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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

Docket No. 20200151-EI

Petition for approval of a
regulatory asset to record
costs incurred due to COVID-19,
by Gulf Power Company.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 6

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

DATE: Tuesday, July 7, 2020

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN CLARK: All right. Let's move along.
3 The next item on the agenda is Item No. 6.

4 Mr. Futrell, will you introduce the item?

5 MR. FUTRELL: Yes, sir. Good morning, Mr.
6 Chairman, Commissioners. Mark Futrell with staff.

7 Item 6 is staff's recommendation on Gulf Power
8 Company's petition for approval to establish a
9 regulatory asset to track and record costs incurred
10 due to COVID-19. The company has requested
11 approval to defer incremental bad debt expense and
12 safety related costs attributable to COVID-19.

13 Approval to establish a regulatory asset for
14 accounting purposes does not limit the Commission's
15 ability to review reasonableness of such costs and
16 other related matters in a future rate proceeding.

17 Staff recommends Gulf be ordered to track any
18 assistance or benefits received by the company in
19 connection with COVID-19, regardless of form, that
20 would offset any COVID-19 related expenses.

21 In addition, Gulf should be prepared to
22 explain in a future rate proceeding what actions
23 and efforts it has undertaken to reduce or minimize
24 these costs and to maximize the receipt of any
25 available COVID-19 assistance or benefits.

1 Finally, staff recommends Gulf be required to
2 file quarterly reports with the Commission
3 identifying the amounts of COVID-19 costs incurred,
4 any assistance or benefits received and any cost
5 savings realized.

6 The first COVID-19 report would be due on
7 August 17th, with an updated report due every three
8 months thereafter until Gulf files for cost
9 recovery.

10 The Commission will review any -- or will
11 review actual costs incurred and potential offsets
12 when Gulf seeks approval to recover such costs from
13 customers.

14 Representatives of the Office of Public
15 Counsel and Vote Solar and the CLEO Institute would
16 like to address the Commission. Representatives of
17 the utility are available to respond to comments
18 and for your questions, as is staff.

19 CHAIRMAN CLARK: All right. Thank you, Mr.
20 Futrell.

21 We are going to begin with OPC. Ms. Morse,
22 are you available?

23 MS. MORSE: Yes, I am here.

24 CHAIRMAN CLARK: You are recognized.

25 MS. MORSE: Good morning. Okay, thank you.

1 Many good morning, Commissioners, and thank
2 you for the opportunity to discuss this docket.

3 The global pandemic has certainly created a
4 challenging situation and choices for most of our
5 country. We are encouraged by the --

6 CHAIRMAN CLARK: Ms. Morse, could -- Ms.
7 Morse, I am sorry for interrupting you.

8 Could you get a little closer to maybe the
9 microphone? We are having a little bit of trouble
10 hearing you. And I am going to ask staff, if they
11 would, to turn our volume in the hearing room up
12 again please.

13 Commissioners, can y'all hear okay? Could you
14 hear Ms. Morse okay? Okay, it may be just on our
15 end then. We are having a little trouble hearing
16 her here.

17 I am sorry, Ms. Morse. Go ahead.

18 MS. MORSE: Okay. Thank you. I will try to
19 be louder.

20 CHAIRMAN CLARK: Thanks.

21 MS. MORSE: We are encouraged by the ethos of
22 shared sacrifice and the dedication by so many in
23 our state to work together to get through this
24 difficult time. So OPC is concerned that the
25 petition and the analysis are incomplete, thus

1 premature in at least two aspects.

2 First, the petition lacks any demonstration of
3 financial integrity issues at the utility which
4 could make creation of a regulatory asset necessary
5 right now.

6 And second, the -- the terms used in the
7 petition are -- are so vague and undefined that
8 it's not clear factually what costs would be
9 included in the proposed regulatory asset.

10 OPC is also concerned that putting the utility
11 on the road to having its customers fund 100
12 percent of certain costs that are alleged or
13 anticipated as either utility shortfalls or
14 expenses is not only incorrect as a matter of the
15 governing accounting standards and regulatory
16 precedence, but is also grossly inequitable under
17 the circumstances of the economic downturn and the
18 layoffs faced by so many customers. So it does not
19 strike the correct balance regarding the
20 apportionment of pandemic costs to be borne between
21 shareholders and customers.

22 Gulf has not made any effort to show that it's
23 in danger of falling below the ROE, the earnings
24 range it was granted by the Commission, or that its
25 financial integrity is at risk. When a utility is

1 earning within its authorized earnings range, it is
2 deemed to be earning a fair rate of return during
3 the period at issue, thus it's not eligible to seek
4 relief in the form of the regulatory asset
5 accounting sought in this case.

6 The fundamental principles of rate-making
7 established in the -- by the Supreme Court in
8 Southern Bell V Bevis in 1973, and followed by this
9 Commission ever since, dictate that while cus --
10 while a utility is earning a fair rate of return
11 within the range granted by the Commission, it's
12 not eligible for a rate increase, and the same
13 basic rate-making principles apply in this case.

14 Also, Gulf has not shown that the costs that
15 it desires to put into the regulatory asset are not
16 already being covered in its current earnings.

17 So Gulf has not demonstrated or documented
18 that its financial integrity has been compromised.
19 Instead, the documentation available shows the
20 opposite. In its most recent surveillance report,
21 the data shows Gulf had no financial integrity
22 issues. In fact, on average, it was earning above
23 its midpoint. Gulf's ROE range is 9.25 percent to
24 11.25 percent. Its most recent earnings
25 surveillance report for the period ending April

1 2020 shows an ROE of 10.29 percent, so Gulf is well
2 within its range and over 100 basis points below
3 the floor. In fact, above -- I am sorry, in fact,
4 the -- the ROR Gulf reported was an average of 5.61
5 percent, which is above the 5.59 percent midpoint
6 listed.

7 As such, Gulf should not receive a direct path
8 to an unwarranted recovery from customers, not to
9 mention profit on top of that recovery via
10 regulatory asset accounting for some of the costs
11 that it claims. Moreover, Gulf's petition doesn't
12 reflect any effort by Gulf to consider cost
13 reductions in its own company operations before
14 seeking more money from customers.

15 Regarding staff's recommendation that a
16 request for a regulatory asset accounting --
17 accounting is merely a preliminary step and that
18 there is no guarantee customers will eventually pay
19 the costs including in the regulatory asset because
20 the costs will purportedly be reviewed for
21 reasonableness later. The equitable accounting
22 standards indicate otherwise. In fact, the grant
23 of regulatory asset accounting treatment virtually
24 assures recovery from customers.

25 According to financial accounting standards

1 topic 980-340-25, the recognition of regulatory
2 assets, the requirement is that in order for costs
3 to be eligible for regulatory asset treatment in
4 the first place, those costs must be probable for
5 recovery by a date certain. Therefore, the
6 criteria that must be met in order to establish a
7 regulatory asset clearly demonstrates that approval
8 of a regulatory asset today is tantamount to
9 pre-approval, or, at minimum, much closer on the
10 spectrum toward approval than it is to a prelude or
11 preliminary steps.

12 Additionally, Gulf's petition at paragraph 15
13 references vague, undefined, quote, "COVID costs",
14 end quote, and suggests the scope of those
15 undefined costs cannot yet be anticipated. To the
16 extent the ambiguous term COVID costs could be
17 construed now or in the future to reference some
18 form of lost revenues because the company did not
19 meet sales expectations, the application of topic
20 FASB topic 980-10-20 defining incurred costs
21 govern. Pursuant to the accounting standard, a
22 utility cannot obtain regulatory asset treatment
23 for decreased demand or sales, or electricity it
24 never sold, because that is not an incurred cost.

25 The Commission must apply the same accounting

1 principle in this case. Costs related to the
2 electricity never sold, meaning service not
3 rendered to customers, are not eligible for
4 regulatory asset accounting, or to be paid later
5 by -- by customers.

6 Additionally, Florida Administrative Code Rule
7 25-6.0143(1)(f)(9) also provides guidance regarding
8 decreased revenues based on an analogous context
9 under the extraordinary circumstances, like the
10 aftermath of a storm, the rule prohibits recovery
11 of lost revenues from services not provided or,
12 again, electricity service customers did not
13 receive.

14 The Commission should apply the same
15 principles in this case. The pandemic is also an
16 extraordinary event for the reasoning it's valid,
17 costs related to electricity never sold do not
18 belong in a regulatory asset to be paid by future
19 customers.

20 Current customers are paying for all the O&M
21 expenses incurred today by Gulf, and Gulf is
22 earning well within its authorized earnings range,
23 as demonstrated by its own documents filed with the
24 Commission. If and when Gulf is earning below its
25 authorized earnings range, it has the ability to

1 file a base rate case for relief.

2 There is already an effective method to
3 account for bad debt. So there is no compelling
4 reason to treat the bad debt referenced in Gulf's
5 petition differently based on the available
6 information now.

7 Additionally, OPC agrees with staff, that if a
8 regulatory asset is ever established, Gulf should
9 be able to track, report and sell off any loans,
10 grants, assistance or benefits it's received or
11 will receive in connection with COVID-19,
12 regardless of the form or source, which offset any
13 COVID-19 related expenses. This includes but is
14 not limited to any income received pursuant to the
15 U.S. Department of Treasury's administration of
16 the -- the CARES Act, and any future legislation
17 that's applicable.

18 We further agree with staff, that Gulf should
19 be required to track, report and factor into its
20 alleged costs any savings experienced during the
21 pandemic. And those savings should include not
22 only operational and variable cost savings, but
23 also the lower cost of borrowing money due to
24 historically low interest rates.

25 Next, regarding the request to include the,

1 quote, "safety related cost", end quote into the
2 proposed regulatory asset, we again note the need
3 under the applicable accounting standards for a
4 description of the types of items that would
5 qualify for this category.

6 While the term safety might call to mind hand
7 sanitizer, masks and PPE, we note that in some
8 places it appears utilities sought to include costs
9 of things like temporary facilities and technology,
10 or equipment to allow employees to work from home,
11 or otherwise sequester themselves, along with
12 ancillary costs related to social distancing and
13 working from home. However, to the extent Gulf
14 continues to earn within its authorized earnings
15 range, it is deemed to be earning a fair return,
16 and -- and paying all expenses incurred; therefore,
17 no special accounting treatment is warranted.

18 Gulf has noted that it is already tracking its
19 safety costs without an order, so that suggests
20 it's not necessarily needed for Gulf to keep track
21 of those.

22 Moreover, it's inconsistent with equitable
23 principles for customers to fund 100 percent of
24 Gulf's safety related costs, especially since Gulf
25 is earning a fair return. Where customers suddenly

1 out of work have to buy their own PPE without
2 reimbursement from anyone, the utility has not made
3 a convincing case for why it should not only be
4 reimbursed 100 percent by customers for buying
5 unspecified safety related materials and equipment,
6 but to then earn a profit on top of already being
7 made whole is unconscionable, so the Commission
8 should deny this request.

9 The accounting scheme requested in the
10 petition will potentially negatively affect not
11 only low income -- low income customers, but also,
12 frankly, no income customers who are suddenly and
13 possibly for the first time out of their life out
14 of work. Nonetheless, being low income or out of
15 work does not mean they are not paying their
16 electric bills with either their own savings or
17 stimulus money from the CARES Act or government
18 programs such as the low Income Home Energy
19 Assistance Program.

20 Information from the U.S. Energy Information
21 Administration is that some 25 million households
22 chose to pay their energy bills instead of buying
23 certain food or medicine even pre-COVID. So it
24 shows that customers do place a premium, or place a
25 priority on -- on meeting their obligations to --

1 to keep their utilities on.

2 Additionally, the most recent data from the
3 federal government shows employment is dramatically
4 up with more people at work. On July 2nd, the
5 President called the jobs gain record setting, and
6 predicted, you know, the economy is roaring back,
7 and that 80 percent of small businesses are now
8 open. So, you know, the situation is changing
9 clearly, and there is -- there is no indication
10 that large numbers of customers will either
11 continue to not pay their bills or not -- or not
12 satisfy any payment plans that are offered by the
13 utility.

14 The claim that other -- that other state PSCs
15 and similar agencies have entered orders related to
16 cost recovery regarding the pandemic doesn't tell
17 the whole story. Not all of those states approve
18 regulatory assets. And even so, many states have
19 limited regulatory asset treatment to uncollectible
20 customer accounts directly related to the pandemic
21 or events to suspend disconnection. Many states
22 have carefully and prudently defined the costs that
23 would be allowed in a regulatory asset, or a set
24 out specific methodology to govern the deferral.
25 And some appear to require separate reporting

1 regarding a utility's financial condition to -- to
2 qualify or regulatory asset accounting.

3 Additionally, many have excluded some of the
4 costs that Gulf has either requested be included in
5 a regulatory asset now, or which based on the
6 emphasized language in the petition would
7 apparently be eligible for inclusion in the future
8 after regulatory asset has been approved.

9 So while OPC recognizes the -- the pandemic
10 situation is fluid, unfortunately, the consequences
11 are already more dire for people who are out of
12 work, or businesses that were shut down for -- for
13 months than it is for a utility that, according to
14 its April 2020 earnings surveillance report, is
15 still earning a fair return. Meaning it's still
16 earning over \$15 million in monthly net operating
17 income, and who enjoy the benefit of captive
18 customers, Gulf didn't make any showing in the
19 docket to contradict that -- that most of its
20 captive customers are still paying their electric
21 bills. So Gulf's request for -- for customers to
22 bear 100 percent of its expenses related to
23 COVID-19 is inconsistent with the principle of
24 everyone being in this together.

25 So finally, it's OPC's position that it's not

1 appropriate to set up a regulatory asset at this
2 time because Gulf is operating within its earnings
3 range, and some utilities in the state are actually
4 setting all-time highs for usage as reported this
5 week by -- by Florida Power & Light in a letter to
6 the Commissioners. So there does not appear to be
7 any danger of -- of decreased usage or revenues due
8 to the inability to sell electricity, particularly
9 when so many customers are still paying their
10 bills.

11 To the extent any regulatory asset is
12 approved, it should be carefully specifically
13 tailored to include only the bad debt related to
14 uncollectible customer accounts. Any costs to be
15 included must be more well-defined than the COVID
16 costs, or COVID related activities referenced in
17 the petition, or else the regulatory asset approval
18 will effectively operate as a blank check to the
19 utility payable by the customer.

20 Also, Gulf should not be allowed to profit off
21 the COVID-19 crisis. The interest rate on any
22 regulatory asset should be denied or limited. So
23 OPC respectfully requests the Commission first take
24 the time to more specifically define any categories
25 of items to be included or -- and set parameters

1 and methodologies for calculating the costs that
2 should be allowed into any regulatory asset before
3 prematurely approving one today.

4 Thank you for your time. We appreciate your
5 consideration.

6 CHAIRMAN CLARK: Thank you, Ms. Morse.

7 Ms. Ottenweller.

8 MS. OTTENWELLER: Hi. Good morning, Chairman
9 Clark and Commissioners. Thank you for the
10 opportunity to speak today. My name is Katie
11 Chiles Ottenweller. I am with Vote Solar, and I am
12 also speaking on behalf of the CLEO Institute.
13 Salome Garcia is also on the line to answer any
14 questions that you may have.

15 We have filed written comments on this matter,
16 so I am going to limit my comments to the four
17 recommendations that we are offering.

18 I want to start by making clear that we do not
19 oppose Gulf Power's request for regulatory asset
20 treatment of COVID costs; rather, we are asking for
21 the relief to be extended not only to Gulf Power,
22 but to its customers as well, many of whom are in
23 dire economic straits.

24 We commend Gulf's decision to suspend
25 disconnections in March, but it's our understanding

1 that Gulf's plan is begin shutting off customers'
2 power again this month.

3 Frankly, we don't know how many customers are
4 in arrears, but over 2.6 million Floridians have
5 applied for unemployment. Every disconnection that
6 the Commission allows represents a Florida family
7 that will no longer be able to search for and apply
8 for a new job on-line; that will not be able to
9 connect their children to their on-line classroom,
10 or to safely shelter in place during the hottest
11 summer months. Electricity is the lifeblood of our
12 economy. If Gulf starts turning off the lights, it
13 will set these Floridians out of a safe economic
14 recovery.

15 Gulf appears to be asking for bad expense
16 treatment through the end of 2020, although it's
17 not totally clear from their petition. There is no
18 mention in Gulf's petition concerning its
19 commitment to help customers during this time
20 period.

21 Our first request is that in exchange for
22 regulatory asset treatment, the Commission should
23 require Gulf to keep customers lights on through
24 the end of hurricane season, with a repayment grace
25 period through at least March of 2021. Similar

1 actions have been taken by Virginia, Connecticut
2 Kentucky and Kansas recently.

3 I want to flag that there is a state of
4 emergency that's still in effect in Florida as of
5 today, and the Governor just extend the moratorium
6 on evictions and foreclosures through August 1st.
7 If Gulf Power needs special relief through 2020,
8 then we would ask the same consideration be given
9 to the families that Gulf serves.

10 That gets to our second recommendation, that
11 the Commission would require Gulf Power to publicly
12 file monthly data related to the COVID crisis.
13 Commission staff recommended quarterly data related
14 to costs, but it's not exactly clear that this
15 would provide transparency into what could
16 potentially be a looming ratepayer debt crisis that
17 we do not have full visibility into to, and which
18 could trigger an unacceptable number of
19 disconnections.

20 In North Carolina, where monthly reporting of
21 arrearages is mandated, utilities are reporting
22 over 880,000 residents or customers eligible for
23 disconnection. Without this information, we are
24 really flying blind in a storm. Publicly filed
25 data is critical to giving all stakeholders a clear

1 line of sight into the challenges that we are
2 facing.

3 Third, consistent with staff's recommendation,
4 we would ask the Commission to frame a balanced
5 response toward utility cost recovery that offsets
6 any incremental COVID costs with identifiable cost
7 reductions, and does take into account where the
8 utility is currently sitting in terms of its return
9 on equity.

10 And lastly, when the customers's house is on
11 fire, your first call should not be to your
12 accountant, it should be to the Fire Department.
13 And that means doing everything possible to keep
14 the lights on, make bills affordable and prevent
15 bad debt from being created at all.

16 Utilities are taking a nontransparent and very
17 piecemeal approach to helping their customers deal
18 with this, and we would posit that it's time for
19 the Commission to step in and push for aggressive
20 arrearage management and forgiveness, and creative
21 nextgen solutions that would provide debt relief as
22 an incentive for DSM participation.

23 Leadership from the Commission is needed now
24 more than ever. We would recommend that the
25 Commission start by initiating a workshop together

1 data on the utility's financial impact, customer
2 arrearages, shutoff policies, debt relief programs,
3 and also utility investments that could aid
4 recovery, create jobs and save lives, customers
5 bills.

6 The workshop could explore ways to incentivize
7 utilities to reduce disconnections and focus on
8 emerging arrearage management initiatives that are
9 being adopted in other states.

10 Thank you so much for your time, and we are
11 happy to address any questions.

12 CHAIRMAN CLARK: Thank you very much.

13 Mr. Badders, do you have any response?

14 MR. BADDERS: Yes, briefly. Thank you for the
15 opportunity to address the Commission and to
16 respond to some of these comments.

17 From the very beginning, Gulf has looked at
18 what we could do for our customers with regard to
19 the COVID-19 pandemic. We were very quick to limit
20 disconnects and suspend disconnects in March.
21 Throughout this time, we have offered customers
22 multiple opportunities through, you know, emails,
23 emails, through conversations over the phone to
24 sets up payment assistance, to -- to private local
25 state or federal assistance.

1 So if you look at our website, we have a lot
2 of that information available for customers. So
3 the idea that -- that, again, that we are not being
4 proactive, we are. We are trying to be very
5 proactive and to help our customers. We understand
6 this a difficult time.

7 But what we are here today is really not to
8 address, you know, disconnect, or -- or even the
9 ultimate recovery of the costs that we have sought
10 here as Public Counsel has gone through in great
11 detail. All of their objections to the ultimate
12 issue that will be addressed in the future as far
13 as cost recovery, how much, how it will be done,
14 exactly what costs would be included, all of those
15 are for a future proceeding.

16 Here today, we are talking about an accounting
17 order, basically allowing us to separate, track and
18 account for the regulatory asset two things -- two
19 buckets.

20 First is incremental bad debt. That is not
21 lost revenue, as OPC has described or discussed.
22 We are not seeking that. We are seeking
23 incremental bad debt, and the calculation and the
24 definition of that is laid out in our petition.

25 The second bucket are the safety costs. And

1 we did not attempt to list any and everything.
2 What we tried to do in paragraph 13 of our petition
3 is to lay out basically, you know, the areas that
4 we are seeing costs. And we don't see any other
5 areas coming up on this, so I won't say this is a
6 finite list, but it is pretty close to a complete
7 list.

8 And again, it is not making peoples homes safe
9 when they are working at home. It's very defined
10 as monitoring the help of our employees at our
11 facilities; testing for COVID-19 for employees and
12 our contractors who enter our premises; making
13 modifications to our facilities to allow for social
14 distancing, and to ensure that the safety of our
15 customers who come in those buildings and our
16 employees as they work there.

17 And then again, you know, there is masks and
18 gloves and additional signage at our locations to,
19 again, protect our employees, protect our vendors
20 and to protect our customers who come into those
21 buildings.

22 So again, it's not this -- this parade of
23 issues that I think that OPC is putting on the
24 table. We -- we very clearly define what we are
25 asking for, and trying to limit it to two very

1 discrete areas.

2 And I guess to touch on that, you know, I
3 understand, you know, OPC's position on some of
4 their -- their issues that they have raised.
5 Nothing that we are seeking here, and nothing that
6 the Commission does when they approve a regulatory
7 asset forecloses them from bringing those issues in
8 a future proceeding where we seek actual cost
9 recovery.

10 There is no -- I think Ms. Morse mentioned
11 that this is virtue approved. I don't really know
12 what virtually approved means. We have the burden
13 to prove these costs if the regulatory asset is
14 established in whatever proceeding we bring that in
15 the future, we have that burden. It is not a
16 guarantee. It never has been a guarantee related
17 to a deferred asset.

18 And then finally, the comments from Vote
19 Solar, Vote Solar and CLEO, most of what they are
20 seeking -- I think she said that at the end -- is
21 really beyond the scope of this proceeding, what we
22 are talking about here today. She wants to discuss
23 other topics in a broader forum. We don't oppose
24 that. We are not suggesting that's necessary, but
25 that's not what we are doing here. Now, I believe

1 they -- or she mentioned that they do not oppose
2 the establishment of a regulatory asset as
3 requested by Gulf.

4 So I am available to answer any of your
5 questions. Again, we hope that you have reviewed
6 this and you see where we are at as far as what we
7 need at this point, and that we are really just
8 seeking an accounting order here.

9 Thank you.

10 CHAIRMAN CLARK: Thank you, Mr. Badders.

11 Okay, Commissioners, any questions or
12 comments?

13 Commissioner Polmann.

14 COMMISSIONER POLMANN: Thank you, Mr.
15 Chairman.

16 One question I believe would be directed to
17 staff, and this has do with the accounting detail.

18 My question is: If approved today to
19 establish the regulatory asset for accounting
20 purposes, what is the effective date, or the date
21 range, I guess, of this accounting treatment? Is
22 it -- or can it be backward-looking, or is it
23 strict lay forward-looking accounting process?

24 CHAIRMAN CLARK: Mr. Maurey, would you like to
25 answer that question.

1 MR. MAUREY: Commission, this is Andrew Maurey
2 with Commission staff. I will -- I would like to
3 address some questions.

4 CHAIRMAN CLARK: Yes, please.

5 MR. MAUREY: That would be -- the company, in
6 its position, has asked to track costs beginning
7 April 1st forward. The Commission has the
8 discretion to have that the start date, or it could
9 choose a start date of its -- of its even choosing
10 in the order. But the company, in its petition,
11 has asked to begin costs incurred on or after April
12 1st.

13 CHAIRMAN CLARK: Thank you, Mr. Maurey.

14 COMMISSIONER POLMANN: Mr. Chairman, one other
15 question.

16 On this -- this question, in my mind, arises
17 as a result of Ms. Morse's comments, and I will
18 just ask it in -- in general terms, and this has to
19 do with what are the financial consequences, or --
20 or the cost impacts from any action today that
21 would arise to the customer? Is there anything
22 that -- that comes out of the proposed action today
23 that we are being asked to -- to address?

24 CHAIRMAN CLARK: Mr. Maurey, I will ask you to
25 address that question again.

1 MR. MAUREY: Thank you.

2 No, it does not affect the customer today.

3 COMMISSIONER POLMANN: Thank you, Mr.
4 Chairman. That's all I had.

5 CHAIRMAN CLARK: Thank you.

6 Commissioner Brown.

7 COMMISSIONER BROWN: Thank you, just a
8 follow-up to Mr. Maurey.

9 OPC raised a few different arguments against
10 this accounting treatment. They also said that
11 this action -- this accounting treatment is -- it
12 is not really a preliminary step, as staff has
13 suggested.

14 Can you just clarify that granting treatment
15 as a regulatory asset of those incremental costs
16 does not guarantee full recovery?

17 MR. MAUREY: That's actually correct. It's --
18 it's closer to approval than disapproval, the
19 creation of a regulatory asset, but by no means
20 constitutes a guarantee.

21 And as Mr. Badders stated earlier, the burden
22 of proof still relies on Gulf Power in this future
23 proceeding to demonstrate that not only that these
24 costs incurred, but they were reasonable and
25 appropriate under the totality of the

1 circumstances. We are not looking at this in
2 isolation. As the recommendation clearly states,
3 we are looking at offsets from benefits in
4 assistance, possible cost savings. It is not a
5 blank check, as it was characterized earlier.

6 COMMISSIONER BROWN: Right. And they are
7 already reporting right now those separated costs
8 that will ultimately, if we approve this, will be
9 very clear and transparent.

10 MR. MAUREY: That's correct. We have asked
11 for quarterly reportings. The other comments
12 suggested monthly, but we -- and that's really up
13 to the Commission. We are not opposed to monthly.
14 We suggested quarterly to allow the Commission to
15 track these costs over time as opposed to all at
16 once at the end.

17 We will defer to the Commission if it prefers
18 we see this information monthly.

19 COMMISSIONER BROWN: I think monthly could be
20 helpful given the fact that there is so much change
21 that goes on every week in our state, I think
22 monthly would be a better and more accurate
23 guidance for us.

24 I want to ask Gulf Power, though, a question,
25 regarding the bad debt that they are already

1 incurring.

2 Staff had previously been asking the IOUs to
3 provide information about the bad debt of customers
4 that they are incurring. Can you give us a
5 percentage of what -- how many customers are behind
6 or haven't paid their bills since the state of
7 emergency?

8 MR. BADDERS: Yes, Commissioner. And it
9 varies daily, but it ranges between 15 and 20
10 percent.

11 COMMISSIONER BROWN: Wow. Wow.

12 So, you know -- (inaudible) -- able to
13 track -- I think Ms. Morse kind of alluded to the
14 states' different actions that have been really a
15 good benchmark for all of us to see what's going on
16 around the country, and many states have already
17 taken action, as she pointed out, requiring
18 utilities to track and account for the financial
19 effects of the pandemic.

20 Some states, like Indiana and Arizona and
21 Nevada, in addition to the tracking, they've also
22 had inquiries. They set up separate dockets to
23 kind of go over some of those items that Ms.
24 Ottenweller suggested kind of a workshop. But
25 they've -- they've had different types of general

1 dockets to cover and address utility preparedness
2 plans related to COVA [sic] -- COVID-19.

3 I don't think it's a bad suggestion. I mean,
4 I would hate for us to piecemeal it each -- each
5 time, but I am curious about the water and
6 wastewater utilities who are already -- many of
7 them are already very, very lean, what are they
8 doing? How are they preparing moving forward?

9 Rather than taking a piecemeal approach, it
10 may be beneficial to have some type of workshop
11 that we could gather on the different various
12 industries and have a discussion, a dialogue to get
13 a better understanding, because we are going to be
14 seeing a lot more requests like this today. So I
15 think it would give us just a more holistic
16 perspective.

17 And if staff has anything to add about how
18 each different industry is treating the pandemic,
19 please feel free to jump in.

20 CHAIRMAN CLARK: Okay. Any staff member can
21 respond to -- Mr. Futrell, any staff members that
22 can respond to that?

23 MR. FUTRELL: Thank you, Mr. Chairman and
24 Commissioner.

25 Staff is seeking through -- through a formal

1 means of tracking what's going on with the
2 companies as far as tracking their websites and
3 their activities, and how they are rolling out
4 options they are presenting to the customers
5 regarding discontinuance of service, payment plans,
6 information like that. So we are continuing to
7 follow that information and maintain open channels
8 of communication to -- to stay aware of what's
9 happening.

10 If the Commission wishes to -- to hold some
11 other event that -- where folks can come together
12 and discuss this in a more -- in an informal manner
13 before the Commission, we would help to facilitate
14 that if that's the wish of the Commission.

15 COMMISSIONER BROWN: So, Mark, I think that's
16 a really good suggestion. We are just limited
17 right now to the electric and maybe one gas
18 company, one water and wastewater utility; is that
19 correct?

20 MR. FUTRELL: I think we are trying to access
21 as much information as we can through their
22 websites, and, you know, certainly have we sent out
23 communications to the small water and wastewater
24 companies early on in the -- in the pandemic to
25 make sure they were aware of the options available

1 to them under our rules, and actions they may wish
2 to take, or need to take regarding their tariffs.

3 So we have tried to -- to reach across the
4 industries to -- to contact them and also to
5 monitor what they are doing with regard to
6 assisting their customers.

7 COMMISSIONER BROWN: Thank you, Mark.

8 And irrespective of the dockets that we have
9 before us today, Gulf's request and this type of
10 accounting treatment, it's not atypical. It's
11 similar to what other states are doing. And
12 obviously, the Commission has the opportunity to
13 scrutinize those costs and deem whether they are
14 reasonable and prudent.

15 But outside of that, I think there is a
16 broader discussion for us to -- to have a -- a
17 forum where we can ultimately and possibly get a
18 report that kind of shows all the -- what all the
19 different industries are doing at Internal Affairs
20 meeting, or something to that effect.

21 But I think taking an affirmative action to
22 gather this in a more formal venue, as Vote Solar
23 and CLEO have suggested, is probably the best path
24 for us taking moving forward as we continue to deal
25 with the effects of the pandemic.

1 I don't have a problem with the request being
2 made today.

3 CHAIRMAN CLARK: Thank you, Commissioner
4 Brown.

5 Commissioner Graham.

6 COMMISSIONER GRAHAM: Thank you, Mr. Chairman.

7 I -- I guess I will start off. I don't have a
8 problem with the regulatory asset, but I think OPC,
9 Ms. Morse makes a good point. I think it should be
10 tied directly just to bad debt. I think by -- by
11 tying it to the bad debt allows for Gulf to be a --
12 to be a good neighbor, for them to allow for people
13 not to cut their service off, you know. And I
14 think she also made a good point, extending this to
15 the end of the year. That gives them comfort of
16 actually not cutting people off during this time,
17 and allows for them to be a good neighbor, and
18 allows for them to have a comfort that they are not
19 going to feel the adverse effect at the end, you
20 know, during the -- during the next rate case
21 coming up.

22 Some of the other things that they were asking
23 for as far as expenses for PPEs and that sort of
24 stuff, some of that is going to be handled during
25 the -- during the hurricane issues, because I know

1 they have PPEs for their workers out in the field.
2 They are doing things as far as more hotel rooms,
3 and that sort of stuff. That's all going to be
4 handled in a different issue, and they will be
5 taking care of that.

6 As far as inside their building and people at
7 work, I mean, that's what everybody else is dealing
8 with right now, and that's just part of doing
9 business. And just as long as they are earning
10 within their earning range, I think there is not an
11 issue there. I think if they go outside of their
12 earning range and they start dropping below the
13 hundred basis points, then that's a different
14 issue, and we can address it then.

15 But I think -- for this regulatory asset, I
16 think OPC hit it right on the head. I think it
17 should be for bad debt, and I -- I think -- like I
18 said, it allows for -- it allows for it to be a
19 win/win for everybody, because it allows for Gulf
20 to have the comfort of not feeling like they have
21 to go up and beat their -- beat their customers up
22 for that money until after people get back on their
23 feet and people get back to work.

24 CHAIRMAN CLARK: Thank you, Commissioner
25 Graham.

1 Commissioner Fay, did you have a comment?

2 COMMISSIONER FAY: Yes. Thank you, Mr.

3 Chairman. I -- I was feeling left out here, so I
4 appreciate that.

5 I appreciate all the comments. I think there
6 has been a number of things that I agree with.
7 When you -- when I looked at the regulatory asset
8 originally, I had questions about under our
9 authority the basis of doing so, and more
10 importantly kind of the consistency of doing so.

11 So since this is a newer issue, the -- the
12 legal authority to create -- just the creation, not
13 the overview or the approach to look at what's
14 actually prudent or not, is under sound legal
15 authority and made sense to me.

16 I do know that OPC mentioned the -- the Rule
17 25-60143 that appears to speak specifically to
18 storm related, and I think that comment was made by
19 Ms. Morse. But I think from what I am looking at,
20 there is -- there is nothing -- nothing that
21 prohibits the creation of this, or is inconsistent
22 with the authority that we have.

23 My -- my, I guess, bigger concern or approach,
24 as Ms. Morse mentioned, that the just this creation
25 component is inconsistent with the accounting

1 principles. And I -- I fully admit that I don't
2 have the accounting principles memorized by any --
3 any means, but I think it's something that I would
4 like maybe Mr. Maurey, or -- or staff to address,
5 because I think that discussion could -- could be
6 had in the future about what that looks like, but
7 if the creation itself is inconsistent with the
8 accounting principles, then I think that's
9 something that -- that we would need to look at.

10 CHAIRMAN CLARK: All right.

11 MR. MAUREY: This is Andrew Maurey, Commission
12 staff.

13 The creation of this regulatory asset as
14 recommended is not inconsistent with passing 980.
15 This is well within the Commission's jurisdiction.
16 There is -- there is a requirement that recovery is
17 possible, probable for -- (inaudible) -- but it
18 doesn't mean it's guaranteed. The company still
19 has the burden to demonstrate that it's -- it's
20 appropriate for recovery.

21 This is a placeholder. And it allows the type
22 of information that OPC described, that CLEO
23 described, to -- to be brought forth and examined
24 by the Commission at a future proceeding when
25 recovery is sought -- if recovery is sought. It

1 could also be a situation where they create this
2 regulatory asset and they -- they ultimately don't
3 seek recovery on it.

4 COMMISSIONER FAY: And, Mr. Chairman, just a
5 quick follow-up question?

6 CHAIRMAN CLARK: Yes, sir.

7 COMMISSIONER FAY: Thank you.

8 And so the decision of a limitation of the
9 recovery as it states, just -- just a bad debt, is
10 that something that would be under consideration
11 now or in the future when we look at the -- the
12 prudence of the costs?

13 MR. MAUREY: As I understood Commissioner
14 Graham's suggestion was to limit the costs that
15 could be recorded in the regulatory asset to
16 incremental bad debt expense, and that would affect
17 the decision today, because that's -- that's
18 narrower than -- than what Gulf has proposed.

19 Staff is not -- staff is not opposed to that.
20 We defer to the Commission's judgment on what it
21 wants to limit for purposes of the regulatory
22 asset, but it is a decision that would be made
23 today. If it's limiting to incremental bad debt
24 expense, that's what it's limited to.

25 COMMISSIONER FAY: Great. Thank you.

1 And, Mr. Chairman, I will defer to my
2 colleagues, but I think just from -- from what I
3 understand that there is the recommendation with
4 the discussion of monthly reporting and potentially
5 limitations that the bad debt as it -- as it
6 relates to the recovery for this asset, and I would
7 support both of those concepts, but understanding
8 that my -- my colleagues might have different
9 opinions, so I will -- I will turn it back over to
10 you.

11 Thank you.

12 CHAIRMAN CLARK: Thank you, Commissioner Fay.

13 I have one question before I move to other
14 Commissioners.

15 Mr. Badders, I want to go back to the comment
16 that you made regarding the percentage of customers
17 that are carrying bad debt. Did you say that
18 number was now between 15 and 20 percent?

19 MR. BADDERS: Yes, Commissioner. And it
20 varies daily, but it -- but it's in that range.

21 CHAIRMAN CLARK: And that is the customers who
22 are carrying an arrearage that would typically put
23 them up for disconnection, is that correct?

24 MR. BADDERS: I would have to go back and look
25 how many of these are at 30 days versus 60 or 90,

1 but, yes, a portion -- yes, a majority of those may
2 be at a position where there would be a potential
3 for disconnect, but that is our last resort option.

4 We have a lot of other payment options.
5 Again, there is agencies that provide assistance
6 that we can connect people with. And -- and that's
7 what we are doing now, and that's what we would
8 pursue as we go forward.

9 So that's not to say that, as of some certain
10 day, that 15 percent of our customers will be
11 disconnected. That -- that is not going to happen.

12 CHAIRMAN CLARK: I am not implying that, Mr.
13 Badders. I have another question.

14 I want to know what is your typical, at the
15 end of the 30-day billing cycle, how -- what do
16 you -- what's the percentage that you normally
17 carry that are in a arrearage? I normally saw 10
18 to 12 percent is not uncommon. Is that your normal
19 monthly allocation?

20 MR. BADDERS: I do not know the normal monthly
21 allocation on people that are in arrearage, but we
22 look at our debt -- bad debt on a monthly basis,
23 you are looking at about nine percent right now,
24 and it's normally in the two-and-a-half or so. So,
25 I mean, you are looking at a very significant

1 increase in folks carrying that bad debt at this
2 point.

3 CHAIRMAN CLARK: And that's kind of -- I guess
4 that's kind of where I am trying to get to. Do you
5 normally see your 10 percent of customers at the
6 end of the month that have debt, it hasn't gone
7 into what we describe as bad debt yet, but they are
8 late at the end of 30 days, you -- typically, the
9 threat of disconnection is what gets that bill
10 paid. Now you are seeing between 15 and
11 20 percent. The -- the increase, you are not
12 having a 20-percent is not the whole number. You
13 are only seeing a percentage increase. I -- I
14 think I'm probably confusing that more than I am
15 simplifying it.

16 MR. BADDERS: Yes, I understand. You are
17 right. We are not seeing an additional 20 percent
18 of our customers. I mean, it -- there -- there is
19 always that percentage at the end of the month, and
20 I don't know that exact, but let's say it's 10
21 percent, we are now in the 15 to 20, so that's
22 doubled potentially at this point.

23 CHAIRMAN CLARK: Correct.

24 Also I wanted to -- to go back and address the
25 other thing that you had started to mention, and

1 that's in regard to the agencies out that are
2 assisting not only the LIHEAP programs, but the
3 Council on Aging and multiple religious
4 organizations that are setting up systems to assist
5 folks with their payments, what kind of numbers are
6 you seeing coming in from folks that are -- that
7 are helping? Have y'all tracked that information?

8 MR. BADDERS: I know that we are tracking some
9 of that information. I do know that, like, take
10 LIHEAP, it's my understanding that they received
11 about 56 million in extra funding, which is above
12 the -- the -- I think the typical 97 million. So
13 they -- they've had a very large increase that's
14 been low income in the system.

15 I know the emergency -- I think it's EHEAP,
16 it's Emergency Home Energy Assistance Program, they
17 received, I think, a total funding of about 9
18 million.

19 So there are funds available, there is no
20 doubt. And -- and part of it has been when we have
21 called customers and said, hey, we would like to
22 set up you on some payment assistance that you can
23 contact, we have a portion of our customers who are
24 not interested in that at this point. It's just
25 not something that -- again, maybe it's because

1 there is no threat of disconnect, or maybe there
2 are other things at play, but we have not seen as
3 much of a take of that assistance as we would have
4 expected.

5 CHAIRMAN CLARK: And that -- that's where
6 wanted to get to, Mr. Badders, is I would love to
7 see the numbers of -- of how many additional -- the
8 additional dollars that you have received from the
9 outside agencies compared to what you receive in a
10 normal month. Without the threat of disconnect,
11 the customers doesn't feel the need to go and seek
12 help and -- and find those dollars to pay their
13 bill, that's kind of what I am implying here.

14 MR. BADDERS: That is right.

15 CHAIRMAN CLARK: Okay.

16 MR. BADDERS: And I don't have the exact
17 numbers, but that has been our experience so far.

18 CHAIRMAN CLARK: Great. Thank you.

19 Okay, Commissioners, any other comments from
20 Commissioners?

21 MS. MORSE: Mr. Chair -- I am sorry, Mr.
22 Chair?

23 CHAIRMAN CLARK: Yes.

24 MS. MORSE: Hello, I just wanted to be --

25 CHAIRMAN CLARK: Would you please -- please

1 identify yourself?

2 MS. MORSE: Oh, hi, I am sorry. This is
3 Stephanie Morse at OPC and I just wanted to clarify
4 one thing, because I was afraid from the comments
5 that maybe I had been misunderstood in terms of --
6 of other states.

7 So I just wanted to make the point that I
8 wasn't indicating that other states have entered
9 kind of blanket orders or, you know, grant --
10 granted requests that similar to Gulf. In fact,
11 it's the opposite.

12 What I was saying is, in fact in Indiana,
13 which was mentioned, they limited their
14 regulated -- regulatory asset to uncollectible
15 accounts or the bad debt, and they denied lost
16 revenue and denied the O&M, the new O&M. So -- and
17 in fact, that order, which was issued June 29th,
18 they stated: A regulatory asset carries with it a
19 presumption that the costs are entitled to future
20 recovery.

21 And the same goes -- goes for Arizona. They
22 also did not grant just a blanket regulatory asset
23 order. They -- they -- they chose to limit theirs,
24 too. And, in fact, staff said: When you grant an
25 accounting order, it is close to a guarantee, and

1 it's very challenging for us to say no later. So I
2 just want to clarify that issue.

3 I believe our accountant might want to speak
4 to the -- the accounting issue that -- that
5 Commissioner Fay had a question about.

6 MS. LEWIS: I'm here. Hi, this is Sarah Lewis
7 with the Office of Public Counsel, and I just
8 wanted to clarify, you know, what rules surround
9 regulatory assets if you read the Accounting
10 Standard Codification 980-340-25-1, and the rate
11 action a regu-- regulator can provide reasonable
12 assurance of the existence of an asset all or part
13 of an incurred cost that would otherwise be charged
14 through expense should be capitalized as a
15 regulatory asset if -- and it's got two things that
16 it needs to meet. Those items are A, that it is
17 probable that future revenues in an amount
18 approximately equal to the capitalized costs will
19 result from inclusion of that cost and allowable
20 cost rate-making purposes; and B, the regulator
21 intends to provide further recovery of that
22 specific incurred cost rather than to provide for
23 expected levels of similar future costs.

24 And basically this is saying that you can't
25 set up a regulatory asset unless it's probable that

1 those -- those costs are going to -- that it's
2 really in the future going to be that as a
3 regulatory asset. And it defines probable as well,
4 which is likely to occur. And just kind of keep
5 that in mind when you are thinking about this.

6 Thank you.

7 CHAIRMAN CLARK: Thank you very much.

8 Commissioner Fay, did that answer your
9 questions?

10 COMMISSIONER FAY: It -- it does in part.
11 The -- the specific accounting principle she's
12 referencing, I -- I looked for that. I am not able
13 to pull that at my fingertips. If she could maybe
14 give that to us one more time.

15 MS. LEWIS: Sure, it is ASC 980-340-25-1.

16 COMMISSIONER FAY: Okay. Great. Thank you.

17 CHAIRMAN CLARK: All right. Commissioner
18 Brown.

19 COMMISSIONER BROWN: Thank you.

20 And just in regard with Indiana as well as
21 Arizona, I brought those states up because they
22 initiated dockets, separate dockets to inquire
23 about the impacts of COVID-19 pandemic. I think
24 that's more the point that I am getting at in a
25 generic kind of proceeding, more formal than what

1 this commission is doing currently.

2 So I think those are really good templates to
3 really get a holistic approach of how our state
4 utilities are dealing with it on a regular basis
5 and gather information for us so that we can be
6 informed at a regular Internal Affairs meeting.

7 With that being said, we've got a couple of
8 topics being discussed or that we were throwing
9 around and it gets -- we've got Commissioner
10 Graham's approach to just have incremental bad debt
11 associated not with safety costs. I think he also
12 suggested extending the disconnection for this
13 utility throughout end of the year. So those are
14 two additional topics that I just wanted to kind of
15 see where we are all at on that.

16 I -- personally, I thought that if the safety
17 costs are not included in the hurricane costs, then
18 they would be incremental in nature, but I would
19 ask Mr. Badders for clarification on that, on the
20 PPE.

21 MR. BADDERS: Yes. I mean, the PPE that I am
22 referring to would be, you know, our -- our folks
23 in the field today, linemen and otherwise, people
24 who go into, you know, out in the field, they have
25 to have PPE, and it's specialized for COVID-19.

1 That's the type of costs I am talking about here.
2 I am not talking about hurricane related PPE.

3 That's not to say that some of what we are
4 doing now would not be beneficial in hurricane
5 restoration, but to me, they are two different
6 buckets, and we are not trying to recover them
7 twice.

8 And -- and all the parties would be able to
9 look at that at the time that we bring this for
10 cost recovery in the future, that there would be no
11 double recovery, or double count of the safety
12 costs.

13 COMMISSIONER BROWN: And -- and of the
14 currently -- current estimates that you have for
15 2020, for safety related costs, not the incremental
16 bad debt, that's at four million?

17 MR. BADDERS: Yes. That is the -- the current
18 estimate, of that, about two million is operating
19 expense. So we have been able to reduce some of
20 those expenses already by being able to capitalize
21 some of the temperature screening that initially
22 was going to be more of an O&M expense because of
23 the labor involved and all of that.

24 So we are working to reduce that. And again
25 we are very careful, and we want to be very

1 transparent. And we will put all of that in the
2 monthly or quarterly filing.

3 COMMISSIONER BROWN: So let's talk about being
4 a good neighbor. And I know you said that there
5 are differences programs in your service territory
6 out there, community related. You talked about
7 payment programs too.

8 Commissioner Graham alluded to -- he made a
9 suggestion to extend disconnection through the end
10 of the year. Obviously, we have a hurricane season
11 looming on us through November 30th.

12 Can you talk about Gulf's position on whether
13 that would be acceptable given all the factors that
14 we have discussed?

15 MR. BADDERS: Again, you know.

16 COMMISSIONER BROWN: And, pardon me, and the
17 fact that if we approve the treatment of the
18 regulatory asset, you would be tracking that
19 incremental bad debt as well.

20 MR. BADDERS: That is right.

21 And, you know, again, if we -- we are to
22 extend the mora-- or put a moratorium, or extend
23 the disconnect suspension through the end of the
24 year, or through hurricane season, again, we know
25 we would have a greater or higher level of bad

1 debt.

2 We don't intend to reinitiate disconnects
3 until the end -- actually it would be the first
4 part of -- of August. And we are mindful, you
5 know, that if there is a hurricane, if, you know,
6 events that continue to happen with COVID-19, there
7 are changes with that, that the reopening slows
8 down, we will revisit -- again, depending on how
9 this comes out today, but we would revisit whether
10 or not we would want to suspend disconnections
11 again.

12 Now, obviously, if the Commission orders us
13 to -- to cease disconnections, we would do that.
14 But at this point, you know, the bad debt is
15 building. We -- we've heard, and I think we have
16 all seen that, you know, the economy is starting to
17 rebound. People are going back to work.

18 So at this point, we would like to be able to
19 initiate disconnections again in August. And --
20 and, again, we can revisit that if things change.
21 The utilities, I think gulf and others, have been
22 very proactive in doing that. And if we were to
23 have a workshop and further conversation, that
24 could be explored there too.

25 COMMISSIONER BROWN: I think the workshop

1 would be really helpful to have all -- and to have
2 some type of uniformity with regard to
3 disconnection and late payments, and get clarity
4 monthly as it is evolving.

5 But those are just some of the topics I wanted
6 to explore, Commissioner Graham.

7 CHAIRMAN CLARK: Commissioner Graham.

8 COMMISSIONER GRAHAM: Thank you, Mr. Chairman.

9 I -- I didn't mean to assume that we were
10 going to force them to extend cutting people off
11 until the end of the year. I did -- I was giving
12 that option. I guess we can leave it to their
13 discretion. I don't have a problem with that at
14 all.

15 I know at this point, because the Governor has
16 asked them not to shut people off, that they are --
17 they are being forced not to collect that bad debt
18 right now because it's more of a mandate. And what
19 I am just trying to do now is to give them the
20 flexibility so they don't have to come back after
21 the order ends and extend it from whatever, give
22 them the flexibility to not have to collect it
23 until the end of the year, not saying that they are
24 not going to collect it. I am not going to try to
25 tell them how to do their business. I just think

1 that the regulatory assets should just be limited
2 to the bad debt, and they can decide on their own.
3 You know, I didn't want to force their hand.

4 One of the things I learned from doing some of
5 the Gulf rate cases is the -- the that the
6 community loves those guys. I mean, you can go and
7 sit back and listen to the public, and they talk
8 about how great they are out in the community, and
9 you want to give them the tools to continue to be a
10 good neighbor.

11 So what we said about the PPE, I think
12 everybody is dealing with that right now. I think,
13 you know, even our own offices. I mean, we are --
14 we are having our employees stay at home. You
15 know, we giving them desks at home. We are getting
16 chairs, computers, all of that stuff, that's just
17 part of doing business.

18 And just as long as they are earning within
19 their -- as long as they are earning within
20 their -- their range, then that's part of doing
21 business. If they start dropping below their
22 range, then I think we need to look at that stuff
23 and -- and make an adjustment to that.

24 But everything that I have looked at, and
25 other states that I have talked to, I mean --

1 (inaudible) -- are not going down by any means. So
2 I think the ability to stay within the range,
3 it's -- it's huge. My only concern, and the reason
4 why I would support this would be specifically for
5 bad debt.

6 CHAIRMAN CLARK: Thank you, Commissioner
7 Graham.

8 Commissioner Polmann.

9 COMMISSIONER POLMANN: Thank you, Mr.
10 Chairman.

11 We've -- we've had a long discussion here, and
12 I appreciate all the Commissioners weighing in on
13 this, including Commissioner Fay joining in. I
14 didn't want him to be left out, so thank you,
15 Commissioner Fay.

16 I want to support the -- the accounting
17 treatment here, and I heard quite a bit. I believe
18 I have gotten the assurance that I was looking for
19 in the sense that I am confident the authority does
20 have -- or the Commission does have the authority
21 to take the action that's proposed. I -- I don't
22 believe that was ever at issue, or staff would
23 have -- would not have recommended this.

24 From my perspective, certainly what we've seen
25 within Florida in the last month or so, we had

1 hoped would not happen, but certainly the COVID-19
2 pandemic and the consequences around that are very
3 much in flux.

4 And I -- I certainly heard, and I do
5 understand and appreciate that the utility is
6 earning within its range. I -- I acknowledge that,
7 but I -- I believe many other things are going on,
8 the significant bad debt is -- is very important,
9 but I -- I perceive much more than that is on the
10 table.

11 Bad debt is -- is a known item. We understand
12 how to treat that. Storm damage is -- is well
13 understood. We know how to treat that. What I
14 believe what we have before us with the pandemic is
15 perhaps something different, and I -- I would -- I
16 would like to keep this thing in my ear so that I
17 can -- so I can hear what's going on, so pardon me
18 a second. Excuse me.

19 So I am hopefully that we can -- that we can
20 take a broad view here, and I would definitely
21 support the monthly reporting regardless of what
22 subject matter goes forward. And -- and that's in
23 the interest of full disclosure, transparency and
24 so forth. And it -- it gives all parties an
25 opportunity to fully examine this as -- as it moves

1 forward, and whatever regulatory asset is intended,
2 that the information be disclosed timely, and that
3 everyone has an opportunity to be examining that in
4 along the way, rather than in a future proceeding
5 with a tremendous amount of information all at
6 once.

7 The broad view, I think, is important because
8 we are plowing a new ground with this type of -- of
9 treatment, the subject matter treatment. I am not
10 inclined to prejudge in a limited scope by
11 excluding it, and I don't want to come to any
12 conclusion on what I think are extraordinary costs
13 to some degree. I don't know what all the costs
14 are. I -- I would like to see a utility have an
15 opportunity to identify all of them and lay that
16 information out, again, in a transparent way.
17 Whatever they choose to seek in recovery in the
18 future, let's -- from my perspective, I think they
19 deserve that opportunity. They've asked for it,
20 and I am not -- I am not opposed to do that.

21 If there are, in fact, extraordinary costs,
22 incremental costs due to the pandemic, I don't
23 believe we've seen something like this in the past,
24 and I am not opposed to -- to providing that
25 opportunity. I have heard that we have the

1 authority.

2 If -- if a regulatory asset is -- is the most
3 reasonable vehicle for that to be explored, I -- I
4 can support the staff recommendation moving
5 forward.

6 If staff has any -- any alternative
7 suggestions on a way to deal with this, I would
8 certainly like to hear from them, Mr. Chairman.

9 Thank you for the opportunity.

10 CHAIRMAN CLARK: Thank you, Commissioner
11 Polmann.

12 Okay. Commissioners, your decision. How do
13 you want to handle this?

14 Commissioner Brown.

15 COMMISSIONER BROWN: I -- I like Commissioner
16 Polmann's approach to not precluding any costs that
17 we can later review. Like he -- he stated so
18 eloquently, this is a matter that we have not seen
19 before, and to preclude even the tracking as a
20 regulatory asset, and the reporting of it, I think,
21 would be prejudicial. We don't know if they would
22 be prudent and reasonable at this time. They -- I
23 would echo Polmann's suggestion.

24 CHAIRMAN CLARK: Okay. So what I am hearing
25 is that -- that we would stick with staff

1 recommendation with the exception we had a
2 modification from quarterly reporting to monthly
3 reporting; is that a fair assessment of the
4 Commission's current views? I am getting the head
5 nods.

6 Great. One of you put that in the form of a
7 motion then.

8 Commissioner Brown moves to approve staff's
9 recommendation with a modification of monthly
10 reporting instead of quarterly reporting; is that
11 correct, Commissioner Brown?

12 COMMISSIONER BROWN: Yes, sir. Thank you.

13 CHAIRMAN CLARK: Thank you.

14 Do I have a second?

15 COMMISSIONER POLMANN: Second.

16 CHAIRMAN CLARK: I have a motion and a second.

17 All right. Any discussion on the motion as
18 presented? Anyone?

19 All right. All in favor, say aye.

20 (Chorus of ayes.)

21 CHAIRMAN CLARK: Opposed? Motion carries
22 unanimously.

23 COMMISSIONER GRAHAM: Wait. Wait, Mr.
24 Chairman.

25 CHAIRMAN CLARK: I am sorry, Commissioner

1 Graham.

2 COMMISSIONER GRAHAM: I voted against the
3 motion.

4 CHAIRMAN CLARK: Okay. Thank you. I'm sorry,
5 I saw your lips move.

6 Record Commissioner Graham as a no vote on
7 that motion, please.

8 All right.

9 COMMISSIONER BROWN: Mr. Chairman --

10 CHAIRMAN CLARK: Commissioner Brown.

11 COMMISSIONER BROWN: I know time is -- is
12 getting pretty tricky here, so I just wanted to ask
13 for you to give guidance to our staff on whether to
14 open up a workshop to gather the utilities
15 together, as was suggested by SACE and a CALEA. As
16 of right now, what we are doing is very informal
17 and piecemeal. So I would -- I would leave that
18 for -- for your guidance and your suggestion.

19 CHAIRMAN CLARK: Absolutely. And thank you
20 for that. I had made myself a note to schedule
21 that. We -- we do want to do a workshop on that,
22 so thank you very much, Commissioner Brown.

23 COMMISSIONER BROWN: Thank you.

24 CHAIRMAN CLARK: Okay. I tell you what we are
25 going to do, we are going to -- we are going to

1 take a five-minute recess. I have got some
2 requests for a recess here. So let's take a
3 five-minute recess.

4 Thank you.

5 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 17th day of July, 2020.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020