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November 12, 2020

VIA E-PORTAL

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

Re: Docket 20200237-PU -- Amendment of Rules 25-6.0141, F.A.C., Allowance for Funds Used During Construction, and 25-30.116, F.A.C., Allowance for Funds Used During Construction, and adoption of Rule 25-7.0141, F.A.C., Allowance for Funds Used During Construction.

Dear Mr. Teitzman:

Enclosed for electronic filing, please find Florida Public Utilities Company's and the Florida Division of Chesapeake Utilities Corporation's Joint Response to Staff's November 5, 2020 SERC data requests.

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

Sincerely,

s/Beth Keating
Beth Keating
Gunster, Yoakley & Stewart, P.A.
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Florida Public Utilities Company and Florida Division of Chesapeake Utilities
Corporation's Joint Response to Staff's SERC Data Request

Electric

Rule 25-6.0141, F.A.C., Allowance for Funds Used During Construction

- 1) Section (2) (a) 1. states that a project with gross plant additions in excess of 0.40 percent (reduction from current 0.50 percent) of the sum of the total balance in Accounts 101 and 106 at the time the project commences will be eligible for AFUDC. What is the potential financial impact to your utility and your customers for a newly qualifying project?

Company Response:

With the reduction in the requirement, there may be more projects that will qualify for AFUDC. However, there are no potential financial impacts to the Company and its customers for a newly qualifying project. If the Company seeks rate relief at a later date, the newly qualifying project will increase rate base and potentially increase rates to our customers at that time.

- 2) What is your utility's incremental increase in the annual amount of AFUDC-eligible projects with the proposed 0.40 percent threshold?

Company Response:

The Company does not know the incremental increase in the annual amount of AFUDC eligible projects at this time.

At this time there are no afudc eligible projects with the proposed threshold.

- 3) What is your utility's incremental increase in the annual amount of accrued AFUDC with the proposed 0.40 percent threshold?

Company Response:

The Company does not know the incremental increase in the annual amount of AFUDC eligible projects at this time.

- 4) Section (2) (a) 2. allows a utility to bundle multiple related projects together if the utility can demonstrate that the total cost with AFUDC will be less than the total cost of the unbundled projects without AFUDC. (a) Under the proposed bundling with AFUDC, does the utility anticipate any financial impact to rate payers? Please explain. (b) What impact, if any, would bundling projects have on the utility's rate base? Please explain.

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Company Response:

- (a) The Company does not anticipate any financial impact to rate payers initially until the Company goes in for a rate proceeding which would increase rate base and potentially increase rates to the rate payers.**
- (b) As these AFUDC eligible projects are completed, rate base will increase.**

- 5) What are the estimated incremental administrative costs or incremental savings associated with determination and calculation of eligible AFUDC expenses for bundled versus unbundled projects?

Company Response:

The Company believes that the estimated administrative costs to determine and calculate eligible AFUDC expenses will be minimal.

- 6) Would the proposed rule revisions require additional activities, personnel etc. to comply with the rule? Are the proposed rule revisions likely to directly or indirectly result in incremental regulatory costs for your utility in excess of \$200,000 in the aggregate within 1 year after the implementation of this rule? Please explain.

Company Response:

The proposed rule revisions will not require any material additional activities, personnel, etc. in order to comply with the rule. The Company does not anticipate any incremental regulatory costs in excess of \$200,000 in the aggregate within 1 year after the implementation of this rule.

- 7) Are the proposed rule revisions likely to have an adverse impact on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of this rule? Please explain.

Company Response:

The Company does not foresee any adverse impacts on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of this rule.

- 8) Are the proposed rule revisions likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule? Would the proposed rule revisions generate competitive benefits to your utility? Please discuss.

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Company Response:

The Company does not foresee any adverse impacts on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule.

Although the revision will allow more projects to be eligible for AFUDC, the Company does not believe these revisions will materially generate competitive benefits, if any.

- 9) Are the proposed rule revisions likely to increase any transactional costs (e.g.: filing fees, cost of obtaining a license, cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs, monitoring or reporting costs, and any other costs necessary to comply with the rule) to your utility, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? Please provide a good faith estimate of incremental annual costs.

Company Response:

The Company does not anticipate transactional costs in excess of \$1 million in the aggregate within 5 years after the implementation of this rule.

- 10) Does your utility anticipate any effect (increased costs or benefits) on state or local revenues from the AFUDC related projects? Please discuss.

Company Response:

The Company does not anticipate any effect on state and local revenues from the AFUDC related projects.

- 11) Please provide any additional information regarding the draft Rule 25-6.0141, F.A.C., which the Commission may deem useful.

Company Response:

The Company does not have any additional information related to Rule 25-6.0141.

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Gas

Rule 25-7.0141, F.A.C., Allowance for Funds Used During Construction

- 1) Section (2)(a)1. states that projects that involve gross plant additions in excess of \$25,000 and are expected to be completed in excess of one year will be eligible for AFUDC. What is the potential financial impact to your utility and your customers for a newly qualifying project?

Company Response:

There are no potential financial impacts to the Company and its customers for a newly qualifying project. However, if the Company seeks rate relief at a later date, the newly qualifying project will increase rate base and potentially increase rates to our customers.

- 2) What is your utility's incremental increase in the annual amount of AFUDC-eligible projects with the proposed \$25,000 threshold?

Company Response:

The Company expects to have projects that exceed the proposed \$25,000 threshold but very seldom do any of these projects exceed one year. Therefore, they will not be AFUDC eligible.

- 3) What is your utility's incremental increase in the annual amount of accrued AFUDC with the proposed \$25,000 threshold?

Company Response:

The Company expects to have projects that exceed the proposed \$25,000 threshold but very seldom do any of these projects exceed one year. Therefore, they will not be AFUDC eligible.

- 4) Section (2)6. (f) states that the utility may file a petition prior to commencement of construction to seek approval to include an individual project in rate base. If your utility decides to file such a petition, what is the estimated cost?

Company Response:

If the Company decides to file such a petition, the Company estimates that the costs would be minimal, probably under \$5,000.

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- 5) Section (3)(a) states that the applicable AFUDC rate shall be determined using the most recent 13-month average embedded cost of capital. What is the estimated cost to determine the applicable AFUDC as stated above?

Company Response:

The estimated cost will be minimal since the Company uses this same cost of capital methodology in reporting its quarterly or semi-annual earnings surveillance reports.

- 6) Section (2) 2. allows a utility to bundle multiple related projects together if the utility can demonstrate that the total cost with AFUDC will be less than the total cost of the unbundled projects without AFUDC. (a) Under the proposed bundling with AFUDC, does the utility anticipate any financial impact to rate payers? Please explain. (b) What impact, if any, would bundling projects have on the utility's rate base? Please explain.

Company Response:

(c) The Company does not anticipate any financial impact to rate payers initially until the Company goes in for a rate proceeding which would increase rate base and impact the Company's revenue requirements.

(d) As these AFUDC eligible projects are completed, the rate base will increase.

- 7) Section (5) requires the utility to file Schedules A, B, and C with each petition for a change in AFUDC rate and Section (7) requires these schedules to be included with the December Rate of Return surveillance report to the Commission. Please state the estimated cost to complete and file Schedules A, B, and C as required in Sections (5) and (7).

Company Response:

The Company believes that the estimated cost to complete and file Schedules A, B, and C will be minimal, probably less than \$5,000.

- 8) Is the proposed rule likely to increase any transactional costs (e.g.: filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule) to your utility, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? Please provide a good faith estimate of incremental annual costs.

Company Response:

The Company does not anticipate transactional costs in excess of \$1 million in the aggregate within 5 years after the implementation of this rule.

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- 9) Is the proposed rule likely to directly or indirectly result in incremental regulatory costs for your utility in excess of \$200,000 in the aggregate within 1 year after the implementation of this rule? Please explain.

Company Response:

The Company does not anticipate any incremental regulatory costs in excess of \$200,000 in the aggregate within 1 year after the implementation of this rule.

- 10) Is the proposed rule likely to have an adverse impact on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of this rule? Please explain.

Company Response:

The Company does not foresee any adverse impacts on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of this rule.

- 11) Will the proposed rule have an adverse impact on small business? (A small business is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments). Please explain.

Company Response:

The Company does not foresee any adverse impacts on small business.

- 12) Is the proposed rule likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule?

Company Response:

The Company does not foresee any adverse impacts on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule.

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13) Does your utility anticipate any effect on state or local revenues from the AFUDC related projects? Please discuss.

Company Response:

The Company does not anticipate any effect on state and local revenues from the AFUDC related projects.

14) Please provide any additional information related to draft Rule 25-7.0141, F.A.C., which the Commission may deem useful.

Company Response:

The Company does not have any additional information related to Rule 25-7.0141.