

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of CANAL UTILITIES,)	DOCKET NO. 890721-WS
INC. for approval of allowance for)	ORDER NO. 21763
funds used during construction rates.)	ISSUED: 8-21-89
)	

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 ESTABLISHING AFUDC RATES

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 substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

On May 25, 1989, Canal Utilities, Inc. (Canal or utility) filed an application for approval of a 9.72% Allowance for Funds Used During Construction (AFUDC) rate, to be applied retroactively to eligible projects as of August 11, 1986. This is the first request by this utility for an AFUDC rate. The last rate case for Canal was in Docket No. 790629-WS, culminating in Order No. 9415, issued on June 6, 1980. The filing is pursuant to Rule 25-30.116, Florida Administrative Code. The application satisfied the minimum filing requirements and May 25, 1989 was established as the official filing date.

Canal calculated its AFUDC rate in accordance with Rule 25-30.116(2)(a), Florida Administrative Code, using the most recent 12-month average embedded cost of capital from all sources. The utility's capital structure is comprised of preferred stock, long-term debt, short-term debt, and unamortized investment tax credits. There is no equity component due to negative retained earnings. Pursuant to Rule

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25-30.116(2)(b), Florida Administrative Code, the utility used the end of period cost of preferred stock and long-term debt, the most recent 12-month average cost of short-term debt, and a zero cost rate for all investment tax credits. Our review of the utility's application indicated that the average cost of short-term debt was calculated by averaging the monthly interest rates instead of interest expense. The necessary adjustment resulted in a reduction of the short-term debt cost rate from 10.35% to 10.33%. This adjustment, however, had no effect on the overall weighted cost of capital. The calculation of the AFUDC rate is attached to this Order as Schedule A, and is by reference incorporated herein.

Rule 25-30.116(5), Florida Administrative Code, provides that the AFUDC rate shall become effective the month following the end of the 12-month period used to establish that rate. Since the 12-month period ended on December 31, 1988, the AFUDC rate shall be effective for eligible projects as of January 1, 1989. However, Canal requested retroactive application of the AFUDC rate to August 11, 1986, the effective date of the rule. Since Canal failed to make a timely request for an AFUDC rate as required by Rule 25-30.116(5), Florida Administrative Code, we find it appropriate to reduce the AFUDC rate by 100 basis points to 8.72% for eligible projects during the period of August 11, 1986, to December 31, 1988.

Based on the foregoing, it is hereby

ORDERED by the Florida Public Service Commission that the application of Canal Utilities, Inc. for establishment of a 9.72% AFUDC rate is approved and effective for eligible projects as of January 1, 1989, and an 8.72% AFUDC rate is approved and effective for eligible projects during the period of August 11, 1986, to December 31, 1988. Schedule A, reflecting calculation of the AFUDC rate of 9.72%, is attached to this Order and by reference incorporated herein. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition in the form provided by Rule 25-22.36, 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 September 11, 1989.

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ORDERED that in the event that this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission
this 21st day of AUGUST, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

DCS

by: Kay Ferguson
Chief, Bureau of Records

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 September 11, 1989. In the absence of such a petition, this order shall become effective September 12, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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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 September 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.

SCHEDULE A

Canal Utilities, Inc.
 Commission Approved AFUDC Rate
 12-Month Period Ended December 31, 1988

Schedule No. 1
 Docket No. 890721-WS

Class of Capital	Average Capital Structure	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity	0		0	0.00%	0.00%	0.00%	
Preferred Stock	21,450		21,450	1.63%	8.00%	0.13%	
Long-Term Debt	1,017,102		1,017,102	77.23%	10.70%	8.26%	
Short-Term Debt	169,679		169,679	12.88%	10.33%	1.33%	
Tax Credits - Zero Cost	108,720		108,720	8.26%	0.00%	0.00%	
Deferred Income Taxes	0		0	0.00%	0.00%	0.00%	
Total	1,316,951	0	1,316,951	100.00%		9.72%	0.776009%

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