

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for establishment of allowance for funds used during construction (AFUDC) rate for system located in Lake County, effective January 1, 2008, by Southlake Utilities, Inc.	DOCKET NO. 080168-WS ORDER NO. PSC-08-0455-PAA-WS ISSUED: July 16, 2008
---	---

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING AFUDC 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 (F.A.C.).

Southlake Utilities, Inc. (Southlake or Utility) is a Class B water and wastewater utility located in the southeast corner of Lake County, Florida. This location is a critical water use caution area as defined by the St. Johns River Water Management District. According to its 2007 annual report, Southlake is currently serving approximately 1,759 residential and 663 general service customers. The Utility reported combined gross revenues of \$1,643,631 with a combined net operating income of \$11,112.

On March 21, 2008, Southlake filed a petition for the establishment of an allowance for funds used during construction (AFUDC) rate. In accordance with Rule 25-30.116(4), F.A.C., Southlake has filed the following Schedules: 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; and Schedule C, showing the calculation of the monthly AFUDC rate using the methodology set out in Rule 25-30.116(4), F.A.C.

This order addresses the establishment of an AFUDC rate. We have jurisdiction pursuant to Section 367.121, Florida Statutes.

Rule 25-30.116(2)(a), F.A.C., provides that an AFUDC rate shall be determined using the Utility's most recent 12-month average embedded cost of capital. Southlake calculated the average cost of capital using the 12-month period ended January 1, 2008. The Utility's capital

DOCUMENT NUMBER-DATE

06128 JUL 16 8

FPSC-COMMISSION CLERK

structure is comprised of common equity, long-term debt, customer deposits, and deferred income taxes. According to its petition, Southlake has requested an AFUDC rate of 9.04 percent. The Utility reflects a cost of common equity rate of 9.12 percent based upon the Commission approved 2007 leverage formula. However, our calculations show a cost rate of 9.07 percent, as shown on Attachment No. 1. This results in a five basis point decrease on the rate of equity.

Based on this adjustment, we approve an annual AFUDC rate of 8.98 percent and a discounted monthly rate of .71919213, as reflected on Attachment No. 1. Pursuant to Rule 25-30.116(5), F.A.C., the approved rate shall be applicable for eligible construction projects beginning January 1, 2008.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of Southlake Utilities, Inc. for the establishment of an allowance for funds used during construction rate is approved as modified in the body of this Order. 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 Commission Clerk, 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, as reflected on Attachment No. 1, the appropriate AFUDC rate shall be 8.98 percent. The appropriate discounted monthly rate shall be .71919213 percent. It is further

ORDERED the approved rate shall be applicable for eligible construction projects beginning January 1, 2008. It is further

ORDERED that if a protest is not received from a substantially affected person within 21 days of issuance of the Proposed Agency Action Order, a Consummating Order will be issued and the docket shall be closed.

By ORDER of the Florida Public Service Commission this 16th day of July, 2008.



---

ANN COLE  
Commission Clerk

( S E A L )

RRJ

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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 6, 2008.

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/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Southlake Utilities, Inc.  
Capital Structure-Simple Average  
Test Year Ended 12/31/07

Attachment No. 1  
Docket No. 0870168-WS

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>						
1 Long-term Debt	\$756,069	(\$756,069)	\$0	0.00%	0.00%	0.00%
2 Short-term Debt	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	6,426,393	756,069	7,182,462	97.20%	9.12%	8.86%
5 Customer Deposits	207,197	0	207,197	2.80%	6.00%	0.17%
6 Deferred Income Taxes	0	0	0	0.00%	0.00%	0.00%
7 <b>Total Capital</b>	<u>\$7,389,659</u>	<u>\$0</u>	<u>\$7,389,659</u>	<u>100.00%</u>		<u>9.03%</u>
<b>Per Commission</b>						
8 Long-term Debt	\$0	\$0	\$0	0.00%	0.00%	0.00%
9 Short-term Debt	0	0	0	0.00%	0.00%	0.00%
10 Preferred Stock	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	7,182,462	0	7,182,462	97.20%	9.07%	8.81%
12 Customer Deposits	207,197	0	207,197	2.80%	6.00%	0.17%
13 Deferred Income Taxes	0	0	0	0.00%	0.00%	0.00%
14 <b>Total Capital</b>	<u>\$7,389,659</u>	<u>\$0</u>	<u>\$7,389,659</u>	<u>100.00%</u>		<u>8.98%</u>
				<u>LOW</u>	<u>HIGH</u>	
				<u>8.07%</u>	<u>10.07%</u>	
				<u>8.01%</u>	<u>9.96%</u>	