

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Review of 2020-2029 Storm Protection Plan
pursuant to Rule 25-6.030, F.A.C., Gulf Power
Company

Docket No. 20200070-EI

Filed: July 20, 2020

**GULF POWER COMPANY'S
PREHEARING STATEMENT**

Gulf Power Company (“Gulf”), by and through its undersigned counsel, hereby submits this Prehearing Statement pursuant to Order Nos. PSC-2020-0073-PCO-EI and PSC-2020-0122-PCO-EI, and states:

1. GULF WITNESSES

A. Direct Testimony

<u>Witness</u>	<u>Subject Matter - Direct</u>	<u>Issue #</u>
Michael Spoor	Provides an overview of Gulf’s proposed 2020-2029 Storm Protection Plan (“SPP” or “the Plan”), and demonstrates that Gulf’s SPP is in compliance with Section 366.96, Florida Statutes (“F.S.”) and Rule 25-6.030, Florida Administrative Code (“F.A.C.”). Describes each storm protection program included in Gulf’s SPP and how it is expected to achieve the legislative objectives of reducing restoration costs and outage times associated with extreme weather events. Describes the estimated start/completion dates, estimated costs, and criteria used to select and prioritize the projects in each program. Describes the additional detail provided for the first three years of Gulf’s SPP pursuant to Rule 25-6.030(3)(e)-(f), (h), and (i), F.A.C.	1D-7D

B. Rebuttal Testimony

<u>Witness</u>	<u>Subject Matter - Rebuttal</u>	<u>Issue #</u>
Michael Spoor	Responds to certain portions of the direct testimonies submitted on behalf of intervenors Office of Public Counsel (“OPC”) and Walmart Inc. (“Walmart”). Explains that, based on the reasoning set forth in the testimony of OPC witness Mara, it appears that OPC essentially agrees with six out of the seven programs included in Gulf’s SPP, and that the only contested programs are Gulf’s proposed Distribution Hardening – Lateral Undergrounding Program pilot and two programs that are subsets of Gulf’s existing Transmission Hardening Program: Gulf’s proposed Substation Flood Monitoring and Hardening Program and proposed Transmission and Substation Resiliency Program. Responds to OPC’s assertion that the Florida Public Service Commission (“PSC”	1D-7D

	<p>or the “Commission”) should adopt and implement a new resiliency test in this proceeding to evaluate Gulf’s SPP, and explains why such a position is contrary to Section 366.96, F.S., and Rule 25-6.030, F.A.C., and unnecessary. Demonstrates that OPC’s contentions that the PSC should require further cost-benefit analyses and storm damage assessment modeling for Gulf’s SPP programs and projects are both contrary to Section 366.96, F.S., and Rule 25-6.030, F.A.C., and unnecessary. Responds to OPC’s suggestion that Gulf should utilize data from Hurricane Michael to compare the costs and benefits of lateral undergrounding. Demonstrates, contrary to OPC’s assertions, that Gulf provided a comparison of the costs and benefits for both its proposed Substation Flood Monitoring and Hardening Program and its proposed Transmission and Substation Resiliency Program. Responds to OPC’s position regarding the economic impact of COVID-19 and its contention that Gulf should delay certain of its SPP programs and projects, and explains why it is important to continue working to improve the resiliency of the energy grid.</p>	
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2. EXHIBITS

<u>Witness</u>	<u>Proffered By</u>	<u>Exhibit #</u>	<u>Description</u>	<u>Issue #</u>
Michael Spoor	Gulf	MS-1	Gulf Power Company’s 2020-2029 Storm Protection Plan.	1D-7D
	Gulf	MS-2	Gulf Power Company’s 2019-2021 Storm Hardening Plan.	1D-7D
	Gulf	MS-3	Post Storm Analysis of Gulf Transmission Facilities.	1D-7D

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

3. STATEMENT OF BASIC POSITION

Pursuant to Section 366.96, F.S., and Rule 25-6.030, F.A.C., Gulf has proposed a 2020-2029 SPP to reasonably achieve the legislative objectives of promoting the overhead hardening of electrical distribution and transmission facilities, the undergrounding of certain electrical distribution lines, and vegetation management to reduce restoration costs and outage times

associated with extreme weather events. Gulf's SPP is largely a continuation and expansion of its existing storm hardening and storm preparedness programs, which were most recently approved in Gulf's 2019-2021 Storm Hardening Plan.¹ These existing hardening and storm preparedness programs have already demonstrated that they have and will continue to increase Transmission and Distribution ("T&D") infrastructure resiliency, reduce outage times, and reduce restoration costs when Gulf's system is impacted by extreme weather events.

In its SPP, Gulf has proposed the following 7 programs:

- Distribution Inspection Program
- Transmission Inspection Program
- Distribution Feeder Hardening Program
- Distribution Hardening – Lateral Undergrounding Program
- Transmission Hardening Program
- Vegetation Management – Distribution Program
- Vegetation Management – Transmission Program

Of these seven programs, the following six programs were previously reviewed and approved as part of Gulf's Storm Hardening Plans, storm initiatives, and annual reliability filings: Distribution Inspection, Transmission Inspection, Distribution Feeder Hardening, Transmission Hardening, Vegetation Management – Distribution; and Vegetation Management – Transmission. Gulf's Transmission and Substation Resiliency Program is the only program in Gulf's 2020-2029 SPP that could arguably be considered a completely new program because it has not been previously reviewed by the Commission. The Transmission and Substation Resiliency program, is a subset and expansion of Gulf's existing Transmission Hardening Program. Gulf's proposed Distribution

¹ See *In re: Review of 2019-2021 Storm Hardening Plan, Gulf Power Company.*, Docket No. 20180147-EI, Order No. PSC-2019-0311-PAA-EI (Fla. PSC July 29, 2019).

Hardening – Lateral Undergrounding Program is a pilot program that was described in Gulf’s Commission approved 2019-2021 Storm Hardening Plan.

Gulf’s SPP includes descriptions of the estimated costs and benefits of the SPP programs and criteria to select and prioritize the SPP projects, as well as additional details for the first three years of the SPP. Gulf’s SPP also provides the estimated revenue requirements for each SPP program, and the estimated rate impact for the first three years of the SPP. Gulf’s SPP provides the information required by and is fully consistent with Rule 25-6.030, F.A.C. The Commission can use and compare all of the information it specifically required Gulf to provide in the SPP to determine if, pursuant to Section 366.96, F.S., the programs and projects included in the SPP are in the public interest and should be approved.

No parties dispute that Gulf’s SPP programs will achieve the legislative objectives of reducing restoration costs and outage times associated with extreme weather events. Indeed, as explained by Gulf witness Spoor, OPC’s testimony suggests that it would not be unreasonable for the Commission to allow Gulf to implement six (6) out of the seven (7) Gulf proposed SPP programs because they are existing “core programs” that have also been used for many years; have been reviewed by the Commission as part of Gulf’s Storm Hardening Plans, storm initiatives, and annual reliability filings; and Gulf has demonstrated that these programs have and will continue to reduce outage times due to extreme weather conditions as provided in Sections II and IV and Appendix C to Exhibit MS-1. Thus, the only contested programs are the following three programs OPC identifies as new initiatives: Gulf’s proposed Distribution Hardening – Lateral Undergrounding Program and two programs that are subsets of Gulf’s existing Transmission Hardening Program – Gulf’s proposed Substation Flood Monitoring and Hardening Program and proposed Transmission and Substation Resiliency Program. It is Gulf’s position that the only new program in its 2020-2029 SPP is the proposed Transmission and Substation Resiliency Program.

OPC argues that the Commission should apply new resiliency standards when reviewing utility proposed SPP expenditures to ensure that the approved projects meaningfully improve resiliency. OPC is improperly attempting to re-litigate the Storm Protection Plan Rule 25-6.030, F.A.C., approved by this Commission and add a new resiliency test that is not prescribed by the Rule. There is no need to develop a new resiliency standard or test because the Florida Legislature and Commission have already defined storm resiliency for purposes of SPP in Section 366.96, F.S., and Rule 25-6.030, F.A.C. – reduction in restoration costs and outage times associated with extreme weather conditions. Gulf has demonstrated in Sections II and IV, and Appendix C of Exhibit MS-1 that each of its SPP programs will improve storm resiliency by reducing restoration costs and outages associated with extreme weather conditions.

OPC also recommends that further cost-benefit analyses and storm damage assessment modeling should be performed for Gulf's SPP programs and projects. OPC is, once again, improperly attempting to re-litigate the Storm Protection Plan Rule 25-6.030, F.A.C., approved by this Commission and add formulaic cost-benefit analyses and cost-effectiveness tests that were not prescribed by the Rule. There is nothing in Section 366.96, F.S., or Rule 25-6.030, F.A.C., that prescribes or requires a cost-benefit analysis or cost-effectiveness test for the SPP programs and projects. Instead, Rule 25-6.030(3)(d)(4), F.A.C., requires the SPP to include a "comparison" of the estimated costs and estimated benefits for each SPP program, which Gulf provided in the following portions of its SPP: Section II: the "Comparison of Costs and Benefits" included in each SPP program description in Section IV; and Appendix C of Exhibit MS-1. Further, storm hardening is not a simple cost-effective proposition as suggested by OPC's recommendation. OPC focuses only on program costs and savings in restoration costs (*i.e.*, a strictly quantitative analysis), and completely ignores the qualitative component required by both the Statute and Rule – reduction in outage times associated with extreme weather conditions.

Gulf's Distribution Hardening – Lateral Undergrounding Program is in the pilot phase. As a result, Gulf intends to learn from the information that it collects and use it to further analyze and scope the program in to the future, just as Florida Power & Light Company ("FPL") did with its pilot. As explained by FPL witness Jarro, what OPC witness Mara fails to observe is that OPC's strict cost-effectiveness approach to undergrounding laterals is not required by Rule 25-6.030, F.A.C., or Section 366.96, F.S., is not how Florida has pursued storm hardening for the last 14 years, and is contrary to Section 366.96, F.S., which expressly promotes the undergrounding of distribution laterals. As is the case with all of the historical storm hardening programs that Gulf has done over the past 14 years, the benefits of those efforts have not and reasonably cannot be measured on restoration cost savings alone. That is why the Florida Legislature deliberately charged the Commission with determining whether a proposed storm protection plan is "in the public interest" and not whether the plan meets any sort of strict, mathematical cost/benefit comparison. OPC cannot now substitute its preference or judgment on this point for that of the legislature.

Gulf properly included a comparison of costs and benefits for its proposed Substation Flood Monitoring and Hardening Program in its SPP. Gulf's proposed Substation Flood Monitoring and Hardening Program was included in Gulf's 2019-2021 Storm Hardening Plan and was implemented following the 2018 storm season based on data from the National Oceanic and Atmospheric Administration ("NOAA") Sea, Lake and Overland Surges from Hurricanes ("SLOSH") model used to define potential maximum flooding conditions. Gulf's proposed program in its SPP has been presented to target a very specific and limited number of substations based on the SLOSH model and is intended to mitigate costs arising from damage to Gulf's substation infrastructure following a severe weather event. As an example, Gulf identified a switch house that sustained over \$750,000 in wind damage following a severe weather event.

Gulf properly included a methodology to select and prioritize storm protection projects and also properly included a comparison of costs and benefits for its proposed Transmission and Substation Resiliency Program in its SPP. Gulf indicated in its SPP that this program was designed to invest in the overall resiliency of the electric grid at the transmission and substation level by removing critical single points of failure that have the potential to impact larger numbers of customers for extended period of time. Gulf also indicated in its SPP that the proposed program will build redundancy into the system to improve resiliency, eliminate the frequency and duration of outages, and shorten restoration times following major weather events.

Finally, OPC recommends that the economic impacts of COVID-19 on the Florida economy should be considered by the Commission in reviewing Gulf's SPP, and that Gulf should re-file or file an update to its plan in 2022 to consider the impacts of the pandemic and the effects to Florida citizens and businesses. As explained by Gulf witness Spoor, while Gulf recognizes that the COVID-19 pandemic has caused hardships for customers and the communities it serves, Gulf must not delay its efforts and should continue working to improve the resiliency of the energy grid, particularly given that hurricanes will continue to threaten Gulf's territory and customers regardless of economic conditions.

For all the reasons discussed above, and as explained in more detail in the direct and rebuttal testimony provided by Gulf witness Spoor, Gulf's proposed 2020-2029 SPP is in the public interest and should be approved. Gulf's proposed 2020-2029 SPP complies with the requirements and objectives of Section 366.96, F.S., and Rule 25-6.030, F.A.C., and provides a systematic approach to achieve the legislative objectives of reducing restoration costs and outage times associated with extreme weather events.

4. **STATEMENT OF ISSUES AND POSITIONS**

A. **STAFF'S ISSUES**

Issue No. 1D: Does Gulf's 2020-2029 Storm Protection Plan contain all of the elements required by Rule 25-6.030, Florida Administrative Code?

Gulf Position: Yes. Gulf's 2020-2029 SPP includes all of the information required by Rule 25-6.030(3), F.A.C. (*Gulf witness Spoor*)

Issue No. 2D: To what extent is Gulf's 2020-2029 Storm Protection Plan expected to reduce restoration costs and outage times associated with extreme weather events and enhance reliability?

Gulf Position: Gulf has demonstrated in Sections II and IV, and Appendix C of Exhibit MS-1 that each of its SPP programs have and will continue to provide increased T&D infrastructure resiliency, reduced outage times, and reduced restoration costs when Gulf's system is impacted by severe weather events. Importantly, these benefits include both quantitative and qualitative components consistent with Section 366.96, F.S., and Rule 25-6.030, F.A.C. With the exception of the new Transmission and Substation Resiliency Program, each of Gulf's storm hardening programs and storm preparedness initiatives have been reviewed and approved as part of Gulf's Storm Hardening Plans, storm initiatives, and annual reliability filings. As demonstrated by recent storm events, these programs have been successful in reducing restoration costs and outage times following major storms, as well as improving day-to-day reliability. Continuing these previously-approved storm hardening and storm preparedness programs in the SPP, together with the proposed Transmission and Substation Resiliency Program is appropriate and crucial to further mitigate restoration costs and outage times. (*Gulf witness Spoor*)

Issue No. 3D: To what extent does Gulf's 2020-2029 Storm Protection Plan prioritize areas of lower reliability performance?

Gulf Position: Gulf's 2020-2029 SPP prioritizes areas of lower reliability performance.

A description of the criteria used to select and prioritize storm protection projects is included in the description of each SPP program provided in Section IV of Exhibit MS-1. Gulf has selected, prioritized, and deployed all of its historical storm hardening programs in a deliberate and effective manner over the past fourteen years and Gulf is employing this same approach for its SPP programs. (*Gulf witness Spoor*)

Issue No. 4D: To what extent is Gulf's 2020-2029 Storm Protection Plan regarding transmission and distribution infrastructure feasible, reasonable, or practical in certain areas of Gulf's service area, including, but not limited to, flood zones and rural areas?

Gulf Position: As explained in Section II of Exhibit MS-1, Gulf has not identified any areas of its service area where its SPP programs would not be feasible, reasonable, or practical. While all of Gulf's SPP programs are system-wide initiatives, annual activities are prioritized based on certain factors such as last inspection date, last trim date, reliability performance, and efficient resource utilization. At this time, there is no area specifically targeted or prioritized for enhanced performance based on its geographical location. The criteria and factors used to select and prioritize projects within each SPP program are provided in Section IV of Exhibit MS-1. (*Gulf witness Spoor*)

Issue No. 5D: What are the estimated costs and benefits to Gulf and its customers of making the improvements proposed in the 2020-2029 Storm Protection Plan?

Gulf Position: The estimated costs for each SPP program, including the estimated annual capital costs and operating expenses, are provided in Section IV and Appendix C of Exhibit MS-1. With the exception of the proposed Distribution Hardening – Lateral

Undergrounding Program pilot, which will be largely based on FPL's Commission-approved Storm Secure Undergrounding Pilot program, and Gulf's proposed Transmission and Substation Resiliency Program, the average annual cost for each SPP program is consistent with historical costs. Each of its SPP programs have and will continue to provide increased T&D infrastructure resiliency, reduced restoration time, and reduced restoration costs when Gulf's system is impacted by severe weather events. A detailed summary of the benefits of Gulf's SPP is provided in Section II of the SPP, and the benefits of each program are provided in Section IV of the SPP. (*Gulf witness Spoor*)

Issue No. 6D: What is the estimated annual rate impact resulting from implementation of Gulf's 2020-2029 Storm Protection Plan during the first 3 years addressed in the plan?

Gulf Position: Gulf anticipates the programs included in the SPP will have zero bill impacts on customer bills during the first year of the SPP and only minimal bill increases for years two and three of the SPP. As provided in Section VII of Exhibit MS-1, the hypothetical rate impacts for Gulf's typical residential, commercial, and industrial customers for the first three years of the SPP (2020-2022), without regard for the fact that Gulf remains under a general base rate freeze pursuant to a Commission-approved settlement agreement, are as follows for 2020, 2021, and 2022, respectively: Residential (RS) \$0.00118/kWh, \$0.002067/kWh, and \$0.00317/kWh; Commercial (GSD) \$0.00102/kWh, \$0.00177/kWh, and \$0.00270/kWh; and Industrial (PX) \$0.00087/kWh, \$0.00158/kWh and \$0.00240/kWh. The estimated rate impacts are based on the total estimated costs, as of the time of the April 10, 2020 filing date, for all programs included in the SPP regardless of whether those costs will be recovered in Gulf's Storm Protection Plan Cost Recovery Clause or through base rates. The actual costs incurred for each SPP

program will be addressed in the Storm Protection Plan Cost Recovery Clause dockets.
(Gulf witness Spoor)

Issue No. 7D: Is it in the public interest to approve, approve with modification, or deny Gulf's 2020-2029 Storm Protection Plan?

Gulf Position: Gulf's SPP meets the objectives of Section 366.96, F.S., satisfies the requirements of Rule 25-6.030, F.A.C., is in the public interest, and should be approved without modification. Gulf's SPP provides a systematic approach to achieve the legislative objectives of reducing restoration costs and outage times associated with extreme weather events and enhancing reliability. Gulf's SPP programs are largely a continuation and expansion of Gulf's already successful and ongoing storm hardening and storm preparedness programs previously approved by the Commission, as well as a new Transmission and Substation Resiliency Program. Gulf's SPP programs will continue to provide increased T&D infrastructure resiliency, reduced restoration time, and reduced restoration costs when Gulf's system is impacted by extreme weather events. These benefits of the SPP will be provided with zero bill impacts on customer bills during the first year of the SPP and only minimal bill increases for years two and three of the SPP.
(Gulf witness Spoor)

Issue No. 8D: Should these dockets be closed?

Gulf Position: Yes. This docket should be closed upon the issuance of an appropriate order approving Gulf's proposed SPP without modification.

B. CONTESTED ISSUES

OPC Proposed

Issue No. 1: Are any of the proposed SPP project or program related costs, if approved, and presumably to be requested for recovery by the Company through the SPPCRC, costs recovered through the Company's base rates?

Gulf Position: Gulf objects to OPC Proposed Issue 1 on the basis that it is irrelevant to and beyond the scope of this proceeding for multiple reasons. First, both Section 366.96(7), F.S., and Rule 25-6.031(6)(b), F.A.C. clearly provide that the time and place to address whether the SPP costs are being recovered in base vs. clause is in the Storm Protection Plan Cost Recovery Clause ("SPPCRC") docket.

Second, there is nothing in Rule 25-6.030 that mentions which SPP costs are currently being recovered in base rates, incremental costs, or costs to be recovered in the SPPCRC. Indeed, the Commission's intent is confirmed by Rule 25-6.031, F.A.C., which expressly directs the utility to identify the costs to be included in the SPPCRC and states that such costs cannot include costs recoverable through base rates or any other cost recovery mechanism.

Third, the Commission has opened Docket No. 20200092-EI to address SPPCRC, and OPC will certainly have an opportunity to properly raise this issue in that proceeding.

Finally, and importantly, the Prehearing Officer in this proceeding has already concluded that issues regarding recovery of SPP costs and whether such costs are currently being recovered in base rates are irrelevant to this SPP proceeding and will be addressed in the SPPCRC proceeding in Docket No. 20200092. *See* Commission Order No. PSC-2020-0162-PCO-EI (Issued May 19, 2020).

For these reasons, OPC Proposed Issue 1 should be rejected as an issue in this proceeding.

OPC Proposed

Issue No. 2: Should the Commission defer its determination of prudence for any of the Company's proposed programs and projects?

Gulf Position: Gulf objects to OPC Proposed Issue 2 on the basis that it is irrelevant to and unnecessary for this proceeding. Section 366.96(6), F.S., expressly provides that the standard to be applied by the Commission in determining whether to approve a SPP is whether the SPP is in the public interest. Further, Section 366.96(4), F.S., identifies the factors that the Commission shall consider in reaching this determination.

Additionally, Rule 25-6.031(2), F.A.C., expressly provides that the prudence standard is to be applied in the annual SPPCRC hearings and only to the "actual Storm Protection Plan costs incurred by the utility." Thus, the actual SPPCRC costs incurred by Gulf and whether those costs are prudent is an issue to be addressed in the SPPCRC proceeding in Docket No. 20200092. Gulf incorporates its position and argument to OPC Proposed Issue 2 as though fully set forth herein.

For those reasons, which are equally applicable here, OPC Proposed Issue 2 should be rejected as an issue in this proceeding.

5. STIPULATED ISSUES

Gulf is not aware of any stipulated issues at this time. However, Gulf remains willing and available to discuss settlement and/or stipulated facts and issues with the parties.

6. PENDING MOTIONS

As of the date of this filing, Gulf is not aware of any motions that remain pending.

7. PENDING REQUESTS FOR CONFIDENTIALITY

As of the date of this filing, Gulf is not aware of any Requests for Confidential Classification that remain pending.

8. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

Gulf has no objections to the qualifications of any witness at this time.

9. REQUEST FOR SEQUESTRATION OF WITNESSES

None at this time.

10. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

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

Respectfully submitted this 20th day of July, 2020,

Russell A. Badders
Vice President & Associate General
Counsel
Gulf Power Company
One Energy Place
Pensacola, FL 32520
Phone: (850) 444-6550
Fax: (850) 444-6744
russell.badders@nexteraenergy.com

John T. Burnett
Vice President & Deputy General
Counsel
Jason A. Higginbotham
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Phone: 561-691-7108
Fax: 561-691-7135
john.t.burnett@fpl.com
jason.higginbotham@fpl.com

By: /s/ Jason A. Higginbotham
Jason A. Higginbotham
Florida Auth. House Counsel No. 1017875

CERTIFICATE OF SERVICE
DOCKET NO. 20200070-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic service on this 20th day of July, 2020 to the following:

Charles Murphy, Esquire
Rachael Dziechciarz, Esquire
Office of General Counsel
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
cmurphy@psc.state.fl.us
rdziehc@psc.state.fl.us
Florida Public Service Commission

J.R. Kelly
Thomas A. (Tad) David
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399
kelly.jr@leg.state.fl.us
david.tad@leg.state.fl.us
Office of Public Counsel

Stephanie U. Eaton
Spilman Thomas & Battle, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
seaton@spilmanlaw.com
Walmart Inc.

Derrick Price Williamson
Spilman Thomas & Battle, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
dwilliamson@spilmanlaw.com
Walmart Inc.

By: s/ Jason A. Higginbotham
Jason A. Higginbotham