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March 3, 2023

**BY E-PORTAL**

Mr. Adam Teitzman  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Docket No. 20220210-EI - Petition requesting approval of an AFUDC rate, effective January 1, 2023, by Florida Public Utilities Company.**

Dear Mr. Teitzman:

Attached for filing, please find FPUC's responses to staff's data requests in the above-referenced docket.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,



Beth Keating  
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MEK  
cc://(OPC)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition requesting approval of an AFUDC rate, effective January 1, 2023, by Florida Public Utilities Company.      DOCKET NO. 20220210-EI  
DATED: March 3, 2023

RESPONSE TO STAFF'S FIRST DATA REQUEST

Below, please find Florida Public Utilities Company's response to Staff's data request regarding an explanation of the Company's reasoning behind applying the Hurricane Michael adjustment discussed.

Reason for Hurricane Michael Adjustment to Cost of Capital:

A portion of the Hurricane Michael Recovery was implemented thru a surcharge instead of a base rate increase. This surcharge included interest related to the Company's estimate of short-term and long-term debt. Because the surcharge is not part of base rates, the Company removed the balance sheet and income statement accounts related to the surcharge from the rate base and net operating income statement in the Rate of Return report. Since rate base and the capital structure need to equal each other and the interest included in the surcharge related to debt, the Company believed the appropriate adjustment was to reduce the short and long term debt balances in accordance with the settlement.

The calculation adjusted the short and long term debt based on the percent of debt used to generate the blended rate in the settlement. It also adjusted the interest expense of Chesapeake for the interest included for 2022 in the Hurricane Michael settlement. The Hurricane Michael interest was calculated based on the percent of interest in the settlement. A copy of the calculation is attached.

**Having recalculated without the Hurricane Michael adjustment, the Company is amenable to an AFUDC rate, effective January 1, 2023, consistent with staff's recalculation excluding the Company's Hurricane Michael adjustment.**

FLORIDA PUBLIC UTILITIES COMPANY  
ELECTRIC  
CAPITAL STRUCTURE ADJUSTMENTS

	Year Ending September 30, 2022		Year End Adj. w/o specific/non-util	Average 13 Months Ended September 30, 2022		Average w/o specific/non-util
Rate Base	151,355,506.48		(25,172,572.00)	145,170,717.94		(9,823,535.89)
Less: Customer Deposits	(3,994,780.00)			(3,922,366.00)		
Deferred Income Tax	(7,859,467.58)			(11,535,008.47)		
Deferred ITC	-			-		
	<u>139,501,258.91</u>		<u>(25,172,572.00)</u>	<u>129,713,343.48</u>		<u>(9,823,535.89)</u>
Long Term Debt - Combined	52,661,800.93	37.75%	(9,502,659.59)	47,335,426.76	36.49%	(3,584,837.55)
Short Term Debt	14,742,373.49	10.57%	(2,660,215.84)	15,119,109.00	11.66%	(1,145,010.28)
Common Equity	<u>72,097,084.49</u>	<u>51.68%</u>	<u>(13,009,696.58)</u>	<u>67,258,808.00</u>	<u>51.85%</u>	<u>(5,093,688.07)</u>
Total Capital	<u>139,501,258.91</u>	<u>100.00%</u>	<u>(25,172,572.00)</u>	<u>129,713,343.76</u>	<u>100.00%</u>	<u>(9,823,535.89)</u>

	Actual CUC Amounts		Actual CUC Amounts	
Avg CUC: LTD	595,910,378.75	37.75%	557,980,093.45	36.49%
STD	166,821,742.00	10.57%	178,220,890.77	11.66%
EQUITY	<u>815,836,150.00</u>	<u>51.68%</u>	<u>792,832,732.54</u>	<u>51.85%</u>
Total Capital	<u>1,578,568,270.75</u>	<u>100.00%</u>	<u>1,529,033,716.75</u>	<u>100.00%</u>

	Year-End			13-Month Average	
	% Debt in Settlement	Unamortized Balance	Interest	Percent Interest Settlement	Unamortized Balance
Adj to remove debt related to Storm Surcharge:					
Unamortized Balance		(23,388,756.32)	1,207,062.00		(26,722,515.92)
Percent Allocated Debt Rate Per Settlement STD	32.54%	(7,610,701.31)	346,788.91	28.73%	(8,695,506.68)
Percent Allocated Debt Rate Per Settlement LTD	67.46%	(15,778,055.02)	860,273.09	71.27%	(18,027,009.24)
Percent Allocated Debt Rate Per Settlement LTD-FPU		-	-		-
	<u>100.0%</u>	<u>(23,388,756.32)</u>	<u>1,207,062.00</u>	<u>100.00%</u>	<u>(26,722,515.92)</u>

Rate Calculations:					
Short Term Debt Per Chesapeake Calculation		166,821,742.00	2,949,681.85		178,220,890.77
Michael Adjustment		(7,610,701.31)	346,788.91		(8,695,506.68)
		<u>159,211,040.69</u>	<u>3,296,470.76</u>		<u>169,525,384.09</u>
Adjusted Rate			1.63%		1.54%
Long Term Debt Per Chesapeake Calculation:		595,910,378.75	19,930,622.94		557,980,093.45
Michael Adjustment		(15,778,055.02)	860,273.09		(18,027,009.24)
		<u>580,132,323.73</u>	<u>20,790,896.03</u>		<u>539,953,084.21</u>
Adjusted Rate			3.29%		3.53%

FPU Debt					
Michael Adjustment					
Adjusted Rate					
FPU Debt Adj rate to FE					

FLORIDA PUBLIC UTILITIES COMPANY  
 ELECTRIC DIVISION  
 BASIS FOR THE REQUESTED AFUDC RATE  
 FPSC ADJUSTED BASIS  
 SEPTEMBER 2022

SCHEDULE A:

\* Based on the midpoint approved equity return in Docket No. 20140025-EI  
 \*\* Based on year end long term debt rate per the September 2022 rate of return report.  
 \*\*\* Based on 13-month average cost rates per the September 2022 rate of return report.

<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL 13- MONTH AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>AFUDC WEIGHTED COMPONENTS</u>
COMMON EQUITY	\$ 47,947,735	44.14%	10.25% *	4.52%
LONG TERM DEBT	34,441,384	31.71%	3.34% **	1.06%
SHORT TERM DEBT	10,778,173	9.92%	1.66% ***	0.16%
CUSTOMER DEPOSITS	3,922,366	3.61%	2.29% ***	0.08%
DEFERRED INCOME TAX	11,535,009	10.62%	0.00%	0.00%
INVESTMENT TAX CREDITS	-	0.00%	0.00%	0.00%
TOTAL	\$ 108,624,667	100.00%		5.82%

FLORIDA PUBLIC UTILITIES COMPANY  
 ELECTRIC DIVISION  
 BASIS FOR THE REQUESTED AFUDC RATE  
 FPSC ADJUSTED BASIS  
 SEPTEMBER 2022

SCHEDULE B

<u>CAPITAL COMPONENTS</u>	<u>PER BOOKS</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>ADJUSTED AVERAGE BALANCE</u>
COMMON EQUITY	\$ 66,755,842	\$ (18,808,107)	\$ 47,947,735
LONG TERM DEBT	47,951,453	(13,510,069)	34,441,384
SHORT TERM DEBT	15,006,048	(4,227,875)	10,778,173
CUSTOMER DEPOSITS	3,922,366		3,922,366
DEFERRED INCOME TAX	11,535,009		11,535,009
INVESTMENT TAX CREDITS	-		-
TOTAL	<u>\$ 145,170,718</u>	<u>\$ (36,546,051)</u>	<u>\$ 108,624,667</u>

FLORIDA PUBLIC UTILITIES COMPANY  
 ELECTRIC DIVISION  
 METHODOLOGY FOR MONTHLY COMPOUNDING OF THE AFUDC RATE  
 SEPTEMBER 2022

SCHEDULE C

AFUDC COMPOUNDING

$((1+R/12)^{**12})-1=$	APPROVED RATE
$((1+R/12)^{**12})-1=$	5.82%
$((1+R/12)^{**12})=$	1.05820000
$((1+R/12)=$	1.00472524
$(R/12)=$	0.00472524

<http://www.basic-mathematics.com/nth-root-calculator.html>

MONTHS	AFUDC BASE	MONTHLY AFUDC	CUMULATIVE AFUDC
JAN	1.00000000	0.00472524	0.00472524
FEB	1.00472524	0.00474757	0.00947281
MAR	1.00947281	0.00477000	0.01424281
APR	1.01424281	0.00479254	0.01903536
MAY	1.01903536	0.00481519	0.02385054
JUN	1.02385054	0.00483794	0.02868849
JUL	1.02868849	0.00486080	0.03354929
AUG	1.03354929	0.00488377	0.03843306
SEP	1.03843306	0.00490685	0.04333990
OCT	1.04333990	0.00493003	0.04826994
NOV	1.04826994	0.00495333	0.05322327
DEC	1.05322327	0.00497673	0.05820000

Annual Rate (R)=.0681

Monthly Rate =  $((1 + R)^{(1/12)} - 1 = .00472524$