

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery
of incremental storm restoration costs related to
Hurricane Michael, by Gulf Power Company

Docket No: 20190038-EI

Date: August 10, 2020

PREHEARING STATEMENT OF FEDERAL EXECUTIVE AGENCIES

Federal Executive Agencies (“FEA”), through the undersigned attorney, pursuant to the Time Schedule (CASR) for Docket No. 20190038-EI, hereby submits this Prehearing Statement.

APPEARANCE:

Robert J. Friedman, Capt, USAF
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Attorney on behalf of Federal Executive Agencies

1. WITNESSES:

FEA intends to call the following witness, who will address the issues indicated:

Michael P. Gorman

2. EXHIBITS:

FEA intends to proffer the following exhibits:

Direct testimony of Michael P. Gorman and Appendix A (Document No. 03054-2020, Filed 6/11/20)

3. STATEMENT OF BASIC POSITION

FEA’s expert in his testimony, challenges aspects of the methodology of developing incremental recoverable costs for the Hurricane Michael costs. First, FEA takes issue with

inclusion of Regular Payroll and Related Costs as an incremental cost related to hurricane damage costs. These cost are not incremental, but are rather already being recovered in Gulf Power tariff rate charges paid by customers. Second, FEA takes issue with including a carrying charge, or interest expense, on the recoverable hurricane costs. As a result, recovery requested by the Utility is excessive.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

Issue 1: In undertaking storm-recovery activities, was the total payroll expense Gulf Power Company (“Gulf”) has requested to include for storm recovery reasonable and prudent, in incurrence and amount, and consistent with the requirements set forth in Rule 25-6.0143, Florida Administrative Code (“the Rule”), including, but not limited to, the costs specified in the Rule that may be recovered and the costs specified in the Rule that may not be recovered, as well as the application of the Incremental Cost and Capitalization Approach (“ICCA”) methodology described in the Rule to calculate the costs of “storm-related damages” that may be deferred to the storm account and recovered from customers? If not, what amount should be approved?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff’s position on this issue.

Issue 2: In undertaking storm-recovery activities, were the contractor costs Gulf has included for storm recovery reasonable and prudent, in incurrence and amount, and consistent with the requirements set forth in the Rule, including, but not limited to, the costs specified in the Rule that may be recovered and the costs specified in the Rule that may not be recovered, as well as the application of the ICCA methodology described in the Rule to calculate the costs of “storm-related damages” that may be deferred to the storm account and recovered from customers? If not, what amount should be approved?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff’s position on this issue.

Issue 3: In connection with the restoration of service associated with storm-related electric power outages affecting customers, were the line clearing costs Gulf included for storm recovery reasonable and prudent, in incurrence and amount, and consistent with the requirements set forth in the Rule, including, but not limited to, the costs specified in the Rule that may be recovered and the costs specified in the Rule that may not be recovered, as well as the application of the ICCA methodology described in the Rule to calculate the costs of “storm-related damages” that may be deferred to the storm account and recovered from customers? If not, what amount should be approved?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make

argument on this issue once all facts are complete. FEA defers to Staff's position on this issue.

Issue 4: In connection with the restoration of service associated with storm-related electric power outages affecting customers, were the vehicle and fuel costs Gulf included for storm reasonable and prudent, in incurrence and amount, and consistent with the requirements set forth in the Rule, including, but not limited to, the costs specified in the Rule that may be recovered and the costs specified in the Rule that may not be recovered, as well as the application of the ICCA methodology described in the Rule to calculate the costs of "storm-related damages" that may be deferred to the storm account and recovered from customers? If not, what amount should be approved?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff's position on this issue.

Issue 5: In connection with restoration of service associated with storm-related electric power outages affecting customers, were the materials and supplies costs Gulf included for storm recovery reasonable and prudent, in incurrence and amount, and consistent with the requirements set forth in the Rule, including, but not limited to, the costs specified in the Rule that may be recovered and the costs specified in the Rule that may not be recovered, as well as the application of the ICCA methodology described in the Rule to calculate the costs of "storm-related damages" that may be deferred to the storm account and recovered from customers? If not, what amount should be approved?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff's position on this issue.

Issue 6: In connection with the restoration of service associated with storm-related electric power outages affecting customers, were the logistics costs Gulf included for storm recovery reasonable and prudent, in incurrence and amount, and consistent with the requirements set forth in the Rule, including, but not limited to, the costs specified in the Rule that may be recovered and the costs specified in the Rule that may not be recovered, as well as the application of the ICCA methodology described in the Rule to calculate the costs of "storm-related damages" that may be deferred to the storm account and recovered from customers? If not, what amount should be approved?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff's position on this issue.

Issue 7: What is the correct amount to be included in storm recovery to replenish the level of Gulf's storm reserve?

FEA Position: FEA proposes to exclude regular Payroll and related cost from the recoverable incremental storm damages costs. These costs are not incremental, but are labor related cost that Gulf Power is already recovering in its current tariff rate charges.

The regular Payroll and related cost should be excluded from Gulf Power storm reserve account.

Issue 8: Should Gulf recover interest on the unamortized storm restoration balance? If so, what is the appropriate method to calculate the interest cost on the unamortized storm restoration balance? If allowed, should the interest be calculated based on a forecast over the estimated recovery period and then added to recoverable costs or should it be calculated each month on an “as incurred” basis and included in the storm surcharge in that manner? If allowed, should the interest be calculated on a net of tax basis (net of the related accumulated deferred income taxes (“ADIT”), including, but not limited to, the incremental ADIT due to the casualty loss deductions)?

FEA Position: FEA recommends that the carrying charge on the recoverable storm reserve be calculated based on the after-tax balance of the storm reserve, and the carrying rate be set at Gulf Power’s cost of debt. Gulf Power can expense for tax purposes its storm restoration cost in the period it is incurred. It can then carry the after-tax storm restoration costs up until the cost reserve is recovered from customers.

Issue 9: What is the total amount of storm-related costs and storm reserve replenishment Gulf is entitled to recover?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff’s position on this issue.

Issue 10: Should the Commission approve Gulf Power Company’s proposed tariff and associated charge?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff’s position on this issue.

Issue 11: If applicable, how should any under-recovery or over-recovery be handled?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff’s position on this issue.

Issue 12: Should the docket be closed?

FEA Position: FEA has no specific position on this issue. FEA does not waive its right to make argument on this issue once all facts are complete. FEA defers to Staff’s position on this issue.

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

None.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which Federal Executive Agencies cannot comply.

Dated this 10th day of August, 2020

/s/ Robert J. Friedman
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **PREHEARING STATEMENT OF FEDERAL EXECUTIVE AGENCIES** has been furnished by electronic mail on this 10th day of August, 2020, to the following:

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