

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULE

Docket No. 20250044-EI

Date: April 24, 2025

has jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

## Discussion of Issues

**Issue 1:** Should the Commission approve Tampa Electric's request to increase its AFUDC rate from 6.07 percent to 6.66 percent?

**Recommendation:** No. The appropriate AFUDC rate for Tampa Electric is 6.65 percent based on a 13-month average capital structure

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basis points in the weighted average cost of common equity. In addition, the weighted cost of long-term debt increased 22 basis points, and the weighted cost of short-term debt increased 11 basis points; offset by a decrease in the weighted average cost of customer deposits. In its calculation, the Company appropriately used the mid-point return on equity of 10.50 percent, which was approved by Order No. PSC-2025-0038-FOF-EI.<sup>4</sup>

Based on its review, staff believes that the requested increase in the AFUDC rate from 6.07 percent to 6.66 percent is not correct. Alternatively, staff recommends that 6.65 percent is the correct AFUDC rate and should be approved.

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<sup>4</sup>Order No. PSC-2025-0038-FOF-EI, issued February 3, 2025, in Docket No. 20240026-EI, *In re: Petition for rate increase by Tampa Electric Company*.

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**Issue 2:** What is the appropriate monthly compounding rate to achieve the staff recommended 6.65 percent annual AFUDC rate?

**Recommendation:** The appropriate compounding rate to achieve an annual AFUDC rate of 6.65 percent is 0.005380. (Souchik)

**Staff Analysis:** Tampa Electric requested a monthly compounding rate of 0.005387 to achieve an annual AFUDC rate of 6.66 percent. In support of the requested monthly compounding rate of 0.005387, the Company provided its calculations in Schedule C attached to its request. Rule 25-6.0141(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 be calculated to six decimal places.

Based on staff's recommendation in Issue 1 to increase Tampa Electric's requested annual AFUDC rate of 6.07 percent to 6.65 percent, the appropriate monthly compounding rate is 0.005380 as shown on Attachment 2. Therefore, staff recommends that a discounted monthly AFUDC rate of 0.005380 be approved.

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**Issue 3:** Should the Commission approve Tampa Electric's requested effective date of January 1, 2025, for implementing the revised AFUDC rate?

**Recommendation:** Yes. The revised AFUDC rate should be effective January 1, 2025, for all purposes. (Souchik)

**Staff Analysis:** Tampa Electric's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ended December 31, 2024. Rule 25-6.0141(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, 2025, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore, should be approved.

**Issue 4:** Should this docket be closed?

**Recommendation:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, the docket should be closed upon the issuance of a consummating order. (Bloom)

**Staff Analysis:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of the consummating order.

**TAMPA ELECTRIC COMPANY  
CAPITAL STRUCTURE USED FOR THE REQUESTED AFDUC RATE  
AS OF DECEMBER 2024**

<b>COMPANY AS FILED</b>	
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**TAMPA ELECTRIC COMPANY  
METHODOLOGY FOR COMPOUNDING AFUDC RATE  
AS OF DECEMBER 2024**

**COMPANY AS FILED**

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.005387	0.005387
2	1.005388	0.005416	0.010804
3	1.010804	0.005446	0.016250
4	1.016250	0.005475	0.021725
5	1.021725	0.005505	0.027229
6	1.027229	0.005534	0.032763
7	1.032763	0.005564	0.038327
8	1.038327	0.005594	0.043921
9	1.043921	0.005624	0.049545
10	1.049545	0.005654	0.055200
11	1.055200	0.005685	0.060885
12	1.060885	0.005715	<b>0.066600</b>

**Annual Rate (R) = 0.066600**

**Monthly Rate =  $((1+R)^{(1/12)})-1 = 0.005387$**

**STAFF ADJUSTED BASIS**

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.005380	0.053800
2	1.005380	0.005409	0.010788
3	1.010788	0.005438	0.016226
4	1.016226	0.005467	0.021693
5	1.021693	0.005496	0.027189
6	1.027189	0.005526	0.032715
7	1.032715	0.005556	0.038270
8	1.038270	0.005585	0.043856
9	1.043856	0.005616	0.049471
10	1.049471	0.005646	0.055117
11	1.055117	0.005676	0.060793
12	1.060793	0.005707	<b>0.066500</b>

**Annual Rate (R) = 0.066500**

**Monthly Rate =  $((1+R)^{(1/12)})-1 = 0.005380$**