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May 21, 2021

**E-PORTAL**

Mr. Adam J. Teitzman, Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: **Docket No. 20200151-EI** - Petition for approval of a regulatory asset to record costs incurred due to COVID-19, by Gulf Power Company.

**Docket No. 20200189-WS** - Petition for approval of a regulatory asset to record costs incurred due to COVID-19, by Utilities, Inc. of Florida.

**Docket No. 20200194-PU** – Petition for approval of regulatory assets to record costs incurred due to COVID-19, by Florida Public Utilities Company, Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, Florida Division of Chesapeake Utilities Corporation.

Dear Mr. Teitzman:

Attached for filing in the referenced consolidated dockets, please find the Joint Prehearing Statement of Florida Public Utilities Company (Electric and Gas Divisions) and the Florida Division of Chesapeake Utilities Corporation (jointly, "FPUC Companies"), submitted in accordance with the Order Establishing Procedure for these consolidated dockets.

As always, thank you for your assistance with this filing. Please do not hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
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MEK  
Enclosures  
cc:// (Service List)

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for approval of a regulatory asset to record costs incurred due to COVID- 19, by Gulf Power Company.	DOCKET NO. 20200151-EI
In re: Petition for approval of a regulatory asset to record costs incurred due to COVID- 19, by Utilities, Inc. of Florida.	DOCKET NO. 20200189-WS
In re: Petition for approval of regulatory assets to record costs incurred due to COVID-19, by Florida Public Utilities Company, Florida Public Utilities Company - Indiantown Division, Florida Public Utilities Company - Fort Meade, Florida Division of Chesapeake Utilities Corporation.	DOCKET NO. 20200194-PU FILED: May 21, 2021

**Florida Public Utilities Company (All Divisions) and Florida Division of Chesapeake Utilities Corporation’s Joint Prehearing Statement**

In accordance with the Order Establishing Procedure for this Docket, Order No. PSC-2021-0104-PCO-EU, issued March 12, 2021, as modified by Order No. PSC-2021-0104A-PCO-EI, issued March 19, 2021, Florida Public Utilities Company (All Divisions) (“FPUC”) and the Florida Division of Chesapeake Utilities Corporation (“CFG”)(jointly, “FPUC Companies”) hereby files their Prehearing Statement.

**A. APPEARANCES**

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(850) 521-1706  
On behalf of FPUC Companies

**B. WITNESSES AND EXHIBITS**

i. All Known Witnesses

<u>Witness</u>	<u>Subject</u>	<u>Issue</u>
<b><u>DIRECT</u></b>		
Derrick M. Craig	FPUC Companies' COVID-19 response; description of overall request for deferral accounting and the appropriate time frame	Issues 1 - 4
Michael D. Galtman	Methodology utilized for calculating bad debt expense and safety-related costs, and applicable accounting guidance	Issues 1 and 3 <i>(OPC Proposed Issue, if retained)</i>
<b><u>REBUTTAL</u></b>		
Michael D. Galtman	Rebuttal of Daniel J. Lawton (Inclusion of Costs and Accounting Policy)	Issues 1, 3, and 4 <i>(OPC Proposed Issue, if retained)</i>
J. Terry Deason <i>(Jointly for Gulf and the FPUC Companies)</i>	Rebuttal of Daniel J. Lawton (Regulatory and Accounting Policy/Rejection of Earnings Criterion)	Issues 1, 3, and 5 <i>(OPC Proposed Issue, if retained)</i>
Derrick M. Craig	Rebuttal of Daniel J. Lawton (Reports and Reporting)	Issues 2 and 4

ii. All Known Exhibits

The FPUC Companies witnesses are sponsoring no exhibits at this time. However, the FPUC Companies reserve the right to identify and use additional exhibits for the purpose of cross-examination and redirect.

C. **STATEMENT OF BASIC POSITION**

**FPUC Companies' Statement of Basic Position**

**FPUC Companies:** As the Commission is well-aware, the impact of the Novel Coronavirus Disease 2019, or COVID-19, has been prolonged and devastating. While in recent months circumstances have suggested that there is an end in sight, the long-term effects of this extraordinary pandemic will likely be felt across businesses and the healthcare sector for an extended period of time.

At the outset of the COVID-19 pandemic, the FPUC Companies, consistent with the direction of their corporate parent Chesapeake's CEO and the corporation's Pandemic Response Plan, responded quickly to the first indications that COVID-19 was spreading from other countries. That response included a variety of safety measures on a multitude of fronts, including, among other things, enabling as many employees as possible to work from home, cancelling all business travel, stopping movement of employees between offices, postponing face to face meetings and events, instituting health reporting protocols, providing paid time off to employees that become infected or exposed to COVID-19 and could not work, providing needed personal protective equipment ("PPE") to employees, and implementing social distancing practices. For those employees unable to work from home due to the nature of their role with the companies, namely the Companies' field operations teams that must continue providing essential services, the FPUC Companies provided each such employee with social distancing and health protection training, as well as

necessary PPE and disinfectant supplies consistent with the Centers for Disease Control (“CDC”) guidelines. The FPUC Companies also effectuated a proactive economic response to the pandemic by temporarily suspending customer late fees and disconnections.

The FPUC Companies’ proactive response to COVID-19, as well as the economic impacts of the virus, have, however, resulted in increased safety-related costs and a projected overall shortfall in customer bill payments. Consequently, the FPUC Companies anticipate their bad debt expense attributable to COVID-19 will be incrementally higher than the previous, three-year average. Coupled with the unusual, non-recurring safety-related expenses incurred to protect their customers and employees, the total COVID-19 related costs incurred by each of the FPUC Companies is expected to be notable and, in most cases, material. These unanticipated, extraordinary expenses include the additional costs of acquiring PPE, as well as costs associated with enhanced cleaning and disinfecting, as well as the installation of protective barriers, at all office locations, in vehicles, and at associated utility facilities, consistent with CDC guidance. These costs also include incremental “hazard pay” for those essential employees required to remain “customer facing,” which the Companies determined was necessary and appropriate given the heightened risks and uncertain conditions these employees have faced due to the highly infectious nature of the COVID-19 virus. In addition, the amount that the Company seeks to include in the regulatory assets includes the loss of an insurance premium reduction that would have otherwise gone into effect but for the pandemic. These unique and extraordinary circumstances support the Companies’ categorization of these extraordinary costs as COVID-19, safety-related expenses.

As reflected in the testimony of FPUC Company witness Galtman, the incremental costs incurred in connection with the COVID-19 pandemic meet the requirements contained within the Uniform System of Accounts (“USOA”) for establishment of a regulatory asset. The profound and

widespread impact of the COVID-19 pandemic on businesses and on day-to-day life demonstrates that the pandemic qualifies as an extraordinary event under applicable USOA accounting guidance. The incremental costs the FPUC Companies have incurred in order to continue to safely carry on operations during this pandemic are clearly unrelated to the ordinary and typical activities of the entity. As such, the costs are appropriately deemed “unusual.” Moreover, an event of this nature, scope, and impact has not previously occurred this century, and through the accelerated production of PPE and the distribution of vaccines, it is clear that efforts are being made to ensure that it does not recur. Thus, the infrequency of an event of this nature further qualifies this pandemic as being “extraordinary.”

As urged by joint rebuttal witness Deason, the Commission should not accept the additional standards or criteria proposed by the Office of Public Counsel’s (“OPC”) witness Lawton, because application of these additional criteria would distort the existing regulatory balance between customers and shareholders and likely impede the Commission’s ability to proactively respond to emergency conditions and set rates which are fair and reasonable. As also emphasized by witness Deason, safety and customer protection should be any utility’s top priority and a utility’s management should have the necessary tools in its toolbox to achieve this objective without the utility having to diminish its return in order to do what is right. The ability to establish a regulatory asset is precisely that necessary tool.

Allowing the Companies to establish the requested regulatory assets does not guarantee that the Companies will be allowed to recover all of the costs included in those assets. The Commission will have the ability to review the recoverability of the costs in an appropriate rate proceeding. Not allowing the Companies to establish the regulatory assets at all, whether by application of witness Lawton’s unnecessary additional criteria or not, would however turn the regulatory compact on its

head and virtually eliminate the usefulness of this accounting mechanism for the Companies. Thus, the Companies respectfully request that the Commission allow the Companies to establish the requested regulatory assets.

**D. FPUC COMPANIES' POSITION ON THE ISSUES**

**Issue 1:** Should the Commission approve the Companies' requests to establish regulatory assets to track and record COVID-19 related costs?

**FPUC Companies:** Yes. The identified costs are incremental, not recovered in the Companies' current rates, are the product of an unusual, infrequent event, and are appropriately deemed extraordinary.

**Issue 2:** If the Commission approves the requests, when should the recording of costs included in the regulatory assets commence?

**FPUC Companies:** The Companies should be allowed to record costs beginning March 9, 2020.

**Issue 3:** If the Commission approves the requests, what type of costs should be eligible for inclusion in the regulatory assets?

**FPUC Companies:** The Companies should be allowed to include COVID-19 safety-related costs such as those described in the Direct Testimony of Witness Derrick Craig and the Rebuttal Testimony of Witness Michael Galtman. Those costs should include costs associated with acquiring PPE, implementing enhanced safety and cleaning protocols, and bad debt expense. Given the unique nature of this event, the Companies should also be allowed to include hazard pay

for its essential, customer-facing employees, and its loss of an otherwise certain insurance premium reduction, as COVID-19 safety-related costs.

**Issue 4:** If the Commission approves the requests, should the Companies be required to file reports detailing the status of their respective regulatory asset? If so, what information should be included in these reports, and how frequently should the reports be filed?

**FPUC Companies:** The FPUC Companies agree that it would be appropriate to require the filing of reports. The reports should detail the incremental amounts associated with the types of costs allowed to be included in the regulatory assets. The incremental amounts should be based upon a three-year average for the Companies. The reports should also detail incremental savings determined on the same, three-year-average basis. The FPUC Companies should be required to maintain records supporting the entries so that they can furnish full information as to the nature and amount of each cost in the regulatory assets, including justification for inclusions of such amounts. The Companies suggest that the reports be required on a quarterly basis, and that the Companies be allowed to cease filing such reports once they have ceased accruing amounts to the regulatory assets and have submitted a final report.

**Issue 5:** Should these dockets be closed?

**FPUC Companies:** Yes, once the Commission has issued its final decision in this proceeding and the time period for reconsideration and appeal have run.



**Gulf Proposed Issue**

**Issue A:** If the Commission approves the requests, what are the total costs eligible for recovery?

**FPUC Companies:** *[The FPUC Companies are unable to take a position on this issue at this time, as the Companies have not reached a final determination of the amounts at issue. As such, the Companies respectfully ask that this issue, requested by Gulf, be treated as a Gulf-specific issue.]*

**OPC Proposed Issue**

**Issue B:** What criteria should the Commission apply in determining whether to establish a Covid-19 regulatory asset?

**FPUC Companies:** *[The FPUC Companies object to this issue and believe it is subsumed in Issue 1].* The Commission should apply the same standard that it has traditionally applied to the establishment of a regulatory asset with the guidance contained in ASC 980-340-25-1 serving as the primary framework for determining if recognition of a regulatory asset is appropriate.

e. Stipulated Issues

While not a party to stipulations at this time, the FPUC Companies believe that it may be possible to reach a stipulation on some issues prior to hearing.

f. Pending Motions

The FPUC Companies have no pending motions at this time.

g. Pending Confidentiality Claims or Requests

None.

h. Objections to Witness Qualifications as an Expert

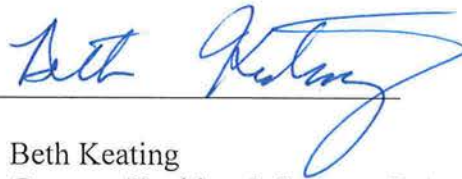
The FPUC Companies have no objections to any witnesses' qualifications at this time.

i. Compliance with Order No. PSC-2021-0104-PCO-PU

The FPUC Companies have complied with all requirements of the Order Establishing Procedure, as amended, entered in this docket, as well as the subsequent Order No. PSC-2021-0123-PCO-PU, issued April 7, 2021, modifying that Order Establishing Procedure.

RESPECTFULLY SUBMITTED this 21st day of May, 2021.

BY: \_\_\_\_\_



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*Attorneys for FPUC Companies*

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Joint Prehearing Statement of the FPUC Companies has been furnished by Electronic Mail to the following parties of record this 21st day of May, 2021:

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