

BEFORE THE PUBLIC SERVICE COMMISSION

**INITIAL CUSTOMER NOTICE
AND
NOTICE OF CUSTOMER MEETING**

TO THE CUSTOMERS OF
SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.
AND
ALL OTHER INTERESTED PERSONS

RE: DOCKET NO. 100048-WU

APPLICATION FOR INCREASE IN WATER RATES IN MARION COUNTY
BY SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.

February 21, 2012

NOTICE is hereby given that the Staff of the Florida Public Service Commission will conduct a customer meeting to discuss Sunshine Utilities of Central Florida, Inc.'s Application for a rate increase. The meeting will be held at the following time and place:

6:00 p.m., Wednesday, March 14, 2012
Bellevue City Hall
Commission Room
5243 SE Abshier Boulevard
Bellevue, Florida 34420

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present. One or more of the Commissioners of the Florida Public Service Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all of the customers have been heard.

The purpose of this meeting is to give customers and other interested persons an opportunity to offer comments to Commission Staff regarding the quality of service the Utility provides, the proposed increase, and to ask questions, and comment on the rates included in this Notice as well as other issues. Commission Staff will be available to address and coordinate customers' comments and to assist members of the public. A representative from the Utility may also be in attendance. At the beginning of the meeting, procedures will be established for the order of comments. Commission Staff will have sign-up sheets, and customers will be called in the order that they sign up to speak.

Pursuant to provisions of the Americans With Disabilities Act, any person requiring special accommodations to participate in this meeting because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least 48 hours prior to the meeting. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD) or 1-800-955-8770 (Voice).

RECEIVED-FPSC
12 FEB 21 AM 9:10
COMMISSION
CLERK

Emergency Cancellation of Customer Meeting

If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation of the meeting will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found at the bottom of the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at 850-413-6199.

How To Contact The Commission

Any person who wishes to comment or provide information to Commission Staff may do so at the meetings, either orally or in writing. Written comments may also be sent to this address:

Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

BACKGROUND

Sunshine Utilities of Central Florida, Inc. (the "Utility") is a water utility whose corporate offices are located at 10230 East Highway 25, Belleview, Florida, 34420. The Utility's water facilities are located in Marion County, Florida.

The Utility filed an application with the Florida Public Service Commission (the "Commission") for increased water rates for its Marion County customers on June 1, 2011. The application was assigned Docket No. 100048-WU and January 5, 2012 was established as the official date of filing.

As reported in its Minimum Filing Requirements ("MFRs") filed with its application to the Commission, the Utility's revenues per books are \$951,110.00, with operating expenses per books of \$1,010,240.00, for its water system, resulting in a net operating loss of (\$59,130.00), per books, before adjustments. The rate increase application has been filed by the Utility because of inadequate earnings.

Copies of the MFRs will be available for inspection at the following locations:

Sunshine Utilities of Central Fl. Inc.
10230 East Highway 25
Belleview, FL 34420

Office Hours:
Monday thru Thursday 8:00 a.m. to 4:00 p.m.
Friday 8:00 a.m. to 5:00 p.m.
Saturday and Sunday (Closed)

A "Rate Case Synopsis" will also be available, along with the application and MFRs. The test period for setting rates is the historical average thirteen-month period ended December 31, 2010.

The following tentative schedule was established by the Commission for the remaining major events in the Utility's rate case:

<u>Schedule Item</u>	<u>Due Date</u>
Customer Meeting	March 14, 2012
Staff's Proposed Agency Action ("PAA") Recommendation	May 23, 2012
Commission Conference on PAA Rates	June 5, 2012
PAA Order	June 25, 2012
Protest Period Expires	July 16, 2012
Consummating Order	July 19, 2012

CURRENT AND PROPOSED CHARGES

The current and proposed rates and charges follow. These rates are subject to change based on information gathered at the customer meeting, further Staff review, and the final decision by the Commissioners.

Sunshine Utilities of Central Florida, Inc. Sandy Acres		
<u>General Service</u> <i>(Monthly)</i>	<u>Current Rates</u>	<u>Utility Requested</u> <u>Final Rates</u>
Base Facility Charge by Meter Size:		
5/8" x 3/4"	\$4.69	\$10.00
1"	\$11.73	\$24.00
1 1/2"	\$0	\$36.00
2"	\$0	\$50.00
3"	\$0	\$76.00
4"	\$0	\$152.16
6"	\$0	\$237.37
8"	\$0	\$474.78
Gallage Charge (per 1,000 gallons)	\$1.47	\$2.40

Sunshine Utilities of Central Florida Unified Systems		
<u>General Service</u> <u>(Monthly)</u>	<u>Current Rates</u>	<u>Utility Requested</u> <u>Final Rates</u>
Base Facility Charge by Meter Size:		
5/8" x 3/4"	\$8.34	\$10.00
1"	\$20.82	\$24.00
1 1/2"	\$31.23	\$36.00
2"	\$41.65	\$50.00
3"	\$66.63	\$76.00
4"	\$133.47	\$152.16
6"	\$208.22	\$237.37
8"	\$416.47	\$474.78
Gallonage Charge (per 1,000 gallons)	\$2.04	\$2.40

Sunshine Utilities of Central Florida, Inc. Quail Run		
<u>General Service</u> <u>(Monthly)</u>	<u>Current Rates</u> <u>Flat Rate -- \$9.50</u>	<u>Utility Requested</u> <u>Final Rates</u>
Base Facility Charge by Meter Size:		
5/8" x 3/4"	\$0	\$10.00
1"	\$0	\$24.00
1 1/2"	\$0	\$36.00
2"	\$0	\$50.00
3"	\$0	\$76.00
4"	\$0	\$152.16
6"	\$0	\$237.37
8"	\$10	\$474.78
Gallonage Charge (per 1,000 gallons)	\$0	\$2.40

Sunshine Utilities of Central Florida, Inc Ponderosa Pines		
<u>General Service</u> <i>(Monthly)</i>	<u>Current Rates</u> Flat Rate \$15.66	<u>Utility Requested</u> <u>Final Rates</u>
Base Facility Charge by Meter Size:		
5/8" x 3/4"	\$0	\$10.00
1"	\$0	\$24.00
1 1/2"	\$0	\$36.00
2"	\$0	\$50.00
3"	\$0	\$76.00
4"	\$0	\$152.16
6"	\$0	\$237.37
8"	\$0	\$474.78
Gallage Charge (per 1,000 gallons)	\$0	\$2.40

SERVICE AVAILABILITY CHARGES

Residential System Capacity Charge	\$420	\$480
System Capacity Charge – all except residential – per gallon/day	\$1.20	\$1.37
Customer Connection (Tap- In) charge	\$0	\$500.00

MISCELLANEOUS SERVICE CHARGES

Type Charge	Present		Proposed	
	Bus Hrs	After Hrs	Bus Hrs	After Hrs
Initial Connection	15	15	30	30
Normal Reconnection	15	15	30	30
Violation Reconnection	15	20	30	30
Premises Visit	10	N/A	20	30
Late Fee	2	N/A	5	N/A
Meter Test Deposits				
5/8" x 3/4"	20	N/A	30	N/A
1"	25	N/A	30	N/A
1-1/4"		N/A	30	N/A
1-1/2"	25	N/A	30	N/A
2" and Over	Actual Cost	N/A	Actual Cost	N/A
Customer Deposits Residential and General Services				
5/8" x 1"	40	N/A	50	N/A
1" etc			50	N/A
1-1/4"			50	N/A
1-1/2"			50	N/A
2" and Over			50	N/A
Meter Tampering Charge			100	100

Written comments regarding the Utility's service or the requested final rate increases may be sent to the Commission at the following address:

Office of Commission Clerk
 Florida Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399-0850

All comments should refer to Docket No. 100048-WU which is the docket number that has been assigned to this case. Complaints regarding service may be made to the Commission's Division of Regulatory Compliance and Consumer Assistance at the following toll-free number: 1-800-342-3552

If you have any questions, please call the Utility's office at (352) 347-8228.

Sunshine Utilities of Central Florida, Inc.

SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.

APPLICATION FOR INCREASE IN WATER RATES
IN MARION COUNTY, FLORIDA

DOCKET NO. 100048-WU

SYNOPSIS

FPSC

DOCUMENT NUMBER-DATE

00973 FEB 21 2000

FPSC-COMMISSION CLERK

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I. Purpose

In accordance with the Florida Public Service Commission's Rule 25-22.0407 regarding Notice of and Public Information on General Rate Increase Requests; a synopsis of the rate request must be prepared and distributed by Sunshine Utilities of Central Florida, Inc. (the "Utility"), in Marion County. The following information will provide the background on the rate request and the rate case process in general.

II. Comparison of the Present and Proposed Interim and Final Rates

On January 5, 2012 the Utility completed an application with the Florida Public Service Commission (the "Commission") for increased water rates, fees and charges for its customers in Marion County based on an historical test year ending December 31, 2010 for final rates, with interim rates based upon the same test year. The application is assigned Docket No. 100048-WU and January 5, 2012, was established as the official date of filing.

The Utility has requested a permanent revenue increase for its water systems in Marion County of \$199,850.00, or 21.17%. The requested increase would produce annual revenues of \$1,143,683.00. The Utility has also requested that the Commission approve interim rates. The Commission voted to approve interim rates on August 9, 2011, and the Order arising out of that vote was issued on August 26, 2011.

The Commission approved interim rates will be subject to being refunded with interest, should the Commission find that the Utility was not entitled to collect such rates pending the final Commission decision. A schedule of the Utility's rates prior to filing, the Utility's requested interim rates and the Utility's proposed final rates follow.

Sunshine Utilities of Central Florida, Inc. Sandy Acres			
<u>General Service (Monthly)</u>	<u>Rates Prior to Filing</u>	<u>Utility's Requested Interim Rates</u>	<u>Utility Requested Final Rates</u>
Base Facility Charge by Meter Size:			
5/8" x 3/4"	\$4.69	\$5.86	\$10.00
1"	\$11.73	\$14.66	\$24.00
1 1/2"	\$0		\$36.00
2"	\$0		\$50.00
3"	\$0		\$76.00
4"	\$0		\$152.16
6"	\$0		\$237.37
8"	\$0		\$474.78
Gallage Charge (per 1,000 gallons)	\$1.47	\$1.84	\$2.40

Sunshine Utilities of Central Florida Unified Systems			
<u>General Service (Monthly)</u>	<u>Rates Prior to Filing</u>	<u>Utility's Requested Interim Rates</u>	<u>Utility Requested Final Rates</u>
Base Facility Charge by Meter Size:			
5/8" x 3/4"	\$8.34	\$9.44	\$10.00
1"	\$20.82	\$23.57	\$24.00
1 1/2"	\$31.23	\$35.35	\$36.00
2"	\$41.65	\$47.15	\$50.00
3"	\$66.63	\$75.43	\$76.00
4"	\$133.47	\$151.09	\$152.16
6"	\$208.22	\$235.71	\$237.37
8"	\$416.47	\$471.44	\$474.78
Gallage Charge (per 1,000 gallons)	\$2.04	\$2.31	\$2.40

Sunshine Utilities of Central Florida, Inc.			
Quail Run			
<u>General Service</u> <i>(Monthly)</i>	<u>Rates Prior to Filing</u> <u>Flat Rate – \$9.50</u>	<u>Utility’s Requested</u> <u>Interim Rates –</u> <u>Flat Rate - \$22.50</u>	<u>Utility Requested</u> <u>Final Rates</u>
Base Facility Charge by Meter Size:			
5/8" x 3/4"	\$0		\$10.00
1"	\$0		\$24.00
1 1/2"	\$0		\$36.00
2"	\$0		\$50.00
3"	\$0		\$76.00
4"	\$0		\$152.16
6"	\$0		\$237.37
8"	\$10		\$474.78
Gallonage Charge (per 1,000 gallons)	\$0		\$2.40

Sunshine Utilities of Central Florida, Inc.			
Ponderosa Pines			
<u>General Service</u> <i>(Monthly)</i>	<u>Rates Prior to Filing</u> <u>Flat Rate \$15.66</u>	<u>Utility’s Requested</u> <u>Interim Rates –</u> <u>Flat Rate - \$19.75</u>	<u>Utility Requested</u> <u>Final Rates</u>
Base Facility Charge by Meter Size:			
5/8" x 3/4"	\$0		\$10.00
1"	\$0		\$24.00
1 1/2"	\$0		\$36.00
2"	\$0		\$50.00
3"	\$0		\$76.00
4"	\$0		\$152.16
6"	\$0		\$237.37
8"	\$0		\$474.78
Gallonage Charge	\$0		\$2.40

(per 1,000 gallons)			
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SERVICE AVAILABILITY CHARGES

Residential System Capacity Charge	\$420	\$480
System Capacity Charge – all except residential – per gallon/day	\$1.20	\$1.37
Customer Connection (Tap-In) charge	\$0	\$500.00

MISCELLANEOUS SERVICE CHARGES

Type Charge	Present		Proposed	
	Bus Hrs	After Hrs	Bus Hrs	After Hrs
Initial Connection	15	15	30	30
Normal Reconnection	15	15	30	30
Violation Reconnection	15	20	30	30
Premises Visit	10	N/A	20	30
Late Fee	2	N/A	5	N/A
Meter Test Deposits				
5/8" x 3/4"	20	N/A	30	N/A
1"	25	N/A	30	N/A
1-1/4"		N/A	30	N/A
1-1/2"	25	N/A	30	N/A
2" and Over	Actual Cost	N/A	Actual Cost	N/A
Customer Deposits Residential and General Services				
5/8" x 1"	40	N/A	50	N/A
1" etc			50	N/A
1-1/4"			50	N/A
1-1/2"			50	N/A
2" and Over			50	N/A
Metering Tampering Charge			100	100

III. General Reasons for Rate Request

The Utility is requesting a rate increase because the existing rates do not provide sufficient revenues to cover the required expenses of operations on a going-forward basis and a fair return on the Utility's investment in used and useful property for the public use. The Utility's rates were last reviewed in Docket No. 900386-WU, which culminated in Order No. PSC-25722-PAA-SU, issued February 13, 1992. Since that Time, the Utility has incurred substantial additional operating costs and capital investment.

In Order No. PSC-11-0358-PCO-WU, the Commission determined that the Utility's minimum rate of return on equity is 10.89%, and its overall return (the weighted cost of debt and equity) is 9.42% for interim rate purposes. The rate of return on equity requested in this proceeding is 8.51%. The overall return requested (the weighted cost of debt and equity) is 9.88%. The overall rate of return that the Utility is currently earning without a rate increase is -6.22%.

IV. Major Rate Case Issues

It is impossible to anticipate all the issues that may develop during a rate case. However, the following issues are anticipated to be the major areas considered:

1. What is the test year rate base?
2. What is the test year net operating income?
3. What is the test year cost of capital?
4. What is the test year revenue requirement?
5. What is the proper rate design to recover the test year revenue requirement?

V. Description of the Ratemaking Process

Participants

Many people are involved in a utility rate case. The following is a list of some of the main participants:

1. The Commission is composed of five **Commissioners** appointed by the Governor. If a Proposed Agency Action Order is protested by a substantially affected person, a hearing is scheduled and is usually heard by a panel of three Commissioners. The Commissioners who hear this case will make a final decision on all of the issues in the case.
2. The Commissioners are assisted by a **Commission Staff**. The Staff members involved in the case include engineers, accountants, attorneys, consumer affairs specialists, and rate and financial analysts.
3. The **Public Counsel** is appointed by the Legislature to represent the citizens in rate cases before the Commission. Public Counsel also has a staff of attorneys,

accountants, rate and financial analysts. The Public Counsel may monitor the case or may participate.

4. The Utility's officers and staff personnel may testify about the Utility, its operation, revenue and expenses. The Utility may also employ outside consultants as expert witnesses and an attorney or other specialists to assist them with the rate case. The accountants, rate analysts and engineers compile information in support of the rate increase request and testify at hearings.
5. **Intervenors** representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervenor is a party who legally intervenes in the rate case through petition to the Commission to represent a specific interest or point of view in the rate case. The intervenor has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses.

Rate Case Requirements

A test year is requested by the utility, and when approved, is used as a measuring point to determine if a rate increase should be approved. The utility files an application pursuant to Commission rules (minimum filing requirements or "MFRs"). This application reflects the amount of money the utility has invested in its facilities to serve its customers. It also includes the utility's requested rate of return on its investment and the expenses the utility incurs to provide service for the test year. The data provides information about the operations of the company, supplies and expenses, taxes, construction, depreciation and all of the operating and financial matters that are crucial to a decision. The utility will also be requested to file additional information before the case is over. Among the things the Commission looks for are expenditures that could be considered unnecessary, improper, or imprudent. Expenditures of this kind are disallowed for ratemaking purposes.

The Commission and its staff review the application, and the Commission determines whether interim rates are appropriate to be collected during the pendency of the rate case. If interim rates are authorized and charged, those rates are subject to refund with interest pending the Commission's final decision in the case.

The Commission Staff performs an audit of the utility's books and records to see if they match the utility's MFRs, and that the utility is in compliance with Commission rules and policies. The Commission Staff auditors issue a report of their findings which is filed with the Commission. The Commission Staff also performs other examinations and document requests of the utility's personnel and the utility's quality of service. This includes an engineering physical inspection of the utility's facilities and a review of records filed with other regulatory agencies regarding the utility.

PAA Procedures

A utility may ask that its application be processed using the Commission's Proposed Agency Action ("PAA") procedure, as the Utility has done in this case. Under

this procedure, the Commission Staff holds a customer meeting in the utility's service territory to obtain information from the customers on the utility's service and other issues regarding the requested rate increase.

After the Commission auditors have completed their audit and the Commission Staff has reviewed the information filed by the utility and comments received from customers at the customer meeting, the Commission Staff makes a recommendation to the Commission as to the amount of rate increase that the utility should be granted. This recommendation is presented to the Commission at a public commission conference in Tallahassee at which the Commissioners consider the Commission Staff recommendations and vote on each issue identified by the Commission Staff.

The Commission attorneys then prepare a formal order containing the Commission's proposed action, including the new rates and when they will be effective. Substantially affected persons have 21 days after this written order is issued to decide whether to accept the Commission's decision or to request a formal hearing.

If no party protests the order, and the hearing process is not triggered, the Commission's decision becomes final, a consummating order is issued, the new rates go into effect, and the docket is closed.

Hearings

If any substantially affected party objects to the Commission's proposed rate increase and requests a formal hearing, then the Commission schedules public hearings on the rate case. These hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Commission during the hearings. At this time, customer testimony is given regarding quality of service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

The Public Counsel provides legal representation for consumers in matters before the Commission. The Public Counsel participates in major rate cases, has access to all the information filed by the utility, assists members of the public who wish to testify, and may even provide expert witnesses on various issues in the case.

Witnesses from the utility, the Commission Staff, the Public Counsel and interveners present testimony and are cross-examined. There are official transcripts of all hearings. Court Reporters record the hearings, just as they do in a courtroom.

Completing the Rate Case

After the hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues. The Commission staff then makes recommendations to the Commissioners on each issue of the case. When the Commission makes its final decision there will be a "vote sheet" which is a listing of all the issues requiring a vote by the Commissioners. There are many issues in a major wastewater rate case, and it sometimes takes the Commissioners several hours to

complete the final review of the case and to vote on each issue based on the evidence in the record.

Commission attorneys prepare a formal order containing the background of the case, the Commission decisions, the basis for the decisions, the new rates, and when they will be effective. After the Commission's order is issued, any party may ask the Commission to reconsider any decision on the issues. After reconsideration, the Public Counsel, the utility or any other party may appeal the Commission's decision to the courts.

The following tentative schedule was established by the Commission for the remaining major events in the Utility's rate case:

<u>Schedule Item</u>	<u>Due Date</u>
Customer Meeting	March 14, 2012
Staff's Proposed Agency Action ("PAA") Recommendation	May 23, 2012
Commission Conference on PAA Rates	June 5, 2012
PAA Order	June 25, 2012
Protest Period Expires	July 16, 2012
Consummating Order	July 19, 2012

VII. Location of MFRs for Review

All of the information on file at the Commission is open to the public and is available for review at the Commission offices in Tallahassee and on its website: <http://www.psc.state.fl.us>. The MFRs filed by the Utility are also available for inspection at the following locations:

Sunshine Utilities of Central Florida, Inc Office Hours:

10230 East Highway 25	Monday thru Thursday 8:00 a.m. to 4:00 p.m.
Bellevue, FL 34420	Friday 8:00 a.m. to 5:00 p.m.
	Saturday and Sunday (Closed)

Customer comments concerning the Utility's service and its request for an increase in rates should be addressed to the Director, Office of Commission Clerk, at the Florida Public Service Commission:

Florida Public Service Commission
Director, Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

A courtesy copy of written comments and complaints may be mailed to the following:

John Q. Adams II, C.P.A.
Adams and Company, P.A.
910 S.W. 1st Avenue, Suite 201
Ocala, FL 34471

Complaints may also be made by phone to the Commission's Division of Regulatory Compliance and Consumer Assistance at 1-800-342-3552, submitted through the Public Service Commission's toll-free facsimile line at 1-800-511-0809, or the Commission's website available at:

<http://www.floridapsc.com/consumers/complaints/index.aspx>

All comments should include reference to Commission Docket No. 100048-WU, and the name of the Utility, Sunshine Utilities of Central Florida, Inc.