

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to change rate used to capitalize allowance for funds used during construction (AFUDC) from 8.26% to 7.84% effective 11/1/02, by Florida Power & Light Company.

DOCKET NO. 021213-EI  
ORDER NO. PSC-03-0189-PAA-EI  
ISSUED: February 7, 2003

The following Commissioners participated in the disposition of this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING REDUCTION IN 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 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.

By Order No. PSC-93-1457-FOF-EI, issued October 7, 1993, in Docket No. 930383-EI, this Commission approved Florida Power & Light Company's (FPL or the Company) current Allowance for Funds Used During Construction (AFUDC) rate of 8.26%. By letter dated December 6, 2002, FPL requests that its AFUDC rate be reduced from 8.26% to 7.84%, effective November 1, 2002, to reflect its current capital structure and cost rates. We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

In support of its proposed new AFUDC rate, FPL provided its calculations and capital structure. Upon review of this information, we find that the proposed rate was calculated in

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accordance with Rule 25-6.0141, Florida Administrative Code. The requested change reflects decreases in all of the cost rates of FPL's investor-supplied sources of funds and the cost rate for customer deposits. These reductions were partially offset by an increase in FPL's percentage of common equity from 37.92% in 1993 to 54.42% on October 31, 2002. In sum, we find that FPL's proposed new AFUDC rate of 7.84%, based on a 13-month average capital structure for the period ending October 31, 2002, is appropriate.

FPL also provided the formula it used to discount the simple interest rate of 7.84% to reflect the effects of compounding monthly. Based on this formula, FPL calculated that the monthly compounding rate to achieve an annual AFUDC rate of 7.84% is 0.630969%. Upon review and verification, we find that FPL's calculations were made in conformance with the methodology found in Rule 25-6.0141(3), Florida Administrative Code. Therefore, we find that the appropriate monthly compounding rate to achieve an annual AFUDC rate of 7.84% is 0.630969%.

As stated above, FPL's proposed new AFUDC rate was calculated using a 13-month average capital structure for the period ending October 31, 2002. Rule 25-6.0141(5), Florida Administrative Code, provides that "[t]he 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 November 1, 2002, complies with the requirement that the effective date not precede the period used to calculate the rate. However, the timing of the Company's request has precluded the issuance of a final order on this matter before the end of the Company's fiscal year ended December 31, 2002.

Once a fiscal year is closed, it is preferable, from an accounting standpoint, that items resulting in prior period adjustments not be retroactively applied to that closed year. It should be noted, though, that FPL did not capitalize any AFUDC during 2002. In fact, FPL has not capitalized any AFUDC since 1996. Because no AFUDC was capitalized during 2002, approving FPL's requested effective date of November 1, 2002, would not result in any retroactive application of the revised AFUDC rate. Given these unique circumstances, we approve FPL's requested effective date of November 1, 2002.

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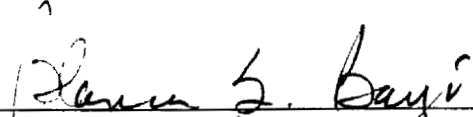
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's request to reduce its Allowance for Funds Used During Construction rate from 8.26% to 7.84%, effective November 1, 2002, is approved. 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 Director, Division of the Commission Clerk and Administrative Services, 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 in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 7th day of February, 2003.

  
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BLANCA S. BAYO, Director  
Division of the Commission Clerk  
and Administrative Services

( S E A L )

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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 Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 28, 2003.

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 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.