

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval) DOCKET NO. 920542-WU
to accrue Allowance for Funds) ORDER NO. PSC-92-1047-FOF-WU
Used During Construction) ISSUED: 09/23/92
(AFUDC) rates in Escambia)
County, by THE PEOPLES WATER)
SERVICE COMPANY)
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

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

BACKGROUND

The Peoples Water Service Company (Peoples or utility) is a Class A utility operating in Escambia County. As of December 31, 1991, the utility had 9,500 water customers.

On May 26, 1992, Peoples filed an application for approval of an Allowance for Funds Used During Construction (AFUDC) rate. The application was not in compliance with the filing requirements of Rule 25-30.116, Florida Administrative Code. On July 13, 1992, the utility submitted the deficiency, which brought the utility into compliance with the filing requirements.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATE

The utility's requested AFUDC rate was based on the year ended December 31, 1991. The application contained year-end balances of the amounts included in the capital structure, instead of a twelve-month average as required by Rule 25-30.116, Florida Administrative Code. On July 13, 1992, the utility submitted proposed cost rates

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and a twelve-month average capital structure, which was in compliance with Commission rules. In its revised filing the utility's requested AFUDC rate was 10.53 percent.

On December 12, 1991, Escambia County passed a resolution transferring jurisdiction of its private water and wastewater utilities to the Public Service Commission. In Docket No. 920289-WU, the Commission approved Peoples' grandfather certificate application by Order No. PSC-92-0866-FOF-WU, issued on August 25, 1992. The utility has not had a prior rate case before this Commission. In calculating the annual AFUDC rate, the utility used a common equity cost rate of 11.81 percent.

We have made two adjustments to the utility's application. The first is to reflect the correct cost rate for equity. Since this utility does not have a previously established cost of equity from this Commission, Rule 25-30.116(2)(c), Florida Administrative Code, requires that the current leverage graph should be applied. Order No. PSC-92-0686-FOF-WS, issued on July 21, 1992, established the current leverage graph. Based on the leverage graph formula, a 10.78 percent rate of return on equity is appropriate.

The other adjustment is to reflect the cost rate of customer deposits at 8 percent as required by Rule 25-30.311(4), Florida Administrative Code. The utility's application reflects a cost rate of 6 percent.

In summary, we hereby approve an annual AFUDC rate of 10.58 percent and a discounted monthly rate of 0.816632 percent. Our calculation of the appropriate AFUDC rate is attached hereto as Schedule No. 1.

Pursuant to Rule 25-30.116(5), Florida Administrative Code, the approved rate shall be applicable for eligible construction projects beginning January, 1992.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application for an Allowance for Funds Used During Construction Rate by The Peoples Water Service Company is hereby granted as modified as set forth in the body of this Order. It is further

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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 25-22.019, 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 AFUDC rates approved herein shall be effective for eligible construction projects as of January 1, 1992, 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 23rd day of September, 1992.


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

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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 October 14, 1992.

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.

THE PEOPLES WATER SERVICE COMPANY CALCULATION OF AFUDC RATE TEST YEAR ENDED DECEMBER 31, 1991				SCHEDULE NO. 1 DOCKET NO. 920542-WU			
DESCRIPTION	12-MONTH AVERAGE	WEIGHT	UTILITY REQUESTED COST RATE	UTILITY WEIGHTED COST	COMMISSION APPROVED COST RATE	COMMISSION WEIGHTED COST	
1 LONG TERM DEBT	\$ 736,250	12.32%	8.38%	1.03%	8.38%	1.03%	
2 PREFERRED STOCK	400,700	6.71%	7.00%	0.47%	7.00%	0.47%	
3 CUSTOMER DEPOSITS	149,045	2.49%	6.00%	0.15%	8.00%	0.20%	
4 COMMON EQUITY	4,490,199	75.16%	11.81%	8.88%	10.78%	8.10%	
5 INVESTMENT TAX CREDITS	0	0.00%	0.00%	0.00%	0.00%	0.00%	
6 ACCUM. DEFERRED INCOME TAXES	198,050	3.32%	0.00%	0.00%	0.00%	0.00%	
7 TOTAL CAPITAL	\$ 5,974,244	100.00%		10.53%		9.80%	
				=====		=====	
DISCOUNTED MONTHLY AFUDC RATE					0.876955%	0.816632%	
				=====		=====	
Formula	$M = \left[\left(1 + \frac{A}{100} \right)^{1/12} - 1 \right] \times 100$						
Where:	M = discounted monthly AFUDC rate A = annual AFUDC rate						