

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Florida Power & Light Company's current allowance for funds used during construction rate. | DOCKET NO. 100133-EI  
ORDER NO. PSC-10-0470-PAA-EI  
ISSUED: July 23, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman  
LISA POLAK EDGAR  
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING CHANGE IN RATE USED TO CAPITALIZE ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

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

Florida Power & Light Company's (FPL or the Company) current Allowance for Funds Used During Construction (AFUDC) rate of 7.41 percent was approved in Order No. PSC-09-0377-PAA-EI<sup>1</sup>. In Order No. PSC-10-0298-PCO-EI, we initiated a proceeding to revise FPL's current AFUDC rate and required FPL to file the schedules prescribed in Rule 25-6.0141(4), Florida Administrative Code (F.A.C.), for the period ended March 31, 2010.<sup>2</sup> On May 20, 2010, FPL filed the required schedules and requested a decrease in its AFUDC rate from 7.41 percent to 6.41 percent. We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

<sup>1</sup> Order No. PSC-09-0377-PAA-EI, issued May 28, 2009, in Docket No. 090108-EI, In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 7.65% to 7.41%, effective January 1, 2009, by Florida Power & Light Company.

<sup>2</sup> Order No. PSC-10-0298-PCO-EI, issued May 10, 2010, in Docket No. 100133-EI, In re: Review of Florida Power & Light Company's current allowance for funds during construction rate.

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FPSC-COMMISSION CLEAR

AFUDC Rate and Monthly Compounding Rate

FPL has requested a decrease in its AFUDC rate from 7.41 percent to 6.41 percent. Rule 25-6.0141(2), F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

(2) The applicable AFUDC rate shall be determined as follows:

(a) The most recent 13-month average embedded cost of capital, except as noted below, shall be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the utility's last rate case.

(b) The cost rates for the components in the capital structure shall be the midpoint of the last allowed return on common equity, the most recent 13-month average cost of short term debt and customer deposits and a zero cost rate for deferred taxes and all investment tax credits. The cost of long term debt and preferred stock shall be based on end of period cost. The annual percentage rate shall be calculated to two decimal places.

In support of the requested AFUDC rate of 6.41 percent, FPL provided its calculations and capital structure as Schedules A and B attached to its request. We have reviewed these calculations and determined that the proposed rate was calculated in accordance with Rule 25-6.0141(2), F.A.C. The requested decrease in the AFUDC rate is due principally to a reduction in both the cost rate and the relative percentage of common equity in the capital structure. Also contributing to the decrease in the rate is a reduction in the weighted cost rate for long-term and short-term debt. Based on our review, we approve FPL's requested decrease in the AFUDC rate from 7.41 percent to 6.41 percent. This approved AFUDC rate is based upon a 13-month average capital structure for the period ended March 31, 2010.

FPL also requested that we approve a monthly compounded rate of 0.519087 percent to achieve an annual AFUDC rate of 6.41 percent. In support of the requested monthly compounding rate of 0.519087 percent, FPL provided its calculations as Schedule C attached to its request. Rule 25-6.0141(3), F.A.C., provides a formula for discounting the annual AFUDC rate to reflect monthly compounding. The rule also requires that the monthly compounding rate be calculated to six decimal places. We have reviewed the Company's calculations and have determined that they are in compliance with the requirements of Rule 25-6.0141(3), F.A.C. Therefore, we approve FPL's request of a monthly compounded rate of 0.519087 percent to achieve an annual AFUDC rate of 6.41 percent.

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended March 31, 2010. Rule 25-6.014(5), F.A.C., provides that:

The new AFUDC rate shall be effective the month following the end of the 12-month period used to establish that rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission.

The Company's requested effective date of April 1, 2010, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore, we approve FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended March 31, 2010.

Rule 25-6.0423(5)(b)1, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery, F.A.C., states the following:

For power plant need petitions submitted on or before December 31, 2010, the associated carrying costs shall be computed based on the pretax AFUDC rate in effect on June 12, 2007.

FPL's AFUDC rate in effect on June 12, 2007 was 7.42 percent.<sup>3</sup> For the purpose of Rule 25-6.0423, F.A.C., we find that 7.42 percent is the appropriate AFUDC rate to be utilized for computing carrying costs for power plant need petitions submitted on or before December 31, 2010.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's request to decrease the rate to capitalize the Allowance for Funds Used During Construction from 7.41 percent to 6.41 percent is approved effective April 1, 2010. It is further

ORDERED that the appropriate monthly compounding rate to achieve the approved 6.41 percent annual rate is 0.519087. It is further

ORDERED that for the purpose of Rule 25-6.0423, F.A.C., 7.42 percent shall be the appropriate Allowance for Funds Used During Construction rate to be utilized for computing carrying costs for power plant need petitions submitted on or before December 31, 2010. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if there is no protest by a substantially affected person within 21 days of the date of this Order, then this Order shall become final and this docket shall be closed upon the issuance of a Consummating Order.

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<sup>3</sup> Order No. PSC-05-0421-PAA-EI, issued April 20, 2005, in Docket No. 050153-EI, In re: Request for approval to change rate used to capitalize allowance for funds used during construction (AFUDC) from 7.29% to 7.42%, effective January 1, 2005, by Florida Power & Light Company.

By ORDER of the Florida Public Service Commission this 23rd day of July, 2010.



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ANN COLE  
Commission Clerk

(SEAL)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 13, 2010.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.