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July 27, 2020

VIA ELECTRONIC FILING

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

Re: Undocketed  
In re: Proposed Amendment of Rule 25-6.0143, F.A.C., and Proposed Adoption  
of Rule 25-7.0143, F.A.C.

Dear Mr. Teitzman:

Attached for filing in the above docket are Tampa Electric Company's Post-Workshop  
Comments.

Thank you for your assistance in connection with this matter.

Sincerely,



Malcolm N. Means

Enclosure

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July 27, 2020

## **VIA ELECTRONIC TRANSMISSION**

Adria Harper  
Office of General Counsel  
Florida Public Service Commission  
Room 390R – Gerald L. Gunter Bldg.  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
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RE: Undocketed  
In re: Proposed Amendment of Rule 25-6.0143, F.A.C., and Proposed Adoption of Rule 25-7.0143, F.A.C.

Dear Ms. Harper:

Tampa Electric Company (“Tampa Electric” or “the company”), submits the following Post-Workshop Comments addressing the Florida Public Service Commission Staff’s proposed amendments to Rule 25-6.0143 of the Florida Administrative Code. Although Staff also proposes adoption of Rule 25-7.0143, Tampa Electric’s comments are limited to the proposed changes to Rule 25-6.0143.

Rule 25-6.0143 governs Account No. 228.1 – Accumulated Provision for Property Insurance. This account provides for losses from various hazards that are not covered by insurance. *See* Rule 25-6.0143(1)(a), F.A.C. Pursuant to Paragraph (1)(c) of the Rule, the utility must establish a separate subaccount within Account No. 228.1 designated to cover storm-related damages that are not covered by insurance. This subaccount is referred to as the “storm reserve.” Paragraph (1)(e) and its

subparagraphs then set out ten categories of costs that serve as examples of the types of storm-related costs that may be charged to the storm reserve.

Staff proposes two substantive changes to Paragraph (1)(e). First, Staff's proposed language would change Paragraph (1)(e) and its ten subparagraphs from a list of illustrative examples to a restrictive list of eligible costs. Second, Staff proposes to add a test within certain subparagraphs to identify which costs are incremental. Under this test, only those costs in excess of the actual monthly average for those costs incurred in the same month(s) in the previous three calendar years would be incremental and therefore chargeable to the storm reserve.

As a preliminary matter, Tampa Electric believes that Rule 25-6.0143 works well as it is currently written. Tampa Electric understands that one of these changes was prompted by the Joint Administrative Procedures Committee ("JAPC"), which believes that the current language of the Rule vests the Commission with unbridled discretion. Tampa Electric believes that, other than the change necessary to address JAPC's concern, the other changes to Rule 25-6.0143 are unnecessary. As explained below, Tampa Electric believes that the Rule can be amended to limit the Commission's discretion without excluding some legitimate storm restoration costs, and that the application of the three-year average creates several problems.

### **1. Restriction to Ten Enumerated Categories**

Paragraph (1)(e) of the Rule currently states that the "types of costs allowed to be charged to the reserve under the [Incremental Cost and Capitalization Approach] include, but are not limited to," ten categories of costs set out in Subparagraphs (1)(e)1-10. Staff proposes removal of the phrase "but are not limited to" from Paragraph (1)(e). This change would limit costs chargeable to the storm reserve to only the ten specific categories set out in Subparagraphs (1)(e)1-10. Based on comments at Staff's

June 29<sup>th</sup> workshop, Tampa Electric understands that Staff proposed this change based on JAPC's concern that the phrase "but are not limited to" provides the Commission with unbridled discretion.

Tampa Electric believes that a strict and exclusive application of the language of Subparagraphs (1)(e)1-10 may exclude legitimate storm restoration costs Tampa Electric has incurred in the past. For example:

- Tampa Electric's Storm Cost Settlement Agreement, approved by the Commission in Order No. PSC-2019-0234-AS-EI, issued June 14, 2019 in Docket No. 20170271, allows the company to charge certain costs related to implementation of the terms of the settlement agreement to the storm reserve.<sup>1</sup> For example, these include the costs of an audit or the costs of implementing a GPS tracking system for vendor crews.
- Subparagraph (1)(e)2 states that the "[l]ogistics costs of providing meals, lodging, and linens for tents and other staging areas" are chargeable to the storm reserve. Tampa Electric also incurs other logistics costs including security costs, laundry fees, cleaning fees, portable restroom rental fees, and sometimes costs for a nurse station or first aid worker.
- Subparagraph (1)(e)3 lists "[t]ransportation of crews for storm restoration." The "transportation" category has historically included all costs related to foreign crew travel including lodging, food or per diem, or even airfare.
- Some foreign crews include other items in their storm restoration invoices including overhead, accounting staff that prepare the invoices, security costs, and the cost of support personnel back in the utility's home territory.

Tampa Electric believes there is an alternative that would limit the Commission's discretion but is not so restrictive as to eliminate these and other similar costs that might otherwise be chargeable to the storm reserve. Paragraph (1)(g) of the Rule states that "certain costs may be charged to Account 228.1 only after review and approval of the Commission." Pursuant to Subparagraphs (1)(g)1-2, utilities may charge "back-fill work" and "catch-up work" as well as uncollectable accounts expenses to the storm reserve with prior Commission approval. Tampa Electric proposes inclusion of a new subparagraph (1)(g)3 that would allow utilities to charge to the storm reserve: "Other storm-related

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<sup>1</sup> Paragraph II.D of the Storm Cost Settlement Agreement states: "For the first qualifying storm described under II.B, the Consumer Parties will not object to and will support the Company recovering the start-up costs for new procedures required under these processes..."

costs, provided that the utility demonstrates that the costs would not have been incurred but for the need to perform storm restoration activities.” Given that Subparagraphs (1)(e)1-10 would become a restrictive list, this addition would still allow utilities to charge other types of storm-related costs to the storm reserve if they make the required showing and obtain Commission approval. This approach does not vest the Commission with unbridled discretion – the Commission would only be able to approve those charges if it finds that the utility has demonstrated that they would not have occurred but for the storm.

## **2. Three-Year Average Threshold**

Staff proposes to add a 3-year historical average test to Subparagraphs (1)(e)1-7 and 9. Based on discussion at Staff’s June 29<sup>th</sup> workshop, Tampa Electric understands that Staff took the 3-year average from the storm cost settlement agreements recently entered into by Florida utilities and applied those to the Rule. Tampa Electric does not believe it is necessary or appropriate to apply the test to every category of costs in Paragraph (1)(e).

In the Storm Cost Settlement Agreement, Tampa Electric agreed to apply a 3-year historical average test to certain categories of costs to determine which portion of the costs are incremental and chargeable to the storm reserve. These include:

- Base payroll for affiliate employees and for Tampa Electric employees in transmission and distribution roles.
- Additional contractor labor under Subparagraph (1)(e)1, specifically a subset of that labor including “T&D Non-Vegetation Management Contractor Costs” for native contractors.
- Overtime payroll under Subparagraph (1)(e)8.

The company did not, however, agree to apply this 3-year average test to the remaining categories of listed in Paragraph (1)(e). Tampa Electric agreed to apply the 3-year average test only where the company concluded that it is a reasonable method of identifying incremental costs. Since Tampa Electric agreed to apply a 3-year average test to costs in Subparagraphs (1)(e)1 and (1)(e)8 in the

Storm Cost Settlement Agreement, the company does not object to inclusion of the test for those categories of costs in the Rule.

Tampa Electric does not believe the three-year average should be applied to the remaining categories of costs in Subparagraphs (1)(e)1-10. First, Staff does not propose to add the 3-year average test to Subparagraphs (1)(e) 8 and 10. Tampa Electric agrees. Second, the company believes that all logistics costs under Subparagraph (1)(e)2 and all transportation costs for crews in Subparagraph (1)(e)3 should be considered incremental and chargeable to the storm reserve. These costs can be specifically identified, are not incurred in the absence of a storm, and are directly attributable to storm restoration activities. Third, the company believes the three-year average is not necessary for some categories of costs even though the company incurs these costs in the normal course of business, specifically:

- Vehicle costs under Subparagraph (1)(e)4
- Waste management costs under Subparagraph (1)(e)5
- Rental equipment costs under Subparagraph (1)(e)6
- Fuel costs under Subparagraph (1)(e)9


Once storm restoration begins, Tampa Electric establishes cost collectors to track storm-related costs in these categories, meaning the incremental portion will be readily identifiable.

Tampa Electric is also concerned that Staff's proposed language does not address the potential distorting impact of an anomalous event like a large unusual activity or a major storm on the three-year average threshold. For example, if Tampa Electric was impacted by a major hurricane in Year 1, and a mild tropical storm in Year 3, costs associated with the tropical storm might not be chargeable to the storm reserve because of the impact of the major named storm on the three-year historical averages. Tampa Electric believes Staff should, for any category of costs subject to the threshold,

incorporate language that would exclude these anomalous events from the calculation of the three-year average. Tampa Electric proposes adding a sentence to each subparagraph containing the three-year average threshold that would state: “The company may normalize for costs specifically attributable to an expense activity anomaly for the prior three years when calculating the actual monthly average.”

Tampa Electric would like to thank Staff for their hard work in preparing the initial draft revisions to the Rule, and the company looks forward to working with Staff on these topics as rulemaking proceeds. Please do not hesitate to contact me with any questions or concerns regarding these comments.

Sincerely,



Malcolm N. Means

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