

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

---

**DATE:** November 10, 2020

**TO:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

**FROM:** Sevini K. Guffey, Public Utility Analyst III, Division of Economics *S.K.G.*

**RE:** Docket No. 20200237-PU: Amendment of Rules 25-6.0141, F.A.C., Allowance for Funds Used During Construction, and 25-30.116, F.A.C., Allowance for Funds Used During Construction, and adoption of Rule 25-7.0141, F.A.C., Allowance for Funds Used During Construction.

---

Please place the attached documentation provided to the natural gas utilities in the docket file.

Thank you.

## Sevini Guffey

---

**From:** Sevini Guffey  
**Sent:** Monday, November 09, 2020 9:34 AM  
**To:** Kandi Floyd (kfloyd@tecoenergy.com); Wright, Christopher; Andy Shoaf (andy@stjoegas.com); Beth Keating (BKeating@gunster.com); Mike Cassel (mcassel@fpuc.com); Jerry Melendy (jmelendy@floridasbestgas.com)  
**Cc:** Tripp Coston  
**Subject:** RE: Docket No. 20200237-PU -- SERC Data Request - Natural Gas IOUs  
**Attachments:** Rule 25-7.0141 (002).1030.docx

All:

Please see the attached, revised Rule 25-7.0141, F.A.C. The revision corrects an oversight to Section (1)(b) where "... with a specific location and design." should have been removed. Attached is the corrected version.

Sevini

---

**From:** Sevini Guffey  
**Sent:** Thursday, November 05, 2020 8:31 AM  
**To:** Kandi Floyd ([kfloyd@tecoenergy.com](mailto:kfloyd@tecoenergy.com)); Wright, Christopher; Andy Shoaf ([andy@stjoegas.com](mailto:andy@stjoegas.com)); Beth Keating ([BKeating@gunster.com](mailto:BKeating@gunster.com)); Mike Cassel ([mcassel@fpuc.com](mailto:mcassel@fpuc.com)); Jerry Melendy ([jmelendy@floridasbestgas.com](mailto:jmelendy@floridasbestgas.com))  
**Cc:** Tripp Coston  
**Subject:** Docket No. 20200237-PU -- SERC Data Request - Natural Gas IOUs

Dear All:

By this email, the Commission staff is requesting your utility company's input on potential cost impacts that might result from proposed revisions to Rule 25-7.0141, Florida Administrative Code, Allowance for Funds Used During Construction.

Pursuant to Section 120.54(3)(b)1, Florida Statutes, agencies are encouraged to prepare a statement of estimated regulatory costs (SERC) before the adoption, amendment, or repeal of any rule. In order to prepare the SERC, staff includes questions which pertain to the proposed rule changes, as attached. Most recent draft rules are also attached.

In order for staff to prepare the SERC for the December 2020 Commission Conference Agenda, staff is requesting that all responses be filed electronically in the docket file no later than November 12, 2020, via the Commission's website at [www.floridapsc.com](http://www.floridapsc.com) by selecting the Clerk's Office tab and Electronic filing Web Form. Please contact me if you have any concerns regarding this data request.

Thank you.  
Sevini

Sevini K. Guffey  
Public Utility Analyst III  
Division of Economics  
Florida Public Service Commission  
Email: [sguffey@psc.state.fl.us](mailto:sguffey@psc.state.fl.us)

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 natural gas  
8 service), designed to produce an in-service plant investment result.

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

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

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

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

20 2. A utility may bundle related projects that achieve a specific outcome it demonstrates  
21 that the overall cost of the bundled projects including AFUDC is less than the total overall  
22 cost of the unbundled projects without AFUDC.

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

- 25 1. Projects, or portions thereof, that do not exceed the level of CWIP included in rate base

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

1 in the company's last rate case.

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

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

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

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

8 1. Projects that are reimbursable by another party.

9 2. Projects that have been cancelled.

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

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

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

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

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

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

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

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

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

1 suspended project; and

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

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

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

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

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

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

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

25 (4) Discounted monthly AFUDC rate. A discounted monthly AFUDC rate, calculated to

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

1 six decimal places, shall be employed to insure that the annual AFUDC charged does not  
2 exceed authorized levels.

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

$$5 \quad \underline{M = [(1 + A/100)^{1/12} - 1] \times 100}$$

6 Where:

7 M = discounted monthly AFUDC rate

8 A = Annual AFUDC rate

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

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

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

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

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

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

23 (7) Each utility charging AFUDC shall include in its December Rate of Return  
24 surveillance report to the Commission Schedules A and B identified in subsection (5) of this  
25 rule, as well as disclosure of the AFUDC rate it is currently charging.

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

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