

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to make certain)	DOCKET NO. 910699-WS
adjustments to contributions-in-aid-))	
of-construction (CIAC) and retained)	ORDER NO. 25385
earnings accounts by SUNBELT)	
UTILITIES, INC. in Lake and Sumter)	ISSUED: 11/25/91
Counties)	
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 SUSAN F. CLARK
 J. TERRY DEASON
 BETTY EASLEY
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING CERTAIN ADJUSTMENTS TO
CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION AND
RETAINED EARNINGS ACCOUNTS

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.

On August 14, 1990, Sunbelt Utilities, Inc. (Sunbelt or the utility) filed a petition with this Commission to make certain adjustments to its books and records, to comply with Rule 25-30.110(1)(a), Florida Administrative Code. Sunbelt made the requested adjustments to the contributions-in-aid-of-construction (CIAC) and retained earnings accounts without prior Commission approval. Sunbelt is a Class B utility, and the National Association of Regulatory Utility Commissions (NARUC) Uniform System of Accounts for Class B water and wastewater utilities (1984) states that no adjustment may be made to Account 271, CIAC, without the approval of the regulatory commission. Also, the provision of Accounting Instruction No. 8 within the NARUC Uniform System of Accounts for Class B water and wastewater utilities

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states that no prior period adjustment to retained earnings may be made without the approval of the regulatory commission.

By Order No. 24466, issued May 2, 1991, the petition filed on August 19, 1990, was denied because the utility failed to provide adequate supporting documentation to substantiate and justify its adjustments. The Order also required the utility to refile its petition or reverse the adjustments by July 1, 1991. The petition was refiled on June 30, 1991, and each requested adjustment is discussed separately below.

Sunbelt failed to record amounts collected to pay taxes on CIAC (CIAC gross-up) in a separate sub-account of CIAC as required by Order No. 23541, issued October 1, 1991. The CIAC gross-up collections totalled \$458,161 for 1987 and 1988. The utility also charged income tax expense in order to set up the taxes payable. Sunbelt should have credited taxes payable for cash collected related to the CIAC gross-up. To correct the error, the utility reduced CIAC by \$458,161 and increased retained earnings for the same amount as of December 31, 1988. We find this adjustment to be appropriate.

In 1989, the utility adjusted its 1989 Annual Report to tie 1988 Annual Report balances of additional paid-in-capital and retained earnings to the 1988 general ledger. This adjustment was reflected in the utility's initial petition. However, subsequent to the utility's filing its initial petition, the utility determined that this adjustment was not appropriate and reversed the adjustment in its 1990 Annual Report. We find that it was appropriate for the utility to reverse the 1989 adjustment in the 1990 Annual Report.

Sunbelt incorrectly recorded depreciation expense in its accounting records through 1988. According to the utility's petition, the correct amount of accumulated depreciation should have been recorded as \$654,811 instead of \$449,288. To correct the error, the utility increased accumulated depreciation by \$205,523 and decreased retained earnings by the same amount. We find this adjustment to be appropriate.

Due to the reduction in CIAC previously discussed, accumulated amortization was reduced by \$10,607. Also, the retained earnings account was reduced by \$10,607, the amount of excess amortization of CIAC that flowed through earnings prior to December 31, 1988. We find these adjustments to be appropriate.

To record the correct amount of deferred taxes as of December 31, 1988, a credit to deferred income taxes and a debit to retained

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earnings of \$127,639 was made. We find this adjustment to be appropriate.

The final adjustment was to record certain expenses related to the year ended December 31, 1988, as 1988 expenses. The utility removed \$113,288 of expenses from 1989 and recorded them in 1988. This adjustment reduced retained earnings by \$113,288 and increased 1988 accrued expenses payable by the same amount. The utility also amended its 1988 Federal Income Tax Return to reflect this adjustment. We find this adjustment to be appropriate; however, we also find that \$16,943 of the \$113,288 expense adjustment should be reclassified as interest expense. Further, we find that \$43,478 should be reclassified as miscellaneous non-utility expense because that amount was not substantiated.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of Sunbelt Utilities, Inc. to make certain adjustments to the contributions-in-aid-of-construction and retained earnings accounts is hereby approved to the extent set forth in the body of this Order. It is further

ORDERED that all provisions 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 of the 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, if a substantially affected person does not file a timely protest, this docket may be closed.

By ORDER of the Florida Public Service Commission, this 25th day of NOVEMBER, 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 12/16/91.

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.