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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20200178-GU

Petition for approval to
track, record as a regulatory
asset, and defer incremental
costs resulting from the
COVID-19 pandemic, by Peoples
Gas System.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 4

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

DATE: Tuesday, August 18, 2020

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
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1 P R O C E E D I N G S

2 CHAIRMAN CLARK: All right. Let's move on to
3 the next Item No. -- I'm sorry -- No. 4. And I
4 believe Mr. Futrell will introduce that item.

5 MR. FUTRELL: Thank you, Mr. Chairman.

6 Item 4 is staff's recommendation on Peoples
7 Gas System's petition to establish a regulatory
8 asset to record costs incurred due to code
9 COVID-19. The company has requested approval to
10 defer incremental bad debt expense and safety
11 related costs attributable to the parenthetical.

12 Approval to establish a regulatory asset for
13 accounting purposes does not limit the Commission's
14 ability to review the proposed amounts and other
15 related matters for reasonableness in a future
16 proceeding.

17 Staff recommends approval of the Peoples Gas
18 petition, and recommends the utility be ordered to
19 track any assistance or benefits received in
20 connection with COVID-19, regardless of form, that
21 would offset any COVID-19 related expenses.

22 In addition, Peoples Gas should be prepared to
23 explain what actions and efforts it has undertaken
24 to reduce or minimize these costs and to maximize
25 the receipt of any available COVID-19 assistance or

1 benefits.

2 Finally, staff recommends Peoples Gas be
3 required to file monthly reports with the
4 Commission identifying the amounts of COVID-19
5 costs incurred, any assistance or benefits
6 received, and any cost savings realized.

7 The first report would be due on October 1st,
8 with an updated report due every month thereafter,
9 until Peoples Gas files for cost recovery.

10 The Commission will review actual costs
11 incurred and potential offsets when Peoples Gas
12 seeks approval to recover such costs from
13 customers.

14 The Office of Public Counsel has requested to
15 address the Commission regarding this item, and
16 staff is available for questions.

17 CHAIRMAN CLARK: All right. Thank you, Mr.
18 Futrell.

19 We are going to recognize Ms. Fall-Fry to
20 address the Commission. At the conclusion of her
21 remarks, Mr. Brown, you may respond to those. As
22 soon as she is finished, if I am not back.

23 Ms. Fall-Fry.

24 MS. FALL-FRY: Thank you, Chair.

25 Good morning, A. Mireille Fall-Fry along with

1 J.R. Kelly on behalf of the Office of Public
2 Counsel.

3 OPC does not object to staff's recommendation
4 regarding PGS's request for a regulatory asset with
5 some conditions.

6 First, as this commission previously noted in
7 2005 in FAS 71, the predecessor standard to
8 accounting standard 980-340-25-1, allows regulated
9 companies to defer costs and create regulatory
10 assets provided that it is probable that future
11 revenue in an amount at least equal to the
12 capitalized costs will result from inclusion of
13 that cost in allowable cost for rate-making
14 purposes. To create a regulatory asset or
15 liability, the regulated company must first have
16 the approval of its regulator.

17 This concept of deferral accounting allows
18 companies to defer costs due to events beyond their
19 control, and seek recovery through rates at a later
20 time. The alternative would be for the company to
21 seek rate -- a rate case each time it experienced
22 exigent events.

23 To state it plainly, a regulatory asset is a
24 deferred accounting mechanism that represents costs
25 that have occurred, but because of unforeseen and

1 uncontrollable circumstances, are permitted to be
2 reported as expenses at a later time.

3 Under the present circumstances, the
4 initial -- the Commission's approval would signal
5 to stockholders that the costs being deferred will
6 be recoverable through increases in future utility
7 rates. In other words, a regulatory asset carries
8 with it a presumption that the deferred costs are
9 entitled to future recovery.

10 In a previous COVID related docket, 20200151,
11 this commission questioned whether granting the
12 regulatory asset guaranteed full recovery. Your
13 staff correctly noted that it is closer to approval
14 than disapproval.

15 And, yes, authorizing the regulatory asset is
16 an assurance by this commission that the costs are
17 recoverable. That is the definition of the
18 regulatory asset. As articulated by Commissioner
19 Graham, if a company is earning within its range,
20 the regulatory asset should be denied.

21 Further, as also previously stated by my
22 colleagues today, and Commissioner Graham, any
23 regulatory asset that is approved should be limited
24 to the bad debt.

25 Even though incremental bad debt for services

1 provided may appropriately be given the regulatory
2 asset treatment, it is not appropriate to do so
3 when the end date is unknown. Accordingly, OPC
4 strongly urges the Commission that beginning and
5 end dates for recording the assets. Specifically,
6 OPC advocates that the recording date should begin
7 with the filing of this petition, July 2nd, 2020,
8 and should end when the new base rates are in place
9 pursuant to Peoples rate case in Docket No.
10 20200051.

11 Peoples is currently reporting earnings below
12 its approved range, 8.46 percent, when they are
13 approved to earn 10.75 percent, which makes the
14 regulatory asset a candidate to consider for
15 recovering these costs.

16 Whether this earnings threshold after
17 consideration of any COVID-19 related savings or
18 offset has been met should be the subject of a
19 hearing. However, once new rates are in effect,
20 any additional increment -- incremental COVID costs
21 should be considered at a future proceeding if, and
22 only if, PGS begins to report earnings under the
23 newly approved range. Risks should not be only on
24 the ratepayers, but should be shared with the
25 shareholders.

1 For example, as you heard earlier today, when
2 utilities receive a windfall, such as the tax act
3 docket, such windfall is not automatically recorded
4 as a regulatory liability to be passed through to
5 ratepayers. Absent any settle agreement, tax
6 windfalls are only returned to customers if the
7 company is earning above its authorized earnings
8 range. Therefore, when utilities have unexpected
9 expenses, they should be permitted to record a
10 regulatory asset if they are earning below their
11 authorized range.

12 The use of regulatory assets and liabilities
13 should not be applied inconsistently such that
14 benefits flow only to the utility.

15 Third, while there are unexpected incremental
16 costs associated with the pandemic, there are also
17 unexpected incremental savings and earnings,
18 including reduced O&M and lower debt rates.
19 Specifically, in its recent earnings call with
20 investors what's week, an of Emera, the parent
21 company for Tampa Electric and Peoples Gas, stated
22 that on a corporate wide basis, the net impact due
23 to COVID would be zero due to savings resulting
24 from the new work environment. These savings
25 should be recorded along with the costs. Such

1 treatment is not unprecedented by this commission.

2 OPC notes that in prior cases, granting
3 regulatory assets, such as in Docket No. 060674-EI,
4 codified in Order No. PSC-06-1042-PAA and
5 040816-EI, codified in Order No. PSC-04-1216-PAA,
6 the Commission preceded with a PAA followed by a
7 consummating order. OPC requests that the
8 Commission continue that policy here.

9 Finally, OPC requests that the Commission
10 issue a PAA order or final order in this
11 proceeding. This is a substantive matter, not a
12 procedural one. The Commission's order on this
13 mater would be neither interim or procedural, and
14 should not be noted as such, and an opportunity for
15 hearing should be provided.

16 Accordingly, OPC does not object to the
17 establishment of a regulatory asset that is limited
18 to the bad debt, will offset savings accrue to the
19 company, and with a defined determine ending upon
20 the conclusion of PGS's current rate case.

21 Thank you.

22 CHAIRMAN CLARK: Thank you, Ms. Fall-Fry.

23 Mr. Brown.

24 MR. BROWN: Thank you, Mr. Chairman. Andy

25 Brown on behalf of Peoples Gas, and I am also here

1 with Luke Buzard, who is the head of regulatory for
2 Peoples Gas.

3 Let me begin by thanking the staff for
4 their -- their interest and their hard work in
5 coming up with the recommendation on this petition.
6 As the Commission is aware. One of the things that
7 staff did was to hold a workshop on July 29th of
8 this year that not only included Peoples Gas, but
9 included all the major utilities, both gas and
10 electric in the state, and had a thorough
11 discussion with those companies about the impact of
12 COVID-19. So this is not something that has been
13 undertaken lightly by the staff.

14 To keep in mind what all that Peoples is
15 asking right now is for a deferred accounting
16 treatment of the safety costs and bad debt expense,
17 which is attributable to COVID-19. As the staff
18 recommendation itself says -- and I want to just
19 read this one line from the recommendation.

20 It says: The approval to maintain a
21 regulatory asset for accounting purposes does not
22 limit the Commission's ability to review the
23 amounts, recovery method, recovery period and other
24 related matters for reasonableness in a future
25 proceeding in which the regulatory asset is

1 included.

2 So much of the -- the concern that OPC has are
3 going to be dealt with in the future, and that is
4 clearly indicated by the staff recommendation. At
5 some future point, there is going to be a
6 discussion and a, effectually a hearing, it depends
7 on what form this all takes, as to what it is that
8 Peoples has accrued for, what particular items that
9 the bad debt and -- the particular aspects of the
10 bad debt, the particular aspects of the safety
11 costs that the company has set aside as a
12 regulatory asset.

13 I would disagree with OPC's position that --
14 that there is some presumption of recovery. I
15 don't think that is clear at all from any of the
16 recommendations. And that is not anything that
17 Peoples has set forth, or was asking for this
18 commission to approve. Nowhere is Peoples saying
19 that we want the Commission to now approve that
20 there is going to be a recovery down the road. It
21 merely asks that Peoples set aside those expenses
22 that it has incurred as a result -- result of
23 COVID-19.

24 Let me address another issue raised by the
25 OPC, and that is the beginning point and end point

1 of when the accounting treatment should take place,
2 or when -- during what period the costs can be
3 segregated.

4 As in the Peoples petition, Peoples began
5 incurring these costs right around the time of --
6 in March, when the State of Emergency was declared
7 by the Commission, and it did not file this
8 petition until July.

9 The company clearly has included -- has
10 incurred costs during that period of time. And I
11 believe that number is around \$650,000 prior to
12 filing the petition. Those costs have -- have
13 increased over time as the COVID-19 crisis has
14 continued.

15 And the position that we should now declare
16 what the end date should be, is -- I don't think is
17 appropriate. It is impossible at this point in
18 time to determine what the COVID situation for
19 Peoples, or any other utility, frankly, is going to
20 look like at any point in the future. And I would
21 agree that at some point, Peoples is -- Peoples is
22 in a rate case, and at some point, hopefully there
23 will be new rates put in place at a prior -- at a
24 future point in time. And when that happens, that
25 may affect the amount of costs that Peoples can

1 recover, but I think it would be wrong at this
2 point to force the company to choose an end point
3 when we simply don't know when this crisis will
4 end. We don't know how this crisis will continue
5 to manifest itself.

6 Keep in mind, if anybody had told you in -- in
7 January or February that -- that Peoples would be
8 facing this kind of a problem, people would have
9 said that that's -- that's impossible. And so
10 we -- we are simply in uncharted territory here.
11 I think it would be inappropriate for the
12 Commission to impose a start date or an end date,
13 and certainly to limit the start date to the time
14 of the filing.

15 I would also point out that with regard to the
16 cost savings, that is included in the
17 recommendation from staff. One of the things that
18 says near the very end of the recommendation:
19 Finally, Peoples should be required to file monthly
20 reports identifying the amounts of the costs
21 incurred, any assistance or benefits received, and
22 any cost savings realized which have been recorded
23 in the regulatory asset.

24 So that is already baked into the
25 recommendation, is the fact that if Peoples is

1 saving money as a result of this, then they are
2 going to have to report that, and that's going to
3 have to be brought to the Commission, and that's
4 going to be considered when the determination is
5 made to the appropriateness of the costs.

6 Finally, I have just a couple of other
7 comments, it is as mentioned, but I think it's
8 important to keep in mind. At this point, as of
9 the June report, Peoples is below the bottom end of
10 its range. It is at 8.46 in terms of its ROE, and
11 the lowest part of the range is 9.25. And, those
12 you know, that may -- that situation may
13 deteriorate from the future.

14 I would -- I would point out that -- that
15 Peoples has not sought a rate increase from its
16 customers on an interim basis, which is something
17 that it could do as a part of its rate case and has
18 chosen not to do that. What it has chose instead
19 to do is to simply treat this as a regulatory asset
20 for determination as to how to deal with it in the
21 future.

22 The other thing I would add is there was a
23 mention made for Emera saying that their net impact
24 for the corporation as a whole is insignificant,
25 or -- I believe that's what was said. And if I am

1 not mistaken, that is the impact for Emera as a
2 whole. I don't believe that was for Peoples Gas.

3 But in any event, the impacts for Peoples Gas
4 will be determined at a future date. What is being
5 sought now is simply the ability to create the
6 regulatory asset to defer accounting treatment of
7 these expenses, and in the future, the Commission
8 will determine what expenses were appropriate, and
9 what can be dealt with in what manner in the
10 future.

11 And so that's all my presentation. Mr. Buzard
12 is here if there are further questions from the
13 Commission.

14 Thank you.

15 CHAIRMAN CLARK: All right. Commissioners, do
16 you have any questions for anyone?

17 Seeing -- well, I do have one.

18 Commissioner Fay.

19 COMMISSIONER FAY: Thank you, Mr. Chairman.

20 This is a question for the utility. I know
21 there is a descent amount of back and forth here
22 about what the assets would entail, what they would
23 include as far as incremental bad debt, or other
24 costs, and I do agree that's for -- for a later
25 date. But I am curious how the utility would

1 address the idea that as the Commission creates
2 these regulatory assets, we want to make sure there
3 is -- there is not a disincentive to resolve
4 current past due bills, or issues with customers as
5 they currently stand.

6 So could you just explain what you're doing --
7 you are doing to work with customers knowing that
8 this is going to be pending at that same time?

9 MR. BROWN: Yeah, let me -- I will just say in
10 a general sense that that was discussed at the
11 workshop, and Peoples went into some detail as to
12 what it is doing to assist customers, and I believe
13 Mr. Buzard can comment on that further.

14 MR. BUZARD: Yes. Thank you, Commissioners,
15 and thank you, Andy.

16 As Andy referenced that our COVID workshop
17 that the Commission called, we did discuss just the
18 numerous offerings that are available to customers
19 around helping them pay their bills. We are
20 working with agencies federally, statewide and
21 locally, as well as privately, to try to connect
22 the customer with bill payment assistance that --
23 that fits their needs.

24 We've, at this stage, already been able to
25 match up I believe about \$125,000 of bill

1 assistance. We've also got another 40,000 plus
2 that is committed to be able to be paid.

3 There is a number of programs that we've
4 invested. In our Share Program, we've given
5 shareholder dollars to help support customers
6 payments, and we've altered our installment options
7 for customers in order to pay their bills.

8 So we have -- we have work diligently to make
9 sure everyone has an option in front of them to
10 take advantage of either customer assistance or
11 installment options for our customers, and we are
12 going to continue to do that going forward in -- in
13 trying to keep every customer that we can with
14 service.

15 COMMISSIONER FAY: Yeah, thank you. I
16 appreciate that. And to continue to do it going
17 forward I think is a key point of that response.
18 So thank you so much.

19 That's all I had, Mr. Chair.

20 CHAIRMAN CLARK: Thank you.

21 Commissioner Brown.

22 COMMISSIONER BROWN: Thank you.

23 I get the situation that we are in here, and I
24 appreciate that we had that big dialogue to really
25 kind of see where Peoples Gas is, and I think Duke

1 was the first one that kind of showed us some of
2 the savings. So what I would like to ask staff to
3 do is any future dockets that come in for a request
4 for regulatory asset, to have that requirement that
5 are recommending in this particular docket on the
6 cost savings realized in recording the regulatory
7 asset.

8 I think that's really helpful. I was -- I was
9 very impressed to see that with the Duke
10 presentation, so I support the recommendation.

11 And with that, I would move approval of the
12 staff rec.

13 CHAIRMAN CLARK: We have a motion for a staff
14 rec. Do I have a second?

15 COMMISSIONER FAY: Second.

16 COMMISSIONER POLMANN: Second.

17 CHAIRMAN CLARK: All right. Second.

18 Commissioner Brown, you have -- Polmann, do
19 you have a question?

20 COMMISSIONER POLMANN: Yes, I do. Thank you,
21 Mr. Chairman.

22 We heard from Office of Public Counsel, and I
23 appreciate them adding to the dialogue here.
24 Looking at the first paragraph in the staff
25 recommendation, which I do support, just a point of

1 clarification, and I think the second sentence,
2 where it says the approval to establish, and it
3 does not limit, I think that last clause, or from
4 that point forward, does address, to my
5 satisfaction, the comments that we heard from Ms.
6 Fall-Fry.

7 And I -- I want to ask the Commissioners if
8 you are satisfied that that sufficiently addresses
9 Public Counsel's concern, or if we should be more
10 explicit with a commitment for future proceedings
11 that, in fact, this is what we do. I understand
12 that's what we -- what we will do, but is there
13 anything else that -- that we feel that we need to
14 establish? I think this represents it, but what it
15 says here is that it doesn't limit us from doing
16 these things.

17 Does this, in your mind, Commissioners,
18 represent a commitment that all of these -- all of
19 these issues here that the Public Counsel raised
20 that, in fact, this is a commitment to address
21 these types of things, and is fully responsive to
22 Public Counsel?

23 Mr. Chairman, I would just like to confirm
24 that, in fact, these are not limits, but, in fact,
25 this is our intention.

1 CHAIRMAN CLARK: Correct. Maybe some legal
2 language there would -- Mr. Futrell, Ms. Helton,
3 would you like to address that?

4 MR. FUTRELL: Well, Commissioner, I will take
5 a shot.

6 I believe it's staff's intent for that to
7 be -- to be broad, and to preserve the Commission's
8 ability to consider a whole host of potential
9 arguments and positions, and it also does not
10 preclude the parties from bringing forth arguments
11 and positions for the Commission to consider if --
12 if such a petition for cost recovery comes forward.

13 CHAIRMAN CLARK: I am -- I am satisfied with
14 that as well.

15 Commissioner Polmann, does that answer your
16 question?

17 COMMISSIONER POLMANN: Yes, it does. I -- I
18 just wanted to -- to make the comment on the
19 record. I think that staff -- Mr. Futrell's
20 response confirms that.

21 If there is no other discussion or comments
22 from -- from my colleagues, I think that addresses
23 the point. I just wanted to respond to Public
24 Counsel, and kind of confirm here in -- in our
25 discussion before -- before we take the vote, that

1 I believe we are addressing Public Counsel's
2 concerns, and that language of this type does, in
3 fact, represent what we do, and what we are going
4 to do.

5 So thank you, Mr. Chair.

6 CHAIRMAN CLARK: Thank you.

7 All right. We have a motion by Commissioner
8 Brown and a second.

9 Is there any question? Any discussion?

10 On the motion, all in favor say aye.

11 (Chorus of ayes.)

12 CHAIRMAN CLARK: Opposed?

13 (No response.)

14 CHAIRMAN CLARK: Motion carries.

15 All right. That concludes our regular agenda
16 items. We will take a three-minute recess. We are
17 going to try to be wrapped up here hopefully by
18 11:30. So let's take about a three-minute recess
19 and switch over. We will be right back to take up
20 the Special Agenda.

21 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
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IT IS FURTHER CERTIFIED that I
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DATED this 26th day of August, 2020.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024