

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael, by Gulf Power Company.

DOCKET NO. 20190038-EI  
ORDER NO. PSC-2019-0221-PCO-EI  
ISSUED: June 3, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
JULIE I. BROWN  
DONALD J. POLMANN  
GARY F. CLARK  
ANDREW GILES FAY

ORDER APPROVING INTERIM STORM RESTORATION RECOVERY SURCHARGE

BY THE COMMISSION:

Background

On February 6, 2019, Gulf Power Company (Gulf or Company) filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover a total of \$342 million for incremental restoration costs related to Hurricane Michael and to replenish its storm reserve. In its petition, Gulf asserts that as a result of Hurricane Michael, Gulf incurred total retail recoverable costs of approximately \$350 million less the \$48 million pre-storm balance of the storm reserve, resulting in net recoverable costs of \$302 million. In addition, Gulf proposes to replenish its storm reserve to the \$41 million balance as of December 31, 2016. The \$342 million includes interest of \$15.3 million on the unamortized storm reserve balance.

Gulf filed its petition pursuant to the provisions of the Stipulation and Settlement Agreement (SSA) approved by Order No. PSC-2017-0178-S-EI.<sup>1</sup> Pursuant to Paragraph 7(a) of the SSA, Gulf can recover storm costs, not exceeding \$4.00/1,000 kWh on monthly residential customer bills, on an interim basis, beginning 60 days following the filing of a petition for recovery. In addition, pursuant to Paragraph 7(b), Gulf may petition us to allow for a charge greater than \$4.00/1,000 kWh, or a period longer than 12 months, if costs exceed \$100 million in a calendar year. In its petition, Gulf has requested an interim storm restoration recovery charge of \$8.00/1,000 kWh on a residential bill, effective with the first billing cycle for April 2019.

On March 13, 2019, Gulf requested that we suspend the 60-day timeframe set forth in the SSA, and requested that we approve the storm restoration recovery charge to become effective

<sup>1</sup> Order No. PSC-2017-0178-S-EI, issued May 16, 2017, in Docket No. 160186-EI, *In re: Petition for rate increase by Gulf Power Company*; and Docket No. 160170-EI, *In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company*.

with the first billing cycle in July 2019. The Company estimates that the proposed recovery charge will need to be in effect for approximately 60 months.

The Office of Public Counsel's intervention in this docket was acknowledged in Order No. PSC-2019-0087-PCO-EI, issued March 6, 2019.

We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.076, Florida Statutes.

### Decision

#### Approval of Interim Storm Restoration Recovery Charge, Subject to Refund

As stated above, Gulf filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover a total of \$342 million for the incremental restoration costs related to Hurricane Michael and to replenish its storm reserve. The requested recovery of \$342 million represents net retail recoverable costs of approximately \$302 million, plus an additional \$41 million to replenish the storm reserve to the balance that existed on December 31, 2016.<sup>2</sup> In addition, the \$342 million includes interest on the unamortized storm reserve balance of \$15.3 million. Gulf has requested an interim storm restoration recovery charge of \$8.00 on a monthly 1,000 kWh residential bill, effective with the first billing cycle for July 2019. The Company estimates that the proposed recovery charge will need to be in effect for approximately 60 months.

In its petition, Gulf asserts that it incurred total retail recoverable costs of approximately \$350 million as a result of Hurricane Michael. Gulf represented that this amount was calculated in accordance with the Incremental Cost and Capitalization Approach (ICCA) methodology prescribed in Rule 25-6.0143, Florida Administrative Code (F.A.C.). The net retail recoverable costs of \$302 million were determined by reducing the \$350 million total costs by the pre-storm storm reserve balance of \$48 million. The SSA also allows Gulf to request the replenishment of its storm reserve to the \$41 million balance that existed on December 31, 2016.

The approval of an interim storm restoration recovery charge is preliminary in nature and is subject to refund pending a further review once the total actual storm restoration costs are known. After the actual costs are reviewed for reasonableness and prudence, and are compared to the actual amount recovered through the interim storm restoration recovery charge, a determination will be made whether any over/under recovery has occurred. The disposition of any over/under recovery, and associated interest, would be considered by the Commission at a later date.

Based on a review of the information provided by Gulf in its petition, we hereby authorize Gulf to implement an interim storm restoration recovery charge, subject to refund. Once the total actual storm costs are known, Gulf shall file documentation of the storm costs for our review and true up of any excess or shortfall.

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<sup>2</sup> See Document No. 00640-2019 Exhibit C, Page 1 (Gulf Petition).

Approval of Interim Storm Restoration Recovery Tariffs

In its March 13, 2019 letter to the Commission, Gulf proposed to begin applying the interim storm restoration recovery charge to customer bills with the first billing cycle of July 2019, and to include the charge in the non-fuel energy charge on customer bills. The proposed approximate 60-month recovery period would be subject to modification based upon our final decision regarding actual charges. In support of its rate calculations, Gulf provided Exhibit E to the petition.

Exhibit E illustrates the computation of the proposed interim storm restoration recovery charges for each rate class. Gulf represented that it followed the methodology for allocation of storm costs among rate classes consistent with the cost of service study filed in its 2016 rate case (Docket No. 20160186-EI).<sup>3</sup> We reviewed Gulf's calculations and find the allocation methodology to be reasonable. The storm restoration costs are weighted to reflect storm restoration costs by function such as distribution and transmission (92 percent and 7 percent, respectively).

Application of the allocation methodology for the residential customer rate class results in an approved interim storm recovery charge of 0.8 cents per kilowatt hour (kWh), which equates to \$8.00 on a 1,000 kWh residential electric bill. The interim charges for all rate classes are presented in Twenty-Second Revised Sheet No. 6.25, included in Exhibit F to Gulf's petition. Revised Exhibit F also includes Table of Contents to add the interim storm restoration recovery charge. The approved tariff sheets are included in Attachment A to this Order.

In its response to Commission staff's first data request, Gulf provided customer notifications for staff's review and stated that the customers will be notified by media news releases, Company website, bill inserts, and by telephone to the Company's largest commercial customers.

Based on our review of the information provided by Gulf, we approve Gulf's proposed interim storm restoration recovery tariffs, subject to refund, as shown in Attachment A to this Order. The approved tariffs shall become effective with the first billing cycle of July 2019.

Approval of Appropriate Security

We find that all funds collected subject to refund shall be secured by a corporate undertaking. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We reviewed Gulf's financial statements to determine if the Company can support a corporate undertaking to guarantee the funds collected for recovery of incremental storm restoration costs related to Hurricane Michael. Gulf's 2015, 2016, and 2017 financial statements were used to determine the financial condition of the Company. Gulf's financial performance demonstrates adequate levels of liquidity, ownership equity, profitability, and interest coverage to guarantee the potential refund.

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<sup>3</sup> Section E – Cost of Service and Rate Design Schedules Volume Two in Docket No. 20160186-EI, *In re: Petition for an increase in rates by Gulf Power Company*.

ORDER NO. PSC-2019-0221-PCO-EI  
DOCKET NO. 20190038-EI  
PAGE 4

We believe Gulf has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, we find that a corporate undertaking of \$68 million is acceptable. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and shall not be considered a finding regarding our position on other issues in this proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company is hereby authorized to implement an interim storm restoration recovery charge, subject to refund, as set forth herein. Once the total actual storm costs are known, Gulf shall file documentation of the storm costs for our review and true up of any excess or shortfall. It is further

ORDERED that Gulf's proposed interim storm restoration recovery tariffs, as shown in Attachment A to this Order, are hereby approved. The approved tariffs shall become effective with the first billing cycle of July 2019. It is further

ORDERED that the appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. It is further

ORDERED that this docket shall remain open pending final reconciliation of actual recoverable Hurricane Michael storm costs with the amount collected pursuant to the interim storm restoration recovery charge, and the calculation of a refund or additional charge if warranted.

By ORDER of the Florida Public Service Commission this 3rd day of June, 2019.



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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
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Tallahassee, Florida 32399  
(850) 413-6770  
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

JCS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

 <b>Gulf Power</b>		EXHIBIT F Page 6 of 9	
		<del>Thirtieth-Thirty-First</del> Revised Sheet No. ii Canceling <del>Twenty-Ninth-Thirtieth</del> Revised Sheet No. ii	
<b>TABLE OF CONTENTS</b>			
		PAGE 1 of 4	EFFECTIVE DATE <b>April 17, 2018</b>
<u>Section</u>	<u>Description</u>		
Section I	Description of Territory Served		
Section II	Miscellaneous		
Section III	Technical Terms and Abbreviations		
Section IV	Rules and Regulations		
Section V	List of Communities Served		
Section VI	Rate Schedules		
	RS - Residential Service		
	GS - General Service - Non-Demand		
	GSD - General Service - Demand		
	LP - Large Power Service		
	PX - Large High Load Factor Power Service		
	OS - Outdoor Service		
	<u>STORM - Interim Storm Restoration Recovery</u>		
	BB - Budget Billing (Optional Rider)		
	CR - Cost Recovery Clause - Fossil Fuel & Purchased Power		
	PPCC - Purchased Power Capacity Cost Recovery Clause		
	ECR - Environmental Cost Recovery Clause		
	-- - Billing Adjustments and Payment of Bills		
	ECC - Cost Recovery Clause - Energy Conservation		
	FLAT-1 - Residential/Commercial FlatBill		
	GSTOU - General Service Time-of-Use Conservation (Optional)		
	GSDT - General Service - Demand - Time-of-Use Conservation (Optional)		
	LPT - Large Power Service - Time-of-Use Conservation (Optional)		
	PXT - Large High Load Factor Power Service - Time-of-Use Conservation (Optional)		
	SBS - Standby and Supplementary Service		
	ISS - Interruptible Standby Service		
	RSVP - Residential Service Variable Pricing		
	SP - Surge Protection		
	RTP - Real Time Pricing		
	CIS - Commercial/Industrial Service Rider (Optional)		
	BERS - Building Energy Rating System (BERS)		
	MBFC - Military Base Facilities Charge (Optional Rider)		
	LBIR - Large Business Incentive Rider (Optional Rider)		
	MBIR - Medium Business Incentive Rider (Optional Rider)		
	SBIR - Small Business Incentive Rider (Optional Rider)		
	RSTOU - Residential Service - Time-of-Use		
	CS - Community Solar (Optional Rider)		
	XLBIR - Extra-Large Business Incentive Rider (Optional Rider)		
	CL - Curtailable Load (Optional Rider)		
<b>ISSUED BY: <del>S. W. Connally, Jr.</del> Charles S. Boyett</b>			



Gulf Power®

EXHIBIT F  
 Page 7 of 9

Section No. VI  
~~Thirty-First~~ ~~Thirty-Second~~ Revised Sheet No. 6.1  
 Canceling ~~Thirtieth~~ ~~Thirty-First~~ Revised Sheet No. 6.1

PAGE 1 of 2	EFFECTIVE DATE July 1, 2009
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<u>Designation</u>	<u>URSC</u>	<u>Classification</u>	<u>Sheet No.</u>
RS	RS	Residential Service	6.3
GS	GS	General Service - Non-Demand	6.5
GSD	GSD	General Service - Demand	6.7
LP	GSLD	Large Power Service	6.10
PX	GSLD1	Large High Load Factor Power Service	6.13
OS	SL, OL, OL1, OL2	Outdoor Service	6.16
<del>STORM</del>		<del>Interim Storm Restoration Recovery</del>	<del>6.25</del>
BB		Budget Billing (Optional Rider)	6.32
CR		Cost Recovery Clause - Fossil Fuel and Purchased Power	6.34
PPCC		Purchased Power Capacity Cost Recovery Clause	6.35
ECR		Environmental Cost Recovery Clause	6.36
		Billing Adjustments and Payment of Bills	6.37
ECC		Cost Recovery Clause - Energy Conservation	6.38
FLAT-1		Residential/Commercial FlatBill	6.39
GSTOU		General Service Time-of-Use Conservation (Optional)	6.42
GSDT	GSDT	General Service - Demand Time-of-Use Conservation (Optional)	6.45
LPT	GSLDT	Large Power Service - Time-of-Use Conservation (Optional)	6.49
PXT	GSLDT1	Large High Load Factor Power Service - Time-of-Use Conservation (Optional)	6.53
SBS		Standby and Supplementary Service	6.57
ISS		Interruptible Standby Service	6.67

ISSUED BY: ~~Susan Story~~ Charles S. Boyett



EXHIBIT F  
Page 8 of 9

Section No. VI  
~~Twenty-First~~ Twenty-Second Revised Sheet No.  
6.25  
Canceling ~~Twentieth~~ Twenty-First Revised Sheet  
No. 6.25

**RATE SCHEDULE STORM  
INTERIM STORM RESTORATION RECOVERY**

PAGE	EFFECTIVE DATE
<u>1 of 1</u>	<u>July 1, 2009</u>

**APPLICABILITY:**

Applicable to each filed retail rate schedule under which a Customer receives service.

**DETERMINATION OF INTERIM STORM RESTORATION RECOVERY SURCHARGE**

The Interim Storm Restoration Recovery Surcharge is designed to recover incremental storm-related costs incurred by the Company related to Hurricane Michael, as well as funds to replenish the Company's storm reserve. The factor is applicable to the Energy Charge under the Company's various rate schedules.

Interim Storm Cost Recovery Surcharge factors are shown below.

<u>Rate Schedule</u>	<u>c/kWh</u>
<u>RS_RSVP_RSTOU</u>	<u>0.800</u>
<u>GS</u>	<u>0.920</u>
<u>GSD_GSDT_GSTOU</u>	<u>0.453</u>
<u>LP_LPT</u>	<u>0.302</u>
<u>PX_PXT RTP_SBS</u>	<u>0.229</u>
<u>OS-I/II</u>	<u>2.661</u>
<u>OS-III</u>	<u>2.661</u>

Service under this rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

~~THIS PAGE IS RESERVED FOR FUTURE USE.~~

EXHIBIT F  
Page 9 of 9

ISSUED BY: ~~Susan Story~~Charles S. Boyett