

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by HUDSON UTILITIES,) DOCKET NO. 890417-SU
 INC. in Pasco County for approval of) ORDER NO. 21083
 AFUDC rate) ISSUFD: 4-20-89

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 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, pursuant to Sections 367.081 and 367.121, Florida Statutes, the Commission intends to authorize Hudson Utilities, Inc., a sewer utility providing service in Pasco County, to charge an Allowance for Funds Used During Construction (AFUDC) rate. This action is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for reform proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On March 21, 1989, Hudson Utilities, Inc. (utility) requested approval of a 12.35% AFUDC rate. This application is the first request by the utility for an AFUDC rate and is filed pursuant to Rule 25-30.116, Florida Administrative Code.

The above cited rule requires that the most recent twelve-month average embedded cost of capital be used in determining the AFUDC rate. The twelve-month period used in this application ended December 31, 1988. The rule also provides that the return on equity shall be the mid-point of the last allowed return on equity; that the rate for short-term debt and customer deposits shall be the most recent twelve-month average; that the rate for deferred taxes and investment tax credits (ITCs) shall be zero; and that the rate for long-term debt and preferred stock shall be the rate at the end of the period.

The utility's application shows that it has no short-term debt, customer deposits, preferred stock, deferred taxes or ITCs. Thus, the only capital components to be considered in the calculation of the utility's AFUDC rate are equity and long-term debt for the twelve-month period ending December 31, 1988. We have extracted the utility's most recent capital structure from its 1988 monthly financial statements. The cost of long-term debt is 10.8%, the interest rate at December 31, 1988. The return on equity is 13.2%, the midpoint of the equity return approved in the rate case Docket No. 851040-SU and addressed in Order No. 16893, issued November 25, 1986.

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Accordingly, we approve a 12.35% AFUDC rate. Pursuant to Rule 25-30.116(5), Florida Administrative Code the approved rate shall be applicable for eligible construction projects beginning January 1, 1989. The rate may not be retroactively applied.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the request of Hudson Utilities, Inc. for a 12.35% AFUDC rate is hereby approved. It is further

ORDERED that the approved AFUDC rate shall be applicable for eligible construction projects beginning January 1, 1989 and may not be retroactively applied. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition, in the form prescribed by Rule 25-22.036, 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 close of business on Thursday, May 11, 1989. It is further

ORDERED that after May 11, 1989, this Commission will either issue a notice of further proceedings or an Order acknowledging that the provisions of this notice have become final. It is further

ORDERED that in the event this Order becomes final and effective, Docket No. 890417-SU shall be closed.

By ORDER of the Florida Public Service Commission,
this 20th day of APRIL, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

NSD

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

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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 May 11, 1989. In the absence of such a petition, this order shall become effective May 12, 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 May 12, 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.