

STATE OF FLORIDA

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Public Service Commission

January 14, 2004

HAND DELIVER

Mr. Scott Boyd, Interim Director
Joint Administrative Procedures Committee
Room 120 Holland Building
Tallahassee, FL 32399-1300

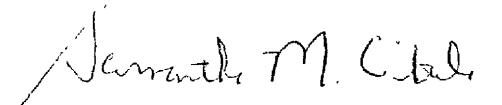
RE: Docket No. 030970-EI - Rules Nos. 25-6.014, 25-6.015,
25-6.135, and 25-6.1351

Dear Mr. Boyd:

The Commission has approved the amendment of Rules 25-6.014, 25-6.015, 25-6.135, and 25-6.1351 without changes.

We plan to file the rule for adoption on January 22, 2004.

Sincerely,


Samantha M Cibula
Associate General Counsel

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Enclosure

cc: Division of the Commission Clerk
and Administrative Services

1 **25-6.014 Records and Reports in General.**

2 (1) Each investor-owned electric utility shall maintain its
3 accounts and records in conformity with the Uniform System of
4 Accounts (USOA) for Public Utilities and Licensees as found in the
5 Code of Federal Regulations, Title 18, Subchapter C, Part 101, for
6 Major Utilities as revised April 1, 2002 ~~1995~~, which is hereby
7 incorporated by reference into this rule, and as modified below.

8 All inquiries relating to interpretation of the USOA shall be
9 submitted to the Commission's Division of Economic Regulation in
10 writing.

11 (2) For ratemaking purposes only, each investor-owned
12 electric utility shall accrue unbilled base rate revenues,
13 excluding those base rate revenues recoverable through other cost
14 recovery or adjustment mechanisms.

15 (3) Each utility shall establish and maintain continuing
16 property records in conformity with the plant accounts prescribed
17 in the USOA. The records shall be compiled on the basis of
18 original cost or other book cost consistent with the provisions of
19 the USOA. The continuing property records or records supplemental
20 thereto shall contain such detailed description and classification
21 of property record units that will permit their ready
22 identification and verification. They shall be maintained in such
23 manner as will meet the following basic objectives:

24 (a) An inventory of property record units which may be
25 readily checked for proof of physical existence;

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1 (b) The association of costs with such property record units
2 to assure accurate accounting for retirements; and

3 (c) The determination of dates of installation and removal of
4 plant to provide data for use in connection with depreciation
5 studies.

6 (4) Each utility shall furnish to the Commission at such time
7 and in such form as the Commission may require, the results of any
8 required tests and summaries of any required records. The utility
9 shall also furnish the Commission with any information concerning
10 the utility's facilities or operation which the Commission may
11 request and require for determining rates and judging the practices
12 of the utility. All such data, unless otherwise specified, shall
13 be consistent with and reconcilable with the utility's Annual
14 Report to the Commission.

15 (5) Upon direction of the Commission, or in the performance
16 of delegated staff duties, any member of the Commission staff may
17 make at any reasonable time a personal visit to the utility's
18 offices or other places of business, and may inspect any facility,
19 records, accounts, books, reports, and papers of the utility which
20 may appear necessary in the discharge of Commission duties. During
21 such visits the utility shall provide staff members with adequate
22 and comfortable working and filing space, consistent with
23 prevailing conditions and climate and comparable with the
24 accommodations provided the utility's outside auditors.

25 (6) The Commission prescribes the Uniform System of Accounts

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1 for Public Utilities and Licensees, as found in the Code of Federal
2 Regulations, Title 18, Subchapter C, Part 101, for Major Utilities
3 as revised April 1, 2002 ~~2000~~, to be used by Rural Electric
4 Cooperative and Municipal Electric Utilities operating within the
5 State. All inquiries relating to interpretations of the Uniform
6 System of Accounts shall be submitted to the Commission's Division
7 of Economic Regulation in writing.

8 Specific Authority: 366.05(1), 350.127(2), F.S.

9 Law Implemented: 350.115, 366.02(2), 366.04(2)(a), 366.04(2)(f),
10 366.05(1), 366.08, F.S.

11 History: Amended 7/29/69, 2/4/76, 8/21/79, 1/2/80, 11/18/82,
12 formerly 25-6.14, Amended 10/1/86, 11/02/87, 7/20/89, 12/27/94,
13 4/22/96, XX/XX/XX.

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1 **25-6.015 Location and Preservation of Records.**

2 (1) All records that a utility is required to keep by reason
3 of these or other rules prescribed by the Commission shall be kept
4 at the office or offices of the utility within this state, unless
5 otherwise authorized by the Commission.

6 (2) Any utility that keeps its records outside of the state
7 shall reimburse the Commission for the reasonable travel expense
8 incurred by each Commission representative during any review of the
9 out-of-state records of the utility or its affiliates. Reasonable
10 travel expenses are those travel expenses that are equivalent to
11 travel expenses paid by the Commission in the ordinary course of
12 its business.

13 (a) The utility shall remit reimbursement for out-of-state
14 travel expenses within 30 days from the date the Commission mails
15 the invoice.

16 (b) The reimbursement requirement in subsection (2) shall be
17 waived:

18 1. For any utility that makes its out-of-state records
19 available at the utility's office located in Florida or at another
20 mutually agreed upon location in Florida within 10 working days
21 from the Commission's initial request. If 10 working days is not
22 reasonable because of the complexity and nature of the issues
23 involved or the volume and type of material requested, the
24 Commission may establish a different time frame for the utility to
25 bring records into the state. For individual data requests made

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1 during an audit, the response time frame in Rule 25-6.0151, Florida
2 Administrative Code, shall control; or

3 2. For a utility whose records are located within 50 miles
4 of the Florida state line.

5 (3) All records shall be preserved in accordance with the
6 Federal Energy Regulatory Commission's regulations, Title 18,
7 Subchapter C, Part 125, Code of Federal Regulations, entitled
8 "Preservation of Records of Public Utilities and Licensees" as
9 revised, April 1, 2002 ~~1994~~, which is hereby incorporated by
10 reference into this rule, with the exception of the records listed
11 in section (3)(a) of this rule. ~~Item 64 (Records of predecessors~~
12 ~~and former associates) of the Schedule of records and periods of~~
13 ~~retention contained in Title 18, Subchapter C, Section 125.3, Code~~
14 ~~of Federal Regulations.~~ Instead, utilities shall retain records
15 listed in section (3)(a) of this rule for the periods indicated. ~~of~~
16 ~~acquired companies until permission for disposal is petitioned for~~
17 ~~and approved by the Florida Public Service Commission.~~

18 (a) The Code of Federal Regulations items listed below are
19 exceptions to the Schedule of Records and Periods of Retention
20 contained in Title 18, Subchapter C, Section 125.3, Code of Federal
21 Regulations:

22 1. Item 2(a), minute books of stockholders', directors', and
23 directors' committee meetings, earlier of 20 years or termination
24 of the corporation's existence;

25 2. Item 6(a)(1), general ledgers, 20 years;

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1 3. Item 6(a)(2), ledgers: subsidiary or auxiliary, 20 years;
2 4. Item 7, journals: general and subsidiary, 20 years;
3 5. Item 8(a), journal vouchers and journal entries, 20
4 years; and

5 6. Item 20(a), appraisals and valuations made by the company
6 of its properties or investments or of the properties or
7 investments of any associated companies (includes all records
8 essential thereto), 10 years after appraisal.

9 (b)(a) However, all source documents retained as required by
10 Title 18, Subchapter C, Part 125, Code of Federal Regulations shall
11 be maintained in their original form for a minimum of three years,
12 or for any lesser period of time specified for that type of record
13 in Title 18, Subchapter C, Part 125, Code of Federal Regulations,
14 after the date the document was created or received by the utility.
15 This paragraph does not require the utility to create paper copies
16 of documents where the utility would not otherwise do so in the
17 ordinary course of its business. The Commission may waive the
18 requirement that documents be retained in their original form upon
19 a showing by a utility that it employs a storage and retrieval
20 system that consistently produces clear, readable copies that are
21 substantially equivalent to the originals, and clearly reproduces
22 handwritten notations on documents.

23 (c)(b) The utility shall maintain written procedures
24 governing the conversion of source documents to a storage and
25 retrieval system, which procedures ensure the authenticity of

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1 documents and the completeness of records. Records maintained in
2 the storage and retrieval system must be easy to search and easy to
3 read.

4 Specific Authority: 366.05(1), 350.127(2), F.S.

5 Law Implemented: 366.05(1), (9), & (11), 366.08, 366.093(1), F.S.

6 History: Amended 7/29/69, 7/19/72, 1/11/76, 9/28/81, 11/18/82,

7 Formerly 25-6.15, Amended 10/1/86, 11/02/87, 6/23/93, 11/13/95,

8 XX/XX/XX.

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1 **25-6.135 Annual Reports.**

2 (1) Each investor-owned electric utility shall file annual
3 reports with the Commission on Commission Form PSC/ECR/101 (/)
4 ~~(12/00)~~ which is incorporated by reference into this rule. Form
5 PSC/ECR/101, entitled "Annual Report of Major Electric Utilities",
6 may be obtained from the Commission's Division of Economic
7 Regulation. These reports shall be verified by a responsible
8 accounting officer of the utility making the report and shall be
9 due on or before April 30 for the preceding calendar year. A
10 utility may file a written request for an extension of time with
11 the Division of Economic Regulation no later than April 30. One
12 extension of 31 days will be granted upon request. A request for
13 a longer extension must be accompanied by a statement of good cause
14 and shall specify the date by which the report will be filed.
15 "Good cause" means a demonstration that the company has worked
16 diligently to prepare the report and that the additional time
17 period requested to complete and submit the report is both
18 reasonable and necessary given the company's particular
19 circumstances.

20 (2) The utility shall also file with the original and each
21 copy of the annual report form, or separately within 30 days, a
22 letter or report, signed by an independent certified public
23 accountant, attesting to the conformity in all material respects of
24 the schedules and their applicable notes listed on the general
25 information page of Form PSC/ECR/101 with the Commission's

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1 applicable uniform system of accounts and published accounting
2 releases.

3 Specific Authority: 366.05(1), 350.127(2) F.S.

4 Law Implemented: 350.115, 366.04(2) (a) and (f), 366.05(1) ~~7~~ and
5 (2) ~~(a)~~ F.S.

6 History--New 12-27-94, Amended 12/11/00, XX/XX/XX.

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1 **25-6.1351 Cost Allocation and Affiliate Transactions.**

2 (1) Purpose. The purpose of this rule is to establish cost
3 allocation requirements to ensure proper accounting for affiliate
4 transactions and utility nonregulated activities so that these
5 transactions and activities are not subsidized by utility
6 ratepayers. This rule is not applicable to affiliate transactions
7 for purchase of fuel and related transportation services that are
8 subject to Commission review and approval in cost recovery
9 proceedings.

10 (2) Definitions

11 (a) Affiliate -- Any entity that directly or indirectly
12 through one or more intermediaries, controls, is controlled by, or
13 is under common control with a utility. As used herein, "control"
14 means the possession, directly or indirectly, of the power to
15 direct or cause the direction of the management and policies of a
16 company, whether such power is exercised through one or more
17 intermediary companies, or alone, or in conjunction with, or
18 pursuant to an agreement, and whether such power is established
19 through a majority or minority ownership or voting of securities,
20 common directors, officers or stockholders, voting trusts, holding
21 trusts, associated companies, contracts or any other direct or
22 indirect means.

23 (b) Affiliate Transaction -- Any transaction in which both a
24 utility and an affiliate are each participants, except transactions
25 related solely to the filing of consolidated tax returns.

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1 (c) Cost Allocation Manual (CAM) - The manual that sets out
2 a utility's cost allocation policies and related procedures.

3 (d) Direct Costs - Costs that can be specifically identified
4 with a particular service or product.

5 (e) Fully Allocated Costs - The sum of direct costs plus a
6 fair and reasonable share of indirect costs.

7 (f) Indirect Costs - Costs, including all overheads, that
8 cannot be identified with a particular service or product.

9 (g) Nonregulated - Refers to services or products that are
10 not subject to price regulation by the Commission or not included
11 for ratemaking purposes and not reported in surveillance.

12 (h) Prevailing Price Valuation - Refers to the price an
13 affiliate charges a regulated utility for products and services,
14 which equates to that charged by the affiliate to third parties.
15 To qualify for this treatment, sales of a particular asset or
16 service to third parties must encompass more than 50 percent of the
17 total quantity of the product or service sold by the entity. The
18 50 percent threshold is applied on an asset-by-asset and service-
19 by-service basis, rather than on a product line or service line
20 basis.

21 (i) Regulated - Refers to services or products that are
22 subject to price regulation by the Commission or included for
23 ratemaking purposes and reported in surveillance.

24 (3) Non-Tariffed Affiliate Transactions

25 (a) The purpose of subsection (3) is to establish

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1 requirements for non-tariffed affiliate transactions impacting
2 regulated activities. This subsection does not apply to the
3 allocation of costs for services between a utility and its parent
4 company or between a utility and its regulated utility affiliates
5 or to services received by a utility from an affiliate that exists
6 solely to provide services to members of the utility's corporate
7 family. All affiliate transactions, however, are subject to
8 regulatory review and approval.

9 (b) A utility must charge an affiliate the higher of fully
10 allocated costs or market price for all non-tariffed services and
11 products purchased by the affiliate from the utility. Except, a
12 utility may charge an affiliate less than fully allocated costs or
13 market price if the charge is above incremental cost. If a utility
14 charges less than fully allocated costs or market price, the
15 utility must maintain documentation to support and justify how
16 doing so benefits regulated operations. If a utility charges less
17 than market price, the utility must notify the Division of Economic
18 Regulation in writing within 30 days of the utility initiating, or
19 changing any of the terms or conditions, for the provision of a
20 product or service. In the case of products or services currently
21 being provided, a utility must notify the Division within 30 days
22 of the rule's effective date.

23 (c) When a utility purchases services and products from an
24 affiliate and applies the cost to regulated operations, the utility
25 shall apportion to regulated operations the lesser of fully

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1 allocated costs or market price. Except, a utility may apportion
2 to regulated operations more than fully allocated costs if the
3 charge is less than or equal to the market price. If a utility
4 apportions to regulated operations more than fully allocated costs,
5 the utility must maintain documentation to support and justify how
6 doing so benefits regulated operations and would be based on
7 prevailing price valuation.

8 (d) When an asset used in regulated operations is transferred
9 from a utility to a nonregulated affiliate, the utility must charge
10 the affiliate the greater of market price or net book value.
11 Except, a utility may charge the affiliate either the market price
12 or net book value if the utility maintains documentation to support
13 and justify that such a transaction benefits regulated operations.
14 When an asset to be used in regulated operations is transferred
15 from a nonregulated affiliate to a utility, the utility must record
16 the asset at the lower of market price or net book value. Except,
17 a utility may record the asset at either market price or net book
18 value if the utility maintains documentation to support and justify
19 that such a transaction benefits regulated operations. An
20 independent appraiser must verify the market value of a transferred
21 asset with a net book value greater than \$1,000,000. If a utility
22 charges less than market price, the utility must notify the
23 Division of Economic Regulation in writing within 30 days of the
24 transfer.

25 (e) Each affiliate involved in affiliate transactions must

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1 maintain all underlying data concerning the affiliate transaction
2 for at least three years after the affiliate transaction is
3 complete. This paragraph does not relieve a regulated affiliate
4 from maintaining records under otherwise applicable record
5 retention requirements.

6 (4) Cost Allocation Principles

7 (a) Utility accounting records must show whether each
8 transaction involves a product or service that is regulated or
9 nonregulated. A utility that identifies these transactions by the
10 use of subaccounts meets the requirements of this paragraph.

11 (b) Direct costs shall be assigned to each non-tariffed
12 service and product provided by the utility.

13 (c) Indirect costs shall be distributed to each non-tariffed
14 service and product provided by the utility on a fully allocated
15 cost basis. Except, a utility may distribute indirect costs on an
16 incremental or market basis if the utility can demonstrate that its
17 ratepayers will benefit. If a utility distributes indirect costs
18 on less than a fully allocated basis, the utility must maintain
19 documentation to support doing so.

20 (d) Each utility must maintain a listing of revenues and
21 expenses for all non-tariffed products and services.

22 (5) Reporting Requirements. Each utility shall file
23 information concerning its affiliates, affiliate transactions, and
24 nonregulated activities on Form PSC/ECR/101 (/) ~~(12/00)~~ which is
25 incorporated by reference into this rule. Form PSC/ECR/101,

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1 entitled "Annual Report of Major Electric Utilities," may be
2 obtained from the Commission's Division of Economic Regulation.

3 (6) Cost Allocation Manual. Each utility involved in
4 affiliate transactions or in nonregulated activities must maintain
5 a Cost Allocation Manual (CAM). The CAM must be organized and
6 indexed so that the information contained therein can be easily
7 accessed.

8 Specific Authority: 366.05(1), 350.127(2) F.S.

9 Law Implemented: 350.115, 366.04(2)(a) and (f), 366.041(1),
10 366.05(1), (2), and (9), 366.06(1), 366.093(1) F.S.

11 History--New 12-27-94, Amended 12/11/00, XX/XX/XX.
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