

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval to) DOCKET NO. 930853-EI
change allowance for funds used) ORDER NO. PSC-93-1785-FOF-EI
during construction (AFUDC) rate) ISSUED: December 13, 1993
from 8.03% to 7.81% effective)
7/1/93 by Florida Power)
Corporation.)
_____)

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING CHANGE OF ALLOWANCE FOR FUNDS
USED DURING CONSTRUCTION RATE FOR FLORIDA POWER CORPORATION

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.

Based on our review of Florida Power Corporation's (FPC's) calculation of the allowance for funds used during construction (AFUDC) rate included in the June, 1993 Rate of Return Surveillance report, we opened a docket to reduce the AFUDC rate from 8.03% to 7.81%. (Attachment A) The rate was calculated in accordance with Rule 25-6.0141, Florida Administrative Code. The AFUDC rate calculation and supporting data were audited and verified. The change from 8.03% to 7.81% reflects reductions in the cost rates of FPC's capital structure components. The cost of each of FPC's investor supplied sources of funds, which include common equity, preferred stock, long-term debt, and short-term debt, has declined since the last AFUDC rate was established.

Reducing the AFUDC rate from 8.03% to 7.81% will result in a lower AFUDC accrual. Based on the projected level of Construction Work in Progress eligible for AFUDC, the 1993 annual accrual will be decreased by \$552,000.

RECORDED & INDEXED

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FILED - PUBLIC SERVICE COMMISSION

ORDER NO. PSC-93-1785-FOF-EI
DOCKET NO. 930853-EI
PAGE 2

Accordingly, we find that the reduction in the AFUDC rate from 8.03% to 7.81% is approved. (Attachment B)

Attachment C shows the formula we used to discount the simple interest rate of 7.81% to reflect the effects of compounding monthly. The monthly compounding rate to achieve an annual AFUDC rate of 7.81% is 0.628636%.

The AFUDC rate was calculated using a 13-month average capital structure for the period ending June 30, 1993. Pursuant to Rule 25-6.0141(5), Florida Administrative Code, "[t]he new AFUDC rate shall be effective the month following the end of the 12-month period used to establish that rate...." Therefore, since a June 30, 1993 period was used to calculate the rate, the effective date shall be July 1, 1993.

Based on the foregoing, it is

ORDERED that Florida Power Corporation's request for approval to change the allowance for funds used during construction rate from 8.03% to 7.81% resulting from a 13-month average capital structure for the period ending June 30, 1993 is hereby approved. It is further

ORDERED that the appropriate monthly compounding rate is 0.628636%. It is further

ORDERED that the effective date for implementing the revised allowance for funds used during construction rate shall be July 1, 1993. It is further

ORDERED that this Order shall become final and effective and this docket shall be closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by close of business on the date indicated on the Notice of Further Proceedings or Judicial Review.

ORDER NO. PSC-93-1785-FOF-EI
DOCKET NO. 930853-EI
PAGE 3

By ORDER of the Florida Public Service Commission, this 13th
day of December, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
DLC:bmi

by: Kay Flynn
Chief, Bureau of Records

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 January 3, 1994.

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.

ORDER NO. PSC-93-1785-FOF-EI
DOCKET NO. 930853-EI
PAGE 4

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.

ATTACHMENT A
 ORDER NO. PSC-93-1785-FOF-EI
 DOCKET NO. 930853-EI
 PAGE 5

DOCKET NO. 930853-EI
 NOVEMBER 9, 1993

ATTACHMENT A

FLORIDA POWER CORPORATION
 AFUDC RATE COMPUTATION
 JUNE 1993
 WEIGHTED AVERAGE COST OF CAPITAL

		JURISDICTIONAL BALANCE (1)	RATIO	COST RATE (2)	WEIGHTED COST
COMMON EQUITY	(5)	\$1,189,172,776	39.05%	12.00%	4.69%
PREFERRED STOCK	(3)	177,386,549	5.82%	6.97%	0.41%
LONG TERM DEBT					
FIXED RATE	(3)	919,899,729	30.20%	7.66%	2.31%
VARIABLE RATE	(4)	144,965,613	4.76%	3.51%	0.17%
SHORT TERM DEBT	(4)	35,188,283	1.16%	4.35%	0.05%
CUSTOMER DEPOSITS					
ACTIVE		68,789,531	2.26%	8.14%	0.18%
INACTIVE		440,978	0.01%	0.00%	0.00%
INVESTMENT TAX CREDIT					
3%		986,524	0.03%	0.00%	0.00%
POST '70 EQUITY	(6)	57,675,683	1.89%	0.00%	0.00%
POST '70 DEBT	(6)	44,942,679	1.48%	0.00%	0.00%
DEFERRED INCOME TAXES		385,757,149	12.66%	0.00%	0.00%
FAS 109 LIABILITY		20,667,554	0.68%	0.00%	0.00%
TOTAL		<u>\$3,045,873,148</u>	<u>100.00%</u>		<u>7.81%</u>

FOOTNOTES:

- (1) BALANCES UTILIZED ARE 13 MONTH AVERAGE UNLESS OTHERWISE NOTED.
- (2) COST RATES UTILIZED ARE 13 MONTH AVERAGE UNLESS OTHERWISE NOTED.
- (3) COST RATES UTILIZED ARE YEAR END.
- (4) BALANCE AND COST RATE UTILIZED IS DAILY WEIGHTED AVERAGE FOR 13 MONTHS.
- (5) COMMON EQUITY COST RATE IS MID-POINT AUTHORIZED IN DOCKET NO. 910890-EI.
- (6) POST '70 ITC CREDITS ASSIGNED A ZERO-COST RATE PER FPSC ORDER NO. 19282, DOCKET NO. 880157-EI.

ATTACHMENT B
 ORDER NO. PSC-93-1785-FOF-EI
 DOCKET NO. 930853-EI
 PAGE 6

DOCKET NO. 930853-EI
 NOVEMBER 9, 1993

COMMISSION COMPUTATION

ATTACHMENT B

FLORIDA POWER CORPORATION
 AFUDC RATE COMPUTATION
 DOCKET NO. 930853-EI

JUNE 30, 1993

WEIGHTED AVERAGE COST OF CAPITAL

	JURISDICTIONAL BALANCE	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	\$1,189,172,775	39.04%	12.00%	4.69%
PREFERRED STOCK	177,286,549	5.32%	6.97%	0.41%
LONG TERM DEBT				
FIXED RATE	319,399,702	10.20%	7.66%	2.01%
VARIABLE RATE	144,363,910	4.75%	3.81%	0.17%
SHORT TERM DEBT	25,138,280	1.15%	4.25%	0.05%
CUSTOMER DEPOSITS				
ACTIVE	38,739,351	2.05%	3.14%	0.13%
INACTIVE	440,378	0.01%	0.00%	0.00%
INVESTMENT TAX CREDIT				
3%	886,324	0.03%	0.00%	0.00%
POST '70 EQUITY	57,575,000	1.39%	0.00%	0.00%
POST '70 DEBT	44,342,379	1.48%	0.00%	0.00%
DEFERRED INCOME TAXES	385,757,149	12.66%	1.00%	1.00%
FAS 109 LIABILITY	20,667,554	0.62%	0.00%	0.00%
TOTAL	\$3,046,370,148	100.00%		7.31%

ATTACHMENT C
ORDER NO. PSC-93-1785-FOF-EI
DOCKET NO. 930853-EI
PAGE 7

COMMISSION COMPUTATION ATTACHMENT C

FLORIDA POWER CORPORATION
AFUDC RATE COMPUTATION
DOCKET NO. 930853-EI

JUNE 30, 1993

DISCOUNTED MONTHLY AFUDC RATE

Formula for derivation of monthly AFUDC rate:

$$M = ((1 + A)^{(1/12)} - 1)$$

where M is the discounted monthly AFUDC rate, and

A is the annual AFUDC rate.

A = 7.31%
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M = 0.528636%
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