

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition requesting approval of an updated AFUDC rate of 7.72%, effective January 1, 2025, by Florida City Gas.

DOCKET NO. 20250059-GU  
ORDER NO. PSC-2025-0214-PAA-GU  
ISSUED: June 18, 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

Florida City Gas's (FCG or Company) currently approved Allowance for Funds Used During Construction (AFUDC) rate of 5.85 percent has been in effect since July 1, 2023.<sup>1</sup> On December 1, 2023, Chesapeake Utilities Corporation completed the acquisition of FCG from Florida Power & Light Company (FPL). The significance of this acquisition was that FCG's weighted average cost of capital increased by approximately 180 basis points as it transitioned from using the investor sources of capital and capital structure provided under FPL's ownership to the capital structure and cost rates under Chesapeake Utilities Corporation's ownership. On April 9, 2025, FCG filed a petition requesting approval of an updated AFUDC rate of 7.72 percent effective January 1, 2025. As required by Rule 25-7.0141(5), Florida Administrative Code (F.A.C.), FCG included Schedules A, B, and C which identify the capital structure, capital structure adjustments, and the methodology used to calculate the monthly AFUDC rate. Our staff reviewed the schedules and determined that FCG did not provide all the information as required

<sup>1</sup> Order No. PSC-2023-0376-PAA-GU, issued December 19, 2023, in Docket No. 20230108-GU, *In re: Request for approval to establish allowance for funds used during construction (AFUDC) rate of 5.85 percent, effective July 1, 2023, by Florida City Gas.*

by Rule 25-7.01(5), F.A.C. On April 22, 2025, FCG filed revised Schedules A, B, and C including a revised long-term debt cost rate which lowered the Company's requested AFUDC rate to 7.65 percent.<sup>2</sup>

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.

### Decision

#### I. AFUDC Rate

FCG filed a revised petition requesting approval of an AFUDC rate of 7.65 percent. Rule 25-7.0141(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 7.65 percent, FCG provided its calculations and capital structure in revised Schedules A and B. We reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-7.0141(3), F.A.C. In Schedule A, the Company appropriately used the mid-point return on equity of 9.50 percent, which was approved by Order No. PSC-2023-0177-FOF-GU.<sup>3</sup> The increase in the AFUDC rate is due to an increase of 135 basis points in the weighted average cost rate of long-term debt, an increase of 31 basis points in the weighted average cost rate of short-term debt, and an increase of 16 basis points in the weighted average cost rate of common equity; offset by a decrease of 2 basis points in the weighted average cost rate of customer deposits. The AFUDC rate calculation and capital structure are presented in Attachment 1.

Based on our review, we find that the requested AFUDC rate of 7.65 percent is appropriate, consistent with Rule 25-7.041, F.A.C., and shall be approved.

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<sup>2</sup> Document No. 03060-2025.

<sup>3</sup> Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023, in Docket No. 20220069-GU, *In re: Petition for rate increase by Florida City Gas*.

II. Appropriate Monthly Compounding Rate

FCG requested a revised monthly compounding rate of 0.006162 to achieve an annual AFUDC rate of 7.65 percent. In support of the requested monthly compounding rate of 0.006162, the Company provided its calculations in revised Schedule C attached to its request. Rule 25-6.0141(4)(a), 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.

We reviewed the Company's calculation and determined it was derived in accordance with Rule 25-6.0141(4), F.A.C., as presented in Attachment 2. Therefore, we find that a monthly compounding AFUDC rate of 0.006162 shall be approved.

III. Effective Date

FCG's requested AFUDC rate was calculated using the most recent 13-month average capital structure for the period ended December 31, 2024. Rule 25-7.0141(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 Florida City Gas's AFUDC rate shall be increased from 5.85 percent to 7.65 for the reasons set forth herein. It is further

ORDERED that Florida City Gas's monthly compounding rate shall be changed to 0.006162. It is further

ORDERED that Florida City Gas'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 18th day of June, 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

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petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 9, 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.

**FLORIDA CITY GAS  
 CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE  
 AS OF DECEMBER 31, 2024**

<b>COMPANY AS FILED</b>				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</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 TAXES	\$5,051,503	1.00%	0.00%	0.00%
REGULATORY TAX LIABILITY	\$9,225,469	1.83%	0.00%	0.00%
<b>TOTAL</b>	<b>\$503,320,722</b>	<b>100.00%</b>		<b>7.65%</b>

\* 13-MONTH AVERAGE

**FLORIDA CITY GAS  
METHODOLOGY FOR MONTHLY COMPOUNDING AFUDC RATE  
AS OF DECEMBER 31, 2024**

**COMM. ADJUSTED BASIS**

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.006162	0.006162
2	1.006162	0.006200	0.012362
3	1.012362	0.006238	0.018600
4	1.018600	0.006277	0.024877
5	1.024877	0.006315	0.031192
6	1.031192	0.006354	0.047546
7	1.037546	0.006393	0.043940
8	1.043940	0.006433	0.050372
9	1.050372	0.006472	0.056845
10	1.056845	0.006512	0.063357
11	1.063357	0.006552	0.069909
12	1.069909	0.006593	<b>0.076502</b>

**Annual Rate (R) = 0.0765**

**Monthly Rate =  $((1+R)^{(1/12)} - 1) = 0.006162$**