

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to establish allowance for funds used during construction (AFUDC) rate of 5.85%, effective July 1, 2023, by Florida City Gas.

DOCKET NO. 20230108-GU
ORDER NO. PSC-2023-0376-PAA-GU
ISSUED: December 19, 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 City Gas (FCG or Company) does not currently have an authorized rate for an Allowance for Funds Used During Construction (AFUDC). On September 19, 2023, FCG filed its petition requesting approval of an AFUDC rate of 5.85 percent, effective on July 1, 2023. As required by Rule 25-7.0141(5), F.A.C., FCG included 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

FCG filed a petition requesting approval of an AFUDC rate of 5.85 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 5.85 percent, FCG 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 25-7.0141(3), F.A.C. In Schedule A, the Company appropriately used the mid-point return on equity of 9.50 percent, which was approved by Order No. PSC-2023-0177-FOF-GU.¹ The AFUDC rate calculation and capital structure are presented in Attachment 1.

Therefore, we find that the appropriate AFUDC rate for FCG is 5.85 percent based on a 13-month average capital structure for the period ended June 30, 2023.

FCG requested a monthly compounding rate of 0.004749 to achieve an annual AFUDC rate of 5.85 percent. In support of the requested monthly compounding rate of 0.004749, 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 find 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 0.004749.

¹Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023, in Docket No. 20220069-GU, *In re: Petition for rate increase by Florida City Gas.*

FCG's requested AFUDC rate was calculated using the most recent 13-month average capital structure for the period ended June 30, 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.

The Company's requested effective date of July 1, 2023, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore, shall be approved.

Based on the foregoing, it is

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

ORDERED that the AFUDC rate for Florida City Gas is 5.85 percent based on a 13-month average capital structure for the period ended June 30, 2023. It is further

ORDERED that the monthly compounding rate to achieve an annual AFUDC rate of 5.85 percent is 0.004749. It is further

ORDERED that the AFUDC rate shall become effective July 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 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 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.

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By ORDER of the Florida Public Service Commission this 19th day of December, 2023.



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.

RPS

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 January 9, 2024.

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 CITY GAS
 CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE
 AS OF JUNE 30, 2023**

COMMISSION APPROVED				
<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	\$186,247,430	45.04%	9.50%	4.28%
LONG-TERM DEBT	155,152,376	37.52%	3.88%	1.45%
SHORT-TERM DEBT	20,071,697	4.85%	1.92%*	0.09%
CUSTOMER DEPOSITS	3,980,696	0.96%	2.67%*	0.03%
DEFERRED INCOME TAXES	48,041,042	11.63%	0.00%	0.00%
TOTAL	\$413,493,241	100.00%		5.85%

* 13-MONTH AVERAGE

**FLORIDA CITY GAS
METHODOLOGY FOR COMPOUNDING AFUDC RATE
AS OF JUNE 30, 2023**

COMMISSION APPROVED

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.004749	0.004749
2	1.004749	0.004772	0.009521
3	1.009521	0.004794	0.014315
4	1.014315	0.004817	0.019132
5	1.019132	0.004840	0.023972
6	1.023972	0.004863	0.028834
7	1.028834	0.004886	0.033720
8	1.033720	0.004909	0.038630
9	1.038630	0.004932	0.043562
10	1.043562	0.004956	0.048518
11	1.048518	0.004979	0.053497
12	1.053497	0.005003	0.058500

Annual Rate (R) = 0.0585

Monthly Rate = $((1+R)^{(1/12)}-1) = 0.004749$