

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

IN RE: PROPOSED AMENDMENT OF RULE 25-6.0143, F.A.C., AND PROPOSED ADOPTION OF RULE 25-7.0143, F.A.C.

Docket No. 20200000

Submitted: July 27, 2020

**POST-WORKSHOP COMMENTS OF FLORIDA CITY GAS**

**I. INTRODUCTION**

On June 10, 2020, the Florida Public Service Commission (“Commission”) Staff initiated a rulemaking to amend Rules 25-6.0143, Florida Administrative Code (“F.A.C.”), Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4 (hereinafter, the “Electric Storm Rule”), to add clarity and specificity to rule language and requirements and to create Rule 25-7.0143, F.A.C., Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4 (hereinafter, referred to as the “Gas Storm Rule”), to provide an industry-specific standard for the application in the natural gas industry similar to the Electric Storm Rule. Staff conducted a rulemaking workshop on June 29, 2020, to solicit input and comments from interested parties on the proposed rulemaking. At the conclusion of the workshop, Staff invited interested parties to submit written comments and redlined suggested edits to the proposed rules on July 27, 2020. Florida City Gas (“FCG”) herein submits these Comments regarding the proposed new Gas Storm Rule for Staff’s consideration.

FCG is a natural gas local distribution company (“LDC”) that currently serves approximately 108,000 residential, commercial and industrial natural gas customers in Florida’s Miami-Dade, Brevard, St. Lucie, Palm Beach, Glades, Hendry, Broward, and Indian River counties. FCG is a “public utility” as that term is defined in Section 366.02, F.S., subject to the regulatory jurisdiction of the Commission.

At the outset, it is important to note that FCG agrees with Staff's proposal to develop an industry-specific storm rule for the gas LDCs. Unlike the electric investor-owned utilities, there currently is not a specific storm rule and surcharge mechanism authorized for the gas LDCs. FCG applauds Staff's efforts to develop an industry-specific storm rule for the gas LDCs, and to provide greater guidance and clarity to the implementation of such a rule. FCG appreciates the opportunity to provide additional comments to the proposed Gas Storm Rule.

Although FCG does not have previous experience with applying a storm rule or storm surcharge mechanism, FCG is a wholly-owned, direct subsidiary of Florida Power & Light Company ("FPL") and an affiliate of Gulf Power Company ("Gulf"), both of which have experience with the application of the storm rule in Commission proceedings in the wake of a number of recent hurricanes. FCG's Comments to the proposed Gas Storm Rule take into account the experiences and lessons learned by both FPL and Gulf. The proposed new Gas Storm Rule is substantially identical to Staff's proposed amendments to the Electric Storm Rule. However, there are certain important differences between the gas and electric industries that need to be accounted for in the proposed new Gas Storm Rule. FCG directs its comments to those issues and offers several modifications or clarifications to the Gas Storm Rule that are appropriate.

## **II. COMMENTS TO PROPOSED RULE 25-7.0143, F.A.C.**

### **A. Due to Material Differences between Electric and Gas Operations, Storm Restoration Costs Incurred by Gas Utilities Are Incremental to the Normal Course of Business**

The proposed new Gas Storm Rule tracks the existing Electric Storm Rule with the amendments proposed by Staff's rulemaking. FPL and Gulf are jointly submitting comments in response to the proposed amendments to the Electric Storm Rule. Because the proposed new Gas Storm Rule and amended Electric Storm Rules are largely identical, the issues and

recommendations raised with the Electric Storm Rule raised in the Joint Comments submitted by FPL and Gulf are equally applicable to the proposed new Gas Storm Rule. Unless otherwise addressed herein, FCG agrees with and incorporates the Joint Comments to the Electric Storm Rule submitted by FPL and Gulf. Any differences between the FCG and FPL/Gulf Comments should not be viewed as inconsistent positions and, instead, are based on the fact that the electric and gas industries and their operations are materially different in certain areas as explained herein.

Unlike the electric investor-owned utilities that have significant overhead facilities, the vast majority of gas LDCs' facilities are located underground and are not typically impacted by non-major storm events. As a result, the types of costs that the proposed Gas Storm Rule would allow to be charged to the storm reserve under the Incremental Cost and Capitalization Approach ("ICCA") methodology are costs that would not normally be incurred by FCG absent an extreme weather event. Thus, FCG does not budget for these types of storm restoration activities as part of its regular day-to-day operations and, therefore, these types of costs are not included in base rates.

Another significant difference is that during blue-sky conditions, FCG does not typically employ outside contractors to for its day-to-day operations. As required by the Office of Pipeline Safety of the U. S. Department of Transportation's ("DOT") Qualification of Pipeline Personnel Regulation (49 CFR Part 192 Subpart N and Part 195 Subpart G), all persons that work on FCG's system must complete FCG's Operator Qualification ("OQ") Program to ensure that the employees and contractors are technically qualified to perform their work assignments on FCG's pipeline facilities. This training is specific to FCG and its system. Although waivers may be requested from the DOT Pipeline and Hazardous Materials Safety Administration ("PHMSA") for certain emergency situations, all contractors that work on FCG's system during non-emergency (blue-sky) conditions must complete FCG's OQ Program before they are permitted to do any work on FCG's

system. As such, FCG generally relies on its OQ-certified employees to perform its day-to-day operations, and only uses contractors if there is a specific need or skill that cannot be provided in-house by FCG's own OQ-certified employees.

FCG currently uses only two OQ-certified vendors that it engages for certain discrete welding and repair services on an as needed basis and primarily related to installation of new mains/services, repair of large diameter pipeline, and FCG's Safety, Access, and Facility Enhancement Program ("SAFE Program").<sup>1</sup> Thus, unlike the electric utilities that use numerous outside contractors for their daily operations, FCG only uses a very small contingent of outside contractors during blue-sky conditions and only for very specific tasks that cannot be completed by FCG's employees. Further, the work performed by these OQ-certified contractors is largely capital work (e.g., main extensions or pipeline replacements/relocations/repairs) that is not recorded to base operation and maintenance ("O&M") expense.

Given these significant and material differences between the electric and gas day-to-day operations, the type of costs that the proposed Gas Storm Rule would allow to be charged to the storm reserve under the ICCA methodology would not normally be incurred by FCG absent an extreme weather event. Accordingly, these types of costs are truly incremental to and not part of FCG's day-to-day operations.

For these reasons, FCG submits that Staff's proposal in Section 25-7.0143(e) of the proposed new Gas Storm Rule to use a three-year average to determine if storm restoration costs

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<sup>1</sup> On September 15, 2015, the Commission approved FCG's request to establish the SAFE Program. *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas*, Order No. PSC-2015-0390-TRF-GU, Docket No. 20150116-GU (FPSC Sept. 15, 2015). The SAFE Program is designed to relocate on an expedited basis certain existing gas mains and associated facilities located in or associated with rear lot easements to street front locations to improve the Company's ability to inspect and maintain the facilities and reduce opportunities for damage to the facilities and theft.

would normally be charged to non-cost recovery clause operating expenses in the absence of a storm is not applicable to the gas utilities, and would not provide a meaningful baseline to determine if the storm restoration costs are incremental to base O&M expense. Consistent with the fact that storm restoration activities for gas LDCs are truly incremental costs that would not be incurred during the normal course of business, FCG offers a few specific modifications and recommendations to the proposed new Gas Storm Rule below. To facilitate review, the following specific comments track the organization of the proposed new Gas Storm Rule. A marked version of the new Gas Storm Rule reflecting FCG's recommendations is provided as Appendix A to these Comments.

**B. Section 25-7.0143(1)(a)**

FCG generally agrees with Section 25-7.0143(a) of the proposed new Gas Storm Rule, but offers a few suggested revisions to remove references to nuclear accidents that are not applicable to gas LDC operations. For additional clarity, FCG also recommends that the term "storm-related costs" be used to generally include the types of losses that may be accounted for in Account No. 228.1. These suggested modifications are reflected in the marked version of the Gas Storm Rule included as Appendix A to these Comments.

**C. Section 25-7.0143(1)(b) – (d)**

FCG has no comments to these sections of the proposed new Gas Storm Rule.

**D. Section 25-7.0143(1)(e)**

For reasons explained in Section II(A) of these Comments, FCG submits that Staff's proposal in Section 25-7.0143(e) of the proposed new Gas Storm Rule to use a three-year average to determine if these storm restoration costs are incremental to base O&M expense is not applicable to gas LDCs. FCG provides further specific recommended modifications to each category of costs allowed to be charged to the reserve under proposed Section 25-7.0143(1)(e).

1. Section 25-7.0143(1)(e)(1)

Proposed new Section 25-7.0143(1)(e)(1) provides that 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 may be charged to the reserve under the ICCA methodology. As explained in Section II(A) of these Comments, additional contract labor hired for storm restoration activities are truly incremental for gas LDCs and would not be incurred in absence of the storm. FCG has minimal outside contractors that are OQ-certified on FCG system, and any such contractors are typically called upon for capital-type projects on an as needed basis. Therefore, FCG submits that it is appropriate to modify Section 25-7.0143(1)(e)(1) to reflect that these storm costs are incremental if specifically related to storm restoration activities, excluding those costs, if any, that normally would be charged to operation and maintenance in the absence of a storm.

2. Section 25-7.0143(1)(e)(2)

Proposed new Section 25-7.0143(1)(e)(2) provides that logistics costs of providing meals, lodging, and linens for tents and other staging areas incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of logistics costs charged to operation and maintenance expense for the same month in the three previous calendar years may be charged to the reserve under the ICCA methodology. As explained in Section II(A) of these Comments, the three-year average is not applicable to gas LDCs. Moreover, FCG does not incur any logistic-type costs in the normal course of business. As such, all logistics costs of providing meals, lodging, tents, communications, technology, medical, staging site and

staging area costs, and other logistics costs are specifically related to storm restoration activities. By definition, these costs are incremental costs that would not be incurred in the absence of a storm.

3. Section 25-7.0143(1)(e)(3)

Proposed new Section 25-7.0143(1)(e)(3) provides that transportation of crews for storm restoration incurred in any month in which storm damage restoration activities are conducted, that are greater than the actual monthly average of transportation costs charged to operation and maintenance expense for the same month in the three previous calendar years may be charged to the reserve under the ICCA methodology. As explained in Section II(A) of these Comments, the three-year average is not applicable to gas LDCs. Moreover, FCG does not separately track any contractor and other personnel transportation-type costs in the normal course of business. As explained in Section II(A), FCG has only a few outside contractors that are OQ-certified on FCG system. To the extent that there are any transportation costs associated with the work performed by these contractors, if any, it would be included in the contractor costs for the blue-sky project and not separately tracked. FCG has also proposed certain modifications to provide additional clarity on the types of storm-related transportation costs that are may be charged to the reserve.

4. Section 25-7.0143(1)(e)(4)

Proposed new Section 25-7.0143(1)(e)(4) provides that vehicle costs for vehicles specifically rented 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 vehicle costs charged to operation and maintenance expense for the same month in the three previous calendar years may be charged to the reserve under the ICCA methodology. As explained in Section II(A) of these Comments, the three-year average is not applicable to gas LDCs. Moreover, FCG does not separately track vehicle rental costs in the normal course of business. As explained

in Section II(A), FCG has only a few outside contractors that are OQ-certified on FCG system. To the extent that there are any vehicle rental costs associated with the work performed by these contractors, if any, it would be included in the contractor costs for the blue-sky project and not separately tracked.

5. Section 25-7.0143(1)(e)(5)

Proposed new Section 25-7.0143(1)(e)(5) provides that waste management costs 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 waste management costs charged to operation and maintenance expense for the same month in the three previous calendar years may be charged to the reserve under the ICCA methodology. As explained in Section II(A) of these Comments, the three-year average is not applicable to gas LDCs. Moreover, FCG does not separately track waste management costs specifically related to storm restoration activities. Rather, these costs are included in the logistics costs specifically related to storm restoration activities.

6. Section 25-7.0143(1)(e)(6)

Proposed new Section 25-7.0143(1)(e)(6) provides that rental equipment 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 equipment rental costs charged to operation and maintenance expense for the same month in the three previous calendar years may be charged to the reserve under the ICCA methodology. As explained in Section II(A) of these Comments, the three-year average is not applicable to gas LDCs. Moreover, FCG does not separately track equipment rental costs specifically related to storm restoration activities. Rather, these costs are included in the logistics costs specifically related to storm restoration



activities. Additionally, as explained in Section II(A), FCG has only a few outside contractors that are OQ-certified on FCG system. To the extent that there are any equipment rental costs associated with the work performed by these contractors, if any, it would be included in the contractor costs for the blue-sky project and not separately tracked during the normal course of business.

7. Sections 25-7.0143(1)(e)(7)-(10)

FCG generally agrees with Sections 25-7.0143(1)(e)(7)-(10) of the proposed new Gas Storm Rule, but recommends that these rules be modified to make it clear that the costs to be excluded are those non-storm costs that would normally be charged to base O&M.

8. Proposed New Section 25-7.0143(1)(e)(11) for Vegetation-Related Expense

Unlike the Electric Storm Rule, the proposed new Gas Storm Rule does not include tree trimming expenses as costs that gas LDCs may charge to the reserve under the ICCA methodology. Although gas LDCs do not incur costs associated with vegetation management activities in the ordinary normal course of business, it may be necessary for gas LDCs to incur vegetation management costs following extreme weather events in order to restore service for customers. For example, downed/uprooted trees or fallen limbs may need to be removed in order to access and make the necessary repairs to FCG's facilities to restore service to customers. Thus, even though FCG does not incur vegetation management costs as part of its day-to-day operations like the electric utilities, it is very likely that FCG will incur some vegetation management/removal costs as a direct result of extreme weather events. For these reasons, FCG submits that the Gas Storm Rule should allow gas LDCs to charge the reserve under the ICCA method for vegetation-related expenses that are specifically related to storm restoration activities. However, because such costs are by definition incremental to FCG's base O&M expenses as explained herein, FCG posits that

the use of a three-year average to determine the trimming costs charged to operation and maintenance expense is not appropriate.

In Appendix A to these Comments, FCG has proposed a new Section 25-7.0143(1)(e)(11) to the proposed Gas Storm Rule that reflects gas LDC may incur vegetation-related expenses following extreme weather events and that such are costs are incremental for purposes of gas LDCs' storm restoration activities.

9. Proposed New Section 25-7.0143(1)(e)(12) for Regular Payroll and Regular Payroll-Related costs

Section 25-7.0143(1)(f)(1) of the proposed new Gas Storm Rule provides that base rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel are prohibited from being charged to the reserve under the ICCA methodology. As explained in Section II(A) of these Comments, FCG currently only uses two OQ-certified outside contractors on its system unless it obtains a waiver from PHMSA. As such, a significant portion of FCG's storm restoration activities following an extreme weather event will be performed by FCG's OQ-certified employees. Therefore, FCG recommends that Section 25-7.0143(1)(f)(1) of the proposed new Gas Storm Rule be deleted and, instead, that regular payroll and regular payroll-related costs be addressed in a new Section 25-7.0143(1)(e)(12) of the proposed Gas Rule to make it clear that regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel that are specifically related to storm restoration activities may be charged to the reserve under the ICCA methodology. However, recognizing that regular payroll and payroll-related costs are normally charged to non-cost recovery clause operating expenses in the absence of a storm, FCG submits that a three-year average of such non-storm costs for the same month as the storm restoration activity is a reasonable proxy to determine whether the costs are incremental to those costs charged to base operation and maintenance expense. FCG notes that

this proposed modification is consistent with the treatment of overtime payroll and payroll-related costs.

In Appendix A to these Comments, FCG has proposed a new Section 25-7.0143(1)(e)(12) to the proposed Gas Storm Rule that reflects these proposed modifications.

**E. Section 25-7.0143(1)(f)**

1. Section 25-7.0143(1)(f)(1)

As explained above in Section II(C)(9) of these Comments, FCG proposes to delete Section 25-7.0143(1)(f)(1) and address regular payroll and payroll-related costs in a new Section 25-7.0143(1)(e)(12) of the Gas Storm Rule consistent with the Rule’s treatment of overtime payroll and payroll-related costs.

2. Section 25-7.0143(1)(f)(2)

FCG has no comments to and agrees with this section of the proposed new Gas Storm Rule.

3. Section 25-7.0143(1)(f)(3)

FCG generally agrees with this section of the proposed new Gas Storm Rule, but suggests that “base rate recoverable” be deleted from this section to provide additional clarity and to recognize that depreciation may be recovered outside of base rates.

4. Sections 25-7.0143(1)(f)(4)-(9)

FCG has no comments to and agrees with these sections of the proposed new Gas Storm Rule.

**F. Sections 25-7.0143(1)(g)-(h)**

FCG has no comments to and agrees with these sections of the proposed new Gas Storm Rule.

**G. Sections 25-7.0143(1)(i)-(j)**

Section 25-7.0143(1)(i) of the proposed new Gas Storm Rule provides that if the charges to Account No. 228.1 exceed the account balance, the excess shall be carried as a debit balance in Account No. 228.1 and no request for a deferral of the excess or for the establishment of a regulatory asset is necessary. Section 25-7.0143(1)(i) of the proposed new Gas Storm Rule provides that a utility may petition the Commission for the recovery of the debit balance in Account No. 228.1. Pursuant to Rule No. 25-7.014, F.A.C., FCG is required to maintain its accounts and records in conformity with the Uniform System of Accounts for Natural Gas Companies as found in the Code of Federal Regulations, Title 18, Subchapter F, Part 201. Subpart (B) of 18 C.F.R 201 does not allow natural gas utilities to maintain a debit balance in Account 228.1. Therefore, in order to be consistent with the requirements of 18 C.F.R 201, FCG proposes that Section 25-7.0143(1)(i) of the proposed new Gas Storm Rule be modified to align the accounting treatment so there are no differences.

**H. Section 25-7.0143(1)(k)**

FCG generally agrees with Sections 25-7.0143(1)(k) of the proposed new Gas Storm Rule, but recommends that this rule be modified to make it clear that gas LDCs that have received approval to establish a storm reserve prior to the effective date of the new Gas Storm Rule may continue to charge/accrue costs to that reserve consistent with that approval, and that the new Gas Storm Rule does not otherwise affect that previously-approved authority.<sup>2</sup>

**I. Section 25-7.0143(1)(l)**

FCG has no comments to and agrees with this section of the proposed new Gas Storm Rule.

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<sup>2</sup> The Commission previously authorized FCG to establish a storm reserve with an annual accrual of \$57,500 and a target reserve of \$800,000. *In re: Petition for rate increase by Florida City Gas*, Docket No. 20170179-GU, Order No. PSC-2018-0190-FOF-GU (April 20, 2018).

**J. Sections 25-7.0143(2)-(3)**

FCG has no comments to and agrees with these sections of the proposed new Gas Storm Rule.

**K. Section 25-7.0143(4)**

FCG generally agrees with Section 25-7.0143(4), but offers a proposed modification to subsection (4)(c) to make it clear that that gas LDCs that have received approval to establish a storm reserve prior to the effective date of the new Gas Storm Rule may continue to charge/accrue costs to that reserve, and that the new Gas Storm Rule does not otherwise affect that previously-approved authority.<sup>3</sup>

**III. CONCLUSION**

As stated above, FCG generally supports Staff's proposed new Gas Storm Rule, Rule 25-7.0143, F.A.C. However, as discussed in the foregoing Comments, FCG believes that several modifications and clarifications, as provided in Appendix A to these Comments, are appropriate and necessary to account for the material differences in the gas and electric utility operations. Accordingly, FCG respectfully requests that Commission Staff modify its proposed new proposed Gas Storm Rule consistent with these Comments. Again, FCG thanks Staff for its efforts to develop an industry-specific storm rule for the gas LDCs, and FCG appreciates the opportunity to comment on the proposed new Gas Storm Rule.

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<sup>3</sup> See footnote 2.

Respectfully submitted this 27th day of July, 2020.

By: /s/Christopher t. Wright  
Christopher T. Wright  
Fla. Auth. House Counsel No. 1007055  
Florida Power & Light Company  
700 Universe Boulevard (JB/LAW)  
Juno Beach, Florida 33408  
Phone: 561-691-7144  
Fax: 561-691-7135  
Email: [christopher.wright@fpl.com](mailto:christopher.wright@fpl.com)

*Attorney for Florida City Gas*

## **APPENDIX A**

### **Redline Version of FCG's Proposed Modifications to Rule 25-7.0143, F.A.C., Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4**

1 **25-7.0143 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 (~~hereinafter, such events to be referred~~  
6 to as "storms" or "storm-related"). ~~This account would also include provisions for the~~  
7 deductible amounts contained in property loss insurance policies held by the utility as well as  
8 retrospective premium assessments stemming from nuclear accidents under various insurance  
9 programs covering nuclear generating plants. A schedule of risks covered shall be maintained,  
10 giving a description of the property involved, the character of risks covered and the accrual  
11 rates used.

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

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

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

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

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

12 1. Additional contract labor hired specifically related for storm restoration activities  
13 incurred in any month in which storm damage restoration activities are conducted, that are  
14 greater than the actual monthly average of contract labor costs charged to operation and  
15 maintenance expense for the same month in the three previous calendar years;

16 2. Logistics costs of providing meals, lodging, and linens for tents, communications,  
17 technology, medical and other services incidental to the operation of staging sites and other  
18 staging areas incurred in any month in which storm damage restoration activities are  
19 conducted, that are greater than the actual monthly average of logistics costs charged to  
20 operation and maintenance expense for the same month in the three previous calendar years;

21 3. Transportation of contractors and other personnel crews for storm restoration incurred in  
22 any month in which storm damage restoration activities are conducted, that are greater than  
23 the actual monthly average of transportation costs charged to operation and maintenance  
24 expense for the same month in the three previous calendar years;

25 4. Vehicle costs for vehicles specifically rented for storm restoration activities incurred in

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1 ~~any month in which storm damage restoration activities are conducted, that are greater than~~  
2 ~~the actual monthly average of vehicle costs charged to operation and maintenance expense for~~  
3 ~~the same month in the three previous calendar years;~~

4 5. Waste management costs specifically related to storm restoration activities ~~incurred in~~  
5 ~~any month in which storm damage restoration activities are conducted, that are greater than~~  
6 ~~the actual monthly average of waste management costs charged to operation and maintenance~~  
7 ~~expense for the same month in the three previous calendar years;~~

8 6. Rental equipment costs specifically related to storm restoration activities ~~incurred in any~~  
9 ~~month in which storm damage restoration activities are conducted, that are greater than the~~  
10 ~~actual monthly average of equipment rental costs charged to operation and maintenance~~  
11 ~~expense for the same month in the three previous calendar years;~~

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

15 8. Overtime payroll and payroll-related costs for utility personnel included in storm  
16 restoration activities incurred in any month in which storm damage restoration activities are  
17 conducted, that are greater than the actual monthly average of non-storm overtime payroll and  
18 payroll-related costs charged to base operation and maintenance expense for the same month  
19 in the three previous calendar years;

20 9. Fuel cost for company and contractor vehicles used in storm restoration activities  
21 incurred in any month in which storm damage restoration activities are conducted, that are  
22 greater than the actual monthly average of non-storm fuel costs charged to base operation and  
23 maintenance expense for the same month in the three previous calendar years; and

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

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1 11. Vegetation management expenses that are specifically related to storm restoration  
2 activities; and

3 12. Regular payroll and payroll-related costs for utility managerial and non-managerial  
4 personnel incurred in any month in which storm-related damage restoration activities are  
5 conducted, that are greater than the actual monthly average of non-storm regular payroll and  
6 payroll-related costs charged to base operation and maintenance expense for the same month  
7 in the previous three calendar years.

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

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

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

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

16 4. Utility employee assistance costs;

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

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

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

22 8. Utility lost revenues from services not provided; and

23 9. Replenishment of the utility's materials and supplies inventories.

24 (g) Under the ICCA methodology for determining the allowable costs to be charged to

25 cover storm-related damages, certain costs may be charged to Account 228.1 only after review

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1 and approval by the Commission. Prior to the Commission’s determination of the  
2 appropriateness of including such costs in Account No. 228.1, the costs may be deferred in  
3 Account No. 186, Miscellaneous Deferred Debits. The deferred costs must be incurred prior to  
4 June 1 of the year following the storm event. By September 30 a utility shall file a petition for  
5 the disposition of any costs deferred prior to June 1 of the year following the storm event  
6 giving rise to the deferred costs. These costs include, but are not limited to, the 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 shall notify the Director of the  
15 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. The schedule shall be filed annually by February 15 of each year for  
18 information pertaining to the previous calendar year.

19 (i) If the charges to Account No. 228.1 exceed the account balance, the excess shall be  
20 carried as a debit balance in Account No. ~~228.1182.3~~ and no request for a deferral of the  
21 excess or for the establishment of a regulatory asset is necessary.

22 (j) A utility may petition the Commission for the recovery of ~~a-the~~ debit balance in  
23 Account No. ~~228.1182.3~~ discussed in part (1)(i) plus an amount to replenish the storm reserve  
24 through a surcharge, securitization or other cost recovery mechanism.

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

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1 balance amount for Account No. 228.1 without prior Commission approval, which shall  
2 include approvals prior to the effective date of this Rule.

3 (1) Each utility shall file a Storm Damage Self-Insurance Reserve Study (Study) with the  
4 Commission Clerk by January 15, 2021 and at least once every 5 years thereafter from the  
5 submission date of the previously filed study. A Study shall be filed whenever the utility is  
6 seeking a change to either the target accumulated balance or the annual accrual amount for  
7 Account No. 228.1. At a minimum, the Study shall include data for determining a target  
8 balance for, and the annual accrual amount to, Account No. 228.1.

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

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

16 (b) Charges to this account shall be made for all losses covered. Detailed supporting  
17 records of charges made to this account shall be maintained in such a way that the year the  
18 event occurred which gave rise to the loss can be associated with the settlement. Recoveries or  
19 reimbursements for losses charged to the account shall be credited to the account.

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

21 (a) This account may be established for operating provisions which are not covered  
22 elsewhere. This account shall be maintained in such a manner as to show the amount of each  
23 separate provision established by the utility and the nature and amounts of the debits and  
24 credits thereto. Each separate provision shall be identified as to purpose and the specific  
25 events to be charged to the account to ensure that all such events and only those events are

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1 charged to the provision accounts.

2 (b) Charges to this account shall be made for all costs or losses covered. Recoveries or  
3 reimbursements for amounts charged to this account shall be credited hereto.

4 (4)(a) The provision level and annual accrual rate for each account listed in subsections (1)  
5 through (3) shall be evaluated at the time of a rate proceeding and adjusted as necessary.

6 However, a utility may petition the Commission for a change in the provision level and  
7 accrual outside a rate proceeding.

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

13 (c) No utility shall fund any account listed in subsections (1) through (3) unless the  
14 Commission approves such funding, including approvals prior to the effective date of this  
15 Rule. Existing funded provisions which have not been approved by the Commission shall be  
16 credited by the amount of the funded balance with a corresponding debit to the appropriate  
17 current asset account, resulting in an unfunded provision.

18 Rulemaking Authority 366.05(1) FS. Law Implemented 350.115, 366.04(2)(a) FS. History -  
19 New.

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by electronic delivery to the following parties of record this 27th day of July, 2020:

<p>Adria Harper Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 aharper@psc.state.fl.us <b>For Commission Staff</b></p>	<p>J.R. Kelly Charles J. Rehwinkel Mireille Fall-Fry Office of Public Counsel c/o The Florida Legislature 111 West Madison St., Room 812 Tallahassee, FL 32399-1400 kelly.jr@leg.state.fl.us rehwinkel.charles@leg.state.fl.us fall-fry.mireille@leg.state.fl.us <b>For the Office of Public Counsel</b></p>
<p>James D. Beasley, Esq. J. Jeffrey Wahlen, Esq. Malcolm N. Means, Esq. Ausley &amp; McMullen P.O. Box 391 Tallahassee, FL 32302 jbeasley@ausley.com jwahlen@ausley.com mmeans@ausley.com <b>For Tampa Electric Company</b></p>	<p>Paula Brown Tampa Electric Company P.O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com <b>For Tampa Electric Company</b></p>
<p>Russell A. Badders Gulf Power Company Vice President &amp; General Counsel One Energy Place, Bin 100 Pensacola, FL 32520-0100 russell.badders@nexteraenergy.com <b>For Gulf Power Company</b></p>	<p>Ken Rubin Florida Power &amp; Light Company 700 Universe Boulevard (JB/LAW) Juno Beach, Florida 33408 ken.rubin@fpl.com <b>For Florida Power and Light Company</b></p>
<p>Dianne M. Triplett 299 First Avenue North St. Petersburg, FL 33701 Dianne.triplett@duke-energy.com</p> <p>Matthew R. Bernier, Esq. 106 East College Avenue, Suite 800 Tallahassee, FL 32301 Matthew.bernier@duke-energy.com FLRegulatoryLegal@duke-energy.com <b>For Duke Energy Florida</b></p>	<p>Mike Cassel Director, Regulatory Affairs Florida Public Utilities 208 Wildlight Ave Yulee, Florida 32097 mcassel@fpuc.com</p> <p>Beth Keating Gunster, Yeakley &amp; Stewart, P.A. 215 South Monroe St., Suite 601 Tallahassee, Florida 32301-1804 bkeating@gunster.com <b>For Florida Public Utilities Corp.</b></p>

/s/Christopher T. Wright

Christopher T. Wright

Fla. Auth. House Counsel No. 1007055

Attorney for Florida City Gas