

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 26, 2021

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Sevini K. Guffey, Public Utility Analyst III, Division of Economics *S.K.G.*

RE: Place in Docket File
Rule 25-7.0143, F.A.C., SERC Data Request to Natural Gas Investor-Owned Utilities (IOUs)

Please place the attached documentation related to the SERC data request to natural gas IOUs in the docket file.

Thank you.

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-M-E-M-O-R-A-N-D-U-M-

DATE: January 25, 2021

TO: All Investor-Owned Natural Gas Utilities

FROM: Judy G. Harlow, Director, Division of Economics *JGH*

RE: Proposed Rule 25-7.0143, Florida Administrative Code (F.A.C.)
Statement of Estimated Regulatory Costs
Staff Data Request

Commission staff is requesting your input regarding the estimated costs, if any, that might result from the proposed new Commission rule that could affect you as a regulated natural gas utility. Specifically, staff is recommending the creation of Rule 25-7.0143, Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4, F.A.C. The draft new rule is included with this data request.

Staff would appreciate your assistance in identifying any costs that your utility might incur if the above referenced rule was to be adopted by the Commission. When reviewing the draft rule, please identify specific elements of the rule that would cause either increases or decreases in your costs of complying with the proposed new rule. Please provide a quantitative estimate of the change in costs in response to the attached data request. If quantitative data is not available, please provide a qualitative discussion of the costs to your utility by proposed draft rule.

Thank you for taking time to review the Commission's draft rule and for your responses to the data request. Please direct all questions and responses no later than **February 5, 2021**, to:

Sevini Guffey
Public Utility Analyst – Economics Division
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Email: sguffey@psc.state.fl.us
Phone: (850) 413-6204

SKG

SERC Data Request to Investor-Owned Natural Gas Utilities

Rule 25-7.0143 Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4., F.A.C.

- 1) Proposed new Section (1)(a) seek to establish Account No. 228.1 and require the natural gas utility to maintain a schedule of risks with description of property, character of risks and accrual rates used. Considering these new requirements, what is the estimated annual regulatory costs, including transactional costs to your utility to comply?
- 2) Proposed new Section (1)(c) requires the utility to establish a separate subaccount within Account No. 228.1 which is designated to cover storm related damages...” and maintain supporting entries by each storm event. What is the estimated annual regulatory cost, including transactional costs to the utility to comply with this proposed new requirement?
- 3) Proposed new Section (1)(e)1, related to contract labor, states that the utility may adjust historical monthly contract labor costs charged to operation and maintenance expenses and that each adjustment must be accompanied by a detailed explanation of the nature and derivation of the adjustment. Please provide the annual regulatory costs, including transactional costs to the utility to comply with the proposed requirement.
- 4) Proposed new Section (1)(e)8 allows the utility to adjust historical monthly payroll related costs charged to operation and maintenance expenses and to prepare detailed explanation of the nature and derivation of the adjustment. Please state the estimated annual regulatory costs, including transactional costs to your utility to comply.
- 5) Proposed new Section (1)(e)9 allows the utility to adjust historical monthly fuel cost for company and contractor vehicles costs charged to operation and maintenance expenses and to prepare detailed explanation of the nature and derivation of the adjustment. Please state the estimated annual regulatory costs, including transactional costs to your utility to comply.
- 6) Proposed new language in Section (1)(e)11 states that the utility may adjust historical monthly vegetation management costs specifically related to storm restoration activities, charged to operation and maintenance expenses and that each adjustment shall be accompanied by a detailed explanation of the nature and derivation of the adjustment. Considering this requirement, what are the annual incremental regulatory costs including transactional expenses to your utility to prepare the detailed vegetation management cost adjustments?
- 7) Proposed new language in Section (1)(e)12 requires the utility to report other costs and expenses not identified in 1 through 11, that are directly and solely attributable to a storm restoration event. What are the estimated annual regulatory, including transactional costs to your utility to collect and report this information to the Commission?

- 8) Referring to the new proposed language in Section (1)(g), F.A.C., what are the estimated regulatory costs, including transactional costs to the utility to file a petition for the disposition of any costs deferred prior to June 1 of the year following the storm event?
- 9) What is the estimated regulatory cost, including transactional cost to the utility to file a Storm Damage Self-Insurance Reserve Study with the Commission by January 15, 2021 and at least every 5 years thereafter pursuant to proposed new language in subsection 12(g)2.(l)?
- 10) What are the estimated regulatory costs, including transactional costs to establish new accounts 228.1, 228.2, and 228.4 pursuant to Rule 25-7.0143(1), (2), and (3), F.A.C.?
- 11) Please state the annual regulatory costs, including transactional costs to your utility to comply with subsection (3) of Rule 25-7.0143, F.A.C.
- 12) Please discuss any potential benefits to your utility from the proposed creation of a rule for the accounting of gas utilities' costs that result from storm-related damage.

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 and similar type hazards to the utility's own property or property leased from others,
5 which is not covered by insurance. A schedule of risks covered must be maintained, giving a
6 description of the property involved, the character of risks covered and the accrual rates used.

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

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

16 (d) In determining the costs to be charged to cover storm-related damages, the utility must
17 use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the ICCA
18 methodology, the costs charged to cover storm-related damages must exclude those costs that
19 normally would be charged to non-cost recovery clause operating expenses in the absence of a
20 storm. Under the ICCA methodology for determining the allowable costs to be charged to
21 cover storm-related damages, the utility will be allowed to charge to Account No. 228.1 costs
22 that are incremental to costs normally charged to non-cost recovery clause operating expenses
23 in the absence of a storm. All costs charged to Account 228.1 are subject to review for
24 prudence and reasonableness by the Commission. In addition, capital expenditures for the
25 removal, retirement and replacement of damaged facilities charged to cover storm-related

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1 damages must exclude the normal cost for the removal, retirement and replacement of those
2 facilities in the absence of a storm. The utility must notify the Director of the Commission
3 Clerk in writing for each incident expected to exceed 1.5 percent of jurisdictional revenues for
4 the most recent calendar year.

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

7 1. Additional contract labor hired for storm restoration activities incurred in any month in
8 which storm damage restoration activities are conducted, that are greater than the actual
9 monthly average of contract labor costs charged to operation and maintenance expense for the
10 same month in the three previous calendar years. The utility may adjust historical monthly
11 contract labor costs charged to operation and maintenance expense from calculated monthly
12 average. Each adjustment must be accompanied by a detailed explanation of the nature and
13 derivation of the adjustment;

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

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

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

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

18 6. Rental equipment specifically related to storm restoration activities;

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

22 8. Payroll and payroll-related costs for utility personnel included in storm restoration
23 activities incurred in any month in which storm damage restoration activities are conducted,
24 that are greater than the actual monthly average of overtime payroll and payroll-related costs
25 charged to operation and maintenance expense for the same month in the three previous

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1 calendar years. The utility may adjust historical monthly payroll and payroll-related costs
2 charged to operation and maintenance expense from calculated monthly average. Each
3 adjustment must be accompanied by a detailed explanation of the nature and derivation of the
4 adjustment:

5 9. Fuel cost for company and contractor vehicles used in storm restoration activities
6 incurred in any month in which storm damage restoration activities are conducted, that are
7 greater than the actual monthly average of fuel costs charged to operation and maintenance
8 expense for the same month in the three previous calendar years. The utility may adjust
9 historical monthly fuel costs charged to operation and maintenance expense from calculated
10 monthly average. Each adjustment must be accompanied by a detailed explanation of the
11 nature and derivation of the adjustment:

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

14 11. Vegetation management expenses specifically related to storm restoration activities
15 incurred in any month in which storm damage restoration activities are conducted, that are
16 greater than the actual monthly average of vegetation management costs charged to operation
17 and maintenance expense for the same month in the previous three calendar years. The utility
18 may adjust historical monthly vegetation management costs charged to operation and
19 maintenance expense from calculated monthly average. Each adjustment must be
20 accompanied by a detailed explanation of the nature and derivation of the adjustment: and

21 12. Other costs or expenses not specifically identified in paragraph 1(e)(1) through
22 1(e)(11), which are directly and solely attributable to a storm restoration event.

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

25 1. Base rate recoverable regular payroll and regular payroll-related costs for utility

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- 1 managerial and non-managerial personnel:
- 2 2. Bonuses or any other special compensation for utility personnel not eligible for
- 3 overtime pay;
- 4 3. Base rate recoverable depreciation expenses, insurance costs and lease expenses for
- 5 utility-owned or utility-leased vehicles and aircraft;
- 6 4. Utility employee assistance costs;
- 7 5. Utility employee training costs incurred prior to 72 hours before the storm event;
- 8 6. Utility advertising, media relations or public relations costs, except for public service
- 9 announcements regarding key storm-related issues as listed above in subparagraph (1)(e)10.;
- 10 7. Utility call center and customer service costs, except for non-budgeted overtime or other
- 11 non-budgeted incremental costs associated with the storm event;
- 12 8. Utility lost revenues from services not provided; and
- 13 9. Replenishment of the utility's materials and supplies inventories.
- 14 (g) Under the ICCA methodology for determining the allowable costs to be charged to
- 15 cover storm-related damages, certain costs may be charged to Account 228.1 only after review
- 16 and approval by the Commission. Prior to the Commission's determination of the
- 17 appropriateness of including such costs in Account No. 228.1, the costs may be deferred in
- 18 Account No. 186, Miscellaneous Deferred Debits. The deferred costs must be incurred prior to
- 19 June 1 of the year following the storm event. By September 30 a utility must file a petition for
- 20 the disposition of any costs deferred prior to June 1 of the year following the storm event
- 21 giving rise to the deferred costs. These costs include the following:
- 22 1. Costs of normal non-storm related activities which must be performed by employees or
- 23 contractors not assigned to storm damage restoration activities ("back-fill work") or normal
- 24 non-storm related activities which must be performed following the restoration of service after
- 25 a storm by an employee or contractor assigned to storm damage restoration activities in

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1 addition to the employee's or contractor's regular activities ("catch-up work"); and

2 2. Uncollectible accounts expenses.

3 (h) A utility may, at its own option, charge storm-related costs as operating expenses
4 rather than charging them to Account No. 228.1. The utility must notify the Director of the
5 Commission Clerk in writing and provide a schedule of the amounts charged to operating
6 expenses for each incident exceeding 0.5 percent of jurisdictional revenues for the most recent
7 calendar year. The schedule must be filed annually by February 15 of each year for
8 information pertaining to the previous calendar year.

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

12 (j) A utility may petition the Commission for the recovery of a debit balance in Account
13 No. 182.3~~228.1~~ discussed in part (1)(i) plus an amount to replenish the storm reserve through
14 a surcharge, securitization or other cost recovery mechanism.

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

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

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

24 (a) This account may be established to meet the probable liability, not covered by
25 insurance, for deaths or injuries to employees or others and for damages to property neither

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1 owned nor held under lease by the utility. When liability for any injury or damage is admitted
2 or settled by the utility either voluntarily or because of the decision of a Court or other lawful
3 authority, such as a workman's compensation board, the admitted liability or the amount of
4 the settlement must be charged to this account.

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

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

10 (a) This account may be established for operating provisions which are not covered
11 elsewhere. This account must be maintained in such a manner as to show the amount of each
12 separate provision established by the utility and the nature and amounts of the debits and
13 credits thereto. Each separate provision must be identified as to purpose and the specific
14 events to be charged to the account to ensure that all such events and only those events are
15 charged to the provision accounts.

16 (b) Charges to this account must be made for all costs or losses covered. Recoveries or
17 reimbursements for amounts charged to this account must be credited hereto.

18 (4)(a) The provision level and annual accrual rate for each account listed in subsections (1)
19 through (3) must be evaluated at the time of a rate proceeding and adjusted as necessary.
20 However, a utility may petition the Commission for a change in the provision level and
21 accrual outside a rate proceeding.

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

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in those accounts.

(c) No utility must fund any account listed in subsections (1) through (3) unless the Commission approves such funding. Existing funded provisions which have not been approved by the Commission must be credited by the amount of the funded balance with a corresponding debit to the appropriate current asset account, resulting in an unfunded provision.

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

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