

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding increase and restructuring of water rates by Sun Communities Finance Limited Partnership in Lake County, and overearnings investigation.

DOCKET NO. 990243-WS
ORDER NO. PSC-00-1165-PAA-WS
ISSUED: June 27, 2000

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.
LILA A. JABER

TABLE OF CONTENTS

BACKGROUND	4
LIMITED PROCEEDING	5
QUALITY OF SERVICE	5
USED AND USEFUL	8
RATE BASE	10
COST OF CAPITAL	20
NET OPERATING INCOME	21
ADJUSTMENTS TO O&M EXPENSES — WATER	24
ADJUSTMENTS TO O&M EXPENSES — WASTEWATER	28
NET OPERATING INCOME	36
REVENUE REQUIREMENT	36
DENIAL OF LIMITED PROCEEDING	36

DOCUMENT NUMBER-DATE

07785 JUN 27 8

FPSC-RECORDS/REPORTING

OVEREARNINGS INVESTIGATION	37
REVENUE	38
RATES AND TARIFF CHARGES	44
SHOW CAUSE	49
DOCKET CLOSURE	52
NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW	56
Attachment A	58
Attachment B	62

PART I - LIMITED PROCEEDING

SCHEDULE NO. 1	66
SCHEDULE NO. 1-A	68
SCHEDULE NO. 2	70
SCHEDULE NO. 3	71
SCHEDULE NO. 3-A	73
SCHEDULE NO. 3-B	76

PART II - OVEREARNINGS

SCHEDULE NO. 1	78
SCHEDULE NO. 1-A	80
SCHEDULE NO. 2	82
SCHEDULE NO. 3	83
SCHEDULE NO. 3	84
SCHEDULE NO. 3-A	85
SCHEDULE NO. 3-B	88

ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 3

SCHEDULE NO. 4-A 90
SCHEDULE NO. 4-B 91
ATTACHMENT E 92

NOTICE OF PROPOSED AGENCY ACTION ORDER
DENYING LIMITED PROCEEDING INCREASE IN WATER RATES,
FINDING OVEREARNINGS, REQUIRING WATER CONSERVATION EXPENDITURES
AND DEFERRING WASTEWATER REVENUES
AND FINAL ORDER HOLDING REVENUES SUBJECT TO REFUND,
AND GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein, except for the holding of revenues subject to refund, the granting of temporary rates and security in the event of protest and the show cause issues, are 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, Limited Partnership (Sun Communities or utility) is a Class B water and wastewater utility located in Lake County. The utility provides water and wastewater service to approximately 745 residential customers and 14 general service customers. The utility was granted 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. The utility's rate base was last established pursuant to Order No. PSC-97-0034-FOF-WS, issued January 7, 1997 in Docket No. 960040-WS.

On March 2, 1999, Sun Communities applied for the instant limited proceeding to increase its water rates based on costs associated with a mandated institution of a conservation rate structure by the St. John's River Water Management District (SJRWMD) and also based on the recovery of costs associated with the replacement of an existing hydropneumatic tank along with the addition of a second hydropneumatic tank required by the Department of Environmental Protection (DEP). The utility paid its filing fee in the amount of \$1,000.

As with any application for a rate increase, we reviewed prior Commission orders along with the most recent annual reports on file with the Commission. It was through this review that we became concerned that the utility may be in an overearnings posture. Out of this concern, we broadened the scope of the audit to include an examination of all components necessary for water and wastewater

rate setting along with an examination for compliance with our rules and orders. Our staff engineer conducted a field investigation, which included a visual inspection of the water plant and distribution system, wastewater plant and collection system, along with the service area. The utility's operating expenses, maps, files, and limited proceeding application were also reviewed to determine reasonableness of maintenance expenses, regulatory compliance, utility plant-in-service and quality of service.

On October 7, 1999, a customer meeting was held in the service territory to give customers an opportunity to address the rate restructuring, the scope of the limited proceeding and any problems that they were experiencing. Representatives from the SJRWMD were also present at the customer meeting to address various concerns regarding the rate restructuring.

We selected a historical test year ended December 31, 1998, for this case. As mentioned earlier, the utility serves approximately 745 water and wastewater customers along with approximately 14 general service water and wastewater customers. Of the residential customers, approximately 200 customers have been paying for the utility service through their monthly lot rent. The utility has not been reporting these revenues. Further, the general service customers have not been paying for water and wastewater service. These revenues have been imputed for purposes of this proceeding.

This Order is presented in two parts. In the first portion, we are denying the utility's request for a limited proceeding increase and restructuring of its water rates. In the second portion of this Order, we discuss the level of overearnings and our disposition of those overearnings. Consequently, there are two sets of schedules resulting from two different methodologies associated with the appropriate used and useful calculations. Part I - Limited Proceeding Schedules (pages 74 - 82) and Part II - Overearnings Investigation Schedules (pages 84 - 95) are attached to this Order.

LIMITED PROCEEDING

QUALITY OF SERVICE

Quality of service is determined by evaluating three separate components of water operations. These are (1) the quality of the utility's product, (2) the operating conditions of the utility's

plants and facilities, and (3) customer satisfaction. The rule also states that sanitary surveys, outstanding citations, violations, and consent orders on file with the DEP and the County Health Department over the preceding three year periods will be considered. DEP and health department officials' input as well as customer comments will also be considered.

Sun Communities' water treatment facilities consist of a plant and two distribution systems. The purpose of having two distribution systems is to provide water to the community, and the second system provides water to the golf course. The plant's format is to pump and chlorinate.

Quality of the Product

We acknowledge that the finished product meets standards, and our staff engineer and the DEP engineer concur that the finished product is satisfactory. However, all of the agencies (DEP, SJRWMD, and FPSC) involved have concerns regarding the unaccounted for water.

After reviewing the Monthly Operating Reports (MORs) and listening to the concerns of customers, we concluded that the majority of the low water pressure complaints were due to inadequate pressure being provided by a deteriorating hydropneumatic tank.

Quality of Plant

On July 27, 1999, our staff engineer conducted a field inspection of the facilities. The investigation revealed Sun Communities is currently in compliance with the Department of Health and DEP's rules and regulations. In addition, this utility is listed under the jurisdiction of SJRWMD. Further, SJRWMD has placed water usage restrictions on Lake County.

Water Treatment Facilities: The Plant has a source of supply permitted capacity of 1,080,000 gallons per day. The utility's water treatment facilities consist of: Four wells (two 8", 6" and 4" cased; two 75 horsepower pumps, a 65 horsepower pump and a 5 horsepower pump; two 20,000 gallon hydropneumatic galvanized steel tanks; gas chlorine injection system). At the time of the engineering investigation, the water treatment facility appeared to be operating properly.

Water Distribution System: The water distribution system mains are PVC pipe (10",8",6",4",3" and 2"). During the engineering investigation, the distribution system appeared to be operating properly.

Customer Satisfaction

The quality of the product is satisfactory. At the customer meeting held on October 7, 1999, in Lady Lake, Florida at the Main Club House, Water Oak Country Club Estates, there was a relatively large representation of the total population. The utility provides water service to approximately 760 customers and the possibility of a rate increase precipitated a turnout of more than 400 customers. The majority of the customers expressed disagreement with any form of a rate increase. The customers believe that they should not be required to incur the cost of the two new hydropneumatic tanks and that the utility should write off the cost as a part of being in business.

Summary

The quality of the product by DEP's standards is satisfactory, and the operating conditions of the plants are satisfactory. However, the customers do not support an increase in rates.

Sun Communities has been in existence since 1981. Due to the natural course of weathering, the structural integrity of the 20,000 gallon hydropneumatic tank (original) had deteriorated. While performing a consulting evaluation for plant improvements, EXCEL Engineering Consulting, Inc. discovered a leak in the tank. The utility performed a temporary repair and reported the situation to the DEP. DEP acknowledged that the tank was in a state of disrepair and allowed the utility to replace it.

Pursuant to the DEP's current Rules (Chapter 62-555, Florida Administrative Code), the utility had reached a level of flows within its water system that required a second hydropneumatic tank. The utility, in response, installed a second 20,000 gallon hydropneumatic tank.

In summary, because of governmental regulatory requirements and in order to provide adequate service to the community, we find that the installations of both new hydropneumatic tanks were necessary and we consider the cost prudent.

USED AND USEFUL

In its filing, the utility requested the recovery of both hydropneumatic tanks as 100% used and useful. The utility's request for full recovery did not include any calculations for growth. The utility's records for the test year were utilized to calculate the used and useful percentages. Presently, the utility's records indicate that the system is operating properly. Although the utility did not request an allowance for growth (margin reserve), growth was calculated for both the water and wastewater systems. We calculated growth by utilizing a growth of 18 months for the water and wastewater treatment plant and 12 months for the distribution and collection systems.

Water Treatment System

The water treatment plant has a source of supply permitted capacity of 1,080,000 gpd. The maximum daily flow from the utility's records is 688,000 gpd. The fire flow requirement equates to 120,000 gpd. Customer growth for the previous five years was calculated to be 61 ERCs per year which equates to 77,336 gpd. We calculated the excess unaccounted for water which exceeds 10% to be 9.7% or 33,955 gpd. In accordance with the formula approach which is used as an indicator of useful plant, the water plant is considered 79% used and useful. This is calculated by taking the maximum daily flows to which IS added the growth allowance and the fire flow requirement and the unaccounted for water is subtracted. This produces the flows that are then divided by the plant capacity. (See Attachment A, p. 1 of 4)

Water Distribution System

The water distribution system has the potential capacity to serve an estimated 984 ERCs without the construction of additional distribution mains. The average number of connections served during the test year was 829 ERCs. Growth over the past five years was calculated to be 61 ERCs per year. In accordance with the formula method of calculating used and useful, we calculated the distribution system to be 90% used and useful for this proceeding. This is calculated by taking the test year ERCs plus the growth allowance then dividing that total by the estimated capacity in ERCs. (See Attachment A, p. 2 of 4)

Wastewater Treatment Plant

The wastewater treatment plant is permitted by the DEP to process 200,000 gpd using Annual Average Daily Flow (AADF). The actual flows during the test year, based on AADF, were 63,874 gpd. Growth over the past five year has been 59 ERCs per year or 7,478 gpd. We also determined that there was no excess infiltration in the collection system. Based on the formula method of calculating used and useful, the wastewater treatment plant is determined to be 36% used and useful. This is calculated by taking the actual flows based on AADF plus the growth allowance less the excess infiltration and then dividing that total by the capacity based on AADF. (See Attachment A, p. 3 of 4)

Wastewater Collection System

The wastewater collection system has the potential of serving 984 ERCs. The average number of connections served during the test year was 771 ERCs. Growth over the past five years has been 59 ERCs per year. Using the formula method of calculation used and useful, the wastewater collection system is determined to be 84% used and useful. This is calculated by taking the test year ERCs plus the growth allowance then dividing that total by the estimated capacity in ERCs. (See Attachment A, p. 4 of 4)

Growth Allowance

In this filing, the utility did not request any growth factors. Therefore, we calculated margin reserve by using a growth allowance of 18 months for the water and wastewater treatment plants and 12 months for the distribution and collection systems, in accordance with our policy based on Section 367.081(2)(a) and (b), Florida Statutes (1997), the law that was in effect at the time the application was filed.¹

¹Section 367.081(2)(a), Florida Statutes, as amended in 1999, requires a minimum growth calculation of five years for both water and wastewater treatment plant and distribution and collection systems. However, this Section specifically does not apply to cases pending on March 11, 1999 and this case was pending on that date having been filed on March 2, 1999. We note that had the utility filed this case under this new law, used and useful plant would have been materially greater; with the water treatment plant at 96%, the water distribution system at 100%, the wastewater treatment plant at 44%, and the wastewater collection system at

Based on the above, the water treatment plant shall be considered 79% used and useful, and the water distribution system shall be considered 90% used and useful. Further, the wastewater treatment plant shall be considered 36% used and useful, and the wastewater collection system shall be considered 84% used and useful.

RATE BASE

Our calculation of the appropriate rate base for the purpose of this proceeding is depicted on Schedules No. 1-A and our adjustments are itemized on Schedule No. 1-B. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below

Utility Plant-in-Service (UPIS) - Water: We find that the appropriate average amount of utility plant-in-service (UPIS) for the water system for ratesetting purposes shall include adjustments for our prior orders, for misclassified and unsupported capital additions and for the pro forma additions necessary to capture the cost of the hydropneumatic tanks.

As stated above, we selected a test year ended December 31, 1998 for this proceeding. The utility's rate base was last established pursuant to Order No. PSC-97-0034-FOF-WS, issued January 7, 1997, in Docket No. 960040-WS. The rate base was established for transfer purposes as of November 30, 1993. Therefore, in keeping with our practice, our auditor reconciled the utility's water UPIS balance with the balance established in the last Commission order. Our auditor then included additions and retirements made between November 30, 1993 and December 31, 1998.

The utility records indicate a water UPIS balance of \$367,846 for the period ending December 31, 1998. We reduced this amount by \$13,189 to reflect prior Order adjustments not recorded by the utility. The utility also misclassified wastewater plant costs in the amount of \$58,489 to water UPIS. A further reduction to the utility's balance is necessary to reflect non-recurring expenses in the amount of \$33,031.

100% used and useful.

According to the audit, the utility could not provide support for capital additions to the water plant in the amount of \$13,265. We reduced the utility's plant balance by this amount. Also, the utility did not record the retirement of the hydropneumatic tank that was replaced during the test period. The retirement is in the amount of \$10,000. Therefore, total reductions to the utility's recorded balance are in the amount of \$127,974.

The utility misclassified \$1,275 of capital additions to wastewater UPIS accounts that should have been recorded in the water UPIS accounts. The water UPIS accounts shall be increased by \$1,275. An additional increase to water UPIS in the amount of \$40,169 is appropriate to reflect the supported additions made to water UPIS since the prior Order. The two new hydropneumatic tanks have been included in our calculations of UPIS as requested by the utility. The total additions to water UPIS equal \$41,444. Therefore, the net adjustment to water UPIS is a reduction in the amount of \$86,530. The resulting UPIS balance at the end of the test period is \$281,316. An averaging adjustment in the amount of \$37,551 further reduces the water plant balance. The resulting average water UPIS balance approved herein, is \$243,765.

Utility Plant-in-Service (UPIS) - Wastewater: The appropriate average amount of utility plant-in-service (UPIS) for the wastewater system for ratesetting purposes shall include adjustments for prior Commission orders, and for misclassified and unsupported capital additions.

In keeping with Commission practice, our auditor reconciled the utility's wastewater plant-in-service balance with the balance established in the last Commission order. Our auditor then included additions and retirements made between November 30, 1993 and December 31, 1998.

The utility records indicate a wastewater UPIS balance of \$352,266 for the period ending December 31, 1998. We reduced this amount by \$21,748 to reflect prior Order adjustments not recorded by the utility. The utility also misclassified water plant costs in the amount of \$1,275 to wastewater UPIS. According to the audit, the utility could not provide support for capital additions to the wastewater plant in the amount of \$2,924. We reduced the utility's plant balance by this amount. Also, the utility did not record the retirement of the equipment in Lift Station 1 that was replaced in 1995. The retirement shall be in the amount of \$12,000. We further reduced the utility's recorded wastewater

plant balance by this amount. Therefore, total reductions to the utility's recorded balance are in the amount of \$37,947.

The utility misclassified \$58,489 of capital additions to water UPIS accounts that should have been recorded in the wastewater UPIS accounts. We increased the wastewater UPIS accounts by \$58,489. Therefore, the net adjustment to wastewater UPIS is an increase in the amount of \$20,542. The resulting UPIS balance at the end of the test period is \$372,808. Since the utility had no test year additions, an averaging adjustment is not necessary for the wastewater UPIS.

Land - Water: The land value for the water system was established by Order No. 16528, issued August 27, 1986, in Docket No. 850517-WS in the amount of \$3,050. No purchases or additions have been made since the prior Order. Therefore, this value is appropriate for this proceeding.

Land - Wastewater: According to the audit, the utility's wastewater land balance established by Order No. 16528 is \$30,500. A reduction to the balance shall be made in the amount of \$80. According to the audit, this amount was inadvertently omitted from the balance established by the prior Order.

Additionally, we discovered during the audit that the former developer purchased land for \$90,000 and donated it to the utility by means of a Warranty Deed dated July 8, 1987, for use as a sprayfield. This amount shall be included in the wastewater rate base calculation. However, because the land was donated, the amount shall also be included in contributions in aid of construction (CIAC). While the two amounts will cancel one another in the wastewater rate base calculation, each adjustment shall be made for purposes of this proceeding and included on the utility's books and records on a going forward basis. Therefore, the resulting land value for the water system is \$3,050 and for the wastewater system is \$120,500.

Non Used and Useful Plant-in-Service: We have determined the used and useful percentage for all water and wastewater plant accounts. The non-used and useful percentages times the appropriate account balances reflect average non-used and useful plant of \$28,044 for water and \$152,137 for wastewater. The average accumulated non-used and useful depreciation on this plant is \$17,069 for water and \$130,009 for wastewater. The net non-used and useful plant is \$10,975 for water and \$22,128 for wastewater. Net non-used and useful plant has a negative impact on rate base. Therefore, water

rate base has been decreased by \$10,975 and wastewater rate base has been decreased by \$22,128.

Acquisition Adjustment

According to the audit, utility records indicate balances of \$496,755 and (\$120,526) for utility plant acquisition adjustments and accumulated amortization of plant adjustments, respectively, at period ended December 31, 1998. However, there are actually two separate acquisition adjustments that must be addressed. The first is a positive acquisition adjustment which the utility has recorded on its books and the second is a negative acquisition adjustment that was previously approved by us in two separate dockets. Due to the complexities of this issue, we will address each acquisition adjustment amount separately.

Positive Acquisition Adjustment

The first acquisition adjustment addressed is the current amount recorded by Sun Communities. Sun Communities has recorded a positive acquisition adjustment in the amount of \$496,755. The utility also recorded accumulated amortization in the amount of \$120,526. This amount has been allocated on a pro-rata share as reflected on Schedule No. 1.

This amount was a result of the transfer from Water Oak Utilities Co., Inc. to Sun Communities, which was approved by Order No. PSC-97-0034-FOF-WS, issued January 7, 1997, in Docket No. 960040-WS. However, we did not approve a positive acquisition adjustment in that Order. Specifically, we found that "a positive acquisition adjustment shall not be included in the calculation of rate base." Therefore, we made an adjustment to remove the positive acquisition adjustment from rate base as shown on Schedule No. 1.

Negative Acquisition Adjustment

The second acquisition adjustment is a negative acquisition adjustment, which we have approved in two separate dockets. This negative acquisition adjustment amount was the subject of an offer of settlement which was first approved by us in Order No. 18255, issued October 6, 1987, in Docket No. 870122-WS. To better understand this extremely complex negative acquisition adjustment, a history of the adjustment is necessary.

The original owner, Mr. Mel Bishop, was providing water and wastewater service to Water Oak Estates. Since the service charges of the water and wastewater were included in the lot rent, the utility was exempt from our jurisdiction. In 1985, Mr. Bishop proposed to install meters and initiate separate charges. Therefore, Mr. Bishop applied for water and wastewater certificates, and requested that we establish a rate base and set rates and charges for Water Oak Utilities Co., Inc. (Water Oak). During the pendency of the certification docket, negotiations led to the signing of a contract for the sale of Water Oak Estates to Water Oak. Pursuant to that sales contract, the portion of the purchase price specifically allocated to the sale of the utility's gross utility plant at completion, was \$345,592. By Order No. 16150, issued May 23, 1986, in Docket No. 850517-WS, we granted certificates to Water Oak authorizing it to operate its existing water and wastewater systems. However, the docket remained open in order for us to establish rate base and set rates and charges.

Subsequently, Order No. 16528, issued on August 27, 1986, established rate base and set rates and charges. Order No. 16528 approved system capacity charges in the amount of \$200 for water and \$200 for wastewater. These charges were based upon projected plant at build out of \$437,766 for water and \$637,798 for wastewater and would result in CIAC levels of 75% for water and 62% for wastewater for 2,000 equivalent residential connections (ERCs) upon project completion. By Order No. 16977, issued December 18, 1986, we approved the transfer of majority organizational control (TMOC). On February 4, 1987, the new owners filed a request for "cancellation of the plant capacity charges in view of a bargain purchase agreement" between the new owners and the former owner.

We first addressed the request to rescind the requirement for collection of plant capacity charges in Order No. 17651, issued on June 3, 1987. That Order stated that the utility argued that meters had been installed to promote conservation, not to achieve compensatory earnings. The utility stated that even if its CIAC charges were canceled, resulting in a large, uncontributed rate base, it has no present or future intentions of seeking a full rate of return. We rejected the utility's argument, stating that "through a change in ownership, management, or policy, the utility could bring a rate case before the Commission and ask for a full rate of return." We denied the utility's request to cancel CIAC charges because the utility had not met its burden of proving that cancellation of these charges was in the best interest of its customers, pursuant to Rule 25-30.580, Florida Administrative Code.

On June 22, 1987, the utility protested Order No. 17651. On August 11, 1987, the utility filed a proposed offer of settlement. On October 6, 1987, Order No. 18255 was issued approving the settlement proposal. Pursuant to the settlement, the utility would book total estimated gross utility plant of \$1,075,564, (\$437,766 for water and \$637,798 for wastewater). For clarification, this amount of plant was projected through completion of the project to serve approximately 2,000 ERCs and included \$60,000 for a 25 acre sprayfield in the wastewater amount. The difference between the gross projected plant and the purchase price of \$345,592 (\$111,268 for water and \$234,324 for wastewater) was to be booked as a negative acquisition adjustment. This amount of \$729,972 (\$326,498 for water and \$403,474 for wastewater), along with the gross estimated plant would be booked as of December 31, 1987.

According to Order No. 18255, this negative acquisition adjustment was allowed because of the existence of extraordinary circumstances. Given the extraordinary circumstances, we found that it would be in the best interests of the customers to waive the requirements of Rule 25-30.580, Florida Administrative Code. However, the Order goes on to state that:

It is only due to the extraordinary circumstances of this case that we approve this acquisition adjustment. However, any change in the circumstances, as set forth herein, could have a drastic impact on this utility's rate base and rates. Therefore, [the Commission] caution[s] the utility that any change in circumstances will result in a full investigation into its rate base and CIAC policy.

On January 9, 1996, Water Oak applied for a transfer of the water and wastewater system to Sun Communities. By Order No. PSC-97-0034-FOF-WS, issued on January 7, 1997, in Docket No. 960040-WS, we approved the transfer and addressed this negative acquisition adjustment. Specifically, the Order corrected the amount of the negative acquisition adjustment by stating:

Unfortunately, an error in the proposed stipulation produced an incorrect provision for the negative acquisition adjustment. Instead of the \$588,370 properly stated difference between the projected construction cost (\$767,500) and the utility's contribution (\$179,130), Order 18255 incorrectly specified that a \$729,972 credit acquisition adjustment should be recorded.

The Order continues by stating that a correcting "journal entry that adds \$588,370 (\$282,678 for water and \$305,692 for wastewater) to plant with a matching \$588,370 (\$282,678 for water and \$305,692 for wastewater) entry to negative acquisition adjustment account" should be made. Further, we found that "[t]hese offsetting accounts have no impact on the rate base determination." We are concerned with this journal entry, and believe that this finding was made in error.

According to the current audit, the utility did not record these negative acquisition adjustments and projected UPIS as required by Order No. PSC-97-0034-FOF-WS. However, a closer examination of the circumstances surrounding the existence of this previously approved negative acquisition adjustment and the subsequent transfer to Sun Communities is warranted. As determined in Audit Exception No. 3, the circumstances as set forth in Order No. 18255 cited above have significantly changed as described below and the issue of acquisition adjustment and service availability policy shall be reexamined.

Circumstantial Changes:

- 1) The utility's former owners and the original developer who were parties to the approved stipulation agreement are no longer involved in the operations of the utility or mobile home community.
- 2) The stipulated agreement as approved was based upon a projected construction cost of \$1,075,565 for 2,000 ERCs at completion with \$345,592 of that cost allocated to gross utility investment, at build out. Our auditors calculated a \$687,674 gross utility investment as of December 31, 1998, for approximately 760 ERCs.
- 3) The stipulated agreement as approved was designed to protect the interests of Water Oak's customers in absence of the protection afforded by Rule 25-30.580, Florida Administrative Code. We find that this situation no longer exists as a result of the recent transfer.
- 4) Acquisition adjustments do not survive subsequent purchases. This is further discussed below.

Further, it was not appropriate to require the utility to book projected plant costs in its current plant-in-service accounts at the time the original stipulated agreement was approved. However,

we realize that we were approving an offer of settlement and thus avoided the expense of the hearing process. Nonetheless, now that the utility has been transferred, has requested a rate increase, and a complete audit has been performed, it is the appropriate time to address the appropriate treatment of this previous adjustment. As stated in the audit, the utility has not booked the projected plant nor the negative acquisition adjustment.

Acquisition adjustments are determined by comparing the purchase price to the net original cost of the property when first devoted to service. Therefore, the comparison would be made between the purchase price paid by Sun Communities and the net original cost of the assets. Acquisition adjustments do not survive subsequent purchases of the utility's assets. When Sun Communities purchased the utility, the accounting methodology for acquisition adjustments would not allow any further recognition of prior acquisition adjustment amounts. To do this would harm the utility customers by increasing rate base.

In determining the appropriate treatment of this adjustment, we are faced with the dilemma of ensuring that the interests of the customers are protected by making sure they remain in the same position after the recent transfer as they were in before the transfer occurred. Order No. PSC-97-0034-FOF-WS states that Sun Communities provided a statement that it will fulfill the commitments, obligations, and representations of the transferor. This includes the obligation to protect the interests of the utility's customers by recognition of a negative acquisition adjustment, in lieu of collecting service availability charges.

We find that the best methodology to protect the utility's customers, by keeping them whole, is as follows. Sun Communities shall convert the previously approved negative acquisition adjustment to CIAC. This would lower the utility's rate base thus protecting the customers' interests. Therefore, the utility shall record CIAC in the amount of \$117,170 for water and \$117,844 for wastewater to reflect an amount equal to the obligation agreed upon by the former owner, Water Oak. As stated earlier, the main reason we accepted the previous owner's offer of settlement, was that the interests of the customers would still be protected. Therefore, we canceled the utility's previously-approved CIAC charges.

To determine the appropriate amount to be booked to CIAC, we are making a pro-rata adjustment similar to a used and useful adjustment. This would be accomplished as follows: the 2,000 ERCs at project build out, previously approved by us, would be compared

to the current number of ERCs. There were approximately 829 water ERCs and 771 wastewater ERCs being served at the end of the test period ending December 31, 1998. Therefore, by applying this ratio to the previously approved negative acquisition adjustment would result in CIAC in the amount of \$117,170 for water and \$117,844 for wastewater, for the test year ending December 31, 1998. However, as discussed below, service availability charges shall be reinstated. Therefore, the amount of CIAC associated with the prior negative acquisition adjustment shall be updated up until the date the new service availability charges are placed into effect. This would include a calculation to include all ERCs connected in the year 1999 and all ERCs connected in the year 2000 up until the effective date on the approved service availability charges tariff.

Finally, service availability charges shall be reinstated equal to the amount of the remaining prior negative acquisition. This equates to \$141 for water and \$153 for wastewater. Also, meter installation charges shall be reinstated. As stated earlier, in Order No. 18255, we waived the requirements of Rule 25-30.580, Florida Administrative Code. The circumstances have changed dramatically since we accepted the settlement. Therefore, we find that we have an obligation to adhere to the provisions as set forth in Rule 25-30.580, Florida Administrative Code. By reinstating the service availability charges, the utility customers' interests will continue to be protected, and there is no longer a need to waive the provisions of Rule 25-30.580, Florida Administrative Code.

Based upon the foregoing, we find that an acquisition adjustment is no longer an appropriate component of rate base for this utility. However, Sun Communities shall convert the previously approved negative acquisition adjustment to CIAC. Therefore, for the period ending December 31, 1998, the utility shall record CIAC in the amount of \$117,170 for water and \$117,844 for wastewater to reflect obligations previously approved by us. Service availability charges shall be reinstated equal to the amount of the remaining prior negative acquisition adjustment.

Contributions-in-aid-of-Construction: The appropriate amount of CIAC associated with the reclassification of the negative acquisition adjustment as of December 31, 1998 is \$117,170 for water and \$117,844 for wastewater. The associated average amount of amortization of CIAC is \$41,595 for water and \$53,095 for wastewater for the test period ending December 31, 1998.

The utility recorded zero amount of CIAC for water and wastewater. Our auditor recommended imputation of CIAC based upon

the previously approved service availability charges. This was recommended in lieu of discontinuing the negative acquisition adjustment as a component of rate base. As stated above, the main reason we accepted the previous owner's offer of settlement, was that the interests of the customers would still be protected. Therefore, we canceled the utility's previously approved CIAC charges. Our auditor calculated the imputation of CIAC by using the previously approved charge of \$200 water system capacity charge, \$200 wastewater system capacity charge, and \$100 meter installation charge. The utility was serving 245 ERCs at the time Order No. 16528 was issued on August 27, 1986. The utility's annual reports indicate an addition of 515 water and wastewater customers from August 27, 1986, through the test period ending December 31, 1998. Therefore, the amount of CIAC that would have been collected, if we had not canceled the charges, would have been \$154,500 for water and \$103,000 for wastewater. However, we are not imputing CIAC based upon these charges.

The utility filed a letter responding to this imputation by stating that previous Commission orders specifically prohibited collection of service availability charges. The utility stated that it would be wholly inappropriate to tell a utility it may not collect a service availability charge, and then later impute CIAC to the utility as though it had collected the charges. We agree and find that the best methodology to recognize CIAC is the adjustments we made to recognize the reclassification of the previously approved negative acquisition adjustment.

We increased the wastewater CIAC by \$90,000 to reflect the value of the developer donated land. Therefore, the appropriate amount of CIAC and amortization of CIAC for water is \$117,170 and \$41,595 and for wastewater is \$207,844 and \$53,095 for wastewater, test period ending December 31, 1998. The amount of the amortization includes an averaging adjustment as shown on Schedule No. 1A.

Further, pursuant to Rule 25-30.140(8)(a), Florida Administrative Code, the amount of spray field (\$90,000) shall be separately identified to prevent amortization of the land CIAC from occurring.

Our calculated balance of CIAC and the adjustments are shown on Schedules Nos. 1 and 1A.

Accumulated Depreciation: The utility recorded accumulated depreciation in the amount of \$142,320 for the water system and

\$256,165 for the wastewater system. We calculated accumulated depreciation using the rates prescribed by Rule 25-30.140, Florida Administrative Code, for the period between the last rate case and the test period ending December 31, 1998. We included in these calculations the retirements for both water and wastewater.

We reduced the utility's balance by \$10,000 and \$17,927 for the water system to reflect accumulated depreciation at December 31, 1998. The \$10,000 reduction represents the retirement of a hydropneumatic tank. A further adjustment in the amount of \$691 increases the balance for the water system. This adjustment is necessary to reflect the averaging adjustment. The total net adjustment for the water system is a decrease of \$27,236.

We increased the utility's balance by (\$17,983) and reduced the utility's balance by \$12,000 for the wastewater system to reflect accumulated depreciation at December 31, 1998. The \$12,000 reduction represents the retirement of a lift station. A further reduction for the wastewater system in the amount of \$8,373 was necessary to reflect the averaging adjustment. The total adjustment for the wastewater system is a decrease of \$2,390. The resulting accumulated depreciation balances are \$115,084 for water and \$253,775 for wastewater.

Working Capital: Consistent with Rule 25-30.433(2), Florida Administrative Code, the one-eighth of operation and maintenance expense formula approach shall be used for calculating working capital allowance. Applying that formula, a working capital allowance of \$7,864 for water and \$11,357 for wastewater, is appropriate.

Rate Base: The total rate base for the test period ending December 31, 1998, is \$53,045 for the water system and \$74,013 for the wastewater system.

COST OF CAPITAL

The utility recorded long term debt in the amount of \$623,155 and common equity in the amount of \$94,123. No cost is assigned to the long term debt and no debt instrument was available. The debt is from the utility's parent company. Therefore, we find that it is appropriate to characterize the long term debt as other common equity rather than long-term debt given the related party status of the "debt."

The appropriate capital structure for this utility is 100% equity. Based on Order No. PSC-99-1224-PAA-WS, issued June 21, 1999, in Docket No. 990006-WS, the appropriate return on equity is calculated to be 8.93% for this utility. The utility's capital structure has been reconciled with our approved rate base. Applying the cost times the pro rata share of each capital component results in an overall rate of return of 8.93%, with a range of 7.93% - 9.93%.

The return on equity and overall rate of return are shown on Schedule No. 2.

NET OPERATING INCOME

Test Year Revenue

According to the utility's 1998 annual report, the utility reported water system revenues of \$75,671 and wastewater system revenues of \$109,705 as of the end of the test year. The audit revealed 535 residential customers who were metered and billed for service during 1998. However, there are also 201 residential customers who did not receive a monthly bill for utility service; rather, these customers' water and wastewater service was included as part of their lot rental fees. The audit also uncovered additional customers (all affiliated with the utility) who were not billed for service: 1) 14 general service customers; and 2) several model homes in the development. Each of these customer groups, and their associated impact on test year revenues, is discussed below.

Billed Residential Customers

There were 535 residential customers as of the end of the test year who were billed monthly for their water and wastewater service. Based upon a comprehensive billing analysis of these customers, the appropriate revenues generated by this group are \$74,110 for the water system and \$112,510 for the wastewater system.

Unbilled Residential Customers

Before this utility became certificated to provide water and wastewater service, the utility had been in operation for several years, providing service to a mobile home community under the landlord/tenant exemptions (Section 367.022(5), Florida Statutes). At the time the certificates were granted in Docket No. 850517-WS,

the Commission noted in Order No. 16528, issued on August 27, 1986, ". . . that only future customers will be subject to the rates and charges determined herein; present customers are under long-term leases which include the provision of water and sewer service without compensation."

There are 201 such residential customers who were not billed during 1998. Further, these customers were unmetered for a portion of the test year. Although these customers were not billed for utility service, we nevertheless find it is appropriate to impute the revenues that these customers would have generated. Failure to impute these revenues would result in an inaccurate picture of the utility's operations for the purpose of regulation and rate-making. In addition, failure to include these customers would result in the billed customers bearing the entire burden of the revenue requirement, despite the fact that the unbilled customers are responsible for causing a portion of the total cost incurred to the utility.

Meters were installed in 1998 to help address the overall high per capita consumption of the customers of this utility. Once meters were installed for these customers, we were able to obtain consumption information for each customer for the last three months of 1998. Based on this information, the appropriate revenues for this three-month period are \$8,717 for the water system and \$11,473 for the wastewater system. A discussion of the imputation of revenues associated with the first nine months of 1998 is detailed below.

Unbilled Model Homes

Whenever the developer connects a model home to the utility system for advertisement purposes, it is not billed for utility services. Based on information provided by the utility, an appropriate imputation of revenues is \$767 for the water system and \$513 for the wastewater system.

Unbilled General Service Customers

The audit also uncovered 14 general service customers, all affiliated with the utility. An analysis of the consumption information for these customers revealed that there were inconsistencies in recording the meter readings which render the usage information suspect. Rather than rely on this data, we find it is appropriate to impute usage and revenues for all twelve months of 1998.

Imputation of Additional 1998 Revenues

Because we did not have consumption data for all customers for each month during 1998, we were confronted with designing an appropriate method of imputing customers' revenues in months during which no such information was available. This method is presented on Attachment E.

We find that the most reasonable approach to this situation is to use the 1998 Monthly Operating Reports the utility submitted to the DEP as a starting point. These reports contain the total number of gallons that the utility pumped and treated in each month. As shown on Attachment E, the appropriate number of accounted-for gallons (twelve months of consumption for the billed residential customers and three months of consumption for the heretofore unmetered residential customers) was subtracted from the gallons of treated water figure in each corresponding month. The difference between the treated gallons and the accounted-for gallons, less an appropriate allowance for unaccounted-for water, represents our imputation of the remaining gallons sold to other customers (specifically the 201 residential and 14 general service customers).

By the end of 1998, 5/8" x 3/4" meters had been installed for the 201 residential customers and four general service customers; 2" meters were installed for the remaining ten general service customers. The base facility charges for the residential customers must be imputed for the first nine months of 1998, while the corresponding charges for the general service customers must be imputed for all twelve months of 1998.

The revenues imputation calculations are shown in columns (h) through (r) of Attachment E. Based on these calculations, the appropriate revenues to be imputed to the unbilled residential and general service customers are \$38,136 for the water system and \$38,791 for the wastewater system.

Summary

Based on the foregoing, the appropriate test year revenues are \$121,731 for the water system and \$163,288 for the wastewater system.

Test year revenues are shown on Schedule No. 3 and adjustments are shown on Schedule No. 3-A.

ADJUSTMENTS TO O&M EXPENSES - WATER

The utility recorded water operating and maintenance expenses for the test period in the amount of \$34,514. Based on the adjustments that follow, the operating and maintenance expenses shall be increased by \$28,396.

- 1) Salaries and Wages - Employees (601) - The utility recorded \$6,151 as total water system salaries expense for the test period. According to the audit, all of the recorded expense is associated with the utility's part-time maintenance person. The annual salary for this employee shall be \$11,922. A 40/60 allocation between the water and wastewater system is appropriate based on time spent for each system. Therefore, \$4,769 shall be allowed for maintenance personnel. The difference between the recorded amount and the approved amount is \$1,382.

The utility also shares administrative and support staff with its parent company. Based on information provided by the utility and the audit, the appropriate annual salary for these employees is \$24,122. A 50/50 allocation between the water and wastewater systems is appropriate. The resulting salary expense for administrative and support staff is \$12,061 for the water system. The net adjustment for this account is an increase of \$10,679.

- 3) Purchased Power (615) - The utility recorded purchased power expense of \$12,292. The utility provided electric bills for the test period. From the test year's bills, we were able to determine that of the \$12,292 recorded purchased power for the water system, \$6,362 shall be reclassified to the wastewater system reflecting misclassified electric service to lift stations. The utility did not record purchased power for the water system in the amount of \$16,986. We increased the purchased power account by this amount. Finally, a reduction to reflect non-utility expense in the amount of \$5,532 was made. The resulting purchased power expense for the water system is \$17,384 based on the audit and our engineer's recommendations.
- 4) Chemicals (618) - The utility recorded chemicals expense in the amount of \$2,603. Of this amount, we reclassified

\$965 to the wastewater chemicals expense. We also decreased this account balance by \$33 to reflect non-utility expense. The result is a decrease to the water system chemicals account of \$998 to reflect the appropriate test year chemicals expense of \$1,605.

- 6) Materials and Supplies (620) - The utility recorded a balance of \$2,291 for materials and supplies. We reduced this account by \$468 to reflect the appropriate test year materials and supplies expense. The resulting test period expense for materials and supplies is \$1,823.
- 7) Contractual Service - Billing (630) - The utility recorded a balance of \$11,117 for this account during the test year. However, according to the audit, all of the recorded amount was misclassified. Therefore, we reduced this account by \$11,117. The billing and meter reading service is contracted by the utility. According to the audit and to the utility's response to the audit, the charge for this service is \$.85 per bill. We divided this charge by 2 to represent the charge per bill for each system. We determined that the utility served approximately 759 water customers during the test period. The resulting expense associated with the billing and meter reading service for the water customers is \$3,870. The net adjustment is a reduction of \$7,247 to this account.
- 8) Contractual Services - Professional (631) - The utility incurred legal expenses during the test period apart from this proceeding. These expenses were in the amount of \$155. Since the utility recorded a \$0 balance for this account, we adjusted this expense by \$155 to record the test period legal expense.
- 9) Contractual Services - Testing and Operations (635) - The utility recorded a \$0 balance for this account. According to the audit and our engineer, the proper amount of testing expense is \$960. We increased this account by \$960 to reflect the appropriate testing costs. We also increased this account by \$3,331 to reflect the contracted operations expense. The contract operator works with the utility's maintenance personnel, providing general maintenance and repairs along with testing and sampling. We have included an additional allowance in this account to reflect costs associated with preparing

a required DEP report. According to the utility's response to the audit, DEP is requiring all utilities to provide a mailing to all customers with information concerning the quality of the water. The requirement is called a Customer Confidence Report. The costs associated with the report are \$973. Therefore, the total adjustment to this account is \$5,264.

- 10) Contractual Services - Other (Repairs and Maintenance (636)) - According to the audit and our engineer, the utility incurred repairs expense during the test year in the amount of \$571. We increased this account by \$571 to reflect these costs. We also increased this account by \$1,680 to reflect an annual allowance for mowing and groundskeeping for the water system as performed by a lawn-care company which serves the entire development. The utility did not record any expense associated with groundskeeping. However, the utility provided in its response to the audit, the contract with the lawn-care company. Based on the utility's response and our thorough review of the lawn-care contract along with our staff's conversations with the lawn-care company owner, an allowance for groundskeeping in the amount of \$1,680 for the water system is fair. Our total adjustment to this account is an increase of \$2,251.
- 11) Rents (640) - The utility recorded \$0 for this expense. Based on information received from the utility, we are including an allowance for rent expense. The amount allowed is based on rental expense per square foot for commercial properties located near and around the utility. A rental cost per square foot was quoted by an ERA real estate office in the utility's vicinity. We have considered this information, verified the quoted cost and find that an allowance of \$200 per month for rent expense is appropriate for this utility. Therefore, the total annual rent expense is \$2,400 for the water system.
- 12) Transportation Expense (650) - The utility recorded no transportation expense on its books. However, in its response to the audit, the utility submitted its request for an annual allowance of \$2,085. The utility states that the plant operator uses his own personal vehicle to travel to the water and wastewater plants and lift stations. He submits a travel expense report each month

and is reimbursed for mileage at a rate of 31.5 cents per mile. During the test period, the utility contends that the total actual expense for the plant operator is in the amount of \$714.58. The utility has requested a budget of \$720 per year on an forward-going basis which amounts to \$60.00 per month for the plant operator. In addition to this amount, the utility has submitted additional transportation expense information regarding the Country Club vehicles which are also used for utility purposes. The utility has not been recording this expense. However, based on the response to the audit, on a forward-going basis, the utility will be allocated 15% of the transportation costs which have been routinely charged to the Country Club. The allocated annual cost to operate/maintain these vehicles is \$3,450, which includes gas, repairs and insurance. The total amount submitted by the utility is \$4,170 per year split between the water and wastewater system. We agree that the expenses included in the utility's response to the audit are fair and reasonable. Therefore, the appropriate amount for transportation expense is \$2,085 for the water system.

- 13) Insurance Expense (655) - The utility recorded no insurance expense. However, the utility maintains two insurance policies. The associated annual expense for insurance is \$432. We find that this amount is appropriate for the utility.
- 14) Regulatory Commission Expense (665) - We increased this account by \$3,822 to reflect rate case expense amortized over 4 years.
- 15) Miscellaneous Expense (675) - The utility recorded \$61 in this account for the test year. We increased this amount by \$4,786 to record costs associated with consumptive use permit. We further increased this account by \$142 to reflect costs associated with Florida Rural Water Association fees. Therefore, the total adjustment to this account is an increase of \$4,928.

We find that a total water operating and maintenance expense adjustment of \$28,396 is appropriate. The resulting total test year operating and maintenance expense for the water system is \$62,910.

ADJUSTMENTS TO O&M EXPENSES - WASTEWATER

The utility recorded wastewater operating and maintenance expenses for the test period in the amount of \$50,971. Based on the adjustments that follow, we find that the operating and maintenance expenses shall be increased by \$39,883.

- 1) Salaries and Wages - Employees (701) - The utility recorded \$5,771 as total wastewater system salaries expense for the test period. According to the audit, all of the recorded expense is associated with the utility's part-time maintenance person. As discussed above, the annual salary for this employee shall be \$11,923. A 40/60 allocation between the water and wastewater system is appropriate based on time spent for each system. Therefore, \$7,154 shall be allowed for maintenance personnel for wastewater. The difference between the recorded amount and the recommended amount is \$1,383. This amount was misclassified as water system salaries. We are reclassifying this amount as wastewater system salaries.

As discussed above, the utility shares administrative and support staff with its parent company. Based on information provided by the utility, the appropriate annual salary for these employees is \$24,122. A 50/50 allocation between the water and wastewater systems is appropriate. The resulting salary expense for administrative and support staff is \$12,061 for the water system. The net adjustment for this account is an increase of \$13,444. The resulting total recommended wastewater system salaries is \$19,221.

- 2) Sludge Removal (711) - The utility recorded sludge removal expense of \$12,906. Based on test period invoices, the appropriate amount is \$12,066. The resulting adjustment is a decrease of \$840.
- 3) Purchased Power (715) - The utility recorded purchased power expense of \$13,016. The utility provided electric bills for the test period. From the test year's bills, we were able to determine that \$6,362 was misclassified to the water system and shall be reclassified to the wastewater system reflecting electric service to lift stations. The utility did not record additional purchased power expense in the amount of \$1,371. We

increased the purchased power account by this amount. Finally, a reduction to reflect non-utility expense in the amount of \$3,261 was made. The resulting purchased power expense for the wastewater system is \$17,488 based on the audit and our engineer's recommendations.

- 4) Chemicals (718) - The utility recorded chemicals expense in the amount of \$613. As stated above, we reclassified \$965 from the water system chemicals expense to the wastewater chemicals expense. We further increased this account by \$178 to reflect the appropriate test period chemicals expense based on the invoices provided in the audit by the utility. The resulting adjustment is an increase to the wastewater system chemicals account of \$1,142 to reflect the appropriate test year chemicals expense of \$1,755.
- 6) Materials and Supplies (720) - The utility recorded a balance of \$975 for materials and supplies. We increased this account balance by \$602 to reflect the appropriate test year materials and supplies expense. The resulting test period expense for materials and supplies is \$1,577.
- 7) Contractual Service - Billing (730) - The utility recorded a balance of \$17,498 for this account during the test year. However, according to the audit, all of the recorded amount was misclassified. Therefore, we reduced this account by \$17,498. As stated above, the billing and meter reading service is contracted by the utility. According to the audit and to the utility's response to the audit, the charge for this service is \$.85 per bill. We divided this charge by 2 to represent the charge per bill for each system. We determined that the utility served approximately 750 wastewater customers during the test period. The resulting expense associated with the billing and meter reading service is \$3,825. The net adjustment is a reduction of \$13,673 to this account.
- 8) Contractual Services - Professional (731) - The utility incurred legal expenses during the test period apart from this proceeding. These expenses were in the amount of \$75 for the wastewater system. Since the utility recorded a \$0 balance for this account, we adjusted this expense by \$75 to record the test period legal expense.

- 9) Contractual Services - Testing and Operations (735) - The utility recorded a \$0 balance for this account. According to the audit and the engineer, the proper amount of testing expense for wastewater is \$6,404. We increased this account by \$6,404 to reflect the appropriate testing costs. We also increased this account by \$3,050 to reflect the contracted operations expense. As stated above, the contract operator works with the utility's maintenance personnel, performs testing and sampling and general repairs. Therefore, the total adjustment to this account is \$9,454.

- 10) Contractual Services - Other (Repairs and Maintenance (736)) - According to the audit and the engineer, the utility incurred repairs expense during the test year for the wastewater system in the amount of \$3,568. We increased this account by \$3,568 to reflect these costs. Further, based on the utility's response to the audit, a mowing and groundskeeping expense shall be allowed for this utility. The utility's response included a signed contract with a lawn-care and maintenance company which performs these services for the entire development. Mowing and groundskeeping services are performed for both the water and wastewater plant areas. However, the spray fields are included for the wastewater system only. The cost pursuant to the contract is \$1,400 per month for the utility. Approximately 90 percent of this amount is for the wastewater system plant and spray fields. We have thoroughly reviewed this cost and the signed contract, and approve a mowing and groundskeeping expense for this utility in the amount of \$15,420. This amount includes the 90 percent of the monthly charge plus an annual allowance of \$300 for sprayfield sprinkler head replacements. The total adjustment for this account is an increase of \$18,988.

- 11) Rents (740) - The utility recorded \$0 for this expense. Based on information received from the utility, we are including an allowance for rent expense. As stated above, the allowed amount is based on rental expense per square foot for commercial property located near the utility as quoted by a nationally recognized real estate company. An allowance of \$200 per month for rent expense is appropriate for this utility. Therefore, the total annual rent expense is \$2,400 for the wastewater system.

- 12) Transportation Expense (750) - The utility recorded no transportation expense on its books. However, as stated above, a transportation expense in the amount of \$2,085 is appropriate for this utility.
- 13) Insurance Expense (755) - The utility recorded no insurance expense. However, the utility maintains two insurance policies. The associated annual expense for insurance is \$648. We find that this amount is appropriate for the utility.
- 14) Regulatory Commission Expense (765) - We increased this account by \$248 to reflect rate case expense for the wastewater system.
- 15) Miscellaneous Expense (775) - The utility recorded \$193 in this account for the test year. We increased this amount by \$838 to record costs associated with the DEP permit for the wastewater treatment facility. The balance for this account during the test period shall be \$1,031. Therefore an increase of \$838 is allowed for this account for this utility during the test period.

We find that a total wastewater operating and maintenance expense adjustment of \$39,883 is appropriate. The resulting total test year operating and maintenance expense for the wastewater system is \$90,854.

Rate Case Expense

The utility is earning a rate of return which exceeds our approved rate of return. Under our rate setting authority, a utility seeking a change in rates must demonstrate that its present rates are unreasonable. The utility proposed a rate increase along with rate restructuring. However, for purposes of this proceeding, we find that a change in rates or rate structure is not appropriate. Therefore, we find that it is also inappropriate to approve all of the rate case expense associated with this proceeding.

In the utility's application, the utility states that the purpose of the limited proceeding is to achieve a fair return on the two new hydropneumatic tanks and to implement a conservation rate structure. We included the costs for the two new hydropneumatic tanks in our calculations along with most of the utility's proposed operation and maintenance expenses with only the

exclusion of total rate case expense. Given these considerations and the fact that our adjusted revenue requirements show that the utility is earning a rate of return above the approved range, we find that a portion of the rate case expense shall be disallowed. We find that a fair portion to disallow is 50%.

There are inadequacies in the utility's filing sufficient to support our finding that there has been misspent time on this case by the utility and its consultants. Expenditures for misspent time were imprudent as a result and shall not be allowed. See Order No. 18960, issued March 7, 1988, in Docket No. 861338-WS (disallowing a portion of rate case expense because of misspent time attributed to the utility and its consultants).

The utility included six tables in support of its application for a limited proceeding rate increase and rate restructuring. At least a portion of time spent on each of the above-mentioned tables represents misspent time and/or created incomplete and misleading information. Our explanations follow.

Table 1 is a summary of customer water usage data. There are two aspects of this table which are unnecessary or misleading. First, the utility provided, in addition to 1998 test year consumption data, comparable data for the 1997 year. The 1997 data was not used in the filing, and, therefore, the time spent providing the 1997 data was unnecessary. Second, the number of customers included in the table of usage data represents only those residential customers who were metered and billed during 1998. However, the table leaves out information regarding two additional customer groups. There was no information provided relating to the 201 residential customers who were not metered for the majority of the 1998 test year. There was also no information provided regarding fourteen general service customers, all of which are related parties to the utility. Therefore, the customer water usage data that was provided in Table 1 (which was for only one segment of its customer base) was incomplete and, therefore, misleading.

Table 2 is a water billing summary which provides a billing analysis showing consumption at the utility's three proposed consumption usage blocks for the 1998 calendar year, the number of bills in each category, and the revenue derived therefrom. The preparation of this billing summary in Table 2 represents misspent time as the analysis included in the table does not contain data relating to the 201 residential customers discussed in the preceding paragraph. If these additional customers had been

included in the table, the information and resulting analysis in Table 2 would be different.

Table 3 represents a calculation of the additional requested revenue requirements which the utility claims it must recover in order to recover the costs related to this proceeding, water use permitting, and recovery of the costs related to the new hydropneumatic tanks. However, as discussed above, the utility failed to consider the consumption and associated revenues generated by an additional 215 customers (201 residential customers + 14 general service customers). Had these revenues been considered, the utility would have realized that it was, in fact, generating sufficient revenues which would have obviated its requested rate increase.

Table 4 is the water billing summary for 1998. This table purports to show information which includes, but is not limited to, the actual consumption, number of bills at various consumption levels, and the revenue derived from each. It also calculates reduced consumption and revenues derived under the various consumption levels based upon price elasticity assumptions. For the same reasons discussed in the paragraph regarding Table 2 above, we find the preparation of Table 4 represents misspent time as the analysis included in the table does not contain data relating to the 201 residential customers. If these additional customers had been included in the table, the information and resulting analysis in Table 4 would be different.

Table 5 is the utility's proposed rate restructuring schedule, which is based on information contained in the preceding tables. However, as each of the preceding tables in the utility's filing contains misleading and/or inaccurate data, the calculations contained in Table 5 are inaccurate as well.

Finally, Table 6 contains a comparison of typical monthly water bills under the utility's present and proposed rates. However, as the information in this table is also based on preceding tables, the information in Table 6 is also inaccurate.

Due to the inaccuracies contained in Tables 1-6, the utility had to substantially amend its initial filing. These problems indicate inadequate preparation on the part of the utility and its consultants, and, therefore, are sufficient to prove the misspent time in this proceeding. We find that a 50% overall reduction to rate case expense is a reasonable measure of excessive expenses in this case.

Based on the audit and the utility's subsequent response to the audit, supporting invoices reflect total rate case expense associated with legal and consulting fees, including proposed pro forma amounts, in the amount of \$28,592. Pursuant to Section 367.081(6), Florida Statutes, rate case expense shall be amortized over four years. Therefore, this amount amortized over four years and divided by 2 results in an allowed rate case expense of \$3,574. In addition, the costs associated with noticing the utility's customers for the customer meeting and our subsequent decision shall also be allowed for both the water and the wastewater system. The total noticing expense is \$1,984 (amortized by 4 years), or \$248 for the water system and \$248 for the wastewater system.

We have previously disallowed rate case expense in a limited proceeding where the rate increase was denied. See Order No. PSC-99-1917-PAA-WS, issued on September 28, 1999, in Docket Nos. 970536-WS and 980245-WS. This PAA order was consummated by Order No. PSC-99-2083-CO-WS, issued on October 21, 1999. The Commission enjoys broad discretion with respect to the allowance of rate case expense. Meadowbrook Utility Systems, Inc. v. FPSC, 518 So. 2d 326 (Fla. 1st DCA 1988); but see Florida Crown Utility Services, Inc. v. Utility Regulatory Board of the City of Jacksonville, 274 So.2d 597 (Fla. 1st DCA 1973) (stating that whether a rate increase is granted is not the sole criteria on which that discretion rests).

Based on the above, rate case expense shall be allowed in the amount of \$13,304 for the water system and \$992 for the wastewater system, which results in annual amortization over four years of \$3,822 for water and \$248 for wastewater.

Depreciation Expense

Test year depreciation expense has been calculated using the rates prescribed by Rule 25-30.140, Florida Administrative Code, and applying the appropriate used and useful adjustments. Test year depreciation is \$8,618 for the water system and \$16,746 for the wastewater system. We reduced these amounts by \$977 for the water system and \$7,634 for the wastewater system to reflect the non-used and useful adjustment. The utility recorded depreciation expense in the amount of \$13,507 for the water system and \$9,769 for the wastewater system. The net adjustment for this expense is a decrease of \$5,866 for the water system and a decrease of \$657 for the wastewater system to reflect the calculated depreciation expense.

Therefore, the appropriate depreciation expense associated with the water and wastewater systems for this utility during the test period is \$7,641 and \$9,112, respectively.

Taxes Other Than Income

The utility recorded taxes other than income in the amount of \$10,560 for the water system and \$12,759 for the wastewater system. Taxes other than income for this utility are comprised of Tangible taxes, Real Estate taxes, Regulatory Assessment Fees (RAFs), Payroll taxes, and miscellaneous other taxes. The utility recorded tangible taxes in the amount of \$6,411 for water and \$6,789 for wastewater. We increased each of these amounts by \$387 and \$877 for water and wastewater, respectively.

The utility recorded no real estate taxes on its books. We increased this account by \$299 for the water system and \$541 for the wastewater system to reflect the appropriate test year real estate taxes. Additionally, the utility recorded RAFs in the amount of \$3,212 and \$4,818 for the water and wastewater systems, respectively. To reflect the RAFs associated with the approved test year revenues, we increased this account by \$2,266 for the water system and by \$2,530 for the wastewater system.

Payroll taxes were recorded in the amount of \$412 for the water system and \$597 for the wastewater system. According to the audit, some of the payroll taxes were not recorded. The resulting adjustment is an increase in payroll taxes of \$1,120 for the water system and \$1,120 for the wastewater system. The audit further reveals that this utility has to pay a water use tax to the Town of Lady Lake. These taxes were not recorded by the utility. We increased taxes other than income by \$5,863 for the water system only to reflect the water use tax.

The miscellaneous other taxes were not recorded by the utility. According to the audit, this amounts to an increase of \$13 for the water system and \$13 for the wastewater system. Finally, according to the audit, a decrease for taxes other than income is appropriate in the amount of \$525 for the water system and \$555 for the wastewater system to reflect non-utility expenses.

The appropriate test year amounts of taxes other than income for this utility are \$19,984 for the water system and \$17,285 for the wastewater system.

NET OPERATING INCOME

The approved test year revenues are \$121,731 for the water system and \$163,288 for the wastewater system. The approved operating expenses are \$90,535 for the water system and \$117,251 for the wastewater system. These amounts result in an adjusted net operating income of \$31,195 for the water system and \$46,037 for the wastewater system for the test period.

REVENUE REQUIREMENT

Based on the calculated revenue requirement, the utility earned in excess of the approved rate of return. The utility is overearning and a revenue decrease is normally the appropriate action under these conditions. According to our calculations, the appropriate revenue decrease is in the amount of \$27,705 (22.76%) for the water system and \$41,286 (25.28%) for the wastewater system. This decrease will allow the utility the opportunity to recover its expenses and earn an 8.93% return on its investment.

	<u>Water</u>	<u>Wastewater</u>
Adjusted rate base	\$ 53,045	\$ 74,013
Rate of return	<u>x .0893</u>	<u>x .0893</u>
Return on investment	\$ 4,737	\$ 6,609
plus		
Adjusted O&M expense	62,910	90,854
Depreciation expense	7,641	9,112
Amortization expense	(0)	(0)
Taxes other than income	<u>18,738</u>	<u>15,427</u>
Revenue requirement	\$ 94,025	\$122,002
Test year revenue	<u>(121,731)</u>	<u>(163,288)</u>
Decrease in revenue	<u>\$ (27,705)</u>	<u>\$ (41,286)</u>
Percentage decrease	22.76%	25.28%
	(\$27,705/\$121,731)	(\$41,286/\$163,288)

The revenue requirement is shown on Schedule No. 3.

DENIAL OF LIMITED PROCEEDING

In determining whether a rate increase is warranted for this proceeding, we calculated the rate of return for the water system and the wastewater system for the test period. We incorporated all of the adjustments as discussed in this Order. Based on our analysis, the utility is earning in excess of the range of our

approved rate of return. As such, a rate increase is not warranted for this limited proceeding. Therefore, the request for a limited proceeding for the water system is denied.

OVEREARNINGS INVESTIGATION

On April 10, 2000, upon discovering the utility was overearning, we initiated an overearnings investigation and expanded this docket to include the investigation. As discussed above, Section 367.081(2)(a), Florida Statutes, was amended after the filing of the application for a limited proceeding increase in water rates, but before the initiation of the overearnings investigation. Therefore, the used and useful for the overearnings investigation shall be recalculated to reflect currently applicable law, which requires a minimum growth calculation of five years for both water and wastewater treatment plant and distribution and collection systems.

In addition, Section 367.081(2)(a)2.c., Florida Statutes, was amended after the filing of the application for a limited proceeding increase in water rates, but before the initiation of the overearnings investigation. Section 367.081(2)(a)2.c., Florida Statutes, requires the Commission to

approve rates for service which allow a utility to recover from customers the full amount of environmental compliance costs. . . . "environmental compliance costs" includes all reasonable expenses and fair return on any prudent investment incurred by a utility in complying with the requirements or conditions contained in any permitting, enforcement, or similar decisions of the United States Environment Protection Agency, the Department of Environmental Protection, a water management district, or any other governmental entity with similar regulatory jurisdiction.

As discussed above, the utility installed a new hydropneumatic tank to replace the tank that ruptured. The utility also installed a second hydropneumatic tank required by DEP. Under the current applicable law, the two hydropneumatic tanks are 100% used and useful, since the cost of these tanks was required by DEP.

Based on this change, the appropriate used and useful percentages for the water treatment and distribution plants, respectively, are now 96% and 100%. (See Attachment B, pp. 1 - 2) The appropriate used and useful percentages for the wastewater

treatment and collection plant, respectively, are now 44% and 100%.
 (See Attachment B, pp. 3 - 4)

REVENUE REQUIREMENT

The appropriate revenue requirements of the respective water and wastewater systems, based on the effects of the changes to used and useful discussed above, are shown below:

	<u>Water</u>	<u>Wastewater</u>
Adjusted rate base	\$ 63,456	\$ 92,643
Rate of return	<u>x .0893</u>	<u>x .0893</u>
Return on investment	\$ 5,667	\$ 8,273
plus		
Adjusted O&M expense	62,910	90,854
Depreciation expense	8,482	10,900
Amortization expense	(0)	(0)
Taxes other than income	<u>18,821</u>	<u>15,589</u>
Revenue requirement	\$ 95,879	\$125,617
Test year revenue	<u>(121,731)</u>	<u>(163,288)</u>
Decrease in revenue	<u>\$ (25,851)</u>	<u>\$ (37,671)</u>
Percentage decrease	21.24%	23.07%
	(\$25,851/\$121,731)	(\$37,671/\$163,288)

The schedules reflecting the above items are presented as:

PART II - OVEREARNINGS SCHEDULES

<u>Description</u>	<u>Schedule No.</u>
Water and Wastewater Rate Base	1
Adjustments to Rate Base	1-A
Capital Structure	2
Water and Wastewater Operating Income	3
Adjustments to Operating Income	3-A
Water and Wastewater Operations and Maintenance Expenses	3-B

Conservation Program

In 1991, this Commission entered into a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs), in which the agencies recognize that a joint cooperative effort is necessary to implement an effective, state-wide water

conservation policy. Since that time, we have increased our efforts in assisting the WMDs in achieving conservation goals. More recently, we have been working with the SJRWMD in tailoring conservation programs for jurisdictional utilities that are designed to achieve significant and lasting water use reductions. Reasonable expenses for such programs shall be included in utility rates, because the WMDs hold the utilities, not the consumers, responsible for reductions in water use.

Sun Communities' residential customers are using excessive amounts of water for irrigation. In its last consumptive use permit (CUP) application, Sun Communities reported that daily per capita household use was 331 gallons, far exceeding its previous CUP allocation of 150 gallons per capita. There are two main reasons for the excessive residential usage. First, the utility's rates are extremely low. In fact, the rates are the lowest in Lake County and among the lowest in the state. Currently, customers pay only \$11.47 monthly for 10,000 gallons of usage. Second, a significant portion of the customer base has never, until recently, been metered and billed for service.

Sun Communities served approximately 736 residential water customers during the 1998 test year. While approximately 535 of those customers have always been metered and billed for service, the remaining 201 customers, until recently, have been unmetered, because water and wastewater service was included in their lot rent. The utility began billing this latter group in March 2000; however, meters have been installed since 1998, and the utility has been tracking usage since that time.

As would be expected, the previously unbilled customers have been using substantially more water than the billed customers. Test year monthly residential water consumption averaged 10,870 gallons per customer for the billed customers. Average monthly consumption for the unbilled customers was 12,699 gallons, or 17% higher than the billed group. However, we believe that consumption for the formerly unbilled customers will decline now that they will pay separately for service. Additionally, consumption should decline even further for both groups as a result of the conservation program expenses we approve.

Sun Communities is located within the SJRWMD. The entire District has been designated a water resource caution area, and for over five years the District has advocated rate structures that provide pricing incentives to conserve. Sun Communities received a new CUP, issued January 4, 1999, with conditions that the utility

implement an inclining block rate structure within one year of permit issuance. The CUP also mandates progressively higher usage reductions each year through the year 2002. Further, the CUP requires the utility to implement the conservation measures proposed in its CUP application.

Whenever feasible, inclining block rates should be established when they are required by the utility's CUP. However, as discussed below, a change in rate structure is not appropriate at this time. Instead, we will readdress rate structure when the utility files its required reuse plan. As discussed below, we are deferring the disposition of overearnings until the utility files and obtains our approval for its reuse project plan. At that time, we anticipate allocating a portion of reuse cost recovery to water customers to allow the design of meaningful inverted block rates. We ran various inclining block rate scenarios in this case and found that monthly bills would be reduced for customers in the lower usage blocks, due to the low revenue requirement.

In order to address the high residential usage absent rate increases, the utility shall implement an aggressive, proactive conservation program that will achieve significant and lasting usage reductions, and thereby satisfy many of the CUP requirements. If the program expenditures were not approved, rate reductions would be necessary to avoid future overearnings. Rate reductions might stimulate consumption and therefore be counterproductive to conservation goals. Furthermore, following rate reductions with increases for the reuse plan will be contrary to the goals of rate stability and customer understanding.

We have taken a similar approach in prior cases involving excess earnings, extremely low rates and high consumption. Order No. 23809, issued November 27, 1990, required Sanlando Utilities Corporation to set aside \$25,008 in annual revenues for future expenses specifically related to water conservation. Additionally, by Order No. PSC-93-1771-FOF-WS, issued on December 10, 1993, in Docket No. 930256-WS, we approved an inclining block rate structure for Sanlando for the purpose of funding future capital investment related solely to conservation. We find similar circumstances in the instant proceeding. Although the conservation program comes at some material cost for a utility this size, the circumstances in this case warrant the type of program approved.

By Order No. PSC-96-1132-FOF-WS, issued September 10, 1996, in Docket No. 96305-WS, we established an inclining block rate structure for Little Sumter Utility Company, a brand-new utility,

in order to create a fund for a conservation program. It should be noted that one Commissioner dissented in that case, offering a separate opinion. The dissenting Commissioner noted that in the 1993 Sanlando case, he "supported the rate structure-based departure from cost based ratemaking because of the difficulties the long-time company was having with water conservation." He dissented in Little Sumter because no customers were yet being served, and therefore no usage patterns were established. Furthermore, he noted that, unlike Sanlando, the Commission had no experience with Little Sumter's management such that a pattern of reliability could be established for proper management of a conservation plan utilizing excess revenues.

Unlike Little Sumter, Sun Communities is an established utility with usage patterns consistently showing excess usage. Furthermore, we find the utility is able to comply with District and Commission requirements and implement the conservation measures. The utility has expressed its willingness to implement an aggressive and comprehensive conservation program and is already proceeding with its reuse project. Additionally, as discussed below, our staff will monitor the utility's progress on a semiannual basis to ensure compliance with this Order. We find these factors provide sufficient assurance that the conservation program will be implemented.

In settling on an appropriate program for this utility, we spoke and met with the SJRWMD on several occasions to obtain measures that would best achieve the above stated goals. After assessing the consumption habits and needs of the utility's customers, the District provided us with a list of recommended conservation measures and associated costs (Attachment C). We forwarded the District's recommendations to the utility requesting that it consider which of the recommendations could be included in its conservation program.

The utility responded by submitting the conservation program proposal and projected costs shown on Attachment D. The proposal contained several of the District's recommendations and would cost \$30,000 in the first year and \$22,500 annually thereafter. In the first year, the conservation program would increase water expenses by \$25,000 and wastewater plant by \$5,000. The following year costs would be booked entirely to water expenses. Some of the more notable elements of the program are:

- Xeriscape consulting and rebates at an annual cost of \$5,000;
- distribution of low flow shower kits at a one-time cost of \$2,500;
- installation of moisture sensors for irrigation at an annual cost of \$1,500; and
- low flow toilet rebates at an annual cost of \$1,000.

Although these are excellent measures that will help achieve the above stated goals, we believe that the utility left out essential measures; a meter replacement program and landscape irrigation audits, that are needed to monitor and reduce residential irrigation. Upon discussing this with the utility, we discovered that the utility was, in fact, implementing a meter replacement program and already had an established program of providing irrigation audits upon customer request.

In its meter replacement program, the utility plans to replace approximately 15 meters per month at a cost of \$80 per meter, or \$14,400 annually. As to the irrigation audits, we found that because past conservation costs were not being booked to the utility, the annual cost of the irrigation audits could not be obtained. However, based on conversations with utility personnel, we find it is reasonable to estimate that at least five irrigation audits will be done per month at an annual cost of \$5,000. We find that the costs of the meter replacements and irrigation audits shall be included in the utility's conservation program. By adding these measures, the conservation program would increase the utility's water expenses by \$30,000 in the first year, and by \$27,500 in the following year. The utility's first year water and wastewater plant would increase by \$14,400 and \$5,000, respectively. Thereafter, water plant would increase by \$14,400 until the meter replacement program was complete.

The utility's conservation program, as modified above, is hereby approved. The utility shall implement the conservation measures and at a minimum spend the approved amounts for the first and second years.

The utility shall file semiannual reports on its conservation program with this Commission for two years following issuance of the final order in this docket. These reports shall list the conservation measures that were performed during the period and the amounts expended. We will confer with the District in reviewing the reports to evaluate the effectiveness of the program and ensure that the program and amounts spent are consistent with this Order.

Reuse Project

We determined that the amount of potential overearnings associated with the utility's wastewater system is \$37,671, or 23.07% for the 1998 calendar year test period. However, overearnings for this utility are temporary. Sun Communities is in the process of constructing a reuse system estimated to cost \$350,000 over the next three years. Once the projected reuse costs are included, the utility's future earnings should be within or even below a fair rate of return. Furthermore, Sun Communities has good customer service and low service rates due, in part, to a small rate base.

Therefore, the utility shall not be required to reduce rates or make refunds. A prospective rate reduction is not warranted, as it will be more beneficial to customers to apply present overearnings to the reuse project, thereby lessening the future rate increase we believe will be needed to pay for the project. We find that a more reasonable alternative is to defer present overearnings to offset the reuse costs which the utility will incur. It should be noted that when the reuse plan is filed we anticipate allocating a portion of cost recovery to water customers to allow the design of inclining block rates.

Accordingly, the utility shall file a reuse project plan for our approval pursuant to Section 367.0817, Florida Statutes. The utility shall defer revenues associated with overearnings until the we approve the reuse plan. All deferred revenues shall be included in the capital structure, as a separate line item, with interest accrued at the thirty-day commercial paper rate. Upon our approval of the reuse project, the revenue deferrals and accrued interest shall be booked to CIAC.

Revenue deferrals were first addressed by us in other industries. By Proposed Agency Action (PAA) Order No. PSC-95-0580-FOF-EI, issued May 10, 1995 in Docket No. 950379-EI, we allowed Tampa Electric Company to defer its 1995 and 1996 excess revenues until 1997. Revenues above its authorized return on equity (ROE) were deferred and included in the capital structure as a separate line item. By PAA Order No. PSC-95-0160-FOF-GU, issued February 6, 1995, in Docket No. 950016-GU, we authorized Chesapeake Utilities Corporation to defer its 1994 excess revenues to 1995. In PAA Order No. PSC-93-1572-FOF-TL, we authorized Gulf Telephone Company to defer its 1992 excess revenues to 1993 to correct certain anticipated reserve deficiencies.

We have addressed revenue deferrals in the water and wastewater industry on two other occasions. By Order No. PSC-98-1384-FOF-SU, issued October 14, 1998, in Docket No. 970991-SU, we allowed Florida Cities Water Company (FCWC), the South Ft. Myers wastewater system, to defer its 1996 and 1997 revenues until 2000. In that case we found no material differences between the cases cited above and the FCWC case. Therefore, we found that water and wastewater utilities shall be afforded the opportunity to defer excess revenues, especially when long-term benefits exceed the short-term benefits of refunds and temporary rate reductions. By Order No. PSC-99-1742-PAA-WS, issued September 7, 1999, in Docket No. 981258-WS, we also allowed Lake Wales Utility Company, Ltd. to defer 1998 overearnings to offset potential future underearnings.

We researched the cases listed above and were unable to find any measurable differences between these cases and the instant case. Therefore, we find that Sun Communities shall be afforded the opportunity to defer excess revenues, especially when the long-term benefits exceed the short-term benefits of temporary rate reductions. Deferring revenues to offset future reuse costs aids in keeping rates levelized. Stable rates are normally less confusing to ratepayers than fluctuating rates.

For the foregoing reasons, the utility shall be allowed to defer all overearnings associated with its wastewater system, to be applied to the cost of its future reuse system. Accordingly, the utility shall file a reuse project plan pursuant to Section 367.0817, Florida Statutes, within six months of the final order in this docket. Upon issuance of the final order, the utility shall 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 we approve the utility's reuse project plan, the deferred earnings and accrued interest shall be booked to CIAC.

RATES AND TARIFF CHARGES

The utility's current rate structure for both its water and wastewater systems consists of a traditional base facility and uniform gallonage charge rate structure. According to the utility's application, it was determined by the SJRWMD during the consumptive use permit renewal process, that the utility has excessive water usage on a per capita basis within its certificated service territory. Consequently, one condition of the utility's consumptive use permit is that the utility must implement an inclining-block rate structure.

The utility has proposed a three-tier inclining block water rate structure, to be applicable to the residential class, with usage blocks for monthly consumption set: (1) at 0-5,000 gallons; (2) at 5,001 - 10,000 gallons; and (3) for consumption in excess of 10,000 gallons. An additional element of the utility's proposal is that the rates have been calculated based upon recovery of the utility's final revenue requirement (which includes the revenue requirement related to its two new hydropneumatic tanks) within the first and second blocks. The utility proposed that all revenues derived from the third block of the rate structure be deposited and held in a separate account and utilized only for conservation measures. The utility has proposed maintaining its base facility and uniform gallonage charge water rate structure for the general service class. The utility has proposed no change to the base facility and uniform gallonage charge rate structure for its wastewater system.

The SJRWMD advocates the water system rate structure change, due to the high per capita consumption of the utility's customers. In addition, the entire District has been designated a water resource caution area, and for over the past five years the District has advocated rate structures that provide pricing incentives to conserve.

We are denying the utility's request for a revenue requirement increase. Further, we are ordering the utility to implement an aggressive water conservation program. This program is expected to have a material effect on consumption. If a change in rate structure or rates is concurrently initiated, customers' subsequent consumption habits will be affected both by the conservation program and by price changes. By continuing the utility's current rates during the introduction of the conservation program, we will be better able to isolate the effects of the program on consumption. This information would then be considered in designing consumption charges when this issue is subsequently revisited.

In addition, we find it is not possible to appropriately quantify the magnitude of the conservation programs' effects on consumption at this time. The conservation programs are by far the most aggressive ever approved this Commission. Although there are ranges of consumption reductions that might reasonably be expected to occur, since we lack any historical information in this regard, we find that a change in rates is inappropriate at this time.

Furthermore, if a change to an inclining-block rate structure were to be initiated at this time, customers at consumption levels of 10,000 gallons per month (gpm) or less would experience overall price decreases in their water bills. These decreases in price might stimulate consumption at levels below 10,000 gpm, which would be counterproductive to our overall conservation goals.

It is also possible that water rate structure and rates will change as a result of the utility's upcoming reuse filing. If this happens, then the customers might be subject to three different rate structures (and rates) within a twelve-month period. This is contrary to rate design goals of rate stability and customer understanding.

Finally, the utility metered 201 residential customers and 14 general service customers during the test period. Postponing any rate structure or rate change at this time allows for additional monthly consumption information to be gathered for these customers. This information is critical in order to appropriately design rates.

Therefore, we find that the appropriate rate structure for water and wastewater service is a continuation of the traditional base facility and uniform gallonage charge rate structure. We find that no change be made to the utility's rates at this time. The approved rates, as shown on Schedule Nos. 4-A and 4-B, produce water system revenues of \$121,731, and wastewater system revenues of \$163,288. This issue shall be revisited in the proceeding which arises when the utility files its proposed reuse plan.

To monitor the effects of the conservation program on consumption, the utility shall prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports shall be filed, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the approved rates go into effect. The provision of this reporting requirement applies to all customers receiving service.

A comparison of the utility's original rates, requested rates and approved rates is shown on Schedule Nos. 4-A and 4-B in the Part II - Overearnings Schedules section of this Order.

Service Availability Charges

We previously discontinued service availability charges for this utility. This action was taken with an abundance of caution based upon a set of criteria previously agreed to by a prior owner. We find that the circumstances have changed significantly and that this decision be revisited.

We approved an amount of CIAC equal to a pro-rata share of the previously approved negative acquisition adjustment. We find that the remaining amount shall be spread among the future ERCs to be connected. Therefore, the following service availability charges are approved:

Water

Plant Capacity Charges	\$140
Meter Installation charge	\$100

Wastewater

Plant Capacity Charges	\$150
------------------------	-------

It should be noted that the previously approved service availability charges were a water system capacity charge of \$200 and a wastewater system capacity charge of \$200. There was also a meter installation charge of \$100. We find that the service availability charges are reasonable and they are hereby approved.

TEMPORARY RATES IN EVENT OF PROTEST

This Order proposes no increase in water and wastewater rates and finds that the utility is presently overearning. However, we are allowing costs and expenses which will virtually remove any overearnings. We are concerned that, should the utility delay implementation of this Order, a refund may be necessary. Therefore, in the event of a timely protest filed by a substantially affected person, the utility shall be allowed to continue charging its existing water and wastewater rates on a temporary basis. The utility shall hold water and wastewater revenues subject to refund in the amount of 21.24% for the water system and 23.07% for the wastewater system.

Pursuant to Section 367.082, Florida Statutes, when revenues are held subject to refund, the utility is authorized to continue collecting the previously authorized rates. The utility shall be authorized to collect the existing rates upon our staff's approval of the security for potential refund. The security shall be in the form of a bond or letter of credit in the amount of \$27,350 for the water system and \$39,856 for the wastewater system. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the utility shall refund the amount collected that is attributable to the increase.

If the utility chooses a letter of credit as security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect.
- 2) The letter of credit will be in effect until final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No funds in the escrow account may be withdrawn by the utility without the express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

8) The Director of Records and Reporting must be a signatory to the escrow agreement.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the utility. Irrespective of the form of security chosen by the utility, an account of all monies received as result of the charging of existing rates shall be maintained by the utility. This account must specify by whom and on whose behalf such monies were paid. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

The utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with this Commission no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the existing rates.

SHOW CAUSE

Delinquent Regulatory Assessment Fees

In establishing rates, we include in our determination of the revenue requirements the utility's obligation to pay regulatory assessment fees.

Section 367.145, Florida Statutes, states that:

(1) The commission shall set by rule a regulatory assessment fee that each utility must pay once a year in conjunction with filing its annual report required by commission rule.

(b) In addition to the penalties and interest otherwise provided, the commission may impose a penalty upon a utility for failure to pay regulatory assessment fees in a timely manner in accordance with Section 367.161, Florida Statutes.

Section 367.161, Florida Statutes, authorizes us to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or have willfully violated any Commission rule, order, or provision of Chapter 367, Florida Statutes. In failing to pay RAFs on unbilled revenues, the utility's act was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., the Commission having found that the company had not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833).

Although the utility's failure to pay the total RAFs due is an apparent violation of Rule 25-30.120, Florida Administrative Code, we find that a show cause proceeding is not warranted and shall not be initiated at this time. We find that the apparent violation of Rule 25-30.120, Florida Administrative Code, does not rise, under these circumstances, to the level that warrants the initiation of a show cause proceeding. Therefore, Sun Communities shall not be ordered to show cause for its apparent violation of Sections 350.113 and 367.145, Florida Statutes, and Rule 25-30.120, Florida Administrative Code, for failure to pay regulatory assessment fees in 1998.

Rule 25-30.120, Florida Administrative Code, in conjunction with Section 350.113, Florida Statutes, provides that each utility shall remit a regulatory assessment fee based upon its gross operating revenue. Pursuant to Section 350.113(4), Florida

Statutes, and Rule 25-30.120(7)(a), Florida Administrative Code, a statutory penalty plus interest shall be assessed against any utility that fails to timely pay its regulatory assessment fees, in the following manner:

1. 5 percent of the fee if the failure is for not more than 30 days, with an additional 5 percent for each additional 30 days or fraction thereof during the time in which failure continues, not to exceed a total penalty of 25 percent.
2. The amount of interest to be charged is 1% for each 30 days or fraction thereof, not to exceed a total of 12% per annum.

According to the audit, there are residential as well as commercial customers that were unbilled at the time of the audit. Audit Exception No. 5 provides that the utility has 200 customers that are not billed for water and wastewater usage as stated in its prospectus. Audit Exception No. 6 provides that there are 14 general service customers inside the development that are unbilled. The company that owns the utility also owns the development, and in the event the development connects a model to the utility for advertisement, it is not billed for utility services. We calculated revenues associated with these unbilled customers. Based upon our calculation, the unrecorded revenues were \$46,060 for water and \$53,584 for wastewater. Accordingly, the outstanding RAFs for 1998 total \$4,484 for water and wastewater.

We calculated the penalty and interest based on the number of days elapsed since the respective RAFs were due and the date of this agenda. The date of this agenda is included in computing the amount of time elapsed. We may impose lesser or greater penalties, pursuant to Rule 25-30.110(6)(c), Florida Administrative Code.

Based upon the total amount of unreported revenues for 1998, the utility owes \$4,484 in outstanding RAFs; \$1,121 in penalties and \$627.76 in interest, which the utility shall remit immediately.

Pursuant to Rule 25-30.110(3)(a), Florida Administrative Code, an annual report for the period ending December 31, 1999, shall be filed with this Commission on or before March 31, 2000. The utility has filed for and has been granted an extension. If the utility has not included the revenue associated with the unbilled customers in its 1999 annual report, then it shall include the

ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 52

unreported revenue. Moreover, the utility shall remit the RAFs associated with the unreported 1999 revenue.

Conformance with 1996 NARUC Uniform System of Accounts

During the audit, our auditors discovered that the utility did not maintain its accounts and records in conformance with the NARUC USOA. Despite the state of the utility's books and records, our auditors were able to perform the audit. The errors determined by our auditors constitute apparent violations of Rule 25-30.115, Florida Administrative Code, "Uniform System of Accounts for Water and Wastewater Utilities," which provides:

Water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners.

Although the utility's failure to keep its books and records in conformance with the NARUC USOA is an apparent violation of Rule 25-30.115, Florida Administrative Code, we find that a show cause proceeding is not warranted and shall not be initiated at this time. We find that the apparent violation of Rule 25-30.115, Florida Administrative Code, does not rise, under these circumstances, to the level that warrants the initiation of a show cause proceeding. Therefore, Sun Communities shall not be ordered to show cause for failing to keep its books and records in conformance with the NARUC USOA. However, the utility shall maintain its books and records in conformance with the 1996 NARUC USOA, and submit a statement from its accountant by March 31, 2001 along with its 2000 annual report, stating that its books are in conformance with the NARUC USOA and have been reconciled with this Order.

DOCKET CLOSURE

If no timely protest is received upon expiration of the protest period, this Order will become final and this docket will be closed upon the issuance of a Consummating Order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sun Communities Finance Limited Partnership's request for limited

ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 53

proceeding increase and restructuring of water rates is hereby denied. It is further

ORDERED that each of the findings made in the body of this order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are incorporated herein by reference. It is further

ORDERED that Sun Communities Finance Limited Partnership shall convert the previously approved negative acquisition adjustment to CIAC by recording CIAC in the amount of \$117,170 for water and \$117,844 for wastewater. It is further

ORDERED that service availability charges in the amount of \$141 for water and \$153 for wastewater shall be reinstated. It is further

ORDERED that meter installation charges shall be reinstated. It is further

ORDERED that Sun Communities Finance Limited Partnership shall implement the conservation program as set forth in the body of this order, and at a minimum spend the approved amounts for the first and second years. It is further

ORDERED that Sun Communities Finance Limited Partnership shall file semiannual reports of its conservation program with this Commission for two years following the issuance of the final order in this docket. It is further

ORDERED that Sun Communities Finance Limited Partnership shall file a reuse project plan pursuant to Section 367.0817, Florida Statutes, within six months of the final order issued in this docket. It is further

ORDERED that upon issuance of the final order in this docket, the utility shall 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 utility's reuse project plan is approved, the deferred earnings and accrued interest shall be booked to CIAC. It is further

ORDERED that Sun Communities Finance Limited Partnership shall prepare monthly reports detailing the number of bills rendered, the

ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 54

consumption billed and the revenue billed. These reports shall be filed, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the approved rates go into effect. The provision of this reporting requirement applies to all customers receiving service. It is further

ORDERED that in the event of a protest by any substantially affected person, Sun Communities Finance Limited Partnership is authorized to collect the rates approved on a temporary basis, subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided Sun Communities Finance Limited Partnership first furnishes and has approved by Commission staff, adequate security for any potential refund and a proposed customer notice. It is further

ORDERED that in the event of a protest, Sun Communities Finance Limited Partnership shall submit monthly reports no later than 20 days after each monthly billing cycle which shall indicate the amount of revenue collected on a temporary basis subject to refund. It is further

ORDERED that Sun Communities Finance Limited Partnership shall not be ordered to show cause in writing for its apparent violation of Rule 25-30.120, Florida Administrative Code. It is further

ORDERED that Sun Communities Finance Limited Partnership shall not be ordered to show cause in writing for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Section 367.091(4), Florida Statutes. It is further

ORDERED that Sun Communities Finance Limited Partnership shall remit the regulatory assessment fees associated with the unreported 1999 revenue. It is further

ORDERED that Sun Communities Finance Limited Partnership shall immediately remit outstanding regulatory assessment fees in the amount of \$4,484, plus penalties of \$1,121 and interest of \$627.76. It is further

ORDERED that Sun Communities Finance Limited Partnership shall include the revenue associated with the unbilled customers in its 1999 annual report. It is further


ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 55

ORDERED that Sun Communities Finance Limited Partnership shall maintain its books and records in conformance with the 1996 NARUC Uniform System of Accounts and submit a statement from its accountant by March 31, 2001, along with its 2000 annual report, stating that its books are in conformance with the NARUC Uniform System of Accounts and have been reconciled with this Order.

ORDERED that the provisions of this Order, except for the holding of revenues subject to refund, the granting of temporary rates and security in the event of protest and the show cause issues, are issued as proposed agency action and 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 Records and Reporting, 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 if no timely protest is received to the proposed agency actions, no further action will be necessary and, upon expiration of the protest period, this Order shall become final and effective upon the issuance of a Consummating Order and the docket shall be closed.

By ORDER of the Florida Public Service Commission this 27th day of June, 2000.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

JKF

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 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.

As identified in the body of this order, our actions except for the holding of revenues subject to refund, the granting of temporary rates and security in the event of protest and the show cause issues, are 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 Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 18, 2000. If such a petition is filed, 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. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating 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.

ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 57

Any party adversely affected by the Commission's final actions in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) 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 wastewater 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 after the issuance 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.

--- PART I LIMITED PROCEEDING ---

WATER TREATMENT PLANT

Attachment A page 1 of 4
USED AND USEFUL DATA

Docket No. 990243-WU Utility SUN COMMUNITIES Date JULY 1999

- 1) Capacity of Plant 1,080,000 gallons per day,
 - 2) Maximum Daily Flow 688,000 gallons per day
 - 3) Average Daily Flow 578,400 gallons per day
 - 4) Fire Flow Capacity 0 gallons per day
 - a) Needed Fire Flow 120,000 gallons per day
 - 5) Growth 77,336 gallons per day
 - a) Test Year Customers in ERC's - Begin 798 End 829 Av. 814
 - b) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 61 ERC's
 - c) Construction Time for Additional Capacity 1.5 Years
- (b) x (c) x $\left[\frac{2}{(a)} \right]$ 77,336 gallons per day for Growth
- 6) Excessive Unaccounted for Water 33,955 gallons per day
 - a) Total Amount 69,324 gallons per day 19.7 % of Av. Daily Flow
 - b) Reasonable Amount 35,370 gallons per day 10.0 % of Av. Daily Flow
 - c) Excessive Amount 33,955 gallons per day 9.7 % of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\left[\frac{(2 + 5) + 4a - 6}{1} \right] = \underline{79} \% \text{ Used and Useful}$$

Engineer

WATER DISTRIBUTION SYSTEM

Docket No. 990243-WU Utility SUN COMMUNITIES Date JULY 1999

- 1) Capacity 984 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 829 ERC's
 - a) Begin Test Year 798 ERC's
 - b) End Test Year 829 ERC's
 - c) Average Test Year 814 ERC's
- 3) Growth 61 ERC's
 - a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 61 ERC's
 - c) Construction Time for Additional Capacity 1 Years
 - (a) x (b) = 61 ERC's for Growth

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{90} \% \text{ Used and Useful}$$

_____ Engineer

WASTEWATER TREATMENT PLANT

Docket No. 990243-WU Utility SUN COMMUNITIES Date JULY 1999

- 1) Permitted Cap. of Plant 200,000 *(AADF) gallons per day
- 2) Maximum Daily Flow 110,000 gallons per day
- 3) Average Daily Flow 63,874 (AADF) gallons per day
- 4) Fire Flow Requirements NOT APPLICABLE gallons per day
- 5) Growth 7,478 gallons per day

*Not to exceed 20% of present customers

a) Test Year Customers in ERC's - Begin 740 End 771 Av. 756

b) Customer Growth Using Regression Analysis in ERC's
for Most Recent 5 Years Including Test Year 59 ERC's

c) Construction Time for Additional Capacity 1.5 Years

(b) x (c) x $\left[\frac{3}{(a)} \right]$ 7,478 gallons per day

6) Excessive Infiltration gallons per day

a) Total Amount _____ gallons per day _____% of Av. Daily Flow

b) Reasonable Amount _____ gallons per day _____% of Av. Daily Flow

c) Excessive Amount _____ gallons per day _____% of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\frac{[(3) + (5)] - 6}{1} = \underline{36} \% \text{ Used and Useful}$$

Engineer

* Annual Average Daily Flow

ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 61

Attachment A page 4 of 4
USED AND USEFUL DATA

WASTEWATER COLLECTION SYSTEM

Docket No. 990243-WU Utility SUN COMMUNITIES Date JULY 1999

- 1) Capacity 984 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 771 ERC's day
 - a) Begin Test Year 740 ERC's
 - b) End Test Year 771 ERC's
 - c) Average Test Year 756 ERC's
- 3) Growth 59 ERC's
 - a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 59 ERC's
 - b) Construction Time for Additional Capacity 1 Years(a) x (b) = 59 ERC's Growth

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{84} \% \text{ Used and Useful}$$

Engineer

---PART II - OVEREARNINGS---

Attachment B page 1 of 4
USED AND USEFUL DATA

WATER TREATMENT PLANT

Docket No. 990243-WS Utility SUN COMMUNITIES Date JULY 1999

- 1) Capacity of Plant 1,080,000 gallons per day,
 - 2) Maximum Daily Flow 688,000 gallons per day
 - 3) Average Daily Flow 578,400 gallons per day
 - 4) Fire Flow Capacity 0 gallons per day
 - a) Needed Fire Flow 120,000 gallons per day
 - 5) Growth 257,725 gallons per day
 - a) Test Year Customers in ERC's - Begin 798 End 829 Av. 814
 - b) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 61 ERC's
 - c) Statutory Growth period 5 Years
- (b) x (c) x $\left[\frac{2}{(a)} \right]$ 257,725 gallons per day for Growth
- 6) Excessive Unaccounted for Water 33,955 gallons per day
 - a) Total Amount 69,324 gallons per day 19.7 % of Av. Daily Flow
 - b) Reasonable Amount 35,370 gallons per day 10.0 % of Av. Daily Flow
 - c) Excessive Amount 33,955 gallons per day 9.7 % of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\left[\frac{(2 + 5) + 4a - 6}{1} \right] = \underline{96} \% \text{ Used and Useful}$$

_____ Engineer

WATER DISTRIBUTION SYSTEM

Docket No. 990243-WS Utility SUN COMMUNITIES Date JULY 1999

- 1) Capacity 984 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 829 ERC's
 - a) Begin Test Year 798 ERC's
 - b) End Test Year 829 ERC's
 - c) Average Test Year 814 ERC's
- 3) Growth 305 ERC's
 - a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 61 ERC's
 - c) Statutory Growth period 5 Years
 - (a) x (b) = 305 ERC's for Growth

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{100} \% \text{ Used and Useful}$$

_____ Engineer

ORDER NO. PSC-00-1165-PAA-WS
DOCKET NO. 990243-WS
PAGE 64

Attachment B page 3 of 4
USED AND USEFUL DATA

WASTEWATER TREATMENT PLANT

Docket No. 990243-WS Utility SUN COMMUNITIES Date JULY 1999

- 1) Capacity of Plant (AADF) 200,000 * (AADF) gallons per day
- 2) Maximum Daily Flow 110,000 gallons per day
- 3) Average Daily Flow 63,874 (AADF) gallons per day
- 4) Fire Flow Requirements NOT APPLICABLE gallons per day
- 5) Growth 24,780 gallons per day
*Not to exceed 20% of present customers
 - a) Test Year Customers in ERC's - Begin 740 End 771 Av. 756
 - b) Customer Growth Using Regression Analysis in ERC's
for Most Recent 5 Years Including Test Year 61 ERC's
 - c) Construction Time for Additional Capacity 5 Years
- (b) x (c) x $\left[\frac{3}{(a)} \right]$ 24,780 gallons per day
- 6) Excessive Infiltration gallons per day
 - a) Total Amount _____ gallons per day _____% of Av. Daily Flow
 - b) Reasonable Amount _____ gallons per day _____% of Av. Daily Flow
 - c) Excessive Amount _____ gallons per day _____% of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\frac{[(3) + (5)] - 6}{1} = \underline{44} \% \text{ Used and Useful}$$

Engineer

*Annual Average Daily Flow

WASTEWATER COLLECTION SYSTEM

Docket No. 990243-WU Utility SUN COMMUNITIES Date JULY 1999

- 1) Capacity 984 ERC's (Number of potential customers without expansion)
- 2) Number of TEST YEAR Connections 771 ERC's day
 - a) Begin Test Year 740 ERC's
 - b) End Test Year 771 ERC's
 - c) Average Test Year 756 ERC's
- 3) Growth 295 ERC's
 - a) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 61 ERC's
 - b) Construction Time for Additional Capacity 5 Years

(a) x (b) = 295 ERC's Growth

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{100} \% \text{ Used and Useful}$$

_____ Engineer

PART I - LIMITED PROCEEDING SCHEDULES

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 SCHEDULE OF WATER RATE BASE**

**SCHEDULE NO. 1
 DOCKET NO. 990243-WS
 PAGE 1 OF 2**

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$367,846	(\$124,081)	\$243,765
LAND/NON-DEPRECIABLE ASSETS	3,050	0	3,050
NON-USED AND USEFUL PLANT	0	(10,975)	(10,975)
ACQUISITION ADJUSTMENT	(238,662)	238,662	0
CIAC	0	(117,170)	(117,170)
ACCUMULATED DEPRECIATION	(142,320)	27,236	(115,084)
AMORTIZATION OF ACQUISITION ADJ.	57,905	(57,905)	0
AMORTIZATION OF CIAC	0	41,595	41,595
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,864</u>	<u>7,864</u>
WATER RATE BASE	<u>\$47,819</u>	<u>\$5,227</u>	<u>\$53,045</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1 DOCKET NO. 990243-WS PAGE 2 OF 2	
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$352,266	\$20,542	\$372,808
LAND/NON-DEPRECIABLE ASSETS	30,580	89,920	120,500
NON-USED AND USEFUL PLANT	0	(22,128)	(22,128)
ACQUISITION ADJUSTMENT	(258,093)	258,093	0
CIAC	0	(207,844)	(207,844)
ACCUMULATED DEPRECIATION	(256,165)	2,390	(253,775)
AMORTIZATION OF ACQUISITION ADJ.	62,620	(62,620)	0
AMORTIZATION OF CIAC	0	53,095	53,095
WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$11,357</u>	<u>\$11,357</u>
WASTEWATER RATE BASE	<u>(\$68,792)</u>	<u>\$142,805</u>	<u>\$74,013</u>

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-A
 DOCKET NO. 990243-WS
 PAGE 1 OF 2**

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To reconcile utility's records with PSC-97-0034-FOF-WS.	(\$13,189)	(\$21,748)
2. To remove misclassifications.	(58,489)	(1,275)
3. To remove non-recurring expenses.	(33,031)	0
4. To remove unsupported capital additions.	(13,265)	(2,924)
5. To record retirements.	(10,000)	(12,000)
6. To add misclassified plant.	1,275	58,489
7. To add unrecorded capital additions.	40,169	0
8. To reduce plant by averaging adjustment.	<u>(37,551)</u>	<u>0</u>
Total	<u>(\$124,081)</u>	<u>\$20,542</u>
B. <u>LAND</u>		
1. To reflect the appropriate land balance per Order No. 18255.	\$0	(\$80)
2. To reflect the addition of 30 acre sprayfield.	<u>0</u>	<u>90,000</u>
Total	<u>\$0</u>	<u>\$89,920</u>
C. <u>NON-USED AND USEFUL PLANT</u>		
1. To reflect non-used and useful average plant.	(\$28,044)	(\$152,137)
2. To reflect non-used and useful average accum. depreciation.	<u>17,069</u>	<u>130,009</u>
Total	<u>(\$10,975)</u>	<u>(\$22,128)</u>
D. <u>ACQUISITION ADJUSTMENT</u>		
1. To remove the recorded positive acquisition adjustment.	<u>\$238,662</u>	<u>\$258,093</u>
E. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>		
1. To record converted acquisition adjustment.	(\$117,170)	(\$117,844)
2. To record donated land (sprayfield).	<u>0</u>	<u>(90,000)</u>
Total	<u>(\$117,170)</u>	<u>(\$207,844)</u>

(Rate Base Adjustments continued on next page)

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-A
 DOCKET NO. 990243-WS
 PAGE 2 OF 2**

(Rate Base Adjustments continued)

	<u>WATER</u>	<u>WASTEWATER</u>
F. <u>ACCUMULATED DEPRECIATION</u>		
1. To remove retired plant from accumulated depreciation.	\$10,000	\$12,000
2. To reflect accumulated depreciation at 12/31/98.	17,927	(17,983)
3. To reflect averaging adjustment.	(691)	8,373
Total	<u>\$27,236</u>	<u>\$2,390</u>
G. <u>ACCUMULATED AMORTIZATION OF ACQUISITION ADJ.</u>		
1. To remove accumulated amortization of acquisition adj.	<u>(\$57,905)</u>	<u>(\$62,620)</u>
H. <u>ACCUMULATED AMORTIZATION OF CIAC</u>		
1. To reflect accumulated amortization of CIAC at 12/31/98.	\$43,388	\$55,740
2. To reflect averaging adjustment.	(1,793)	(2,645)
Total	<u>\$41,595</u>	<u>\$53,095</u>
I. <u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of operation and maintenance expenses.	<u>\$7,864</u>	<u>\$11,357</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 SCHEDULE OF CAPITAL STRUCTURE						SCHEDULE NO. 2 DOCKET NO. 990243-WS		
CAPITAL COMPONENT	BALANCE PER UTIL.	COMM. ADJ. TO UTILITY BALANCE	ADJUSTED BALANCE PER COMMISSION	PRO RATA ADJUST. PER COMM.	RECONCIL- IATION TO RATE BASE	PERCENT OF TOTAL	WEIGHTED COST	WEIGHTED COST
COMMON EQUITY	\$94,123	\$0	\$94,123	(77,450)	16,673	13.12%	8.93%	1.17%
OTHER COMMON EQUITY	623,155	<u>0</u>	623,155	(512,770)	110,385	86.88%	8.93%	7.76%
LONG TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
TOTAL	<u>\$717,278</u>	<u>\$0</u>	<u>\$717,278</u>	<u>(\$590,220)</u>	<u>\$127,058</u>	<u>100.00%</u>		<u>8.93%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>7.93%</u>	<u>9.93%</u>	
OVERALL RATE OF RETURN						<u>7.93%</u>	<u>9.93%</u>	

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3 DOCKET NO. 990243-WS		
	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY BALANCE	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	<u>\$75,671</u>	<u>\$46,060</u>	<u>\$121,731</u>	<u>(\$27,705)</u> -22.76%	<u>\$94,025</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	34,514	28,396	62,910	0	62,910
DEPRECIATION (NET)	13,507	(5,866)	7,641	0	7,641
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	10,560	9,424	19,984	(1,247)	18,738
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$58,581</u>	<u>\$31,954</u>	<u>\$90,535</u>	<u>(\$1,247)</u>	<u>\$89,288</u>
OPERATING INCOME/(LOSS)	<u>\$17,090</u>		<u>\$31,195</u>		<u>\$4,737</u>
WATER RATE BASE			<u>\$53,045</u>		<u>\$53,045</u>
RATE OF RETURN			<u>58.81%</u>		<u>8.93%</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3 DOCKET NO. 990243-WS PAGE 2 OF 2		
	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY BALANCE	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	<u>\$109,704</u>	<u>\$53,584</u>	<u>\$163,288</u>	<u>(\$41,286)</u> -25.28%	<u>\$122,002</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	50,971	39,883	90,854	0	90,854
DEPRECIATION (NET)	9,769	(657)	9,112	0	9,112
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	12,759	4,526	17,285	(1,858)	15,427
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$73,499</u>	<u>\$43,752</u>	<u>\$117,251</u>	<u>(\$1,858)</u>	<u>\$115,393</u>
OPERATING INCOME/(LOSS)	<u>\$36,205</u>		<u>\$46,037</u>		<u>\$6,609</u>
WASTEWATER RATE BASE			<u>\$74,013</u>		<u>\$74,013</u>
RATE OF RETURN			<u>62.20%</u>		<u>8.93%</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP		SCHEDULE NO. 3-A	
TEST YEAR ENDING DECEMBER 31, 1998		DOCKET NO. 990243-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 3	
		<u>WATER</u>	<u>WASTEWATER</u>
A. OPERATING REVENUES			
To record utility's test year revenues based on billing audit and appropriate annualization.		<u>\$46,060</u>	<u>\$53,584</u>
B. OPERATION AND MAINTENANCE EXPENSES			
1. Salaries and Wages - Employees			
a. To reflect salaries and wages associated with operations and maintenance personnel (40/60).		(\$1,382)	\$1,383
b. To reflect salaries and wages associated with administrative and support staff.		<u>12,061</u>	<u>12,061</u>
Subtotal		<u>\$10,679</u>	<u>\$13,444</u>
2. Sludge Removal Expense			
a. To reflect sludge expense for the test year per the audit.		<u>\$0</u>	<u>(\$840)</u>
3. Purchased Power			
a. To reclassify electric expense.		(\$6,362)	\$6,362
b. To reflect unrecorded electric expense.		16,986	1,371
c. To reflect non-utility expense.		<u>(\$5,532)</u>	<u>(\$3,261)</u>
Subtotal		<u>\$5,092</u>	<u>\$4,472</u>
4. Chemicals			
a. To reclassify chemicals to appropriate system.		(\$965)	\$965
b. To reflect appropriate chemicals balance.		<u>(33)</u>	<u>178</u>
Subtotal		<u>(\$998)</u>	<u>\$1,142</u>
5. Materials and Supplies			
a. To record materials and supplies purchased during test year.		<u>(\$468)</u>	<u>\$602</u>
6. Contractual Services - Billing			
a. To remove misclassified contractual expense.		(\$11,117)	(\$17,498)
b. To record billing and meter reading contr. (\$.85/bill split 50/50).		<u>3,870</u>	<u>3,825</u>
Subtotal		<u>(\$7,247)</u>	<u>(\$13,673)</u>
7. Contractual Services - Professional			
a. To record legal expense during test period.		<u>\$155</u>	<u>\$75</u>
8. Contractual Services - Testing and Operations			
a. To record testing expense per test period invoices.		\$960	\$6,404
b. To record expense associated with DEP required report to customer re: water testing.		973	0
c. To reflect annual operations fee.		<u>3,331</u>	<u>3,050</u>
Subtotal		<u>\$5,264</u>	<u>\$9,454</u>
(O & M EXPENSES CONTINUED ON NEXT PAGE)			

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE NO. 3-A DOCKET NO. 990243-WS PAGE 2 OF 3	
	<u>WATER</u>	<u>WASTEWATER</u>
(O & M EXPENSES CONTINUED)		
9. Contractual Services - Other-Repairs and Maintenance		
a. To record repairs expense during the test year.	\$571	\$3,568
b. To reflect mowing and groundskeeping expense as reflected by contract.	<u>1,680</u>	<u>15,420</u>
Subtotal	<u>\$2,251</u>	<u>\$18,988</u>
10. Rents		
a. To reflect rental expense allocation for utility's office space.	<u>\$2,400</u>	<u>\$2,400</u>
11. Transportation Expense		
a. To reflect test year transportation expense for plant operator	\$360	\$360
b. To reflect other transportation expense.	<u>1,725</u>	<u>1,725</u>
Subtotal	<u>\$2,085</u>	<u>\$2,085</u>
12. Insurance Expense		
a. To reflect test year insurance expense (two policies).	<u>\$432</u>	<u>\$648</u>
13. Regulatory Commission Expense		
a. To reflect rate case expense amortized over 4 years.	<u>\$3,822</u>	<u>\$248</u>
14. Miscellaneous Expense		
a. To record costs associated with consumptive use permit.	\$4,786	\$0
b. To reflect costs associated with FI Rural Water Assoc Fees.	142	0
c. To reflect WWTF permit costs (4,900/5yrs +51).	<u>0</u>	<u>838</u>
	<u>\$4,928</u>	<u>\$838</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$28,396</u>	<u>\$39,884</u>
(OPERATING EXPENSES CONTINUED ON NEXT PAGE)		

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-A
 DOCKET NO. 990243-WS
 PAGE 3 OF 3**

(OPERATING EXPENSES CONTINUED)

C. DEPRECIATION EXPENSE

1. To reflect appropriate test year used and useful depreciation. (\$5,886) (\$657)

D. TAXES OTHER THAN INCOME

1. To reflect appropriate amount of tangible taxes (allocating 47% water and 53% wastewater)	\$387	\$877
2. To record real estate taxes.	299	541
3. To adjust for appropriate amount of regulatory assessment fees @ 4.5% of test year revenues.	2,266	2,530
4. To reflect payroll taxes.	1,120	1,120
5. To record water use tax paid to town of Lady Lake.	5,863	0
6. To reflect the FL State Emergency Response Comm. tax.	13	13
7. To remove misclassified expense.	<u>(525)</u>	<u>(555)</u>
	\$9,423	\$4,526

E. OPERATING REVENUES

1. To reflect decrease in revenue required to cover expenses and allow approved rate of return. (\$27,705) (\$41,286)

F. TAXES OTHER THAN INCOME

1. To reflect regulatory assessment fee at 4.5% on decrease in revenue. (\$1,247) (\$1,858)

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP		SCHEDULE NO. 3-B		
TEST YEAR ENDING DECEMBER 31, 1998		DOCKET NO. 990243-WS		
ANALYSIS OF WATER OPERATION AND		PAGE 1 OF 2		
MAINTENANCE EXPENSE		TOTAL PER UTILITY	COMM. APPROVED ADJUST.	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$6,151	\$10,679	[1]	\$16,830
(603) SALARIES AND WAGES - OFFICERS	0	0		0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	12,292	5,092	[2]	17,384
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	2,603	(998)	[3]	1,605
(620) MATERIALS AND SUPPLIES	2,291	(468)	[4]	1,823
(630) CONTRACTUAL SERVICES - BILLING	11,117	(7,247)	[5]	3,870
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	155	[6]	155
(635) CONTRACTUAL SERVICES - TESTING	0	5,264	[7]	5,264
(636) CONTRACTUAL SERVICES - OTHER	0	2,251	[8]	2,251
(640) RENTS	0	2,400	[9]	2,400
(650) TRANSPORTATION EXPENSE	0	2,085	[10]	2,085
(655) INSURANCE EXPENSE	0	432	[11]	432
(665) REGULATORY COMMISSION EXPENSE	0	3,822	[12]	3,822
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	61	4,928	[13]	4,989
	<u>\$34,514</u>	<u>\$28,396</u>		<u>\$62,910</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP		SCHEDULE NO. 3-B		
TEST YEAR ENDING DECEMBER 31, 1998		DOCKET NO. 990243-WS		
ANALYSIS OF WASTEWATER OPERATION AND		PAGE 2 OF 2		
MAINTENANCE EXPENSE				
	TOTAL PER UTILITY	COMM. APPROVED ADJUST.		TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$5,771	\$13,444	[1]	\$19,215
(703) SALARIES AND WAGES - OFFICERS	0	0		0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(710) PURCHASED SEWAGE TREATMENT	0	0		0
(711) SLUDGE REMOVAL EXPENSE	12,906	(840)	[2]	12,066
(715) PURCHASED POWER	13,016	4,472	[3]	17,488
(716) FUEL FOR POWER PRODUCTION	0	0		0
(718) CHEMICALS	613	1,142	[4]	1,755
(720) MATERIALS AND SUPPLIES	975	602	[5]	1,577
(730) CONTRACTUAL SERVICES - BILLING	17,498	(13,673)	[6]	3,825
(731) CONTRACTUAL SERVICES - PROFESSIONAL	0	75	[7]	75
(735) CONTRACTUAL SERVICES - TESTING	0	9,454	[8]	9,454
(736) CONTRACTUAL SERVICES - OTHER	0	18,988	[9]	18,988
(740) RENTS	0	2,400	[10]	2,400
(750) TRANSPORTATION EXPENSE	0	2,085	[11]	2,085
(755) INSURANCE EXPENSE	0	648	[12]	648
(765) REGULATORY COMMISSION EXPENSES	0	248	[13]	248
(770) BAD DEBT EXPENSE	0	0		0
(775) MISCELLANEOUS EXPENSES	<u>193</u>	<u>838</u>	[14]	<u>1,031</u>
	<u>\$50,971</u>	<u>\$39,883</u>		<u>\$90,854</u>

PART II OVEREARNINGS SCHEDULES

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 SCHEDULE OF WATER RATE BASE**

**SCHEDULE NO. 1
 DOCKET NO. 990243-WS
 PAGE 1 OF 2**

DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$367,846	(\$124,081)	\$243,765
LAND/NON-DEPRECIABLE ASSETS	3,050	0	3,050
NON-USED AND USEFUL PLANT	0	(564)	(564)
ACQUISITION ADJUSTMENT	(238,662)	238,662	0
CIAC	0	(117,170)	(117,170)
ACCUMULATED DEPRECIATION	(142,320)	27,236	(115,084)
AMORTIZATION OF ACQUISITION ADJ.	57,905	(57,905)	0
AMORTIZATION OF CIAC	0	41,595	41,595
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>7,864</u>	<u>7,864</u>
WATER RATE BASE	<u>\$47,819</u>	<u>\$15,638</u>	<u>\$63,456</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1 DOCKET NO. 990243-WS PAGE 2 OF 2	
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$352,266	\$20,542	\$372,808
LAND/NON-DEPRECIABLE ASSETS	30,580	89,920	120,500
NON-USED AND USEFUL PLANT	0	(3,498)	(3,498)
ACQUISITION ADJUSTMENT	(258,093)	258,093	0
CIAC	0	(207,844)	(207,844)
ACCUMULATED DEPRECIATION	(256,165)	2,390	(253,775)
AMORTIZATION OF ACQUISITION ADJ.	62,620	(62,620)	0
AMORTIZATION OF CIAC	0	53,095	53,095
WORKING CAPITAL ALLOWANCE	\$0	<u>\$11,357</u>	<u>\$11,357</u>
WASTEWATER RATE BASE	<u>(\$68,792)</u>	<u>\$161,435</u>	<u>\$92,643</u>

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-A
 DOCKET NO. 990243-WS
 PAGE 1 OF 2**

	<u>WATER</u>	<u>WASTEWATER</u>
A. <u>UTILITY PLANT IN SERVICE</u>		
1. To reconcile utility's records with PSC-97-0034-FOF-WS.	(\$13,189)	(\$21,748)
2. To remove misclassifications.	(58,489)	(1,275)
3. To remove non-recurring expenses.	(33,031)	0
4. To remove unsupported capital additions.	(13,265)	(2,924)
5. To record retirements.	(10,000)	(12,000)
6. To add misclassified plant.	1,275	58,489
7. To add unrecorded capital additions.	40,169	0
8. To reduce plant by averaging adjustment.	(37,551)	0
Total	<u>(\$124,081)</u>	<u>\$20,542</u>
B. <u>LAND</u>		
1. To reflect the appropriate land balance per Order No. 18255.	\$0	(\$80)
2. To reflect the addition of 30 acre sprayfield.	0	90,000
Total	<u>\$0</u>	<u>\$89,920</u>
C. <u>NON-USED AND USEFUL PLANT</u>		
1. To reflect non-used and useful average plant.	(\$3,309)	(\$108,953)
2. To reflect non-used and useful average accum. depreciation.	2,745	105,455
Total	<u>(\$564)</u>	<u>(\$3,498)</u>
D. <u>ACQUISITION ADJUSTMENT</u>		
1. To remove the recorded positive acquisition adjustment.	<u>\$238,662</u>	<u>\$258,093</u>
E. <u>CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)</u>		
1. To record converted acquisition adjustment.	(\$117,170)	(\$117,844)
2. To record donated land (sprayfield).	0	(90,000)
Total	<u>(\$117,170)</u>	<u>(\$207,844)</u>

(Rate Base Adjustments continued on next page)

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ADJUSTMENTS TO RATE BASE**

**SCHEDULE NO. 1-A
 DOCKET NO. 990243-WS
 PAGE 2 OF 2**

(Rate Base Adjustments continued)

	<u>WATER</u>	<u>WASTEWATER</u>
F. <u>ACCUMULATED DEPRECIATION</u>		
1. To remove retired plant from accumulated depreciation.	\$10,000	\$12,000
2. To reflect accumulated depreciation at 12/31/98.	17,927	(17,983)
3. To reflect averaging adjustment.	(691)	8,373
Total	<u>\$27,236</u>	<u>\$2,390</u>
G. <u>ACCUMULATED AMORTIZATION OF ACQUISITION ADJ.</u>		
1. To remove accumulated amortization of acquisition	<u>(\$57,905)</u>	<u>(\$62,620)</u>
H. <u>ACCUMULATED AMORTIZATION OF CIAC</u>		
1. To reflect accumulated amortization of CIAC at 12/31/98.	\$43,388	\$55,740
2. To reflect averaging adjustment.	(1,793)	(2,645)
Total	<u>\$41,595</u>	<u>\$53,095</u>
I. <u>WORKING CAPITAL ALLOWANCE</u>		
1. To reflect 1/8 of operation and maintenance expenses.	<u>\$7,864</u>	<u>\$11,357</u>

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 SCHEDULE OF CAPITAL STRUCTURE**

**SCHEDULE NO. 2
 DOCKET NO. 990243-WS**

CAPITAL COMPONENT	BALANCE PER UTIL.	COMM. ADJ. TO UTILITY BALANCE	ADJUSTED BALANCE PER COMMISSION	PRO RATA ADJUST. PER COMM.	RECONCIL- IATION TO RATE BASE	PERCENT OF TOTAL	WEIGHTED COST	WEIGHTED COST	
COMMON EQUITY	\$94,123	\$0	\$94,123	(\$73,639)	\$20,484	13.12%	8.93%	1.17%	
OTHER COMMON EQUITY	623,155	0	623,155	(487,540)	135,615	86.88%	8.93%	7.76%	
LONG TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%	
PREFERRED EQUITY	0	0	0	0	0	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
TOTAL	<u>\$717,278</u>	<u>\$0</u>	<u>\$717,278</u>	<u>(\$561,179)</u>	<u>\$156,099</u>	<u>100.00%</u>		<u>8.93%</u>	
			RANGE OF REASONABLENESS				LOW	HIGH	
			RETURN ON EQUITY				<u>7.93%</u>	<u>9.93%</u>	
			OVERALL RATE OF RETURN				<u>7.93%</u>	<u>9.93%</u>	

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3 DOCKET NO. 990243-WS PAGE 1 OF 2		
	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY BALANCE	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	<u>\$75,671</u>	<u>\$46,060</u>	<u>\$121,731</u>	<u>(\$25,851)</u> -21.24%	<u>\$95,879</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	34,514	28,396	62,910	0	62,910
DEPRECIATION (NET)	13,507	(5,025)	8,482	0	8,482
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	10,560	9,424	19,984	(1,163)	18,821
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$58,581</u>	<u>\$32,795</u>	<u>\$91,376</u>	<u>(\$1,163)</u>	<u>\$90,213</u>
OPERATING INCOME/(LOSS)	<u>\$17,090</u>		<u>\$30,354</u>		<u>\$5,667</u>
WATER RATE BASE			<u>\$63,456</u>		<u>\$63,456</u>
RATE OF RETURN			<u>47.84%</u>		<u>8.93%</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP TEST YEAR ENDING DECEMBER 31, 1998 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3 DOCKET NO. 990243-WS PAGE 2 OF 2		
	TEST YEAR PER UTILITY	COMM. ADJ. TO UTILITY BALANCE	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	BALANCE PER COMMISSION
OPERATING REVENUES	<u>\$109,704</u>	<u>\$53,584</u>	<u>\$163,288</u>	<u>(\$37,671)</u> -23.07%	<u>\$125,617</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	50,971	39,883	90,854	0	90,854
DEPRECIATION (NET)	9,769	1,131	10,900	0	10,900
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	12,759	4,526	17,285	(1,695)	15,589
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$73,499</u>	<u>\$45,540</u>	<u>\$119,039</u>	<u>(\$1,695)</u>	<u>\$117,344</u>
OPERATING INCOME/(LOSS)	<u>\$36,205</u>		<u>\$44,249</u>		<u>\$8,273</u>
WASTEWATER RATE BASE			<u>\$92,643</u>		<u>\$92,643</u>
RATE OF RETURN			<u>47.76%</u>		<u>8.93%</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP		SCHEDULE NO. 3-A	
TEST YEAR ENDING DECEMBER 31, 1998		DOCKET NO. 990243-WS	
ADJUSTMENTS TO OPERATING INCOME		PAGE 1 OF 3	
	<u>WATER</u>	<u>WASTEWATER</u>	
A. OPERATING REVENUES			
To record utility's test year revenues based on billing audit and appropriate annualization.	<u>\$46,060</u>	<u>\$53,584</u>	
B. OPERATION AND MAINTENANCE EXPENSES			
1. Salaries and Wages - Employees			
a. To reflect salaries and wages associated with operations and maintenance personnel (40/60).	(\$1,382)	\$1,383	
b. To reflect salaries and wages associated with administrative and support staff.	12,061	12,061	
Subtotal	<u>\$10,679</u>	<u>\$13,444</u>	
2. Sludge Removal Expense			
a. To reflect sludge expense for the test year per the audit.	<u>\$0</u>	<u>(\$840)</u>	
3. Purchased Power			
a. To reclassify electric expense.	(\$6,362)	\$6,362	
b. To reflect unrecorded electric expense.	16,986	1,371	
c. To reflect non-utility expense.	<u>(\$5,532)</u>	<u>(\$3,261)</u>	
Subtotal	<u>\$5,092</u>	<u>\$4,472</u>	
4. Chemicals			
a. To reclassify chemicals to appropriate system.	(\$965)	\$965	
b. To reflect appropriate chemicals balance.	(33)	178	
Subtotal	<u>(\$998)</u>	<u>\$1,142</u>	
5. Materials and Supplies			
a. To record materials and supplies purchased during test year.	<u>(\$468)</u>	<u>\$602</u>	
6. Contractual Sevices - Billing			
a. To remove misclassified contractual expense.	(\$11,117)	(\$17,498)	
b. To record billing and meter reading contr. (\$.85/bill split 50/50).	<u>3,870</u>	<u>3,825</u>	
Subtotal	<u>(\$7,247)</u>	<u>(\$13,673)</u>	
7. Contractual Sevices - Professional			
a. To record legal expense during test period.	<u>\$155</u>	<u>\$75</u>	
8. Contractual Services - Testing and Operations			
a. To record testing expense per test period invoices.	\$960	\$6,404	
b. To record expense associated with DEP required report to customer re: water testing.	973	0	
c. To reflect annual operations fee.	<u>3,331</u>	<u>3,050</u>	
Subtotal	<u>\$5,264</u>	<u>\$9,454</u>	
(O & M EXPENSES CONTINUED ON NEXT PAGE)			

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-A
 DOCKET NO. 990243-WS
 PAGE 2 OF 3**

	<u>WATER</u>	<u>WASTEWATER</u>
(O & M EXPENSES CONTINUED)		
9. Contractual Services - Other-Repairs and Maintenance		
a. To record repairs expense during the test year.	\$571	\$3,568
b. To reflect mowing and groundskeeping expense as reflected by contract.	<u>1,680</u>	<u>15,420</u>
Subtotal	<u>\$2,251</u>	<u>\$18,988</u>
10. Rents		
a. To reflect rental expense allocation for utility's office space.	<u>\$2,400</u>	<u>\$2,400</u>
11. Transportation Expense		
a. To reflect test year transportation expense for plant operator.	\$360	\$360
b. To reflect other transportation expense.	<u>1,725</u>	<u>1,725</u>
Subtotal	<u>\$2,085</u>	<u>\$2,085</u>
12. Insurance Expense		
a. To reflect test year insurance expense (two policies).	<u>\$432</u>	<u>\$648</u>
13. Regulatory Commission Expense		
a. To reflect rate case expense amortized over 4 years.	<u>\$3,822</u>	<u>\$248</u>
14. Miscellaneous Expense		
a. To record costs associated with consumptive use permit.	\$4,786	\$0
b. To reflect costs associated with FI Rural Water Assoc Fees.	142	0
c. To reflect WWTF permit costs (4,900/5yrs +51).	<u>0</u>	<u>838</u>
	<u>\$4,928</u>	<u>\$838</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$28,396</u>	<u>\$39,884</u>
(OPERATING EXPENSES CONTINUED ON NEXT PAGE)		

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-A
 DOCKET NO. 990243-WS
 PAGE 3 OF 3**

(OPERATING EXPENSES CONTINUED)

C. DEPRECIATION EXPENSE

1. To reflect appropriate test year used and useful depreciation. **(\$5,025)** **\$1,131**

D. TAXES OTHER THAN INCOME

1. To reflect appropriate amount of tangible taxes (allocating 47% water and 53% wastewater) **387** **\$877**

2. To record real estate taxes. **299** **541**

3. To adjust for appropriate amount of regulatory assessment fees @ 4.5% of test year revenues. **2,266** **2,530**

4. To reflect payroll taxes. **1,120** **1,120**

5. To record water use tax paid to town of Lady Lake. **5,863** **0**

6. To reflect the FL State Emergency Response Comm. tax. **13** **13**

7. To remove misclassified expense. **(525)** **(555)**

\$9,423 **\$4,526**

E. OPERATING REVENUES

1. To reflect decrease in revenue required to cover expenses and allow approved rate of return. **(\$25,851)** **(\$37,671)**

F. TAXES OTHER THAN INCOME

1. To reflect regulatory assessment fee at 4.5% on decrease in revenue. **(\$1,163)** **(\$1,695)**

**SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDING DECEMBER 31, 1998
 ANALYSIS OF WATER OPERATION AND
 MAINTENANCE EXPENSE**

**SCHEDULE NO. 3-B
 DOCKET NO. 990243-WS
 PAGE 1 OF 2**

	TOTAL PER UTILITY	COMM. APPROVED ADJUST.		TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$6,151	\$10,679	[1]	\$16,830
(603) SALARIES AND WAGES - OFFICERS	0	0		0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(610) PURCHASED WATER	0	0		0
(615) PURCHASED POWER	12,292	5,092	[2]	17,384
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	2,603	(998)	[3]	1,605
(620) MATERIALS AND SUPPLIES	2,291	(468)	[4]	1,823
(630) CONTRACTUAL SERVICES - BILLING	11,117	(7,247)	[5]	3,870
(631) CONTRACTUAL SERVICES - PROFESSIONAL	0	155	[6]	155
(635) CONTRACTUAL SERVICES - TESTING	0	5,264	[7]	5,264
(636) CONTRACTUAL SERVICES - OTHER	0	2,251	[8]	2,251
(640) RENTS	0	2,400	[9]	2,400
(650) TRANSPORTATION EXPENSE	0	2,085	[10]	2,085
(655) INSURANCE EXPENSE	0	432	[11]	432
(665) REGULATORY COMMISSION EXPENSE	0	3,822	[12]	3,822
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	<u>61</u>	<u>4,928</u>	[13]	<u>4,989</u>
	<u>\$34,514</u>	<u>\$28,396</u>		<u>\$62,910</u>

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP		SCHEDULE NO. 3-B		
TEST YEAR ENDING DECEMBER 31, 1998		DOCKET NO. 990243-WS		
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE		PAGE 2 OF 2		
	TOTAL PER UTILITY	COMM. APPROVED ADJUST.		TOTAL PER COMMISSION
(701) SALARIES AND WAGES - EMPLOYEES	\$5,771	\$13,444	[1]	\$19,215
(703) SALARIES AND WAGES - OFFICERS	0	0		0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(710) PURCHASED SEWAGE TREATMENT	0	0		0
(711) SLUDGE REMOVAL EXPENSE	12,906	(840)	[2]	12,066
(715) PURCHASED POWER	13,016	4,472	[3]	17,488
(716) FUEL FOR POWER PRODUCTION	0	0		0
(718) CHEMICALS	613	1,142	[4]	1,755
(720) MATERIALS AND SUPPLIES	975	602	[5]	1,577
(730) CONTRACTUAL SERVICES - BILLING	17,498	(13,673)	[6]	3,825
(731) CONTRACTUAL SERVICES - PROFESSIONAL	0	75	[7]	75
(735) CONTRACTUAL SERVICES - TESTING	0	9,454	[8]	9,454
(736) CONTRACTUAL SERVICES - OTHER	0	18,988	[9]	18,988
(740) RENTS	0	2,400	[10]	2,400
(750) TRANSPORTATION EXPENSE	0	2,085	[11]	2,085
(755) INSURANCE EXPENSE	0	648	[12]	648
(765) REGULATORY COMMISSION EXPENSES	0	248	[13]	248
(770) BAD DEBT EXPENSE	0	0		0
(775) MISCELLANEOUS EXPENSES	<u>193</u>	<u>838</u>	[14]	<u>1,031</u>
	<u>\$50,971</u>	<u>\$39,883</u>		<u>\$90,854</u>

ORDER NO. PSC-00-1165-PAA-WS
 DOCKET NO. 990243-WS
 PAGE 90

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDED DECEMBER 31, 1998

SCHEDULE NO. 4-A

SCHEDULE OF WATER RATES

<u>Residential and General Service</u>	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Commission Approved Rates</u>
Base Facility Charges			
<u>Meter Sizes</u>			
5/8" x 3/4"	\$ 6.37	\$ 9.97	\$ 6.37
3/4"	9.89	14.96	9.89
1"	15.95	24.93	15.95
1 1/2"	31.89	49.85	31.89
2"	51.05	79.76	51.05
3"	102.08	159.52	102.08
4"	159.51	249.25	159.51
6"	319.00	498.50	319.00
Gallonage Charges			
<u>Usage Levels per Month</u>			
0 - 5,000 gallons	\$ 0.51	\$ 0.51	\$ 0.51
5,001 - 10,000 gallons	0.51	1.15	0.51
10,001 gallons and above	0.51	2.30	0.51
<u>Typical Bills</u>			
5/8" x 3/4" @ 5,000 gallons	\$ 8.92	\$ 12.52	\$ 8.92
5/8" x 3/4" @ 10,000 gallons	11.47	18.27	11.47
5/8" x 3/4" @ 15,000 gallons	14.02	29.77	14.02
5/8" x 3/4" @ 20,000 gallons	16.57	41.27	16.57
2" @ 10,000 gallons	\$ 56.15	\$ 88.06	\$ 56.15
2" @ 20,000 gallons	61.25	111.06	61.25
2" @ 50,000 gallons	76.55	180.06	76.55
2" @ 100,000 gallons	102.02	295.06	102.02
2" @ 200,000 gallons	153.05	525.06	153.05

ORDER NO. PSC-00-1165-PAA-WS
 DOCKET NO. 990243-WS
 PAGE 91

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDED DECEMBER 31, 1998

SCHEDULE NO. 4-B

SCHEDULE OF WASTEWATER RATES

<u>Residential</u>	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Commission Approved Rates</u>
Base Facility Charges			
All Meter Sizes	\$ 7.65	N/A	\$ 7.65
Gallonage Charge			
Per 1,000 gallons; maximum of 6,000 gallons per month	\$ 2.07	N/A	\$ 2.07
<u>General Service</u>			
5/8" x 3/4"	\$ 7.65	N/A	\$ 7.65
3/4"	11.48	N/A	11.48
1"	19.12	N/A	19.12
1 1/2"	38.25	N/A	38.25
2"	61.21	N/A	61.21
3"	122.40	N/A	122.40
4"	191.26	N/A	191.26
6"	382.53	N/A	382.53
Gallonage Charges			
Per 1,000 gallons	\$ 2.50	N/A	\$ 2.50
<u>Typical Bills</u>			
<u>Residential</u>			
5/8" x 3/4" @ 5,000 gallons	\$ 18.00	N/A	\$ 18.00
5/8" x 3/4" @ 10,000 gallons	20.07	N/A	20.07
5/8" x 3/4" @ 15,000 gallons	20.07	N/A	20.07
5/8" x 3/4" @ 20,000 gallons	20.07	N/A	20.07
<u>General Service</u>			
2" @ 10,000 gallons	\$ 86.21	N/A	\$ 86.21
2" @ 20,000 gallons	111.21	N/A	111.21
2" @ 50,000 gallons	186.21	N/A	186.21
2" @ 100,000 gallons	311.21	N/A	311.21

ORDER NO. PSC-00-1165-PAA-WS
 DOCKET NO. 990243-WS
 PAGE 92

SUN COMMUNITIES FINANCE LIMITED PARTNERSHIP
 TEST YEAR ENDED DECEMBER 31, 1998

ATTACHMENT E

IMPUTATION OF GALLONS SOLD AND ASSOCIATED REVENUES									
1998	(a)	(b)	(c)	d=@sum(b)..(c)			(e) = (a)-(d)	(f)	(g) = (e)-(f)
MONTH	GALS OF TREATED WATER	RS - Billed	RS - Unbilled	METERED GALLONS ACCOUNTED FOR	TOTAL METERED GALS ACCT'D FOR	GALS REMAINING ACCT FOR	TREATED UNACCT'D FOR GALS @ <= 10%	GALS TO UNMETERED CUSTOMERS	
January	7,760,000	4,142,167			4,142,167	3,617,843	776,000	2,841,843	
February	6,329,000	3,308,743			3,308,743	3,020,257	632,900	2,387,357	
March	8,532,000	4,366,016			4,366,016	4,166,985	853,200	3,312,785	
April	13,281,000	2,386,971			2,386,971	10,894,029	1,328,100	9,565,929	
May	14,148,000	6,049,896			6,049,896	8,098,104	1,414,800	6,683,304	
June	15,255,000	7,627,510			7,627,510	7,627,490	1,525,500	6,101,990	
July	11,963,000	6,856,716			6,856,716	5,106,285	1,196,300	3,909,985	
August	10,027,000	7,911,685			7,911,685	2,115,315	1,002,700	1,112,615	
September	7,773,000	5,881,542			5,881,542	1,891,458	777,300	1,114,158	
October	11,738,000	5,277,560	3,435,287		8,712,847	3,026,153	1,173,800	1,851,353	
November	11,444,000	7,669,576	3,477,600		11,147,176	296,822	296,822	0	
December	10,496,000	6,109,537	2,647,649		8,757,186	1,738,814	1,049,600	689,214	
TOTAL	128,746,000	67,587,909	9,560,536		77,148,445	61,697,555	12,027,022	39,570,533	

(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)=[(l)*(j)*(k)]+[(m)/1000]*(n)	(q)=[(l)*(j)*(k)]+[(m)/1000]*(n)	(r) = (p)+(q)
Estim Meter Sizes for Unmetered Customers	Number of Customers at Meter Size	Number of Months in 1998 Custs Rec'd Service	Water BFC	Waste-water BFC	Gallons Attributed to Unmetered Customers	Water Gal Chg	Wastewater Gal Chg	Revenues Imputed to Unmetered RS + GS Customers		
								Water	Wastewater	Total
RS 5/8"	201	9	\$6.37							
GS 5/8"	4	12	\$6.37							
GS 2"	10	12	\$61.05							
					39,570,533	\$0.51		\$38,136.06		\$38,136.06
RS 5/8"	201	9		\$7.65						
GS 5/8"	2	12		\$7.65						
GS 2"	3	12		\$61.21						
					9,942,264		\$2.07			
					793,875		\$2.50		\$38,791.18	\$38,791.18
								\$38,136.06	\$38,791.18	\$76,927.24

Sources: (a) DEP MORs for 1998.
 (b)..(c) Audit report WPs.
 (f) If col (a)*10% <= col (e), then col (f) = col (a) * 10%, else col (e). Unaccounted for @ 10% per
 (h)..(j) Per Commission.
 (k)..(l), (n)..(o) Utility's tariff sheets.
 (m) Water gallons from col (g).
 (n) Wastewater gals = (5,496 avg RS ww billed Oct - Dec x 201 customers per months x 9 months Jan - Sep) + 793,875 gallons per Commission.