

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval )	DOCKET NO. 900344-WS
of allowance for funds used during )	
construction (AFUDC) rate in )	ORDER NO. 24158
Citrus and Charlotte/Lee Counties )	
by SOUTHERN STATES UTILITIES, INC. )	ISSUED: 2/25/91
_____ )	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 BETTY EASLEY  
 FRANK S. MESSERSMITH  
 MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTIONORDER APPROVING ALLOWANCE FOR FUNDS  
 USED DURING CONSTRUCTION (AFUDC)

BY THE COMMISSION:

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

CASE BACKGROUND

On April 30, 1990, Southern States Utilities, Inc., (SSU or utility), filed an application for approval of Allowance for Funds Used During Construction (AFUDC) rates for three (3) of its systems. The systems are Point O' Woods and Sugar Mill Woods in Citrus County and Burnt Store in Charlotte/Lee Counties. SSU's initial application did not meet the minimum filing requirements (MFR's) of Rule 25-30.116, Florida Administrative Code. However, the filing was corrected on August 3, 1990, and this date was established as the official date of filing.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) RATE  
 FOR SUGAR MILL WOODS AND POINT O'WOODS

SSU requested approval of a 9.93% AFUDC rate for Point O' Woods and Sugar Mill Woods. In its calculation, the utility used

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the 12-month period ended December 31, 1989, to derive its average embedded cost of capital.

Rule 25-30.116(2)(c), Florida Administrative Code, pertains to the calculation of the average embedded cost of capital in establishing the appropriate AFUDC rate. Specifically, it pertains to the equity component of the capital structure. According to subparagraph (2)(c), a company that has not had its equity return set in a rate case shall calculate its equity return by applying the most recent equity leverage formula. Pursuant to (2)(c), we have used the most recent equity leverage formula, which was established by Order No. 23318, issued August 5, 1990, to calculate the return on common equity. The appropriate return on common equity according to this leverage formula is 13.51%.

Using a return on equity of 13.51%, we have calculated that the appropriate annual AFUDC rate is 9.79% and the monthly discounted rate is .781364%. We find that the above annual and monthly AFUDC rates are reasonable and hereby approve them for the Point O' Woods and Sugar Mill Woods systems. Schedule No. 1, which is attached hereto and by reference is incorporated herein, contains our calculation of the AFUDC rate.

#### AFUDC RATE FOR BURNT STORE

In calculating its requested 9.14% annual AFUDC rate for Burnt Store, the utility used the average embedded cost of capital for the 12-month period ended December 31, 1989. The Burnt Store system last had rates established in Docket No. 861593-WS. The order issued in that docket, Order No. 17919, established an 11.33% return on equity.

Pursuant to Rule 25-30.116(2)(b), Florida Administrative Code, we used an 11.33% return on equity when calculating the average embedded cost of capital. We then determined that the appropriate annual AFUDC rate is 9.14%, and the appropriate monthly discounted rate is .731506%. We find that the aforementioned annual and monthly AFUDC rates are reasonable and hereby approve them for Burnt Store. Schedule No. 2 attached hereto and by reference incorporated herein reflects our calculation of the appropriate AFUDC rate.

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EFFECTIVE DATE

Rule 25-30.116(5), Florida Administrative Code, states that the effective date for a new AFUDC rate will be the month following the end of the 12-month period used to establish the rate. Since the period used for the calculation for both of the above rates was the year ended December 31, 1989, the effective date should be January 1, 1990. This rate may not be retroactively applied.

It is, therefore

ORDERED by the Florida Public Service Commission that the provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that the application for an Allowance for Funds Used During Construction (AFUDC) Rate by Southern States Utilities, Inc., for Point O'Woods and Sugar Mill Woods in Citrus County is hereby granted as modified as set forth in the body of this Order. It is further

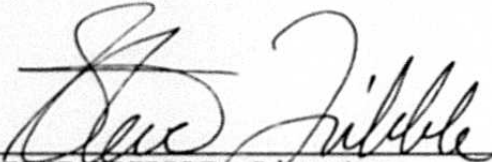
ORDERED that the application for an AFUDC Rate by Southern States Utilities, Inc., for Burnt Store in Charlotte/Lee Counties is hereby granted. It is further

ORDERED that the AFUDC rates approved herein shall be effective for eligible construction projects as of January 1, 1990, and shall not be retroactively applied. It is further

ORDERED that in the event no timely protest to this Order is received, this docket shall be closed.

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By ORDER of the Florida Public Service Commission this 25th  
day of FEBRUARY, 1991.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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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 March 18, 1991.

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 the date described above, 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.

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Docket No. 900344  
Schedule No. 1

Southern States Utilities, Inc.  
12-Month Period Ended  
December 31, 1989

## Point O' Woods

Class of Capital	Average Capital Structure	Staff Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity(3)	\$12,158,224		12,158,224	29.95%	13.51%	4.05%	
Preferred Stock(4)	4,022,625		4,022,625	9.91%	0.00%	0.00%	
Long-Term Debt	22,913,808		22,913,808	56.45%	9.90%	5.59%	
Customer Deposits 8%(4)	558,149		558,149	1.38%	8.00%	0.11%	
Customer Deposits 6%(4)	306,956		306,956	0.76%	6.00%	0.05%	
Tax Credits-Zero Cost	0		0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	529,389		529,389	1.30%	0.00%	0.00%	
Deferred Income Taxes	100,544		100,544	0.25%	0.00%	0.00%	
<b>Total</b>	<b>40,589,695</b>	<b>0</b>	<b>40,589,695</b>	<b>100.00%</b>		<b>9.79%</b>	<b>0.781364%</b>

## Sugar Mill Woods

Class of Capital	Average Capital Structure	Staff Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity(3)	\$12,158,224		12,158,224	29.95%	13.51%	4.05%	
Preferred Stock(4)	4,022,625		4,022,625	9.91%	0.00%	0.00%	
Long-Term Debt	22,913,808		22,913,808	56.45%	9.90%	5.59%	
Customer Deposits 8%(4)	558,149		558,149	1.38%	8.00%	0.11%	
Customer Deposits 6%(4)	306,956		306,956	0.76%	6.00%	0.05%	
Tax Credits-Zero Cost	0		0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	529,389		529,389	1.30%	0.00%	0.00%	
Deferred Income Taxes	100,544		100,544	0.25%	0.00%	0.00%	
<b>Total</b>	<b>40,589,695</b>	<b>0</b>	<b>40,589,695</b>	<b>100.00%</b>		<b>9.79%</b>	<b>0.781364%</b>

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Docket No. 900344-WS  
Schedule No. 2

Southern States Utilities, Inc.  
12-Month Period Ended  
December 31, 1989

Burnt Store

Class of Capital	Average Capital Structure	Staff Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity(3)	\$12,158,224		12,158,224	29.95%	11.33%	3.39%	
Preferred Stock(4)	4,022,625		4,022,625	9.91%	0.00%	0.00%	
Long-Term Debt	22,913,808		22,913,808	56.45%	9.90%	5.59%	
Customer Deposits 8%(4)	558,149		558,149	1.38%	8.00%	0.11%	
Customer Deposits 6%(4)	306,956		306,956	0.76%	6.00%	0.05%	
Tax Credits-Zero Cost	0		0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	529,389		529,389	1.30%	0.00%	0.00%	
Deferred Income Taxes	100,544		100,544	0.25%	0.00%	0.00%	
<b>Total</b>	<b>40,589,695</b>	<b>0</b>	<b>40,589,695</b>	<b>100.00%</b>		<b>9.14%</b>	<b>0.731506%</b>