

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

Date: May 21, 2021

**GULF POWER COMPANY'S
PREHEARING STATEMENT**

Gulf Power Company (“Gulf Power”), pursuant to Order Nos. PSC-2021-0104-PCO-PU, PSC-2021-0104A-PCO-PU and PSC-2021-0123-PCO-PU, files with the Florida Public Service Commission (the “Commission”), its Prehearing Statement, and states:

1) GULF POWER WITNESSES

A. Direct Testimony

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUE #</u>
Mitchell Goldstein	Details the numerous actions Gulf Power took to assist its customers and protect the health and safety of its employees and contractors in response the COVID-19 pandemic. Describes how the effects of COVID-19 were and continue to be significant, and were not anticipated or accounted for in Gulf Power’s base rates. Describes how Gulf Power’s suspension of customer disconnects, intended to counter the damaging economic effects of the pandemic on customers, remained in place for over eight months, which had the effect of	1, 2, 3, 4, 5 Gulf Power Proposed Issue

	<p>dramatically increasing Gulf Power’s accounts receivable.</p> <p>Describes Gulf Power’s method for accounting for the bad debt costs and safety-related costs (“COVID Costs”) that are the subject of Gulf Power’s petition.</p> <p>Provides support for the amount of the COVID-19 regulatory asset (\$17.6 million as of February 28, 2021), which represents incremental bad expense and COVID-19-related operating expenses, reduced by savings for travel and meals expenses and medical expenses. Details Gulf Power’s forecast that it will defer \$20.7 million through the end of 2021.</p>	
<p>J. Terry Deason</p>	<p>Details why Gulf Power’s regulatory asset request is consistent with the Commission’s ratemaking authority and its prior decisions, and that approval of the request is appropriate under the circumstances presented by the pandemic.</p> <p>Describes how Gulf Power’s current rates were not set to recover an unanticipated increase in costs such as those incurred due to the pandemic; and, as such, these costs will never be recovered in rates unless they are identified and booked into a regulatory asset.</p> <p>Provides detail on the Commission’s previous practice of allowing the creation of regulatory assets when they are required or otherwise facilitate rates that are fair and reasonable, such as situations or events which have caused unexpected increases in costs (often caused by major events outside of management’s control).</p> <p>Details why approval of Gulf Power’s request sends the message that the Commission encourages its utilities to expeditiously take all reasonable steps as Gulf Power did in an emergency situation to protect customers, employees, and contractors, and to continue to provide customers with reliable service.</p>	<p>1, 3, 4, 5</p>

B. Rebuttal Testimony

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUE #</u>
Mitchell Goldstein	Addresses and corrects erroneous statements made by the Office of Public Counsel (“OPC”) witness Daniel Lawton in his testimony related to: 1) Gulf Power’s accounting for the deferral of incremental bad debt expense to the COVID-19 regulatory asset, including the amount of cost which will be deferred; and 2) whether Gulf Power’s request to defer costs to a regulatory asset satisfies the requirements under accounting rules and the Uniform System of Accounts (“USOA”).	1, 2, 3, 4, 5 Gulf Power Proposed Issue
J. Terry Deason (On Behalf of Gulf Power and Florida Public Utilities Company (“FPUC”))	Addresses misstatements of policy and improper recommendations made in the direct testimony of OPC witness Daniel Lawton regarding the petitions for approval of regulatory assets associated with COVID-19 related costs filed by Gulf Power and FPUC. Specifically, Mr. Deason rejects the argument and recommendation that approval of a regulatory asset should be based upon a utility’s earnings.	1, 3, 4, 5

2) EXHIBITS

Witness	Proffered By	Exhibit #	Description	Issue #
Direct				
Mitchell Goldstein	Gulf Power	MG-1	Gulf Power’s COVID costs by category	2-4 Gulf Power Proposed Issue

In addition to the above pre-filed exhibits, Gulf Power reserves the right to utilize any exhibit introduced by any party. Gulf Power additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination, or impeachment at the final hearing.

3) STATEMENT OF BASIC POSITION

In late 2019, a severe outbreak of the Novel Coronavirus Disease 2019, or COVID-19, began. Since the beginning of the outbreak, COVID-19 has spread internationally and to all 50 U.S. states. COVID-19’s severity and transmissibility caused the World Health Organization to classify COVID-19 as a pandemic.

The State of Florida has taken actions to reduce the virus’ impact on its residents. On March 1, 2020, Governor Ron DeSantis issued Executive Order number 20-51, directing the State Health Officer and Surgeon General to declare a public health emergency, and on March 9, 2020, the

Governor issued Executive Order number 20-52 declaring the existence of a state of emergency in the State of Florida. On April 1, 2020, Governor DeSantis issued Executive Order number 2091 (the “Safer at Home Executive Order”), requiring that “all persons in Florida shall limit their movements and personal interactions outside of their home to only those necessary to obtain or provide essential services or conduct essential activities.” Most recently, on April 27, 2021, Governor DeSantis issued Executive Order number 21-94, extending the state of emergency declaration an additional 60 days.

In response to the significant economic and societal impact and increased unemployment attributable to COVID-19, Gulf Power announced on March 17, 2020 that it would suspend customer disconnections. The Company’s decision to proactively suspend disconnections for non-payment of overdue balances was similar to actions taken by utilities across the country in response to COVID-19. The Company’s announcement served as an extension of then-existing disconnect suspension that had been necessitated by the Company’s implementation of its new customer billing system, Customer Account Management System (“CAMS”), in the first quarter of 2020.

Gulf Power has undertaken and continues to undertake safety-related actions to ensure its employees, contractors, and customers are protected from COVID-19. To this end, the Company has obtained materials and equipment to limit the potential spread of COVID-19 and has implemented a variety of practices at its facilities based on recommendations from the United States Centers for Disease Control and Prevention and Florida Department of Health.

Although Gulf Power was able to implement various measures to assist its customers during the pandemic, Gulf Power has incurred incremental operating costs that were not contemplated when base rates were last reset. These incremental costs were incurred due to this unique and unanticipated COVID-19 pandemic event beyond Gulf Power’s control.

On May 22, 2020, Gulf Power filed a petition for approval to establish a regulatory asset to record costs incurred due to COVID-19, and therein requested deferral of incremental bad debt expense and safety-related costs attributable to COVID-19. On October 27, 2020, the Commission issued PAA Order PSC-2020-0406-PAA-EI, approving Gulf’s request. On November 17, 2020, OPC filed a Petition Protesting a Proposed Agency Action and requested an administrative hearing on the proposed action.

Gulf Power has incurred two types of costs due to the impacts of COVID-19: 1) incremental bad debt expense and 2) incremental operating costs to preserve the health and safety of its employees, contractors and customers. Both types of costs are being deferred in Account 182.3, Other Regulatory Assets. As of February 28, 2021, the amount of the COVID-19 regulatory asset is \$17.6 million, representing incremental bad debt expense and COVID-19-related operating expenses, reduced by savings for travel and meals expenses. During March 2021, Gulf Power reviewed the status of savings on medical expenses achieved between April 2020 and February 2021. These savings were initially anticipated due to changes in timing, with the likelihood that such costs would increase in early 2021. Since no increase has occurred to date, Gulf Power made an entry in March 2021 to reduce the amount deferred to the COVID-19 regulatory asset by \$1.6 million, based on the medical expense savings achieved each month versus the planned expense for that month, for the period April 1, 2020 through March 31, 2021.

Gulf Power proposes to cease deferring amounts to the COVID-19 regulatory asset on December 31, 2021, based on Gulf Power's forecast that the most significant impacts of COVID-19 will be concluded at that time and the fact that accounts receivable and bad debt are returning to historic levels and less need for the strict COVID operating protocols, which are currently remain in place. Gulf Power forecasts its total costs eligible for inclusion in the regulatory asset to be \$20.7 million at the end of 2021.

4) STATEMENT OF ISSUES AND POSITIONS

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

Gulf Power: Yes. Such approval is consistent with the Commission's ratemaking authority and its prior decisions, and approval of the request is appropriate under the circumstances presented by the pandemic. Gulf Power's current rates were not set to recover an unanticipated increase in costs such as those incurred due to the pandemic; and, as such, these costs will never be recovered in rates unless they are identified and booked to a regulatory asset. Approval of Gulf Power's request sends the message that the Commission encourages its utilities to expeditiously take all reasonable steps as Gulf Power did in an emergency situation to protect customers, employees, and contractors, and to continue to provide customers with reliable service. (Goldstein, Deason)

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

Gulf Power: As preliminarily approved by the Commission in Order No. PSC-2020-0406-PAA-EI, the recording of COVID-19-related costs included in the regulatory asset should commence on April 1, 2020. Such amounts have been reported to the Commission in a schedule included along with Gulf Power's monthly earnings surveillance reports, beginning in July 2020. (Goldstein)

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

Gulf Power: The types of costs that should be eligible for inclusion in the regulatory asset due to the impacts of COVID-19 include incremental bad debt expense and incremental safety-related costs to preserve the health and safety of Gulf Power's employees, contractors and customers, reduced by savings for travel and meals expenses, and medical expenses. (Goldstein, Deason)

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

Gulf Power: Such amounts have been reported to the Commission in a schedule included along with Gulf Power's monthly earnings surveillance reports, beginning in July 2020. Gulf Power anticipates that the last report will be filed with its December 2021 earnings surveillance report. (Goldstein, Deason)

ISSUE 5: Should these dockets be closed?

Gulf Power: Yes. (Goldstein, Deason)

Gulf Power's Proposed Issue: If the Commission approves the requests, what are the total costs eligible for recovery?

Gulf Power: The total amount of costs eligible for recovery is \$20.7 million. This amount includes actual incremental bad debt expense and COVID-related safety costs, less savings, as of February 28, 2021 totaling \$17.6 million, and Gulf Power's reasonable forecast of costs, less forecasted savings, through the end of 2021. (Goldstein)

CONTESTED ISSUE

OPC's Proposed Issue: What criteria should the Commission apply in determining whether to establish a COVID-19 regulatory asset?

Gulf Power: Gulf Power objects to the inclusion of this issue. Aside from being addressable within Issue 2, the language of this proposed issue presupposes that it is appropriate for parties to direct the Commission to apply a particular standard in reviewing the petitions of Gulf Power and FPUC. Given the Commission's broad and plenary rate-setting authority, as well as its statutory obligation to protect the public interest, no single or previously stated standard is applicable or binding upon the Commission. The Commission's authority to approve or disapprove of the petitions in this proceeding is not confined by any particular rule or standard, and the Commission maintains full discretion to approve or deny the petitions in this case on the basis of whether they are appropriate under the circumstances and will lead to rates that are fair and reasonable. (In the event the Commission determines this issue is an appropriate issue for this proceeding, *Deason*)

5) STIPULATED ISSUES

Gulf Power: None at this time.

6) **PENDING MOTIONS**

Gulf Power: None at this time.

7) **PENDING REQUESTS FOR CONFIDENTIALITY**

Gulf Power: None at this time.

8) **OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT**

Gulf Power: None at this time.

9) **REQUEST FOR SEQUESTRATION OF WITNESSES**

Gulf Power: None at this time.

10) **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE**

There are no requirements of the Order Establishing Procedure with which Gulf Power cannot comply.

Respectfully submitted,

By: */s/ Joel T. Baker*

Joel T. Baker

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by Florida Public Utilities Company, Florida)
Public Utilities Company - Indiantown Division,)
Florida Public Utilities Company - Fort Meade,)
Florida Division of Chesapeake Utilities)
Corporation.)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by electronic mail this 21st day of May, 2021 to the following:

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