

ORIGINAL

DOCKET NO. 070011-EI

CERTIFICATION OF  
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES  
FILED WITH THE  
DEPARTMENT OF STATE

RECEIVED-PTSC  
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COMMISSION  
CLERK

I do hereby certify:

/x/ (1) That all statutory rulemaking requirements of Chapter 120, F.S., have been complied with; and

/x/ (2) There is no administrative determination under subsection 120.56(2), F.S., pending on any rule covered by this certification; and

/x/ (3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(3)(e), F.S. They are filed not less than 28 days after the notice required by paragraph 120.54(3)(a), F.S., and;

/x/ (a) Are filed not more than 90 days after the notice; or

// (b) Are filed not more than 90 days after the notice not including days an administrative determination was pending; or

// (c) Are filed more than 90 days after the notice, but not less than 21 days nor more than 45 days from the date of publication of the notice of change; or

// (d) Are filed more than 90 days after the notice, but not less than 14 nor more than 45 days after the adjournment of the final public hearing on the rule; or

// (e) Are filed more than 90 days after the notice, but within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

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// (f) Are filed more than 90 days after the notice, but within 21 days after the date the transcript was received by this agency; or

// (g) Are filed not more than 90 days after the notice, not including days the adoption of the rule was postponed following notification from the Joint Administrative Procedures Committee that an objection to the rule was being considered; or

// (h) Are filed more than 90 days after the notice, but within 21 days after a good faith written proposal for a lower cost regulatory alternative to a proposed rule is submitted which substantially accomplishes the objectives of the law being implemented; or

// (i) Are filed more than 90 days after the notice, but within 21 days after a regulatory alternative is offered by the small business ombudsman.

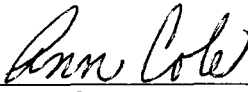
Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

Rule No.

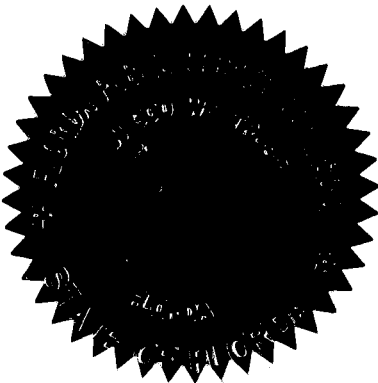
25-6.0143

Under the provision of subparagraph 120.54(3)(e)6., F.S., the rules take effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: \_\_\_\_\_  
(month) (day) (year)

  
\_\_\_\_\_  
ANN COLE  
Commission Clerk

\_\_\_\_\_  
Number of Pages Certified



LDH

1 25-6.0143 Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4.

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

3 (a) This account may be established to provide for losses through accident, fire, flood,  
4 storms, nuclear accidents and similar type hazards to the utility's own property or property  
5 leased from others, which is not covered by insurance. This account would also include  
6 provision for the deductible amounts contained in property loss insurance policies held by the  
7 utility as well as retrospective premium assessments stemming from nuclear accidents under  
8 various insurance programs covering nuclear generating plants. A schedule of risks covered  
9 shall be maintained, giving a description of the property involved, the character of risks  
10 covered and the accrual rates used.

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

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

20 (d) In determining the costs to be charged to cover storm-related damages, the utility  
21 shall use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the  
22 ICCA methodology, the costs charged to cover storm-related damages shall exclude those  
23 costs that normally would be charged to non-cost recovery clause operating expenses in the  
24 absence of a storm. Under the ICCA methodology for determining the allowable costs to be  
25 charged to cover storm-related damages, the utility will be allowed to charge to Account No.

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1 228.1 costs that are incremental to costs normally charged to non-cost recovery clause  
2 operating expenses in the absence of a storm. All costs charged to Account 228.1 are subject  
3 to review for prudence and reasonableness by the Commission. In addition, capital  
4 expenditures for the removal, retirement and replacement of damaged facilities charged to  
5 cover storm-related damages shall exclude the normal cost for the removal, retirement and  
6 replacement of those facilities in the absence of a storm. The utility shall notify the Director of  
7 the Commission's Division of Economic Regulation in writing for each incident expected to  
8 exceed \$10 million.

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

- 11 1. Additional contract labor hired for storm restoration activities;
- 12 2. Logistics costs of providing meals, lodging, and linens for tents and other staging  
13 areas;
- 14 3. Transportation of crews for storm restoration;
- 15 4. Vehicle costs for vehicles specifically rented for storm restoration activities;
- 16 5. Waste management costs specifically related to storm restoration activities;
- 17 6. Rental equipment specifically related to storm restoration activities;
- 18 7. Materials and supplies used to repair and restore service and facilities to pre-storm  
19 condition, such as poles, transformers, meters, light fixtures, wire, and other electrical  
20 equipment, excluding those costs that normally would be charged to non-cost recovery clause  
21 operating expenses in the absence of a storm;

22 8. Overtime payroll and payroll-related costs for utility personnel included in storm  
23 restoration activities;

24 9. Fuel cost for company and contractor vehicles used in storm restoration activities;

25 and

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

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

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

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

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

11           4. Utility employee assistance costs;

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

13           6. Utility advertising, media relations or public relations costs, except for public  
14 service announcements regarding key storm-related issues as listed above in subparagraph (1)  
15 (e)10.;

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

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

22           9. Utility lost revenues from services not provided; and

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

24           (g) Under the ICCA methodology for determining the allowable costs to be charged to  
25 cover storm-related damages, certain costs may be charged to Account 228.1 only after review

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1 and approval by the Commission. Prior to the Commission's determination of the  
2 appropriateness of including such costs in Account No. 228.1, the costs may be deferred in  
3 Account No. 186, Miscellaneous Deferred Debits. The deferred costs must be incurred prior to  
4 June 1 of the year following the storm event. By September 30 a utility shall file a petition for  
5 the disposition of any costs deferred prior to June 1 of the year following the storm event  
6 giving rise to the deferred costs. These costs include, but are not limited to, the following:

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

12 2. Uncollectible accounts expenses.

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

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

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

25 (k) A utility shall not establish or change an annual accrual amount or a target

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1 accumulated balance amount for Account No. 228.1 without prior Commission approval.

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

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

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

15 (a) This account may be established to meet the probable liability, not covered by  
16 insurance, for deaths or injuries to employees or others and for damages to property neither  
17 owned nor held under lease by the utility. When liability for any injury or damage is admitted  
18 or settled by the utility either voluntarily or because of the decision of a Court or other lawful  
19 authority, such as a workman's compensation board, the admitted liability or the amount of the  
20 settlement shall be charged to this account.

21 (b) Charges to this account shall be made for all losses covered. Detailed supporting  
22 records of charges made to this account shall be maintained in such a way that the year the  
23 event occurred which gave rise to the loss can be associated with the settlement. Recoveries or  
24 reimbursements for losses charged to the account shall be credited to the account.

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

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1 (a) This account may be established for operating provisions which are not covered  
2 elsewhere. This account shall be maintained in such a manner as to show the amount of each  
3 separate provision established by the utility and the nature and amounts of the debits and  
4 credits thereto. Each separate provision shall be identified as to purpose and the specific  
5 events to be charged to the account to ensure that all such events and only those events are  
6 charged to the provision accounts.

7 (b) Charges to this account shall be made for all costs or losses covered. Recoveries or  
8 reimbursements for amounts charged to this account shall be credited hereto.

9 (4)(a) The provision level and annual accrual rate for each account listed in subsections  
10 (1) through (3) shall be evaluated at the time of a rate proceeding and adjusted as necessary.  
11 However, a utility may petition the Commission for a change in the provision level and  
12 accrual outside a rate proceeding.

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

18 (c) No utility shall fund any account listed in subsections (1) through (3) unless the  
19 Commission approves such funding. Existing funded provisions which have not been  
20 approved by the Commission shall be credited by the amount of the funded balance with a  
21 corresponding debit to the appropriate current asset account, resulting in an unfunded  
22 provision.

23 Specific Authority 366.05(1) FS.

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

25 History-New 3-17-88, amended.

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### SUMMARY OF RULE

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 HEARINGS ON THE RULE

No hearing was requested and none was held.

### FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

As a result of Hurricane Andrew in 1992, Florida Investor-Owned electric utilities found commercial insurance either unavailable or cost prohibitive, and the Commission established a self-insurance program for damage to electric utility transmission and distribution facilities. The self insurance programs were inadequate to cover damages following the 2004 and 2005 storm seasons, and several electric utilities petitioned the Commission to recover storm restoration costs from ratepayers. While processing the petitions, the Commission determined the storm restoration cost accounting methodologies used by the utilities vary, greatly increasing litigation in cost recovery proceedings. In order to reduce future litigation, the Commission is prescribing a uniform accounting methodology that all electric utilities must follow, while prescribing types of costs which are and are not appropriate for inclusion in the storm restoration cost subaccount.

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