

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in
Marion County by Sunshine Utilities of
Central Florida, Inc.

DOCKET NO. 100048-WU
ORDER NO. PSC-12-0357-PAA-WU
ISSUED: July 10, 2012

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING IN PART REQUESTED INCREASE IN WATER RATES
AND CHARGES AND REQUIRING PARTIAL REFUNDS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that, except for the statutory four-year rate reduction and the requirement to adjust its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with our approved adjustments, which are final agency action, the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

I. BACKGROUND

Sunshine Utilities of Central Florida, Inc. (Sunshine Utilities or Utility) is a Class B utility providing water service in 23 certificated service areas in Marion County. The 23 systems are composed of 20 systems that are combined under a uniform rate structure (Unified Systems) and three stand-alone systems: Quail Run, Sandy Acres, and Ponderosa Pines. In the test year ended December 31, 2010, the Utility recorded total operating revenues of \$951,110. Sunshine Utilities reported a net operating loss for the test year of \$59,876. During the test year, 3,798 water customers received service from the Utility's 23 water systems.

Water rates were last established for the Unified Systems in a rate case initiated in 1990.¹ The Quail Run system was transferred to Sunshine Utilities in 2002, and rate base and rates were

¹ See Order No. 25722, issued February 13, 1992, in Docket No. 900386-WU, In re: Application for rate increase in Marion County by Sunshine Utilities of Central Florida, Inc.

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grandfathered in.² The Sandy Acres system was also transferred to Sunshine Utilities in 2002, rates were grandfathered in, and rate base was established as a result of the transfer.³ The Ponderosa Pines system was transferred to Sunshine Utilities in 2003, rates were grandfathered in, and rate base was established as zero because the water facilities were contributed by the customers.⁴

On June 1, 2011, Sunshine Utilities filed its application for a rate increase at issue in the instant docket. The Utility requested that its application for increased rates be processed using the proposed agency action (PAA) procedures set out in Section 367.081(8), Florida Statutes (F.S.). The Utility's application did not meet the minimum filing requirements (MFRs). On January 5, 2012, the Utility provided the final corrections to its MFRs, and the official filing date was established as January 5, 2012.

By Order No. PSC-11-0358-PCO-WU, issued August 26, 2011, we authorized the collection of interim water rates, subject to refund, pursuant to Section 367.082, F.S. The approved total interim revenue requirement (for all systems) is \$1,027,096, which represents an increase of \$83,401 or 8.12 percent.

Sunshine Utilities' application for increased final water rates is based on the historical test year ended December 31, 2010. The Utility's requested final rate increase would result in additional operating revenues of \$207,999, or approximately 22.04 percent.

On May 2, 2012, the Utility submitted documentation waiving the requirement to process the rate case within five months of the official filing date pursuant to Section 367.081(8), F.S., through June 19, 2012.

This Order addresses the revenue requirement and rates that shall be approved on a prospective basis. We have jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

II. QUALITY OF SERVICE

Pursuant to Rule 25-30.433(1), F.A.C., we determine the overall quality of service provided by a utility by evaluating three separate components of water operations. These components are the quality of the utility's product, the operating condition of the utility's plants and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received by this Commission from customers are reviewed. We also consider the utility's current compliance with the regulations of the Department of Environmental Protection (DEP) and the Water Management District (WMD).

² See Order No. PSC-02-1292-PAA-WU, issued September 23, 2002, in Docket No. 020256-WU, In re: Application for transfer of Certificate No. 380-W from A. P. Utilities, Inc. in Marion County to Sunshine Utilities of Central Florida, Inc., holder of Certificate No. 363-W, for amendment of Certificate No. 363-W, and for cancellation of Certificate No. 380-W.

³ See Order No. PSC-02-1832-PAA-WU, issued December 20, 2002, in Docket No. 011632-WU, In re: Application for transfer of Certificate No. 364-W from Linadale Water Company in Marion County to Sunshine Utilities of Central Florida, Inc.

⁴ See Order No. PSC-03-1333-PAA-WU, issued November 24, 2003, in Docket No. 030340-WU, In re: Application for transfer of facilities of Community Water Co-Op, Inc., an exempt utility in Marion County, to Sunshine Utilities of Central Florida, Inc. (holder of Certificate No. 363-W); and for amendment of Certificate No. 363-W to add territory.

A. Quality of Utility's Product and Operational Condition of Plants and Facilities

In Marion County, the water programs are regulated by the St. Johns River WMD and DEP. From 2008 through 2010, DEP conducted all the required sanitary surveys for the Utility's 23 water treatment plants (WTPs) with minor deficiencies noted on each survey. The Utility responded and corrected all the deficiencies in a timely manor. According to DEP, Sunshine Utilities is currently in compliance with all of the required chemical analyses, and the Utility has met all required standards for water. Therefore, we find that the quality of drinking water delivered to the customers is satisfactory.

A staff field investigation of Sunshine Utilities was conducted on March 14, 2012. Our staff found no apparent problems with the operations of the water treatment facilities. The conditions of these facilities are currently in compliance with DEP rules and regulations. Based on a review of the maintenance records and a physical inspection, the general condition of the facilities appeared to be adequate. Therefore, we find that the operating condition of the Utility's water plants is satisfactory.

B. The Utility's Attempt to Address Customer Satisfaction

According to the Utility's complaint log, two customer complaints were received during the test year (2010). One complaint dealt with back-billing and the other complaint dealt with a water leak. In both cases, it appears that the Utility responded properly to ascertain the nature of the problems and resolved them successfully.

Since 2009, there have been nine complaints filed with us. Three of the complaints related to improper bills, four complaints related to improper disconnection, one complaint related to outages, and the other related to quality of service. The Utility responded to this Commission regarding all nine complaints within 15 days as required by Rule 25-22.032(6)(b), F.A.C. Eight of the complaints were listed as no rule violations, while one billing complaint was listed as an improper rule violation. There are currently no active complaints on file.

A customer meeting was held on March 14, 2012, inside Sunshine Utilities' service territory at the City Hall in Belleview, Florida. Twelve customers attended the evening meeting, and six customers spoke. Citing affordability concerns, the attendees were generally against the proposed rate increase for water. Water pressure in particular was cited as a reason for not justifying the rate increases. Although it was acknowledged that the water provided by the Utility met DEP health and safety standards, general consensus among the attendees was that the rate increase was not warranted due to the pressure and discoloration problems. One water sample was provided by a customer as physical evidence to prove the questionable quality of the water. One customer made comments about public noticing concerning Precautionary Boil Water Notices. Finally, one customer commented that his water service was excellent, and he had no issues with the water quality or the proposed rate increase.

Sunshine Utilities has indicated to our staff that it is in full compliance with all water quality monitoring requirements. The Utility acknowledges that iron is found in small concentration at Forest Lake Estates, but it is not considered a contaminant and is not a health issue. However, iron in even very minute concentrations, depending on water chemistry, can produce color, taste, and particulates in water supplies. In reference to Precautionary Boil Water Notices, the Utility uses door hangers delivered to the affected customers when outages occur.

We believe that the Utility’s efforts to respond to customer concerns show its willingness to adequately address customer satisfaction. Although there have been situations that have inconvenienced customers, we believe that treating the water used for all purposes by all customers to the highest customer aesthetic expectation can come at significant cost to customers. For systems with challenging water quality aesthetics, point-of-use treatment systems are often the most cost effective mechanism to achieve customer aesthetic quality objectives. We find that the Utility’s attempt to address customer satisfaction is satisfactory.

C. Conclusion

Based on the above, we find that the Utility’s quality of product, operating condition of its plants and facilities, and its attempts to address customer satisfaction are satisfactory. Therefore, the overall quality of service provided by the Utility shall be found to be satisfactory.

III. AUDIT ADJUSTMENTS AGREED TO BY UTILITY

In its response to the staff’s audit report and other correspondence, Sunshine Utilities agreed to the audit adjustments as set forth in Table 1 below.

Table 1

<u>Audit Findings</u>	<u>Description of Audit Adjustments</u>
Finding No. 1	Reflect Commission-ordered adjustments (COAs) to plant, land, and accumulated depreciation for Sandy Acres
Finding No. 2	Reflect COAs to plant, accumulated depreciation, CIAC, and accumulated amortization of CIAC for Ponderosa Pines
Finding No. 3	Reflect COA to land for Marion County Unified Systems
Finding No. 4	Reflect COAs to CIAC for Quail Run and Marion County Unified Systems
Finding No. 5	Reflect COAs to accumulated depreciation for Quail Run, and accumulated amortization of CIAC for Quail Run and Marion County Unified Systems
Finding No. 6	Reflect appropriate depreciation and CIAC Amortization Expense
Finding No. 7	Reflect appropriate Operations & Maintenance (O&M) Expense

Based on the audit adjustments agreed to by the Utility, the adjustments set forth in Table 2 below shall be made to rate base and net operating income.

Table 2

<u>Sunshine Utilities Audit Adjustments</u>	<u>Plant</u>	<u>Land</u>	<u>Accum.Depr.</u>	<u>CIAC</u>	<u>Accum. Amort. of CIAC</u>	<u>O&M Exp.</u>	<u>Depr. Exp.</u>	<u>CIAC Amort. Expense</u>
Finding No. 1	\$37,144	\$290	(\$89,078)					
Finding No. 2	20,851		7,063	\$40,851	(\$3,946)			
Finding No. 3		(250)						
Finding No. 4 – Quail Run				24,738				
Finding No. 4 - Unified Systems				(24,738)				
Finding No. 5 – Quail Run			(20,479)		(6,343)			
Finding No. 5 - Unified Systems					6,343			
Finding No. 6								
Unified Systems								(\$793)
Quail Run								793
Sandy Acres							\$1,068	
Ponderosa Pines							(1,259)	1,189
<u>Sunshine Utilities Audit Adjustments</u>	<u>Plant</u>	<u>Land</u>	<u>Accum.Depr.</u>	<u>CIAC</u>	<u>Accum. Amort. of CIAC</u>	<u>O&M Exp.</u>	<u>Depr. Exp.</u>	<u>CIAC Amort. Expense</u>
Finding No. 7								
Unified Systems						(\$4,354)		
Quail Run						(177)		
Sandy Acres						(252)		
Ponderosa Pines						(870)		
Adjustment Totals	<u>\$57,995</u>	<u>\$40</u>	<u>(\$102,494)</u>	<u>\$40,851</u>	<u>(\$3946)</u>	<u>(\$5,653)</u>	<u>(\$191)</u>	<u>\$1,189</u>

A. Used and Useful Plant

In the Utility's last rate case, all 20 of the existing water treatment plants were stipulated to be 100 percent U&U.⁵ The distribution systems were stipulated to be 71 percent U&U. Since the last rate case, the Ashley Heights, Ponderosa Pines, Sandy Acres, and Quail Run systems were acquired and the Lakeview Hills system was sold.⁶ In addition, second wells were added at the Hill Top and Winding Waters systems. Several amendments have also been approved adding territory to existing systems and Sutton's Duplexes (now Sun Resort) and Burk's Quads (now

⁵ See Order No. 25722, issued February 13, 1992, in Docket No. 900386-WU, In re: Application for rate increase in Marion County by Sunshine Utilities of Central Florida, Inc.

⁶ See Order No. PSC-10-0679-FOF-WU, issued November 15, 2010, in Docket No. 100377-WU, In re: Application for transfer of water facilities to Marion County, and amendment of Certificate No. 363-W by Sunshine Utilities of Central Florida, Inc.

Ocala Gardens) were renamed.⁷ Of the 23 water systems included in the current rate case, 12 have one well and the remaining 11 each have two wells. None of the water systems have storage. Each of the systems treats the raw water with liquid chlorine before it is pumped into the distribution system.

In its application, the Utility asserts that all 23 of its water treatment plants are 100 percent U&U. The Utility proposed a composite 79 percent U&U for the distribution systems, excluding the Ponderosa Pines, Quail Run, and Sandy Acres systems. The Utility proposed U&U percentages of 100 percent for Ponderosa Pines and 93 percent each for the Quail Run and Sandy Acres distribution systems. There are no fire hydrants in any of the Utility's service areas; therefore, no fire flow allowance was included in the U&U analysis. The Utility reported total unaccounted for water of 8.01 percent for all of its composite Marion County systems, and 9.74 percent for Sandy Acres. Ponderosa Pines and Quail Run are on flat rates; therefore, there was insufficient information to determine the amount of unaccounted for water for those systems.

1. Water Treatment Plants

Pursuant to Rule 25-30.4325, F.A.C., the U&U calculation for a water treatment plant is determined by dividing the peak demand by the firm reliable capacity of the water treatment plants. If the system has no storage facilities, the calculation is in gallons per minute (gpm). Consideration of growth, fire flow requirements, excessive unaccounted for water, and other factors may also be included. Set out below is an analysis of the four water treatment plants that have been added since the last rate case (Ponderosa Pines, Quail Run, Sandy Acres, and Ashley Heights), as well as an analysis of two water treatment plants (Hill Top and Winding Waters) where second wells were added since the last rate case.

⁷ See Order Nos. PSC-10-0557-FOF-WU, issued September 7, 2010, in Docket No. 100156-WU, In re: Application of Sunshine Utilities of Central Florida to amend its Water Certificate No. 363-W to include additional territory in Marion County, Florida; PSC-06-0478-FOF-WU, issued June 5, 2006, in Docket No. 060283-WU, In re: Application for amendment of Certificate No. 363-W to add and delete territory in Marion County by Sunshine Utilities of Central Florida, Inc.; Order No. PSC-04-1032-FOF-WU, issued October 25, 2004, in Docket No. 040388-WU, In re: Application for amendment of Certificate No. 363-W in Marion County by Sunshine Utilities of Central Florida, Inc.; PSC-03-1333-PAA-WU, issued November 24, 2003, in Docket No. 030340-WU, In re: Application for transfer of facilities of Community Water Co-Op, Inc. an exempt utility in Marion County, to Sunshine Utilities of Central Florida, Inc. (holder of Certificate No. 363-W); and for amendment of Certificate No. 363-W to add territory; PSC-03-1099-FOF-WU, issued October 2, 2003, in Docket No. 030128-WU, In re: Application for amendment of Certificate No. 363-W to add territory in Marion County by Sunshine Utilities of Central Florida, Inc.; PSC-03-0244-FOF-WU, issued February 20, 2003, in Docket No. 021034-WU, In re: Application for amendment of Certificate No. 363-W to add territory in Marion County (Sandy Acres) by Sunshine Utilities of Central Florida, Inc.; PSC-02-1292-PAA-WU, issued September 23, 2002, in Docket No. 020256-WU, In re: Application for transfer of Certificate No. 380-W from A. P. Utilities, Inc. in Marion County to Sunshine Utilities of Central Florida, Inc., holder of Certificate No. 363-W, and for cancellation of Certificate No. 380-W; PSC-02-1832-PAA-WU, issued December 20, 2002, in Docket No. 011632-WU, In re: Application for transfer of Certificate No. 380-W from Linadale Water Company in Marion County to Sunshine Utilities of Central Florida, Inc.; PSC-00-1062-FOF-WU, issued June 2, 2000, in Docket No. 991681-WU, In re: Application for amendment of Certificate No. 363-W to add territory in Marion County by Sunshine Utilities of Central Florida, Inc.; PSC-99-2390-FOF-WU, issued December 7, 1999, in Docket No. 980543-WU, In re: Application for amendment of Certificate No. 363-W to add territory in Marion County by Sunshine Utilities of Central Florida, Inc.; and PSC-98-0385-FOF-WU, issued March 11, 1998, in Docket No. 971297-WU, In re: Application for amendment of Certificate No. 363-W by Sunshine Utilities of Central Florida, Inc. in Marion County.

a. Ponderosa Pines

The Ponderosa Pines development was added to the Utility's service territory in 2003.⁸ The system, which was previously owned by Community Water Co-op, Inc. (Co-op), was exempt from our regulation pursuant to Section 367.022(7), F.S. In 2002, the Co-op's main well collapsed and, subsequently, the well was abandoned. The remaining original well was constructed in the 1980's and has a rated capacity of 60 gpm. Sunshine Utilities constructed a second well in 2004 which is rated at 56 gpm. The wells are located on separate sites and are interconnected via a two-inch distribution system. The single maximum day flow in the test year of 76,700 gallons (106 gpm) occurred on August 3, 2010. It does not appear that there was a fire, line break, or other unusual occurrence on that day. Due to flat-rate billing, there is not enough information available to determine unaccounted for water. According to the Utility, there are no vacant lots in the Ponderosa Pines service area. The Utility did not request a growth allowance to be included in the U&U calculation. Based on a peak day of 106 gpm and firm reliable capacity of 56 gpm, the water treatment plant shall be considered 100 percent U&U pursuant to Rule 25-30.4325, F.A.C.

b. Quail Run

The Quail Run water system was constructed in the 1980's and transferred to Sunshine Utilities in 2002.⁹ The water treatment plant has one well, rated at 360 gpm. The Utility indicated the single maximum day flow in the test year of 76,700 gallons (106 gpm) occurred on April 20, 2010. However, the Utility's Monthly Operating Reports (MORs) indicate that the flow on that date was 63,000 gallons (87.5 gpm), which was the single peak day for the Quail Run system. It does not appear that there was a fire, line break, or other unusual occurrence on that day. Due to flat rate billing, there is not enough information available to determine unaccounted for water. According to the Utility, there are 4 vacant lots out of 59 lots in the Quail Run service area and there has been no significant growth the past five years. The Utility did not request a growth allowance be included in the U&U calculation. Pursuant to Rule 25-30.4325(4), F.A.C., a water system with one well is considered 100 percent U&U; therefore, the Quail Run water treatment plant shall be considered 100 percent U&U.

c. Sandy Acres

The Sandy Acres water system was constructed in the 1980s and transferred to the Utility in 2002.¹⁰ In addition, an amendment was approved in 2003, adding several mobile homes to the service area.¹¹ Further, an amendment was approved in 2010, adding several mobile homes to the service area as a result of private wells that became contaminated.¹² The water treatment plant has two wells, rated at 230 and 89 gpm, respectively. The single maximum day flow in the test year of 121,000 gallons (168 gpm) occurred on October 4, 2010. It does not appear that there was a fire, line break, or other unusual occurrence on that day. The Utility's records indicate unaccounted for water of 9.74 percent. The Utility indicated that Sandy Acres has a lot of flushing due to dead-end lines. In addition, there has been a large amount of sand buildup in

⁸ See Order No. PSC-03-1333-PAA-WU.

⁹ See Order No. PSC-02-1292-PAA-WU.

¹⁰ See Order No. PSC-02-1832-PAA-WU.

¹¹ See Order No. PSC-03-0244-FOF-WU.

¹² See Order No. PSC-10-0557-FOF-WU.

wells which also contributed to more flushing. According to the Utility, there are 22 vacant lots out of 295 lots in the Sandy Acres service area. There has been a decline in the number of customers over the past five years. The Utility did not request a growth allowance to be included in the U&U calculation. The firm reliable capacity of the water system is 89 gpm, pursuant to Rule 25-30.4325(6)(a), F.A.C. Based on a peak day of 168 gpm and firm reliable capacity of 89 gpm, the water treatment plant shall be considered 100 percent U&U pursuant to Rule 25-30.4325, F.A.C.

d. Ashley Heights

The Ashley Heights water system was constructed in the 1990's and added to the Utility's service territory in 1999.¹³ The water treatment plant has one well rated at 62 gpm. The single maximum day flow in the test year of 21,800 gallons (17.8 gpm) occurred on October 4, 2010. It does not appear that there was a fire, line break, or other unusual occurrence on that day. According to the Utility, there are no vacant lots in the Ashley Heights service area. The Utility did not request a growth allowance to be included in the U&U calculation. Pursuant to Rule 25-30.4325(4), F.A.C., a water system with one well is considered 100 percent U&U; therefore, the Ashley Heights water treatment plant shall be considered 100 percent U&U.

e. Hill Top

The Hill Top water treatment plant was stipulated to be 100 percent U&U in the Utility's last rate case.¹⁴ The water system was constructed in the 1980's and has one well. In 2003, the Utility filed an amendment to its service territory to include an additional 300 acres located adjacent to the existing Hilltop development to serve some existing mobile homes and a proposed development.¹⁵ According to the order, the developer was to pay for all necessary permits to expand the water plant and distribution system to serve the additional customers and pay all costs for construction of needed improvements to the plant and distribution system in lieu of the Utility collecting its approved system capacity charge. Rule 62-555.315(2), F.A.C., requires a minimum of two wells be connected to a community water system that is using only ground water and that is serving, or is designed to serve, 350 or more persons or 150 or more service connections. The minimum service connection requirement for this system was reached in 2004 thus, requiring a second well. The additional well was constructed in 2005 and was paid for by the developer.

The water treatment plant has two wells, rated at 190 and 200 gpm, respectively. The single maximum day flow in the test year of 84,000 gallons (116 gpm) occurred on September 24, 2010. It does not appear that there was a fire, line break, or other unusual occurrence on that day. According to the Utility, there are 64 vacant lots out of 260 lots in the Hilltop service area, and there has been no significant growth the past five years. The Utility did not request a growth allowance to be included to the U&U calculation. Based on a peak day of 116 gpm and a firm reliable capacity of 190 gpm, the water treatment plant is 61 percent U&U. However, because the second well was paid for by the developer and donated to the Utility, the Hilltop water treatment plant shall be considered 100 percent U&U.

¹³ See Order No. PSC-99-2390-FOF-WU.

¹⁴ See Order No. 25722, p. 3.

¹⁵ See Order No. PSC-03-1099-FOF-WU.

f. Winding Waters

The Winding Waters water treatment plant, which serves Winding Waters, Lake Forrest, and Lake Bryant Ridge, was stipulated to be 100 percent U&U in the Utility’s last rate case.¹⁶ The water system was constructed in the 1980s with one well. An additional well was constructed in 1999, as a result of growth in the service area.

The water treatment plant has two wells, rated at 160 and 600 gpm, respectively. The single maximum day flow in the test year of 118,000 gallons (164 gpm) occurred on January 19, 2010. According to the Utility, a main line leak occurred on that date. The second highest single maximum day in the test year of 99,000 gallons (138 gpm) occurred on May 18, 2010. According to the Utility, a service leak also occurred on that date. The third highest single maximum day flow in the test year of 95,000 gallons (132 gpm) occurred on September 24, 2010. It does not appear that there was a fire, line break, or other unusual occurrence on that day. According to the Utility, there are 15 vacant lots in the development, as well as approximately 200 homes on private wells. Based on a peak day of 132 gpm, a growth allowance of 5 gpm, and firm reliable capacity of 160 gpm, the water treatment plant shall be considered 86 percent U&U.

g. Water Treatment Plants Summary

Table 3 below contains a summary of the Utility proposed and our approved U&U percentages for the unified and stand-alone water treatment plants.

Table 3

U&U Percentages of Unified WTPs				
	System Name	No. of Wells	Utility Proposed U&U%	Commission Approved U&U%
	<u>Unified Systems</u>			
1	Ashley Heights	1	100	100
2	Belleview Oaks	1	100	100
3	Country Walk	1	100	100
4	Eleven Oaks	1	100	100
5	Emil Mar	1	100	100
6	Florida Heights	2	100	100
7	Floyd Clark	1	100	100
8	Fore Oaks Estates	2	100	100
9	Hill Top	2	100	100
10	Little Lake Weir	2	100	100
11	Oak Haven	1	100	100
12	Oakhurst	1	100	100
13	Ocala Garden	1	100	100
14	Ocala Heights	2	100	100
15	Ocklawaha	2	100	100

¹⁶ See Order No. 25722, p. 3.

16	Sunlight Acres	1	100	100
17	SunRay Estates	2	100	100
18	Sun Resorts	1	100	100
19	Whispering Sands	2	100	100
20	Winding Waters	2	100	86
	Composite Unified U&U		100	100
	<u>Stand-Alone Systems</u>			
21	Ponderosa Pines	2	100	100
22	Quail Run	1	100	100
23	Sandy Acres	2	100	100

Based on the above analysis, all of the Utility’s water treatment plants, except the Winding Waters system, shall be considered 100 percent U&U. Winding Waters shall be considered 86 percent U&U. The composite U&U percentage for the water treatment plants, except Ponderosa Pines, Quail Run, and Sandy Acres systems, is 98 percent based on the weighted average number of lots served by the distribution systems. It is our practice to consider a system 100 percent U&U when the calculation results in a U&U of 95 percent or greater.¹⁷ As such, the composite U&U percentage shall be rounded to 100 percent. Therefore, the composite U&U percentage for the Unified water treatment plants, as well as the Ponderosa Pines, Quail Run, and Sandy Acres water treatment plants, shall be considered 100 percent U&U.

2. Water Distribution Systems

The U&U calculation for water distribution systems is determined based on the number of occupied lots connected to the systems divided by the total number of lots served by the distribution systems. Consideration may be given for growth. Table 4 contains a summary of the Utility proposed and our approved U&U percentages for the Unified and stand-alone water distribution systems.

Table 4

	<u>System Name</u>	<u>Total Lots with Lines</u>	<u>Occupied Lots with Lines</u>	<u>Utility Proposed U&U %</u>	<u>Growth Allowance</u>	<u>Commission Approved U&U %</u>
1	Ashley Heights	50	50	100		100
2	Belleview Oaks	95	88	93		93
3	Country Walk	77	68	88		88
4	Eleven Oaks	44	40	91		91
5	Emil Mar	87	81	93		93
6	Florida Heights	118	110	93		93
7	Floyd Clark	50	50	100		100

¹⁷ See Order Nos. 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., p. 48; and PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida, pp. 41-44.

7	Northwoods	28	24	86		86
8	Fore Oaks Estates	58	51	88		88
8	Coventry	168	158	94		94
8	Ballard Acres	23	23	100		100
9	Hill Top	64	61	95		95
9	Hill Top Phase II	37	29	78		78
9	Hill Top Phase III	159	106	67		67
10	Little Lake Weir	787	436	55		55
11	Oakhaven	82	82	100		100
	<u>System Name</u>	<u>Total Lots with Lines</u>	<u>Occupied Lots with Lines</u>	<u>Utility Proposed U&U %</u>	<u>Growth Allowance</u>	<u>Commission Approved U&U %</u>
12	Oakhurst	115	115	100		100
13	Ocala Garden	29	25	86		86
14	Ocala Heights	168	106	63		63
14	Reynolds	91	87	96		96
14	Silverwood Villas	84	83	99		99
14	Spanish Palms	129	45	35		35
14	Country Aire	25	21	84		84
14	Lexington Estates	72	15	21		21
15	Ocklawaha	529	346	65		65
15	Sanctuary	24	18	75		75
16	Sunlight Acres	84	80	95		95
17	SunRay Estates	97	92	95		95
17	Sugar Plum	67	64	96		96
17	Stonehill	95	90	95		95
17	Baldwin Heights	11	8	73		73
17	Carol Estates	239	236	99		99
17	Pearl Britain	32	32	100		100
17	Boulder Hill	32	30	94		94
17	Jason's Landing	51	48	94		94
18	Sun Resorts	33	32	97		97
19	Whispering Sands	128	128	100		100
20	Winding Waters	456	191	100		42
20	Lake Forest	8	5	63		63
20	Lake Bryant Ridge	33	21	64		64
	Total/Composite	4,294	3,375	79	1.05	83
	<u>Stand-alone Systems</u>					
21	Ponderosa Pines	198	198	100	1.00	100
22	Quail Run	59	55	93	1.00	93
23	Sandy Acres	295	273	93	1.00	93

We have reviewed the Utility's analysis of its distribution systems, as well as the maps provided for each of the systems. The Utility reported the number of occupied lots in each system, as well as the total number of lots adjacent to the distribution systems. In its application,

the Utility included 191 lots for the Winding Waters distribution system but did not include the approximately 200 lots in the development that have private wells.

We find it is appropriate to include all of the lots in the Winding Waters development that are adjacent to the distribution system in the lot count. Several of the homes in that area have connected to the Utility's water system in the past, and it is expected that additional homes with private wells will connect in the future if those wells become contaminated. Therefore, we have used 456 lots for Winding Waters, consistent with the lot count used in the last rate case for this development, which results in a 42 percent U&U for that development.

Although a growth allowance was not requested, the Utility's records indicate growth for all of the water systems, excluding the Ponderosa Pines, Quail Run, and Sandy Acres systems, of an average of five percent over the past five years. Details of growth for the individual systems were not available. Therefore, a growth allowance of five percent (one percent per year for five years) shall be included in the U&U calculation for all of the water distribution systems, excluding Ponderosa Pines, Quail Run, and Sandy Acres systems, pursuant to Section 367.081(2)(a), F.S. With the allowance for growth, we calculate that the composite U&U percentage for all of the Unified water distribution systems, excluding the Ponderosa Pines, Quail Run, and Sandy Acres is 83 percent U&U. The Ponderosa Pines distribution system shall be considered 100 percent U&U. The Quail Run system has not experienced any significant growth, and the Sandy Acres system has experienced a loss of customers over the past five years. Therefore, the Quail Run and Sandy Acres distribution systems shall each be considered 93 percent U&U.

Conclusion

In summary, the composite U&U percentage for the Unified water treatment plants, as well as the Ponderosa Pines, Quail Run, and Sandy Acres water treatment plants, shall be considered 100 percent U&U. The composite U&U percentage for all of the Unified water distribution systems excepting the Ponderosa Pines, Quail Run, and Sandy Acres systems shall be considered 83 percent U&U. The Ponderosa Pines distribution system shall be considered 100 percent U&U, and the Quail Run and Sandy Acres distribution systems shall each be considered 93 percent U&U. Further, our rate base adjustments are shown on Schedule No. 2-B, and the depreciation expense and property tax adjustments are shown on Schedule No. 3-B.

B. Working Capital Allowance

Rule 25-30.433(2), F.A.C., requires that Class B utilities use the formula method, whereby the working capital allowance is based on one-eighth of O&M expense. Although the Utility properly filed its allowance for working capital using the formula method, we have made adjustments to Sunshine Utilities' O&M expense later in this Order. As a result, we have increased the working capital allowance by \$2,052 from the Utility's requested working capital allowance of \$105,631, for an approved working capital allowance of \$107,683. Our calculations are shown on Table 5 below.

Table 5

	<u>Utility Requested</u>	<u>Commission Approved Adjustments</u>	<u>Commission Approved Amounts</u>
Unified Systems	\$92,883	\$1,831	\$94,714
Quail Run	2,787	48	2,835
Sandy Acres	5,326	145	5,471
Ponderosa Pines	4,635	27	4,662
Total	<u>\$105,631</u>	<u>\$2,052</u>	<u>\$107,683</u>

C. Appropriate Rate Base

Based on our adjustments, we calculate the appropriate total rate base to be \$315,168. A breakdown of rate base by system is shown in Table 6 below. The schedule for rate base is attached as Schedule No. 2-A, and the adjustments are shown on Schedule No. 2-B.

Table 6

<u>Systems</u>	<u>Utility Requested</u>	<u>Commission Approved Adjustments</u>	<u>Commission Approved Amounts</u>
Unified Systems	\$196,182	(\$489)	\$195,693
Quail Run	13,410	(2,036)	11,374
Sandy Acres	65,047	(51,499)	13,548
Ponderosa Pines	29,706	64,846	94,552
Total	<u>\$304,345</u>	<u>(\$10,823)</u>	<u>\$315,168</u>

V. COST OF CAPITAL

A. Return on Equity

The return on equity (ROE) included in the Utility's filing is 10.85 percent. Using the 2011 leverage formula and an equity ratio of 80.70 percent, we calculate the appropriate ROE to be 9.13 percent,¹⁸ with an allowed range of plus or minus 100 basis points for ratemaking purposes.

¹⁸ See Order No. PSC-11-0287-PAA-WS, issued July 5, 2011, in Docket No. 110006-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), Florida Statutes.

B. Overall Cost of Capital

As shown on MFR Schedule D-1, Sunshine Utilities originally proposed an overall cost of capital of 8.67 percent. Based on the resolution of the preceding issues, the approved capital structure yields an overall cost of capital of 8.11 percent. Schedule No. 1 contains our calculation of the approved capital structure.

VI. NET OPERATING INCOME

A. Pro Forma O&M Expense Adjustment

In its filing, on MFR page B-3, the Utility requested the indexing of certain O&M expenses beyond the test year. Because the Utility chose a historical test year, we find that selecting certain expenses to index is inappropriate as it creates a mismatch with the requested test year. In addition, in review of the O&M expenses listed in the Utility's 2010 and 2011 annual reports, even when we exclude the requested indexing of the selected 2010 expenses, the amount of total O&M expense for 2010 is still greater than the amount reported in 2011. Based on the above, O&M expense shall be reduced by \$9,769 to reflect the removal of pro forma O&M expense. The specific adjustments to each system are set forth in the Table 7 below.

Table 7

	<u>Commission Adjustment</u>
Unified Systems	(\$8,746)
Quail Run	(229)
Sandy Acres	(454)
Ponderosa Pines	(340)
Total	(\$9,769)

B. Appropriate Amount of Rate Case Expense

In its MFRs, the Utility included an estimate of \$50,000 for rate case expense. Our staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On March 29, 2012, the Utility submitted a revised estimated rate case expense through completion of the PAA process of \$56,514, as shown on Table 8 below.

Table 8

<u>Description</u>	<u>MFR B-10 Estimated</u>	<u>Actual as of 3/29/12</u>	<u>Additional Estimated</u>	<u>Utility Revised Total</u>
Accounting Consultant Fees	<u>\$50,000</u>	<u>\$52,014</u>	<u>\$4,500</u>	<u>\$56,514</u>

Pursuant to Section 367.081(7), F.S., we must determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. Our staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on this review, we find several adjustments are necessary to the revised rate case expense estimate.

1. Accounting Consultant Fees

The first adjustment relates to the Utility's accounting consultant fees. The revised MFR Schedule B-10 reflected accounting consultant charges of \$50,000. Additional documentation was filed with this Commission that revised actual accounting charges through March 29, 2012, of \$52,014, and included an estimate to complete of \$4,500. As a result, the revised actual and estimated rate case expense for accounting consultant fees totaled \$56,514 (\$52,014 + \$4,500).

We find the number of hours proposed by Sunshine Utilities for accounting consultant fees are excessive, unreasonable, and unsupported. Many of the associated accountant's booked hours associated with the Utility's MFRs were spent on correcting MFR deficiencies and duplicated work associated with changing the test year. On January 21, 2010, the Utility requested the test year ended December 31, 2009. From March 16, 2010 to March 28, 2011, the Utility requested five extensions to file its MFRs. Also, during this time, on December 20, 2011, the Utility amended its test year to December 31, 2010. In support documentation provided by the Utility, a note was made to an invoice dated December 5, 2010, stating, "Started 2009 rate case, then changed test year to 2010," indicating that work performed to this point was based on the 2009 test year, and was, thereby, duplicate work.

The Utility filed its original MFRs on June 1, 2011. From June 30, 2011 to December 12, 2011, the Utility was sent four deficiency letters before satisfying the MFRs on January 5, 2012. In a data request, our staff asked the following:

1. For each individual person, in each firm providing consulting services to the applicant pertaining to this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
2. For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
3. If rate consultant invoices are not broken down by hour, please provide reports that detail by hour, a description of actual duties performed, and amount incurred to date.

4. Please provide an estimate of costs to complete the case by hour for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
5. Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

Although our staff requested a detailed itemization of work performed, the reports from the accounting consulting firm only reflect a very broad description of hours associated with the MFR preparation and failed to provide the detailed itemization requested. This failure prevents us from determining the specific hours that the accounting consultant firm spent correcting MFR deficiencies and adjusting for the revised test year. To determine the hours associated with the above, our staff compared the dates listed in the reports of the accounting consultation firm to the dates of the deficiency responses, letters requesting extension, and the request to amend test year. It appears that approximately 178.15 hours of the associate accountant's hours relate to correcting MFR deficiencies and adjusting for the revised test year, and we find that these hours shall be removed from rate case expense. Accordingly, the accounting consultant fees shall be decreased by \$20,928.¹⁹

2. Filing Fee

In its filing, the Utility did not include the required filing fee in its requested rate case expense. In accordance with rule 25-30.020(2)(e)3., F.A.C., Sunshine Utilities paid a filing fee of \$3,500. As such, rate case expense shall be increased by \$3,500.

3. Customer Notices

The third adjustment relates to expenses for customer notices. The Utility did not include these expenses in its requested rate case expense. We have previously allowed expenses of \$0.05 per envelope and \$0.10 per copy.²⁰ Also, we shall include the costs for the current postage rate.

The Utility is responsible for sending four notices: the interim notice, the initial notice, the customer meeting notice, and the notice of the final rate increase. The initial notice and customer meeting notice were combined in this docket. As such, we estimate the cost for the notices to be approximately \$10,313. Accordingly, rate case expense shall be increased by \$10,313 to reflect the appropriate customer notice expenses.

4. Conclusion

It is the Utility's burden to justify its requested costs.²¹ Further, we have broad discretion with respect to the allowance of rate case expense. It would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the costs incurred in

¹⁹ This amount is comprised of four rates: the accounting firm-proprietor's rate of \$150/hr (42 hours); an associate C.P.A.'s rate of \$100/hr (136.15 hours); and another employee listed at two different rates of \$50/hr (7.35 hours) and \$75/hr (8.6 hours).

²⁰ See Order No. PSC-11-0587-PAA-SU, issued December 21, 2011, in Docket No. 110153-SU, In re: Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge, at p. 19.

²¹ See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982)

the rate case proceedings.²² In summary, the Utility's revised rate case expense shall be decreased by \$7,114 for unsupported and unreasonable rate case expense. Based on all the above, we calculate the appropriate total rate case expense to be \$49,400. Our calculations are shown below in Table 9. A breakdown of rate case expense is as follows:

Table 9

<u>Description</u>	<u>MFR Estimated</u>	<u>Utility Revised Actual</u>	<u>Commission Adjustments</u>	<u>Total</u>
Accounting Consultant Fees	\$50,000	\$56,514	(\$20,928)	\$35,587
Filing Fee	0	0	3,500	3,500
Notices, Postage	0	0	10,313	10,313
Total Rate Case Expense	<u>\$50,000</u>	<u>\$56,514</u>	<u>(\$7,114)</u>	<u>\$49,400</u>
Annual Amortization	<u>\$12,500</u>	<u>\$14,129</u>	<u>(\$1,779)</u>	<u>\$12,350</u>

Based on the four-year amortization of rate case expense pursuant to Section 367.0816, F.S., the approved annual rate case expense is \$12,350 (\$49,400/4), and shall be recovered over four years. Table 10 below reflects the annual amortization adjustments of rate case expense for each system.

Table 10

<u>Systems</u>	<u>Allocated Percent</u>	<u>MFR B-10 Estimate</u>	<u>Total Adjustments</u>	<u>Total Approved</u>
Unified Systems	86.12%	\$3,125	\$7,511	\$10,636
Quail Run	4.89%	3,125	(2,521)	604
Sandy Acres	2.51%	3,125	(2,815)	310
Ponderosa Pines	<u>6.48%</u>	<u>3,125</u>	<u>(2,325)</u>	<u>800</u>
Total	<u>100%</u>	<u>\$12,500</u>	<u>(\$150)</u>	<u>\$12,350</u>

C. Salaries and Wages – Officers

In its MFRs, the Utility requested \$374,294 for total salaries and wages expense. We have previously allowed recovery of O&M expenses that reflect increases associated with customer growth and inflation, and recognized that reducing expenses back to the amount approved in the Utility's last rate case would effectively remove an increase we had already

²² See Meadowbrook Util. Sys., Inc. v. FPSC, 518 So. 2d 326, 327 (Fla. 1st DCA 1987), rev. den., 529 So. 2d 694 (Fla. 1988)

granted in prior index applications.²³ Utilizing Sunshine Utilities' approved price indices from 1990 through 2009, and taking into account the actual increase in the total number of customers of the Utility since its 1990 rate case, we calculate an increase of \$208,088 (\$28,749+\$179,339). In Sunshine Utilities' 1990 rate case, we approved \$218,749 for total salaries and wages expense. Accounting for the approved price indices and growth allowance results in a total of \$426,837. Therefore, we find the Utility's requested \$374,294 for total salaries and wages expense is reasonable.

Specifically regarding Salaries and Wages – Officers expense, however, we find that some adjustments are necessary. Audit Finding No. 7 stated that the officers do not materially participate in the everyday management of the Utility. In response, the Utility stated that James H. Hodges, Sr., functioned in the role of president for many years. The Utility asserted that, over the past few years, the full duties and responsibilities of operating the Utility were gradually transferred to the two sons, James H. Hodges, Jr., and Dewaine W. Christmas. The Utility stated that despite increasing duties and responsibilities, the sons remain in the titles and compensation levels of Secretary and Treasurer.

Moreover, the Utility stated that shortly after the passing of James H. Hodges Sr. in December 2011, a corporate meeting was held resulting in a vote to officially recognize James H. Hodges, Jr. and Dewaine W. Christmas as President and Vice President, and promoted two long-term employees to the newly vacant Secretary and Treasurer positions, effective June 1, 2012. As a result, the Utility requested an increase of \$52,400, or 22.05 percent, in addition to the requested MFR amounts. We find this incremental increase to be an excessive and unsupported increase considering the duties of each officer position have not changed substantially since the test year, nor do we anticipate substantial changes on a prospective basis. However, we find some level of increase is appropriate, and find that a 3.62 percent increase, based on the 2011 and 2012 price indices, is more reasonable.²⁴ Therefore, Salaries and Wages – Officers expense shall be increased by \$8,597. Accordingly, using the historical ratio of benefits to salaries, we have increased the Utility's 2010 benefits by \$1,133. Further, a corresponding adjustment shall be made to increase payroll taxes by \$658. The specific adjustments to each system are set forth in Table 11 below.

²³ See Order Nos. PSC-96-1133-FOF-SU, issued September 10, 1996, in Docket No. 950387-SU, In re: Application for a rate increase for North Ft. Myers Division in Lee County by Florida Cities Water Company - Lee County Division, p. 27; and 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., at pp. 69-70, and 110.

²⁴ This amount is approximately \$43,946 less than if the Utility were granted the full allowance for previously approved indices and customer growth.

Table 11

<u>Systems</u>	<u>Salary Adjustment</u>	<u>Benefit Adjustment</u>	<u>Payroll Tax Adjustments</u>
Unified Systems	\$7,404	\$968	\$566
Quail Run	216	41	17
Sandy Acres	557	60	43
Ponderosa Pines	<u>420</u>	<u>64</u>	<u>32</u>
Total	<u>\$8,597</u>	<u>\$1,133</u>	<u>\$658</u>

VII. REVENUE REQUIREMENT

In its filing, Sunshine Utilities requested a total annual revenue requirement of \$1,143,683. This requested revenue requirement represents a revenue increase of \$199,850, or 17.47 percent. Consistent with our approved adjustments concerning rate base, cost of capital, and operating income issues, we find increased rates shall be approved designed to generate a water revenue requirement of \$1,051,381. The computation of the revenue requirement is shown on Schedule No. 3-A. The approved water revenue requirements exceed adjusted test year revenues by \$107,548, or 11.39 percent. This pre-repression revenue requirement will allow the Utility the opportunity to recover its expenses and earn an 8.11 percent return on its total investment.

VIII. RATES AND RATE STRUCTURE

A. Billing Determinants

The current rate structure for the Unified Systems and Sandy Acres system is the base facility charge (BFC)/uniform gallonage charge rate structure. Therefore, the Utility bills the customers of these systems based on metered billing data. The test year billing determinants detail for these respective systems is contained on MFR Schedules E-2 and E-14. The current rate structure for the Ponderosa Pines and Quail Run systems is the flat rate structure; therefore, there is no metered data regarding the number of gallons sold for these systems during the test year. However, system-specific data regarding the number of bills rendered by customer class is presented on MFR Schedule E-2.

In the past, in circumstances for which no test year metered customer consumption data is available for a utility, we have utilized MFR volume 1 entitled, "Schedule F-1: Gallons of Water Pumped, Sold and Unaccounted For" to calculate a proxy total consumption figure based on 90 percent of the gallons of water treated at the system's water treatment plant.²⁵ We find it is reasonable to use this same methodology to calculate proxy total consumption figures for both the Ponderosa Pines and Quail Run systems.

²⁵ See Order No. PSC-08-0262-PAA-WS, issued April 28, 2008, in Docket No. 070414-WS, In re: Application for staff-assisted rate increase in Polk County by Hidden Cove, Ltd.; Order No. PSC-08-0496-PAA-WS, issued August 5, 2008, in Docket No. 070417-WS, In re: Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.

There were no audit adjustments made to test year revenues, and there appears to have been no billing problems during the test year period. Therefore, based on the foregoing discussion, the appropriate number of billing determinants for the test year are shown on Table 12 below:

Table 12

Sunshine Utilities of Central Florida, Inc.
Test Year Ending December 31, 2010
Appropriate Test Year Billing Determinants

<u>System Name</u>	<u>Bills Rendered</u>	<u>Equivalent Residential Connections</u>	<u>(000) Gallons Sold</u>
Unified Systems	37,675	41,654	227,726
Sandy Acres	2,641	2,641	17,005
Ponderosa Pines (1)	2,125	2,125	13,457
Quail Run (1)	1,082	1,082	8,046

(1) Gallons sold based on 90 percent of gallons treated from MFR Schedules F-1 for the respective systems.

Sources: Sunshine Utilities of Central Florida, Inc., Minimum Filing Requirements, Schedules E-2, E-14 and F-1.

B. Subsidy Limits

Subsidization is inherent in any rate structure. Subsidies are created when lower average cost systems are combined with higher average cost systems. It is important that we consider subsidies because Section 367.081(2)(a)1., F.S., states that in setting rates for water systems, “the commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory.”

In the most recent water rate case involving Aqua Utilities Florida, Inc. (Aqua), we found that the appropriate subsidy limit, based on 7,000 gallons of usage per month, was an absolute value of \$12.50.²⁶ This was the figure used in Proposed Agency Action Order No. PSC-11-0256-PAA-WS, issued July 1, 2011. It was not protested and was therefore deemed stipulated.

We do not believe that an absolute value of \$12.50 is an appropriate subsidy limit to use in this case, because it would potentially comprise a significant, unreasonable percentage of a customer’s bill. For example, when considering Sunshine Utilities’ full rate consolidation request, a subsidy of merely \$6.28 paid by the Sandy Acres system would represent greater than 25 percent of the consolidated monthly bill for that system. Therefore, we do not find that an absolute value of \$12.50 is an appropriate subsidy limit to use in this case.

An analysis of Aqua’s Commission-approved water system consolidation, revenue requirements, and subsidies on a relative basis, shows that in no instance did the subsidy for any stand-alone system exceed 21 percent of the Commission-approved consolidated bill for that

²⁶ 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.

system at 7,000 gallons of usage.²⁷ In other words, the mere imposition of rate consolidation did not represent more than 21 percent of any customer's bill at 7,000 gallons of usage. We find this relative approach is reasonable in this case, given the current rate structures and rates of the Sunshine Utilities' four systems in this case.

Ultimately, the determination of the subsidy limit for the respective water systems shall be based on an analysis using our approved revenue requirements for the applicable systems. Based on the foregoing discussion, consistent with our findings in the Aqua case referenced above, we find that the subsidy limit shall represent no more than 21 percent of any rate group's pre-repression bill at 7,000 gallons of usage. The pre-repression bill is based on our approved consolidation, rate structures, revenue requirements and repression adjustments.

C. Rate Structure

The Utility's current water system rate structure for both the Unified Systems and Sandy Acres system is the monthly BFC/uniform gallonage charge rate structure. For the Unified Systems, the monthly BFC prior to filing for a 5/8" x 3/4" meter was \$8.34, with a gallonage charge rate of \$2.04 for each 1,000 gallons used. For the Sandy Acres system, the monthly BFC prior to filing for a 5/8" x 3/4" meter was \$4.69, with a gallonage charge rate of \$1.47 for each 1,000 gallons used. The Utility's Ponderosa Pines and Quail Run systems both currently utilize a flat, nonconsumption-based rate structure. Therefore, detailed test year billing data does not exist for these two systems. The monthly flat rates prior to filing for these two systems were \$15.66 and \$9.50, respectively.

We have a Memorandum of Understanding with the five Water Management Districts (WMD). Guidelines of the five WMDs is to eliminate nonconsumption-based rate structures, and to set the base facility charges such that the charges allow the utilities to recover no more than 40 percent of the revenues to be generated from monthly service.²⁸ We comply with these guidelines whenever possible.²⁹ This 40 percent BFC guideline is consistent with the results of the statewide Water Conservation Initiative's final report, issued in April 2002.³⁰ We have also cooperated with the WMDs regarding requests for conservation rate structures, implementing the inclining-block rate structure as our rate structure of choice.³¹

²⁷ Ibid.

²⁸ See Order No. PSC-02-0593-FOF-WS, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs system in Pasco County by Aloha Utilities, Inc.; and Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties by Utilities, Inc. of Florida.

²⁹ See Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS; Order No. PSC-94-1452-FOF-WU, issued November 28, 1994, in Docket No. 940475-WU, In re: Application for rate increase in Martin County by Hobe Sound Water Company; Order No. PSC-01-0327-PAA-WU, issued January 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.; Order No. PSC-00-2500-PAA-WS, issued December 26, 2000, in Docket No. 000327-WS, In re: Application for staff-assisted rate case in Putnam County by Buffalo Bluff Utilities, Inc.; and Order No. PSC-02-0593-FOF-WS.

³⁰ Id.

³¹ See Order No. PSC-09-0385-FOF-WS; Order No. PSC-03-0647-PAA-WS, issued May 28, 2003, in Docket No. 020407-WS, In re: Application for rate increase in Polk County by Cypress Lakes Utilities, Inc.; Order No. PSC-00-0248-PAA-WU; Order No. PSC-01-0327-PAA-WU; Order No. PSC-02-0593-FOF-WS; and Order No. PSC-03-1440-FOF-WS.

Our staff, using its recommended revenue requirements for the four respective stand-alone systems, evaluated the Utility's request to change its four water systems to a fully consolidated BFC/uniform gallonage charge rate structure. As will be discussed below, we have determined that the appropriate combination of systems is: (1) to combine the Unified Systems and Sandy Acres system into a single, consolidated system; and (2) to combine the Ponderosa Pines and Quail Run system into a single, consolidated system. Therefore, the rate structure discussions will follow below in the same manner.

1. Unified Systems and Sandy Acres system

Detailed consumption data is necessary to implement an inclining-block rate structure. Since this test-year consumption detail does not exist for the Ponderosa Pines and Quail Run systems, the implementation of a more conservation-oriented rate structure such as an inclining-block rate structure must necessarily be restricted to the Unified Systems and Sandy Acres system at this time.

Our staff performed a detailed analysis of the Utility's combined Unified Systems and Sandy Acres billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: (1) allow the Utility to recover its revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; and (3) implement, where appropriate, water conserving rate structures consistent with our goals and practices.

The appropriate threshold for a residential customer's discretionary usage is 5,000 gallons per month. (This figure is derived based on the average number of persons per household, gallons used per day per person, and the number of days per month ($3 \times 50 \times 30 = 4,500$ gallons, rounded up to 5,000 gallons). Based on our staff's analysis of the consolidated residential billing data, the average consumption at 5,000 gallons or less is approximately 2,700 gallons per month, which is not indicative of high overall average consumption. However, the billing data indicates that at monthly consumption greater than 5,000 gallons, the average residential consumption is significantly greater, at approximately 11,000 gallons per month.

Therefore, the residential usage blocks shall be set for monthly usage of: (1) 0-5,000 gallons; (2) 5,001-10,000 gallons; and (3) usage in excess of 10,000 gallons. This rate structure has the effect of: (1) restricting repression being applied to non-discretionary usage below 5,000 gallons in the first block; (2) targeting greater-than-average consumption in the second block; and (3) sending the strongest conservation signals to those customers whose consumption exceeds 10,000 gallons per month in the third block. In addition, the BFC cost recovery shall be set at 40 percent to comply with WMD guidelines. The rate structure for the water system's non-residential class shall remain unchanged. This rate structure has been our choice for non-residential customer classes.³²

³² See Order Nos. PSC-08-0812-PAA-WS, in Docket No. 070695-WS, In re: Application for increase in water and wastewater rates in Martin County by Miles Grant Water and Sewer Company; and PSC-09-0647-PAA-WS, issued September 24, 2009, in Docket No. 080714-WS, In re: Application for staff-assisted rate case in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake Utilities.

2. Ponderosa Pines and Quail Run systems

As mentioned previously, both systems currently utilize a flat, nonconsumption-based rate structure, so detailed test year billing data does not exist for these two systems. Therefore, an inclining-block rate structure cannot be designed. In the alternative, a BFC/uniform gallonage charge rate structure may be designed and implemented. As discussed above and shown on Table 12, in circumstances for which no test year metered consumption data is available for a utility, we have utilized a schedule in MFR volume 1 entitled "Schedule F-1: Gallons of Water Pumped, Sold and Unaccounted For" to calculate a proxy total consumption figure based on 90 percent of the gallons of water pumped at the system's water treatment plant.³³ As also shown on Table 12, we have determined the number of equivalent residential connections for these two systems. Therefore, a BFC/uniform gallonage charge rate structure may be designed and implemented, with the BFC cost recovery being set at 40 percent to comply with WMD guidelines.

3. Summary of Appropriate Rate Structures

Based on the foregoing, the appropriate rate structure for the Utility's Unified Systems and Sandy Acres residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly consumption of: (a) 0-5,000 gallons, (b) 5,001-10,000 gallons, and (c) usage in excess of 10,000 gallons. The usage block rate factors shall be 1.0, 1.093 and 2.186, respectively, with both the multi-residential and general service gallonage charge rate based on the average overall water rate per 1,000 gallons. The appropriate rate structure for the Utility's Ponderosa Pines and Quail Run water customers is a BFC/uniform gallonage charge rate structure. The BFC cost recovery allocation for all four systems shall be set at 40 percent.

D. Rate Consolidation

Using our approved revenue requirements for the four respective stand-alone systems, we evaluated the Utility's request to change its four water systems to a fully consolidated BFC/uniform gallonage charge rate structure. A discussion of the rate consolidations follows.

1. Marion County and Sandy Acres systems

As noted above, detailed consumption data for the test year exists only for the unified Marion County systems and the Sandy Acres system. At monthly consumption greater than 5,000 gallons, the average consumption for these systems is approximately 11,000 gallons per month. Therefore, we find these systems shall be consolidated in order to implement an inclining-block rate structure.

³³ See Order No. PSC-08-0262-PAA-WS, issued April 28, 2008, in Docket No. 070414-WS, In re: Application for staff-assisted rate increase in Polk County by Hidden Cove, Ltd.; Order No. PSC-08-0496-PAA-WS, issued August 5, 2008, in Docket No. 070417-WS, In re: Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.

2. Ponderosa Pines and Quail Run systems

As also noted above, these two systems currently utilize a flat, nonconsumption-based rate structure, and in such cases, we utilize MFR Schedule F-1 to calculate a proxy total consumption figure based on 90 percent of the gallons of water treated at the system's water treatment plant.³⁴ We believe it is reasonable to use this same methodology to calculate proxy total consumption figures for both the Ponderosa Pines and Quail Run systems in order to design a BFC/uniform gallonage charge rate structure.

Based on the foregoing, we find that it is appropriate to combine: (1) the Unified Systems and the Sandy Acres system into a single, consolidated system; and (2) the Ponderosa Pines and Quail Run systems into a single, consolidated system.

E. Repression Adjustments

We do not apply repression adjustments to nondiscretionary consumption.³⁵ Applying repression to only discretionary usage results in usage block rate factors for the Unified Systems/Sandy Acres consolidated system of 1.0, 1.093 and 2.186 for usage blocks one through three, respectively.

As regards the Ponderosa Pines/Quail Run consolidated system, we have found that where we have changed a utility's rate structure from a flat rate structure to a BFC/gallonage charge rate structure, consumption reductions have ranged from 44 percent to greater than 60 percent. Therefore, we find that applying a price elasticity adjustment of -0.5 to the Ponderosa Pines/Quail Run system is both conservative and fair.³⁶

Based on the approved billing determinants, revenue requirements, rate structures, and consolidations for the respective water systems, the repression adjustments are shown on Table 13 below.

³⁴ See Order No. PSC-08-0262-PAA-WS, issued April 28, 2008, in Docket No. 070414-WS, In re: Application for staff-assisted rate increase in Polk County by Hidden Cove, Ltd.; Order No. PSC-08-0496-PAA-WS, issued August 5, 2008, in Docket No. 070417-WS, In re: Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.

³⁵ See Order No. PSC-03-1140-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida; Order No. PSC-10-0117-PAA-WU, issued February 26, 2010, in Docket No. 080695-WU, In re: Application for general rate increase by Peoples Water Service Company of Florida, Inc.; Order No. PSC-11-0385-PAA-WS, issued September 13, 2011, in Docket No. 100127-WS, In re: Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.

³⁶ See Order No. PSC-03-0008-PAA-WU, issued January 2, 2003, in Docket No. 020406-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

Table 13

Repression Adjustments Based on Approved
 Water System Consolidation Methodology

<u>System Name</u>	<u>Unified Systems/Sandy Acres Consolidation</u>	<u>Ponderosa Pines/Quail Run Consolidation</u>
1,000 Gallons Repressed	(5,377)	(3,295)
Expense Adjustments:		
Purchased Power	(\$1,464)	(\$767)
Chemicals	(\$439)	(\$92)
Regulatory Assessment Fees	(\$86)	(\$39)
Total	(\$1,988)	(\$898)

F. Appropriate Rates

The appropriate pre-repression revenue requirement, excluding miscellaneous service charges, is \$927,673 for the Unified Systems/Sandy Acres consolidated system. As discussed above, the appropriate rate structure for the residential class is a three-tier inclining block rate structure, with usage blocks for monthly consumption of: a) 0-5,000 gallons; b) 5,001-10,000 gallons; and 3) all usage in excess of 10,000 gallons. The usage block rate factors are 1.0, 1.093 and 2.186, respectively.

The appropriate pre-repression revenue requirement, excluding miscellaneous service charges, is \$74,513 for the Ponderosa Pines/Quail Run consolidated system. The appropriate rate structure for the Ponderosa Pines/Quail Run systems, as well as all non-residential classes in this rate case, is the traditional BFC/uniform gallonage charge rate structure. As discussed above, a repression adjustment is appropriate for both the Unified Systems/Sandy Acres and Ponderosa Pines/Quail Run consolidated water systems. The BFC cost recovery percentage for all systems is 40 percent. Applying these criteria to the approved pre-repression revenue requirements result in the final rates contained on Schedule 4 for the respective systems. These rates are designed to recover post-repression revenue requirements of \$925,685 for the Unified Systems/Sandy Acres consolidated system, and \$73,615 for the Ponderosa Pines/Quail Run consolidated system.

The Utility shall file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water systems. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than ten days after the date of the notice.

G. Miscellaneous Service Charges

The Utility's current and requested charges are shown on Table 14 below.

Table 14

Sunshine Utilities of Central Florida, Inc.
Test Year Ending December 31, 2010
Requested Miscellaneous Service Charges

<u>Type of Charge</u>	<u>Business Hours</u>		<u>After Hours</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
Initial Connection	\$15	\$30	\$15	\$30
Normal Reconnection	\$15	\$30	\$15	\$30
Violation Reconnection	\$15	\$30	\$20	\$60
Premises Visit	\$10	\$20	N/A	\$30
Late Fee	\$2	\$5	N/A	N/A
Meter Deposit				
5/8" x 3/4"	\$20	\$30	N/A	N/A
1"	\$25	\$30	--	N/A
1 1/4"	--	\$30	--	N/A
1 1/2"	\$25	\$30	N/A	N/A
2" and greater	Actual cost	Actual cost	N/A	N/A
Customer Deposits				
5/8" x 3/4"	\$40	\$50	N/A	N/A
1"	--	\$50	--	N/A
1 1/4"	--	\$50	--	N/A
1 1/2"	--	\$50	--	N/A
2" and greater	--	\$50	--	N/A
Meter Tampering Charge / Illegal Reconnect	--	\$100	--	\$100

Sources: Sunshine Utilities of Central Florida, Inc., Minimum Filing Requirements, Schedules E-5.

Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by this Commission. We have authority to establish, increase, or change a rate or charge. We may also set a nonsufficient funds fee in accordance with Sections 68.065 and 832.08(5), F.S.

1. Miscellaneous Services Charges

Rule 25-30.460, F.A.C., addresses applications for miscellaneous service charges. Pursuant to this rule, all water and wastewater utilities may apply for these charges, and the charges shall be included in each company's tariffs and shall include rates for initial connections, normal reconnections, violation reconnections, and premise visit charges. Pursuant to this rule, the aforementioned charges are allowed to be levied by utilities.

Rule 25-30.460, F.A.C., also allows a utility to request an additional charge ("after hours charge") for overtime when the customer requests that service be performed after normal hours. The after hours charge(s) may be the same rate as the charge during normal working hours;

however, if the utility seeks a charge other than the normal working hours charge, the utility must file cost support. Section 367.091(6), F.S., authorizes the utility to file an application to establish, increase, or change a rate or charge other than monthly rates or service availability charges, which also must be accompanied by cost support.

Subsequent to its filing, the Utility contacted our staff to request that its revised miscellaneous service charges and fees be consistent with similar, recently-approved charges by this Commission.³⁷ The costs of the Utility appear to be typical of other utilities. Therefore, the miscellaneous service charges of \$21 for normal hours and \$42 for after hours shall be approved. These charges are consistent with our decisions in several recent rate cases.³⁸

2. Late (Delinquent) Payment Charge

In Order No. PSC-01-0998-TRF-WU, we found that the goal of allowing late fees to be charged by a utility is twofold: (1) it encourages current and future customers to pay their bills on time; and (2) if payment is not made on time, it ensures that the cost associated with the late payments is not passed on to the customers who do pay on time.³⁹ Allowing a late fee encourages prompt payment by current and future customers. Therefore, a late payment fee is appropriate. A late payment fee of \$5 is consistent with our prior practice and Orders.⁴⁰

3. Meter Test Deposits

As shown in Table 14, the Utility has requested an increase in these deposits. No such deposit is required by our rules.⁴¹ Our standard meter test deposit charges are: (1) \$20 for a 5/8" x 3/4" meter, (2) \$25 for 1" to 1 1/2" meters, and (3) actual cost for meter sizes of 2" or greater.⁴² These charges shall be approved for the Utility.

4. Customer Deposits

The purpose of initial customer deposits is to establish credit with the utility. Rule 25-30.311(1), F.A.C., sets out the criteria for establishment of credit for customers. The criteria include: (a) furnishing a satisfactory guarantor, (b) paying a cash deposit, or (c) furnishing an

³⁷ Sunshine Utilities of Central Florida, Inc., email from Dewaine Christmas to James McRoy dated June 4, 2012.

³⁸ See Order No. PSC-06-0684-PAA-WS, issued August 8, 2006, in Docket No. 050587-WS, In re: Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC; Order No. PSC-07-0130-SC-SU, issued February 15, 2007, in Docket No. 060256-SU, In re: application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.; Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

³⁹ See Order No. PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 010232-WU, In re: Request for approval of tariff filing to add "set rate" late fee to water tariff by Lake Yale Treatment Associates, Inc., in Lake County.

⁴⁰ See Order No. PSC-10-0257-TRF-WU, issued April 26, 2010, in Docket No. 090429-WU, In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC; Order No. PSC-09-0385-FOF-WS; Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

⁴¹ See Order No. PSC-99-0756-FOF-WS, issued April 19, 1999, in Docket No. 980731-WS, In re: Application for certificate to provide water and wastewater service in Charlotte County by Hunter Creek Utilities, LLC.

⁴² Ibid.

irrevocable letter of credit from a bank or a surety bond. Specifically, Rule 25-30.311(1), F.A.C., states:

Each company's tariff shall contain their specific criteria for determining the amount of initial deposit. Each utility may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the customer from complying with the utilities' rules for prompt payment of bills.

Further, Rule 25-30.311, F.A.C., also provides guidelines for collecting, administering, and refunding customer deposits. Pursuant to Rule 25-30.311(5), F.A.C.:

After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the residential customer's deposits . . . , providing the customer has not, in the preceding 12 months, (a) made more than one late payment of a bill (after the expiration of 20 days from the date of mailing or delivery by the utility), (b) paid with check refused by a bank, (c) been disconnected for nonpayment, or at any time, (d) tampered with the meter, or (e) used service in a fraudulent or unauthorized manner.

In addition, the utility is required to pay interest on all customer deposits pursuant to Rule 25-30.311(4), F.A.C.

We have recognized that customer deposits may be required to encourage payment of bills or recovery of past due amounts. Customer deposits are designed to minimize the exposure of bad debt expense for the utility, and ultimately the general body of ratepayers. Historically, we have set customer deposits equal to two month's bills based on average consumption. For the initial deposit, the amount is based on the average consumption per residential customer, calculated on the total residential usage divided by the number of residential bills. Therefore, the deposits are calculated specifically by the customer class.⁴³

Not only is collecting a customer deposit to recover this two-month period of service consistent with our past practice, it is also consistent with one of the fundamental principals of ratemaking, i.e., ensuring that the cost of providing service is recovered from the cost causer. The methodology addressed above for calculating initial customer deposits is also consistent with the methodologies for natural gas utilities pursuant to Rule 25-7.083, F.A.C., and electric utilities pursuant to Rule 25-6.097, F.A.C.⁴⁴

5. Meter Tampering Fee

The Utility has requested the establishment of a meter tampering fee. In prior cases, we have determined that \$50 adequately reflects the typical costs to be incurred in investigating and

⁴³ 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.

⁴⁴ Ibid.

resolving situations of meter tampering. However, the fee is appropriate only where an investigation reveals evidence of meter tampering.⁴⁵

Therefore, based on the foregoing, the appropriate miscellaneous service charges, fees and deposits are contained in Table 15 below.

Table 15
Sunshine Utilities of Central Florida, Inc.
Test Year Ending December 31, 2010
Approved Miscellaneous Service Charges

<u>Type of Charge</u>	<u>Business Hours</u>	<u>After Hours</u>
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	\$21	\$42
Premises Visit	\$21	\$42
Late Fee	\$5	N/A
Meter Test Deposit		
5/8" x 3/4"	\$20	N/A
1"	\$25	N/A
1 1/4"	\$25	N/A
1 1/2"	\$25	N/A
2" and greater	Actual cost	N/A
Customer Deposits		
5/8" x 3/4"	2 x (avg of 2 months' bill)	N/A
1"	2 x (avg of 2 months' bill)	N/A
1 1/4"	2 x (avg of 2 months' bill)	N/A
1 1/2"	2 x (avg of 2 months' bill)	N/A
2" and greater	2 x (avg of 2 months' bill)	N/A
Meter Tampering Charge / Illegal Reconnect	\$50	\$50

Sources: Sunshine Utilities of Central Florida, Inc., Minimum Filing Requirements, Schedules E-5.

The Utility shall file revised water tariff sheets that include provisions for the approved charges, fees and deposits contained in the table above. Our staff shall approve these tariff sheets upon verification they are consistent with our decisions. The revised tariff sheets shall become effective on or after the stamped approval date on the revised tariff sheet, if no protest is filed and once the proposed customer notice has been approved by our staff as adequate, and the customers have received the approved notice. The notice may be combined with the notice for the approved service rates.

IX. INTERIM REFUND

By Order No. PSC-11-0358-PCO-WU, we approved interim water rates subject to refund, pursuant to Section 367.082, F.S. In this proceeding, the test period for establishment of

⁴⁵ See Order No. PSC-10-0257-TRF-WU, issued April 26, 2010, in Docket No. 090429-WU, In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.

interim rates was the historical simple average period ended December 31, 2010. The approved interim rates did not include any provisions for pro forma operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the floor of the last authorized range for return on equity.

Consistent with Section 367.082(4), F.S., any refund must be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period that interim rates are in effect shall be removed. To establish the proper refund amount, we calculated a revised revenue requirement for the interim period using the same data used to establish final rates. Rate case expense was excluded because it was not an actual expense during the interim collection period. Applying the requirements of the interim statute, we find that interim refunds are required for only the stand-alone system of Sandy Acres because the calculated interim period revenue requirement was less than the interim revenue requirement approved in Order No. PSC-11-0358-PCO-WU. Our calculations for interim refunds are shown in Table 16 below.

Table 16

Interim Refund Calculations						
	RAF	Interim	Interim			
	Recom.	Grossed	Period	Rev. Req.	Interim	
System	Rev. Req.	RCE	Rev. Req.	Per Order	Excess	Refund %
Unified Systems	\$919,916	(\$11,137)	\$908,779	\$899,204	(\$9,575)	No Refund
Quail Run	27,243	(325)	26,918	26,581	(337)	No Refund
Sandy Acres	53,704	(838)	52,866	56,318	3,452	5.69%
Ponderosa Pines	50,518	(632)	49,886	44,993	(4,893)	No Refund
TOTAL	\$1,051,382	(\$12,932)	\$1,038,450	\$1,027,096	(\$11,354)	

X. FOUR-YEAR RATE REDUCTION

Section 367.0816, F.S., requires rates to be reduced immediately following the expiration of the four-year amortization period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return included in working capital, and the gross-up for regulatory assessment fees, which is \$12,096 collectively for the Unified and Sandy Acres systems, and \$957 collectively for the Quail Run and Ponderosa Pines systems. The decreased revenue will result in the rate reductions shown on Schedule No. 4.

The Utility shall file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

XI. PROOF OF ADJUSTMENTS

To ensure that the Utility adjusts its books in accordance with our decisions, Sunshine Utilities shall provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sunshine Utilities of Central Florida, Inc.'s application for increased water rates and charges is granted in part and denied in part as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated herein by reference. It is further

ORDERED that Sunshine Utilities shall file revised tariff sheets and the proposed customer notices to reflect the approved rates as shown on Schedule No. 4. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. It is further

ORDERED that the Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice. It is further

ORDERED that Sunshine Utilities shall file revised tariff sheets and the proposed customer notices to reflect the approved Miscellaneous Service Charges, Late Fees, Meter Test Deposits, Customer Deposits, and Meter Tampering Fee as set forth in the body of this Order. In addition, the approved charges and fees shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. It is further

ORDERED that the Utility shall provide proof of the date notice for the Miscellaneous Service Charges, Late Fees, Meter Test Deposits, Customer Deposits, and Meter Tampering Fee was given no less than 10 days after the date of the notice. It is further

ORDERED that the approved rates, charges, fees and deposits shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notices are adequate. It is further

ORDERED that Sunshine Utilities may combine these notices with other notices required in this Order. It is further

ORDERED that Sunshine Utilities shall make refunds as set out in the body of this Order. It is further

ORDERED that the refunds shall be made with interest in accordance with Rule 25-30.360(4), F.A.C. It is further

ORDERED that the Utility shall submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. It is further

ORDERED that the Utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C., and the escrow account shall be released upon our staff's verification that the required refunds have been made. It is further

ORDERED that the rates shall be reduced at the end of the four-year rate case expense amortization period to remove rate case expense grossed-up for RAFs and amortized over a four-year period as set forth in the body of this Order and Schedule No. 4. It is further

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. It is further

ORDERED that the Utility shall file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reduction. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that the rates shall not be implemented until our staff has approved the proposed customer notice. It is further

ORDERED that the Utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that if the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in rates due to the amortized rate case expense. It is further

ORDERED that the Utility shall provide proof within 90 days of the final order issued in this docket that the appropriate adjustments for all the applicable NARUC USOA primary accounts have been made. It is further

ORDERED that, except for reducing rates at the end of the four-year amortization period, and requiring books to be kept in accordance with the NARUC USOA which are final agency action, all other provisions of this Order are issued as proposed agency action and shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action (PAA) files a protest within 21 days of the issuance of this PAA Order, a Consummating Order will be issued. It is further

ORDERED that this docket shall remain open to allow our staff to address the Utility's request for uniform service availability charges in a recommendation to be filed for the July 17, 2012 Commission Agenda Conference.

By ORDER of the Florida Public Service Commission this 10th day of July, 2012.



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

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

RRJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, except for the statutory four-year rate reduction and the requirement to adjust its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with our proposed adjustments, which are final agency action, all other action is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 31, 2012. If such a petition is filed, mediation may be available on a

case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Sunshine Utilities of Central Florida, Inc. Capital Structure-Simple Average Test Year Ended 12/31/10						Schedule No. 1 Docket No. 100048-WU			
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
2 Short-term Debt	52,692	0	52,692	74,750	127,442	32.25%	5.83%	1.88%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	220,289	0	220,289	1,983	222,272	56.25%	10.85%	6.10%	
5 Customer Deposits	47,654	0	47,654	(2,234)	45,420	11.49%	6.00%	0.69%	
6 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
7 Total Capital	<u>\$320,635</u>	<u>\$0</u>	<u>\$320,635</u>	<u>\$74,499</u>	<u>\$395,134</u>	<u>100.00%</u>		<u>8.67%</u>	
Per Commission									
8 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
9 Short-term Debt	52,692	0	52,692	(1,055)	51,637	16.38%	5.83%	0.96%	
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Common Equity	220,289	0	220,289	(4,412)	215,877	68.50%	9.13%	6.25%	
12 Customer Deposits	47,654	0	47,654	0	47,654	15.12%	6.00%	0.91%	
13 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
14 Total Capital	<u>\$320,635</u>	<u>\$0</u>	<u>\$320,635</u>	<u>(\$5,467)</u>	<u>\$315,168</u>	<u>100.00%</u>		<u>8.11%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>8.13%</u>	<u>10.13%</u>		
OVERALL RATE OF RETURN						<u>7.43%</u>	<u>8.80%</u>		

Sunshine Utilities of Central Florida, Inc. - Unified Systems				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$2,614,646	\$0	\$2,614,646	\$0	\$2,614,646
2 Land and Land Rights	70,737	0	70,737	(250)	70,487
3 Non-used and Useful Components	0	(71,286)	(71,286)	16,325	(54,961)
4 Accumulated Depreciation	(1,799,429)	0	(1,799,429)	0	(1,799,429)
5 CIAC	(1,753,895)	0	(1,753,895)	(24,738)	(1,778,633)
6 Amortization of CIAC	1,042,459	0	1,042,459	6,343	1,048,802
7 Construction Work in Progress	67	0	67	0	67
8 Advances for Construction	(85,357)	85,357	0	0	0
9 Working Capital Allowance	<u>93,215</u>	<u>(332)</u>	<u>92,883</u>	<u>1,831</u>	<u>94,714</u>
10 Rate Base	<u>\$182,443</u>	<u>\$13,739</u>	<u>\$196,182</u>	<u>(\$489)</u>	<u>\$195,693</u>

Sunshine Utilities of Central Florida, Inc. - Unified Systems		Schedule No. 2-B
Adjustments to Rate Base		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation		Water
<u>Land</u>		
Audit adjustments agreed to by Utility.		<u>(\$250)</u>
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment.		<u>\$16,325</u>
<u>CIAC</u>		
Audit adjustments agreed to by Utility.		<u>(\$24,738)</u>
<u>Accumulated Amortization of CIAC</u>		
Audit adjustments agreed to by Utility.		<u>\$6,343</u>
<u>Working Capital</u>		
Reflect the appropriate working capital allowance.		<u>\$1,831</u>

Sunshine Utilities of Central Florida, Inc. - Unified Systems						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjust- Ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$859,176</u>	<u>\$139,923</u>	<u>\$999,099</u>	<u>(\$147,200)</u>	<u>\$851,899</u>	<u>\$68,017</u> 7.98%	<u>\$919,916</u>
Operating Expenses							
2 Operation & Maintenance	\$745,722	\$9,210	\$754,932	\$2,783	\$757,715		\$757,715
3 Depreciation	67,166	(7,726)	59,440	4,183	63,623		63,623
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	80,396	6,314	86,710	(7,069)	79,641	3,061	82,702
6 Income Taxes	0	0	0	0	0	0	0
7 Total Operating Expense	<u>893,284</u>	<u>7,798</u>	<u>901,082</u>	<u>(103)</u>	<u>900,979</u>	<u>3,061</u>	<u>904,040</u>
8 Operating Income	<u>(\$34,108)</u>	<u>\$132,125</u>	<u>\$98,017</u>	<u>(\$147,097)</u>	<u>(\$49,080)</u>	<u>\$64,956</u>	<u>\$15,876</u>
9 Rate Base	<u>\$182,443</u>		<u>\$196,182</u>		<u>\$195,693</u>		<u>\$195,693</u>
10 Rate of Return	<u>-18.70%</u>		<u>49.96%</u>		<u>-25.08%</u>		<u>8.11%</u>

Sunshine Utilities of Central Florida, Inc. - Unified Systems		Schedule No. 3-B
Adjustment to Operating Income		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation		Water
<u>Operating Revenues</u>		
Remove requested final revenue increase.		<u>(\$147,200)</u>
<u>Operation and Maintenance Expense</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)		(\$4,354)
2 Remove Pro Forma Index Adjustment. (Issue 8)		(8,746)
3 To reflect the appropriate rate case expense. (Issue 9)		7,511
4 To reflect appropriate officer salaries and benefits. (Issue 11)		<u>8,372</u>
Total		<u>\$2,783</u>
<u>Depreciation Expense – Net</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)		(\$793)
2 Reflect appropriate non-U&U depreciation expense. (Issue 3)		<u>4,976</u>
Total		<u>\$4,183</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.		(\$6,624)
2 Reflect appropriate non-U&U property taxes. (Issue 3)		(1,011)
3 To reflect appropriate payroll tax for officer salaries. (Issue 11)		<u>566</u>
Total		<u>(\$7,069)</u>

Sunshine Utilities of Central Florida, Inc. - Unified Systems					Schedule No. 4
Water Monthly Service Rates					Docket No. 100048-WU
Test Year Ended 12/31/10					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final	Four-year Rate Reduction
<u>General Service, Residential Service, Multi-Family</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$8.34	\$8.83	\$10.00	\$8.36	\$0.10
3/4"	\$0.00	\$0.00	\$0.00	\$12.54	\$0.16
1"	\$20.82	\$22.04	\$24.00	\$20.90	\$0.26
1-1/4"	\$31.23	\$33.06	\$36.00	\$31.35	\$0.39
1-1/2"	\$41.65	\$44.09	\$50.00	\$41.80	\$0.52
2"	\$66.63	\$70.53	\$76.00	\$66.88	\$0.83
3"	\$133.47	\$141.28	\$152.16	\$133.76	\$1.66
4"	\$208.22	\$220.40	\$237.37	\$209.00	\$2.60
6"	\$416.47	\$440.83	\$474.78	\$418.00	\$5.19
8"	\$0.00	\$0.00	\$0.00	\$752.40	\$9.35
10"	\$0.00	\$0.00	\$0.00	\$1,212.20	\$15.06
 <u>RS Gallonage Charges</u>					
0-5,000	\$2.04	\$2.16	\$2.40	\$1.94	\$0.02
5,001-10,000	\$2.04	\$2.16	\$2.40	\$2.12	\$0.03
Over 10,000	\$2.04	\$2.16	\$2.40	\$4.24	\$0.05
 <u>GS & MR Gallonage Charges</u>					
Gallonage Charge, per 1,000 Gallons	\$2.04	\$2.16	\$2.40	\$2.32	\$0.03
 <u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$14.46	\$15.31	\$17.20	\$14.18	\$0.18
5,000 Gallons	\$18.54	\$19.62	\$22.00	\$18.06	\$0.22
10,000 Gallons	\$28.74	\$30.42	\$34.00	\$28.66	\$0.36

Sunshine Utilities of Central Florida, Inc. - Quail Run				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$49,953	\$0	\$49,953	\$0	\$49,953
2 Land and Land Rights	0	0	0	0	0
3 Non-used and Useful Components	0	(621)	(621)	0	(621)
4 Accumulated Depreciation	(20,710)	0	(20,710)	(20,479)	(41,189)
5 CIAC	(24,738)	0	(24,738)	24,738	0
6 Amortization of CIAC	6,739	0	6,739	(6,343)	396
7 Acquisition Adjustment	(19,685)	19,685	0	0	0
8 Accum. Amort. Of Acq. Adjustment	3,445	(3,445)	0	0	0
9 Working Capital Allowance	<u>2,787</u>	<u>0</u>	<u>2,787</u>	<u>48</u>	<u>2,835</u>
10 Rate Base	<u>(\$2,209)</u>	<u>\$15,619</u>	<u>\$13,410</u>	<u>(\$2,036)</u>	<u>\$11,374</u>

Sunshine Utilities of Central Florida, Inc. - Quail Run		Schedule No. 2-B
Adjustments to Rate Base		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation		Water
<u>Accumulated Depreciation</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>(\$20,479)</u>
<u>CIAC</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>\$24,738</u>
<u>Accumulated Amortization of CIAC</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>(\$6,343)</u>
<u>Working Capital</u>		
Reflect the appropriate working capital allowance. (Issue 4)		<u>\$48</u>

Sunshine Utilities of Central Florida, Inc. - Quail Run						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$14,892</u>	<u>\$17,260</u>	<u>\$32,152</u>	<u>(\$17,260)</u>	<u>\$14,892</u>	<u>\$12,351</u> 82.94%	<u>\$27,243</u>
Operating Expenses							
2 Operation & Maintenance	22,293	\$3,354	25,647	(\$2,964)	22,683		22,683
3 Depreciation	1,134	(18)	1,116	0	1,116		1,116
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	1,949	777	2,726	(760)	1,966	556	2,522
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>25,376</u>	<u>4,113</u>	<u>29,489</u>	<u>(3,724)</u>	<u>25,765</u>	<u>556</u>	<u>26,321</u>
8 Operating Income	<u>(\$10,484)</u>	<u>\$13,147</u>	<u>\$2,663</u>	<u>(\$13,536)</u>	<u>(\$10,873)</u>	<u>\$11,796</u>	<u>\$923</u>
9 Rate Base	<u>(\$2,209)</u>		<u>\$13,410</u>		<u>\$11,374</u>		<u>\$11,374</u>
10 Rate of Return	<u>-474.60%</u>		<u>19.86%</u>		<u>-95.59%</u>		<u>8.11%</u>

Sunshine Utilities of Central Florida, Inc. - Quail Run		Schedule No. 3-B
Adjustment to Operating Income		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation		Water
<u>Operating Revenues</u>		
Remove requested final revenue increase.		<u>(\$17,260)</u>
<u>Operation and Maintenance Expense</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)		(\$177)
2 Remove Pro Forma Index Adjustment. (Issue 8)		(229)
3 To reflect the appropriate rate case expense. (Issue 9)		(2,815)
4 To reflect appropriate officer salaries and benefits. (Issue 11)		<u>257</u>
Total		<u>(\$2,964)</u>
<u>Depreciation Expense - Net</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>\$793</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.		(\$777)
2 To reflect appropriate payroll tax for officer salaries. (Issue 11)		<u>17</u>
Total		<u>(\$760)</u>

Sunshine Utilities of Central Florida, Inc. - Quail Run				Schedule No. 4	
Water Monthly Service Rates				Docket No. 100048-WU	
Test Year Ended 12/31/10					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final	4-year Rate Reduction
<u>General Service, Residential, Multi-Family</u>					
Unmetered Flat Rate	\$9.50	\$17.66	\$0.00	\$0.00	\$0.00
<u>General Service, Residential, Multi-Family</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$0.00	\$0.00	\$10.00	\$9.18	\$0.11
3/4"	\$0.00	\$0.00	\$0.00	\$13.77	\$0.17
1"	\$0.00	\$0.00	\$24.00	\$22.95	\$0.28
1-1/4"	\$0.00	\$0.00	\$36.00	\$34.88	\$0.43
1-1/2"	\$0.00	\$0.00	\$50.00	\$45.90	\$0.56
2"	\$0.00	\$0.00	\$76.00	\$73.44	\$0.90
3"	\$0.00	\$0.00	\$152.16	\$146.88	\$1.81
4"	\$0.00	\$0.00	\$237.37	\$229.50	\$2.82
6"	\$0.00	\$0.00	\$474.78	\$459.00	\$5.65
8"	\$0.00	\$0.00	\$0.00	\$826.20	\$10.17
10"	\$0.00	\$0.00	\$0.00	\$1,331.10	\$16.38
<u>Gallonge Charge, per 1,000 Gallons</u>					
GS/RS/MRS-Gallonge Charge	\$0.00	\$0.00	\$2.40	\$2.43	\$0.03
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$9.50	\$17.66	\$17.20	\$16.47	\$0.20
5,000 Gallons	\$9.50	\$17.66	\$22.00	\$21.33	\$0.26
10,000 Gallons	\$9.50	\$17.66	\$34.00	\$33.48	\$0.41

Sunshine Utilities of Central Florida, Inc. - Sandy Acres				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Commission Adjustments	Commission Adjusted Test Year
1 Plant in Service	\$78,802	\$0	\$78,802	\$37,144	\$115,946
2 Land and Land Rights	0	0	0	290	290
3 Non-used and Useful Components	0	(2,022)	(2,022)	0	(2,022)
4 Accumulated Depreciation	(15,679)	0	(15,679)	(89,078)	(104,757)
5 CIAC	(54,830)	0	(54,830)	0	(54,830)
6 Amortization of CIAC	53,450	0	53,450	0	53,450
7 Acquisition Adjustment	39,523	(39,523)	0	0	0
8 Accum. Amort. Of Acq. Adjustment	(6,917)	6,917	0	0	0
9 Working Capital Allowance	<u>5,326</u>	<u>0</u>	<u>5,326</u>	<u>145</u>	<u>5,471</u>
10 Rate Base	<u>\$99,675</u>	<u>(\$34,628)</u>	<u>\$65,047</u>	<u>(\$51,499)</u>	<u>\$13,548</u>

Sunshine Utilities of Central Florida, Inc. - Sandy Acres		Schedule No. 2-B
Adjustments to Rate Base		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation		Water
<u>Plant In Service</u>		
Audit adjustments agreed to by Utility. (Issue 2)		\$37,144
<u>Land</u>		
Audit adjustments agreed to by Utility. (Issue 2)		\$290
<u>Accumulated Depreciation</u>		
Audit adjustments agreed to by Utility. (Issue 2)		(\$89,078)
<u>Working Capital</u>		
Reflect the appropriate working capital allowance. (Issue 4)		\$145

Sunshine Utilities of Central Florida, Inc. - Sandy Acres						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$42,165</u>	<u>\$19,080</u>	<u>\$61,245</u>	<u>(\$19,080)</u>	<u>\$42,165</u>	<u>\$11,539</u> 27.37%	<u>\$53,704</u>
Operating Expenses							
2 Operation & Maintenance	\$42,606	\$3,579	\$46,185	(\$2,414)	\$43,771		\$43,771
3 Depreciation	2,684	(57)	2,627	1,068	3,695		3,695
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	4,577	859	5,436	(816)	4,620	519	5,139
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>49,867</u>	<u>4,381</u>	<u>54,248</u>	<u>(2,162)</u>	<u>52,086</u>	<u>519</u>	<u>52,605</u>
8 Operating Income	<u>(\$7,702)</u>	<u>\$14,699</u>	<u>\$6,997</u>	<u>(\$16,918)</u>	<u>(\$9,921)</u>	<u>\$11,020</u>	<u>\$1,099</u>
9 Rate Base	<u>\$99,675</u>		<u>\$65,047</u>		<u>\$13,548</u>		<u>\$13,548</u>
10 Rate of Return	<u>-7.73%</u>		<u>10.76%</u>		<u>-73.23%</u>		<u>8.11%</u>

Sunshine Utilities of Central Florida, Inc. - Sandy Acres Adjustment to Operating Income Test Year Ended 12/31/10	Schedule No. 3-B Docket No. 100048-WU
Explanation	Water
<u>Operating Revenues</u>	
Remove requested final revenue increase.	<u>(\$19,080)</u>
<u>Operation and Maintenance Expense</u>	
1 Audit adjustments agreed to by Utility. (Issue 2)	(\$252)
2 Remove Pro Forma Index Adjustment. (Issue 8)	(454)
3 To reflect the appropriate rate case expense. (Issue 9)	(2,325)
4 To reflect appropriate officer salaries and benefits. (Issue 11)	617
Total	<u>(\$2,414)</u>
<u>Depreciation Expense - Net</u>	
Audit adjustments agreed to by Utility. (Issue 2)	<u>\$1,068</u>
<u>Taxes Other Than Income</u>	
1 RAFs on revenue adjustments above.	(\$859)
2 To reflect appropriate payroll tax for officer salaries. (Issue 11)	43
Total	<u>(\$816)</u>

Sunshine Utilities of Central Florida, Inc. - Sandy Acres				Schedule No. 4	
Water Monthly Service Rates				Docket No. 100048-WU	
Test Year Ended 12/31/10					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final	Four-year Rate Reduction
<u>General Service, Residential Service, Multi-Residential</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$4.69	\$6.45	\$10.00	\$8.36	\$0.10
3/4"	\$0.00	\$0.00	\$0.00	\$12.54	\$0.16
1"	\$11.73	\$16.14	\$24.00	\$20.90	\$0.26
1-1/4"	\$0.00	\$0.00	\$36.00	\$31.35	\$0.39
1-1/2"	\$0.00	\$0.00	\$50.00	\$41.80	\$0.52
2"	\$0.00	\$0.00	\$76.00	\$66.88	\$0.83
3"	\$0.00	\$0.00	\$152.16	\$133.76	\$1.66
4"	\$0.00	\$0.00	\$237.37	\$209.00	\$2.60
6"	\$0.00	\$0.00	\$474.78	\$418.00	\$5.19
8"	\$0.00	\$0.00	\$0.00	\$752.40	\$9.35
10"	\$0.00	\$0.00	\$0.00	\$1,212.20	\$15.06
 <u>RS Gallonage Charges</u>					
0-5,000	\$1.47	\$2.02	\$2.40	\$1.94	\$0.02
5,001-10,000	\$1.47	\$2.02	\$2.40	\$2.12	\$0.03
Over 10,000	\$1.47	\$2.02	\$2.40	\$4.24	\$0.05
 <u>GS & MR Gallonage Charges</u>					
Gallonage Charge, per 1,000 Gallons	\$1.47	\$2.02	\$2.40	\$2.32	\$0.03
 <u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$9.10	\$12.52	\$17.20	\$14.18	\$0.18
5,000 Gallons	\$12.04	\$16.56	\$22.00	\$18.06	\$0.22
10,000 Gallons	\$19.39	\$26.67	\$34.00	\$28.66	\$0.36

Sunshine Utilities of Central Florida, Inc. - Ponderosa Pines				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$70,501	\$0	\$70,501	\$20,851	\$91,352
2 Land and Land Rights	10,000	0	10,000	0	10,000
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(12,226)	0	(12,226)	7,063	(5,163)
5 CIAC	(54,651)	0	(54,651)	40,851	(13,800)
6 Amortization of CIAC	11,447	0	11,447	(3,946)	7,501
7 Acquisition Adjustment	10,000	(10,000)	0	0	0
8 Accum. Amort. Of Acq. Adjustment	(1,750)	1,750	0	0	0
9 Working Capital Allowance	<u>4,635</u>	<u>0</u>	<u>4,635</u>	<u>27</u>	<u>4,662</u>
10 Rate Base	<u>\$37,956</u>	<u>(\$8,250)</u>	<u>\$29,706</u>	<u>\$64,846</u>	<u>\$94,552</u>

Sunshine Utilities of Central Florida, Inc. - Ponderosa Pines		Schedule No. 2-B
Adjustments to Rate Base		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation		Water
<u>Plant In Service</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>\$20,851</u>
<u>Accumulated Depreciation</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>\$7,063</u>
<u>CIAC</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>\$40,851</u>
<u>Accumulated Amortization of CIAC</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>(\$3,946)</u>
<u>Working Capital</u>		
Reflect the appropriate working capital allowance. (Issue 4)		<u>\$27</u>

Sunshine Utilities of Central Florida, Inc. - Ponderosa Pines						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$34,877</u>	<u>\$16,310</u>	<u>\$51,187</u>	<u>(\$16,310)</u>	<u>\$34,877</u>	<u>\$15,641</u> 44.85%	<u>\$50,518</u>
Operating Expenses							
2 Operation & Maintenance	\$37,081	\$3,465	\$40,546	(\$3,248)	\$37,298		\$37,298
3 Depreciation	888	0	888	(70)	818		818
4 Amortization	250	0	250	0	250		250
5 Taxes Other Than Income	3,745	734	4,479	(702)	3,777	704	4,481
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>41,964</u>	<u>4,199</u>	<u>46,163</u>	<u>(4,019)</u>	<u>42,144</u>	<u>704</u>	<u>42,848</u>
8 Operating Income	<u>(\$7,087)</u>	<u>\$12,111</u>	<u>\$5,024</u>	<u>(\$12,291)</u>	<u>(\$7,267)</u>	<u>\$14,937</u>	<u>\$7,671</u>
9 Rate Base	<u>\$37,956</u>		<u>\$29,706</u>		<u>\$94,552</u>		<u>\$94,552</u>
10 Rate of Return	<u>-18.67%</u>		<u>16.91%</u>		<u>-7.69%</u>		<u>8.11%</u>

Sunshine Utilities of Central Florida, Inc. - Ponderosa Pines		Schedule No. 3-B
Adjustment to Operating Income		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation	Water	
<u>Operating Revenues</u>		
Remove requested final revenue increase.		<u>(\$16,310)</u>
<u>Operation and Maintenance Expense</u>		
1 Audit adjustments agreed to by Utility. (Issue 2)		(\$870)
2 Remove Pro Forma Index Adjustment. (Issue 8)		(340)
3 To reflect the appropriate rate case expense. (Issue 9)		(2,521)
4 To reflect appropriate officer salaries and benefits. (Issue 11)		484
Total		<u>(\$3,248)</u>
<u>Depreciation Expense - Net</u>		
Audit adjustments agreed to by Utility. (Issue 2)		<u>(\$70)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.		(\$734)
2 To reflect appropriate payroll tax for officer salaries. (Issue 11)		32
Total		<u>(\$702)</u>

Sunshine Utilities of Central Florida, Inc. - Ponderosa Pines				Schedule No. 4	
Water Monthly Service Rates				Docket No. 100048-WU	
Test Year Ended 12/31/10					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final	Four-year Rate Reduction
<u>General Service, Residential, Multi-Family</u>					
Unmetered Flat Rate	\$15.66	\$20.47	\$0.00	\$0.00	\$0.00
<u>General Service, Residential, Multi-Family</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$0.00	\$0.00	\$10.00	\$9.18	\$0.11
3/4"	\$0.00	\$0.00	\$0.00	\$13.77	\$0.17
1"	\$0.00	\$0.00	\$24.00	\$22.95	\$0.28
1-1/4"	\$0.00	\$0.00	\$36.00	\$34.88	\$0.43
1-1/2"	\$0.00	\$0.00	\$50.00	\$45.90	\$0.56
2"	\$0.00	\$0.00	\$76.00	\$73.44	\$0.90
3"	\$0.00	\$0.00	\$152.16	\$146.88	\$1.81
4"	\$0.00	\$0.00	\$237.37	\$229.50	\$2.82
6"	\$0.00	\$0.00	\$474.78	\$459.00	\$5.65
8"	\$0.00	\$0.00	\$0.00	\$826.20	\$10.17
10"	\$0.00	\$0.00	\$0.00	\$1,331.10	\$16.38
<u>Gallonge Charge, per 1,000 Gallons</u>					
GS/RS/MRS-Gallonge Charge	\$0.00	\$0.00	\$2.40	\$2.43	\$0.03
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$15.66	\$20.47	\$17.20	\$16.47	\$0.20
5,000 Gallons	\$15.66	\$20.47	\$22.00	\$21.33	\$0.26
10,000 Gallons	\$15.66	\$20.47	\$34.00	\$33.48	\$0.41