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DEPOSIT

DATE

D 2 2 1

DEC 23 1999

December 23, 1999

KAREN D. WALKER
850-425-5612

Internet Address:
kwalker@hklaw.com

VIA HAND DELIVERY

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

992015-WLU

Re: In Re: Application for Limited Proceeding to Recover Costs of Water System Improvements In Marion County By Sunshine Utilities of Central Florida, Inc.

Dear Ms. Bayo:

Enclosed for filing on behalf of Sunshine Utilities of Central Florida, Inc. ("Sunshine") are the original and sixteen (16) copies of Sunshine's Application for Limited Proceeding to Recover Costs of Water System Improvements In Marion County. Also enclosed is a check for the filing fee in the amount of \$1,750.

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

Check received with filing and
forwarded to (FPC) for deposit.
File a copy of a copy of check
to file with proof of deposit.

Initials of person who forwarded check:

KDW

KDW:kjg
Enclosure

cc: Pamela Christmas
James Hodges
D. Bruce May

Sincerely,

HOLLAND & KNIGHT LLP



Karen D. Walker

Attach to →
DOCUMENT NUMBER-DATE

15693 DEC 23 99

FPSC-RECORDS/REPORTING

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Director, Division of Records & Reporting
Florida Public Service Commission
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Tallahassee, Florida 32399-0850

992015-1111

Re: In Re: Application for Limited Proceeding to Recover Costs of Water System Improvements In Marion County By Sunshine Utilities of Central Florida, Inc.

Dear Ms. Bayo:

Enclosed for filing on behalf of Sunshine Utilities of Central Florida, Inc. ("Sunshine") are the original and sixteen (16) copies of Sunshine's Application for Limited Proceeding to Recover Costs of Water System Improvements In Marion County. Also enclosed is a check for the filing fee in the amount of \$1,750.

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

SUNSHINE UTILITIES OF CENTRAL FL, INC.
10230 S.E. CTY HWY. 25
BELLEVIEW, FL 34420
PHONE (352) 347-8228

SUN BANK
OF NORTH CENTRAL FLORIDA
OCALA, FL 34478
63-72/631 808

23518

AY \$1,750** DOLLARS AND 0** CENTS

DATE	AMOUNT
12/16/1999	\$1,750.00

REDACTED

SUNSHINE UTILITIES

FLORIDA PUBLIC SERVICE
2540 SHUMARD OAK BLVD
TALLAHASSEE, FL 32399-0850

Camela Christmas
AUTHORIZED SIGNATURE

THE
ORDER
F

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Limited)
Proceeding to Recover Costs of Water)
System Improvements In Marion County)
By Sunshine Utilities of Central Florida,)
Inc.)
_____ /

Docket No. _____

Filed: December 23, 1999

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

Sunshine Utilities of Central Florida, Inc. ("Sunshine" or "Applicant"), by and through undersigned counsel, pursuant to Section 367.0822, Florida Statutes, files this Application with the Florida Public Service Commission (the "Commission") for a limited proceeding to allow Sunshine to recover the capital costs and expenses of necessary improvements to Sunshine's water system. Sunshine respectfully requests that the Commission expedite consideration of this Application using its proposed agency action procedures because the Florida Department of Environmental Protection ("DEP") has conditioned the grant and construction loan that will fund the improvements on the Commission's approval of this Application.

Introduction

1. The name and address of the Applicant is:

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

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

D. Bruce May

DOCUMENT NUMBER-DATE

15693 DEC 23 89

FPSC-RECORDS/REPORTING

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

and

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

3. Through this limited proceeding, Sunshine seeks Commission approval of an increase in its water rates to allow full recovery of the net project costs associated with improvements to consolidate Sunshine's water systems in the Belleview-Lake Weir-Ocklawaha area and to construct a central water system. These improvements are necessary to eliminate contamination of the water supply, improve the level of service, provide adequate flow to meet peak demand, and provide fire flow, while promoting water conservation.

Background

4. Sunshine is a Florida corporation that was established in 1989 to provide water service to residential and commercial customers in Marion County, Florida.

5. Sunshine is a Class B utility that provides water service to approximately 2,758 water customers in Marion County, Florida pursuant to Certificate No. 363W. Wastewater is provided to Sunshine's customers by customer-owned septic tanks.

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

The Proposed System Improvements

7. Sunshine provides potable water service through several separate and distinct water systems in Marion County. Many of these systems are in close proximity to each other and would be less costly to operate and maintain if consolidated. Moreover, consolidation is needed to eliminate contamination of water supply, meet peak demands and provide for fire flow.

8. There are currently five separate water supply and treatment systems serving the Belleview-Lake Weir-Ocklawaha portion of Sunshine's service area: Little Lake Weir, Lakeview Hills, Ocklawaha, Belleview Oaks and Hilltop. DEP has identified private wells in these areas and the Lakeview Hills well as wells that are contaminated with Ethylene Dibromide. The source of the contamination is believed to be a closed landfill maintained by Marion County. The contamination has not been attributed to any action or inaction by Sunshine. Moreover, although it has been identified as an area of concern, the Lakeview Hills well has been determined by DEP to meet the maximum allowable contaminant levels at this time. The consolidation of the systems in the Belleview-Lake Weir-Ocklawaha portion of Sunshine's service area will eliminate contamination problems.

9. Sunshine has designed and is in the process of obtaining permits from DEP and Marion County to consolidate its systems in the Belleview-Lake Weir-Ocklawaha portion of its service area. The proposed system improvements consist of consolidation of the five systems in the Belleview-Lake Weir-Ocklawaha area to form a single system through a network of transmission mains. The existing on-site distribution systems will continue to be utilized. A central water system will also be constructed. The central water system will consist of two new wells, treatment facilities, a 500,000 gallon elevated storage tank, and approximately 13 miles of 6 to 10 inch diameter water mains.

Requested Rate Increase Associated With Proposed System Improvements

10. The total project cost of the proposed improvements to Sunshine's water system is estimated to be \$2,061,000, exclusive of Allowance-For-Funds-Used-During-Construction ("AFUDC")¹ and loan repayment reserve. Sunshine plans to receive a direct grant of approximately \$752,000 from DEP to fund the proposed system improvements in the contaminated areas. This grant has been classified by Sunshine as Contributions In Aid of Construction ("CIAC") in the exhibits attached to this Application. The balance of the estimated total project cost will be funded through a subsidized Drinking Water State Revolving Fund loan in the principal amount of \$1,423,591. This loan has an effective interest rate of 3.63 percent for the 20-year life of the loan.

¹ Sunshine's petition for approval of AFUDC rates is the subject of Docket No. 991693 currently pending before the Commission.

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

12. Through this limited proceeding, Sunshine is requesting to increase its Residential and General Service Base Facility Charges and Gallonage Charges by 22.72 percent to fully recover the net project costs associated with the proposed system improvements, with the increased rates to take effect upon completion of the project. This project will be fully used and useful to Sunshine's existing customers when completed.

13. As described above, the proposed system improvements are in the public interest. The proposed system improvements will eliminate contamination of the Belleview-Lake Weir- Ocklawaha portion of Sunshine's service area. The proposed system improvements will also improve the level of service that Sunshine can provide to its water customers, ensure an adequate flow to meet peak demand, provide for Marion County fire flow requirements, and promote water conservation through system consolidation.

Attachments To Application

14. Attached to this Application as Composite Exhibit "1" are 12 schedules in support of Sunshine's Application. Schedule No. 1 is an Executive Summary describing Sunshine's requested rate increase in this limited proceeding. Schedule

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

15. Attached to this Application as Composite Exhibit "2" is a Water Facilities Plan submitted by Sunshine to DEP which fully describes the proposed system improvements. Composite Exhibit "2" also contains revisions to the Water Facilities Plan requested by DEP. Composite Exhibit "2" was prepared for Sunshine by H.W. Barrineau and Associates, Inc., Sunshine's engineers.

16. Also attached to this Application is a check in the amount of \$1,750 for the filing fee required to be submitted by Sunshine for this limited proceeding pursuant to Rule 25-30.020(g)5., Florida Administrative Code.

WHEREFORE, Sunshine respectfully requests that the Commission:

- (a) address this application for a limited proceeding on an expedited basis using its proposed agency action procedures;
- (b) grant the rate increase requested in this Application; and
- (c) grant such other relief as the Commission deems appropriate.

Respectfully submitted,



D. Bruce May
Florida Bar No. 354473
Karen D. Walker
Florida Bar No. 0982921
HOLLAND & KNIGHT LLP
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Tallahassee, Florida 32302
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