

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO: 070011-EI

IN RE: PROPOSED AMENDMENT OF RULE 25-6.0143, F.A.C., USE OF ACCUMULATED
PROVISION ACCOUNTS 228.1, 228.2 AND 228.4

NOTICE OF SECOND PROPOSED RULE DEVELOPMENT WORKSHOP

TO

ALL INTERESTED PERSONS

ISSUED: January 24, 2007

NOTICE is hereby given pursuant to Section 120.54, Florida Statutes, that the Florida Public Service Commission staff will continue 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 Workshop will appear in the January 31, 2007, 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., February 21, 2007
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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FPSC-COMMISSION CLERK

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By DIRECTION of the Florida Public Service Commission, this 24th day of January,
2007.



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

(SEAL)

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Notice of Development of Rulemaking

Florida 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 facilities from extreme weather events.

SUBJECT AREA TO BE ADDRESSED: Investor-owned utility regulatory accounting methods.

SPECIFIC AUTHORITY: 350.127(2), 366.05(1), Florida Statutes

LAW IMPLEMENTED: 350.115, 366.04(2)(a), Florida Statutes

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

DATE AND TIME: 9:30 a.m. - Wednesday, February 21, 2007

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

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 48 hours before the workshop/meeting by contacting: The Division of the Commission Clerk and Administrative Services at (850) 413-6770. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS: Larry D. Harris, Associate General Counsel, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862, (850) 413-6076.

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 subsections (1)(e) and (1)(f), 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. 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

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the Director of the Commission's Division of Economic Regulation in writing and provide a schedule of the amounts charged to Account No. 228.1 for each incident exceeding ten million dollars.

(e) All costs charged to Account 228.1 are subject to review for prudence and reasonableness by the Commission. Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, the following costs are expressly prohibited from being charged to Account No. 228.1:

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;

6. Utility advertising, media relations or public relations costs;

7. Utility call center and customer service costs;

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 three previous calendar years;

9. Uncollectible accounts expenses;

10. Utility lost revenues from services not provided;

11. Costs of back-fill work or catch-up work for activities not directly related to storm damage restoration activities; and

12. 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. 228.1. 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 five million dollars.

(g) 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.

(h) A utility may petition the Commission for the recovery of a debit balance in Account No. 228.1 through a surcharge, securitization or other cost recovery mechanism.

(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. 228.1 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 or change an annual accrual amount or a target accumulated balance amount for Account No. 228.1 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 five 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,

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the Study shall include data for determining a target balance for, and the annual accrual amount to, Account No. 228.1.

(1) 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) – (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 subsections (1)(e) and (1)(f). 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 _____.