

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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.

Docket No. 20200000

Submitted: July 27, 2020

**POST-WORKSHOP COMMENTS OF FLORIDA CITY GAS**

On June 10, 2020, the Florida Public Service Commission (“Commission”) Staff initiated a rulemaking to amend Rule 25-6.0141, Allowance for Funds Used During Construction, Florida Administrative Code (F.A.C.) (hereinafter, referred to as the “Electric AFUDC Rule”), and Rule 25-30.116, Allowance for Funds Used During Construction, F.A.C., to update the rules that allow utilities to accrue certain funds used during construction, and to create Rule 25-7.0141, Allowance for Funds Used During Construction, F.A.C. (hereinafter, referred to as the “Gas AFUDC Rule”), for gas utilities. Staff conducted a rulemaking workshop on June 29, 2020, to solicit input and comments from interested parties on the proposed rulemaking. At the conclusion of the workshop, Staff invited interested parties to submit written comments and redlined suggested edits to the proposed rules on July 27, 2020. Florida City Gas (“FCG”) herein submits these Comments regarding the proposed new Gas AFUDC Rule for Staff’s consideration.

FCG is a natural gas local distribution company (“LDC”) that currently serves approximately 108,000 residential, commercial and industrial natural gas customers in Florida’s Miami-Dade, Brevard, St. Lucie, Palm Beach, Glades, Hendry, Broward, and Indian River counties. FCG is a “public utility” as that term is defined in Section 366.02, F.S., subject to the regulatory jurisdiction of the Commission.

At the outset, it is important to note that FCG agrees with Staff's proposal to create a new AFUDC rule for the gas LDCs. The current Gas AFUDC Rule merely provides that gas utilities may not accrue AFUDC without prior Commission approval. Thus, the current Rule prohibits gas LDCs from accruing AFUDC without first going to the Commission and, moreover, lacks direction on when and how AFUDC may be calculated and accrued by the gas LDCs. FCG applauds Staff's efforts to create a new AFUDC rule to provide greater guidance and clarity to the gas LDCs. FCG appreciates the opportunity to provide additional comments to the proposed new Gas AFUDC Rule.

With the exception of the threshold amount in Section 25-7.0141(2)(a)(1), Staff's proposed new Gas AFUDC Rule is essentially the same as Staff's proposed amendments to the Electric AFUDC Rule. FCG is a wholly-owned, direct subsidiary of Florida Power & Light Company ("FPL") and an affiliate of Gulf Power Company ("Gulf"), which submitted Joint Comments with suggested modifications to the Electric AFUDC Rule. Although gas and electric operations may differ, FCG's accounting practices under FPL ownership are consistent with and overseen by FPL's accounting team.

With the exception of the threshold amount in Section 25-7.0141(2)(a)(1) of the proposed new Gas AFUDC Rule, FCG agrees with the concerns, recommendations, and suggested modifications raised in the Joint Comments submitted by FPL and Gulf. FCG submits that the FPL/Gulf Joint Comments to the Electric AFUDC Rule are equally applicable to Staff's proposed new Gas AFUDC Rule. FCG fully incorporates the FPL/Gulf Joint Comments as though fully set forth herein. A marked version of the proposed new Gas AFUDC Rule reflecting these proposed modifications is provided as Appendix A to these Comments.

With respect to the threshold in Section 25-7.0141(2)(a)(1) of the proposed new Gas AFUDC Rule, FCG agrees with the threshold proposed by Staff and believes that it appropriately

and reasonably balances the fact that gas LDCs and their projects are much smaller in scale than the electric investor-owned utilities. Therefore, FCG has no comments to and agrees with the threshold amount proposed by Staff in Section 25-7.0141(2)(a)(1) of the proposed new Gas AFUDC Rule.

As stated above, FCG generally supports Staff's proposed new Gas AFUDC Rule, Rule 25-7.0141, F.A.C. However, FCG believes that several modifications and clarifications would be appropriate and are necessary for the reasons explained in the FPL/Gulf Joint Comments, which are incorporated herein. Accordingly, FCG respectfully requests that Commission Staff modify its proposed updates to the Gas AFUDC Rule consistent with these comments and the Joint Comments of FPL and Gulf. Again, FCG thanks Staff for its efforts to propose a new AFUDC rule for the gas LDCs, and FCG appreciates the opportunity to comment on the proposed new Gas AFUDC Rule.

Respectfully submitted this 27th day of July, 2020.

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## **APPENDIX A**

### **Redline Version of FCG's Proposed Modifications to Rule 25-7.0141, F.A.C., Allowance for Funds Used During Construction**

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 ~~related~~ projects that achieve a specific outcome as a means of  
10 demonstrating that it has met the threshold for accruing AFUDC pursuant to this Rule unless if  
11 it can ~~also~~ demonstrate that the ~~overall~~ cost of the bundled projects ~~with excluding~~ AFUDC is  
12 less than the total ~~overall~~ cost of the 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:

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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

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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.

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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:

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

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

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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.*

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by electronic delivery to the following parties of record this 27th day of July, 2020:

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