

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 941214-WS
an Allowance-for-Funds-Used-) ORDER NO. PSC-95-0352-FOF-WS
During-Construction (AFUDC) Rate) ISSUED: March 14, 1995
in Citrus County by ROLLING OAKS)
UTILITIES, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING ALLOWANCE FOR FUNDS USED
DURING CONSTRUCTION RATE

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.

BACKGROUND

Rolling Oaks Utilities, Inc. (Rolling Oaks or utility) is a Class B utility operating in Citrus County. As of February 9, 1995, the utility serves 5,456 water and 3,988 wastewater customers. On December 21, 1994, Rolling Oaks filed an application for approval of an allowance for funds used during construction (AFUDC) rate. The application, as filed, met the filing requirements of Rule 25-30.116, Florida Administrative Code. The utility is to use the AFUDC rate during the expansion of its wastewater treatment plants. This expansion is to be completed prior to the expiration of its current operating permit in late summer of 1997.

DOCUMENT NUMBER-DATE

02757 MAR 14 88

FPSC-RECORDS/REPORTING

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATE

Rule 25-30.116(2), Florida Administrative Code, provides that an AFUDC rate shall be determined using the utility's most recent 12-month average embedded cost of capital. The utility calculated the average cost of capital and adjustments using the 12-month period ended September 30, 1994. The utility made two pro forma adjustments. The first adjustment was to remove the deficit in common equity to reflect a zero balance. The second adjustment was to reduce long-term debt from \$7,600,000 to \$4,500,000. This adjustment was the result of debt refinancing effective September 30, 1994. The cost rate for long-term debt was reduced from 13.00% to 8.50%. We agree that this adjustment is appropriate as it is a known and measurable change reflective of the current and future debt structure of the utility.

In its filing, the utility used a cost rate of 8% for customer deposits. Rule 25-30.311(4)(a), Florida Administrative Code, requires a minimum cost rate of 6% on customer deposits. We have reduced the cost rate on customer deposits to 6%.

Based on our adjustments, we believe that an AFUDC rate of 8.48% is appropriate, with a monthly discounted rate of .680603%. Our adjustments and calculation of the AFUDC rate is attached herein as Schedule No. 1. If a timely protest is not received from a substantially affected person, this docket shall be closed.

EFFECTIVE DATE

Rule 25-30.116(5), Florida Administrative Code, provides that the effective date for the new AFUDC rate will be the month following the end of the 12-month period used to establish the rate. Since the period used for the calculation was the year ended September 30, 1994, the effective date shall be October 1, 1994. The rate shall not be retroactively applied to a prior period.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the request of Rolling Oaks Utilities, Inc. for an annual AFUDC rate and a monthly discounted rate is hereby approved as modified and set forth in the body of this Order. It is further

ORDERED that all matters contained in the schedule attached hereto are by reference incorporated herein. It is further

ORDERED by the Florida Public Service Commission that the provisions of this Order are issued as proposed agency action and

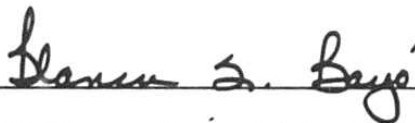
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shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director of the, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that the AFUDC rate approved herein shall be effective for eligible construction projects as of October 1, 1994, and shall not be retroactively applied. It is further

ORDERED that in the event no timely protest to this Order is received, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 14th day of March, 1995.



BLANCA S. BAYÓ, 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 4, 1995.

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 substantially 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 and/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.

ROLLING OAKS UTILITIES, INC.
 AFUDC RATES - 12 MONTH AVERAGE
 YEAR ENDED SEPTEMBER 30, 1994

SCHEDULE NO. 1
 DOCKET NO. 941214-WS

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CLASS OF CAPITAL	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS	ADJUSTED TEST YEAR	% TO TOTAL CAPITAL	COST RATE	WEIGHTED COST	DISCOUNTED MONTHLY RATE
PER UTILITY							
1 COMMON EQUITY	(2,836,562)	2,836,562	0	0.00%	0.00%	0	
2 LONG-TERM DEBT	6,704,201	(2,204,201)	4,500,000	99.28%	8.50%	8.44%	
3 SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0	
4 CUSTOMER DEPOSITS	32,637	0	32,637	0.72%	8.00%	0.06%	
5 TAX CREDITS-ZERO COST	0	0	0	0.00%	0.00%	0	
6 TAX CREDITS-WEIGHTED COST	0	0	0	0.00%	0.00%	0	
7 DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0</u>	
TOTAL	<u>3,900,276</u>	<u>632,361</u>	<u>4,532,637</u>	<u>100.00%</u>		<u>8.50%</u>	<u>0.682100%</u>
PER COMMISSION							
1 COMMON EQUITY	(2,836,562)	2,836,562	0	0.00%	0.00%	0	
2 LONG-TERM DEBT	6,704,201	(2,204,201)	4,500,000	99.28%	8.50%	8.44%	
3 SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0	
4 CUSTOMER DEPOSITS	32,637	0	32,637	0.72%	6.00%	0.04%	
5 TAX CREDITS-ZERO COST	0	0	0	0.00%	0.00%	0	
6 TAX CREDITS-WEIGHTED COST	0	0	0	0.00%	0.00%	0	
7 DEFERRED INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0</u>	
TOTAL	<u>3,900,276</u>	<u>632,361</u>	<u>4,532,637</u>	<u>100.00%</u>		<u>8.48%</u>	<u>0.680603%</u>