

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Proposed amendment of Rules 25-6.014, F.A.C., Records and Reports in General; 25-6.015, F.A.C., Location and Preservation of Records; 25-6.135, F.A.C., Annual Reports; and 25-6.1351, F.A.C., Cost Allocation and Affiliate Transactions.

DOCKET NO. 030970-EI  
ORDER NO. PSC-04-0288-FOF-EI  
ISSUED: March 12, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
LILA A. JABER  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

NOTICE OF ADOPTION OF RULE AMENDMENTS

NOTICE is hereby given that the Florida Public Service Commission, pursuant to Section 120.54, Florida Statutes, has adopted the amendments to Rules 25-6.014, 25.6.135 and 25.6.1351, Florida Administrative Code, relating to record preservation and reporting requirements for investor-owned electric utilities without changes.

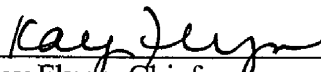
The rule amendments were filed with the Department of State on March 10, 2004 and will be effective on March 30, 2004. A copy of the rules as filed with the Department is attached to this Notice.

This docket shall remain open to address the comments submitted by the staff of the Joint Administrative Procedures Committee in regard to Rule 25-6.015, Florida Administrative Code.

By ORDER of the Florida Public Service Commission this 12th day of March, 2004.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By:

  
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Kay Flynn, Chief  
Bureau of Records

(SEAL)  
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FPSC-COMMISSION CLERK

**25-6.014 Records and Reports in General.**

(1) Each investor-owned electric utility shall maintain its accounts and records in conformity with the Uniform System of Accounts (USOA) for Public Utilities and Licensees as found in the Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities as revised April 1, ~~2002~~ 1995, which is hereby incorporated by reference into this rule, and as modified below. All inquiries relating to interpretation of the USOA shall be submitted to the Commission's Division of Economic Regulation in writing.

(2) For ratemaking purposes only, each investor-owned electric utility shall accrue unbilled base rate revenues, excluding those base rate revenues recoverable through other cost recovery or adjustment mechanisms.

(3) Each utility shall establish and maintain continuing property records in conformity with the plant accounts prescribed in the USOA. The records shall be compiled on the basis of original cost or other book cost consistent with the provisions of the USOA. The continuing property records or records supplemental thereto shall contain such detailed description and classification of property record units that will permit their ready identification and verification. They shall be maintained in such manner as will meet the following basic objectives:

(a) An inventory of property record units which may be readily checked for proof of physical existence;

(b) The association of costs with such property record units to assure accurate accounting for retirements; and

(c) The determination of dates of installation and removal of plant to provide data for use in connection with depreciation studies.

(4) Each utility shall furnish to the Commission at such time and in such form as the Commission may require, the results of any required tests and summaries of any required records. The utility shall also furnish the Commission with any information concerning the utility's facilities or operation which the Commission may request and require for determining rates and judging the practices of the utility. All such data, unless otherwise specified, shall be consistent with and reconcilable with the utility's Annual Report to the Commission.

(5) Upon direction of the Commission, or in the performance of delegated staff duties, any member of the Commission staff may make at any reasonable time a personal visit to the utility's offices or other places of business, and may inspect any facility, records, accounts, books, reports, and papers of the utility which may appear necessary in the discharge of Commission duties. During such visits the utility shall provide staff members with adequate and comfortable working and filing space, consistent with prevailing conditions and climate and comparable with the accommodations provided the utility's outside auditors.

(6) The Commission prescribes the Uniform System of Accounts for Public Utilities and Licensees, as found in the Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities as revised April 1, 2002 ~~2000~~, to be used by Rural Electric Cooperative and Municipal Electric Utilities operating within the State. All inquiries relating to interpretations of the Uniform System of Accounts shall be submitted to the Commission's Division of Economic Regulation in writing.

Specific Authority: 366.05(1), 350.127(2), F.S.

Law Implemented: 350.115, 366.02(2), 366.04(2)(a), 366.04(2)(f), 366.05(1), 366.08, F.S.

History: Amended 7/29/69, 2/4/76, 8/21/79, 1/2/80, 11/18/82, formerly 25-6.14, Amended 10/1/86, 11/02/87, 7/20/89, 12/27/94, 4/22/96, XX/XX/XX.

**25-6.135 Annual Reports.**

(1) Each investor-owned electric utility shall file annual reports with the Commission on Commission Form PSC/ECR/101 (/) (~~12/00~~) which is incorporated by reference into this rule. Form PSC/ECR/101, entitled "Annual Report of Major Electric Utilities", may be obtained from the Commission's Division of Economic Regulation. These reports shall be verified by a responsible accounting officer of the utility making the report and shall be due on or before April 30 for the preceding calendar year. A utility may file a written request for an extension of time with the Division of Economic Regulation no later than April 30. One extension of 31 days will be granted upon request. A request for a longer extension must be accompanied by a statement of good cause and shall specify the date by which the report will be filed. "Good cause" means a demonstration that the company has worked diligently to prepare the report and that the additional time period requested to complete and submit the report is both reasonable and necessary given the company's particular circumstances.

(2) The utility shall also file with the original and each copy of the annual report form, or separately within 30 days, a letter or report, signed by an independent certified public accountant, attesting to the conformity in all material respects of the schedules and their applicable notes listed on the general information page of Form PSC/ECR/101 with the Commission's applicable uniform system of accounts and published accounting releases.

Specific Authority: 366.05(1), 350.127(2) F.S.

Law Implemented: 350.115, 366.04(2)(a) and (f), 366.05(1); and (2)(a) F.S.

History--New 12-27-94, Amended 12/11/00, XX/XX/XX.

**25-6.1351 Cost Allocation and Affiliate Transactions.**

(1) Purpose. The purpose of this rule is to establish cost allocation requirements to ensure proper accounting for affiliate transactions and utility nonregulated activities so that these transactions and activities are not subsidized by utility ratepayers. This rule is not applicable to affiliate transactions for purchase of fuel and related transportation services that are subject to Commission review and approval in cost recovery proceedings.

(2) Definitions

(a) Affiliate -- Any entity that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a utility. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers or stockholders, voting trusts, holding trusts, associated companies, contracts or any other direct or indirect means.

(b) Affiliate Transaction -- Any transaction in which both a utility and an affiliate are each participants, except transactions related solely to the filing of consolidated tax returns.

(c) Cost Allocation Manual (CAM) - The manual that sets out a utility's cost allocation policies and related procedures.

(d) Direct Costs - Costs that can be specifically identified with a particular service or product.

(e) Fully Allocated Costs - The sum of direct costs plus a fair and reasonable share of indirect costs.

(f) Indirect Costs - Costs, including all overheads, that cannot be identified with a particular service or product.

(g) Nonregulated - Refers to services or products that are not subject to price regulation by the Commission or not included for ratemaking purposes and not reported in surveillance.

(h) Prevailing Price Valuation - Refers to the price an affiliate charges a regulated utility for products and services, which equates to that charged by the affiliate to third parties. To qualify for this treatment, sales of a particular asset or service to third parties must encompass more than 50 percent of the total quantity of the product or service sold by the entity. The 50 percent threshold is applied on an asset-by-asset and service-by-service basis, rather than on a product line or service line basis.

(i) Regulated - Refers to services or products that are subject to price regulation by the Commission or included for ratemaking purposes and reported in surveillance.

(3) Non-Tariffed Affiliate Transactions

(a) The purpose of subsection (3) is to establish requirements for non-tariffed affiliate transactions impacting regulated activities. This subsection does not apply to the allocation of costs for services between a utility and its parent company or between a utility and its regulated utility affiliates or to services received by a utility from an affiliate that exists solely to provide services to members of the utility's corporate family. All affiliate transactions, however, are subject to regulatory review and approval.

(b) A utility must charge an affiliate the higher of fully allocated costs or market price for all non-tariffed services and products purchased by the affiliate from the utility. Except, a utility may charge an affiliate less than fully allocated costs or market price if the charge is above

incremental cost. If a utility charges less than fully allocated costs or market price, the utility must maintain documentation to support and justify how doing so benefits regulated operations. If a utility charges less than market price, the utility must notify the Division of Economic Regulation in writing within 30 days of the utility initiating, or changing any of the terms or conditions, for the provision of a product or service. In the case of products or services currently being provided, a utility must notify the Division within 30 days of the rule's effective date.

(c) When a utility purchases services and products from an affiliate and applies the cost to regulated operations, the utility shall apportion to regulated operations the lesser of fully allocated costs or market price. Except, a utility may apportion to regulated operations more than fully allocated costs if the charge is less than or equal to the market price. If a utility apportions to regulated operations more than fully allocated costs, the utility must maintain documentation to support and justify how doing so benefits regulated operations and would be based on prevailing price valuation.

(d) When an asset used in regulated operations is transferred from a utility to a nonregulated affiliate, the utility must charge the affiliate the greater of market price or net book value. Except, a utility may charge the affiliate either the market price or net book value if the utility maintains documentation to support and justify that such a transaction benefits regulated operations. When an asset to be used in regulated operations is transferred from a nonregulated affiliate to a utility, the utility must record the asset at the lower of market price or net book value. Except, a utility may record the asset at either market price or net book value if the utility maintains documentation to support and justify that such a transaction benefits regulated operations. An independent appraiser must verify the market value of a transferred asset with a

net book value greater than \$1,000,000. If a utility charges less than market price, the utility must notify the Division of Economic Regulation in writing within 30 days of the transfer.

(e) Each affiliate involved in affiliate transactions must maintain all underlying data concerning the affiliate transaction for at least three years after the affiliate transaction is complete. This paragraph does not relieve a regulated affiliate from maintaining records under otherwise applicable record retention requirements.

(4) Cost Allocation Principles

(a) Utility accounting records must show whether each transaction involves a product or service that is regulated or nonregulated. A utility that identifies these transactions by the use of subaccounts meets the requirements of this paragraph.

(b) Direct costs shall be assigned to each non-tariffed service and product provided by the utility.

(c) Indirect costs shall be distributed to each non-tariffed service and product provided by the utility on a fully allocated cost basis. Except, a utility may distribute indirect costs on an incremental or market basis if the utility can demonstrate that its ratepayers will benefit. If a utility distributes indirect costs on less than a fully allocated basis, the utility must maintain documentation to support doing so.

(d) Each utility must maintain a listing of revenues and expenses for all non-tariffed products and services.

(5) Reporting Requirements. Each utility shall file information concerning its affiliates, affiliate transactions, and nonregulated activities on Form PSC/ECR/101 ~~(/)~~ ~~(12/00)~~ which is incorporated by reference into Rule 25-6.135 ~~this rule~~. Form PSC/ECR/101, entitled



"Annual Report of Major Electric Utilities," may be obtained from the Commission's Division of Economic Regulation.

(6) Cost Allocation Manual. Each utility involved in affiliate transactions or in nonregulated activities must maintain a Cost Allocation Manual (CAM). The CAM must be organized and indexed so that the information contained therein can be easily accessed.

Specific Authority: 366.05(1), 350.127(2) F.S.

Law Implemented: 350.115, 366.04(2)(a) and (f), 366.041(1), 366.05(1), (2), and (9), 366.06(1), 366.093(1) F.S.

History--New 12-27-94, Amended 12/11/00, XX/XX/XX.