

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20200178-GU
ORDER NO. PSC-2020-0408-PAA-GU
ISSUED: October 27, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING PETITION FOR APPROVAL TO TRACK, RECORD AS
A REGULATORY ASSET, AND DEFER INCREMENTAL COSTS
RESULTING FROM THE COVID-19 PANDEMIC FOR PEOPLES GAS SYSTEM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On July 2, 2020, Peoples Gas System (Peoples or Company) filed a petition for approval to establish a regulatory asset to record costs incurred due to Coronavirus Disease 2019 (COVID-19). Peoples has requested deferral of incremental bad debt expense and safety-related costs attributable to COVID-19. Given the ongoing nature of the COVID-19 pandemic, the total extent of Peoples' COVID-19-related costs is not known at this time. Our consideration of the potential recovery of the regulatory asset will be addressed in a future proceeding.

We have jurisdiction over this matter pursuant to Sections 366.04 and 366.06, Florida Statutes (F.S.).

Discussion

We are charged with the duty of ensuring that utilities provide safe, adequate, and reliable utility service at reasonable rates. By law, such rates must allow utilities the opportunity to recover the prudently incurred costs and a fair rate of return on capital invested by utilities for the purpose of providing such service. In turn, utilities have a responsibility, and are expected, to manage their business in a manner that addresses changes in costs and variability in sales.

On July 2, 2020, Peoples filed a petition for approval to establish a regulatory asset to defer certain costs incurred due to COVID-19. Peoples has requested approval to record incremental bad debt expense and safety-related costs attributable to COVID-19 in the requested regulatory asset.

Peoples states aged accounts receivable of 60 days or more exceeds 12 percent of its total accounts receivable balance, or approximately \$2.3 million, exceeding the Company's normal level. Peoples anticipates that COVID-19-related bad debt expense will continue to increase in future months. An allowance for bad debt expense is included in base rates. In Peoples' last rate case, this allowance was based on a four-year average and was set at approximately \$1.6 million per year.¹

Peoples has stated incremental safety costs attributable to COVID-19 related to the Company's efforts to follow all necessary guidelines and protocols include, but are not limited to, personal protective equipment, materials and supplies to protect employees' and customers' health and safety, additional cleaning and sanitization, employee health monitoring, COVID-19 testing of employees, transportation expense, and overtime expense related to safety preparations.

The concept of deferral accounting allows companies to defer costs due to events beyond their control and seek recovery through rates at a later time. If the subject costs are significant, the alternative would be for a company to seek a rate proceeding each time it experiences an exogenous event. The costs in the instant docket are attributed to the COVID-19 pandemic. Due to the uncertainty of this situation, Peoples states that it is not possible to fully anticipate the scope or timeframe of the financial impact on the Company and its customers related to COVID-19.

Because of the unique circumstances resulting from the global pandemic, we approve Peoples' request to establish a regulatory asset for recording costs incurred due to COVID-19 and defer our consideration of the potential recovery of the amounts recorded in the regulatory asset to a future proceeding. This approval to establish a regulatory asset, for accounting purposes, does not limit our ability to review the amounts, recovery method, recovery period, and other related matters for reasonableness in a future proceeding in which the regulatory asset is included.

¹ Order No. PSC-2009-0411-FOF-GU, issued June 9, 2009, in Docket No. 080318-GU, *In re: Petition for rate increase by Peoples Gas System.*

In addition, we direct that Peoples track any assistance or benefits received by the Company in connection with COVID-19, regardless of form, that would offset any COVID-19-related expenses. This includes, but is not limited to, any cost savings directly attributable to the suspension of disconnections or other activities during the emergency declaration. The regulatory asset costs and offsets shall be recorded and maintained in a detailed manner that will allow incremental costs and any benefits and savings to be readily identifiable in a future proceeding. Peoples shall also be prepared to explain what actions and efforts it has undertaken to reduce or minimize these costs and to maximize the receipt of any available COVID-19 assistance or benefits. Finally, Peoples shall file monthly reports identifying the amounts of the costs incurred, any assistance or benefits received, and any cost savings realized which have been recorded in the regulatory asset. The first COVID-19 regulatory asset report shall be filed on October 1, 2020, and every month thereafter until the Company presents the regulatory asset for our consideration.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval to track, record as a regulatory asset, and defer incremental costs resulting from the COVID-19 pandemic, by Peoples Gas System, is granted. It is further

ORDERED that Gulf shall file monthly reports identifying the amounts of the costs incurred, any assistance received, and any cost savings realized, which have been recorded in the regulatory asset. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final upon the issuance of a Consummating Order, this docket shall remain open for the filing of the Companies' monthly reports.

By ORDER of the Florida Public Service Commission this 27th day of October, 2020.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 17, 2020.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.