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November 13, 2020

VIA ELECTRONIC FILING

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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 During Construction F.A.C;*
Docket No. 20200237-PU

Dear Mr. Teitzman:

Please find enclosed for filing, on behalf of Duke Energy Florida, LLC, its response to Staff's First SERC Data Request (Nos. 1-11) in the above-subject Docket.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this matter.

Respectfully,

/s/ Matthew R. Bernier

Matthew R. Bernier

MRB/cmw
Enclosure

Cc: Sevini Guffey, Public Utility Analyst III
Adria E. Harper

Statement of Estimated Regulatory Costs Data Request

Docket No. 20200237-PU

Rule 25-6.0141, F.A.C., Allowance for Funds Used During Construction

Staff has proposed revisions to update and clarify Rule 25-6.0141, F.A.C., for accounting of electric utility costs related to allowance of funds used during construction (AFUDC). The revisions include the definition of a “project” and correct an error in the AFUDC formula. Overall, the proposed revisions will allow utilities to accrue AFUDC and allow utilities to recover the costs they incurred to finance investments before the investments are placed in service and earn a return through base rates. Considering the proposed overall revisions to Rule 25-6.0141, F.A.C., please provide responses to the following questions:

- 1) Section (2) (a) 1. states that a project with gross plant additions in excess of 0.40 percent (reduction from current 0.50 percent) of the sum of the total balance in Accounts 101 and 106 at the time the project commences will be eligible for AFUDC. What is the potential financial impact to your utility and your customers for a newly qualifying project?

Response:

If the eligibility threshold amount is reduced, more capital projects might qualify for AFUDC. As a result, asset balance will increase and therefore Rate Base might increase when Duke Energy Florida, LLC (DEF) seeks recovery of the respective assets in the future Rate proceeding, which would potentially increase customer rates. However, as discussed below, DEF has not reviewed its proposed projects under the proposed rule to calculate the financial impact, if any, under any or all of the planned projects.

- 2) What is your utility’s incremental increase in the annual amount of AFUDC-eligible projects with the proposed 0.40 percent threshold?

Response:

DEF does not know the incremental increase in the annual amount of AFUDC-eligible projects with the proposed threshold.

- 3) What is your utility’s incremental increase in the annual amount of accrued AFUDC with the proposed 0.40 percent threshold?

Response:

DEF does not know the incremental increase in the annual amount of accrued AFUDC with the proposed threshold.

- 4) Section (2) (a) 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:

- (a) DEF would expect a positive financial impact to customers since the total cost of the bundled projects would be less than the total cost of the unbundled projects without AFUDC.
- (b) DEF anticipates that there would be a lower Rate Base as a result of bundled projects being eligible for AFUDC.

- 5) What are the estimated incremental administrative costs or incremental savings associated with determination and calculation of eligible AFUDC expenses for bundled versus unbundled projects?

Response:

The estimated incremental administrative costs or incremental savings associated with determination and calculation of eligible AFUDC expenses for bundled versus unbundled projects will be minimal, if any, for DEF.

- 6) Would the proposed rule revisions require additional activities, personnel etc. to comply with the rule? Are the proposed rule revisions 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:

DEF does not believe any additional activities, personnel, etc., would be necessary to comply with the revised rule, and therefore does not anticipate the rule revisions to directly or indirectly result in incremental regulatory costs in excess of \$200,000 in aggregate within 1 year of rule implementation.

- 7) Are the proposed rule revisions 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:

DEF does not believe the proposed rule revisions are likely to have an adverse impact on economic growth, private-sector job creation or employment, or private sector investments in excess of \$1million in the aggregate within 5 years of rule implementation.

- 8) Are the proposed rule revisions 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? Would the proposed rule revisions generate competitive benefits to your utility? Please discuss.

Response:

DEF does not believe the proposed rule revisions are likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1million in the aggregate within 5 years of rule implementation. DEF does not believe the proposed revisions would impact its competitiveness.

- 9) Are the proposed rule revisions likely to increase any transactional costs (e.g.: filing fees, cost of obtaining a license, cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs, monitoring or reporting costs, 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:

DEF does not anticipate the proposed rule revisions will increase any transactional costs (as defined in the question) in excess of \$1 million in the aggregate within 5 years of rule implementation.

10) Does your utility anticipate any effect (increased costs or benefits) on state or local revenues from the AFUDC related projects? Please discuss.

Response:

To the extent the proposed rule revisions resulted in an increase to rate base, state and local revenues would be expected to increase due to the increased collection of governmental taxes and fees that are calculated based on customers' bills (e.g., gross receipt taxes, sales taxes, municipal utility taxes, franchise fees, etc.)

11) Please provide any additional information regarding the draft Rule 25-6.0141, F.A.C., which the Commission may deem useful.

Response:

N/A