

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Approval ) DOCKET NO. 930406-WU  
of Allowance-for-Funds-Used- ) ORDER NO. PSC-93-1170-FOF-WU  
During-Construction (AFUDC) ) ISSUED: August 10, 1993  
Rates in Marion County by )  
VENTURE ASSOCIATES UTILITIES )  
CORP. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
THOMAS M. BEARD  
SUSAN F. CLARK  
JULIA L. JOHNSON  
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING ALLOWANCE FOR FUNDS USED  
DURING CONSTRUCTION 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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Venture Associates Utilities Corporation, (Venture or utility), is a Class C utility operating in Marion County. The utility had 797 water customers as of December 31, 1992.

On April 21, 1993, Venture filed an application for approval of an Allowance for Funds Used During Construction (AFUDC) rate. The application was in compliance with the filing requirements of Rule 25-30.116, Florida Administrative Code, and April 21, 1993, was established as the official date of filing.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATE

Venture has requested approval of an 11.75 percent AFUDC rate. In its application, the utility proposed a twelve-month average capital structure as of December 31, 1992. Schedule No. 1,

DOCUMENT NUMBER-DATE

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attached hereto and incorporated herein, reflects the calculation of the utility's requested AFUDC rate of 11.75 percent, as well as this Commission's approved AFUDC rate.

In support of its application, Venture submitted supporting work papers used in calculating the 12-month average. We have made two adjustments to the utility's application. The first is an adjustment of (\$579) to the 12-month average long-term debt. The utility used end-of-month balances in all its calculations except for January 1992 long-term debt. Here Venture used the beginning month balance rather than the end-of-month balance. This adjustment was made in order to be consistent in the average calculations.

The second adjustment concerns the 11.80% cost rate for long-term debt used by Venture. The cost rate is not the result of an arms-length transaction because all the creditors for Venture's long-term debt are also the owners of the utility. We believe that the cost of long-term debt reflected by the utility is unreasonable given the current prime rate of 6% and the utility's note payable from Barnett Bank that has a cost rate of only 9.25%. We find that it is more reasonable to set the cost rate at the prime rate of interest plus two hundred basis points. Such a cost rate is commonly used by water and wastewater utilities that obtain debt through an arms-length transaction with a non-related party and is consistent with our decision in Order No. PSC-92-0862-FOF-SU. Therefore, we find that it is appropriate to use a cost rate of 8% for long-term debt.

This adjustment to long-term debt is a modification of the requirements of Rule 25-30.116(2) (b), Florida Administrative Code, which states "that the cost of long-term debt . . . shall be based on end of period cost." In accordance with Rule 25-30.011(4), Florida Administrative Code, on our own motion, we have modified the requirements of Rule 25-30.116(2) (b), Florida Administrative Code, due to the exceptional conditions related to the cost rate for long-term debt noted above.

Based on the foregoing, we deny Venture its requested AFUDC rate of 11.75 percent, and we hereby approve an annual AFUDC rate of 9.30 percent, with a discounted monthly rate of 0.743889 percent. We find that the above AFUDC rate is reasonable and hereby approve it.

EFFECTIVE DATE

Rule 25-30.116(5), Florida Administrative Code, states that the effective date for a new AFUDC rate will be the month following the end of the 12-month period used to establish the rate. Since the period used for the calculation of the above rate was the year ended December 31, 1992, the effective date of the approved rate is January 1, 1993. This approved rate is applicable for eligible construction projects and may not be retroactively applied.

It is, therefore,

ORDERED by the Florida Public Service Commission that the application for an Allowance for Funds Used During Construction rate by Venture Associates Utilities Corporation for its water system in Marion County is hereby granted as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.029, 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

ORDERED that the Allowance for Funds Used During Construction rate approved herein shall be effective for eligible construction projects as of January 1, 1993, and shall not be retroactively applied. It is further

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

By ORDER of the Florida Public Service Commission this 10th day of August, 1993.

  
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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 August 31, 1993.

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.

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 wastewater 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.