

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval ) DOCKET NO. 920031-SU  
of wastewater allowance for funds ) ORDER NO. PSC-92-0408-FOF-SU  
prudently invested (AFPI) charges ) ISSUED: 05/26/92  
in Lee County by Gulf Utility )  
Company. )  
\_\_\_\_\_)

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 WASTEWATER ALLOWANCE  
FOR FUNDS PRUDENTLY INVESTED

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are 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.

On January 7, 1992, Gulf Utility Company (Gulf Utility or utility) filed an application and a tariff sheet for approval of allowance for funds prudently invested (AFPI) charges. By Order No. PSC-92-0037-FOF-SU, issued March 10, 1992, we suspended Gulf Utility's proposed AFPI charges until we had completed our analysis of the utility's tariff filing. The utility requested charges related to Phase Two of the Three Oaks Wastewater Plant which went into service in January, 1992. Gulf Utility's last rate case for wastewater was in Docket No. 880308-SU and Order No. 20272, issued November 7, 1988, established rate base.

After reviewing the AFPI charges requested, we found that annual depreciation expense was calculated incorrectly and mathematical errors were made. The cumulative effect of these errors is immaterial, but in favor of the utility because it raises the revenue requirement. Since the AFPI payment is a revenue item,

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FPSC-RECORDS/REPORTING

it is not Commission policy to grant charges in excess of the requested amounts. Our recalculation of the AFPI charges is included in this Order as Schedules Nos. 2A and 2B.

The purpose of the proposed AFPI charges is to allow the recovery of carrying costs associated with a new wastewater treatment plant which has not been included in rate base for Gulf Utility. The charge includes a rate of return, depreciation, property taxes, income taxes, and regulatory assessment fees on the additional plant capacity.

Our calculation provides an AFPI charge for a five-year period beginning January, 1992, and ending December, 1996. After the expiration of this five-year period, Gulf Utility may still collect AFPI, however, the charges shall remain fixed reflecting that Gulf Utility shall bear the additional carrying costs of the excess plant after December, 1992.

Based upon the discussion above, we hereby approve the AFPI charges as set forth in Schedules Nos. 1A and 1B of this Order. These charges shall be applicable to future customers upon connection to the utility's wastewater system or upon the prepayment of plant capacity charges, whichever comes first and until the utility provides service to 904 additional equivalent residential connections (ERCs). Phase Two of Three Oaks Wastewater Plant has a capacity to serve 1,000 ERCs, but 96 ERCs were prepaid prior to January 1, 1992. No AFPI charges shall be retroactively applied to the 96 ERCs which have prepaid plant capacity charges. In addition, the tariff sheet will be approved upon our staff's verification that the tariff sheet are consistent with our decisions in this Order.

It is, therefore,

ORDERED by the Florida Public Service Commission that Gulf Utility Company's request for an AFPI charge is hereby approved as set forth in the body of this Order. It is further

ORDERED that all portions of this Order in the form of schedules attached hereto are, by reference, expressly incorporated into the body of this Order. It is further

ORDERED that the provisions of this Order are preliminary in nature and will become final unless a person whose interests are

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DOCKET NO. 920031-SU  
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substantially affected files a petition for a formal proceeding in accordance with Rule 25-22.029, Florida Administrative Code, with the Director of the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings. It is further

ORDERED that no AFPI charges shall be retroactively applied to Gulf Utility Company's 96 ERCs which have prepaid plant capacity charges. It is further

ORDERED that if no protests to the proposed agency action in this Order are filed and after the tariff sheet has been stamped approved, this docket may be closed.

By ORDER of the Florida Public Service Commission, this 26th day of May, 1992.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

by: Kay J. Lynn  
Chief, Bureau of Records

NRF

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 June 16, 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.

SCHEDULE 1A

GULF UTILITY COMPANY  
 DOCKET NO. 920031-SU

COMPANY PROPOSED  
 AND  
 COMMISSION APPROVED

Allowance for Funds Prudently Invested  
 Calculation of Carrying Costs for Each ERC

Information Needed

1.	Cost of Qualifying Assets	\$	1,391,700
2.	Capacity of Qualifying Assets		250,000 GPD
3.	Number of Future Customers		1,000 ERC
4.	Annual Depreciation Expense	\$	51,252
5.	Rate of Return		10.27%
6.	Weighted Cost of Equity		1.43%
7.	Federal Income Tax Rate		34.00%
8.	State Income Tax Rate		5.50%
9.	Annual Property Tax	\$	5,000
10.	Other Costs	\$	0
11.	Depreciation Rate of Assets		3.56%
12.	Test Year		1992

GULF UTILITY COMPANY  
 DOCKET NO. 920031-SU

COMPANY PROPOSED  
 AND  
 COMMISSION APPROVED

Allowance for Funds Prudently Invested  
 Schedule of Charges:

	1992	1993	1994	1995	1996	1997
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January	18.81	246.00	491.24	756.39	1,043.49	1,326.82
February	37.62	266.30	513.19	780.15	1,069.24	1,326.82
March	56.43	286.60	535.13	803.91	1,095.00	1,326.82
April	75.23	306.90	557.08	827.66	1,120.76	1,326.82
May	94.04	327.20	579.02	851.42	1,146.52	1,326.82
June	112.85	347.50	600.96	875.18	1,172.27	1,326.82
July	131.66	367.80	622.91	898.94	1,198.03	1,326.82
August	150.47	388.10	644.85	922.70	1,223.79	1,326.82
September	169.28	408.40	666.80	946.45	1,249.55	1,326.82
October	188.08	428.70	688.74	970.21	1,275.31	1,326.82
November	206.89	449.00	710.69	993.97	1,301.06	1,326.82
December	225.70	469.30	732.63	1,017.73	1,326.82	1,326.82

GULF UTILITY COMPANY DOCKET NO. 920031-SU		COMPANY PROPOSED AND COMMISSION APPROVED	
<b>Allowance for Funds Prudently Invested Calculation of Carrying Costs for Each ERC:</b>			
Cost of Qualifying Assets: Divided By Future ERC:	\$ 1,391,700 1,000	Annual Depreciation Expense Future ERC's:	\$ 51,252 1,000
Cost/ERC: Multiply By Rate of Return:	\$ 1,391.70 10.27%	Annual Depr. Cost per ERC:	\$ 51.25
Annual Return Per ERC:	\$ 142.93	Annual Property Tax Expense: Future ERC's:	\$ 5,000 1,000
Annual Reduction in Return: (Annual Depreciation Expense per ERC Times Rate of Return)	\$ 5.26	Annual Prop. Tax per ERC:	\$ 5.00
Federal Tax Rate:	34.00%	Weighted Cost of Equity: Divided by Rate of Return	1.43% 10.27%
Effective State Tax Rate:	3.63%	% of Equity in Return:	13.92%
Total Tax Rate:	37.63%	Other Costs Future ERC's:	\$ 0 1,000
Effective Tax on Return: (Equity % Times Tax Rate)	5.24%	Cost per ERC:	\$ 0.00
Provision For Tax: (Tax on Return/(1 - Total Tax Rate))	8.40%		

GULF UTILITY COMPANY DOCKET NO. 920031-SU		COMPANY PROPOSED AND COMMISSION APPROVED			
<b>Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Year:</b>					
	1992	1993	1994	1995	1996
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	51.25	51.25	51.25	51.25	51.25
Unfunded Property Tax:	5.00	5.00	5.00	5.00	5.00
Subtotal Unfunded Annual Expense:	\$ 56.25	\$ 56.25	\$ 56.25	\$ 56.25	\$ 56.25
Unfunded Expenses Prior Year:	0.00	56.25	112.50	168.76	225.01
Total Unfunded Expenses:	\$ 56.25	\$ 112.50	\$ 168.76	\$ 225.01	\$ 281.26
Return on Expenses Current Year:	5.78	5.78	5.78	5.78	5.78
Return on Expenses Prior Year:	0.00	5.78	11.55	17.33	23.11
Return on Plant Current Year:	142.93	137.67	132.40	127.14	121.88
Earnings Prior Year:	0.00	142.93	301.06	475.93	669.28
Compound Earnings from Prior Year:	0.00	14.68	30.92	48.88	68.74
Total Compounded Earnings:	\$ 142.93	\$ 301.05	475.93	669.28	883.01
Earnings Expansion Factor for Tax:	1.08	1.08	1.08	1.08	1.08
Revenue Required to Fund Earnings:	\$ 154.94	\$ 326.34	\$ 515.91	\$ 725.50	\$ 957.19
Revenue Required to Fund Expenses:	56.25	112.50	168.76	225.01	281.26
Subtotal:	\$ 211.19	\$ 438.84	\$ 684.67	\$ 950.51	\$ 1,238.45
Divided by Factor for Gross Receipts Tax:	0.955	0.955	0.955	0.955	0.955
ERC Carrying Cost for 1 Year:	\$ 221.14	\$ 459.52	\$ 716.93	\$ 995.30	\$ 1,296.81

SCHEDULE 2A

GULF UTILITY COMPANY  
 DOCKET NO. 920031-SU

COMMISSION  
 CALCULATION

Allowance for Funds Prudently Invested  
 Calculation of Carrying Costs for Each ERC

Information Needed

1.	Cost of Qualifying Assets	\$	1,391,700
2.	Capacity of Qualifying Assets		250,000 GPD
3.	Number of Future Customers		1,000 ERC
4.	Annual Depreciation Expense	\$	49,535
5.	Rate of Return		10.27%
6.	Weighted Cost of Equity		1.43%
7.	Federal Income Tax Rate		34.00%
8.	State Income Tax Rate		5.50%
9.	Annual Property Tax	\$	5,000
10.	Other Costs	\$	0
11.	Depreciation Rate of Assets		3.56%
12.	Test Year		1992

GULF UTILITY COMPANY  
 DOCKET NO. 920031-SU

COMMISSION  
 CALCULATION

Allowance for Funds Prudently Invested  
 Schedule of Charges:

	1992	1993	1994	1995	1996	1997
	----	----	----	----	----	----
January	18.81	246.00	491.24	756.39	1,043.49	1326.82
February	37.62	266.30	513.19	780.15	1,069.24	1326.82
March	56.43	286.60	535.13	803.91	1,095.00	1326.82
April	75.23	306.90	557.08	827.66	1,120.76	1326.82
May	94.04	327.20	579.02	851.42	1,146.52	1326.82
June	112.85	347.50	600.96	875.18	1,172.27	1326.82
July	131.66	367.80	622.91	898.94	1,198.03	1326.82
August	150.47	388.10	644.85	922.70	1,223.79	1326.82
September	169.28	408.40	666.80	946.45	1,249.55	1326.82
October	188.08	428.70	688.74	970.21	1,275.31	1326.82
November	206.89	449.00	710.69	993.97	1,301.06	1326.82
December	225.70	469.30	732.63	1,017.73	1,326.82	1326.82

GULF UTILITY COMPANY DOCKET NO. 920031-SU		COMMISSION CALCULATION	
<b>Allowance for Funds Prudently Invested Calculation of Carrying Costs for Each ERC:</b>			
Cost of Qualifying Assets:	\$ 1,391,700	Annual Depreciation Expense:	\$ 49,535
Divided By Future ERC:	1,000	Future ERC's:	1,000
Cost/ERC:	\$ 1,391.70	Annual Depr. Cost per ERC:	\$ 49.54
Multiply By Rate of Return:	10.27%	Annual Property Tax Expense:	\$ 5,000
Annual Return Per ERC:	\$ 142.93	Future ERC's:	1,000
Annual Reduction in Return: (Annual Depreciation Expense per ERC Times Rate of Return)	\$ 5.09	Annual Prop. Tax per ERC:	\$ 5.00
Federal Tax Rate:	34.00%	Weighted Cost of Equity:	1.43%
Effective State Tax Rate:	3.63%	Divided by Rate of Return:	10.27%
Total Tax Rate:	37.63%	% of Equity in Return:	13.92%
Effective Tax on Return: (Equity % Times Tax Rate)	5.24%	Other Costs:	\$ 0
Provision For Tax: (Tax on Return/(1 - Total Tax Rate))	8.40%	Future ERC's:	1,000
		Cost per ERC:	\$ 0.00

GULF UTILITY COMPANY DOCKET NO. 920031-SU		COMMISSION CALCULATION				
<b>Allowance for Funds Prudently Invested Calculation of Carrying Cost Per ERC Per Year:</b>						
	1992	1993	1994	1995	1996	
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Unfunded Annual Depreciation:	49.54	49.54	49.54	49.54	49.54	
Unfunded Property Tax:	5.00	5.00	5.00	5.00	5.00	
Subtotal Unfunded Annual Expense:	\$ 54.54	\$ 54.54	\$ 54.54	\$ 54.54	\$ 54.54	
Unfunded Expenses Prior Year:	0.00	54.54	109.07	163.61	218.14	
Total Unfunded Expenses:	\$ 54.54	\$ 109.07	\$ 163.61	\$ 218.14	\$ 272.68	
Return on Expenses Current Year:	5.60	5.60	5.60	5.60	5.60	
Return on Expenses Prior Year:	0.00	5.60	11.20	16.80	22.40	
Return on Plant Current Year:	142.93	137.84	132.76	127.67	122.58	
Earnings Prior Year:	0.00	148.53	312.83	494.51	695.37	
Compound Earnings from Prior Year:	0.00	15.25	32.13	50.79	71.41	
Total Compounded Earnings:	\$ 148.53	\$ 312.83	\$ 494.51	\$ 695.37	\$ 917.37	
Earnings Expansion Factor for Tax:	1.08	1.08	1.08	1.08	1.08	
Revenue Required to Fund Earnings:	\$ 161.01	\$ 339.11	\$ 536.06	\$ 753.79	\$ 994.44	
Revenue Required to Fund Expenses:	54.54	109.07	163.61	218.14	272.68	
Subtotal:	\$ 215.54	\$ 448.18	\$ 699.66	\$ 971.93	\$ 1,267.11	
Divided by Factor for Gross Receipts Tax:	0.955	0.955	0.955	0.955	0.955	
ERC Carrying Cost for 1 Year:	\$ 225.70	\$ 469.30	\$ 732.63	\$ 1,017.73	\$ 1,326.82	