

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of a regulatory asset to record costs incurred due to COVID-19, by Gulf Power Company.	DOCKET NO. 20200151-EI ORDER NO. PSC-2020-0406-PAA-EI ISSUED: October 27, 2020
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The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman  
ART GRAHAM  
JULIE I. BROWN  
DONALD J. POLMANN  
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING PETITION FOR APPROVAL OF A  
REGULATORY ASSET TO RECORD COSTS INCURRED  
DUE TO COVID-19 FOR GULF POWER COMPANY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On May 22, 2020, Gulf Power Company (Gulf or Company) filed a petition for approval to establish a regulatory asset to record costs incurred due to Coronavirus Disease 2019 (COVID-19). Gulf has requested deferral of incremental bad debt expense and safety-related costs attributable to COVID-19. Given the ongoing nature of the COVID-19 pandemic, the total extent of Gulf's COVID-19-related costs are not known at this time. Our consideration of the potential recovery of the regulatory asset will be addressed in a future proceeding.

We have jurisdiction over this matter pursuant to Sections 366.04 and 366.06, Florida Statutes (F.S.).

Decision

We are charged with the duty of ensuring that utilities provide safe, adequate, and reliable utility service at reasonable rates. By law, such rates must allow utilities the opportunity to recover the prudently incurred costs and a fair rate of return on capital invested by utilities for

the purpose of providing such service. In turn, utilities have a responsibility, and are expected, to manage their business in a manner that addresses changes in costs and variability in sales.

On May 22, 2020, Gulf filed a petition for approval to establish a regulatory asset to defer certain costs incurred due to COVID-19. Gulf has requested approval to record incremental bad debt expense and safety-related costs attributable to COVID-19 in the requested regulatory asset.

Gulf has calculated bad debt expense of approximately \$2.1 million for April 2020, while the historic monthly average for April is approximately \$0.3 million. Gulf anticipates that COVID-19-related bad debt expense will continue to increase in future months. An allowance for bad debt expense is included in base rates. This allowance is typically based on the three-year average of bad debt expense experienced by the utility.

Gulf currently estimates that safety-related costs for its employees, contractors, and customers will exceed \$4.0 million for 2020, of which approximately \$2.0 million will be recorded as operating expenses. We note that Gulf's total COVID-related safety costs remain subject to change.

The concept of deferral accounting allows companies to defer costs due to events beyond their control and seek recovery through rates at a later time. The alternative would be for a company to seek a rate case each time it experiences an exogenous event. The costs in the instant docket are attributed to the COVID-19 pandemic. Due to the uncertainty of this situation, Gulf states that it is not possible to fully anticipate the scope or timeframe of the financial impact on the Company and its customers related to COVID-19.

Because of the unique circumstances resulting from the global pandemic, we approve Gulf's request to establish a regulatory asset for recording costs incurred due to COVID-19 and defer our consideration of the potential recovery of the amounts recorded in the regulatory asset to a future proceeding. This approval to establish a regulatory asset, for accounting purposes, does not limit our ability to review the amounts, recovery method, recovery period, and other related matters for reasonableness in a future proceeding in which the regulatory asset is included.

In addition, we direct that Gulf track any assistance or benefits received by the Company in connection with COVID-19, regardless of form, that would offset any COVID-19-related expenses. This includes, but is not limited to, any cost savings directly attributable to the suspension of disconnections or other activities during the emergency declaration. The regulatory asset costs and offsets shall be recorded and maintained in a detailed manner that will allow incremental costs and any benefits and savings to be readily identifiable in a future proceeding. Gulf shall also be prepared to explain what actions and efforts it has undertaken to reduce or minimize these costs and to maximize the receipt of any available COVID-19 assistance or benefits. Finally, Gulf shall file monthly reports identifying the amounts of the costs incurred, any assistance or benefits received, and any cost savings realized which have been recorded in the regulatory asset. The first COVID-19 regulatory asset report shall be filed on August 17, 2020 along with Gulf's 2020 ESR and every month thereafter until the Company presents the regulatory asset for our consideration.

Based on the foregoing, it is

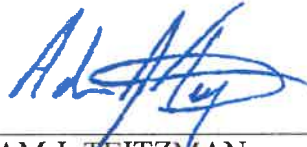
ORDERED by the Florida Public Service Commission that Petition for approval of a regulatory asset to record costs incurred due to COVID-19, by Gulf Power Company, is granted. It is further

ORDERED that Gulf shall file monthly reports identifying the amounts of the costs incurred, any assistance received, and any cost savings realized, which have been recorded in the regulatory asset. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final upon issuance of a consummating order, this docket remain open for the purpose of filing monthly status reports.

By ORDER of the Florida Public Service Commission this 27th day of October, 2020.



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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 17, 2020.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.