

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of a regulatory asset to record costs incurred due to COVID-19, by Utilities, Inc. of Florida.	DOCKET NO. 20200189-WS ORDER NO. PSC-2020-0403-PAA-WS ISSUED: October 26, 2020
---	--

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING A REGULATORY ASSET TO
RECORD COSTS INCURRED DUE TO COVID-19

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On August 3, 2020, Utilities Inc. of Florida (UIF or Utility) filed a petition for approval to establish a regulatory asset to record costs incurred due to Coronavirus Disease 2019 (COVID-19). UIF has requested deferral of incremental bad debt expense, assorted operating expenses, and safety-related costs attributable to COVID-19. Given the ongoing nature of the COVID-19 pandemic, the total extent of the Utility's COVID-19 related costs is not known at this time. We will address the potential recovery of the regulatory asset in a future proceeding.

This order addresses the creation of a regulatory asset and the deferral of consideration of any potential recovery to a future proceeding. We have jurisdiction over this matter pursuant to Sections 367.011, 367.081, and 367.121, Florida Statutes (F.S.).

Decision

We have the duty of ensuring that utilities provide safe, adequate, and reliable utility service at reasonable rates. By law, such rates must allow utilities the opportunity to recover the prudently incurred costs and a fair rate of return on capital invested by utilities for the purpose of providing such service. In turn, utilities have a responsibility, and are expected, to manage their business in a manner that addresses changes in costs and variability in sales.

On August 3, 2020, UIF filed a petition for approval to establish a regulatory asset to defer certain costs incurred due to COVID-19. UIF has requested approval to record and defer categories of costs in the regulatory asset including incremental bad debt expense and safety-related costs attributable to COVID-19. UIF has also requested approval to record a wide range of other costs, all of which are claimed to be attributable to the COVID-19 pandemic.

UIF states that it receives approximately \$39,045 less in monthly customer payments due to foregone late payment fees and customer reconnection fees. UIF anticipates that COVID-related bad debt expense will continue to increase due to higher levels of write-offs for uncollectable accounts. UIF estimates that its bad debt expense attributable to COVID-19 will continue to increase over the coming months.

The Utility states that it has incurred additional costs associated with actions to preserve the health and safety of its employees, contractors, and customers. UIF states its actions have included the following types or subsets of safety-related costs: monitoring the health of employees and contractors at its facilities, testing for COVID-19 and antibodies, modifying facilities to ensure clean access, obtaining personal protective equipment, and adding signage on buildings to encourage COVID-related safety protocols. UIF also suggests it be allowed to record costs associated with servers, software, computer equipment, and communications equipment.

The concept of deferral accounting allows companies to defer costs due to events beyond their control and seek recovery through rates at a later time. If the subject costs are significant, the alternative would be for a company to seek a rate proceeding each time it experiences an exogenous event. The costs in the instant docket are attributed to the COVID-19 pandemic. Due to the uncertainty of this situation, we find that it is not possible to fully anticipate the scope or timeframe of the financial impact on UIF and its customers related to COVID-19. Because of the unique circumstances resulting from the global pandemic, we have considered the Utility's request to establish a regulatory asset for recording costs incurred due to COVID-19 and defer our consideration of the potential recovery of the amounts recorded in the regulatory asset to a future proceeding. For the same reasons, it is too early to determine if the total amount and/or all types or subsets of proposed costs within an approved category of costs will be permissible for recovery. Therefore, we approve the recording of incremental bad debt expense associated with COVID-19, and safety related costs that are limited to those expenses that are directly and solely attributable to the health and safety of UIF's employees and its customers during the COVID-19 pandemic. By way of example, we have determined that safety-related costs could consist of expenditures associated with testing and monitoring employees, purchase of personal protective equipment, and incremental amounts related to sanitization efforts and other safety protocols.

On the other hand, we find that the category of lost revenue is not an appropriate category to be included within a regulatory asset. This is because an inherent risk for any company is the loss of revenue due to reasons such as economic downturns, competition, conservation, alternative suppliers, and other events. The return on equity includes a component to compensate equity investors for business risks such as lost revenue. It would be unreasonable for customers to potentially be charged extra to make a company whole for lost revenue. As such, we find that lost revenue shall not be permissible for inclusion in the regulatory asset. The approval to establish the regulatory asset, for accounting purposes, does not limit our ability to review the amounts, recovery method, scope of financial impact, recovery period, specific types or subsets of proposed costs within an approved category of costs, and other related matters for reasonableness in a future proceeding in which the regulatory asset is included.

In addition, we find that UIF shall be required to track any assistance or benefits received by the Utility in connection with COVID-19, regardless of form or source, that would offset any COVID-19-related expenses. This includes, but is not limited to, any costs savings directly attributable to the suspension of disconnections or other activities as a result of the pandemic. The regulatory asset costs and offsets shall be recorded and maintained in a detailed manner that will allow incremental costs and any benefits and savings to be readily identifiable in a future proceeding. The Utility shall be prepared to explain what actions and efforts it has undertaken to reduce or minimize these costs and to maximize the receipt of any available COVID-19 assistance or benefits. Finally, the Utility shall be required to file monthly reports identifying the amounts of the costs incurred, any assistance or benefits received, and any cost savings realized that have been recorded in the regulatory asset. The first COVID-19 regulatory asset report shall be filed on December 1, 2020, and every month thereafter until UIF presents the regulatory asset for our consideration.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Utilities, Inc. of Florida's request to establish a regulatory asset for recording the deferral of certain costs attributable to COVID-19 is granted as set forth herein; however, we will limit the inclusion of safety-related costs to those expenses that are directly and solely attributable to the health and safety of the Utility's employees and its customers during the COVID-19 pandemic. It is further

ORDERED that the deferral of lost revenue for inclusion in the regulatory asset is denied. It is further

ORDERED that the approval to establish a regulatory asset, for accounting purposes, does not limit our ability to review the amounts, recovery method, scope of financial impact, recovery period, specific types or subsets of proposed costs within an approved category of costs, and other related matters for reasonableness in a future proceeding in which the regulatory asset is included. It is further

ORDERED that the Utility shall be required to track any assistance or benefits received by the Utility in connection with COVID-19, regardless of form or source, that would offset any

COVID-19-related expenses. This includes, but is not limited to, any cost savings directly attributable to the suspension of disconnections or other activities as a result of the pandemic. It is further

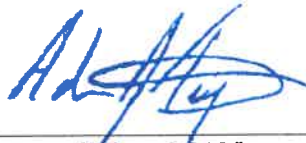
ORDERED that the regulatory asset costs and offsets shall be recorded and maintained in a detailed manner that will allow incremental costs and any benefits and savings to be readily identifiable in a future proceeding. In addition, the Utility shall be prepared to explain what actions and efforts it has undertaken to reduce or minimize these costs and to maximize the receipt of any available COVID-19 assistance or benefits. It is further

ORDERED that the Utility shall file monthly reports identifying the amounts of the costs incurred, any assistance or benefits received, and any cost savings realized that have been recorded in the regulatory asset. The first COVID-19 regulatory asset report shall be filed on December 1, 2020, and every month thereafter until the Utility presents the regulatory asset for our consideration. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall remain open.

By ORDER of the Florida Public Service Commission this 26th day of October, 2020.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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 that is available under Section 120.57, 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 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.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 16, 2020.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.