

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 6.34% to 6.16%, effective January 1, 2017, by Florida Power & Light Company.

DOCKET NO. 170037-EI
ORDER NO. PSC-17-0135-PAA-EI
ISSUED: April 13, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS
DONALD J. POLMANN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING FLORIDA POWER & LIGHT COMPANY'S PETITION TO
DECREASE ITS ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION 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

On February 17, 2017, Florida Power & Light Company (FPL or the Company) filed a petition seeking approval to decrease its Allowance for Funds Used During Construction (AFUDC) rate from 6.34 percent to 6.16 percent, effective January 1, 2017. FPL's current AFUDC rate was approved on April 25, 2014, in Order No. PSC-14-0193-PAA-EI.¹ This Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

¹Order No. PSC-14-0193-PAA-EI, issued April 25, 2014, in Docket No. 140035-EI, In re: Request for approval of change of allowance for funds during construction (AFUDC) from 6.52% to 6.34%, effective January 1, 2014, by Florida Power & Light Company.

Decision

FPL requested a decrease in its AFUDC rate from 6.34 percent to 6.16 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 the requested AFUDC rate of 6.16 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(2), F.A.C. The requested decrease in the AFUDC rate is due principally to a decrease in the cost rates of long term debt and short term debt, and an increase in the amount of zero-cost deferred income taxes in the capital structure. This decrease is modestly offset by a slight increase in the return on equity from 10.50 percent to 10.55 percent that was approved in FPL's last rate case.²

Based on this Commission's review, we find that the requested decrease in the AFUDC rate from 6.34 percent to 6.16 percent is appropriate, consistent with Rule 25-6.0141, F.A.C. For this reason, we hereby approve FPL's requested decrease in its AFUDC rate.

FPL requested a monthly compounding rate of 0.499682 percent to achieve an annual AFUDC rate of 6.16 percent. In support of the requested monthly compounding rate of 0.499682 percent, FPL 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, found they are in compliance with the requirements of Rule 25-6.0141(3), F.A.C., and hereby approve a discounted monthly AFUDC rate of 0.499682 percent.

²Order No. PSC-16-0560-AS-EI, issued December 15, 2016, in Docket No. 160021-EI, In re: Petition for rate increase by Florida Power & Light Company.

FPL's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2016. Rule 25-6.0141(5), F.A.C., states 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, 2017, complies with the requirement that the effective date 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 petition to decrease its Allowance for Funds Used During Construction rate from 6.34 percent to 6.16 percent is hereby approved. It is further

ORDERED that the appropriate monthly compounding rate to maintain an annual rate of 6.16 percent is 0.499682 percent. It is further

ORDERED that the revised AFUDC rate shall be effective as of January 1, 2017. 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 13th day of April, 2017.



HONG WANG
Chief Deputy 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.

KRM

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 4, 2017.

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.