

BEFORE THE PUBLIC SERVICE COMMISSION

UNDOCKETED

IN RE: RULE 25-6.0143

NOTICE OF PROPOSED RULE DEVELOPMENT

TO ALL INTERESTED PERSONS

ISSUED: January 26, 2006

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

The attached Notice of Proposed Rule Development will appear in the February 3, 2006, edition of the Florida Administrative Weekly. A rule development workshop will be held at the following time and place:

Florida Public Service Commission
9:30 a.m. – March 10, 2006
Betty Easley Conference Center, Room 148
4075 Esplanade Way
Tallahassee, Florida

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of the Commission Clerk and Administrative Services at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

DOCUMENT NUMBER - DATE

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By DIRECTION of the Florida Public Service Commission this 26th day of January,
2006.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(SEAL)

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FLORIDA PUBLIC SERVICE COMMISSION

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RULE TITLE:

RULE NO.:

Use of Accumulated Provision Accounts 228.1, 228.2 and 228.4

25-6.0143

PURPOSE AND EFFECT: To provide guidance to investor-owned electric utilities for determining the types of storm damage restoration costs that can be charged to Account No. 228.1.

SUBJECT AREA TO BE ADDRESSED: Recovery of costs associated with storm damage.

SPECIFIC AUTHORITY: 366.05(1), FS

LAW IMPLEMENTED: 350.115, 366.04(2)(a), and 366.05(1), FS

A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 a.m., March 10, 2006

PLACE: Betty Easley Conference Center, Room 148, 4075 Esplanade Way, Tallahassee, Florida

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of the Commission Clerk and Administrative Services at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE

DEVELOPMENT IS: Marlene K. Stern, Office of General Counsel, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862, (850) 413-6230.

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT 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 subsection (1)(e), 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 or reimbursements for losses charged to this account shall be credited to the account.

(c) A separate subaccount, Account No. 228.199, Accumulated Provision for Storm Damage, 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.

(d) In determining the costs to be charged to Account No. 228.199, the utility shall use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the ICCA methodology, the costs charged to Account No. 228.199 shall exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. In addition, capital expenditures for the removal, retirement and replacement of damaged facilities charged to Account 228.199 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 and provide a schedule of the amounts charged to Account No. 228.199 for each incident exceeding \$10 million.

(e) All costs charged to Account 228.199 are subject to review for prudence and reasonableness by the Commission. Under the ICCA methodology for determining the allowable

costs to be charged, however, the following costs are expressly prohibited from being charged to

Account No. 228.199:

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 and insurance costs for utility-owned or utility-leased vehicles and aircraft;
4. Utility employee assistance costs;
5. Utility employee training costs;
6. Utility advertising, media relations or public relations costs;
7. Utility call center and customer service costs;
8. Utility lost revenues from services not provided;
9. Costs of back-fill work or catch-up work for activities not directly related to storm damage restoration activities; and
10. Replenishment of the utility's materials and supplies inventories.

(f) A utility may, at its own option, charge storm-related costs as operating expenses rather than charging them to Account No. 228.199. 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.

(g) If the charges to Account No. 228.199 exceed the account balance, the excess shall be carried as a debit balance in Account No. 228.199 and no request for a deferral of the excess or for the establishment of a regulatory asset is necessary.

(h) A utility may petition the Commission for the recovery of a debit balance in Account No. 228.199 through a surcharge. The amount requested for recovery through the surcharge shall not exceed the amount of the debit balance in Account No. 228.199.

(i) If a utility receives reimbursement from another utility for expenses incurred in providing storm damage restoration assistance to another utility, the utility shall credit Account No. 228.199 for the costs that normally would be charged to operating expenses in the absence of providing storm damage restoration assistance.

(j) A utility shall not establish a new annual accrual amount or a new target accumulated balance amount for Account No. 228.199 without prior Commission approval.

(k) Each utility shall file a Storm Damage Self-Insurance Reserve Study (Study) with the Division of the Commission Clerk and Administrative Services by January 15, 2011, and at least once every 5 years thereafter from the submission date of the previously filed study unless otherwise required by the Commission. 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. 228.199. At a minimum, the Study shall include data for determining a target balance for, and the annual accrual amount to, Account No. 228.199.

(l) 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 228.199. The report shall be filed annually by February 15 of each year for information pertaining to the previous calendar year.

(2) - (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 subsection (1)(e). 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), 366.05(1) FS.

History-New 3-17-88.

AVAILABLE AT NO CHARGE FROM THE CONTACT PERSON LISTED ABOVE.