

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 6.26% to 5.73%, effective January 1, 2014, by Gulf Power Company.

DOCKET NO. 140046-EI
ORDER NO. PSC-14-0175-PAA-EI
ISSUED: April 18, 2014

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING GULF POWER COMPANY'S REQUEST TO REDUCE ITS
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION 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 (F.A.C.).

Background

Gulf Power Company's (Gulf or the Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.26 percent was approved by this Commission in Order No. PSC-12-0482-PAA-EI.¹ On March 3, 2014, Gulf filed the required schedules and requested a decrease in its AFUDC rate from 6.26 percent to 5.73 percent, effective January 1, 2014. This Commission has jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-12-0482-PAA-EI, issued September 19, 2012, in Docket No. 120179-EI, In re: Request for approval to capitalize allowance for funds used during construction (AFUDC) from 7.65% to 6.26%, effective May 1, 2012, by Gulf Power Company, consummated by Order No. PSC-12-0545-CO-EI, issued October 15, 2012.

Gulf's request to reduce its AFUDC Rate

Gulf has requested a decrease in its AFUDC rate from 6.26 percent to 5.73 percent. Rule 25-6.0141, F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

(2) The applicable AFUDC rate shall be determined as follows:

(a) The most recent 13-month average embedded cost of capital, except as noted below, shall be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the utility's last rate case.

(b) The cost rates for the components in the capital structure shall be the midpoint of the last allowed return on common equity, the most recent 13-month average cost of short term debt and customer deposits and a zero cost rate for deferred taxes and all investment tax credits. The cost of long term debt and preferred stock shall be based on end of period cost. The annual percentage rate shall be calculated to two decimal places.

In support of its requested AFUDC rate of 5.73 percent, Gulf provided its calculations and capital structure as Schedules A and B attached to its request. We have determined that the proposed rate was calculated in accordance with Rule 25-6.0141(2), F.A.C. The requested decrease is due principally to a reduction in both the cost rate and the relative percentage of long-term debt in the capital structure, which resulted in a decrease in the weighted cost rate from 2.07 percent to 1.73 percent, or 34 basis points. The other main contributor to the lower AFUDC rate is a decrease in the relative percentage of common equity in the capital structure, which is due to an increase in the relative percentage of deferred taxes. The weighted cost rate of common equity decreased from 3.88 percent to 3.73 percent, or 15 basis points. In addition, the cost rate for customer deposits decreased from 6.26 percent to 2.38 percent, which lowered the weighted cost rate by 6 basis points.

Therefore, we find that the requested decrease in the AFUDC rate from 6.26 percent to 5.73 percent is appropriate, consistent with Rule 25-6.0141, F.A.C., and shall be approved.

Appropriate Monthly Compounding Rate

Gulf has requested a monthly compounding rate of 0.465400 percent to achieve an annual AFUDC rate of 5.73 percent. In support of the requested monthly compounding rate of 0.465400 percent, the Company provided its calculations as Schedule C attached to its request. Rule 25-6.0141(3), F.A.C., provides a formula for discounting the annual AFUDC rate to reflect monthly compounding. The rule also requires that the monthly compounding rate be calculated to six decimal places.

We have determined that Gulf is in compliance with the requirements of Rule 25-6.0141(3), F.A.C. Therefore, we find that a discounted monthly AFUDC rate of 0.465400 percent shall be approved.

Effective Date

Gulf's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ending December 31, 2013. Rule 25-6.0141(5), F.A.C., provides that:

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.

We find that Gulf's requested effective date of January 1, 2014 complies with the requirement that the effective date not precede the period used to calculate the rate, and therefore shall be approved.²

Based on the foregoing, it is

ORDERED that Gulf Power Company's Allowance for Funds Used During Construction rate shall be reduced from 6.26 percent to 5.73 percent effective as of January 1, 2014. It is further

ORDERED that Gulf Power Company's monthly compounding rate shall be 0.465400 percent. It is further

ORDERED that if no person whose substantial interests are affected by this proposed agency action files a protest within 21 days of the issuance of this order, this docket shall be closed upon the issuance of a consummating order.

² Due to changes made to Section 366.93, F.S., during the 2013 Legislative Session, Rule 25-6.0423, F.A.C., was amended in January 2014 to provide that for the purposes of nuclear or integrated gasification combined cycle power plant cost recovery, carrying costs pursuant to the rule shall be calculated using the utility's most recently approved pretax AFUDC rate at the time an increment of cost recovery is sought. Prior to the amendment, the rule had provided that for power plant need petitions submitted on or before December 31, 2010, the associated carrying costs would be computed based on the pretax AFUDC rate in effect on June 12, 2007. Therefore, we find that a single AFUDC rate should be effective for all purposes, including for computing carrying costs for cost recovery sought pursuant to Section 366.93, F.S.

ORDERED by the Florida Public Service Commission that By ORDER of the Florida Public Service Commission this 18th day of April, 2014.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 9, 2014.

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.