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April 22, 2025

VIA E-PORTAL

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

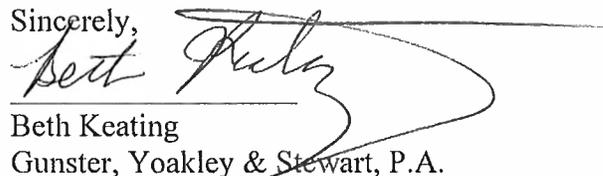
Re: Docket No. 20250059-GU – Petition requesting approval of an updated AFUDC rate of 7.72%, effective January 1, 2025, by Florida City Gas.

Dear Mr. Teitzman:

Attached for filing, please find FCG's Responses to Staff's First Set of 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 whatsoever.

Sincerely,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK

1. Please provide a schedule showing how Florida City Gas (FCG) calculated the long-term debt cost rate of 6.67 percent. The schedule should provide the same information as provided in a Minimum Filing Requirements (MFR) Schedule D-4a.

Company Response:

In reviewing the calculation of the Long-Term-Debt Cost rate, FCG found an error that needed correction. Please refer to Attachment A for the corrected calculation of the long-term debt cost rate of 6.54%.

The Company is also attaching revised schedules A, B, and C, as Attachment B. The correction noted above results in a reduction to FCG's requested AFUDC rate to 7.65%.

2. Rule 25-7.0141(3)(b), F.A.C., Allowance for Funds Used During Construction (AFUDC), requires that the cost of long-term debt will be based on end-of-period cost. FCG has not provided a schedule for the end-of-period capital structure. Please provide a 2024 year-end capital structure schedule for FCG.

Company Response:

Please refer to Attachment C for year-end capital structure schedule.

3. FCG's sister companies, Florida Public Utilities Company (FPUC) gas division and electric division, included a 2024 year-end long term debt cost rate of 3.78 percent for Chesapeake Utilities in each of their December 2024 surveillance reports. Please provide an explanation and reconciliation of why the reported long-term debt cost rate for FPUC's gas and electric division is 3.78 percent as compared 6.67 percent for FCG.

Company Response:

The year-end 3.78% calculated in the December 2024 FPUC surveillance report was calculated using the total interest expense for 2024, divided by the year-end cost of debt. As a result, the rate is impacted by a new debt issuance in November 2024, for \$100 million at 5.2%. The full year 2024 interest expense only includes one and a half months of interest for the new debt, which artificially reduces the year-end long-term debt calculation. In addition, in the Company's Docket 20240099-EI, the Company separated 79% of the six new debt issuances obtained at the time of the FCG acquisition out of the consolidated debt cost rate and allocated those issuances specifically to Florida City Gas. This methodology accounts for the remaining difference between the two rates. Please refer to the response to question 4.

4. In FPUC's electric rate case (Docket No. 20240099-EI), the 13-month average long-term debt cost rate for the year ended December 31, 2024, was 5.04 percent, based on Chesapeake Utilities Corporation's debt issuances as provided in MFR Schedule D-4a. Please explain why FCG's long-term debt cost rate is 6.67 percent as compared to CUC's long-term debt cost rate of 5.04 percent.

Company Response:

In FPUC's Docket No. 20240099-EI, the 13-month average long-term debt cost rate for the year ended December 31, 2024, was calculated using Schedule D-4a (5.04 percent) and Schedule D-4a Supplement (4.12%). Schedule D-4a calculates the cost of debt using the traditional consolidated cost of debt. Schedule D-4a Supplement includes an alternate calculation of the cost of debt. As explained by FPUC witness Noah Russell in that case, the proceeds from the \$550 million senior notes priced on October 31, 2023, were used predominantly to finance the acquisition of Florida City Gas. This calculation of the long-term debt interest rate in MFR Schedule D-4a Supplement only includes approximately 21 percent of the \$550 million senior notes to determine the overall long-term interest rate for purposes of the rate case filing. Therefore, 79% of these issuances were assigned to FCG's cost of long-term debt.

As discussed in the response to question 3, Chesapeake assigns Long-Term Debt issuances, and associated interest expenses, to the companies it owns at the time the debt was placed. The 6.54% long-term debt cost rate for FCG represents the all-in-rate for the portion of the \$550 million used to finance the acquisition.

5. Rule 25-7.041(7), F.A.C., requires that each utility charging AFUDC must include in its December Rate of Return surveillance report to the Commission Schedules A and B identified in subsection (5) of this rule, as well as disclosure of the AFUDC rate it is currently charging. FCG did not include neither of these schedules in its December 2023 nor December 2024 surveillance reports. Please file revised surveillance reports for both December 2023 and 2024 that include the required information.

Company Response:

The Company is providing schedules A and B as Attachment B. The revised surveillance reports for 2023 and 2024 have been filed with the Commission.

6. Please file a revised AFUDC Schedule A including the end-of-period cost for long-term debt pursuant to Rule 25-7.041(3)(b), F.A.C

Company Response:

Please see attached the revised AFUDC schedules in attachment B.

**FLORIDA CITY GAS
YEAR-END CAPITAL STRUCTURE 12/31/2024**

	Allocated Based on Rate Base	Percent	Interest Rate	Interest Expense	Composite Rate
Long Term Debt Specific City	\$ 430,201,543	94.37%	6.67%	\$ 28,709,294.5	
Long Term Debt Consolidated without FCG	\$ 25,659,454	5.63%	4.26%	\$ 1,092,668	
Long Term Debt - CU	\$ 455,860,997	44.64%		\$ 29,801,962	6.54%
Short Term Debt	\$ 69,744,431	6.83%			
Common Equity	\$ 495,687,860	48.54%			
Total Non-Direct Rate Base	\$ 1,021,293,288	100.00%			
Customer Deposits, Deferred Tax and Regulated Liability	\$ 38,782,804				
Total Year-End Rate Base	<u>\$ 1,060,076,092</u>				
Actual Consolidated Chesapeake Capital Structure:					
Avg CPK: LTD	\$ 1,280,043,301	44.64%			
STD	\$ 195,840,162	6.83%			
EQUITY	\$ 1,391,875,876	48.54%			
Total Capital	<u>\$ 2,867,759,339</u>	100.00%			

This methodology is consistent with the methodology used for the existing FPUC notes when FPUC was purchased by Chesapeake.

FLORIDA CITY GAS

CITY GAS ONLY DEBT USING YEAR-END BALANCES 12/31/2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)		
Line No.	Description, Coupon Rate	Issue Date	Maturity Date	Principal Amount Sold (Face Value)	Year End 2024 Principal Amt. Outstanding	Discount (Premium) on Principal Amount Sold	Issuing Expense On Principal Amount Sold	Life (Years)	Annual Amortization (7+8)/(9) Note 1	Interest Expense (Coupon Rate) (2) x (6) Note 1	Total Annual Cost (10)+(11)	Unamortized Discount (Premium) Associated With (6)	Unamort. Issuing Expense & Loss on Reacquired Debt		
1	6.39%	SN22	11/28/2023	12/28/2026	\$ 78,589,000	\$	78,589,000	N/A	\$ 462,593	3	\$ 150,168	\$ 5,021,837	\$ 5,172,005	N/A	\$ 300,335
2	6.44%	SN23	11/28/2023	12/28/2027	\$ 78,589,000	\$	78,589,000	N/A	\$ 421,334	4	\$ 103,261	\$ 5,061,132	\$ 5,164,393	N/A	\$ 309,784
3	6.45%	SN24	11/28/2023	12/28/2028	\$ 78,589,000	\$	78,589,000	N/A	\$ 449,822	5	\$ 88,540	\$ 5,068,991	\$ 5,157,530	N/A	\$ 354,159
4	6.62%	SN25	11/28/2023	12/28/2030	\$ 78,589,000	\$	78,589,000	N/A	\$ 444,910	7	\$ 62,837	\$ 5,202,592	\$ 5,265,428	N/A	\$ 377,020
5	6.71%	SN26	11/28/2023	12/28/2033	\$ 78,589,000	\$	78,589,000	N/A	\$ 356,694	10	\$ 35,387	\$ 5,273,322	\$ 5,308,709	N/A	\$ 318,486
6	6.73%	SN27	11/28/2023	12/28/2038	\$ 39,294,500	\$	39,294,500	N/A	\$ 171,568	15	\$ 11,346	\$ 2,644,520	\$ 2,655,866	N/A	\$ 158,843
7	Total				\$ 432,239,500		\$ 2,306,922		\$ 451,539		\$ 28,272,393	\$ 28,723,931	N/A	\$ 1,818,626	
8	Issuance Expense (13) + (14).				\$ 1,818,626										
9	Net LTD Outstanding				\$ 430,420,874										
10															
11	Embedded Cost of LTD (12)				\$28,723,931										
12					LTD		6.67%								

Note 1: A majority of Chesapeake Utilities Corporation's long-term debt have annual amortization payments beginning in the sixth year after the issuance and the amortization of debt issuance costs involves systematically allocating the costs over the life of the underlying debt instrument. This is typically done using the effective interest method, which results in a constant rate of interest over the period. The amortization amount is calculated by applying the effective interest rate to the book value of the debt at the beginning of each period, subtracting the actual interest paid and then attributing the remainder to the amortization of the issuance costs. This process continues until the debt matures or is extinguished. The effective interest method provides a more accurate reflection of the costs of borrowing over time compared to the straight-line method, which allocates the same amount of expenses to each period regardless of the declining balance of the debt. The straight line method would result in fluctuations in the overall cost of debt over its term. Columns 10 and 11 have been adjusted to reflect the actual interest and amortization expense that has been or will be recorded for the Chesapeake notes with annual principle payments.

FLORIDA CITY GAS

CONSOLIDATED DEBT WITHOUT CITY GAS USING YEAR-END BALANCES 12/31/2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Line No.	Description, Coupon Rate	Issue Date	Maturity Date	Principal Amount Sold (Face Value)	Year End 2024 Principal Amt. Outstanding	Discount (Premium) on Principal Amount Sold	Issuing Expense On Principal Amount Sold	Life (Years)	Annual Amortization (7+8)/(9) Note 1	Interest Expense (Coupon Rate) (2) x (6) Note 1	Total Annual Cost (10)+(11)	Unamortized Discount (Premium) Associated With (6)	Unamort. Issuing Expense & Loss on Reacquired Debt	
1	5.68%	SN8	6/24/2011	6/30/2026	\$ 29,000,000	\$ 5,800,000	N/A	\$ 34,794	15	\$ 668	\$ 329,440	\$ 330,108	N/A	\$ 613
2	6.43%	SN9	5/2/2013	5/2/2028	\$ 7,000,000	\$ 2,800,000	N/A	\$ 12,789	15	\$ 491	\$ 180,040	\$ 180,531	N/A	\$ 900
3	3.73%	SN10	12/16/2013	12/16/2028	\$ 20,000,000	\$ 8,000,000	N/A	\$ 68,794	15	\$ 2,642	\$ 335,700	\$ 338,342	N/A	\$ 6,384
4	3.88%	SN11	5/15/2014	5/15/2029	\$ 50,000,000	\$ 25,000,000	N/A	\$ 192,790	15	\$ 9,254	\$ 970,000	\$ 979,254	N/A	\$ 21,592
5	3.25%	SN12	4/21/2017	4/30/2032	\$ 70,000,000	\$ 52,500,000	N/A	\$ 150,539	15	\$ 11,151	\$ 1,706,250	\$ 1,717,401	N/A	\$ 41,352
6	3.48%	SN13	5/21/2018	5/31/2038	\$ 50,000,000	\$ 50,000,000	N/A	\$ 99,400	15	\$ 6,413	\$ 1,740,000	\$ 1,746,413	N/A	\$ 57,182
7	3.58%	SN14	11/15/2018	11/30/2038	\$ 50,000,000	\$ 50,000,000	N/A	\$ 95,036	20	\$ 6,083	\$ 1,790,000	\$ 1,796,083	N/A	\$ 58,031
8	3.98%	SN15	8/13/2019	8/20/2039	\$ 100,000,000	\$ 100,000,000	N/A	\$ 167,966	20	\$ 10,836	\$ 3,980,000	\$ 3,990,837	N/A	\$ 110,171
9	2.98%	SN16	12/20/2019	12/20/2034	\$ 70,000,000	\$ 70,000,000	N/A	\$ 165,643	20	\$ 15,776	\$ 2,086,000	\$ 2,101,776	N/A	\$ 86,765
10	3.00%	SN17	7/15/2020	7/15/2035	\$ 50,000,000	\$ 50,000,000	N/A	\$ 92,476	15	\$ 8,807	\$ 1,500,000	\$ 1,508,807	N/A	\$ 53,577
11	2.96%	SN18	8/15/2020	8/15/2035	\$ 40,000,000	\$ 40,000,000	N/A	\$ 72,953	15	\$ 6,948	\$ 1,183,998	\$ 1,190,946	N/A	\$ 42,845
12	2.49%	SN19	12/20/2021	1/25/2037	\$ 50,000,000	\$ 50,000,000	N/A	\$ 161,664	15	\$ 15,275	\$ 1,245,000	\$ 1,260,275	N/A	\$ 115,838
13	2.95%	SN20	3/15/2022	3/15/2042	\$ 50,000,000	\$ 50,000,000	N/A	\$ 98,738	15	\$ 4,937	\$ 1,474,999	\$ 1,479,936	N/A	\$ 85,161
14	5.43%	SN21	3/14/2023	3/14/2038	\$ 80,000,000	\$ 80,000,000	N/A	\$ 117,035	20	\$ 11,146	\$ 4,344,000	\$ 4,355,146	N/A	\$ 97,530
15	6.39%	SN22	11/28/2023	12/28/2026	\$ 100,000,000	\$ 21,411,000	N/A	\$ 126,030	15	\$ 40,912	\$ 1,368,163	\$ 1,409,075	N/A	\$ 81,824
16	6.44%	SN23	11/28/2023	12/28/2027	\$ 100,000,000	\$ 21,411,000	N/A	\$ 114,789	3	\$ 28,133	\$ 1,378,868	\$ 1,407,001	N/A	\$ 84,399
17	6.45%	SN24	11/28/2023	12/28/2028	\$ 100,000,000	\$ 21,411,000	N/A	\$ 122,551	4	\$ 24,122	\$ 1,381,010	\$ 1,405,131	N/A	\$ 96,488
18	6.62%	SN25	11/28/2023	12/28/2030	\$ 100,000,000	\$ 21,411,000	N/A	\$ 121,213	5	\$ 17,119	\$ 1,417,408	\$ 1,434,528	N/A	\$ 102,716
19	6.71%	SN26	11/28/2023	12/28/2033	\$ 100,000,000	\$ 21,411,000	N/A	\$ 97,179	7	\$ 9,641	\$ 1,436,678	\$ 1,446,319	N/A	\$ 86,769
20	6.73%	SN27	11/28/2023	12/28/2038	\$ 50,000,000	\$ 10,705,500	N/A	\$ 46,743	10	\$ 3,091	\$ 720,480	\$ 723,571	N/A	\$ 43,275
21	5.20%			11/1/2029	\$ 100,000,000	\$ 100,000,000	N/A			\$ 83,716	\$ 5,200,000	\$ 5,283,716	N/A	\$ 404,627
22				Shelf Agreements						\$ 20,940	\$ 20,940	N/A	\$ 59,781	
				FPU Unamortized Debt						\$ 73,701	\$ 73,701		\$ 500,252	
23	Total				\$ 851,860,500		\$ 2,159,121		\$ 411,802	\$ 35,768,034	\$ 36,179,837	N/A	\$ 2,238,073	
24	Issuance Expense (13) + (14).				\$ 2,238,073									
25	Net LTD Outstanding				\$ 849,622,427									
26	Embedded Cost of LTD (12)				\$36,179,837									
27				LTD	4.26%									

Note 1: A majority of Chesapeake Utilities Corporation's long-term debt have annual amortization payments beginning in the sixth year after the issuance and the amortization of debt issuance costs involves systematically allocating the costs over the life of the underlying debt instrument. This is typically done using the effective interest method, which results in a constant rate of interest over the period. The amortization amount is calculated by applying the effective interest rate to the book value of the debt at the beginning of each period, subtracting the actual interest paid and then attributing the remainder to the amortization of the issuance costs. This process continues until the debt matures or is extinguished. The effective interest method provides a more accurate reflection of the costs of borrowing over time compared to the straight-line method, which allocates the same amount of expenses to each period regardless of the declining balance of the debt. The straight line method would result in fluctuations in the overall cost of debt over its term. Columns 10 and 11 have been adjusted to reflect the actual interest and amortization expense that has been or will be recorded for the Chesapeake notes with annual principle payments.

**FLORIDA PUBLIC UTILITIES COMPANY
GAS DIVISION
BASIS FOR THE REQUESTED AFUDC RATE
FPSC ADJUSTED BASIS
DECEMBER 2024**

SCHEDULE A:

<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL 13- MONTH AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>AFUDC WEIGHTED COMPONENTS</u>
COMMON EQUITY	\$ 235,328,845	46.76%	9.50% *	4.44%
LONG TERM DEBT	215,852,423	42.89%	6.54% **	2.80%
SHORT TERM DEBT	34,694,377	6.89%	5.87% ***	0.40%
CUSTOMER DEPOSITS	3,168,105	0.63%	2.31% ***	0.01%
DEFERRED INCOME TAX	5,051,503	1.00%	0.00%	0.00%
REGULATORY TAX LIABILITY	9,225,469	1.83%	0.00%	0.00%
INVESTMENT TAX CREDITS	-	0.00%	0.00%	0.00%
TOTAL	\$ 503,320,722	100.00%		7.65%

* Based on the midpoint approved equity return in Docket No. 20220069-GU

** Based on year end long term debt rate per the December 2024 rate of return report.

*** Based on 13-month average cost rates per the December 2024 rate of return report.

FLORIDA PUBLIC UTILITIES COMPANY
GAS DIVISION
BASIS FOR THE REQUESTED AFUDC RATE
FPSC ADJUSTED BASIS
DECEMBER 2024

SCHEDULE B

CAPITAL COMPONENTS	PER BOOKS	COMMISSION ADJUSTMENTS	ADJUSTED AVERAGE BALANCE
COMMON EQUITY	\$ 467,817,955	\$ (232,489,110)	\$ 235,328,845
LONG TERM DEBT	429,123,963	(213,271,540)	215,852,423
SHORT TERM DEBT	68,970,094	(34,275,717)	34,694,377
CUSTOMER DEPOSITS	6,297,981	(3,129,876)	3,168,105
DEFERRED INCOME TAX	10,042,049	(4,990,546)	5,051,503
REGULATORY TAX LIABILITY	18,339,613	(9,114,144)	9,225,469
INCOME TAX CREDITS			
TOTAL	<u>\$ 1,000,591,655</u>	<u>\$ (497,270,933)</u>	<u>\$ 503,320,722</u>

**FLORIDA PUBLIC UTILITIES COMPANY
 GAS DIVISION
 METHODOLOGY FOR MONTHLY COMPOUNDING OF THE AFUDC RATE
 DECEMBER 2024**

SCHEDULE C

AFUDC COMPOUNDING

$((1+R/12)^{12})-1=$	APPROVED RATE
$((1+R/12)^{12})-1=$	7.65%
$((1+R/12)^{12})=$	1.07650000
$((1+R/12)=$	1.00616183
$(R/12)=$	0.00616183

<http://www.basic-mathematics.com/nth-root-calculator.html>

MONTHS	AFUDC BASE	MONTHLY AFUDC	CUMULATIVE AFUDC
JAN	1.00000000	0.00616183	0.00616183
FEB	1.00616183	0.00619979	0.01236162
MAR	1.01236162	0.00623800	0.01859962
APR	1.01859962	0.00627643	0.02487605
MAY	1.02487605	0.00631511	0.03119116
JUN	1.03119116	0.00635402	0.03754518
JUL	1.03754518	0.00639317	0.04393835
AUG	1.04393835	0.00643257	0.05037092
SEP	1.05037092	0.00647220	0.05684312
OCT	1.05684312	0.00651208	0.06335521
NOV	1.06335521	0.00655221	0.06990742
DEC	1.06990742	0.00659258	0.07650000

Annual Rate (R)=	7.65%
Monthly Rate = $((1 + R)^{1/12}) - 1 =$	0.00616183

Rate Currently Approved	5.85%
Currently Approved Monthly Rate = $((1 + R)^{1/12}) - 1 =$	0.004749

Docket 20230108-GU

Year-End	ADJUSTMENTS						RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	JON-UTILIT	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$ 495,687,860		\$ 495,687,860	\$ (242,159,370)		\$ 253,528,490	46.76%	8.50%	3.97%	9.50%	4.44%	10.50%	4.91%
LONG TERM DEBT	\$ 455,860,997		\$ 455,860,997	\$ (222,702,674)	\$ (20,061)	\$ 233,138,262	43.00%	6.54%	2.81%	6.54%	2.81%	6.54%	2.81%
SHORT TERM DEBT	\$ 69,744,431		\$ 69,744,431	\$ (34,072,385)		\$ 35,672,046	6.58%	5.80%	0.38%	5.80%	0.38%	5.80%	0.38%
CUSTOMER DEPOSITS	\$ 6,599,413		\$ 6,599,413	\$ (3,224,024)		\$ 3,375,389	0.62%	2.21%	0.01%	2.21%	0.01%	2.21%	0.01%
DEFFERED INCOME TAXES	\$ 15,063,446		\$ 15,063,446	\$ (7,358,975)		\$ 7,704,471	1.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	7.16%	0.00%	7.63%	0.00%	8.10%	0.00%
REG. LIAB FAS 109 Deferred TAX	\$ 17,119,945		\$ 17,119,945	\$ (8,363,641)		\$ 8,756,304	1.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL AVERAGE	1,060,076,092	\$ -	\$ 1,060,076,092	\$ (517,881,069)	\$ (20,061)	\$ 542,174,964	100.00%		7.17%		7.64%		8.11%