

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 6.37% to 6.76%, effective January 1, 2024, by Florida Power & Light Company.

DOCKET NO. 20240057-EI
ORDER NO. PSC-2024-0223-PAA-EI
ISSUED: July 1, 2024

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING FLORIDA POWER & LIGHT COMPANY'S
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 Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.37 percent was approved by Order No. PSC-2023-0142-PAA-EI, issued April 24, 2023.¹ On April 2, 2024, FPL filed a petition for approval to change its AFUDC rate from 6.37 percent to 6.76 percent, effective January 1, 2024. As required by Rule 25-6.0141(5), F.A.C., FPL filed with its petition 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 366.04, 366.05, and 366.06, F.S.

AFUDC rate

FPL requested an increase in its AFUDC rate from 6.37 percent to 6.76 percent. Rule 25-6.0141(3), F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

¹Order No. PSC-2023-0142-PAA-EI, issued April 24, 2023, in Docket No. 20230031-EI, *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 1/1/23, by Florida Power & Light Company.*

(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 6.76 percent, FPL provided its calculations and capital structure in 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(3), F.A.C. The requested increase in the AFUDC rate is due to an increase of 28 basis points in the weighted cost of long-term debt, an increase of 6 basis points in the weighted cost of short-term debt, and an increase of 4 basis points in the weighted cost of common equity. The cost rate for short-term debt increased from 1.93 percent in 2022 to 4.94 percent in 2023. The cost rate for long-term debt increased from 3.63 percent in 2022 to 4.46 percent in 2023. In its calculation, the Company appropriately used the mid-point return on equity of 10.8 percent, which was approved by Order No. PSC-2022-0358-FOF-EI.²

Based on our review, we find that the requested increase in the AFUDC rate from 6.37 percent to 6.76 percent is appropriate and is consistent with Rule 25-6.0141, F.A.C. Based on these facts, an AFUDC rate of 6.76 percent is hereby approved.

Monthly compounding rate

FPL has further requested a monthly compounding rate of 0.005466 to achieve an annual AFUDC rate of 6.76 percent. In support of the requested monthly compounding rate of 0.005466, the Company provided its calculations in Schedule C attached to its request. Rule 25-6.0141(4)(a), F.A.C., provides the following formula for discounting the annual AFUDC rate to reflect monthly compounding.

$$M=[((1+A/100)^{1/12})-1] \times 100$$

Where: M = Discounted monthly AFUDC rate.

A = Annual AFUDC rate.

The rule also requires that the monthly compounding rate be calculated to six decimal places.

We have reviewed the Company's calculation and determined it was derived in accordance with Rule 25-6.0141(4), F.A.C., as presented in Attachment 2. Based on these facts, we hereby approve a monthly compounding AFUDC rate of 0.005466.

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*.

Effective date

FPL's requested AFUDC rate was calculated using the most recent 13-month average capital structure for the period ended December 31, 2023. 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, 2024, complies with the requirement that the effective date does not precede the period used to calculate the rate, and is hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's request to change its AFUDC rate to 6.76 percent based on a 13-month average capital structure for the period ended December 31, 2023, is hereby granted. It is further

ORDERED that the appropriate rate to achieve an annual AFUDC rate of 6.76 percent is 0.005466. It is further

ORDERED that the AFUDC rate shall become effective January 1, 2024, for all purposes. 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 1st day of July, 2024.



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 July 22, 2024.

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 AFUDC RATE
AS OF DECEMBER 31, 2023**

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	\$29,781,990,449	48.44%	10.80%	5.23%
LONG-TERM DEBT	\$19,576,710,609	31.84%	4.46%	1.42%
SHORT-TERM DEBT	\$1,130,101,159	1.84%	4.94%*	0.09%
CUSTOMER DEPOSITS	\$488,703,160	0.79%	2.11%*	0.02%
DEFERRED INCOME TAXES	\$6,938,457,552	11.29%	0.00%	0.00%
FAS 109 DEFERRED INC. TAX	\$2,730,231,950	4.44%	0.00%	0.00%
INVESTMENT TAX CREDITS	\$833,949,980	1.36%	0.00%	0.00%
TOTAL	\$61,480,144,859	100.00%		6.76%

* 13-MONTH AVERAGE

**FLORIDA POWER & LIGHT COMPANY
METHODOLOGY FOR COMPOUNDING AFUDC RATE
AS OF DECEMBER 31, 2023**

COMPANY AS FILED

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.005466	0.005466
2	1.005466	0.005496	0.010962
3	1.010962	0.005526	0.016488
4	1.016488	0.005556	0.022044
5	1.022044	0.005586	0.027630
6	1.027630	0.005617	0.033247
7	1.033247	0.005648	0.038895
8	1.038895	0.005679	0.044574
9	1.044574	0.005710	0.050283
10	1.050283	0.005741	0.056024
11	1.056024	0.005772	0.061796
12	1.061796	0.005804	0.067600

Annual Rate (R) = 0.0676

Monthly Rate = $((1+R)^{(1/12)})-1 = 0.005466$