

BCC Mtg. Date: June 5, 2018

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 6.16% to 5.97%, effective January 1, 2018, by Florida Power & Light Company.

DOCKET NO. 20180038-EI  
ORDER NO. PSC-2018-0247-PAA-EI  
ISSUED: May 11, 2018

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING DECREASE IN 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 6.16 percent was approved on April 13, 2017, by Order No. PSC-2017-0135-PAA-EI.<sup>1</sup> On February 16, 2018, FPL filed a request to decrease its AFUDC rate from 6.16 percent to 5.97 percent, effective January 1, 2018. This Commission has jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Section 366.04, 366.05, and 366.06, F.S.

<sup>1</sup>Order No. PSC-2017-0135-PAA-EI, issued April 13, 2017, in Docket No. 20170037-EI, In re: Request for approval of change in allowance for funds used during construction (AFUDC), effective January 1, 2017, by Florida Power & Light Company, consummated by Order No. PSC-2017-0017-CO-EI, issued May 16, 2017.

Received by: Clerk of BCC May 11, 2018 CAS  
c: County Mayor  
Commissioner Districts 1, 2, 3 & 6 only  
County Administrator  
Utilities Department Director Ray Hanson

ORDER NO. PSC-2018-0247-PAA-EI  
DOCKET NO. 20180038-EI  
PAGE 2

Decision

FPL requested a decrease in its AFUDC rate from 6.16 percent to 5.97 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.

(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 5.97 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 a slightly lower ratio of common equity in the capital structure. The cost of equity is 10.55 percent, which was approved by this Commission by Order No. PSC-2016-0560-AS-EI.<sup>2</sup>

Based on our review, we find that the requested decrease in the AFUDC rate from 6.16 percent to 5.97 percent is appropriate, consistent with Rule 25-6.0141, F.A.C., and we therefore approve FPL's request.

FPL requested a monthly compounding rate of 0.484385 percent to achieve an annual AFUDC rate of 5.97 percent. In support of the requested monthly compounding rate of 0.484385 percent, FPL provided its calculation 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 reviewed the Company's calculations and have determined that they comply with the requirements of Rule 25-6.0141(3), F.A.C. Therefore, we approve a discounted monthly AFUDC rate of 0.484385 percent.

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<sup>2</sup>Order No. PSC-2016-0560-AS-EI, issued December 15, 2016, in Docket No. 20160021-EI, In re: Petition for rate increase by Florida Power & Light Company.

ORDER NO. PSC-2018-0247-PAA-EI

DOCKET NO. 20180038-EI

PAGE 3

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2017. 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, 2018, complies with the requirement that the effective date not precede the period used to calculate the rate, and it is therefore approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate AFUDC rate for Florida Power & Light Company is 5.97 percent based on a 13-month average capital structure for the period ended December 31, 2017. It is further

ORDERED that the appropriate monthly compounding rate to maintain an annual rate of 5.97 percent is 0.484385 percent. It is further

ORDERED that the revised AFUDC rate shall be effective as of January 1, 2018, 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 the order, this docket shall be closed upon the issuance of a consummating order.

ORDER NO. PSC-2018-0247-PAA-EI  
DOCKET NO. 20180038-EI  
PAGE 4

By ORDER of the Florida Public Service Commission this 11th day of May, 2018.

*Carlotta S. Stauffer*

CARLOTTA S. STAUFFER

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.

JSC

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 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/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.