State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 18, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (McGowan, D. Buys, Higgins) MC
Office of the General Counsel (Sandy) JSC

RE: Docket No. 20250120-WS – Petition for establishment of allowance for funds used during construction rate, Sunshine Water Services Company, effective January 1, 2025.

AGENDA: 12/02/25 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Sunshine Water Services Company's (SWS or Company), formerly known as Utilities, Inc. of Florida (UIF), current Allowance for Funds Used During Construction (AFUDC) rate of 6.43 percent was approved by Order No. PSC-2021-0318-PAA-WS.[1] Subsequently, the Company's capital structure adjustments and return on equity (ROE) for the period effective June 1, 2025, were approved by the Commission during SWS's most recent rate case, as set forth in an order issued June 6, 2025 (2025 Order).[2] A revised AFUDC rate was not requested by the Company in

[1]Order No. PSC-2021-0318-PAA-WS, issued August 23, 2021, in Docket No. 20210116-WS, *In re: Petition for establishment of an approved AFUDC rate, by Utilities, Inc. of Florida.*

[2]Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company.*

its 2024 rate case. Instead, on September 30, 2025, SWS filed a petition requesting to establish an AFUDC rate of 7.90 percent, effective January 1, 2025.[3] Upon staff's review and interaction with SWS, the Company provided an amended petition on October 29, 2025, requesting a change in its AFUDC rate of 6.43 percent to 7.56 percent, effective January 1, 2025, through May 31, 2025. Secondly, SWS requested to change its AFUDC rate of 7.56 percent, if approved, to 8.03 percent, effective June 1, 2025.[4]

The amended petition requests two consecutive AFUDC rates for different periods based on two separate rate case orders that approved different capital structure adjustments and ROE. The capital structure adjustments and ROE approved in the 2025 Order cannot be used to calculate the AFUDC rate prior to the Commission's vote on May 6, 2025. SWS requested to change its AFUDC rate with an effective date of January 1, 2025. Therefore, the AFUDC rate for the period January 1, 2025, through May 31, 2025, is based on the capital structure adjustments and ROE approved by Order No. PSC-2021-0206-FOF-WS, from the Company's 2020 rate case.[5] The updated AFUDC rate of 7.56 percent reflects SWS's authorized cost of capital for the first five months of 2025. The AFUDC rate of 8.03 percent, effective June 1, 2025, will be used until the Commission approves a new AFUDC rate in the future.

As required by Rule 25-30.116(5), Florida Administrative Code (F.A.C.), SWS filed with its amended petition Schedules A-1, B-1, and C-1 identifying the capital structure, capital structure adjustments, and the methodology used to calculate the AFUDC rate effective January 1, 2025, through May 31, 2025. Additionally, the Company filed Schedules A-2, B-2, and C-2 identifying the capital structure, capital structure adjustments, and the methodology used to calculate the AFUDC rate effective June 1, 2025.

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

[3]Document No. 14063-2025.
[4]Document No. 14830-2025.
[5]Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. of Florida.*

Discussion of Issues

Issue 1: Should the Commission approve SWS's request to increase its AFUDC rate from 6.43 percent to 7.56 percent, effective for the period January 1, 2025, through May 31, 2025?

Recommendation: Yes. The appropriate AFUDC rate for SWS is 7.56 percent based on a 12-month average capital structure for the period ended December 31, 2024. (McGowan)

Staff Analysis: For the period January 1, 2025, through May 31, 2025, SWS requested an increase in its AFUDC rate from 6.43 percent to 7.56 percent. Rule 25-30.116(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 12-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 12-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 must be calculated to two decimal places.

In support of its requested AFUDC rate of 7.56 percent, SWS provided its calculations and capital structure in Schedules A-1 and B-1 attached to its request. Staff reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-30.116(3), F.A.C. As reflected on Schedule A-1, SWS properly included in its calculations the allowed midpoint ROE of 9.75 percent and capital structure adjustments approved by Order No. PSC-2021-0206-FOF-WS.[6] SWS's cost of capital as of December 31, 2024, supports the requested AFUDC rate of 7.56 percent. The AFUDC rate calculation and supporting capital structure are presented in Attachment 1.

Based on its review, staff believes the requested increase in the AFUDC rate from 6.43 percent to 7.56 percent for the period January 1, 2025, through May 31, 2025, is appropriate, consistent with Rule 25-30.116, F.A.C., and recommends it be approved.

[6]Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. of Florida.*

Issue 2: What is the appropriate monthly compounding rate to achieve SWS's requested annual AFUDC rate of 7.56 percent for the period January 1, 2025, through May 31, 2025?

Recommendation: The appropriate compounding rate to achieve an annual AFUDC rate of 7.56 percent is 0.609170 percent. (McGowan)

Staff Analysis: SWS requested a monthly compounding rate of 0.609170 percent to achieve an annual AFUDC rate of 7.56 percent. In support of the requested monthly compounding rate of 0.609170 percent, the Company provided its calculations in Schedule C-1 attached to its request. Rule 25-30.116(4), F.A.C., provides the following formula for discounting the annual AFUDC rate to reflect monthly compounding:

$$M = [((1 + A/100)^{1/12}) - 1] \times 100$$

Where: M = Discounted monthly AFUDC rate.

A = Annual AFUDC rate.

The rule also requires that the monthly compounding rate be calculated to six decimal places.

Staff reviewed the Company's calculation and determined it conforms with Rule 25-30.116(4), F.A.C., as presented in Attachment 2. Therefore, staff recommends that a monthly compounding AFUDC rate of 0.609170 percent for the period January 1, 2025, through May 31, 2025, be approved.

Issue 3: Should the Commission approve SWS's requested effective date of January 1, 2025, through May 31, 2025, for implementing the AFUDC rate of 7.56 percent?

Recommendation: Yes. The AFUDC rate of 7.56 percent should be effective January 1, 2025, through May 31, 2025, for all purposes. (McGowan)

Staff Analysis: SWS's requested AFUDC rate was calculated using a 12-month average capital structure for the period ended December 31, 2024. Rule 25-30.116(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, through May 31, 2025, complies with the requirement that the effective date does not precede the period used to calculate the AFUDC rate, and therefore, should be approved.

Issue 4: Should the Commission approve SWS's request to increase its AFUDC rate from 7.56 percent to 8.03 percent, effective June 1, 2025?

Recommendation: Yes. The appropriate AFUDC rate for SWS is 8.03 percent based on a 12-month average capital structure for the period ended May 31, 2025. (McGowan)

Staff Analysis: SWS requested an increase in its AFUDC rate from 7.56 percent to 8.03 percent, effective June 1, 2025. Rule 25-30.116(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 12-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 12-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 must be calculated to two decimal places.

In support of its requested AFUDC rate of 8.03 percent, SWS provided its calculations and capital structure in Schedules A-2 and B-2 attached to its request. Staff reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-30.116(3), F.A.C. As reflected on Schedule A-2, SWS properly included in its calculations the allowed midpoint ROE of 10.05 percent and capital structure adjustments approved by Order No. PSC-2025-0196-FOF-WS.[7] SWS's current cost of capital supports the requested AFUDC rate of 8.03 percent, effective June 1, 2025. The AFUDC rate calculation and supporting capital structure are presented in Attachment 3.

Based on its review, staff believes the requested increase in the AFUDC rate from 7.56 percent to 8.03 percent, effective June 1, 2025, is appropriate, consistent with Rule 25-30.116, F.A.C., and recommends it be approved.

[7]Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company.*

Issue 5: What is the appropriate monthly compounding rate to achieve SWS's requested annual AFUDC rate of 8.03 percent, effective June 1, 2025?

Recommendation: The appropriate compounding rate to achieve an annual AFUDC rate of 8.03 percent is 0.645732 percent. (McGowan)

Staff Analysis: SWS requested a monthly compounding rate of 0.645732 percent to achieve an annual AFUDC rate of 8.03 percent. In support of the requested monthly compounding rate of 0.645732 percent, the Company provided its calculations in Schedule C-2 attached to its request. Rule 25-30.116(4), F.A.C., provides the following formula for discounting the annual AFUDC rate to reflect monthly compounding:

$$M = [((1 + A/100)^{1/12}) - 1] \times 100$$

Where: M = Discounted monthly AFUDC rate.

A = Annual AFUDC rate.

The rule also requires that the monthly compounding rate be calculated to six decimal places.

Staff reviewed the Company's calculation and determined it conforms with Rule 25-30.116(4), F.A.C., as presented in Attachment 4. Therefore, staff recommends that a monthly compounding AFUDC rate of 0.645732 percent, effective June 1, 2025, be approved.

Issue 6: Should the Commission approve SWS's requested effective date of June 1, 2025, for implementing the AFUDC rate of 8.03 percent?

Recommendation: Yes. The AFUDC rate of 8.03 percent should be effective June 1, 2025, for all purposes. (McGowan)

Staff Analysis: SWS's requested AFUDC rate was calculated using a 12-month average capital structure for the period ended May 31, 2025. Rule 25-30.116(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 June 1, 2025, complies with the requirement that the effective date does not precede the period used to calculate the AFUDC rate, and therefore, should be approved.

Issue 7: 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, this docket should be closed upon the issuance of the consummating order. (Sandy)

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.

SUNSHINE WATER SERVICES COMPANY
CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE
AS OF DECEMBER 31, 2024

COMPANY AS FILED

CAPITAL COMPONENTS	JURISDICTIONAL AVERAGE	CAPITAL RATIO	COST OF CAPITAL		WEIGHTED COST OF CAPITAL
COMMON EQUITY	$94,275,441	47.96%	9.75%		4.68%
LONG-TERM DEBT	61,488,506	31.28%	5.94%		1.86%
SHORT-TERM DEBT	29,936,184	15.23%	6.73%	*	1.02%
CUSTOMER DEPOSITS	337,537	0.17%	2.00%	*	0.00%
DEFERRED TAX LIABILITIES	5,863,252	2.98%	0.00%		0.00%
TAX CREDITS - ZERO COST	59,215	0.03%	0.00%		0.00%
EXCESS DEF TAX LIABILITY	4,627,919	2.35%	0.00%		0.00%
TOTAL	**$196,588,056**	**100.00%**			**7.56%**

*12-MONTH AVERAGE

SUNSHINE WATER SERVICES COMPANY
METHODOLOGY FOR MONTHLY COMPOUNDING AFUDC RATE
AS OF DECEMBER 31, 2024

COMPANY AS FILED

MONTHS	AFUDC BASE	MONTHLY AFUDC RATE	CUMULATIVE AFUDC RATE
1	1.00000000	0.00609170	0.00609170
2	1.00609170	0.00612881	0.01222051
3	1.01222051	0.00616614	0.01838665
4	1.01838665	0.00620371	0.02459036
5	1.02459036	0.00624150	0.03083185
6	1.03083185	0.00627952	0.03711137
7	1.03711137	0.00631777	0.04342914
8	1.04342914	0.00635626	0.04978540
9	1.04978540	0.00639498	0.05618038
10	1.05618038	0.00643393	0.06261431
11	1.06261431	0.00647313	0.06908744
12	1.06908744	0.00651256	**0.07560000**

Annual Rate (A) = 7.56%
Monthly Rate = $[((1+A/100)^{1/12})-1] \times 100 = 0.609170\%$

SUNSHINE WATER SERVICES COMPANY
CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE
AS OF MAY 31, 2025

COMPANY AS FILED

CAPITAL COMPONENTS	JURISDICTIONAL AVERAGE	CAPITAL RATIO	COST OF CAPITAL		WEIGHTED COST OF CAPITAL
COMMON EQUITY	$106,417,709	52.16%	10.05%		5.24%
LONG-TERM DEBT	61,719,991	30.25%	5.79%		1.75%
SHORT-TERM DEBT	33,670,391	16.50%	6.28%	*	1.04%
CUSTOMER DEPOSITS	68,860	0.03%	2.00%	*	0.00%
DEFERRED TAX LIABILITIES	1,222,795	0.60%	0.00%		0.00%
TAX CREDITS - ZERO COST	11,719	0.01%	0.00%		0.00%
EXCESS DEF TAX LIABILITY	902,313	0.44%	0.00%		0.00%
TOTAL	**$204,013,778**	**100.00%**			**8.03%**

*12-MONTH AVERAGE

SUNSHINE WATER SERVICES COMPANY
METHODOLOGY FOR MONTHLY COMPOUNDING AFUDC RATE
AS OF MAY 31, 2025

COMPANY AS FILED

MONTHS	AFUDC BASE	MONTHLY AFUDC RATE	CUMULATIVE AFUDC RATE
1	1.00000000	0.00645732	0.00645732
2	1.00645732	0.00649902	0.01295635
3	1.01295635	0.00654099	0.01949733
4	1.01949733	0.00658322	0.02608056
5	1.02608056	0.00662573	0.03270629
6	1.03270629	0.00666852	0.03937481
7	1.03937481	0.00671158	0.04608639
8	1.04608639	0.00675492	0.05284131
9	1.05284131	0.00679854	0.05963985
10	1.05963985	0.00684244	0.06648229
11	1.06648229	0.00688662	0.07336891
12	1.07336891	0.00693109	**0.08030000**

Annual Rate (A) = 8.03%
Monthly Rate = $[((1+A/100)^{1/12})-1] \times 100 = 0.645732\%$