

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate increase)	DOCKET NO. 900386-WU
in Marion County by SUNSHINE UTILITIES)	ORDER NO. 23935
OF CENTRAL FLORIDA, INC.)	ISSUED: 12-24-90
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

ORDER SUSPENDING PROPOSED RATES AND GRANTING
 INTERIM RATE INCREASE SUBJECT TO REFUND

BY THE COMMISSION:

CASE BACKGROUND

Sunshine Utilities of Central Florida, Inc., (Sunshine or utility) is a Class B utility providing water service for approximately 2,087 customers in Marion County, Florida. On October 1, 1990, the utility filed an application for a rate increase. We determined that the utility's filing did not meet the minimum filing requirements (MFRs) because the utility failed to include the required tariff sheets. On October 10, 1990, the utility submitted the required tariff sheets, and that date was established as the official date of filing. The utility has requested that its application be processed pursuant to Section 367.081(8), Florida Statutes.

The test year for determining both interim and final rates is the historical twelve-month period ended May 31, 1990. Sunshine has requested interim rates designed to generate \$552,363 in revenues on an annual basis. The interim revenue requested exceeds test year revenues by \$87,691, or 18.87%. The utility contends that its current rates are insufficient for it to have the opportunity to earn a fair return on its investment.

SUSPENSION OF PROPOSED RATES

Pursuant to Section 367.081(6), Florida Statutes, the utility may implement its proposed rates within sixty (60) days of filing unless this Commission first acts to withhold consent to those rates. According to our initial review of the filing, the utility

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has made substantial plant additions since its last rate case before this Commission. In addition, the utility has proposed numerous adjustments to rate base, capital structure, and operating statements. Upon consideration of the above, we find it reasonable and necessary to require further explanation, amplification, and corroboration of the utility's rate application. We therefore find it appropriate to suspend the utility's proposed rates.

INTERIM RATES

The utility requested that it be allowed to collect interim revenues that exceed test year revenues by \$87,691, or 18.87%. Our review of the information filed in the application indicates that, pursuant to Section 367.082, Florida Statutes, the utility is entitled to the opportunity to increase its annual water revenues on an interim basis. We find that the utility's adjustments are consistent with the adjustments made in its last rate case and with Commission policy.

Our calculations of the appropriate rate base, capital structure, and net operating income (NOI) for the purpose of setting interim rates are attached as Schedules Nos. 1, 2, and 3-A, and our adjustments to NOI are itemized on Schedule No. 3-B. All of these schedules are by reference incorporated herein. Those adjustments which are self-explanatory or which are essentially mechanical in nature are depicted on those schedules without further discussion in the body of this Order. The major adjustment is discussed below.

In its filing, the utility requested that it be allowed to recover the 4.5% regulatory assessment fee which went into effect on July 1, 1990. By statute, interim rate determination must be made on a historical basis; therefore, this expense cannot be allowed in this interim proceeding. The utility may recover the increased regulatory assessment fee in a pass-through rate adjustment, however. We have therefore reduced the amount claimed by the utility for taxes other than income to reflect 2.5% as the proper regulatory assessment fee for the purpose of determining interim rates.

Revenue Requirement

In order to allow the utility the opportunity to recover its operating expenses for the year ended May 31, 1990, and the opportunity to earn a 12.96% return on average rate base, we hereby

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approve an annual increase of \$76,361 in utility revenues on an interim basis, which brings annual revenues to a total of \$541,033.

Rates

As of its last rate case, Sunshine had eighteen systems in Marion County. Since that time, Sunshine has acquired two more systems, Lakeview Hills and Whispering Sands. Consequently, Sunshine currently has three different sets of water rates in Marion County. It has requested a county-wide uniform percentage increase for setting interim rates. Upon consideration, we find such an approach to be reasonable for interim purposes. Therefore, we hereby approve a county-wide uniform percentage increase of 16.68% to be applied to the utility's existing rates.

The utility's current rates, proposed interim rates, and our approved interim rates are shown below. The approved interim rates will give Sunshine the opportunity to earn the revenue requirement determined above.

Schedule of Rates

Water

All Systems Except Lakeview Hills and Whispering Sands

Residential and General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Approved Interim Rates</u>
5/8" x 3/4"	\$ 6.96	\$ 8.27	\$ 8.12
1"	17.43	20.72	20.34
1-1/4"	26.15	31.08	30.51
1-1/2"	34.84	41.41	40.65

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<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Approved Interim Rates</u>
2"	55.76	66.28	65.06
3"	111.32	132.33	129.89
4"	174.26	207.14	203.33
6"	389.77	463.32	454.78
Gallonge Charge	\$ 1.78	\$ 2.12	\$ 2.08

Lakeview Hills

Residential and General Service

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Approved Interim Rates</u>
5/8" x 3/4"	\$ 6.29	\$ 7.48	\$ 7.34
1"	15.73	18.70	18.35
1-1/2"	31.46	37.40	36.71
2"	50.34	59.84	58.74
Gallonge Charge	\$.89	\$ 1.06	\$ 1.04

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Whispering Sands

<u>Description</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Approved Interim Rates</u>
Per Unit	\$ 6.30	\$ 7.49	\$ 7.35
Per Quadruplex	\$ 25.20	\$ 29.96	\$ 29.40
BFC Per Quadruplex	-	-	\$ -
Gallonage Charge	-	-	\$ -

NOTE: Whispering Sands Subdivision was recently metered. Final rates are proposed to be based on measured consumption.

The interim rates shall be effective for meters read on or after thirty days from the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon our staff's verification that the tariffs are consistent with our decision herein, that the proposed notice to the customers of the approved interim increase is adequate, and that the required security has been filed.

SECURITY FOR REFUND

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over previously authorized rates shall be collected under guarantee subject to refund with interest. We believe that a corporate undertaking by Sunshine would be sufficient to protect potential refunds. Therefore, Sunshine shall provide a corporate undertaking in the amount of \$65,000 as guarantee of any potential refund of water revenues collected under the interim rates approved herein. Furthermore, pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility shall provide us with a report by

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the 20th of each month indicating the monthly and total revenues collected subject to refund.

It is, therefore

ORDERED by the Florida Public Service Commission that the rates and schedules proposed by Sunshine Utilities of Central Florida, Inc., are hereby suspended in accordance with Section 367.081(6), Florida Statutes. It is further

ORDERED that the request for an interim increase in water rates by Sunshine Utilities of Central Florida, Inc., is hereby granted in part, as set forth in the body of this Order. It is further

ORDERED that the difference between the interim rates granted herein and the previously authorized rates shall be collected subject to refund. It is further

ORDERED that Sunshine Utilities of Central Florida, Inc., shall provide a corporate undertaking in the amount of \$65,000 as guarantee for any potential refund of interim water revenues. It is further

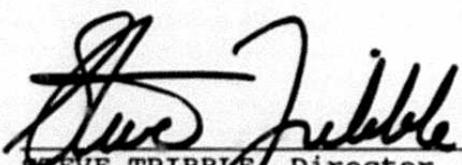
ORDERED that during the time that interim rates are in effect, Sunshine Utilities of Central Florida, Inc., shall file a report by the twentieth (20th) day of each month indicating the monthly and total revenues collected subject to refund. It is further

ORDERED that prior to its implementation of the interim rates approved herein, Sunshine Utilities of Central Florida, Inc., shall file and have approved tariff pages revised in accordance with the provisions of the Order. It is further

ORDERED that the rates approved herein shall become effective for service rendered on or after the stamped approval date on the revised tariff sheets for all systems. The tariff sheets will be stamped approved upon verification that they are consistent with our decision as reflected herein, that the proposed customer notice is adequate, and that the appropriate security has been provided.

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By ORDER of the Florida Public Service Commission this 24th
day of DECEMBER, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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 this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) 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 sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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SUNSHINE UTILITIES OF CENTRAL FL
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED MAY 31, 1990

SCHEDULE NO. 1
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COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,696,761	\$ 0	\$ 1,696,761	\$ 0	\$ 1,696,761
2 LAND	61,474	0	61,474	0	61,474
3 NON-USED & USEFUL COMPONENTS	(248,633)	0	(248,633)	0	(248,633)
4 C.W.I.P.	0	0	0	0	0
5 ACCUM DEPRECIATION	(340,266)	0	(340,266)	0	(340,266)
6 AQUISITION ADJUSTMENTS	0	0	0	0	0
7 ACCUM AMORTIZATION	0	0	0	0	0
8 C.I.A.C.	(933,275)	0	(933,275)	0	(933,275)
9 ACCUM AMORTIZATION	120,973	0	120,973	0	120,973
10 ADVANCES FOR CONSTRUCTION	(118,623)	118,623	0	0	0
11 WORKING CAPITAL ALLOWANCE	0	52,840	52,840	0	52,840
RATE BASE	\$ 238,411	\$ 171,463	\$ 409,874	\$ 0	\$ 409,874

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

SCHEDULE NO. 2
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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	\$ 37,872	9.24%	11.00%	1.02%	\$ 0	\$ 37,872	9.24%	11.00%	1.02%
SHORT TERM DEBT	51,972	12.68%	10.52%	1.33%	0	51,972	12.68%	10.52%	1.33%
CUSTOMER DEPOSITS	3,279	0.80%	8.00%	0.06%	0	3,279	0.80%	8.00%	0.06%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	316,751	77.28%	13.65%	10.55%	0	316,751	77.28%	13.65%	10.55%
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	\$ 409,874	100.00%		12.96%	\$ 184,345	\$ 409,874	100.00%		12.96%

RANGE OF REASONABLENESS

LOW HIGH

EQUITY

13.65% 15.65%

OVERALL RATE OF RETURN

12.96% 14.51%

SUNSHINE UTILITIES OF CENTRAL FL
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED MAY 31, 1990

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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 455,777	\$ 96,586	\$ 552,363	\$(87,691)	\$ 464,672	\$ 76,361	\$ 541,033
OPERATING EXPENSES						16.43%	
2 OPERATION AND MAINTENANCE	\$ 422,719	\$ 0	\$ 422,719	\$ 0	\$ 422,719		\$ 422,719
3 DEPRECIATION	26,697	0	26,697	0	26,697		26,697
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	36,366	13,461	49,827	(13,239)	36,588	1,909	38,497
6 INCOME TAXES	0	0	0	0	0	0	0
7 TOTAL OPERATING EXPENSES	\$ 485,782	\$ 13,461	\$ 499,243	\$(13,239)	\$ 486,004	\$ 1,909	\$ 487,913
8 OPERATING INCOME	\$(30,005)	\$ 83,125	\$ 53,120	\$(74,452)	\$(21,332)	\$ 74,452	\$ 53,120
9 RATE BASE	\$ 238,411		\$ 409,874		\$ 409,874		\$ 409,874
10 RATE OF RETURN	-12.59%		12.96%		-5.20%		12.96%

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

SCHEDULE NO. 3-B
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EXPLANATION	WATER
-----	-----
1 OPERATING REVENUES	
2 A. To remove utility's requested increase.	\$ (87,691)
3	-----
4	
5 TAXES OTHER THAN INCOME	
6 A. To remove regulatory assessment fees (@2.5%)	
7 related to requested revenues.	(2,192)
8	
9 B. To remove requested provision for 4.5%	
10 regulatory assessment fees.	(11,047)
11	-----
12 NET ADJUSTMENT	\$ (13,239)
13	-----
14	
15 OPERATING REVENUES	
16 A. To reflect recommended increased in revenues.	\$ 76,361
17	-----
18	
19 TAXES OTHER THAN INCOME	
20 A. To reflect regulatory assesment fees	
21 related to adjustment to revenues.	\$ 1,909
22	-----
23	