

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of HYDRATECH)	DOCKET NO. 881407-WS
UTILITIES, INC. for approval of)	
allowance for funds used during)	ORDER NO. 20650
construction (AFUDC) rates in)	
Martin County)	ISSUED: 1-24-89
_____)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING AFUDC RATE

BY THE COMMISSION:

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

By Order No. 18367, issued November 2, 1987, this Commission required Hydratech Utilities, Inc. (Hydratech) to make certain capital improvements to both its water and sewer systems. Also by Order No. 18367, we specifically excluded the costs of these improvements from Hydratech's rate base.

On November 2, 1988, Hydratech filed an application, pursuant to Rule 25-30.116, Florida Administrative Code, for approval of two allowance for funds used during construction (AFUDC) rates. Hydratech requested that we approve an AFUDC rate of 10.55 percent, to be retroactively applied for eligible construction projects for the period August 30, 1987, to July 1, 1988 and a rate of 9.63 percent to be applied for eligible construction projects for the period subsequent to July 1, 1988.

In its calculation of the requested retroactive AFUDC rate of 10.55 percent, Hydratech used the thirteen-month average year ended July 30, 1987, to derive its average cost of capital. For the requested AFUDC rate of 9.63 percent, Hydratech used the thirteen-month average year ended June 30, 1988, to derive its average cost of capital. Pursuant to Rule 25-30.116(2)(a), Florida Administrative Code, the most recent twelve-month average cost of capital should be used to determine the appropriate AFUDC rate. We have, therefore, adjusted Hydratech's capital structure to reflect the most recent twelve-month average cost of capital. Our review of Hydratech's capital structure indicates that it is 100 percent debt-financed. Therefore, our adjustment did not change the weighted cost of capital. In addition, under Rule 25-30.116(2)(b), Florida Administrative Code, long-term debt should be based upon the end of period cost. We have, therefore, also recalculated the rate to reflect the year-end balance of long-term debt.

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Based upon these adjustments, we find that the appropriate annual AFUDC rate for Hydratech is 10.07 percent. Further, since the improvements for which this AFUDC rate has been sought were required by this Commission, we will grant Hydratech's request to implement this rate, for projects eligible to accrue AFUDC, effective August 30, 1987. As this rate will be accrued on construction projects and does not pertain to utility service that has already been rendered, our approval of the retroactive application of this AFUDC rate does not violate the proscription against retroactive ratemaking.

Accordingly, it is

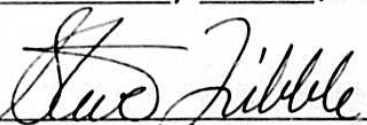
ORDERED by the Florida Public Service Commission that the request by Hydratech Utilities, Inc. for approval of an AFUDC rate is hereby granted, in part, as set forth in the body of this Order. It is further

ORDERED that this rate may be accrued for eligible projects as of August 30, 1987. It is further

ORDERED that the provisions of this order are issued as proposed agency action and will become final unless an appropriate petition, in the form prescribed by Rule 25-22.036, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on February 10, 1989. It is further

ORDERED that, after February 10, 1989, this Commission shall issue either a notice of further proceedings or an order stating that the provisions of this Order have become final and effective and closing this docket.

By ORDER of the Florida Public Service Commission,
this 24th day of JANUARY, 1989.



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 February 13, 1989. In the absence of such a petition, this order shall become effective February 14, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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 February 14, 1989, 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.