

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval
of reuse plan in Lake County by
Sun Communities Finance, LLC
d/b/a Water Oak Utility.

DOCKET NO. 010087-WS
ORDER NO. PSC-03-0416-PAA-WS
ISSUED: March 26, 2003

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER DISCONTINUING REQUIREMENT TO ESCROW WASTEWATER REVENUES AND
RELEASING PORTION OF ESCROWED WASTEWATER REVENUES

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.

BACKGROUND

Sun Communities Finance, LLC, d/b/a Water Oak Utility (Sun
Communities or utility) is a Class C water and wastewater utility
located in Lake County. The utility provides water and wastewater
service to approximately 816 residential customers and 24 general
service customers. This Commission granted the utility Water
Certificate No. 454-W and Wastewater Certificate No. 388-S,
pursuant to Order No. 16150, issued May 23, 1986, in Docket No.
850517-WS.

DOCUMENT NUMBER-DATE

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FPSC-03-0416-PAA-WS CLERK

On March 2, 1999, Sun Communities applied for a limited proceeding to increase its water rates. The scope of the limited proceeding was broadened to include an investigation of possible overearnings. In Order No. PSC-00-1165-PAA-WS, issued June 27, 2000, in Docket No. 990243-WS, this Commission denied the request for a limited proceeding to increase water rates and found that the utility was overearning for both its water and wastewater systems.

By that Order, we directed the utility to file a reuse project plan pursuant to Section 367.0817, Florida Statutes, within six months of the final order. We also ordered the utility to apply the overearnings associated with the water system to conservation related expenses. For the wastewater revenues, we ordered the utility to defer 23.07% of monthly wastewater billings and include the deferred revenues as a separate line item in its capital structure with a cost rate equal to the thirty-day commercial paper rate. Once the reuse project plan was approved, the utility was ordered to book the deferred earnings and accrued interest to contributions in aid of construction (CIAC).

Our staff audited the utility's books and records for the test year ending January 31, 2001, and submitted its audit report on October 1, 2002. Based on the findings in the audit report that the utility's wastewater system was no longer overearning, the utility has requested that the wastewater revenues deferred in 2001, pursuant to Order No. PSC-00-1165-PAA-WS, be released. We have jurisdiction in this matter pursuant to Section 367.081, Florida Statutes.

DISCONTINUANCE OF REQUIREMENT TO ESCROW 23.07%
OF WASTEWATER REVENUES

Pursuant to Order No. PSC-00-1165-PAA-WS, the utility has been escrowing 23.07% of wastewater revenues for use in a future reuse project to offset what was then current wastewater overearnings. To select a base year to be used in setting reuse rates in Docket No. 010087 (reuse docket), our staff conducted an audit of the utility's books and records for the test year ending December 31, 2001.

Exhibit IV of the audit report contains the net operating income schedule of the utility. This exhibit shows a per audit

loss of \$52,005 for wastewater. The loss can be attributed to the utility's parent company allocating more cost to the operations of the water and wastewater company than were allocated in Order No. PSC-00-1165-PAA-WS. Since that order, the utility has reevaluated its allocations and those allocations have been recorded by the utility for the 2001 test year. Although our staff is considering several adjustments to the allocations and other items contained in the audit, it does not appear that the sum of those potential adjustments will change the utility's underearnings position.

Further, because our staff is using this audited test year as a base year for projection in the reuse docket, it appears that the underearnings will continue until the reuse docket is completed. Based on this projected continuation of underearnings, the utility, by letter dated December 27, 2002, requested that the escrow requirement be discontinued. Based on the above, we find that the utility shall no longer be required to escrow 23.07% of wastewater revenues.

RELEASE OF PORTION OF ESCROWED WASTEWATER REVENUES

As discussed above, pursuant to Order No. PSC-00-1165-PAA-WS the utility has been escrowing 23.07% of its wastewater revenues. However, it appears that the utility was only in an overearnings situation for the year 2000. Based on the audit findings, the utility has requested that the escrow monies collected to date be released with the exception of the revenues collected during the 2000 calendar year, which represent actual overearnings.

As discussed above, it does not appear that the utility overearned during the calendar year 2001. Moreover, it appears that the utility actually underearned for that period and that such underearnings will continue into the future. Our intent in Order No. PSC-00-1165-PAA-WS was to defer overearnings to offset the cost of a future reuse project. Because our staff is using the 2001 test year as a base year for the reuse project, and underearnings will apparently continue, we find that there is no overearnings for the period January 1, 2001, to date.

However, it does appear that the utility overearned in the calendar year 2000. The utility does not dispute this and has requested that only the overearnings portion of the escrowed monies

remain in escrow. The utility contends that the actual overearnings realized in 2000 was significantly less than the amount required to be escrowed. Based on the information contained in the utility's 2000 annual report, the utility calculated \$6,000 of overearnings for the whole of the year 2000. This calculation appears to be reasonable, and we further note that the order making revenues subject to refund was not issued until June 27, 2000.

Based on the above, the utility's request to release all monies held in escrow with the exception of \$6,000 of overearnings plus associated interest in 2000 is reasonable and shall be approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sun Communities Finance, LLC, d/b/a Water Oak Utility, shall no longer be required to escrow 23.07% of wastewater revenues. It is further

ORDERED that Sun Communities Finance, LLC's request to release all monies held in escrow with the exception of \$6,000 of overearnings plus associated interest in 2000 is approved. It is further

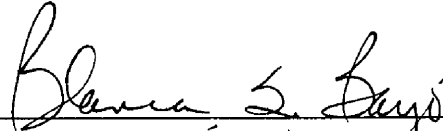
ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open pending the completion of the reuse docket. It is further

ORDERED that if a protest by a substantially affected person is filed within 21 days of the issuance of the Order, the escrowed monies shall remain in escrow pending resolution of the protest, and the docket shall remain open.

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By ORDER of the Florida Public Service Commission this 26th
day of March, 2003.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

RRJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of

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the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 16, 2003.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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