DUKE ENERGY
FLORIDA

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July 27, 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 and 25-30.116, F.A.C., and Adoption of Rule 25-7.0141, F.A.C., - Allowance for Funds Used During Construction;* Undocketed

Dear Mr. Teitzman:

Enclosed for filing is Duke Energy Florida, LLC's Post Workshop Comments to be filed in Undocketed Matters in regard to the above-referenced matter.

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

Sincerely,

/s/ Dianne M. Triplett

Dianne M. Triplett

DMT/cmk
Enclosure

cc: Adria E. Harper

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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.

Duke Energy Florida, LLC Post Workshop Comments

Duke Energy Florida, LLC ("DEF") appreciates the opportunity to provide post-workshop comments. DEF's comments are limited to Rule 25-6.0141, F.A.C. Below DEF has proposed changes to portions of Staff's proposed strawman (deletions in strikethrough and additions in bold underline). DEF will provide an explanation of each proposed change.

The deletion of the last clause of subsection (1)(b) reflects the fact that some projects (for example, software assets or transmission interconnection projects associated with power plants) are properly projects for purposes of AFUDC, but given the nature of the work, they do not necessarily have a specific location and design. In other words, a project should include the assets that are interdependent, such that the constituent parts do not achieve their intended benefit until the entire program is complete.

The changes to subsection (2) are intended to reflect changes in the type of investments that utilities make. Specifically, the original goal of the 0.5 percent was to afford the utility the opportunity to recover cash carrying costs as part of a base rate proceeding versus all projects having to accrue AFUDC (non-cash carrying costs) while also benefiting customers in that in-service electric plant would ultimately be lower due to less accrued AFUDC. At the time the 0.5 percent was established it drew the correct balance, from a dollar value basis, given the types of projects being performed by utilities, which were largely Generation driven. Today, that is not the case. Utilities like DEF are having to invest significantly into the Transmission and Distribution grids in order to help assure the safe and reliable operation of the system while meeting the customer needs of integrating Distributed Energy Resources, hardening to address extreme weather, and the need for automation and two-way communication across the grid, just to name a few. Over the years due to the 0.5 percent criteria, more and more CWIP has been included in base rates receiving cash working capital recovery. By lowering the criteria, as DEF suggests, more projects will qualify for AFUDC, thus reducing the near-term impact of base rates while still providing the utility the financial support needed to maintain its credit quality.

Finally, DEF reserves the right to provide additional comments pending its review of comments from other parties.

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 **~~with a specific location and design~~**.

(c) A utility may not bundle projects as a means of demonstrating that it has met the threshold for accruing AFUDC pursuant to this Rule unless it can also demonstrate that the overall cost of the bundled projects with AFUDC is less than the total overall cost of the unbundled projects without AFUDC.

(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 **the lesser of $50 million or** ~~0.5~~ **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.

(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 lesser of $50 million or** ~~0.5~~ **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.