

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed AFUDC letter request)	DOCKET NO. 880413-PU
required by Rules 25-4.0171, F.A.C.,)	
for local exchange companies (LECs) and)	ORDER NO. 23156
25-6.0141, F.A.C. for investor-owned)	
electrics (IOUs))	ISSUED: 7-5-90
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

ORDER ESTABLISHING AFUDC RATE FOR
SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
AND
CLOSING DOCKET

BY THE COMMISSION:

Rule 25-4.0171, Florida Administrative Code (the Rule), gives utilities the choice of filing private letter ruling requests with the Internal Revenue Service (the IRS) concerning the calculation of their rates to be used in determining the allowance for funds used during construction (AFUDC). This election was provided for companies wishing to obtain assurance that all investment tax credits (ITCs) can be assigned a cost rate of zero in this calculation without violating Section 46(f)(2) of the Internal Revenue Code.

By Order No. 22263, issued December 4, 1989, we approved Southern Bell Telephone and Telegraph Company's (Bell's) proposed private letter ruling request for submission to the IRS. Additionally, we ordered Bell to revise its AFUDC rate from July 7, 1987 forward upon receipt of an IRS ruling. The IRS ruling was received June 8, 1990.

A return on equity (ROE) of 13.20% was established for Bell for all regulatory purposes by Order No. 20162, issued on October 13, 1988, in Dockets Nos. 880069-TL and 870832-TL. We did not change Bell's AFUDC rate at that time to reflect the lower ROE or any other changes in the capital structure. We

DOCUMENT NUMBER-DATE

05869 JUL -5 1990

PSC-RECORDS/REPORTING

ORDER NO. 23156
DOCKET NO. 880413-PU
PAGE 2

believed that it would be administratively easier for Bell to change its AFUDC rate for both the zero cost ITC and the new ROE at one time.

Upon review, we conclude that 8.59% annually, or .689079% monthly, is the AFUDC rate to be applied by Bell beginning on October 1, 1988. This rate is based on the 13.20% ROE established by Order No. 20162. Based on the zero cost ITC, the ROE of 13.2% and the capital structure for the twelve months ended December 31, 1988, Southern Bell's new authorized AFUDC rate is 8.59%. Staff has used the capital structure for the twelve months ended December 31, 1988, because this is the closest period to October 1988 for which we have data and an audit has already been conducted.

With respect to the AFUDC rate to be applied retroactively, Bell has recalculated its AFUDC rate using zero-cost ITCs. The resultant 9.69% rate necessitated a reduction in AFUDC retroactive to July 7, 1987 and through September 30, 1988. Since our decision prescribing a 13.2% ROE was made on September 23, 1988, we hereby set an effective date of October 1, 1988, for Bell's new AFUDC rate. The total reduction in AFUDC accrued from July of 1987 through May of 1990 is \$658,538. The company shall record the adjustment in order to accomplish this purpose.

Order No. 22263 further ordered that this docket be closed upon receipt of the IRS's private letter ruling issued to Bell. In light of the action being taken herein, we hereby close this docket.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that, effective October 1, 1988, the rate to be used in determining Southern Bell Telephone and Telegraph Company's Allowance For Funds Used During Construction shall be 8.59% annually, or .689079% monthly, in accordance with Rule 25-4.0171, Florida Administrative Code, in compliance with Order No. 22263, issued December 4, 1989. It is further

ORDERED that this docket is hereby closed.

ORDER NO. 23156
DOCKET NO. 880413-PU
PAGE 3

By ORDER of the Florida Public Service Commission,
this 5th day of JULY, 1990.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

DLC

by: Kay Flynn
Chief, Bureau of Records

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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or 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 after the issuance 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.