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November 9, 1999

VIA HAND DELIVERY

Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
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RECORDS AND REPORTING

991693-WU

Re: In Re: Petition for approval of Allowance-For-Funds-Used-During-Construction ("AFUDC") rate in Marion County, Florida by Sunshine Utilities of Central Florida, Inc.

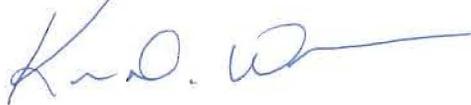
Dear Ms. Bayo:

Enclosed for filing on behalf of Sunshine Utilities of Central Florida, Inc. ("Sunshine") are the original and twenty (20) copies of Sunshine's Petition for Approval of Allowance-For-Funds-Used-During-Construction.

For our records, please acknowledge your receipt of this filing on the enclosed copy of this letter. Thank you for your consideration.

Sincerely,

HOLLAND & KNIGHT LLP



Karen D. Walker

KDW:kjg
Enclosure

cc: Trish Merchant

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DOCUMENT NUMBER-DATE

13804 NOV-9 99

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of
Allowance-For-Funds-Used-During-
Construction ("AFUDC") rate in
Marion County, Florida by
Sunshine Utilities of Central Florida, Inc.

Docket No. 991693-WU
Filed: November 9, 1999

**Sunshine Utilities of Central Florida, Inc.'s Petition for Approval of
Allowance-For-Funds-Used-During-Construction ("AFUDC") Rate**

Sunshine Utilities of Central Florida, Inc. ("Sunshine"), by and through undersigned counsel, pursuant to Rule 25-30.116, Florida Administrative Code, hereby submits this Petition for Approval of Allowance-For-Funds-Used-During-Construction ("AFUDC") Rate ("Petition") in connection with the construction of Sunshine's regional water plant. In support of its Petition, Sunshine states:

1. The name and address of the petitioner is:

Sunshine Utilities of Central Florida, Inc.
10230 S.E. Highway 25
Belleview, Florida 34420-5531
(352) 347-8228

2. The names and addresses of the persons authorized to receive notices and communications with respect to this Petition are as follows:

D. Bruce May
Karen D. Walker
HOLLAND & KNIGHT LLP
P.O. Drawer 810
315 South Calhoun Street, Suite 600
Tallahassee, Florida 32302 (32301)
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3. Sunshine is a Class B utility which provides water service to approximately 2,758 water customers in Marion County, Florida. Sunshine is

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FPSO-RECORDS/REPORTING

certificated by the Florida Public Service Commission (the "Commission") to provide water service pursuant to Certificate No. 363W. Sunshine does not provide wastewater service; its customers utilize septic tanks.

4. Sunshine seeks Commission approval of an AFUDC rate so that construction work in progress ("CWIP") associated with construction on Sunshine's regional water plant may accrue AFUDC during construction.

5. The construction on Sunshine's regional water plant is a project that is eligible for AFUDC. See Fla. Admin. Code R. 25-30.116(1)(a). The project involves a gross addition to plant in excess of \$5,000 and is expected to be completed in excess of 60 days after commencement of construction. CWIP associated with construction on Sunshine's regional water plant is not included in Sunshine's rate base.

6. Sunshine will obtain a loan in the principal amount of \$1,423,591 from the Florida Department of Environmental Protection ("DEP") Drinking Water State Revolving Fund for the construction project.

7. Attached hereto as Schedule A is a schedule showing the capital structure, cost rates and weighted average cost of capital that are the basis for Sunshine's proposed AFUDC rate.

8. Attached hereto as Schedule B is a schedule showing capital structure adjustments, including the unadjusted capital structure, reconciling adjustments and adjusted capital structure that are the basis for Sunshine's proposed AFUDC rate. Schedule B reflects a proforma adjustment to include the simple average balance of the DEP loan.

9. Attached hereto as Schedule C is a schedule showing the calculation of the monthly AFUDC rate using the methodology set forth in Rule 25-30.116.

10. Based on this methodology in Rule 25-30.116, Sunshine is requesting Commission approval of an annual AFUDC rate of 6.4%, with a discounted monthly AFUDC rate of 0.5183%. Sunshine's proposed AFUDC rate is based on the 12-month period ended September 30, 1999. Thus, in accordance with Rule 25-30.116, the effective date of the AFDUC rate will be October 1, 1999.

WHEREFORE, Sunshine requests that the Commission:

- a. approve an annual AFUDC rate of 6.4%, and a discounted monthly AFUDC rate of 0.5183, effective October 1, 1999 ; and
- b. grant such other relief as the Commission deems appropriate.

Respectfully submitted this 9th day of November, 1999.



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**Attorneys for Sunshine Utilities of Central
Florida, Inc.**

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November 1, 1999

Officers and Directors
Sunshine Utilities of Central Florida, Inc.

In accordance with your request, we have prepared the accompanying Special Report of Sunshine Utilities of Central Florida, Inc., consisting of Schedules A, B, and C. This report is intended solely for use as part of an application for an approved AFUDC rate, based on the 12 months ended September 30, 1999, to be filed with the Florida Public Service Commission.

Because this Special Report was not audited by us, we do not express an opinion or any other form of assurance on it.

Cronin, Jackson, Nixon & Wilson
CRONIN, JACKSON, NIXON & WILSON

Sunshine Utilities, Inc.
Average Cost of Capital Used to Calculate Annual AFUDC Rate
For the Twelve Months Ended September 30, 1999

Line No.		Average Balance 03/31/95	Percent Ratio	Cost of Each Percent	Weighted Cost
1	<u>Capital Structure</u>				
2	Common equity	\$ 501,965	38.62%	10.12%	3.91%
3	Long-term debt				
4	Sun Bank Loan	24,659	1.90%	8.25%	0.16%
5	Isuzu Truck Loan	24,587	1.89%	9.00%	0.17%
6	DEP Loan A	2,734	0.21%	3.10%	0.01%
7	DEP Loan B	711,796	54.77%	3.63%	1.99%
8	Customer deposits	33,855	2.61%	6.00%	0.16%
9		<u>\$ 1,299,596</u>	<u>100.00%</u>		<u>6.40%</u>

Sunshine Utilities, Inc.
 Schedule of Average Capital Structure and Adjustments
 For the Twelve Months Ended September 30, 1999
 (Unaudited)

Line No.		Average Balance per Books	Adjustments (1)	Adjusted Average Balance
1	<u>Class of Capital</u>			
2	Common equity (deficit)	\$ 501,965		\$ 501,965
3	Long-term debt	51,980	\$ 711,796	763,776
4	Customer deposits	<u>33,855</u>		<u>33,855</u>
5		<u>\$ 587,800</u>	<u>\$ 711,796</u>	<u>\$ 1,299,596</u>

Note (1): Proforma adjustment to include simple average balance of DEP loan from the Drinking Water State Revolving Fund in principal amount of \$1,423,591.

Sunshine Utilities, Inc.
Schedule of Average Capital Structure
For the Twelve Months Ended September 30, 1999
(Unaudited)

Line No.	Common Equity				Long Term Debt			Customer Deposits
	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total	Sun Bank	1997 Isuzus	DEP Loan A	
1	October, 1998	\$ 100	\$ 440,151	\$ (63,783)	\$ 376,468	\$ 47,810	\$ 29,564	\$ 32,142
2	November, 1998	100	440,151	(66,491)	373,760	42,810	28,681	32,222
3	December, 1998	100	440,151	1,488	441,739	42,810	27,792	33,022
4	January, 1999	100	440,151	105,099	545,350	37,810	26,897	33,422
5	February, 1999	100	440,151	134,555	574,806	32,810	25,994	33,862
6	March, 1999	100	440,151	129,784	570,035	27,810	25,085	34,222
7	April, 1999	100	440,151	114,346	554,597	22,810	24,169	34,142
8	May, 1999	100	440,151	96,135	536,386	17,810	23,246	\$ 6,562 34,182
9	June, 1999	100	440,151	80,257	520,508	12,810	22,316	6,562 34,262
10	July, 1999	100	440,151	72,334	512,585	7,810	21,380	6,562 34,902
11	August, 1999	100	440,151	73,070	513,321	2,810	20,436	6,562 34,902
12	September, 1999	100	440,151	63,772	504,023	-	19,485	6,562 34,982
13	12-month average	<u>\$ 100.0</u>	<u>\$ 440,151</u>	<u>\$ 61,714</u>	<u>\$ 501,965</u>	<u>\$ 24,659</u>	<u>\$ 24,587</u>	<u>\$ 2,734</u> <u>\$ 33,855</u>
14	Interest rate					<u>0.0825</u>	<u>0.0900</u>	<u>0.0310</u> <u>0.0600</u>

Sunshine Utilities, Inc.
 Calculation of AFUDC Rate
 (Unaudited)

Line
No.

1 I. Formula
 2
$$M = [(1 + \frac{A}{100})^{1/12} - 1] \times 100$$

 3

4 Where:
 5 M = Discounted monthly AFUDC rate
 6 A = Annual AFUDC rate

7 II. Application
 8
$$M = [(1 + \frac{6.40}{100})^{1/12} - 1] \times 100$$

 9

11
$$M = [(1.0640)^{1/12} - 1] \times 100$$

12
$$M = [1.005183 - 1] \times 100$$

13
$$M = 0.5183$$