

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Request for approval to change rate used to capitalize allowance for funds used during construction (AFUDC) from 7.84% to 7.29%, effective 1/1/04, by Florida Power & Light Company.

DOCKET NO. 040180-EI  
ORDER NO. PSC-04-0416-PAA-EI  
ISSUED: April 22, 2004

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING NEW 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.

Florida Power & Light Company's (FPL or the Company) current Allowance for Funds Used During Construction (AFUDC) rate of 7.84% was approved in Order No. PSC-03-0189-PAA-EI, issued February 7, 2003, in Docket No. 021213-EI. By letter dated February 27, 2004, FPL requests that its AFUDC rate be reduced from 7.84% to 7.29% 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 request for a new rate of 7.29%, FPL provided its calculations and capital structure. A review of these calculations shows that the proposed rate was calculated in 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 not including FPL's

DOCUMENT NUMBER-DATE

04784 APR 22 04

FPSC-COMMISSION CLERK

return on equity, which remained unchanged. We find that the requested decrease in the AFUDC rate from 7.84% to 7.29% is appropriate and it is therefore approved.

Using an annual AFUDC rate of 7.285896%, the company calculated the monthly compounding rate to be 0.587779%. According to Rule 25-6.0141(2)(b), Florida Administrative Code, "the annual percentage rate shall be calculated to two decimal places." The monthly discount rate is then calculated to six decimal places in order to arrive at the annual AFUDC rate to two decimal places. Using the methodology in Rule 25-6.0141(3), Florida Administrative Code, we calculate that the monthly compounding rate should be 0.588100%, and this rate is approved.

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ending December 31, 2003. Pursuant to Rule 25-6.0141(5), Florida Administrative Code, "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 January 1, 2004, complies with the requirement that the effective date not precede the period used to calculate the rate. Accordingly, we approve the effective date of January 1, 2004.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power and Light Company's request to reduce the rate to capitalize allowance for funds used during construction from 7.84% to 7.29% is approved effective January 1, 2004. It is further


ORDERED that the appropriate monthly compounding rate to maintain a simple rate of 7.29% is 0.588100%. 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 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.

ORDER NO. PSC-04-0416-PAA-EI  
DOCKET NO. 040180-EI  
PAGE 3

By ORDER of the Florida Public Service Commission this 22nd day of April, 2004.

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

( S E A L )

RRJ

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 May 13, 2004.

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.