

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of rates of	)	DOCKET NO. 881030-WU
SUNSHINE UTILITIES in Marion County	)	ORDER NO. 21958
for possible overearnings.	)	ISSUED: 9-27-89
	)	

The following Commissioners participated in the disposition of this matter:

BETTY EASLEY  
GERALD L. GUNTER

ORDER INCREASING REVENUES SUBJECT TO REFUND  
AND INCREASING CORPORATE UNDERTAKING

BY THE COMMISSION:

Sunshine Utilities, a Class B Utility, provides water service to approximately 2000 customers in Marion County. The 1988 Annual Report reflected annual revenues in the amount of \$407,722 and a net operating income of \$60,128. The current rates in effect for the utility were established in its last rate case, Docket No. 810386-WU, culminating in the issuance of Order No. 13014 on February 20, 1984. We approved a 1988 price index for the utility by Order No. 19416, issued June 20, 1988, in Docket No. 880638-WU.

On August 30, 1988, we initiated this investigation of Sunshine Utilities for possible overearnings for the twelve months period ended December 31, 1987. Subsequently, by Order No. 20038, issued on September 20, 1988, we required the utility to file a corporate undertaking in the amount of \$27,208 with this Commission to guarantee that funds would be available in the event a refund is required. In addition, we authorized the utility to continue to collect its existing rates. The utility, subsequently, on October 3, 1988, filed a corporate undertaking in the amount of \$30,000 to guarantee the refund liability.

When we audited the records of Sunshine Utilities for the twelve months ended December 31, 1987, our audit disclosed several audit exceptions and findings which are the bases of our adjustments. At our July 11, 1989, Agenda Conference, we found that the utility was overearning and ordered it to refund 7.68%

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of the revenues it had collected and to reduce its rates by 16.97%. These findings and requirements were issued in proposed agency action Order No. 21629 on July 31, 1989. That Order was subsequently protested by Sunshine Utilities on August 18, 1989.

Based on our preliminary analysis, we placed \$27,208 or 7.68% of Sunshine's test year revenues subject to refund, with interest. Further analysis has revealed that \$54,710 or 15.43% of the utility's test year revenues should be made subject to refund. This is based on our calculation of the appropriate amount to be refunded using the test year ended December 31, 1987.

Gross operating revenues, as reported in the utility's 1987 Annual Report and confirmed in our audit report, totalled \$354,473. We find the utility's annual revenue requirement, based on the adjusted rate base and net operating income totals, to be \$299,763. The difference of \$54,710 represents 15.43% in test year revenues. We find it appropriate to require that this percentage now be applied to determine the amount of revenues to be collected subject to refund, on an interim basis.

Therefore, we hereby increase the utility's revenues subject to refund from 7.68% to 15.43%. This 15.43% represents the percentage of revenues the utility may be overearning, using the high end of the utility's authorized return on equity. Although we required the utility to reduce its rates on a going forward basis by 16.97% by Order No. 21629, that rate reduction was based on the midpoint of the utility's return on equity using the current leverage graph.

For service rendered on or after August 30, 1988, through September 18, 1989, the utility shall continue placing 7.68% of its revenues subject to refund. However, for service rendered on or after September 19, 1989, the utility shall place 15.43% of its revenues subject to refund until this proceeding is finalized. The utility's potential refund liability through July 1990 is approximately \$100,000, including the \$30,000 corporate undertaking the utility has already filed.

Because we have determined that this utility has the financial strength to support a corporate undertaking in the amount of \$100,000, and because we find it necessary to assure that these additional funds are available if a refund is necessary, we hereby order that the utility file an additional corporate undertaking in the amount of \$70,000 with this

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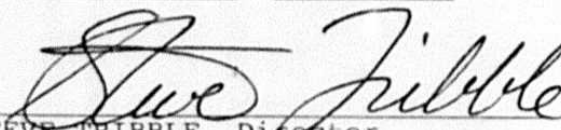
Commission within fourteen days from the date of this Order.

It is, therefore

ORDERED by the Florida Public Service Commission that Sunshine Utilities shall hold subject to refund 15.43% of its revenues for service rendered on or after September 19, 1989, the date of our vote on this matter. For service rendered up to September 19, 1989, Sunshine Utilities shall continue to hold 7.68% of its revenues subject to refund pursuant to Order No. 20038, issued September 20, 1988. It is further

ORDERED that Sunshine Utilities shall file an additional corporate undertaking in the amount of \$70,000 as set forth in the body of this Order.

By ORDER of the Florida Public Service Commission  
this 27th day of SEPTEMBER, 1989.

  
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.