



# Public Service Commission

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

DATE: September 23, 1999  
 TO: Linda Williams, Deputy Clerk Supervisor, Division of Records and Reporting  
 FROM: Jay Revell, Regulatory Analyst, Division of Auditing and Financial Analysis *JR*  
 RE: Docket No. 980643-EI - Generic investigation of cost allocation and affiliated transactions for electric utilities

Attached are comments from the Florida Association of Plumbing, Heating, and Cooling Contractors, that should be included in the above-referenced docket file.

JBR:slc

Attachment

- cc: Tim Devlin
- Beth Salak
- Dale Mailhot
- Rick Wright
- John Slemkewicz
- Nina Merta
- Lee Romig
- Craig Hewitt
- Pat Lee
- Janet Snyder
- MaryAnne Helton
- Hurd Reeves

- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- MAS \_\_\_\_\_
- OPC \_\_\_\_\_
- PAI \_\_\_\_\_
- SEC \_\_\_\_\_
- WAW \_\_\_\_\_
- OTH *Jay*

*Done 10/04/99*

DOCUMENT NUMBER-DATE

11521 SEP 23 88

FPSC-RECORDS/REPORTING

**FLORIDA ASSOCIATION OF  
PLUMBING • HEATING • COOLING CONTRACTORS**

P.O. Box 947599 • Maitland, Florida 32794 • (800) 735-2640 • (407) 599-2155 • Fax (407) 599-7299

**INDUSTRIAL RELATIONS COMMITTEE**

1461 Stamford St., Port Charlotte, Fl. 33952

Telephone: 941/625-0003 or 941/625-6994

**F A X****941/624-2300****DATE:** September 21, 1999.**TRANSMISSION:** Cover plus: 3 page(s).**TO:** Florida PSC  
2540 Shumard Oak Blvd.  
Tallahassee, Fl.  
Tel.: 850/413-6425.  
Fax: 850/487-1716.**ATTENTION:** Joe Garcia, Chairman**REGARDING:** Docket #980643-EI, i.e. Rules 25-6.135, 25-6.1351 and 25-6.0436.**MESSAGE:** The enclosed materials are in response to the Docket mentioned above in regards to the hearing that was held at the PSC on August 17, 1999.

It is our belief that the best way to ensure that cross-subsidization does not occur is to completely segregate public-sector (utility) and private-sector (business) operations.

Knowing that the PSC is responsible to ensure that ratepayers are fairly charged, and that your resources and efficiency could be taxed by ambiguous or non-existent data from utilities; it only seems reasonable that if a utility should want to venture into the private-sector that it should "pay" for that privilege.

Please inform me of the next hearing re: this subject. Thank you.

Sincerely,

Chuck Vaughn, Chairman  
Industrial Relations Committee

fc.

## Page 1: (1) PURPOSE.

The purpose of this rule is to establish cost allocation requirements to ensure proper accounting for affiliate transactions and utility regulated and non-regulated activities so that these transactions and activities are not subsidized by utility ratepayers.

## (1)(a) RULE INTENT.

In consideration of the purpose of this rule, it is the intent of this rule to ensure that the following requirements are maintained at all times:

- (1) a utility and its affiliate(s) shall be separate corporate entities;
- (2) a utility and its affiliate(s) shall keep separate books and records;
- (3) a utility shall not share space, equipment, services and systems with its affiliate(s); and
- (4) a utility shall not allow its affiliate(s) to access its computer or information systems.

It is the intent of this rule to completely separate the utility and its affiliate(s), and to require such documentation so as to ensure maintaining that segregation.

## Page 2: (2)(b) AFFILIATED TRANSACTION.

Any transaction in which both a utility and an affiliate are each participants.

## Page 2: (2)(e) FULLY ALLOCATED COSTS.

The sum of all direct and indirect costs.

## Page 3: (3)(b)

A utility must charge an affiliate, or any other entity, fully allocated charges for all non-tariffed services and products purchased by the affiliate or entity from the utility. Rule 25-6.014(3), FAC shall not apply in this instance.

## Page 3: (3)(c)

A utility shall not apportion to regulated operations the lesser of fully allocated costs or market price when purchasing services or products from an affiliate. A utility can not employ any products or services from an affiliate that have not been established and advertised by that affiliate.

## Page 3: (3)(d)

A utility asset can not be transferred from a utility to another utility or a regulated or non-regulated affiliate, but rather must be purchased after it has been openly advertised to all potential bidders. An asset of a regulated or non-regulated affiliate can not be transferred to a utility, but rather must be purchased after it has been openly advertised to all potential bidders. Minimum allowable bids must be based on a price not less than the market value as established by an independent appraiser, or net book value as applicable.

Page 4: (3)(e)

Rule 25-6.014 does not apply in this instance.

Page 4: (3)(f)

Asset transactions between affiliates can not be transferred, but rather must be purchased after the asset(s) have been openly advertised to all potential purchasers. Minimum allowable bids must be based on a price not less than market value as established by an independent appraiser, or net book value as applicable. Such assets transactions, when occurring between affiliates, must:

(1) be held by the purchasing affiliate for a minimum of two years;

(2) records be kept by the selling affiliate for a period of not less than three years [refer to (6)(b) Audit Requirements] after the sale, and shall indicate any payment relative to taxes, etc. on monies received from the sale of such asset(s); and

(3) records be kept by the purchasing affiliate for a period of not less than three years [refer to (6)(b) Audit Requirements] after the sale, and shall indicate the addition of the asset(s) to the affiliate's inventory and an accounting of all costs incurred in the purchase and inventory of the asset(s).

Page 4: (4) COST ALLOCATION PRINCIPLES.

Omit all sections.

Page 5: (5) REPORTING REQUIREMENTS.

Each utility shall file such information concerning its operations, its affiliates and their operations, any and all transactions between same, any non-regulated activities, and any other such information as required by the Florida Public Service Commission (PSC) on such forms as provided by the PSC.

Page 5: (6)(a)

Omit.

Page 5: (6)(b)

Each utility shall file with the Commission an audit report issued by an independent auditor reporting on the utility's operation and compliance with PSC rules. Beginning with the first compliance audit due on January 1, 2001, the compliance audit shall be performed no less than every three years. An audit report shall be filed with the annual report or within thirty days of filing the annual report required by Rule 25-6.135.

Page 5: (6)(c)

Each utility shall file, along with the audit report, a list of all errors, irregularities, and incidents of non-compliance with PSC rules as detected by the independent auditor during the audit, regardless of materiality.

Page 11: (2)(c)  
Omit.

Page 11: (2)(c) 1.  
Omit.

Page 12: (2)(c) 2.  
Omit.

Page 12: (2)(c) 3.  
Omit.

Page 12: (2)(c) 4.  
Omit.