

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF DEVELOPMENT OF RULEMAKING

TO

ALL INTERESTED PERSONS

UNDOCKETED

IN RE: AMENDMENT OF RULES 25-6.0141, ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION, AND 25-30.116, ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION, F.A.C., AND ADOPTION OF RULE 25-7.0141, ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION, F.A.C.

ISSUED: June 10, 2020

NOTICE is hereby given pursuant to Section 120.54, Florida Statutes, that the Florida Public Service Commission staff has initiated rulemaking to amend Rule 25-6.0141, Allowance for Funds Used During Construction, Florida Administrative Code (F.A.C.), and Rule 25-30.116, Allowance for Funds Used During Construction, F.A.C., to update the rules that allow utilities certain funds used during construction, and to create new Rule 25-7.0141, Allowance for Funds Used During Construction, F.A.C., for certain funds used during construction for gas utilities.

The attached Notices of Development of Rulemaking appeared in the June 10, 2020, edition of the Florida Administrative Register. A staff rule development workshop will be held at the following time and place:

June 29, 2020, 3:00 pm  
Call-in Number: 1-888-585-9008  
Conference Code: 416-925-719

The draft rules and the agenda for the workshop are attached. One or more Commissioners may be in attendance and participate in the workshop. Because the Commission is operating under a state of emergency due to COVID-19, all public participation in the workshop must be by telephone. To participate in the workshop by telephone, persons may call the above call-in number and, when prompted, enter in the above conference code. The workshop will be available to view via livestream on the Commission's website at <http://www.floridapsc.com/Conferences/AudioVideoEventCoverage>. The person to be contacted regarding the rule development is Adria Harper at [aharper@psc.state.fl.us](mailto:aharper@psc.state.fl.us).

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this workshop should contact the Office of Commission Clerk no later than five days prior to the workshop at Gerald L. Gunter Building, Room 152,


NOTICE OF DEVELOPMENT OF RULEMAKING  
UNDOCKETED  
PAGE 2

Tallahassee, Florida 32399-0850 or 850-413-6770 (Florida Relay Service, 1-800-955-8770 Voice or 1-800-955-8771 TDD).

If a named storm or other disaster requires cancellation of the workshop, Commission staff will attempt to give timely notice to the public. Notice of cancellation will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at 850-413-6199.

NOTICE OF DEVELOPMENT OF RULEMAKING  
UNDOCKETED  
PAGE 3

By DIRECTION of the Florida Public Service Commission this 10th day of June, 2020.



---

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

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

AEH

NOTICE OF DEVELOPMENT OF RULEMAKING  
UNDOCKETED  
PAGE 4

Notice of Development of Rulemaking

**PUBLIC SERVICE COMMISSION**

RULE NO:       RULE TITLE

25-6.0141       Allowance for Funds Used During Construction

PURPOSE AND EFFECT: To update and clarify the rule for the accounting of electric utility costs related to allowance for funds used during construction.

Undocketed

SUBJECT AREA TO BE ADDRESSED: Accounting of electric utility costs related to allowance for funds used during construction.

RULEMAKING AUTHORITY: 350.127(2), 366.05(1), FS.

LAW IMPLEMENTED: 350.115, 366.04(2)(a), (f) , 366.06(1), (2), 366.08, FS.

A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE DATE, TIME, AND PLACE SHOWN BELOW:

DATE AND TIME: June 29, 2020, 3:00 p.m.

PLACE: Because the Commission is operating under a state of emergency due to COVID-19, all public participation in the workshop must be by telephone. To participate in the workshop by telephone, persons may call: 1(888)585-9008 and, when prompted, enter in the following Conference Code: 416-925-719. The workshop will be available to view via livestream on the Commission's website at <http://www.floridapsc.com/Conferences/AudioVideoEventCoverage>. One or more Commissioners may be in attendance and participate in this workshop.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this workshop should contact the Office of Commission Clerk no later than five days prior to the workshop at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 or (850)413-6770 (Florida Relay Service, 1(800)955-8770 Voice or 1(800)955-8771 TDD). Assisted Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS: Adria Harper at [aharper@psc.state.fl.us](mailto:aharper@psc.state.fl.us). A copy of the agenda and materials for the workshop will be posted on the Commission's website, [www.floridapsc.com](http://www.floridapsc.com), under the Rule Development tab by June 12, 2020.

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS AVAILABLE AT NO CHARGE FROM THE CONTACT PERSONS LISTED ABOVE.

NOTICE OF DEVELOPMENT OF RULEMAKING  
UNDOCKETED  
PAGE 5

Notice of Development of Rulemaking

**PUBLIC SERVICE COMMISSION**

RULE NO:       RULE TITLE

25-7.0141       Allowance for Funds Used During Construction

PURPOSE AND EFFECT: To establish a rule for the accounting of gas utility costs related to allowance for funds used during construction.

Undocketed

SUBJECT AREA TO BE ADDRESSED: Accounting of gas utility costs related to allowance for funds used during construction.

RULEMAKING AUTHORITY: 350.127(2), 366.05(1), FS.

LAW IMPLEMENTED: 350.115, 366.05(1), 366.06(1), FS.

A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE DATE, TIME, AND PLACE SHOWN BELOW:

DATE AND TIME: June 29, 2020, 3:00 pm

PLACE: Because the Commission is operating under a state of emergency due to COVID-19, all public participation in the workshop must be by telephone. To participate in the workshop by telephone, persons may call: 1(888)585-9008 and, when prompted, enter in the following Conference Code: 416-925-719. The workshop will be available to view via livestream on the Commission's website at <http://www.floridapsc.com/Conferences/AudioVideoEventCoverage>. One or more Commissioners may be in attendance and participate in this workshop.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this workshop should contact the Office of Commission Clerk no later than five days prior to the workshop at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 or (850)413-6770 (Florida Relay Service, 1(800)955-8770 Voice or 1(800)955-8771 TDD). Assisted Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS: Adria Harper at [aharper@psc.state.fl.us](mailto:aharper@psc.state.fl.us). A copy of the agenda and materials for the workshop will be posted on the Commission's website, [www.floridapsc.com](http://www.floridapsc.com), under the Rule Development tab by June 12, 2020.

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS AVAILABLE AT NO CHARGE FROM THE CONTACT PERSONS LISTED ABOVE.

NOTICE OF DEVELOPMENT OF RULEMAKING  
UNDOCKETED  
PAGE 6

Notice of Development of Rulemaking

**PUBLIC SERVICE COMMISSION**

RULE NO:        RULE TITLE

25-30.116        Allowance for Funds Used During Construction

PURPOSE AND EFFECT: To update and clarify the rule for the accounting of water and wastewater utility costs related to allowance for funds used during construction.

Undocketed

SUBJECT AREA TO BE ADDRESSED: Accounting of water and wastewater utility costs related to allowance for funds used during construction.

RULEMAKING AUTHORITY: 350.127(2), 367.121(1)(f), FS.

LAW IMPLEMENTED: 350.115, 367.081(2), 367.121(1)(b), FS.

A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE DATE, TIME, AND PLACE SHOWN BELOW:

DATE AND TIME: June 29, 2020, 3:00 p.m.

PLACE: Because the Commission is operating under a state of emergency due to COVID-19, all public participation in the workshop must be by telephone. To participate in the workshop by telephone, persons may call: 1(888)585-9008 and, when prompted, enter in the following Conference Code: 416-925-719. The workshop will be available to view via livestream on the Commission's website at <http://www.floridapsc.com/Conferences/AudioVideoEventCoverage>.

One or more Commissioners may be in attendance and participate in this workshop.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this workshop should contact the Office of Commission Clerk no later than five days prior to the workshop at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 or (850)413-6770 (Florida Relay Service, 1(800)955-8770 Voice or 1(800)955-8771 TDD). Assisted Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS: Adria Harper at [aharper@psc.state.fl.us](mailto:aharper@psc.state.fl.us). A copy of the agenda and materials for the workshop will be posted on the Commission's website, [www.floridapsc.com](http://www.floridapsc.com), under the Rule Development tab by June 12, 2020.

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS AVAILABLE AT NO CHARGE FROM THE CONTACT PERSONS LISTED ABOVE.

1        **25-6.0141 Allowance for Funds Used During Construction.**

2        (1) Definition of terms of this rule.

3        (a) Allowance for funds used during construction (AFDUC) is the carrying cost of funding  
4 an eligible utility project investment during its construction.

5        (b) A project means a temporary endeavor with a defined beginning and end series of tasks  
6 that need to be completed in order to reach a specific outcome (e.g. a specific utility  
7 investment placed into service or devoted to public use for the provision of electric service),  
8 designed to produce an in-service plant investment result with a specific location and design.

9        (c) A utility may not bundle projects as a means of demonstrating that it has met the  
10 threshold for accruing AFUDC pursuant to this Rule unless it can also demonstrate that the  
11 overall cost of the bundled projects with AFUDC is less than the total overall cost of the  
12 unbundled projects without AFUDC.

13        (2)(4) Construction work in progress (CWIP) or nuclear fuel in process (NFIP) not under a  
14 lease agreement that is not included in rate base may accrue ~~allowance for funds used during~~  
15 ~~construction~~ (AFUDC), under the following conditions:

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

18        1. Projects that involve gross additions to plant in excess of 0.5 percent of the sum of the  
19 total balance in Account 101, Electric Plant in Service, and Account 106, Completed  
20 Construction not Classified, at the time the project commences and

21        a. Are expected to be completed in excess of one year after commencement of  
22 construction, or

23        b. Were originally expected to be completed in one year or less and are suspended for six  
24 months or more, or are not ready for service after one year.

25        (b) Ineligible projects. The following projects may be included in CWIP or NFIP, but may  
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from  
existing law.

1 not accrue AFUDC:

2 1. Projects, or portions thereof, that do not exceed the level of CWIP or NFIP included in  
3 rate base in the utility's last rate case.

4 2. Projects where gross additions to plant are less than 0.5 percent of the sum of the total  
5 balance in Account 101, Electric Plant in Service, and Account 106, Completed Construction  
6 not Classified, at the time the project commences.

7 3. Projects expected to be completed in less than one year after commencement of  
8 construction.

9 4. Property that has been classified as Property Held for Future Use.

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

12 1. Projects that are reimbursable by another party.

13 2. Projects that have been cancelled.

14 3. Purchases of assets which are ready for service when acquired.

15 4. Portions of projects providing service during the construction period.

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

17 1. Accrual of AFUDC is not to be reversed when a project originally expected to be  
18 completed in excess of one year is completed in one year or less;

19 2. AFUDC may not be accrued retroactively if a project expected to be completed in one  
20 year or less is subsequently suspended for six months, or is not ready for service after one  
21 year;

22 3. When a project is completed and ready for service, it shall be immediately transferred to  
23 the appropriate plant account(s) or Account 106, Completed Construction Not Classified, and  
24 may no longer accrue AFUDC;

25 4. Where a work order covers the construction of more than one property unit, the AFUDC

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.



1 accrual must cease on the costs related to each unit when that unit reaches an in-service status;

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

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

10 (e) Subaccounts. Account 107, Construction Work in Progress, and Account 120.1,  
11 Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication, must be  
12 subdivided so as to segregate the cost of construction projects that are eligible for AFUDC  
13 from the cost of construction projects that are ineligible for AFUDC.

14 (f) Prior to the commencement of construction on a project, a utility may file a petition to  
15 seek approval to include an individual project in rate base that would otherwise qualify for  
16 AFUDC treatment per paragraph ~~(2)~~(4)(a).

17 (g) On a prospective basis, the Commission, upon its own motion, may determine that the  
18 potential impact on rates may require the exclusion of an amount of CWIP from a utility's rate  
19 base that does not qualify for AFUDC treatment per paragraph ~~(2)~~(4)(a) and to allow the  
20 utility to accrue AFUDC on that excluded amount.

21 ~~(3)~~(2) The applicable AFUDC rate will be determined as follows:

22 (a) The most recent 13-month average embedded cost of capital, except as noted below,  
23 must be derived using all sources of capital and adjusted using adjustments consistent with  
24 those used by the Commission in the utility's last rate case.

25 (b) The cost rates for the components in the capital structure will be the midpoint of the  
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from  
existing law.

1 last allowed return on common equity, the most recent 13-month average cost of short term  
2 debt and customer deposits, and a zero cost rate for deferred taxes and all investment tax  
3 credits. The cost of long term debt and preferred stock will be based on end of period cost.  
4 The annual percentage rate must be calculated to two decimal places.

5 ~~(4)(3)~~ Discounted monthly AFUDC rate. A discounted monthly AFUDC rate, calculated to  
6 six decimal places, must be employed to ensure ~~insure~~ that the annual AFUDC charged does  
7 not exceed authorized levels.

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

10 
$$M = [((1 + A/100)^{1/12} - 1) \times 100]$$

11 Where:

12 M = discounted monthly AFUDC rate

13 A = annual AFUDC rate

14

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

17 ~~(5)(4)~~ The following schedules must be filed with each petition for a change in AFUDC  
18 rate:

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

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

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

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1        ~~(6)(5)~~ No utility may charge or change its AFUDC rate without prior Commission  
2 approval. The new AFUDC rate will be effective the month following the end of the 12-month  
3 period used to establish that rate and may not be retroactively applied to a previous fiscal year  
4 unless authorized by the Commission.

5        ~~(7)(6)~~ Each utility charging AFUDC must include in its December Earnings Surveillance  
6 Reports to the Commission Schedules A and B identified in subsection (4) of this rule, as well  
7 as disclosure of the AFUDC rate it is currently charging.

8        ~~(8)(7)~~ The Commission may, on its own motion, initiate a proceeding to revise a utility's  
9 AFUDC rate.

10       ~~(9)(8)~~ Each utility must include in its Forecasted Surveillance Report a schedule of  
11 individual projects that commence during that forecasted period and are estimated to have a  
12 gross cost in excess of 0.5 percent of the sum of the total balance in Account 101, Electric  
13 Plant in Service, and Account 106, Completed Construction not Classified. The schedule must  
14 include the following minimum information:

- 15        (a) Description of the project.
- 16        (b) Estimated total cost of the project.
- 17        (c) Estimated construction commencement date.
- 18        (d) Estimated in-service date.

19       *Rulemaking Authority 350.127(2), 366.05(1) FS. Law Implemented 350.115, 366.04(2)(a), (f)*  
20 *366.06(1), (2), 366.08 FS. History—New 8-11-86, Formerly 25-6.141, Amended 11-13-86, 12-*  
21 *7-87, 1-7-97, 12-30-19, \_\_\_\_\_.*

22  
23  
24  
25

1        **25-7.0141 Allowance for Funds Used During Construction.**

2        (1) Definition of terms for this rule.

3        (a) Allowance for funds used during construction (AFUDC) is the carrying cost of funding  
4 an eligible utility project investment during its construction.

5        (b) A project means a temporary endeavor with a defined beginning and end series of tasks  
6 that need to be completed in order to reach a specific outcome (e.g. a specific utility  
7 investment placed into service or devoted to public use for the provision of electric service),  
8 designed to produce an in-service plant investment result with a specific location and design.

9        (c) A utility may not bundle projects as a means of demonstrating that it has met the  
10 threshold for accruing AFUDC pursuant to this Rule unless it can also demonstrate that the  
11 overall cost of the bundled projects with AFUDC is less than the total overall cost of the  
12 unbundled projects without AFUDC.

13 ~~A utility shall not accrue allowance for funds used during construction without prior~~  
14 ~~Commission approval.~~

15        (2) Construction work in progress (CWIP) that is not included in rate base may accrue  
16 AFUDC, under the following conditions:

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

- 19        1. Projects that involve gross additions to plant in excess of \$25,000 and  
20 a. are expected to be completed in excess of one year after commencement of construction,  
21 or  
22 b. were originally expected to be completed in one year or less and are suspended for six  
23 months or more, or are not ready for service after one year.

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

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1 1. Projects, or portions thereof, that do not exceed the level of CWIP included in rate base  
2 in the company's last rate case.

3 2. Projects where gross additions to plant are less than \$25,000.

4 3. Projects expected to be completed in less than one year after commencement of  
5 construction.

6 4. Property that has been classified as Property Held for Future Use.

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

9 1. Projects that are reimbursable by another party.

10 2. Projects that have been cancelled.

11 3. Purchases of assets which are ready for service when acquired.

12 4. Portions of projects providing service during the construction period.

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

14 1. Accrual of AFUDC is not to be reversed when a project originally expected to be  
15 completed in excess of one year is completed in one year or less;

16 2. AFUDC may not be accrued retroactively if a project expected to be completed in one  
17 year or less is subsequently suspended for six months, or is not ready for service after one  
18 year;

19 3. When a project is completed and ready for service, it shall be immediately transferred to  
20 the appropriate plant account(s) or Account 106, Completed Construction Not Classified, and  
21 may no longer accrue AFUDC;

22 4. Where a work order covers the construction of more than one property unit, the AFUDC  
23 accrual shall cease on the costs related to each unit when that unit reaches an in service status;

24 5. When the construction activities for an ongoing project are expected to be suspended for  
25 a period exceeding six (6) months, the utility shall notify the Commission of the suspension

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1 and the reason(s) for the suspension, and shall submit a proposed accounting treatment for the  
2 suspended project; and

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

7 (e) Subaccounts. Account 107, Construction Work in Progress, shall be subdivided so as  
8 to segregate the cost of construction projects that are eligible for AFUDC from the cost of  
9 construction projects that are ineligible for AFUDC.

10 (f) Prior to the commencement of construction on a project, a utility may file a petition to  
11 seek approval to include an individual project in rate base that would otherwise qualify for  
12 AFUDC treatment per paragraph (2)(a).

13 (g) On a prospective basis, the Commission, upon its own motion, may determine that the  
14 potential impact on rates may require the exclusion of an amount of CWIP from a utility's rate  
15 base that does not qualify for AFUDC treatment per paragraph (2)(a) and to allow the utility to  
16 accrue AFUDC on that excluded amount.

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

18 (a) The most recent 13-month average embedded cost of capital, except as noted below,  
19 shall be derived using all sources of capital and adjusted using adjustments consistent with  
20 those used by the Commission in the Company's last rate case.

21 (b) The cost rates for the components in the capital structure shall be the midpoint of the  
22 last allowed return on common equity, the most recent 13-month average cost of short-term  
23 debt and customer deposits and a zero cost rate for deferred taxes and all investment tax  
24 credits. The cost of long-term debt and preferred stock shall be based on end of period cost.  
25 The annual percentage rate shall be calculated to two decimal places.

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

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

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

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

7     Where:

8     M = discounted monthly AFUDC rate

9     A = Annual AFUDC rate

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

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

13    (a) Schedule A. A schedule showing the capital structure, cost rates and weighted average  
14 cost of capital that are the basis for the AFUDC rate in subsection (3).

15    (b) Schedule B. A schedule showing capital structure adjustments including the  
16 unadjusted capital structure, reconciling adjustments and adjusted capital structure that are the  
17 basis for the AFUDC rate in subsection (3).

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

20    (6) No utility may charge or change its AFUDC rate without prior Commission approval.  
21 The new AFUDC rate shall be effective the month following the end of the 12-month period  
22 used to establish that rate and may not be retroactively applied to a previous fiscal year unless  
23 authorized by the Commission.

24    (7) Each utility charging AFUDC shall include in its December Rate of Return  
25 surveillance report to the Commission Schedules A and B identified in subsection (5) of this

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1 rule, as well as disclosure of the AFUDC rate it is currently charging.

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

4 *Rulemaking Authority 350.127(2), 366.05(1) FS. Law Implemented 350.115, 366.05(1),*  
5 *366.06(1) FS. History—New 8-11-86, Formerly 25-7.141, Amended 11-13-86, 12-7-87, 11-23-*  
6 *95,\_\_\_\_\_.*

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.



1        **25-30.116 Allowance for Funds Used During Construction.**

2        (1) Definition of terms for this rule.

3        (a) Allowance for funds used during construction (AFUDC) is the carrying cost of funding  
4 an eligible utility project investment during its construction.

5        (b) A project means a temporary endeavor with a defined beginning and end series of  
6 tasks that need to be completed in order to reach a specific outcome (e.g. a specific utility  
7 investment placed into service or devoted to public use for the provision of electric service),  
8 designed to produce an in-service plant investment result with a specific location and design.

9        (c) A utility may not bundle projects as a means of demonstrating that it has met the  
10 threshold for accruing AFUDC pursuant to this Rule unless it can also demonstrate that the  
11 overall cost of the bundled projects with AFUDC is less than the total overall cost of the  
12 unbundled projects without AFUDC.

13        ~~(2)(4)~~ Construction work in progress (CWIP) that is not included in rate base may accrue  
14 ~~allowance for funds used during construction (AFUDC)~~, under the following conditions:

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

17        1. Projects that involve gross additions to plant in excess of \$5,000 and

18        2. Are expected to be completed in excess of sixty days after commencement of  
19 construction, or

20        3. Were originally expected to be completed in sixty days or less but are not ready for  
21 service after sixty days.

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

24        1. Projects, or portions thereof, that do not exceed the level of CWIP included in rate base  
25 in the company's last rate case.

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1 2. Projects where gross additions to plant are less than \$5,000.

2 3. Projects expected to be completed in less than sixty days after commencement of  
3 construction.

4 4. Property that has been classified as Property Held for Future Use.

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

7 1. Projects that are reimbursable by another party.

8 2. Projects that have been cancelled.

9 3. Purchases of assets which are ready for service when acquired.

10 4. Portions of projects providing service during the construction period.

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

12 1. Accrual of AFUDC is not to be reversed when a project originally expected to be  
13 completed in excess of sixty days is completed in sixty days or less;

14 2. AFUDC may not be accrued retroactively if a project expected to be completed in sixty  
15 days or less is subsequently suspended for six months, or is not ready for service after sixty  
16 days;

17 3. When a project is completed and ready for service, it shall be immediately transferred to  
18 the appropriate plant account(s) or Account 106, Completed Construction Not Classified, and  
19 may no longer accrue AFUDC;

20 4. Where a work order covers the construction of more than one property unit, the AFUDC  
21 accrual shall cease on the costs related to each unit when that unit reaches an in-service status;

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

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

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

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

8       (f) Prior to the commencement of construction on a project, a utility may file a petition to  
9 seek approval to include an individual project in rate base that would otherwise qualify for  
10 AFUDC treatment per paragraph (2)(a).

11       (g) On a prospective basis, the Commission, upon its own motion, may determine that the  
12 potential impact on rates may require the exclusion of an amount of CWIP from a utility's rate  
13 base that does not qualify for AFUDC treatment per paragraph (2)(a) and to allow the utility to  
14 accrue AFUDC on that excluded amount.

15       ~~(3)(2)~~ The applicable AFUDC rate shall be determined as follows:

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

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

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

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

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

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

12       ~~(4)(3)~~ Discounted monthly AFUDC rate. A discounted monthly AFUDC rate, calculated to  
13 six decimal places, shall be employed to insure that the annual AFUDC charged does not  
14 exceed authorized levels.

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

17       
$$M = \frac{[(1 + A/100)^{1/12} - 1] \times 100}{[(1 + A/100)^{1/12} - 1] \times 100}$$

18       Where:

19       M = discounted monthly AFUDC rate

20       A = annual AFUDC rate

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

23       ~~(5)(4)~~ The following schedules shall be filed with each petition for a change in AFUDC  
24 rate:

25       (a) Schedule A. A schedule showing the capital structure, cost rates and weighted average  
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from  
existing law.

1 | cost of capital that are the basis for the AFUDC rate in subsection (3)~~(2)~~.

2 |       (b) Schedule B. A schedule showing capital structure adjustments including the unadjusted  
3 | capital structure, reconciling adjustments and adjusted capital structure that are the basis for  
4 | the AFUDC rate in subsection (3)~~(2)~~.

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

7 |       (6)~~(5)~~ No utility may charge or change its AFUDC rate without prior Commission  
8 | approval. The new AFUDC rate shall be effective the month following the end of the 12-  
9 | month period used to establish that rate and may not be retroactively applied to a previous  
10 | fiscal year unless authorized by the Commission.

11 |       (7)~~(6)~~ Each utility charging AFUDC shall include with its Annual Report to the  
12 | Commission Schedules A and B identified in subsection (5)~~(4)~~ of this rule, as well as  
13 | disclosure of the AFUDC rate it is currently charging.

14 |       (8)~~(7)~~ The Commission may, on its own motion, initiate a proceeding to revise a utility's  
15 | AFUDC rate.

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

20 | *Rulemaking Authority 350.127(2), 367.121(1)(f) FS. Law Implemented 350.115, 367.081(2),*  
21 | *367.121(1)(b) FS. History—New 8-11-86, Formerly 25-30.121, Amended 11-13-86, 12-7-*  
22 | *87,\_\_\_\_\_.*

23 |  
24 |  
25 |

FLORIDA PUBLIC SERVICE COMMISSION

AGENDA

STAFF WORKSHOP

IN RE: AMENDMENT OF RULES 25-6.0141, ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION, AND 25-30.116, ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION, F.A.C., AND ADOPTION OF RULE 25-7.0141, ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION, F.A.C.

June 29, 2020, 3:00 pm  
Call-in Number: 1-888-585-9008  
Conference Code: 416-925-719

1. Welcome – Staff.
2. Staff overview and stakeholder comments on draft Rule 25-6.0141, Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4.
3. Staff overview and stakeholder comments on draft Rule 25-7.0141, Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4.
4. Staff overview and stakeholder comments on draft Rule 25-30.116, Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4.
5. Discussion of Next Steps.
6. Adjourn.