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September 8, 2000

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VIA HAND DELIVERY

Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: In Re: Application for Limited Proceeding to Recover Costs of Water System Improvements In Marion County By Sunshine Utilities of Central Florida, Inc., Docket No. 992015-WU

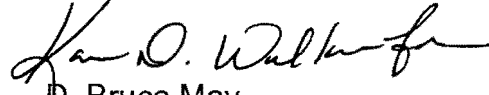
Dear Ms. Bayo:

Enclosed for filing on behalf of Sunshine Utilities of Central Florida, Inc. ("Sunshine") are the original and sixteen (16) copies of Sunshine's Amended Application for Limited Proceeding to Recover Costs of Water System Improvements In Marion County.

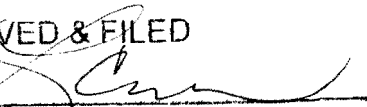
For our records, please acknowledge your receipt of this filing on the enclosed copy of this letter. Thank you for your consideration.

Sincerely,

HOLLAND & KNIGHT LLP


D. Bruce May

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Limited)	
Proceeding to Recover Costs of Water)	Docket No. 992015-WU
System Improvements In Marion County)	
By Sunshine Utilities of Central Florida,)	
Inc.)	Filed: September 8, 2000

AMENDED APPLICATION FOR LIMITED PROCEEDING TO RECOVER COSTS OF WATER SYSTEM IMPROVEMENTS IN MARION COUNTY BY SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.

Sunshine Utilities of Central Florida, Inc. ("Sunshine"), pursuant to Section 367.0822, Florida Statutes, files this Amended Application with the Florida Public Service Commission ("Commission") for a limited proceeding to allow Sunshine to increase its water rates to allow full recovery of the capital costs and expenses associated with necessary improvements to Sunshine's water system ("Amended Application"). The system improvements are needed to eliminate contamination in the water supply, improve overall water quality, provide adequate flow to meet peak demand and Marion County fire-flow requirements, and promote water conservation.

This filing amends Sunshine's application for limited proceeding previously filed on December 21, 1999¹, and presents for Commission consideration two alternative water system improvement projects. The two alternatives were developed following discussions with Commission staff and staff of the Florida Department of Environmental Protection ("DEP"). Sunshine intends to fund the

¹ As part of its original application, Sunshine submitted a check in the amount of \$1,750 for the filing fee required pursuant to Rule 25-30.020(g)5., Florida Administrative Code.

DOCUMENT NUMBER-DATE

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water system improvements with grants and low interest loans from the DEP Drinking Water State Revolving Fund. In order to be eligible for this funding, DEP must approve Sunshine's grant and loan application by February 15, 2001. The application must demonstrate that Sunshine has the financial capacity to repay the loan. Therefore, Sunshine respectfully requests that the Commission approve the Amended Application using its proposed agency action procedures in order to allow for a final Commission decision before the DEP funding deadline.

Introduction

1. The name and address of the Applicant are:

Sunshine Utilities of Central Florida, Inc.
10230 S.E. Highway 25
Bellevue, Florida 34420-5531

2. All pleadings, notices, correspondence and other documents in his proceeding should be directed to:

D. Bruce May
Karen D. Walker
HOLLAND & KNIGHT LLP
P.O. Drawer 810
Tallahassee, Florida 32302

and

Pamela Christmas
General Manager
Sunshine Utilities of Central Florida, Inc.
10230 S.E. Highway 25
Bellevue, Florida 34420-5531

Background

3. Sunshine is a Florida corporation that was established in 1989 to provide water service to residential and commercial customers in Marion County, Florida. Sunshine is a Class B utility that provides water service to approximately 2,758 water customers in Marion County, Florida pursuant to Certificate No. 363W. Wastewater is provided to Sunshine's customers by septic tanks.²

4. There are currently five separate water supply and treatment systems serving the Belleview-Lake Weir-Ocklawaha portion of Sunshine's service area: Lake Weir, Lakeview Hills, Ocklawaha, Belleview Oaks and Hilltop. DEP has identified private wells in the Lake Weir area that are contaminated with Ethylene Dibromide ("EDB"). DEP has also identified Sunshine's Lake View Hills wells as contaminated with 1,1 – Dichloroethene. The contamination has not been attributed to any action or inaction by Sunshine. The source of the contamination of the Lake Weir private wells is believed to be fertilizer used in orange groves. The source of the contamination of the Lake View Hills well is believed to be a closed landfill maintained by Marion County. In addition, two of Sunshine's wells in the Ocklawaha area have high sulfur content that presents odor problems and otherwise diminishes the quality of water service provided to customers. In order to address the problems associated with the high sulfur content, Sunshine is required

² The last Commission order previously considering Sunshine's rates is Order No. PSC-94-0738-WU. That order modified Order No. 25722 to comply with the mandate of the Florida First District Court of Appeal and to provide for recovery of additional rate case expense incurred by Sunshine during the appeal of Order No. 25722.

to chlorinate its wells which, in turn, accelerates corrosion of its water pipes in the area.

5. After careful consideration, Sunshine concluded that consolidation of its separate water systems in Marion County is required to eliminate contamination of water supply, improve system water quality, meet peak demands, and provide for fire-flow to meet Marion County requirements. In addition, because the separate systems are in close proximity to each other, the systems would be less costly to operate and maintain if consolidated.

6. On April 17, 2000 Sunshine met with Commission staff to discuss its water system improvement proposals. Sunshine also met with DEP staff to discuss available funding for the proposals. As a result of those meetings, and additional analyses by Sunshine, Sunshine now proposes, in the alternative, two distinct improvement projects to eliminate water supply contamination and to improve water service and conservation. Under Improvement Alternative No. 1, Sunshine proposes to consolidate five separate water supply and treatment systems serving the Belleview-Lake Weir-Ocklawaha portion of Sunshine's service area and to construct an associated central water system. Under Improvement Alternative No. 2, Sunshine proposes a project of more limited scope that would address the acute contamination problems in the Lake Weir and Lakeview Hills areas as well as the sulfur concerns in the Ocklawaha area. Both alternatives are described below.

The Improvement Alternatives

Improvement Alternative No. 1

7. Under Improvement Alternative No. 1, Sunshine proposes to consolidate five of its water supply and treatment systems in Marion County, namely: Lake Weir, Lakeview Hills, Ocklawaha, Belleview Oaks, and Hilltop. Sunshine has designed and is in the process of obtaining permits to consolidate these five systems through a network of transmission mains that will form a single system. The existing on-site distribution systems in the relevant areas will continue to be utilized. A central water system will also be constructed, which will consist of two new wells, treatment facilities, a 500,000 gallon elevated storage tank, and approximately 9 miles of 6 to 10 inch diameter water mains.³ A blueprint of Improvement Alternative No. 1 is attached as Exhibit "1".

Requested Rate Increase Associated With Improvement Alternative No. 1

8. The total project cost of Improvement Alternative No. 1 is estimated to be \$1,948,873, exclusive of Allowance-For-Funds-Used-During-Construction ("AFUDC") and loan repayment reserve. See Exhibit "2" prepared by H.W. Barrineau and Associates, Inc., Sunshine's engineers.⁴ Sunshine plans to receive a direct grant of approximately \$559,269 from DEP to fund the proposed system

³ Once constructed, the central water system will eliminate the need for the existing wells in the Ocklawaha, Lakeview Hills, Hilltop, Lake Weir, and Belleview Oaks areas. Because Sunshine's wells in these areas will no longer have beneficial use, State policy requires that such wells be abandoned.

⁴ The cost projections in Exhibit "2" do not reflect approximately \$58,500 incurred for preparation of the Facilities Plan associated with the DEP grant and low interest loan program.

improvements in the contaminated areas. This grant has been classified by Sunshine as Contributions In Aid of Construction ("CIAC") in the exhibits attached to this Application. The balance of the estimated total project cost will be funded through a subsidized Drinking Water State Revolving Fund loan in the principal amount of \$1,331,105. This loan will have an effective interest rate of 3.05 percent for the 20-year life of the loan. The terms of the grant and low interest loans for Improvement Alternative No. 1, as projected by DEP, are set forth in Exhibit "3".

9. The grant and loan that Sunshine will seek to fund the proposed system improvements are contingent upon Commission approval of the rate increase requested by Sunshine in this Application. The increase is necessary for Sunshine to service to revolving loan debt. A pre-construction grant of \$153,000 and a pre-construction loan of \$32,500 have already been awarded to Sunshine by DEP.

10. Through this limited proceeding, Sunshine is requesting to increase its Residential and General Service Base Facility Charges and Gallonage Charges by 22.19 percent to fully recover the net project costs associated with the proposed system improvements, with the increased rates to take effect upon completion of the project.

11. As described above, the proposed system improvements are in the public interest. The proposed system improvements will eliminate contamination of the Belleview-Lake Weir-Ocklawaha portion of Sunshine's service area. The proposed system improvements will also improve the level of service that Sunshine can provide to its water customers, ensure an adequate flow to meet peak demand,

provide for Marion County fire-flow requirements, and promote water conservation through system consolidation.

12. Attached to this Application as Composite Exhibit "4" are 11 schedules in support of Sunshine's Improvement Alternative No. 1.⁵ Schedule No. 1 identifies the additional revenue requirement and proposed increase to Sunshine's existing rates for the proposed water system improvements.⁶ Schedule No. 2 sets forth Sunshine's present and proposed rates. Schedule No. 3 identifies Sunshine's estimated change in operations and maintenance expenses. Schedule No. 4 contains the annual depreciation expense on water system improvements and amortization of CIAC. Schedule No. 5 identifies the estimated change in taxes other than income. Schedule No. 6 contains the required rate of return on the proposed water system improvements. Schedule No. 7 sets forth the estimated cost of the proposed water system improvements. Schedule No. 8 contains the water system retirements. Schedule No. 9 sets forth the calculation of the proforma cost of capital and rate of return. Schedule No. 10 contains calculation of AFUDC. Schedule No. 11 sets forth the annualized revenue. All of these schedules were prepared by Cronin, Jackson, Nixon & Wilson, Sunshine's accountants.

⁵ These schedules also address and support Improvement Alternative No. 2.

⁶ Because Improvement Alternative No. 1 will bestow real public health, environmental, operational, and cost benefits on Sunshine's entire system, Sunshine is requesting that the cost associated with Improvement Alternative No. 1 be recovered from its entire body of ratepayers. Sunshine respectfully submits that the covering the cost of Improvement Alternative No. 1 solely from the customers residing within the areas most acutely affected by contamination may create rate shock and thus may not be in the public interest. As shown on page 1 of Schedule 2, if the cost of Improvement Alternative No. 1 were recovered just from the customers residing in the area most acutely affected by contamination, those customers would experience a dramatic rate increase of approximately 107.86 percent.

13. Attached to this Application as Composite Exhibit "5" is the Water Facilities Plan that Sunshine previously submitted to DEP which describes Improvement Alternative No. 1, along with revisions to the Plan requested by DEP. Composite Exhibit "5" was prepared by H.W. Barrineau and Associates, Inc., Sunshine's engineers.

Improvement Alternative No. 2

14. As an alternative to consolidating its five separate water supply and treatment systems serving the Belleview-Lake Weir-Ocklawaha areas (as set forth in Improvement Alternative No. 1), Sunshine proposes an improvement project of more limited scope. This alternative, Improvement Alternative No. 2, is geographically limited to address only the contamination problems in the Lake Weir and Lakeview Hills areas, as well as the sulfur concerns in the Ocklawaha area.

15. The proposed system improvements associated with Improvement Alternative No. 2 call for the consolidation of four separate water systems in and around the areas most acutely affected by contamination and water quality problems: Lake Weir, Lakeview Hills, Ocklawaha, and Hilltop. The existing on-site distribution systems in these areas will continue to be utilized. A central water system will also be constructed which will consist of two new wells, treatment facilities, a 500,000 gallon elevated storage tank, and approximately 7 miles of 6 to 10 inch diameter water mains. A blueprint of Improvement Alternative No. 2 is attached as Exhibit "6".

Requested Rate Increase Associated With Improvement Alternative No. 2

16. The total project cost of the Improvement Alternative No. 2 is estimated to be \$1,675,954 exclusive of AFUDC and loan repayment reserve. See Exhibit "7" prepared by H.W. Barrineau and Associates, Inc.⁷ Sunshine plans to receive a direct grant of approximately \$633,827 from DEP to fund the Improvement Alternative No. 2. This grant has been classified by Sunshine as CIAC. The balance of the estimated total project cost will be funded through a subsidized Drinking Water State Revolving Fund loan in the principal amount of \$983,627. This loan has an effective interest rate of 3.05 percent for the 20-year life of the loan. The terms and conditions of the grant and loan associated with Improvement Alternative No. 2, as projected by DEP, are set forth in Exhibit "3".

17. The grant and loan that Sunshine will seek to fund the proposed system improvements are contingent upon Commission approval of the rate increase requested by Sunshine. This increase is necessary for Sunshine to service to revolving loan debt.

18. Sunshine is requesting to increase its Residential and General Service Base Facility Charges and Gallonage Charges by 18.20 percent to fully recover the net project costs associated with Improvement Alternative No. 2, with the increased rates to take effect upon completion of the project.

19. As described above, the proposed system improvements associated with Alternative No. 2 are in the public interest. The proposed improvements will

⁷ The cost projections in Exhibit "7" do not reflect approximately \$58,500 incurred for preparation of the Facilities Plan associated with the DEP grant and low interest loan program.

eliminate the contamination problems in the Lake Weir and Lakeview Hills areas, and the sulfur concerns in the Ocklawaha area. The improvements will also improve the level of service that Sunshine can provide to its water customers, ensure an adequate flow to meet peak demand, provide for Marion County fire-flow requirements, and promote water conservation.

20. The 11 Schedules included in Composite Exhibit "4" address and support Sunshine's Improvement Alternative No. 2.⁸ Schedule No. 1 identifies the additional revenue requirement and proposed increase to Sunshine's existing rates for the proposed water system improvements. Schedule No. 2 sets forth Sunshine's present and proposed rates. Schedule No. 3 identifies Sunshine's estimated change in operations and maintenance expenses. Schedule No. 4 contains the annual depreciation expense on water system improvements and amortization of CIAC. Schedule No. 5 identifies the estimated change in taxes other than income. Schedule No. 6 contains the required rate of return on the proposed water system improvements. Schedule No. 7 sets forth the estimated cost of the proposed water system improvements. Schedule No. 8 contains the water system retirements. Schedule No. 9 sets forth the calculation of the proforma cost of capital and rate of return. Schedule No. 10 contains calculation of AFUDC. Schedule No. 11 sets forth the annualized revenue.

⁸ The schedules refer to Improvement Alternative No. 2 as the "Scaled Down Project".

21. Sunshine believes that Improvement Alternative No. 2 will bestow real public health, environmental, operational, and cost benefits on its entire system. Thus, Sunshine has requested that the costs associated with Improvement Alternative No. 2 be recovered from its entire body of ratepayers. Sunshine also evaluated the option of restructuring its rates to recover the cost of Improvement Alternative No. 2 from approximately 750 customers residing in and around the areas most acutely affected by the contamination, i.e., those customers residing in the Lake Weir, Lakeview Hills, Hilltop, and Ocklawaha areas. That option would result in a rate increase to those customers of approximately 88.45 percent. Page 2 of Schedule 2 shows the additional revenue requirement and proposed rate increase to those particular customers.

22. Upon approval of Improvement Alternative No. 2, Sunshine will immediately file a revised Water Facilities Plan with DEP as part of its application to secure grants and low interest loans from the State Revolving Fund Program for Drinking Water Facilities.

WHEREFORE, Sunshine respectfully requests that the Commission:

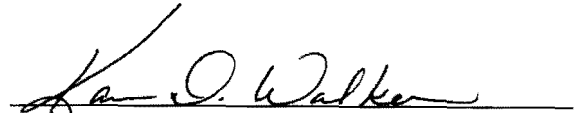
(a) address this amended application on an expedited basis using its proposed agency action procedures;

(b) grant Sunshine the authority to increase its water rates to (i) allow full recovery of the capital costs and expenses associated with Improvement Alternative No. 1, or, alternatively, (ii) allow full recovery of

the capital costs and expenses associated with Improvement Alternative No. 2; and

- (c) grant such other relief as the Commission deems appropriate.

Respectfully submitted,



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Karen D. Walker
Florida Bar No. 0982921
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