BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate increase in Marion County by SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.	DOCKET NO. 900386-WU ORDER NO. 25722 ISSUED: 2/13/92

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON

APPEARANCES:

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FINAL ORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

I. BACKGROUND

Sunshine Utilities of Central Florida, Inc. (Sunshine, or Utility) is a Class "B" Utility providing service to approximately 2,087 water customers in Marion County, Florida. On October 10, 1990, Sunshine completed minimum filing requirements (MFRs) for an increase in its water rates, so that date became the official date of filing. The approved test year was for the twelve months ended May 31, 1990.

In its MFRs the Utility reported operating revenues of $464,672 and a net operating loss of $92,219. The Utility requested final rates designed to generate annual revenues of $649,235, which exceed annualized test year revenues by $184,563, or 39.72%. By Order No. 23935, issued December 4, 1990, the Commission suspended the Utility's proposed rates and granted an interim increase in water rates, subject to refund.

On May 7, 1991, by proposed agency action (PAA) Order No. 24484 the Commission approved final rates designed to generate $509,703 in annual revenues, an increase of 9.69%, and required a refund of the excess interim rates collected. On May 23, 1991, Sunshine protested Order No. 24484, and requested a formal hearing. On July 25, 1991, the Office of Public Counsel (OPC) filed a notice of intervention in this case. The Commission acknowledged OPC's intervention by Order No. 24862, issued July 29, 1991.

A prehearing conference was held on September 25, 1991, in Tallahassee, Florida. The formal hearing was held in Ocala, Florida, on October 2 and 3, 1991. Having heard the testimony presented at the formal hearing and having reviewed the evidence in the record, as well as the briefs of the parties, we now enter our findings and conclusions.

II. STIPULATIONS

At the prehearing conference, the Utility, OPC, and Commission staff reached numerous proposed stipulations. Upon consideration, we find that these stipulations are reasonable and are, therefore, approved. The stipulations are as follows:

1. Neither the treatment plant nor the distribution system used and useful calculations should include a margin reserve.

2. All accounts for the water treatment plant are 100% used and useful, and the distribution system is 71% used and useful.

3. General plant should be reduced by $6,536 to reflect the shared use of facilities by a related company. Average accumulated depreciation should be reduced by $4,703 and test year depreciation should be reduced by $483.

4. The transportation equipment account should be reduced by $14,036 to properly reflect the retirement of a Utility vehicle. Accumulated depreciation should be reduced by the same amount, and test year depreciation expense should be reduced by $156.

5. The cost of common equity should be established using the Commission leverage formula in effect at the time of the final decision of this case.

6. Purchased power expenses should be reduced by $702 to remove out-of-period non-utility charges.

7. Test year operating expenses should be reduced by $9,670, and that amount should be capitalized as plant-in-service. Accumulated depreciation and test year depreciation expense should be increased by $270.

8. Legal contractual services and regulatory commission expense (other) should be reduced by $5,044 and $2,000, respectively, to reflect a disallowance of charges in connection with territorial dispute.

9. Bad debt expense should be reduced by $4,797 to reflect out-of-period charges and the implementation of customer deposits.

10. In accordance with section 367.0816, Florida Statutes, rate case expense should be amortized over a four-year period, and there should be an appropriate reduction to rates at the end of that period.

III. QUALITY OF SERVICE

Our analysis of overall quality of service provided by the Utility is based upon evidence received regarding the Utility's compliance with the rules of the Department of Environmental Regulation (DER) and other regulatory agencies, the quality of the Utility's water, the operational conditions of the Utility's water plants and customer satisfaction.

Sunshine operates twenty-one water plants that provide water service to twenty service areas within Marion County. Although different in size, location, and age, all of Sunshine's water plants and distribution systems are similar in design. Raw water is pumped from groundwater wells, is chlorinated, sent to a hydropneumatic tank for temporary storage and pressurization, and then released to the distribution system.

Mr. Robert Ansag, a DER witness, testified that the water produced by the Utility meets all state and federal requirements for primary and secondary water quality standards. Mr. Ansag further testified that the Utility maintains the required chlorine residual and 20 pounds per square inch minimum pressure throughout the distribution system. He also testified that there had been no DER enforcement action against the Utility within the past two years.

The record also indicates that the operational condition of the water plants is satisfactory. According to Mr. Ansag, the overall maintenance of the treatment plant and distribution facilities is satisfactory. He further stated that the Utility has adequate auxiliary back-up power and the treatment facilities and distribution system are sufficient to serve the present customers.

Of the customers attending the hearing, sixteen testified regarding the Utility's quality of service. Seven customers complained about the quality of the water provided by the Utility. Two customers testified that there was a strong chlorine smell in the water. Several customers complained that the water contained sediment and sand. Two customers testified that their Utility bills should be based on usage and should not include a base charge. Another customer testified that the water had too much

lime, which required frequent repair of bathroom and kitchen fixtures. Another customer testified that the water smelled like wastewater. Another testified that seventeen of the twenty-one systems were out of compliance with DER testing as of November 2, 1989.

Those customers who testified regarding the Utility's customer relations were generally dissatisfied. According to one customer, the Utility president threatened to "punch his lights out." He also testified that he had been told that the Utility president had threatened to disconnect water service to other customers who displayed yellow ribbons supporting operation Desert Storm.

One person, who is not a customer of the Utility, and who started a Gulf War support organization, testified that the utility president attempted to run her car off the road with his truck. She further testified that she had received phone calls from customers who had been threatened with disconnection of service because they were showing support for Desert Storm. Although no customers who testified were actually threatened with disconnection of service, the type of behavior described by these customers is inappropriate.

The testimony and evidence show that the quality of water provided by the Utility is satisfactory. The Utility is in compliance with all DER regulations concerning water quality and testing. While the Oakhaven system does have a problem with water that has a smell to it, presumably caused by high levels of sulfur from the well, the Utility is not exceeding the maximum contaminant levels required by DER. As stated previously, one customer noted that the Utility was out of compliance with the testing requirements of DER, but DER witness Ansag testified that the Utility is now in compliance with all DER regulations for testing.

Upon consideration of the evidence before us, we find that the overall quality of service provided by Sunshine is satisfactory. We agree with OPC's recommendation that any future reports of the Utility's improper threats of discontinuance of water service may result in a show cause proceeding.

IV. RATE BASE

This Utility's rate base was first established by Order No. 13014, issued February 20, 1984, when Marion County delegated jurisdiction of water and wastewater utilities to the Commission in 1981. In August of 1988, we initiated Docket No. 881030-WU to investigate Sunshine for possible overearnings for the year ended

December 31, 1987. In that docket, we found that staff had made an error in the prior case by not reconciling rate base to the capital structure. This resulted in a $280,753 difference between plant reflected in an original cost study and plant reflected on the Utility's records. By Order No. 22969, issued May 23, 1990, this Commission concluded that the Utility had failed to meet its burden of proving that it had made an investment in the $280,753 difference between plant reflected in the original cost study and plant reflected on Sunshine's records. Consequently, we treated the amount as contributions-in-aid-of-construction (CIAC). The Utility was unable to justify any investment primarily due to the condition of its books and records for that period of time.

On September 13, 1990, the Utility appealed Order No. 22969 to the First District Court of Appeal and, in a unanimous opinion decided on March 29, 1991, the Court affirmed the Commission's decision. The District Court's decision was appealed to the Florida Supreme Court where no decision had yet been rendered at the time of the hearing.

The Utility takes the position in the instant case that the unamortized balance is an acquisition/valuation adjustment which represents the difference between the Commission established original cost rate base and incomplete Utility records and, therefore, cannot be CIAC. In support of its position, Mr. Hodges, the Utility president, testified that when the original cost of the systems was established in Order No. 13014, rate base was reconciled to capital structure and all CIAC was recorded and its owner's tax returns substantiate this investment. He added that the money to build the plants came from several sources, including cash advances from developers. He asserted that these cash advances can be verified by developer agreements. He further testified that the Utility cannot go back seventeen years and prove where it received every dollar for investment. Thus, he believes the Commission will take 45.59% of the Utility's investment, which he contends is tantamount to taking property without just compensation and constitutes a denial of due process and is also unjust, unreasonable and confiscatory.

Utility witness Nixon testified that if this imputed amount was CIAC then the rate base would have only been $18,444 on December 31, 1982. He calculated this figure by taking the net rate base amount per Order No. 13014, and subtracting the imputation. He contends that rate base in December 1982, should have been $338,540 without the CIAC imputations. He calculated this figure by taking $468,527 for costs of projects constructed in 1981-82 and subtracting $9,992 for accumulated depreciation and

$123,307 for CIAC for 1981-1982 and then adding back $3,312 for accumulated amortization of CIAC for 1981-1982.

However, according to testimony by witness Willis, the Utility has failed to add the non-used and useful plant back into the rate base amount of $163,930, thus making the total rate base amount of $475,666. Thus, the rate base would be far greater than $18,444. Moreover, this non-used and useful adjustment is not made on a tax return.

The Utility also argued that the Commission went beyond the generally accepted accounting principles and recognized rate base formula by requiring the Utility to affirmatively prove where every dollar of equity came from and then make a judgment as to whether the source is appropriate. Witness Nixon stated that such a determination has not been part of the regulatory process.

However, it is this Commission's view that the Utility does not have to prove the source of its capital, but it must prove whether it is equity or debt. Moreover, when there is a difference between the capital structure and rate base, it this Commission's practice to deem it to be CIAC, because it is not clear whether it is equity or debt.

Nor do we agree with the Utility's argument that because Hodges' tax returns for the years 1975-1983 show investment in net depreciable assets of $269,379 on December 31, 1982, this demonstrates a much higher tax basis than is proposed by staff and that Mr. Hodges had a substantial investment in the Utility at the time. Utility witness Nixon also contended that $16,400 of land should be added back to rate base, resulting in a total Utility investment tax basis of $285,779. Thus, he believes CIAC must have been deducted from tax basis.

However, we believe that these tax returns for 1975 to 1983 did not reflect the fact that CIAC was ever deducted and that the Utility failed to present the underlying support data to prove that CIAC was netted.

Mr. Nixon agreed on cross-examination that it would be appropriate to review the tax returns of the previous owners to see if any of the assets of the purchased systems had been written off. He also testified that he could not provide any documents to prove that the plant additions listed on the tax returns were net of CIAC. We believe since the Utility has not proven CIAC or equity, that it could not be assumed that debt had been proven and the rest was equity.

The Utility further argues that it is faced with an impossible burden to prove the non-existence of a fact and to further prove that the disputed amount is not CIAC. However, Section 367.081, Florida Statutes, requires a Utility to prove its investment in plant. The Utility has attempted to prove investment by eliminating all other possible sources of capital. The Utility, not the Commission or its staff, has elected this approach which we believe is fundamentally flawed. None of the information provided by the Utility has persuaded us to find that the Utility has met its burden of proof to establish that it has investment in the $280,753. Not only has the Utility failed to prove investment, but it also has failed to prove the facts necessary to support its own theory. It has produced invoices and checks that it believes will demonstrate investment in plant. However, these checks and invoices only prove the original value of plant and the Utility continues to be unable to prove where it received the funds to write the checks to pay for the invoices. Therefore, we find it appropriate to increase CIAC by $280,753, increase accumulated amortization of CIAC by $49,279 and decrease test year amortization of CIAC expense by $7,019.

A. Plant-in-Service

1. Plant Constructed from 1988 to the Test Year

The record indicates that over $422,175 of plant constructed between 1988 and May of 1990 was attributable to materials and labor provided by Water Utilities, Inc. (WUI). WUI is a construction company owned by Sunshine's owner. We find it appropriate, in general, to give close scrutiny to transactions between affiliated companies. WUI does not record any officer salaries, rents, interest expense, employee benefits or any other miscellaneous expenses. WUI provides service only to Sunshine; it uses Sunshine's employees to construct the water plant. Included in the $422,175 total is $206,790 of profit and mark-up. The profit and mark-up represent what is paid directly to WUI and not to any non-related outside supplier. Sunshine records the plant materials at cost, marks them up 20 percent for overhead, and then adds an additional 20 percent profit. Thus, WUI charges Sunshine more than 40 percent of the actual cost for materials.

It is the Utility's position that any construction costs for additions to plant from 1988 through the test year were fair and reasonable and it is therefore entitled to a reasonable profit. In an attempt to demonstrate this reasonableness, Utility witness Hodges testified that he had solicited outside bids for those water plants constructed by WUI. He further testified that these bids

provided a substantial savings to Sunshine Utilities' ratepayers. Utility witness Nixon testified that plants built by WUI cost $293,623, as compared to third party bids of $327,113. He further testified that this comparison indicated a savings not only to customers but also a reduced rate base. He added that if the recorded plant costs are not accepted as reasonable, the Utility will construct future plant improvements using outside contractors. Mr. Hodges admitted that the bids were dated several years after the projects had begun and these bidders were informed that the plant had already been constructed and were paid a fee for the estimates.

On further cross-examination, Mr. Hodges stated that he was entitled to a profit if he had the license to perform the task. He added "I'm not going to dig ditches for Sunshine Utilities or anyone else just to get to invest my money and earn a rate of return. If I wanted to invest my money, I would put it in a bank and draw 8 or 10 percent interest and I would not have to dig the first ditch." He also testified that if he used a Sunshine employee to build the water plants, all he could charge the customers was the salary he paid the employee.

The Utility presented insufficient evidence to support the claim that these costs were reasonable. The record clearly shows that WUI used Sunshine employees to construct plants for Sunshine and that it could have directly charged Sunshine for the materials. Further, it appears WUI does not do anything for Sunshine that Sunshine cannot do for itself. Utility witness Schneider admitted that WUI only existed on paper in the years that it was not building plants for Sunshine. We find that the cost to the ratepayers should have only been the actual cost incurred, not the added profit and mark-up. Therefore, we find it appropriate to reduce plant-in-service by $206,790, reduce non-used and useful plant by $56,204, reduce accumulated depreciation by $5,523, and reduce depreciation expense by $3,673.

2. Plant Constructed from 1983 to 1987

Staff witness Forbes' testimony shows that the methodology WUI used to mark-up its materials and labor in plant construction from 1988 through the test year was similar to the procedure used from 1983 to 1987. Witness Forbes also submitted into the records as Exhibit No. 35, his supplemental audit describing the adjustment for the plant constructed from 1988 through the end of the test year was also entered into evidence. His testimony and Exhibit No. 35 support the calculation of the profit and mark-up for the plant constructed from 1988 through the test year.

It is the Utility's position that by eliminating all profit, mark-up, and labor for plant additions from 1983 through the test year that the Commission would then fail to recognize actual labor costs incurred by either WUI, or Sunshine's employees. Utility witness Schneider introduced as Exhibit No. 18 displaying the actual material, labor, and miscellaneous costs from 1983 through the test year. We have calculated a profit and mark-up of $187,379 on the plant construction from 1983 through 1987 by using the numbers from Exhibits Nos. 18 and 35. Exhibit No. 18 was used to derive the total profit and mark-up for the plant construction from 1983 through the test year. The amount was calculated by taking the Utility's recorded cost in 1983 of $767,924 and then subtracting $287,737 for the cost of materials, $56,293 for actual labor paid, and $29,725 for miscellaneous costs. Total mark-up for 1983 was $394,169. We calculated this figure by taking the total additions booked in 1988 of $422,175 and subtracting $215,385, for materials and labor. The total mark-up amount was $206,790. We then subtracted the 1988 profit and mark-up from the total profit and mark-up to reflect a 1983-1987 profit and mark-up balance of $187,379.

The Utility argues that since no adjustment was made in the overearnings investigation, none should be made now. It also mistakenly argues that all staff testimony and exhibits regarding the 1983-87 plant adjustment were stricken. Although it is true a portion of witness Willis' testimony was stricken, the balance of Utility Willis' testimony regarding the profit and mark-up on plant constructed between 1983 and 1987 was left intact. We find that the Utility's evidence is unpersuasive and the Utility has submitted no authority barring the Commission from making this adjustment now.

We find that the aforementioned evidence is sufficient to remove profit and mark-up for plant constructed from 1983 through 1987. Therefore, we shall reduce plant-in-service by $187,379, reduce accumulated depreciation by $43,343, reduce non-used and useful plant by $23,927 and reduce test year depreciation expense by $5,844.

B. Working Capital

The Utility's requested working capital amount is based on the formula approach or one-eighth of test year operation and maintenance (O & M) expenses, as filed in the MFRs. It is OPC's position that the Utility did not properly document its entitlement to a working capital allowance. OPC, in its brief, recommends removing the Utility's requested working capital allowance from

rate base because the Utility has included an artificial allowance by using the formula method. OPC added that this methodology always produces a working capital allowance, but does not properly calculate a working capital requirement. Therefore, OPC argues the Utility should not be allowed to earn a rate of return on an amount which is not supported by a proper methodology such as the balance sheet method.

No party presented any evidence for an alternative to the formula method that was requested by the Utility in its MFRs. The Utility is required by the MFR rules to file its request based on this methodology. Further, there is no evidence to support OPC's argument.

Upon consideration, we find that the record supports using the formula method. Accordingly, based on an adjusted O&M expense balance of $420,888, as discussed in another portion of this Order, we find the working capital allowance to be $52,611, which is $7,358 less than the Utility's requested amount.

Our calculations of the appropriate rate base are attached to this Order as Schedule No. 1-A. Our adjustments are attached as Schedule No. 1-B. Using a beginning and end of year average we find an average test year rate base of $153,712.

V. COST OF CAPITAL

Based on our approval of Stipulation No. 5 above, we find the appropriate return on equity is that established using our current leverage formula. Our overall rate of return is derived as shown on Schedule No. 2-A. The adjustments to the capital structure are shown on Schedule No. 2-B. Based upon our decisions herein, we find the appropriate overall cost of capital to be 11.44 percent, with a range of 10.80 percent to 12.09 percent. The overall rate of return is shown on Schedule No. 2-A, with our adjustments to the capital structure shown on Schedule No. 2-B.

VI. NET OPERATING INCOME

The Utility requested in its MFRs a salary of $69,055 for its president. According to tax returns filed by the Utility, its president's salary rose dramatically from a 1989 figure of $41,704 to $64,386 in 1990. Our staff conducted a study on president's salaries for similar size utilities and found that the average president's salary was $35,396. (EXH 37) This salary comparison with other utilities was used only to give this Commission an idea of whether Mr. Hodges' salary was within the range of the salaries

reported to the Commission. We will not use it as a sole basis for adjusting salaries.

The Utility's position is that the president's duties have increased since the last rate case due to the growth of the Utility during the past several years as well as the president's increased responsibilities. The Utility asserts that these increased responsibilities include more water mains and equipment to maintain, as well as implementing different testing methods. However, Utility president Hodges admitted that Sunshine does not actually do the testing and that the samples are sent to various laboratories. He further testified that, as president of the Utility, he is involved in the day-to-day operations including repairing and replacing equipment. Mr. Hodges stated that he not only plans the growth and direction of the Utility, but designs the facilities, such as plants and distribution systems.

In a further attempt to show that the 's requested salary was reasonable, Utility witness Nixon testified that Mr. Hodges devotes his full time to the Utility business and has been extremely efficient in the construction and expansion of the system that is now approaching 3,000 connections. Mr. Nixon further testified that the salary analysis that Commission staff had conducted for comparison purposes was not valid because the Commission has in the past rejected salaries based on comparisons with other utilities.

OPC agreed that the benchmark salary analysis should be used to determine the president's salary; however, including the president's salary in the analysis would skew the results. OPC pointed out that the salary the Utility proposes is double the average dollar rate per customer cost produced. OPC suggested that excluding the salary of the Utility's president produces a more reasonable average salary of $32,436.

In August 1989, the Utility changed its status from a sole proprietorship to a Subchapter S Corporation and its president began collecting W-2 wages. According to Utility witness Schneider, the Utility paid Mr. Hodges a draw while operating as a sole proprietorship. Thus, he was solely responsible for his own federal income taxes and this draw was not a tax deduction for the Utility. Ms. Schneider on cross-examination admitted that if Mr. Hodges did have any income from other sources it would appear on the tax return. She stated that Mr. Hodges' weekly take home pay in 1989 was $802.06 and a net weekly pay in 1990 of $1,100. Ms. Schneider agreed that he would have seen a slight increase in salary when he switched from a draw to W-2 wages.

Upon consideration, we find that Sunshine has failed to present any evidence to substantiate such a large increase in the president's salary. Further, Sunshine has also failed to prove that the utility president's duties have actually increased. The president admitted that the Utility does not do its own well testing. Based on the record, we will allow the president a salary of $43,372, which is a 5 percent increase over his 1989 salary. Therefore, we find it appropriate to reduce officers' salaries by $25,683, with a concomitant $2,195 reduction to payroll taxes.

A. Employee Salaries

The Utility requested an annual salary of $149,694 for its employees. This request included a $770 reduction allocated to Heights Water Company (Heights) for its service employees' actual time. Heights is a related utility company located in Citrus County. Sunshine shares its employees with Heights. This $770 reduction adjustment that was made by the Utility included only the actual operators. Administrative costs were not included in the adjustment.

Sunshine's position is that it has made the appropriate allocation of expenses for its employees and that these expenses are based on actual employee time spent by Heights on its Citrus County system. In her rebuttal testimony, Utility witness Schneider stated that the service employees turn in time sheets to account for the actual time spent working on the Heights system. She stated that this time is then allocated to the Citrus County system. Ms. Schneider on cross-examination admitted that administrative costs were never prorated to account for Heights.

Utility witness Nixon testified that he made an adjustment to annualize salaries by taking the number of employees on the payroll at the end of the test year and the current wages being paid by the Utility. He then determined what the total salaries would be on a going-forward basis, compared it to the test year salaries and wages, and made a proposed adjustment of $12,000. However, Mr. Nixon on cross-examination admitted that he did not include an allocation to Heights in his adjustment, but that one should have been included. He further testified that he would recommend, based on the records, that a ratio or percentage be developed based on the actual labor assigned to Heights during the test year.

We find that the record does not contain sufficient evidence to support an allocation adjustment for administrative salaries using actual time, which would be the most accurate method to allocate salaries. We believe a reasonable method of allocation of

salaries between the two companies would be based on equivalent residential connections (ERCs). This is calculated by dividing the total number of ERCs for Heights and Sunshine by the number for Heights, which results in 4.96 percent. This percentage is then multiplied by $150,444, which is the total amount of salaries for Sunshine and Heights. This results in a $6,692 reduction to test year salaries. Upon consideration, we find that employee salaries should be decreased by $6,692 along with a corresponding adjustment of $572 to payroll tax expense.

In its MFRs, the Utility requested a yearly salary of $21,895 for its vice president. The Utility's vice-president is Clarice Hodges, the wife of its president. Her salary is not booked as an officer's salary, thus she is not compensated as a vice-president, but as an employee of the company.

The Utility's position is that the vice-president's salary is within the salary range of similar positions as determined by the Florida Department of Labor. Utility witness Hodges testified that he contacted the State of Florida Labor Board for salary ranges for vice-presidents and was informed that the range was from $25,000 to $35,000. Mr. Hodges further testified that the vice-president has been part of the Utility for the past twenty-three years and is involved in the day to day operations of the Utility including bookkeeping, accounting, customer service, ordering of parts, and scheduling of work. However, Mr. Hodges on cross-examination admitted that in his request to the Labor Board, he did not specify salary levels for Utility personnel, as opposed to other business personnel.

Utility witness Schneider testified that Mrs. Hodges, as vice-president, went on W-2 wages in August 1989, after the Utility converted from a sole-proprietorship to a Subchapter S Corporation. Ms. Schneider stated previously that Mrs. Hodges had been paid by the Utility in the form of a draw. Ms. Schneider further testified that Mrs. Hodges' gross salary prior to August 1989 was $421.06 a week. In 1990, she received an annual salary of $21,895, which was a 34.64 percent increase over her 1989 draw of $16,328.

OPC argued that the vice-president's position should be completely eliminated. OPC contends that considering the training, expertise, and work schedule of the vice-president, the existence of the position does not materially affect the Utility's ability to deliver service to its customers. OPC points out that Utility witness Mrs. Hodges admitted that she would not disagree with a customer's testimony that she did not work full-time for the

Utility throughout the test year. Mrs. Hodges also admitted that she did not know the amount of her salary.

We do not believe that the record supports eliminating the vice-president's position, but we do believe that the record supports reducing the vice-president's salary. The Utility has failed to prove that the vice-president's duties have changed or increased since 1989. Based on the above, we find that the vice-president should be allowed a 5 percent increase over her 1989 salary. Therefore, we have reduced the vice-president's salary by $4,751 to reflect an annual $17,144 salary and we have reduced payroll taxes by $406.

B. Books and Records

Utility witness Nixon testified that his review of Sunshine's books and records indicates that they are in substantial compliance with the Commission's rules and regulations. He stated he changed his original testimony from the Utility's being in complete compliance to its being in substantial compliance. He explained that the Utility continues to have problems recording construction costs and having a clear accounting trail to the entries made in the general ledger. He further testified that he believes the Utility is awaiting direction from the Commission on an appropriate method of constructing and pricing Utility assets. Rule 25-30.115, Florida Administrative Code, requires water and wastewater utilities to maintain their books and records in accordance with the 1984 National Association of Regulatory Utility Commissions (NARUC) Uniform System of Accounts (USOA).

Staff Witness Forbes testified that Sunshine's Utilities' books and records are not maintained in compliance with the USOA, contrary to what was reported in the Utility's MFRs and to what is stated by Utility witness Nixon in his prefiled testimony. Further, he said, support for plant additions is poor and requires an excessive amount of time to verify. Mr. Forbes added that Sunshine keeps a work order system with copies of invoices as back-up; however, the copies of invoices may include items which support more than one work order, some invoice copies are not attached, the documentation of what specific labor charges by what individual are not detailed, and there were two separate sets of figures for profit and mark-up. He also stated, that during the test year, the Utility maintained its general ledger in pencil, which raises questions as to the reliability and permanence of the entries made.

Accordingly, based on the above, we order the Utility to comply with Rule 25-30.115, Florida Administrative Code, and

maintain its books and records in accordance with NARUC. This includes having readily available supporting documents for all plant additions, and having each work order supported by attached invoices documenting detailed labor charges by individual. The Utility shall maintain its general ledger in permanent ink. If within six months of the date of this final order the Utility has not brought its books and records into substantial compliance with NARUC, this Commission will take appropriate action to enforce these requirements.

C. Profit Sharing and Pension Plan

The Utility proposed allowing $25,845 as a pension or profit sharing plan for its employees. Utility witness Nixon testified that a pensions and benefits allowance of at least $11,956, or 6.5 percent of total salaries should be approved in this case. He explained that a contribution of 6.5 percent was reasonable and would adequately assist in compensating and motivating Utility employees. Mr. Nixon further testified that the pension plan was not requested in the MFRs. He was not aware how many employees are covered by the plan. Utility witness Hodges admitted that there have been no investments in the pension plan and that it is still unfunded.

We find that there is insufficient evidence in this record to support this unimplemented pension plan. Since it has not been funded nor implemented we find it inappropriate to approve a $25,845 allowance for pension expense.

D. Unamortized Prior Rate Case Expense

In its MFRs, the Utility seeks to recover as rate case expense in this proceeding $34,824 of its costs incurred in the overearnings investigation. This amount of rate case expense was approved by Order No. 22969. The Utility argues that this amount should be amortized, along with current rate case expense over a four year period. Mr. Nixon contends that the Utility has not had the opportunity to amortize this allowed rate case expense since it was not approved by the Commission until Order No. 22969, which was issued on May 23, 1990. He explained that, because the test period for this current docket is the historical year ended May 31, 1990, no amortization of the prior rate case expense was included in test year operation and maintenance expense or in interim rates approved in this case. He further states that the Utility has never had the opportunity to recover any of the rate case expense.

We do not agree with the Utility's contention. Staff Witness Willis explained that it is Commission practice to start amortization of rate case expense from the date of the final Commission order requiring a change in rates. When rates are not changed amortization of rate case expense begins when the Commission believes recovery would occur. He further testified a stipulation was adopted in the overearnings case that rates would not be changed on a going-forward basis. He added that since amortization of rate case expense was not included in calculating the revenue requirement upon which the refund was based, the amortization of the prior rate case expense should start on January 1, 1990. Because the Commission accepted a stipulation not to reduce rates, recovery of the prior rate case expenses presumably occurred beginning January 1, 1990.

The Utility argues that starting the amortization period at any time prior to the implementation of rates in this case would be confiscation of property. The Utility, however, has presented no authority to support this proposition. For the aforementioned reasons regarding amortization, we do not believe that there is any confiscation of property.

The instant Order will be issued in February 1992; the new rates should go into effect in March 1992. This will give the Utility the opportunity to have collected rate case expense in its current rates set in Docket No. 881030-WU through the date these rates go into effect. The Utility has, therefore, had twenty-five months to collect this expense, thus leaving twenty-three months of rate case expense to be amortized in this rate case. Based on the above, we calculate that the unamortized balance of prior rate case expense to be included in the current rates should be $16,674. This balance should be amortized, along with current rate case expense, over four years.

E. Rate Case Expense

In its MFRs, the Utility requested total current rate case expense of $97,324, which included the $34,824 of prior unamortized rate case expense from the overearnings case discussed above. After removing the latter amount, the estimated rate case expense for the current case includes $30,000 for legal services, $30,000 for accounting services, and $2,500 for other expenses. Utility witness Nixon testified that in PAA Order No. 24484, this Commission recognized a total rate case expense of $45,474. At the time of his prefiled testimony, he estimated that the total expense through the hearing would be $90,000. This amount included prior unamortized rate case expense.

OPC argues in its brief that Sunshine was imprudent for protesting the PAA order and that its customers should not have to bear these extra costs. Therefore, since the Utility is entitled to a revenue requirement which is less than that provided in the PAA order, no expenses beyond those provided for in the PAA order should be allowed. OPC argues this amount should be amortized over a period of four years, or $11,369 per year.

The Utility filed Late-filed Exhibit No. 33 with its new estimate showing a projected $87,603 provision for rate case expense, for this proceeding. In its Late-filed Exhibit No. 33, the Utility requested $40,213 in legal fees, $10,213 over the amount requested in the MFRs. After review of the legal invoices, we find that $1,134 incurred in connection with a pass-through filing should be removed since this is unrelated to this Docket. Further, the Utility has requested an estimated $10,750 to complete this rate case, but failed to show a breakdown by hour. In this estimate, the Utility has requested approximately $3,375 for additional for time spent on a motion for reconsideration of this case. We find that this amount should also be removed. Based on the above and the fact that the rest of the charges appear to be justifiable, we find that those legal fees requested in the MFRs should be increased by $7,972.

In its original filing, the Utility estimated that accounting fees would be $30,000. After reviewing supporting documentation, the Commission approved $32,870 as a reasonable provision for accounting fees in the PAA order. The Utility has requested, in its Late-filed Exhibit No. 33, accounting fees totaling $45,440. We have reviewed the invoices submitted in this exhibit and find them to be reasonable. Accordingly, we will approve the requested $45,440.

In its MFRs, the Utility included $2,500 for filing fees and other out-of-pocket costs. However, the $1,500 filing fee was also included in the category for legal fees. Late-filed Exhibit No. 33 shows a revised $1,950 provision for out-of-pocket costs. Accordingly, the provision for in-house fees is reduced by $550.

We do not agree with OPC's recommendation to disallow all rate case costs incurred after the PAA Order was issued. Except as otherwise discussed above, we find that the rate case charges incurred by the utility are reasonable and prudent. Accordingly, we find it appropriate, with the adjustments discussed above, to authorize the utility to recover reasonable rate case expense of

$83,094. The appropriate amount amortized over four years is $20,774.

F. Apportionment of Rate Case Expense

Section 367.0815, Florida Statutes, requires that we make a proportionate reduction to rate case expense under certain circumstances. What follows is our analysis for determining whether or not such a reduction is required. First, we compared the revenue requirement requested by the Utility in its MFRs to the revenue requirement approved hereinbelow, which includes an allowance for prudent rate case expense. We then reduced the allowance for rate case expense by the percentage difference between the requested and approved revenue requirements. Then, since a reduction to rate case expense is a reduction to O&M expenses, we reduced the working capital allowance because it is based on the O&M allowance. By adding the reduction to rate case expense to the reduced return resulting from the working capital reduction, we calculated the total revenue effect of the reductions. We then grossed-up the adjusted revenue requirement for regulatory assessment fees.

The final determination we must make under section 367.0815, Florida Statutes, is whether or not by making the rate case expense adjustment, we have reduced the utility's return on equity below its authorized range. Since the return on equity drives the overall rate of return, we will test the impact of the proposed adjustment against the range on the overall rate of return, which we think achieves the same result. Below, we found that the range on the overall rate of return is 10.80 percent to 12.09 percent. If we were to apportion rate case expense pursuant to the statute, the Utility's return on equity would drop below its authorized return; in fact, the return on equity would drop to .87 percent, which is outside the lower end of the range.

Accordingly, we find that statutory reduction of rate case expense is not appropriate in this case and, therefore, we will make no such adjustment.

G. Net Operating Income

After adjusting expenses as discussed above, we find that the total operating expenses are $488,386. We also find that the required level of test year operating income is $17,585. The operating income statement is attached as Schedule No. 3-A and the adjustments are shown on Schedule No. 3-B.

VII. REVENUE REQUIREMENT

Based upon our adjustments and calculations discussed above, we find that the appropriate annual revenue requirement for this Utility is $505,971, which represent an overall increase of 8.89 percent. This revenue requirement will allow the Utility to recover its expenses and allow it an opportunity to earn an 11.44 percent return on its investment in rate base.

IX. RATES AND CHARGES

A. Monthly Service Rates

As of its last rate case, which concluded with Order No. 13014, Sunshine had eighteen water system in Marion County. Since that time, the Utility has acquired the Lakeview Hills and Whispering Sands water systems. In accordance with Rule 25-9.044(1), Florida Administrative Code, the Utility adopted the rates, classifications, and charges of the acquired systems. Under the rule, the acquiring Utility must use the acquired rates and charges until the Commission authorizes a change.

Normally, this Commission requires the purchased Utility's rates and charges be kept in place until the purchasing Utility files an application for rate relief. At that time, unless there are extenuating circumstances, the purchased systems are included in the overall calculation of the revenue requirement and rates, miscellaneous service charges, tariff rules and regulations are uniformly established for all systems served by the Utility.

From the record there seems to be no extenuating circumstances that would justify excluding the Lakeview Hills and Whispering Sands systems from the overall revenue requirement calculation. Therefore, we find that these two systems shall be included in the overall revenue requirement calculation and uniform service rates be established for all systems served by the Utility in Marion County.

The permanent rates requested by the Utility are designed to produce annual revenues of $649,235, The requested revenues represent an annual increase of 39.7 percent.

We have established the appropriate revenue requirements to be $505,971, which represents an overall annual increase of 8.89 percent. The rates, which we find to be fair, just and reasonable, are designed to achieve this revenue requirement. We will continue the use of the base facility charge rate structure. The base

facility charge rate structure gives the Utility the ability to track costs and gives customers some control over their water bills. Each customer pays his pro rata share of the related costs necessary to provide service through the base facility charge and only the actual usage is paid for through the gallonage charge.

It should be noted that although the approved revenue requirement represents an overall increase of 8.89 percent, the percentage rate increase will not be uniform for all the systems served by the Utility. The rates/revenues for the eighteen water systems in Marion County, will increase only 2.83 percent. The rates/revenues for Lakeview Hills will increase approximately 57.71 percent. The latter increase is attributable to Lakeview's paying a gallonage charge which is approximately $1.00 less per 1,000 gallons than Sunshine's original eighteen systems. The rates/revenues for Whispering Sands will increase approximately 171.48 percent. This increase is primarily attributable to the fact that the system serves only quadruplexes which were on flat rates at the time the system was purchased. Meters have since been installed, and the customers will now be billed based on measured consumption. The quadruplexes were using a large quantity of water under the flat rate structure, and we expect that the metered rates will promote conservation.

The approved rates will be effective for meters read on or after thirty (30) days from the stamped approval date on the revised tariff sheets. The Utility shall submit revised tariff sheets reflecting the approved rates along with a proposed customer notice listing the new rates and explaining the reasons therefore. The tariff sheets will be approved upon our staff's verification that the tariffs are consistent with this Commission's decision and the proposed customer service notice is adequate.

The existing rates, Commission approved interim rates, Commission approved "pass-through interim rates," the Utility's requested rates and our final approved rates are set forth below for comparison.

SUNSHINE UTILITIES OF CENTRAL FLORIDA

Schedule of Rates

WATER

All systems except Lakeview Hills and Whispering Sands

Residential and General Service

	Utility Present Rates	Commission Approved Interim Rates	Commission Approved Pass-Through Interim Rates	Utility Proposed Final Rates	Commission Approved Final Rates
Meter Size:					
5/8"x3/4"	$ 6.96	$ 8.12	$ 8.29	$ 12.10	$ 7.24
1"	17.43	20.34	20.77	30.25	18.10
1 1/4"	26.15	30.51	31.15	45.38	27.15
1 1/2"	34.84	40.65	41.50	60.50	36.20
2"	55.76	65.06	66.42	96.80	57.92
3"	111.32	129.89	132.60	193.60	115.84
4"	174.26	203.33	207.58	302.50	181.00
6"	389.77	454.78	464.28	605.00	362.00
Gallonage Charge	$ 1.78	$ 2.08	$ 2.12	$ 1.88	$ 1.82

LAKEVIEW HILLS

Residential and General Service

	Utility Present Rates	Commission Approved Interim Rates	Commission Approved Pass-Through Interim Rates	Utility Proposed Final Rates	Commission Approved Final Rates
Meter Size:					
5/8"x3/4"	$ 6.29	$ 7.34	$ 7.49	$ 12.10	$ 7.24
1"	15.73	18.35	18.73	30.25	18.10
1 1/2"	31.46	36.71	37.48	60.50	36.20
2"	50.34	58.74	59.97	96.80	57.92
Gallonage Charge	$ .89	$ 1.04	$ 1.06	$ 1.88	$ 1.82

WHISPERING SANDS

Multi-Residential
(Quadruplexes only)

Description	Utility Present Rates	Commission Approved Interim Rates	Commission Approved Pass-Through Interim Rates	Utility Proposed Final Rates	Commission Approved Final Rates
Per Unit	$ 6.30	$ 7.35	$ 7.50	$	$
Per Quad	25.20	29.40	30.01		
Meter Size:					
5/8"x3/4"	$ -	$ -	$ -	$ 12.10	$ 7.24
1"	-	-	-	30.25	18.10
1 1/4"	-	-	-	45.38	27.15
1 1/2"	-	-	-	60.50	36.20
2"	-	-	-	96.80	57.92
3"	-	-	-	193.60	115.84
4"	-	-	-	302.50	181.00
6"	-	-	-	605.00	362.00
Gallonage Charge	$ -	$ -	$ -	$ 1.88	$ 1.82

B. Miscellaneous Service Charges

Rule 25-30.345, Florida Administrative Code, permits utilities to assess charges for miscellaneous services. The purpose of such charges is to provide a means by which the Utility can recover its costs of providing miscellaneous services from those customers who require the services. Thus, costs are borne by the cost causer rather than the general body of ratepayers.

We find these miscellaneous charges are necessary for two reasons. First, they need to be updated. Further, there is a need to establish uniform miscellaneous service charges for all twenty systems served by the Utility in Marion County.

An after hours charge of $20.00 is higher than what we normally approve. However, this charge was approved by Order No. 13014, at the conclusion of the Utility's initial rate case, and has been incorporated in the Utility's tariff and MFRs.

The following table provides the present, proposed and the approved miscellaneous service charges:

	Present		Proposed		Approved	
	Bus.	After	Bus.	After	Bus.	After
(1) Sunshine:						
Initial Connection	$10	$15	$10	$15	$15	$15
Normal Reconnection	$10	$15	$10	$15	$15	$15
Violation Reconnection	$15	$20	$15	$20	$15	$20
Premises Visit	$10	$15	$10	$15	$10	N/A
(2) Lakeview Hills:						
Initial Connection	--	--	--	--	$15	$15
Normal Reconnection	$ 5	$ 5	$10	$15	$15	$15
Violation Reconnection	$ 5	$ 5	$15	$20	$15	$20
Premises Visit	--	--	$10	$15	$10	N/A
(3) Whispering Sands:						
Initial Connection	--	--	--	--	$15	$15
Normal Reconnection	--	--	--	--	$15	$15
Violation Reconnection	--	--	--	--	$15	$20
Premises Visit	--	--	--	--	$10	N/A

For clarification, a description of each service for which there is a charge follows:

INITIAL CONNECTION - This charge shall be levied for service initiation at a location where service did not exist previously.

NORMAL RECONNECTION - This charge shall be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

VIOLATION RECONNECTION - This charge shall be levied prior to reconnection of an existing customer after disconnection of service for cause according to according to rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

PREMISES VISIT CHARGE (IN LIEU OF DISCONNECTION) - This charge shall be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the

customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

Accordingly, we find that the above uniform miscellaneous service charges shall be established for all systems served by the Utility in Marion County. These uniform miscellaneous service charges will produce an additional $1,530 of revenue and this revenue has been considered in the calculation of the service rates.

C. Customer Deposits

The Utility's tariff currently provides that no customer deposits are authorized for any of its systems except Lakeview Hills, and this authorization is only as a result of the transfer of ownership of the system to Sunshine Utilities. Witness Willis testified that the Utility has a bad debt expense of 1.53 percent of its adjusted test year revenues. There was no other testimony offered on this matter.

We believe that this problem would be alleviated by a customer deposit program, and we therefore require the Utility to implement such a program for its new customers and those customers with a bad credit history.

The average monthly water bill for a residential customer is $18.46. Twice this amount is approximately $40.00, which we think would be an adequate initial deposit for new residential customers. Deposits for general service customers shall be calculated based on estimated usage for a two month period. For those customers with a bad credit history, the Utility shall follow the new or additional deposits guidelines set forth in Rule 25-30.311(7), Florida Administrative Code.

D. Service Availability Charges

Rule 25-30.580, Florida Administrative Code, states that a Utility's service availability policy must be designed such that the maximum amount of CIAC, net of amortization, does not exceed 75 percent of the total original cost, net of accumulated depreciation, of the Utility's facilities and plant when the facilities and plant are at their designed capacity. The rule also states that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that are represented by the water transmission and distribution systems.

The Utility's present level of net plant to net CIAC is 69.75 percent. The Utility's water plants are considered 100 percent used and useful and the transmission systems are considered 75 percent used and useful. The CIAC level falls within the guidelines of the above-stated rule. The Utility is approaching build-out in most of its systems and we believe that continued collection of the present service availability charges would cause the Utility to materially exceed the maximum CIAC level.

Utility witness Nixon testified that he was familiar with Rule 25-30.580(2), Florida Administrative Code, and that it allows an exception to its requirements if they would cause the Utility extreme financial hardship. Mr. Nixon further testified that the Utility had several outstanding developer agreements that require the Utility to pay developers every time it collects a service availability charge from "somebody who comes moving into one of those lots" and, if the Commission reduces these service availability charges, the Utility would not have sufficient revenues with which to make those payments back to the developers. The financial position of the Utility may become so weakened that it would not be able to provide safe, efficient and sufficient service to its present customers. Copies of the developer agreements referred to in the testimony were not submitted into evidence nor have they been filed with this Commission.

Based on the discussion herein, we find that no change is appropriate for the Utility's service availability charges. The Utility shall file all developer agreements that require the Utility to pay developers each time it collects a service availability charge from those certain customers. This information is essential so that we may properly evaluate the overall prospective service availability policy. The Utility is required to file this information with the Commission within thirty (30) days from the date of this final order.

E. Refunds of Revenues

By Order No. 23935, issued December 24, 1990, we suspended the Utility's proposed rates and approved interim rates. In our calculation of the interim revenue requirement, we removed the expense associated with the increase in the regulatory assessment fees from 2.5 percent to 4.5 percent. The Utility responded by filing a pass-through rate adjustment application so that it could recover that which we disallowed. As a result, we have two separate periods from which to calculate a refund.

The interim rates became effective for meters read on or after January 6, 1991. The annualized revenues generated from these rates is $541,473. The revenue requirement approved herein is $505,971. Therefore, the amount which the Utility must refund for the interim rate period is $35,502 on an annual basis, or 6.56 percent of the revenues which the Utility collected during the period these rates were in effect.

The pass-through interim rates became effective for service rendered on or after January 21, 1991. Annualized revenues generated from these rates is $552,119. The revenue requirement approved herein is $505,971. Therefore, the amount which the Utility must refund for the pass-through interim rate period is $46,148 on an annual basis, or 8.36 percent of the revenues which the Utility collected during the period these rates were in effect.

The refunds shall be made with interest and in conformity with Rule 25-30.360, Florida Administrative Code. Pursuant to the rule, during the processing of the refund, the utility shall submit monthly reports on the status of the refund by the 20th of the following month. In addition, a preliminary report shall be made within thirty (30) days after the date the refund is completed and again 90 days thereafter. A final report shall be made after all administrative aspects of the refund are completed.

F. Rate Adjustment After Recovery of Rate Case Expense

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the Utility be reduced immediately by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989. Accordingly, we find that the water rates should be reduced by $25,974 as shown on Schedule No. 6. The revenue reductions reflect the annual rate case amounts amortized (expensed) plus the gross-up for regulatory assessment fees.

The Utility shall file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also shall file a proposed customer letter setting forth the lower rates and the reason for the reduction. If the Utility files this reduction in conjunction with a price index and/or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

X. CONCLUSIONS OF LAW

1. The Commission has jurisdiction to determine the water rates and charges of Sunshine Utilities of Central Florida, Inc., pursuant to Sections 367.081 and 367.101, Florida Statutes

2. As the applicant in this case, Sunshine Utilities of Central Florida, Inc., has the burden of proof that its proposed rates and charges are justified.

3. The rates and charges approved herein are just, reasonable, compensatory, not unfairly discriminatory and in accordance with the requirements of section 367.081(2), Florida Statutes, and other governing law.

4. Pursuant to Chapter 25-9.001(3), Florida Administrative Code, no rules and regulations, or schedules of rates and charges, or modifications or revisions of the same, shall be effective until filed with and approved by the Commission.

Based on the foregoing, it is,

ORDERED by the Florida Public Service Commission that the application by Sunshine Utilities of Central Florida, Inc. for increased rates for water service is hereby approved, to the extent set forth in the body of this Order. It is further

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

ORDERED that all matters contained herein, whether in the form of discourse in the body of this Order or schedules attached hereto are, by reference, expressly incorporated herein. It is further

ORDERED that Sunshine Utilities of Central Florida, Inc. shall comply with Rule 25-30.115, Florida Administrative Code, and maintain its books and records in accordance with the NARUC Uniform System of Accounts. It is further

ORDERED that Sunshine Utilities of Central Florida, Inc. shall furnish this Commission with Developer Agreements within (30) days from this final order. It is further

ORDERED that Sunshine Utilities of Central Florida, Inc. shall begin collecting customer deposits from all its new customers and from those customers with a bad credit history. It is further

ORDERED that the increased rates approved herein shall be effective for meters read on or after 30 days from the stamped approval date on the revised tariff sheets. It is further

ORDERED the miscellaneous service charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, Sunshine Utilities of Central Florida, Inc., shall submit a proposed customer notice explaining the increased rates and charges and the reasons therefor. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, the Utility shall submit and have approved revised tariff sheets. The revised tariff sheets will be approved upon Staff's verification that they accurately reflect this Commission's decision and upon Staff's approval of the proposed customer notice. It is further

ORDERED that, the rates approved herein shall be reduced at the end of the four-year rate case expense amortization period. The Utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall also file a customer notice. It is further

ORDERED that Sunshine Utilities of Central Florida, Inc., shall refund the interim rates and "pass-through interim rates" with interest as set forth in the body of this order. The Utility must also comply with the refund reports requirements pursuant to Rule 25-30.360(7). It is further

ORDERED that, upon verification that the refunds have been accurately completed, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 13th day of FEBRUARY, 1992.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RG

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

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 Director, Division of Records and Reporting 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 Director, Division of Records and Reporting 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 FL
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 1-A
DOCKET NO. 900386-WU

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
UTILITY PLANT IN SERVICE	$ 1,696,761	$ 8,701	$ 1,705,462	$ (405,071)	$ 1,300,391
LAND	61,474	0	61,474	0	61,474
NON-USED & USEFUL COMPONENT	(248,633)	0	(248,633)	80,356	(168,277)
ACCUM DEPRECIATION	(340,266)	(12,821)	(353,087)	72,902	(280,185)
C.I.A.C.	(933,275)	280,753	(652,522)	(280,753)	(933,275)
AMORTIZATION OF C.I.A.C.	120,973	(49,279)	71,694	49,279	120,973
ADVANCES FOR CONSTRUCTION	(118,623)	118,623	0	0	0
WORKING CAPITAL ALLOWANCE	0	59,969	59,969	(7,341)	52,628
RATE BASE	$ 238,411	$ 405,946	$ 644,357	$ (490,628)	$ 153,729

SUNSHINE UTILITIES OF CENTRAL FL
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 1-B
PAGE 1 OF 1
DOCKET NO. 900386-WU

EXPLANATION	COMMISSION
UTILITY PLANT IN SERVICE	
A. To adjust for exclusion of profit and mark-up on labor and materials. 1983-1987	$ (187,379)
B. To adjust for exclusion of profit and mark-up on labor and materials. 1988-TY	(206,790)
C. To adjust to reflect shared facilities.	(6,536)
D. To adjust for retirement of utility vehicle.	(14,036)
E. To adjust for reclassification	9,670
NET ADJUSTMENT	**$ (405,071)**
NON-USED & USEFUL COMPONENTS	
A. To adjust for exclusion of plant 1983-1987.	$ 24,152
B. To adjust for exclusion of plant 1988-TY.	56,204
NET ADJUSTMENT	**$ 80,356**
ACCUMULATED DEPRECIATION	
A. To adjust for exclusion of plant 1983-87.	$ 48,640
B. To adjust for exclusion of plant 1988-TY.	5,523
C. To adjust for shared use of facilities.	4,703
D. To adjust for retirement of vehicle.	14,036
E. To adjust for reclassification	(270)
NET ADJUSTMENT	**$ 72,902**
C.I.A.C.	
To adjust for incease.	**$ (280,753)**
ACCUMULATED AMORTIZATION	
To adjust CIAC.	**$ 49,279**
WORKING CAPITAL	
To reflect adjustment for Working Capital.	**$ (7,358)**

SUNSHINE UTILITIES OF CENTRAL FL
CAPITAL STRUCTURE
TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 2-A
DOCKET NO. 900386-WU

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	WEIGHTED COST	COMMISSION ADJUSTMENTS TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST
LONG TERM DEBT	$ 59,539	9.24%	11.00%	1.02%	$ (37,371)	$ 22,168	14.42%	11.00%	1.59%
SHORT TERM DEBT	81,704	12.68%	10.52%	1.33%	(51,283)	30,421	19.79%	10.52%	2.08%
CUSTOMER DEPOSITS	5,155	0.80%	8.00%	0.06%	(3,236)	1,919	1.25%	8.00%	0.10%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	497,959	77.28%	11.89%	9.19%	(398,738)	99,221	64.54%	11.89%	7.67%
INVESTMENT TAX CREDITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
DEFERRED INCOME TAXES	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
TOTAL CAPITAL	$ 644,357	100.00%		11.60%	$ (490,628)	$ 153,729	100.00%		11.44%

SUNSHINE UTILITIES OF CENTRAL FL
ADJUSTMENTS TO CAPITAL STRUCTURE
TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 2-B
DOCKET NO. 900386-WU

DESCRIPTION	ADJUST FOR CIAC	ADJUST FOR ERROR	PRO RATA RECONCILE	NET ADJUSTMENT
LONG TERM DEBT	$ 0	$ 0	$ (37,371)	$ (37,371)
SHORT TERM DEBT	0		(51,283)	(51,283)
CUSTOMER DEPOSITS	0		(3,236)	(3,236)
PREFERRED STOCK	0		0	0
COMMON EQUITY	(231,474)		(167,264)	(398,738)
INVESTMENT TAX CREDITS	0		0	0
DEFERRED INCOME TAXES	0		0	0
OTHER CAPITAL	0		0	0
TOTAL CAPITAL	$ (231,474)	$ 0	$ (259,154)	$ (490,628)

SUNSHINE UTILITIES OF CENTRAL FL
ADJUSTMENTS TO OPERATING STATEMENT
TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 3-B
PAGE 1 OF 2
DOCKET NO. 900386-WU

EXPLANATION		COMMISSION
OPERATING REVENUES		
A. To remove utility's requested increase.	$	(184,563)
OPERATIONS & MAINTENANCE EXPENSE		
A. To adjust officers salaries.	$	(25,683)
B. To adjust employee salaries to reflect the proper level of expense for a related company.		(6,692)
C. To adjust vice-pres salary		(4,751)
D. To adjust purchase power expense.		(702)
E. To adjust for misclassified items. misclassified capital items.		(9,670)
F. To adjust Contractual Services-legal.		(5,044)
G. To adjust Regulatory Commissions Expenses-other		(2,000)
H. To adjust bad debt expense.		(4,797)
I. To remove disallowance of prior rate case expense.		(4,537)
J. To adjust current portion of rate rate case expense.		5,149
K. To reflect disallowance of pro-form payroll adj		0
L. To adjust rental expense		0
NET ADJUSTMENT	$	(58,727)
DEPRECIATION EXPENSE		
A. To remove expense associated with disallowance of plant 1983-1987.	$	(6,558)
B. To remove expense associated with disallowance of plant 1988-TY		(3,673)
C. To adjust for reallocation of general plant to related party.		(483)
D. To adjust for retirement of vehicle.		(156)
E. To adjust for reclassification of expenses.		270
F. To reflect CIAC adjustment		(7,019)
NET ADJUSTMENT	$	(17,619)