

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Authority ) DOCKET NO. 921301-WS  
to Defer SFAS No. 106 Costs by ) ORDER NO. PSC-93-1377-FOF-WS  
SOUTHERN STATES UTILITIES, INC. ) ISSUED: September 20, 1993  
in Bradford, Brevard, Citrus, )  
Clay, Collier, Duval, Hernando, )  
Highlands, Lake, Lee/Charlotte, )  
Marion, Martin, Nassau, Orange, )  
Osceola, Pasco, Putnam, )  
Seminole, Volusia, and )  
Washington Counties, and by )  
LEHIGH UTILITIES, INC. in Lee )  
County. )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK  
JULIA L. JOHNSON  
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER DENYING PETITION TO DEFER CERTAIN COSTS

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On December 23, 1992, Southern States Utilities, Inc., including the Marco Island systems, and Lehigh Utilities, Inc. (referred to as SSU and Lehigh, respectively, or collectively as utility) filed a request for deferral of Statement of Financial Accounting Standards 106 (SFAS 106) costs. As of January 1, 1993, the utility is required to recognize the SFAS 106 costs on its income statements. The SFAS 106 costs will be incurred but not recovered through rates from January 1, 1993, until the date the final rates are approved in the utility's rate cases. These costs are approximately \$24,154 for Lehigh, \$243,051 for SSU and \$32,071 for Marco Island, or a total of \$299,276. These amounts are based on the amounts requested by the utility in its rate increase applications, not the amounts approved by the Commission.

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FLORIDA PUBLIC SERVICE COMMISSION

In three separate rate cases filed by the utility (Dockets Nos. 911118-WS, 920199-WS, and 920655-WS), we recently approved the recovery of other postretirement employee benefits (OPEB) expenses on an annual basis.

In support of its request, the utility asserts that: 1) it will suffer immediate and material adverse financial consequences without the deferral of the SFAS 106 expenses; 2) had it not been for the condemnation of one of its larger water systems, SSU would have suffered a loss of approximately \$5.5 million in 1991; 3) the record in Docket No. 920199-WS revealed that SSU is unable to obtain financing from sources other than its parent without credit support from the parent; 4) if the deferral of these costs are not authorized, the utility will be denied the opportunity to recover such costs regardless of whether the Commission determined these costs to have been reasonable and prudent to incur; and 5) if the Commission approves the deferral, the determination of reasonableness and prudence of these deferred costs can be made in the utility's next rate case.

The utility also argues that the Commission previously found that SFAS 106 is an appropriate standard by which to judge whether such costs were reasonably incurred and in support thereof, cites Order No. PSC-92-1197-FOF-EI, issued October 22, 1992 (Florida Power Corporation); Order No. 24178, issued February 28, 1991 (Central Telephone Co.); Order No. PSC-92-0708-FOF-TL, issued July 24, 1991 (United Telephone Co.).

Upon our review of the Orders referred to by the utility, we find they do not address the deferral of OPEB expenses. Also, the circumstances of the above cases are not the same as those in SSU's request. First, in the Florida Power Corporation and Central Telephone cases, no deferral was necessary since the utilities requested recovery of OPEBs before the January, 1993 implementation date. With respect to the United case, the time frame that OPEBs were addressed was also prior to the 1993 implementation date. Further, even though a projected test period was used, no recovery of the deferred OPEB expense was allowed in rates because the earnings and depreciation fall-offs expected the next year would be sufficient to absorb the additional expense of SFAS 106.

The utility has provided a calculation which shows that the denial of the deferral would reduce the total company return on average equity by 39 basis points. In order to make this determination, the utility calculated the amounts disallowed or

capitalized by this Commission for the utility's three rate cases. The remaining expense amounts were then reduced by the amount of time from January 1, 1993, to the date final rates are expected to become effective. Based on our calculation, using only Commission regulated systems information, the negative impact of denying the utility's request is less than 23 basis points.

When determining the appropriate final rates for a utility, a range of return on equity of plus or minus 100 basis points is allowed. Neither the utility's nor our calculation takes the utility below the authorized range of return allowed for common equity. Therefore, we find it appropriate to deny the utility's request.

In addition, we find that the utility's argument that the rate relief from the previous rate cases does not produce sufficient indicators necessary for independent financing is not valid. We find that since final rates for the three pending rate cases have not been implemented, the full impact of the rate increase applications has not occurred. Further, the utility's statement that more expensive or denial of financing may result is also unpersuasive because it appears that, the utility's equity return will suffer at most only 39 basis points. Also, by the utility's own admission, many factors other than unrecovered OPEB costs currently are having a major effect on the financing ability of the total company.

Based on the foregoing, we find it is appropriate to deny the utility's request to defer its SFAS 106 costs. Upon expiration of the protest period, if no protest is received, this docket shall be closed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the petitions of Southern States Utilities, Inc., and Lehigh Utilities, Inc., to defer costs associated with other postretirement employee benefits is denied. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective 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 the date set forth

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in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 20th day of September, 1993.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

CB

by: Kay Flynn  
Chief, Bureau of Records

Commissioner Luis J. Lauredo dissented.

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 October 11, 1993.

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 wastewater 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.