

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 6.07% to 6.66%, effective January 1, 2025, by Tampa Electric Company.

DOCKET NO. 20250044-EI
ORDER NO. PSC-2025-0174-PAA-EI
ISSUED: May 29, 2025

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman
ART GRAHAM
GARY F. CLARK
ANDREW GILES FAY
GABRIELLA PASSIDOMO SMITH

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING CHANGE IN RATE FOR ALLOWANCE FOR FUNDS USED
DURING CONSTRUCTION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Tampa Electric Company's (Tampa Electric or Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.07 percent was approved by Order No. PSC-2022-0394-PAA-EI, issued November 16, 2022.¹ On March 18, 2025, Tampa Electric filed a petition for approval to change its AFUDC rate from 6.07 percent to 6.66 percent, effective January 1, 2025. As required by Rule 25-6.0141(5), F.A.C., Tampa Electric filed with its petition Schedules A, B, and C identifying the capital structure, capital structure adjustments, and the methodology used to calculate the monthly AFUDC rate. We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-2022-0394-PAA-EI, issued November 16, 2022, in Docket No. 20220162-EI, *In re: Request for approval of change in rate used to account for allowance for funds used during construction (AFUDC) from 5.98% to 6.09%, effective January 1, 2022, by Tampa Electric Company.*

Decision

I. AFUDC Rate

Tampa Electric requested an increase in its AFUDC rate from 6.07 percent to 6.66 percent. Rule 25-6.0141(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 13-month average embedded cost of capital, except as noted below, will be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the utility'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 13-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 6.66 percent, Tampa Electric provided its calculations and capital structure in Schedules A and B attached to its request. We reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-6.0141(3), F.A.C. However, due to a rounding error involving the relative percentages of the capital structure components, the correct AFUDC rate is 6.65 percent as shown on Attachment 1. In its calculation of the capital structure component ratios, the Company used percentages carried out to two decimal places. Our staff performed the same calculation using ratios carried out to three decimal places, which changed the weighted average cost of capital downward by one basis point. This is the same scenario that occurred in Tampa Electric's previous requests for a change in its AFUDC rate in Docket Nos. 20140033-EI² and 20220076-EI.³ In Docket No. 20140033-EI, we decreased the AFUDC rate by one basis point, and in Docket No. 20220076-EI we increased the AFUDC rate by one basis point.

The requested increase in the AFUDC rate of 58 basis points is due principally to an increase in the authorized return on common equity of 10.50 percent, which equates to an increase of 26 basis points in the weighted average cost of common equity. In addition, the weighted average cost of long-term debt increased 22 basis points, and the weighted average cost of short-term debt increased 11 basis points; offset by a decrease in the weighted average cost of

² Order No. PSC-2014-0176-PAA-EI, issued April 18, 2014 in Docket No. 20140033-EI, *In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 8.16% to 6.47%, effective January 1, 2014, by Tampa Electric Company.*

³ Order No. PSC-2022-0245-PAA-EI, issued June 27, 2022 in Docket No. 20220076-EI, *In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 6.46% to 5.97%, effective January 1, 2022, by Tampa Electric Company.*

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.⁴

We find that the requested increase in the AFUDC rate from 6.07 percent to 6.66 percent is not correct. Alternatively, we find that 6.65 percent is the correct AFUDC rate and shall be approved.

II. Appropriate Monthly Compounding Rate

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 our decision 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, we find that a discounted monthly AFUDC rate of 0.005380 shall be approved.

III. Effective Date

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, shall be approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's AFUDC shall be increased from 6.07 percent to 6.65 for the reasons set forth herein. It is further

ORDERED that Tampa Electric Company's monthly compounding rate shall be changed to 0.005380. It is further

⁴ 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*.

ORDERED that Tampa Electric Company's revised AFUDC rate shall be effective January 1, 2025, for all purposes. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 29th day of May, 2025.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

ZB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 19, 2025.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

**TAMPA ELECTRIC COMPANY
CAPITAL STRUCTURE USED FOR THE REQUESTED AFDUC RATE
AS OF DECEMBER 31, 2024**

COMPANY AS FILED				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$3,341,184,573	36.54%	4.49%	1.64%
SHORT TERM DEBT	\$251,165,781	2.75%	5.31% *	0.15%
CUSTOMER DEPOSITS	\$101,418,669	1.11%	2.36% *	0.03%
COMMON EQUITY	\$4,217,106,937	46.12%	10.50%	4.84%
DEFERRED INCOME TAXES	\$1,040,206,740	11.38%	0.00%	0.00%
TAX CREDITS - WC	\$193,175,080	2.11%	0.00%	0.00%
TOTAL	\$9,144,257,781	100.00%		6.66%

COMM. ADJUSTED BASIS				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$3,341,184,573	36.539%	4.49%	1.641%
SHORT TERM DEBT	\$251,165,781	2.747%	5.31% *	0.146%
CUSTOMER DEPOSITS	\$101,418,669	1.109%	2.36% *	0.026%
COMMON EQUITY	\$4,217,106,937	46.118%	10.50%	4.842%
DEFERRED INCOME TAXES	\$1,040,206,740	11.376%	0.00%	0.000%
TAX CREDITS - WC	\$193,175,080	2.113%	0.00%	0.000%
TOTAL	\$9,144,257,781	100.00%		6.65%

* 13-MONTH AVERAGE

**TAMPA ELECTRIC COMPANY
 METHODOLOGY FOR COMPOUNDING AFUDC RATE
 AS OF DECEMBER 31, 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	0.066600

Annual Rate (R) = 0.066600

Monthly Rate = ((1+R)^(1/12))-1 = 0.005387

COMM. 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	0.066500

Annual Rate (R) = 0.066500

Monthly Rate = ((1+R)^(1/12))-1 = 0.005380