

25-30.116, F.A.C.

This document reflects changes through September 14, 2020

FL - Florida Administrative Code Annotated > TITLE 25 PUBLIC SERVICE COMMISSION > DIVISION 25 DEPARTMENTAL > CHAPTER 25-30 WATER AND WASTEWATER UTILITY RULES > PART II RECORDS AND REPORTS

25-30.116 Allowance for Funds Used During Construction.

(1)Construction work in progress (CWIP) that is not included in rate base may accrue allowance for funds used during construction (AFUDC), under the following conditions:

(a)Eligible projects. The following projects may be included in CWIP and accrue AFUDC:

1. Projects that involve gross additions to plant in excess of \$ 5,000 and
2. Are expected to be completed in excess of sixty days after commencement of construction, or
3. Were originally expected to be completed in sixty days or less but are not ready for service after sixty days.

(b)Ineligible projects. The following projects may be included in CWIP, but may not accrue AFUDC:

1. Projects, or portions thereof, that do not exceed the level of CWIP included in rate base in the company's last rate case.
2. Projects where gross additions to plant are less than \$ 5,000.
3. Projects expected to be completed in less than sixty days after commencement of construction.
4. Property that has been classified as Property Held for Future Use.

(c)Unless otherwise authorized by the Commission, the following projects may not be included in CWIP nor accrue AFUDC:

1. Projects that are reimbursable by another party.
2. Projects that have been cancelled.
3. Purchases of assets which are ready for service when acquired.
4. Portions of projects providing service during the construction period.

(d)Other conditions. Accrual of AFUDC is subject to the following conditions:

1. Accrual of AFUDC is not to be reversed when a project originally expected to be completed in excess of sixty days is completed in sixty days or less;
2. AFUDC may not be accrued retroactively if a project expected to be completed in sixty days or less is subsequently suspended for six months, or is not ready for service after sixty days;
3. When a project is completed and ready for service, it shall be immediately transferred to the appropriate plant account(s) or Account 106, Completed Construction Not Classified, and may no longer accrue AFUDC;
4. Where a work order covers the construction of more than one property unit, the AFUDC accrual shall cease on the costs related to each unit when that unit reaches an in-service status;

5. When the construction activities for an ongoing project are expected to be suspended for a period exceeding six (6) months, the utility shall notify the Commission of the suspension and the reason(s) for the suspension, and shall submit a proposed accounting treatment for the suspended project; and

6. When the construction activities for a suspended project are resumed, the previously accumulated costs of the project may not accrue AFUDC if such costs have been included in rate base for ratemaking purposes. However, the accrual of AFUDC may be resumed when the previously accumulated costs are no longer included in rate base for ratemaking purposes.

(e) Subaccounts. Account 105, Construction Work in Progress, shall be subdivided so as to segregate the cost of construction projects that are eligible for AFUDC from the cost of construction projects that are ineligible for AFUDC.

(2) The applicable AFUDC rate shall be determined as follows:

(a) The most recent 12-month average embedded cost of capital, except as noted below, shall be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the Company's last rate case.

(b) The cost rates for the components in the capital structure shall be the midpoint of the last allowed return on common equity, the most recent 12-month average cost of short term debt and customer deposits and a zero cost rate for deferred taxes and all investment tax credits. The cost of long term debt and preferred stock shall be based on end of period cost. The annual percentage rate shall be calculated to two decimal places.

(c) A company that has not had its equity return set in a rate case shall calculate its return on common equity by applying the most recent water and wastewater equity leverage formula.

(d) The treatment by the Commission of all investment tax credits at a zero cost rate shall be contingent upon a ruling from the Internal Revenue Service that such treatment will not, for companies elected to be treated under [Section 46\(f\)\(2\) of the Internal Revenue Code](#), result in the forfeiture of the tax credits. Pending receipt of such a ruling, each utility shall continue to use the weighted overall cost of capital calculated in a manner consistent with the final IRS Regulation Section 1.46-6 published May 22, 1986, as the cost of the utility's 4% and 10% investment tax credits.

(e) Any such ruling request must be submitted to the Commission by December 15, 1987. The AFUDC cost rate for the investment tax credit for any company which fails to submit its own letter ruling request to the IRS shall be governed by the first letter ruling issued by the IRS in response to a request submitted pursuant to paragraph (2)(d) of this rule.

(3) Discounted monthly AFUDC rate. A discounted monthly AFUDC rate, calculated to six decimal places, shall be employed to insure that the annual AFUDC charged does not exceed authorized levels.

(a) The formula used to discount the annual AFUDC rate to reflect monthly compounding is as follows:

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

Where:

M = discounted monthly AFUDC rate

A = annual AFUDC rate

(b) The monthly AFUDC rate, carried out to six decimal places, shall be applied to the average monthly balance of eligible CWIP that is not included in rate base.

(4) The following schedules shall be filed with each petition for a change in AFUDC rate:

(a) Schedule A. A schedule showing the capital structure, cost rates and weighted average cost of capital that are the basis for the AFUDC rate in subsection (2).

(b) Schedule B. A schedule showing capital structure adjustments including the unadjusted capital structure, reconciling adjustments and adjusted capital structure that are the basis for the AFUDC rate in subsection (2).

(c) Schedule C. A schedule showing the calculation of the monthly AFUDC rate using the methodology set out in this rule.

(5) No utility may charge or change its AFUDC rate without prior Commission approval. The new AFUDC rate shall 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.

(6) Each utility charging AFUDC shall include with its Annual Report to the Commission Schedules A and B identified in subsection (4) of this rule, as well as disclosure of the AFUDC rate it is currently charging.

(7) The Commission may, on its own motion, initiate a proceeding to revise a utility's AFUDC rate.

(8) Paragraphs (a) and (b) of subsection (1) shall not be effective for any utility until it implements final rates in a general rate case initiated after the effective date of this rule. The foregoing notwithstanding, those provisions will become effective for all utilities no later than January 1, 1989.

Statutory Authority

Rulemaking Authority [350.127\(2\)](#), [367.121\(1\)\(f\) FS](#).

Law Implemented [350.115](#), [367.081\(2\)](#), [367.121\(1\)\(b\) FS](#).

History

HISTORY

New 8-11-86, Formerly 25-30.121, Amended 11-13-86, 12-7-87.

Annotations

Case Notes

ANNOTATIONS

Disallowance

Public Service Commission removed AFUDC accruals which were booked at a rate that had not been previously authorized by the PSC, as required by Rule [25-30.116\(5\), F.A.C.](#) PSC rejected utility's argument that said removal constituted a confiscation of investors' capital and a violation of their good faith trust in regulatory processes; all utilities under PSC's jurisdiction are charged with knowledge of its rules and have the responsibility of abiding by them. In re: Application of Florida Cities Water Co. etc., 90 FPSC 10:559 (1990).

Petition for retroactive application of AFUDC rate denied; any losses incurred by applicant would not be material enough to warrant retroactive application. In re: Application for Funds Used During AFUDC Rate by General Development Utilities, Inc. et al., 91 FPSC 1:68 (1991).

Effective date

25-30.116, F.A.C.

The effective date for a new Allowance For Funds Used During Construction (AFUDC) rate prescribed by [FAC 25-30.116](#) could not be applied to new utility. The commission assigned an effective date for when applicant could accrue AFUDC for eligible projects. In re Malabar Utilities, Inc., 90 FPSC 4:643 (1990).

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