

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Florida Power & Light Company's current allowance for funds used during construction rate.

DOCKET NO. 100133-EI
ORDER NO. PSC-10-0298-PCO-EI
ISSUED: May 10, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
DAVID E. KLEMENT
BEN A. "STEVE" STEVENS III

ORDER APPROVING CHANGE IN RATE FOR ALLOWANCE
FOR FUNDS USED DURING CONSTRUCTION

BY THE COMMISSION:

BACKGROUND

Florida Power & Light Company's (FPL) current Allowance for Funds Used During Construction (AFUDC) rate of 7.41 percent, effective January 1, 2009, was authorized by Order No. PSC-09-0377-PAA-EI.¹ The 7.41 percent AFUDC rate was calculated using an actual 13-month average capital structure for the period ended December 31, 2008. The return on equity (ROE) used in the calculation was the stipulated 11.75 percent approved in Order No. PSC-05-0902-AS-EI.² In its recently concluded rate case in Docket No. 080677-EI,³ FPL was authorized an ROE midpoint of 10.00 percent.

In the prescribed Uniform System of Accounts,⁴ AFUDC is defined as the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds (preferred stock and common equity) when so used.⁵ To the extent practicable, the AFUDC rate should reflect the current costs for borrowed and other funds. Based on the newly authorized ROE of 10.00 percent, FPL's current AFUDC rate may be lower than the authorized 7.41 percent.

¹ Order No. PSC-09-0377-PAA-EI, issued May 28, 2009, in Docket No. 090108-EI, In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 7.65% to 7.41%, effective January 1, 2009, by Florida Power & Light Company.

² Order No. PSC-05-0902-AS-EI, issued September 14, 2005, in Docket No. 050045-EI, In re: Petition for rate increase by Florida Power & Light Company.

³ Order No. PSC-10-0153-FOF-EI, issued March 17, 2010, in Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company.

⁴ Rule 25-6.014(1), F.A.C.

⁵ 18 C.F.R. Part 101 (2009), Electric Plant Instruction No. 3.A.(17)

DOCUMENT NUMBER-DATE

03917 MAY 10 2010

FPSC-COMMISSION CLERK

Pursuant to Rule 25-6.0141(7), F.A.C., we may, on our own motion, initiate a proceeding to revise a utility's AFUDC rate. This order addresses the initiation of a proceeding to revise FPL's AFUDC rate. We have jurisdiction pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

DECISION

FPL's current AFUDC rate of 7.41 percent, effective January 1, 2009, was authorized by Order No. PSC-09-0377-PAA-EI.⁶ The 7.41 percent AFUDC rate was calculated using an actual 13-month average capital structure for the period ended December 31, 2008. The ROE used in the calculation was the stipulated 11.75 percent approved in Order No. PSC-05-0902-AS-EI.⁷ In the prescribed Uniform System of Accounts,⁸ AFUDC is defined as the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds (preferred stock and common equity) when so used.⁹ To the extent practicable, the AFUDC rate should reflect the current costs for borrowed and other funds. In its recently concluded rate case in Docket No. 080677-EI,¹⁰ FPL was authorized an ROE midpoint of 10.00 percent. Based on the period ended December 31, 2009, and a 10.00 percent ROE, we estimate that a more current AFUDC rate would be approximately 6.47 percent. This AFUDC rate is significantly lower than the currently authorized AFUDC rate of 7.41 percent.

Pursuant to Rule 25-6.0141(7), F.A.C., we may, on our own motion, initiate a proceeding to revise a utility's AFUDC rate. Based on our analysis, we believe that a more current AFUDC rate would be significantly lower than the currently authorized AFUDC rate of 7.41 percent. Therefore, we find it appropriate to initiate a proceeding to revise FPL's AFUDC rate. FPL shall file the schedules prescribed in Rule 25-6.0141(4), F.A.C., for the period ended March 31, 2010, with an effective date of April 1, 2010. March 2010 represents the first full month subsequent to the March 1, 2010, effective date for the implementation of the new rates authorized in the rate case. The schedules shall include the appropriate rate case adjustments consistent with the determinations reflected in Order No. PSC-10-0153-FOF-EI. The schedules shall be filed no later than May 20, 2010.

⁶ Order No. PSC-09-0377-PAA-EI, issued May 28, 2009, in Docket No. 090108-EI. In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 7.65% to 7.41%, effective January 1, 2009, by Florida Power & Light Company.

⁷ Order No. PSC-05-0902-AS-EI, issued September 14, 2005, in Docket No. 050045-EI, In re: Petition for rate increase by Florida Power & Light Company.

⁸ Rule 25-6.014(1), F.A.C.

⁹ 18 C.F.R. Part 101 (2009), Electric Plant Instruction No. 3.A.(17)

¹⁰ Order No. PSC-10-0153-FOF-EI, issued March 17, 2010, in Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that a proceeding shall be initiated to revise FPL's current AFUDC rate and require FPL to file the schedules prescribed in Rule 25-6.0141(4), F.A.C., for the period ended March 31, 2010, with an effective date of April 1, 2010. It is further

ORDERED that the schedules shall include the appropriate rate case adjustments consistent with the determinations reflected in Order No. PSC-10-0153-FOF-EI. The schedules shall be filed no later than May 20, 2010. It is further

ORDERED that this docket shall remain open pending the review of the required AFUDC filing and the subsequent filing of a recommendation in this docket.

By ORDER of the Florida Public Service Commission this 10th day of May, 2010.



ANN COLE
Commission Clerk

(SEAL)

KY

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.