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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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.	Docket No.: 20200000 Filed: October 7, 2020

FLORIDA POWER & LIGHT COMPANY
AND GULF POWER COMPANY'S COMMENTS
ON PROPOSED REVISED CHANGES TO RULE 25-6.0141

Florida Power & Light Company ("FPL") and Gulf Power Company ("Gulf") ("the Companies" when referred to collectively) jointly file with the Florida Public Service Commission ("Commission") these comments supporting the proposed changes to Rule 25-6.0141, Florida Administrative Code ("F.A.C."), Allowance for Funds Used During Construction, as set forth in the document circulated on September 16, 2020. Attached as Exhibit 1 (in legislative format) are edits to the Rule, which are non-substantive in nature and are intended to incorporate Staff's revision throughout the Rule in a consistent manner.

1. On June 10, 2020, the Commission provided notice of initiating rulemaking to amend Rule 25-6.0141, Allowance for Funds Used During Construction, F.A.C. ("AFUDC Rule").[1] On June 29, 2020, the Commission Staff held a duly-noticed workshop at which all interested persons had an opportunity to participate. The Companies participated and provided oral comments on the proposed amendments to the AFUDC Rule.

2. On July 27, 2020, FPL, Gulf, Tampa Electric Company, Duke Energy Florida and Florida Public Utilities Company filed comments. The Office of Public Counsel filed comments on July 28, 2020.

[1] The rulemaking notice also included Rules 25-30.116 and 25-7.0141, which do not impact the Companies because those rules do not apply to electric utilities. Therefore, those rules are not addressed herein.

3. On September 16, 2020, following the workshop and review of post-workshop comments, Staff revised the draft of the electric AFUDC Rule. Staff invited parties to submit comments on the revised version of the proposed AFUDC Rule.

4. FPL and Gulf agree with the revised amendments for the reasons described in the Companies' July 27, 2020 joint comments. In summary:

a. *The definition of "Project" set forth in the revised amendments reflects the manner in which electric utilities conduct business*. Utilities often make customer-benefitting investment decisions to achieve one specific outcome. These investments may involve multiple sites, such as the addition of multiple solar sites at different locations, or generation projects that require the construction of interconnection facilities to transmit energy from the plant into the grid but are located a few miles from the primary property. In addition, even with a single site, it might be necessary or ideal to implement more than one specific design. The Companies support the proposed AFUDC Rule, as revised, because it would include endeavors that involve multiple locations or designs to be deemed "projects."

b. *Reducing the AFUDC threshold to the lesser of $50 million or 0.25% of net plant appropriately brings the Rule up to date.* The threshold under the existing AFUDC Rule is 0.5% of gross plant, which for FPL has grown from about $79 million in 1996 (when the AFUDC Rule was last revised) to $270 million in 2020. As the Companies explained in their July 27, 2020 comments, there are many projects that are significant yet fall beneath the current threshold. In addition, today's utility planning includes more renewable technologies, such as mid-sized solar plants and energy storage facilities. The reduced AFUDC threshold acknowledges that utilities must issue incremental debt and equity to fund these types of construction projects. The Companies support the revised AFUDC threshold because it better aligns the Rule with present day realities and helps advance the development of renewable technologies consistent with Florida's policy.

c. *The "bundling" concept included in the proposed amendment to the AFUDC rule, as revised, likewise reflects the way the industry operates*. FPL and Gulf bundle projects together and consider it as one project only if it results in the lowest contracted cost for customers. The Companies support the bundling provision in the proposed AFUDC Rule, as revised, because it is consistent with this customer-benefitting practice.

5. For these reasons, and the reasons described in FPL's and Gulf's July 27, 2020 joint comments, the Companies support the proposed Amended AFUDC Rule, as revised, and as reflected in Exhibit 1.

Respectfully submitted this 7th day of October 2020.

Maria Jose Moncada
Senior Attorney
Florida Power & Light Company
Gulf Power Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420
(561) 304-5795
(561) 691-7135 (fax)

By: *s/ Maria Jose Moncada*
Fla. Bar No. 0773301

:8237920

CERTIFICATE OF SERVICE
Docket No. 20200000

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 7th day of October 2020 to the following:

Adria Harper
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
aharper@psc.state.fl.us

J.R. Kelly
Charles J. Rehwinkel
Mireille Fall-Fry
Office of Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400
kelly.jr@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
fall-fry.mireille@leg.state.fl.us

Paula Brown
Tampa Electric Company
P.O. Box 111
Tampa, FL 33601-0111
regdept@tecoenergy.com

James D. Beasley, Esq.
J. Jeffrey Wahlen, Esq.
Malcolm N. Means, Esq.
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302
jbeasley@ausley.com
jwahlen@ausley.com
mmeans@ausley.com
Attorneys for Tampa Electric Company

Russell A. Badders
Gulf Power Company
Vice President & General Counsel
One Energy Place, Bin 100
Pensacola, FL 32520-0100
russell.badders@nexteraenergy.com

Dianne M. Triplett
299 First Avenue North
St. Petersburg, FL 33701
Dianne.triplett@duke-energy.com

Matthew R. Bernier, Esq.
106 East College Avenue, Suite 800
Tallahassee, FL 32301
Matthew.bernier@duke-energy.com
FLRegulatoryLegal@duke-energy.com
Attorneys for Duke Energy Florida

Beth Keating
Gunster, Yeakley & Stewai1, P.A.
215 South Monroe St., Suite 601
Tallahassee, Florida 32301-1804
bkeating@gunster.com
Attorneys for Florida Public Utilities Corp.

Christopher T. Wright
700 Universe Boulevard (JB/LAW)
Juno Beach, Florida 33408
christopher.wright@fpl.com
Attorney for Florida City Gas

Mike Cassel
Director, Regulatory Affairs
Florida Public Utilities
208 Wildlight Ave
Yulee, Florida 32097
mcassel@fpuc.com

By: *s/ Maria Jose Moncada*
Fla. Bar No. 0773301

Exhibit 1

25-6.0141 Allowance for Funds Used During Construction.

(1) Definition of terms of this rule.

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

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

(2) Construction work in progress (CWIP) or nuclear fuel in process (NFIP) not under a lease agreement 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 or NFIP and accrue AFUDC:

1. Projects that involve ~~gross~~ additions to plant in excess of the lower of $50 million or 0.25 percent of the sum of the total balance in Account 101, Electric Plant in Service, ~~and~~ Account 106, Completed Construction not Classified, Account 108, Accumulated Provision for Depreciation of Electric Utility Plant, and Account 111, Accumulated Provision for Amortization of Electric Utility Plant, at the time the project commences and

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

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

2. A utility may bundle related projects that achieve a specific outcome if it demonstrates that the cost of the bundled projects excluding AFUDC is less than the total cost of the

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unbundled projects.

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

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

2. Projects where ~~gross~~ additions to plant are less than the lower o~~r~~f $50 million or 0.25 percent of the sum of the total balance in Account 101, Electric Plant in Service, ~~and~~ Account 106, Completed Construction not Classified, Account 108, Accumulated Provision for Depreciation of Electric Utility Plant, and Account 111, Accumulated Provision for Amortization of Electric Utility Plant, at the time the project commences.

3. Projects expected to be completed in less than one year 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 or NFIP, 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 one year is completed in one year or less;

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

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year;

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 must 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 months, the utility must notify the Commission of the suspension and the reason(s) for the suspension, and must 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 107, Construction Work in Progress, and Account 120.1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication, must 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.

(f) Prior to the commencement of construction on a project, a utility may file a petition to seek approval to include an individual project in rate base that would otherwise qualify for AFUDC treatment per paragraph (2)~~(1)~~(a).

(g) On a prospective basis, the Commission, upon its own motion, may determine that the potential impact on rates may require the exclusion of an amount of CWIP from a utility's rate base that does not qualify for AFUDC treatment per paragraph (2)~~(1)~~(a) and to allow the

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utility to accrue AFUDC on that excluded amount.

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

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

(b) The cost rates for the components in the capital structure will be the midpoint of the last allowed return on common equity, the most recent 13-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 will be based on end of period cost. The annual percentage rate must be calculated to two decimal places.

(4)~~(3)~~ Discounted monthly AFUDC rate. A discounted monthly AFUDC rate, calculated to six decimal places, must be employed to ensure ~~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:

$\mathbf{M = [((1 + A/100)^{1/12\cancel{-1}})-1] x\ 100}$ Where:

M = discounted monthly AFUDC rate

A = annual AFUDC rate

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

(5)~~(4)~~ The following schedules must 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).

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(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.

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

(7)~~(6)~~ Each utility charging AFUDC must include in its December Earnings Surveillance Reports 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.

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

(9)~~(8)~~ Each utility must include in its Forecasted Surveillance Report a schedule of individual projects that commence during that forecasted period and are estimated to have a ~~gross~~ cost in excess of the lower of $50 million or 0.25 percent of the sum of the total balance in Account 101, Electric Plant in Service, ~~and~~ Account 106, Completed Construction not Classified, Account 108, Accumulated Provision for Depreciation of Electric Utility Plant, and Account 111, Accumulated Provision for Amortization of Electric Utility Plant. The schedule must include the following minimum information:

(a) Description of the project.

(b) Estimated total cost of the project.

(c) Estimated construction commencement date.

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(d) Estimated in-service date.

*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. History–New 8-11-86, Formerly 25-6.141, Amended 11-13-86, 12-7-87, 1-7-97, 12-30-19,*______________.

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