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Gulf Utility Company

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MAY 5 1992

Florida Public Service Commission
Division of Water and Sewer

May 4, 1992

Mr. Charles H. Hill
Director, Division of Water & Sewer
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0873

920222-WS

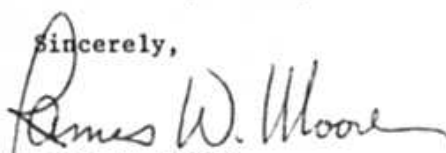
Re: Application for AFUDC Rate

Dear Mr. Hill:

This is a request for authorization to charge a monthly rate of 0.833961% for an allowance for funds used during construction. The attached schedules reflect two changes requested by staff, namely, customer deposits is a 12-month average, and interest on short-term debt is 11.04%, an average for the 12-month period.

There are attached schedules supporting the above rate as required by Rule 25-30.121.

Sincerely,


James W. Moore
President

JWM/kb
enc.

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SERVICE COMMISSION

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DOCUMENT NUMBER-DATE

05107 MAY 19 1992

FPSC-RECORDS/REPORTING

**Gulf Utility Company
Request for
Approval to Change AFUDC Rate**

**DOCUMENT NUMBER-DATE
05107 MAY 19 1992
FPSC-RECORDS/REPORTING**

Gulf Utility Company
Request for
Approval of AFUDC Rate

The Company's present monthly AFUDC rate of 0.803520% was authorized by the Commission in Docket No. 880676-WS, Order No. 19499 issued June 15, 1988.

In this application, the Company is requesting a monthly AFUDC rate of 0.833961%.

Attached hereto is the following schedule:

Schedule A: Capital structure and cost of capital is the average for 1991. The capital structure is comparable to that set forth in the Company's last two rate cases, namely, Docket No. 880308-SU and Docket No. 900718-WU.

The debt capital, which represents 90.5% of total capital, was unchanged in the twelve months period. Customer deposits is average for the year. Equity capital decreases due to operating losses with the December 31, 1991 capitalization more representative of the future period.

Schedule B: The Company long-term debt is summarized in this schedule and is comparable to a similar schedule in Docket No. 900718-WU. There is no adjustment to the amount of debt outstanding.

The only adjustment to the capital structure is \$115,307 of plant acquisition adjustment. This adjustment was recognized in the Company's last two rate cases.

Schedule C: Monthly AFUDC calculations.

SCHEDULE A

Cost of Capital

Company: Gulf Utility Company
 Docket No.
 Year Ended: 12/31/91

Line No.	Class of Capital	(1) Amount (Average)	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	\$8,975,000	89.77 %	10.43 %	9.36 %
2	Short-Term Debt	75,360	0.75	11.04	0.08
3	Preferred Stock				
4	Customer Deposits	166,455	1.66	8.00	0.13
5	Common Equity (a) (b)	683,278	6.83	13.11	0.90
6	Construction Advances	0			
7	Tax Credits - Wtd. Cost				
8	Accus. Deferred Income Taxes	97,473	0.97		
9	Other (Explain)				
10	Total	<u>\$9,797,566</u>	<u>100.00 %</u>		<u>10.48 %</u>

(a) Same recognition as in Docket 880308-SU and Docket 900718-WU

Common Equity	\$567,971
PI Acq Adj	115,307
	<u> </u>
	\$683,278

(b) The return on equity authorized in Docket 900718-WU was 13.11%.

SCHEDULE B

Company: Gulf Utility Company
 Docket No:
 Year Ended: 12/31/91

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Description, Coupon Rate, Years of Life	Principal Amount Sold (Face Value)	Principal Amount Outstanding	Amount Outstanding Within One Year	Unamortized Discount (Premium) Associated With Col(6)	Unamortized Issuing Expense Associated With Col(7)	Annual Amortization of Discount (Premium) on Principal Outstanding	Annual Amort. of Issuing Expense on Principal Outstanding	Interest Cost (Coupon Rate) x Col (4)	Total Interest Cost (8)+(9)+(10)	Effective Cost Rate (11)/(4)-(6)-(7):
1	1988-A 1882 9.60%	\$6,000,000	\$6,000,000	\$6,000,000		\$250,080		\$9,911	\$576,000	\$585,911	10.19%
2	Renewal & Replacement Fund(a)	(25,000)	(25,000)	(25,000)					(2,094)	(2,094)	
3	Debt Service Reserve Fund(b)	(600,000)	(600,000)	(600,000)					(50,250)	(50,250)	
4	1988-B 1882 9.50%	4,000,000	4,000,000	4,000,000		215,924		7,510	390,000	387,510	10.24%
5	Debt Service Reserve Fund(b)	(400,000)	(400,000)	(400,000)					(34,000)	(34,000)	
7	Total	\$8,975,000	\$8,975,000	\$8,975,000		\$466,004		\$17,421	\$869,656	\$887,077	10.43%

(a) Minimum of \$25,000

(b) 10% of Principle-Invested @ 8.375% and 8.50%

SCHEDULE C

Gulf Utility Company

Annual AFUDC Rate

Discounted to Reflect Monthly Compounding

Formula:

$$M = \left[\left(1 + \frac{A}{100} \right)^{\frac{1}{12}} - 1 \right] \times 100$$

Where:

M = discounted monthly AFUDC rate

A = annual AFUDC rate

$$M = \left[\left(1 + \frac{10.48}{100} \right)^{.083333} - 1 \right] \times 100$$

$$= 0.833961\%$$