

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by SUNRAY UTILITIES, )	DOCKET NO. 881553-WS
INC. for approval to charge AFUDC )	ORDER NO. 20917
in St. Johns County. )	ISSUED: 3-20-89
_____ )	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 JOHN T. HERNDON

PROPOSED AGENCY ACTION

ORDER GRANTING APPROVAL TO CHARGE AFUDC  
FOR SUNRAY UTILITIES, INC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Sunray Utilities, Inc. (Sunray or utility) is a water and sewer utility with divisions in Nassau and St. Johns Counties. On December 3, 1988, the utility filed an application for an Allowance for Funds Used During Construction (AFUDC) rate for its St. Johns County Division. Sunray's application did not meet the minimum filing requirements of Rule 25-30.116, Florida Administrative Code, and the utility was so informed. Subsequently, on December 23, 1988, Sunray filed the required information and this date was established as the official filing date for its application.

AFUDC RATE

Rule 25-30.116(2)(a), Florida Administrative Code, provides that an AFUDC rate shall be determined using a utility's most recent twelve-month average embedded cost of capital, to be derived using all sources of capital. Sunray Utilities, Inc. based the capital structure for its two divisions, Nassau County, and St. Johns County, on chronological events, i.e. the order in which the two divisions were funded with equity and debt. This resulted in a capital structure of 100 percent equity for St. Johns County and 100 percent debt for Nassau County. We believe that this allocation is arbitrary and inappropriate. By combining the capital structures of the two divisions, which comprise the whole of Sunray Utilities, Inc., a capital structure of 16.54 percent equity and 83.46 percent debt is derived, which was used in calculating an AFUDC rate of 9.93 percent on an annual basis. We find that these levels more accurately reflect the true capital structure of the utility.

Rule 25-30.116(2)(b), Florida Administrative Code, among other things, provides that, "The cost rates for the components in the capital structure shall be the midpoint of the last

DOCUMENT NUMBER-DATE

02865 MAR 20 1989

FPSC-RECORDS/REPORTING

ORDER NO. 20917  
DOCKET NO. 881553-WS  
PAGE 2

allowed return on common equity". By reviewing Sunray's present application, we have determined that Sunray did not have a return on equity rate for its St. Johns County Division. The utility has a rate case pending before us in Docket No. 870539-WS, but thus far, a rate of return on equity has not been established by this Commission. In instances such as the present where a utility must have a return on equity figure to calculate an AFUDC rate, Rule 25-30.116(c), Florida Administrative Code, provides that a rate of return on equity shall be derived from applying the most recent equity leverage formula. The application of such methodology yields a rate of return on equity of 14.35 percent for Sunray Utilities, Inc.'s St. Johns County Division.

CONCLUSION

Based on the above, with respect to the application by Sunray Utilities, Inc. for an AFUDC rate for its St. Johns Division, we find as follows: 1) The rate of return on equity (14.35 percent) as established by the most recent equity leverage graph is hereby approved; 2) The capital structure of the subject utility shall be adjusted to reflect an equity level of 16.54 percent and a debt level of 83.46 percent; 3) The derived AFUDC rate of 9.93 percent is reasonable and is hereby approved; and 4) The effective date of the herein approved AFUDC rate shall be October 1, 1988.

Based on the foregoing, it is, therefore

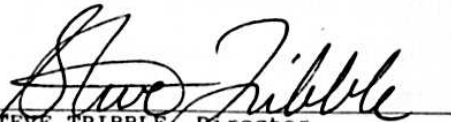
ORDERED by the Florida Public Service Commission that the application by Sunray Utilities, Inc. for an AFUDC rate for its St. Johns Division is approved as indicated in the body of this Order. It is further

ORDERED that the effective date for the herein approved AFUDC rate is October 1, 1988. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 10, 1989. It is further

ORDERED that this docket shall be closed if no timely protests are received.

By ORDER of the Florida Public Service Commission this 20th day of MARCH, 1989.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

JRF

ORDER NO. 20917  
DOCKET NO. 881553-WS  
PAGE 3

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 10, 1989. In the absence of such a petition, this order shall become effective April 11, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on April 11, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.