

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of ALOHA UTILITIES,)	DOCKET NO. 891113-WS
INC. for approval of Allowance For)	ORDER NO. 22206
Funds Used During Construction (AFUDC))	ISSUED: 11-21-89
rates in Pasco 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
AND RETROACTIVE ACCRUAL OF AFUDC

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

Aloha Utilities, Inc. (Aloha or utility) is a Class A water and sewer utility serving approximately 8,000 customers in Pasco County.

On September 5, 1989, Aloha Utilities, Inc. filed an application for approval of an Allowance For Funds Used During Construction (AFUDC) rate. The application satisfied the minimum filing requirements; however, on September 28, 1989, the utility amended its application and September 28, 1989 was established as the official filing date. The application is the first request by this utility for approval of an AFUDC rate and is made in accordance with Rule 25-30.116, Florida Administrative Code.

DOCUMENT NUMBER-DATE

11380 NOV 21 1989

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AFUDC RATE

Aloha's capital structure, as shown on Schedule No. 1 attached hereto and incorporated herein, is comprised of long-term debt, preferred stock, customer deposits, and common equity. Rule 25-30.116(2)(b), Florida Administrative Code, provides that a utility's AFUDC rate shall be derived from the end of period cost for long-term debt and preferred stock, the most recent twelve month average cost of customer deposits, and the midpoint of the last allowed return on common equity. The utility's application requested that its overall weighted cost of capital, or 14.71 percent, be approved as its annual AFUDC rate, based on a test year ended date of May 31, 1989.

Upon due consideration, we find the utility's request to be consistent with the above-cited rule, and is hereby granted. We further find that Aloha is hereby authorized to accrue AFUDC at the approved rate of 14.71 percent, effective June 1, 1989 for all eligible projects. The approved rate shall continue until otherwise ordered by this Commission.

RETROACTIVE ACCRUAL OF AFUDC RATE

The utility requested that it be authorized to accrue AFUDC retroactively to January 1, 1989.

Rule 25-30.116(5), Florida Administrative Code, provides that the effective date for an approved AFUDC rate shall be the month following the end of the twelve month period used to establish such rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission. In the instant case, we believe that the utility should be permitted to retroactively accrue AFUDC in view of the fact that the utility did expend significant sums on construction projects prior to seeking our approval of an AFUDC rate, and such expenditures have ultimately benefited the utility's customers through enhancing the overall quality of the utility's systems and service to its customers.

Upon due consideration of the foregoing, we will allow retroactive accrual of AFUDC; however, since the utility did not apply for an AFUDC rate when it began construction, we will reduce the approved AFUDC rate of 14.71 percent by 100 basis points for the retroactive period, that is, for that period January 1, 1989 through May 31, 1989.

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Accordingly, we hereby authorize the utility to retroactively accrue AFUDC at a reduced annual rate of 13.71 percent for all eligible projects commenced during the period January 1, 1989 through May 31, 1989.

Based on the foregoing, it is, therefore

ORDERED by the Florida Public Service Commission that the request of Aloha Utilities, Inc. for approval of an AFUDC rate in Pasco County is approved as modified in the body of this Order. It is further

ORDERED that the AFUDC rate of 13.71 percent shall be effective January 1, 1989 through May 31, 1989, and the AFUDC rate of 14.71 percent shall be effective June 1, 1989 for all eligible projects until otherwise ordered by this Commission. 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 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, this docket shall be closed.

By ORDER of the Florida Public Service Commission
this 21th day of November, 1989.



STEVE TRIBBLE, 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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on December 12, 1989.

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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Aloha Utilities, Inc.
 Staff Recommended AFUDC Rate
 12-Month Period Ended May 31, 1989

Schedule No. 1
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Class of Capital	Average Capital Structure	Utility Adjustments	Adjusted Capital Structure	Percent of Capital	Cost Rates	Weighted Cost	Discounted Monthly Rate
Common Equity	118,200		118,200	7.85%	13.95%	1.10%	
Preferred Stock	600,000		600,000	39.86%	15.50%	6.18%	
Long-Term Debt	646,998		646,998	42.98%	15.56%	6.69%	
Customer Deposits	140,122		140,122	9.31%	8.00%	0.74%	
Tax Credits - Zero Cost	0		0	0.00%	0.00%	0.00%	
Deferred Income Taxes	0		0	0.00%	0.00%	0.00%	
Total	1,505,320	0	1,505,320	100.00%		14.71%	1.150206%