

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 26, 2021

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Sevini K. Guffey, Public Utility Analyst III, Division of Economics *S.K.G.*

RE: Place in Docket File
Rule 25-6.0143, F.A.C., SERC Data Request to Electric Investor-Owned Utilities (IOUs)

Please place the attached documentation related to the SERC data request to electric IOUs in the docket file.

Thank you.

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-M-E-M-O-R-A-N-D-U-M-

DATE: January 25, 2021

TO: All Investor-Owned Electric Utilities

FROM: Judy G. Harlow, Director, Division of Economics *JGH*

RE: Proposed Revisions to Rule 25-6.0143, Florida Administrative Code (F.A.C.)
Statement of Estimated Regulatory Costs
Staff Data Request

Commission staff is requesting your input regarding the estimated incremental costs, if any, that might result from potential revisions to the referenced Commission rule that could affect you as a regulated electric utility. Specifically, staff is recommending revisions to Rule 25-6.0143, Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4, F.A.C. The draft rule is included with this data request.

Staff would appreciate your assistance in identifying any incremental costs that your utility might incur if the revisions to the above referenced rule were to be adopted by the Commission. When comparing the draft rule to the Commission's current rule, please identify specific elements of the draft rule that would cause either increases or decreases in your costs of complying with the proposed rule revisions. Please provide a quantitative estimate of the incremental change in costs in response to the attached data request. If quantitative data is not available, please provide a qualitative discussion of the cost differences to your utility between the current and draft rules.

Thank you for taking time to review the Commission's draft rule changes and for your responses to the data request. Please direct all questions and responses no later than **February 5, 2021**, to:

Sevini Guffey
Public Utility Analyst – Economics Division
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
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Phone: (850) 413-6204
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SKG

SERC Data Request to Electric Investor-Owned Utilities

Rule 25-6.0143 Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4, F.A.C.

- 1) Proposed revision to Section (1)(e)1 states that the utility may adjust historical monthly contract labor costs charged to operation and maintenance expenses and that each adjustment shall be accompanied by a detailed explanation of the nature and derivation of the adjustment. What are the types of transactional costs involved and what would be the estimated annual incremental regulatory costs including transactional costs to your utility to prepare the detailed contract labor costs adjustments?
- 2) Proposed revision to Section (1)(e)8 states that the utility may adjust historical monthly payroll and payroll related costs charged to operation and maintenance expenses and that each adjustment shall be accompanied by a detailed explanation of the nature and derivation of the adjustment. What are the annual incremental regulatory, including transactional costs to your utility to prepare the detailed payroll and payroll related cost adjustments?
- 3) Proposed revision to (1)(e)9 states that the utility may adjust historical monthly fuel costs charged to operation and maintenance expenses and that each adjustment shall be accompanied by a detailed explanation of the nature and derivation of the adjustment. What are the annual incremental regulatory, including transactional expenses to your utility to prepare the detailed fuel costs adjustments?
- 4) Proposed new language in Section (1)(e)11 states that the utility may adjust historical monthly vegetation management costs specifically related to storm restoration activities, charged to operation and maintenance expenses and that each adjustment shall be accompanied by a detailed explanation of the nature and derivation of the adjustment. What are the annual incremental regulatory, including transactional costs to your utility to prepare the detailed vegetation management cost adjustments?
- 5) Proposed new language in Section (1)(e)12 requires the utility to report other costs and expenses not specifically identified in 1 through 11, that are directly and solely attributable to a storm restoration event. What are the estimated annual regulatory, including transactional costs and expenses to your utility to collect and report this information to the Commission?
- 6) Please discuss any potential benefits to your utility from the proposed rule revisions for the accounting of electric utilities' costs that result from storm-related damage.

1 **25-6.0143 Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4.**

2 (1) Account No. 228.1 Accumulated Provision for Property Insurance.

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

11 (b) Except as provided in paragraphs (1)(f), (1)(g) and (1)(h) charges to this account must
12 ~~shall~~ be made for all occurrences in accordance with the schedule of risks to be covered which
13 are not covered by insurance. Recoveries, insurance proceeds or reimbursements for losses
14 charged to this account must ~~shall~~ be credited to the account.

15 (c) A separate subaccount must ~~shall~~ be established for that portion of Account No. 228.1
16 which is designated to cover storm-related damages to the utility's own property or property
17 leased from others that is not covered by insurance. The records supporting the entries to this
18 account must ~~shall~~ be so kept that the utility can furnish full information as to each storm
19 event included in this account.

20 (d) In determining the costs to be charged to cover storm-related damages, the utility must
21 ~~shall~~ use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the
22 ICCA methodology, the costs charged to cover storm-related damages must ~~shall~~ exclude
23 those costs that normally would be charged to non-cost recovery clause operating expenses in
24 the absence of a storm. Under the ICCA methodology for determining the allowable costs to
25 be charged to cover storm-related damages, the utility will be allowed to charge to Account

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1 No. 228.1 costs that are incremental to costs normally charged to non-cost recovery clause
2 operating expenses in the absence of a storm. All costs charged to Account 228.1 are subject
3 to review for prudence and reasonableness by the Commission. In addition, capital
4 expenditures for the removal, retirement and replacement of damaged facilities charged to
5 cover storm-related damages must ~~shall~~ exclude the normal cost for the removal, retirement
6 and replacement of those facilities in the absence of a storm. The utility must ~~shall~~ notify the
7 Director of the Commission Clerk in writing for each incident expected to exceed 1.5 percent
8 of jurisdictional revenues for the most recent calendar year \$10 million.

9 (e) The types of storm related costs allowed to be charged to the reserve under the ICCA
10 methodology include, ~~but are not limited to,~~ the following:

11 1. Additional contract labor hired for storm restoration activities incurred in any month in
12 which storm damage restoration activities are conducted, that are greater than the actual
13 monthly average of contract labor costs charged to operation and maintenance expense for the
14 same month in the three previous calendar years. The utility may adjust historical monthly
15 contract labor costs charged to operation and maintenance expense from calculated monthly
16 average. Each adjustment shall be accompanied by a detailed explanation of the nature and
17 derivation of the adjustment;

18 2. Logistics costs of providing meals, lodging, and linens for tents and other staging areas;

19 3. Transportation of crews and other personnel for storm restoration;

20 4. Vehicle costs for vehicles specifically rented for storm restoration activities;

21 5. Waste management costs specifically related to storm restoration activities;

22 6. Rental equipment specifically related to storm restoration activities;

23 7. Materials and supplies used to repair and restore service and facilities to pre-storm
24 condition, such as poles, transformers, meters, light fixtures, wire, and other electrical
25 equipment, excluding those costs that normally would be charged to non-cost recovery clause

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1 operating expenses in the absence of a storm;

2 8. ~~Payroll Overtime payroll~~ and payroll-related costs for utility personnel included in
3 storm restoration activities incurred in any month in which storm damage restoration activities
4 are conducted, that are greater than the actual monthly average of overtime payroll and
5 payroll-related costs charged to operation and maintenance expense for the same month in the
6 previous three calendar years. The utility may adjust historical monthly payroll and payroll-
7 related costs charged to operation and maintenance expense from calculated monthly average.
8 Each adjustment shall be accompanied by a detailed explanation of the nature and derivation
9 of the adjustment;

10 9. Fuel cost for company and contractor vehicles used in storm restoration activities
11 incurred in any month in which storm damage restoration activities are conducted, that are
12 greater than the actual monthly average of fuel costs charged to operation and maintenance
13 expense for the same month in the previous three calendar years. The utility may adjust
14 historical monthly fuel costs charged to operation and maintenance expense from calculated
15 monthly average. Each adjustment shall be accompanied by a detailed explanation of the
16 nature and derivation of the adjustment; and

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

19 11. Vegetation management costs specifically related to storm restoration activities
20 incurred in any month in which storm damage restoration activities are conducted, that are
21 greater than the actual monthly average of vegetation management costs charged to operation
22 and maintenance expense for the same month in the previous three calendar years. The utility
23 may adjust historical monthly vegetation management costs charged to operation and
24 maintenance expense from calculated monthly average. Each adjustment shall be accompanied
25 by a detailed explanation of the nature and derivation of the adjustment; and

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1 12. Other costs or expenses not specifically identified in paragraph 1(e)(1) through
2 1(e)(11), that are directly and solely attributable to a storm restoration event.

3 (f) The types of storm related costs prohibited from being charged to the reserve under the
4 ICCA methodology include, ~~but are not limited to,~~ the following:

5 1. Base rate recoverable regular payroll and regular payroll-related costs for utility
6 managerial and non-managerial personnel;

7 2. Bonuses or any other special compensation for utility personnel not eligible for
8 overtime pay;

9 3. Base rate recoverable depreciation expenses, insurance costs and lease expenses for
10 utility-owned or utility-leased vehicles and aircraft;

11 4. Utility employee assistance costs;

12 5. Utility employee training costs incurred prior to 72 hours before the storm event;

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

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

17 8. Tree trimming expenses, incurred in any month in which storm damage restoration
18 activities are conducted, that are less than the actual monthly average of tree trimming costs
19 charged to operation and maintenance expense for the same month in the three previous
20 calendar years;

21 9. Utility lost revenues from services not provided; and

22 10. Replenishment of the utility's materials and supplies inventories.

23 (g) Under the ICCA methodology for determining the allowable costs to be charged to
24 cover storm-related damages, certain costs may be charged to Account 228.1 only after review
25 and approval by the Commission. Prior to the Commission's determination of the

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1 appropriateness of including such costs in Account No. 228.1, the costs may be deferred in
2 Account No. 186, Miscellaneous Deferred Debits. The deferred costs must be incurred prior to
3 June 1 of the year following the storm event. By September 30 a utility must ~~shall~~ file a
4 petition for the disposition of any costs deferred prior to June 1 of the year following the storm
5 event giving rise to the deferred costs. These costs include, ~~but are not limited to,~~ the
6 following:

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

12 2. Uncollectible accounts expenses.

13 (h) A utility may, at its own option, charge storm-related costs as operating expenses
14 rather than charging them to Account No. 228.1. The utility must ~~shall~~ notify the Director of
15 the Commission Clerk in writing and provide a schedule of the amounts charged to operating
16 expenses for each incident exceeding 0.5 percent of jurisdictional revenues for the most recent
17 calendar year \$5 million. The schedule must ~~shall~~ be filed annually by February 15 of each
18 year for information pertaining to the previous calendar year.

19 (i) If the charges to Account No. 228.1 exceed the account balance, the excess must ~~shall~~
20 be carried as a debit balance in Account No. 182.3 and no request for a deferral of the excess
21 or for the establishment of a regulatory asset is necessary.

22 (j) A utility may petition the Commission for the recovery of a debit balance in Account
23 No. 182.3 discussed in part (1)(i) plus an amount to replenish the storm reserve through a
24 surcharge, securitization or other cost recovery mechanism.

25 (k) A utility must ~~shall~~ not establish or change an annual accrual amount or a target

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1 accumulated balance amount for Account No. 228.1 without prior Commission approval.

2 (l) Each utility must ~~shall~~ file a Storm Damage Self-Insurance Reserve Study (Study) with
3 the Commission Clerk by January 15, 2011 and at least once every 5 years thereafter from the
4 submission date of the previously filed study. A Study must ~~shall~~ be filed whenever the utility
5 is seeking a change to either the target accumulated balance or the annual accrual amount for
6 Account No. 228.1. At a minimum, the Study must ~~shall~~ include data for determining a target
7 balance for, and the annual accrual amount to, Account No. 228.1.

8 (m) Each utility must ~~shall~~ file a report with the Director of the Commission Clerk
9 providing information concerning its efforts to obtain commercial insurance for its
10 transmission and distribution facilities and any other programs or proposals that were
11 considered. The report must ~~shall~~ also include a summary of the amounts recorded in Account
12 228.1. The report must ~~shall~~ be filed annually by February 15 of each year for information
13 pertaining to the previous calendar year.

14 (2) Account No. 228.2 Accumulated Provision for Injuries and Damages.

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

21 (b) Charges to this account must ~~shall~~ be made for all losses covered. Detailed supporting
22 records of charges made to this account must ~~shall~~ be maintained in such a way that the year
23 the event occurred which gave rise to the loss can be associated with the settlement.

24 Recoveries or reimbursements for losses charged to the account must ~~shall~~ be credited to the
25 account.

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

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

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

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

14 (b) If a utility elects to use any of the above listed accumulated provision accounts, each
15 and every loss or cost which is covered by the account must ~~shall~~ be charged to that account
16 and must ~~shall~~ not be charged directly to expenses except as provided for in paragraphs (1)(f),
17 (1)(g) and (1)(h). Charges must ~~shall~~ be made to accumulated provision accounts regardless of
18 the balance in those accounts.

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

24 *Rulemaking Authority 366.05(1) FS. Law Implemented 350.115, 366.04(2)(a) FS. History—*
25 *New 3-17-88, Amended 6-11-07, _____.*

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