

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** March 19, 2020

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Snyder, M. Andrews, D. Buys, Mouring, Swards) *PS MA*  
Division of Engineering (P. Buys, King, Knoblauch, Lewis) *CL DS*  
Office of the General Counsel (Trierweiler, Crawford, Schrader) *ALM*

**RE:** Docket No. 20190109-GU – Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve, by Peoples Gas System.

**AGENDA:** 03/31/20 – Regular Agenda – Proposed Agency Action – Interested Parties May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Clark

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

### Case Background

On April 25, 2019, Peoples Gas System (Peoples or Company) filed a petition to recover approximately \$3.4 million for the incremental restoration costs related to Hurricane Michael and to replenish the Company's storm reserve. On July 29, 2019, the Commission issued an order allowing Peoples to implement an interim storm recovery surcharge beginning with the first billing cycle of August 2019.<sup>1</sup> Collections for the storm surcharge concluded in December 2019.

On February 12, 2020, Peoples and OPC (The Parties) filed a Joint Petition for Approval of Stipulation and Storm Cost Settlement Agreement (Settlement Agreement). The Settlement

<sup>1</sup>Order No. PSC-2019-0310-PCO-GU, issued July 29, 2019, in Docket No. 20190109-GU, *Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve, by Peoples Gas System.*

Agreement is attached as Attachment A. The Settlement Agreement includes adjustments to the recoverable storm amount and future process improvements for cost effective and timely storm damage recovery and service restoration.

The Settlement Agreement includes total adjustments to the storm cost recovery amount of \$147,220, including \$115,867 for regular payroll to be reclassified as capital and added to the Company's Plant in Service balance. After adjustments, the revised recoverable storm amount is \$3,235,482. The amount collected through the interim storm restoration recovery charge was \$3,421,631. The resulting over-recovery amount of \$186,149 will be credited to Peoples' Energy Conservation Cost Recovery Clause filing in 2020.

The Parties agree to a set of future storm restoration process improvements intended to allow cost-effective and timely storm damage recovery and service restoration that reasonably balances the customers' right to have service promptly restored with the customers' right not to pay excessive or improper costs to achieve that restoration. The future process improvements cover a broad range of storm cost recovery issues, including: contracting and vendor engagement, travel and work policies, cost documentation, auditing and regulatory recovery processes, and a methodology for determining incremental costs.

If approved by the Commission, the over-recovery amount of \$186,149 will be credited to Peoples' Energy Conservation Cost Recovery Clause filing in 2020 and returned to customers through the trueup. The Parties will meet to evaluate the procedures and consider the need to amend them during the first quarter of 2022 and every three years thereafter.

The Settlement Agreement becomes effective after three milestones are met: the settlement agreement is approved by the Commission, a final order has been issued, and the final order becomes unappealable.

The Commission should vote on whether or not to grant the Joint Motion for Approval of Stipulation and Storm Cost Settlement Agreement at Attachment A.

FILED 2/12/2020  
DOCUMENT NO. 00886-2020  
FPSC - COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve, by Peoples Gas System

Docket No. 20190109-GU  
Submitted for Filing: Feb. 12, 2020

**JOINT PETITION FOR APPROVAL OF STIPULATION AND STORM COST SETTLEMENT AGREEMENT**

Peoples Gas System ("Peoples" or the "Company") and the Office of Public Counsel ("OPC") hereby petition the Florida Public Service Commission to approve the Storm Cost Settlement Agreement "SCSA" dated February 6, 2020, which is attached hereto as Exhibit A which the joint petitioners have entered into for the resolution of all issues relating to Peoples' recovery of costs associated with Hurricane Michael and the replenishment of its storm reserve. In support of this petition, the joint petitioners represent as follows:

- 1. The names, addresses and telephone numbers of the joint petitioners are as follows:

Peoples Gas System  
702 N. Franklin Street  
Tampa, Florida 33602  
(813) 228-4111

Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, Florida 32399-1400  
(850) 488-9330

- 2. The names and addresses of the persons authorized to receive notices and communications with respect to this Joint Petition are:

Andrew M. Brown, Esquire  
AB@macfar.com  
Macfarlane Ferguson & McMullen  
P.O. Box 1531  
Tampa, Florida 33601

Ms. Paula Brown  
[regdept@tecoenergy.com](mailto:regdept@tecoenergy.com)  
Manager, Regulatory Coordination  
Peoples Gas System  
702 N. Franklin Street  
Tampa, Florida 33602

Ms. Kandi Floyd  
[kfloyd@tecoenergy.com](mailto:kfloyd@tecoenergy.com)  
Directory, Regulatory Affairs  
Peoples Gas System  
702 N. Franklin St.  
Tampa, Florida 33602

J.R. Kelly, Esquire  
A. Mireille Fall-Fry, Esquire  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, Florida 32399-1400

3. Peoples is a public utility as defined by Section 366.02, Florida Statutes, and is subject to the regulatory jurisdiction of the Commission established by Chapter 366, Florida Statutes. The OPC provides legal representation for the people of the State of Florida in proceedings before the Commission as authorized and directed by Section 360.0611, Florida Statutes.

4. On October 10, 2018, Hurricane Michael made landfall east of Panama City, Florida, near Mexico Beach, Florida, as a category five hurricane with winds of 160 mph. The storm caused catastrophic damage in the panhandle of Florida, including significant damage to Peoples' infrastructure in the area. Peoples responded to approximately 3,500 calls to address customer needs and responded to approximately 1,550 emergency leak orders. At the time of the storm, Peoples had a balance of \$79,125 in the company's storm reserve account. Peoples incurred a total of \$3,872,698 of direct Hurricane Michael related storm responsive and restoration costs.

5. On April 25, 2019, Peoples filed its Petition for recovery of costs associated with Hurricane Michael and replenishment of storm reserve which was assigned Docket

Number 20190109-GU. In that Petition, Peoples sought recovery of \$3,312,052 of incremental storm response and restoration costs due to Hurricane Michael. Peoples alleged that it incurred a total of \$3,872,698 related to Hurricane Michael related storm response and restoration costs that included \$205,503 of capital expense and \$355,093 as operation and maintenance expense costs that Peoples was not seeking to recover. Included in the \$3,382,702, Peoples sought to recover \$27,255 related to the write-off of customer accounts due to the customers financial difficulties following the storm and \$79,125 to replenish the balance of the storm reserve to its pre-Hurricane Michael level.

6. The OPC intervened in this docket on May 2, 2019. On July 3, 2019, Peoples and OPC filed a Joint Notice of Partial Stipulation in which Peoples agreed that it would not seek recovery of \$27,255 in uncollectible accounts. As part of that stipulation, OPC waived objection to Peoples seeking to implement an interim surcharge in the form of the proposed storm cost recovery mechanism ("SCRM"), subject to final true-up of the allowable incremental costs.

7. On July 29, 2019, the Commission issued an order allowing Peoples to implement an interim SCRM beginning on the first billing cycle of August 2019 that would be subject to true-up and refund pending a formal proceeding to determine the prudence and reasonableness of the actual final restoration costs. The joint petitioners have engaged in discussions and negotiations and Peoples has provided requested information and supporting documentation concerning the storm recovery to the Commission and OPC in response to data and audit requests. The joint petitioners have engaged in discussions and negotiations and have reached an agreement on the prudent

and reasonable storm cost recovery costs that should be included for recovery including specific accounting procedures that the Company will follow for future storm costs and certain documentation that the Company will provide in future storm cost proceedings. Per Exhibit A to the original Petition, the requested recoverable storm amount was \$3,382,702. After the \$147,220 of specific adjustments detailed in the SCSA, the revised recoverable storm amount per this settlement is \$3,235,482. The amount collected pursuant to the interim storm restoration recovery charge was \$3,421,631. The details of the specific adjustments to the recoverable amount are contained in the SCSA attached as Exhibit A. The Parties have agreed that the over recovery amount of \$186,149 will be credited to Peoples' energy conservation cost recovery clause filing in 2020 and returned to customers through the true-up of that clause.

8. In addition to agreeing on the amount of recoverable costs, Peoples agreed to future process improvements including implementation of new processes with regard to contracting and vendor engagement, travel and work policies, cost documentation, auditing, and regulatory recovery process. The joint petitioners also agreed on use of a further defined incremental cost methodology and the calculation methodology for base payroll, overtime and other costs in future storm recovery scenarios.

9. The joint petitioners request that following review by the Commission of the Settlement Agreement, the Commission will consider and approve the SCSA Settlement Agreement at the earliest agenda conference practicable.

10. The joint petitioners represent that the SCSA is in the public interest, and fairly and reasonably balances the interests of Peoples and the short-term and long-term

interests of its customers on issues of storm cost recovery from the effects of Hurricane Michael and on the implementation of new processes for cost recovery. The joint petitioners further represent that the SCSA is fully consistent with and supportive of the Commission's longstanding policy of encouraging the settlement of proceedings in a manner that benefits the rate payers of utilities subject to the Commission's regulatory jurisdiction and will avoid the need for further costly and time consuming litigation of this matter before the Commission.

**WHEREFORE**, for the forgoing reasons, the joint petitioners respectfully request that the Commission approve in its entirety the SCSA which is attached hereto.

Respectfully submitted,

**PEOPLES GAS SYSTEM**



---

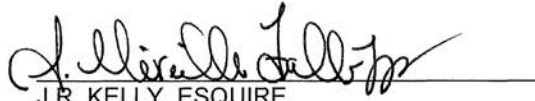
ANDREW M. BROWN, ESQUIRE  
Phone: (813) 273-4209/Fax: (813) 273-4396  
E-mail: [ab@macfar.com](mailto:ab@macfar.com)  
Macfarlane Ferguson & McMullen  
Post Office Box 1531  
Tampa, FL 33601-1531

Attorneys for Peoples Gas System

[remainder of this page left blank intentionally]

Respectfully submitted,

**OFFICE OF PUBLIC COUNSEL**

A handwritten signature in black ink, appearing to read "A. Mireille Fall-Fry", written over a horizontal line.

J.R. KELLY, ESQUIRE  
A. MIREILLE FALL-FRY, ESQUIRE  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, #812  
Tallahassee, Florida 32399-1400  
(850) 488-9330

[remainder of this page left blank intentionally]



Exhibit A

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for recovery of costs associated with / Docket No. 20190109-GU  
Hurricane Michael and replenishment of storm /  
reserve, by Peoples Gas System. \_\_\_\_\_ Filed: Feb. 12, 2020

**STORM COST SETTLEMENT AGREEMENT**

**WHEREAS**, this “Storm Cost Settlement Agreement (“Agreement”) is entered into by and between Peoples Gas System (“PGS” or the “Company”) and the Office of Public Counsel (“OPC”). Collectively, PGS and OPC shall be referred to herein as the “Parties.”

**WHEREAS**, this Agreement sets forth the Company’s allowable and recoverable prudent and reasonable Hurricane Michael storm costs and resolves all related issues for review and approval by the Florida Public Service Commission (“FPSC”).

**I. Procedural Background**

**WHEREAS**, on May 25, 2019, PGS filed the Petition of Peoples Gas System for Recovery of Costs Associated with Hurricane Michael and Replenishment of Storm Reserve, as well as testimony, schedules and other documentation in support of its request. In the Petition, PGS seeks approval for recovery of \$3,382,702 in “incremental storm response and restoration costs associated with Hurricane Michael, subject to final true-up.” The petition was the first of its kind for a gas company.

**WHEREAS**, in its filing and testimony, the Company states that it calculated the incremental costs in accordance with rule 25-6.0143(e), F.A.C. (“Rule”). The Rule does not strictly apply to gas companies. The Rule defines and limits the deferral of storm response and restoration costs to the storm damage reserve account, and ultimately, the recovery of those costs, to certain “incremental” costs. The Rule generally describes the calculation of the “incremental” costs using an Incremental Cost and Capitalization Approach (“ICCA”) methodology. The Rule allows deferral and, ultimately, recovery of prudent and reasonable costs “that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.” The Rule also

allows deferral and, ultimately, recovery of capital expenditures in excess of the “normal costs for the removal, retirement and replacement of . . . [damaged] facilities in the absence of a storm.” The Rule provides no further guidance for the calculation of “incremental” or “normal” costs.

**WHEREAS**, on July 3, 2019, PGS and OPC filed a Joint Notice of Partial Stipulation (“Interim Stipulation”). The Interim Stipulation recites the essentials of the Company’s request, memorializes PGS’ agreement that it would not seek recovery of \$27,255 in uncollectible accounts expense as an incremental cost, and states that OPC otherwise does not object to the Company’s implementation of a surcharge in the form of the proposed storm cost recovery mechanism (“SCRM”), subject to final true-up of allowable incremental costs.

**WHEREAS**, on July 29, 2019, the Commission approved the interim storm restoration recovery charge, subject to final true-up. The interim recovery is subject to true-up and refund pending a formal proceeding to determine the prudence and reasonableness of the actual final restoration costs. The Commission authorized the interim recovery starting with the first billing cycle in August 2019. The Company estimated that the recovery would be complete in December 2019. Finally, the Commission ordered that the docket remain open until all reconciliations and true-ups, including the application of interest on over or under recovery, could be considered by the Commission at a later date.

**WHEREAS**, OPC has reviewed the Company’s filing, testimony, schedules, workpapers, and other supporting documentation. OPC has conducted discovery, through written interrogatories, requests for production, and a technical conference call, to review and assess the Company’s calculations of the “incremental” costs and the “normal” costs used in those calculations. OPC has audited the Company’s supporting documentation and calculations.

**WHEREAS**, OPC has identified categories of costs and items within categories of costs that it has determined should not be included in the calculation of “incremental” costs, which the Company agrees should not have been included and should be removed from its request, including, but not limited to: (a) costs that were not authorized pursuant to contracts and should not have been charged to PGS, including costs that were duplicative for certain products and/or services, (b) costs that were not incremental to non-clause recovery of operating expenses, (c) capital expenditures

that were not in excess of “normal” costs, and (d), costs that had inadequate documentation or other support, including the relevant hourly rate sheets for certain contractors.

**WHEREAS**, the Parties have engaged in discussions to reach a compromise regarding (a) the prudent and reasonable incremental storm costs that may be deferred pursuant to the Rule and that are recoverable through the SCRM and (b) specific accounting procedures that the Company will follow for future storm costs and certain documentation that the Company will provide in future storm cost proceedings that will assist OPC and the Commission in its review and assessment of the storm costs eligible for deferral and recovery.

**WHEREAS**, the Parties have entered into this Agreement in compromise of positions taken or that could have been taken consistent with their rights and interests under chapters 350, 366 and 120, Florida Statutes, as applicable, and as part of a negotiated exchange of consideration among the Parties, in which each Party has agreed to concessions to the other with the expectation, intent, and understanding that all provisions of this Agreement, upon approval by the Commission, will be enforced by the Commission as to all matters addressed herein with respect to all Parties. By entering into this Agreement, PGS does not admit any liability, wrongdoing, or imprudence with respect to its filing.

**NOW THEREFORE**, in light of the mutual covenants of the Parties and the benefits accruing to the Parties through this Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

## **II. Storm Cost Recovery Amount**

### **A. Summary of Adjustments**

OPC disputes certain amounts claimed by PGS as incremental storm costs deferred and recovered through the SCRM. OPC has identified and quantified specific adjustments for costs that are not prudent or reasonable or incremental to the amounts recoverable through base rates or clauses, or that are not in excess of normal costs for the removal, retirement and replacement of damaged facilities in the absence of a storm.

The Company agrees with certain of the specific adjustments identified by OPC and FPSC Staff (per Audit Control No, 2019-253-2-1) and agrees in compromise to the remaining specific and aggregate adjustments identified by OPC as set forth in the following sections.

**B. Specific Adjustments**

1. PGS agrees that it will forego deferral and recovery through the SCRM of \$27,255 in uncollectible accounts expense. (Interim Stipulation).
2. PGS agrees that it will forego deferral and recovery through the SCRM of \$200 for charges from Allied Universal for telephone costs. (OPC I-1-30).
3. PGS agrees that it will forego deferral and recovery through the SCRM of \$3,248 for charges from Mikell Enterprises to replace a fence that should have been capitalized. (OPC I-1-10).
4. PGS agrees that it will forego deferral and recovery through the SCRM of \$284 for charges from Latham Catering for incidental charges that were duplicative. (OPC I-1-17).
5. PGS agrees that it will forego deferral and recovery through the SCRM of \$72 for charges from Voyager SW Florida that were duplicative. (FPSC audit report).
6. PGS agrees that it will forego deferral and recovery through the SCRM of \$235 for charges from PowerKleen that were missing supporting documentation. (FPSC audit report).
7. PGS agrees that it will forego deferral and recovery through the SCRM of \$59 for charges for battery purchases that were duplicative. (FPSC audit report).
8. PGS agrees that it will forego deferral and recovery through the SCRM of \$115,867 for regular payroll and related costs that are “normal” capital expenditures. This \$115,867 reduction will be classified as capital and added to PGS’ Plant in Service balance in Account 376.02 Mains Plastic (vintage year 2018) for all surveillance and future rate-setting purposes. OPC agrees not to dispute the reasonableness or prudence of this additional \$115,867 of capital in any future rate proceeding. (No. 3 CONF\_Bates.pdf at 314-315).

9. The specific adjustments to the SCRM listed above total \$147,220. Per Exhibit A to the Petition, the requested Recoverable Storm Amount was \$3,382,702. After the \$147,220 of specific adjustments detailed above, the revised Recoverable Storm Amount per this settlement is \$3,235,482. The amount collected pursuant to the interim storm restoration recovery charge was \$3,421,631. The over-recovery amount of \$186,149 will be credited to PGS' Energy Conservation Cost Recovery Clause filing in 2020 and returned to customers through the true-up.

### **III. Future Process Improvements**

#### **A. General Description of Storm Restoration, Documentation, Audit, and Rate Recovery Process Improvements**

1. The Parties agree to a set of storm restoration process improvements ("procedures") intended to allow cost effective and timely storm damage recovery and service restoration that reasonably balances the customers' right to have service promptly restored with the customers' equal right not to pay excessive or improper costs to achieve that restoration. The principles and process changes are described in greater detail below.
2. PGS agree that it will make a good faith effort to implement as many as possible of the new procedures described below for the 2020 hurricane season and will fully implement the procedures for the 2021 hurricane season. The procedures subsequently described will remain in effect until amended by agreement of the Parties to this Agreement or superseded by action of the FPSC applicable to PGS. The Parties will meet to evaluate the procedures and consider the need to amend them during the first quarter of 2022 and every three years thereafter.

#### **B. Storm Restoration Process Improvements, Contracting and Vendor Engagement, Travel and Work Policies**

1. The principles and procedures (and expectations) set forth below will be communicated to vendors and included in the engagement documentation (*i.e.* the documentation which is to be transmitted to a vendor immediately after it has agreed to perform storm restoration work for the Company). An asterisk (\*) is placed in front of each applicable term. Additional specific guidance or reinforcement may be contained in individual policy statements.

2. *Contracting Policy.* The Company will make a good-faith effort to contract and establish major terms and conditions with independent vendors/ non-embedded contractors. Where applicable, the terms and conditions should reflect the procedures, policies and expectations outlined in this Agreement. An embedded contractor provides storm restoration services and also performs similar or additional types of services for the Company in non-storm-restoration (non-emergency) conditions on a year-round basis and are Operator Qualified as deemed by federal regulations to perform work on a natural gas system pipeline and other associated appurtenances. A non-embedded contractor does not provide similar or additional types of services for the Company in non-storm-restoration (non-emergency) conditions on a year-round basis.
3. Hourly labor and equipment rates for non-embedded contractors should be separated into hourly labor and daily equipment rates so that equipment rates are based on availability for the day (fixed cost), not by the hour (not variable). The pricing terms contained within existing contracts with embedded contractors will be utilized for storm restoration activities.
4. *\*Billing Start Point Policy.* The Company will establish a policy that vendor billing should begin at the point crews mobilize after acquisition. The term “mobilize” does not include the time or activity associated with crewmembers traveling to the point of travel departure, but may include reasonable and prudent time and activity associated with stocking supplies and making vehicles ready to travel. Any exceptions to this requirement will be documented.
5. *\*Travel Time Billing Policy.* The Company will establish a policy and use its best efforts to ensure that contracts with vendors include terms and conditions designed to limit compensation for travel time to the actual time traveled, with no minimum hours, and to require documentation of any exceptions to the policy and the reason therefor.
6. *\*Pace of Travel Guidance Policy.* The Company will establish a policy for invoice review and storm filing documentation purposes that it expects distribution vendor crews that bill for 12 or more hours of travel in a day to travel 500 miles per day and it will require explanations sufficient to explain the degree of divergence from the expected travel distance.

7. *\*Anti-Poaching Policy.* In the event that the Company needs to hire non-embedded contractors/vendors, the Company declares that, on an informed basis, it does not and will not “poach” such vendors or vendor crews who are committed to another utility or are part of another utility’s mutual aid allocation without the consent of the other utility. The Company will use its best efforts to communicate with Florida utilities regarding the engagement and the release of vendors. The standardized engagement documentation will communicate that the Company expects that vendors will communicate honestly with other utilities about any prior engagement to provide assistance to decrease the opportunity for “poaching.”
8. *\*Daily Time Sheet Review and Documentation Policy.* The Company will require, review, verify, and approve the daily time sheets for all applicable vendor crews (*i.e.*, other than those of a local distribution company or gas cooperative/municipality allocated through a mutual assistance organization) and will maintain documentation of the Company’s approval and any exceptions noted by the Company. Electronic interfacing for time sheet review and approval will be utilized by vendors where reasonably practicable, and a spreadsheet template will be made available to all contractors to facilitate consistent application to the maximum extent possible.
9. *\*16 Hour Work/8 Hour Rest Policy.* The Company will establish a policy (and use its best efforts to ensure that contracts with vendors include necessary terms and conditions) to limit work time to 16 hours on, with 8 hours of rest, with no minimum hours, including the avoidance of double-time billing through efficient management of prior day’s work time and/or current day’s end of rest time/start time. The Company will document any exceptions if it is unable to include such provisions in its contract and the reasons therefor. The Company will also document exceptions to the policy, if any, in the implementation of the policy, and the reasons therefor. The expectations in this policy will be communicated in the engagement documentation provided to all vendors.
10. *\*Meal and Fuel Policy.* In the event that a base camp exists, the Company will establish a policy for all vendors that all meals and fueling after vendor crews are on-boarded will occur at or be provided by the base camp; exceptions to this policy should be rare and all exceptions must be documented. Any authorized exception where meals are eaten off-site will not be

reimbursed if they exceed a reasonable and customary amount. This Company policy will also include an expectation that no vendor crews will eat sit down meals outside the base camp or will purchase fuel off-site during working hours. The Company will establish a policy that vendor crews receiving meal stipends are expected to eat or receive all meals at or by the base camp once on-boarded. Time related to any unauthorized meals will not be paid. A sit-down meal is defined as a meal served in a restaurant where the crew park and leave their vehicles, enter the restaurant and sit down for a meal served by a server, and the meal is eaten inside the restaurant. These policies will be communicated to all vendors through the standard engagement documentation and, where possible, spelled out in the terms and conditions.

### **C. Cost Documentation, Auditing and Regulatory Recovery Process**

1. *Storm Cost Documentation.* The Company will maintain and provide supporting documentation for each named tropical storm in the form of electronic file folders for each contractor or affiliate. Each such electronic file folder will include one or more summary schedules; each relevant contract and related schedules, including rate sheets; each invoice; all time sheets, etc., as follows:
  - Summary schedule listing all contractor invoices and expenses, exclusions for embedded contractor costs, and total requested.
  - Summary identifying vendor, any reference number associated with discreet vendor crews, billing and point of origin location, distance to travel, assumed travel days, dates secured, date started travel, date arrived, date released, time released, released to whom and, if vendor travels home, the date arrived at home.
  - Contractor review showing the results of the Company's internal review that contains the detail listed on a Storm Audit Narrative, including documentation of all exceptions.
  - Filings will be very similar in organization, showing cost by storm and by cost category, including but not limited to Regular Payroll, Overtime Payroll, Payroll Overheads, Contractors Cost, Logistics, Materials & Supplies, Other.



- The Company will provide the information outlined above in a format that comports with the Company's record keeping and accounting practices on the timeline discussed below. Testimony will be filed after any required independent audit is concluded.
2. *Initial Audit Required.* The Company will conduct an internal audit of the Company's deferred storm costs before seeking recovery of the costs. The purpose, scope and activities of this audit will include, at a minimum, the following:
- **Audit Purpose and Scope**
    - a. The purpose of the audit is to validate that any and all storm costs paid were allowable, legitimate, accurate, incurred within the appropriate time period, adequately and completely supported, and properly approved, ensuring that only actual and approved storm costs are recovered in customer rates.
    - b. The scope of the audit should be sufficient to enable the auditor to evaluate the adequacy and effectiveness of the Company's internal controls (or processes) governing the vendor procurement process, including (1) complete rate agreement, (2) invoice/billing payment review process, and (3) the approval/denial/resolution process, including but not limited to, the Company's payment approval logic for reasonableness, allowability and compliance with contract terms.
  - **Audit Activities**
    - a. Review of operating policies and procedures.
    - b. Review of relevant documents, such as executed contracts, labor and equipment rates, established workday hours, over time and double time criteria, and vendor employee rosters.
    - c. Comparisons between vendor employee rosters and approved timesheets, and expense receipts (hotel, fuel or meal).
    - d. Inspection and comparison of paid invoices to submitted expense receipts, submitted timesheets.

- e. Recalculation and reconciliation of paid invoices.
  - f. Reconciliation of paid invoices with overall vendor invoice summaries or utility expense recap documents.
  - g. Interviews with key personnel if necessary.
3. *Provision of Supporting Documentation.* All supporting documentation will be provided to Parties in response to an agreed, standardized discovery request shortly after the filing of testimony.
  4. *Incremental cost methodology.* The Company will provide a detailed description in its supporting testimony of the methodology and calculations of incremental and non-incremental costs that it employed in accordance with rule 25-6.0143, F.A.C., and the Incremental Cost Methodology Addendum below.

**D. Incremental Cost Methodology Addendum**

1. The Parties agree that this Incremental Cost Methodology Addendum sets forth a reasonable approach to identifying and calculating incremental storm costs as that concept is used in the Rule.
2. **Base Payroll**
  - a. Affiliate employees. Charge time to the storm reserve charge codes. Then remove the difference between the actual and the 3-year historical average Affiliate base payroll dollars charged to LDC total Operation and Maintenance expense (“O&M”) for the month(s) of the activities directly related to the storm in the absence of a storm. This is the non-incremental portion.
  - b. Utility employees in Gas Operations working on the storm restoration: Charge all time to the storm reserve charge codes. For Gas Operations employees working on the storm restoration, remove the difference between the actual and the 3-year historical average

O&M base payroll dollars for the month(s) of the activities directly related to the storm in the absence of a storm. This is the non-incremental portion.

- c. Utility employees not in Gas Operations and not clause recoverable: Charge all base payroll time to normal charge codes as non-incremental.
  - d. Utility employees who are clause recoverable: Charge all base payroll time to the storm reserve charge codes. This amount is incremental and recoverable.
  - e. The costs attributed to the new processes agreed to by the parties will be treated the same as the “Utility employees who are clause recoverable” bullet above for the first storm these processes are in place, and thereafter will be treated the same as the “Utility employees not in Gas Operations and not clause recoverable” bullet above.
3. **Overtime (OT).** All affiliate and utility employees on storm duty charge OT to storm reserve charge codes. Remove the difference between the actual and the 3-year historical average total PGS OT (including Affiliate OT charged to the PGS) for the month(s) of the activities directly related to the storm in the absence of a storm. This is the non-incremental portion.
4. **Burdens.** Labor burdens follow base and OT payroll charge codes. Follow the same procedures as base and OT payroll above.
5. **Exempt Supplemental Compensation (ESC).** All ESC associated with storm duty for employees who are eligible for overtime is charged to the storm reserve charge codes and is incremental recoverable.
6. **Contractor Costs.** Non-embedded contractors: Charge all invoices to storm reserve charge codes as incremental recoverable. Embedded contractors: Charge all time to storm reserve charge codes. For each division impacted by the storm, remove the difference between the actual and the 3-year historical average embedded contractor O&M costs for the month(s) of the activities directly related to the storm plus the month(s) following the storm in the absence of a storm. This is the non-incremental portion.

7. **Capitalized Costs.** Use a combined simple average of hourly embedded and non-embedded contractor costs to determine amounts to capitalize to plant, property and equipment along with the materials and other cost of equipment.

**Notes:**

The term “utility” is the same as the Company and is used here to distinguish the operating regulated utility company from any affiliate. To the extent that the three-year period referenced above in this Addendum includes a rate case or settlement test period, the approved rate case or settlement test period data for that year will be used in lieu of the actuals for that year that would otherwise be used in setting the 3-year average, and the other two years will be based on the actual results for those years. The Company will include workpapers and journal entries that support the above calculations as part of its data request responses.

**E. Other Provisions**

1. The provisions of this Agreement are contingent upon approval of the Agreement in its entirety without modification. The Parties agree that approval of this Agreement is in the public interest. The Parties will support approval of this Agreement and will not request or support any order, relief, outcome or result in conflict with it. No Party to this Agreement will request, support or seek to impose a change to any provision of this Agreement without the agreement of the other Parties. Approval of this in its entirety will resolve all matters and issues in this docket. This docket will be closed effective on the date the Commission Order approving this Agreement is final, and no Party shall seek appellate review of any order issued in this docket.
2. The Parties agree that the non-confidential discovery answers and responses provided to the Parties in this docket will be admitted without cross-examination or objection into the evidentiary record in this docket to support this Agreement.
3. The Parties agree that the responses to OPC Interrogatories and Requests for Production for which PGS has claimed confidentiality will be filed under appropriate requests for confidential protection or classification, or both, and will be admitted without cross-examination or objection into the evidentiary record in this docket to support this Agreement.

4. The Parties agree that this Agreement may be executed in counterpart originals, and a scanned pdf copy of an original signature will be deemed an original. Any principal or entity that executes, or causes to be executed, a signature page to this Agreement will be deemed and become a Party with the full range of rights, obligations, and responsibilities provided hereunder, notwithstanding that such principal or entity is not listed in the first recital above or executes the signature page subsequent to the date of this Agreement. It is expressly understood that the addition of any such additional Party or Parties will not disturb or diminish the benefits of this Agreement to any current Party.
5. This Agreement will become effective when it is approved by the Commission, a final order has been issued, and the final order becomes unappealable ("Implementation Date").

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Storm Cost Recovery Agreement by their signature(s):

Dated this 3<sup>rd</sup> day of February 2020.

**Peoples Gas System**

By: 

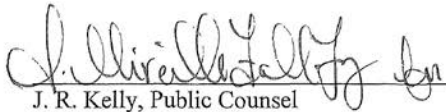
T.J. Szelistowski  
President, Peoples Gas System

Signature Page to Stipulation and Settlement Agreement in Docket No. 20190109-GU

**IN WITNESS WHEREOF**, the Parties evidence their acceptance and agreement with the provisions of this Storm Cost Recovery Agreement by their signature(s):

Dated this 6<sup>th</sup> day of February 2020.

**Office of Public Counsel**

A handwritten signature in cursive script, appearing to read "J. R. Kelly", written over a horizontal line.

J. R. Kelly, Public Counsel  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, Florida 32399-1400

Signature Page to Stipulation and Settlement Agreement in Docket No. 20190109-GU