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State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

COMMISSION  
CLERK

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** July 28, 2011

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economic Regulation (Deason, M. Brown, Fletcher, Daniel, Walden, Maurey, Springer) *DL*  
Office of the General Counsel (Jaeger) *SC*

*Bo* *PA* *DL* *ALM*  
*CR* *BB*

**RE:** Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

**AGENDA:** 08/09/11 – Regular Agenda – Decision on Interim Rates – Participation is at the Discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Balbis

**CRITICAL DATES:** 60-Day Suspension Date Waived by Company to 08/09/11

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\100048.RCM.DOC

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

### **Case Background**

Sunshine Utilities of Central Florida, Inc. (Sunshine or Utility) is a Class B utility providing water service in 23 certificated service areas in Marion County. The 23 systems are composed of 20 systems that are combined under a uniform rate structure and three stand-alone systems; Quail Run, Sandy Acres and Ponderosa Pines. In the test year ended December 31, 2010, the Utility recorded total operating revenues of \$951,110. Sunshine reported a net operating loss for the test year of \$59,876. During the test year, 3,798 water customers received service from the Utility's 23 water systems. Water rates were last established for this Utility in a rate case initiated in 1990.<sup>1</sup>

On June 1, 2011, the Utility filed an application for approval of interim and final water rate increases. The Utility requested that its application for increased rates be processed using the proposed agency action procedures set out in Section 367.081(8), Florida Statutes (F.S.). By letter dated June 30, 2011, the Commission staff advised Sunshine that its Minimum Filing Requirements (MFRs) had deficiencies. At the time of this filing, the MFR deficiencies remain outstanding.

Sunshine's application for increased final water rates is based on the historical test year ended December 31, 2010. Sunshine's requested final rate increase would result in additional operating revenues of \$207,999, or approximately 22.04 percent.

The Utility's interim request was based on a historical test year ended December 31, 2010. Sunshine's requested interim rates would produce additional revenues of \$159,406 or approximately 16.89 percent.

The original 60-day statutory deadline for the Commission to suspend the Utility's requested final rates was July 30, 2010. However, in its application, Sunshine agreed to extend the statutory time frame by which the Commission is required to suspend the Utility's final requested rates and to address Sunshine's interim rate request through August 9, 2011. This recommendation addresses the suspension of the Utility's requested final rates and Sunshine's requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

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<sup>1</sup> See Order No. 25722, issued February 13, 1992, in Docket No. 900386-WU, In re: Application for rate increase in Marion County by Sunshine Utilities of Central Florida, Inc.

**Discussion of Issues**

**Issue 1:** Should the Utility's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. The Utility's proposed final water and wastewater rates should be suspended. (Deason, M. Brown)

**Staff Analysis:** Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the Utility.

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff believes that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. To date, staff has initiated an audit of Sunshine's books and records. This audit is tentatively due on August 7, 2011. In addition, staff sent its first data request on July 15, 2011. The Utility's response to this data request is due on August 15, 2011. Further, staff believes additional requests will be necessary to process this case. Based on the foregoing, staff recommends suspension of the Utility's proposed rate increase.

**Issue 2:** Should any interim revenue increase be approved?

**Recommendation:** Yes, the Utility should be authorized to collect annual water revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Unified Systems	\$851,807	\$47,397	\$899,204	5.56%
Quail Run	\$14,892	\$11,689	\$26,581	78.49%
Sandy Acres	\$42,119	\$14,199	\$56,318	33.71%
Ponderosa Pines	<u>\$34,877</u>	<u>\$10,116</u>	<u>\$44,993</u>	<u>29.00%</u>
Total	<u>\$943,695</u>	<u>\$83,401</u>	<u>\$1,027,096</u>	<u>8.12%</u>

(Deason, M. Brown)

**Staff Analysis:** Sunshine has filed rate base, cost of capital, and operating statements to support its requested interim increase in water rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the Utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2) (a), F.S., in a proceeding for an interim increase in rates, the Commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return. Based on the Utility's filing and the recommended adjustments below, staff believes that the Utility has demonstrated its prima facie entitlement in accordance with Section 367.082(1), F.S.

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with those used in the Utility's most recent rate proceeding and annualizing any rate changes. Staff has reviewed Sunshine's interim request, as well as Order No. 25722, in which the Commission last established rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. Capital structure is labeled as Schedule No. 1. Rate base is labeled as Schedule No. 2-A, with adjustments shown on Schedule No. 2-B. Operating income is labeled as Schedule No. 3-A, with adjustments shown on Schedule No. 3-B.

#### RATE BASE

Sunshine utilized the year-end amounts for plant-in-service, accumulated depreciation, contributions in aid of construction (CIAC), and accumulated amortization of CIAC to determine its rate base. Pursuant to Rule 25-30.433(4), Florida Administrative Code (F.A.C.), the method that should be used to calculate the rate base for Class B utilities is the simple beginning and end-of-year average. Therefore, staff made adjustments to increase plant-in-service by \$16,040, increase accumulated depreciation by \$33,452, decrease CIAC by \$15,112, and decrease accumulated amortization of CIAC by \$11,382 to reflect the simple beginning and end-of-year average.

According to the Utility's last rate case, the unified systems distribution systems are 79 percent used and useful (U&U). However, Sunshine failed to include U&U adjustments consistent with its last rate case for interim purposes. Thus, staff has made adjustments to decrease the rate base for the unified systems. Additionally, the Utility miscalculated the U&U percentages for its Quail Run and Sandy Acres systems. Staff has included adjustments to correct the Utility's miscalculations. Based on the above adjustments, staff has decreased Sunshine's rate base by \$63,129 to reflect the appropriate U&U amounts. Below is a breakdown of staff's adjustments to Rate Base:

Table 2-1

	<u>Plant-In Service</u>	<u>Accumulated Depreciation</u>	<u>CIAC</u>	<u>Amortization of CIAC</u>	<u>Used and Useful</u>
Unified Systems	\$21,671	\$31,839	(\$15,812)	(\$10,159)	(\$71,505)
Quail Run	(\$47)	\$915	\$0	(\$396)	\$10,383
Sandy Acres	(\$3,908)	\$745	\$300	(\$18)	(\$2,007)
Ponderosa Pines	(\$1,676)	(\$47)	\$400	(\$809)	\$0
Total	<u>\$16,040</u>	<u>\$33,452</u>	<u>(\$15,112)</u>	<u>(\$11,382)</u>	<u>(\$63,129)</u>

### COST OF CAPITAL

For interim purposes, Sunshine used a return on equity (ROE) of 10.85 percent and an overall cost of capital of 9.08 percent. Pursuant to Section 367.082(2)(a), F.S., the appropriate ROE for purposes of determining an interim rate increase is the minimum of the Utility's currently authorized ROE range. Sunshine's authorized ROE was set at 11.89 percent, with a range of plus or minus 100 basis points in its last rate case.<sup>2</sup>

The Utility included short-term debt of \$150,249 with a cost rate of 7.46 percent, in its capital structure. Sunshine did not provide any detail concerning the short-term debt in its MFRs. According to the Utility's 2010 annual report, Sunshine has short-term debt of \$46,057 with a cost rate of 6.25 percent. Additionally, Sunshine utilized the year-end amounts for short-term debt, common equity and customer deposits to determine its total capital. Pursuant to Rule 25-30.433(4), F.A.C., the method that should be used to calculate the cost of capital for Class B utilities is the simple beginning and end-of-year average. Based on the above, staff has made adjustments to decrease short-term debt by \$104,193, decrease common equity by \$7,250, and increase customer deposits by \$26.

Based on staff's adjustments, the Utility has an equity ratio of 69.29 percent as a percentage of total capital. With a range of plus or minus 100 basis points, the appropriate ROE

<sup>2</sup> See Order No 25722.

for purposes of determining interim rates is 10.89 percent and the resulting overall cost of capital is 9.42 percent.

NET OPERATING INCOME

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with those used in the Utility’s most recent rate proceeding and annualizing any rate changes. Based on its review, staff recommends an adjustment to operating revenues pursuant to Section 367.082(5)(b)1, F.S. Accordingly, staff has decreased operating revenues by \$138 to reflect the appropriate amount of annualized revenues.

As stated above, staff has made non-used and useful adjustments to the Utility’s rate base. Based on these adjustments, staff has made further adjustments to depreciation expense and property taxes to reflect the appropriate used and useful amounts. Therefore, staff has decreased depreciation expense by \$5,100, and decreased property taxes by \$1,369.

Based on the above, staff recommends that the appropriate test year operating loss, before any revenue increase, is \$49,709. Below is a breakdown of staff’s adjustments:

Table 2-2

	<u>Operating Revenues</u>	<u>Depreciation Expense</u>	<u>Property Taxes</u>	<u>Operating Loss</u>
Unified Systems	(\$92)	(\$5,019)	(\$1,303)	(\$24,199)
Quail Run	\$0	(\$33)	(\$14)	(\$9,900)
Sandy Acres	(\$46)	(\$48)	(\$52)	(\$8,548)
Ponderosa Pines	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$7,062)</u>
Total	<u>(\$138)</u>	<u>(\$5,100)</u>	<u>(\$1,369)</u>	<u>(\$49,709)</u>

REVENUE REQUIREMENT

Based on the above adjustments, staff recommends a total interim revenue requirement of \$1,027,096. This represents a total interim increase in annual revenues of \$83,401 (or 8.12 percent). This increase will allow the Utility the opportunity to recover its operating expenses and earn a 9.42 percent return on its rate base. The following table shows the recommended revenue increase for the unified systems, as well as the three stand-alone systems:

Table 2-3

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Unified Systems	\$851,807	\$47,397	\$899,204	5.56%
Quail Run	\$14,892	\$11,689	\$26,581	78.49%
Sandy Acres	\$42,119	\$14,199	\$56,318	33.71%
Ponderosa Pines	<u>\$34,877</u>	<u>\$10,116</u>	<u>\$44,993</u>	<u>29.00%</u>
Total	<u>\$943,695</u>	<u>\$83,401</u>	<u>\$1,027,096</u>	<u>8.12%</u>

**Issue 3:** What are the appropriate interim water rates?

**Recommendation:** The water service rates for Sunshine in effect as of December 31, 2010, should be increased by 5.85 percent for the unified systems, 86.23 percent for the Quail Run system, 37.59 percent for the Sandy Acres system, and 30.76 percent for the Ponderosa Pines system, to generate the recommended revenue increases for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission’s decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days of the date of notice. (Deason, M. Brown)

**Staff Analysis:** Staff recommends that interim water service rates for Sunshine be designed to allow the Utility the opportunity to generate total annual operating revenues of \$1,027,096. Before removal of miscellaneous revenues, this would result in a total increase of \$83,401 or 8.12 percent. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculations for the unified systems, as well as the three stand-alone systems are shown below:

Table 3-1

<u>Unified Systems</u>	<u>Water</u>
1 Total Test Year Revenues	\$851,807
2 Less: Miscellaneous Revenues	<u>41,535</u>
3 Test Year Revenues from Service Rates	\$810,266
4 Revenue Increase	\$47,397
5 % Service Rate Increase (Line 4/Line 3)	<u>5.85%</u>

Table 3-2

<u>Quail Run</u>	<u>Water</u>
1 Total Test Year Revenues	\$14,892
2 Less: Miscellaneous Revenues	<u>1,337</u>
3 Test Year Revenues from Service Rates	\$13,555
4 Revenue Increase	\$11,689
5 % Service Rate Increase (Line 4/Line 3)	<u>86.23%</u>

Table 3-3

<u>Sandy Acres</u>	<u>Water</u>
1 Total Test Year Revenues	\$42,119
2 Less: Miscellaneous Revenues	<u>4,346</u>
3 Test Year Revenues from Service Rates	\$37,773
4 Revenue Increase	\$14,199
5 % Service Rate Increase (Line 4/Line 3)	<u>37.59%</u>

Table 3-4

<u>Ponderosa Pines</u>	<u>Water</u>
1 Total Test Year Revenues	\$34,877
2 Less: Miscellaneous Revenues	<u>1,987</u>
3 Test Year Revenues from Service Rates	\$32,890
4 Revenue Increase	\$10,116
5 % Service Rate Increase (Line 4/Line 3)	<u>30.76%</u>

The interim rate increase of 5.85 percent for the unified systems, 86.23 percent for the Quail Run system, 37.59 percent for the Sandy Acres system, and 30.76 percent for the Ponderosa Pines system should be applied as an across-the-board increase to the service rates in effect as of December 31, 2010. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission's decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days of the date of notice.

The Utility's test year, proposed interim and final rates, and staff's recommended interim rates are shown on Schedule No. 4.

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** The Utility should be required to open an escrow account or file a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim conditions. If the security provided is an escrow account, the Utility should deposit 8.12 percent of water revenues into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of \$48,674. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C. (Springer, Deason, M. Brown)

**Staff Analysis:** Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As recommended in Issue 2, the total annual interim increase is \$83,401. In accordance with Rule 25-30.360, F.A.C., staff has calculated the potential refund of revenues and interest collected under interim conditions to be \$48,674. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the Utility's current authorized rates shown on Schedules No. 4.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff used Sunshine's PSC Annual Reports for 2008, 2009 and 2010 to calculate these ratios. Sunshine has improved equity ownership and return on equity to sufficient levels in 2010. However, the average of these measures over the most recent three-year period are not within acceptable parameters. Sunshine reports insufficient interest coverage, inadequate liquidity, deficient average equity ownership, and net losses over the review period. For these reasons, staff believes Sunshine does not have the financial capability to support a corporate undertaking in the amount of \$48,674. Based on this analysis, staff recommends that Sunshine be required to secure a surety bond, letter of credit, or escrow agreement to guarantee any potential refund of water revenues.

If the security provided is an escrow account, said account should be established between the Utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: that the account is established at the direction of the Commission for the purpose set forth above; that no withdrawals of funds shall occur without the prior approval of the Commission through the Office of Commission Clerk; the account shall be interest bearing; information concerning that escrow account shall be available from the institution to the Commission or its representative at all times; the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and, pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d DCA 1972), escrow accounts are not subject to garnishments.

The Utility should deposit 8.12 percent of water revenues into the escrow account each month. The escrow agreement should also state that if a refund to the customers is required, all interest earned on the escrow account should be distributed to the customers, and if a refund to the customers is not required, the interest earned on the escrow account should revert to the Utility.

If the security provided is a surety bond or a letter of credit, said instrument should be in the amount of \$48,674. If the Utility chooses a surety bond as security, the surety bond should state that it will be released or terminated only upon subsequent order of the Commission. If the Utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the Utility or requiring a refund.

Regardless of the type of security provided, the Utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), F.A.C., the Utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. Such costs are the responsibility of, and should be borne by, the Utility.

Docket No. 100048-WU

Date: July 28, 2011

**Issue 5:** Should the docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase. (Jaeger, Deason)

**Staff Analysis:** The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase.

Sunshine Utilities of Central Florida, Inc. Capital Structure – Simple Average Test Year Ended 12/31/10							Schedule No. 1 Docket No. 100048-WU		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
<b>Per Utility</b>									
1 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
2 Short-term Debt	150,249	0	150,249	0	150,249	35.05%	7.46%	2.62%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	227,053	0	227,053	0	227,053	52.97%	10.85%	5.75%	
5 Customer Deposits	51,317	0	51,317	0	51,317	11.97%	6.00%	0.72%	
6 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
7 Deferred Income Taxes	<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>	
8 <b>Total Capital</b>	<u>\$428,619</u>	<u>\$0</u>	<u>\$428,619</u>	<u>\$0</u>	<u>\$428,619</u>	<u>100.00%</u>		<u>9.08%</u>	
<b>Per Staff</b>									
9 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
10 Short-term Debt	150,249	(104,193)	46,057	(16,232)	29,824	14.52%	6.25%	0.91%	
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
12 Common Equity	227,053	(7,250)	219,804	(77,469)	142,335	69.29%	10.89%	7.55%	
13 Customer Deposits	51,317	26	51,343	(18,095)	33,247	16.19%	6.00%	0.97%	
14 Tax Credits-Zero Cost	0	0	0	0	0	0.00%	0.00%	0.00%	
15 Deferred Income Taxes	<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>	
16 <b>Total Capital</b>	<u>\$428,619</u>	<u>(\$111,417)</u>	<u>\$317,203</u>	<u>(\$93,701)</u>	<u>\$205,406</u>	<u>100.00%</u>		<u>9.42%</u>	
						<b>LOW</b>	<b>HIGH</b>		
RETURN ON EQUITY						<u>10.89%</u>	<u>12.89%</u>		
OVERALL RATE OF RETURN						<u>9.42%</u>	<u>10.81%</u>		

Sunshine Utilities of Central Florida, Inc. – Unified Systems				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$2,685,383	\$0	\$2,685,383	\$21,671	\$2,707,054
2 Land and Land Rights	0	0	0	0	0
3 Non-used and Useful Components	0	0	0	(71,505)	(71,505)
4 Accumulated Depreciation	(1,799,429)	0	(1,799,429)	31,839	(1,767,590)
5 CIAC	(1,753,895)	0	(1,753,895)	(15,812)	(1,769,707)
6 Amortization of CIAC	1,042,459	0	1,042,459	(10,159)	1,032,300
7 Construction Work in Progress	67	0	0	0	0
8 Advances for Construction	(85,357)	85,357	0	0	92,883
9 Working Capital Allowance	<u>93,215</u>	<u>(332)</u>	<u>0</u>	<u>0</u>	<u>0</u>
10 <b>Rate Base</b>	<b><u>\$182,443</u></b>	<b><u>(\$85,025)</u></b>	<b><u>\$267,468</u></b>	<b><u>(\$43,966)</u></b>	<b><u>\$223,502</u></b>

<b>Sunshine Utilities of Central Florida, Inc.</b>		<b>Schedule No. 2-B</b>
<b>– Unified Systems</b>		<b>Docket No. 100048-WU</b>
<b>Adjustments to Rate Base</b>		
<b>Test Year Ended 12/31/10</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Plant In Service</u>		
To reflect average test year balance.	<u>\$21,671</u>	
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment.	<u>(\$71,505)</u>	
<u>Accumulated Depreciation</u>		
To reflect average test year balance.	<u>\$31,839</u>	
<u>CIAC</u>		
To reflect average test year balance.	<u>(\$15,812)</u>	
<u>Accumulated Amortization of CIAC</u>		
To reflect average test year balance.	<u>(\$10,159)</u>	

Sunshine Utilities of Central Florida, Inc. – Unified Systems						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$859,176</u>	<u>\$113,373</u>	<u>\$972,549</u>	<u>(\$120,742)</u>	<u>\$851,807</u>	<u>\$47,397</u> 5.56%	<u>\$899,204</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$745,722	(\$2,661)	\$743,061	\$0	\$743,061	\$0	\$743,061
3 Depreciation	67,166	(7,726)	59,440	(5,019)	54,421	0	54,421
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	80,396	4,865	85,261	(6,737)	78,524	2,133	80,657
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 <b>Total Operating Expense</b>	<u>\$893,284</u>	<u>(\$5,522)</u>	<u>\$887,762</u>	<u>(\$11,756)</u>	<u>\$876,006</u>	<u>\$2,133</u>	<u>\$878,139</u>
8 <b>Operating Income</b>	<u>(\$34,108)</u>	<u>\$118,895</u>	<u>\$84,787</u>	<u>(\$108,986)</u>	<u>(\$24,199)</u>	<u>\$45,264</u>	<u>\$21,065</u>
9 <b>Rate Base</b>	<u>\$182,443</u>		<u>\$267,468</u>		<u>\$223,502</u>		<u>\$223,502</u>
10 <b>Rate of Return</b>	<u>(18.70%)</u>		<u>31.70%</u>		<u>(10.83%)</u>		<u>9.42%</u>

<b>Sunshine Utilities of Central Florida, Inc.</b> <b>- Unified Systems</b>		<b>Schedule No. 3-B</b> <b>Docket No. 100048-WU</b>
<b>Adjustments to Operating Income</b> <b>Test Year Ended 12/31/10</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Operating Revenues</u>		
Remove requested final revenue increase.	(\$120,650)	
To reflect the appropriate annualized revenue adjustment.	(92)	
Total	<u>(\$120,742)</u>	
<u>Depreciation Expense - Net</u>		
To remove non-U&U Depreciation Expense.	<u>(\$5,019)</u>	
<u>Taxes Other Than Income</u>		
RAFs on revenue adjustments above.	(\$5,433)	
To remove non-U&U property taxes.	(1,303)	
Total	<u>(\$6,737)</u>	

<b>Sunshine Utilities of Central Florida, Inc. – Unified Systems</b>			<b>Schedule No. 4</b>	
<b>Water Monthly Service Rates</b>			<b>Docket No. 100048-WU</b>	
<b>Test Year Ended 12/31/10</b>				
	<b>Present Rates</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>General Service, Residential Service, Multi-Family</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$8.34	\$9.44	\$10.00	\$8.83
1"	\$20.82	\$23.57	\$24.00	\$22.04
1-1/2"	\$31.23	\$35.35	\$36.00	\$33.06
2"	\$41.65	\$47.15	\$50.00	\$44.09
3"	\$66.63	\$75.43	\$76.00	\$70.53
4"	\$133.47	\$151.09	\$152.16	\$141.28
6"	\$208.22	\$235.71	\$237.37	\$220.40
8"	\$416.47	\$471.44	\$474.78	\$440.83
<b><u>Gallonge Charge, per 1,000 Gallons</u></b>				
GS/RS/MRS-Gallonge Charge	\$2.04	\$2.31	\$2.40	\$2.16
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$14.46	\$16.37	\$17.20	\$15.31
5,000 Gallons	\$18.54	\$20.99	\$22.00	\$19.62
10,000 Gallons	\$28.74	\$32.54	\$34.00	\$30.42

Sunshine Utilities of Central Florida, Inc. – Quail Run System				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$49,953	\$0	\$49,953	(\$47)	\$49,906
2 Land and Land Rights	0	0	0	0	0
3 Non-used and Useful Components	0	(11,479)	(11,479)	10,383	(1,096)
4 Accumulated Depreciation	(20,710)	0	(20,710)	915	(19,795)
5 CIAC	(24,738)	0	(24,738)	0	(24,738)
6 Amortization of CIAC	6,739	0	6,739	(396)	6,343
7 Acquisition Adjustment	(19,685)	19,685	0	0	0
8 Accum. Amort. Of Acq. Adj.	3,445	(3,445)	0	0	0
9 Working Capital Allowance	2,787	0	2,787	0	2,787
10 Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
11 <b>Rate Base</b>	<u>(2,209)</u>	<u>\$4,761</u>	<u>\$2,552</u>	<u>\$10,854</u>	<u>\$13,406</u>

<b>Sunshine Utilities of Central Florida, Inc. – Quail Run System</b>		<b>Schedule No. 2-B</b>
<b>Adjustments to Rate Base</b>		<b>Docket No. 100048-WU</b>
<b>Test Year Ended 12/31/10</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Plant In Service</u>		
To reflect average test year balance.		<u>(\$47)</u>
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment.		<u>\$10,383</u>
<u>Accumulated Depreciation</u>		
To reflect average test year balance.		<u>\$915</u>
<u>Accumulated Amortization of CIAC</u>		
To reflect average test year balance.		<u>(\$396)</u>

Sunshine Utilities of Central Florida, Inc. – Quail Run System						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$14,892</u>	<u>\$12,958</u>	<u>\$27,850</u>	<u>(\$12,958)</u>	<u>\$14,892</u>	<u>\$11,689</u> 78.49%	<u>\$26,581</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$22,293	\$0	\$22,293	\$0	\$22,293	\$0	22,293
3 Depreciation	1,134	(18)	1,116	(33)	1,083	0	1,083
4 Amortization	(492)	0	(492)	0	(492)	0	(492)
5 Taxes Other Than Income	1,949	556	2,505	(597)	1,908	526	2,434
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 <b>Total Operating Expense</b>	<u>\$24,884</u>	<u>\$538</u>	<u>\$25,422</u>	<u>(\$630)</u>	<u>\$24,792</u>	<u>\$526</u>	<u>\$25,318</u>
8 <b>Operating Income</b>	<u>(\$9,992)</u>	<u>\$12,420</u>	<u>\$2,428</u>	<u>(\$12,328)</u>	<u>(\$9,900)</u>	<u>\$11,163</u>	<u>\$1,264</u>
9 <b>Rate Base</b>	<u>(\$2,209)</u>		<u>\$2,552</u>		<u>\$13,406</u>		<u>\$13,406</u>
10 <b>Rate of Return</b>	<u>452.33%</u>		<u>95.14%</u>		<u>(73.85%)</u>		<u>9.42%</u>

Sunshine Utilities of Central Florida, Inc. – Quail Run System		Schedule No. 3-B
Adjustments to Operating Income		Docket No. 100048-WU
Test Year Ended 12/31/10		
Explanation	Water	
<u>Operating Revenues</u>		
To remove requested final revenue increase.	<u>(\$12,958)</u>	
<u>Depreciation Expense</u>		
To reflect non-U&U depreciation expense.	<u>(\$33)</u>	
<u>Taxes Other Than Income</u>		
RAFs on revenue adjustments above.	(\$583)	
To reflect non-U&U property taxes	<u>(14)</u>	
Total	<u>(\$597)</u>	

Sunshine Utilities of Central Florida, Inc. – Quail Run System			Schedule No. 4	
Water Monthly Service Rates			Docket No. 100048-WU	
Test Year Ended 12/31/10				
	Present Rates	Utility Requested Interim	Utility Requested Final	Staff Recomm. Interim
<b><u>General Service, Residential Service, Multi-Family</u></b>				
Flat Rate	\$9.50	\$22.50	\$0.00	\$17.66
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$0.00	\$0.00	\$10.00	\$0.00
1"	\$0.00	\$0.00	\$24.00	\$0.00
1-1/2"	\$0.00	\$0.00	\$36.00	\$0.00
2"	\$0.00	\$0.00	\$50.00	\$0.00
3"	\$0.00	\$0.00	\$76.00	\$0.00
4"	\$0.00	\$0.00	\$152.16	\$0.00
6"	\$0.00	\$0.00	\$237.37	\$0.00
8"	\$0.00	\$0.00	\$474.78	\$0.00
<b><u>Gallonge Charge, per 1,000 Gallons</u></b>				
GS/RS/MRS-Gallonge Charge	\$0.00	\$0.00	\$2.40	\$0.00
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$9.50	\$22.50	\$17.20	\$17.66
5,000 Gallons	\$9.50	\$22.50	\$12.00	\$17.66
10,000 Gallons	\$9.50	\$22.50	\$24.00	\$17.66

Sunshine Utilities of Central Florida, Inc. -- Sandy Acres System				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$78,802	\$0	\$78,802	(\$3,908)	\$74,894
2 Land and Land Rights	0	0	0	0	0
3 Non-used and Useful Components	0	(790)	(790)	(2,007)	(2,797)
4 Accumulated Depreciation	(15,679)	0	(15,679)	745	(14,934)
5 CIAC	(54,830)	0	(54,830)	300	(54,530)
6 Amortization of CIAC	53,450	0	53,450	(18)	53,432
7 Construction Work in Progress	0	0	0	0	0
8 Acquisition Adjustment	39,523	(39,523)	0	0	0
9 Accum. Amort. of Acq. Adj.	(6,917)	6,917	0	0	0
10 Working Capital Allowance	<u>5,326</u>	<u>0</u>	<u>5,326</u>	<u>0</u>	<u>5,326</u>
11 <b>Rate Base</b>	<u>\$99,675</u>	<u>(\$33,396)</u>	<u>\$66,279</u>	<u>(\$4,888)</u>	<u>\$61,391</u>

<b>Sunshine Utilities of Central Florida, Inc. – Sandy Acres System</b>		<b>Schedule No. 2-B</b>
<b>Adjustments to Rate Base</b>		<b>Docket No. 100048-WU</b>
<b>Test Year Ended 12/31/10</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Plant In Service</u> To reflect average test year balance.	<u>(\$3,908)</u>	
<u>Non-used and Useful</u> To reflect net non-used and useful adjustment.	<u>(\$2,007)</u>	
<u>Accumulated Depreciation</u> To reflect average test year balance.	<u>\$745</u>	
<u>CIAC</u> To reflect average test year balance.	<u>\$300</u>	
<u>Accumulated Amortization of CIAC</u> To reflect average test year balance.	<u>(\$18)</u>	

Sunshine Utilities of Central Florida, Inc. – Sandy Acres System						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$42,165</u>	<u>\$14,153</u>	<u>\$56,318</u>	<u>(\$14,199)</u>	<u>\$42,119</u>	<u>\$14,199</u> 33.71%	<u>\$56,318</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$42,606	\$0	42,606	\$0	\$42,606	\$0	\$42,606
3 Depreciation	2,684	(57)	2,627	(48)	2,579	0	2,579
4 Amortization	988	0	988	0	988	0	988
5 Taxes Other Than Income	4,577	607	5,184	(691)	4,493	639	5,132
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 <b>Total Operating Expense</b>	<u>\$50,855</u>	<u>\$550</u>	<u>\$51,405</u>	<u>(\$738)</u>	<u>\$50,667</u>	<u>\$639</u>	<u>\$51,306</u>
8 <b>Operating Income</b>	<u>(\$8,690)</u>	<u>\$13,603</u>	<u>\$4,913</u>	<u>(\$13,461)</u>	<u>(\$8,548)</u>	<u>\$13,560</u>	<u>\$5,012</u>
9 <b>Rate Base</b>	<u>\$99,675</u>		<u>\$66,279</u>		<u>\$61,391</u>		<u>\$61,391</u>
10 <b>Rate of Return</b>	<u>(8.72%)</u>		<u>7.41%</u>		<u>(13.92%)</u>		<u>8.16%</u>

<b>Sunshine Utilities of Central Florida, Inc. – Sandy Acres System</b>		<b>Schedule No. 3-B</b>
<b>Adjustments to Operating Income</b>		<b>Docket No. 100048-WU</b>
<b>Test Year Ended 12/31/10</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Operating Revenues</u>		
Remove requested final revenue increase.	(\$14,153)	
To reflect the appropriate annualized revenue adjustment.	(46)	
Total	<u>(\$14,199)</u>	
<u>Depreciation Expense - Net</u>		
To remove non-U&U Depreciation Expense.	<u>(\$48)</u>	
<u>Taxes Other Than Income</u>		
RAFs on revenue adjustments above.	(\$639)	
To remove non-U&U property taxes.	(52)	
Total	<u>(\$691)</u>	

<b>Sunshine Utilities of Central Florida, Inc. – Sandy Acres System</b>			<b>Schedule No. 4</b>	
<b>Water Monthly Service Rates</b>			<b>Docket No. 100048-WU</b>	
<b>Test Year Ended 12/31/10</b>				
	<b>Present Rates</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>General Service, Residential, Multi-Residential</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$4.69	\$5.86	\$10.00	\$6.45
1"	\$11.73	\$14.66	\$24.00	\$16.14
1-1/2"	\$0.00	\$0.00	\$36.00	\$0.00
2"	\$0.00	\$0.00	\$50.00	\$0.00
3"	\$0.00	\$0.00	\$76.00	\$0.00
4"	\$0.00	\$0.00	\$152.16	\$0.00
6"	\$0.00	\$0.00	\$237.37	\$0.00
8"	\$0.00	\$0.00	\$474.78	\$0.00
<b><u>Gallage Charge, per 1,000 Gallons</u></b>				
GS/RS/MRS-Gallage Charge	\$1.47	\$1.84	\$2.40	\$2.02
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$9.10	\$11.38	\$17.20	\$12.52
5,000 Gallons	\$12.04	\$15.06	\$22.00	\$16.56
10,000 Gallons	\$19.39	\$24.26	\$34.00	\$26.67

Sunshine Utilities of Central Florida, Inc. –Ponderosa Pines System				Schedule No. 2-A	
Schedule of Water Rate Base				Docket No. 100048-WU	
Test Year Ended 12/31/10					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$80,501	\$0	\$80,501	(\$1,676)	\$78,825
2 Land and Land Rights	0	0	0	0	0
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(12,226)	0	(12,226)	(47)	(12,273)
5 CIAC	(54,651)	0	(54,651)	400	(54,251)
6 Amortization of CIAC	11,447	0	11,447	(809)	10,638
7 Acquisition Adjustment	10,000	(10,000)	0	0	0
8 Accum. Amort. of Acq. Adj.	(1,750)	1,750	0	0	0
9 Working Capital Allowance	4,635	0	4,635	0	4,635
10 Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
11 <b>Rate Base</b>	<u>\$37,956</u>	<u>(\$8,250)</u>	<u>\$29,706</u>	<u>(\$2,132)</u>	<u>\$27,574</u>

<b>Sunshine Utilities of Central Florida, Inc. – Ponderosa Pines</b>		<b>Schedule No. 2-B</b>
<b>Adjustments to Rate Base</b>		<b>Docket No. 100048-WU</b>
<b>Test Year Ended 12/31/10</b>		
<b>Explanation</b>		<b>Water</b>
<u>Plant In Service</u>		
To reflect average test year balance.		<u>(\$1,676)</u>
<u>Accumulated Depreciation</u>		
To reflect average test year balance.		<u>(\$47)</u>
<u>CIAC</u>		
To reflect average test year balance.		<u>\$400</u>
<u>Accumulated Amortization of CIAC</u>		
To reflect average test year balance.		<u>(\$809)</u>

Sunshine Utilities of Central Florida, Inc. – Ponderosa Pines System						Schedule No. 3-A	
Statement of Water Operations						Docket No. 100048-WU	
Test Year Ended 12/31/10							
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$34,877</u>	<u>\$11,645</u>	<u>\$46,522</u>	<u>(\$11,645)</u>	<u>\$34,877</u>	<u>\$10,116</u> 29.00%	<u>\$44,993</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$37,081	\$0	\$37,081	\$0	\$37,081	\$0	37,081
3 Depreciation	888	0	888	0	888	0	888
4 Amortization	250	0	250	0	250	0	250
5 Taxes Other Than Income	3,745	499	4,244	(524)	3,720	455	4,175
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 <b>Total Operating Expense</b>	<u>\$41,964</u>	<u>\$499</u>	<u>\$42,463</u>	<u>(\$524)</u>	<u>\$41,939</u>	<u>\$455</u>	<u>\$42,394</u>
8 <b>Operating Income</b>	<u>(\$7,087)</u>	<u>\$11,146</u>	<u>\$4,059</u>	<u>(\$11,121)</u>	<u>(\$7,062)</u>	<u>\$9,661</u>	<u>\$2,599</u>
9 <b>Rate Base</b>	<u>\$37,956</u>		<u>\$29,706</u>		<u>\$27,574</u>		<u>\$27,574</u>
10 <b>Rate of Return</b>	<u>(18.67%)</u>		<u>13.66%</u>		<u>(25.61%)</u>		<u>9.42%</u>

<b>Sunshine Utilities of Central Florida, Inc.</b>		<b>Schedule No. 3-B</b>
<b>- Ponderosa Pines System</b>		<b>Docket No. 100048-WU</b>
<b>Adjustments to Operating Income</b>		
<b>Test Year Ended 12/31/10</b>		
<b>Explanation</b>		<b>Water</b>
<u>Operating Revenues</u>		
Remove requested final revenue increase.		<u>(\$11,645)</u>
<u>Taxes Other Than Income</u>		
RAFs on revenue adjustments above.		<u>(\$524)</u>

<b>Sunshine Utilities of Central Florida, Inc. – Ponderosa Pines System</b>			<b>Schedule No. 4</b>	
<b>Water Monthly Service Rates</b>			<b>Docket No. 100048-WU</b>	
<b>Test Year Ended 12/31/10</b>				
	<b>Present Rates</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>General Service, Residential, Multi-Family</u></b>				
Flat Rate	\$15.66	\$19.75	\$0.00	\$20.47
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$0.00	\$0.00	\$10.00	\$0.00
1"	\$0.00	\$0.00	\$24.00	\$0.00
1-1/2"	\$0.00	\$0.00	\$36.00	\$0.00
2"	\$0.00	\$0.00	\$50.00	\$0.00
3"	\$0.00	\$0.00	\$76.00	\$0.00
4"	\$0.00	\$0.00	\$152.16	\$0.00
6'	\$0.00	\$0.00	\$237.37	\$0.00
8"	\$0.00	\$0.00	\$474.78	\$0.00
<b><u>Gallonge Charge, per 1,000 Gallons</u></b>				
GS-Gallonge Charge	\$0.00	\$0.00	\$2.40	\$0.00
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$15.66	\$19.75	\$17.20	\$20.47
5,000 Gallons	\$15.66	\$19.75	\$22.00	\$20.47
10,000 Gallons	\$15.66	\$19.75	\$34.00	\$20.47