State of Florida

Public Service Commission

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COMMISSION CLERK

DATE: September 6, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Accounting and Finance (Fletcher, Maurey)
Division of Economics (Bruce, Hudson, Stallcup)
Division of Engineering (Simpson, Ballinger)
Office of the General Counsel (Murphy)

RE: Docket No. 110238-WU – Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

AGENDA: 09/18/12 – Regular Agenda – Proposed Agency Action – Except Issue Nos. 12 and 15 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: 04/26/~~12~~ 13-ac (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\AFD\WP\110238.RCM.DOC

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Case Background

Sunrise Utilities, LLC (Sunrise or Utility) is a Class C utility serving approximately 234 water customers in Polk County. The Utility's service area is located in the Southwest Florida Water Management District (SWFWMD or District), but is not within a water use caution area. According to Sunrise's 2011 annual report, total gross revenue was $64,486 and total operating expenses were $74,030, resulting in a net loss of $9,544.

Sunrise was issued Certificate No. 582-W by Order No. PSC-05-0308-PAA-WU,[1] as a result of a Commission-approved transfer of the Utility from Keen Sales, Rentals, and Utilities, Inc. Rate base was established as of the transfer date, February 10, 2004. Sunrise's last application for a staff-assisted rate case (SARC) was in 2009.[2] In that case, the Utility withdrew its application. In the instant docket, the application for a SARC was filed on July 25, 2011.

The Utility has requested pro forma items. Staff believes the pro forma items are reasonable and prudent. However, staff believes the pro forma items should not be included in plant and expenses until completion. Therefore, staff is recommending a two-phase rate approach, whereby Phase II rates could only be implemented once the pro forma items are complete.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.0814, 367.101, and 367.121, F.S.

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[1] See Order No. PSC-05-0308-PAA-WU, issued March 21, 2005, in Docket No. 040159-WU, In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Sunrise Utilities, LLC, in Polk County.

[2] Docket No. 090497-WU, In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

Discussion of Issues

Issue 1: Is the quality of service provided by Sunrise satisfactory?

Recommendation: The quality of service provided by Sunrise is marginal. The Utility should be put on notice of its requirement to notify the Commission of water interruptions that affect more than 10 percent of its customers. However, no adjustment to the Utility's operating expenses should be made at this time. Sunrise should be required to provide the Commission the final Polk County Health Department (PCHD) order following the May 2013 inspection and repairs. (Simpson)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service provided by a utility by evaluating three separate components of water operations. These components are the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received from customers are reviewed. The utility's current compliance with the PCHD is also considered.

In the Utility's 2001 rate case,[3] the quality of service provided by Sunrise Water Company was found to be unsatisfactory as a direct result of mismanagement. The order specifically noted the lack of an after hours emergency contact, rude utility employees, and improper noticing prior to disconnection. The system was subsequently transferred to the current owner in 2004.[4]

Quality of the Utility's Product

Sunrise is in compliance with all testing and chemical analyses required by the PCHD and the test results have been found to be satisfactory. The quality of the water service appears to meet the regulatory standards and should be considered satisfactory.

Operational Condition of the Plant and Facilities

The PCHD conducted a sanitary survey of the Utility on October 25, 2011, and noted numerous deficiencies. The deficiencies included a leaking pressure relief valve, a well seal that was not watertight, inadequate well venting, a malfunctioning well flow meter, inadequate protection of the chlorine solution storage container, a malfunctioning auxiliary power unit, lack of an emergency response plan, no drinking water distribution map available for review, a dirty sight glass, a leaking chlorine pump, and a damaged fence. In addition, the Utility was put on notice that the inspections for the two hydropneumatic tanks were due by January 1, 2012. A follow-up sanitary survey inspection was conducted on March 3, 2012, which revealed that the October 2011 deficiencies had not been corrected. On April 5, 2012, the PCHD issued a warning letter based on the deficiencies found in the October and March inspections. Another

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[3] See Order No. PSC-01-1162-PAA-WU, issued May 22, 2001, in Docket No. 001118-WU, In re: Application for staff assisted rate case in Polk County By Keen Sales, Rentals and Utilities, Inc.

[4] See Order No. PSC-05-0308-PAA-WU, issued March 21, 2005, in Docket No. 040159-WU, In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Sunrise Utilities, LLC, in Polk County.

warning letter was sent to the Utility on April 17, 2012, regarding the outstanding hydropneumatic tank inspections. A third inspection was conducted on May 4, 2012, indicating that five of the deficiencies in the March 2012 inspection had still not been corrected. The PCHD issued a consent order on May 18, 2012, requiring seven repairs addressed in the prior warning letters to be completed by May 25, 2012. The order further required the Utility to submit a written emergency plan and water distribution map by May 25, 2012, and have the two hydropneumatic tanks professionally evaluated by January 1 and May 1, 2013. The Utility was also ordered to pay $200 for costs incurred by the PCHD during the investigation and preparation of the consent order. Staff communicated by e-mail with the PCHD in July 2012 and was informed that while some repairs had been made, the well seal is still not watertight, the flow meter is not working well, the site glass is not readable, and the damaged fence has yet to be repaired. In response to the health department's concerns, the Utility indicated that the well seal had been repaired and a new flow meter had been installed. However, the repair or replacement of the fence, as required by the consent order, has not been completed. Sunrise has indicated that the fence will be replaced in the second week of September 2012, which is not consistent with the consent order. A sight glass for a hydropneumatic tank allows direct observation of air-to-water ratio for optimal performance of the tank. Although the Utility disagrees that the site glass is not readable, the letter indicated that when the hydropneumatic tank is inspected in May 2013, the site glass will be replaced. The Utility has requested that the cost associated with correcting several of the deficiencies, including inspection and cleaning of the hydropneumatic tanks, repairs to the well site, and a meter replacement program, be included in this rate case. The pro forma items are addressed in Issue 14. Staff recommends that the operational condition of the Utility's plant and facilities is marginal because the Utility has consistently failed to meet the health department's deadlines. However, no adjustment to the Utility's operating expenses should be made at this time because the Utility has indicated that the final repairs will be completed during the May 2013 inspection. Sunrise should be required to provide the Commission the final PCHD order following the May 2013 inspection and repairs. If this trend of delayed compliance continues, staff may recommend an adjustment in the future.

<u>The Utility's Attempt to Address Customer Satisfaction</u>

A customer meeting was held on June 28, 2012, in Auburndale, Florida. A representative of the Utility was present. Seven customers attended and four spoke. Staff explained the rate making process to the customers and followed up on inquires about staff's analysis of the Utility's application. Customer complaints dealt mainly with the rate increase, inadequate notice of the meeting, undrinkable water, high chlorine dosages in the drinking water, water testing, water outages, boil water notices, isolation valves, double billing and meter reading issues, and training/education for the system's personnel.

Some of the customers complained about notices of the customer meeting. The Utility indicated that notices were mailed to all customers and provided an affidavit that the notice was mailed.

Almost all of the customers complained that they believe the water is undrinkable. In addition, staff also received correspondence from three customers expressing poor water quality. Customers complained that the water sometimes looks dingy brown and has a high chlorine content. Customers were also concerned about whether the water was being tested. Staff reviewed the Utility's Consumer Confidence Reports for 2009, 2010, and 2011, and found no violations for chlorine residual. In addition, the sampling results for primary and secondary contaminants indicated no violations. Therefore, the water quality should be found satisfactory.

Customers also complained about water outages and boil water notices. In response to a staff data request regarding the number of interruptions that have occurred over the last three years and that affected more than 10 percent of Sunrise's customers, the Utility indicated that there had been 11 outages in the last three years. Although the Utility indicated that water interruptions and repairs are followed by precautionary boil water notices and rescissions which are hand delivered to customers, the Utility has not notified the Commission that the interruptions occurred, pursuant to Rule 25-30.251, F.A.C. Sunrise has acknowledged that it failed to provide the Commission with notices of water interruptions affecting 10 percent or more of its customers. This failure represents a violation of Rule 25-30.251, F.A.C. Staff has made the Utility aware of the violation and the Utility has represented that it will comply with the Rule in the future. Therefore, staff does not believe that a show cause proceeding is appropriate at this time. Staff will monitor the Utility's compliance with this Rule and, if needed, recommend that a show cause proceeding be initiated.

One customer raised an issue about the lack of isolation valves. When water is turned off to repair a line break, water service must be shut off to all customers while the line break is repaired. The cost associated with installing additional valves is discussed in Issue 14.

A customer raised concern about being double billed when he relocated to another residence and questioned whether meters are read by the Utility. The Utility indicated that meters are read monthly and the billing issue has been resolved.

Staff reviewed the Commission's Consumer Activity Tracking System and found eight complaints over the last three years. The complaints were related to water outages and billing issues and all have been closed. Staff recommends that the Utility's attempt to address customer satisfaction is satisfactory.

<u>Summary</u>

Sunrise is current in testing, chemical analyses, and treatment standards; therefore, staff recommends that the quality of the Utility's product be considered satisfactory. However, the Utility signed a consent order on May 18, 2012, requiring that the deficiencies outlined in the past three inspections be corrected. The Utility was required to comply with seven noncompliance issues by May 25, 2012, six of which have been completed. The Utility indicated that the sight glass will be replaced during the May 2013 inspection. Furthermore, Sunrise was unable to meet the deadline from the consent order regarding the replacement of the fence. In addition, it appears that the Utility has not complied with Rule 25-30.251, F.A.C., which states that the Utility shall notify the Commission of any water interruptions which affect 10 percent or more of its customers. However, no adjustment to the Utility's operating expenses should be made at this time. Sunrise should be required to provide the Commission the final

PCHD order following the May 2013 inspection and repairs. Based on all the above, staff recommends that the overall quality of service for Sunrise be found marginal.

Issue 2: What are the used and useful percentages for Sunrise?

Recommendation: The Sunrise water treatment plant and distribution system are 100 percent used and useful (U&U). A 16 percent adjustment should be made to chemicals and electricity to reflect excessive unaccounted for water (EUW). (Simpson)

Staff Analysis: Pursuant to Rule 25-30.4325(5), F.A.C., the U&U calculation for a water treatment plant (WTP) is determined by dividing the peak demand by the firm reliable capacity. Because the system has no storage, the calculation is in gallons per minute (gpm). Consideration of growth, fire flow requirements, unaccounted for water, and other factors may also be included.

Sunrise serves approximately 234 residential and one general service customer. In the last rate case, the WTP was found to be 100 percent U&U. The WTP has two wells rated at 150 and 400 gpm, respectively. Pursuant to Rule 25-30.4325(6), F.A.C., the firm reliable capacity is 150 gpm. Raw water is injected with liquid chlorine, discharged into a hydropneumatic tank, and channeled into the distribution system. The Utility's peak day of 166,000 gallons, or 230 gpm, occurred on April 11, 2011. It does not appear that there was a fire, line break, or other unusual occurrence on that day. There is no fire flow requirement for the service area and it appears that the service area is built out.

According to the Utility's records, 21.144 million gallons of finished water were produced during the test year and 15.594 million gallons were sold. The Utility did not provide any information regarding water used for line flushing or other uses. Pursuant to Rule 25-30.4325(1)(e), F.A.C., unaccounted for water in excess of 10 percent of the amount produced is considered EUW; therefore, 16 percent of the water produced (13.06 gpm) should be considered EUW. Based on a peak day of 230 gpm, EUW of 13.06 gpm, and firm reliable capacity of 150 gpm, the WTP[5] is 100 percent used and useful.

The service area appears to be built out, and the water distribution system was designed to serve the existing customers; therefore staff recommends that the water distribution system be considered 100 percent U&U, consistent with the last rate case.

[5] (Peak Day – EUW + FF + growth)/FRC = (230 – 13.06 + 0 + 0)/150 = >100%

Issue 3: What is the appropriate average test year rate base for Sunrise?

Recommendation: The appropriate average test year rate base for the Utility is $57,040. (Hudson)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, contributions-in-aid-of-construction, accumulated depreciation, accumulated amortization of CIAC, and working capital. Rate base for Sunrise was last established in its 2005 transfer docket.[6] The Utility's rate base was last audited in 2009 when Sunrise applied for a SARC. The Utility subsequently withdrew that application for a SARC. Staff selected the test year ended September 30, 2011 for this rate case. Rate base components established in the transfer docket have been updated through September 30, 2011, using information obtained from staff's SARC audit from the prior rate case request and the instant docket. A summary of each component and the recommended adjustments follows:

Utility Plant in Service (UPIS): The Utility recorded a UPIS balance of $120,909. Staff has decreased UPIS by $11,000 to remove a plant addition for a pump that was recorded twice. Staff has decreased this account by $1,041 for lack of support documentation for meters. Also, staff has decreased this account by $2,215 to reflect an averaging adjustment. Staff's recommended adjustments to UPIS result in a decrease of $14,256. Staff recommends a UPIS balance of $106,652.

Land: Sunrise recorded land of $0. The amount was established at $553 during the transfer docket.[7] There have been no additions since that time. Staff has increased land by $553 to reflect the appropriate balance. Staff recommends land of $553.

Non-Used and Useful Plant: As discussed in Issue 2, Sunrise's WTP and distribution system are 100 percent U&U. Therefore, a U&U adjustment is not necessary.

Contribution in Aid of Construction (CIAC): The Utility recorded test year CIAC of $12,393. Staff has determined the appropriate CIAC to be $12,393. Therefore, staff recommends no adjustment to CIAC.

Accumulated Depreciation: Sunrise recorded a balance for accumulated depreciation of $53,327. Staff has calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff's calculated accumulated depreciation is $58,020. As a result, accumulated depreciation has been increased by $4,693. In addition, staff has decreased accumulated depreciation by $2,421 to reflect an averaging adjustment. Staff recommends accumulated depreciation of $55,599.

Accumulated Amortization of CIAC: The Utility recorded an accumulated amortization of CIAC balance of $8,496. Accumulated amortization of CIAC has been calculated by staff using

[6] See Order No. PSC-05-0308-PAA-WU, issued March 21, 2005, in Docket No. 040159-WU, In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Sunrise Utilities, LLC, in Polk County.
[7] See Order No. PSC-05-0308-PAA-WU, page 4.

composite depreciation rates. As a result, accumulated amortization of CIAC should be increased by $1,899. In addition, this account should be decreased by $276 to reflect an averaging adjustment. Staff's adjustments to this account result in an accumulated amortization of CIAC balance of $10,120.

Working Capital Allowance: Sunrise recorded working capital of $0. Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or going-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of $7,708 (based on O&M expense of $61,662/8). Staff has increased the working capital allowance by $7,708

Rate Base Summary: Based on the foregoing, staff recommends that the appropriate average test year rate base is $57,040. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Issue 4: What is the appropriate rate of return on equity and overall rate of return for Sunrise?

Recommendation: The appropriate return on equity (ROE) is 10.26 percent with a range of 9.26 percent to 11.26 percent. The appropriate overall rate of return is 7.10 percent. (Hudson)

Staff Analysis: The Utility's capital structure consists of common equity of $48,886, long-term debt of $46,112 and customer deposits of $51. The appropriate ROE is 10.26 percent using the Commission-approved leverage formula currently in effect.[8] The Utility's capital structure has been reconciled with staff's recommended rate base. Staff recommends an ROE of 10.26 percent, with a range of 9.26 percent to 11.26 percent, and an overall rate of return of 7.10 percent. The ROE and overall rate of return are shown on Schedule No. 2.

[8] See Order Nos. PSC-12-0339-PAA-WS, issued June 28, 2012, and PSC-12-0372-CO-WS, issued July 20, 2012, in Docket No. 120006-WS, In re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

Issue 5: What is the appropriate amount of test year revenue in this case?

Recommendation: The appropriate test year revenue for this Utility is $67,677. (Bruce, Hudson)

Staff Analysis: Sunrise recorded total revenue of $66,609. The Utility's total revenue consisted of $61,303 of service revenue and $5,306 of miscellaneous service revenue. Staff has annualized revenue based on test year billing determinants and existing rates and determined the appropriate service revenue to be $62,371. Staff has increased test year revenue by $1,068 to reflect the appropriate service revenue. Staff has no adjustment to miscellaneous service revenue. The calculated service revenue and miscellaneous service revenue result in total test year revenue of $67,677. Staff recommends test year revenue of $67,677. Water test year revenue is shown on Schedule No. 3-A.

Issue 6: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense for Sunrise is $71,950. (Hudson)

Staff Analysis: Sunrise recorded operating expense of $65,748 for the test year ended September 30, 2011. The test year O&M expenses have been reviewed, and invoices, canceled checks, and other supporting documentation have been examined. Staff has made several adjustments to the Utility's operating expenses as summarized below:

Salaries and Wages - Officers (603) – Sunrise recorded $16,192 of salaries and wages – officers in this account. The Utility president is responsible for reviewing the monthly meter reading reports, reviewing monthly bank statements, preparing the Annual Report, and compiling financial data for the accountant to prepare federal tax form. He is also responsible for interfacing with the Utility manager on the day-to-day operations. Based on the duties and responsibilities of the president, staff believes a reasonable salary is $12,000. The amount recorded in this account was actually loan payments. However, in order to reflect the appropriate amount for salaries and wages – officers, staff has decreased this account by $4,192. Staff recommends salaries and wages – officers expense of $12,000.

Purchased Power (615) – Sunrise recorded $2,579 for purchased power expense in this account. Staff has reviewed invoices and the amount recorded by the Utility reflects the expense incurred for the test year. As discussed in Issue 2, staff is recommending a EUW adjustment of 16 percent. Applying the EUW adjustment results in a decrease of $413 to purchased power expense. Staff recommends purchased power expense of $2,166.

Chemicals (618) – Sunrise recorded $1,325 for chemicals in this account. Staff has reviewed invoices and the amount recorded by the Utility reflects the expense incurred for the test year. Staff believes the chemical expenses are reasonable for the treatment of water for Sunrise. As discussed in Issue 2, staff is recommending a EUW adjustment of 16 percent. Applying the EUW percentage to chemicals results in a decrease of $212. Staff recommends chemicals expense of $1,113.

Contractual Services – Billing (630) – The Utility recorded $0 for contractual services – billing. Staff has reclassified meter reading expense of $1,668 from Account No. 360 – miscellaneous expense. Sunrise's meters are read by a contract meter reader. The meter reader fee is $250 a month or $3,000, annually. Staff believes the meter reading fee is reasonable. Staff has made a pro forma increase of $1,332 to reflect the annual meter reading fee. Staff recommends contractual services – billing of $3,000.

Contractual Services – Professional (631) – Sunrise recorded $6,954 in this account for contractual services – professional. Staff has made adjustments to this account to reclassify expenses to the appropriate account. Staff recommends the following adjustments to contractual services - professional.

Table 6-1	
	WATER
1. To reclassify contractor operator expense to Acct. No. 636.	($3,066)
2. To reclassify testing expense to Acct. No. 635	(290)
3. To reclassify contract expense for clerical personnel to Acct. No. 636	(1,868)
Total	(5,224)

Staff's adjustment to contractual services - professional is a decrease of $5,224. Staff recommends contractual services – professional expense of $1,730.

Contractual Services – Testing (635) – The Utility recorded $500 in this account for testing expense. Staff has reclassified $290 of testing expense from Account No. 631 – contractual services - professional. Also, staff reclassified $120 of testing expense from Account No. 636 – contractual services - other. These adjustments increase test year testing expense to $910. The Utility provided documentation from its operator indicating that testing expense is $230 for disinfection byproducts and $1,915 for secondary testing. The secondary testing is conducted every three years which would result in an annual amount of $638 ($1,915/3). Based on the operator, annual testing expense should be $868 ($230+$638). Staff has decreased this account by $42 to represent the appropriate balance. Staff recommends contractual services – testing expense of $868.

Contractual Services – Other (636) – Sunrise recorded $21,297 in this account for contractual services – other. The Utility's contractual services include contract repairs, operator services, clerical services and management. Sunrise's contract operator fee is $430 per month or $5,160, annually. The contract operator is responsible for operation services for the water treatment plant. The Utility's contract clerical personnel is responsible for collecting checks, entering checks into the billing program, depositing checks in the bank, and all matters related to customer service. The clerical personnel's fee is $240 per month or $2,880, annually. Sunrise is managed by a contract manager. The manager is responsible for processing customer complaints, acting as the liaison between the Utility and all regulatory agencies, preparing and mailing customer bills, preparing late notices, filing annual index and pass-through applications, and coordinating with service providers. The management fee is $925 per month or $11,100, annually. Staff believes the contract services expenses are reasonable for this Utility. Staff has made adjustments to this account to reclassify certain expenses and recognize the appropriate expense level of services. Staff recommends the following adjustments to contractual services – other.

Table 6-2	
	WATER
1. To reclassify contract operator expense from Acct. No. 631.	$3,066
2. To reclassify testing expense to Acct. No. 631.	(120)
3. To reflect the appropriate operator expense.	(169)
4. To reclassify contract expense for clerical personnel from Acct. No. 631.	1,868
5. To annualize contract expense for clerical personnel.	1,012
6. To reclassify meter reading expense to Acct. No. 630.	(1,668)
7. To reflect the appropriate management fee.	540
	$4,529

Staff's net adjustment to contractual services - other is an increase of $4,529. Staff recommends contractual services – other expense of $25,826.

Rents (640) – Sunrise recorded rent expense of $538. The amount included in this account was for equipment rental and post office box rental. Sunrise did not record any rent for office space. Since the test year, the management company is now leasing office space. The rent is allocated based on the number of customers managed by the management company. Sunrise's allocation is 29 percent. The Utility's share of the office rental is $291 per month or $3,497, annually. The office rental includes electric, telephone and water service. Staff believes this amount is reasonable. Staff has increased rent by $3,497. Staff recommends rent expense of $4,034.

Insurance Expense (655) – Sunrise recorded $0 for in this account. During the test year, the Utility did not have general liability insurance. Since the test year, Sunrise has obtain general liability insurance and paid the premium of $1,716. Staff recommends insurance expense of $1,716.

Regulatory Commission Expense (665/765) – Sunrise recorded $0 for in this account. Pursuant to Rule 25-22.0407, F.A.C., the Utility is required to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, staff has estimated $209 for postage expense, $143 for printing expense, and $24 for envelopes. The cost is $376 for postage, mailing notices, and envelopes. The Utility paid a $1,000 rate case filing fee. The total rate case expense including postage, mailing notices, envelopes, filing fees and consultant fees is $1,376. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period. Staff recommends regulatory commission expense of $344.

Miscellaneous Expense (675/775) – Sunrise recorded $5,537 in this account for miscellaneous expense. This account includes fees of $620 for bank charges (i.e. overdraft charges, and activity fees). Staff does not believe these fees should be recovered from the general body of ratepayers. Therefore, staff has reduced miscellaneous expense by $620 to remove the bank charges. Also, since the test year, the Utility has paid for a membership to the Florida Rural Water Association. The annual fee is $125. Staff has increased miscellaneous expenses to include the membership fee. Based on the above, staff's net adjustment to miscellaneous expense is a decrease of $495 ($125-$620). Staff recommends miscellaneous expense of $5,041.

Operation and Maintenance Expenses (O&M) Summary – Total adjustments to O&M expense result in an increase of $6,030. Staff's recommended O&M expense is $61,662. O&M expenses are shown on Schedule No. 3-A.

Depreciation Expense (Net of Related Amortization of CIAC) – Sunrise recorded $4,929 in this account for net depreciation expense. Staff has calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Also, staff has calculated amortization of CIAC based on composite rates. Staff has decreased net depreciation by $740. Staff recommends net depreciation expense of $4,189.

Taxes Other Than Income (TOTI) – The Utility recorded $5,187 in this account for TOTI. Staff has increased this account by $442 to reflect the appropriate property taxes. As discussed in Issue 8, revenues have been increased by $10,439 to reflect the change in revenue required to cover expenses and allow the recommended return on investment. As a result, TOTI should be increased by $470 to reflect RAFs of 4.5 percent on the change in revenues. Accordingly, staff's recommended TOTI is $6,098.

Income Tax – The Utility is an 1120C Corporation and did not record income tax for the test year. Based on its current income tax return, Sunrise has a large amount of net loss carry forwards. These net loss carry forwards are sufficient enough to offset any income tax liability for the next few years. Therefore, staff has not made any adjustments to this account.

Operating Expenses Summary – The application of staff's recommended adjustments to Sunrise's recorded test year operating expenses result in staff's recommended operating expenses of $71,950. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Sunrise, and if so, what is the appropriate margin?

Recommendation: Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for the Utility. The margin should be 10 percent of O&M expense. (Hudson)

Staff Analysis: Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a) and (3), F.S. Rule 25-30.456, F.A.C., provides, in part, an alternative to a staff assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenues of less than $250,000 per system may petition the Commission for staff assistance in alternative rate setting.

Although Sunrise did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology as an alternative means to set water rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of Sunrise's O&M expenses. This methodology has been applied in cases where the traditional calculation of revenue requirements would not provide sufficient revenues to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU, the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates.[9] This order also discussed criteria related to the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.[10] Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-12-0436-PAA-WS.[11]

In Order No. PSC-96-0357-FOF-WU, the Commission described criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The qualifying criteria outlined in Order No. PSC-96-0357-FOF-WU, and how they apply to the Utility are discussed below:

1) Whether the Utility's O&M expense exceeds rate base. In the instant case, the rate base is less than the level of O&M expense. Based on the staff adjustments, the adjusted rate base for the test year is $57,040, while adjusted O&M expense is $61,662.

[9] Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.
[10] Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.
[11] See Order No. PSC-12-0436-PAA-WS, issued August 24, 2012, in Docket No. 110282-WS, In re: Application for staff-assisted rate case in Duval County by Regency Utilities, Inc.

2) Whether the Utility is expected to become a Class B utility in the foreseeable future. According to Chapter 367.0814(9), F.S., the alternative form of regulation being considered in this case only applies to small utilities with gross annual revenues of $250,000 or less. Sunrise is a Class C utility and the recommended revenue requirement of $78,116 is below the threshold level for Class B status ($250,000 per system). The Utility's service area is essentially built out. Therefore, the Utility will not become a Class B utility in the foreseeable future.

3) Quality of service and condition of plant. As discussed in Issue 1, staff is recommending the quality of service be found to be marginal. Sunrise still has a remaining compliance issue with PCHD. However, staff does not believe the Utility should be disqualified from the operating ratio method.

4) Whether the Utility is developer-owned. The current utility owner is not a developer. The service territory is not in the early stages of growth, and there has not been any customer growth in the last five years.

5) Whether the Utility operates treatment facilities or is simply a distribution and/or collection system. Sunrise operates a WTP and a water distribution system.

By Order Nos. PSC-96-0357-FOF-WS and PSC-97-0130-FOF-WU, the Commission determined that a margin of 10 percent shall be used unless unique circumstances justify the use of a greater or lesser margin. The important question was not what the return percentage should be, but what level of operating margin will allow the Utility to provide safe and reliable service and remain a viable entity. The answer to this question requires a great deal of judgment based upon the particular circumstances of the Utility. In these cases, the Commission applied a 10 percent margin.

Several factors must be considered in determining the reasonableness of a margin. First, the margin must provide sufficient revenues for the Utility to cover its interest expense. The interest expense is approximately $1,729.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the Utility resides in operating cost rather than in capital cost of the plant. The fair return on a small rate base may not adequately compensate the utility owner for incurring the risk associated with covering the much greater operating cost. Therefore, the margin must adequately compensate the Utility owner for that risk. Under the rate base method, the return to Sunrise amounts to only $4,050, which is enough to cover only a 6.57 percent variance in O&M expense. Staff believes $4,050 is an insufficient financial cushion when the Utility's interest expense is considered.

Third, if the return on rate base method were applied, a normal return would generate a small level of revenues that in the event revenues or expenses vary from staff's estimates, Sunrise could be left with insufficient funds to cover operating expenses. Therefore, the margin should provide adequate revenues to protect against potential variability in revenues and expenses. The return on rate base method would provide the Utility $4,050. After deducting interest expense, Sunrise would only have $2,321 of operating income to cover revenue and expense variances. If the Utility's operating expenses increase, Sunrise would not have the funds required for day-to-day operations.

In conclusion, staff believes the above factors show that the Utility needs a higher margin of revenues over operating expenses than the traditional return on rate base method would provide. Therefore, in order to provide Sunrise with adequate cash flow to satisfy environmental requirements and to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology at a margin of 10 percent of O&M expense for determining the revenue requirement.

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is $78,116. (Hudson)

Staff Analysis: Sunrise should be allowed an annual increase of $10,439 (15.42 percent). This will allow the Utility the opportunity to recover its expenses and a 10.00 percent cushion over its O&M expense. The calculations are as follows:

Table 8-1

Water Revenue Requirement	
Adjusted O&M Expense	$61,662
Operating Margin Percentage	x .1000
Operating Margin	$ 6,166
Adjusted O&M expense	61,662
Depreciation expense (Net)	4,189
Amortization	0
Taxes Other Than Income	6,098
Income Taxes	0
Revenue Requirement	$78,116
Less Test Year Revenues	67,677
Annual Increase	$10,439
Percent Increase/(Decrease)	15.42%

Issue 9: What are the appropriate rate structures for Sunrise's water system?

Recommendation: The appropriate rate structure for the residential class is a continuation of the three tier inclining block rate structure. The three-tier rate structure for monthly consumption consists of usage blocks of: a) 0-5,000 gallons; b) 5,000-10,000 gallons; and c) all usage in excess of 10,000 gallons and usage block rate factors of .91, 1.00, and 2.00 respectively. The appropriate rate structure for the non-residential class is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage should be set at 34 percent. (Bruce)

Staff Analysis: Sunrise currently has a three-tier inclining block rate structure which includes a monthly BFC of $10.10. The usage blocks are set at: a) 0-5,000 gallons, b) 5,000-10,000 gallons, and (c) in excess of 10,000 gallons, with usage block rate factors of 1.00, 1.50, and 3.0, respectively. The usage charges are $1.64 per 1,000 gallons, $2.46 per 1,000 gallons, and $4.92 per 1,000 gallons respectively.

The Utility is located in Polk County in the SWFWMD. Over the past few years, the District has requested, whenever possible, that an inclining block rate structure be implemented. The Utility implemented its current rate structure in a prior rate case.[12] During that time the average consumption per customer was 8,200 gallons per month. Presently, based on staff's billing analysis, the customers' average consumption has reduced to 5,500 gallons per month.

Staff performed a detailed analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select rate design parameters that: 1) allow the Utility to recover its revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement, where appropriate, water conservation rate structures consistent with the Commission's Memorandum of Understanding (MOU) with the state's five Water Management Districts.

Staff recommends that the current BFC cost recovery of 46 percent be reduced to 34 percent. Staff's recommended BFC allocation reduces price increases for customers who are at non-discretionary levels and allows these customers to pay a lower price for their water consumption while targeting those customers with a higher level of consumption. The Commission has an MOU with the five Water Management Districts to set the BFC such that the utilities recover no more than 40 percent of the revenues from the monthly service fee.

Staff's analysis of the billing data indicates that 13 percent of the customers consume over 10,000 gallons of water per month. The Utility indicated that its service area consists of retirees and families with children. For this reason, the appropriate threshold for a customer's discretionary usage is 5,000 gallons per month. This number is derived based on the average number of persons per household, gallons per day per person, and the number of days per month (3 x 50 x 30). Therefore, staff recommends that a continuation of the three-tier inclining block rate structure with usage blocks set at 0-5,000 gallons; 5,000-10,000 gallons; and usage in excess

[12] See Order No. PSC-01-1162-PAA-WU, issued May 22, 2001, in Docket No. 001118-WU, In re: Application for staff assisted rate case in Polk County by Keen Sales, Rentals, and Utilities, Inc. (Sunrise Water Company).

of 10,000 gallons is appropriate. This rate structure is done in an effort to restrict recovery due to repression being applied to non-discretionary usage below 5,000 gallons in the first block.

Staff's recommended rate design for the water system is shown on Table 9-1. Also, staff has presented two alternate rate structures to illustrate other recovery methodologies.

TABLE 9-1

SUNRISE UTILTIES, LLC.
STAFF'S RECOMMENDED AND ALTERNATIVE
WATER RATE STRUCTURES AND RATES

Current Rate Structure and Rates			**Recommended Rate Structure and Rates**		
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.50, and 2.00 BFC = 46%			3-Tier Inclining Block Rate Structure Rate Factors .91, 1.00 and 2.00 BFC = 34%		
BFC	$10.10		BFC		$8.75
0-5 kgals	$1.64		1st tier (no repression)	0-5 kgals	$2.79
5-10 kgals	$2.46		2nd tier (discretionary)	5-10 kgal	$3.07
10+	$4.92		3rd tier (discretionary)	10+	$6.14
Typical Monthly Bills (1)			**Typical Monthly Bills**		
Cons (kgals)			**Cons (kgals)**		
0	$10.10		0		$8.75
1	$11.74		1		$11.54
3	$15.02		3		$17.12
5	$18.30		5		$22.70
10	$30.60		10		$38.05
20	$79.80		20		$99.45

Alternative 1			**Alternative 2**	
3-Tier Inclining Block Rate Structure Rate Factors .90, 1.00 and 2.00 BFC = 30%			3- Tier Inclining Block Rate Structure Rate Factors .93, 1.00 and 2.00 BFC =40%	
BFC	$7.72		BFC	$10.30
0-5 kgals	$2.96		0-5 kgals	$2.54
5-10 + kgals	$3.29		5-10 kgals	$2.74
10+	$6.59		10 +	$5.48
Typical Monthly Bills			**Typical Monthly Bills**	
Cons (kgals)			**Cons (kgals)**	
0	$7.72		0	$10.30
1	$10.68		1	$12.84
3	$16.60		3	$17.92
5	$22.52		5	$23.00
10	$38.97		10	$36.70
20	$104.87		20	$91.50

Based on the foregoing, staff recommends that the appropriate rate structure for the residential class is a continuation of the three tier inclining block rate structure. The three-tier rate structure for monthly consumption consists of usage blocks of: a) 0-5,000 gallons; b) 5,000-10,000 gallons; and c) all usage in excess of 10,000 gallons and usage block rate factors of .91, 1.00, and 2.00 respectively. The appropriate rate structure for the non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage should be set at 34 percent.

Issue 10: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year residential gallons sold should be reduced by 3.1 percent, resulting in a consumption reduction of 486,000 gallons. Purchased power expense should be reduced by $68, chemical expense should be reduced by $35, and regulatory assessment fees (RAFs) should be reduced by $5. The final post-repression revenue requirement should be $72,703.

In order to monitor the effect of the changes to rate structure and rates, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision. (Bruce)

Staff Analysis: Staff conducted a detailed analysis of the consumption patterns of the Utility's residential customers as well as the increase in residential bills resulting from the increase in revenue requirements. This analysis showed the overall average consumption is 5,500 gallons per month. This does not indicate a high overall average level of consumption. However, the billing data also indicates that 13 percent of the customers consume over 10,000 gallons of water per month. Furthermore, in Issue 9, staff recommended that the threshold for the customer's essential usage be 5,000 gallons per month. Therefore, staff's recommended repression adjustment only applies to water consumption above 5,000 gallons per month.

Using the database of utilities that have previously had repression adjustments made, staff calculated a repression adjustment for this Utility based upon the recommended increase in revenue requirements in this case, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that the Commission has approved in prior cases.[13] This methodology also restricts any price changes due to repression from being applied to non-discretionary consumption (consumption less than 5,000 gallons per month), and allocates all cost recovery due to repression to discretionary levels of consumption (consumption above 5 kgals per month).

Therefore, based on this methodology, staff calculated that the test year residential consumption for this Utility should be reduced by 486,000 gallons. Purchased power expense

[13] See Order Nos. PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke; PSC-10-0423-PAA-WS, issued July 1, 2010, in Docket 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation; PSC-10-0117-PAA-WU, issued February 26, 2010, in Docket No. 080695-WU, In re: Application for general rate increase by Peoples Water Service Company of Florida, Inc.; and PSC-09-0623-PAA-WS, issued September 15, 2009, in Docket No. 080597-WS, In re: Application for general rate increase in water and wastewater systems in Lake County by Southlake Utilities, Inc.

should be reduced by $68, chemical expense should be reduced by $35, and RAFs should be reduced by $5. The final post-repression revenue requirement should be $72,703.

In order to monitor the effect of the changes to rate structure and rates, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

Issue 11: What are the appropriate rates for Sunrise?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4. The recommended rates should be designed to produce revenue of $72,703, excluding miscellaneous service charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: The recommended rates should be designed to produce the pre-repression revenue requirement, including miscellaneous service charges, of $78,116. The appropriate adjustments for metered ratesetting purposes are: 1) the removal of miscellaneous service charges of $5,306; and 2) a water system reduction of $107 to reflect expense reductions associated with repression adjustments. The resulting rates are designed to recover revenues from metered rates of $72,703.

Furthermore, as discussed in Issue 9, staff recommends a continuation of the three tier inclining block rate structure. Staff's preliminary rate design called for a two-tier rate structure with usage blocks of 0-10,000 gallons in the first usage block and all usage in excess of 10,000 gallons in the second usage block. As discussed in Issue 10, staff did not apply a repression adjustment to non-discretionary usage. As a result, an additional tier is necessary for non-discretionary usage below 5,000 gallons per month. This result in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-5,000 gallons; b) 5,000-10,000 gallons; and c) all usage in excess of 10,000 gallons and usage block rate factors of .91, 1.00, and 2.00 respectively. The BFC allocation should be set at 34 percent. The recommended rate structure for the system's non-residential class consists of a traditional monthly BFC/uniform gallonage charge rate structure and should remain unchanged.

The approved rates should be effective for service rendered on or after stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Based on the foregoing, the appropriate rates for monthly service are shown on Schedule No. 4.

Issue 12: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F.S.?

Recommendation: The water rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Sunrise should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Hudson)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. The total reduction is $396. Using Sunrise's current revenue, expenses, capital structure and customer base, the reduction in revenue will result in the rate decreases as shown on Schedule No. 4.

The Utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Sunrise also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction.

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 13: Should Sunrise's request for approval of a Non-Sufficient Funds (NSF) fee be granted?

Recommendation: Yes. Sunrise's requested NSF fee should be approved. The NSF fee should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). Furthermore, the fees should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. Sunrise has requested an NSF fee in accordance with Sections 68.065 and 832.08(5), F.S.

Staff believes that Sunrise should be authorized to collect an NSF fee. Staff believes the NSF fee should be established consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Sections 832.08(5) and 68.065(2), F.S., the following fees may be assessed:

1. $25, if the face value does not exceed $50,
2. $30, if the face value exceeds $50 but does not exceed $300,
3. $40, if the face value exceeds $300,
4. or five percent of the face amount of the check, whichever is greater.

Staff recommends that Sunrise revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5) F.S.

Approval of an NSF fee is consistent with prior Commission decisions.[14] Furthermore, an NSF fee places the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, staff recommends that Sunshine's proposed NSF fee be approved. The fee should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the fees should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice.

[14] See Order Nos. PSC-10-0364-TRF-WS, issued June 7, 2010, in Docket No. 100170-WS, In re: Application for authority to collect non-sufficient funds charges, pursuant to Sections 68.065 and 832.08(5), F.S., by Pluris Wedgefield Inc., and PSC-10-0168-PAA-SU, issued March 23, 2010, in Docket No. 090182-SU, In re: Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

Issue 14: Should the Commission approve a Phase II increase for pro forma items for Sunrise?

Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The operating ratio method of 10 percent should be used to determine the revenue requirement. The Utility's Phase II revenue requirement is $80,927 which equates to a 3.60 percent increase over the Phase I revenue requirement. Staff recommends that the increase be applied as an across-the-board increase to the Phase I BFC and gallonage charges.

Sunrise should be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. Sunrise should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. (Hudson, Simpson)

Staff Analysis: The Utility requested recognition of pro forma plant and expense items that it intends to complete. The following table summarizes the pro forma plant and expense items, the cost, and staff's recommended treatment:

Table 13-1

	Pro forma Plant Items	Staff Recommended
1.	Replace fence at WTP	$ 950
2.	Replace piping between well and tank	2,400
3.	Replace isolation valves	2,713
4.	Replace flow meter	352
5.	Replace well cover	340
	Total	$6,755
	Pro forma Expense Items	Staff Recommended
1.	Meter Replacement Program	$1,359
2.	Inspect and clean hydropneumatic tanks ($4,500/5)	900
	Total	$2,259

The Utility requested that the costs associated with replacing a portion of the fence at the WTP, meters, 9 isolation valves, and piping between the well and the tanks, be included as pro forma items in this rate case. In addition, the Utility requested that the cost of some of the items addressed by the consent order be included in this rate case, including inspecting and cleaning the hydropneumatic tanks, replacing a malfunctioning flow meter, and repairing the well leak. In the last rate case, pro forma plant in the amount of $17,500 was included in rate base to allow the Utility to replace 145 meters. There is documentation indicating that the 145 meters have been replaced. In the instant case, the Utility has requested additional funding for a meter replacement program. The Utility has meters that are old. Therefore, staff is recommending the Utility implement a meter replacement program where it would replace 23 meters a year over the next 10 years. The Commission has previously found a 10-year meter replacement program to be reasonable.[15] Staff recommends that these pro forma plant and expense items are reasonable and prudent because they will allow the Utility to improve its quality of service, and therefore, the costs should be included in this rate case.

Staff is recommending a Phase II revenue requirement associated with the pro forma items for a number of reasons. First, it assures that the pro forma items are completed prior to the Utility's recovery of the investment in rates. In the past, there have been instances when the Commission approved an increase in revenue requirement associated with pro forma items only to have the utility in question fail to complete the pro forma investments. In addition, addressing the pro forma items in a single case saves additional rate case expense to the customers because the Utility would not need to file another rate case or limited proceeding to seek recovery for these items. The Commission has approved a Phase-In approach in Docket Nos. 110165-SU and 100471-SU.[16]

The Utility's Phase II revenue requirement should be $80,927. Sunrise should complete the pro forma items within 12 months of the issuance of the consummating order. Phase II rate base is shown on Schedule Nos. 5-A and 5-B. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirement is shown on Schedule Nos. 7-A and 7-B. The resulting rates are shown on Schedule No. 8.

Sunrise should be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. Sunrise should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing.

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[15] See Order No. PSC- PSC-96-1474-FOF-WS, issued December 4, 1996, in Docket No. 960523-WS, In re: Application for staff-assisted rate case in Citrus County by J & J Water and Sewer Corporation.

[16] See Order Nos. PSC-12-0410-PAA-SU, issued August 13, 2012, in Docket No. 110165-SU, In re: Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.; and PSC-11-0444-PAA-SU, issued October 7, 2011, in Docket No. 100471-SU, In re: Application for staff-assisted rate case in Marion County by S&L Utilities, Inc.

Issue 15: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Sunrise should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Hudson)

Staff Analysis: This recommendation proposes an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. Sunrise should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

Sunrise should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of $6,966. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If Sunrise chooses a bond as security, the bond should 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 Sunrise chooses a letter of credit as a security, it should contain the following conditions:

1) The letter of credit is irrevocable for the period it is in effect, and,

2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the Utility should deposit 13.36 percent of revenues into the escrow account each month. In addition, the following conditions should be part of the agreement:

1) No monies 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 Sunrise;

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 Commission Clerk must be a signatory to the escrow agreement; and,

9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by Sunrise, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Sunrise should 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), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 16: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Sunrise should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. (Hudson)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, Sunrise should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made

Issue 17: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Also, the docket should remain open to allow staff to verify that the pro forma items have been completed and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively. (Murphy)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Also, the docket should remain open to allow staff to verify that the pro forma items have been completed and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

SUNRISE UTILITIES, LLC — **SCHEDULE NO. 1-A**
TEST YEAR ENDED 09/30/2011 — **DOCKET NO. 110238-WU**
SCHEDULE OF WATER RATE BASE (PHASE I)

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$120,909	($14,256)	$106,652
2.	LAND & LAND RIGHTS	0	553	553
3.	NON-USED AND USEFUL COMPONENTS	0	0	0
4.	CIAC	(12,393)	0	(12,393)
5.	ACCUMULATED DEPRECIATION	(53,327)	(2,272)	(55,599)
6.	AMORTIZATION OF CIAC	8,496	1,624	10,120
7.	WORKING CAPITAL ALLOWANCE	0	7,708	7,708
8.	WATER RATE BASE	$63,685	($6,644)	$57,040

SUNRISE UTILITIES, LLC TEST YEAR ENDED 09/30/2011 ADJUSTMENTS TO RATE BASE (PHASE I)		SCHEDULE NO. 1-B DOCKET NO. 110238-WU
	UTILITY PLANT IN SERVICE	
1.	To remove a plant addition recorded twice.	($11,000)
2.	To remove plant from Acct. No. 334 for lack of support documentation.	(1,041)
3.	To reflect an averaging adjustment.	(2,215)
	Total	($14,256)
	LAND AND LAND RIGHTS	
	Include land rights unrecorded by Utility.	$553
	ACCUMULATED DEPRECIATION	
1.	To reflect test year depreciation calculated per Rule 25-30.140 F.A.C.	($4,693)
2.	To reflect an averaging adjustment.	2,421
	Total	($2,272)
	AMORTIZATION OF CIAC	
1.	To reflect accumulated amortization per Rule 25-30.140 F.A.C.	$1,899
2.	To reflect an averaging adjustment.	(276)
	Total	$1,624
	WORKING CAPITAL ALLOWANCE	
	To reflect 1/8 of test year O & M expenses.	$7,708

SUNRISE UTILITIES, LLC | **SCHEDULE NO. 2**
TEST YEAR ENDED 09/30/2011 | **DOCKET NO. 110238-WU**
SCHEDULE OF CAPITAL STRUCTURE (PHASE I)

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	TOTAL COMMON EQUITY	$48,886	$0	$48,886	($19,559)	$29,327	51.41%	10.26%	5.27%
2.	TOTAL LONG TERM DEBT	$46,112	$0	$46,112	($18,449)	$27,663	48.50%	3.75%	1.82%
3.	CUSTOMER DEPOSITS	$51	$0	$51	$0	$51	0.09%	6.00%	0.01%
4.	TOTAL	$95,049	$0	$95,049	($38,009)	$57,040	100.00%		7.10%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.26%	11.26%
OVERALL RATE OF RETURN	6.58%	7.61%

SUNRISE UTILITIES, LLC | **SCHEDULE NO. 3-A**
TEST YEAR ENDED 09/30/2011 | **DOCKET NO. 110238-WU**
SCHEDULE OF WATER OPERATING INCOME (PHASE I)

		TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$66,609	$1,068	$67,677	$10,439 15.42%	$78,116
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$55,632	$6,030	$61,662	$0	$61,662
3.	DEPRECIATION (NET)	4,929	(740)	4,189	0	4,189
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	5,187	442	5,629	470	6,098
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$65,748	$5,732	$71,480	$470	$71,950
8.	**OPERATING INCOME/(LOSS)**	$861		($3,803)		$6,166
9.	**WATER RATE BASE**	$63,685		$57,040		$57,040
10.	**OPERATING MARGIN**	1.35%		-6.67%		10.00%

SUNRISE UTILITIES, LLC TEST YEAR ENDED 09/30/2011 ADJUSTMENTS TO OPERATING INCOME (PHASE I)	SCHEDULE NO. 3-B DOCKET NO. 110238-WU PAGE 1 OF 2
OPERATING REVENUES	
To reflect the appropriate test year revenues.	$1,068
OPERATION AND MAINTENANCE EXPENSES	
1. Salaries and Wages – Officers (603)	
To reflect the appropriate officer's salary.	($4,192)
2. Purchased Power (615)	
To reflect EUW adjustment.	($413)
3. Chemicals (618)	
To reflect EUW adjustment.	($212)
4. Contractual Services (Billing) 630	
a. To reclassify meter reading expense from Acct. No. 636.	$1,668
b. To reflect the appropriate meter reading expense.	1,332
	$3,000
5. Contractual Services - Professional (631)	
a. To reclassify contract operator expense to Acct. No. 636.	($3,066)
b. To reclassify testing expense to Acct. No. 635.	(290)
c. To reclassify contract expense for clerical personnel to Acct. No. 636.	(1,868)
	($5,224)
6. Contractual Services - Testing (635)	
a. To reclassify testing expense from Acct. No. 631.	$290
b. To reclassify testing expense from Acct. No. 636.	120
c. To reflect the appropriate testing expense.	(42)
Total	$368
7. Contractual Services - Other (636)	
a. To reclassify contract operator expense from Acct. No. 631.	$3,066
b. To reclassify testing expense to Acct. No. 631.	(120)
c. To reflect the appropriate operator expense.	(169)
d. To reclassify contract expense for clerical personnel from Acct. No. 631.	1,868
e. To annualize contract expense for clerical personnel.	1,012
f. To reclassify meter reading expense to Acct. No. 630.	(1,668)
g. To reflect the appropriate management fee.	540
	$4,529
8. Rent Expense (640)	
a. To reflect office rent expense.	$3,497

SUNRISE UTILITIES, LLC TEST YEAR ENDED 09/30/2011 ADJUSTMENTS TO OPERATING INCOME (PHASE I)		SCHEDULE NO. 3-B DOCKET NO. 110238-WU PAGE 2 OF 2
9.	Insurance (655)	
	To reflect the appropriate insurance expense.	$1,716
10.	Regulatory Commission Expense (665)	
	To reflect the 4 year amortization of rate case expense.	$344
11.	Bad Debt Expense (670)	
	To reflect the appropriate bad debt expense.	$3,112
12.	Miscellaneous Expense (675)	
	a. To remove bank charges.	($620)
	b. To reflect pro forma dues for Florida Rural Water Association.	125
	Total	($495)
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	$6,030
	DEPRECIATION EXPENSE	
1.	To reflect test year depreciation calculated per 25-30.140, F.A.C.	($599)
2.	To reflect test year amortization of CIAC.	(141)
	Total	($740)
	TAXES OTHER THAN INCOME	
	To reflect the appropriate property taxes.	$442
	Total	

SUNRISE UTILITIES, LLC			SCHEDULE NO. 3-C
TEST YEAR ENDED 09/30/2011			DOCKET NO. 110238-WU
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE (PHASE I)			
	TOTAL PER UTILITY	STAFF PER ADJUST.	TOTAL PER PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	$0	$0	$0
(603) SALARIES AND WAGES - OFFICERS	16,192	(4,192)	12,000
(604) EMPLOYEE PENSION & BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	2,579	(413)	2,166
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	1,325	(212)	1,113
(620) MATERIALS AND SUPPLIES	711	0	711
(630) CONTRACTUAL SERVICES - BILLING	0	3,000	3,000
(631) CONTRACTUAL SERVICES - PROFESSIONAL	6,954	(5,224)	1,730
(635) CONTRACTUAL SERVICES - TESTING	500	368	868
(636) CONTRACTUAL SERVICES - OTHER	21,297	4,529	25,826
(640) RENTS	538	3,497	4,034
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	0	1,716	1,716
(665) REGULATORY COMMISSION EXPENSE	0	344	344
(670) BAD DEBT EXPENSE	0	3,112	3,112
(675) MISCELLANEOUS EXPENSES	5,537	(495)	5,041
	$55,632	$6,030	$61,662

SUNRISE UTILITIES, LLC TEST YEAR ENDED 09/30/2011 MONTHLY WATER RATES (PHASE I)			SCHEDULE NO. 4 DOCKET NO. 110238-WU
	UTILITY'S EXISTING RATES	**STAFF'S RECOMMENDED PHASE I RATES**	**4-YEAR RATE REDUCTION**
Residential and General Service			
All Meter Sizes			
Base Facility Charge by Meter Size:			
5/8"X3/4"	$10.10	$8.75	$0.04
3/4"	$15.15	$13.13	$0.07
1"	$25.25	$21.88	$0.11
1-1/2"	$50.50	$43.75	$0.22
2"	$80.80	$70.00	$0.36
3"	$161.60	$140.00	$0.71
4"	$252.50	$218.75	$1.11
6"	$505.00	$437.50	$2.22
Residential Service Gallonage Charge			
0 - 5,000 gallons	$1.64	$2.79	$0.01
5,001 - 10,000 gallons	$2.46	$3.07	$0.02
Over 10,000	$4.92	$6.13	$0.03
General Service Gallonage Charge			
Per 1,000 Gallons	$2.51	$3.18	$0.02
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$15.02	$17.12	
5,000 Gallons	$18.30	$22.70	
10,000 Gallons	$30.60	$38.05	

SUNRISE UTILITIES, LLC — **SCHEDULE NO. 5-A**
TEST YEAR ENDING 09/30/2011 — **DOCKET NO. 110238-WU**
SCHEDULE OF WATER RATE BASE (PHASE II)

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$106,652	$6,755	$113,407
2.	LAND & LAND RIGHTS	553	0	553
3.	NON-USED AND USEFUL COMPONENTS	0	0	0
4.	CIAC	(12,393)	0	(12,393)
5.	ACCUMULATED DEPRECIATION	(55,599)	(200)	(55,799)
6.	AMORTIZATION OF CIAC	10,120	0	10,120
7.	WORKING CAPITAL ALLOWANCE	7,708	282	7,990
8.	WATER RATE BASE	$57,040	$6,838	$63,878

SUNRISE UTILITIES, LLC TEST YEAR ENDING 09/30/2011 ADJUSTMENTS TO RATE BASE (PHASE II)		SCHEDULE NO. 5-B DOCKET NO. 110238-WU
	UTILITY PLANT IN SERVICE	
1.	Replace portion of WTP fence.	$950
2.	Replace piping between well and tank.	2,400
3.	Replace isolation valves.	2,713
4.	Replace meter.	352
5.	Replace well cover.	340
	Total	$6,755
	ACCUMULATED DEPRECIATION	
	To reflect test year depreciation calculated per Rule 25-30.140 F.A.C.	($200)
	WORKING CAPITAL ALLOWANCE	
	To reflect 1/8 of test year O & M expenses.	$282

SUNRISE UTILITIES, LLC — **SCHEDULE NO. 6**
TEST YEAR ENDING 09/30/2011 — **DOCKET NO. 110238-WU**
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	TOTAL COMMON EQUITY	$48,886	$0	$48,886	($16,040)	$32,846	51.42%	10.26%	5.27%
2.	TOTAL LONG TERM DEBT	$46,112	$0	$46,112	($15,130)	$30,982	48.50%	3.75%	1.82%
3.	CUSTOMER DEPOSITS	$51	$0	$51	$0	$51	0.08%	6.00%	0.01%
4.	TOTAL	$95,049	$0	$95,049	($31,171)	$63,878	100.00%		7.10%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.26%	11.26%
OVERALL RATE OF RETURN	6.58%	7.61%

SUNRISE UTILITIES, LLC TEST YEAR ENDING 09/30/2011 SCHEDULE OF WATER OPERATING INCOME (PHASE II)						SCHEDULE NO. 7-A DOCKET NO. 110238-WU
		TEST YEAR PER UTILITY	STAFF ADJ. PER UTILITY	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**OPERATING REVENUES**	$78,116	$0	$78,116	$2,811 3.60%	$80,927
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$61,662	$2,259	$63,921	$0	$63,921
3.	DEPRECIATION (NET)	4,189	200	4,389	0	4,389
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	6,098	0	6,098	126	6,225
6.	INCOME TAXES	0	0	0	0	0
7.	**TOTAL OPERATING EXPENSES**	$71,950	$2,459	$74,408	$126	$74,535
8.	**OPERATING INCOME/(LOSS)**	$6,166		$3,708		$6,392
9.	**WATER RATE BASE**	$57,040		$63,878		$63,878
10.	**OPERATING MARGIN**	10.00%		5.80%		10.00%

SUNRISE UTILITIES, LLC	SCHEDULE NO. 7-B
TEST YEAR ENDING 09/30/2011	DOCKET NO. 110238-WU
ADJUSTMENTS TO OPERATING INCOME (PHASE II)	

1.	Contractual Services - Other (636)	
	a. To amortize cost of tank inspection ($4,500/5).	$900
	b. To reflect meter change out program.	1,359
		$2,259
	DEPRECIATION EXPENSE	
	To reflect test year depreciation calculated per 25-30.140, F.A.C.	$200

SUNRISE UTILITIES, LLC TEST YEAR ENDING 09/30/2011 MONTHLY WATER RATES (PHASE II)		SCHEDULE NO. 8 DOCKET NO. 110238-WU
	STAFF RECOMMENDED PHASE I RATES	**STAFF RECOMMENDED PHASE II RATES**
Residential and General Service		
All Meter Sizes		
Base Facility Charge by Meter Size:		
5/8"X3/4"	$8.75	$9.07
3/4"	$13.13	$13.61
1"	$21.88	$22.68
1-1/2"	$43.75	$45.35
2"	$70.00	$72.56
3"	$140.00	$145.12
4"	$218.75	$226.75
6"	$437.50	$453.50
Residential Service Gallonage Charge		
0 - 5,000 gallons	$2.79	$2.89
5,001 - 10,000 gallons	$3.07	$3.18
Over 10,000	$6.13	$6.35
General Service Gallonage Charge		
Per 1,000 Gallons	$3.18	$3.29
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
3,000 Gallons	$17.12	$17.74
5,000 Gallons	$22.70	$23.52
10,000 Gallons	$38.05	$39.42