

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Proposed amendment of Rule 25-6.0143,  
F.A.C., Use of Accumulated Provision  
Accounts 228.1, 228.2, and 228.4.

DOCKET NO. 070011-EI  
ORDER NO. PSC-07-0307-NOR-EI  
ISSUED: April 12, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
MATTHEW M. CARTER II  
KATRINA J. McMURRIAN

NOTICE OF RULEMAKING

BY THE COMMISSION:

NOTICE is hereby given that the Florida Public Service Commission, pursuant to Section 120.54, Florida Statutes, has initiated rulemaking to amend Rule 25-6.0143, Florida Administrative Code, relating to use of accumulated provision Accounts 228.1, 228.2, and 228.4.

The attached Notice of Rulemaking will appear in the April 20, 2007 edition of the Florida Administrative Weekly.

If timely requested, a hearing will be held at a time and place to be announced in a future notice.

Written requests for hearing and written comments or suggestions on the rule must be received by the Office of Commission Clerk, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862, no later than May 11, 2007.

By ORDER of the Florida Public Service Commission this 12th day of April, 2007.



ANN COLE  
Commission Clerk

( S E A L )

LDH

DOCUMENT NUMBER-DATE

03103 APR 12 5

FPSC-COMMISSION CLERK

Notice of Proposed Rule

**PUBLIC SERVICE COMMISSION**

**RULE NO: RULE TITLE**

25-6.0143: Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4

**PURPOSE AND EFFECT:** To standardize the way investor-owned electric utilities account for damage to utility property from extreme weather events.

**SUMMARY:** The rule amendments require establishment of a separate subaccount for storm related damages, and require use of an incremental cost capitalization approach to account for such damages. The rule establishes categories of costs which may and may not be charged to the account; deferred accounting treatment prior to Commission determination and certain reporting requirements.

**SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS:** The SERC shows that there should be no negative impact on small businesses and local governments. Utilities should see lower overall costs, and there should be no significant impact on ratepayers.

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.

**SPECIFIC AUTHORITY:** 366.05(1) FS

**LAW IMPLEMENTED:** 350.115, 366.04(2)(a) FS

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

**THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS:** Larry Harris, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850 (850) 413-6076. Reference Docket No. 070011-EI.

**THE FULL TEXT OF THE PROPOSED RULE IS:**

25-6.0143 Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4.

(1) Account No. 228.1 Accumulated Provision for Property Insurance.

(a) No change.

(b) Except as provided in paragraphs (1)(f), (1)(g), and (1)(h) ~~C~~charges to this account shall be made for all occurrences in accordance with the schedule of risks to be covered which are not covered by insurance. Recoveries, insurance proceeds or reimbursements for losses charged to this account shall be credited to the account.

(c) A separate subaccount shall be established for that portion of Account No. 228.1 which is designated to cover storm-related damages to the utility's own property or property leased from others that is not covered by insurance. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each storm event included in this account.

(d) In determining the costs to be charged to cover storm-related damages, the utility shall use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the ICCA methodology, the costs charged to cover storm-related damages shall exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, the utility will be allowed to charge to Account No. 228.1 costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm. All costs charged to Account 228.1 are subject to review for prudence and reasonableness by the Commission. In addition, capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. The utility shall notify the Director of the Commission's Division of Economic Regulation in writing for each incident expected to exceed \$10 million.

(e) The types of storm related costs allowed to be charged to the reserve under the ICCA methodology include, but are not limited to, the following:

1. Additional contract labor hired for storm restoration activities;
2. Logistics costs of providing meals, lodging, and linens for tents and other staging areas;
3. Transportation of crews for storm restoration;
4. Vehicle costs for vehicles specifically rented for storm restoration activities;
5. Waste management costs specifically related to storm restoration activities;
6. Rental equipment specifically related to storm restoration activities;
7. Materials and supplies used to repair and restore service and facilities to pre-storm condition, such as poles, transformers, meters, light fixtures, wire, and other electrical equipment, excluding those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm;
8. Overtime payroll and payroll-related costs for utility personnel included in storm restoration activities;
9. Fuel cost for company and contractor vehicles used in storm restoration activities; and

10. Cost of public service announcements regarding key storm-related issues, such as safety and service restoration estimates.

(f) The types of storm related costs prohibited from being charged to the reserve under the ICCA methodology include, but are not limited to, the following:

1. Base rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel;

2. Bonuses or any other special compensation for utility personnel not eligible for overtime pay;

3. Base rate recoverable depreciation expenses, insurance costs and lease expenses for utility-owned or utility-leased vehicles and aircraft;

4. Utility employee assistance costs;

5. Utility employee training costs incurred prior to 72 hours before the storm event;

6. Utility advertising, media relations or public relations costs, except for public service announcements regarding key storm-related issues as listed above in subparagraph (e)10.;

7. Utility call center and customer service costs, except for non-budgeted overtime or other non-budgeted incremental costs associated with the storm event;

8. Tree trimming expenses, incurred in any month in which storm damage restoration activities are conducted, that are less than the actual monthly average of tree trimming costs charged to operation and maintenance expense for the same month in the three previous calendar years;

9. Utility lost revenues from services not provided; and

10. Replenishment of the utility's materials and supplies inventories.

(g) Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, certain costs may be charged to Account 228.1 only after review and approval by the Commission. Prior to the Commission's determination of the appropriateness of including such costs in Account No. 228.1, the costs may be deferred in Account No. 186, Miscellaneous Deferred Debits. The deferred costs must be incurred prior to June 1 of the year following the storm event. By September 30 a utility shall file a petition for the disposition of any costs deferred prior to June 1 of the year following the storm event giving rise to the deferred costs. These costs include, but are not limited to, the following:

1. Costs of normal non-storm related activities which must be performed by employees or contractors not assigned to storm damage restoration activities ("back-fill work") or normal non-storm related activities which must be performed following the restoration of service after a storm by an employee or contractor assigned to storm damage restoration activities in addition to the employee's or contractor's regular activities ("catch-up work"); and

2. Uncollectible accounts expenses.

(h) A utility may, at its own option, charge storm-related costs as operating expenses rather than charging them to Account No. 228.1. The utility shall notify the Director of the Commission's Division of Economic Regulation in writing and provide a schedule of the amounts charged to operating expenses for each incident exceeding \$5 million. The schedule shall be filed annually by February 15 of each year for information pertaining to the previous calendar year.

(i) If the charges to Account No. 228.1 exceed the account balance, the excess shall be carried as a debit balance in Account No. 228.1 and no request for a deferral of the excess or for the establishment of a regulatory asset is necessary.

(j) A utility may petition the Commission for the recovery of a debit balance in Account No. 228.1 plus an amount to replenish the storm reserve through a surcharge, securitization or other cost recovery mechanism.

(k) A utility shall not establish or change an annual accrual amount or a target accumulated balance amount for Account No. 228.1 without prior Commission approval.

(l) Each utility shall file a Storm Damage Self-Insurance Reserve Study (Study) with the Commission Clerk by January 15, 2011 and at least once every 5 years thereafter from the submission date of the previously filed study. A Study shall be filed whenever the utility is seeking a change to either the target accumulated balance or the annual accrual amount for Account No. 228.1. At a minimum, the Study shall include data for determining a target balance for, and the annual accrual amount to, Account No. 228.1.

(m) Each utility shall file a report with the Director of the Commission's Division of Economic Regulation providing information concerning its efforts to obtain commercial insurance for its transmission and distribution facilities and any other programs or proposals that were considered. The report shall also include a summary of the amounts recorded in Account 228.1. The report shall be filed annually by February 15 of each year for information pertaining to the previous calendar year.

(2) Account No. 228.2 Accumulated Provision for Injuries and Damages.

(a)- (b) No Change.

(3) Account No. 228.4 Accumulated Miscellaneous Operating Provisions.

(a) – (b) No Change.

(4)(a) No Change.

(b) If a utility elects to use any of the above listed accumulated provision accounts, each and every loss or cost which is covered by the account shall be charged to that account and shall not be charged directly to expenses except as provided for in paragraphs (1)(f), (1)(g) and (1)(h).

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Charges shall be made to accumulated provision accounts regardless of the balance in those accounts.

(c) No Change.

Specific Authority 366.05(1) FS.

Law Implemented 350.115, 366.04(2)(a) FS.

History-New 3-17-88, amended.

NAME OF PERSON ORIGINATING PROPOSED RULE: John Slemkewicz

NAME OF SUPERVISOR OR PERSON WHO APPROVED THE PROPOSED RULE: Florida  
Public Service Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: April 10, 2007

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW: Volume 33,  
Number 5, February 2, 2007