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August 27, 2019

E-PORTAL FILING

Mr. Adam Teitzman, Clerk Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850

Re: Docket No. 20190131-EU - In re: Proposed adoption of Rule 25-6.030, F.A.C., Storm Protection Plan and Rule 25-6.031, F.A.C., Storm Protection Plan Cost Recovery Clause, and proposed amendment or repeal of Rule 25-6.0143, F.A.C., Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4, Rule 25-6.034, F.A.C., Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric Distribution Facilities, Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening, Rule 25-6.0343, F.A.C., Municipal Electric Utility and Rural Electric Cooperative Reporting Requirements, Rule 25-6.0345, F.A.C., Safety Standards for Construction of New Transmission and Distribution Facilities, Rule 25-6.044, F.A.C., Continuity of Service, Rule 25-6.0455, F.A.C., Annual Distribution Service Reliability Report, Rule 25-6.061, F.A.C., Relocation of Poles, Rule 25-6.064, F.A.C., Installation of Underground Distribution Systems within New Subdivisions, Rule 25-6.077, F.A.C., Construction Practices, and Rule 25-6.078, F.A.C., Schedule of Charges, Installation of Underground Distribution Systems within New Subdivisions, Rule 25-6.078, F.A.C., Schedule of Charges, Installation of Existing Overhead Investor-owned Distribution Facilities.

Dear Mr. Teitzman:

Attached for filing in the referenced docket, please find Florida Public Utilities Company's Post Workshop Comments in the above-referenced matter.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions or concerns.

Kind regards,

Kelle

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Enclosure Cc:/ (service list)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Proposed adoption of Rule 25-6.030, F.A.C., Storm Protection Plan and Rule 25-6.031, F.A.C., Storm Protection Plan Cost Recovery Clause, and proposed amendment or repeal of Rule 25-6.0143, F.A.C., Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4, Rule 25-6.034, F.A.C., Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric Distribution Facilities, Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening, Rule 25-6.0343, F.A.C., Municipal Electric Utility and Rural Electric Cooperative Reporting Requirements, Rule 25-6.0345, F.A.C., Safety Standards for Construction of New Transmission and Distribution Facilities, Rule 25-6.044, F.A.C., Continuity of Service, Rule 25-6.0455, F.A.C., Annual Distribution Service Reliability Report, Rule 25-6.061, F.A.C., Relocation of Poles, Rule 25-6.064, F.A.C., Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities, Rule 25-6.077, F.A.C., Installation of Underground Distribution Systems within New Subdivisions, Rule 25-6.078, F.A.C., Schedule of Charges, Installation of Underground Distribution Systems within New Subdivisions, Rule 25-6.081,) F.A.C., Construction Practices, and Rule 25-6.115,) F.A.C., Facility Charges for Conversion of) Existing Overhead Investor-owned Distribution) Facilities.)

Docket No. 20190131-EU

Filed: August 27, 2019

POST WORKSHOP COMMENTS OF FLORIDA PUBLIC UTILITIES COMPANY

Florida Public Utilities Company ("FPUC" or "Company") appreciates the further dialogue on these important Rules and the opportunity to offer the following comments in response to the Workshop held in this matter on August 20, 2019, as it relates to the adoption of Rules 25-6.030 and 25-6.031, Florida Administrative Code. As an initial matter, FPUC notes that, although the Company did not actively participate in the first workshop, the latest draft of the Rules developed by Commission Staff provides a greater level of clarity than the original

versions, addressing many of FPUC's initial concerns. Staff's efforts in this regard are appreciated. With regard to this latest draft, FPUC generally supports the comments of the other investor-owned utilities participating in the Workshop, but offers the following specific suggestions and concerns.

I. <u>Proposed Rule 25-6.030, F.A.C. - Storm Protection Plan ("Plan Rule")</u>

- 1. As currently drafted, Paragraph (1) of the Plan Rule is unclear with regard to the timing of the utility's initial filing. FPUC emphasizes that the task of developing its Plan will likely be quite labor and time intensive, and therefore suggests that any clarification on this point provide for a reasonable amount of time to prepare the Plan following implementation of the Plan Rule. As it stands, however, providing no indication of the time frame contemplated for the filing introduces a degree of regulatory uncertainty that is further exacerbated by the overall challenge of putting together a Storm Plan with the level of detail currently contemplated.
- 2. For purposes of clarity, it would also be beneficial to address whether the 3-year update is intended to encompass a full, 10-year planning period extending from the date of the update, such that an additional 3-year period of new information is included with each update.
- 3. With regard to Paragraphs (2)(a) and (b), FPUC suggests that references to the utility's "existing" infrastructure and facilities may warrant clarification to avoid the unintended consequence of excluding from the Plan, and consequently cost recovery, new facilities installed for the purpose of (1) increasing the resiliency of the utility's existing plant serving customers, and/or (2) enhancing the utility's ability to restore service to customers on its system in the most timely and cost-effective manner. Commission

Staff's comments at the Workshop regarding interpretation of the modifying word "enhancement" in Paragraph (2)(b) was helpful, but FPUC still has a lingering concern that the use of the word "existing" could ultimately prove more limiting than intended. Thus, while FPUC offers no proposed edit to the Rule given Staff's clarification offered at the Workshop, the Company nonetheless still maintains a concern on this point.

- 4. In this regard and to the comment made by the Office of Public Counsel ("OPC"), FPUC would consider meters to be among the types of equipment contemplated by the Legislature's directive in terms of reducing outage times related to extreme weather events and reducing restoration costs. Installation of an Advanced Metering Infrastructure system ("AMI"), more commonly referred to as "smart meters," would enable the Company to have better insight into the status of its distribution system, and thus improve the Company's ability to identify and correct problems and equipment failures following an extreme weather event, particularly in the more remote areas of the Company's system.¹ Thus, FPUC urges that "meters" be included with the definition of "Transmission and distribution facilities" in Paragraph (2)(c), as well as language to clarify that other equipment not specified in the rule is not precluded. FPUC is concerned that language in Paragraph (3) regarding "other factors the utility requests the Commission consider" could be narrowly construed to mean factors pertaining to programs and projects consistent with the definitions as specifically worded.
- 5. FPUC also suggests that clarification be made regarding the level of information and detail contemplated to be contained in the Plan with regard to areas not prioritized for enhancement (Paragraph (3)(c)), as well as programs not included in the Plan (Paragraph

¹ Installation of AMI was not included in the list of projects recovered in the revenue increase contemplated by the Settlement and Stipulation approved in Docket No. 20170150-EI.

(3)(d)(3)). As currently worded, these requirements could involve as much documentation as the portions of the Plan addressing programs and projects which the utility plans to implement. The underlying statute, Section 366.96, Florida Statutes, does not contemplate that the Plans would include significant detail regarding areas and programs not included, noting only that the Commission should consider whether the Plan "prioritizes areas of lower reliability performance" and the extent to which storm protection is "feasible, reasonable, and practical in certain areas of the utility's service territory. . . . " s. 366.96(4)(a) and (b), F.S. Moreover, it would be profoundly challenging to establish a definitive, all-encompassing set of criteria pursuant to which all projects are assessed and either selected or rejected. This would be particularly challenging for FPUC given that its two operating divisions are located in very different geographic environments. It's one thing to describe the criteria used to select programs and projects, but it would be nearly impossible to define a set list of criteria pursuant to which all current and future projects would be assessed. As such, establishing criteria would not necessarily mitigate the concern prompted by the level of detail the Plan Rule would seem to require with regard to excluded programs and projects. Thus, FPUC suggests edits to these sections of the Plan Rule to reflect a more limited informational requirement as it relates to areas and projects not included in the Plan.

6. FPUC also has concerns with regard to the reference at Paragraph (3)(d)(4) of the Plan Rule to inclusion of "fixed and variable" costs in the cost estimate. For Year 1, the breakdown between fixed and variable can be provided, but estimates beyond Year 1 are typically available only as high level, directionally correct estimates. 7. In terms of the level of detail regarding storm protection projects included with the Plan, FPUC echoes the concerns raised at the Workshop with regard to the level of detail required for Years 2 and 3 of the Plan. FPUC's planning and budgeting process does not include information regarding projects and expenditures contemplated by Paragraph (3)(d)(line 20, page 5)² until its year-end budget process is complete. As such, detailed information could be provided for Year 1 of the Plan, but would not exist for Years 2 and 3. To the extent that FPUC endeavored to provide such detail for Years 2 and 3, the information would be subject to modification (potentially significant) depending upon evolving circumstances impacting FPUC's system, including new weather events, equipment failures and the like. While FPUC understands that the lack of available detail may present its own challenges, FPUC is likewise concerned that, should it be required to supply such level of detail for Years 2 and 3 of the Plan, from a practical perspective, such information for the out years would constitute, from a planning perspective, a mere "best guess." As such, if the requirement to include this level of detail for Years 2 and 3 of the Plan remains in the rule. FPUC suggests that it should be made clear the a utility is allowed to modify its projects, priorities, and timelines for Years 2 and 3 as may be necessary and appropriate to address changes on its system that may require revised priorities or elimination of projects that may no longer be feasible.

II. <u>Proposed Rule 25-6.031, F.A.C.</u> - <u>Storm Protection Plan Cost Recovery</u> Clause ("Storm Clause")

8. With regard to the Storm Clause, FPUC agrees with concerns raised with regard to the timing contemplated in Paragraph (2) of the Storm Clause. Delaying filing a petition for

² Appears that this should be Paragraph (3)(e).

cost recovery until after a final order has been issued approving a Storm Plan would introduce an unnecessary degree of regulatory lag not contemplated by the underlying statute. FPUC acknowledges that approval of cost recovery should not occur prior to approval of the Plan, and that a Commission decision regarding a Plan may necessitate changes to a utility's request for cost recovery. Nevertheless, a utility should be allowed to initiate a proceeding for cost recovery within a time frame that would allow for a Commission decision regarding cost recovery within a reasonable period following approval of the Plan.

- 9. FPUC also agrees with the comment made by FPL at the workshop with regard to Paragraph (4) of the Storm Clause. Paragraph (4) should be clarified to specify that the 30-day commercial paper rate be used for true-up over and under-recovery similar to the current treatment of true-ups of annual clause filings. For capitalized amounts associated with the Plan, FPUC would contemplate that such investments should earn a return at the utility's weighted average cost of capital ("WACC") until recovered in base rates.
- 10. FPUC likewise agrees with the comments of TECO at the workshop regarding Paragraph (6)(a) of the Storm Clause. Given that this paragraph specifically addresses costs incurred <u>after</u> the Plan is filed, clarification should be made to allow for recovery of incremental costs associated with preparing the Plan for filing.
- 11. Finally, as it relates to Paragraph (8) of the Storm Clause, FPUC suggests that edits be made to clarify that a utility may request that recovery of capital investments that have not been fully depreciated be transferred to base rates in a utility's next rate proceeding.
- 12. Attached hereto are the Rules as discussed at the last Workshop with FPUC's suggestions included in type-and-strike format for Staff's consideration.

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WHEREFORE, Florida Public Utilities Company offers the foregoing comments for the Commission's consideration.

RESPECTFULLY SUBMITTED this 27th day of August, 2019.

ula Beth Keating

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Attorneys for Florida Public Utilities Company, Florida Public Utilities Company

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing has been served by Electronic Mail this 27th day of August, 2019, upon the following:

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25-6.030 Storm Protection Plan.

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(1) Application and Scope. <u>Within nine (9) months of the effective date of this Rule, Eeach</u>
investor-owned electric utility (utility) must file a petition with the Commission for the
approval of a Transmission and Distribution Storm Protection Plan (Storm Protection Plan)
that covers the utility's immediate 10-year planning period. Each utility must file, for
Commission approval, an updated Storm Protection Plan at least every 3 years covering the
utility's then current 10-year planning period.

8 (2) For the purpose of this rule, the following definitions apply:

9 (a) "Storm protection program" – a category or type of activity that is undertaken to
10 enhance the utility's existing infrastructure for the purpose of reducing restoration costs,
11 reducing outage times, and improving overall service reliability.

(b) "Storm protection project" – a specific activity within a storm protection program
designed for the enhancement of a specified portion of existing electric transmission or
distribution facilities for the purpose of reducing restoration costs, reducing outage times, and
improving overall service reliability.

(c) "Transmission and distribution facilities" – all utility owned poles and fixtures, towers
and fixtures, overhead conductors and devices, substations and related facilities, land and land
rights, roads and trails, underground conduits, <u>advanced metering systems</u>, <u>and</u>-underground
conductors, and other assets used to deliver electricity to the utility's retail customers.

20 (3) Contents of the Storm Protection Plan. For each Storm Protection Plan, the following
21 information must be provided:

(a) A description of how implementation of the proposed Storm Protection Plan will
strengthen electric utility infrastructure to withstand extreme weather conditions by promoting
the overhead hardening of electrical transmission and distribution facilities, the
undergrounding of certain electrical distribution lines, and vegetation management.

(b) A description of how implementation of the proposed Storm Protection Plan will CODING: Words <u>underlined</u> are additions; words in struck through type are deletions from existing law.

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reduce restoration costs and outage times associated with extreme weather events and improve
 overall service reliability.

(c) A description of the utility's service area, including areas prioritized for enhancement
and any areas where the utility has determined that enhancement of the utility's existing
transmission and distribution facilities would not be feasible, reasonable, or practical. Such
description must include a general map, number of customers served within each area, and the
utility's reasoning for prioritizing certain areas over others for enhanced performance and for
designating other areas of the system as not feasible, reasonable, or practical.

9 (d) A description of each proposed storm protection program that includes:

1. A description of how each proposed storm protection program is designed to enhance
 the utility's existing transmission and distribution facilities including an estimate of the
 resulting reduction in outage times and restoration costs due to extreme weather events;

13 2. If applicable, the actual or estimated start and completion dates of the program;

3. <u>A description of Identify</u> any storm protection programs that were considered but not
included in the Storm Protection Plan, and an explanation for why the reason the program was
not inexcluded;

4. A cost estimate including capital and operating expenses, to include both fixed and
variable costs for the first implementation year;

19 5. A comparison of the costs identified in subparagraph (3)(d)4. and the benefits identified
20 in subparagraph (3)(d)1.; and

21 6. A description of the criteria used to select and prioritize proposed storm protection
22 programs.

23 (<u>e</u>d) For each of the first three years in a utility's Storm Protection Plan, the utility must
24 provide a description of each proposed storm protection project that includes:

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1. The actual or estimated construction start and completion dates, which may be reflected as a range of dates to the extent more detailed information is not yet available to the utility;

1	2. A description of the affected existing facilities, including number and type(s) of
2	customers served, historic service reliability performance during extreme weather events, and
3	how this data was used to prioritize the proposed storm protection project; and
4	3. A cost estimate including capital and operating expenses, both fixed and variable, which
5	may be reflected as a cost range to the extent more detailed information is not yet available to
6	the utility; and
7	4. A description of the criteria used to select and prioritize proposed storm protection
8	projects.
9	(fe) For each of the first three years in a utility's Storm Protection Plan, the utility must
10	provide a description of its proposed vegetation management activities including:
11	1. The projected locations and frequency;
12	2. The projected miles of affected transmission and distribution overhead facilities;
13	3. The estimated annual labor and equipment costs for both utility and contractor
14	personnel; and
15	4. An description of how the vegetation management activity is projected towill reduce
16	outage times and restoration costs due to extreme weather events.
17	(gf) An estimate of the annual jurisdictional revenue requirements for each year of the
18	Storm Protection Plan.
19	(hg) An estimate of rate impacts for each of the first three years of the Storm Protection
20	Plan for residential, commercial, and industrial customers.
21	(ih) A description of any implementation alternatives that could mitigate the resulting rate
22	impact for each of the first three years of the proposed Storm Protection Plan.
23	(ji) Any other factors the utility requests the Commission to consider.
24	(4) By June 1, each utility must submit to the Commission Clerk an annual status report on
25	the utility's Storm Protection Plan programs and projects. The annual status report shall
	include:
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1	(a) Identification of all Storm Protection Plan programs and projects completed or planned
2	for completion;
3	(b) Actual costs and rate impacts associated with completed programs and projects as
4	compared to the estimated costs and rate impacts for those programs and projects; and
5	(c) Estimated costs and rate impacts associated with programs and projects planned for
6	completion during the next year of the Storm Protection Plan.
7	Rulemaking Authority 366.96, FS. Law Implemented 366.96, FS. History–New
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25-6.031 Storm Protection Plan Cost Recovery Clause.

2 (1) Application and Scope. This rule applies to each investor-owned electric utility3 (utility).

4 (2) After the Commission has issued a final order approving a utility's Transmission and 5 Distribution Storm Protection Plan (Storm Protection Plan), aA utility may file a petition for 6 recovery of associated costs through the Storm Protection Plan cost recovery clause. The 7 Commission shall not make a final determination on the utility's cost recovery petition until 8 after the Commission has issued a final order approving a utility's Transmission and 9 Distribution Storm Protection Plan (Storm Protection Plan). The utility's petition shall be 10 supported by testimony that provides details on the annual Storm Protection Plan 11 implementation activities and associated costs, and how those activities and costs are 12 consistent with its approved Storm Protection Plan.

(3) An annual hearing to address petitions for recovery of Storm Protection Plan costs will
be limited to determining the reasonableness of projected Storm Protection Plan costs, the
prudence of actual Storm Protection Plan costs incurred by the utility, and to establish Storm
Protection Plan cost recovery factors consistent with the requirements of this rule.

(4) Deferred accounting treatment. Storm Protection Plan cost recovery clause true-up
over and under-recovery amounts shall be afforded deferred accounting treatment at the 30day commercial paper rate. Deferred capitalized expenses will continue to earn a return at the
utility's Weighted Average Cost of Capital until recovered in base rates.

(5) Subaccounts. To ensure separation of costs subject to recovery through the clause, the
utility filing for cost recovery shall maintain subaccounts for all items consistent with the
Uniform System of Accounts prescribed by this Commission, pursuant to Rule 25-6.014,
F.A.C.

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(6) Recoverable costs.

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(a) The utility's petition for recovery of costs associated with its Storm Protection Plan
may include costs incurred after the filing of the utility's Storm Protection Plan, as well as
<u>costs incurred for the development and filing of the Storm Protection Plan</u>.

(b) Storm Protection Plan costs recoverable through the clause shall not include costs
recovered through the utility's base rates or any other cost recovery mechanism.

7 (c) The utility may recover the annual depreciation expense on capitalized Storm
8 Protection Plan expenditures using the utility's most recent Commission-approved
9 depreciation rates. The utility may recover a return on the undepreciated balance of the costs
10 calculated at the utility's weighted average cost of capital using the return on equity most
11 recently approved by the Commission.

(7) Pursuant to the order establishing procedure in the annual cost recovery proceeding, a
utility shall submit the following for Commission review and approval as part of its cost
recovery filings:

(a) Final True-Up for Previous Year. The utility shall submit its final true-up of Storm
Protection Plan revenue requirements based on actual costs for the prior year and previously
filed costs and revenue requirements for such prior year and a description of the work actually
performed during such year.

(b) Estimated True-Up for Current Year. The utility shall submit its actual/estimated trueup of Storm Protection Plan revenue requirements based on a comparison of current year
actual/estimated costs and the previously-filed projected costs and revenue requirements for
such current year and a description of the work projected to be performed during such year.

(c) Projected Costs for Subsequent Year. The utility shall submit its projected Storm
Protection Plan costs and revenue requirements for the subsequent year and a description of

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1 the work projected to be performed during such year.

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2	(d) True-Up of Variances. The utility shall report observed true-up variances including
3	sales forecasting variances, changes in the utility's prices of services and/or equipment, and
4	changes in the scope of work relative to the estimates provided pursuant to subparagraphs
5	(7)(b) and (7)(c). The utility shall also provide explanations for variances regarding the
6	implementation of the approved Storm Protection Plan.
7	(e) Proposed Storm Protection Plan Cost Recovery Factors. The utility shall provide the
8	calculations of its proposed factors and effective 12-month billing period
. 9	(8) Recovery of costs under this rule does not preclude a utility from proposing inclusion
10	of future Storm Protection Plan costs and undepreciated, capitalized Storm Protection Plan
11	expenditures in base rates in a subsequent rate proceeding.
12	Rulemaking Authority 366.96, FS. Law Implemented 366.96, FS. History–New
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25	CODING: Words <u>underlined</u> are additions; words in struck through type are deletions from existing law.