

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Allowance)	DOCKET NO. 900696-WS
for Funds Used During Construction)	ORDER NO. 23966
(AFUDC) Rate by General Development))	ISSUED: 1-7-91
Utilities, Inc. for West Coast)	
Division in Charlotte, DeSoto, and)	
Sarasota Counties)	
_____)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING ALLOWANCE FOR FUNDS
USED DURING CONSTRUCTION (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 as such, 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.

CASE BACKGROUND

General Development Utilities, Inc., West Coast Division, (GDU West Coast or utility) is a Class A water and wastewater utility operating in Charlotte, DeSoto, and Sarasota Counties. On January 24, 1990, the utility filed an application for multi-county certificates. By Order No. 22783, issued April 9, 1990, this Commission granted the utility the water and wastewater certificates it requested. GDU West Coast has not previously had a rate case before this Commission; however, it did have a rate case in 1985 for its Charlotte County system before the Charlotte County regulatory authority.

On August 14, 1990, the utility filed the instant application for approval of an Allowance for Funds Used During Construction

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(AFUDC) rate. The application met the filing requirements of Rule 25-30.116(4), Florida Administrative Code.

AFUDC RATE

The utility calculated its average embedded cost of capital using the 12-month period ended June 30, 1990. The utility made its capital structure calculation using preliminary balances and estimates based on the best information available at the date of filing. It requested an 11.59% AFUDC rate, with a monthly discounted rate of .965321%.

Subsequent to its filing in this case, the December 31, 1989, audited financial statements for General Development Utilities, Inc., (GDU) were finalized. These financial statements made several adjustments to the June 30, 1990, capital structure balances filed by the utility. The utility provided an updated capital structure but did not want to revise its filing. Since we believe that it is appropriate to use the updated, audited amounts rather than the estimated amounts originally filed, we have adjusted the amounts originally filed to reflect the audited balances.

We have not previously established a rate of return on equity for GDU West Coast, although Charlotte County authorized it to earn a 15.50% return on equity in its 1985 rate case with the County. In its application in this case, the utility requested a 13.34% return on equity based on the leverage graph established in Order No. 21775, issued August 23, 1989. This Commission has, however, updated the leverage graph by Order No. 23318, issued August 7, 1990. As the utility has agreed to use the updated leverage graph and we believe it appropriate to use the most current information, we shall use the leverage graph contained in Order No. 23318 to calculate the proper rate of return on equity. According to that graph, with an equity ratio of 53.65%, the appropriate return on equity for this utility is 12.66%.

Using a 12.66% return on equity, we find the appropriate annual AFUDC rate for this utility to be 11.28% and the monthly discounted rate to be .894640%. Our calculations are contained in Schedule No. 1, which is attached hereto and by reference incorporated herein.

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EFFECTIVE DATE OF AFUDC RATE

Rule 25-30.116(5), Florida Administrative Code, states that the effective date for a newly-approved AFUDC rate shall be the month following the end of the 12-month period used to establish the rate. The period used for calculating the rate here was the year ending June 30, 1990, so the effective date of the rate should be July 1, 1990, according to the rule. However, pursuant to Rule 25-30.116(5), Florida Administrative Code, the utility has requested a retroactive application of the rate to begin October 1, 1989.

The utility cites the following reasons for its request for retroactive application: (1) There had been considerable uncertainty regarding the Commission's jurisdiction over GDU West Coast. On January 24, 1990, the Commission issued a declaratory statement confirming its jurisdiction, but this decision is currently being appealed. (2) In recent months a number of other filings have either been required by the Commission or necessary in the regular course of business, including the application for multi-county certificates, three certificate extensions, the 1989 Annual Report, and an indexing/pass-through application. The Commission issued certificates to the utility as recently as April 9, 1990. (3) Certain capital structure balances were affected by the Chapter 11 Bankruptcy filed by GDU's parent company. GDU's audited financial statements for the year ending December 31, 1989, were not finalized until early September, 1990. Adjustments to the capital structure balances were being made up until that late date as certain parent/subsidiary accounting issues were resolved.

Upon consideration, we hereby deny retroactive application of the AFUDC rate established herein for qualifying projects in any of the three counties involved. Retroactive application for Charlotte County construction projects is unnecessary because the utility currently has a Charlotte County-approved Carrying Cost Recovery Charge (CCRC) of 10.60%. As the CCRC is essentially an AFUDC rate, the present application is, in effect, a request for a change in, rather than an initiation of, an AFUDC rate. The utility will not be losing all carrying costs by our denying retroactive application, just an increment of the charge, and we think that the resulting loss will not be material enough to warrant retroactive application.

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Retroactive application for construction projects in Sarasota County is likewise unnecessary. By letter dated October 30, 1990, the utility indicated that the City of North Port, which regulates the utility's Sarasota County system, does not require separate filing of and approval for AFUDC rates. All the utility had to do was notify the City of its current AFUDC rate in its annual report. GDU calculated and annually adjusted its Sarasota County AFUDC rate based on West Coast Division balances and then reported the balances in its annual reports. Again, it would appear that this application is, in effect, a request for a change in an AFUDC rate, rather than a request for approval of an initial rate. For the same reason we denied retroactive application to the Charlotte County system, we deny it for the Sarasota County system.

Finally, we will not allow the utility to retroactively apply the AFUDC rate approved herein to DeSoto County construction projects. This Commission has had jurisdiction over Desoto County since August 14, 1984. Rule 25-30.116(8), Florida Administrative Code, which was amended on December 7, 1987, states that paragraphs (a) and (b) of subsection (1) of the rule were to be effective for all utilities no later than January 1, 1989. The utility has not previously applied for an AFUDC rate for the DeSoto system and did not file the instant application until August 14, 1990. In our judgment, the circumstances cited by the utility do not justify its delay in filing for an AFUDC rate.

It is, therefore,

ORDERED by the Florida Public Service Commission that the provisions of this Order, issued as proposed agency action, 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 the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that the application for an Allowance for Funds Used During Construction (AFUDC) Rate by General Development Utilities, Inc., West Coast Division, for Charlotte, DeSoto, and Sarasota Counties is granted to the extent set forth in the body of this Order. It is further

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ORDERED that the AFUDC rate approved herein shall be effective for eligible construction projects as of July 1, 1990, and shall not be retroactively applied. It is further

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

By ORDER of the Florida Public Service Commission this 7th
day of JANUARY, 1991.



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 January 28, 1991.

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 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.

SCHEDULE NO. 1

GENERAL DEVELOPMENT UTILITIES, INC. - WEST COAST DIVISION

Schedule No. 1
Docket No. 900696-ws

Class of Capital	Capitalization Per Utility	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity	79,906,000	(2,000,761)	77,905,239	47.49%	12.66%	6.01%	
Long Term Debt	67,312,420	0	67,312,420	41.03%	12.60%	5.17%	
Short-Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	1,964,369	0	1,964,369	1.20%	8.00%	0.10%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Zero Cost	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	7,249,598	0	7,249,598	4.42%	0.00%	0.00%	
Deferred Income Taxes	10,098,161	(478,788)	9,619,373	5.86%	0.00%	0.00%	
Total	166,530,548	(2,479,549)	164,050,999	100.00%		11.28%	0.894640%

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