

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 5.97% to 6.00%, effective 1/1/21, by Peoples Gas System.

DOCKET NO. 20210040-GU
ORDER NO. PSC-2021-0170-PAA-GU
ISSUED: May 14, 2021

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER AUTHORIZING PEOPLES GAS SYSTEM TO INCREASE ITS
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION 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.).

I. Background

Peoples Gas System's (PGS or Company) current Allowance for Funds Used During Construction (AFUDC) rate of 5.97 percent was approved by Order No. PSC-2019-0291-PAA-GU, issued July 22, 2019.¹ On February 12, 2021, PGS filed a petition for approval to change its AFUDC rate from 5.97 percent to 6.00 percent, effective January 1, 2021. As required by Rule 25-7.0141(5), F.A.C., PGS filed with its petition 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-.06, F.S.

¹Order No. PSC-2019-0291-PAA-GU, issued July 22, 2019, in Docket No. 20190091-GU, *In re: Docket No. 20190091-GU, Petition of Peoples Gas System for Authority to Accrue AFUDC.*

II. Decision

Authorization for Peoples Gas to increase its AFUDC Rate PGS requested an increase in its AFUDC rate from 5.97 percent to 6.00 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, 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 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 will be calculated to two decimal places.

In support of its requested AFUDC rate of 6.00 percent, PGS provided its calculations and capital structure in Schedules A and B attached to its request. We reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-7.0141(3), F.A.C. The requested increase in the AFUDC rate is due principally to an increase of 4 basis points in the weighted cost of long-term debt and an increase of 3 basis points in the weighted cost of common equity, offset by a 4 basis point decrease in the weighted cost of customer deposits. In its calculation, the Company appropriately used the mid-point return on equity of 9.90 percent, which was approved by Order No. PSC-2020-0485-FOF-GU.²

Based on our review, we find that the requested increase in the AFUDC rate from 5.97 percent to 6.00 percent is appropriate, consistent with Rule 25-7.0141, F.A.C., and is hereby approved.

A. Appropriate monthly compounding rate to achieve the requested 6.00 percent annual AFUDC rate

PGS requested a monthly compounding rate of 0.004868 to achieve an annual AFUDC rate of 6.00 percent. In support of the requested monthly compounding rate of 0.004868, the Company provided its calculations in Schedule C attached to its request. Rule 25-7.0141(4), F.A.C., provides a formula for discounting the annual AFUDC rate to reflect monthly compounding. The rule also requires that the monthly compounding rate must be calculated to six decimal places.

²Order No. PSC-2020-0485-FOF-GU, issued December 10, 2020, in Docket No. 20200051-GU, *In re: Petition for rate increase by Peoples Gas System*, Docket No. 20200166-GU, *In re: Petition for approval of 2020 depreciation study by Peoples Gas System*, and Docket No. 20200178-GU, *In re: Petition for approval to track, record as a regulatory asset, and defer incremental costs resulting from the COVID-19 pandemic, by Peoples Gas System*.

Based on our review of the Company's calculations, we determined that they comply with the requirements of Rule 25-7.0141(4), F.A.C. Therefore, we hereby approve the proposed monthly compounding AFUDC rate of 0.004868.

B. Effective date for implementing the AFUDC rate

PGS's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2020. 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 January 1, 2021, complies with the requirement that the effective date does not precede the period used to calculate the rate, and is hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate AFUDC rate for Peoples Gas System is 6.00 percent based on a 13-month average capital structure for the period ended December 31, 2020. It is further.

ORDERED that the appropriate compounding rate to achieve an annual AFUDC rate of 6.00 percent is 0.004868. It is further

ORDERED that the revised AFUDC rate shall be effective January 1, 2021, 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 person whose substantial interests are affected by the proposed agency action files a protest 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 May, 2021.



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.

WLT

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 June 4, 2021.

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.