

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for establishment of an approved  
AFUDC rate, by Utilities, Inc. of Florida.

DOCKET NO. 20210116-WS  
ORDER NO. PSC-2021-0318-PAA-WS  
ISSUED: August 23, 2021

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING AFUDC RATE FOR UTILITIES, INC. OF FLORIDA

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

Utilities, Inc. of Florida's (UIF or Company) current allowance for funds used during construction (AFUDC) rate of 9.03 percent was approved by Order No. PSC-2004-0262-PAA-WS, issued March 8, 2004.<sup>1</sup> Pursuant to Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, we ordered UIF to file a request to revise its AFUDC rate pursuant to Rule 25-30.116, Florida Administrative Code (F.A.C.), within 30 days after the issuance of the Final Order in Docket No. 20200139-WS.<sup>2</sup> On June 22, 2021, UIF filed its petition for approval to change its AFUDC rate from 9.03 percent to 6.43 percent, effective January 1, 2021. As required by Rule 25-30.116(5), F.A.C., UIF 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-2004-0262-PAA-GU, issued March 8, 2004, in Docket No. 20031006-WS, *In re: Petition by Utilities, Inc. for approval of allowance for funds used during construction (AFUDC) for its Florida Subsidiaries including Water Service Corp.*

<sup>2</sup>Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. of Florida.*

Decision

UIF requested a decrease in its AFUDC rate from 9.03 percent to 6.43 percent. Rule 25-30.116(3), F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

(3) The applicable AFUDC rate will be determined as follows:

(a) The most recent 12-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 12-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 6.43 percent, UIF 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 25-30.116(3), F.A.C.

As reported on Schedule B, UIF properly included in its calculations the allowed midpoint return on equity of 9.75 percent that was approved by Order No. PSC-2021-0206-FOF-WS.<sup>3</sup> UIF's current cost of capital supports the requested AFUDC rate of 6.43 percent.

Based on our review, we find that the requested decrease in the AFUDC rate from 9.03 percent to 6.43 percent is appropriate, consistent with Rule 25-30.116, F.A.C., and it is hereby approved.

UIF also requested a monthly compounding rate of 0.535000 percent to achieve an annual AFUDC rate of 6.43 percent. In support of the requested monthly compounding rate of 0.535000 percent, the Company provided its calculations in Schedule C attached to its request. Rule 25-30.116(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. We reviewed the Company's calculation and determined that it does not comply with the requirements of Rule 25-30.116(4), F.A.C. We calculated the monthly compounding AFUDC rate in accordance with Rule 25-30.116(4), F.A.C., and derived a result of 0.520662 percent. Therefore, we find that the appropriate monthly compounding AFUDC rate is 0.520662 percent, and the compounding AFUDC rate of 0.520662 is hereby approved.

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Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. of Florida*<sup>3</sup>

UIF's proposed AFUDC rate was calculated using a 12-month average capital structure for the period ended December 31, 2020. Rule 25-30.116(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, 2021, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore is hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate AFUDC rate for Utilities, Inc. of Florida is 6.43 percent based on a 12-month average capital structure for the period ended December 31, 2020. It is further

ORDERED that the appropriate compounding rate to achieve an annual AFUDC rate of 6.43 percent is 0.520662 percent. It is further

ORDERED that the revised AFUDC rate should be effective January 1, 2021, for all purposes. 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, F.A.C., 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 23rd day of August, 2021.



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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

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 September 13, 2021.

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.