

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 5.97% to 6.22%, effective January 1, 2019, by Florida Power & Light Company.

DOCKET NO. 20190087-EI
ORDER NO. PSC-2019-0218-PAA-EI
ISSUED: June 3, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

ORDER APPROVING AFUDC RATE FOR FLORIDA POWER & LIGHT COMPANY

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.).

I. Background

Florida Power & Light Company's (FPL or the Company) current Allowance for Funds Used During Construction (AFUDC) rate of 5.97 percent was approved on May 11, 2018, by Order No. PSC-2018-0247-PAA-EI.¹ On April 2, 2019, FPL filed the required schedules and requested an increase of its AFUDC rate from 5.97 percent to 6.22 percent, effective January 1, 2019. 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.

¹Order No. PSC-2018-0247-PAA-EI, issued May 11, 2018, in Docket No. 20180038-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-2018-0348-CO-EI, issued July 16, 2018.

II. Decision

A. Approval of FPL's request to increase its AFUDC rate from 5.97 percent to 6.22 percent

FPL requested an increase in its AFUDC rate from 5.97 percent to 6.22 percent. Rule 25-6.0141(2), F.A.C., Allowance for Funds Used During Construction, states the following:

(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 the requested AFUDC rate of 6.22 percent, FPL provided its calculations and capital structure in Schedules A and B attached to its request. We reviewed the schedules and find that the proposed rate was calculated in accordance with Rule 25-6.0141(2), F.A.C. The requested increase in the AFUDC rate is principally due to an increase in the weighted cost of long-term debt which increased by 17 basis points. The weighted cost of common equity also increased by 6 basis points due to an increase in the equity ratio. FPL used the midpoint return of equity of 10.55 percent, which we previously approved in Order No. PSC-16-0560-AS-EI.²

Upon review, we find FPL's requested increase in the AFUDC rate from 5.97 percent to 6.22 percent is appropriate and consistent with Rule 25-6.0141, F.A.C. Therefore, we approve FPL's requested AFUDC rate increase.

B. Approval of the appropriate monthly compounding rate to achieve the requested 6.22 percent annual AFUDC rate

FPL requested a monthly compounding rate of 0.504118 percent to achieve an annual AFUDC rate of 6.22 percent. In support of the requested monthly compounding rate of 0.504118 percent, FPL provided its calculations in 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.

²Order No. PSC-16-0560-AS-EI, issued December 15, 2016, in Docket No. 160021-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

We reviewed the Company's calculations and find that they comply with the requirements of Rule 25-6.0141(3), F.A.C. Therefore, we approve a discounted monthly AFUDC rate of 0.504118 percent.

C. Approval of FPL's requested effective date of January 1, 2019, for implementing the revised AFUDC rate

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2018. Rule 25-6.0141(5), F.A.C., states, in part, 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, 2019, complies with the requirement that the effective date not precede the period used to calculate the rate; therefore, the requested effective date is approved.³

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate AFUDC rate for Florida Power & Light Company is 6.22 percent based on a 13-month average capital structure for the period ended December 31, 2018. It is further

ORDERED that the appropriate monthly compounding rate to maintain an annual rate of 6.22 percent is 0.504118 percent. It is further

ORDERED that the revised AFUDC rate shall be effective as of January 1, 2019, 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

³Due 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 would be effective for all purposes, including for computing carrying costs for cost recovery sought pursuant to Section 366.93, F.S.

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ORDERED that if no person whose substantial interests are affected by the 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.

By ORDER of the Florida Public Service Commission this 3rd day of June, 2019.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KMS

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.

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 June 1, 2018.

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 docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.