

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of RADNOR/PLANTATION	)	DOCKET NO. 881506-WS
CORPORATION d/b/a PLANTATION UTILITIES	)	ORDER NO. 20853
for approval of AFUDC rate in Martin	)	ISSUED: 3-3-89
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 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.

BACKGROUND

On January 1, 1985, Radnor/Plantation Corporation d/b/a Plantation Utilities (Plantation or utility) purchased the Indian River Plantation Company (Indian River), a water and sewer utility in Martin County, Florida. Since its purchase by Plantation, Indian River's water and sewer operations have been functioning as an operating division of Plantation.

During 1985, Plantation began planning for improvements to its water and sewer systems in Martin County, and in 1986, actual construction on the improvements began. The work was completed in December, 1987, at which time the Construction Work in Progress (CWIP) account balance was transferred to Plant-in-Service.

On November 18, 1988, Plantation filed a petition for approval of an Allowance For Funds Used During Construction (AFUDC) rate in Martin County, however, the petition did not meet the minimum filing requirements of Rule 25-30.116, Florida Administrative Code. Subsequently, on December 2, 1988, Plantation filed additional information which satisfied the above filing requirements, and that date was established as the official filing date for the requested AFUDC rate. This is the utility's first request for our approval of an AFUDC rate.

AFUDC RATE

Pursuant to Rule 25-30.116, Florida Administrative Code, Plantation's above-discussed petition requested our approval of

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an AFUDC rate of 8.21%. The utility also requested authorization to apply the proposed AFUDC rate retroactively to 1985. Upon due consideration, we find that such requests should be approved subject to modification as indicated below.

First, with respect to the appropriateness of the proposed AFUDC rate of 8.21%, we agree with the methodology employed by the utility in arriving at the proposed rate. Pursuant to Rule 25-30.116(2)(a), Florida Administrative Code, Plantation utilized figures from the twelve months ending July 31, 1988, to derive an AFUDC rate of 8.21%. The proposed rate is the utility's average cost of capital used for construction purposes during the test year period. This methodology results in an AFUDC rate less than that which the utility is entitled to under Rule 25-30.116, Florida Administrative Code. Under this rule, the utility could have included in its proposed AFUDC rate an equity cost based on its authorized rate of return on equity. If the utility had chosen this methodology, the proposed AFUDC rate would have been 9.76%, as opposed to the requested rate of 8.21%. Therefore, since the utility has requested an AFUDC rate which is less than that authorized by law, we find that the utility's proposed AFUDC rate of 8.21% to be reasonable and appropriate. However, even though such AFUDC rate is reasonable and appropriate, for the reasons discussed below, we do not feel that the utility should be permitted to apply the proposed AFUDC rate without certain modifications.

Rule 25-30.116(5), Florida Administrative Code, provides that "No utility may charge or change its AFUDC rate without prior Commission approval". Emphasis supplied. We interpret this to mean that Commission approval must be obtained prior to a utility accruing AFUDC on its books for ratemaking purposes. Since the utility did not obtain our prior approval for an AFUDC rate, we believe the utility should be penalized for its failure to comply with the above-cited rule. Nevertheless, since the utility did expend significant sums on water and sewer construction projects in Martin County to the benefit of its customers, we believe that any penalty imposed herein should reflect this fact.

Rule 25-30.010, Florida Administrative Code, provides that the rules contained in Chapter 25-30 are subject to such exceptions as the Commission may consider just and reasonable in individual cases. Upon due consideration of the utility's petition, we hereby find that: 1) Since the rule permitting AFUDC rates became effective on August 6, 1986, the utility shall not be permitted to accrue AFUDC prior to this date; 2) Since the utility failed to make a timely request for an AFUDC rate as required by Rule 25-30.116(5), Florida Administrative Code, the utility shall be permitted to accrue AFUDC for the period of August 11, 1986 to July 31, 1988 at an adjusted approved rate of 7.21%; and 3) The utility shall be permitted to accrue AFUDC at the rate of 8.21% on all qualifying construction projects commenced on or after August 1, 1988.

Based on the foregoing, it is, therefore

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ORDERED by the Florida Public Service Commission that the request of Radnor/Plantation Corporation, d/b/a Plantation Utilities for approval of an AFUDC rate in Martin County is approved as modified in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as a 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 24, 1989. It is further

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

By ORDER of the Florida Public Service Commission  
this 3rd day of MARCH, 1989.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

JRF

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 March 24, 1989. In the absence of such a petition, this order shall become effective March 25, 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

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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 March 25, 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.