

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of ALAFAYA)	DOCKET NO. 890639-SU
UTILITIES, INC. for approval of)	ORDER NO. 21760
allowance for funds used during)	ISSUED: 8-21-89
construction rates in Seminole County)	
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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 ACTIONORDER ESTABLISHING AFUDC RATES
FOR ALAFAYA UTILITIES, INC.

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are 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

Alafaya Utilities, Inc. (Alafaya or utility), is a sewer utility located in Seminole County. On May 4, 1989, the utility filed an application for an Allowance For Funds Used During Construction (AFUDC) rate. The initial filing satisfied the

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08447 AUG 21 1989

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minimum filing requirements, therefore May 4, 1989, was established as the official filing date.

Alafaya's application, which requested an AFUDC rate of 13.16 percent, is the utility's first request for our approval of an AFUDC rate, and is made in accordance with Rule 25-30.116, Florida Administrative Code. The utility's application also requested permission to retroactively apply its AFUDC rate to August 6, 1986.

AFUDC RATES

Rule 25-30.116(2)(a), Florida Administrative Code, provides that a utility's AFUDC rate shall be calculated using the utility's most recent twelve-month average cost of capital, using all sources of capital. Utilizing this Rule, an AFUDC rate of 13.16 percent was derived for the utility, based on the prime rate at December 31, 1988 of 11.5 percent.

As stated above, the utility's application, in addition to seeking our approval of an AFUDC rate, seeks authorization to accrue AFUDC retroactively to August 6, 1986. Rule 25-30.116(5), Florida Administrative Code permits the retroactive accrual of AFUDC by a utility with Commission approval. In the present case, we find the utility's request to accrue AFUDC retroactively to be reasonable and thus it is approved. However, because of the utility's lower debt cost in 1986 and 1987 (due to the lower prime rates during these periods), and the utility's untimely application for our approval of an AFUDC rate, we believe the above-cited Rule 25-30.116(2)(5), Florida Administrative Code, should be waived to permit the use of a period of time other than the utility's most recent twelve-month average cost of capital in calculating AFUDC rates to be accrued retroactively.

As previously discussed, our calculations derived an AFUDC rate of 13.16 percent based on a prime rate at December 31, 1988 of 11.5 percent. However, our investigation determined that the prime rate at December 31, 1986 was 7.5 percent, and at December 31, 1987, such rate was 9.0 percent. Accordingly, if we calculate an AFUDC rate using the above-cited rule, without adjusting for the lower prime rates in 1986 and 1987, the utility would receive a higher AFUDC rate for these years than it would have been entitled to if it had filed a timely

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application for an AFUDC rate. We find such result to be inequitable to the utility's future ratepayers, and direct that the AFUDC rates to be applied retroactively to 1986 and 1987 shall be calculated using the utility's actual cost of capital for these years. Utilizing the cost of capital based on the lower actual prime rates, we calculated an AFUDC rate of 9.31 percent for the period August 6, 1986 to December 31, 1987, and 10.60 percent for the period January 1, 1988 to December 31, 1988. However, in keeping with past Commission practice, since the utility failed to file its application for an AFUDC rate in a timely manner, we find that the aforementioned rates of 9.31 percent and 10.60 percent shall be reduced by one hundred (100) basis penalty points, respectively.

In consideration of the above, we find that the utility shall be authorized to implement an AFUDC rate of 8.31 percent on an annual basis from August 6, 1986 to December 31, 1987; an AFUDC rate of 9.60 percent on an annual basis from January 1, 1988 to December 31, 1988; and a rate of 13.16 percent on an annual basis as of January 1, 1989, for all projects that are eligible to accrue AFUDC.

In consideration of the above, it is, therefore,

ORDERED by the Florida Public Service Commission that the application by Alafaya Utilities, Inc. for approval of an AFUDC rate for its operations in Seminole County is approved as modified in the body of this Order. It is further

ORDERED that Alafaya Utilities, Inc. is hereby authorized to retroactively accrue AFUDC at the annual rate of 8.31 percent for the period August 6, 1986 to December 31, 1987. It is further

ORDERED that Alafaya Utilities, Inc. is hereby authorized to retroactively accrue AFUDC at the annual rate of 9.60 percent for the period January 1, 1988 to December 31, 1988. It is further

ORDERED that Alafaya Utilities, Inc. is hereby authorized to accrue AFUDC at the annual rate of 13.16 percent for all eligible projects commencing on or after January 1, 1989. It is further

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ORDERED that the provisions of this Order, issued as 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 11, 1989. It is further

ORDERED that this docket shall be closed if no timely protests are received.

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)

JRF

by: Kay J. Jenson
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

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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.

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.