

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of PINE RUN UTILITY	)	DOCKET NO. 891347-WU
COMPANY for approval of allowance for	)	ORDER NO. 22673
funds used during construction rates	)	ISSUED: 3-13-90
in Marion County.	)	
	)	

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 the action discussed herein is preliminary in nature, and as such, 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.

CASE BACKGROUND

Pine Run Utility Company (Pine Run or Utility) is a Class C water utility operating in Marion County. The Utility has approximately 832 water customers. The Utility was certificated in 1983, by Order No. 12647, issued on November 3, 1983.

On December 1, 1989, the Utility filed its application for approval of Allowance For Funds Used During Construction (AFUDC) rates. The application, as filed, met the filing requirements of Rule 25-30.116, Florida Administrative Code, therefore the filing date was established as the official date of filing.

DOCUMENT NUMBER-DATE

02265 MAR 13 1990

PSC-RECORDS/REPORTING

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#### AFUDC RATE

Rule 25-30.116(2)(a), Florida Administrative Code, provides that an AFUDC rate shall be determined using the utility's most recent 12-month average embedded cost of capital, as derived from all sources. The Utility calculated its average embedded cost of capital using the 12-month period ended October 31, 1989. Our review of the Utility's calculations of its cost of capital did not reveal any discrepancies.

The Utility has not had a rate case, therefore it has never had a return on equity established by this Commission. Rule 25-30.116(2)(c), Florida Administrative Code, states that the current leverage graph shall be used to determine the return on equity if such has never been previously established for a utility. Pursuant to the rule, the Utility applied its equity ratio of 40.17 percent to the leverage graph and derived a return on equity of 13.93 percent. Utilizing this figure, the Utility derived an annual AFUDC rate of 11.88 percent, with a corresponding monthly discounted rate of .939986 percent. We agree with the Utility's calculations with regard to the annual AFUDC rate. However, due to the method we used in rounding the figures, we derived a different monthly discounted AFUDC rate of .939862. When this was pointed out to the Utility, it agreed to accept our calculations of the monthly discounted rate as correct.

Upon due consideration, we find an AFUDC rate of 11.88 percent to be reasonable and it is therefore approved. Our calculations of the appropriate AFUDC rate are attached hereto as Schedule No. 1.

#### EFFECTIVE DATE

Rule 25.30.116(5), Florida Administrative Code, provides that the effective date for a new AFUDC rate shall be the month following the end of the 12-month period used to establish the rate. Since the period use for establishing Pine Run's AFUDC rate was the year ended October 31, 1989, pursuant to the rule, the effective date for all eligible projects shall be November 1, 1989. We further note that the Utility has not requested, nor do we believe it is appropriate, for the approved rate to be retroactively applied.

Upon due consideration, it is, therefore,

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ORDERED by the Florida Public Service Commission that the request of Pine Run Utility Company for a 11.88 percent annual AFUDC rate is hereby approved for all eligible projects began on or after November 1, 1989. It is further

ORDERED that the provision of this Order, issued as a proposed agency action, shall become final unless an appropriate petition, in the form provided 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 close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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

By ORDER of the Florida Public Service Commission  
 this 13th day of MARCH, 1990.

\_\_\_\_\_  
 STEVE TRIBBLE, Director  
 Division of Records and Reporting

( S E A L )

JRF

by: Kay Elizon  
 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

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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 April 3, 1990.

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, 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 the date described above, 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.

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Schedule No. 1

PINE RUN UTILITY COMPANY  
Commission Approved AFUDC Rates  
As of February 8, 1990

Schedule No. 1  
Docket No. 891347-WU

Class of Capital	Capitalization Per Utility	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity	157,369	0	157,369	40.17%	13.93%	5.60%	
Long Term Debt	234,357	0	234,357	59.83%	10.50%	6.28%	
Short-Term Debt	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Customer Deposits	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Zero Cost	0	0	0	0.00%	0.00%	0.00%	
Tax Credits - Weighted Cost	0	0	0	0.00%	0.00%	0.00%	
Deferred Income Taxes	0	0	0	0.00%	0.00%	0.00%	
<b>Total</b>	<b>391,726</b>	<b>0</b>	<b>391,726</b>	<b>100.00%</b>		<b>11.88%</b>	<b>0.939862%</b>