

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Progress Energy Florida, Inc.'s current allowance for funds used during construction rate.

DOCKET NO. 100134-EI  
ORDER NO. PSC-10-0258-PCO-EI  
ISSUED: April 26, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman  
LISA POLAK EDGAR  
NATHAN A. SKOP  
DAVID E. KLEMENT  
BEN A. "STEVE" STEVENS III

ORDER INITIATING PROCEEDING TO REVIEW  
PROGRESS ENERGY FLORIDA, INC.'S AFUDC RATE

BY THE COMMISSION:

Progress Energy Florida, Inc.'s (PEF) current Allowance for Funds Used During Construction (AFUDC) rate of 8.848 percent, effective January 1, 2006, was authorized in PEF's stipulated rate case in Docket No. 050078-EI.<sup>1</sup> The stipulated 8.848 percent AFUDC rate calculation was based on a projected 13-month average capital structure with an 11.75 percent return on equity (ROE) for the period ended December 31, 2006.

In the prescribed Uniform System of Accounts,<sup>2</sup> AFUDC is defined as the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds (preferred stock and common equity) when so used.<sup>3</sup> To the extent practicable, the AFUDC rate should reflect the current costs for borrowed and other funds. In its recently concluded rate case in Docket No. 090079-EI,<sup>4</sup> PEF was authorized an ROE midpoint of 10.50 percent. Based on the period ended December 31, 2009, and a 10.50 percent ROE, Commission staff estimates that a more current AFUDC rate would be approximately 7.91 percent. This AFUDC rate is significantly lower than the currently authorized AFUDC rate of 8.848 percent.

Pursuant to Rule 25-6.0141(7), Florida Administrative Code (F.A.C.), we may, on our own motion, initiate a proceeding to revise a utility's AFUDC rate. Based on its analysis, Commission staff has recommended that a more current AFUDC rate would be significantly lower than the currently authorized AFUDC rate of 8.848 percent. We therefore find it appropriate to initiate a proceeding to revise PEF's AFUDC rate. PEF shall therefore file the

<sup>1</sup> Order No. PSC-05-0945-S-EI, issued September 28, 2005, in Docket No. 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc.

<sup>2</sup> Rule 25-6.014(1), F.A.C.

<sup>3</sup> 18 C.F.R. Part 101 (2009), Electric Plant Instruction No. 3.A.(17)

<sup>4</sup> Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc.

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schedules prescribed in Rule 25-6.0141(4), F.A.C., for the period ending March 31, 2010, with an effective date of April 1, 2010. March 2010 represents the first full month subsequent to the February 10, 2010, effective date for the implementation of the new rates authorized in the rate case. The schedules shall include the appropriate rate case adjustments consistent with the determinations reflected in Order No. PSC-10-0131-FOF-EI. The schedules shall be filed no later than May 20, 2010.

We have jurisdiction pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that a proceeding is hereby initiated to revise Progress Energy Florida, Inc.'s current AFUDC rate. It is further

ORDERED that Progress Energy Florida, Inc., shall file the schedules prescribed in Rule 25-6.0141(4), Florida Administrative Code, for the period ending March 31, 2010, with an effective date of April 1, 2010. The schedules shall include the appropriate rate case adjustments consistent with the determinations reflected in Order No. PSC-10-0131-FOF-EI. The schedules shall be filed no later than May 20, 2010. It is further

ORDERED that this docket shall remain open pending the review of the required AFUDC filing and the subsequent filing of a recommendation in this docket.

By ORDER of the Florida Public Service Commission this 26th day of April, 2010.



ANN COLE  
Commission Clerk

( S E A L )

JSB

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 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.

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.