

Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

SELECT A TYPE: amendment

RULE NO: RULE TITLE:

25-6.0141: Allowance for Funds Used During Construction.

PURPOSE AND EFFECT: To update and clarify the Commission's allowance for funds used during construction (AFUDC) policy for investor-owned electric utilities.

Docket No. 20200237-PU

SUMMARY: The rule amendments update and clarify the rule and include the addition of a definition section; clarification that a utility may bundle projects under certain circumstances; the lowering of the threshold for projects eligible for AFUDC; and the amendment of the formula for calculating the discounted monthly AFUDC rate.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION: The agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the agency. The SERC examined the factors required by Section 120.541(2), FS, and concluded that the rule amendment will not have an adverse impact on economic growth, business competitiveness, or small business and that there would no transactional costs likely to be incurred by individuals and entities, including government entities, required to comply with the rule.

The agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon the information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 350.127(2), 366.05(1), F.S.

LAW IMPLEMENTED: 350.115, 366.04(2)(a), (f), 366.06(1), (2), 366.08, F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAR.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Adria Harper, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6082, aharper@psc.state.fl.us

THE FULL TEXT OF THE PROPOSED RULE IS: [TYPE AND STRIKE VERSION]

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)(1)~~ 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 0.40 ~~0.5~~ percent of the sum of the total balance in Account 101, Electric Plant in Service, and Account 106, Completed Construction not Classified, at the time the project commences and

a. through b. No change.

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

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

1. No Change.
2. Projects where gross additions to plant are less than 0.40 ~~0.5~~ percent of the sum of the total balance in Account 101, Electric Plant in Service, and Account 106, Completed Construction not Classified, at the time the project commences.
3. through 4 No change.
- (c) No change.
- (d) No change.
1. through 2 No change.
3. When a project is completed and ready for service, it ~~must shall~~ be immediately transferred to the appropriate plant account(s) or Account 106, Completed Construction Not Classified, and may no longer accrue AFUDC;
4. through 6 No change.
- (e) No change.
- (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)(4)~~(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)(4)~~(a) and to allow the utility to accrue AFUDC on that excluded amount.
- ~~(3)(2)~~ The applicable AFUDC rate will be determined as follows:
 - (a) through (b) No change.
 - ~~(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:

$$M = \left[\frac{A}{\left(1 + \frac{A}{100}\right)^{12} - 1} \right] \times 100$$
 Where:

M = discounted monthly AFUDC rate

A = annual AFUDC rate
 - (b) No change.
 - ~~(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 ~~(3)(2)~~.
 - (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 ~~(3)(2)~~.
 - (c) No change.
 - ~~(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 0.40 ~~0.5~~ percent of the sum of the total balance in Account 101, Electric Plant in Service, and Account 106, Completed Construction not Classified. The schedule must include the following minimum information:
 - (a) through (d) No change.

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_____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Andrew Maurey

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: December 1, 2020

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: Volume 46, Number 113, June 10, 2020.

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Florida Department of State

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Notices Submitted to ACR

ID	Rule No./ Organization	Rule Title	Section	Issue	Date
23954749	25-30.116	Allowance for Funds Used During Construction	Proposed	12/4/2020 Vol. 46/235	12/3/2020
23954652	25-7.0141	Allowance for Funds Used During Construction	Proposed	12/4/2020 Vol. 46/235	12/3/2020
23954555	25-6.0141	Allowance for Funds Used During Construction	Proposed	12/4/2020 Vol. 46/235	12/3/2020

Notices Confirmed by ACR

ID	Rule No./ Organization	Rule Title	Section	Issue	Date
None					

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