

**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: March 11, 2019

**DUKE ENERGY FLORIDA, LLC'S RESPONSE TO CORRECTED CITIZENS' SEVENTH SET OF INTERROGATORIES (NOS. 112-118)**

Duke Energy Florida, LLC ("DEF") responds to the Corrected Citizens of the State of Florida, through the Office of the Public Counsel's ("Citizens" or "OPC") Seventh Set of Interrogatories to DEF (Nos. 112-118) as follows:

**INTERROGATORIES**

112. Capitalization. Refer to Rule 25-6.0143, Florida Administrative Code ("F.A.C.") and Accounting Standards Codification ("ASC") 980. Specifically identify the section(s) of ASC 980 that would allow a utility to capitalize storm restoration costs at a cost based on normal cost absent a storm, as opposed to recognizing the actual costs incurred during the storm restoration process.

**Answer:**

ASC 980 discusses, among other things, the ability of a regulated utility to capitalize a cost if it is probable that future recovery of that cost will occur. DEF is following Rule 25-6.0143(1)(d), F.A.C., which discusses the Incremental Cost and Capitalization Approach (ICCA) methodology, and states as follows:

"In addition, capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm."

113. Capitalization. Refer to Rule 25-6.0143, Florida Administrative Code ("F.A.C.") and Accounting Standards Codification 980. Specifically identify the section(s) of ASC 980 that would allow a utility to capitalize plant or facilities by using a method other than actual cost.

**Answer:**

Please see DEF's response to Question 112.

114. Payroll. Refer to Rule 25-6.0143(f)(1), Florida Administrative Code (“F.A.C.”) and Accounting Standards Codification 980. Specifically identify the section(s) of ASC 980 that would allow a utility to use a method of determining whether payroll is incremental or non-incremental based on a methodology (i.e. using budget or historical dollars) different from the method referenced in the Rule, (i.e., what is included in base rates).

**Answer:**

ASC 980 does not discuss methodologies for determining whether payroll is incremental or non-incremental. In determining which storm costs are incremental, DEF complies with Rule 25-6.0143(1)(d), F.A.C., which states:

“In determining the costs to be charged to cover storm-related damages, the utility shall use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the ICCA methodology, the costs charged to cover storm-related damages shall exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, the utility will be allowed to charge to Account No. 228.1 costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.”

Rule 25-6.0143, F.A.C., Sections (1)(f)1 and (1)(f)3 describe certain “base rate recoverable” expenses that are prohibited from being charged to the storm reserve, but the storm rule does not define “base rate recoverable” as the amount that was included in base rates at the time of the last setting of base rates. In fact, Section (1)(d), as quoted above, defines non-incremental costs as “costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.”

Rule 25-6.0143, F.A.C., Section (1)(f)8 is an area that clearly specifies that tree trimming costs incurred during the month(s) of storm restoration must be compared to a historical 3-year average of these costs in the same month(s) rather than comparing these costs to tree trimming expenses included in a utility’s last setting of base rates.

As a result, DEF has used the historical 3-year average for base payroll, overtime and vegetation management to determine the “costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.”

115. Payroll. Refer to Rule 25-6.0143(f)(1), Florida Administrative Code (“F.A.C.”). Does the company agree that the term “base rate recoverable” means the amount of payroll cost that was included in base rates when rates were last established? If no, provide the definition the company uses for the term “base rate recoverable” and identify any final order that would support the company’s definition.

**Answer:**

No, DEF does not agree that the term “base rate recoverable” means the amount of payroll cost that was included in base rates when rates were last established. Rule 25-6.0143(1)(d), F.A.C., discusses the Incremental Cost and Capitalization Approach (ICCA) methodology, which is based on a comparison of costs incurred for storm restoration efforts to “costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.”

Based on the entirety of Rule 25-6.0143, F.A.C., “base rate recoverable” is clearly synonymous with “non-cost recovery clause operating expenses in the absence of a storm”. Nowhere in rule does it say the utility shall exclude costs that were approved in the utility’s last rate case.

116. Storm Costs. Refer to Rule 25-6.0143, Florida Administrative Code (“F.A.C.”). Identify the particular costs that can be determined to be “incremental” using budgeted costs under the Rule, and site for each respective cost a reference to the section of the Rule on which you relied.

**Answer:**

Uncollectible account expenses are the only costs that DEF compared to budgeted costs in determining the amount of incremental costs. The Rule doesn’t specifically designate how to calculate the amount of incremental uncollectible account expenses, but as explained in the direct testimony of Bryan Buckler, page 18, and in response to OPC’s interrogatory nos. 87 and 90, DEF finds that this comparison is the appropriate way to calculate the most accurate amount of charge-offs.

117. Refer to Document 20170272-DEF-OPC POD 1-6-0017757 provided in response to 2nd Supplemental Response to OPCs 1st PODS 1-10 Q-6 Distribution pt 2, located in the 17-Irma folder, Ameren folder. Does the Company have any additional supporting documentation beyond the single page provided? Please provide the additional support for the \$6,490,253.26.

**Answer:**

Please see additional supporting documentation attached bearing bates number 20170272-DEF- OPC-ROG 7-117-000001 through 20170272-DEF- OPC-ROG 7-117-000032. 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 March 11, 2019.

118. Refer to page Document 20170272-DEF-OPC POD 1-6-0001585 provided in response to 2nd Supplemental Response to OPCs 1st PODS 1-10 Q-6 Distribution pt 1, located in the 12- Debby folder, Burford folder. Please explain whether the time on June 26, June 27, and June 28 is standby since the time sheet indicates mobilization from TN to FL on June 25 and June 29.

**Answer:**

DEF believes that the time on June 26, 27, and 28 was not standby time, but that the crew was performing work on the referenced days.

**REDACTED**

DEF's attachments responsive to interrogatory number 117, bearing bates number 20170272-DEF- OPC-ROG 7-117-000001 through 20170272-DEF- OPC-ROG 7-117-000032 are confidential. Unredacted copies have been filed with the Florida Public Service Commission ("Commission") along with DEF's Notice of Intent to Request Confidential Classification dated March 11, 2019.

**AFFIDAVIT**

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

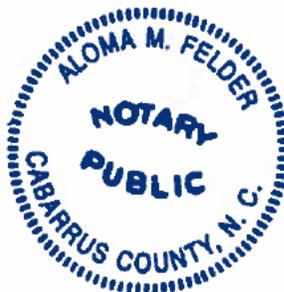
I hereby certify that on this 8<sup>th</sup> day of March, 2019, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared BRYAN BUCKLER, who is personally known to me, and has acknowledged before me that he provided the answers to interrogatory numbers 112, 113, 114, 115, and 116 of OPC'S SEVENTH SET OF INTERROGATORIES TO DUKE ENERGY FLORIDA, LLC (NOS. 112-118) in Docket No. 20170272-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 8<sup>th</sup> day of March, 2019.

  
\_\_\_\_\_  
BRYAN BUCKLER

  
\_\_\_\_\_  
Notary Public Aloma M. Felder  
State of North Carolina

My Commission Expires: July 21, 2020



**AFFIDAVIT**

STATE OF FLORIDA

COUNTY OF PINELLAS

I hereby certify that on this \_\_\_\_\_ day of March, 2019, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared JASON CUTLIFFE, who is personally known to me, and has acknowledged before me that he provided the answers to interrogatory number 118 of CITIZENS' SEVENTH SET OF INTERROGATORIES TO DUKE ENERGY FLORIDA, LLC (NOS. 112-118) in Docket No. 20170272-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this \_\_\_\_\_ day of March, 2019.

\_\_\_\_\_  
Jason Cutliffe

\_\_\_\_\_  
Notary Public  
State of Florida, at Large

My Commission Expires:\_\_\_\_\_

**AFFIDAVIT**

STATE OF FLORIDA

COUNTY OF PINELLAS

I hereby certify that on this \_\_\_\_\_ day of March, 2019, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared MARCIA OLIVIER, who is personally known to me, and she acknowledged before me that she provided the answers to interrogatory numbers 115 and 116, of OPC'S SEVENTH SET OF INTERROGATORIES TO DUKE ENERGY FLORIDA, LLC (NOS. 112-118) in Docket No. 20170272-EI, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this \_\_\_\_\_ day of March, 2019.

\_\_\_\_\_  
MARCIA OLIVIER

\_\_\_\_\_  
Notary Public  
State of Florida, at Large

My Commission Expires:  
\_\_\_\_\_

**AFFIDAVIT**

STATE OF FLORIDA

COUNTY OF ORANGE

I hereby certify that on this \_\_\_\_\_ day of March, 2019, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared TESS ROEBUCK, who is personally known to me, and she acknowledged before me that she provided the answers to interrogatory number 117, of OPC'S SEVENTH SET OF INTERROGATORIES TO DUKE ENERGY FLORIDA, LLC (NOS. 112-118) in Docket No. 20170272-EI, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this \_\_\_\_\_ day of March, 2019.

\_\_\_\_\_  
TESS ROEBUCK

\_\_\_\_\_  
Notary Public  
State of Florida, at Large

My Commission Expires:  
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