

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for allowance)	DOCKET NO. 900133-WS
for funds used during construction)	ORDER NO. 22861
(AFUDC) rate in Brevard County by)	ISSUED: 4-26-90
MALABAR UTILITIES, INC.)	
)	

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 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

Malabar Woods Utilities, Inc. (Malabar or Utility) is a Class B water and wastewater utility in Brevard County. On July 31, 1989, by way of Order No. 21644, we granted the Utility Water Certificate No. 521-W and Sewer Certificate No. 455-S. The Utility will serve approximately 1,000 equivalent residential connections at buildout. Malabar has not yet begun operations and is just beginning to construct its facilities. We established rates and charges for the Utility in Order No. 22447, issued January 22, 1990. On February 19, 1990, the Utility filed its application for approval of an Allowance For Funds Used During Construction (AFUDC) rate.

AFUDC RATE

Rule 25-30.116(2)(a), Florida Administrative Code, provides that an AFUDC rate shall be determined using a

DOCUMENT NUMBER-DATE

03577 APR 26 1990

PSC-RECORDS/REPORTING

ORDER NO. 22861
DOCKET NO. 900133-WS
PAGE 2

utility's most recent twelve-month average embedded cost of capital, to be derived using all sources of capital. The Utility's application utilized the capital structure established by us in Order No. 22447 to calculate its AFUDC rate. In this Order, we also established a return on equity of 11.80 percent for the Utility. Utilizing this return on equity, the Utility derived a proposed annual AFUDC rate of 11.70 percent, with a monthly discount rate .926318 percent. Upon due consideration, we find these rates to be reasonable and are hereby approved.

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. If we were to establish the effective date according to this rule in the present case, the Utility's new rate would be effective for projects as of 1997, since this is the date that the Utility is projected to reach 80 percent of design capacity. We believe it is not realistic to delay authorizing the Utility to accrue AFUDC until 1997. In situations such as Malabar's where the utility is new and its facilities are under construction, we believe the effective date for the accrual of AFUDC should be the date of certification.

Accordingly, we find that Malabar should be authorized to accrue AFUDC for eligible projects begun on or after July 31, 1989. It is, therefore,

ORDERED by the Florida Public Service Commission that the application by Malabar Woods Utilities, Inc. for authority to accrue AFUDC is granted. It is further

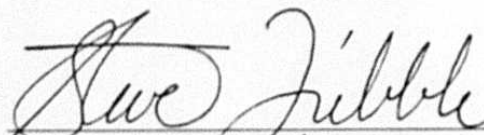
ORDERED that the Utility is hereby authorized to implement an AFUDC rate of 11.70 percent on an annual basis effective for all eligible projects commenced on or after July 31, 1989. It is further

ORDERED that the provisions of this Order, issued as 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, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDER NO. 22861
DOCKET NO. 900133-WS
PAGE 3

ORDERED that in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission
this 26th day of APRIL, 1990.



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 May 17, 1990.

ORDER NO. 22861
DOCKET NO. 900133-WS
PAGE 4

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.