

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of ST. JOHNS)	DOCKET NO. 891133-WS
SERVICE COMPANY for approval of)	ORDER NO. 22251
allowance of funds used during)	ISSUED: 11-30-89
construction (AFUDC) rates in St.)	
Johns County)	
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, CHAIRMAN
 THOMAS M. BEARD
 BETTY EASLEY
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING AFUDC RATES

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 September 13, 1989, St. Johns Service Company (St. Johns or utility) filed an application for approval of a 10.60% allowance for funds used during construction (AFUDC) rate pursuant to Rule 25-30.116, Florida Administrative Code. The application satisfied the minimum filing requirements and September 13, 1989 was established as the official filing date. This is the utility's first request for an AFUDC rate.

The utility's capital structure is comprised of common equity, long-term debt and customer deposits. (See Column 1 of Schedule No. 1, attached to this Order and by reference incorporated herein.) The utility has netted \$600,000 of preferred stock with \$101,334 of common stock and \$583,030 of negative retained earnings. We believe that the two issues of preferred stock should be separated from common stock and retained earnings and shown at the average stated value of 8.5%. Removing the preferred stock from total equity leaves a negative balance of \$481,696 for common equity.

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In the utility's last rate case, Docket No. 860960-WS, which culminated in Order No. 18551, issued December 15, 1987, the preferred stock and common equity were netted. The utility believes the same methodology should be used in this AFUDC case. While this methodology was used in the rate case, we do not find it appropriate to continue to use that methodology. Preferred stock has a separate identity from common stock. It has a stated rate of return and should not be netted or reduced because of negative retained earnings. Therefore, we find it appropriate to include a zero balance for common equity in the capital structure. These adjustments reduce the utility's AFUDC rate from the requested 10.60% to 10.13%.

As stated in Rule 25-30.116(5), Florida Administrative Code, the effective date for the AFUDC rate should be the month following the end of the 12-month period used to establish the rate. Since the period used for calculation was the twelve months ended July 31, 1989, the 10.13% AFUDC rate shall be effective for eligible projects as of August 1, 1989.

St. Johns also requested retroactive application of the AFUDC rate to August 11, 1986, the effective date of the rule. Rule 25-30.116(5), Florida Administrative Code only allows retroactive application of the AFUDC rate to a previous year if authorized by the Commission.

We do not believe that the customers of this utility would be harmed if we approve the retroactive application of the AFUDC rate to August 11, 1986. Our approval would only allow the utility to accrue what it should have been accruing all along. The utility and the customers would be in the same position today even if the utility had made its request in 1986. To deny retroactive application to previous fiscal periods would not allow the utility to recover any of its capital costs incurred during construction through future rate proceedings. However, we do not believe that a utility should be allowed to ignore the rules of this Commission. Accordingly, we will approve retroactive application of the AFUDC rate, reduced by 100 basis points as a penalty for not timely applying for an AFUDC rate. Thus, the utility is authorized to accrue AFUDC at a rate of 9.13% for eligible projects for the period of August 11, 1986 through July 31, 1989.

Based on the foregoing, it is

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ORDERED by the Florida Public Service Commission that the application of St. Johns Service Company for establishment of an AFUDC rate is approved as modified in the body of this Order. It is further

ORDERED that St. Johns Service Company shall be authorized to implement a 10.13% AFUDC rate, effective for eligible projects as of August 1, 1989 and to implement a 9.13% AFUDC rate for eligible projects for the period of August 11, 1986 through July 31, 1989. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and 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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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

By ORDER of the Florida Public Service Commission
this 30th day of NOVEMBER, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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 December 21, 1989.

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, 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 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.

St. Johns Service Company
 Commission Approved AFUDC Rate
 12-Month Period Ended July 31, 1989

Schedule No. 1
 Docket No. 891133-WS

Class of Capital	Average Capital Structure	PSC Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity	118,304 (1)	(118,304)	0	0.00%	13.95%	0.00%	
Preferred Stock	0 (2)	600,000	600,000	16.87%	8.50%	1.43%	
Long-Term Debt	2,903,297		2,903,297	81.65%	10.50%	8.57%	
Customer Deposits	52,631		52,631	1.48%	8.00%	0.12%	
Tax Credits - Zero Cost	0		0	0.00%	0.00%	0.00%	
Deferred Income Taxes	0		0	0.00%	0.00%	0.00%	
Total	3,074,232	481,696	3,555,928	100.00%		10.13%	0.807336%

NOTES: (1) To reduce the common equity to zero as the net balance is a negative amount.
 (2) To reflect the balance of preferred stock.