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February 16, 2024

**VIA ELECTRONIC FILING**

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

Re: New Docket No. \_\_\_\_\_  
Petition of Peoples Gas System, Inc. Petition for Approval of Change in Rate Used to  
Capitalize Allowance for Funds Used During Construction

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. is the company's Petition for  
Approval of Change in Rate Used To Capitalize Allowance for Funds Used During Construction.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'V. Ponder'.

Virginia Ponder

VLP/ne  
Attachment

cc: All Parties

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for approval of change in rate )  
used to capitalize allowances for funds used )  
during construction from 6.00% to 7.08% )  
effective January 1, 2024, by Peoples Gas )  
System, Inc. )  
\_\_\_\_\_ )

DOCKET NO. \_\_\_\_\_

FILED: February 16, 2024

**PETITION FOR APPROVAL OF CHANGE IN RATE USED TO CAPITALIZE  
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION  
FROM 6.00% TO 7.08% EFFECTIVE JANUARY 1, 2024**

Peoples Gas System, Inc. (“Peoples” or the “company”), pursuant to Rule 25-7.0141, Florida Administrative Code (“Rule 25-7.0141”), hereby petitions the Florida Public Service Commission (the “Commission”) for approval of a change in rate used to capitalize allowance for funds used during construction (“AFUDC”) from 6.00 percent to 7.08 percent, to become effective as of January 1, 2024, and in support of its request states:

1. The name of the petitioner and the mailing address of its principal office are:

Peoples Gas System, Inc.  
P.O. Box 2562  
Tampa, Florida 33601-2562

2. The names and mailing address of the persons authorized to receive notices and communications with respect to this Petition are:

J Jeffrey Wahlen  
jwahlen@ausley.com  
Virginia Ponder  
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Matthew J. Jones  
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3. The Commission has jurisdiction to entertain this Petition pursuant to Sections 366.04(1), 366.05(1) and 366.06, Florida Statutes.

4. Peoples is a natural gas local distribution company providing sales and transportation delivery of natural gas throughout most of the State of Florida and is a natural gas public utility subject to the Commission's statutory jurisdiction to establish rates and charges under Section 366.06, Florida Statutes.

### **Background**

5. On April 12, 2019, Peoples filed a petition seeking authority to accrue an AFUDC in order to develop three expansion projects. On July 22, 2019, the Commission approved the company's request to accrue AFUDC at the rate of 5.97 percent.<sup>1</sup>

6. On February 12, 2021, Peoples filed a petition for approval of a change in AFUDC rate from 5.97 percent to 6.00 percent. The requested rate of 6.00 percent was based on the return on equity and equity ratio set forth in the Commission approved Stipulation and Settlement Agreement that resolved all matters in the company's 2020 rate case.<sup>2</sup> On May 14, 2021, the Commission approved the company's request to change its AFUDC rate to 6.00 percent.<sup>3</sup>

7. On April 4, 2023, the company filed a petition for rate increase together with minimum filing requirements and supporting testimony in Docket No. 20230023-GU. The Commission conducted a hearing in September 2023, and on December 27, 2023, issued a final order ("2023 Rate Case Final Order")<sup>4</sup> approving a return on equity of 10.15 percent, with a range

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<sup>1</sup> Order No. PSC-2019-0291-PAA-GU, issued July 22, 2019, in Docket No. 20190091-GU, *In re: Petition for authority to accrue AFUDC, by Peoples Gas System.*

<sup>2</sup> Order No. PSC-2020-0485-FOF-GU, issued November 19, 2020, in Docket No. 20200051-GU, *In re: Petition for rate increase by Peoples Gas System.*

<sup>3</sup> Order No. PSC-2021-0170-PA-GU, issued May 14, 2021, in Docket No. 20210040-GU, *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.*

<sup>4</sup> Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket Nos. 20230023-GU, 20220219-GU, and

of plus or minus 100 basis points, an equity ratio of 54.7 percent, and an overall rate of return of 7.016 percent effective January 1, 2024.

8. The requested AFUDC rate of 7.08 percent reflects the Commission approved return on common equity of 10.15% and a 54.7% equity ratio from investor sources as authorized for all purposes in the 2023 Final Rate Case Order<sup>5</sup>.

### **Relief Requested**

9. In accordance with subsection (5) of Rule 25-7.0141, the company submits schedules A, B and C together with this Petition.

10. Schedule A provides the capital structure, cost rates, and weighted average cost of capital that are the basis for the requested AFUDC rate, which have been calculated in accordance with subsection (3) of Rule 25-7.0141. Schedule B provides the capital structure adjustments, including the unadjusted capital structure, reconciling adjustments and adjusted capital structure that are the basis for the AFUDC rate in subsection (3) of Rule 25-7.0141. Schedule C provides the calculation of the monthly AFUDC rate using the methodology set out in subsection (4) of Rule 25-7.0141.

11. The company will continue to monitor the cost of capital for material changes and request a modification of the AFUDC rate as appropriate.

**WHEREFORE**, Peoples respectfully requests that the Commission enter an order

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20220212-GU.

<sup>5</sup> See Docket No. 20240028-GU. On February 2, 2024, Peoples filed its petition to implement the long-term debt cost true-up mechanism pursuant to the 2023 Rate Case Final Order and therein requested that the Commission approve an updated overall rate of return for the company of 7.05 percent effective January 1, 2024.

approving the change in AFUDC rate from 6.00 percent to 7.08 percent, to become effective January 1, 2024, as set forth above and in the supporting schedules.

DATED this 16th day of February, 2024.



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*Attorneys for Peoples Gas System, Inc.*

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Petition, filed on behalf of Peoples Gas System, Inc., has been furnished by electronic mail on this 16th day of February 2024 to the following:

Major Thompson  
Ryan Sandy  
Austin Watrous  
Daniel Dose  
Chasity Vaughan  
Danyel Sims  
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Florida Public Service Commission  
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ATTORNEY

**PEOPLES GAS SYSTEM, INC.**  
**CAPITAL STRUCTURE USED FOR AFUDC CALCULATION**  
**DECEMBER 2023**  
**(In \$ Thousands)**

SCHEDULE A

CAPITAL COMPONENTS	ADJUSTED AVERAGE BALANCE	CAPITAL ADJUSTMENTS	COST OF CAPITAL	WEIGHTED COST OF CAPITAL
LONG TERM DEBT	\$ 543,872	27.35%	5.68% *	1.55%
SHORT TERM DEBT	236,704	11.89%	5.84% **	0.69%
CUSTOMER DEPOSITS	28,387	1.43%	2.41% **	0.03%
COMMON EQUITY	942,551	47.40%	10.15% ***	4.81%
DEFERRED INCOME TAX	237,187	11.93%	0.00%	-
INVESTMENT TAX CREDITS	-	0.00%	0.00%	-
TOTAL	\$ 1,988,702	100.00%		7.08%

\* Cost rate reflects long-term debt outstanding at December 31, 2023

\*\* 13-MONTH AVERAGE

\*\*\* Per Order No. PSC-2023-0388-FOF-GU, a 10.15% return on equity shall be used for all purposes including the calculation of the Company's AFUDC rate.

Debt Ratio	32.06%
Equity Ratio	67.94%

**PEOPLES GAS SYSTEM, INC.**  
**CAPITAL STRUCTURE USED FOR AFUDC CALCULATION**  
**DECEMBER 2023**  
(In \$ Thousands)

SCHEDULE B

<u>CAPITAL COMPONENTS</u>	<u>PER BOOKS</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>ADJUSTED AVERAGE BALANCE</u>
LONG TERM DEBT	\$ 591,200	\$ (46,654)	\$ 543,872
SHORT TERM DEBT	261,678	(24,681)	236,704
CUSTOMER DEPOSITS	30,537	(2,150)	28,387
COMMON EQUITY	1,024,940	(83,357)	942,551
DEFERRED INCOME TAX	277,275	(40,088)	237,187
INVESTMENT TAX CREDITS	-	-	-
TOTAL	\$ 2,185,631	\$ (196,929)	\$ 1,988,702



**PEOPLES GAS SYSTEM, INC.  
 METHODOLOGY FOR MONTHLY COMPOUNDING  
 OF THE AFUDC RATE  
 DECEMBER 2023**

SCHEDULE C

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC ADJUSTMENTS</u>	<u>CUMULATIVE AFUDC</u>
JAN	1.000000	0.005717	0.005717
FEB	1.005717	0.005749	0.011466
MAR	1.011466	0.005782	0.017249
APR	1.017249	0.005815	0.023064
MAY	1.023064	0.005849	0.028913
JUN	1.028913	0.005882	0.034795
JUL	1.034795	0.005916	0.040710
AUG	1.040710	0.005950	0.046660
SEP	1.046660	0.005984	0.052643
OCT	1.052643	0.006018	0.058661
NOV	1.058661	0.006052	0.064713
DEC	1.064713	0.006087	0.070800

Annual Rate (R) = .0708

Monthly Rate =  $((1 + R)^{(1/12)}) - 1 = 0.005717$