

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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FPSC - COMMISSION CLERK

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In the Matter of:

DOCKET NO. 20170259-WU

PETITION FOR DECLARATORY
STATEMENT REGARDING THE
APPLICABILITY OF APPROVED
WATER SERVICE AVAILABILITY
CHARGES IN LAKE COUNTY, BY
HARBOR WATERWORKS, INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 4

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW G. FAY

DATE: Thursday, March 1, 2018

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DANA W. REEVES
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: Item No. 4.

3 MS. PAGE: Good morning, Commissioners.

4 Pamela Page with the Office General Counsel. In
5 Item No. 4, Staff recommends that the Commission
6 grant a petition for declaratory statement filed by
7 Harbor Waterworks, Inc. a water and wastewater
8 utility. Harbor Waterworks requests that the
9 Commission declare that prior orders of the
10 Commission establishing Harbor Waterworks, Inc.
11 service availability charges apply to the utility's
12 irrigation connections.

13 Based on the facts and circumstances presented
14 by Harbor Waterworks, Staff recommends the
15 Commission should grant the petition to the extent
16 that it addresses the very narrowly-framed question
17 posed in Staff analysis and declare that Commission
18 orders, which establish service availability
19 charges for Harbor Waterworks, applied to the
20 utility's irrigation connections.

21 Mr. Troy Rendell is here to address the
22 Commission on behalf of Harbor Waterworks and Mr.
23 Samuel Miller, who has brought a document for the
24 Commission's consideration and it has been provided
25 to the Commission. Mr. Samuel Miller is here on

1 behalf of Harbor Hills Development and Harbor Hills
2 Homeowner's Association. Staff is available for
3 questions.

4 CHAIRMAN GRAHAM: Thank you, Staff.

5 Mr. Miller.

6 MR. MILLER: Good morning -- my apologies.

7 Good morning, Commissioners. I'm Sam Miller from
8 Akerman, LLP on behalf of Harbor Hills Development
9 and Harbor Hills HOA.

10 In our view, the petition for declaratory
11 statement seeks to accomplish two things. First,
12 it seeks to place form over substance with respect
13 to the economic and engineering realities of our
14 situation. Second, it seeks enforcement of Harbor
15 Waterworks violation of a contract for the purchase
16 of the subject irrigation lines, which contract I
17 was actually provided last night and I have given
18 to the Commissioners, which contract explicitly
19 provides that there would not be any such charges.

20 So there are certain fundamental background
21 facts that we believe are important. This
22 declaratory statement request has to do with phase
23 six of the development of Harbor Hills, which is
24 located down in Lake County right off Lake Griffin.
25 All water to phase six is currently, whether it's

1 for homes or for irrigation, it's currently
2 provided by the same exact source, potable water
3 from underground wells.

4 Now, there are two sets of water lines running
5 through phase six, one that was originally intended
6 for potable water for the homes and a secondary
7 line that was intended for irrigation. The
8 intention was that those irrigation lines would
9 then be used once phase six hit 50 homes. That has
10 occurred -- or they've hit 50 homes. Now, I'll
11 talk about the irrigation lines in just a moment.
12 That water and irrigation line running through
13 phase six, those lines are currently
14 interconnected, thus, in effect, in reality, they
15 serve as one single line. So at this time all
16 water servicing potable water needs at the homes
17 and providing irrigation services for phase six are
18 coming from the same source, running through the
19 same exact lines.

20 Now, how did we get here? I use the phrase
21 originally intended several times, and I've done
22 that purposefully and carefully. In phases one
23 through five of Harbor Hills, there was one line
24 running through the development that serviced all
25 of the potable water needs for the homes and for a

1 the irrigation. It was intended that phase six
2 would be different, that there would be a different
3 source of irrigation -- or different line to
4 provide a different source for the irrigation.
5 Specifically, while the current potable water being
6 provided to phase six comes from a pair of
7 underground wells, there is a requirement, an
8 intention and a requirement, that the water for
9 irrigation would come from a surface well out of
10 Lake Griffin. That has not occurred. In fact, St.
11 Johns River Water Management District, in its
12 permit to Harbor Waterworks, and that's permit
13 279-9, explicitly requires that surface well
14 running to Lake Griffin to provide for irrigation.

15 For reasons unknown to us, Harbor Waterworks
16 has not done that. The only reason that those
17 secondary lines for irrigation were put into phase
18 six was to honor the conditions explicitly required
19 by St. Johns to provide irrigation water from Lake
20 Griffin.

21 And the only reason, however, that those
22 secondary lines are not being used in the manner
23 required by St. Johns is because Harbor Waterworks
24 has not implemented those conditions. Now, those
25 secondary lines were sold to Harbor Waterworks

1 because, in part, the original utility was not in a
2 position to satisfy those St. Johns conditions in
3 the permit. Now, significantly the contract for
4 the sale of those lines explicitly addressed the
5 charges that are being sought to have a declaratory
6 statement issued with respect to.

7 And if I can, I'll read from paragraph three,
8 and this is paragraph three of the contract that
9 was provided. And I'm reading explicitly from the
10 second sentence. That reads: No charge, other
11 than the meter fee, shall be imposed by HWI, that's
12 Harbor Waterworks, Inc., on connections to the
13 irrigation system until authorized by the PSC and
14 HWI's upcoming filing to establish a conservation
15 rate structure.

16 Again, my apologies to both the Commission and
17 Staff that I'm just now provided this contract.
18 Now, I do ask, however, that this contact be put
19 into the record and I read the pertinent language
20 that I'm relying upon.

21 The filing for the conservation rate structure
22 identified here in this contract has never been
23 made by Harbor Waterworks to the PSC. Not only, by
24 the way, is that rate structure contemplated in its
25 contract, but it was contemplated and extensively

1 discussed by this Commission's order, and that's
2 Order 12-587, when the Commission approved the sale
3 of this utility.

4 Now, our position here today is twofold.
5 First, we do not believe that the Commission here
6 should endorse such a contractual breach by issuing
7 a declaratory statement that explicitly allows
8 Harbor Waterworks to violate the plain language of
9 its contract.

10 And, by the way, the charges that are in place
11 come from a 1990 tariff. This contract is dated 22
12 years later, November 2012. The parties were well
13 aware of the existence of the charges and the
14 impact that this contract would have on the
15 charges. This is not a situation where you have a
16 preexisting contract and the PSC has issued new
17 charges. These are charges that were 22 years old
18 at the time of this contract.

19 Beyond the clear contractual language that
20 there would not be any connection charges, however,
21 the economic and engineering realities of the
22 situation dictate that the Commission should view
23 this as a single source of water and a single
24 connection involving a single set of charges.
25 There should not be separate charges for water and

1 irrigation because it's all coming from the same
2 source. And, frankly, we believe it would also be
3 inequitable to do so.

4 But for to the St. Johns conditions in its
5 permit, No. 279-9, requiring that the irrigation
6 water come from a different source, namely Lake
7 Griffin, those secondary lines would never have
8 been put in place. Additionally, but for Harbor
9 Waterworks failing to install and put in place
10 operationally those pumps, the surface pumps
11 running from Lake Griffin to provide the irrigation
12 water, we wouldn't be having the same potable water
13 running through those interconnected pipes.

14 So the bottom line with respect to that is we
15 have a single source of water, those underground
16 pumps, running through what, in essence, is a
17 single set of lines because they're interconnected.
18 They might as well be the same. That is not a
19 situation where there should be a separate
20 connection fee seeking to recover money needed
21 for -- basically to provide for the source.

22 To highlight, however, why we believe this is
23 a situation of form over function, one thing that
24 the developer could simply do is take the
25 irrigation lines that are in place and run them

1 straight over to the original connection and the
2 original meter. And this just highlights the
3 economic and engineering realities. The water is
4 still coming from the same source. The same amount
5 of water is still being used and it's all at the
6 same rate.

7 Given those situations, we do not believe it
8 is appropriate that this declaratory statement
9 request be granted, and we believe that's
10 particularly important not to grant it when we have
11 the existence of this language from paragraph three
12 of the contract, the conditions issued by St. Johns
13 River Water Management District that haven't been
14 honored, and not really discussed in the petition,
15 and we also have a situation where this
16 Commission's own order from 2012 contemplating this
17 new conservation rate structure, that filing hasn't
18 been made.

19 As a result, we request that you deny the
20 request for declaratory statement.

21 CHAIRMAN GRAHAM: Thank you, Mr. Miller.
22 Staff, do you want to reply before Mr. Rendell or
23 after?

24 MS. PAGE: We will wait until after Mr.
25 Rendell. Thank you.

1 CHAIRMAN GRAHAM: Mr. Rendell.

2 MR. RENDELL: Good morning, Commissioners.

3 This basically is a dispute between the developer
4 and the utility. It does not involve the HOA. The
5 one point of clarification, this utility was
6 purchased from the developer who used to own the
7 utility. The developer that owned the utility
8 installed this irrigation line that's the subject
9 of this 2012 contract. There -- this has been
10 going on for approximately two years now. We met
11 extensively numerous times with the developer and
12 explained about the surface water provisions that
13 the Water Management District is not enforcing them
14 because it's cost prohibitive. It would be more
15 costly to the developer, as well as to the
16 customers.

17 Originally in the Water Management District,
18 the use permit, there was a provision that the
19 utility come before the Commission for a
20 conservation rate. That has since been removed
21 from the permit. We did remove that after we
22 purchased it. This utility, historically, has been
23 over-earning and primarily due to the excessive
24 usage of water. We've had numerous HOA meetings.
25 We've had the Water Management District go do a

1 presentation at the HOA meeting basically saying,
2 you need to conserve. They use -- some use over
3 100,000 gallons a month. That's a month. So it's
4 excessive, which has caused and placed a huge
5 demand on the system.

6 Prior to us, the utility, through another
7 attorney, used this contract basically to force us
8 to purchase the lines. Prior to that we met with
9 them numerous times and offered different
10 alternatives. We looked at forming a separate
11 company, an irrigation non-regulated company. We
12 met with the developer. They're going to donate
13 land for that. That has since fell through. So we
14 were basically forced to purchase the lines.

15 Prior to that, I let the utility and their
16 other attorney know that the contract dispute has
17 already -- this type has already been addressed by
18 the Commission in the First District Court of
19 Appeal. I gave them the cite. I believe it's Cody
20 vs. Lindor (sic). I don't know the exact cite, but
21 basically in that one there was a contract between
22 utility and customer saying they don't -- they will
23 not charge for water services. The Commission said
24 they have exclusive jurisdiction over rates and
25 charges in the 367. That was appealed to the first

1 District Court of Appeal who upheld that decision
2 and did say that the Commission has exclusive
3 jurisdiction. That type of contract is null, void
4 and unenforceable, that you cannot contract that
5 obligation away. So that's -- I informed the
6 utility and their attorney, about a year ago, of
7 that.

8 So after the purchase of the lines, we -- what
9 we believe is we are applying the Commission's
10 order and the approved tariffs appropriately. So
11 we're here before you asking for direction that we
12 basically told the utility -- the developer, we'll
13 live with the Commission's decision; we believe
14 we're interpreting it right under Florida statute;
15 you do not. And so that's where we are here today
16 and we fully support Staff's recommendation.

17 CHAIRMAN GRAHAM: Staff.

18 MS. PAGE: Thank you, Chairman Graham. Staff
19 is recommending that the Commission grant this
20 declaratory statement in a very narrow manner. We
21 are only asking, based on the facts and the
22 circumstances that were presented to us in the
23 petition -- Mr. Miller presents new facts that were
24 not before us when the recommendation was prepared.
25 To the extent that these are alternative facts, we

1 recommend that they not be taken into a great deal
2 of consideration.

3 We are asking -- answering the question, which
4 the petitioner posed, which is do these service
5 availability charges apply to the irrigation
6 connections. The reference to the two orders is
7 simply because those two orders were the orders by
8 which the Commission established the service
9 availability charges. All of the petitioner is
10 asking is whether or not those availability charges
11 apply here.

12 Also, the document that was presented by Mr.
13 Miller this morning is a contract. There is
14 nothing that would say that the Commission is
15 precluded or that contract supersedes the
16 Commission's ability to issue a declaratory
17 statement on this matter. I think that's
18 established in case law. Thank you.

19 CHAIRMAN GRAHAM: Commissioners. Commissioner
20 Polmann.

21 COMMISSIONER POLMANN: Thank you, Mr.
22 Chairman. Ms. Page, I appreciate your comments
23 about the contract. Just a point of clarification
24 here. There was reference by Mr. Miller made to
25 St. Johns River Water Management District permit.

1 Does that have any relevance to the matter before
2 us?

3 MS. PAGE: Only in the sense that when the
4 petition was filed, petitioner referenced the fact
5 that they have received a notice of non-compliance
6 from Saint John's Water District Management because
7 of the fact that -- I'm leading into this
8 somewhat -- that they are using more water than
9 that permit allowed them to use as a utility in
10 that district.

11 COMMISSIONER POLMANN: The matter in the
12 petition regarding this, as you described it, a
13 very-narrow question. Even though there is
14 reference to that Water Management District permit,
15 is that covered in your analysis and is there any
16 new information, although I understand we can
17 only -- we're only taking into account what was in
18 the petition. It has relevance, but you've covered
19 that -- or there's reference to it. I'm just
20 trying to understand if there's anything that we
21 need -- can clarify here at this point.

22 MS. PAGE: I don't think so, Commissioner.
23 The recommendation did not really address what has
24 been referred to here as excessive water usage.
25 That was in the facts, but our recommendation is

1 based on clear facts that are presented, which is
2 that, you know, there are these orders that the
3 Commission issued in 1990 and now there is an
4 irrigation connection and that prior to charging
5 the customers -- or actually, you know, receiving
6 payment for those charges -- the petitioner is
7 requesting that the Commission issue a declaratory
8 statement saying that those prior Commission orders
9 apply here.

10 COMMISSIONER POLMANN: So if I understand it
11 in a follow-up, there is an availability charge for
12 a connection, essentially for potable water to
13 serve a residence, and this is an additional
14 connection for -- it happens to be for irrigation
15 use, but for practical purposes it's the same type
16 of connection functionally. Water is coming from
17 the utility to the residence. It's an additional
18 connection so it's service availability charge --
19 there's two connections, but it's the same thing.

20 MS. PAGE: That's correct.

21 MS. CIBULA: Under the order, our
22 interpretation, it doesn't matter whether it's
23 irrigation or water service because it's all
24 potable water so that the service availability
25 charges would apply to whichever type of

1 connection, and that's the narrow question that
2 we're answering in this recommendation.

3 COMMISSIONER POLMANN: So the customer would
4 have two connections rather than a single
5 connection, but it's from the utility and it's the
6 same water.

7 MS. CIBULA: Correct.

8 COMMISSIONER POLMANN: Thank you.

9 CHAIRMAN GRAHAM: Other Commissioners?
10 Commission Brown.

11 COMMISSIONER BROWN: Thank you. Just one
12 question, Ms. Page. A follow-up to new irrigation
13 line agreement. Taking that language in paragraph
14 three particularly into consideration, do you think
15 that would change if you had this information prior
16 to the Staff recommendation that that would have
17 changed your ultimate recommendation to us?

18 MS. CIBULA: Can I try to field it? I don't
19 think it would change our recommendation because
20 we're answering that very narrow question just
21 about the connections and whether the service
22 availability charges apply to those connections.
23 And Staff believes that we're just answering that
24 question and that there's still -- if the
25 developer, the association, wants to challenge

1 what, you know, the invoiced amount or whether or
2 not they might have some sort of alternative -- I
3 mean some sort of defense against paying them, they
4 could still raise those types of --

5 COMMISSIONER BROWN: No, that was great.

6 Thank you. That made it abundantly clear. Okay.
7 And this utility -- Mr. Rendell, you don't have a
8 conservation rate structure in place?

9 MR. RENDELL: Unfortunately, no.

10 COMMISSIONER BROWN: You need it.

11 MR. RENDELL: Well, we would love to have one.
12 Unfortunately, it's over-earning and it's very
13 difficult to have conservation rates when utilities
14 are over-earning. We met with Staff and OPC last
15 year and we addressed the over-earning situation
16 through -- we brought a settlement to the
17 Commission. We would love more than anything to
18 have a conservation rate, but unfortunately it's
19 next to impossible to do with an over-earning
20 utility.

21 COMMISSIONER BROWN: Obviously that's a
22 totally separate issue from what's here today, but
23 I just had to say that I was a little astounded by
24 the amount that some of these customers are using.
25 And, I mean, this is potable water. So there's no

1 reclaim water anywhere?

2 MR. RENDELL: No. We have one small
3 wastewater plant, very few customers and it's just
4 there -- it's not large enough to provide for the
5 flow.

6 Getting back to the agreement, I did reference
7 it in paragraphs 15, 16 and 17 in my petition, and
8 we did honor that up until the point we had to
9 purchase the lines because we thought at the time
10 that those lines would be owned by a non-regulated
11 and didn't want the regulated company to collect
12 for that, but once we were forced to buy them we
13 had to follow the tariffs and, you know, it's based
14 on the demand on the plant.

15 COMMISSIONER BROWN: So is the Water
16 Management District requiring the utility to
17 establish an additional well because of the over --

18 MR. RENDELL: We are looking at buying a well.
19 Basically, we're almost to the point we can't
20 connect any new homes. If one of our wells went
21 down, we cannot meet demands. So we're looking for
22 land to buy an additional piece of land and install
23 another well as a back-up well to meet the existing
24 demand, not even to address the future demand.
25 We're having difficulties meeting the existing

1 demand.

2 COMMISSIONER BROWN: So there's no mechanism
3 right now in place -- this may be a Patti
4 question -- for repression here because they
5 haven't come in for rate relief and since --

6 MS. DANIEL: That's correct, Commissioner.
7 Until the utility files a rate case or requests for
8 what we call a revenue-neutral rate restructuring,
9 we wouldn't have an opportunity to look at
10 inclining block rates or repression or anything.

11 COMMISSIONER BROWN: Thank you, Mr. Chairman,
12 for the indulgence here. I just have to say, I
13 mean, this is one of the highest usages I have seen
14 since I've been here, so I would love to enforce it
15 to you all to conserve, cut back, and I know
16 there's only so much that you can do here, but I
17 would love to express that message to the
18 residents.

19 MR. RENDELL: We've actually took an
20 additional step. We entered into a contract with
21 U.S. Water who's hired a conservationist. We're
22 actually going out and doing performing irrigation
23 audits at the customer's home, which utilities
24 normally don't do. We're working closely with the
25 Water Management District, and they realize it's a

1 difficult situation, as well. So we're -- the
2 utility's taken every step it can do.
3 Unfortunately, we can't just turn people off. We
4 don't have that right.

5 COMMISSIONER BROWN: Thank you.

6 CHAIRMAN GRAHAM: Staff, if you're in an
7 over-earning situation, isn't the burden upon us to
8 bring them back in?

9 MS. DANIEL: Commissioner, that was addressed
10 in a recent proceeding where the utility and Office
11 of Public Counsel worked out a settlement
12 agreement. I don't believe Harbor Waterworks'
13 rates changed as result of that. I don't remember
14 the details. I'm sure the utility could offer you
15 the details, but they left the rates in place and
16 did not make them reduce rates as a result of the
17 over-earnings.

18 CHAIRMAN GRAHAM: And so the volume is not --
19 it's not our deal, it's Water Management's burden?

20 MS. DANIEL: It's a difficult situation. When
21 you have a utility over-earning and customers just
22 using water to this degree, it's -- we don't have a
23 mechanism in place right now that would help us
24 help the utility with that situation.

25 CHAIRMAN GRAHAM: As long as I've been here, I

1 don't think I've ever heard a utility say,
2 unfortunately, we're over-earning. That is
3 definitely a first for the books.

4 MR. RENDELL: Correct. It's a very difficult
5 position to be in because with the Water Management
6 District issuing an exceedance we -- you know, we
7 have very, very low rates. We can't raise the
8 rates. They would love for us to raise rates so
9 we're kind of in a catch-22 here.

10 CHAIRMAN GRAHAM: Commissioners. I don't have
11 any lights on, so do I have a motion?

12 COMMISSIONER BROWN: Mr. Chairman, I would
13 move to approve the Staff recommendation on all
14 issues.

15 COMMISSIONER POLMANN: Second.

16 CHAIRMAN GRAHAM: It's been moved and
17 seconded, moved Staff recommendations on all issues
18 on Item No. 4. Any further discussion?

19 Seeing non, all in favor say aye.

20 (Chorus of ayes.)

21 CHAIRMAN GRAHAM: Any opposed?

22 (No comments made.)

23 CHAIRMAN GRAHAM: By action you've approved
24 that motion.

25 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DANA W. REEVES, Professional Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 12th day of March, 2018.



DANA W. REEVES
NOTARY PUBLIC
COMMISSION #FF968527
EXPIRES MARCH 22, 2020

Handwritten initials: *HH*

IRRIGATION LINE AGREEMENT

THIS IRRIGATION LINE AGREEMENT is made and entered into as of the ___ day of November, 2012, by and between HARBOR HILLS UTILITIES, L.P., a Delaware limited partnership d/b/a HARBOR HILLS UTILITY, LTD., a Florida limited partnership ("HHU"), and HARBOR WATERWORKS, INC., a Florida corporation ("HWI")

Recitals

A. HHU sold certain real and personal property to HWI pursuant to the Asset Purchase Agreement dated February, 2012 ("Agreement"). The Agreement provided for the manner in which HWI is to compensate HHU for the cost of the irrigation system installed in Phases 6 & 7 of Harbor Hills ("Irrigation System").

B. The approval by the Florida Public Service Commission ("PSC") of the transfer of the water system in Order No. PSC-12-0587-PPA-WU did not address the value of the Irrigation System, instead it deferred making that determination until HWI files its application with the PSC to comply with the Consumptive Use Permit requirement to establish a conservation rate structure. HWI does not expect to file that application until late 2013.

NOW THEREFORE, for and in consideration of the mutual covenants set forth herein, the parties agree as follows:

1. The foregoing recitations are true and correct and incorporated herein.
2. The cost of the Irrigation System when it was installed in March 2008 was \$181,790.90, and pursuant to PSC Rules, it is depreciated over 38 years. HHU shall convey the Irrigation System to HWI for an amount equal to the depreciated original cost as

Parties/Staff Handout
Internal Affairs/Agenda
on 3 / 1 / 18
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established by the PSC in the proceeding which HWI will file to establish a conservation rate structure.

3. Until the transfer of the Irrigation System, HHU may continue to depreciate the Irrigation System on its federal tax returns, but HWI shall be responsible for any maintenance of the Irrigation System at its own expense. No charge, other than the meter fee, shall be imposed by HWI on connections to the Irrigation System until authorized by the PSC in HWI's upcoming filing to establish a conservation rate structure.

4. If the PSC deems that no used and useful adjustment shall be made to the value of the Irrigation System, then HWI shall pay HHU the amount established by the PSC within thirty (30) days from such Order becoming final.

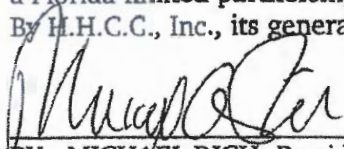
5. If the PSC applies a used and useful adjustment to the value of the Irrigation System, then HWI shall request the PSC establish an AFPI charge in which case HWI shall pay HHU the AFPI charge within forty-five (45) days of a connection to the Irrigation System.

6. In its Application to establish a conservation rate structure, HWI shall use its best efforts to include the irrigation system for Phases 6 & 7 of Harbor Hills in rate base as 100% used and useful.

7. Should the PSC not do either option in paragraphs 5 or 6 hereof, or no later than June 1, 2014, whichever shall occur sooner, HWI or its assigns shall purchase the irrigation system at the depreciated original cost.

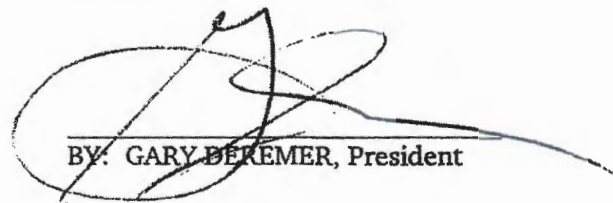
Dated this 26th day of November, 2012.

HARBOR HILLS UTILITY, L.P.,
a Delaware limited partnership, d/b/a
HARBOR HILLS UTILITIES, LTD.,
a Florida limited partnership,
By H.H.C.C., Inc., its general partner



BY: MICHAEL RICH, President

HARBOR WATERWORKS, INC.,
a Florida corporation



BY: GARY BEREMER, President