

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 6.52% to 6.34%, effective January 1, 2014, by Florida Power & Light Company.

DOCKET NO. 140035-EI  
ORDER NO. PSC-14-0193-PAA-EI  
ISSUED: April 25, 2014

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING 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 6.52 percent was approved on April 22, 2013, by Order No. PSC-13-0163-PAA-EI.<sup>1</sup> On February 17, 2013, FPL filed the required schedules and requested a decrease in its AFUDC rate from 6.52 percent to 6.34 percent, effective January 1, 2014. We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

FPL requested a decrease in its AFUDC rate from 6.52 percent to 6.34 percent. Rule 25-6.0141(2), 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.

<sup>1</sup> Order No. PSC-13-0163-PAA-EI, issued April 23, 2013, in Docket No. 130051-EI, In re: Request for approval of change of allowance for funds during construction (AFUDC), by Florida Power and Light Company, consummated by Order No. PSC-13-0199-CO-EI, issued May 16, 2013.

(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 the requested AFUDC rate of 6.34 percent, FPL provided its calculations and capital structure as Schedules A and B attached to its request. We have reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-6.0141(2), F.A.C. The requested decrease in the AFUDC rate is due principally to a slight decrease in the cost rates of long term debt and customer deposits, and a slightly lower ratio of common equity in the capital structure. The cost of equity remained at 10.5 percent return on equity, which was approved by us in Order No. PSC-13-0023-S-EI.<sup>2</sup>

Based on our review, we find that the requested decrease in the AFUDC rate from 6.52 percent to 6.34 percent is appropriate and consistent with Rule 25-6.0141, F.A.C., and we hereby approve it.

FPL requested a monthly compounding rate of 0.513575 percent to achieve an annual AFUDC rate of 6.34 percent. In support of the requested monthly compounding rate of 0.513575 percent, FPL 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 reviewed the Company's calculations and determined that they comply with the requirements of Rule 25-6.0141(3), F.A.C. Therefore, we hereby approve a discounted monthly AFUDC rate of 0.513575 percent.

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended 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.

The Company's requested effective date of January 1, 2014, complies with the requirement that the effective date does not precede the period used to calculate the rate and is hereby approved.<sup>3</sup>

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<sup>2</sup> Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 120015-EI, In re: Petition for increase in rates by Florida Power & Light Company.

<sup>3</sup> 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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate AFUDC rate for Florida Power & Light Company is 6.34 percent based on a 13-month average capital structure for the period ended December 31, 2013. It is further

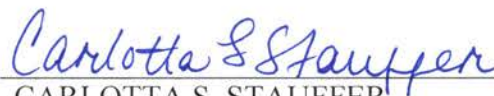
ORDERED that the appropriate monthly compounding rate to maintain an annual rate of 6.34 percent is 0.513575 percent. It is further

ORDERED that the revised AFUDC rate should be effective as of January 1, 2014 for all purposes. 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 Commission Clerk, 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 25th day of April, 2014.



CARLOTTA S. STAUFFER

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413-6770

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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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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 16, 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.