

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Adoption of Rules )	DOCKET NO. 870585-PU
25-4.018, Annual Reports; )	
25-4.1085, Periodic Reports; )	
25-6.014, Records and Reports )	ORDER NO. 21513
in General; and 25-7.014, )	
Records and Reports in General. )	ISSUED: 7/6/89

NOTICE OF ADOPTION OF RULE AMENDMENTS

NOTICE is hereby given that the Commission, pursuant to Section 120.54, Florida Statutes, has adopted the amendments to Rules 25-4.018, 25-4.0185, 25-6.014 and 25-7.014, F.A.C., relating to reporting requirements for diversified utilities, with changes.

The rule amendments were filed with the Secretary of State on June 30, 1989 and will be effective on July 20, 1989. A copy of the relevant portions of the certification filed with the Secretary of State is attached to this Notice.

For purposes of complying with the forty-five day initial reporting requirement of Rules 25-4.0185(4), 25-6.014(10) and 25-7.014(9), affected companies should file the required reports by September 5, 1989.

This docket is closed upon issuance of this notice.

By Direction of the Florida Public Service Commission,  
this 6th day of JULY, 1989.

  
STEVE TRIBBLE, Director  
Division of Records & Reporting

( S E A L )

DES

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CERTIFICATION OF  
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES  
FILED WITH THE  
DEPARTMENT OF STATE

I do hereby certify:

(1) The time limitations prescribed by paragraph 120.54(11)(a), F.S., have been complied with; and

(2) There is no administrative determination under section 120.54(4), F.S., pending on any rule covered by this certification; and

(3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(11)(b), F.S. They are filed not less than 28 days after the notice required by subsection 120.54(1), F.S., and;

(a) And are filed not more than 90 days after the notice; or

(b) Are filed not more than 90 days after the notice not including days an administrative determination was pending; or

(c) Are filed within 21 days after the adjournment of the final public hearing on the rule; or

(d) Are filed within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

(e) Are filed within 21 days after the date the transcript was received by this agency.

Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

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<u>Rule No.</u>	<u>Specific Rulemaking Authority</u>	<u>Law Being Implemented, Interpreted or Made Specific</u>
25-4.018	350.127(2), F.S.	364.17, F.S.
25-4.0185	350.127(2), F.S.	364.03, F.S. 364.17, F.S.

Under the provision of paragraph 120.54(12)(a), F.S., the rules take effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: \_\_\_\_\_  
(month) (day) (year)

  
\_\_\_\_\_  
Steve Tribble

Director, Division of Records & Reporting  
Title

\_\_\_\_\_  
Number of Pages Certified

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4 25-4.018 Annual Reports.

5 (1) Each telephone company shall file with the Commission  
6 annual reports as required by the Florida Statutes, on forms  
7 prescribed by the Commission. These reports shall be certified  
8 correct by a responsible accounting official of the utility and  
9 shall be filed on or before March 31, for the preceding calendar  
10 year. The filing date may be extended only by written permission  
11 of the Commission. Authorization for the correction of any errors  
12 found in the reports and replies to inquiries propounded by the  
13 Commission Staff shall be furnished in writing within fifteen (15)  
14 days from the date of the Commission's letter.

15 (2) (a) In addition the utility shall file with the original  
16 and each copy of the annual report form, or separately, within 30  
17 days after the filing date for the form, a letter or report signed  
18 by independent certified public accountants, certified or licensed  
19 by a regulatory authority of a State or other political  
20 subdivision of the U.S., attesting to the conformity in all  
21 material respects of the following schedules of the Federal  
22 Communication Commission annual report form, as amended and  
23 supplied by the Florida Public Service Commission, with the  
24 Commission's applicable uniform system of accounts, as amended by  
25 the Florida Public Service Commission:

- 26 1. Schedule 10 Balance Sheet
- 27 2. Schedule 11 Income and Retained Earnings
- 28 3. Schedule 12A Analysis of Telephone Plant
- 29 4. Schedule 12D Source and Application of Funds
- 30 5. Schedule 14A Analysis of Depreciation Reserve
- 31 6. Schedule 24 Long Term Debt
7. Schedule 34 Operating Revenue
8. Schedule 35 Operating Expenses

Statement certification includes applicable notes relating

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4 thereto and published accounting releases.

5 (2)(b) Each local exchange telephone company shall file  
6 information on its affiliates and affiliated transactions on  
7 Commission Form PSC/AFA/6 (6/89) which is incorporated into this  
8 rule by reference. Form PSC/AFA/6 (6/89), entitled "Analysis of  
9 Diversification Activities" was effective June 6, 1989 and may be  
10 obtained by contacting the Commission's Division of Auditing and  
11 Financial Analysis.

12 (2)(c) Each local exchange telephone company shall file, with  
13 each annual report, on Schedules 1-4 of Form PSC/AFA/6 (6/89), the  
14 following information on its affiliates and affiliated  
15 transactions:

- 16 1. Any changes in its corporate structure including  
17 partnerships, minority interests, and joint ventures  
18 and an updated organizational chart.
- 19 2. A summary of affiliated transactions, by affiliate  
20 and by type of transaction, completed during the  
21 previous year. This summary shall include the gross  
22 dollar amount of the transaction and a reference to  
23 any relevant contract or agreement. Reporting for  
24 asset transfers or the rights to use assets shall  
25 include:
  - 26 a. An indication that title has passed and the names of  
27 the purchasing and selling parties;
  - 28 b. A description of the asset or right transferred; and,
  - 29 c. A description of the financial or other  
30 considerations associated with the transfer.
- 31 3. A listing of employees earning more than \$30,000  
annually transferred to/from the local exchange  
telephone company to an affiliate company. The  
listing shall contain the following information:

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- 4 \* Old job assignment for the local exchange  
5 telephone company;  
6 \* New job assignment at the affiliate;  
7 \* Transfer permanent or temporary; and,  
8 \* If temporary, expected duration of assignment.

- 9 4. A statement by a responsible accounting official of  
10 the local exchange telephone company certifying that  
11 all affiliated transfer prices or affiliated cost  
12 allocations were determined consistent with the  
13 methods reported to the Commission under this rule.

14 (2)(d) Each local exchange telephone company shall also be  
15 required to keep a detailed backup report of the summary report to  
16 facilitate auditing and analysis. Each local exchange telephone  
17 company shall maintain a clear audit trail from the summary report  
18 through the general ledger to the source documents supporting the  
19 transaction.

20 (2)(e) ~~(b)~~ The preceding schedules 25-4.018(2)(a) and (c)  
21 shall be modified in content or number as directed by the  
22 Commission or as necessary to conform with generally accepted  
23 auditing standards and generally accepted accounting principles.  
24 Specific Authority: 350.127(2), F.S.

25 Law Implemented: 364.17, F.S.

26 History: Revised 12/1/68, Amended 3/31/76, formerly 25-4.18,  
27 Amended 12/16/86.  
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4 25-4.0185 Periodic Reports.

5 (1) Each telephone company shall file with the Commission's  
6 Division of Communications the information required by Commission  
7 Form PSC/CMU 28 (12/86), which is incorporated into this rule by  
8 reference. Form PSC/CMU 28 (8/86), entitled Engineering Data  
9 Requirements, effective on December, 1986 may be obtained from the  
10 Commission's Division of Communications.

11 (a) The information required by schedules 1 and 21 of Form  
12 PSC/CMU 28 (12/86) shall be reported on an annual basis and shall  
13 be filed on or before the end of the month following the reporting  
14 year.

15 (b) The information required by schedules 2 through 18  
16 inclusive and schedule 20 of Form PSC/CMU 28 (12/86) shall be  
17 reported on a quarterly basis and shall be filed on or before the  
18 end of the month following the reporting quarter.

19 (c) The information required by Schedule 19 of Form PSC/CMU  
20 28 (12/86) shall be reported on a semi-annual basis and shall be  
21 filed on or before the end of the month following the second and  
22 fourth quarters.

23 (d) Each interexchange telephone company shall only report  
24 the information required by schedule 13 of Form PSC/CMU 28  
25 (12/86). This information shall be reported on a quarterly basis  
26 and shall be filed on or before the month following the reporting  
27 quarter.

28 (2) Each interexchange telephone company subscribing to  
29 Feature Group C or D access from a local exchange telephone  
30 company shall file with the Commission's Division of  
31 Communications the information required by Commission Form PSC/CMU  
29 (12/86), reported on a quarterly basis, on or before the end of  
the month following the reporting quarter. Form PSC/CMU 29  
(12/86), entitled Interexchange Carrier Serving Arrangements, is

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4 incorporated into this rule by reference, was effective on August  
5 5, 1986 and may be obtained from the Commission's Division of  
6 Communications.

7 (3) Each local exchange telephone company shall file  
8 information on its affiliates and affiliated transactions on  
9 Commission Form PSC/AFA/6 (6/89) which is incorporated into this  
10 rule by reference. Form PSC/AFA/6 (6/89), entitled "Analysis of  
11 Diversification Activities" was effective June 6, 1989 and may be  
12 obtained by contacting the Commission's Division of Auditing and  
13 Financial Analysis.

14 (4) Within 45 days of the adoption of this subsection or  
15 within 45 days of coming under the jurisdiction of the Commission,  
16 each local exchange telephone company shall file, on Schedules 5,  
17 6, and 7 of Form PSC/AFA/6 (6/89), with this Commission:

18 (a) The names of affiliated companies, including  
19 partnerships, minority interests, and joint ventures.

20 (b) A description, by type of affiliated transaction, of the  
21 bases of transfer prices (i.e. market, competitive bid, cost, cost  
22 plus), and cost allocations (direct charge, formula, etc.) and how  
23 the bases are determined. Excluding tariffed transactions, the  
24 types of affiliated transactions to be accounted for are:

- 25 1. Affiliated transfers of goods or services;
- 26 2. Affiliated cost allocations; and,
- 27 3. Affiliated transfers of assets or the right to use  
28 assets (i.e. real property, personal property, and  
29 intangible property). Intangible property includes  
30 but is not limited to: rights to access customer  
31 files, rights to computer software, pole attachment  
rights, copyrights, and patent rights associated  
with local exchange telephone company research and  
development.

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4 (c) A listing of all contracts and leases with affiliated  
5 companies and a synopsis of each contract including, but not  
6 limited to, the terms, price, quantity, amount, and duration.

7 (d) Definitions

- 8 1. Local exchange telephone company - Any local  
9 exchange telephone company subject to the ratemaking  
10 jurisdiction of the Florida Public Service  
11 Commission.
- 12 2. Affiliate - Any entity that, directly or indirectly  
13 through one or more intermediaries, controls, is  
14 controlled by, or is under common control with a  
15 local exchange telephone company. Ownership of 5%  
16 or more of the voting securities of an entity shall  
17 be conclusively deemed to constitute the control  
18 thereof.
- 19 3. Affiliated Transaction - Any transaction in which  
20 both a local exchange telephone company and an  
21 affiliate thereof are each participants other than  
22 transactions related to the filing of consolidated  
23 tax returns.

24 (5) Each local exchange telephone company shall provide  
25 quarterly notice of the following events, in writing, on Schedules  
26 1, 8, and 9 of Form PSC/AFA/6 (6/89), for each preceding quarter:

27 (a) Individual affiliated transactions in excess of  
28 \$500,000. Recurring monthly affiliated transactions which exceed  
29 \$500,000 per month should not be reported (after the first such  
30 transaction) except annually. However, each land or property sale  
31 transaction, even though similar sales recur, should be reported  
as a "non-recurring" item for the quarter in which it occurs.

(b) Mergers, reorganizations, formation of a new affiliate or  
subsidiary, or other change in corporate structure.

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4 (c) Execution of new contracts, agreements, or arrangements  
5 with affiliated companies for the purchase, lease, or sale of  
6 land, goods, or services including amendments to existing  
7 contracts, agreements, or arrangements, with the exception of  
8 tariffed items, and a synopsis of each new or amended contract,  
9 agreement, or arrangement. The synopsis shall include, but not be  
10 limited to, the terms, price, quantity, amount, and duration.

11 Specific Authority: 350.127(2), F.S.

12 Law Implemented: 364.03, 364.17, F.S.

13 History: New 12/16/86.  
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CERTIFICATION OF  
INCORPORATION BY RULE

I do hereby certify:

(1) That paragraph (2)(b) incorporates Form PSC/AFA/6 (6/89) into Rule 25-4.018 and paragraph (3) incorporates Form PSC/AFA/6 (6/89) into 25-4.0185 by reference.

(2) That Form PSC/AFA/6 (6/89) consists of various schedules which set out detailed information required of companies reporting on their affiliates and affiliate transactions.

\_\_\_\_\_  
Steve Tribble

\_\_\_\_\_  
Director, Division of Records and Reporting

\_\_\_\_\_  
Number of Pages Certified

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Analysis of Diversification Activity

Changes in Corporate Structure

Provide any changes in corporate structure including partnerships, minority interests, and joint ventures and an updated organizational chart.

Line No.	Effective Date (a)	Description of Change (b)
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### Analysis of Diversification Activity

#### Summary of Affiliated Transfers

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

#### Column

- a) Enter name of affiliate.
- b) Give description of type of service, or name the product involved.
- c) Enter contract or agreement effective dates.
- d) Enter the letter "p" if the service or product is a purchase by the Respondent; "s" if the service or product is sold by the Respondent.
- e) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Line No.	Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge For Year	
				"P" or "S" (d)	Dollar Amount (e)
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### Analysis of Diversification Activity

#### Summary of Affiliated Cost Allocation

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service (including human resources) involved.

#### Column

- a) Enter name of affiliate.
- b) Give description of type of service, or name the product involved.
- c) Enter contract or agreement effective dates.
- d) Enter the letter "t" if the service or product is an allocation to the Respondent: "f" if the service or product is an allocation from the Respondent.
- e) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c).  
Do not net amounts when services are both received and provided.

Line No.	Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge For Year	
				"T" or "F" (d)	Dollar Amount (e)
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Analysis of Diversification Activity

Transfer of Real Assets or Rights

Provide a summary of affiliated transactions involving asset transfers or the rights to use assets. Provide:

- An indication that title has passed and the names of the purchasing and selling parties.
- A description of the asset or right transferred.
- A description of the financial or other considerations associated with the transfer.

Line No.	Names of Purchasing and Selling Parties (a)	Has Title Passed (Yes/No) (b)	Description of Asset or Right Transferred (c)	Financial or Other Considerations Associated with Transfer (d)
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## Analysis of Diversification Activity

## Names of Affiliated Companies

Give the name and address of affiliated companies, including partnerships, minority interests, and joint ventures.

Line No.	Name of Company and Address (a)
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Analysis of Diversification Activity

Basis of Transfer Pricing  
 and Cost Allocations for  
 Affiliated Transactions

Provide a description, by type of transaction, of the bases of transfer prices (i.e. market, competitive bid, cost, cost plus), and cost allocations (direct charge, formula, etc.) and how the bases are determined.

- The types of affiliated transactions to account for are:
- Affiliated transfers of goods or services
  - Affiliated cost allocations
  - Affiliated transfers of assets or the right to use assets (i.e. real property, personal property, and intangible property). Intangible property includes but is not limited to: rights to access customer files, rights to computer software pole attachment rights, and copyright and patent rights associated with utility company research and development.

Line No.	Type of Transaction (a)	Bases of Transfer Price or Cost Allocation (b)	How Bases Are Determined (c)
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Analysis of Diversification Activity

Contracts and Leases  
with Affiliated Companies

Provide a listing of all contracts and leases with affiliated companies and a synopsis of each contract including but not limited to, the terms, price, quantity, amount, and duration.

Line No.	Name of Affiliated Company (a)	Synopsis of Contract (b)
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Analysis of Diversification Activity

Individual Affiliated Transactions  
in Excess of \$500,000

Provide, on a quarterly basis, information regarding individual affiliated transactions in excess of \$500,000. Recurring monthly affiliated transactions which exceed \$500,000 per month should not be reported (after the first such transaction) except annually. However, each land or property sale transaction, even though similar sales recur, should be reported as a "non-recurring" item for the quarter in which it occurs.

Line No.	Name of Affiliate (a)	Description of Transaction (b)	Dollar Amount (c)
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Analysis of Diversification Activity

New or Amended Contracts  
 with Affiliated Companies

Provide, on a quarterly basis, a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis should include, but not be limited to, the terms, price, quantity, amount, and duration of the contract.

Line No.	Name of Affiliated Company (a)	Synopsis of Contract (b)
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Rule 25-4.018,  
Rule 25-4.0185  
Rule 25-6.014  
Rule 25-7.014  
Docket No. 870585-PU

SUMMARY OF RULE

The proposed rule amendments would require IOUs, LECs, and LDCs to submit the following additional information filings on affiliated activities: (1) an initial, one-time set of filings within 45 days of adoption of the proposed amendments or within 45 days of coming under FPSC jurisdiction, (2) additional filings with annual reports, and (3) periodic (quarterly) filings.

Within 45 days of adoption of the proposed rule amendments or coming under FPSC jurisdiction, utilities would be required to file names of their affiliates, including partnerships, minority interests, and joint ventures. They would also be required to provide, by type of transaction, descriptions of methodologies or rationales used to determine transfer-price and cost-allocation bases for transactions between utilities and affiliates. Types of transactions between utilities and affiliates to be accounted for under the proposed amendments would consist of transfers of goods and services, cost allocations, and transfers of assets or rights to use assets. Under the proposed amendments, no utility would be required to account for tariffed transactions with affiliates. Finally, utilities would be required to file summaries of all contracts with affiliates, including terms, prices, quantities, and durations within 45 days of adoption of the proposed rule amendments.

In annual reports, utilities would continue to be required to report changes in corporate structure and file updated organizational charts under the proposed amendments. However, they would also be required to file summaries of affiliated transactions by affiliate during the previous year. Utilities would further be required to develop and maintain detailed backup records of the summary reports of affiliated transactions to

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facilitate auditing and financial analysis by Commission staff.

Under the proposed amendments utilities would be required to report affiliated transactions quarterly when those transactions involve amounts in excess of \$500,000 (25,000 for LDCs), land, or property sales. In quarterly reports, utilities would also be required to report changes in corporate structure (such as mergers, reorganizations, and formation of new affiliates) and provide summaries of new contracts, amendments to existing contracts, agreements, or arrangements with affiliates for purchases, sales, or leases of land, goods, or services.

The proposed amendments adopt Form PSC/AFA/6 (6/89) for reporting affiliate information.

#### SUMMARY OF HEARINGS ON THE RULE

No hearing was requested and none was held.

#### FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

In recent years, many of Florida's major utilities have diversified into unregulated activities. Diversification creates the potential for cross subsidization between the regulated utility and the nonregulated affiliates with which it has business dealings. It is the role of the Public Service Commission (Commission) as regulator to see that the effects of diversification are not detrimental to the utility and its rate payers. To that end, the Commission must be well informed on the extent of diversification among regulated utilities and their business dealings with affiliated interests. The proposed rules will allow the Commission to better monitor the activities of diversified utilities and be alerted to circumstances or transactions which raise the possibility of cross subsidization between utility and affiliate. Areas of concern include transfer prices; cost allocation; asset transfers; the cost of capital and

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transfer of human resources, among others. The initial, annual, and periodic reporting required by the proposed rule amendments is more specific and extensive than that previously required in annual reports filings. The information obtained under the rule amendments will also allow the Commission to review specific transactions, which heretofore have primarily been dealt with in the often infrequently occurring context of rate proceedings.

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CERTIFICATION OF  
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES  
FILED WITH THE  
DEPARTMENT OF STATE

I do hereby certify:

/X/ (1) The time limitations prescribed by paragraph 120.54(11)(a), F.S., have been complied with; and

/X/ (2) There is no administrative determination under section 120.54(4), F.S., pending on any rule covered by this certification; and

/X/ (3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(11)(b), F.S. They are filed not less than 28 days after the notice required by subsection 120.54(1), F.S., and;

/X/ (a) And are filed not more than 90 days after the notice; or

/ / (b) Are filed not more than 90 days after the notice not including days an administrative determination was pending; or

/ / (c) Are filed within 21 days after the adjournment of the final public hearing on the rule; or

/ / (d) Are filed within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

/ / (e) Are filed within 21 days after the date the transcript was received by this agency.

Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.



ORDER NO. 21513  
 DOCKET NO. 870585-PU  
 PAGE 25

<u>Rule No.</u>	<u>Specific Rulemaking Authority</u>	<u>Law Being Implemented, Interpreted or Made Specific</u>
25-6.014	350.127(2), F.S. 366.05(1), F.S.	366.04(2)(a), F.S. 366.05(1), F.S.

Under the provision of paragraph 120.54(12)(a), F.S., the rules take effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: \_\_\_\_\_  
 (month) (day) (year)

\_\_\_\_\_  
 Steve Tribble

\_\_\_\_\_  
 Director, Division of Records & Reporting  
 Title

\_\_\_\_\_  
 Number of Pages Certified

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4 25-6.014 Records and Reports in General.

5 (1) Except as provided in Subsection (2), each investor-owned  
6 electric utility shall maintain its accounts and records in  
7 conformity with the Federal Energy Regulatory Commission's Uniform  
8 System of Accounts for Public Utilities and Licensees as found in  
9 the Code of Federal Regulations, Title 18, Subchapter C, Part 101,  
10 for Major Utilities as revised April 1, 1987. All inquiries  
11 relating to interpretation of the Uniform System of Accounts shall  
12 be submitted to the Commission's Division of Electric and Gas in  
13 writing.

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

18 (3) Each utility shall file with the Commission annual  
19 reports on forms prescribed by the Commission. These reports  
20 shall be verified by a responsible accounting officer of the  
21 utility making the report and shall be due on or before April 30  
22 for the preceding calendar year. The utility shall also file with  
23 the original and each copy of the annual report form, or  
24 separately within 30 days, a letter or report attesting to the  
25 conformity, in all material respects, of the schedules listed on  
26 the general instruction page of the appropriate Federal Energy  
27 Regulatory Commission annual report form supplied by the  
28 Commission, with the Commission's applicable uniform system of  
29 accounts (statement certification includes applicable notes) and  
30 published accounting releases. The letter or report of attestation  
31 shall be signed by an independent certified public accountant or  
an independent licensed public accountant. The filing date can be  
extended only by written permission of the Commission.  
Authorization for the correction of any errors found in the

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4 reports and replies to inquiries propounded by the Commission  
5 staff shall be furnished in writing within fifteen days from the  
6 date of the Commission's letter.

7 (4) Each utility shall maintain continuing property records  
8 in conformity with the plant accounts prescribed in the Uniform  
9 System and Classification of Accounts. It shall be compiled on  
10 the basis of original cost (or other book cost consistent with the  
11 provision of the Uniform System and Classification of Accounts).  
12 The record or records supplemental thereto shall contain such  
13 detailed description and classification of property record units  
14 that will permit their ready identification and verification.  
15 They shall be maintained in such manner as will meet the following  
16 basic objectives:

17 (a) The functional use, description and location of property  
18 units in service.

19 (b) Costs associated with property units to assure accurate  
20 accounting for retirements.

21 (c) The determination of the age, service life or other data  
22 necessary for depreciation studies.

23 (5) Each utility shall furnish to the Commission at such time  
24 and in such form as the Commission may require, the results of any  
25 required tests and summaries of any required records. Each  
26 utility shall also furnish the Commission with any information  
27 concerning its facilities or operation which the Commission may  
28 request and require. All such data, unless otherwise specified,  
29 shall be consistent with and reconcilable with its Annual Report  
30 to the Commission.

31 (6) Upon direction of the Commission, or in the performance  
of delegated staff duties, any member of the Commission may make  
at any reasonable time a personal visit to the utility's offices  
or other places of business, and may inspect any facility,

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~~struck-through~~ type are deletions from existing law.

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4 records, accounts, books, reports, and papers of the utility which  
5 may appear necessary in the discharge of Commission duties.

6 During such visits the utility shall provide the staff member(s)  
7 with adequate and comfortable working and filing space, consistent  
8 with prevailing conditions and climate and comparable with the  
9 accommodations provided the company's outside auditors.

10 (7) The Commission has prescribed the Federal Energy  
11 Regulatory Commission's Uniform System of Accounts for Public  
12 Utilities and Licensees, as found in the Code of Federal  
13 Regulations, Title 18, Subchapter C, Part 101, for Major Utilities  
14 as revised April 1, 1987 to be used by Rural Electric Cooperative  
15 and Municipal Electric Utilities operating within the State. All  
16 inquiries relating to interpretations of the Uniform System of  
17 Accounts shall be submitted to the Commission's Division of  
18 Electric and Gas in writing.

19 (8) Each investor-owned electric utility, Rural Electric  
20 Cooperative and Municipal Electric Utility shall file with the  
21 Commission its chart of accounts as of the effective date of this  
22 Rule showing compliance with the Uniform System and Classification  
23 of Accounts as prescribed by the Commission, and shall also  
24 periodically file revisions of said chart of accounts.

25 (9) Each investor-owned electric utility shall file  
26 information on its affiliates and affiliated transactions on  
27 Commission Form PSC/AFA/6 (6/89) which is incorporated into this  
28 rule by reference. Form PSC/AFA/6 (6/89), entitled "Analysis of  
29 Diversification Activities" was effective June 6, 1989 and may be  
30 obtained by contacting the Commission's Division of Auditing and  
31 Financial Analysis.

(10) Within 45 days the adoption of this subsection or within  
45 days of coming under the jurisdiction of the Commission, each  
investor-owned electric utility shall file, on Schedules 5, 6, and

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4 7 of Form PSC/AFA/6 (6/89), with this Commission:

5 (a) The names of affiliated companies, including  
6 partnerships, minority interests, and joint ventures.

7 (b) A description, by type of affiliated transaction, of the  
8 bases of transfer prices (i.e. market, competitive bid, cost, cost  
9 plus), and cost allocations (direct charge, formula, etc.) and how  
10 the bases are determined. Excluding tariffed transactions, the  
11 types of affiliated transactions to be accounted for are:

- 12 1. Affiliated transfers of goods or services;
- 13 2. Affiliated cost allocations; and,
- 14 3. Affiliated transfers of assets or the right to use  
15 assets (i.e. real property, personal property, and  
16 intangible property). Intangible property includes  
17 but is not limited to: rights to access customer  
18 files, rights to computer software, pole attachment  
19 rights, copyrights, and patent rights associated  
20 with utility company research and development.

21 (c) A listing of all currently effective contracts and leases  
22 with affiliated companies and a synopsis of each contract  
23 including, but not limited to, the terms, price, quantity, amount,  
24 and duration.

25 (d) Definitions

- 26 1. Utility - Any utility subject to the ratemaking  
27 jurisdiction of the Florida Public Service  
28 Commission.
- 29 2. Affiliate - Any entity that directly or indirectly  
30 through one or more intermediaries, controls, is  
31 controlled by, or is under common control with a  
utility. Ownership of 5% or more of the voting  
securities of an entity shall be conclusively deemed  
to constitute the control thereof.

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struck-through type are deletions from existing law.

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- 4 3. Affiliated Transaction - Any transaction in which  
5 both a utility and an affiliate thereof are each  
6 participants other than transactions related to the  
7 filing of consolidated tax returns.

8 (11) Each investor-owned electric utility shall file with each  
9 annual report, on Schedules 1-4 of Form PSC/AFA/6 (6/89), the  
10 following information on its affiliates and affiliated  
11 transactions:

12 (a) Any changes in its corporate structure including  
13 partnerships, minority interests, and joint ventures and an  
14 updated organizational chart.

15 (b) A summary of affiliated transactions, by affiliate and by  
16 type of transaction, completed during the previous year. This  
17 summary shall include the gross dollar amount of the transaction  
18 and a reference to any relevant contract or agreement. Reporting  
19 for asset transfers or the rights to use assets shall include:

- 20 1. An indication that title has passed and the names of  
21 the purchasing and selling parties;  
22 2. A description of the asset or right transferred; and,  
23 3. A description of the financial or other  
24 considerations associated with the transfer.

25 (c) A listing of employees earning more than \$30,000 annually  
26 transferred to/from the investor owned electric utility to an  
27 affiliate company. The listing shall contain the following  
28 information:

- 29 \* Old job assignment for the utility;  
30 \* New job assignment at the affiliate;  
31 \* Transfer permanent or temporary; and,  
\* If temporary, expected duration of assignment.

(d) A statement by a responsible accounting official of the  
investor-owned electric utility certifying that all affiliated

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3 PAGE 31

4 transfer prices or affiliated cost allocations were determined  
5 consistent with the methods reported to the Commission under this  
6 rule.

7 (12) Each investor-owned electric utility shall also be  
8 required to keep a detailed backup report of the summary report to  
9 facilitate auditing and analysis. Each investor-owned electric  
10 utility shall maintain a clear audit trail from the summary report  
11 through the general ledger to the source documents supporting the  
12 transaction.

13 (13) Each investor-owned electric utility shall provide  
14 quarterly notice of the following events, in writing, on Schedules  
15 1, 8, and 9 of Form PSC/AFA/6 (6/89), for each preceding quarter:

16 (a) Individual affiliated transactions in excess of  
17 \$500,000. Recurring monthly affiliated transactions which exceed  
18 \$500,000 should not be reported (after the first such transaction)  
19 except annually. However, each land or property sale transaction,  
20 even though similar sales recur, should be reported as a  
21 "non-recurring" item for the quarter in which it occurs.

22 (b) Mergers, reorganizations, formation of a new affiliate or  
23 subsidiary, or other change in corporate structure.

24 (c) Execution of new contracts, agreements, or arrangements  
25 with affiliated companies for the purchase, lease, or sale of  
26 land, goods or services including amendments to existing  
27 contracts, agreements, or arrangements, with the exception of  
28 tariffed items, and a synopsis of each new or amended contract,  
29 agreement, or arrangement. The synopsis shall include, but not be  
30 limited to, the terms, price, quantity, amount, and duration.

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

Law Implemented: 366.04(2)(a), 366.05(1), 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.

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CERTIFICATION OF  
INCORPORATION BY RULE

I do hereby certify:

(1) That paragraph (9) incorporates Form PSC/AFA/6 (6/89) into Rule 25-6.014 by reference.

(2) That Form PSC/AFA/6 (6/89) consists of various schedules which set out detailed information required of companies reporting on their affiliates and affiliate transactions.

\_\_\_\_\_  
Steve Tribble

\_\_\_\_\_  
Director, Division of Records and Reporting

\_\_\_\_\_  
Number of Pages Certified

( S E A L )



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Analysis of Diversification Activity

Changes in Corporate Structure

Provide any changes in corporate structure including partnerships, minority interests, and joint ventures and an updated organizational chart.

Line No.	Effective Date (a)	Description of Change (b)
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Analysis of Diversification Activity

Summary of Affiliated Transfers

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

Column

- a) Enter name of affiliate.
- b) Give description of type of service, or name the product involved.
- c) Enter contract or agreement effective dates.
- d) Enter the letter "p" if the service or product is a purchase by the Respondent; "s" if the service or product is sold by the Respondent.
- e) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Line No.	Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge For Year	
				"P" or "S" (d)	Dollar Amount (e)
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Analysis of Diversification Activity

Summary of Affiliated Cost Allocation

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service (including human resources) involved.

Column

- a) Enter name of affiliate.
- b) Give description of type of service, or name the product involved.
- c) Enter contract or agreement effective dates.
- d) Enter the letter "t" if the service or product is an allocation to the Respondent: "f" if the service or product is an allocation from the Respondent.
- e) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Line No.	Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge For Year	
				"T" or "F" (d)	Dollar Amount (e)
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Analysis of Diversification Activity

Transfer of Real Assets or Rights

Provide a summary of affiliated transactions involving asset transfers or the rights to use assets. Provide:

- An indication that title has passed and the names of the purchasing and selling parties.
- A description of the asset or right transferred.
- A description of the financial or other considerations associated with the transfer.

Line No.	Names of Purchasing and Selling Parties (a)	Has Title Passed (Yes/No) (b)	Description of Asset or Right Transferred (c)	Financial or Other Considerations Associated with Transfer (d)
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## Analysis of Diversification Activity

## Names of Affiliated Companies

Give the name and address of affiliated companies, including partnerships, minority interests, and joint ventures.

Line No.	Name of Company and Address (a)
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Analysis of Diversification Activity

Basis of Transfer Pricing  
and Cost Allocations for  
Affiliated Transactions

Provide a description, by type of transaction, of the bases of transfer prices (i.e. market, competitive bid, cost, cost plus), and cost allocations (direct charge, formula, etc.) and how the bases are determined.

The types of affiliated transactions to account for are:

- Affiliated transfers of goods or services
- Affiliated cost allocations
- Affiliated transfers of assets or the right to use assets (i.e. real property, personal property, and intangible property). Intangible property includes but is not limited to: rights to access customer files, rights to computer software pole attachment rights, and copyright and patent rights associated with utility company research and development.

Line No.	Type of Transaction (a)	Bases of Transfer Price or Cost Allocation (b)	How Bases Are Determined (c)
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Analysis of Diversification Activity

Contracts and Leases  
 with Affiliated Companies

Provide a listing of all contracts and leases with affiliated companies and a synopsis of each contract including but not limited to, the terms, price, quantity, amount, and duration.

Line No.	Name of Affiliated Company (a)	Synopsis of Contract (b)
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Analysis of Diversification Activity

Individual Affiliated Transactions  
 in Excess of \$500,000

Provide, on a quarterly basis, information regarding individual affiliated transactions in excess of \$500,000. Recurring monthly affiliated transactions which exceed \$500,000 per month should not be reported (after the first such transaction) except annually. However, each land or property sale transaction, even though similar sales recur, should be reported as a "non-recurring" item for the quarter in which it occurs.

Line No.	Name of Affiliate (a)	Description of Transaction (b)	Dollar Amount (c)
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Analysis of Diversification Activity

New or Amended Contracts  
with Affiliated Companies

Provide, on a quarterly basis, a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis should include, but not be limited to, the terms, price, quantity, amount, and duration of the contract.

Line No.	Name of Affiliated Company (a)	Synopsis of Contract (b)
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Rule 25-4.018,  
Rule 25-4.0185  
Rule 25-6.014  
Rule 25-7.014  
Docket No. 870585-PU

SUMMARY OF RULE

The proposed rule amendments would require IOUs, LECs, and LDCs to submit the following additional information filings on affiliated activities: (1) an initial, one-time set of filings within 45 days of adoption of the proposed amendments or within 45 days of coming under FPSC jurisdiction, (2) additional filings with annual reports, and (3) periodic (quarterly) filings.

Within 45 days of adoption of the proposed rule amendments or coming under FPSC jurisdiction, utilities would be required to file names of their affiliates, including partnerships, minority interests, and joint ventures. They would also be required to provide, by type of transaction, descriptions of methodologies or rationales used to determine transfer-price and cost-allocation bases for transactions between utilities and affiliates. Types of transactions between utilities and affiliates to be accounted for under the proposed amendments would consist of transfers of goods and services, cost allocations, and transfers of assets or rights to use assets. Under the proposed amendments, no utility would be required to account for tariffed transactions with affiliates. Finally, utilities would be required to file summaries of all contracts with affiliates, including terms, prices, quantities, and durations within 45 days of adoption of the proposed rule amendments.

In annual reports, utilities would continue to be required to report changes in corporate structure and file updated organizational charts under the proposed amendments. However, they would also be required to file summaries of affiliated transactions by affiliate during the previous year. Utilities would further be required to develop and maintain detailed backup records of the summary reports of affiliated transactions to

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facilitate auditing and financial analysis by Commission staff.

Under the proposed amendments utilities would be required to report affiliated transactions quarterly when those transactions involve amounts in excess of \$500,000 (25,000 for LDCs), land, or property sales. In quarterly reports, utilities would also be required to report changes in corporate structure (such as mergers, reorganizations, and formation of new affiliates) and provide summaries of new contracts, amendments to existing contracts, agreements, or arrangements with affiliates for purchases, sales, or leases of land, goods, or services.

The proposed amendments adopt Form PSC/AFA/6 (6/89) for reporting affiliate information.

#### SUMMARY OF HEARINGS ON THE RULE

No hearing was requested and none was held.

#### FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

In recent years, many of Florida's major utilities have diversified into unregulated activities. Diversification creates the potential for cross subsidization between the regulated utility and the nonregulated affiliates with which it has business dealings. It is the role of the Public Service Commission (Commission) as regulator to see that the effects of diversification are not detrimental to the utility and its rate payers. To that end, the Commission must be well informed on the extent of diversification among regulated utilities and their business dealings with affiliated interests. The proposed rules will allow the Commission to better monitor the activities of diversified utilities and be alerted to circumstances or transactions which raise the possibility of cross subsidization between utility and affiliate. Areas of concern include transfer prices; cost allocation; asset transfers; the cost of capital and

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transfer of human resources, among others. The initial, annual, and periodic reporting required by the proposed rule amendments is more specific and extensive than that previously required in annual reports filings. The information obtained under the rule amendments will also allow the Commission to review specific transactions, which heretofore have primarily been dealt with in the often infrequently occurring context of rate proceedings.

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CERTIFICATION OF  
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES  
FILED WITH THE  
DEPARTMENT OF STATE

I do hereby certify:

(1) The time limitations prescribed by paragraph 120.54(11)(a), F.S., have been complied with; and

(2) There is no administrative determination under section 120.54(4), F.S., pending on any rule covered by this certification; and

(3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(11)(b), F.S. They are filed not less than 28 days after the notice required by subsection 120.54(1), F.S., and;

(a) And are filed not more than 90 days after the notice; or

(b) Are filed not more than 90 days after the notice not including days an administrative determination was pending; or

(c) Are filed within 21 days after the adjournment of the final public hearing on the rule; or

(d) Are filed within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

(e) Are filed within 21 days after the date the transcript was received by this agency.

Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

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<u>Rule No.</u>	<u>Specific Rulemaking Authority</u>	<u>Law Being Implemented, Interpreted or Made Specific</u>
25-7.014	350.127(2), F.S. 366.05(1), F.S.	366.05(1), F.S.

Under the provision of paragraph 120.54(12)(a), F.S., the rules take effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: \_\_\_\_\_  
 (month) (day) (year)

\_\_\_\_\_  
 Steve Tribble

\_\_\_\_\_  
 Director, Division of Records & Reporting  
 Title

\_\_\_\_\_  
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4 25-7.014 Records and Reports in General.

5 (1) Except as provided in subsection (2), each natural gas  
6 utility shall maintain its accounts and records in conformity with  
7 the Uniform System and Classification of Accounts prescribed by  
8 the Federal Energy Regulatory Commission in the Code of Federal  
9 Regulations, Title 18, Subchapter F, Part 201, for Major Utilities  
10 as revised, April 1, 1987. All inquiries relating to  
11 interpretation of the Uniform System and Classification of  
12 Accounts shall be submitted to the Commission's Division of  
13 Electric and Gas in writing.

14 (a) Each utility shall establish and maintain continuing  
15 property records in conformity with the plant accounts prescribed  
16 in the Uniform System and Classification of Accounts. It shall be  
17 compiled on the basis of original cost (or other book cost  
18 consistent with the provisions of the Uniform System and  
19 Classification of Accounts). The record or records supplemental  
20 thereto shall contain such detailed description and classification  
21 of property record units that will permit their ready  
22 identification and verification. They shall be maintained in such  
23 manner as will meet the following basic objectives:

- 24 1. An inventory of property record units which may be  
25 readily checked for proof of physical existence.
- 26 2. The association of costs with such property record  
27 units to assure accurate accounting for retirements.
- 28 3. The determination of dates of installation and  
29 removal of plant to provide data for use in  
30 connection with depreciation studies.

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

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4 (3) Each utility shall file with the Commission annual  
5 reports on forms prescribed by the Commission. These reports  
6 shall be verified by a responsible accounting officer of the  
7 utility making the report and shall be due on or before April 30  
8 for the preceding calendar year. The utility shall also file with  
9 the original and each copy of the annual report form or separately  
10 within 30 days, a letter or report attesting to the conformity, in  
11 all material respects, of the following schedules listed on the  
12 general instruction page of the appropriate Federal Energy  
13 Regulatory Commission annual report form supplied by the  
14 Commission, with the Commission's applicable uniform system of  
15 accounts (statement certification includes applicable notes) and  
16 published accounting releases:

- 17 (a) Comparative Balance Sheet - Statement A  
18 (b) Statement of Income - Statement C  
19 (c) Statement of Retained Earnings - Statement D  
20 (d) Statement of Changes in Financial Position - Statement E  
21 (e) Long Term Debt  
22 (f) Reconciliation of Book Income with Taxable Income  
23 (g) Gas Plant in Service  
24 (h) Accumulated Provisions for Depreciation of Gas Utility  
25 Plant  
26 (i) Gas Operating Revenues (exclude column (d) through (g))  
27 (j) Gas Operation and Maintenance Expenses

28 The letter or report of attestation shall be signed by an  
29 independent certified public accountant or an independent licensed  
30 public accountant. Any utility which is on a fiscal year other  
31 than the calendar year may file the above referenced schedules and  
certification letter on a fiscal year basis, within 90 days from  
the close of its fiscal year. A complete annual report, except  
for the certification letter, shall be filed on a calendar year

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4 basis by all utilities using fiscal year other than the calendar  
5 year.

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

15 (5) On and after the effective date of these rules, the  
16 results of all tests, summaries, records and reports required of  
17 gas utilities by reason of these rules or other orders of the  
18 Commission (including the Annual Financial Report) shall, where  
19 appropriate, be reported on a therm basis rather than a volumetric  
20 or MCF basis.

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

31 (7) Each natural gas utility shall file with the Commission  
its chart of accounts as of the effective date of this rule,  
showing compliance with the Uniform System and Classification of  
Accounts as prescribed by the Commission, and shall also

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4 periodically file revisions of said chart of accounts.

5 (8) Each natural gas utility shall file information on its  
6 affiliates and affiliate transactions on Commission Form PSC/AFA/6  
7 (6/89) which is incorporated into this rule by reference. Form  
8 PSC/AFA/6 (6/89), entitled "Analysis of Diversification  
9 Activities" was effective June 6, 1989 and may be obtained by  
10 contacting the Commission's Division of Auditing and Financial  
11 Analysis.

12 (9) Within 45 days of the adoption of this subsection or  
13 within 45 days of coming under the jurisdiction of the Commission,  
14 each natural gas utility shall file, on Schedules 5, 6, and 7 of  
15 Form PSC/AFA/6 (6/89), with this Commission:

16 (a) The names of affiliated companies, including  
17 partnerships, minority interests, and joint ventures.

18 (b) A description, by type of affiliated transaction, of the  
19 bases of transfer prices (i.e. market, competitive bid, cost, cost  
20 plus), and cost allocations (direct charge, formula, etc.) and how  
21 the bases are determined. Excluding tariffed transactions the  
22 types of affiliated transactions to be accounted for are:

- 23 1. Affiliated transfers of goods or services;
- 24 2. Affiliated cost allocations; and,
- 25 3. Affiliated transfers of assets or the right to use  
26 assets (i.e. real property, personal property, and  
27 intangible property). Intangible property includes  
28 but is not limited to: rights to access customer  
29 files, rights to computer software, pole attachment  
30 rights, copyrights, and patent rights associated  
31 with utility company research and development.

(c) A listing of all contracts and leases with affiliated  
companies and a synopsis of each contract including, but not  
limited to, the terms, price, quantity, amount, and duration.

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(d) Definitions

1. Utility - Any utility subject to the ratemaking jurisdiction of the Florida Public Service Commission.
2. Affiliate - Any entity that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a utility. Ownership of 5% or more of the voting securities of an entity shall be conclusively deemed to constitute the control thereof.
3. Affiliated Transaction - Any transaction in which both a utility and an affiliate thereof are each participants other than transactions related to the filing of consolidated tax returns.

(10) Each natural gas utility shall file, with each annual report, on Schedules 1-4, of Form PSC/AFA/6 (6/89) the following information on its affiliates and affiliated transactions:

(a) Any changes in its corporate structure including partnerships, minority interests, and joint ventures and an updated organizational chart.

(b) A summary of affiliated transactions, by affiliate and by type of transaction, completed during the previous year. This summary shall include the gross dollar amount of the transaction and a reference to any relevant contract or agreement. Reporting for asset transfers or the rights to use assets shall include:

1. An indication that title has passed and the names of the purchasing and selling parties;
2. A description of the asset or right transferred; and,
3. A description of the financial or other considerations associated with the transfer.

(c) A listing of employees earning more than \$30,000 annually

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4 transferred to/from the natural gas utility to an affiliate  
5 company. The listing shall contain the following information:

- 6 \* Old job assignment for the utility;
- 7 \* New job assignment at the affiliate;
- 8 \* Transfer permanent or temporary; and,
- 9 \* If temporary, expected duration of assignment.

10 (d) A statement by a responsible accounting official of the  
11 natural gas utility certifying that all affiliated transfer prices  
12 or affiliated cost allocations were determined consistent with the  
13 methods reported to the Commission under this rule.

14 (11) Each natural gas utility shall also be required to keep a  
15 detailed backup report of the summary report to facilitate  
16 auditing and analysis. Each jurisdictional utility shall maintain  
17 a clear audit trail from the summary report through the general  
18 ledger to the source documents supporting the transaction.

19 (12) Each natural gas utility shall provide quarterly notice  
20 of the following events, in writing, on Schedules 1, 8, and 9 of  
21 Form PSC/AFA/6 (6/89), for each preceding quarter:

22 (a) Individual affiliated transactions in excess of \$25,000.  
23 Recurring monthly affiliated transactions which exceed \$25,000 per  
24 month should not be reported (after the first such transaction)  
25 except annually. However, each land or property sale transaction,  
26 even through similar sales recur, should be reported as a  
27 "non-recurring" item for the quarter in which it occurs.

28 (b) Mergers, reorganizations, formation of a new affiliate or  
29 subsidiary, or other change in corporate structure.

30 (c) Execution of new contracts, agreements, or arrangements  
31 with affiliated companies for the purchase, lease, or sale of  
land, goods, or services including amendments to existing  
contracts, agreements, or arrangements, with the exception of

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4 tariffed items, and a synopsis of each new or amended contract,  
5 agreement, or arrangement. The synopsis shall include, but not be  
6 limited to, the terms, price, quantity, amount, and duration.

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

8 Law Implemented: 366.05(1), F.S.

9 History: Amended 7/19/72, Repromulgated 1/8/75, 5/4/75, Amended  
10 12/30/75, 9/28/81, 11/18/82, formerly 25-7.14, Amended 10/1/86,  
11 4/4/88.

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CERTIFICATION OF  
INCORPORATION BY RULE

I do hereby certify:

(1) That paragraph (8) incorporates Form PSC/AFA/6 (6/89) into Rule 25-7.014 by reference.

(2) That Form PSC/AFA/6 (6/89) consists of various schedules which set out detailed information required of companies reporting on their affiliates and affiliate transactions.

\_\_\_\_\_  
Steve Tribble

\_\_\_\_\_  
Director, Division of Records and Reporting

\_\_\_\_\_  
Number of Pages Certified

( S E A L )

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Analysis of Diversification Activity

Changes in Corporate Structure

Provide any changes in corporate structure including partnerships, minority interests, and joint ventures and an updated organizational chart.

Line No.	Effective Date (a)	Description of Change (b)
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Analysis of Diversification Activity

Summary of Affiliated Transfers

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

Column

- a) Enter name of affiliate.
- b) Give description of type of service, or name the product involved.
- c) Enter contract or agreement effective dates.
- d) Enter the letter "p" if the service or product is a purchase by the Respondent; "s" if the service or product is sold by the Respondent.
- e) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Line No.	Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge For Year	
				"P" or "S" (d)	Dollar Amount (e)
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### Analysis of Diversification Activity

#### Summary of Affiliated Cost Allocation

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service (including human resources) involved.

#### Column

- Enter name of affiliate.
- Give description of type of service, or name the product involved.
- Enter contract or agreement effective dates.
- Enter the letter "t" if the service or product is an allocation to the Respondent; "f" if the service or product is an allocation from the Respondent.
- Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Line No.	Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge For Year	
				"T" or "F" (d)	Dollar Amount (e)
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Analysis of Diversification Activity

Transfer of Real Assets or Rights

Provide a summary of affiliated transactions involving asset transfers or the rights to use assets. Provide:

- An indication that title has passed and the names of the purchasing and selling parties.
- A description of the asset or right transferred.
- A description of the financial or other considerations associated with the transfer.

Line No.	Names of Purchasing and Selling Parties (a)	Has Title Passed (Yes/No) (b)	Description of Asset or Right Transferred (c)	Financial or Other Considerations Associated with Transfer (d)
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## Analysis of Diversification Activity

## Names of Affiliated Companies

Give the name and address of affiliated companies, including partnerships, minority interests, and joint ventures.

Line No.	Name of Company and Address (a)
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Analysis of Diversification Activity

Basis of Transfer Pricing  
and Cost Allocations for  
Affiliated Transactions

Provide a description, by type of transaction, of the bases of transfer prices (i.e. market, competitive bid, cost, cost plus), and cost allocations (direct charge, formula, etc.) and how the bases are determined.

The types of affiliated transactions to account for are:

- Affiliated transfers of goods or services
- Affiliated cost allocations
- Affiliated transfers of assets or the right to use assets (i.e. real property, personal property, and intangible property). Intangible property includes but is not limited to: rights to access customer files, rights to computer software pole attachment rights, and copyright and patent rights associated with utility company research and development.

Line No.	Type of Transaction (a)	Bases of Transfer Price or Cost Allocation (b)	How Bases Are Determined (c)
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Analysis of Diversification Activity

Contracts and Leases  
 with Affiliated Companies

Provide a listing of all contracts and leases with affiliated companies and a synopsis of each contract including but not limited to, the terms, price, quantity, amount, and duration.

Line No.	Name of Affiliated Company (a)	Synopsis of Contract (b)
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Analysis of Diversification Activity

Individual Affiliated Transactions  
in Excess of \$500,000

Provide, on a quarterly basis, information regarding individual affiliated transactions in excess of \$500,000. Recurring monthly affiliated transactions which exceed \$500,000 per month should not be reported (after the first such transaction) except annually. However, each land or property sale transaction, even though similar sales recur, should be reported as a "non-recurring" item for the quarter in which it occurs.

Line No.	Name of Affiliate (a)	Description of Transaction (b)	Dollar Amount (c)
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Analysis of Diversification Activity

New or Amended Contracts  
with Affiliated Companies

Provide, on a quarterly basis, a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis should include, but not be limited to, the terms, price, quantity, amount, and duration of the contract.

Line No.	Name of Affiliated Company (a)	Synopsis of Contract (b)
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Rule 25-4.018,  
Rule 25-4.0185  
Rule 25-6.014  
Rule 25-7.014  
Docket No. 870585-PU

SUMMARY OF RULE

The proposed rule amendments would require IOUs, LECs, and LDCs to submit the following additional information filings on affiliated activities: (1) an initial, one-time set of filings within 45 days of adoption of the proposed amendments or within 45 days of coming under FPSC jurisdiction, (2) additional filings with annual reports, and (3) periodic (quarterly) filings.

Within 45 days of adoption of the proposed rule amendments or coming under FPSC jurisdiction, utilities would be required to file names of their affiliates, including partnerships, minority interests, and joint ventures. They would also be required to provide, by type of transaction, descriptions of methodologies or rationales used to determine transfer-price and cost-allocation bases for transactions between utilities and affiliates. Types of transactions between utilities and affiliates to be accounted for under the proposed amendments would consist of transfers of goods and services, cost allocations, and transfers of assets or rights to use assets. Under the proposed amendments, no utility would be required to account for tariffed transactions with affiliates. Finally, utilities would be required to file summaries of all contracts with affiliates, including terms, prices, quantities, and durations within 45 days of adoption of the proposed rule amendments.

In annual reports, utilities would continue to be required to report changes in corporate structure and file updated organizational charts under the proposed amendments. However, they would also be required to file summaries of affiliated transactions by affiliate during the previous year. Utilities would further be required to develop and maintain detailed backup records of the summary reports of affiliated transactions to facilitate auditing and financial analysis by Commission staff.



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Under the proposed amendments utilities would be required to report affiliated transactions quarterly when those transactions involve amounts in excess of \$500,000 (25,000 for LDCs), land, or property sales. In quarterly reports, utilities would also be required to report changes in corporate structure (such as mergers, reorganizations, and formation of new affiliates) and provide summaries of new contracts, amendments to existing contracts, agreements, or arrangements with affiliates for purchases, sales, or leases of land, goods, or services.

The proposed amendments adopt Form PSC/AFA/6 (6/89) for reporting affiliate information.

#### SUMMARY OF HEARINGS ON THE RULE

No hearing was requested and none was held.

#### FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

In recent years, many of Florida's major utilities have diversified into unregulated activities. Diversification creates the potential for cross subsidization between the regulated utility and the nonregulated affiliates with which it has business dealings. It is the role of the Public Service Commission (Commission) as regulator to see that the effects of diversification are not detrimental to the utility and its rate payers. To that end, the Commission must be well informed on the extent of diversification among regulated utilities and their business dealings with affiliated interests. The proposed rules will allow the Commission to better monitor the activities of diversified utilities and be alerted to circumstances or transactions which raise the possibility of cross subsidization between utility and affiliate. Areas of concern include transfer prices; cost allocation; asset transfers; the cost of capital and transfer of human resources, among others. The initial, annual, and periodic reporting required by the proposed rule amendments is more specific and extensive than that previously required in

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annual reports filings. The information obtained under the rule amendments will also allow the Commission to review specific transactions, which heretofore have primarily been dealt with in the often infrequently occurring context of rate proceedings.