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February 12, 2021

VIA E-PORTAL FILING

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

Re: NEW FILING – In re: Petition for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 5.97% to 6.00% effective January 1, 2021, by Peoples Gas System

Dear Mr. Teitzman:

Attached for electronic filing with the Commission on behalf of Peoples' Petition referenced above.

Your assistance in this matter is greatly appreciated.

Sincerely,

Andrew M. Brown

AB/plb
Attachment

cc: Parties of Record
Ms. Kandi M. Floyd
Ms. Karen Bramley

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of change in rate used)	DOCKET NO:
to capitalize allowance for funds used during)	
construction (AFUDC) from 5.97% to 6.00%)	Submitted for Filing:
effective January 1, 2021, by Peoples Gas System)	February 12, 2021
_____)	

**PETITION FOR APPROVAL OF CHANGE IN RATE USED TO CAPITALIZE AFUDC
FROM 5.97% TO 6.00% EFFECTIVE JANUARY 1, 2021**

Peoples Gas System ("Peoples" or the "Company"), pursuant to Rule 25-7.0141, Florida Administrative Code, hereby petitions the Florida Public Service Commission ("the Commission") for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 5.97% to 6.00%, to become effective as of January 1, 2021, and in support of its request states:

1. The name and address of the petitioner are:

Peoples Gas System
702 N. Franklin Street
Tampa, Florida 33602

2. The persons to whom notices, orders and pleadings in this docket should be

addressed are:

Andrew M. Brown, Esquire
Thomas R. Farrior, Esquire
Macfarlane Ferguson &
McMullen
Post Office Box 1531
Tampa, Florida 33601-1531

Paula K. Brown
Peoples Gas System
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Kandi M. Floyd
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3. Peoples is a natural gas local distribution company ("LDC") providing sales and transportation delivery of natural gas throughout most of the State of Florida and is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366, *Florida Statutes*.

4. By this petition, Peoples seeks the Commission's approval of change in AFUDC from 5.97% to 6.00%, to become effective as of January 1, 2021.

BACKGROUND

5. On July 22, 2019, the Commission approved the Company's request to accrue AFUDC at the rate of 5.97% in Order No. PSC-2019-0291-PAA-GU (Docket No. 20190091-GU).

6. On June 8, 2020, Peoples filed a Petition for a Rate Increase along with minimum filing requirements and supporting testimony in Docket No. 20200051-GU. The Office of Public Counsel ("OPC") and the Florida Industrial Power Users Group ("FIPUG") intervened in the docket.

7. On October 22, 2020, all parties (Peoples, OPC, and FIPUG) to the docket filed a Joint Motion for Approval of Settlement Agreement and resolved all matters in the docket.

8. As part of the Joint Motion for Approval of Settlement Agreement, the agreement set a return on equity midpoint of 9.90%, with a range of 8.90% to 11.00%. PGS' is also allowed an equity ratio of 54.7% as a percentage of investor sources of capital, both effective January 1, 2021.

9. On November 19, 2020, the Commission conducted a hearing to consider the Agreement and a Final Order (Order NO. PSC-2020-0485-FOF-GU) was

issued December 10, 2020 approving all items contained in the Joint Motion for Approval of Settlement Agreement, effective January 1, 2021.

10. The new requested rate of 6.00% reflects a return on common equity of 9.90% and a 54.7% equity ratio from investor sources as authorized for all purposes in Order NO. PSC-2020-0485-FOF-GU, including the calculation of the Company's AFUDC rate.

RELIEF REQUESTED

11. In accordance with Rule 25-7.0141 F.A.C., Section 5, attached to this Petition are Schedules A – C identifying the capital structure, capital structure adjustments and the methodology used for the calculation of the monthly AFUDC rate.

12. Peoples requests approval of the change in rate used to capitalize AFUDC from 5.97% to 6.00%, to become effective as of January 1, 2021.

13. The Company will continue to monitor the cost of capital for material change and request a modification of the AFUDC rate as appropriate.

DATED this 12th day of February, 2021.

Respectfully submitted,



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Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing have been furnished electronically, this 12th day of February, 2021, to the following:

Kurt Schrader
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
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Andrew M. Brown, Esq.

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE USED FOR AFUDC CALCULATION
DECEMBER 2020
(In \$ Thousands)**

SCHEDULE A

<u>CAPITAL COMPONENTS</u>	<u>ADJUSTED AVERAGE BALANCE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$ 287,879	27.38%	4.69%	1.28%
SHORT TERM DEBT	112,294	10.68%	1.16% *	0.12%
CUSTOMER DEPOSITS	21,938	2.08%	2.48% *	0.05%
COMMON EQUITY	483,211	45.96%	9.90% **	4.55%
DEFERRED INCOME TAX	146,145	13.90%	0.00%	-
INVESTMENT TAX CREDITS	-	0.00%	0.00%	-
TOTAL	\$ 1,051,466	100.00%		6.00%

*13-MONTH AVERAGE

**Per Order No. PSC-2020-0485-FOF-GU, a 9.90% return on equity shall be used for all purposes including the calculation of the Company's AFUDC rate.

Debt Ratio 24.17%
Equity Ratio 75.83%

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE USED FOR AFUDC CALCULATION
DECEMBER 2020
(In \$ Thousands)**

SCHEDULE B

<u>CAPITAL COMPONENTS</u>	<u>PER BOOKS</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>ADJUSTED AVERAGE BALANCE</u>
LONG TERM DEBT	\$ 335,637	\$ (59,132)	\$ 287,879
SHORT TERM DEBT	129,896	(22,039)	112,294
CUSTOMER DEPOSITS	26,126	(4,188)	21,938
COMMON EQUITY	604,291	(105,269)	483,211
DEFERRED INCOME TAX	218,083	(71,938)	146,145
INVESTMENT TAX CREDITS	-	-	-
TOTAL	\$ 1,314,032	\$ (262,566)	\$ 1,051,466

Per Order No. PSC-2020-0485-FOF-GU, a 54.7% equity ratio (investor sources with any difference to actual equity ratio spread ratably over long-term and short term debt) shall be used for all purposes including the calculation of the Company's AFUDC rate.

**PEOPLES GAS SYSTEM
 METHODOLOGY FOR MONTHLY COMPOUNDING
 OF THE AFUDC RATE
 DECEMBER 2020**

SCHEDULE C

MONTHS	AFUDC BASE	MONTHLY AFUDC	CUMULATIVE AFUDC
JAN	1.00000000	0.0048676	0.0048676
FEB	1.00486755	0.0048912	0.0097588
MAR	1.00975879	0.0049151	0.0146738
APR	1.01467385	0.0049390	0.0196128
MAY	1.01961282	0.0049630	0.0245758
JUN	1.02457584	0.0049872	0.0295630
JUL	1.02956301	0.0050115	0.0345745
AUG	1.03457446	0.0050358	0.0396103
SEP	1.03961031	0.0050604	0.0446707
OCT	1.04467066	0.0050850	0.0497557
NOV	1.04975565	0.0051097	0.0548654
DEC	1.05486539	0.0051346	0.0600000

Annual Rate (R) = .0600

Monthly Rate = $((1 + R)^{(1/12)} - 1) = 0.0048676$