

VOTE SHEET

APRIL 23, 2002

RE: Docket No. 992015-WU - Application for limited proceeding to recover costs of water system improvements in Marion County by Sunshine Utilities of Central Florida, Inc.

ISSUE 1: Should the Commission approve Sunshine's requested limited proceeding to increase its rates for all customers to interconnect five of its water systems?

PRIMARY RECOMMENDATION: No. The utility's proposal to interconnect five separate water supply and treatment systems to eliminate contamination problems and to meet development demands is not prudent or justified, and it should therefore be denied. Further, the rate case expense for this limited proceeding should be disallowed.

DENIED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners: Judy Bradley, [unclear], [unclear], [unclear], and Michael A. Palerik.

Blank lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

Issues 2-18 were approved with the understanding of fallout changes as a result of the vote in issue 1.

DOCUMENT NUMBER-DATE

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ALTERNATIVE RECOMMENDATION: Yes. The plan as modified by staff, which includes the low cost funding from DEP, appears reasonable.

MODIFIED

Approved with the provision that rates will be lowered automatically by the effect of Marion County's contribution of \$175,000 toward the project and connection of the contaminated private wells. The effective date of the new rates will be the date DEP approves funding for this project.

ISSUE 2: Should an adjustment be made to plant in service to retire a utility vehicle?

RECOMMENDATION: Yes. Plant in service and accumulated depreciation should both be reduced by \$15,036 to reflect the retirement of the utility's van. Further, staff recommends that retained earnings and depreciation expense should both be reduced by \$2,506 to remove test year depreciation expense associated with this van.

APPROVED

ISSUE 3: Should any adjustment be made to the test year amount of CIAC and Accumulated Amortization of CIAC?

RECOMMENDATION: Yes. CIAC should be increased by \$15,453 to transfer inactive advances for construction. Accumulated Amortization of CIAC and Amortization of CIAC expense should be increased both by \$479.

APPROVED

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ISSUE 4: What rate base components should be approved for Sunshine's proposed project?

RECOMMENDATION: The pro forma rate base associated with the proposed interconnection is \$885,929. The detail adjustments that make up this amount are discussed in the analysis portion of staff's April 11, 2002 memorandum. The utility should file an application to amend its certificate to extend service to the additional 38 ERCs, pursuant to Section 367.045, Florida Statutes.

APPROVED

ISSUE 5: What is the appropriate test year rate base?

RECOMMENDATION: The historical and pro forma rate base amount should be \$1,160,166.

APPROVED

ISSUE 6: What is the appropriate return on equity for Sunshine?

RECOMMENDATION: Based on the current leverage formula, the appropriate return on equity for Sunshine should be 11.34%, with a range of 10.34% to 12.34%.

APPROVED

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ISSUE 7: What is the appropriate regulatory treatment of loans to officers?

RECOMMENDATION: These loans to the officers should be treated as a reduction to common equity. Common equity should be reduced by \$116,238.

APPROVED

ISSUE 8: What is the appropriate test-year amount of long-term debt?

RECOMMENDATION: The appropriate test-year amount of long-term debt is \$1,495,314.

APPROVED

ISSUE 9: What is the appropriate weighted average cost of capital for the test year ended December 31, 2001?

RECOMMENDATION: Consistent with staff's other recommended adjustments, the appropriate weighted average cost of capital is 5.31%.

APPROVED

ISSUE 10: Should revenues be imputed for additional customers?

RECOMMENDATION: Yes. The Commission should impute test year revenues of \$3,834.

APPROVED

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ISSUE 11: Should an adjustment be made to the salary levels of the utility's officers?

RECOMMENDATION: Yes. The salaries of the president and vice president should be reduced by \$46,498 and \$28,503, respectively.

APPROVED

*Commissioners Bay and Bradley
dissented concerning reduction
of the president's salary.*

ISSUE 12: What are the appropriate pro forma expenses associated with plant additions and retirements?

RECOMMENDATION: The appropriate pro forma expenses associated with plant additions and retirements are \$912.

APPROVED

ISSUE 13: What is the appropriate amount of rate case expense for this docket?

RECOMMENDATION: If this project is approved, total rate case expense of \$74,929 should be allowed. This results in a decrease of \$40,409 to the utility's updated rate case expense request. The total allowable rate case expense should be amortized over four years, pursuant to Section 367.0816, Florida Statutes, at \$18,732 per year.

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ISSUE 14: What is the appropriate net operating income (NOI) before any calculation for any increase for this docket?

RECOMMENDATION: Based on recommended adjustments discussed in previous issues, the appropriate test year operating income is \$33,678.

APPROVED

ISSUE 15: What is the appropriate revenue requirement?

RECOMMENDATION: The following revenue requirement should be approved:

	<u>TOTAL</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Water	\$837,368	\$46,813	5.92%

APPROVED

ISSUE 16: What are the appropriate water rates?

RECOMMENDATION: Based on recommended adjustments discussed in previous issues, the recommended rates should be designed to allow the utility the opportunity to generate annual operating revenues of \$837,368, which represents an increase of \$46,813. To generate this revenue increase, the present service rates should be increased by 6.11%. The utility should be required to file revised tariff sheets and a proposed customer notice to reflect the appropriate rates pursuant to Rule 25-22.0407(10), Florida Administrative Code. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the

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customers have received notice. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

APPROVED

ISSUE 17: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of amortized rate case expense as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: The water rates should be reduced as shown on Schedule No. 5 of staff's memorandum, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reduction not later than one month prior to the actual date of the required rate reduction.

APPROVED

ISSUE 18: Should the utility's service availability charges be revised?

RECOMMENDATION: No. The utility's existing service availability charges are appropriate.

APPROVED

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ISSUE 19: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, this docket should be closed upon the issuance of a consummating order, and staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff.

APPROVED