 3, 2012.

On July 10, 2012, prior to the withdrawal of the protest to the application, HWW filed a letter requesting approval of emergency financial relief by authorization to charge customers a monthly flat rate of \$35.00, subject to refund, until final rates were established. By letter dated July 23, 2012, Commission legal staff explained that neither the Florida Statutes nor the rules of this Commission contemplated approval of rates of any utility prior to certification. As such, the request for emergency rates was premature. Commission staff conducted a customer meeting on September 5, 2012, in the Harbor Hills community to gather customer comments with regard to HWW's proposed rates and charges.

This Order addresses the original wastewater certificate and initial rates and charges. We have jurisdiction pursuant to Sections 367.031, 367.045, 367.081, and 367.091, F.S.

Wastewater Certificate

On May 17, 2012, HWW filed an application for a wastewater certificate and initial rates and charges for a portion of the Harbor Hills development in Lake County. The application is in compliance with the governing statute, Section 367.045, F.S., and other pertinent statutes and administrative rules concerning an application for original certificate.

Noticing

The application contains evidence of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. Pursuant to Section 367.031, F.S., this Commission shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application. As noted, a timely customer protest was filed on June 4, 2012, which stayed the 90-day clock. A noticed, informal meeting between Commission staff and interested persons was conducted on July 31, 2012. Subsequent to the informal meeting, the protest to HWW's certificate was withdrawn on August 3, 2012. Therefore, we were required to rule upon the application by November 5, 2012, pursuant to Section 367.031, F.S.

We note that the customer's objections mainly concerned the establishment of just and reasonable initial rates and charges. The withdrawal of the objection was conditioned upon the customer's understanding that there would be an opportunity to share issues and concerns with Commission staff for consideration in its recommendation to this Commission on initial rates and charges and that, under the Proposed Agency Action process, there is an opportunity for any interested party including the customer to seek an evidentiary hearing if the party disagrees with this Commission's Proposed Agency Action Order. The customer filed specific concerns regarding rates and charges on August 6, 2012. Staff conducted a noticed, customer meeting in the Harbor Hills community on September 5, 2012, at which time the customer's questions were addressed. The customer's questions and staff's responses are discussed subsequently in this Order.

Land Ownership, Territory, and Maps

Rule 25-30.033(1)(j), F.A.C., requires evidence that the utility owns the land upon which the utility treatment facilities are, or will be, located. Because a number of affiliated entities were involved in the prior ownership of the Harbor Hills wastewater facilities, a commitment for title insurance issued by First American Title Insurance Company was filed as proof of ownership. This Commission has relied on title insurance wherever proof of ownership is either by quit claim deed or otherwise potentially clouded.² As such, we find that the Utility has provided adequate proof of ownership. The application also contains adequate service territory and system maps along with a territory description, as required by Rule 25-30.033(1)(l),(m) and (n), F.A.C. A description of HWW's proposed service territory is appended to this Order as Attachment A. As previously discussed, the wastewater territory represents only a small portion of the water territory granted in Certificate No. 522-W.

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. Furthermore, the application indicates that the President and Vice President of HWW have 27 and 35 years, respectively, of owning or operating utilities, including a number of utilities subject to regulation by this 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.

² 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.

We would note that HWW is neither the developer of the service territory nor a previously regulated entity. Instead, it is a private entity established solely for the purpose of owning and operating the Harbor Hills water and wastewater systems. Also, while, the water system was regulated by this Commission at the time HWW acquired it, the wastewater system was not. The purchase of the wastewater system will be a cash transaction in the amount of \$30,000. Based on the foregoing, we find that HWW has demonstrated its technical and financial ability to provide service to the proposed territory.

Facilities Description and Compliance

The existing wastewater system is permitted by the Florida Department of Environmental Protection (DEP) for 40,000 gallons per day (gpd), annual average daily flow. It includes extended aeration treatment consisting of flow equalization, aeration, secondary clarification, chlorination, and aerobic digestion of residuals. The size of the plant and the wastewater effluent are not adequate to provide reuse. Instead, the system consists of two rapid infiltration basins for effluent disposal. During a recent DEP inspection, the wastewater system was cited for several deficiencies regarding fencing and rehabilitating the surfaces of the plant. Commission staff conducted its own inspection of the facilities on July 19, 2012, in which it discussed the work being done by HWW to resolve the deficiencies. Furthermore, Commission staff verified that HWW has been cooperating with DEP to bring the system into compliance.

The Buyer is aware that the Utility's books and records must be maintained in accordance with the National Association of Regulatory Utility Commissioners' 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 the approval of this Commission. Further, the Buyer states it shall 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.

Conclusion

Based on the foregoing, we find that the application is in the public interest and HWW shall be granted Certificate No. 565-S to serve the territory described in Attachment A, effective the date of our vote in this matter, October 16, 2012. The resultant order shall serve as HWW's wastewater certificate and it shall be retained by the Utility.

Service Rates and Return on Equity

Rule 25-30.033(1)(t), (u), (v), and (w), F.A.C., specifies the requirements for establishing rates and charges for original certificates, including the submission of a cost study, growth projections, and data related to the projected plant, capital structure, and operating expenses. HWW's proposed wastewater rates are based on projected plant and operations at 80 percent of design capacity, or 200 ERCs, which is consistent with our policy for setting initial rates and charges.

Customer Meeting

As noted previously, Commission staff conducted a properly noticed customer meeting in the Harbor Hills community on September 5, 2012, to solicit comments on HWW's proposed wastewater rates. Commission staff explained the rate making process and the assumptions used in establishing initial rates. Two residents of Harbor Hills, as well as representatives from HWW and the developer, attended the meeting. One of the customers raised questions regarding whether existing customers should receive a credit or reduced bill based on the assumption that their service was paid for in the purchase price of the lots, and whether the company could be precluded from filing a rate case prior to reaching 80 percent of its design capacity. In response to the first question, Commission staff explained that, in the Utility's application, the original investment in the wastewater treatment plant was almost fully depreciated and the cost of the collection system was imputed as contributions in aid of construction (CIAC), pursuant to Rule 25-30.570, F.A.C. Therefore, the Utility's proposed return on investment and depreciation expense is primarily related to plant improvements made in the past two years and additional plant improvements that are anticipated in the near future. With respect to the second question, Commission staff explained that we do not have the authority to preclude the Utility from applying for a rate increase once the original certificate has been granted; however, we do consider the prudence of any proposed rate increase.

Projected Rate Base

Consistent with our practice in applications for original certificates, projected rate base is established only as a tool to aid in setting initial rates and is not intended to formally establish rate base. HWW's projected wastewater rate base calculations are described below and shown on Schedule No. 1.

HWW proposed a projected utility plant in service (UPIS) balance of \$2,300,062 as shown on Schedule No. 1. This includes the estimated original cost of the major components of plant and lines, recent additions, and additional plant improvements required by DEP. In addition, HWW included the projected cost of the collection system, \$1,310,784, as CIAC. The projected CIAC will result in approximately 56 percent contribution level. Pursuant to Rule 25-30.580, F.A.C., the minimum amount of CIAC shall not be less than the percentage of such facilities that is represented by the wastewater collection system and the maximum contribution level shall not exceed 75 percent of the projected cost of the plant, net of accumulated depreciation. In the HWW application, the collection system represents approximately 56 percent of the projected cost of the wastewater system. Therefore, we find the projected contribution level is consistent with Rule 25-30.580, F.A.C.

HWW's accumulated depreciation and accumulated amortization of CIAC balances, \$1,737,060 and \$942,576, respectively, are based on the average service life guidelines, as set forth in Rule 25-30.140, F.A.C. Projected working capital is based on one-eighth of the projected operating and maintenance expenses. We find that HWW's projected rate base of \$207,377, as shown on Schedule No. 1, is reasonable and shall be used in establishing initial wastewater rates and charges.

Projected Cost of Capital

HWW's projected capital structure consists of 50 percent equity and 50 percent debt. The Utility proposed cost of equity is 10.85 percent. HWW's proposed cost of debt is 4.25 percent, based on recent loan experience.

The Utility's cost of equity shall be based on the most recent leverage graph formula at the time of our vote in this matter, which is 10.35 percent, and consistent with our prior decisions regarding applications for original certificates.³ Based on a cost of equity of 10.35 percent and a cost of debt of 4.25 percent, HWW's overall cost of capital is 7.30 percent, as shown on the following chart.

Cost of Capital

Description	Amount	Weight	Cost Rate	Weighted Cost
Equity	\$103,688	50%	10.35%	5.175%
Debt	\$103,689	50%	4.25%	2.125%
Overall Cost of Capital	\$207,377	100%		7.30%
Range of Reasonableness			High	Low
Return on Common Equity			11.35%	9.35%

We find that the appropriate return on equity for HWW is 10.35 percent, plus or minus 100 basis points, and the Utility's initial wastewater rates shall reflect an overall cost of capital of 7.30 percent.

Projected Net Operating Income

HWW's projected net operating income of \$15,657 is based on a projected overall cost of capital of 7.55 percent. Since the overall cost of capital is 7.30 percent, we find that a net operating income of \$15,138 shown on Schedule No. 1 is reasonable and shall be used in establishing initial wastewater rates.

Projected Revenue Requirement

HWW's projected wastewater revenue requirement of \$143,171 is shown on Schedule No. 1. The revenue requirement includes projected operating and maintenance (O&M) expenses, net depreciation expense, taxes other than income, and a return on investment. The O&M expenses, which are based on projected operating costs at 80 percent of design capacity,

³ See Order No. PSC-12-0339-PAA-WS, issued June 28, 2012, in Docket No. 120006-WS, In re: Water and wastewater industry annual reestablishment of authorized rate of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

include costs for purchased power, chemicals, contractual services, insurance, and sludge removal. We find that HWW's projected expenses appear reasonable. However, the revenue requirement shall be reduced by \$197 to reflect a reduction in the net operating income of \$519 associated with the reduced overall return on investment described above. In addition, it includes an increase in Taxes Other Than Income of \$322 to reflect the appropriate regulatory assessment fees associated with the projected revenue requirement. Therefore, a projected revenue requirement of \$142,974 shall be used in establishing initial wastewater rates, as shown on Schedule No. 1.

Rates and Rate Structure

HWW's proposed wastewater rates are designed in accordance with Rule 25-30.033(2), F.A.C., which requires that a base facility and usage rate structure, as defined in Rule 25-30.437(6), F.A.C., be utilized for metered service. Wastewater service is not metered, but usage is based on the customer's metered water usage. HWW's proposed wastewater rates shown on Schedule No. 2 are designed to recover its projected revenue requirement of \$143,171. Based on a projected revenue requirement of \$142,974, we order a base facility charge for all residential customers of \$29.79, regardless of meter size; and a residential usage charge of \$4.85 per 1,000 gallons, with a cap at 6,000 gallons per month. Furthermore, the base facility charge for general service customers shall be based on the actual meter size, as shown on Schedule No. 2, and the general service usage charge shall be \$5.82 per 1,000 gallons with no cap. The proposed and ordered rates and charges are shown on Schedule No. 2.

Conclusion

Based upon the above, we find that the monthly wastewater rates shown on Schedule No. 2 are reasonable and shall be approved. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for services rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates shall not be implemented until Commission staff has approved the proposed customer notice. The Utility shall provide proof of the date the notice was given within 10 days of the date of the notice. The Utility shall charge the approved rates until a change is authorized by this Commission in a subsequent proceeding. A return on equity of 10.35 percent, plus or minus 100 basis points, is approved.

Wastewater Service Availability Policy and Charges

Pursuant to Rule 25-30.580(1), F.A.C., the maximum amount of CIAC, net of amortization, shall not exceed 75 percent of the total original cost, net of depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. Rule 25-30.580(2), F.A.C., provides that the minimum amount of CIAC shall not be less than the percentage of such facilities that is represented by the wastewater collection system.

HWW's proposed wastewater service availability policy provides that future developers shall be required to construct and donate the lines necessary to connect to the wastewater system. In the event that HWW constructs the lines, HWW proposed a main extension charge of \$3,803

per ERC. According to the application, this charge was based on HWW's estimated value of all costs associated with providing service to its existing wastewater customers (\$296,600). The Utility did not propose a plant capacity charge.

Instead, we find that the total projected cost of the collection system and pumping equipment needed to serve the wastewater system at build out (\$1,295,901) shall be used to calculate the appropriate main extension charge. Therefore, we order a main extension charge of \$6,480 per ERC as shown on Schedule No. 2.

We find that HWW's proposed service availability policy and the main extension charge of \$6,480 are consistent with Rule 25-30.580, F.A.C. The approved service availability policy and main extension charge shall be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. HWW shall be required to collect the approved main extension charge until a change is authorized by this Commission in a subsequent proceeding.

Miscellaneous Service Charges

Rule 25-30.460, F.A.C., defines the 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. HWW's proposed charges for the four categories of wastewater miscellaneous service are based on the approved water miscellaneous service charges for Harbor Hills Utilities, L.P., with the exception of the violation reconnection charge which is actual cost.

Miscellaneous Service Charges

Wastewater

Description	Proposed Charges
Initial Connection	\$15.00
Normal Reconnection	\$15.00
Violation Reconnection	Actual Cost
Premise Visit Charge	\$10.00

In addition, HWW has requested authorization to collect an additional charge when checks are returned for non-sufficient funds. Instead of a specific charge, HWW proposes a returned check charge derived from 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, or
- 4) 5 percent of the face amount of the check, whichever is greater.

We find HWW's request is appropriate and consistent with our recent decisions.⁴ HWW's proposed returned check charges are approved. HWW shall file a proposed customer notice to reflect the approved charge. The returned check charge shall 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 shall not be implemented until Commission staff has approved the proposed customer notice. HWW shall provide proof of the date notice was given within ten days after the date of the notice. HWW shall be required to charge the approved charge until a change is authorized by this Commission in a subsequent proceeding.

We also find that HWW's proposed wastewater miscellaneous service charges shown on Schedule No. 2 are reasonable and shall be approved and effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. When both water and wastewater services are provided, a single charge is appropriate unless circumstances beyond the control of the Utility require multiple actions. HWW shall be required to charge its approved miscellaneous service charges until a change is authorized by this Commission in a subsequent proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Harbor Waterworks, Inc.'s application is in the public interest and shall be granted Certificate No. 565-S to serve the territory described in Attachment A, effective October 16, 2012. The resultant order shall serve as Harbor Waterworks, Inc.'s wastewater certificate and it shall be retained by the Utility. It is further

ORDERED that the monthly wastewater rates shown on Schedule No. 2 are approved. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for services rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates shall not be implemented until Commission staff has approved the proposed customer notice. It is further

ORDERED that a return on equity of 10.35 percent, plus or minus 100 basis points, is approved. It is further

⁴ See 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.

ORDERED that the Utility's proposed service availability policy and the main extension charge of \$6,480 are consistent with Rule 25-30.580, F.A.C., and are hereby approved. The approved service availability policy and main extension charge shall be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that the Utility's proposed wastewater miscellaneous service charges shown on Schedule No. 2 are approved and effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. It is further

ORDERED that Harbor Waterworks, Inc.'s proposed returned check charges are approved as shown on Schedule No. 2. The Utility shall file a proposed customer notice to reflect the approved charge. The charges shall 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 shall not be implemented until Commission staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given within ten days after the date of the notice. It is further

ORDERED that the Utility's approved rates and charges shall remain in effect until a change is authorized by this Commission in a subsequent proceeding. 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, Florida Administrative Code, 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 in the event this Order becomes final, this docket shall be closed administratively.

ORDER NO. PSC-12-0580-PAA-SU
DOCKET NO. 120158-SU
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By ORDER of the Florida Public Service Commission this 26th day of October, 2012.



ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

MTL

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 shall 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 discussed herein, except for granting a certificate of authorization for an existing wastewater system, 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 November 16, 2012. 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.

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

Township 18 South, Range 24 East
Section 13

Township 18 South, Range 25 East
Sections 7 and 18

The following described lands located in portions of Section 13, 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 54°48'39" East a distance of 221.30 feet; thence run South 35°11'21" West a distance of 2,009.33 feet; thence run North 51°43'05" West a distance of 422.00 feet; thence run South 89°55'26" West a distance of 400.37 feet to a point on the East boundary of Section 13; thence run North 00°04'34" West along the East boundary of Section 13 a distance of 165.41 feet; thence run North 89°58'35" West a distance of 526.35 feet; thence run North 66°26'23" West a distance of 357.90 feet; thence run North 00°01'25" East a distance of 634.92 feet to a point on the South boundary of Section 12; thence run North 89°40'50" East a distance of 853.12 feet along the South boundary of Section 12 to the Point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

Harbor Waterworks, Inc.
Pursuant to
Certificate Number 565-S

to provide wastewater 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>
PSC-12-0580-PAA-SU	10/26/2012	120158-SU	Original Certificate

Harbor Waterworks, Inc.
Wastewater System

Projected Wastewater Rate Base

	Utility Proposed	Adjustments	Approved
Utility Plant in Service	\$ 2,300,062		\$ 2,300,062
Accumulated Depreciation	(1,737,060)		(1,737,060)
Contributions in Aid of Construction	(1,310,784)		(1,310,784)
Accum Amort of CIAC	942,576		942,576
Working Capital Allowance	12,583		12,583
Wastewater Rate Base	<u>\$ 207,377</u>		<u>\$ 207,377</u>

Projected Wastewater Revenue Requirement

	Utility Proposed	Adjustments	Approved
Operating Revenues	<u>\$ 143,171</u>	<u>(197)</u>	<u>\$ 142,974</u>
Operating and Maintenance	96,366		96,366
Net Depreciation Expense	23,036		23,036
Taxes Other Than Income	8,112	<u>322</u>	<u>8,434</u>
Operating Income	<u>\$ 15,657</u>	<u>(519)</u>	<u>\$ 15,138</u>
Wastewater Rate Base	\$ 207,377		\$ 207,377
Rate of Return	7.55%		7.30%

**Harbor Waterworks, Inc.
 Wastewater System**

Monthly Residential and General Service Wastewater Rates

	Utility Proposed	Approved
Base Facility Charge		
Residential (all meter sizes)	\$ 29.83	\$ 29.79
General Service (based on meter size)		
5/8" x 3/4"	\$ 29.83	\$ 29.79
3/4"	44.75	44.69
1"	74.58	74.48
1.5"	149.15	148.95
2"	238.64	238.32
3"	447.45	476.64
4"	745.75	744.75
6"	1,491.50	1,489.50
Residential charge per 1,000 gallons	\$ 4.86*	\$ 4.85*
General Service charge per 1,000 gallons	\$ 5.83	\$ 5.82

* 6,000 gallon cap per month

Comparison of Monthly Residential Wastewater Bills

	Utility Proposed	Approved
3,000 gallons	\$ 44.41	\$44.34
5,000 gallons	\$ 54.13	\$54.04
10,000 gallons	\$ 58.99	\$58.89

Wastewater Service Availability Charges

	Utility Proposed	Approved
Main Extension Charge		
Residential – per ERC 160 gpd	\$3,803	\$ 6,480
All others – per gallon	\$23.77	\$ 40.50

Wastewater Miscellaneous Service Charges**

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

** When both water and wastewater services are provided, a single charge is appropriate unless circumstances beyond the control of the Utility require multiple actions.