

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for change in) DOCKET NO. 960704-WS
approved allowance for funds) ORDER NO. PSC-96-1263-FOF-WS
used during construction (AFUDC)) ISSUED: October 9, 1996
rate in Lake County by Lake)
Utility Company.)
_____)

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING ALLOWANCE FOR FUNDS USED
DURING CONSTRUCTION (AFUDC) 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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Lake Utility Company (Lake Utility or utility) is a Class B Utility. Currently, the utility serves 960 water and 920 wastewater customers in Lake County. Annual water and wastewater revenues reported in the December 31, 1995 annual report were \$307,486 and \$297,123, respectively. The utility has an operating income of \$99,541 for water and \$65,913 for wastewater in 1995.

REQUEST FOR AFUDC RATE

Lake Utility filed an application for approval of a 9.75% AFUDC rate on June 5, 1996. The application, as filed, met the filing requirements of Rule 25-30.116, Florida Administrative Code. The utility's return on equity was established as 13.95% by Order No. 22846, issued April 23, 1990, in Docket No. 891299-WS.

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

DOCUMENT NUMBER-DATE

10789 OCT-96

FPSC-RECORDS/REPORTING

the average cost of capital and adjustments using the 12-month period ended February 29, 1996. The utility made an adjustment to remove the deficit in common equity to reflect a zero balance. This adjustment was the only one made by the utility. The application included the required schedules that showed the capital structure, cost rates, and weighted average costs of capital, that form the basis for its requested AFUDC rate of 9.75 percent.

Based on our review, we find the utility's requested annual AFUDC rate of 9.75 percent and discounted monthly rate of 0.778304 percent to be reasonable and hereby approve them. Our calculation of the AFUDC rate is attached herein as Schedule No. 1. Pursuant to Rule 25-30.116(5), Florida Administrative Code, the approved rate shall be effective March 1, 1996.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the request of Lake Utility Company for a 9.75 percent annual allowance for funds used during construction rate and a discounted monthly rate of 0.778304 percent is hereby approved for all eligible construction projects beginning March 1, 1996. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final unless an appropriate petition, in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by close of business on the date set forth in the Notice of Further Proceedings or Judicial Review below. It is further

ORDERED that this docket shall be closed upon expiration of the protest period, if no timely protest is received.

ORDER NO. PSC-96-1263-FOF-WS
DOCKET NO. 960704-WS
PAGE 3

By ORDER of the Florida Public Service Commission, this 9th
day of October, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Fey
Chief, Bureau of Records

(S E A L)

DCW

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 30, 1996.

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 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.

LAKE UTILITIES COMPANY
 AFUDC RATES - 12 MONTH AVERAGE
 YEAR ENDED FEBRUARY 29, 1996

SCHEDULE NO. 1
 DOCKET NO. 960704-WS

ORDER NO. PSC-96-1263-FOF-WS
 DOCKET NO. 960704-WS
 PAGE 5

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	(756,277)	756,277	0	0.00%	0.00%	0	
2 LONG-TERM DEBT	3,218,031	0	3,218,031	100.00%	9.75%	9.75%	
3 SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0	
4 CUSTOMER DEPOSITS	0	0	0	0.00%	6.00%	0.00%	
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	0	0	0	0.00%	0.00%	0	
TOTAL	<u>2,461,754</u>	<u>756,277</u>	<u>3,218,031</u>	<u>100.00%</u>		<u>9.75%</u>	<u>0.778304%</u>
PER COMMISSION							
1 COMMON EQUITY	(756,277)	756,277	0	0.00%	0.00%	0	
2 LONG-TERM DEBT	3,218,031	0	3,218,031	100.00%	9.75%	9.75%	
3 SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0	
4 CUSTOMER DEPOSITS	0	0	0	0.00%	6.00%	0.00%	
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	0	0	0	0.00%	0.00%	0	
TOTAL	<u>2,461,754</u>	<u>756,277</u>	<u>3,218,031</u>	<u>100.00%</u>		<u>9.75%</u>	<u>0.778304%</u>