

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of allowance-for-funds-used-during-construction (AFUDC) rate in Marion County by Sunshine Utilities of Central Florida, Inc.

DOCKET NO. 991693-WU  
ORDER NO. PSC-00-0369-PAA-WU  
ISSUED: February 21, 2000

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING ALLOWANCE FOR FUNDS  
USED DURING CONSTRUCTION RATE

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.

BACKGROUND

Sunshine Utilities of Central Florida, Inc. (Sunshine or the utility) filed a petition for the approval of an Allowance For Funds Used During Construction (AFUDC) Rate on November 9, 1999. This request is in connection with the utility's proposed construction of a regional water plant. On December 23, 1999, Sunshine requested recovery of the increased costs associated with this proposed construction in a limited proceeding, Docket No. 992015-WU. Sunshine had no previously approved AFUDC rate. In accordance with Rule 25-30.116(4), Florida Administrative Code, Sunshine has filed Schedule A, showing the capital structure, cost rates and weighted average cost of capital that are the basis for the AFUDC rate requested; Schedule B, showing capital structure adjustments including the unadjusted capital structure, reconciling

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FPSC-RECORDS/REPORTING

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adjustments and adjusted capital structure that are the basis for the AFUDC rate requested; and Schedule C, showing the calculation of the monthly AFUDC rate using the methodology set out in Rule 25-30.116(4). The schedules were revised by the utility on December 10, 1999. Copies of the schedules and our calculation of the AFUDC rate approved herein are attached to this Order and are incorporated herein by reference.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

As discussed previously, Sunshine does not have an approved AFUDC rate. In connection with the construction of Sunshine's regional water plant, Sunshine has petitioned the Commission for approval of an AFUDC rate. The calculations submitted were based on Sunshine's September 30, 1999, capital structure, the most current available, and incorporated the recently approved loan from the Department of Environmental Protection Drinking Water State Revolving Fund to finance the regional water plant. The utility's calculations reflect an annual AFUDC rate of 6.52%.

We have reviewed the calculations submitted by Sunshine and do not agree with the utility's calculation of the cost of equity capital as derived from the current leverage formula as found in Order No. PSC-99-1224-PAA-WS, issued June 21, 1999, which was consummated by Order No. PSC-99-1382-CO-WS, issued July 19, 1999. The utility used all sources of capital to determine the equity ratio used in the formula. Order No. PSC-99-1224-PAA-WS has not changed the definition of the equity ratio to be used in the formula. As shown on Attachment 1, page 3 of 7 of that Order, the equity ratio consists of common equity divided by the sum of common equity, preferred equity, long term debt and short term debt. Using the components defined in the Order, we calculate the cost of equity to be 10.00%. The resulting weighted cost of capital is 6.50%. We therefore approve of an AFUDC rate of 6.50% and a discounted monthly rate of .541505%, which shall be applied to Sunshine's qualified construction projects beginning on October 1, 1999. We recognize that this rate is dependent upon our approval of the construction projects and resulting debt submitted in Docket No. 992015-WU. We will revisit this rate in that docket.

This docket was opened to establish an annual AFUDC rate for Sunshine based on the current capital structure and costs. Consistent with our decision herein, no further action is necessary. Therefore, upon expiration of the protest period, if no

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timely protest is filed by a substantially affected person, this docket shall be closed upon the issuance of a Consummating Order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sunshine Utilities of Central Florida, Inc. shall have an approved AFUDC rate of 6.50% and a discounted monthly rate of .541505% for all qualified construction projects beginning on October 1, 1999. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that upon expiration of the protest period, if no timely protest is filed by a substantially affected person, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 21st day of February, 2000.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

JSB

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 13, 2000.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating 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.

**SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.**  
**12 MO. AVERAGE CAPITAL**  
**STRUCTURE**

**SCHEDULE NO. A**  
**DOCKET NO. 991693-WU**

**TEST YEAR ENDED NOVEMBER 30, 1999**

DESCRIPTION	AVERAGE CAPITAL	RATIO	COST RATE	WEIGHTED COST
1 LONG TERM DEBT				
2 SUN BANK LOAN	\$24,659	1.82%	8.25%	0.15%
3 ISUZU TRUCK LOAN	24,587	1.81%	9.00%	0.16%
4 DEP LOAN A	2,734	0.20%	3.10%	0.01%
5 DEP LOAN B	<u>711,796</u>	<u>52.40%</u>	<u>3.63%</u>	<u>1.90%</u>
6 TOTAL LONG TERM DEBT	\$763,776	56.22%	3.95%	2.22%
7 COMMON EQUITY	560,821	41.28%	10.00%	4.13%
8 CUSTOMER DEPOSITS	33,855	2.49%	6.00%	0.15%
9 OTHER	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
10 TOTAL CAPITAL	<u>\$1,358,452</u>	<u>100.00%</u>		<u>6.50%</u>
		LOW	HIGH	
RETURN ON EQUITY		<u>9.00%</u>	<u>11.00%</u>	
OVERALL RATE OF RETURN		<u>6.09%</u>	<u>6.91%</u>	

**SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.**  
**ADJUSTMENTS TO CAPITAL**  
**TEST YEAR ENDED NOVEMBER 30, 1999**

**SCHEDULE B**  
**DOCKET NO. 991693-WU**

DESCRIPTION	Sun Bank	Long Term Debt			Total Long Term Debt	Common Equity	Customer Deposits	Other	TOTAL
		Isuzu	DEP A	DEP B					
1 Capital per Books	\$24,659	\$24,587	\$2,734	\$0	\$51,980	\$560,821	\$33,855	\$0	\$646,656
3 Adjustments									
4 a Pro Forma DEP Loan	\$0	\$0	\$0	\$711,796	\$711,796	\$0	\$0	\$0	\$711,796
5 Adjusted Capital	\$24,659	\$24,587	\$2,734	\$711,796	\$763,776	\$560,821	\$33,855	\$0	\$1,358,452

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**SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC.**  
**CALCULATION OF AFUDC RATE** **SCHEDULE NO. C**  
**TEST YEAR ENDED NOVEMBER 30,** **DOCKET NO. 991693-WU**  
**1999**

FORMULA  $M = [(1 + (A/100))^{1/12} - 1] \times 100$

WHERE:  $M =$  Discounted Monthly AFUDC Rate

$A =$  Annual AFUDC Rate  $=$  6.50%

APPLICATION: $A / 100$	0.00065000
$1 + A/100$	1.00065000
$1/12$ power	1.00005415
$-1$	0.00005415
$\times 100$	0.00541505
$M =$	0.541505%