

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Application for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Irma and Nate by Duke Energy Florida, LLC

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Docket No. 20170272-EI

Dated: February 7, 2019

**DUKE ENERGY FLORIDA, LLC'S RESPONSE TO  
CITIZENS' FOURTH REQUEST TO PRODUCE DOCUMENTS (NOS. 18-26)**

Duke Energy Florida, LLC ("DEF"), responds to the Citizens of the State of Florida, through the Office of the Public Counsel's ("Citizens" or "OPC") Fourth Request to Produce Documents (Nos. 18-26) as follows:

**PRODUCTION OF DOCUMENTS**

18. Outside Contractors. Refer to the response to Citizens Interrogatory No. 38. Provide any documentation to support the referenced audit and its findings, including all findings regarding invoice accuracy.

**Response:**

Per discussion with OPC, responsive documents will be provided at a later date.

19. Non-Incremental. Refer to testimony of Bryan Buckler at page 6, lines 19-24 and page 7, lines 1-4 and Exhibit BB-2. Provide the calculation of the non-incremental regular payroll amounts on each page/tab of the exhibit.

**Response:**

**Distribution Response:**

See excel schedule attached. There is a separate tab for each Storm. The summary section in cells F1-I8 on each storm tab reflects the numbers that tie back to the BB-2. The documents bear Bates Numbers 20170272-DEF-OPC-POD 4-19-0001 through 20170272-DEF-OPC-POD 4-19-00078. The attachments are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission ("Commission") along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.

**Transmission Response:**

See the attached files bearing Bates Numbers 20170272-DEF-OPC-POD 4-19-00079 through 20170272-DEF-OPC-POD 4-19-000205. The attachments are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

20. Non-Incremental. Refer to testimony of Bryan Buckler at page 7, lines 6-14 and Exhibit BB-2. Provide the calculation of the non-incremental overtime payroll amounts on each page/tab of the exhibit.

**Response:**

**Distribution Response:**

See the excel schedule that was submitted with POD 19. There is a separate tab for each Storm. The summary section in cells F1-I8 on each storm tab reflects the numbers that tie back to the BB-2.

**Transmission Response:**

See the attached files bearing Bates Numbers 20170272-DEF-OPC-POD 4-20-0001 through 20170272-DEF-OPC-POD 4-20-000244. The attachments are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

21. Non-Incremental. Refer to testimony of Bryan Buckler at page 7, lines 16-24 and page 8, lines 1-7 and Exhibit BB-2. For each storm, provide supporting documents showing the amount of incentives originally included in the costs reported.

**Response:**

**Distribution Response:**

See excel schedule that was submitted with POD 19. There is a separate tab for each Storm that includes the total amount of incentives charged to the respective storm (cell D8 in each tab). The summary section in cells F1-I8 on each storm tab reflects the numbers that tie back to the BB-2.

**Transmission Response:**

See the attached files bearing Bates Numbers 20170272-DEF-OPC-POD 4-21-0001 through 20170272-DEF-OPC-POD 4-21-0001347. The attachments are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida

Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

22. Non-Incremental. Refer to testimony of Bryan Buckler at page 8, lines 9-22 and Exhibit BB-2. For each storm, provide supporting documentation for the amount of Duke Energy employee overhead costs included in this request.

**Response:**

**Distribution Response:**

See the schedule below and the attached file bearing Bates Numbers 20170272-DEF-OPC-POD 4-22-0001 through 20170272-DEF-OPC-POD 4-22-00019. The attachments are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

<b>Distribution Overhead Allocations (000's)</b>						
	<b>Colin</b>	<b>Hermine</b>	<b>Matthew</b>	<b>Irma</b>	<b>Nate</b>	<b>Total</b>
Duke Energy Florida	\$ 388	\$ 1,233	\$ 478	\$ 2,287	\$ 28	\$ 4,414
Affiliate	\$ -	\$ 52	\$ 110	\$ 3,223	\$ 1	\$ 3,386
<b>Total Overhead Allocations</b>	<b>\$ 388</b>	<b>\$ 1,285</b>	<b>\$ 587</b>	<b>\$ 5,511</b>	<b>\$ 28</b>	<b>\$ 7,800</b>
Non-Incremental						
Duke Energy Florida	\$ 388	\$ 1,125	\$ 287	\$ 26	\$ 28	\$ 1,853
Affiliate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Non-Incremental Overhead Allocations</b>	<b>\$ 388</b>	<b>\$ 1,125</b>	<b>\$ 287</b>	<b>\$ 26</b>	<b>\$ 28</b>	<b>\$ 1,853</b>
Highlighted amounts were adjusted by the capital calculation related to the overhead allocations						

**Transmission Response:**

See the attached files bearing Bates Numbers 20170272-DEF-OPC-POD 4-22-00020 through 20170272-DEF-OPC-POD 4-22-0001272. The attachments are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

23. Capitalized Cost. Refer to testimony of Bryan Buckler at page 15, lines 18-24. For each storm, provide a separate sample calculation for the capitalization of poles and wires.

**Response:**

Distribution Response:

<b>SAMPLE CALCULATION OF POLES</b>							
<b>Material Components:</b>		<b>Debby</b>	<b>Isaac</b>	<b>Hermine</b>	<b>Matthew</b>	<b>Irma</b>	<b>Total</b>
X	Capital Materials - Total Direct Cost of Poles	\$ 13,238	\$ 2,081	\$ 11,382	\$ 35,158	\$ 330,955	\$ 392,815
Y	Capital Materials - Warehouse Burden	10% \$ 1,324	\$ 208	\$ 1,138	\$ 3,516	\$ 33,096	\$ 39,282
Z	Working Stock Materials	15% \$ 1,986	\$ 312	\$ 1,707	\$ 5,274	\$ 49,643	\$ 58,922
	(X*Y)+(X*Z)+X= Capital Materials - Units of Property incl Burdens	<b>16,548</b>	<b>2,602</b>	<b>14,228</b>	<b>43,948</b>	<b>413,694</b>	<b>\$491,019</b>
<b>Labor Components:</b>							
A	# of Poles	89	7	75	213	2,130	2,514
B	Estimated # of hours to install each pole	8	8	8	8	8	8
C	Estimated # of resources needed to install each pole	4	4	4	4	4	4
D	Blended Internal Labor rate	\$ 60	\$ 60	\$ 62	\$ 62	\$ 62	
E	Contractor/Affiliate adder (Difference between Avg Contract Rate and Blended Internal Labor Rate)	\$ 37	\$ 37	\$ 35	\$ 35	\$ 34	
F	AxBxCxD= Labor & Burdens to install Units of Property	\$ 170,937	\$ 13,444	\$ 148,560	\$ 421,910	\$ 4,251,139	\$ 5,005,991
G	AxBxCXE= Contractor/Affiliate adder	\$ 104,033	\$ 8,182	\$ 83,156	\$ 236,164	\$ 2,329,601	\$ 2,761,136
H	Overhead Allocation %	20%	20%	26%	26%	29%	
I	Fleet Loading %	25%	25%	25%	25%	30%	
	FxH= Overhead Allocation - applied to Labor only	\$ 34,187	\$ 2,689	\$ 38,844	\$ 107,648	\$ 1,240,110	\$ 1,423,478
	FxI= Fleet Loading - applied to Labor only	\$ 42,734	\$ 3,361	\$ 37,243	\$ 103,558	\$ 1,281,576	\$ 1,468,471
	F+G+H+I= Capital Labor on UOP incl Loading items	\$ 351,892	\$ 27,677	\$ 307,803	\$ 869,280	\$ 9,102,426	\$ 10,659,077
	<b>Distribution Capital Cost</b>	<b>\$ 368,439</b>	<b>\$ 30,279</b>	<b>\$ 322,031</b>	<b>\$ 913,227</b>	<b>\$ 9,516,120</b>	<b>\$ 11,150,096</b>
<b>SAMPLE CALCULATION OF WIRE</b>							
<b>Material Components:</b>		<b>Debby</b>	<b>Isaac</b>	<b>Hermine</b>	<b>Matthew</b>	<b>Irma</b>	<b>Total</b>
X	Capital Materials - Total Direct Cost of Poles	\$ 79,881	\$ 6,136	\$ 37,565	\$ 58,020	\$ 597,220	\$ 778,823
Y	Capital Materials - Warehouse Burden	10% \$ 7,988	\$ 614	\$ 3,757	\$ 5,802	\$ 59,722	\$ 77,882
Z	Working Stock Materials	15% \$ 11,982	\$ 920	\$ 5,635	\$ 8,703	\$ 89,583	\$ 116,823
	(X*Y)+(X*Z)+X= Capital Materials - Units of Property incl Burdens	<b>99,852</b>	<b>7,670</b>	<b>46,957</b>	<b>72,525</b>	<b>746,525</b>	<b>\$973,528</b>
<b>Labor Components:</b>							
	Feet of Wire	132,791	11,143	116,190	169,548	1,715,421	2,145,093
A	Feet of Wire converted into 200 foot sections	885	56	581	848	8,577	
B	Estimated # of hours to install	2	2	2	2	2	
C	Estimated # of resources needed to install	2	2	2	2	2	
D	Blended Internal Labor rate	\$ 60	\$ 60	\$ 62	\$ 62	\$ 62	
E	Contractor/Affiliate adder (Difference between Avg Contract Rate and Blended Internal Labor Rate)	\$ 37	\$ 37	\$ 35	\$ 35	\$ 34	
F	AxBxCxD= Labor & Burdens to install Units of Property	\$ 212,536	\$ 13,376	\$ 143,843	\$ 209,900	\$ 2,139,816	\$ 2,719,472
G	AxBxCXE= Contractor/Affiliate adder	\$ 129,351	\$ 8,141	\$ 80,516	\$ 117,491	\$ 1,172,608	\$ 1,508,106
H	Overhead Allocation %	20%	20%	26%	26%	29%	
I	Fleet Loading %	25%	25%	25%	25%	30%	
	FxH= Overhead Allocation - applied to Labor only	\$ 42,507	\$ 2,675	\$ 37,611	\$ 53,555	\$ 624,211	\$ 760,559
	FxI= Fleet Loading - applied to Labor only	\$ 53,134	\$ 3,344	\$ 36,060	\$ 51,520	\$ 645,083	\$ 789,141
	F+G+H+I= Capital Labor on UOP incl Loading items	\$ 437,528	\$ 27,536	\$ 298,030	\$ 432,467	\$ 4,581,717	\$ 5,777,278
	<b>Distribution Capital Cost</b>	<b>\$ 537,380</b>	<b>\$ 35,206</b>	<b>\$ 344,987</b>	<b>\$ 504,991</b>	<b>\$ 5,328,242</b>	<b>\$ 6,750,807</b>

Transmission Response:

As discussed in Bryan Buckler’s testimony at page 14, lines 5-13, Transmission creates storm specific capital projects, where all applicable labor, Contractor costs, materials, and other costs are charged to that project during restoration. This allows a clean and separate account of storm restoration O&M costs versus capitalized restoration costs, with minimal calculations needed. The hours analysis used to capital employee and contactor labor is not applicable for Transmission.

24. Capitalized Cost. Refer to testimony of Bryan Buckler at page 16, lines 1-10. For each storm, provide a separate sample calculation for the capitalization of poles and wires.

**Response:**

**Distribution Response:**

See POD 23. The sample calculation shows the components requested in POD 23 and POD 24.

**Transmission Response:**

As discussed in Bryan Buckler’s testimony at page 14, lines 5-13, Transmission creates storm specific capital projects, where all applicable labor, Contractor costs, materials, and other costs are charged to that project during restoration. This allows a clean and separate account of storm restoration O&M costs versus capitalized restoration costs, with minimal calculations needed. The hours analysis used to capital employee and contractor labor is not applicable for Transmission.

25. Capitalized Cost. Refer to testimony of Bryan Buckler at page 16, lines 5-9. For each storm, provide separately the calculations performed to determine capitalized costs.

**Response:**

**Distribution Response:**

Summary of Capital Costs							
Distribution Capital Storm Estimate							
CAPITAL PROJECT							
Material Components	Debby	Isaac	Hermine	Matthew	Irma	Total	
Capital Materials - Units of Property	\$ 261,667	\$ 20,835	\$ 261,178	\$ 300,197	\$ 2,917,499	\$ 3,761,376	
Capital Materials - Warehouse Burdens	\$ 26,167	\$ 2,084	\$ 26,118	\$ 30,020	\$ 291,750	\$ 376,138	
Working Stock materials	\$ 39,250	\$ 3,125	\$ 39,177	\$ 45,030	\$ 437,625	\$ 564,206	
Capital Materials - Units of Property incl Burdens	\$ 327,084	\$ 26,044	\$ 326,472	\$ 375,246	\$ 3,646,873	\$ 4,701,720	
<b>Labor Components:</b>							
Labor & Burdens to install Units of Property	\$ 399,362	\$ 37,228	\$ 412,737	\$ 748,331	\$ 7,753,275	\$ 9,350,933	
Contractor/Affiliate adder	\$ 243,054	\$ 22,657	\$ 231,029	\$ 418,877	\$ 4,248,752	\$ 5,164,369	
Overhead Allocation - applied to Labor only	\$ 79,872	\$ 7,446	\$ 107,919	\$ 190,932	\$ 2,261,726	\$ 2,647,895	
Fleet Loading - applied to Labor only	\$ 99,841	\$ 9,307	\$ 103,469	\$ 183,678	\$ 2,337,352	\$ 2,733,646	
Capital Labor on UOP incl Loading items	\$ 822,129	\$ 76,638	\$ 855,153	\$ 1,541,818	\$ 16,601,106	\$ 19,896,844	
<b>Distribution Capital Cost</b>	<b>\$ 1,149,213</b>	<b>\$ 102,682</b>	<b>\$ 1,181,626</b>	<b>\$ 1,917,065</b>	<b>\$ 20,247,979</b>	<b>\$ 24,598,564</b>	
A	Labor hours estimated	6,654	620	6,668	12,089	124,311	150,342
B	Avg Labor Hour Cost	\$60	\$60	\$62	\$62	\$62	\$62
C	Avg Contractor Rate	\$ 96.55	\$ 96.55	\$ 96.55	\$ 96.55	\$ 96.55	\$ 96.55
	Ax(C-B)=	\$ 243,054	\$ 22,657	\$ 231,029	\$ 418,877	\$ 4,248,752	\$ 5,164,369

**Transmission Response:**

As discussed in Bryan Buckler’s testimony at page 14, lines 5-13, Transmission creates storm specific capital projects, where all applicable labor, Contractor costs, materials, and other costs are charged to that project during restoration. This allows a clean and separate account of storm restoration O&M costs versus capitalized restoration costs, with minimal

calculations needed. The hours analysis used to capital employee and contactor labor is not applicable for Transmission.

26. Uncollectibles. Refer to testimony of Bryan Buckler at page 18, lines 3-12 and Exhibit BB-2. Provide all workpapers and/or calculations supporting the amount requested as “uncollectibles.”.

**Response:**

See the attached files bearing Bates Numbers 20170272-DEF-OPC-POD 4-26-0001 through 20170272-DEF-OPC-POD 4-26-0003.

Respectfully submitted,

*/s/ Matthew R. Bernier*

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**CERTIFICATE OF SERVICE**  
**(Dkt. No. 20170272-EI)**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to the following by electronic mail this 7th day of February, 2019, to all parties of record as indicated below.

/s/ Matthew R. Bernier

Attorney

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## **Redacted Slipsheet - Question 19**

**Attachments bearing Bates Numbers 20170272-DEF-OPC-POD 4-19-0001 through 20170272-DEF-OPC-POD 4-19-000205 are entirely confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.**

## **Redacted Slipsheet - Question 20**

**Attachments bearing Bates Numbers 20170272-DEF-OPC-POD 4-20-0001 through 20170272-DEF-OPC-POD 4-20-0001244 are entirely confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.**

## **Redacted Slipsheet - Question 21**

**Attachments bearing Bates Numbers 20170272-DEF-OPC-POD 4-21-0001 through 20170272-DEF-OPC-POD 4-21-0001347 are entirely confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.**

## **Redacted Slipsheet - Question 22**

**Attachments bearing Bates Numbers 20170272-DEF-OPC-POD 4-22-0001 through 20170272-DEF-OPC-POD 4-22-0001272 are entirely confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.**

**Pre Hurricane Forecast**

	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Gross	\$ 1,625,692	\$ 1,248,381	\$ 1,655,628	\$ 1,649,348	\$ 1,030,217	\$ 990,975	\$ 809,331
Final Bill 30+ Arrears	August July	September August	October September	November October	December November	January December	February January
<b>Actual</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Gross	\$773,331	\$1,798,909	\$1,467,206	\$1,502,328	\$1,615,833	\$1,341,873	\$1,514,430
Hurricane?	No	No	No	No	Yes	Yes	Yes

**Increase in C/O due to Hurricane**

\$585,616 \$ 350,898 \$ 705,099

**Hurricane C/O  
\$1,641,613  
TOTAL JAN, FEB, MAR**

Collections stopped 9/11/17; phased back in 10/17/17

C/O off from 9/11; on 10/17. Oct c/o's combo of charge offs from August & September final bills (not hurricane related)

Cycle cuts resumed 11/9; defaulted arrangement cuts phased in 11/9 - 11/27. **First month charge off for delinquent accounts after hurricane is January 2018**

As far as November & December charge offs, there could have been some customers who voluntarily requested service off after the hurricane and failed to pay in 2017. However, the 4 year average of gross for the months September - December is 46.2% of total and September - December 2017 average is 45.6%. No dollars from 2017 will be designated as hurricane forgiveness.

**All hurricane impacts will be calculated from January 2018 forward, based on gross (as recoveries are collections from prior periods, and not pertinent to this exercise.**

**The Increase in C/O due to the hurricane will be calculated as the difference between the forecast and the actual gross. (For the past 5 years, the accuracy of the model has averaged 96%)**

## Hurricane Irma Impacts to 2018 Charge Off

### Background:

Accounts Receivable developed and maintains a model to forecast future charge offs. The model assumes a percentage of the present 30+ day arrears balances will write off in the proceeding 90 days. Performance and percentages are based on historical information since 1999, and adjusted annually if necessary. Through August 2017, the model has predicted gross charge offs of \$12,923,878 with actual gross charge offs of \$12,780,794, a difference of \$143,084 (or 98.9% accuracy) year to date.

For the past five years, the accuracy of the model in forecasting gross has averaged 96%.

Prior to the storm, Duke Energy Florida was positioned favorably. August month end credit metrics indicated a positive trend, and reflected:

- Decreased delinquent balances (down 1.8%), albeit increased revenues (up 2.9%)
- Net dollars charged off as a percent of revenue static (.13%)

### Hurricane Strategy:

All collection activities were stopped September 11, and were phased in starting with the mailing of notices on October 17, followed by outbound call campaigns on October 25, and assessing late payment charges on October 27. Non-pay disconnects resumed November 2 and collection activity for defaulted arrangements was phased in by Operations Center beginning November 9 through November 27.

In addition to the standard short-term credit extension, extended monthly installment payment terms were offered through January 2018. The two extended monthly installment terms were:

- 3 monthly installments with 1<sup>st</sup> installment due with current bill
- 4 monthly installments with 25% down now

Duke Energy Florida realized a steady increase in arrears. First month charge off for delinquent accounts after the hurricane was January. Duke Energy Florida anticipates an increase in charge offs in subsequent months due to the increase in dollars from defaulted payment terms and the catch up on non-pay disconnects on delinquent accounts, which were suspended as a result of the storm.

### Methodology:

- All hurricane impacts will be calculated from January 2018 forward, based on gross (as recoveries are collections from prior periods, and not pertinent to this exercise)
- The increase in charge off due to the hurricane will be calculated as the difference between the forecast and the actual gross

### Caveats:

- Monthly forecast based on 'today's' arrears balances and future projections change monthly
- Model is dynamic and will reflect changes to charge off if customers pay and arrears balances decline
- Uncertainty of customers paying or terminating service
- No experience with a catastrophic hurricane that impacted the entire state, the impact it has on customers staying and curing or leaving the state and terminating customer relationship

- Potential likelihood of increase in residential consumers filing for bankruptcy due to the cost of home owner's insurance deductibles coupled with homestead property exemption from bankruptcy assets

**Assumptions:**

- Field meets cut targets (February 2018 was first month DEF met cut targets since storm)
- CCO enforce down payments when granting extended terms
- Arrears balances levelize by March 2018 and fluctuate within range as in past 5 years as predicted

Elaine McCallister