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August 31, 2001

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VIA HAND DELIVERY

Blanca S. Bayo
Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

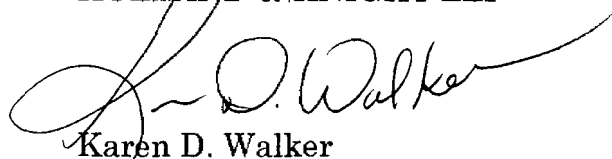
Re: Docket No. 992015-WU - Application for Limited Proceeding to
Recover Costs of Water System Improvements In Marion County By
Sunshine Utilities of Central Florida, Inc.

Dear Ms. Bayo:

Enclosed for filing on behalf of Sunshine Utilities of Central Florida, Inc. ("Sunshine") are the original and five copies of information responsive to Staff's Third Data Request Nos. 12-13. For our records, please acknowledge your receipt of this filing on the enclosed copy of this letter. Thank you for your consideration.

Sincerely,

HOLLAND & KNIGHT LLP



Karen D. Walker

** Only original filed.
Jan*

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Blanca Bayo
August 31, 2001
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cc: James Hodges
Robert Nixon
Hal Barrineau
Ralph Jaeger
D. Bruce May

TAL1 #239180 v1

12. **In the first Amended Application for Limited Proceeding filed on September 8, 2000, Schedule No. 2 included calculations of the percentage increase if recovered just from the customers residing in the area of the interconnection. Please provide these calculations with the bills and gallons.**

Please see the attached information prepared by Cronin, Jackson, Nixon & Wilson.

Sunshine Utilities of Central Florida, Inc.
 Additional Revenue Requirement and Proposed Increase to Existing Rates for
 Water System Improvements With Used and Useful Adjustments

Line No.	Component	Reference Schedule No.	Total Project
1	<u>Increase Applicable to all Customers</u>		
2	Operation and maintenance expense	3	\$ 29,747
3	Depreciation expense	4	20,089
4	Taxes other than income	5	<u>25,185</u>
5	Additional operating expenses		75,021
6	Required rate of return	6	<u>42,678</u>
7	Total additional expense and rate of return		117,699
8	Divide by Regulatory Assessment Fee (RAF) expansion factor		<u>0.955</u>
9	Total increased revenue requirement		<u>\$ 123,245</u>
10	Divide by annualized revenue for total customers	11	<u>\$ 783,421</u>
11	Percentage increase in revenue for all customers		<u>15.73 %</u>
12	<u>Increase if limited to affected areas only</u>		
13	Total increased revenue requirement		<u>\$ 123,245</u>
14	Divide by annualized revenue in affected areas	11	<u>\$ 184,355</u>
15	Percentage increase in revenue in affected areas		<u>66.85 %</u>

Sunshine Utilities of Central Florida, Inc.
Annualized Revenue
Year Ended December 31, 1999

Line No.		No. of Bills/ Gallons (000)	Present Rates (1)	Annualized Revenue
1	<u>Water Revenue</u>			
	<u>Total Company</u>			
2	<u>Residential and General Service</u>			
3	<u>Sunshine Utilities, Inc</u>			
4	Base Facility Charges			
5	5/8" x 3/4"	32,724	\$ 7.90	\$ 258,520
6	1"	72	19.74	1,421
7	1 1/4"	696	29.60	20,602
8	1 1/2"	180	39.48	7,106
9	2"	48	63.16	3,032
10	3"	12	126.52	1,518
11	4"	24	197.37	4,737
12	Gallorage Charges	252,065	1.93	<u>486,485</u>
13	Total Sunshine Utilities, Inc. annualized water revenue			<u>\$ 783,421</u>
14	<u>Affected Areas Only</u>			
15	<u>Hilltop, Lakeview Hills, Little Lake Weir, Ocklawaha</u>			
16	<u>Bellevue Oaks</u>			
17	<u>Residential and General Service</u>			
18	<u>Sunshine Utilities, Inc</u>			
19	Base Facility Charges			
20	5/8" x 3/4"	9,684	\$ 7.90	\$ 76,504
21	1"	36	19.74	711
22	1 1/4"	24	29.60	710
23	1 1/2"	24	39.48	948
24	2"	12	63.16	758
25	Gallorage Charges	54,261	1.93	<u>104,724</u>
26	Total Sunshine Utilities, Inc. annualized water revenue			<u>\$ 184,355</u>

14 Note (1): Present rates per 1998 Four Year Rate Reduction, effective July 22, 1998.

13. **In the original and first amended applications, the requested rate case expense was \$35,000, which estimated \$20,000 for accounting and \$15,000 for legal. The current application increases this amount by \$85,338 to \$115,338. This results in increases of \$19,207 for accounting, \$30,692 for legal and \$30,439 for engineering. Please explain why this increase occurred and why it is prudent for the ratepayers to bear the cost of consulting and legal fees for their separate filings. Include what services were performed and when these services were performed.**

Sunshine Utilities of Central Florida, Inc. ("Sunshine") filed its initial Application for Limited Proceeding to Recover Costs of Water System Improvements in Marion County ("Application") with the Florida Public Service Commission ("FPSC") on December 23, 1999. Sunshine responded to FPSC staff's First Data Request on February 24, 2000. Sunshine subsequently requested a meeting with FPSC staff to attempt to address any concerns or questions that staff had with the Application. This meeting was held on April 17, 2000. During that meeting, the primary concern expressed by staff relating to spreading the costs of the water system improvements over all of Sunshine's ratepayers and the scope of the project. Accordingly, in order to address staff's concerns, Sunshine filed an Amended Application for Limited Proceeding to Recover Costs of Water System Improvements in Marion County ("Amended Application") on September 8, 2000 which presented two alternative proposals for the water system improvements. On November 16, 2000, FPSC staff issued its recommendation that the FPSC deny Sunshine's Amended Application. This staff recommendation was scheduled to be addressed by the FPSC at its November 28, 2000 Agenda Conference. Sunshine, however, requested that consideration of the staff recommendation be deferred until

December 5, 2000 so that representatives of the Florida Department of Environmental Protection ("DEP") involved in the proposed funding of the project could participate. On November 28, 2000, the matter was deferred to the December 19, 2000 Agenda Conference. On December 19, 2000, the matter was deferred indefinitely.

From December through April of 2001, Sunshine continued to work with staff of the FPSC and DEP to resolve the issues raised in the Amended Application and staff's recommendation. On April 18, 2001, Sunshine again met with FPSC staff to discuss additional amendments to Sunshine's Amended Application that would address staff's continued concerns and the need for updated accounting schedules based on the time that had expired since the Application was initially filed in 1999.

Sunshine filed its Second Amended Application for Limited Proceeding to Recover Costs of Water System Improvements in Marion County ("Second Amended Application") with the FPSC on June 7, 2001. Unlike the Amended Application, which simply included an additional alternative to that proposed in the original Application, the Second Amended Application contains wholesale changes to the Amended Application which reflect application of a used and useful analysis, updated accounting schedules based on the year ending December 30, 2000, and a revised and more extensive Water Facilities Plan. All of these changes required work to be performed by Sunshine's accountants, lawyers and engineers that was not required in connection with the Application or the Amended Application. This work was performed as part of an effort to reach a result that would allow Sunshine

to obtain a rate increase necessary to obtain DEP grants and low-interest loans for the water system improvements in a manner acceptable to FPSC staff.

The total estimated rate case expense of \$115,388 is prudent because this rate case expense has been incurred by Sunshine in a period of time spanning a year and a half during which time Sunshine's accountants, lawyers and engineers have worked on making changes to the initial and amended filing in an effort to reach a settlement with FPSC staff prior to presentation of the issues to the FPSC. Sunshine's ability to obtain DEP grants and low-interest loans for the project is contingent upon Sunshine obtaining a rate increase. Thus, if the FPSC issues a proposed agency action order denying Sunshine's requested rate increase, Sunshine may be in a position where it is compelled to protest such order if it is to address the existing contamination problem with Sunshine's current water system. The rate case expense associated with the Application, Amended Application and Second Amended Application is prudent because it was incurred in an effort to avoid the unnecessary expenditure of time, rate case expense and resources that would be involved in preparing for, and proceeding through, a formal hearing.

Detailed information regarding the services performed and when the services were performed has previously been submitted in response to staff's Second Data Request.