

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 6.22% to 6.37%, effective January 1, 2023, by Florida Power & Light Company.

DOCKET NO. 20230031-EI
ORDER NO. PSC-2023-0142-PAA-EI
ISSUED: April 24, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING CHANGE IN RATE FOR ALLOWANCE FOR FUNDS USED
DURING CONSTRUCTION

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 Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.22 percent was approved by Order No. PSC-2019-0218-EI, issued June 3, 2019.¹ On March 2, 2023, FPL filed its request for approval to change its AFUDC rate from 6.22 percent to 6.37 percent, effective January 1, 2023. As required by Rule 25-6.014(5), Florida Administrative Code, (F.A.C.), FPL filed with its request Schedules A, B, and C identifying the capital structure, capital structure adjustments, and the methodology used to calculate the monthly AFUDC rate. We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.074, 366.05, and 366.06, F.S.

¹Order No. PSC-2019-0218-PAA-EI, issued June 3, 2019, in Docket No. 20190087-EI, *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.*

Decision

I. AFUDC Rate

FPL requested an increase in its AFUDC rate from 6.22 percent to 6.37 percent. Rule 25-6.0141(3), F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

- (3) 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 6.37 percent, FPL 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(3), F.A.C. The requested increase in the AFUDC rate is due to an increase of 37 basis points in the weighted cost of common equity, offset by a decrease of 17 basis points in the weighted cost of long-term debt, and a decrease of 5 basis points in the weighted cost of short-term debt. In its calculation, the Company appropriately used the mid-point return on equity of 10.80 percent, which was approved by Order No. PSC-2022-0358-FOF-EI, issued October 1, 2022.² The AFUDC rate calculation and capital structure are presented in Attachment 1, attached to this Order.

II. Appropriate Monthly Compounding Rate

FPL requested a monthly compounding rate of 0.005159 to achieve an annual AFUDC rate of 6.37 percent. In support of the requested monthly compounding rate of 0.005159, the Company provided its calculations in Schedule C attached to its request. Rule 25-6.0141(4), 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-2022-0358-FOF-EI, issued October 21, 2022, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

We reviewed the Company's calculations and determined that they comply with the requirements Rule 25-6.0141(4), F.A.C., as shown on Attachment 2 to this Order. Therefore, we find that a monthly compounding AFUDC rate of 0.005159 shall be approved.

III. Effective Date

FPL's requested AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2022. Rule 25-6.0141(6), 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.

The Company's requested effective date of January 1, 2023, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore shall be approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's AFUDC rate shall be increased from 6.22 percent to 6.37 percent for the reasons set forth herein. It is further

ORDERED that Florida Power & Light Company's monthly compounding rate shall be changed to 0.005159. It is further

Ordered that Florida Power & Light Company's revised AFUDC rate shall be effective January 1, 2023, 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 in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 24th day of April, 2023.



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.

AAW

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 15, 2023.

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.

**FLORIDA POWER & LIGHT COMPANY
 CAPITAL STRUCTURE USED FOR THE REQUESTED AFDUC RATE
 AS OF DECEMBER 31, 2022**

COMPANY AS FILED				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
COMMON EQUITY	\$26,855,347,514	48.08%	10.80%	5.19%
LONG-TERM DEBT	17,473,378,641	31.29%	3.63%	1.14%
SHORT-TERM DEBT	807,452,438	1.45%	1.93%*	0.03%
CUSTOMER DEPOSITS	431,270,364	0.77%	2.12%*	0.02%
DEFERRED INCOME TAXES	6,310,858,685	11.30%	0.00%	0.00%
FAS 109 DEFERRED INC. TAX	3,029,951,855	5.43%	0.00%	0.00%
INVESTMENT TAX CREDITS	942,149,496	1.69%	0.00%	0.00%
TOTAL	\$55,850,408,993	100.00%		6.37%

* 13-MONTH AVERAGE

**FLORIDA POWER & LIGHT COMPANY
METHODOLOGY FOR COMPOUNDING AFUDC RATE
AS OF DECEMBER 31, 2022**

COMPANY AS FILED

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.005159	0.005159
2	1.005159	0.005186	0.010345
3	1.010345	0.005213	0.015558
4	1.015558	0.005240	0.020798
5	1.020798	0.005267	0.026064
6	1.026064	0.005294	0.031358
7	1.031358	0.005321	0.036679
8	1.036679	0.005349	0.042028
9	1.042028	0.005376	0.047404
10	1.047404	0.005404	0.052808
11	1.052808	0.005432	0.058240
12	1.058240	0.005460	0.063700

Annual Rate (R) = 0.0637

Monthly Rate = $((1+R)^{(1/12)}-1)$ = 0.005159