

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of change of allowance for funds used during construction (AFUDC), by Florida Power & Light Company.

DOCKET NO. 130051-EI
ORDER NO. PSC-13-0163-PAA-EI
ISSUED: April 22, 2013

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING 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 (F.A.C.).

BACKGROUND

Florida Power & Light Company's (FPL or the Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.41 percent was approved on July 23, 2010, by Order No. PSC-10-0470-PAA-EI.¹ On February 25, 2013, FPL filed the required schedules and requested an increase in its AFUDC rate from 6.41 percent to 6.52 percent. The 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.

DECISION

FPL requested an increase in its AFUDC rate from 6.41 percent to 6.52 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:

¹ Order No. PSC-10-0470-PAA-EI, issued July 23, 2010, in Docket No. 100133-EI, In re: Review of Florida Power & Light Company's current allowance for funds during construction rate.

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FPSC-COMMISSION CLERK

(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 6.52 percent, FPL provided its calculations and capital structure as Schedules A and B attached to its request. Staff reviewed the schedules and determined 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 due principally to an increase in the cost rate of common equity in the capital structure from 10 percent to 10.5 percent. The 10.5 percent return on equity was recently approved by the Commission in Order No. PSC-13-0023-S-EI.² The increase in the requested AFUDC rate due to the increase in the cost rate of common equity was partially offset by a decrease in the cost rates for long-term debt and customer deposits.

Based on our review, we find that the requested increase in the AFUDC rate from 6.41 percent to 6.52 percent is appropriate and is therefore approved.

FPL requested a monthly compounding rate of 0.527742 percent to achieve an annual AFUDC rate of 6.52 percent. In support of the requested monthly compounding rate of 0.527742 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 find it appropriate to approve a discounted monthly AFUDC rate of 0.527742 percent.

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2012. Rule 25-6.014(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.

² 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.

The Company's requested effective date of January 1, 2013, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore shall be approved.

Rule 25-6.0423(5)(b)1, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery, F.A.C., states the following:

For power plant need petitions submitted on or before December 31, 2010, the associated carrying costs shall be computed based on the pretax AFUDC rate in effect on June 12, 2007.

FPL's AFUDC rate in effect on June 12, 2007, was 7.42 percent.³ For the purpose of Rule 25-6.0423, F.A.C., we find that 7.42 percent is the appropriate AFUDC rate to be utilized for computing carrying costs for power plant need petitions submitted on or before December 31, 2010.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate AFUDC rate for Florida Power & Light Company is 6.52 percent based on the 13-month average capital structure for the period ended December 31, 2012. It is further

ORDERED that the appropriate monthly compounding rate to maintain an annual rate of 6.52 percent is 0.527742 percent. It is further

ORDERED that the revised AFUDC rate shall be effective as of January 1, 2013 for all purposes except for Rule 25-6.0423, F.A.C., Nuclear or Integrated Gasification Combined Cycle Power Plant Recovery. For the purposes of Rule 25-6.0423, F.A.C., 7.42 percent is the appropriate AFUDC rate to be utilized for compounding carrying costs for power plant need petitions submitted on or before December 31, 2010. 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.

³ Order No. PSC-05-0421-PAA-EI, issued April 20, 2005, in Docket No. 050153-EI, In re: Request for approval to change 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.

By ORDER of the Florida Public Service Commission this 22nd day of April, 2013.



ANN COLE

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.

SBr

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 13, 2013.

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.