

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Progress Energy Florida,
Inc.'s current allowance for funds used during
construction rate.

DOCKET NO. 100134-EI
ORDER NO. PSC-10-0604-PAA-EI
ISSUED: October 4, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
ART GRAHAM
RONALD A. BRISÉ

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING 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

Progress Energy Florida, Inc.'s (PEF or the Company) current allowance for funds used during construction rate of 8.848 percent, effective January 1, 2006, was authorized in PEF's stipulated rate case in Docket No. 050078-EI.¹ In Order No. PSC-10-0258-PCO-EI, we initiated a proceeding to revise PEF's current AFUDC rate and required PEF to file the schedules prescribed in Rule 25-6.0141(4), F.A.C., for the period ended March 31, 2010.² On May 20, 2010, PEF filed the required schedules and requested a decrease in its AFUDC rate from 8.848 percent to 7.44 percent. 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.

¹ Order No. PSC-05-0945-S-EI, issued September 28, 2005, in Docket No. 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc

² Order No. PSC-10-0258-PCO-EI, issued April 26, 2010, in Docket No. 100134-EI, In re: Review of Progress Energy Florida, Inc.'s current allowance for funds during construction rate.

DOCUMENT NUMBER-DATE

8304 OCT-4 2010

FPSC-COMMISSION CLERK

DECISION

PEF has requested a decrease in its AFUDC rate from 8.848 percent to 7.44 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 7.44 percent, PEF provided its calculations and capital structure as Schedules A and B, attached to its request. We have reviewed these calculations and determined that the proposed rate was calculated in accordance with Rule 25-6.0141(2), F.A.C., with the exception of making an adjustment to short-term debt to remove the amounts related to PEF's unrecovered fuel cost balance. The specific adjustment to short-term debt to remove unrecovered balances related to fuel costs was not made when reconciling the capital structure to the rate base in PEF's last rate case. However, the adjustment is consistent with this Commission's precedent and adjustments made in PEF's 2005 rate case in Docket No. 050078-EI. The requested decrease in the AFUDC rate is due principally to a reduction in both the cost rate and the relative percentage of common equity in the capital structure.

Based on our review, we find that the requested decrease in the AFUDC rate from 8.848 percent to 7.44 percent is appropriate and is therefore approved.

PEF has requested a monthly compounded rate of 0.5995 percent to achieve an annual AFUDC rate of 7.44 percent. In support of the requested monthly compounding rate of 0.5995 percent, PEF provided its calculations 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.

We have reviewed the Company's calculations and have determined that they are in compliance with the requirements of Rule 25-6.0141(3), F.A.C. Therefore, we find it appropriate to approve a discounted monthly AFUDC rate of 0.5995.

PEF's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended March 31, 2010. Rule 25-6.014(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 the Commission.

The Company's requested effective date of April 1, 2010, complies with the requirement that the effective date not precede the period used to calculate the rate, and it is therefore approved.

Rule 25-6.0423(5)(b)1, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery, F.A.C., provides the following:

For power plant need petitions submitted on or before December 31, 2010, the associated carrying costs shall be computed based on the pretax AFUDC rate in effect on January 1, 2006.

PEF's AFUDC rate in effect on January 1, 2006 was 8.848 percent.³ For the purpose of Rule 25-6.0423, F.A.C., we find that 8.848 percent is the appropriate AFUDC rate to be utilized for computing carrying costs for power plant need petitions submitted on or before December 31, 2010.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate AFUDC rate for PEF is 7.44 percent based on a 13-month average capital structure for the period ended March 31, 2010. It is further

ORDERED that the appropriate monthly compounding rate to maintain an annual rate of 7.44 percent is 0.5995 percent. It is further

ORDERED that the revised AFUDC rate shall be effective as of April 1, 2010, for all purposes except for Rule 25-6.0423, F.A.C., Nuclear or Integrated Gasification Combined Cycle Power Plant Recovery. For the purposes of Rule 25-6.0423, F.A.C., 8.848 percent is the appropriate AFUDC rate to be utilized for compounding carrying costs for power plant need petitions submitted on or before December 31, 2010. 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

³ Order No. PSC-05-0945-S-EI, issued September 28, 2005, in Docket No. 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc.

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 4th day of October, 2010.



ANN COLE
Commission Clerk

(S E A L)

JSC

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 October 25, 2010.

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.