

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 22, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Watts, Jopling) *DEW*
Division of Accounting and Finance (Frank, Springer) *AS*
Division of Economics (Thompson) *LT*
Office of the General Counsel (Barrera) *JSC*

RE: Docket No. 130172-WS – Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 501-W and 435-S of Aqua Utilities Florida, Inc. to Sunny Hills Utility Company in Washington County.

AGENDA: 06/05/14 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Recommendations for Docket Nos. 130171-WS, 130176-WS, 130172-WS, 130173-WU, 130174-WU, and 130175-WS should be placed consecutively on the Agenda.

Case Background

On June 24, 2013, Sunny Hills Utility Company (Sunny Hills or Utility) filed an application for the transfer of Certificate Nos. 501-W and 435-S on behalf of Aqua Utilities Florida, Inc. (Aqua) in Washington County. The service area is located in the Northwest Florida Water Management District, and is not in a water use caution area. According to Aqua's 2012 Annual Report, the Utility serves 570 water and 163 wastewater customers in a subdivision known as Sunny Hills.

The present application for transfer approval is one of six active applications that have been simultaneously filed with the Commission. These applications request transfer approval of water and wastewater systems previously owned by Aqua in five different counties. Sunny Hills, along with the utilities who filed the other five transfer applications, have been recently created, and share common management and ownership.

According to its 2012 Annual Report, Aqua had total revenues of \$15,773,003 (\$9,646,699 for water and \$6,126,304 for wastewater). It provided service to 62 water systems and 30 wastewater systems within 17 counties. Water and wastewater rates for most of Aqua's systems were last approved in 2012 in a file and suspend rate case.¹ Recently, Aqua made a decision to cease operations in the state. As a result, 53 water systems and 26 wastewater systems owned by Aqua have been transferred to non-jurisdictional entities. The remaining nine water systems and four wastewater systems owned by Aqua have not yet been transferred and are the subject of the six applications discussed above.

Certificate Nos. 501-W and 435-S were originally granted in 1988 under the name of Sunny Hills Utilities.² There was a transfer of Majority Organizational Control in 1989.³ The ownership was amended in a reorganization in 1992.⁴ In 1997, its name was changed to Florida Water Services Corporation.⁵ The most recent Commission-approved certificate activity to Certificate Nos. 501-W and 435-S was a transfer to Aqua in 2005.⁶

¹ See Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

² See Order No. 18902, issued February 22, 1988, in Docket No. 870984-WS, In re: Application by Sunny Hills Utilities (United Florida Utilities) for water and sewer certificates in Washington County.

³ See Order No. 22307, issued December 12, 1989, in Docket No. 881501-WS, In re: Application of Topeka Group, Inc. to acquire control of Delta Corporation's utility subsidiaries in Citrus, Marion, St. Johns, Washington, Collier, Volusia and Hernando Counties.

⁴ See Order No. 25575, issued January 7, 1992, in Docket No. 910662-WS, In re: Petition for approval of restructuring of Southern States Utilities, Inc.; Delta Utilities, Inc.; and United Florida Utilities Corporation and acknowledgement of name change of Citrus Springs Utilities (United Florida) and Pine Ridge Utilities (United Florida) in Citrus County, Spring Hill Utilities, Inc. (Deltona) in Hernando County, Deltona Lakes Utilities (Deltona) in Volusia County, Marco Island Utilities (Deltona) and Marco Shores Utilities (Deltona) in Collier County, Marion Oaks Utilities (United Florida) in Marion County, and Sunny Hills Utilities (United Florida) in Washington County to Southern States Utilities, Inc.

⁵ See Order No. PSC-97-0427-FOF-WS, issued April 16, 1997, in Docket No. 970028-WS, In re: Application for name change on Certificates 84-W, 171-W, 368-W, 373-W, 106-W, 422-W, 46-W, 177-W, 452-W, 03-W, 570-W, 002-W, 554-W, 501-W, 238-W, 562-W, 279-W, 209-W, 66-W, 306-W, 76-W, 189-W, 435-S, 182-S, 482-S, 226-S, 284-S, 154-S, 289-S, 73-S, 122-S, 319-S, 120-S, 359-S, 047-S, 124-S, 386-S, 134-S, 496-S, 255-S, and 322-S in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Hernando, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Polk, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties, from Southern States Utilities, Inc. to Florida Water Services Corporation.

⁶ See Order No. PSC-05-1242-PAA-WS, issued December 20, 2005, in Docket No. 040951-WS, In re: Joint application for approval of sale of Florida Water Services Corporation's land, facilities, and certificates in Brevard, Highlands, Lake, Orange, Pasco, Polk, Putnam, a portion of Seminole, Volusia, and Washington counties to Aqua Utilities Florida, Inc.

Docket No. 130172-WS

Date: May 22, 2014

This recommendation addresses the transfer of the water system and wastewater system, the net book values of the water system and wastewater system at the time of transfer, and whether an acquisition adjustment should be approved. The Commission has jurisdiction pursuant to Section 367.071, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve the transfer of Aqua Utilities Florida, Inc.'s water and wastewater systems and Certificate Nos. 501-W and 435-S to Sunny Hills Utility Company?

Recommendation: Yes. The transfer of Aqua's water and wastewater systems and the transfer of Certificate Nos. 501-W and 435-S to Sunny Hills Utility Company (Sunny Hills) is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as Sunny Hill's Certificates and should be retained by the Utility. 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.). Sunny Hills should be responsible for filing the Utility's 2013 Annual Report and paying 2014 Regulatory Assessment Fees (RAFs) and should be responsible for filing all future annual reports and RAFs. (Watts, Frank, Thompson)

Staff Analysis: On June 24, 2013, Sunny Hills filed an application for approval of the transfer of Aqua's Washington County water and wastewater systems and Certificate Nos. 501-W and 435-S on behalf of Aqua. The application is in compliance with the governing Statute, Section 367.071, F.S., and Administrative Rules concerning applications for transfer of certificates. The closing occurred on March 28, 2013, contingent upon Commission approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

The application contains proof of compliance with the noticing provisions set forth in Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed with the Commission and the time for doing so has expired. The application contains a description of the Utility's water and wastewater service territories, which is appended to this recommendation as Attachment A. The application contains a copy of a Quit Claim Deed that was executed on March 29, 2013, as evidence that Sunny Hills owns the land upon which the water and wastewater treatment facilities are located pursuant to Rule 25-30.037(2)(q), F.A.C.

Purchase Agreement and Financing

Pursuant to Rules 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. There are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, leases, or debt of Aqua that must be disposed of with regard to the transfer. According to the Purchase Agreement, the total purchase price of \$10,000 was paid for the portion of the assets attributable to water and wastewater service.

Facility Description and Compliance

The Sunny Hills water treatment system consists of three wells with liquid chlorination used for disinfection. The wastewater treatment plant is rated at 50,000 gallons per day, permitted on an annual average daily flow. A two-cell rapid infiltration basin (percolation pond) is utilized for effluent disposal. Staff contacted the Florida Department of Environmental Protection (DEP) concerning the Utility's compliance status relative to any Notices of Violation or any DEP consent orders. DEP stated that the system is not subject to any outstanding violations or consent orders.

Technical and Financial Ability

Pursuant to Rule 25-30.037(1)(j), F.A.C., the application contains statements describing the technical and financial ability of the applicant to provide service to the proposed service area. According to the application, Sunny Hills' directors have considerable Florida-specific expertise in private utility ownership within the state. The directors of Sunny Hills have been in the water and wastewater utility management, operations, and maintenance industry for many years, providing service to more than 550 Florida facilities throughout their careers. Further, the application indicates that the President and Vice President of Sunny Hills have 28 and 36 years, respectively, of operation or ownership of utilities, including a number of utilities previously regulated by the Commission. Staff also reviewed the personal financial statements for the President and Vice President of Sunny Hills⁷ and did not identify any concerns. The application indicates that operating, billing, collection, and customer services will be provided by contract through an affiliated entity, U.S. Water Services Corporation (U.S. Water), which currently provides such services to utilities serving approximately 80,000 customers in Florida. The President of U.S. Water is part owner of other systems regulated by the Commission, including Harbor waterworks, Inc.,⁸ Lakeside Waterworks, Inc.,⁹ LP Waterworks, Inc.,¹⁰ and several of the systems previously owned by Aqua.¹¹

⁷ See Document No. 02835-12 in 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.

⁸ See Order No. PSC-12-0587-PAA-WU, issued October 29, 2012, in 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.

⁹ See Order No. PSC-13-0425-PAA-WS, issued September 18, 2013, in Docket No. 120317-WS, In re: Application for approval to transfer water and wastewater system Certificate Nos. 567-W and 494-S in Lake County from Shangri-La by the Lake Utilities, Inc. to Lakeside Waterworks, Inc.

¹⁰ See Order No. PSC-14-0130-PAA-WS, issued March 17, 2014, in Docket No. 130055-WS, In re: Application for approval of transfer of LP Utilities Corporation's water and wastewater systems and Certificate Nos. 620-W and 533-S, to LP Waterworks, Inc., in Highlands County.

¹¹ See Docket No. 130171-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to The Woods Utility Company in Sumter County; Docket No. 130173-WU, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate No. 053-W of Aqua Utilities Florida, Inc.'s to Lake Osborne Waterworks, Inc. in Palm Beach County; Docket No. 130174-WU, In re: Application for approval of transfer of Aqua Utilities Florida, Inc.'s water systems and Certificate No. 002-W in Brevard County; Docket No. 130175-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 422-W and 359-S of Aqua Utilities Florida, Inc. to HC Waterworks, Inc. in Highlands County; and Docket No. 130176-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to Jumper Creek Utility Company in Sumter County.

Staff requested a three-year projected budget to further evaluate the ability of Sunny Hills to maintain operations of the Utility going forward. The projected budget included data on net operating income, cost of capital, and rate base. The projections are reasonable and include future capital improvements, as well as anticipated increases in costs. Based on the above, it appears that Sunny Hills has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates and charges were last approved in 2012 in a file and suspend rate case.¹² In 2013, in accordance with Section 367.0816, F.S., the rates were subsequently reduced to reflect the expiration of rate case expense approved in 2010.¹³ The Utility's existing rates and charges are shown on Schedule Nos. 1 and 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 the Commission. Therefore, staff recommends that the Utility's existing rates and charges remain in effect until a change is authorized by the Commission in a subsequent proceeding.

Regulatory Assessment Fees (RAFs) and Annual Reports

Staff has verified that the Utility is current on RAFs for the calendar year ended December 31, 2013. Sunny Hills received an extension to file its 2013 Annual Report. Sunny Hills should be responsible for filing the Utility's 2013 Annual Report and paying 2014 RAFs and should be responsible for filing all future annual reports and RAFs.

Conclusion

Based on the above, staff recommends that the transfer of Aqua's water and wastewater systems and the transfer of Certificate Nos. 501-W and 435-S to Sunny Hills is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as Sunny Hill's certificates and should be retained by the Utility. 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.). Sunny Hills should be responsible for filing the Utility's 2013 Annual Report and paying 2014 RAFs and should be responsible for filing all future annual reports and RAFs.

¹² See Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

¹³ See Order No. PSC-10-0297-PAA-WS, issued May 10, 2010, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

Issue 2: What are the appropriate net book values for Sunny Hills' water and wastewater systems as of March 28, 2013?

Recommendation: For transfer purposes, the net book values (NBVs) of Sunny Hills' water and wastewater systems are \$1,934,902 and \$134,393, respectively, as of March 28, 2013. Within 30 days of the date of the final order, Sunny Hills should be required to provide general ledgers which show its books have been updated to reflect the Commission-approved balances as of March 28, 2013. The adjustments should be reflected in the Utility's 2013 Annual Report when filed. (Frank)

Staff Analysis: The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. Staff's recommended NBV, as described below, is shown on Schedule Nos. 3 and 4.

Utility Plant in Service (UPIS)

The Utility's general ledger reflected water and wastewater UPIS balances of \$4,071,798 and \$758,635, respectively, as of March 28, 2013. Audit staff determined that all Commission adjustments have been properly made. Therefore, staff recommends water and wastewater UPIS balances as of March 28, 2013, of \$4,071,798 and \$758,635, respectively, as shown on Schedule Nos. 3 and 4.

Land and Land Rights

The value of land and land rights was last established by Order No. PSC-09-0385-FOF-WS.¹⁴ At that time, the Commission approved land value of \$10,779 for water and \$4,483 for wastewater. No adjustments have been identified by staff. Therefore, staff recommends land and land rights of \$10,779 for water and \$4,483 for wastewater, as shown on Schedule Nos. 3 and 4.

Accumulated Depreciation

The Utility's general ledger reflects accumulated depreciation balances of \$1,621,469 and \$621,796, for water and wastewater, respectively, as of March 28, 2013. Audit staff determined that depreciation accruals to UPIS were not posted in March 2013. As a result, accumulated depreciation should be increased by \$9,504 for water and by \$2,396 for wastewater. Therefore, staff recommends the Utility's water and wastewater accumulated depreciation balances as of March 28, 2013, should be \$1,630,973 and \$624,192, respectively, as shown on Schedule Nos. 3 and 4.

¹⁴ See Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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

As of March 28, 2013, the Utility's general ledger reflects water and wastewater CIAC balances of \$692,445 and \$6,977, respectively, and accumulated amortization of CIAC balances of \$174,457 and \$2,246, respectively. Audit staff determined that amortization of CIAC accruals were not posted in March 2013. As a result, accumulated amortization of CIAC should be increased by \$1,286 for water and \$18 for wastewater. Therefore, staff recommends that the Utility's CIAC balances as of March 28, 2013, for water and wastewater are \$692,445 and \$6,977, respectively, and accumulated amortization of CIAC balances for water and wastewater are \$175,743 and \$2,444, respectively, as shown on Schedule Nos. 3 and 4.

Net Book Value

The Utility's general ledger reflected NBVs of \$1,943,120 and \$136,771, respectively, for water and wastewater as of March 28, 2013. Based on the adjustments described above and as shown on Schedule Nos. 3 and 4, staff recommends that the NBVs for the Utility's water and wastewater systems as of March 28, 2013, are \$1,934,902 and \$134,393, respectively, for a total NBV of \$2,069,295. Schedule Nos. 3 and 4 also contain the National Association of Regulatory Utility Commissioners Uniform System of Accounts and balances for UPIS and accumulated depreciation as of March 28, 2013.

Conclusion

Based on the above, staff recommends that the NBVs of Sunny Hills' water and wastewater systems for transfer purposes are \$1,934,902 and \$134,393, respectively, as of March 28, 2013. Within 30 days of the date of the final order, Sunny Hills should be required to provide general ledgers which show its books have been updated to reflect the Commission-approved balances as of March 28, 2013. The adjustment should be reflected in the Utility's 2013 Annual Report when filed.

Issue 3: Should an acquisition adjustment be recognized for rate-making purposes?

Recommendation: Yes. Pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$1,538,571 for the water system and \$106,865 for the wastewater system should be recognized for rate-making purposes. Beginning with the date of the issuance of the order approving the transfer, 50 percent of the negative acquisition, which is \$769,286 for the water system and \$53,433 for the wastewater system, should be amortized over a seven-year period and the remaining 50 percent should be amortized over the remaining life of the assets. (Frank)

Staff Analysis: An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. Pursuant to Rule 25-30.3071, F.A.C., a positive acquisition adjustment results when the purchase price is greater than the NBV and a negative acquisition adjustment results when the purchase price is less than the NBV. Rule 25-30.371, F.A.C., further states that a positive acquisition adjustment shall not be included in rate base absent proof of extraordinary circumstances. Positive acquisition adjustments, if approved, increase rate base. With respect to negative acquisition adjustments, Rule 25-30.371, F.A.C., states that no negative acquisition adjustment shall be included in rate base if the purchase price is greater than 80 percent of the NBV. If the purchase price is equal to or less than 80 percent of the NBV, a negative acquisition adjustment shall be included in rate base equal to 80 percent of the NBV, less the purchase price. Negative acquisition adjustments reduce rate base. Pursuant to Rule 25-30.0371(4)(b)2, F.A.C., if the purchase price is equal to or less than 50 percent of the net book value, then 50 percent of the negative acquisition adjustment is amortized over a seven-year period and 50 percent amortized over the remaining life of the assets, beginning with the date of the issuance of the order approving the transfer of assets. The Utility estimates that the remaining life of the applicable water assets is 21 years and 5 years for the wastewater assets.

The calculation of Sunny Hills' acquisition adjustment is shown below. Staff allocated the purchase price of \$10,000 based on the relative ratio of water and wastewater net book value.

Table 3-1

Calculation of Negative Acquisition Adjustment		
	<u>Water System</u>	<u>Wastewater System</u>
Net book value as of March 28, 2013	\$1,934,902	\$134,393
80 percent of net book value	\$1,547,922	\$107,514
Purchase price	\$9,351	\$649
Negative acquisition adjustment	\$1,538,571	\$106,865

Conclusion

Pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$1,538,571 for the water system and \$106,865 for the wastewater system should be recognized for rate-making purposes as of March 28, 2013. Beginning with the date of the issuance of the order approving the transfer, 50 percent of the negative acquisition adjustment, which is \$769,286 for the water system and \$53,433 for the wastewater system, should be amortized over a seven-year period and the remaining 50 percent should be amortized over the remaining life of the assets as discussed above.

Issue 4: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively after Sunny Hills has provided proof that its general ledgers have been updated to reflect the Commission-approved balances as of March 28, 2013. (Barrera)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively after Sunny Hills has provided proof that its general ledgers have been updated to reflect the Commission-approved balances as of March 28, 2013.

SUNNY HILLS-WATER

WASHINGTON COUNTY

Township 2 North, Range 13 West

Section 1

All of Section 1

Section 4

The Southwest 1/4; and
The West 1/2 of the Southeast 1/4

Section 5

The West 1/4; and
The Southeast 1/4 of the Southwest 1/4

Section 6

The East 1/4; and
The Southwest 1/4 of the Southeast 1/4

Section 7

The East 1/2; and
The Southeast 1/4 of the Southwest 1/4

Section 8

All of Section 8

Section 9

The North 1/2; and
The Southwest 1/4; and
The Northwest 1/4 of the Southeast 1/4

Section 11

The North 1/2; and
The Northwest 1/4 of the Southwest 1/4

Section 12

The Northwest 1/4; and
The South 1/2, less the Southwest 1/4 of the Southwest 1/4

SUNNY HILLS

Township 2 North, Range 13 West (Cont.)

Section 13

The East 1/2; and
The South 1/2 of the Southwest 1/4

Section 14

The South 1/2 of the Southeast 1/4

Section 15

The West 1/2 of the Southwest 1/4

Section 16

All of Section 16, **except** the North 1/2 of the Northeast 1/4

Sections 17 and 18

All of Sections 17 and 18

Section 19

The East 3/4; and
The Northwest 1/4 of the Northwest 1/4; and
The Southwest 1/4 of the Southwest 1/4

Sections 20 and 21

All of Sections 20 and 21

Section 22

The South 1/2; and
The West 1/2 of the Northwest 1/4

Section 23

The South 1/2; and
The Northeast 1/4

Section 24

The Northwest 1/4

Sections 25, 26, and 27

All of Sections 25, 26, and 27

Section 28

The North 1/4; and
The Southwest 1/4 of the Northwest 1/4; and
The North 1/2 of the South 1/2 of the Northeast 1/4

SUNNY HILLS

Township 2 North, Range 13 West (Cont.)

Section 29

The North 1/2; and
A portion of the Southwest 1/4; and
A portion of the North 1/2 of the Southeast 1/4

Sections 30, 31, and 35

All of Sections 30, 31, and 35

Township 2 North, Range 13 West (Cont.)

Section 36

The North 3/4; and
The Southwest 1/4 of the Southwest 1/4

Township 2 North, Range 14 West

Section 13

The North 1/2, less the Northwest 1/4 of the Northeast 1/4; and
The South 1/2, less the West 1/2 of the Southwest 1/4

Section 24

The Northeast 1/4 of the Northwest 1/4; and
The Southeast 1/4 of the Southwest 1/4; and
The Southwest 1/4 of the Southeast 1/4

Section 25

All of Section 25, less the West 1/2 of the Northwest 1/4

Section 26

All of Section 26, less the Northeast 1/4

Section 27

All that portion of Section 27 East of the right-of-way of S.R. 77

Section 34

All that portion of Section 34 East of the right-of-way of S.R. 77

Sections 35 and 36

All of Sections 35 and 36

Township 1 North, Range 13 West (Cont.)

Section 2
The West 1/4

Township 1 North, Range 14 West

Section 2
A portion of the North 1/2

Section 3
The Northeast 1/4

SUNNY HILLS-WASTEWATER

WASHINGTON COUNTY

Township 2 North, Range 13 West

Section 7

A portion of the Southeast 1/4 of the Southeast 1/4

Section 8

A portion of the Southwest 1/4

Section 15

The West 1/2 of the Southwest 1/4

Section 16

The South 3/4; and

A portion of the North 1/2 of the Northwest 1/4

Section 17

A portion of the Northeast 1/4; and

The East 1/2 of the Northwest 1/4; and

A portion of the West 1/2 of the NW 1/4; and

The North 1/2 of the SE 1/4; and

A portion of the South 1/2 of the Southeast 1/4; and

A portion of the Southwest 1/4

Section 18

A portion of the Northeast 1/4 of the Northeast 1/4

Section 19

The Southwest 1/4 of the Southwest 1/4

SUNNY HILLS-WASTEWATER

Township 2 North, Range 13 West (Cont.)

Section 20

A portion of the East 1/2 of the Northeast 1/4; and
A portion of the Northeast 1/4 of the Southeast 1/4

Section 21

The North 1/2; and
The North 1/2 of the SW 1/4; and
A portion of the South 1/2 of the Southwest 1/4; and
A portion of the Southeast 1/4

Section 22

A portion of the West 1/2 of the Northwest 1/4

Section 28

A portion of the North 1/2 of the Northwest 1/4

Section 29

A portion of the South 1/2 of the Northwest 1/4; and
A portion of the Southwest 1/4

Section 30

The Southeast 1/4, less the Northeast 1/4 of the Southeast 1/4; and
A portion of the Southwest 1/4; and
The West 1/2 of the Northwest 1/4; and
A portion of the East 1/2 of the Northwest 1/4

Township 2 North, Range 13 West (Cont.)

Section 31

A portion of the North 1/4 of the Northeast 1/4; and
A portion of the North 1/4 of the Northwest 1/4; and
A portion of the Southwest 1/4 of the Northwest 1/4; and
A portion of the North 1/4 of the Northwest 1/4 of the Southwest 1/4

Township 2 North, Range 14 West

Section 25

A portion of the Southeast 1/4 of the Southeast 1/4 of the Southeast 1/4

Section 36

A portion of the North 1/2; and
A portion of the North 1/2 of the Southeast 1/4; and
A portion of the North 1/2 of the Southwest 1/4

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Sunny Hills Utility Company
pursuant to
Certificate Number 501-W

to provide water service in Washington 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>
18902	02/22/88	870984-WS	Grandfather Certificate
22307	12/12/89	881501-WS	Transfer of Majority Control
25575	01/07/92	910662-WS	Reorganization/Name Change
PSC-97-0427-FOF-WS	04/16/97	970028-WS	Name Change
PSC-05-1242-PAA-WS	12/20/05	040951-WS	Transfer of Certificate
*	*	130172-WS	Transfer

***Order Numbers and dates to be provided at time of issuance.**

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Sunny Hills Utility Company
pursuant to
Certificate Number 435-S

to provide wastewater service in Washington 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>
18902	02/22/88	870984-WS	Grandfather Certificate
22307	12/12/89	881501-WS	Transfer of Majority Control
25575	01/07/92	910662-WS	Reorganization/Name Change
PSC-97-0427-FOF-WS	04/16/97	970028-WS	Name Change
PSC-04-1242-PAA-WS	12/20/05	040951-WS	Transfer of Certificate
*	*	130172-WS	Transfer

***Order Numbers and dates to be provided at time of issuance**

**Sunny Hills Utility Company
 Water**

Residential, General, Multi-Family, and Irrigation Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$18.92
3/4"	\$28.38
1"	\$47.31
1 1/2"	\$94.61
2"	\$151.38
3"	\$302.77
4"	\$473.07
6"	\$946.15
8"	\$1,513.83
10"	\$2,176.13

Charge per 1,000 gallons – Residential and Irrigation Service

0 – 6,000 gallons	\$6.46
6,001 – 12,000 gallons	\$9.71
Over 12,000 gallons	\$12.93

Charge per 1,000 gallons – General and Multi-Family Service

\$7.25

Private Fire Protection Service

2"	\$12.62
3"	\$25.23
4"	\$39.43
6"	\$78.85
8"	\$126.16
10"	\$181.34

Initial Customer Deposits

Residential Service	\$89.06
General Service	2 times average estimated bill

Miscellaneous Service Charges

Schedule of Miscellaneous Service Charges

	<u>During Hours</u>	<u>After Hours</u>
Initial Connection Charge	\$22.00	\$33.00
Normal Reconnection Charge	\$22.00	\$33.00
Violation Reconnection Charge	\$35.00	\$55.00
Premises Visit Charge (in lieu of disconnection)	\$22.00	\$33.00
Late Payment Charge	\$5.00	\$5.00

Returned Check Charge

\$50.00 or less	\$25.00
\$50.01 to \$300.00	\$30.00
\$300.01 and above	\$40.00

Service Availability Charges

Administration and Engineering Fee

Development size

2-50 customers	\$366.00
51-250 customers	\$457.00
Over 250 customers	\$501.00

Main Extension Charge

Per ERC	\$446.00
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Meter Installation Charge

5/8" x 3/4"	\$210.00
All other meter sizes	Actual Cost

Meter With Built-In Backflow Preventer

All Meter Sizes	Actual Cost
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Plant Capacity Charge

Per ERC	\$700.00
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Service Installation Charge

3/4"	\$1,000.00
All other meter sizes	Actual Cost

Stand Alone Backflow Prevention Device

All Types	Actual Cost
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Allowance for Funds Prudently Invested (AFPI)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
January	3.03	39.55	78.46	119.95	164.21
February	6.05	42.77	81.89	123.62	168.13
March	9.08	46.00	85.33	127.29	172.04
April	12.11	49.22	88.77	130.96	175.95
May	15.13	52.45	92.21	134.62	179.87
June	18.16	55.67	95.65	138.29	183.78
July	21.19	58.89	99.09	141.96	187.69
August	24.22	62.12	102.53	145.63	191.60
September	27.24	65.34	105.97	149.30	195.52
October	30.27	68.57	109.41	152.96	199.43
November	33.30	71.79	112.84	156.63	203.34
December	36.32	75.02	116.28	160.30	207.26

*Remaining ERCs 508 (280 GPD/ERC) as of 2008

**Sunny Hills Utility Company
 Wastewater**

Residential Service

All Meter Sizes	\$34.47
Charge per 1,000 gallons* *6,000 gallon cap	\$8.88
Residential Wastewater Only – Flat Rate	\$61.50

General Service and Multi-Family

Base Facility Charge by Meter Size

5/8" x 3/4"	\$34.47
3/4"	\$51.71
1"	\$86.17
1 1/2"	\$172.35
2"	\$275.75
3"	\$551.52
4"	\$861.74
6"	\$1,723.47
8"	\$2,757.56
10"	\$3,964.00

Charge per 1,000 gallons	\$10.66
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Initial Customer Deposits

Residential Service	\$135.75
General Service	2 times average estimated bill

Miscellaneous Service Charges

Schedule of Miscellaneous Service Charges

	<u>During Hours</u>	<u>After Hours</u>
Initial Connection Fee	\$22.00	\$33.00
Normal Reconnection Fee	\$22.00	\$33.00
Violation Reconnection Fee	Actual Cost	Actual Cost
Premises Visit Fee (in lieu of disconnection)	\$22.00	\$33.00
Late payment	\$5.00	\$5.00

Returned Check Charge

\$50.00 or less	\$25.00
\$50.01 to \$300.00	\$30.00
\$300.01 and above	\$40.00

Service Availability Charges

Administration and Engineering Charge

Development size

2-50 customers	\$366.00
51-250 customers	\$457.00
Over 250 customers	\$501.00

Main Extension Charge

Per ERC	\$ 480.00
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Plant Capacity Charge

Per ERC	\$1,300.00
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Service Installation Charge

4"	\$2,000.00
All other meter sizes	Actual Cost

Allowance for Funds Prudently Invested (AFPI)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
January	11.50	150.55	302.40	468.01	648.41
February	23.00	163.11	316.10	482.94	664.65
March	34.50	175.67	329.80	497.86	680.89
April	46.00	188.23	343.50	512.78	697.13
May	57.50	200.79	357.20	527.71	713.37
June	69.00	213.35	370.89	542.63	729.61
July	80.50	225.91	384.59	557.55	745.85
August	91.99	238.46	398.29	572.48	762.09
September	103.49	251.02	411.99	587.40	778.33
October	114.99	263.58	425.69	602.32	794.57
November	126.49	276.14	439.39	617.25	810.81
December	137.99	288.70	453.09	632.17	827.05

*Remaining ERCs 508 (280 GPD/ERC) as of 2008

Sunny Hills Utility Company

Water System

Schedule of Net Book Value as of March 28, 2013

Description	Utility			Staff
	Proposed	Adjustment		Recommended
Utility Plant In Service	\$4,071,798	-		\$4,071,798
Land & Land Rights	10,779	-		10,779
Accumulated Depreciation	(1,621,469)	(9,504)	A	(1,630,973)
CIAC	(692,445)	-		(692,445)
Amortization of CIAC	<u>174,457</u>	<u>1,286</u>	B	<u>175,743</u>
Net Book Value	<u>\$1,943,120</u>	<u>(\$8,218)</u>		<u>\$1,934,902</u>

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of March 28, 2013
Water System**

Explanation	Amount
A. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>(\$9,504)</u>
B. Amortization of CIAC To reflect appropriate amount of amortization of CIAC.	<u>\$1,286</u>
Total Adjustments to Net Book Value as of March 28, 2013.	<u>(\$8,218)</u>

Sunny Hills Utility Company

Water System

Schedule of Staff Recommended Account Balances as of March 28, 2013

Account			Accumulated
No.	Description	UPIS	Depreciation
302	Franchise	5,112	\$3,244
304	Structure & Improvements	48,153	17,066
307	Wells & Springs	130,297	42,495
309	Supply Mains	7,232	4,852
310	Power Generation Equip.	183,502	111,856
311	Pumping Equip.	174,606	119,588
320	Water Treatment Equip.	13,503	2,870
330	Dist. Reservoirs	546,050	191,334
331	Transmission & Dist.	2,597,072	1,017,386
333	Services	86,121	47,173
334	Meters	157,231	2,259
335	Hydrants	51,987	6,029
340	Office Furniture & Equip.	14,859	13,593
341	Transportation Equip.	-	7,067
342	Stores Equip.	194	205
343	Tools, Shop, & Garage	2,959	3,145
344	Laboratory Equip.	3,187	3,187
345	Power Operating Equip.	663	718
346	Communication Equip.	11,548	12,703
347	Misc. Equip	7,851	7,903
348	Other Tangible Plant	<u>29,671</u>	<u>16,302</u>
	Total	<u>4,071,798</u>	<u>\$1,630,973</u>

Sunny Hills Utility Company

Wastewater System

Schedule of Net Book Value as of March 28, 2013

Description	Utility			Staff
	Proposed	Adjustment		Recommended
Utility Plant In Service	\$758,635	-		\$758,635
Land & Land Rights	4,483	-		4,483
Accumulated Depreciation	(621,796)	(2,396)	A	(624,192)
CIAC	(6,977)	-		(6,977)
Amortization of CIAC	<u>2,426</u>	<u>18</u>	B	<u>2,444</u>
Net Book Value	<u>\$136,771</u>	<u>(\$2,378)</u>		<u>\$134,393</u>

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of March 28, 2013
Wastewater System**

Explanation	Amount
A. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>\$(2,396)</u>
B. Amortization of CIAC To reflect appropriate amount of amortization of CIAC.	<u>\$18</u>
Total Adjustments to Net Book Value as of December 27, 2012.	<u>(\$2,378)</u>

Sunny Hills Utility Company
Wastewater System

Schedule of Staff Recommended Account Balances as of March 28, 2013

Account No.	Description	UPIS	Accumulated Depreciation
352.1	Franchise	\$3,990	\$2,570
354.4	Structures & Improvements	2,168	187
354.5	Structures & Improvements	13,602	8,277
355.4	Power Generation Equip.	45,616	45,616
360.2	Collection Sewers - Force	1,057	649
361.2	Collection - Gravity	280,152	239,546
363.2	Services	53,006	50,352
364.2	Flow Measuring Devices	6,357	5,339
370.3	Receiving Wells	14,429	8,985
371.3	Pumping Equip.	20,369	7,060
371.5	Pumping Equip.	34,161	36,182
380.4	Treatment & Disposal	96,616	90,236
380.5	Treatment & Disposal	42,300	44,650
381.4	Plant Sewers	6,495	4,500
390.7	Office Furniture & Equip.	6,441	6,870
391.7	Transportation Equip.	0	0
392.7	Stores Equip.	81	86
393.7	Tools, Shop, & Garage	1,624	1,624
394.7	Laboratory Equip.	1,333	1,333
395.7	Power Operated Equip.	277	300
396.7	Communication Equip.	4,832	5,315
397.7	Misc. Equip.	3,285	3,285
398.7	Other Tangible Equip.	<u>120,444</u>	<u>61,226</u>
	Total	<u>\$758,635</u>	<u>\$624,192</u>