

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of SUNRAY UTILITIES, )  
 INC. for water and sewer certificates in )  
 St. Johns County. )  
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DOCKET NO. 870539-WS  
 ORDER NO. 23341  
 ISSUED: 8/10/90

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTIONORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. Background

On August 28, 1987, Sunray Utilities, Inc. (Sunray or the Utility) applied for original water and sewer certificates in St. Johns County. The application was protested by St. Johns North Utility Corp. and a hearing was held on the issue of which utility would serve the proposed territory. Pursuant to Order No. 19428, issued June 6, 1988, Sunray was granted Water Certificate No. 504-W and Sewer Certificate No. 438-S. The docket was left open pending the establishment of rates and charges. This Order addresses the setting of those rates and charges.

Sunray is a stand-alone utility which is not affiliated with developers within its service territory. However, Sunray is a subsidiary of ITT Rayonier, Inc., which owns a majority of the service territory and is the entity selling land for development. At buildout of its initial phase, Sunray will serve 1,428 equivalent residential connections (ERCs). These customers will be single family residential homes; however, 593 homes within the Cordele Properties will be served through an 8-inch master meter. When the Utility reaches 80% of buildout it will be a Class B utility with water revenues of \$440,258 and sewer revenues of \$684,642. This Commission will no longer have jurisdiction of Sunray upon completion of this docket because St. Johns County has taken back jurisdiction of its utilities.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 2

## II. Approved Rates and Charges

In original certificate applications, it is our usual practice to determine rates which will allow the utility to earn a fair rate of return on investment when the treatment plant reaches 80% of capacity. Sunray proposes to provide water and sewer service in St. Johns County to the first phase of development which, at buildout, will consist of 1,428 ERCs. It is anticipated that the system will reach 80% of buildout in 1997.

From the original information supplied by the applicant, we have calculated proforma schedules of rate base, operating income and capital structure to utilize in determining the Utility's appropriate initial rates. Sunray has completed construction of interim water and sewer plants to serve the Cordele Properties. Anticipating the addition of the Southloop Development in approximately 1992, Sunray will construct permanent 500,000 gallons per day (GPD) water and sewer plants in 1992. Lines will be constructed and donated by the individual developers. The rates and service availability charges are based upon buildout of the permanent plants. Plant costs reflect retirement and salvage value of the interim facilities. We have adjusted plant components and mains which were oversized for future development through used and useful adjustments.

We have reviewed the contracts for the completed interim plants as well as the engineering estimates for construction of the permanent plant. We find these projections reasonable and, other than used and useful and the inclusion of meters which were excluded by the utility, we have no adjustments. In its application, the Utility provided a breakdown of non-used and useful plant. However, these adjustments were not utilized in the Utility's requested rates. Our analysis utilized these adjustments which decreased plant-in-service, as well as the corresponding depreciation balances. The decreased plant balances caused a decrease in contributions-in-aid-of-construction (CIAC) and associated amortization through lower plant capacity charges. Schedules Nos. 1 and 2 reflect our calculation of the Utility's rate base with our adjustments appearing on Schedule No. 3.

The Utility's operation and maintenance expenses appeared somewhat high for operating at approximately 1,500 ERCs. The Utility has many common expenses which it proposes to split equally between its Nassau and St. Johns divisions. The Utility states that, in the future, it intends to split these costs based upon the percentage of rate base to total rate base for each system. Since the Nassau system is anticipated to grow faster, we have decreased overhead expenses resulting in a 10% decrease in both the water and sewer operations and maintenance expenses. The working capital allowance is based upon 1/8 of operation and maintenance expenses, which is consistent with our policy on allowance for working capital in original certificate cases in original certificate cases.

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 3

We have adjusted operating revenues and corresponding regulatory assessment fees to a level which will allow the Utility to earn a 12.77% rate of return on both its water and sewer operations. Schedules Nos. 4 and 5 reflect the Utility's water and sewer operating income, with our adjustments appearing on Schedule No. 6.

We calculated the appropriate return on common equity for the Utility to be 13.95% using our current leverage formula, which we adopted by Order No. 21775, issued August 23, 1989. The proforma capital structure appears on Schedule No. 7.

We are utilizing these schedules to establish initial rates and charges. They are not intended to establish the Utility's rate base. This is consistent with our policy in original certificate applications. However, we find a return on equity of 13.95% appropriate for use in future proceedings involving calculation of AFUDC, interim rates and tax savings. The Utility's requested rates, as well as the approved rates, are shown below. We have calculated these approved rates using the base facility charge rate structure and based on a revenue requirement of \$440,258 and \$684,642, for the water and sewer systems, respectively.

### Water Service

#### Residential and General Service

(Monthly)

<u>Meter Size</u>	<u>Utility Proposed Base Facility Charge</u>	<u>Commission Approved Base Facility Charge</u>
5/8" x 3/4"	\$ 23.25	\$ 15.34
3/4"	34.87	23.01
1"	58.12	38.35
1-1/2"	116.23	76.70
2"	185.97	122.72
3"	371.95	245.44
4"	581.17	383.50
6"	1,162.33	767.00
8"	1,859.73	1,227.20
Gallage Charge (per 1,000 gallons)	\$ .78	\$ 1.66

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 4

Rate for Cimarrone Property Owners Association, Inc.

(Monthly)

<u>Base Facility Charge</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
(Per DER Permitted ERC)	\$ 23.25	\$ 15.34
Gallonge (Per 1,000 gallons)	\$ .78	\$ 1.66

Wastewater Service

Residential Service

(Monthly)

<u>Base Facility Charge</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
(All Meter Sizes)	\$ 35.11	\$ 17.77
Gallonge (Per 1,000 gallons maximum 10,000 gallons per month)	\$ 1.36	\$ 2.20

General Service

(Monthly)

<u>Meter Size</u>	<u>Utility Proposed Base Facility Charge</u>	<u>Commission Approved Base Facility Charge</u>
5/8" x 3/4"	\$ 35.11	\$ 17.77
3/4"	52.67	26.66
1"	87.78	44.43
1-1/2"	175.55	88.85
2"	280.89	142.16
3"	561.77	284.32
4"	877.77	444.25
6"	1,755.54	888.50
8"	2,808.87	1,421.60
Gallonge Charge (per 1,000 gallons)	\$ 1.36	\$ 2.64

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 5

Rate for Cimarrone Property Owners Association, Inc.

(Monthly)

<u>Base Facility Charge</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
(Per DER Permitted ERC)	\$ 35.11	\$ 17.77
Gallorage (Per 1,000 gallons)	\$ 1.36	2.20

Unique to this case is the provision of water and sewer service to the Cordele Properties through an eight-inch master meter. For utilities with a large customer base, master metered customers such as mobile home parks are served under the general service rate with the base facility charge based upon the size of the master meter. Using the American Waterworks Association's meter equivalent factors, an eight-inch meter would equate to 80 ERCs. Therefore, the base facility charge would be based on 80 ERCs despite the fact that 593 homes will be served behind the meter in the Cordele Development.

Since rates have been developed based upon the 1,142 ERCs at 80% of capacity, billing the Cordele Properties, which consists of 40% of the ERCs, based upon the eight-inch base facility charge would result in a revenue shortfall. We believe it would be unfair to shift this revenue burden to other customers and agree with the Utility that the residential rate per each Department of Environmental Regulation (DER) permitted ERC would be an appropriate rate. However, since the residential rate will be used, we find it appropriate to cap the sewer rate at 10,000 gallons per month per ERC. Recognizing the total ERCs behind a master meter is a departure from our usual ratemaking practice. However, we have approved a similar rate, based upon connected ERCs behind a master meter, for Martin Downs Utilities in Docket No. 840315-WS.

The Utility requested miscellaneous service charges which are identical to those contained in our Staff's Advisory Bulletin No. 13, second revised. We find these charges to be appropriate and we hereby authorize our Staff to administratively approve these charges upon approval of the tariffs.

II. Service Availability Charges

Sunray will construct all its treatment facilities. Lines and lift stations, however, will be donated by developers. The Utility has requested service availability charges designed to place it at a 75% contribution level at buildout. The Utility's requested and our approved charges are shown below.

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 6

	<u>Water</u>	
<u>Plant Capacity Charge</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
(1 ERC = 350 GPD)	\$ 510	\$ 390

Meter Installation Charge

<u>Meter Size</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$100.00	\$100.00
3/4"	115.00	115.00
1"	145.00	145.00
1-1/2"	330.00	330.00
2"	400.00	400.00
Over 2"	Actual Cost	Actual Cost

Service Line and Meter Installation

<u>Meter Size</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
5/8" x 3/4"	\$440.00	\$440.00
3/4"	450.00	450.00
1"	470.00	470.00
1-1/2"	610.00	610.00
2"	750.00	750.00
Over 2"	Actual Cost	Actual Cost

Plan Review Charge	Actual Cost	Actual Cost
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Inspection Charge	Actual Cost	Actual Cost
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ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 7

<u>Wastewater</u>		
<u>Plant Capacity Charge</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
(1 ERC = 280 GPD)	\$ 390	\$ 240
<u>Tap In Charges</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
All Meter Sizes	Actual Cost	Actual Cost
Plan Review Charge	Actual Cost	Actual Cost
Inspection Fee	Actual Cost	Actual Cost

In determining the proposed capacity charges, Sunray used the projected rate of DER committed plant based on developer construction permits. According to the Utility, all of the on-site distribution lines and services will be contributed by the developers in Phase I. The Utility asserts that in order to obtain permits from DER for the construction of the distribution and collection systems for new developments, the new utility must represent that capacity is currently available to serve the number of ERCs represented by the development. According to the Utility, this reserved capacity is considered "committed" by DER to that developer at the time permits are obtained to construct the lines. Thus, the future connection of customers bears no relationship to the time that plant investment must be in place.

Since construction of additional plant is dictated by DER committed capacity as opposed to actual customer connections, we agree that the growth rate for calculating service availability charges should be based upon DER committed capacity. We utilized the same methodology for developing service availability charges in Sunray's Nassau County division in Docket No. 870649-WS.

We have reviewed the cost support for the meter installation charges and find them to be cost based. While it is anticipated that all on-site lines including the service lines will be donated by developers, we find that separate meter installation charges, that will include running the service line, are appropriate for those occasions when the service line is to be constructed by the Utility.

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 8

### III. Approval of Utility's Requested Gross-Up of CIAC

The Utility has requested that it be allowed to collect the tax gross up on CIAC. The gross-up would relate to donated property as well as the plant capacity charges. In our proposed agency action Order No. 21266, issued May 22, 1989, we decided to continue allowing companies to apply for a gross-up of CIAC. We did this in recognition of the fact that inclusion of CIAC in a Utility's gross income may have a severe impact on the Utility's tax liability during the year of collection. If the Utility does not collect the taxes on CIAC, it may experience cash flow problems.

However, in Order No. 21266, we set forth several criteria for companies requesting the gross-up. One criterion was that each utility requesting the gross-up must demonstrate the existence of an actual tax liability resulting from the collection of CIAC. Secondly, each utility must demonstrate that its existing cash flow is inadequate to meet the tax liability resulting from the collection of CIAC. Finally, each utility must include a statement of the gross-up alternatives it considered, a certification that the gross-up is the most effective alternative, and its calculation of the interest coverage both with and without utilizing the gross-up.

Order No. 21266 has been protested and a hearing was held in April of 1990. We have not yet rendered a final decision in that matter. Because of the non-final nature of Order No. 21266, Sunray initially filed its gross-up request believing that it was not yet required to meet the criteria set forth in that Order. We have verified that Sunray is a C Corporation which will be subject to income taxes. However, since the Utility has not begun operation and the CIAC receipts and future revenues are projected, the Utility cannot address future cash flow or interest levels.

Since the Utility is subject to the tax liability on CIAC and because such liability will undoubtedly heavily impact upon Sunray as a new utility, we find it appropriate to approve the Utility's request to gross-up its CIAC.

### IV. Allowance for Funds Prudently Invested Charges

Allowance for Funds Prudently Invested (AFPI) is a one time charge designed to provide a return on plant which is prudently constructed but that exceeds the needs of current customers. Sunray has constructed interim water and sewer plants with capacities of 100,000 GPD and 70,000 GPD, respectively. Plant expansions are anticipated in 1992 at which time the interim plants will be retired. In this case, AFPI would relate to the Utility's investment in the interim plants as well as the off-site transmission and collection systems. We have applied used and useful adjustments to the collection and



ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 9

distribution systems to properly reflect the costs associated with the ERCs that can be served by the interim plants.

Although the Utility has requested AFPI charges, it did not develop or file proposed charges within its application. Since Sunray is a new utility, the construction of initial plants and lines is prudent. Thus, we find AFPI charges are appropriate since they will allow the Utility to recover carrying costs associated with the interim plant until such time as the customers for which it was built connect to the systems. The requested charges are based upon the date that future customers connect to the system, normally coinciding with the payment of the service availability charges. The Utility has projected that the interim plants will be retired in 1992. Therefore, the charges will be capped at the December 1992 charges or at whatever month retirement occurs if prior to that date. The capped charges will be applicable to the initial 286 and 250 ERCs for water and sewer, respectively. After these ERC levels are reached the charges will cease. Our calculation of the AFPI charges is shown on Schedule No. 9.

#### V. AFUDC Rate Set

By Order No. 20917, issued March 20, 1989, in Docket No. 881553-WS, we granted Sunray an "allowance for funds used during construction" (AFUDC) rate of 9.93%. This rate was based upon the combined capital structure of Sunray's Nassau and St. Johns County divisions and a return on equity derived from the 1988 leverage graph. The 9.93% rate was the appropriate rate to be used in this docket regarding construction of the interim plants. However, we find it appropriate to use the updated capital structure in Schedule No. 7 to modify the Utility's AFUDC rate to more accurately reflect the anticipated interest costs associated with future construction. Therefore, we hereby establish the new AFUDC rate at 12.77%. Our calculation is shown on Schedule No. 10.

#### VI. Late Payment Charge Approved

The Utility requested a late payment charge of 1 1/2% of the delinquent balance applicable to original billings for service remaining unpaid after the delinquent date. The Utility states that there will be a clear delineation on the original billing that such a charge is applicable and the date by which payment must be received to avoid the charge. We have approved similar late payment charges in Dockets Nos. 870456-TL, Southern Bell Telephone and Telegraph Company, and 870331-WS, Vineyards Utility, Inc., and we find such a charge equally appropriate in this case. The applicability of this charge shall be set forth within the Utility's tariffs.

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 10

VII. Guaranteed Revenue Charges Approved

Included in the Utility's service availability policies is a provision for guaranteed revenue payments by developers reserving capacity. The charge would commence when the developer reserves capacity by paying the service availability charges and continue until an active customer is connected to the system. The Utility proposes that the guaranteed revenue charges be the water and sewer base facility charges approved in this proceeding. We find that a guaranteed revenue charge is appropriate to allow for recovery of the fixed costs associated with plant reserved by the developer. However, we believe that in this case, since return on investment is not included in the base facility charge, it is not a proper proxy to reflect carrying costs. Further, the base facility charges are based upon buildout of the permanent plants at 1,128 ERCs. As with the AFPI charges, guaranteed revenues are based upon fixed costs associated with the interim plants, including return on investment. Therefore, we find it appropriate to approve the monthly carrying costs calculated in Schedule No. 9 as the guaranteed revenue charges. The Utility's requested charges, our adjustments to the base facility charges and the approved guaranteed revenue charges are shown below.

Guaranteed Revenue Charges

(Per ERC, Per Month)

	<u>Utility Proposed</u> (Base Facility Charge)	<u>Commission Adjusted</u>	<u>Commission Approved</u>
Water	\$ 23.25	\$ 15.34	\$ 19.68
Sewer	\$ 35.11	\$ 17.77	\$ 18.76

VIII. Tariff Provision Requiring Developers to Accept Effluent Approved

Sunray has requested that we approve a provision within its tariff which would require developers to take back for spray irrigation effluent equal to that which their developments generate. Developments generating over 500 ERCs would be required to take back all effluent they generate, while smaller developers would take back only a portion of what they generate. Therefore, in order to receive service, developers would be required, in the master planning of their developments, to provide land for effluent disposal through golf courses, parks or other green areas.

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 11

Developers would construct the on-site reclaimed water lines and irrigation system, donating the lines to the Utility. Additionally, developers would grant Sunray land rights to the spray irrigation sites. The granting of land rights would preclude the developer from terminating spray irrigation or using the sites for alternate purposes without Sunray's approval. In effect, by this arrangement, the developers would be granting the Utility a no cost lease for the use of land for spray irrigation. Sunray will dispose of all effluent through spray irrigation. Therefore, it will be dependent upon having available sufficient land for application of the effluent. Based upon the poor percolation rates within Sunray's territory, such disposal would require substantial land.

It is the policy of this Commission, along with the Water Management Districts, to encourage water reuse although we have never, in the past, mandated spray irrigation. However, we believe water conservation through water reuse is in the public interest. This plan is particularly applicable to new developments in that the irrigation sites can be planned in the development process. For these reasons, we find it appropriate to approve the Utility's tariff provision requiring developers to accept, for spray irrigation, the effluent their developments generate.

Sunray has not proposed any charge for delivering effluent to spray irrigation customers. In several recent cases, we have established rates for providing effluent to golf courses for spray irrigation. However, the basis of those charges was that the golf course customers involved received a benefit through spray irrigation. In those cases, the irrigation customers were affiliated with the utility and spray irrigation was not the sole source of disposal.

In this case, Sunray is asking that each development be required to take back either all or part of the effluent it generates. Sunray will treat the effluent to acceptable irrigation standards and pay for reuse lines to the boundary of the development. The developer will be responsible for on-site lines, the irrigation system and land for the spray application. As a result, Sunray will be requiring each developer to bear the majority of the cost of disposing of its effluent. Based upon the high water table and poor percolation rate in the Sunray territory, percolation ponds are not feasible. Because the Utility will be dependent upon land application for its effluent disposal, we believe that it is appropriate to consider the developers as part of the overall treatment and disposal process as opposed to effluent customers. Therefore, we find it appropriate that they not be charged for the effluent.

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 12

IX. Developer Agreement Between Sunray and the Cimarrone Property Owners Association, Inc.

Sunray was granted water and sewer certificates pursuant to Order No. 19428, issued June 6, 1988. On November 30, 1988, Sunray executed a developer agreement with Cimarrone Property Owners Association, Inc. The initial developer in Sunray's territory, Cordele Properties, Inc., entered into an agreement with Cimarrone Property Owners Association, Inc., (the Association) whereby the Association would provide water and sewer utility service for customers located in Cordele Properties, Inc.'s development. On January 31, 1990, Sunray completed its application regarding rates and charges, including the developer agreement with the Association. The developer agreement was filed as a special developer agreement, since the development will be served through a master meter and the Association will retain ownership of lines which it constructed within its development. The agreement contains provisions that monthly service rates as well as service availability charges, including the gross-up, will be those approved by this Commission.

Sunray has been providing service without compensation for several months. However, pursuant to the developer agreement, it collected \$135,000 of CIAC from the Association for reservation of 150 ERCs based upon estimated charges. Although Sunray has collected charges which were not approved by this Commission, we find it appropriate to permit Sunray to adjust the amount of CIAC it has already received to the level of the charges approved herein and to refund the difference to the Association, with interest. The interest shall be calculated as provided in Rule 25-30.360, Florida Administrative Code.

This is because execution of the developer agreement, as well as plant construction, was expedited to accommodate the initial developer, Cordele Properties, Inc. By entering into the agreement, the Association was aware that plant would be constructed for its development's use. The Association agreed to pay estimated plant capacity charges with the understanding that such charges would be adjusted to those approved by this Commission. Since the Association's prior payments will be adjusted, and the difference will be refunded with interest, we do not find that the Association has been harmed. By referencing Commission approved charges within the agreement, Sunray demonstrated its intent to comply with its approved tariff. Further, since AFPI charges are collected when capacity is reserved by payment of service availability charges, AFPI is not applicable to the initial 150 ERCs. Therefore, Sunray will feel a financial impact based upon its decision to prematurely collect CIAC.

The developer agreement is silent as to AFPI and guaranteed revenues. Sunray contends that, at the time the agreement was executed, it had not contemplated requesting these charges. However, the AFPI and guaranteed

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 13

revenues that we have approved in this docket are equally applicable to the Association. For this reason, we believe that it would be discriminatory to exempt the Association from these charges because they represent the carrying costs of plant to serve the area and will be applicable to all customers. Accordingly, the omission of these charges from the agreement, which was not approved by this Commission, does not operate to relieve Sunray of its responsibility to uniformly apply its tariff. In consideration of the above, we find it appropriate to approve the developer agreement between Sunray and the Association, with the modifications discussed herein.

The rates approved herein shall be effective for meter readings on or after 30 days from the stamped approval date on the original water and sewer tariffs. The charges approved herein shall be effective for service rendered on or after the stamped approval date on the tariff sheets. The tariffs will be approved upon our Staff's verification that they are consistent with our decision and that the protest period has expired.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Sunray Utilities, Inc., is hereby authorized to charge the rates and charges set forth in this Order. It is further

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

ORDERED that the charges approved herein shall be effective for service rendered on or after the stamped approval date on the tariff sheets. It is further

ORDERED that Sunray Utilities, Inc., is hereby authorized to utilize the service availability policy and charges approved herein. These shall be effective for connections on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the developer agreement between Sunray Utilities, Inc., and Cimarrone Property Owners Association, Inc., is hereby approved with the modifications set forth in the body of this Order. It is further

ORDERED that Sunray Utilities, Inc., shall refund the difference between the contributions-in-aid-of-construction previously collected from the Cimarrone Property Owners Association, Inc., and the contributions-in-aid-of-construction approved herein, with interest as provided in Rule 25-30.360, Florida Administrative Code. It is further

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 14

ORDERED that Sunray Utilities, Inc.'s tariff provision requiring certain developers to accept the spray effluent generated by their developments as a condition of service is hereby approved. It is further

ORDERED that the Utility shall file tariff sheets within 30 days of the date of this Order reflecting our decisions herein. It is further

ORDERED that the schedules attached hereto are hereby incorporated by reference. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final unless a petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that, if no protest is received within the protest period set out in the Notice of Further Proceedings below, this docket shall be closed.

By Order of the Florida Public Service Commission this 10th day of AUGUST, 1990.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

SFS  
(7690L)

by: Kay Wilson  
Chief, Bureau of Records

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 15

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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 4, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer 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 of the effective date 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.

Sunray Utilities Inc.  
 Schedule of Water Rate Base  
 At 80% of Design Capacity

Docket No. 870539-WS  
 Schedule No. 1

Description	Balance Per Filing	Utility Adjust.	Balance Per Utility	Commission Adjust.	Balance Per Commission
Utility Plant in Service	2,946,053	0	2,946,053	(56,002) (1)	2,890,051
Land	69,526	0	69,526	(16,642) (2)	52,884
Accumulated Depreciation	(476,097)	0	(476,097)	(8,395) (3)	(484,492)
Contributions-in-aid-of-Construction	(2,014,180)	0	(2,014,180)	28,560 (4)	(1,985,620)
Accumulated Amortization of C.I.A.C.	177,148	0	177,148	(1,307) (5)	175,841
Plant Held for Future Use	0	0	0	0	0
Working Capital Allowance	32,711	0	32,711	(3,271) (6)	29,441
<b>TOTAL</b>	<b>735,161</b>	<b>0</b>	<b>735,161</b>	<b>(57,057)</b>	<b>678,105</b>

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 16



Sunray Utilities Inc.  
 Schedule of Sewer Rate Base  
 At 80% of Design Capacity

Docket No. 870539-WS  
 Schedule No. 2

Description	Balance Per Filing	Utility Adjust.	Balance Per Utility	Commission Adjust.	Balance Per Commission
Utility Plant in Service	5,058,285	0	5,058,285	(366,014) (1)	4,692,271
Land	208,185	0	208,185	(127,929) (2)	80,256
Accumulated Depreciation	(775,587)	0	(775,587)	47,518 (3)	(728,069)
Contributions-in-aid-of-Construction	(3,446,855)	0	(3,446,855)	214,200 (4)	(3,232,655)
Accumulated Amortization of C.I.A.C.	257,442	0	257,442	(17,472) (5)	239,970
Working Capital Allowance	47,896	0	47,896	(4,785) (6)	43,111
<b>TOTAL</b>	<b>1,349,366</b>	<b>0</b>	<b>1,349,366</b>	<b>(254,482)</b>	<b>1,094,884</b>

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 17

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 18

## SCHEDULE 3

SUNRAY UTILITIES, INC.  
SCHEDULE OF ADJUSTMENTS TO RATE BASE

<u>Description</u>	<u>Water</u>	<u>Sewer</u>
<u>Utility Plant-in-Service</u>		
1) To reflect used and useful adjustments	\$(139,502)	\$(366,014)
To reflect addition of meters	<u>83,500</u>	<u>0</u>
	<u>\$( 56,002)</u>	<u>\$(366,014)</u>
<u>Land</u>		
2) To reflect used and useful adjustment	<u>\$( 16,642)</u>	<u>\$(127,929)</u>
<u>Accumulated Depreciation</u>		
3) To reflect the effect of adjustments made to utility plant-in-service	<u>\$( 8,395)</u>	<u>47,518</u>
<u>Contributions-in-Aid-of-Construction</u>		
4) To reflect lower service availability charges due to utility plant-in-service adjustments	<u>\$ 28,560</u>	<u>\$ 214,200</u>
<u>Accumulated Depreciation</u>		
5) To reflect the lower level of CIAC	<u>\$( 1,307)</u>	<u>\$(17,472)</u>
<u>Working Capital Allowance</u>		
6) To reflect reduction in operation and maintenance expenses	<u>\$( 3,271)</u>	<u>\$( 4,785)</u>

Sunray Utilities Inc.  
 Schedule of Water Operations  
 At 80% of Design Capacity

Docket No. 870539-WS  
 Schedule No. 4

Description	Balance Per Utility	Commission Adjust.	Balance Per Commission	Commission Adjust. Required Revenue	Required Revenue Per Commission
Operating Revenues	425,836	0	425,836	14,422 (5)	440,258
Operating and Maintenance	261,691	(26,167) (1)	235,525	0	235,525
Depreciation Expense	39,875	1,110 (2)	40,985	0	40,985
taxes other than income	60,436	(206) (3)	60,230	672 (6)	60,902
Income Taxes	1,076	10,414 (4)	11,490	4,834 (7)	16,323
Total Operating Expenses	363,078	(14,849)	348,229	5,506	353,734
Net Operating Income	62,758	14,849	77,607	8,916	86,524
Rate Base	735,161		678,105		678,105
Rate of Return	8.54%		11.44%		12.76%

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 19

Sunray Utilities Inc.  
 Schedule of Sewer Operations  
 At 80% of Design Capacity

Docket No. 870539-WS  
 Schedule No. 5

Description	Balance Per Utility	Commission Adjust.	Balance Per Commission	Commission Adjust. Required Revenue	Required Revenue Per Commission
Operating Revenues	668,118	0	668,118	16,822 (5)	684,940
Operating and Maintenance	383,171	(38,281) (1)	344,890	0	344,890
Depreciation Expense	75,537	(4,143) (2)	71,394	0	71,394
Taxes Other Than Income	101,629	(543) (3)	101,086	1,277 (6)	102,363
Income Taxes	1,370	17,182 (4)	18,552	7,804 (7)	26,356
Total Operating Expenses	561,707	(25,786)	535,921	9,081	545,002
Net Operating Income	106,411	25,786	132,197	7,741	139,938
Rate Base	1,349,366		1,094,884		1,094,884
Rate of Return	7.89%		12.07%		12.78%

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 20

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 21

SCHEDULE 6

SUNRAY UTILITIES, INC.  
 ADJUSTMENTS TO SCHEDULE OF OPERATIONS

<u>Description</u>	<u>Water</u>	<u>Sewer</u>
<u>Operation and Maintenance</u>		
1) To reflect reallocation of costs between the utility's two divisions	<u>\$( 26,167)</u>	<u>\$( 38,281)</u>
<u>Depreciation Expense</u>		
2) To reflect changes to utility plant in service	<u>\$( 1,110)</u>	<u>( 4,143)</u>
<u>Taxes Other Than Income</u>		
3) To reflect reduction in property taxes due to reduction in utility plant-in-service	<u>\$( 206)</u>	<u>\$( 543)</u>
<u>Income Taxes</u>		
4) To reflect staff's calculation of state and federal income taxes of at the requested revenue levels	<u>\$ 10,414</u>	<u>18,248</u>
<u>Operating Revenues</u>		
5) To adjust the requested operating income to a level which will allow the utility the opportunity to earn a 12.77 overall rate of return	<u>\$ 14,222</u>	<u>\$ 16,524</u>
<u>Taxes Other Than Income</u>		
6) To reflect the increase in regulatory assessment fees related to the increase in operating revenues	<u>\$ 672</u>	<u>\$ 1,290</u>
<u>Income Taxes</u>		
7) To reflect staff's calculation of state and federal income taxes at the recommended operating revenue levels	<u>\$ 4,834</u>	<u>\$ 6,531</u>

Sunray Utilities Inc.  
 Schedule of Capital Structure  
 At 80% of Design Capacity

Docket No. 870539-WS  
 Schedule No. 7

Description	Balance Per Filing	Utility Adjust.	Balance Per Utility	Staff Adjust.	Balance Per Staff	Recon. Adjust.	Recon. Balance	Weight	Cost Rate	Weighted Cost
Common Equity	646,210		646,210		646,210	56,505	702,715	39.63%	13.95%	5.53%
Long and Short-Term Debt	984,213		984,213		984,213	86,061	1,070,274	60.37%	12.00%	7.24%
Customer Deposits			0		0	0	0	0.00%	8.00%	0.00%
Advances from Associated Companies			0		0	0	0	0.00%	0.00%	0.00%
Other			0		0	0	0	0.00%	0.00%	0.00%
	1,630,423	0	1,630,423	0	1,630,423	142,566	1,772,989	100.00%		12.77%

Range of Reasonableness:	High	Low
Common Equity	14.95%	12.95%
Overall Rate of Return	13.17%	12.38%

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 22

Sunray Utilities Inc.  
 Schedule of Net Plant to Net C.I.A.C.  
 At 100% of Design Capacity

Docket No. 870539-WS  
 Schedule No. 8

ORDER NO. 23341  
 DOCKET NO. 870539-WS  
 PAGE 23

Account Number	Account Description	Water	Sewer	Total
101	Utility Plant in Service	2,890,051	4,692,271	7,582,322
104	Accumulated Depreciation	(484,492)	(728,069)	(1,212,561)
	Net Plant	<u>2,405,559</u>	<u>3,964,202</u>	<u>6,369,761</u>
271	C.I.A.C.	1,985,620	3,232,655	5,218,275
272	Accum. Amortization of C.I.A.C.	(175,841)	(239,970)	(415,811)
	Net C.I.A.C.	<u>1,809,779</u>	<u>2,992,685</u>	<u>4,802,464</u>
	Net C.I.A.C. / Net Plant	<u>75.23%</u>	<u>75.49%</u>	<u>75.39%</u>
	Gross to Gross Minimum Contribution Level	<u>51.86%</u>	<u>56.14%</u>	<u>54.51%</u>
	Staff Recommended Charge (*Includes meter installation)	<u>490 *</u>	<u>240</u>	<u>730</u>
	Total ERC's	<u>1,428</u>	<u>1,428</u>	<u>2,856</u>

Sunray Utilities Inc.  
870539-WS

Schedule No.  
Page 1 of 8

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 24

Allowance for Funds Prudently Invested  
Calculation of Carrying Costs for Each ERC: WATER

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Cost of Qualifying Assets:	\$ 425,915	Annual Depreciation Expense:	\$ 16,890
Divided By Future ERC:	286	Future ERC's:	286
	-----		-----
Cost/ERC:	\$ 1,489.21	Annual Depr. Cost per ERC:	\$ 59.06
Multiply By Rate of Return:	12.77%		-----
	-----		
Annual Return Per ERC:	\$ 190.17	Annual Property Tax Expense:	\$ 6,830
	-----	Future ERC's:	286
Annual Reduction in Return:	\$ 7.54		-----
(Annual Depreciation Expense per ERC Times Rate of Return)	-----	Annual Prop. Tax per ERC:	\$ 23.88
			-----
Federal Tax Rate:	0.00%	Weighted Cost of Equity:	5.53%
Effective State Tax Rate:	0.00%	Divided by Rate of Return:	12.77%
	-----		-----
Total Tax Rate:	0.00%	% of Equity in Return:	43.30%
	-----		-----
Effective Tax on Return:	0.00%	Other Costs:	\$ 0
(Equity % Times Tax Rate)	-----	Future ERC's:	286
			-----
Provision For Tax:	0.00%	Cost per ERC:	\$ 0.00
(Tax on Return/(1-Total Tax Rate))	-----		-----

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Sunray Utilities Inc.  
870539-WS

Schedule No. 9  
Page 2 of 8

Allowance for Funds Prudently Invested  
Calculation of Carrying Cost Per ERC Per Month: WATER

	1990	1991	1992	1993	1994	1995
	----	----	----	----	----	----
January	23.83	312.20	629.49	979.40	1,366.10	1,794.28
February	47.66	338.41	658.39	1,011.34	1,401.46	1,833.50
March	71.49	364.63	687.30	1,043.28	1,436.82	1,872.72
April	95.33	390.85	716.21	1,075.22	1,472.18	1,911.94
May	119.16	417.06	745.11	1,107.16	1,507.54	1,951.15
June	142.99	443.28	774.02	1,139.10	1,542.90	1,990.37
July	166.82	469.50	802.93	1,171.04	1,578.26	2,029.59
August	190.65	495.71	831.83	1,202.98	1,613.62	2,068.81
September	214.48	521.93	860.74	1,234.92	1,648.98	2,108.03
October	238.32	548.15	889.65	1,266.86	1,684.34	2,147.24
November	262.15	574.36	918.55	1,298.80	1,719.70	2,186.46
December	285.98	600.58	947.46	1,330.74	1,755.06	2,225.68

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 25

Sunray Utilities Inc.  
870539-WS

Schedule No. 9  
Page 3 of 8

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 26

Allowance for Funds Prudently Invested  
Calculation of Carrying Cost Per ERC Per Year: WATER

	1990	1991	1992	1993	1994	1995
Unfunded Other Costs:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Unfunded Annual Depreciation:	59.06	59.06	59.06	59.06	59.06	59.06
Unfunded Property Tax:	23.88	23.88	23.88	23.88	23.88	23.88
Subtotal Unfunded Annual Expense:	\$ 82.94	\$ 82.94	\$ 82.94	\$ 82.94	\$ 82.94	\$ 82.94
Unfunded Expenses Prior Year:	0.00	82.94	165.87	248.81	331.75	414.69
Total Unfunded Expenses:	\$ 82.94	\$ 165.87	\$ 248.81	\$ 331.75	\$ 414.69	\$ 497.62
Return on Expenses Current Year:	10.59	10.59	10.59	10.59	10.59	10.59
Return on Expenses Prior Year:	0.00	10.59	21.18	31.77	42.36	52.96
Return on Plant Current Year:	190.17	182.63	175.09	167.55	160.01	152.47
Earnings Prior Year:	0.00	190.17	407.68	656.01	939.11	1,261.40
Compound Earnings from Prior Year:	0.00	24.29	52.06	83.77	119.92	161.08
Total Compounded Earnings:	\$ 190.17	\$ 407.68	\$ 656.01	\$ 939.11	\$ 1,261.40	\$ 1,627.90
Earnings Expansion Factor for Tax:	1.00	1.00	1.00	1.00	1.00	1.00
Revenue Required to Fund Earnings:	\$ 190.17	\$ 407.68	\$ 656.01	\$ 939.11	\$ 1,261.40	\$ 1,627.90
Revenue Required to Fund Expenses:	82.94	165.87	248.81	331.75	414.69	497.62
Subtotal:	\$ 273.11	\$ 573.55	\$ 904.82	\$ 1,270.85	\$ 1,676.09	\$ 2,125.53
Divided by Factor for Gross Receipts Tax:	0.955	0.955	0.955	0.955	0.955	0.955
ERC Carrying Cost for 1 Year:	\$ 285.98	\$ 600.58	\$ 947.46	\$ 1,330.74	\$ 1,755.06	\$ 2,225.68

Sunray Utilities Inc.  
870539-WS

Schedule No. 9  
Page 4 of 8

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 27

Allowance for Funds Prudently Invested: WATER

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	1990	1991	1992	1993	1994	1995
	----	----	----	----	----	----
January	23.83	312.20	629.49	979.40	1,366.10	1,794.28
February	47.66	338.41	658.39	1,011.34	1,401.46	1,833.50
March	71.49	364.63	687.30	1,043.28	1,436.82	1,872.72
April	95.33	390.85	716.21	1,075.22	1,472.18	1,911.94
May	119.16	417.06	745.11	1,107.16	1,507.54	1,951.15
June	142.99	443.28	774.02	1,139.10	1,542.90	1,990.37
July	166.82	469.50	802.93	1,171.04	1,578.26	2,029.59
August	190.65	495.71	831.83	1,202.98	1,613.62	2,068.81
September	214.48	521.93	860.74	1,234.92	1,648.98	2,108.03
October	238.32	548.15	889.65	1,266.86	1,684.34	2,147.24
November	262.15	574.36	918.55	1,298.80	1,719.70	2,186.46
December	285.98	600.58	947.46	1,330.74	1,755.06	2,225.68

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Sunray Utilities Inc.  
870539-WS

Schedule No.  
Page 5 of 8

Allowance for Funds Prudently Invested  
Calculation of Carrying Costs for Each ERC: SEWER

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Cost of Qualifying Assets:	\$ 326,328	Annual Depreciation Expense:	\$ 14,166
Divided By Future ERC:	250	Future ERC's:	250
	-----		-----
Cost/ERC:	\$ 1,305.31	Annual Depr. Cost per ERC:	\$ 56.66
Multiply By Rate of Return:	12.77%		-----
	-----		
Annual Return Per ERC:	\$ 166.69	Annual Property Tax Expense:	\$ 5,216
	-----	Future ERC's:	250
Annual Reduction in Return:	\$ 7.24		-----
(Annual Depreciation Expense	-----	Annual Prop. Tax per ERC:	\$ 20.86
per ERC Times Rate of Return)	-----		-----
Federal Tax Rate:	0.00%	Weighted Cost of Equity:	5.53%
Effective State Tax Rate:	0.00%	Divided by Rate of Return:	12.77%
	-----		-----
Total Tax Rate:	0.00%	% of Equity in Return:	43.30%
	-----		-----
Effective Tax on Return:	0.00%	Other Costs:	\$ 0
(Equity % Times Tax Rate)	-----	Future ERC's:	250
			-----
Provision For Tax:	0.00%	Cost per ERC:	\$ 0.00
(Tax on Return/(1-Total Tax Rate))	-----		-----

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ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 28

Sunray Utilities Inc.  
870539-WS

Schedule No. 9  
Page 6 of 8

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 29

Allowance for Funds Prudently Invested  
Calculation of Carrying Cost Per ERC Per Month: SEWER  
-----

	1990	1991	1992
	----	----	----
January	21.31	279.12	562.28
February	42.62	302.52	588.04
March	63.93	325.92	613.80
April	85.24	349.32	639.55
May	106.55	372.73	665.31
June	127.86	396.13	691.07
July	149.17	419.53	716.83
August	170.48	442.93	742.58
September	191.79	466.33	768.34
October	213.10	489.73	794.10
November	234.41	513.13	819.85
December	255.72	536.53	845.61

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Sunray Utilities Inc.  
870539-WS

Schedule No. 9  
Page 7 of 8

ORDER NO. 23341  
DOCKET NO. 870539-WS  
PAGE 30

Allowance for Funds Prudently Invested  
Calculation of Carrying Cost Per ERC Per Year: SEWER

	1990	1991	1992
Unfunded Other Costs:	\$ 0	\$ 0	\$ 0
Unfunded Annual Depreciation:	56.66	56.66	56.66
Unfunded Property Tax:	20.86	20.86	20.86
Subtotal Unfunded Annual Expense:	\$ 77.53	\$ 77.53	\$ 77.53
Unfunded Expenses Prior Year:	0.00	77.53	155.06
Total Unfunded Expenses:	\$ 77.53	\$ 155.06	\$ 232.58
Return on Expenses Current Year:	9.90	9.90	9.90
Return on Expenses Prior Year:	0.00	9.90	19.80
Return on Plant Current Year:	166.69	159.45	152.22
Earnings Prior Year:	0.00	166.69	357.33
Compound Earnings from Prior Year:	0.00	21.29	45.63
Total Compounded Earnings:	\$ 166.69	\$ 357.33	\$ 574.97
Earnings Expansion Factor for Tax:	1.00	1.00	1.00
Revenue Required to Fund Earnings:	\$ 166.69	\$ 357.33	\$ 574.97
Revenue Required to Fund Expenses:	77.53	155.06	232.58
Subtotal:	\$ 244.22	\$ 512.38	\$ 807.56
Divided by Factor for Gross Receipts Tax:	0.955	0.955	0.955
ERC Carrying Cost for 1 Year:	\$ 255.72	\$ 536.53	\$ 845.61

Sunray Utilities Inc.  
870539-WS

Schedule No. 9  
Page 8 of 8

ORDER NO 23341  
DOCKET NO. 870539-WS  
PAGE 31

Allowance for Funds Prudently Invested  
Schedule of Charges: SEWER

	1990	1991	1992
	----	----	----
January	21.31	279.12	562.28
February	42.62	302.52	588.04
March	63.93	325.92	613.80
April	85.24	349.32	639.55
May	106.55	372.73	665.31
June	127.86	396.13	691.07
July	149.17	419.53	716.83
August	170.48	442.93	742.58
September	191.79	466.33	768.34
October	213.10	489.73	794.10
November	234.41	513.13	819.85
December	255.72	536.53	845.61

Sunray Utilities Inc.  
 Commission Approved AFUDC Rate  
 As of August 1990

Schedule No. 10  
 Docket No. 870539-WS

Class of Capital	Capitalization Per Utility	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity	694,787	0	694,787	39.63%	13.95%	5.53%	
Long Term Debt	1,058,198	0	1,058,198	60.37%	12.00%	7.24%	
Short-Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Zero Cost	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	0	0	0	0.00%	0.00%	0.00%	
Deferred Income Taxes	0	0	0	0.00%	0.00%	0.00%	
<b>Total</b>	<b>1,752,985</b>	<b>0</b>	<b>1,752,985</b>	<b>100.00%</b>		<b>12.77%</b>	<b>1.006533%</b>