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# Public Service Commission

August 27, 2019

## STATEMENT OF ESTIMATED REGULATORY COSTS

Staff's First Data Request

*Via e-mail*

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**Re: Docket No. 20190131-EU: Proposed adoption of Rule 25-6.030, F.A.C., Storm Protection Plan and Rule 25-30.031, F.A.C., Storm Protection Plan Cost Recovery Clause.**

Dear All:

By this letter, the Commission staff is requesting your input on economic impacts, if any, that might result from the proposed adoption of Rule 25-6.030, F.A.C., Storm Protection Plan and Rule 25-30.031, F.A.C., Storm Protection Plan Cost Recovery Clause which implement Section 366.96, F.S., which was passed by the Florida Legislature in the 2019 session. Pursuant to Section 120.54(3)(b)1., F.S., agencies are encouraged to prepare a statement of estimated regulatory costs (SERC) before the adoption, amendment, or repeal of any rule. In order to

prepare the SERC, staff includes questions below which pertain to the staff's draft rule discussed at the August 20, 2019 rule development workshop and is included as Attachment A.

1. Commission Rule 25-6.030, Storm Protection Plan, F.A.C., is being proposed to implement newly enacted Section 366.96, Florida Statutes (F.S.). In accordance with the statute and the attached staff draft rule, utilities are required to file an updated Storm Protection Plan at least every three years.
  - a) Please explain whether or not you anticipate that the new statutory and Commission rule requirement will result in a need by your company to perform additional analyses, system reprogramming, or to make other business process changes to prepare for submission with the Commission the first Storm Protection Plan.
  - b) If the answer to 1a is affirmative, please describe the additional work that will be conducted.
  - c) Please provide an estimate of the additional (i.e., incremental) costs to your company per year for the next five years of the additional work described in your answer to 1b.
2. Commission Rule 25-6.031, Storm Protection Plan Cost Recovery Clause, F.A.C., is being proposed to implement newly enacted Section 366.96, Florida Statutes (F.S.). In accordance with the statute and the staff draft rule, utilities may petition for recovery of Commission-approved transmission and distribution storm protection plan costs through the Storm Protection Plan Cost Recovery Clause.
  - a) Please explain whether or not you anticipate participating in the annual Storm Protection Plan Cost Recovery Clause hearings.
  - b) If the answer to 2a is affirmative, please describe the additional work that will be conducted to file annual petitions for recovery of storm protection plan costs and associated cost recovery factors.
  - c) Please provide an estimate of the additional (i.e., incremental) costs to your company per year for the next five years of the additional work described in your answer to 2b.
3. Please explain whether or not you anticipate that the billing of new storm protection cost recovery factors will result in the need by your company to perform any system reprogramming and provide an estimate of the additional cost to your company to bill a new factor per year for the next five years if the storm protection cost recovery clause is incorporated on customers' bills in the non-fuel energy charge.
4. Please discuss any economic impacts to the utility and its customers that may occur as a result of Section 366.96, F.S. and attached draft rules 25-6.030 and 25-6.031, F.A.C.

SERC Data Request 1

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Please file all responses electronically no later than September 6, 2019, via the Commission's website at [www.floridapsc.com](http://www.floridapsc.com) by selecting the Clerk's Office tab and Electronic Filing Web Form. Please contact me at [sguffey@psc.state.fl.us](mailto:sguffey@psc.state.fl.us) or at 850-413-6204 if you have any questions.

Thank you.

*/s/Sevini Guffey*

Sevini Guffey

Public Utility Analyst II

cc: Office of the Commission Clerk

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**25-6.030 STORM PROTECTION PLAN.**

1     (1) Application and Scope. Each investor-owned electric utility (utility) must file a petition  
2     with the Commission for the approval of a Transmission and Distribution Storm Protection  
3     Plan (Storm Protection Plan) that covers the utility’s immediate 10-year planning period. Each  
4     utility must file, for Commission approval, an updated Storm Protection Plan at least every 3  
5     years.

6             (2) For the purpose of this rule, the following definitions apply:

7             (a) “Storm protection program” – a category or type of activity that is undertaken to  
8     enhance the utility’s existing infrastructure for the purpose of reducing restoration costs,  
9     reducing outage times, and improving overall service reliability.

10            (b) “Storm protection project” – a specific activity within a storm protection program  
11     designed for the enhancement of a specified portion of existing electric transmission or  
12     distribution facilities for the purpose of reducing restoration costs, reducing outage times, and  
13     improving overall service reliability.

14            (c) “Transmission and distribution facilities” – all utility owned poles and fixtures, towers  
15     and fixtures, overhead conductors and devices, substations and related facilities, land and land  
16     rights, roads and trails, underground conduits, and underground conductors.

17            (3) Contents of the Storm Protection Plan. For each Storm Protection Plan, the following  
18     information must be provided:

19            (a) A description of how implementation of the proposed Storm Protection Plan will  
20     strengthen electric utility infrastructure to withstand extreme weather conditions by promoting  
21     the overhead hardening of electrical transmission and distribution facilities, the  
22     undergrounding of certain electrical distribution lines, and vegetation management.

23            (b) A description of how implementation of the proposed Storm Protection Plan will  
24     reduce restoration costs and outage times associated with extreme weather events and improve  
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- 1 overall service reliability.
- 2 (c) A description of the utility's service area, including areas prioritized for enhancement  
3 and any areas where the utility has determined that enhancement of the utility's existing  
4 transmission and distribution facilities would not be feasible, reasonable, or practical. Such  
5 description must include a general map, number of customers served within each area, and the  
6 utility's reasoning for prioritizing certain areas for enhanced performance and for designating  
7 other areas of the system as not feasible, reasonable, or practical.
- 8 (d) A description of each proposed storm protection program that includes:
- 9 1. A description of how each proposed storm protection program is designed to enhance  
10 the utility's existing transmission and distribution facilities including an estimate of the  
11 resulting reduction in outage times and restoration costs due to extreme weather events;
- 12 2. If applicable, the actual or estimated start and completion dates of the program;
- 13 3. A description of any storm protection programs that were considered but not included in  
14 the Storm Protection Plan, and an explanation for why the program was not included;
- 15 4. A cost estimate including capital and operating expenses, both fixed and variable;
- 16 5. A comparison of the costs identified in subparagraph (3)(d)4. and the benefits identified  
17 in subparagraph (3)(d)1.; and
- 18 6. A description of the criteria used to select and prioritize proposed storm protection  
19 programs.
- 20 (d) For each of the first three years in a utility's Storm Protection Plan, the utility must  
21 provide a description of each proposed storm protection project that includes:
- 22 1. The actual or estimated construction start and completion dates;
- 23 2. A description of the affected existing facilities, including number and type(s) of  
24 customers served, historic service reliability performance during extreme weather events, and  
25 how this data was used to prioritize the proposed storm protection project; and

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- 1     3. A cost estimate including capital and operating expenses, both fixed and variable; and  
2     4. A description of the criteria used to select and prioritize proposed storm protection  
3     projects.  
4     (e) For each of the first three years in a utility's Storm Protection Plan, the utility must  
5     provide a description of its proposed vegetation management activities including:  
6         1. The projected locations and frequency;  
7         2. The projected miles of affected transmission and distribution overhead facilities;  
8         3. The estimated annual labor and equipment costs for both utility and contractor  
9     personnel; and  
10         4. An description of how the vegetation management activity will reduce outage times and  
11     restoration costs due to extreme weather events.  
12     (f) An estimate of the annual jurisdictional revenue requirements for each year of the  
13     Storm Protection Plan.  
14     (g) An estimate of rate impacts for each of the first three years of the Storm Protection  
15     Plan for residential, commercial, and industrial customers.  
16     (h) A description of any implementation alternatives that could mitigate the resulting rate  
17     impact for each of the first three years of the proposed Storm Protection Plan.  
18     (i) Any other factors the utility requests the Commission to consider.  
19     (4) By June 1, each utility must submit to the Commission Clerk an annual status report on  
20     the utility's Storm Protection Plan programs and projects. The annual status report shall  
21     include:  
22         (a) Identification of all Storm Protection Plan programs and projects completed or planned  
23         for completion;  
24         (b) Actual costs and rate impacts associated with completed programs and projects as  
25         compared to the estimated costs and rate impacts for those programs and projects; and

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1 | (c) Estimated costs and rate impacts associated with programs and projects planned for  
2 | completion during the next year of the Storm Protection Plan.

3 | *Rulemaking Authority 366.96, FS. Law Implemented 366.96, FS. History–New \_\_\_\_\_.*  
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1     **25-6.031 Storm Protection Plan Cost Recovery Clause.**

2     (1) Application and Scope. This rule applies to each investor-owned electric utility  
3     (utility).

4     (2) After the Commission has issued a final order approving a utility's Transmission and  
5     Distribution Storm Protection Plan (Storm Protection Plan), a utility may file a petition for  
6     recovery of associated costs through the Storm Protection Plan cost recovery clause. The  
7     utility's petition shall be supported by testimony that provides details on the annual Storm  
8     Protection Plan implementation activities and associated costs, and how those activities and  
9     costs are consistent with its approved Storm Protection Plan.

10     (3) An annual hearing to address petitions for recovery of Storm Protection Plan costs will  
11     be limited to determining the reasonableness of projected Storm Protection Plan costs, the  
12     prudence of actual Storm Protection Plan costs incurred by the utility, and to establish Storm  
13     Protection Plan cost recovery factors consistent with the requirements of this rule.

14     (4) Deferred accounting treatment. Storm Protection Plan cost recovery clause true-up  
15     amounts shall be afforded deferred accounting treatment at the 30-day commercial paper rate.

16     (5) Subaccounts. To ensure separation of costs subject to recovery through the clause, the  
17     utility filing for cost recovery shall maintain subaccounts for all items consistent with the  
18     Uniform System of Accounts prescribed by this Commission, pursuant to Rule 25-6.014,  
19     F.A.C.

20     (6) Recoverable costs.

21     (a) The utility's petition for recovery of costs associated with its Storm Protection Plan  
22     may include costs incurred after the filing of the utility's Storm Protection Plan.

23     (b) Storm Protection Plan costs recoverable through the clause shall not include costs  
24     recovered through the utility's base rates or any other cost recovery mechanism.

25     (c) The utility may recover the annual depreciation expense on capitalized Storm

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1 Protection Plan expenditures using the utility's most recent Commission-approved  
2 depreciation rates. The utility may recover a return on the undepreciated balance of the costs  
3 calculated at the utility's weighted average cost of capital using the return on equity most  
4 recently approved by the Commission.  
5 (7) Pursuant to the order establishing procedure in the annual cost recovery proceeding, a  
6 utility shall submit the following for Commission review and approval as part of its cost  
7 recovery filings:  
8 (a) Final True-Up for Previous Year. The utility shall submit its final true-up of Storm  
9 Protection Plan revenue requirements based on actual costs for the prior year and previously  
10 filed costs and revenue requirements for such prior year and a description of the work actually  
11 performed during such year.  
12 (b) Estimated True-Up for Current Year. The utility shall submit its actual/estimated true-  
13 up of Storm Protection Plan revenue requirements based on a comparison of current year  
14 actual/estimated costs and the previously-filed projected costs and revenue requirements for  
15 such current year and a description of the work projected to be performed during such year.  
16 (c) Projected Costs for Subsequent Year. The utility shall submit its projected Storm  
17 Protection Plan costs and revenue requirements for the subsequent year and a description of  
18 the work projected to be performed during such year.  
19 (d) True-Up of Variances. The utility shall report observed true-up variances including  
20 sales forecasting variances, changes in the utility's prices of services and/or equipment, and  
21 changes in the scope of work relative to the estimates provided pursuant to subparagraphs  
22 (7)(b) and (7)(c). The utility shall also provide explanations for variances regarding the  
23 implementation of the approved Storm Protection Plan.  
24 (e) Proposed Storm Protection Plan Cost Recovery Factors. The utility shall provide the  
25 calculations of its proposed factors and effective 12-month billing period

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1 | (8) Recovery of costs under this rule does not preclude a utility from proposing inclusion  
2 | of future Storm Protection Plan costs in base rates in a subsequent rate proceeding.  
3 | *Rulemaking Authority 366.96, FS. Law Implemented 366.96, FS. History–New \_\_\_\_\_.*  
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