



Russell Badders  
Vice President, Associate General Counsel

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FPSC - COMMISSION CLERK

May 22, 2020

Mr. Adam Teitzman, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0850

**RE: Gulf Power Company's Petition for Approval of a Regulatory Asset to Record  
Costs Incurred Due to COVID-19**

Dear Mr. Teitzman:

Attached for filing, please find the Gulf Power Company's Petition for Approval of a  
Regulatory Asset to Record Costs Incurred Due to COVID-19. If you have any  
questions regarding this filing, please contact me at (850) 444-6550.

Respectfully Submitted,

A handwritten signature in blue ink that reads 'Russell A. Badders'.

Russell Badders  
Vice President & Associate General Counsel  
Gulf Power Company

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Attachment

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Gulf Power Company’s Petition for ) Docket No.: 2020\_\_\_\_\_ )  
Approval of A Regulatory Asset to Record ) )  
Costs Incurred Due to COVID-19 ) )  
\_\_\_\_\_ ) Filed: May 22, 2020

**GULF POWER COMPANY’S PETITION FOR  
APPROVAL OF A REGULATORY ASSET TO RECORD  
COSTS INCURRED DUE TO COVID-19**

Gulf Power Company (“Gulf Power” or “the Company”), through undersigned counsel, hereby petitions the Florida Public Service Commission (“Commission”) for approval to establish a regulatory asset for the recording and preservation of incremental bad debt expense and safety-related costs attributable to COVID-19 (“COVID Costs”). In support of this Petition, the Company states as follows:

1. The name, address, telephone number and facsimile number of the Petitioner are:

Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520  
(850) 444-6530  
(850) 444-6026 (fax)

2. Gulf Power is a public utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes.

3. All notices, pleadings and correspondence required to be served on the Petitioner should be directed to:

Russell A. Badders  
Vice President & Associate General Counsel  
Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520-0100  
(850) 444-6550  
Russell.Badders@nexteraenergy.com  
*Attorney for Gulf Power Company*

Kenneth A. Hoffman  
Vice President, Regulatory Affairs  
Florida Power & Light Company  
134 W. Jefferson Street  
Tallahassee, Florida 32301-1713  
(850) 521-3919  
(850) 521-3939 (facsimile)  
Ken.Hoffman@fpl.com

Joel T. Baker  
Principal Attorney  
Florida Power & Light Company  
Joel.Baker@fpl.com  
700 Universe Boulevard  
Juno Beach, Florida 33408-0420  
Telephone: (561) 691-7255  
Facsimile: (561) 691-7135  
*Attorney for Gulf Power Company*

4. This Petition is being filed consistent with Rule 28-106.201, Florida Administrative Code. The agency affected is the Florida Public Service Commission, located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f), and (g) of subsection (2) of that rule are not applicable to this Petition. In compliance with subparagraph (d), Gulf Power states that it is not known at this time which, if any, of the issues of material fact set forth in the body of this Petition may be disputed by any others who may plan to participate in this proceeding.

#### ***Introduction***

5. In late 2019, a severe outbreak of the Novel Coronavirus Disease 2019, or COVID-19, began. Since the beginning of the outbreak, COVID-19, which can be fatal to individuals who are infected, has spread internationally and to all 50 U.S. states. COVID-19's severity and transmissibility caused the World Health Organization to classify COVID-19 as a global pandemic.

6. The State of Florida has taken actions to reduce the virus' impact on its residents. On March 1, 2020, Governor Ron DeSantis issued Executive Order number 20-51, directing the State Health Officer and Surgeon General to declare a public health emergency, and on March 9,

2020, the Governor issued Executive Order number 20-52 declaring the existence of a state of emergency in the State of Florida. On April 1, 2020, Governor DeSantis issued Executive Order number 20-91 (the “Safer at Home Executive Order”), requiring that “all persons in Florida shall limit their movements and personal interactions outside of their home to only those necessary to obtain or provide essential services or conduct essential activities.” Most recently, on May 8, 2020, Governor DeSantis issued Executive Order number 20-114, extending the state of emergency declaration an additional 60 days.

7. The necessity of undertaking social distancing and other precautionary measures in response to COVID-19 has dramatically affected the economy at both a national and state level. According to the U.S. Bureau of Labor Statistics, Florida’s unemployment rate has increased from 2.8% in January of 2020 to 12.9% in April of 2020. Throughout the U.S., other states have been similarly impacted.

8. In response to the significant economic and societal impact and increased unemployment attributable to COVID-19, Gulf Power announced on March 17, 2020 that it would suspend customer disconnections. The Company’s decision to proactively suspend disconnections for non-payment of overdue balances was similar to actions taken by utilities across the country in response to COVID-19. The Company’s announcement served as an extension of the existing disconnect suspension that was necessitated by the Company’s implementation of its new customer billing system, Customer Account Management System (“CAMS”), in the first quarter of 2020.

9. Gulf Power has undertaken and continues to undertake safety-related actions to ensure its employees, contractors, and customers are protected from COVID-19. To this end, the Company has obtained materials and equipment to limit the potential spread of COVID-19 and

has implemented a variety of practices at its facilities based on recommendations from the United States Centers for Disease Control and Prevention (“CDC”) and Florida Department of Health (“DOH”).

10. As of May 20, 2020, the utility commissions of 23 states and the District of Columbia have issued orders related to cost recovery that either allow for deferral of bad debt, the creation of a regulatory asset, or the tracking of costs in connection with COVID-19.

***Gulf Power’s Bad Debt Expense Attributable to COVID-19***

11. The damaging economic effects of COVID-19 and the suspension of customer disconnections have caused Gulf Power to incur a shortfall in its receipt of customer bill payments. For example, in April 2020, Gulf Power received approximately \$6 million less in total customer bill payments than it historically would have for that month. This shortfall was principally attributable to COVID-19’s effects, and led to an April 2020 bad debt expense for the Company of approximately \$2.1 million, far above the historic monthly average for April of \$0.3 million.

12. The Company anticipates that COVID-related bad debt expense will continue to increase due to higher levels of write-offs for uncollectible accounts. Gulf Power estimates that its bad debt expense attributable to COVID-19, as calculated under Paragraph 16 below, will continue to increase over the coming months.

***Gulf Power’s Safety Costs Attributable to COVID-19***

13. Based on the recommendations provided by the CDC, DOH, and other agencies, Gulf Power has undertaken and continues to undertake significant actions to preserve the health and safety of its employees, contractors, and customers. These actions have included: (1) monitoring the health and body temperatures of employees and contractors at its generating facilities, major field locations, and offices; (2) testing for COVID-19 and antibodies; (3) making

modifications to facilities such as restrooms, break areas, and office configurations to ensure clean, sanitary, and touchfree access; (4) obtaining personal protective equipment such as masks and gloves; and (5) adding signage on buildings and trucks to encourage social distancing and other COVID-related safety protocols.

14. Gulf Power is tracking all COVID-related safety costs directly. Given the evolving nature of the nationwide and state-level COVID-19 response, Gulf Power's total COVID-related safety costs remain subject to change. However, the Company currently estimates that such costs will exceed \$4 million for 2020, of which approximately \$2 million would be recorded as operating expenses.

#### ***Recording of the COVID Costs***

15. Even though it is not possible to fully anticipate the scope of the impacts related to COVID-19, the Company seeks authorization for deferred accounting at this time because of the significant and increasing nature of the Company's COVID Costs. Therefore, Gulf Power requests approval for the establishment of a regulatory asset to record and preserve its COVID Costs.

16. To determine the COVID-related bad debt expense eligible to be deferred as a regulatory asset, the Company proposes to subtract the average bad debt expense for the corresponding month in the three prior years from the same 2020 month (*e.g.*, incremental bad debt expense for April 2020 would be the total bad debt expense for that month less the three-year average of April 2019, 2018 and 2017), and exclude \$71,853 of that amount as being attributable to the suspension of customer disconnections that occurred during the Company's CAMS implementation. The Company proposes to calculate the safety-related costs attributable to COVID-19 based on actual spending on COVID-related activities designed to comply with the recommendations outlined in the CDC's and DOH's COVID-19 guidance.

17. Although customer disconnections were suspended as of March 17, 2020, the Company is proposing to use the later date of April 1, 2020, the date of the Safer at Home Executive Order, as the beginning date for the calculation of its incremental COVID Costs.<sup>1</sup> Gulf Power proposes to record the COVID Costs deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets), and credit the appropriate FERC accounts associated with the expenses, such as FERC Account 904 (Uncollectible Accounts), for bad debt expense and other operating expense accounts for COVID-related safety costs.

18. The Company acknowledges that the Commission's approval of deferred accounting treatment for the COVID Costs does not constitute approval of the recovery of these deferred costs. Rather, recovery of the costs would be subject to review when Gulf Power's base rates are next reset.

**WHEREFORE**, Gulf Power respectfully requests that the Commission enter an order allowing for the establishment of a regulatory asset for the recording and preservation of the COVID Costs and granting any other relief as may be deemed appropriate.

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<sup>1</sup> Utilization of the date of an Executive Order suspending non-essential activities due to COVID-19 as the commencement date for recording such costs has U.S. commission precedent. *See, e.g., In the matter, on the Commission's own motion, to review its response to the novel coronavirus (COVID-19) pandemic, including the statewide state of emergency, and to provide guidance and direction to energy and telecommunications providers and other stakeholders*, Case No. U-20757, Order of the Michigan Public Service Commission (April 15, 2020), stating:

Given the immediate and severe economic impacts of responding to the COVID-19 crisis, and the impact it has had and will continue to have on the ability of many customers to pay bills, the Commission authorizes all electric, natural gas, and steam utilities under its jurisdiction to defer uncollectible, or bad debt, expense incurred beginning March 24, 2020 (the date of Governor Whitmer's Executive Order 2020-21) that are in excess of the amount used to set current rates.

Respectfully submitted this 22nd day of May 2020.

A handwritten signature in blue ink that reads "Russell A. Badders". The signature is written in a cursive style and is positioned above a horizontal line.

**RUSSELL A. BADDERS**

**Vice President & Associate General Counsel**

Florida Bar No. 007455

**Russell.Badders@nexteraenergy.com**

**Gulf Power Company**

One Energy Place

Pensacola, FL 32520-0100

(850) 444-6550