

Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

SELECT A TYPE: new

RULE NO: RULE TITLE:

25-7.0143: Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4

PURPOSE AND EFFECT: To create a rule to provide a standard for the application of Accumulated Provision Accounts 228.1, 228.2, and 228.4 for natural gas utilities.

Docket No. 20210062-OT

SUMMARY: Rule 25-7.0143 provides requirements for the application of Accumulated Provision Accounts 228.1, 228.2, and 228.4, specifically as the accounts apply to storm-related damages. The rule includes requirements for accounting for losses through accident, fire, flood, storms, and similar type hazards to the utility's own property or property leased from others, which is not covered by insurance. The rule also requires a utility to notify the Commission Clerk in writing for each incident expected to exceed 1.5 percent of jurisdictional revenues for the most recent calendar year. The rule provides several categories of accounts, including contract labor and payroll expenses, fuel costs for both company and contractor vehicles used in storm restoration activities, and the vegetation management costs that are specifically related to storm restoration activities for the gas utilities. For all of these cost categories, the rule requires that the costs must be greater than the actual monthly average of costs charged to the operation and maintenance expense for the same month in the three previous calendar years, and each adjustment must be accompanied by a detailed explanation of the nature of the adjustment.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION: The agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the agency. The SERC examined the factors required by Section 120.541(2), FS, and concluded that the rule will not have an adverse impact on economic growth, business competitiveness, or small business and that it will not likely result in increased regulatory costs, including transactional costs, to utilities required to comply with the rule.

The agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon the information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 366.05, F.S.

LAW IMPLEMENTED: 350.115, 366.04(2)(a), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAR.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Adria Harper, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6082, aharper@psc.state.fl.us

THE FULL TEXT OF THE PROPOSED RULE IS: [TYPE AND STRIKE VERSION]

25-7.0143 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 and similar type hazards to the utility's own property or property leased from others, which is not covered by insurance. A schedule of risks covered must 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) charges to this account must 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 must be credited to the account.

(c) A separate subaccount must 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 must 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 must use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the ICCA methodology, the costs charged to cover storm-related damages must 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 must exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. The utility must notify the Commission Clerk in writing for each incident expected to exceed 1.5 percent of jurisdictional revenues for the most recent calendar year.

(e) The types of storm related costs allowed to be charged to the reserve under the ICCA methodology include the following:

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 contract labor costs charged to operation and maintenance expense for the same month in the three previous calendar years. The utility may adjust historical monthly contract labor costs charged to operation and maintenance expense from calculated monthly average. Each adjustment must be accompanied by a detailed explanation of the nature and derivation of the adjustment;

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

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

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

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

6. Rental equipment specifically related to storm restoration activities;

7. Materials and supplies used to repair and restore service and facilities to pre-storm condition, excluding those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm;

8. Payroll and payroll-related costs for utility personnel included 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 payroll and payroll-related costs charged to operation and maintenance expense for the same month in the three previous calendar years. The utility may adjust historical monthly payroll and payroll-related costs charged to operation and maintenance expense from calculated monthly average. Each adjustment must be accompanied by a detailed explanation of the nature and derivation of the adjustment;

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 three previous calendar years. The utility may adjust historical monthly fuel costs charged to operation and maintenance expense from calculated monthly average. Each adjustment must be accompanied by a detailed explanation of the nature and derivation of the adjustment;

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

11. Vegetation management expenses 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 vegetation management costs charged to operation and maintenance expense for the same month in the previous three calendar years. The utility may adjust historical monthly vegetation management costs charged to operation and maintenance expense from calculated monthly average. Each adjustment must be accompanied by a detailed explanation of the nature and derivation of the adjustment; and

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

(f) The types of storm related costs prohibited from being charged to the reserve under the ICCA methodology include the following:

1. Bonuses or any other special compensation for utility personnel not eligible for overtime pay;

2. Depreciation expenses, insurance costs and lease expenses for utility-owned or utility-leased vehicles and aircraft;

3. Utility employee assistance costs;

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

5. 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.;

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

7. Utility lost revenues from services not provided; and

8. 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 must 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 the following:

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.

(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 must notify the Commission Clerk in writing and provide a schedule of the amounts charged to operating expenses for each incident exceeding 0.5 percent of jurisdictional revenues for the most recent calendar year. The schedule must be filed annually by February 15 of each year for information pertaining to the previous calendar year.

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

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

(k) A utility must not establish or change an annual accrual amount or a target accumulated balance amount for Account No. 228.1 without prior Commission approval.

(l) Each utility must file a Storm Damage Self-Insurance Reserve Study (Study) with the Commission Clerk by January 15, 2022 and at least once every 5 years thereafter from the submission date of the previously filed study. A Study must 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 must include data for determining a target balance for, and the annual accrual amount to, Account No. 228.1.

(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 must be charged to this account.

(b) Charges to this account must be made for all losses covered. Detailed supporting records of charges made to this account must 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 must 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 must 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 must 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 must be made for all costs or losses covered. Recoveries or reimbursements

for amounts charged to this account must be credited hereto.

(4)(a) The provision level and annual accrual rate for each account listed in subsections (1) through (3) must 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 must be charged to that account and must not be charged directly to expenses except as provided for in paragraphs (1)(f), (1)(g) and (1)(h). Charges must be made to accumulated provision accounts regardless of the balance in those accounts.

(c) No utility must 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 must 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

NAME OF PERSON ORIGINATING PROPOSED RULE: Andrew Maurey

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: May 4, 2021

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: Volume 46, Number 113, June 10, 2020.

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Notices Submitted to ACR

ID	Rule No./ Organization	Rule Title	Section	Issue	Date
24498240	25-7.0143	Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4	Proposed	5/5/2021 Vol. 47/87	5/4/2021

Notices Confirmed by ACR

ID	Rule No./ Organization	Rule Title	Section	Issue	Date
24498046	25-6.0143	Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4	Proposed	5/5/2021 Vol. 47/87	5/4/2021
24497076	25-30.460	Application for Miscellaneous Service Charges	Proposed	5/5/2021 Vol. 47/87	5/4/2021

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