

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of an AFUDC rate
for natural gas division, effective April 1,
2023, by Florida Public Utilities Company.

DOCKET NO. 20230075-GU
ORDER NO. PSC-2023-0233-PAA-GU
ISSUED: August 14, 2023

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 APPROVING 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

Florida Public Utilities Company (FPUC or Company) does not currently have an authorized rate for an Allowance for Funds Used During Construction (AFUDC) pertaining to its Gas Division. On June 6, 2023, FPUC filed its petition requesting approval of an AFUDC rate of 5.70 percent, effective April 1, 2023. As required by Rule 25-7.0141(5), F.A.C., FPUC filed with its request 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.

DISCUSSION

FPUC filed a petition requesting approval of an AFUDC rate of 5.70 percent. Rule 25-7.0141(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 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 5.70 percent, FPUC provided its calculations and capital structure in Schedules A and B attached to its request. We reviewed the schedules and have determined that the proposed rate was calculated in accordance with Rule 25-7.0141(3), F.A.C. In Schedule A, the Company appropriately used the mid-point return on equity of 10.25 percent, approved by Order No. PSC-2023-0103-FOF-GU.¹ The AFUDC rate calculation and capital structure are presented in Attachment 1.

Based on our review, we find that the requested AFUDC rate of 5.70 percent is appropriate.

FPUC requested a monthly compounding rate of 0.004630 to achieve an annual AFUDC rate of 5.70 percent. In support of the requested monthly compounding rate of 0.004630, the Company provided its calculations in Schedule C attached with its request. Rule 25-7.0141(4)(a), F.A.C., provides the following formula for discounting the annual AFUDC rate to reflect monthly compounding.

$$M = [(1 + A/100)^{1/12} - 1] \times 100$$

Where: M = discounted monthly AFUDC rate

A = annual AFUDC rate

The rule also requires that the monthly compounding rate be calculated to six decimal places.

We have reviewed the Company's calculation and determined that it was derived in accordance with Rule 25-7.0141(4), F.A.C., as presented in Attachment 2. Therefore, we hereby approve a monthly compounding AFUDC rate of 0.004630.

FPUC's requested AFUDC rate was calculated using the most recent 13-month average capital structure for the period ended March 31, 2023. Rule 25-7.0141(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.

We find that the Company's requested effective date of April 1, 2023, complies with the requirement that the effective date does not precede the period used to calculate the rate and hereby approve it.

Based on the foregoing, it is

¹Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.*

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's Petition Requesting Approval of an AFUDC rate is hereby approved. It is further

ORDERED that the AFUDC rate for Florida Public Utilities Company is 5.70 percent based on a 13-month average capital structure for the period ended March 31, 2023. It is further

ORDERED that the monthly compounding rate to achieve an annual AFUDC rate of 5.70 percent is 0.004630. It is further

ORDERED that the AFUDC rate shall become effective April 1, 2023, 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 if no protest to the proposed agency action is filed by a substantially affected person with the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within 21 days of the date of the order in the form provided by Rule 28-106.201, F.A.C. It is further

ORDERED that if no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of this order, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 14th day of August, 2023.



ADAM L. 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

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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 5, 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.

**FLORIDA PUBLIC UTILITIES COMPANY
 CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE
 AS OF MARCH 31, 2023**

COMPANY AS FILED				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
COMMON EQUITY	\$189,343,425	42.33%	10.25%	4.34%
LONG-TERM DEBT	140,420,661	31.39%	3.09%	0.97%
SHORT-TERM DEBT	37,581,090	8.40%	3.94%*	0.33%
CUSTOMER DEPOSITS	11,325,124	2.53%	2.34%*	0.06%
DEFERRED INCOME TAXES	68,636,012	15.34%	0.00%	0.00%
TOTAL	\$447,306,312	100.00%		5.70%

* 13-MONTH AVERAGE

**FLORIDA PUBLIC UTILITIES COMPANY
METHODOLOGY FOR COMPOUNDING AFUDC RATE
AS OF MARCH 31, 2023**

COMPANY AS FILED			
<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.004630	0.004630
2	1.004630	0.004652	0.009282
3	1.009282	0.004673	0.013955
4	1.013955	0.004695	0.018650
5	1.018650	0.004717	0.023367
6	1.023367	0.004738	0.028105
7	1.028105	0.004760	0.032865
8	1.032865	0.004782	0.037648
9	1.037648	0.004805	0.042452
10	1.042452	0.004827	0.047279
11	1.047279	0.004849	0.052128
12	1.052128	0.004872	0.057000

Annual Rate (R) = 0.0570

Monthly Rate = $((1+R)^{(1/12)}-1)$ = 0.004630