



Christopher T. Wright
Senior Attorney – Regulatory
700 Universe Blvd
Juno Beach, FL 33408-0420
(561) 691-7144 (Telephone)
(561) 691-7135 (Facsimile)
Florida Authorized House Counsel;
Admitted in Pennsylvania

November 12, 2020

VIA ELECTRONIC FILING

Mr. Adam Teitzman
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20200237-PU
Florida City Gas – Responses to Statement of Estimated Regulatory Costs
Data Requests (Nos. 1-14)

Dear Mr. Teitzman:

Enclosed for filing, please find the Florida City Gas responses to Staff’s Statement of Estimated Regulatory Costs Data Requests (Nos. 1-14) regarding the proposed Rule 25-7.0141, F.A.C., Allowance for Funds Used During Construction.

Copies of this filing are being served as indicated on the attached Certificate of Service.

Sincerely,

/s/Christopher T. Wright
Christopher T. Wright, Senior Attorney
Authorized House Counsel No. 1007055

cc: Sevini K. Guffey (Email: sguffey@psc.state.fl.us)
Tripp Coston (Email: TCoston@PSC.STATE.FL.US)

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 12th day of November, 2020:

<p>Adria Harper Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 aharper@psc.state.fl.us For Commission Staff</p>	<p>J.R. Kelly/Patricia A. Christensen c/o The Florida Legislature 111 W. Madison St., Rm 812 Tallahassee FL 32399 (850) 488-9330 (850) 487-6419 kelly.jr@leg.state.fl.us christensen.patty@leg.state.fl.us For the Office of Public Counsel</p>
<p>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 For Tampa Electric Company</p>	<p>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 For Duke Energy Florida</p>
<p>Russell A. Badders Gulf Power Company Vice President & General Counsel One Energy Place, Bin 100 Pensacola, FL 32520-0100 russell.badders@nexteraenergy.com For Gulf Power Company</p>	<p>Paula Brown Kandi Floyd Tampa Electric Company P.O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com kfloyd@tecoenergy.com For Tampa Electric Company</p>
<p>Andy Shoaf P.O. Box 549 Port St. Joe, FL 32457-0549 Andy@stjoegas.com For St. Joe Natural Gas Company, Inc.</p>	<p>Mike Cassel Director, Regulatory Affairs 208 Wildlight Ave Yulee, Florida 32097 mcassel@fpuc.com For Florida Public Utilities Corp.</p>
<p>Maria Moncada Florida Power & Light Company 700 Universe Boulevard (JB/LAW) Juno Beach, Florida 33408 maria.moncada@fpl.com For Florida Power and Light Company</p>	<p>Beth Keating Gunster, Yeakley & Stewart, P.A. 215 South Monroe St., Suite 601 Tallahassee, Florida 32301-1804 bkeating@gunster.com For Florida Public Utilities Corp.</p>

/s/Christopher T. Wright

 Christopher T. Wright
 Fla. Auth. House Counsel No. 1007055
 Attorney for Florida City Gas

QUESTION:

Section (2)(a)1. states that projects that involve gross plant additions in excess of \$25,000 and are expected to be completed in excess of one year will be eligible for AFUDC. What is the potential financial impact to your utility and your customers for a newly qualifying project?

RESPONSE:

Florida City Gas ("FCG") is answering the current question and all subsequent questions as they relate to FCG's current forecast for the 2021 calendar year.

FCG does not project that it will have any projects that qualify for AFUDC in the 2021 calendar year.

QUESTION:

What is your utility's incremental increase in the annual amount of AFUDC-eligible projects with the proposed \$25,000 threshold?

RESPONSE:

FCG does not project any AFUDC eligible projects for the 2021 calendar year.

QUESTION:

What is your utility's incremental increase in the annual amount of accrued AFUDC with the proposed \$25,000 threshold?

RESPONSE:

FCG does not project any incremental increase in the annual amount of accrued AFUDC with the proposed \$25,000 threshold for the 2021 calendar year.

QUESTION:

Section (2)6. (f) states that the utility may file a petition prior to commencement of construction to seek approval to include an individual project in rate base. If your utility decides to file such a petition, what is the estimated cost?

RESPONSE:

FCG does not have any plans to file a petition prior to commencement of construction to seek approval to include individual projects in rate base during calendar year 2021, thus there is no estimated cost.

QUESTION:

Section (3)(a) states that the applicable AFUDC rate shall be determined using the most recent 13-month average embedded cost of capital. What is the estimated cost to determine the applicable AFUDC as stated above?

RESPONSE:

FCG does not project any incremental cost to determine the applicable AFUDC rate.

QUESTION:

Section (2) 2. allows a utility to bundle multiple related projects together if the utility can demonstrate that the total cost with AFUDC will be less than the total cost of the unbundled projects without AFUDC. (a) Under the proposed bundling with AFUDC, does the utility anticipate any financial impact to rate payers? Please explain. (b) What impact, if any, would bundling projects have on the utility's rate base? Please explain.

RESPONSE:

FCG does not project any impact to rate payers or rate base as it does not project to have any AFUDC eligible projects during the 2021 calendar year.

QUESTION:

Section (5) requires the utility to file Schedules A, B, and C with each petition for a change in AFUDC rate and Section (7) requires these schedules to be included with the December Rate of Return surveillance report to the Commission. Please state the estimated cost to complete and file Schedules A, B, and C as required in Sections (5) and (7).

RESPONSE:

FCG does not project any incremental cost to file Schedules A, B, and C as required in Sections (5) and (7).

QUESTION:

Is the proposed rule likely to increase any transactional costs (e.g.: filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule) to your utility, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? Please provide a good faith estimate of incremental annual costs.

RESPONSE:

FCG does not project to incur any transactional costs in excess of \$1 million in the aggregate within 5 years after the implementation of the rule.

QUESTION:

Is the proposed rule likely to directly or indirectly result in incremental regulatory costs for your utility in excess of \$200,000 in the aggregate within 1 year after the implementation of this rule? Please explain.

RESPONSE:

FCG does not project any incremental regulatory costs in excess of \$200,000 in the aggregate within 1 year after the implementation of this rule.

QUESTION:

Is the proposed rule likely to have an adverse impact on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of this rule? Please explain.

RESPONSE:

FCG does not project an adverse impact on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of this rule.

QUESTION:

Will the proposed rule have an adverse impact on small business? (A small business is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments). Please explain.

RESPONSE:

FCG does not foresee the proposed rule having an impact on small business. FCG does not project to have any AFUDC eligible projects during the 2021 calendar year.

QUESTION:

Is the proposed rule likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule?

RESPONSE:

FCG does not project the proposed rule will have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule.

QUESTION:

Does your utility anticipate any effect on state or local revenues from the AFUDC related projects?
Please discuss.

RESPONSE:

FCG does not anticipate any effect on state or local revenues as it does not have any AFUDC related projects in the 2021 calendar year.

QUESTION:

Please provide any additional information related to draft Rule 25-7.0141, F.A.C., which the Commission may deem useful.

RESPONSE:

On June 10, 2020, Staff initiated a rulemaking to, among other things, revise Rule 25-7.0141, Allowance for Funds Used During Construction, F.A.C. (hereinafter, referred to as the "Gas AFUDC Rule"), for gas utilities. On July 27, 2020, FCG submitted Post-Workshop Comments to Staff's proposed revisions to the Gas AFUDC Rule. On November 5, 2020, Staff issued a second revised version of the Gas AFUDC Rule, together with a set of SERC Data Requests. FCG submits that its July 27, 2020 Post-Workshop Comments are equally applicable to Staff's second revised version of the Gas AFUDC Rule and, therefore, said comments are incorporated herein. A copy of FCG's Post-Workshop Comments is provided as Attachment 1 to this response.

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.

By: /s/Christopher T. Wright
Christopher T. Wright
Fla. Auth. House Counsel No. 1007055
Florida Power & Light Company
700 Universe Boulevard (JB/LAW)
Juno Beach, Florida 33408
Phone: 561-691-7144
Fax: 561-691-7135
Email: christopher.wright@fpl.com

Attorney for Florida City Gas

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:

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

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

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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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:

<p>Adria Harper Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 aharper@psc.state.fl.us For Commission Staff</p>	<p>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 For the Office of Public Counsel</p>
<p>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 For Tampa Electric Company</p>	<p>Paula Brown Tampa Electric Company P.O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com For Tampa Electric Company</p>
<p>Russell A. Badders Gulf Power Company Vice President & General Counsel One Energy Place, Bin 100 Pensacola, FL 32520-0100 russell.badders@nexteraenergy.com For Gulf Power Company</p>	<p>Maria Moncada Florida Power & Light Company 700 Universe Boulevard (JB/LAW) Juno Beach, Florida 33408 Maria.moncada@fpl.com For Florida Power and Light Company</p>
<p>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 For Duke Energy Florida</p>	<p>Mike Cassel Director, Regulatory Affairs Florida Public Utilities 208 Wildlight Ave Yulee, Florida 32097 mcassel@fpuc.com Beth Keating Gunster, Yeakley & Stewail, P.A. 215 South Monroe St., Suite 601 Tallahassee, Florida 32301-1804 bkeating@gunster.com For Florida Public Utilities Corp.</p>

/s/Christopher T. Wright
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