

BCC Mtg. Date: July 2, 2019

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 7.44% to 6.46%, effective January 1, 2019, by Duke Energy Florida, LLC d/b/a Duke Energy.

DOCKET NO. 20190069-EI
ORDER NO. PSC-2019-0219-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

NOTICE OF PROPOSED AGENCY ACTION
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.).

Background

Duke Energy Florida LLC's (DEF or the Company) current Allowance for Funds Used During Construction (AFUDC) rate of 7.44 percent was approved in Order No. PSC-10-0604-PAA-EI¹ and reaffirmed in Order No. PSC-13-0598-FOF-EI.² On March 21, 2019, DEF filed a request to decrease its AFUDC rate from 7.44 percent to 6.46 percent, effective January 1, 2019. We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Section 366.04, 366.05, and 366.06, F.S.

Decision

DEF has requested a decrease in its AFUDC rate from 7.44 percent to 6.46 percent. Rule 25-6.0141(2), Florida Administrative Code (F.A.C.), Allowance for Funds Used During Construction, provides the following guidance:

¹ Order No. PSC-10-0604-PAA-EI, issued October 4, 2010, in Docket No. 100134-EI, In re: Review of Progress Energy Florida, Inc.'s current allowance for funds used during construction.

² Order No. PSC-13-0598-FOF-EI, issued November 12, 2013, in Docket No. 130208-EI, In re: Petition for limited proceeding to approve revised and restated stipulation and settlement agreement by Duke Energy Florida, Inc. d/b/a Duke Energy.

(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 6.46 percent, DEF 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 decrease of 63 basis points in the weighted cost of long term debt and a decrease of 15 basis points in the weighted cost of common equity. Customer deposits are 13 basis points lower and short-term debt is 6 basis points lower. DEF used the midpoint return on equity of 10.50 percent, which was approved by Order No. PSC-10-0131-FOF-EI.³

Based on its review, we find that the requested decrease in the AFUDC rate from 7.44 percent to 6.46 percent is appropriate, consistent with Rule 25-6.0141, F.A.C., and is hereby approved.

DEF requested a monthly compounding rate of 0.523400 percent to achieve an annual AFUDC rate of 6.46 percent. In support of the requested monthly compounding rate of 0.523400 percent, DEF 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.

Having reviewed the Company's calculations and determined that they comply with the requirements of Rule 25-6.0141(3), F.A.C., we find that a discounted monthly AFUDC rate of 0.523400 percent is appropriate and it is hereby approved.

DEF'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., 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 this Commission.

The Company's requested effective date of January 1, 2019, complies with the requirement that the effective date does not precede the period used to calculate the rate, and is hereby approved.

³ Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc. and Docket No. 090144-EI, In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Duke Energy Florida, LLC's request to decrease its AFUDC rate from 7.44 percent to 6.46 percent is hereby granted. It is further

ORDERED that the effective date of the decrease in the AFUDC rate to 6.46 percent based on a 13-month average capital structure for the period ended December 31, 2018, is January 1, 2019. It is further

ORDERED that the monthly compounding rate to maintain an annual rate of 6.46 percent is 0.523400 percent. It is further

ORDERED that the revised AFUDC rate of 6.46 percent is 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

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

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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 24, 2019.

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.