

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: August 17, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Clapp, Redemann)
Office of the General Counsel (Jaeger)

RE: Docket No. 060139-WU – Application for certificate to operate water utility in Lake County by Colina Bay Water Company, LLC.
County: Lake

AGENDA: 08/29/06 – Regular Agenda – Proposed Agency Action Issues 2, 3, and 4 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Tew

CRITICAL DATES: 09/04/06 (Statutory deadline for original certificate pursuant to Section 367.031, Florida Statutes)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060139.RCM.DOC

Case Background

On February 15, 2006, Colina Bay Water Company, LLC (Colina or utility) filed its application for original water certificate in Lake County. The proposed area is located in the St. Johns River Water Management District. Water use restrictions have been imposed district wide to encourage conservation. The utility anticipates serving a total of approximately 73 equivalent residential connections (ERCs) when it reaches build out in approximately five years. Wastewater service is being provided by individual septic tanks.

The utility's initial application was found to be deficient. The utility corrected the deficiencies on June 6, 2006, making this the official filing date of the completed application. Pursuant to Section 367.031, Florida Statutes, the Commission shall grant or deny an application for a certificate of authorization within 90 days after the official filing date of the completed application. Therefore, this application must be ruled upon by September 4, 2006.

The utility will provide service to Colina Bay, LLC (developer), a related party. The planned development is along the north side of the Ronald Reagan Turnpike and across the Turnpike from the closest utility, the City of Clermont, which has declined to provide water service to the proposed development. The developer plans to construct 73 single family estate homes.

Colina was formed on December 1, 2005. Its application indicates that construction will begin in 2006. The developer and utility anticipate that the first residents will be moving into the service area in late 2006, with the system operating at 80% of design capacity in 2010.

The completed water system will consist of one 101 gallons per minute (gpm) well, a central treatment plant, and a 15,000 gallon hydro-pneumatic storage tank. Treatment will include sodium hypochlorite and possibly aeration for removal of sulfides.

This recommendation addresses the application for original water certificate and initial rates and charges. The Commission has jurisdiction pursuant to Sections 367.031 and 367.045, Florida Statutes.

Discussion of Issues

Issue 1: Should the Colina Bay Water Company, LLC application for a water certificate be granted?

Recommendation: Yes, Colina Bay Water Company, LLC should be granted Certificate No. 632-W to serve the territory described in Attachment A effective the date of the Commission's vote. The resultant order should serve as Colina's water certificate and it should be retained by the utility. The utility should file an executed and recorded copy of the warranty deed for the land for the water facilities within 30 days of the issuance date of the Order granting the certificate. (Clapp, Redemann, Jaeger)

Staff Analysis: As stated in the case background, Colina filed its completed application for an original water certificate to provide service in Lake County on June 6, 2006. The application is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for original certificate. In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections to the notice of application have been received and the time for filing such has expired.

The Colina has not provided evidence that the utility owns the land upon which the utility's facilities will be located. However, Rule 25-30.033(1)(j), Florida Administrative Code, allows an applicant who does not own the land to submit an unexecuted copy of the warranty deed, provided the utility files an executed and recorded copy of the deed within 30 days after the Order granting the certificate. Accordingly, the applicant has submitted an unexecuted copy of a warranty deed and has agreed to file an executed and recorded warranty deed with the Commission within 30 days of the Commission order granting a certificate to the utility.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.033(1)(l),(m) and (n), Florida Administrative Code. A description of the territory requested by the applicant is appended to this memorandum as Attachment A.

The applicant appears to have the financial and technical ability to provide water service to the proposed service area. Regarding financial ability, the application states that the developer will provide necessary startup funding as well as funds sufficient to cover operation shortfalls during the utility's initial years. Staff has reviewed the financial statements of the developer and it appears that there are adequate resources to support the utility during the initial years of operation.

Regarding the applicant's technical ability, the developer indicated that it will make the financial and operating commitment necessary for the utility to be successful in its endeavor to provide water service to the residents within the Colina service territory. Towards that end, the applicant will retain licensed professionals for management and operation of the utility systems.

According to the application, there is currently a need for water service within the proposed service territory. As discussed in the case background, the developer anticipates that

the construction of the water facilities will commence in 2006. The development will consist of 73 single family estate homes to be developed in 2006 through 2010. Further, the applicant believes there are no other utilities near the proposed service area which can provide the necessary water service, and construction of Colina is the only viable alternative.

The application states that the provision of service in the proposed service territory, as outlined in the application, is consistent with the water sections of the local comprehensive plan for Lake County, as approved by the Department of Community Affairs (DCA). A review of the application by the DCA revealed that the proposed development and the provision of central potable water service to the proposed territory are consistent with the Future Land Use Map of the Lake County plan.

Historically the Commission has issued a separate document that served as the utility's certificate of authorization. As a cost and time saving measure, staff recommends that the Commission order should serve as the utility's certificate of authorization. The type of information contained in Attachment B should be included in all future orders that concern a utility's certificate. Staff will begin rulemaking in the near future to revise references in Rule 25-30, Florida Administrative Code, to facilitate this change. No change to Chapter 367, Florida Statutes, is required.

Based on the above information, staff believes it is in the public interest to grant the application for original certificate. Accordingly, staff recommends that Colina Bay Water Company, LLC be granted Certificate No. 632-W to serve the territory described in Attachment A effective the date of the Commission's vote. The resultant order should serve as Colina's water certificate and it should be retained by the utility. The utility should file an executed and recorded copy of the warranty deed for the land for the water facilities within 30 days of the issuance date of the Order granting the certificate.

Issue 2: What are the appropriate initial water rates and return on investment for this utility?

Recommendation: The staff recommended water rates, miscellaneous service charges, and late payment charge, shown on Schedule No. 4, should be approved. Colina should charge the approved rates and charges until authorized to change them by this Commission in a subsequent proceeding. The rates should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, Florida Administrative Code. A return on equity of 11.78% with a range of plus or minus 100 basis points should be approved. (Clapp, Redemann)

Staff Analysis: The requested rates and charges in the application are based on the system operating at 80% of its designed capacity, which is consistent with Commission policy for setting initial rates and charges. According to the application, the development is expected to grow steadily and reach 80% build out in approximately four years.

Colina has estimated average usage per ERC of 500 gallons per day (GPD) for water. In setting initial rates and charges for a new utility, Commission practice has been to set rates so that the utility will have an opportunity to earn a fair return on its investment when approximately 80% of its projected customers are being served. In the early years of the development, there may not be a sufficient customer base to allow the utility to recover its operating and maintenance expenses and earn a fair return on its investment. However, as growth reaches 80% of the utility's projected design capacity, the initial rates should be compensatory.

Colina's proposed rates are based on its projected rate base, cost of capital, operating and maintenance expenses, and customer growth. In reviewing the utility's projections and the resulting proposed rates and charges, staff verified that the utility's methodologies are consistent with those normally used by the Commission in setting initial rates and charges. The following analysis describes the utility's projected rate base, return on investment, revenue requirement, and rates and charges for water service.

PROJECTED RATE BASE

The utility's projected rate base at 80% of total design capacity is \$301,365. Staff has reviewed the utility's projection and believes it to be reasonable. The utility's proposed rate base appears on Schedule No. 1. The rate base schedule is for informational purposes to establish initial rates and is not intended to formally establish rate base. This is consistent with Commission practice in original certificate applications.

Utility Plant in Service (UPIS) and Land

The utility's projected capital costs include \$702,593 for approximately 2.56 acres of land and \$579,347 for structures and improvements, wells, supply mains, power generation and pumping equipment, water treatment equipment, distribution reservoirs, transmission and distribution mains, service lines, and meters. The proposed water facilities are designed to serve total build out of 73 ERCs.

Staff has reviewed the utility's proposed UPIS and land costs. Although the cost of the land per acre is relatively high, based on the supporting documentation provided, the projections appear reasonable. The utility is aware that, because the commission will not be formally setting rate base in this docket, it will be required to justify the cost of the land in a subsequent proceeding. Therefore, staff recommends that the utility's projected UPIS and land costs of \$1,281,940 be included in the projected rate base.

Accumulated Depreciation

The utility's projected accumulated depreciation is \$83,411 at 80% design capacity. The projected accumulated depreciation balance was calculated using the guidelines for average service lives as set forth in Rule 25-30.140, Florida Administrative Code.

Contributions-in-aid-of-Construction (CIAC)

The utility's projected CIAC balance of \$945,715 is based on a proposed main extension charge of \$2,900 per ERC, a plant capacity charge of \$9,900 per ERC, and a meter installation charge of \$155 per ERC. As discussed in Issue 3, the utility's projected contribution level at design capacity is expected to be approximately 75.09%.

Staff has reviewed the utility's proposed charges and projected CIAC balances and they appear to be reasonable. Therefore, staff recommends CIAC of \$945,715 be included in the projected rate base.

Accumulated Amortization of CIAC

The utility projected accumulated amortization of CIAC of \$43,776 at 80% of design capacity. Staff has reviewed the utility's projection and believes it to be reasonable. Staff recommends accumulated amortization of CIAC of \$43,776 be included in the projected rate base.

Working Capital

A working capital allowance of \$4,775 is included in the projected rate base calculations based on one-eighth of operating and maintenance expenses. Staff recommends that this amount appears reasonable, and, therefore, a working capital allowance of \$4,775 should be included in rate base.

Summary of Projected Rate Base

Therefore, in summary, staff recommends that a projected rate base of \$301,365 be used to set initial rates and charges. The schedule of rate base is for informational purposes to establish initial rates and is not intended to formally establish rate base.

COST OF CAPITAL

The projected capital structure for Colina appears on Schedule No. 2. As required by Rule 25-30.033(1)(w), Florida Administrative Code, the application contained a schedule of the

projected capital structure for Colina including the methods of financing the construction and operation of the utility. The pro forma capital structure consists of 40% equity and 60% debt. Equity contributions will be made as required by Colina Bay, LLC to finance the operations of the utility in the initial years of development. The utility proposed an overall cost of capital of 9.32% based on a cost of equity of 11.78% and a cost of debt of 7.69%. Given that this is a new utility with no customers, the capital structure and cost of capital are hypothetical.

The 11.78% cost of equity is based on the leverage formula in effect at the time of the company's filing, which became final on July 13, 2005.¹ The 7.69% cost of debt is based on the current LIBOR (London Interbank Offered Rate) rate (4.84%) plus 2.85%.

Staff recommends an overall cost of capital of 9.32% for Colina based on a capital structure consisting of 40% equity and 60% debt, a cost of equity of 11.78%, and a cost of debt of 7.69%. Staff believes this is a reasonable overall cost of capital for calculating the revenue requirement for this original certificate case. Staff further recommends that the Commission set Colina's authorized return on equity at 11.78% with a range of plus or minus 100 basis points.

RETURN ON INVESTMENT

The utility's projected return on investment based on a cost of capital of 9.32% is \$28,087, which is shown on Schedule No. 3. Based on the utility's projected rate base and overall return on investment for Colina of 9.32%, staff recommends that a projected return on investment for Colina of \$28,087 be included in the calculation of the revenue requirement.

REVENUE REQUIREMENT

Colina's proposed revenue requirement is \$101,148. The utility's proposed revenue requirement and rates are based on its projected rate base, the cost of capital, operating and maintenance expenses, and customer growth. The following analysis describes the utility's proposed and staff recommended revenue requirements.

Operating and Maintenance Expenses

The utility's projected operating and maintenance expenses at 80% of design capacity are \$38,200. Included in these expenses are the operating costs such as chemicals, purchased power, insurance, and contractual services. Staff recommends that the projected amounts appear to be reasonable and, therefore, \$38,200 should be included in the revenue requirement for operating and maintenance expenses.

Depreciation and Amortization of CIAC

The utility projected depreciation expense at 80% of design capacity of \$23,828. Projected amortization of CIAC is \$14,727. Staff believes that the utility's projected

¹ Order No. PSC-05-0680-PAA-WS, issued June 20, 2005, in Docket No. 050006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081 (4) (f), F.S.

depreciation and amortization expenses appears to be reasonable. Therefore, staff recommends that the depreciation and amortization expenses of \$23,828 and \$14,727 are reasonable and should be included in the projected revenue requirement.

Taxes Other Than Income

The projected balance for taxes other than income for Colina of \$25,760 includes regulatory assessment fees (RAFs) of 4.5% of gross revenues, property taxes of 1.83059% of rate base, and other taxes and licenses. The utility's proposed property taxes, other taxes, and licenses appear reasonable. Therefore, staff recommends that taxes other than income of \$25,760 should be included in the projected revenue requirement.

Summary of Revenue Requirement

Therefore, in summary, based on staff's analysis of the utility's proposed operating and maintenance expenses, depreciation and amortization of CIAC, taxes other than income, and return on investment, staff recommends that a projected revenue requirement of \$101,148 should be used in setting initial rates for Colina.

RATES

The utility's proposed residential and general service rates are based on a revenue requirement of \$101,148. The requested water rates include a base facility charge (BFC) and gallonage charge. The Commission has historically considered the BFC and gallonage charge to be an effective conservation rate structure.

Colina proposed a BFC of \$31.36 and a single gallonage rate of \$7.49 per 1,000 gallons. As proposed by the utility, the BFC would generate approximately 21% of the total revenue requested. Staff considered several alternative rate structures including an increased BFC. However, staff found that increasing the BFC did not significantly affect the gallonage rate. Further, staff considered an inclining block rate structure but determined that because the utility is not yet constructed, there is no data to use as a basis for determining the appropriate usage blocks. In addition, the single gallonage rate requested by the utility, \$7.49 per 1000 gallons, should encourage conservation.

Based upon the above factors, staff recommends that the utility's requested rate structure for water service appears reasonable and should be approved. The utility's requested monthly water rates, along with a comparison of typical monthly bills, are shown on Schedule No. 4.

Miscellaneous Service Charges

The utility's proposed miscellaneous service charges are in compliance with Rule 25-30.460, Florida Administrative Code, which defines four categories of miscellaneous service charges. The utility has requested authorization to implement a \$5.00 late payment charge. The purpose of a late payment charge is not only to provide an incentive for customers to make timely payments, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing such delinquencies solely upon those who are the cost causers. In Order

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Nos. PSC-06-0170-PAA-WS and PSC-06-0331-PAA-WS, the Commission found that the majority of utilities that have Commission-approved late fees have those late fees set at \$5.00.²

Staff recommends that the proposed miscellaneous service charges, including the late payment fee, are consistent with Commission rules and should be approved.

SUMMARY

The staff recommended water rates, miscellaneous service charges, and late payment charge, shown on Schedule No. 4, should be approved. Colina should charge the approved rates and charges until authorized to change them by this Commission in a subsequent proceeding. The rates should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, Florida Administrative Code. A return on equity of 11.78% with a range of plus or minus 100 basis points should be approved.

² Order No. PSC-06-0170-PAA-WS, issued March 1, 2006, in Docket No. 050281-WS, In re: Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company. Order No. PSC-06-0331-PAA-WS, issued April 24, 2006, in Docket No. 050902-WS, In re: Application to transfer assets and Certificate Nos. 590-W and 508-S in Polk County from Lake Haven Utility Associates, Ltd., d/b/a Lake Wales Utility Company to Gold Coast Utility Corp.

Issue 3: What are the appropriate service availability charges for Colina Bay Water Company, LLC?

Recommendation: The service availability policy and charges set forth within the staff analysis are appropriate and should be approved effective for connections made on or after the stamped approval date on the tariff sheets. (Clapp, Redemann)

Staff Analysis: Rule 25-30.580(1)(a), Florida Administrative Code, provides a guideline that the maximum amount of contributions-in-aid-of-construction (CIAC), net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. Rule 25-30.580(1)(b), Florida Administrative Code, provides a guideline that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution systems.

The utility's requested service availability policy and charges are designed in accordance with the guidelines in Rule 25-30.580, Florida Administrative Code. Specifically, the utility is requesting approval of a water plant capacity charge of \$9,900, a main extension charge of \$2,900, and meter installation charges.

In light of the relatively high revenue requirement per ERC, staff considered the impact of increasing the utility's proposed service availability charges. The maximum contribution level guideline of 75% is designed to ensure that the utility maintains some level of investment in the system. In this instance, staff recognized that allowing a higher contribution level could achieve a better balance between the utility maintaining an investment in the system and the impact of that investment on rates. However, after analyzing the impact of a higher plant capacity charge, staff determined that the resulting reduction in rates would be too small to justify a reduction in the utility's investment. Therefore, staff recommends that the utility's requested plant capacity charge of \$9,900, main extension charge of \$2,900 and meter installation charges be approved. The utility's proposed and staff's recommended service availability charges are projected to result in a contribution level of 75.4% at design capacity as shown on Schedule No. 5.

In consideration of these factors, staff recommends that the utility's proposed service availability charges shown on Schedule No. 6 are reasonable and should be approved. Staff recommends that these charges be effective for connections made on or after the stamped approval date on the tariff sheets.

Issue 4: Should the utility's proposed Allowance for Funds Used During Construction (AFUDC) rate be approved?

Recommendation: Yes. The utility's proposed Allowance for Funds Used During Construction rate should be approved. An annual AFUDC rate of 9.32% should be approved with a discounted monthly rate of 0.7453404%. The approved rate should be applicable for eligible construction projects beginning on or after the effective date of the certificate of authorization. (Clapp)

Staff Analysis: Rule 25-30.033(4), Florida Administrative Code, provides that "utilities obtaining initial certificates pursuant to this rule are authorized to accrue allowance for funds used during construction (AFUDC) for projects found eligible pursuant to Rule 25-30.116(1), Florida Administrative Code." In its application, Colina proposed an annual AFUDC rate of 9.32%, discounted to a monthly rate of 0.7453404% for all future construction based on the cost of capital projected in its application.

Rule 25-30.033(4)(a), Florida Administrative Code, states that "the applicable AFUDC rate shall be determined as the utility's projected weighted cost of capital as demonstrated in its application for original certificates and initial rates and charges." Further, Rule 25-30.033(4)(b), Florida Administrative Code, states that "a discounted monthly AFUDC rate calculated in accordance with Rule 25-30.116(3), Florida Administrative Code, shall be used to insure that the annual AFUDC charged does not exceed authorized levels." Staff has reviewed the utility's calculation, and staff recommends that an AFUDC rate of 9.32%, discounted to a monthly rate of 0.7453404%, is appropriate and should be approved. Pursuant to Rule 25-30.033(4)(c), Florida Administrative Code, staff recommends that the utility's AFUDC rate be effective for eligible construction projects beginning on or after the effective date of the certificate of authorization.

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Issue 5: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action issues 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 upon receipt of the executed and recorded copy of the warranty deed. (Jaeger)

Staff Analysis: If no protest to the proposed agency action issues 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 upon receipt of the executed and recorded copy of the warranty deed.

COLINA BAY WATER COMPANY, LLC

DESCRIPTION OF TERRITORY SERVED

Water Service Area

Lake County

DESCRIPTION:

THAT PART OF SECTIONS 14 AND 23, TOWNSHIP 22 SOUTH, RANGE 26 EAST, LAKE COUNTY, FLORIDA, LYING NORTH OF COUNTY ROAD NO. 455 AND SOUTH OF THE CENTERLINE OF THE ABANDONED SEABOARD AIR LINE RAILROAD RIGHT-OF-WAY BEING DESCRIBED AS FOLLOWS:

COMMENCE AT THE EAST 1/4 CORNER OF SECTION 23, TOWNSHIP 22 SOUTH, RANGE 26 EAST; THENCE RUN N00°36'58"E, ALONG THE EAST BOUNDARY OF SAID SECTION 23, 793.00 FEET; THENCE RUN N89°23'02"W, 1012.00 FEET TO A LINE 1012.00 FEET WEST OF WHEN MEASURED PERPENDICULAR TO THE EAST LINE OF SAID SECTION 23; THENCE RUN N00°36'58"E ALONG SAID LINE, 41.36 FEET TO THE POINT OF BEGINNING; SAID POINT BEING AT THE SOUTHWEST CORNER OF TRACT "A", GOURD NECK SPRINGS, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 34, PAGES 51 AND 52 BEING A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE OF WINTER ROAD; THENCE CONTINUE N00°36'58"E ALONG SAID LINE 1012.00 FEET WEST OF WHEN MEASURED PERPENDICULAR TO THE EAST LINE OF SAID SECTION 23, ALSO BEING THE WEST LINE OF AFORESAID GOURD NECK SPRINGS, 1853.23 FEET TO THE NORTH LINE OF THE NORTHEAST 1/4 OF SAID SECTION 23, EXTENDED INTO THE WATERS OF LAKE APOPKA; THENCE N89°33'10"W ALONG SAID NORTH LINE OF THE NORTHEAST 1/4, 1640.42 FEET TO THE NORTH 1/4 CORNER OF SAID SECTION 23, SAID NORTH 1/4 CORNER ALSO BEING THE SOUTH 1/4 CORNER OF SAID SECTION 14, TOWNSHIP 22 SOUTH, RANGE 26 EAST, LAKE COUNTY, FLORIDA; THENCE RUN N00°31'20"E ALONG THE MID-SECTION LINE OF SAID SECTION 14, 33.72 FEET TO A POINT ON THE CENTERLINE OF THE ABANDONED SEABOARD AIR LINE RIGHT-OF-WAY; THENCE N75°58'03"W, ALONG SAID RIGHT-OF-WAY CENTERLINE, 135.74 FEET; THENCE RUN N76°01'03"W ALONG SAID RIGHT-OF-WAY CENTERLINE, 1265.03 FEET TO THE POINT OF CURVATURE OF A CURVE CONCAVE NORTHERLY AND HAVING A RADIUS OF 1160.92 FEET; THENCE WESTERLY ALONG THE ARC OF SAID CURVE AND SAID RIGHT-OF-WAY CENTERLINE THROUGH A CENTRAL ANGLE 18°36'33", AN ARC DISTANCE OF 377.06 FEET, A CHORD BEARING OF N66°42'46"W AND A CHORD DISTANCE OF 375.40 FEET, TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE OF COUNTY ROAD 455 PER SUNSHINE STATE PARKWAY RIGHT-OF-WAY MAP AND A POINT ON A NON-TANGENT CURVE, SAID CURVE CONCAVE

NORTHEASTERLY AND HAVING A RADIUS OF 1095.92 FEET; THENCE RUN SOUTHEASTERLY ALONG THE ARC OF SAID CURVE AND SAID NORTHERLY RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 15°20'50", AN ARC

DISTANCE OF 293.55 FEET, A CHORD BEARING OF S38°56'07"E AND A CHORD DISTANCE OF 292.68 FEET TO A POINT OF TANGENCY; THENCE RUN S46°36'32"E ALONG SAID NORTHERLY RIGHT-OF-WAY LINE, 1438.33 FEET TO A POINT OF CURVATURE OF A CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 1095.92 FEET; THENCE EASTERLY ALONG THE ARC OF SAID CURVE AND SAID NORTHERLY RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 19°57'28", AN ARC DISTANCE OF 381.74 FEET, A CHORD BEARING OF S56°35'16"E AND A CHORD DISTANCE OF 379.81 FEET TO A POINT ON A NON-TANGENT LINE; THENCE RUN S23°26'00"W, 25.00 FEET TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE OF COUNTY ROAD OLD HIGHWAY 50 PER COUNTY ROAD OLD 50 RIGHT-OF-WAY SURVEY AND MAINTENANCE RIGHT-OF-WAY MAP DATED JANUARY 26, 2001, LAKE COUNTY PUBLIC WORKS; THENCE RUN S66°14'54"E ALONG SAID NORTHERLY RIGHT-OF-WAY LINE, 165.22 FEET; THENCE RUN S66°39'32"E ALONG SAID NORTHERLY RIGHT-OF-WAY LINE, 1103.97 FEET TO THE POINT OF CURVATURE OF A CURVE CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 979.93 FEET; THENCE SOUTHEASTERLY ALONG THE ARC OF SAID CURVE AND SAID NORTHERLY RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 25°42'25", AN ARC DISTANCE OF 439.67 FEET, A CHORD BEARING OF S53°48'19"E AND A CHORD DISTANCE OF 435.99 FEET TO A POINT ON A NON-TANGENT LINE; THENCE RUN N49°26'40"E, 64.68 FEET; THENCE RUN N70°18'50"E, 50.00 FEET TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE OF WINTER ROAD PER FLORIDA TURNPIKE RIGHT-OF-WAY MAP SAID POINT ALSO BEING ON A NON-TANGENT CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 910.50 FEET; THENCE RUN SOUTHERLY ALONG THE ARC OF SAID CURVE AND SAID NORTHERLY RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 12°57'24", A CHORD BEARING OF S26°09'54"E AND A CHORD DISTANCE OF 205.46 FEET TO THE POINT OF COMPOUND CURVATURE OF A CURVE CONCAVE NORTHERLY HAVING A RADIUS OF 117.00 FEET; THENCE RUN EASTERLY ALONG THE ARC OF SAID CURVE AND SAID NORTHERLY RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 49°51'49", AN ARC DISTANCE OF 101.82 FEET, A CHORD BEARING OF S57°34'35"E AND A CHORD DISTANCE OF 98.64 FEET TO THE POINT OF BEGINNING.

CONTAINS 73.75 ACRES MORE OR LESS.

FLORIDA PUBLIC SERVICE COMMISSION

authorizes

Colina Bay Water Company, LLC
pursuant to
Certificate Number 632-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>
*	*	060139-WU	Original Certificate

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

Docket No. 060139-WU

Date: August 17, 2006

COLINA BAY WATER COMPANY, LLC.

Schedule of Water Rate Base

Schedule No. 1

At 80% of Design Capacity

DESCRIPTION	UTILITY PROPOSED
Utility Plant in Service	\$579,347
Land	\$702,593
Accumulated Depreciation	(83,411)
Contributions in Aid of Construction (CIAC)	(945,715)
Accumulated Amortization of CIAC	43,776
Working Capital Allowance	<u>4,775</u>
WATER RATE BASE	<u>\$301,365</u>

COLINA BAY WATER COMPANY, LLC.

Schedule of Cost of Capital

Schedule No. 2

At 80% of Design Capacity

DESCRIPTION	UTILITY PROPOSED	WEIGHT	COST RATE	WEIGHTED COST
Common Equity	\$120,546	40.0%	11.78%	4.71%
Long & Short-Term Debt	180,819	60.0%	7.69%	4.61%
Total	\$301,365	100.0%		9.32%

Range of Reasonableness	High	Low					
Common Equity	12.78%	10.78%					
Overall Rate of Return	9.72%	8.92%					

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COLINA BAY WATER COMPANY, LLC.	
Schedule of Water Operating Revenues	Schedule No. 3
At 80% of Design Capacity	

DESCRIPTION	UTILITY PROPOSED			
Operating Revenues	<u>\$101,148</u>			
Operating and Maintenance	38,200			
Net Depreciation Expense	9,101			
Taxes Other Than Income	25,760			
Income Taxes	<u>0</u>			
Total Operating Expense	<u>\$73,061</u>			
Net Operating Income(Loss)	<u>\$28,087</u>			
Water Rate Base	\$301,365			
Rate of Return	9.32%			

COLINA BAY WATER COMPANY, LLC.	DOCKET NO. 060139WU
Schedule of Monthly Rates and Charges	Schedule No. 4

Monthly Service Rates
Residential and General Service

Base Facility Charge Meter Size:		Utility Requested
5/8" x 3/4"		\$31.36
1"		\$78.40
Charge per 1,000 gallons:		\$7.49

Typical Residential Bills

5/8" x 3/4" meter		Utility Requested
5,000 gallons		\$68.81
10,000 gallons		\$106.26
20,000 gallons		\$181.16

Miscellaneous Service Charges

	Utility Requested	
Initial Connection	\$ 15.00	
Normal Reconnection	15.00	
Violation Reconnection:	15.00	
Premises Visit (in lieu of disconnection)	10.00	
Late Payment Fee	5.00	

COLINA BAY WATER COMPANY, LLC.	
Schedule of Net Plant to Net CIAC	Schedule No. 5
At 100% of Design Capacity	

	Utility Proposed
Utility Plant in Service	\$1,281,940
Accumulated Depreciation	(107,239)
Net Plant	<u>\$1,174,701</u>
CIAC	\$945,715
Accum. Amortization of CIAC	(60,142)
Net CIAC	<u>\$885,573</u>
Net CIAC/Net Plant	75.40%

COLINA BAY WATER COMPANY, LLC.	
Schedule of Service Availability Charges	Schedule No. 6

	Utility Proposed
Meter Installation Fee	
5/8" x 3/4"	\$ 155.00
Over 5/8" x 3/4"	Actual Cost
Plant Capacity Charge per ERC	\$9,900.00
Main Extension Charge per ERC	\$ 2,900.00

ERC = 500 gpd