

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 6.46% to 6.07%, effective January 1, 2020, by Duke Energy.

DOCKET NO. 20200062-EI  
ORDER NO. PSC-2020-0169-PAA-EI  
ISSUED: May 26, 2020

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING AFUDC RATE FOR DUKE ENERGY FLORIDA, LLC

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**

Duke Energy Florida, LLC's (DEF or Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.46 percent was approved on June 3, 2019 by Order No. PSC-2019-0219-PAA-EI.<sup>1</sup> On February 26, 2020, DEF filed the required schedules and requested a decrease in its AFUDC rate from 6.46 percent to 6.07 percent, effective January 1, 2020. 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.

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<sup>1</sup>Order No. PSC-2019-0219-PAA-EI, issued June 3, 2019, in Docket No. 20190069-EI, *In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 7.44% to 6.46%, effective January 1, 2019, by Duke Energy Florida, LLC d/b/a Duke Energy.*

## II. Decision

DEF requested a decrease in its AFUDC rate from 6.46 percent to 6.07 percent. Rule 25-6.0141(2), F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

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

(a) The most recent 13-month average embedded cost of capital, except as noted below, will 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 will 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 will be based on end of period cost. The annual percentage rate must be calculated to two decimal places.

In support of its requested AFUDC rate of 6.07 percent, DEF provided its calculations and capital structure in Schedules A and B attached to its request. We 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 decrease of 19 basis points in the weighted cost of long-term debt and a decrease of 31 basis points in the weighted cost of common equity. DEF used the midpoint return on equity of 10.50 percent, which was approved by Order No. PSC-2010-0131-FOF-EI.<sup>2</sup>

Based on our review, we find that the requested decrease in the AFUDC rate from 6.46 percent to 6.07 percent is appropriate, consistent with Rule 25-6.0141, F.A.C., and it is hereby approved.

DEF also requested a monthly compounding rate of 0.491920 percent to achieve an annual AFUDC rate of 6.07 percent. In support of the requested monthly compounding rate of 0.491920 percent, DEF 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.

We 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 that a discounted monthly AFUDC rate of 0.491920 percent shall be approved.

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<sup>2</sup>Order No. PSC-2010-0131-FOF-EI, issued March 5, 2010, in Docket No. 20090079-EI, *In re: Petition for increase in rates by Progress Energy Florida, Inc.* and Docket No. 20090144-EI, *In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc.*

DEF's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2019. Rule 25-6.0141(5), F.A.C., provides that:

No utility may charge or change its AFUDC rate without prior Commission approval. The new AFUDC rate will 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 the Company's requested effective date of January 1, 2020, complies with the requirement that the effective date does not precede the period used to calculate the rate, and is therefore approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that it is appropriate to reduce the AFUDC rate for Duke Energy Florida, LLC from 6.46 percent to 6.07 percent, based on a 13-month average capital structure for the period ended December 31, 2019. It is further


ORDERED that the appropriate compounding rate to maintain an annual rate of 6.07 percent is 0.491920 percent. It is further

ORDERED that the revised AFUDC rate shall be effective as of January 1, 2020, 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 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 26th day of May,  
2020.



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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.

WLT

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 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. 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 16, 2020.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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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.