

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Request for approval of change in 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.

DOCKET NO. 050153-EI
ORDER NO. PSC-05-0421-PAA-EI
ISSUED: April 20, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON
LISA POLAK EDGAR

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 7.29% was approved in Order No. PSC-04-0416-PAA-EI, issued April 22, 2004, in Docket No. 040180-EI, 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 1/01/04, by Florida Power & Light Company. By letter dated February 25, 2005, FPL requests that its AFUDC rate be increased from 7.29% to 7.42% 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.

AFUDC Rate and Monthly Compounding Rate

FPL has requested an increase in its AFUDC rate from 7.29% to 7.42%. In support of the new rate, FPL provided its calculations and capital structure as Schedules A and B attached to its request. A review of these calculations shows that the proposed rate was calculated in

DOCUMENT NUMBER-DATE

03827 APR 20 05

FPSC-COMMISSION CLERK

accordance with Rule 25-6.0141, Florida Administrative Code. The requested increase is due principally to an increase in the weighted cost of long-term debt and common equity, somewhat offset by a reduction in the weighted cost of preferred stock. Based on the above, we find that the requested increase in the AFUDC rate from 7.29% to 7.42% is appropriate, and it is approved.

Schedule C attached to FPL's request shows the formula used by FPL to discount the annual rate of 7.42% to reflect the effects of compounding monthly. According to the company's calculation, the monthly compounding rate to achieve an annual AFUDC rate of 7.42% is 0.5982507%.

According to Rule 25-6.0141(2)(b), Florida Administrative Code, "the annual percentage rate shall be calculated to two decimal places." The discounted monthly AFUDC rate is then calculated to six decimal places (and not seven as done by the utility) 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 recalculated a discounted monthly AFUDC rate of 0.598251%, and we approve that number.

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ending December 31, 2004. Rule 25-6.0141(5), Florida Administrative Code, states: "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, 2005, complies with the requirement that the effective date not precede the period used to calculate the rate, and this date is approved as the effective date for implementing the revised AFUDC rate.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power and Light Company's request to increase the rate to capitalize the Allowance for Funds Used During Construction from 7.29% to 7.42% is approved effective January 1, 2005. It is further

ORDERED that the appropriate monthly compounding rate to achieve the approved 7.42% annual rate is 0.598251. 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.

By ORDER of the Florida Public Service Commission this 20th day of April, 2005.

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

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(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 11, 2005.

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.