

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval) DOCKET NO. 920222-WS
of allowance for funds used) ORDER NO. PSC-92-0587-FOF-WS
during construction (AFUDC)) ISSUED: 06/30/92
by GULF UTILITY COMPANY in Lee)
County)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Gulf Utility Company (Gulf or utility) is a Class A utility operating in Lee County. As of December 31, 1991, the utility had 5,513 water customers and 1,507 wastewater customers.

On March 9, 1992, Gulf Utility filed an application for approval of Allowance for Funds Used During Construction (AFUDC) rates. The application, as filed, was not in compliance with the filing requirements of Rule 25-30.116, Florida Administrative Code. On May 7, 1992, the utility submitted a revised application which met the filing requirements. Therefore, May 7, 1992, was established as the official date of filing.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATE

Rule 25-30.116(2)(a), Florida Administrative Code, provides that an AFUDC rate shall be determined using the utility's most

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recent 12-month average embedded cost of capital, as derived from all sources. In its application, the utility proposed cost rates and a capital structure as of December 31, 1991, rather than a twelve-month average as required by Rule 25-30.116, Florida Administrative Code. However, in the revised application, submitted on May 7, 1992, the cost rates were adjusted and the amounts for the capital structure were computed on a twelve-month average.

The utility used all sources of capital and adjustments consistent with those allowed by the Commission in the utility's last rate case to calculate the average embedded cost of capital. In calculating the annual AFUDC rate, the utility used a common equity cost rate of 13.11 percent. This common equity cost rate was set in the last water rate case by Order No. 24735, issued July 1, 1991. In the utility's last wastewater rate case, the equity rate of return was set at 14.35 percent by Order No. 20272, issued November 7, 1988.

Because the utility requested the lower rate of return on equity and based on the facts as represented to us, we accept the common equity cost rate as reasonable. Therefore, we approve the utility's requested AFUDC annual rate of 10.48 percent and a discounted monthly rate of .833961 percent. Our calculation of the appropriate AFUDC rate is attached herein as Schedule No. 1-A.

EFFECTIVE DATE

Rule 25-30.116(5), Florida Administrative Code, provides that the effective date for a new AFUDC rate shall be the month following the end of the 12-month period used to establish the rate. Since the period used for establishing Gulf's AFUDC rate was the year ended December 31, 1991, pursuant to the Rule, the effective date for all eligible construction projects shall be January 1992.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the request of Gulf Utility Company for a 10.48 percent annual AFUDC rate and a discounted monthly rate of .833961 percent is hereby approved for all eligible construction projects beginning January 1992. It is further

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ORDERED that the provision of this Order are issued as proposed agency action and shall become final unless an appropriate petition, in the form provided by Rule 25-22.029, 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 close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that this docket shall be closed upon expiration of the protest period, if no protest is received.

By ORDER of the Florida Public Service Commission, this 30th day of June, 1992.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

LAJ/LK

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

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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 July 21, 1992.

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.

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 wastewater 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.

GULF UTILITY COMPANY
 CAPITAL STRUCTURE
 12-MONTH PERIOD ENDED DECEMBER 31, 1991

SCHEDULE NO. 1-A
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DESCRIPTION	AMOUNT (AVERAGE)	WEIGHT	COST RATE	UTILITY 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	0	0.00%	0.00%	0.00%
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	0.00%	0.00%	0.00%
7 ACCUM. DEFERRED INCOME TAXES	97,473	0.97%	0.00%	0.00%
8 TOTAL CAPITAL	\$ 9,997,566	100.00%		10.48%

GULF UTILITY COMPANY
 CALCULATION OF DISCOUNTED-
 MONTHLY AFUDC RATE

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Formula

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

Where M = discounted monthly AFUDC rate.
 A = annual AFUDC rate.

$$M = \left[\frac{1}{\left(1 + \frac{10.48}{100}\right)^{12}} - 1 \right] \times 100$$

$$M = .833961$$