

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 6.46% to 5.97%, effective January 1, 2022, by Tampa Electric Company.

DOCKET NO. 20220076-EI  
ORDER NO. PSC-2022-0245-PAA-EI  
ISSUED: June 27, 2022

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 REDUCING TAMPA ELECTRIC COMPANY'S RATE USED TO CAPITALIZE  
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

Tampa Electric Company's (Tampa Electric or Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.46 percent was approved by Order No. PSC-14-0176-PAA-EI, issued April 18, 2014.<sup>1</sup> On April 14, 2022, Tampa Electric filed a petition for approval to change its AFUDC rate from 6.46 percent to 5.97 percent, effective January 1, 2022. As required by Rule 25-6.0141(5), Florida Administrative Code (F.A.C.), Tampa Electric 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.

<sup>1</sup>Order No. PSC-2014-0176-PAA-EI, issued April 18, 2014, in Docket No. 20140033-EI, *In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 8.16% to 6.46%, effective January 1, 2014, by Tampa Electric Company.*

DECISION

Tampa Electric's request to decrease its AFUDC rate

Tampa Electric has requested a decrease in its AFUDC rate from 6.46 percent to 5.97 percent. Rule 25-6.0141(3), F.A.C., 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 5.97 percent, Tampa Electric 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. However, due to a rounding error involving the relative percentages of the capital structure components, the correct AFUDC rate is 5.98 percent as shown on Schedule 1. In its calculation of the capital structure component ratios, the Company used percentages carried out to two decimal places. We performed the same calculation using ratios carried out to three decimal places, which changed the weighted average cost of capital upward by one basis point. This is the same scenario that occurred in Tampa Electric's last request for a change in its AFUDC rate in Docket No. 20140033-EI. In that docket, we approved our staff's recommended methodology and downward adjustment of one basis point.

The requested decrease in the AFUDC rate is due principally to a decrease of 60 basis points in the weighted cost of long-term debt, offset by an increase of 11 basis points in the weighted cost of common equity and an increase of 2 basis points in the weighted cost of short-term debt. In its calculation, the Company appropriately used the mid-point return on equity of 9.95 percent, which was approved by Order No. PSC-2021-0423-S-EI.<sup>2</sup>

Based on our review of all information submitted, we find that 5.98 percent is the appropriate AFUDC rate.

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<sup>2</sup>Order No. PSC-2021-0423-S-EI, issued November 10, 2021, in Docket No. 20210034-EI, *In re: Petition for rate increase by Tampa Electric Company*, and Docket No. 20200264-EI, *In re: Petition for approval of 2020 depreciation and dismantlement study and capital recovery schedules, by Tampa Electric Company*.

Appropriate monthly compounding rate

Tampa Electric requested a monthly compounding rate of 0.004844 to achieve an annual AFUDC rate of 5.97 percent. In support of the requested monthly compounding rate of 0.004844, 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.

Based on our finding that the appropriate AFUDC rate is 5.98 percent, the corresponding appropriate monthly compounding rate is 0.004852, as shown on Schedule 2. Therefore, we approve a discounted monthly AFUDC rate of 0.004852.

Effective date

Tampa Electric's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2021. 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, 2022, complies with the requirement that the effective date not precede the period used to calculate the rate. Therefore, we approve the effective date of January 1, 2022.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's Allowance for Funds Used During Construction rate shall be reduced from 6.46 percent to 5.98 percent effective as of January 1, 2022. It is further

ORDERED that Tampa Electric Company's monthly compounding rate shall be 0.004852 percent. 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.

ORDER NO. PSC-2022-0245-PAA-EI  
DOCKET NO. 20220076-EI  
PAGE 4

By ORDER of the Florida Public Service Commission this 27th day of June, 2022.



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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
[www.floridapsc.com](http://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.

SPS

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 18, 2022.

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.

**TAMPA ELECTRIC COMPANY  
CAPITAL STRUCTURE USED FOR THE REQUESTED AFDUC RATE  
AS OF DECEMBER 31, 2021**

<b>COMPANY AS FILED</b>				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$2,352,903,208	33.47%	4.31%	1.44%
SHORT TERM DEBT	269,093,425	3.83%	0.62% *	0.02%
CUSTOMER DEPOSITS	86,592,589	1.23%	2.39% *	0.03%
COMMON EQUITY	3,166,789,469	45.06%	9.95%	4.48%
DEFERRED INCOME TAXES	954,820,454	13.58%	0.00%	0.00%
TAX CREDITS - WC	199,246,164	2.83%	0.00%	0.00%
<b>TOTAL</b>	<b>\$7,029,445,310</b>	<b>100.00%</b>		<b>5.97%</b>
<b>COMM. ADJUSTED BASIS</b>				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$2,352,903,208	33.472%	4.31%	1.443%
SHORT TERM DEBT	269,093,425	3.828%	0.62% *	0.024%
CUSTOMER DEPOSITS	86,592,589	1.232%	2.39% *	0.029%
COMMON EQUITY	3,166,789,469	45.050%	9.95%	4.483%
DEFERRED INCOME TAXES	954,820,454	13.583%	0.00%	0.000%
TAX CREDITS - WC	199,246,164	2.834%	0.00%	0.000%
<b>TOTAL</b>	<b>\$7,029,445,309</b>	<b>100.00%</b>		<b>5.98%</b>

\* 13-MONTH AVERAGE

**TAMPA ELECTRIC COMPANY  
 METHODOLOGY FOR COMPOUNDING AFUDC RATE  
 AS OF DECEMBER 31, 2021**

**COMPANY AS FILED**

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.004844	0.004844
2	1.004844	0.004867	0.009711
3	1.009711	0.004891	0.014602
4	1.014602	0.004915	0.019517
5	1.019517	0.004939	0.024456
6	1.024456	0.004963	0.029419
7	1.029419	0.004987	0.034406
8	1.034406	0.005011	0.039417
9	1.039417	0.005035	0.044452
10	1.044452	0.005059	0.049511
11	1.049511	0.005084	0.054595
12	1.054595	0.005109	0.059704

**Annual Rate (R) = 0.0597**

**Monthly Rate =  $((1+R)^{(1/12)}-1) = 0.004844$**

**COMM. ADJUSTED BASIS**

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.004852	0.004852
2	1.004852	0.004876	0.009728
3	1.009728	0.004899	0.014627
4	1.014627	0.004923	0.019550
5	1.019550	0.004947	0.024497
6	1.024497	0.004971	0.029467
7	1.029467	0.004995	0.034462
8	1.034462	0.005019	0.039482
9	1.039482	0.005044	0.044525
10	1.044525	0.005068	0.049593
11	1.049593	0.005093	0.054686
12	1.054686	0.005117	0.059803

**Annual Rate (R) = 0.0598**

**Monthly Rate =  $((1+R)^{(1/12)}-1) = 0.004852$**