

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light
Company for Limited Proceeding for Recovery
of Incremental Storm Restoration Costs
Related to Hurricane Matthew

Docket No: 20160251-EI

Date: May 2, 2018

**FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT**

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Order No. PSC-2017-0471-PCO-EI, files with the Florida Public Service Commission (the "Commission"), its Prehearing Statement, and states:

1) FPL WITNESSES

Direct

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUE #</u>
Manuel B. Miranda	Supports the reasonableness and prudence of Transmission and Distribution (T&D) storm restoration costs for which FPL is seeking approval. Provides an overview of FPL's emergency preparedness plans and processes and details for the work and costs incurred by FPL's T&D organization in connection with Hurricane Matthew. Describes FPL's T&D response and restoration efforts, follow-up work activities necessary to restore FPL's facilities to their pre-storm condition and details on T&D storm restoration costs, including follow-up work, and a breakdown of costs by major cost category. Discusses the key factors contributing to FPL's overall successful performance in restoring service to those customers impacted by Hurricane Matthew. Provides examples of key restoration plan/process enhancements that FPL has implemented since the 2004 and 2005 storm seasons.	2,3,4,5,6
Kim Ousdahl	Supports the calculation of the Hurricane Matthew recoverable amount FPL is seeking for cost recovery. Demonstrates that FPL's storm restoration and recovery accounting processes and controls are well established, documented, and implemented by	1,2,3,4,5,7,8

personnel that are suitably trained to ensure proper storm accounting and ratemaking. Explains that FPL’s accounting for Hurricane Matthew was in accordance with the Incremental Cost and Capitalization Approach (“ICCA”) methodology required under Rule 25-6.0143 and with the provisions of FPL’s 2012 Settlement Agreement. Describes details of the total recoverable storm amount of \$316.5 million, which includes replenishment of the storm reserve to \$117.1 million. Provides details of adjustments made to the final storm costs as a result of the staff audit and other required adjustments as well as the final true up of the costs.

Eduardo DeVarona	Provides an overview of FPL’s non-T&D (Nuclear, General, Customer Service and Power Generation) activities, restoration efforts and cost details related to Hurricane Matthew. Supports the reasonableness and prudence of those activities and the associated costs for which FPL is seeking recovery.	2,3,4,5
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Tiffany C. Cohen	Describes FPL’s proposal for calculating the final true-up amount related to the Hurricane Matthew 2017 Interim Storm Charge (in effect from March 1, 2017 to February 28, 2018) and the Company’s proposal to refund or charge customers for any excess or shortfall. Supports the calculation of actual revenues received from the 2017 Interim Storm Charge.	9,10
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Rebuttal

WITNESS

SUBJECT MATTER

ISSUE #

Manuel B. Miranda	Rebuts testimony of Office of Public Counsel (“OPC”) witness Helmuth Schultz and demonstrates that FPL’s Hurricane Matthew hotel costs and contractor mobilization, demobilization and standby costs were necessary and critical to support FPL’s restoration response and that these costs are prudent and reasonable.	4,5,6, “A”
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Kim Ousdahl	Rebuts testimony of OPC witness Helmuth Schultz and demonstrates that FPL accounted for and presented Hurricane Matthew storm costs for recovery in accordance with Rule 25-6.0143 and FPL’s 2012 Settlement Agreement. Specifically	1,2,3,4,5,7,8
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addresses witness Schultz's recommended adjustments related to 1) costs charged to the storm reserve for storm events prior to Hurricane Matthew; 2) the calculation of incremental regular payroll; and 3) increasing the capitalization of storm costs. Provides a corrected Exhibit KO-2, which revises the total recoverable storm amount to \$316.5 million, reflecting additional immaterial reductions to recoverable costs and the categorization of such costs.

2) EXHIBITS

Witness	Proffered By	Exhibit #	Description
Manuel B. Miranda	FPL	MBM-1	FPL's T&D Hurricane Matthew Restoration Costs
Manuel B. Miranda	FPL	MBM-2	Hurricane Matthew Article Provided in OPC's Response to FPL's 1 st Production of Documents No. 2
Kim Ousdahl	FPL	KO-1	Hurricane Matthew Final Costs and Incremental Cost and Capitalization Approach ("ICCA") Adjustments
Kim Ousdahl	FPL	KO-2 (Corrected)	Corrected Hurricane Matthew Final Costs and Incremental Cost and Capitalization Approach ("ICCA") Adjustments
Kim Ousdahl	FPL	KO-3	Annual Transmission and Distribution Storm Damage Feasibility Reports for 2013-2017
Kim Ousdahl	FPL	KO-4	Pre-Matthew Storm Reserve Activity for January 2013-September 2016
Tiffany C. Cohen	FPL	TCC-1	Actual Revenues Under 2017 Interim Storm Charge

In addition to the above pre-filed exhibits, FPL reserves the right to utilize any exhibit introduced by any party. FPL additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination, or impeachment at the final hearing.

3) STATEMENT OF BASIC POSITION

Hurricane Matthew, a Category 4 storm, threatened and ultimately impacted a large portion of FPL's service territory, FPL undertook reasonable, necessary, and prudent measures to prepare and respond to the impacts of the storm. These preparations included complex and comprehensive logistical arrangements for mobilizing approximately 14,600 FPL employees, external contractors, and mutual aid utilities to support the restoration effort. These logistical arrangements and coordination of resources included, but were not limited to, staging sites, lodging, laundry, food, communications, and fuel delivery. FPL pre-staged some of these resources in preparation for the storm impacting FPL's service territory.

Less than 24 hours before Hurricane Matthew's forecasted severe and direct landfall on Palm Beach County and the Treasure Coast, the storm made a small jog to the east leaving some

of the worst winds off the Florida coastline. While spared the worst of a Category 4 hurricane, the storm nonetheless impacted 34 out of 35 counties in FPL's service territory. Hurricane Matthew caused damage to poles, transformers, miles of wire, and other equipment resulting in 1.2 million FPL customers having their service interrupted. FPL's effective planning and established restoration processes allowed the Company to safely restore power to approximately 99% of its customers by the end of the second full day after Matthew left FPL's service territory.

FPL has sought recovery of the final/actual recoverable storm amount in accordance with the provisions of FPL's 2012 Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-2013-0023-S-EI, Docket No. 20120015-EI. FPL had a pre-Hurricane Matthew storm reserve balance of \$93.1 million. The 2012 Stipulation and Settlement Agreement also explicitly authorizes FPL to replenish the storm reserve to the balance as of the Settlement's implementation date, \$117.1 million. Paragraph 5 of the 2012 Stipulation and Settlement Agreement confirms that storm cost recovery mechanism approved by the Commission includes recovery of both Eligible Restoration Costs and the amount required to replenish the Storm Reserve to the level in effect on January 2, 2013, the Implementation Date of the Settlement Agreement. The Company calculated the final/actual Recoverable Storm Amount of \$316.5 million in accordance with the 2012 Stipulation and Settlement Agreement, as well as the ICCA and other requirements of Rule 25-6.0143. FPL's costs were prudently and reasonably incurred in response to Hurricane Matthew. Moreover, the Commission staff completed an audit of FPL's final costs and found that FPL correctly recorded all costs with three relatively minor exceptions.

FPL's proactive approach to storm preparation, mobilization of resources, and execution of storm restoration was not just prudent and reasonable but highly successful in achieving restoration of service to approximately 99% of its customers by the end of the second full day after Matthew left FPL's serviced territory. These activities and around the clock efforts involved logistical coordination and restoration activities executed in real time. OPC's proposed adjustments to FPL's prudent and reasonable storm restoration costs are not supported by Rule 25-6.0143, F.A.C., not justified and should be rejected by the Commission.

Once the Commission makes its final determination of the Recoverable Storm Amount, FPL will compare that approved amount to the actual revenue received from the 2017 Interim Storm Charge, in order to determine any excess or shortfall in recovery. The true-up rates will be designed in a manner that is consistent with the cost allocation used in the original 2017 Interim Storm Charge rates filed and approved in this docket.

4) STATEMENT OF ISSUES AND POSITIONS

FPL continues to object to OPC's Issue A (noted below) as unnecessary and irrelevant to this docket, which is a limited proceeding about Hurricane Matthew storm cost recovery under the interim storm charge mechanism provided in FPL's rate case settlement. Further, this is a generic issue that is in no way distinct to FPL and should be considered, if at all, in an informal workshop or rulemaking proceeding.

ISSUE 1: What is the appropriate baseline from which incremental costs are derived?

FPL: FPL utilized the appropriate baseline from which incremental costs are derived in its calculation of incremental costs related to Hurricane Matthew. The

calculations concerning the appropriate baseline from which costs are derived were performed by FPL in accordance with Rule 25-6.0143 (Rule), and are consistent with the accounting for every storm event charged to the storm reserve since prior to the effective date of the Rule.

FPL relied upon the Rule and multiple Commission Orders that support the appropriateness of FPL's calculations of non-incremental labor costs. Order No. PSC-2005-0937-FOF-EI (Docket No. 20041291-EI) required FPL to use the budgeted amount of regular payroll for the year in which the storm occurred as the baseline to determine the incremental amount of regular payroll for the 2004 storms, Order No. PSC-2006-0464-FOF-EI (Docket No. 20060038-EI) allows recovery of regular payroll normally recovered through capital or cost recovery clauses, and part (1)(f)(7) of the Rule specifies use of budgeted call center and customer service costs when calculating incremental costs. (Ousdahl)

ISSUE 2: What is the appropriate amount of FPL regular payroll expense to be included in storm recovery?

FPL: \$1.6 million of regular payroll and related payroll overheads for employee time spent in direct support of storm restoration and net of amounts normally recovered through capital or clauses. This amount excludes bonuses and incentive compensation and is the appropriate amount of FPL regular payroll expense to be included in storm recovery. There is no support in the Rule or precedent for OPC's position that the baseline for determining recoverable regular payroll expense is the amount reflected in FPL's 2012 rate case MFRs. (Miranda, Ousdahl, DeVarona)

ISSUE 3: What is the appropriate amount of FPL overtime payroll expense to be included in storm recovery?

FPL: \$14.6 million of overtime payroll and payroll tax overheads for employee time spent in direct support of storm restoration is the appropriate amount of FPL overtime payroll expense to be included in storm recovery. FPL's determination of the portion of over time payroll expense to be capitalized is consistent with the Rule. (Miranda, Ousdahl, DeVarona)

ISSUE 4: What is the appropriate amount of contractor costs to be included in storm recovery?

FPL: \$184.3 million of contractor costs (includes line clearing) is the appropriate amount of contractor costs that should be included in storm recovery. FPL's determination of the portion of contractor costs to be capitalized is consistent with the Rule. (Miranda, Ousdahl, DeVarona)

ISSUE 5: What is the appropriate amount of logistics costs that should be included in storm recovery?

FPL: \$81.7 million of logistics costs for staging and processing sites, meals, lodging, buses and transportation, and rental equipment used by employees and contractors

in direct support of storm restoration is the appropriate amount of logistic costs that should be included in storm recovery. (Miranda, Ousdahl, DeVarona)

ISSUE 6: Are the standby and mobilization/demobilization costs that are included in FPL's storm recovery appropriate? If not, what adjustments, if any, should be made?

FPL: Yes. FPL's standby and mobilization/demobilization costs that are included in FPL's storm recovery are appropriate and no adjustment should be made. OPC has raised no valid objection to recovery of those costs. Standby and mobilization/demobilization time is recorded on all non-mutual aid utility contractor (approximately 85% of all contractor line resources) time sheets, which are reviewed and approved by FPL. The cost of mobilization/demobilization for non-mutual aid utility contractor line resources was approximately \$40 million, out of a total of \$120 million paid to those contractors. This is a reasonable portion of the total costs, when one considers the distance and time associated with contractors travelling to and from FPL's service territory. FPL estimates that contractor standby costs, *i.e.*, costs associated with pre-staging resources in advance of the storm, were less than \$4 million out of the total \$186.4 million paid to these contractors. Incurring these costs, which are relatively small compared to the total contractor and total restoration costs, was essential to getting customers' power back on as quickly as possible. (Miranda)

ISSUE 7: What is the appropriate amount to include in storm recovery to replenish the level of FPL's storm reserve?

FPL: \$117.1 million is the appropriate amount to include in storm recovery to replenish the level of FPL's storm reserve. In Order No. PSC-2017-0055-PCO-EI, the Commission approved FPL's recovery request, including replenishment of the storm reserve. In response to discovery and as reflected in Exhibit KO-4, FPL provided detail on the charges to the storm reserve between January 2013 and September 2016. FPL has fully complied with the Rule and its 2012 Settlement Agreement with respect to the recording of costs for prior storms and the calculation of the recoverable amount in this proceeding. (Ousdahl)

ISSUE 8: What is the appropriate amount of storm-related costs and storm reserve replenishment FPL is entitled to recover for Hurricane Matthew?

FPL: FPL requested approval for recovery of the final/actual Recoverable Storm Amount of \$316.5 million as the appropriate amount of storm-related costs and storm reserve replenishment for Hurricane Matthew that FPL is entitled to recover. (Ousdahl)

ISSUE 9: What is the total amount of storm-related revenues that FPL collected for Hurricane Matthew through their approved interim storm restoration recovery charge?

FPL: The total amount of storm-related revenues that FPL collected for Hurricane Matthew through its approved interim storm restoration recovery charge is \$322.4 million (as shown in Exhibit TCC-1). Billing of the 2017 Interim Storm Charge began on March 1, 2017 and concluded on February 28, 2018. (Cohen)

ISSUE 10: If applicable, how should any under-recovery or over-recovery be handled?

FPL: Once the Commission has made its final determination of the Recoverable Storm Amount, FPL will compare that approved amount to the actual revenue received from the 2017 Interim Storm Charge of \$322.4 million, in order to determine any excess or shortfall in recovery. Interest will be applied to the variance, at the 30-day commercial paper rate as contemplated in Rule 25-6.109. Thereafter, FPL will make a compliance filing with the Commission that sets forth the calculation of the appropriate true-up rates to apply to customer bills for a one-month period in order to refund the excess or collect the shortfall. The true-up rates will be designed in a manner that is consistent with the cost allocation used in the original 2017 Interim Storm Charge rates filed and approved in this docket. FPL will apply the true-up rates to customer bills starting on Cycle Day 1 of the first month that is more than 30 days after Commission approval. (Cohen)

ISSUE 11: Should this docket be closed?

FPL: Yes. Upon issuance of an order approving FPL's petition to for cost recovery of Hurricane Matthew costs, this docket should be closed.

CONTESTED ISSUES

OPC

ISSUE A: Should FPL be required to separately track and account for costs associated with standby time, mobilization and demobilization work?

FPL: No. There is no rule or Commission order that requires FPL or any other utility to separately track and account for these associated costs. OPC is essentially asking the Commission to evaluate a new, prospective requirement for an additional and potentially burdensome layer of record-keeping. Any such requirement would be equally applicable to all of the investor owned utilities that the Commission regulates. Thus, any potential further action by the Commission in response to this issue should properly begin with the rulemaking/workshop process. This issue clearly is not appropriate to this FPL-specific cost recovery proceeding. If the Commission were to consider OPC's proposal, it should be addressed in a generic workshop or a rule making proceeding wherein all interested parties, including other utilities, would be afforded the opportunity to participate and comment on the risks and benefits of the proposal. (Miranda)

5) STIPULATED ISSUES

FPL: None at this time.

6) PENDING MOTIONS

FPL: None at this time.

7) PENDING REQUESTS FOR CONFIDENTIALITY

1. FPL's request for confidential classification of information [DN 03360-2018] included in FPL's response to the OPC Second Set of Production of Documents (Nos. 12, 14 and 20), dated January 26, 2018.
2. FPL's request for confidential classification of information [DN 03354-2018] included in FPL's response to the OPC Fourth Set of Interrogatories (Nos. 101 and 106), dated March 13, 2018.
3. FPL's request for confidential classification of information [DN 02810-2018] provided in the OPC testimony and exhibits of Helmuth W. Schultz, III, dated April 6, 2018. [DN 02812-2018]

8) OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

FPL: None at this time.

9) REQUEST FOR SEQUESTRATION OF WITNESSES

FPL: None at this time.

10) STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

There are no requirements of the Order Establishing Procedure with which FPL cannot comply.

Respectfully submitted this 2nd day of May 2018.

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CERTIFICATE OF SERVICE

Docket No. 20160251-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 2nd of May, 2018 to the following:

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