DUKE ENERGY
FLORIDA

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July 27, 2020

VIA ELECTRONIC FILING

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

Re: *Proposed Amendment of Rule 25-6.0143, F.A.C., and Proposed Adoption of Rule 25-7.0143, F.A.C.;* Undocketed

Dear Mr. Teitzman:

Enclosed for filing is Duke Energy Florida, LLC's Post Workshop Comments to be filed in Undocketed Matters in regard to the above-referenced matter.

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

Sincerely,

/s/ Dianne M. Triplett

Dianne M. Triplett

DMT/cmk
Enclosure

cc: Adria E. Harper

IN RE: PROPOSED AMENDMENT OF RULE 25-6.0143, F.A.C., AND PROPOSED ADOPTION OF RULE 25-7.0143, F.A.C.

Duke Energy Florida, LLC Post Workshop Comments

Duke Energy Florida, LLC ("DEF") appreciates the opportunity to provide post-workshop comments. DEF's comments are limited to Rule 25-6.0143, F.A.C. Below DEF has proposed changes to portions of Staff's proposed strawman (deletions in strikethrough and additions in bold underline). DEF will provide an explanation of each proposed change.

First, in each place where Staff has proposed striking "including but not limited to," DEF proposes language to clarify that the items listed are representative and not intended to be exhaustive. This change should provide sufficient direction to all parties as to the types of costs that fall into a particular category, while not being so prescriptive as to not include some cost that may not be currently known.

Next, under the ICCA methodology, capital expenditures for the removal, retirement and replacement of damaged facilities exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. However, the rule is not specific as to how the normal cost for the removal, retirement and replacement of those facilities shall be calculated. DEF's unopposed Motion to Approve Storm Cost Settlement Agreement, approved in Order No. PSC-2019-0232-AS-EI, includes an "Incremental Cost Methodology Addendum" which specifies how to calculate these costs. It states; "Use a combined simple average of hourly foreign and native contractor costs to determine amounts to capitalize to plant, property and equipment along with the materials and other cost of equipment." DEF proposes to include language in section (1)(d) to standardize this calculation.

Next, as DEF referenced during the workshop, there are several types of costs that are by definition not the types of costs that the utility incurs outside a storm event. Accordingly, the reference to a three-year average does not apply to those types of costs. DEF suggests deleting those references.

Next, DEF proposes to add specificity to the contract labor costs in section (1)(e)1. The calculation of incremental costs should only include the contract labor in the transmission and distribution FERC functional accounts. This will avoid unintended consequences of including contract labor costs that impact the remainder of the business.

Next, DEF proposes to add regular payroll costs to section (1)(e)8. Under normal conditions, a certain amount of regular payroll is capitalized each month to construction projects. During storm restoration activities, planned construction projects are typically postponed to allow for the redeployment of labor resources to storm restoration activities. As a result of this redeployment from capital projects to storm restoration activities, it is necessary to include all labor components (regular, overtime and payroll-related costs) in the comparison to the three-year historical average to determine incremental storm costs under the ICCA methodology. In other words, applying the three-year historical average methodology to all components of labor costs will replace the task of determining how much to include in the storm reserve for labor that is capitalized under normal circumstances, and therefore, incremental to base recoverable O&M.

Next, DEF proposes to remove section (1)(f)8, tree trimming costs. This section is no longer needed due to the additions in sections (1)(e)1 and (1)(e)8, whereby all transmission and distribution contract labor and all payroll costs will be subject to the three-year historical average comparison.

Next, DEF proposes a change to the rule to allow utilities to defer certain depreciation expenses on capital storm-related projects. Certain capital projects are necessary to restore power, but a portion of those costs do not qualify for incremental treatment under this rule. To make the utility whole until its next base rate case, DEF's change would permit the deferral of that depreciation expense.

Finally, DEF reserves the right to provide additional comments pending its review of comments from other parties.

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

(b) Except as provided in paragraphs (1)(f), (1)(g) and (1)(**~~h~~i**) 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. Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, the utility will be allowed to charge to Account No. 228.1 costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm. All costs charged to Account 228.1 are subject to review for prudence and reasonableness by the Commission. 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. A utility shall calculate this cost by using a simple average of hourly foreign and native contractor costs plus the cost of materials. The utility shall notify the Director of the Commission Clerk in writing for each incident expected to exceed 1.5 percent of jurisdictional revenues for the most recent calendar year ~~$10 million~~.

(e) The types of storm related costs allowed to be charged to the reserve under the ICCA methodology include~~, but are not limited to~~, the following**, which is intended to be a representative but not exhaustive list**:

1. Additional contract labor hired for storm restoration activities incurred in any month in

which storm damage restoration activities are conducted, that are greater than the actual monthly average of **transmission and distribution** contract labor costs charged to operation and maintenance expense for the same month in the three previous calendar years;

2. Logistics costs of providing meals, lodging, and linens for tents and other staging areas ~~**incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of logistics costs charged to operation and maintenance expense for the same month in the three previous calendar years**~~;

3. Transportation of crews for storm restoration ~~**incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of transportation costs charged to operation and maintenance expense for the same month in the previous three calendar years**~~;

4. Vehicle costs for vehicles specifically rented for storm restoration activities ~~**incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of vehicle costs charged to operation and maintenance expense for the same month in the previous three calendar years**~~;

5. Waste management costs specifically related to storm restoration activities ~~**incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of waste management costs charged to operation and maintenance expense for the same month in the previous three calendar years**~~;

6. Rental equipment specifically related to storm restoration activities ~~**incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of rental equipment costs charged to operation and maintenance expense for the same month in the previous three calendar years**~~;

7. Materials and supplies used to repair and restore service and facilities to pre-storm condition, such as poles, transformers, meters, light fixtures, wire, and other electrical equipment, excluding those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm;

8. <u>**Regular payroll,**</u> ~~O~~<u>**o**</u>vertime payroll and payroll-related costs for utility personnel included in storm restoration activities <u>incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of **regular payroll**, overtime payroll and payroll related costs charged to operation and maintenance expense for the same month in the previous three calendar years</u>;

9. Fuel cost for company and contractor vehicles used in storm restoration activities ~~**incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of fuel costs charged to operation and maintenance expense for the same month in the previous three calendar years**~~; and

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

(f) The types of storm related costs prohibited from being charged to the reserve under the ICCA methodology include~~, but are not limited to~~, the following<u>**, which is intended to be a representative but not exhaustive list**</u>:

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 incurred prior to 72 hours before the storm event;

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

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

~~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 same month in the three previous calendar years;~~

<u>8.</u>~~9.~~ Utility lost revenues from services not provided; and

<u>9.</u>~~10~~. Replenishment of the utility's materials and supplies inventories.

(g) Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, certain costs may be charged to Account 228.1 only after review and approval by the Commission. Prior to the Commission's determination of the appropriateness of including such costs in Account No. 228.1, the costs may be deferred in Account No. 186, Miscellaneous Deferred Debits. The deferred costs must be incurred prior to June 1 of the year following the storm event. By September 30 a utility shall file a petition for the disposition of any costs deferred prior to June 1 of the year following the storm event giving rise to the deferred costs. These costs include, ~~but are not limited to~~, the following**<u>, which is intended to be a representative but not exhaustive list</u>**:

1. Costs of normal non-storm related activities which must be performed by employees or

contractors not assigned to storm damage restoration activities (“back-fill work”) or normal non-storm related activities which must be performed following the restoration of service after a storm by an employee or contractor assigned to storm damage restoration activities in addition to the employee’s or contractor’s regular activities (“catch-up work”); and

2. Uncollectible accounts expenses

<u>**(h) A utility may, at its own option, defer depreciation expense for storm-related capital costs that are not incremental pursuant to this rule. This depreciation expense will be deferred until the utility’s next base rate proceeding, unless a different deferral period is approved by the Commission, and will be recovered over a period to be approved by the Commission but no longer than 5 years.**</u>

<u>**(i)**</u> ~~(h)~~ 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 Clerk in writing and provide a schedule of the amounts charged to operating expenses for each incident exceeding <u>0.5 percent of jurisdictional revenues for the most recent calendar year</u> ~~$5 million~~. The schedule shall be filed annually by February 15 of each year for information pertaining to the previous calendar year.

<u>**(j)**</u> ~~(i)~~ 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.

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

<u>**(l)**</u> ~~(k)~~ 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.

(m) ~~(l)~~ Each utility shall file a Storm Damage Self-Insurance Reserve Study (Study) with the Commission Clerk by January 15, 2011 and at least once every 5 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, the Study shall include data for determining a target balance for, and the annual accrual amount to, Account No. 228.1.

(n) ~~(m)~~ Each utility shall file a report with the Director of the Commission Clerk 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) Account No. 228.2 Accumulated Provision for Injuries and Damages.

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

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

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

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

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

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

(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 paragraphs (1)(f), (1)(g) and (1)(h). Charges shall be made to accumulated provision accounts regardless of the balance in those accounts.

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

Rulemaking Authority 366.05(1) FS. Law Implemented 350.115, 366.04(2)(a) FS. History–New 3-17-88, Amended 6-11-07,__________.