

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for establishment of allowance
for funds used during construction rate,
Sunshine Water Services Company, effective
January 1, 2025.

DOCKET NO. 20250120-WS
ORDER NO. PSC-2025-0459-PAA-WS
ISSUED: December 18, 2025

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION ORDER
APPROVING 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

Sunshine Water Services Company's (SWS or Company), formerly known as Utilities, Inc. of Florida (UIF), current Allowance for Funds Used During Construction (AFUDC) rate of 6.43 percent was approved by Order No. PSC-2021-0318-PAA-WS.¹ Subsequently, the Company's capital structure adjustments and return on equity (ROE) for the period effective June 1, 2025, were approved by us during SWS's most recent rate case, as set forth in an order issued June 6, 2025 (2025 Order).² A revised AFUDC rate was not requested by the Company in its 2024 rate case. Instead, on September 30, 2025, SWS filed a petition requesting to establish an AFUDC rate of 7.90 percent, effective January 1, 2025.³ The Company provided an amended petition on October 29, 2025, requesting a change in its AFUDC rate of 6.43 percent to 7.56

¹Order No. PSC-2021-0318-PAA-WS, issued August 23, 2021, in Docket No. 20210116-WS, *In re: Petition for establishment of an approved AFUDC rate, by Utilities, Inc. of Florida.*

²Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-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 Sunshine Water Services Company.*

³Document No. 14063-2025.

percent, effective January 1, 2025, through May 31, 2025. Secondly, SWS requested to change its AFUDC rate of 7.56 percent, if approved, to 8.03 percent, effective June 1, 2025.⁴

The amended petition requests two consecutive AFUDC rates for different periods based on two separate rate case orders that approved different capital structure adjustments and ROE. The capital structure adjustments and ROE approved in the 2025 Order cannot be used to calculate the AFUDC rate prior to our vote on May 6, 2025. SWS requested to change its AFUDC rate with an effective date of January 1, 2025. Therefore, the AFUDC rate for the period January 1, 2025, through May 31, 2025, is based on the capital structure adjustments and ROE approved by Order No. PSC-2021-0206-FOF-WS, from the Company's 2020 rate case.⁵ The updated AFUDC rate of 7.56 percent reflects SWS's authorized cost of capital for the first five months of 2025. The AFUDC rate of 8.03 percent, effective June 1, 2025, will be used until we approve a new AFUDC rate in the future.

As required by Rule 25-30.116(5), F.A.C., SWS filed with its amended petition Schedules A-1, B-1, and C-1 identifying the capital structure, capital structure adjustments, and the methodology used to calculate the AFUDC rate effective January 1, 2025, through May 31, 2025. Additionally, the Company filed Schedules A-2, B-2, and C-2 identifying the capital structure, capital structure adjustments, and the methodology used to calculate the AFUDC rate effective June 1, 2025.

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.

Decision

I. Increase AFUDC rate from 6.43 percent to 7.56 percent, effective for the period January 1, 2025, through May 31, 2025

For the period January 1, 2025, through May 31, 2025, SWS requested an increase in its AFUDC rate from 6.43 percent to 7.56 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, must be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the Company'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

⁴Document No. 14830-2025.

⁵Order 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. cf Florida.*

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 7.56 percent, SWS provided its calculations and capital structure in Schedules A-1 and B-1 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 reflected on Schedule A-1, SWS properly included in its calculations the allowed midpoint ROE of 9.75 percent and capital structure adjustments approved by Order No. PSC-2021-0206-FOF-WS.⁶ SWS's cost of capital as of December 31, 2024, supports the requested AFUDC rate of 7.56 percent. The AFUDC rate calculation and supporting capital structure are presented in Attachment 1.

We find that the requested increase in the AFUDC rate from 6.43 percent to 7.56 percent for the period January 1, 2025, through May 31, 2025, is appropriate, consistent with Rule 25-30.116, F.A.C., and shall be approved.

II. Appropriate monthly compounding rate for the period January 1, 2025, through May 31, 2025

SWS requested a monthly compounding rate of 0.609170 percent to achieve an annual AFUDC rate of 7.56 percent. In support of the requested monthly compounding rate of 0.609170 percent, the Company provided its calculations in Schedule C-1 attached to its request. Rule 25-30.116(4), 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 reviewed the Company's calculation and determined it conforms with Rule 25-30.116(4), F.A.C., as presented in Attachment 2. Therefore, we approve a monthly compounding AFUDC rate of 0.609170 percent for the period January 1, 2025, through May 31, 2025.

III. Effective date of January 1, 2025, through May 31, 2025, for implementing the AFUDC rate of 7.56 percent

SWS's requested AFUDC rate was calculated using a 12-month average capital structure for the period ended December 31, 2024. Rule 25-30.116(6), F.A.C., provides that:

⁶Order 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. cf Florida.*

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, 2025, through May 31, 2025, complies with the requirement that the effective date does not precede the period used to calculate the AFUDC rate. Therefore, the AFUDC rate of 7.56 percent shall be effective January 1, 2025, through May 31, 2025, for all purposes.

IV. Increase AFUDC rate from 7.56 percent to 8.03 percent, effective June 1, 2025

SWS requested an increase in its AFUDC rate from 7.56 percent to 8.03 percent, effective June 1, 2025. 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, must be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the Company'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 8.03 percent, SWS provided its calculations and capital structure in Schedules A-2 and B-2 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 reflected on Schedule A-2, SWS properly included in its calculations the allowed midpoint ROE of 10.05 percent and capital structure adjustments approved by Order No. PSC-2025-0196-FOF-WS.⁷ The appropriate AFUDC rate for SWS is 8.03 percent based on a 12-month average capital structure for the period ended May 31, 2025. SWS's current cost of capital supports the requested AFUDC rate of 8.03 percent, effective June 1, 2025. The AFUDC rate calculation and supporting capital structure are presented in Attachment 3.

⁷Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-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 Sunshine Water Services Company.*

We therefore find that the requested increase in the AFUDC rate from 7.56 percent to 8.03 percent, effective June 1, 2025, is appropriate, consistent with Rule 25-30.116, F.A.C., and shall be approved.

V. Appropriate monthly compounding rate for the period effective June 1, 2025

SWS requested a monthly compounding rate of 0.645732 percent to achieve an annual AFUDC rate of 8.03 percent. In support of the requested monthly compounding rate of 0.645732 percent, the Company provided its calculations in Schedule C-2 attached to its request. Rule 25-30.116(4), 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 reviewed the Company's calculation and determined it conforms with Rule 25-30.116(4), F.A.C., as presented in Attachment 4. Therefore, we approve a monthly compounding AFUDC rate of 0.645732 percent, effective June 1, 2025.

VI. Effective date of June 1, 2025, for implementing the AFUDC rate of 8.03 percent

SWS's requested AFUDC rate was calculated using a 12-month average capital structure for the period ended May 31, 2025. 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 June 1, 2025, complies with the requirement that the effective date does not precede the period used to calculate the AFUDC rate. Therefore, the AFUDC rate of 8.03 percent shall be effective June 1, 2025, for all purposes.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sunshine Water Services Company's AFUDC rate shall increase from 6.43 percent to 7.56 percent for the period January 1, 2025, through May 31, 2025, for the reasons set forth herein. It is further

ORDERED that Sunshine Water Services Company's monthly compounding AFUDC rate of 0.609170 percent shall apply to the period January 1, 2025, through May 31, 2025. It is further

ORDERED that Sunshine Water Services Company's AFUDC rate of 7.56 percent shall be effective January 1, 2025, through May 31, 2025, for all purposes. It is further

ORDERED that Sunshine Water Services Company's AFUDC rate shall increase from 7.56 percent to 8.03 percent, effective June 1, 2025. It is further

ORDERED that Sunshine Water Services Company's monthly compounding AFUDC rate of 0.645732 percent shall apply effective June 1, 2025. It is further

ORDERED that Sunshine Water Services Company's AFUDC rate of 8.03 percent shall be effective June 1, 2025, 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 in the event this Order becomes final, this docket shall be closed.

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By ORDER of the Florida Public Service Commission this 18th day of December, 2025.



ADAM J. FEITZMAN
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 8, 2026.

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.

**SUNSHINE WATER SERVICES COMPANY
CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE
AS OF DECEMBER 31, 2024**

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	\$94,275,441	47.96%	9.75%	4.68%
LONG-TERM DEBT	61,488,506	31.28%	5.94%	1.86%
SHORT-TERM DEBT	29,936,184	15.23%	6.73% *	1.02%
CUSTOMER DEPOSITS	337,537	0.17%	2.00% *	0.00%
DEFERRED TAX LIABILITIES	5,863,252	2.98%	0.00%	0.00%
TAX CREDITS - ZERO COST	59,215	0.03%	0.00%	0.00%
EXCESS DEF TAX LIABILITY	4,627,919	2.35%	0.00%	0.00%
TOTAL	<u>\$196,588,056</u>	<u>100.00%</u>		<u>7.56%</u>

*12-MONTH AVERAGE

**SUNSHINE WATER SERVICES COMPANY
METHODOLOGY FOR MONTHLY COMPOUNDING AFUDC RATE
AS OF DECEMBER 31, 2024**

COMMISSION APPROVED

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.00000000	0.00609170	0.00609170
2	1.00609170	0.00612881	0.01222051
3	1.01222051	0.00616614	0.01838665
4	1.01838665	0.00620371	0.02459036
5	1.02459036	0.00624150	0.03083185
6	1.03083185	0.00627952	0.03711137
7	1.03711137	0.00631777	0.04342914
8	1.04342914	0.00635626	0.04978540
9	1.04978540	0.00639498	0.05618038
10	1.05618038	0.00643393	0.06261431
11	1.06261431	0.00647313	0.06908744
12	1.06908744	0.00651256	0.07560000

Annual Rate (A) = 7.56%

Monthly Rate = $[(1+A/100)^{1/12}-1] \times 100 = 0.609170\%$

**SUNSHINE WATER SERVICES COMPANY
CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE
AS OF MAY 31, 2025**

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	\$106,417,709	52.16%	10.05%	5.24%
LONG-TERM DEBT	61,719,991	30.25%	5.79%	1.75%
SHORT-TERM DEBT	33,670,391	16.50%	6.28% *	1.04%
CUSTOMER DEPOSITS	68,860	0.03%	2.00% *	0.00%
DEFERRED TAX LIABILITIES	1,222,795	0.60%	0.00%	0.00%
TAX CREDITS - ZERO COST	11,719	0.01%	0.00%	0.00%
EXCESS DEF TAX LIABILITY	902,313	0.44%	0.00%	0.00%
TOTAL	<u>\$204,013,778</u>	<u>100.00%</u>		<u>8.03%</u>

*12-MONTH AVERAGE

**SUNSHINE WATER SERVICES COMPANY
METHODOLOGY FOR MONTHLY COMPOUNDING AFUDC RATE
AS OF MAY 31, 2025**

COMMISSION APPROVED

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.00000000	0.00645732	0.00645732
2	1.00645732	0.00649902	0.01295635
3	1.01295635	0.00654099	0.01949733
4	1.01949733	0.00658322	0.02608056
5	1.02608056	0.00662573	0.03270629
6	1.03270629	0.00666852	0.03937481
7	1.03937481	0.00671158	0.04608639
8	1.04608639	0.00675492	0.05284131
9	1.05284131	0.00679854	0.05963985
10	1.05963985	0.00684244	0.06648229
11	1.06648229	0.00688662	0.07336891
12	1.07336891	0.00693109	0.08030000

Annual Rate (A) = 8.03%

Monthly Rate = $[(1+A/100)^{1/12}]-1 \times 100 = 0.645732\%$