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May 20, 2022

**VIA HAND DELIVERY**

Mr. Adam Teitzman  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

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Re: **Docket No. 20200241-EI,  
Petition for limited proceeding for recovery of incremental storm  
restoration costs related to Hurricanes Sally, by Gulf Power Company;  
Petition for evaluation of Hurricane Isaias and Tropical Storm Eta  
storm costs, by Florida Power & Light Company (formerly Docket  
20210178); and Petition for limited proceeding for recovery of  
incremental storm restoration costs and associated true-up process  
related to Hurricane Zeta, by Gulf Power Company (formerly Docket  
20210179).**

- COM \_\_\_\_\_
- AFD 1 Exh "B" \_\_\_\_\_
- APA \_\_\_\_\_
- ECO \_\_\_\_\_
- ENG \_\_\_\_\_
- GCL \_\_\_\_\_
- IDM \_\_\_\_\_
- CLK \_\_\_\_\_

Dear Mr. Teitzman:

I enclose for filing in the above referenced docket Florida Power & Light Company's ("FPL") Request for Confidential Classification of Information Provided in the Direct Testimony and Exhibits of Office of Public Counsel ("OPC") witness Lane Kollen, and the Exhibits of OPC witness Randy Futral, which were filed confidentially on May 2, 2022.

The enclosed filing includes Exhibits A, B, C, and D. Exhibit A consists of a copy of the Confidential Documents. The information that FPL asserts is entitled to confidential treatment is highlighted. Exhibit B is an edited version of Exhibit A, in which the information FPL asserts is confidential has been redacted; or for responses deemed confidential in their entirety, an identifying cover page. Exhibit C is a justification table in support of FPL's Request for Confidential Classification. Exhibit D contains declarations in support of FPL's filing.

Please contact me if you or your Staff has any questions regarding this filing at (561) 694-3850 or [kate.cotner@fpl.com](mailto:kate.cotner@fpl.com).

Sincerely,

/s/ Kate P. Cotner  
Kate P. Cotner

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Sally, by Gulf Power Company.

Docket No: 20200241-EI  
Docket No. 20210178-EI  
Docket No. 20210179-EI

Date: May 20, 2022

In re: Petition for evaluation of Hurricane Isaias and Tropical Storm Eta storm costs, by Florida Power & Light Company.

In re: Petition for limited proceeding for recovery of incremental storm restoration costs and associated true-up process related to Hurricane Zeta, by Gulf Power Company.

**GULF POWER COMPANY AND FLORIDA POWER & LIGHT COMPANY'S  
REQUEST FOR CONFIDENTIAL CLASSIFICATION OF INFORMATION PROVIDED  
IN THE DIRECT TESTIMONY AND EXHIBITS OF OFFICE OF PUBLIC COUNSEL  
WITNESSES LANE KOLLEN AND RANDY FUTRAL IN DOCKET NO. 20200241-EI;  
DOCKET 20210178-EI; AND DOCKET 20210179-EI.**

Pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code ("Rule 25-22.006"), Gulf Power Company ("Gulf") and Florida Power & Light Company ("FPL") hereby file their Request for Confidential Classification and request confidential treatment of certain documents provided in the direct testimony and exhibits of Office of Public Counsel ("OPC") witnesses Lane Kollen and the exhibits of OPC witness Randy Futral in Docket No. 20200241-EI; Docket No. 20210178-EI; and Docket No. 20210179-EI. ("Confidential Documents"). In support of this request, Gulf and FPL state as follows:

1. Prior to filing the direct testimony of witnesses Kollen and Futral on May 2, 2022, OPC informed FPL that confidential information would be included within witnesses Kollen's testimony and exhibits, and witness Futral's exhibits. Accordingly, FPL filed and served its Notice of Intent to Request Confidential Classification ("Notice") prior to OPC's filing,

indicating its intent to seek confidential treatment of those portions of witnesses Kollen's testimony and exhibits, and witness Futral's exhibits that are entitled to confidential treatment. The Notice was filed May 2, 2022 and is identified as Commission Document No. 02737-2022. In the Notice, FPL stated that it would file its Request for Confidential Classification within 21 days, in accordance with Rule 25-22.006, and specify those portions of the direct testimony and exhibits that FPL asserts is entitled to confidential treatment. This Request corresponds to and fulfills the obligation stated in the Notice.

2. The following Exhibits are attached to and made part of this request:
  - a. Exhibit A consists of a copy of the Confidential Documents. The information that Gulf and FPL assert is entitled to confidential treatment is highlighted.
  - b. Exhibit B consists an edited version of the Confidential Documents wherein the information Gulf asserts is entitled to confidential treatment has been redacted.
  - c. Exhibit C is a table that identifies the information designated as confidential in Exhibit A and references the specific statutory bases for the claim of confidentiality and identifies the Declarant who supports the requested classification.
  - d. Exhibit D consists of the declarations of Thomas Allain, Clare Gerard and David Hughes in support of this Request.

3. Gulf and FPL submit that the highlighted information in Exhibit A is proprietary and confidential business information, and its disclosure would cause harm to FPL and its customers. Pursuant to Section 366.093, such materials are entitled to confidential treatment and are exempt from the disclosure provisions of the public records law. Thus, once the Commission

determines that the information in question is proprietary confidential business information, the Commission is not required to engage in any further analysis or review such as weighing the harm of disclosure against the public interest in access to the information.

4. As described in the declarations in Exhibit D, the confidential business information includes information relating to competitive interests, the disclosure of which would impair the competitive business provider of the information. This information is protected by Section 366.093(3)(e), Florida Statutes.

5. Upon a finding by the Commission that the Confidential Documents are proprietary and confidential business information, the information should not be declassified for at least eighteen (18) months and should be returned to FPL as soon as it is no longer necessary for the Commission to conduct its business. *See* § 366.093(4), Florida Statutes.

6. **WHEREFORE**, for the above and foregoing reasons, as more fully set forth in the supporting materials, Gulf Power Company and Florida Power & Light Company respectfully request that its Request for Confidential Classification be granted. Additionally, Gulf and FPL respectfully request that the Commission, the Office of Public Counsel, and any other party subject to the public records law treat the materials as confidential pending a formal ruling by the Commission or the return of the materials, consistent with Section 366.093(2), Florida Statutes.

Respectfully submitted this 20<sup>th</sup> day of May 2022.

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By: /s/ Kate P. Cotner  
Kate P. Cotner  
Florida Bar No. 60581

**CERTIFICATE OF SERVICE**

**Docket No. 20200241-EI**

**Docket No. 20210178-EI**

**Docket No. 20210179-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by electronic mail this 20<sup>th</sup> day of May 2022 to the following:

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*s/ Kate P. Cotner*

\_\_\_\_\_  
Kate P. Cotner

\* The exhibits to this Request are not included with the service copies, but copies of Exhibits B, C and D are available upon request.

# EXHIBIT B

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

IN RE: PETITION FOR LIMITED PROCEEDING FOR  
RECOVER OF INCREMENTAL STORM RESTORATION  
COSTS RELATED TO HURRICANE SALLY, BY GULF  
POWER COMPANY.

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DOCKET NO. 20200241-EI

IN RE: PETITION FOR EVALUATION OF HURRICANE  
ISAIAS AND TROPICAL STORM ETA STORM COSTS, BY  
FLORIDA POWER & LIGHT COMPANY.

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DOCKET NO. 20210178-EI

IN RE: PETITION FOR LIMITED PROCEEDING FOR  
RECOVERY OF INCREMENTAL STORM RESTORATION  
COSTS AND ASSOCIATED TRUE-UP PROCESS  
RELATED TO HURRICANE ZETA, BY GULF POWER  
COMPANY.

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DOCKET NO. 20210179-EI

FILED: May 2, 2022

**DIRECT TESTIMONY & EXHIBITS**

**OF**

**LANE KOLLEN**

**ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

Richard Gentry  
Public Counsel

Patricia Christensen  
Associate Public Counsel  
Office of Public Counsel  
c/o The Florida Legislature  
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Attorneys for the Citizens  
of the State of Florida



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**DIRECT TESTIMONY**

**OF**

**Lane Kollen**

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No.

**I. QUALIFICATIONS AND PURPOSE**

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.  
4 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

5

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration degree in accounting and a Master of  
8 Business Administration degree from the University of Toledo. I also earned a Master of  
9 Arts degree in theology from Luther Rice College & Seminary. I am a Certified Public  
10 Accountant, with a practice license, Certified Management Accountant, and Chartered  
11 Global Management Accountant. I am a member of numerous professional organizations,  
12 including the American Institute of Certified Public Accountants, Institute of Management  
13 Accounting, Georgia Society of CPAs, and Society of Depreciation Professionals.

14 I have been an active participant in the utility industry for more than forty years,  
15 initially as an employee of a company that installed underground cablevision and telephone

1 wire from 1974 to 1976, then as an employee of The Toledo Edison Company in various  
2 accounting and planning positions from 1976 to 1983, and thereafter as a consultant in the  
3 industry. I have testified as an expert on planning, ratemaking, accounting, finance, tax,  
4 and other issues in proceedings before regulatory commissions and courts at the federal  
5 and state levels on hundreds of occasions.

6 I have testified before the Florida Public Service Commission (“FPSC” or  
7 “Commission”) on numerous occasions, including base rate, storm cost, fuel adjustment  
8 clause, acquisition, and territorial proceedings involving Florida Power & Light Company  
9 (“FPL”), Duke Energy Florida (“DEF”), Gulf Power Company, Talquin Electric  
10 Cooperative, the City of Tallahassee, and the City of Vero Beach.<sup>1</sup>

11  
12 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY IN THIS**  
13 **PROCEEDING?**

14 A. I am providing testimony on behalf of the citizens of the State of Florida. Kennedy and  
15 Associates was retained by the Florida Office of Public Counsel (“OPC”) to perform a  
16 review of Gulf Power Company’s costs incurred in response to Hurricane Sally and  
17 Hurricane Zeta and FPL’s costs incurred in response to Hurricane Isaias and Tropical  
18 Storm Eta and to make recommendations in response to the Petitions filed in these  
19 proceedings.

20  
21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

<sup>1</sup> I have attached a more detailed description of my qualifications and appearances as an expert in Exhibit LK-1.

1 A. The purpose of my testimony is to describe the Kennedy and Associates' reviews of Gulf  
2 Power Company's and FPL's requests for recovery of the costs incurred in response to  
3 Hurricane Sally, Hurricane Zeta, Hurricane Isaias and Tropical Storm Eta, including their  
4 requests for a determination that the costs were prudently incurred, Gulf Power Company's  
5 request for recovery of its costs through a storm recovery charge, and FPL's proposed  
6 recovery through its "base O&M expense."

7 I provide the conclusions and recommendations resulting from the Kennedy and  
8 Associates review, except for those that are separately addressed by OPC witness Randy  
9 Futral, including Gulf Power Company's and FPL's compliance with the requirements of  
10 Rule 25-6.0143, F.A.C. ("Rule").<sup>2</sup> I also provide a summary of the Kennedy and  
11 Associates disallowance recommendations.

12  
13 **II. SUMMARY OF GULF POWER COMPANY'S AND FPL'S REQUESTS,**  
14 **RATEMAKING IMPLICATIONS, AND STANDARDS FOR RECOVERY**

15 **A. Summary of Gulf Power Company's and FPL's Requests**

16 **Q. WERE GULF POWER COMPANY AND FPL A SINGLE ENTITY AT THE TIME**  
17 **THESE STORMS HIT THEIR RESPECTIVE TERRITORIES?**

18 A. No. Gulf Power Company and FPL were separate utilities at the time these storms hit their  
19 respective territories. Gulf Power Company merged with FPL effective January 1, 2021

<sup>2</sup> Kennedy and Associates relied on and all references to the Rule in my testimony are to the June 11, 2007 version of the Rule that was in effect during the storms addressed in these dockets. Gulf Power Company and FPL witness Mr. David Hughes stated that its requested recovery was quantified pursuant to "the version of the Rule that was in effect at the time of the storm event." (Direct Testimony at p. 5 in Docket No. 20200241-EI and Direct Testimony at p. 6 in Docket No. 20210178-EI). After the storms at issue in these dockets, the Rule was subsequently modified with an effective date of June 28, 2021. The modified version of the Rule provides clarification regarding incremental costs and sets forth practical methodologies to determine the incremental costs. The positions taken by OPC in prior proceedings and in these proceeding under the prior version of the Rule are generally consistent with the clarifications and methodologies set forth in the modified version of the Rule.

1 and completely merged with FPL effective January 1, 2022. Therefore, for time periods  
2 prior to the completed merger, Gulf Power Company and FPL will be referred to as  
3 “Companies” and for post-merger time periods will be referred to as “Company.”

4  
5 **Q. BRIEFLY SUMMARIZE GULF POWER COMPANY’S REQUESTS IN THESE**  
6 **PROCEEDINGS.**

7 A. Gulf Power Company seeks a determination that its activities undertaken in response to  
8 Hurricane Sally and Hurricane Zeta were prudent, the costs incurred were prudent,  
9 reasonable, and recoverable, and that its requests were calculated in accordance with the  
10 requirements of the Incremental Cost and Capitalization Approach (“ICCA”) methodology  
11 set forth in the Rule. Gulf Power Company seeks recovery of \$186.8 in costs incurred for  
12 Hurricane Sally in 2020 (\$146.3 million after reduction for \$40.8 million in the storm  
13 reserve and addition of \$0.3 million in interest) and \$10.1 million in costs incurred for  
14 Hurricane Zeta in 2020. Gulf Power Company also seeks approvals for the Company’s  
15 proposed storm restoration recovery surcharges, proposed recovery periods, and true-up  
16 process.<sup>3</sup>

17 The Commission approved Gulf Power Company’s request for an interim surcharge  
18 for Hurricane Sally costs of \$3.00 per 1,000 kWh effective March 2, 2021. In these  
19 proceedings, Gulf Power Company seeks to maintain and extend the surcharge for  
20 Hurricane Sally costs at that same rate until the termination of the surcharge for Hurricane  
21 Michael costs, which presently is expected in October 2023, and then to increase the

<sup>3</sup> Petition in Docket No. 20200241-EI at p. 1 for Hurricane Sally costs and Petition in Docket No. 202100179-EI at p. 1 for Hurricane Zeta costs.

1 surcharge for Hurricane Sally costs to \$10.00 per 1,000 kWh. Gulf Power Company also  
2 seeks to establish a surcharge for Hurricane Zeta costs of \$9.34 per 1,000 kWh, effective  
3 with the termination of the Hurricane Sally surcharge.<sup>4</sup>  
4

5 **Q. BRIEFLY SUMMARIZE FPL’S REQUESTS IN THESE PROCEEDINGS.**

6 A. FPL seeks “a determination regarding the prudence of FPL’s activities and the reasonableness  
7 of costs incurred in responding to Hurricane Isaias (‘Hurricane Isaias Costs’) and Tropical  
8 Storm Eta (‘Tropical Storm Eta Costs’).”<sup>5</sup> FPL states that it “recorded its Hurricane Isaias  
9 Costs and Tropical Storm Eta Costs as base operations and maintenance (‘O&M’) expenses  
10 and is not seeking through this proceeding to establish a surcharge for the recovery of the  
11 Hurricane Isaias Costs or Tropical Storm Eta Costs, or replenishment of the storm reserve.”  
12 FPL states that it “filed the Petition and supporting testimony, together with supporting  
13 documentation, to facilitate an evaluation of the Hurricane Isaias Costs and Tropical Storm Eta  
14 Costs in support of the requested finding.”<sup>6</sup>

15 FPL incurred \$68.5 million in total costs to respond to Hurricane Isaias in 2020. It  
16 charged the entire \$68.5 million to base O&M expense and charged none of the costs to  
17 plant in service. FPL incurred \$115.9 million in total costs to respond to Tropical Storm  
18 Eta in 2020.<sup>7</sup> It charged \$115.5 million of these costs to base O&M expense and \$0.4  
19 million to plant in service. All of these amounts are total Company amounts without  
20 reduction for non-incremental costs and without reduction for the retail jurisdictional

<sup>4</sup> Petition in Docket No. 202100179-EI at p. 1.

<sup>5</sup> Petition in Docket No. 202100178-EI at p. 1.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* FPL subsequently revised and slightly reduced this amount to correct an error in a letter to the Commission dated December 6, 2021 that was filed in this docket.

1 allocation. The amounts charged to base O&M expense on a retail jurisdictional basis were  
2 \$68.4 million for Hurricane Isaias and \$115.3 million for Tropical Storm Zeta.<sup>8</sup>

3 FPL claims that the ICCA methodology under the Rule is not applicable to its  
4 requests in these proceedings. Nevertheless, it claims that it would have charged \$66.3  
5 million for Hurricane Isaias and \$112.7 million for Tropical Storm Eta to the storm reserve  
6 under its interpretation and application of the ICCA methodology set forth in the Rule if it  
7 had not charged both the non-incremental and incremental costs to base O&M expense.<sup>9</sup>

8  
9 **B. Ratemaking Implications of FPL's Requests**

10 **Q. DESCRIBE THE RATEMAKING IMPLICATIONS OF FPL'S REQUESTS.**

11 A. FPL seeks a determination of prudence and an affirmation of its ratemaking recovery of  
12 the entirety of the \$183.2 million (on a retail jurisdictional basis) incurred to respond to the  
13 two storms and that it charged to base O&M expense, along with a grossed-up rate of return  
14 on that amount, albeit in a different form than through a storm surcharge. FPL  
15 acknowledges that if it sought recovery through a storm surcharge, the principal amount of  
16 the storm cost recovery would be limited to no more than \$179.1 million, although in prior  
17 storm proceedings where it did not elect to charge its storm costs to base O&M expense, it  
18 also sought a short-term debt interest only return.

19 If allowed without modification, FPL's claim will result in \$4.1 million in  
20 additional ratemaking recovery for the costs incurred plus another \$15.4 million in  
21 additional ratemaking recovery for the return on the costs incurred in just the first year

<sup>8</sup> Exhibit DH-1(Isaias) and Exhibit DH-2(Eta) attached to the Direct Testimony of David Hughes in Docket No. 202100178-EI.

<sup>9</sup> *Id.*

1 alone when compared to recovery through a storm surcharge, which I subsequently  
2 describe in more detail. This additional ratemaking recovery is a penalty imposed on  
3 customers that will continue each year.  
4

5 **Q. HOW DOES FPL'S DECISION TO CHARGE THE STORM COSTS TO BASE**  
6 **O&M EXPENSE RESULT IN ADDITIONAL RATEMAKING RECOVERY**  
7 **COMPARED TO CHARGING THE COSTS TO THE STORM RESERVE?**

8 A. In Docket No. 20120015-EI, *In re: Petition for Increase in Rates by Florida Power & Light*  
9 *Company*, the Commission found that FPL had a theoretical depreciation reserve surplus  
10 ("depreciation reserve") and allowed FPL to amortize and use that depreciation reserve at  
11 its discretion to increase its earned return on equity up to a maximum threshold. FPL was  
12 required to restore the depreciation reserve to reduce its earned return on equity if it  
13 otherwise would exceed the maximum threshold.

14 In Docket No. 20160021-EI, *In re: Petition for Rate Increase by Florida Power &*  
15 *Light Company*, the Commission again found that FPL had a depreciation reserve surplus  
16 and authorized FPL to amortize and use (debit) the depreciation reserve at its discretion to  
17 increase its earned return on equity to no more than 11.60% or to restore (credit) the  
18 depreciation reserve to reduce its return on equity to no more than 11.60% if it otherwise  
19 would exceed that maximum threshold.<sup>10</sup>

20 If FPL earns in excess of the 11.60% maximum threshold, it then defers the revenue  
21 equivalent of the excess earnings as an increase to the depreciation reserve.<sup>11</sup> However, if

<sup>10</sup> The establishment of the reserve and the amortization parameters are set forth in paragraph 12 of the 2016 Settlement. I will refer to the use of the depreciation reserve in this manner as the reserve surplus amortization mechanism ("RSAM") in my testimony.

<sup>11</sup> The excess earnings are after tax and must be grossed-up for income taxes to a revenue equivalent.



1 the storm costs are charged to base O&M expense, then the storm costs, net of the related  
2 income tax expense, will have the immediate effect of reducing the return on equity in the  
3 year expensed and reduce the revenue equivalent amount that otherwise would be deferred  
4 to and increase the depreciation reserve.

5 FPL's use of this ratemaking alternative provides immediate and greater recovery  
6 of storm costs compared to deferrals to the storm reserve and recovery through a storm  
7 surcharge. The depreciation reserve is a reduction to the rate base on which the utility  
8 earns a rate of return. If the amount that otherwise would have been added to the  
9 depreciation reserve under the RSAM is reduced because storm costs are charged to base  
10 O&M expense, then the rate base is increased by an equivalent amount.<sup>12</sup> The increase in  
11 rate base serves to reduce the earnings surplus that otherwise would have been used to  
12 increase the depreciation reserve, which effectively allows FPL to earn a return on the  
13 storm costs, including the return on equity. This increase in rate base will continue  
14 indefinitely and requires customers to pay a full return on these costs indefinitely, all else  
15 equal.

16 In 2020, FPL's earned return on equity exceeded the 11.60% maximum threshold  
17 on an FPSC Adjusted Earnings basis, even after FPL charged the storm costs to base O&M  
18 expense and reduced the depreciation reserve by an equivalent amount.<sup>13</sup> FPL would have  
19 deferred \$184.4 million to the depreciation reserve if it had not charged \$183.2 million to  
20 base O&M expense in 2020 for the Hurricane Isaias and Tropical Storm Zeta costs on a

<sup>12</sup> This effectively serves to defer the storm costs charged to base O&M expense, not as a regulatory asset, but rather, as a reduction to the depreciation reserve under the RSAM.

<sup>13</sup> FPL's December 2020 Rate of Return Surveillance Report filed with the Commission on February 15, 2021.

1 retail jurisdictional basis. Instead, it deferred only \$1.2 million,<sup>14</sup> the revenue equivalent  
2 of the excess earnings remaining after the charge to base O&M expense. This has the effect  
3 of increasing rate base by an amount equivalent to the storm costs charged to base O&M  
4 expense, thereby allowing FPL to earn a full return on those costs, including a return on  
5 equity. This causes a penalty to ratepayers, in that, they will pay higher rates than if a  
6 storm surcharge was used.

7  
8 **C. Standard for Recovery of Costs**

9 **Q. WHAT IS THE STANDARD FOR RECOVERY OF THE COMPANIES’**  
10 **CLAIMED COSTS?**

11 A. In their Petitions, both Gulf Power Company and FPL assert that the standards for recovery  
12 are prudence and reasonableness. In its Petition, Gulf Power Company cites a Commission  
13 Order for this prudence standard as “what a reasonable utility manager would do in light  
14 of the conditions and circumstances which he knew or reasonably should have known at  
15 the time the decision was made.” In addition, in their Petitions, both Gulf Power Company  
16 and FPL cite to the Rule as the standard for recovery of non-incremental costs through a  
17 storm surcharge, although FPL claims that the Rule is not applicable to its requests in these  
18 proceedings.

19 The Rule describes the ICCA methodology to quantify the recoverable amount of  
20 the costs incurred for “storm-related damages.” The Rule lists the types or categories of  
21 costs that qualify and may be deferred to the “storm account” for recovery, but only to the  
22 extent that the costs are “incremental” to costs that already are recovered through base

<sup>14</sup>*Id.*

1 and/or cost recovery clause rates or that are in excess of “normal” capital expenditures.  
2 The Rule also lists the types or categories of costs that do not qualify and may *not* be  
3 deferred to the “storm account.”

4 The Rule describes the ICCA methodology, which only allows the utility to charge  
5 costs to the storm account if they are incremental to “those costs that normally would be  
6 charged to non-cost recovery clause operating expenses in the absence of a storm”  
7 (“incremental expenses”) or if they are incremental to the “normal cost for the removal,  
8 retirement and replacement of those [damaged] facilities in the absence of a storm”  
9 (“incremental capital expenditures”). Rule 25-6.0143(1)(d), F.A.C., states specifically:

10 In determining the costs to be charged to cover storm-related damages, the  
11 utility shall use an Incremental Cost and Capitalization Approach  
12 methodology (ICCA). Under the ICCA methodology, the costs charged to  
13 cover storm-related damages shall exclude those costs that normally would  
14 be charged to non-cost recovery clause operating expenses in the absence  
15 of a storm. Under the ICCA methodology for determining the allowable  
16 costs to be charged to cover storm-related damages, the utility will be  
17 allowed to charge to Account No. 228.1 costs that are incremental to costs  
18 normally charged to non-cost recovery clause operating expenses in the  
19 absence of a storm. All costs charged to Account 228.1 are subject to review  
20 for prudence and reasonableness by the Commission. In addition, capital  
21 expenditures for the removal, retirement and replacement of damaged  
22 facilities charged to cover storm-related damages shall exclude the normal  
23 cost for the removal, retirement and replacement of those facilities in the  
24 absence of a storm.

25 Rule 25-6.0143(1)(e), F.A.C., specifically lists the types of storm-related costs that  
26 are allowed to be charged to the storm account under the ICCA methodology as follows:

- 27 1. Additional contract labor hired for storm restoration activities;
- 28 2. Logistics costs of providing meals, lodging, and linens for tents and other  
29 staging areas;
- 30 3. Transportation of crews for storm restoration;
- 31 4. Vehicle costs for vehicles specifically rented for storm restoration activities;

- 1                   5. Waste management costs specifically related to storm restoration activities;
- 2                   6. Rental equipment specifically related to storm restoration activities;
- 3                   7. Materials and supplies used to repair and restore service and facilities to pre-  
4                   storm condition, such as poles, transformers, meters, light fixtures, wire, and  
5                   other electrical equipment, excluding those costs that normally would be  
6                   charged to non-cost recovery clause operating expenses in the absence of a  
7                   storm;
- 8                   8. Overtime payroll and payroll-related costs for utility personnel included in  
9                   storm restoration activities;
- 10                  9. Fuel cost for company and contractor vehicles used in storm restoration  
11                  activities; and
- 12                  10. Cost of public service announcements regarding key storm-related issues, such  
13                  as safety and service restoration estimates.

14                  Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are  
15                  *prohibited* from being charged to the storm account under the ICCA methodology as  
16                  follows:

- 17                  1. Base rate recoverable regular payroll and regular payroll-related costs for utility  
18                  managerial and non-managerial personnel;
- 19                  2. Bonuses or any other special compensation for utility personnel not eligible for  
20                  overtime pay;
- 21                  3. Base rate recoverable depreciation expenses, insurance costs and lease expenses  
22                  for utility-owned or utility-leased vehicles and aircraft;
- 23                  4. Utility employee assistance costs;
- 24                  5. Utility employee training costs incurred prior to 72 hours before the storm  
25                  event;
- 26                  6. Utility advertising, media relations or public relations costs, except for public  
27                  service announcements regarding key storm-related issues as listed above in  
28                  subparagraph (1)(e)10.;
- 29                  7. Utility call center and customer service costs, except for non-budgeted overtime  
30                  or other non-budgeted incremental costs associated with the storm event;
- 31                  8. Tree trimming expenses, incurred in any month in which storm damage  
32                  restoration activities are conducted, that are less than the actual monthly

1 average of tree trimming costs charged to operation and maintenance expense  
2 for the same month in the three previous calendar years;

3 9. Utility lost revenues from services not provided; and

4 10. Replenishment of the utility's materials and supplies inventories.

5 In addition to the standards set forth in the Rule, Kennedy and Associates relied on  
6 Commission decisions adopting settlement agreements in other proceedings involving  
7 FPL, Duke Energy Florida, Gulf Power Company, and Tampa Electric Company.<sup>15</sup> These  
8 decisions adopt specific methodologies to quantify certain incremental costs pursuant to  
9 the Rule and adopt specific information filing requirements and review procedures that will  
10 be applicable in future storm proceedings for those utilities. Those decisions and the  
11 underlying settlement agreements provide a useful framework for the Commission to look  
12 to in order to ensure that costs are, in fact, incremental and reasonable, and in accordance  
13 with the standards set forth in the Rule. However, those decisions are based on settlements  
14 that fail to fully address all non-incremental costs not allowed recovery pursuant to the  
15 Rule.

16  
17 **Q. DOES THE RULE ALLOW THE UTILITY TO CHARGE THE STORM COSTS**  
18 **TO BASE O&M EXPENSE INSTEAD OF TO THE STORM RESERVE?**

19 A. Yes. The Rule states:

20 (h) A utility may, at its own option, charge storm-related costs as operating  
21 expenses rather than charging them to Account No. 228.1. The utility shall  
22 notify the Director of the Commission Clerk in writing and provide a  
23 schedule of the amounts charged to operating expenses for each incident  
24 exceeding \$5 million. The schedule shall be filed annually by February 15  
25 of each year for information pertaining to the previous calendar year.

<sup>15</sup> Docket No. 20170272-EI, Docket No. 20170271-EI, and Docket No. 20180049-EI, respectively.

1 **Q. WOULD A UTILITY TYPICALLY CHOOSE TO CHARGE STORM COSTS TO**  
2 **BASE O&M EXPENSE?**

3 A. No. A utility typically would not choose to charge storm costs to base O&M expense  
4 unless the amounts were minimal because the additional O&M expense would reduce its  
5 earned return, all else equal. However, the situation is unique with respect to FPL due to  
6 the availability and its use of the depreciation reserve under the RSAM to manage its earned  
7 return, recover its storm costs, and earn a return on the storm costs until its base rates are  
8 reset in a future base rate case proceeding.

9  
10 **Q. DOES THE RULE DISTINGUISH BETWEEN “THE STORM RELATED COSTS”**  
11 **CHARGED TO THE STORM RESERVE OR TO BASE O&M EXPENSES?**

12 A. No. The Rule has only one description of storm-related damages or storm costs that may  
13 be recovered from customers and that description is not dependent on the form of recovery,  
14 or in the case of FPL, the existence of the depreciation reserve under RSAM. Nor does the  
15 Rule incorporate an exculpatory term that relieves the utility from compliance with the  
16 Rule if it chooses to charge the storm costs to base O&M expense and, in the case of FPL,  
17 recover the storm costs through the depreciation reserve under RSAM.

18  
19 **III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

20 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

21 A. I have separated the conclusions into process, methodology, and disallowance categories.  
22 Process conclusions relate to the Company’s planning and implementation, including  
23 management and procurement processes that may have resulted in excessive costs.

1 Methodology conclusions relate to the Company's failure to correctly calculate the  
2 *incremental* storm-related costs pursuant to the requirements of the Rule that have resulted  
3 in excessive costs. Disallowance conclusions relate to costs that should not be included in  
4 the storm costs and that should be denied recovery either through a storm surcharge or  
5 through base O&M expense.

6  
7 **A. Process Conclusions**

8 The processes and the scope of those processes employed by the Companies,  
9 including procurement of resources, mobilization, demobilization, and other logistics are  
10 or should be a function of an ongoing assessment of potential physical damage and outage  
11 risk exposures, subject to a defined probability within a range of outcomes, and resourcing  
12 to meet that defined probability, as well as other defined decision criteria, including, but  
13 not limited to, specific outage restoration time targets.

14 My process conclusions are as follows:

- 15 1. The Companies utilize a storm damage model to assess the potential damage  
16 and estimate the construction manhours ("CMH") and cost to restore service  
17 starting 96 to 72 hours before the forecast storm landfall. The Companies  
18 continue to update the potential damage as the storm develops or disperses and  
19 the weather forecasts are updated.
- 20 2. The storm damage model was developed in-house by FPL and is maintained  
21 and utilized exclusively by FPL. The Companies have not retained outside  
22 consulting assistance to review, develop, and enhance the storm damage model,  
23 nor have they evaluated the models used by other utilities, such as the Storm  
24 Resilience Model, which includes a Storm Impact Model, developed by 1898  
25 & Co. and used by Tampa Electric Company, and the model developed by  
26 Guidehouse and used by Duke Energy Florida.
- 27 3. The Companies have no users' manual and no written documentation of the  
28 storm damage model, except for a very general description of its capabilities  
29 included in a pending patent application and a separate very general description  
30 in its emergency preparedness plan.

- 1 4. The Companies have no written policies that describe or require them to assess  
2 the potential physical damage and outage risk exposures from storms or to  
3 optimize the allocation of internal resources and acquisition of external  
4 resources necessary to respond to those potential exposures.
- 5 5. The damage and outage risk exposures have declined and should continue to  
6 decline further as the Companies make significant investments to harden and  
7 protect their systems from storm damages and outages pursuant to their  
8 approved Storm Protection Plans. The Companies and other utilities claim that  
9 these significant investment costs are justified, at least in part, through savings  
10 and reliability improvements resulting from less storm damage and fewer, less  
11 severe, and shorter outages.
- 12 6. The Companies have no written policies that describe or require them to plan  
13 or implement their outage responses to minimize costs. Their stated objectives  
14 are to restore service to as many customers as possible as quickly as possible.  
15 The Companies acknowledge that they do not plan or implement their storm  
16 responses to minimize costs. The failure to incorporate this objective in its  
17 assessing its resourcing needs may result in excessive resourcing and excessive  
18 costs once those resources are mobilized.
- 19 7. The Companies failed to demonstrate that they minimized the storm costs  
20 through a prudent assessment of damages before storm landfall, prudent  
21 resourcing to meet the assessment of damages, and a prudent mix of their own  
22 employees, affiliate company contractors, mutual assistance contractors, and  
23 other third-party contractors.
- 24 8. The Companies have no incentive to minimize storm costs.

## 25 26 **B. Methodology Conclusions**

27 The Companies' requests for cost recovery do not comply with the Rule in certain  
28 important respects and are overstated. My methodology conclusions are as follows.

- 29 1. FPL failed to limit its request to incremental costs, an overarching requirement  
30 of the Rule. Instead, FPL effectively circumvented the prohibition against  
31 recovery of non-incremental costs set forth in the Rule by utilizing the  
32 depreciation reserve to recover the entirety of the storm costs it incurred and  
33 charged to base O&M expense.
- 34 2. The Companies failed to limit their requests to incremental costs by not  
35 removing all straight time payroll costs (regular payroll) and related costs from  
36 the storm costs, as required by the Rule.



- 1                   3. The Companies failed to limit their requests to incremental costs by failing to  
2                   remove the non-incremental portion of overtime payroll and related costs from  
3                   the storm costs, as required by the Rule. The Companies objected to and  
4                   refused to provide the overtime payroll and related costs included in the base  
5                   revenue requirement or the historic costs in response to OPC discovery.<sup>16</sup>
- 6                   5. The Companies failed to limit their requests to incremental costs by failing to  
7                   remove line contractor “costs that normally would be charged to non-cost  
8                   recovery clause operating expenses in the absence of a storm,” as required by  
9                   the Rule. The Companies objected to and refused to provide the historic  
10                  embedded line contractor costs in response to OPC discovery.<sup>17</sup> The  
11                  Commission previously has utilized a three year historic average to quantify  
12                  and then exclude vegetation management contractor costs “that normally would  
13                  be charged to non-cost recovery clause operating expenses” if, in fact, the  
14                  historic average is greater than the costs in the month of the storm, excluding  
15                  storm costs from the average and from the month of the current storm for which  
16                  recovery is sought.
- 17                 6. The Companies failed to limit their requests to incremental costs by failing to  
18                 remove materials and supplies “costs that normally would be charged to non-  
19                 cost recovery clause operating expenses in the absence of a storm,” as required  
20                 by the Rule.
- 21                 7. Gulf Power Company improperly included interest on the storm costs, which is  
22                 not listed as a recoverable cost in the Rule.

23

24                 **C. Disallowance Conclusions**

25                 The Gulf Power Company storm costs charged to the Storm Reserve and the FPL storm  
26                 costs charged to base O&M expense were excessive due to processes that failed to  
27                 minimize costs and methodologies that overstated Gulf Power Company’s charges to the  
28                 storm reserve, which results in excessive storm surcharges, and FPL’s charges to base

<sup>16</sup> Response to Interrogatory No. 33 in OPC’s First Set of Interrogatories in Docket No. 20200241-EI. Response to Interrogatory No. 31 in OPC’s First Set of Interrogatories in Docket No. 20210179-EI. Response to Interrogatory No. 34 in OPC’s First Set of Interrogatories in Docket No. 20210178-EI. I have attached copies of these responses as Exhibit LK-2.

<sup>17</sup> Responses to Interrogatory Nos. 5 and 6 in OPC’s First Set of Interrogatories in Docket Nos. 20200241-EI, 20210179-EI and 20210178-EI. I have attached copies of these responses as Exhibit LK-3.

1 O&M expense that improperly depleted the depreciation reserve, which effectively  
 2 imposes these costs on future FPL customers.

3 The following tables summarize the excessive costs included in each Company's  
 4 request for each storm and provide the basis for my recommendations to disallow or  
 5 otherwise remove these costs. The tables also reflect the disallowances recommended by  
 6 Mr. Futral.

Gulf Power Company			
OPC's Adjustments to Hurricane Sally Claimed Costs for Storm Restoration			
Based on Costs Accumulated through October 31, 2021			
(\$000s)			
	Total Costs	Retail Jurisdictional Factor	OPC Adjusted Recoverable Amount
Total Claimed Costs Associated with Storm Restoration	187,995	99.39%	186,840
Less: As-Filed Additional Accruals to Storm Reserve		100.00%	(40,808)
Add: Interest on As-Filed Unrecovered Deficit		100.00%	311
Total As-Filed Recoverable Storm Losses			<u>146,343</u>
OPC Recommended Adjustments			
Remove Regular Payroll Costs	(966)	99.07%	(957)
Remove Non-Incremental Overtime Payroll Costs	(809)	99.09%	(802)
Remove Non-Incremental Line Contractor Costs	(1,421)	99.63%	(1,416)
Remove Non-Incremental Materials and Supplies	(63)	99.63%	(63)
Remove Accrued Estimated Amounts Not Paid	(231)	99.39%	(229)
Remove Interest on As-Filed Unrecovered Deficit	(311)	100.00%	(311)
Total OPC Adjustments to Claimed Costs	(3,801)	99.39%	(3,778)
OPC Maximum Recoverable Restoration Costs for Hurricane Sally			<u>142,565</u>

GulfPower Company			
OPC's Adjustments to Hurricane Zeta Claimed Costs for Storm Restoration			
Based on Costs Accumulated through October 31, 2021			
(\$000s)			
	Total	Retail	OPC
	Costs	Jurisdictional	Adjusted
		Factor	Recoverable
			Amount
Total Claimed Costs Associated with Storm Restoration	10,122	99.58%	10,079
Add: Interest on As-Filed Unrecovered Deficit		100.00%	<u>1</u>
Total As-Filed Recoverable Storm Losses			10,080
OPC Recommended Adjustments			
Remove Regular Payroll Costs	(135)	97.01%	(131)
Remove Non-Incremental Overtime Payroll Costs	(85)	99.45%	(84)
Remove Non-Incremental Line Contractor Costs	(109)	99.63%	(109)
Remove Non-Incremental Materials and Supplies	(63)	99.63%	(63)
Remove Accrued Estimated Amounts Not Paid	(5)	99.58%	(5)
Remove Interest on As-Filed Unrecovered Deficit	<u>(1)</u>	100.00%	<u>(1)</u>
Total OPC Adjustments to Claimed Costs	(397)	98.70%	(392)
OPC Maximum Recoverable Restoration Costs for Hurricane Zeta			<u>9,688</u>

Florida Power and Light Company			
OPC's Adjustments to Hurricane Isaias Claimed Costs for Storm Restoration			
Based on Costs Accumulated through July 31, 2021			
(\$000s)			
	Total	Retail	OPC
	Costs	Jurisdictional	Adjusted
		Factor	Recoverable
			Amount
Total O&M Storm Restoration Costs Claimed	68,466	99.85%	68,363
Less: ICCA O&M	<u>(2,022)</u>	99.72%	<u>(2,017)</u>
Total Claimed Costs Associated with Storm Restoration	66,444	99.85%	66,346
OPC Recommended Adjustments			
Remove Regular Payroll Costs	(323)	98.93%	(320)
Remove Non-Incremental Overtime Payroll Costs	(1,157)	99.12%	(1,146)
Remove Non-Incremental Line Contractor Costs	(612)	99.99%	(612)
Remove Non-Incremental Materials and Supplies	(39)	97.04%	(38)
Remove Accrued Estimated Amounts Not Paid	<u>(81)</u>	99.85%	<u>(81)</u>
Total OPC Adjustments to Claimed Costs	(2,212)	99.32%	(2,197)
OPC Maximum Recoverable Restoration Costs for Hurricane Isaias			<u>64,149</u>

Florida Power and Light Company			
OPC's Adjustments to Tropical Storm Eta Claimed Costs for Storm Restoration			
Based on Costs Accumulated through July 31, 2021			
(\$000s)			
	Total Costs	Retail Jurisdictional Factor	OPC Adjusted Recoverable Amount
Total O&M Storm Restoration Costs Claimed - Original	115,470	99.48%	114,871
Changes Reported by FPL in December 6, 2021 Letter	(78)	85.90%	(67)
Total O&M Storm Restoration Costs Claimed - Revised	115,392	99.49%	114,804
Less: ICCA O&M	(2,161)	99.11%	(2,142)
Total Claimed Costs Associated with Storm Restoration-Revised	113,231	99.50%	112,662
OPC Recommended Adjustments			
Remove Regular Payroll Costs	(1,478)	96.72%	(1,429)
Remove Non-Incremental Overtime Payroll Costs	(2,187)	95.88%	(2,097)
Remove Non-Incremental Line Contractor Costs	(1,325)	99.99%	(1,325)
Remove Non-Incremental Materials and Supplies	(185)	98.35%	(182)
Remove Accrued Estimated Amounts Not Paid	(116)	99.50%	(116)
Total OPC Adjustments to Claimed Costs	(5,292)	97.31%	(5,149)
OPC Maximum Recoverable Restoration Costs for Tropical Storm Eta			<u>107,513</u>

1 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

2 A. Similar to the preceding conclusions, I have separated the Kennedy and Associates  
3 recommendations into process, methodology, and disallowance categories. The process  
4 recommendations address problems in Gulf Power Company's and FPL's procurement and  
5 management processes that resulted in excessive costs.<sup>18</sup> The methodology  
6 recommendations address the Companies' failure to correctly calculate the *incremental*  
7 storm-related costs pursuant to the requirements of the Rule. The disallowance  
8 recommendations address costs that were improperly charged by Gulf Power Company to  
9 the storm reserve and improperly charged by FPL to base O&M expense and recovered  
10 through the depreciation reserve and that should be restored to the depreciation reserve.

<sup>18</sup> In addition, Mr. Futral provides recommendations that will improve the review of the costs incurred by providing all relevant documents and information when the Companies file their Petitions for final cost recovery.

1           **D. Process Recommendations**

2           I recommend that the Commission adopt and direct the Companies to make the following  
3           improvements to their processes.

- 4                   1. The Companies should engage outside consulting assistance to review and  
5                   further develop or replace the storm damage model to enhance its capabilities  
6                   and predictive capability and acquire or develop resourcing optimization  
7                   software, all with the goals of systematizing the Companies’ decision criteria  
8                   for restoration times and to minimize outage costs.
  
- 9                   2. The Companies should adopt written documentation of their storm damage  
10                  model and all related models, including: 1) a user manual; 2) their resourcing  
11                  models and methodologies; 3), and the decision criteria used to determine  
12                  resource requirements, procure embedded and external resources to meet those  
13                  requirements, and mobilize, move, and demobilize those resources throughout  
14                  and after the restoration process.
  
- 15                  3. The Companies should adopt written policies that describe and require them to  
16                  plan and implement its storm damage and outage responses to minimize costs.
  
- 17                  4. The Companies should adopt written policies that describe and require them to  
18                  optimize the allocation and acquisition of embedded and external resources  
19                  necessary to respond to the potential damage and outage risk exposures  
20                  identified in their assessments of those risk exposures.
  
- 21                  5. The Companies should adopt written policies that describe and require them to  
22                  minimize storm costs through careful management of the mobilization of its  
23                  contractors, including the acquisition and/or development of optimization  
24                  software.
  
- 25                  6. The Companies should adopt written policies that describe and require them to  
26                  minimize storm costs through careful management of the demobilization of its  
27                  contractors, including the acquisition and/or development of optimization  
28                  software

29           .  
30           **E. Methodology Recommendations**

31           I recommend that the Commission adopt and direct the Companies to make the  
32           following changes to their methodologies.

- 1                    1. The Commission should disallow and direct the Companies to quantify and  
2                    exclude all costs that are not demonstrably incremental to “costs normally  
3                    charged to non-cost recovery clause operating expenses in the absence of a  
4                    storm” and incremental to “the normal cost for the removal, retirement and  
5                    replacement of those facilities in the absence of a storm,” pursuant to the  
6                    requirements set forth in the Rule.
- 7                    2. The Commission should disallow and direct the Companies to exclude all  
8                    straight time labor (regular payroll) costs in future storm cost proceedings in  
9                    accordance with the prohibition against such costs set forth in the Rule.
- 10                   3. The Commission should disallow and direct the Companies to quantify and  
11                   exclude the non-incremental overtime payroll and related costs in future storm  
12                   cost proceedings in accordance with the requirements set forth in the Rule.
- 13                   4. The Commission should disallow and direct the Companies to quantify and  
14                   exclude line contractor “costs that normally would be charged to non-cost  
15                   recovery clause operating expenses in the absence of a storm” pursuant to the  
16                   ICCA limitations set forth in the Rule.
- 17                   5. The Commission should disallow and direct the Companies to quantify and  
18                   exclude materials and supplies “costs that normally would be charged to non-  
19                   cost recovery clause operating expenses in the absence of a storm” pursuant to  
20                   the ICCA limitations set forth in the Rule.
- 21

22                    **F. Disallowance Recommendations**

23                    I recommend that the Commission disallow or otherwise remove at least \$3.778 million in  
24                    excessive costs for Hurricane Sally and \$0.392 million in excessive costs for Hurricane  
25                    Zeta included in Gulf Power Company’s requests. I recommend that the Commission  
26                    disallow or otherwise remove at least \$2.197 million in excessive costs for Hurricane Isaias  
27                    and \$5.149 million in excessive costs for Tropical Storm Eta included in FPL’s requests.  
28                    These costs are summarized in the tables in the preceding Disallowance Conclusions  
29                    section of my testimony.

1 IV. PROCESS ISSUES

2 A. Storm Costs Are Excessive Compared to Actual System Damage and Customer  
3 Interruptions

4 Q. PLEASE SUMMARIZE THE SYSTEM DAMAGE, CUSTOMER  
5 INTERRUPTIONS, AND COSTS INCURRED FOR EACH STORM.

6 A. The Companies prepared a Report after each of the storms, except for Hurricane Zeta,<sup>19</sup>  
7 that describes the storm characteristics and weather, the forecast and actual storm paths,  
8 transmission line and substation performance, distribution performance (poles, feeders,  
9 laterals, transformers, pad-mounted switches), smart grid performance, customer  
10 interruptions due to vegetation, and the effects of the Company's hardening programs.

11 In addition to the reports prepared after each storm, except for Hurricane Zeta, Gulf  
12 Power Company witness Michael Spoor addressed Hurricane Sally and Hurricane Eta and  
13 FPL witness Manuel Miranda addressed the Hurricane Isaias and Tropical Storm Eta in  
14 their direct testimonies in these proceedings. More specifically, for each storm, they  
15 described the storm development and path, damages, customer outages, and Gulf Power  
16 Company's and FPL's response, and the costs that were incurred. Gulf Power Company  
17 witness Carmine Priore, III also addressed the damages at Plant Crist due to flooding from  
18 Hurricane Sally.

19  
20 Q. DID THE COMPANIES MANAGE THEIR RESPONSES TO THE STORMS TO  
21 MINIMIZE COSTS?

<sup>19</sup> Response to POD No. 32 in OPC's Second Request for Production of Documents in Docket No. 20200241-EI (Confidential Hurricane Sally Report). Response to POD No. 26 in OPC's First Request for Production of Documents in Docket No. 20210178-EI (Confidential Hurricane Isaias Report and Confidential Tropical Storm Eta Report). A copy of each report is attached as my Confidential Exhibit LK-4 for Hurricane Sally, Confidential Exhibit LK-5 for Hurricane Isaias, and Confidential Exhibit LK-6 for Tropical Storm Eta.

1 A. No. Both Mr. Spoor and Mr. Miranda described their storm response objectives as the  
2 restoration of service to as many customers as possible within the shortest time. More  
3 specifically, Mr. Spoor stated: “The primary objective of Gulf’s emergency preparedness  
4 plan and restoration process is to safely restore critical infrastructure and to restore power  
5 to the greatest number of customers in the least amount of time so that Gulf can return  
6 normalcy to the communities it serves.”<sup>20</sup> Similarly, Mr. Miranda stated: “The primary  
7 objective of FPL’s emergency preparedness plan and restoration process is to safely restore  
8 critical infrastructure and to restore power to the greatest number of customers in the least  
9 amount of time so that FPL can return the communities it serves to normalcy.”<sup>21</sup> Both Mr.  
10 Spoor and Mr. Miranda stated further that “the objective of safely restoring electric service  
11 as quickly as possible cannot, by definition, be pursued as a ‘least cost’ process.”<sup>22</sup>

12  
13 **Q. DOES THAT MEAN THE COMPANIES CANNOT OR SHOULD NOT ATTEMPT**  
14 **TO MINIMIZE THE COSTS THAT ARE INCURRED?**

15 A. No. To the contrary, the Companies have an obligation to minimize costs through every  
16 phase of the storm planning and restoration process. They have an obligation to accurately  
17 assess the range of potential damage, properly size the resourcing necessary to respond to  
18 the potential damage, and establish and abide by decision criteria to quantify, acquire, and  
19 mobilize the resources necessary to restore service to customers within a reasonable time  
20 at the minimum reasonable cost. The accuracy of the damage forecasts is critical. The  
21 resourcing is critical. However, the resourcing depends on the decision criteria to restore

<sup>20</sup> Direct Testimony of Michael Spoor at p. 5 in Docket No. 20200241-EI.

<sup>21</sup> Direct Testimony of Manuel Miranda at p. 6 in Docket No. 20210178-EI.

<sup>22</sup> Direct Testimony of Michael Spoor at p. 6 in Docket No. 20200241-EI and Direct Testimony of Manuel Miranda at p. 6 in Docket No. 20210178-EI.



1 service to the customers out of service within acceptable and reasonable outage time  
2 criteria, neither of which have been established or are used to determine resourcing.

3  
4 **Q. WHAT ARE YOUR RECOMMENDATIONS IN RESPONSE TO THESE**  
5 **CONCERNS?**

6 A. My recommendations are detailed in each of the following subsections of this section of  
7 my testimony. They address improvements in the planning process and in the  
8 implementation of the actual storm response, as well as providing an incentive or stake in  
9 the recovery of storm costs that will minimize the costs to customers incurred to respond  
10 to future storms and to align the Companies' interest in minimizing storm costs with those  
11 of their customers.

12  
13 **B. Prudent Planning And Implementation of Storm Responses Is Necessary In Order**  
14 **to Minimize Storm Costs and Customer Interruptions**

15 **Q. HAVE THE COMPANIES PROVIDED EVIDENCE THAT THEY PLAN OR**  
16 **IMPLEMENT THEIR STORM RESPONSES IN ORDER TO MINIMIZE COSTS?**

17 A. No. To the contrary, the Companies state that minimizing the storm costs is not a planning  
18 or implementation objective.<sup>23</sup> The Companies have no policy that requires them to  
19 minimize costs given specific decision criteria for reasonable outage restoration times.  
20 Perhaps rather obviously, the greater the resources that are acquired, the greater the number  
21 of customers that are restored, the fewer minutes of interruption, and the shorter the outage  
22 restoration times on average. Similarly, the fewer the resources that are acquired, the fewer

<sup>23</sup> Direct testimony of Manuel Miranda at p. 6 in Docket No. 20210178-EI.

1 the number of customers that are restored, the greater the minutes of interruption, and the  
2 longer the outage restoration times on average. However, between the excessive and  
3 inadequate range of outage restoration times, there are reasonable and appropriate decision  
4 criteria that balance the costs to acquire greater resources against the longer restoration  
5 times, especially in light of the nearly \$15 billion that FPL proposes to spend on storm  
6 hardening and protection activities in the next 10 years.<sup>24</sup>

7  
8 **Q. WHY IS THAT IMPORTANT?**

9 A. It is important because it affects the total costs of the storm response and the costs that  
10 customers pay through the ratemaking process, regardless of whether the recovery is  
11 obtained through the storm account and a storm surcharge or through the depreciation  
12 reserve. Gulf Power Company and FPL ultimately are reimbursed by customers for the  
13 entirety of their prudent and reasonable storm costs through the ratemaking process.

14 The Companies have an obligation to act prudently and reasonably to repair damage  
15 and restore service within a reasonable period of time. However, this must be balanced  
16 against the costs of doing so. The Company also has an obligation to act in an intentional  
17 manner to prudently and reasonably minimize costs. This requires more than an after-the-  
18 fact review of vendor invoices for resources that have been mobilized. It requires the  
19 adoption, communication, and implementation of policies to achieve this objective before  
20 resources are mobilized.

21  
<sup>24</sup> Docket No. 20220051-EI, Direct testimony of Michael Jarro, Exhibit MJ-1, APPENDIX C (Page 2 of 2).  
(Total SPP costs for 2023 – 2032 projected to be \$14,854 million (nominal)).

1 C. Systematic And Accurate Assessments of Risk Exposures Are Necessary In Order  
2 to Optimize Resources and Minimize Cost of Storm Responses and Customer  
3 Interruptions

4 Q. SHOULD THE COMPANY OPTIMIZE THE SCOPE, AND MINIMIZE THE  
5 COSTS, OF ITS RESPONSES TO REFLECT THE CONTINUOUS HARDENING  
6 AND PROTECTION OF ITS SYSTEM ASSETS AND REDUCTIONS IN  
7 VEGETATION EXPOSURE?

8 A. Yes. The reality is that, as Gulf Power Company and FPL have made investments in their  
9 transmission and distribution systems and expanded their vegetation management  
10 programs to improve the resiliency of their systems through storm hardening and storm  
11 protection programs and projects approved by the Commission. The investments and  
12 expenses incurred and recovered from customers for this purpose should significantly  
13 reduce the damage and the cost of the storm responses and service restoration activities.

14 The Companies and other utilities have claimed in multiple forums and in multiple  
15 SPP proceedings that these significant hardening and protection investments and  
16 vegetation management expenses are justified, at least in part, through savings and  
17 reliability improvements due to significant and continuous reductions in physical storm  
18 damages and fewer and less severe outages. Indeed, in their storm reports, Gulf Power  
19 Company and FPL repeatedly cited the various storm hardening and protection programs  
20 they already have implemented as the reasons for no or minimal physical damage to the  
21 hardened assets compared the non-hardened assets.<sup>25</sup> Thus, this should result in lower  
22 storm costs in response to future storm events, not the same or even increased costs.

<sup>25</sup> See Confidential Report for Hurricane Sally at pp. 4, 5, 6, 9, 46, 47, and 50 of Confidential Exhibit LK-4 [Bates pp. 024756, 024757, 024758, 024761, 024798, 024799, 024802]. See Confidential Report for Hurricane Isaias at pp. 3, 4, 5, 14, 15, and 16 of Confidential Exhibit LK-5 [Bates pp. 029092, 029093, 029094, 029103,

1 **Q. DESCRIBE FPL'S STORM DAMAGE MODEL.**

2 A. FPL has developed a storm damage model for use in assessing potential damage to its  
3 transmission and distribution systems prior to storm landfall. FPL used the storm damage  
4 model in the responses to the four storms addressed in these proceedings. Gulf Power  
5 Company and FPL provided general descriptions of the storm damage model in their  
6 Emergency Preparedness Plans and responses to OPC written discovery. FPL also  
7 participated in an informal technical conference with OPC and provided expedited  
8 response to OPC written discovery following the technical conference.

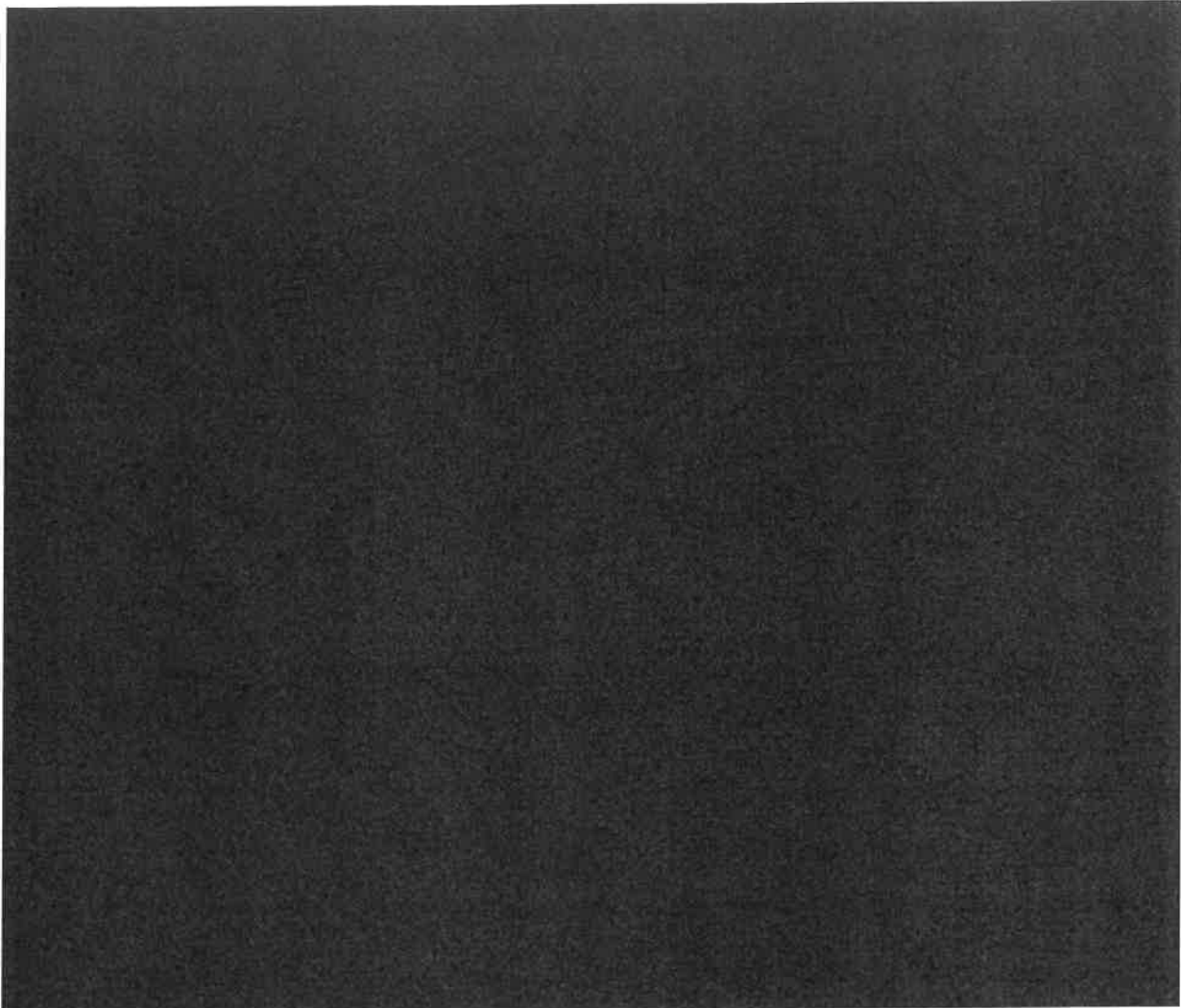
9 The FPL storm damage model was developed and is maintained and used  
10 exclusively by FPL employees.<sup>26</sup> FPL considers the storm damage model to be proprietary  
11 and has applied for a patent, which is pending. FPL never has had the model reviewed by  
12 an outside consulting firm or obtained external assistance for the purposes of improving  
13 the model, improving the model's predictive accuracy, or expanding the model to include  
14 algorithms for resourcing.

15 FPL provided a pictorial overview of the storm damage model in its Emergency  
16 Preparedness Plan showing the inputs and outputs of the model. Gulf Power Company and  
17 FPL provided additional public and confidential descriptions of the inputs and the use of  
18 the model in response to OPC discovery in these proceedings.<sup>27</sup>

029104, 029105]. See Confidential Report for Tropical Storm Eta at pp. 3, 4, 15, 16, 19, 20, 24, 28, 29, and 30 of Confidential Exhibit LK-6 [Bates pp. 029061, 029062, 029073, 029074, 029077, 029078, 029082, 029086, 029087, 029088].

<sup>26</sup> Responses to Interrogatory Nos. 55 and 56 in OPC's Fifth Set of Interrogatories provided in Docket No. 20200241-EI. I have attached a copy of these responses as my Exhibit LK-7.

<sup>27</sup> Responses to POD No. 18 (Public) in OPC's Second Request for Production of Documents and Interrogatory 52 (Confidential) in Docket No. 20200241-EI. Similar responses were filed for each of the other storms. I have attached copies of these responses in Docket No. 20200241-EI as my Confidential Exhibit LK-8.



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16 **Q. DOES FPL HAVE A USERS' MANUAL OR ANY OTHER FORMAL**  
17 **DOCUMENTATION OF THE STORM DAMAGE MODEL?**

18 A. No. There is no use users' manual for and no other formal documentation of the storm  
19 damage model, except for FPL's patent application.<sup>30</sup> FPL's patent application provides  
20 another general description of the storm damage model, but it does not rise to the level of

<sup>28</sup> Responses to Interrogatory Nos. 51 and 54 in OPC's Fifth Set of Interrogatories provided in Docket No. 20200241-EI. I have attached a copy of these responses as my Confidential Exhibit (LK-9).  
<sup>29</sup> Response to Interrogatory No. 53 in OPC's Fifth Set of Interrogatories provided in Docket No. 20200241-EI. I have attached a copy of this response as my Exhibit LK-10.  
<sup>30</sup> Response to POD No. 44 in OPC's Third Request for Production of Documents provided in Docket No. 20200241-EI. I have attached a copy of this response as my Exhibit LK-11.

1 a users' manual or provide detailed documentation as to the automated weather feeds, other  
2 data inputs, such as asset inventory, vegetation density, and damage curves, other  
3 interfaces, operation, sensitivities, outputs and or use of the outputs for resourcing, among  
4 other detail typically included in such documentation.

5  
6 **Q. IS THE LACK OF A USERS' MANUAL OR OTHER FORMAL**  
7 **DOCUMENTATION A CONCERN?**

8 A. Yes. In my experience, this is unusual. It is a concern because the development and the  
9 operation of the model rely solely on the collective knowledge of the team that develops,  
10 maintains, and uses the model, which may not be shared or accessible by all team members  
11 or new team members. It also limits the ability of any outside expert, OPC, or other parties  
12 to review and assess the model, including its structure and its use in minimizing costs  
13 through the predictive accuracy of the potential damage and the resulting CMH, and,  
14 ultimately, the resourcing necessary to repair damage and restore service within a  
15 reasonable time period.

16  
17 **Q. DOES FPL UTILIZE A RESOURCING MODEL TO OPTIMIZE ITS**  
18 **RESOURCING?**

19 A. No.<sup>31</sup> FPL resourcing analyses are performed manually by the Resource Allocation team,  
20 which reports to the Planning Section Chief, who then submits the recommendations to the

<sup>31</sup> Response to Interrogatory No. 50 in OPC's Fifth Set of Interrogatories provided in Docket No. 20200241-EI. I have attached a copy of this response as my Exhibit LK-12.

1 Area Commander for review and approval.<sup>32</sup>

2

3 **Q. IS THE LACK OF A RESOURCE OPTIMIZATION MODEL A CONCERN?**

4 A. Yes. This is a concern because the resourcing is the single largest cost driver and the cost  
5 of those resources is the single largest cost incurred by both Companies to repair damage  
6 and restore service. Once resources are mobilized, especially contractor resources that  
7 must be mobilized and subsequently demobilized, the costs will be incurred, even if the  
8 storm damage is less than predicted by the storm damage model. Similarly, the greater the  
9 number of resources that are mobilized, the greater the costs that will be incurred.

10

11 **Q. WHAT ARE THE CRITICAL INPUTS INTO A RESOURCE OPTIMIZATION**  
12 **MODEL?**

13 A. In addition to the potential damage output from the storm damage model, the optimization  
14 of resources requires specific and objective decision criteria in terms of reasonable outage  
15 times based on the potential damage, as well as inputs for the available resources and the  
16 cost of those resources, including the costs of mobilization, demobilization, and the related  
17 travel.

18

19 **Q. DO GULF POWER COMPANY AND FPL HAVE DEFINED DECISION**  
20 **CRITERIA THAT INFORM THEIR RESOURCING AND THAT COULD BE**  
21 **UTILIZED IN A RESOURCE OPTIMIZATION MODEL?**

<sup>32</sup> Response to Interrogatory No. 37 in OPC's Second Set of Interrogatories provided in Docket No. 20200241-EI. Response to Interrogatory No. 36 in OPC's Second Set of Interrogatories provided in Docket No. 20210178-EI. I have attached copies of these responses as my Exhibit LK-13.

1 A. No. Gulf Power Company “does’ not have defined ‘decision criteria’ that can be applied  
2 consistently during each restoration event. . . resource decisions are based on the  
3 Construction Man Hours (CMH) damage forecast from the Storm Damage Model,  
4 information from historical events, onsystem resource, and the availability and location of  
5 external resources.”<sup>33</sup>

6  
7 **Q. IS THE LACK OF DEFINED DECISION CRITERIA A CONCERN?**

8 A. Yes. Without objective decision criteria, the Companies have no practical ability to  
9 optimize their resourcing in order to minimize outage costs. The critical outage cost driver  
10 is the resourcing necessary to repair the potential damage and restore service.

11  
12 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

13 A. I have several process recommendations that, if adopted, will serve to optimize the quantify  
14 of resources acquired, allow the Companies to repair damage and restore service within  
15 reasonable outage times, and allow the Companies to minimize storm costs through their  
16 resourcing decisions and mobilizations before the costs actually are incurred.

17 First, the Companies should engage an external consulting assistance to review and  
18 further develop or replace the storm damage model to enhance its capabilities and  
19 predictive capability and accuracy.

20 Second, the Companies should acquire and/or develop resourcing optimization  
21 software, all with the goals of establishing and systematically implementing the  
22 Companies’ decision criteria for reasonable restoration times and to minimize outage costs.

<sup>33</sup> *Id.*



1 Third, the Companies should adopt written policies that describe and require them  
2 to plan and implement its storm damage and outage responses to minimize costs based on  
3 specific decision criteria, primarily reasonable outage times.

4 Fourth, the Companies should adopt written documentation of their storm damage  
5 model, all related models, and their resourcing models, both prior to landfall and after  
6 landfall, including: 1) users' manuals; 2) use of the models and the methodologies  
7 employed; 3) and the decision criteria that are used to determine resource requirements,  
8 procure embedded and external resources to meet those requirements, and mobilize, move,  
9 and demobilize those resources throughout and after the restoration process.

10  
11 **D. Prudent Management of Contractor Resources Is Necessary In Order to Minimize**  
12 **Storm Costs**

13 **Q. HAVE THE COMPANIES DEMONSTRATED THAT THEY MINIMIZED THE**  
14 **STORM COSTS THROUGH THEIR SELECTION OF RESOURCES,**  
15 **INCLUDING CONSIDERATION OF THE COSTS TO MOBILIZE AND**  
16 **DEMobilize THIRD-PARTY LINE CONTRACTORS?**

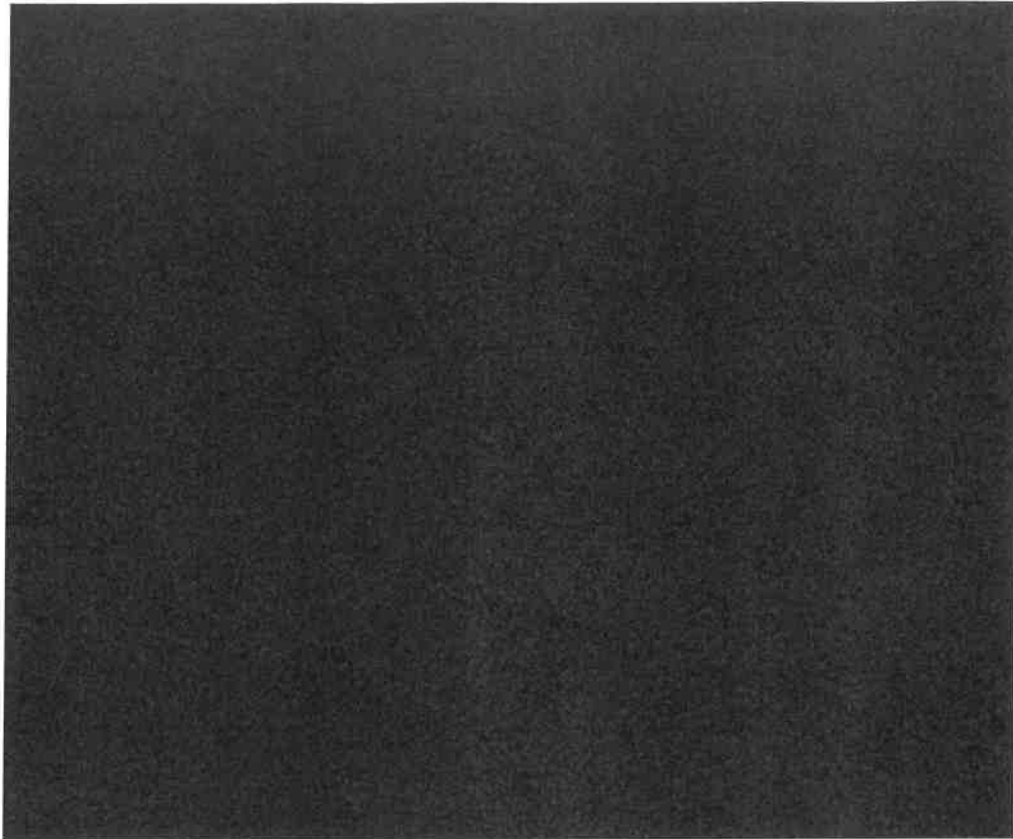
17 A. No. The quantity of resources acquired to respond to the potential storm damage is the  
18 primary driver of the costs that will be incurred. The mix of resources also is a driver of  
19 the costs that will be incurred. Embedded resources tend to be the lowest cost resources,  
20 followed closely by affiliate resources. Mutual assistance resources tend to be the next  
21 lowest cost, although it depends greatly on the contract terms and each mutual assistance  
22 company's determinations of its costs. Other third-party contractor resources tend to be the  
23 highest cost and greater than affiliate and mutual assistance costs, although there are  
24 exceptions. The costs for other third-party contractors include mobilization and

1 demobilization costs, including travel and standby costs, in addition to the costs incurred  
2 to repair damage and restore service.

3  
4 **Q. PLEASE COMPARE THE COMPANIES' USE OF AFFILIATES, MUTUAL**  
5 **ASSISTANCE COMPANIES, AND OTHER THIRD-PARTY LINE**  
6 **CONTRACTORS.**

7 A. The Companies relied primarily on third party contractors rather than their own employees,  
8 affiliate company contractors, or mutual assistance contractors, all of which may have  
9 provided lower cost alternatives compared to higher cost third-party contractors.

10 The following table provides a comparison for each storm of the costs for affiliate,  
11 mutual assistance utilities, and other third-party overhead line contractors incurred by each  
12 of the Companies. The affiliate charges in these proceedings reflect assistance by Gulf  
13 Power Company to FPL for Hurricane Isaias and Tropical Storm Eta and by FPL to Gulf  
14 Power Company for Hurricane Sally and Hurricane Zeta. The other third-party overhead  
15 line contractors includes both embedded contractors, who were redirected to provide storm  
16 services at higher rates and costs than the rates and costs for non-storm services, and non-  
17 embedded contractors subject to storm related contracts, who generally have the highest  
18 rates and costs.



1 Q. WHAT IS YOUR RECOMMENDATION?

2 A. The Companies should adopt written policies that describe and require them to optimize  
3 the allocation and acquisition of embedded and external resources necessary to respond to  
4 the potential damage and outage risk exposures identified in their assessments of those risk  
5 exposures.

6 In addition, the Companies should adopt written policies that describe and require  
7 them to minimize storm costs through careful management of the mobilization and  
8 demobilization of its contractors, including the acquisition and/or development of  
9 optimization software.

1 **E. Interest On Unamortized Storm Costs**

2 **Q. DESCRIBE THE INTEREST INCLUDED BY GULF POWER COMPANY IN ITS**  
3 **REQUESTS.**

4 A. Gulf Power Company included \$0.311 million in interest on the unamortized storm costs  
5 for Hurricane Sally and \$0.001 million for Hurricane Zeta.

6  
7 **Q. IS GULF POWER COMPANY ENTITLED TO RECOVER INTEREST?**

8 A. No. Interest is not identified as a recoverable cost in the Rule.

9  
10 **Q. WHAT IS YOUR RECOMMENDATION?**

11 A. I recommend that interest be disallowed.

12  
13 **F. The Companies Have No Incentive to Minimize Storm Cost**

14 **Q. DO THE COMPANIES HAVE AN INCENTIVE TO MINIMIZE STORM COSTS?**

15 A. No.

16  
17 **Q. IS THAT A CONCERN?**

18 A. Yes. If a utility has no direct interest or stake in minimizing storm costs, then its primary,  
19 and perhaps, only objective is to restore service as quickly as possible without  
20 consideration of the costs that are incurred. In fact, as I noted previously, both Companies  
21 state that their primary objective is to restore service as quickly as possible, although they  
22 claims that they attempt to do so efficiently.<sup>34</sup>

<sup>34</sup> Direct Testimony of Manuel Miranda at pp. 15-16 in Docket No. 20210178-EL.

1 **Q. WHAT IS YOUR RECOMMENDATION?**

2 A. I recommend that the Commission adopt a ratemaking incentive to ensure that the  
3 Companies are focused on continuous improvement in planning and implementation and  
4 other processes to minimize costs before costs for a specific storm are incurred, contractors  
5 are mobilized, and invoices are issued by the contractors and paid by the Companies. This  
6 is particularly important as the Companies expect to spend nearly \$15 billion in additional  
7 storm hardening and protection investments and vegetation management in the next 10  
8 years, the entirety of which will be recovered from customers through riders, such as the  
9 SPPCRC.

10 There are different forms that this incentive could take. For example, the incentive for  
11 Gulf Power Company could take the form of no return on the storm costs if the Commission  
12 otherwise is inclined to include interest in the recoverable storm costs, despite the fact that  
13 it is not identified as a recoverable cost in the Rule. As another example, the incentive for  
14 FPL could be to apply a 95% “recovery factor” that results in a sharing of storm costs 95%  
15 to customers and 5% to the Company if the storm costs are charged to base O&M expense  
16 and the Company otherwise would recover the costs and a return on the costs through the  
17 depreciation reserve under the RSAM. In these proceedings, FPL would be allocated  
18 \$3.418 million and \$5.744 million (5%) for Hurricane Isaias and tropical Storm Eta,  
19 respectively, and customers would be allocated \$64.945 million and \$109.127 million  
20 (95%), for Hurricane Isaias and Tropical Storm Eta, respectively, all else equal and before  
21 any other disallowances.

1 **V. METHODOLOGY ISSUES**

2 **A. ICCA Methodology Set Forth in The Rule Limits Recovery to Incremental Costs**

3 **Q. DID THE COMPANIES LIMIT THEIR CLAIMED COSTS TO INCREMENTAL**  
4 **COSTS PURSUANT TO THE REQUIREMENTS SET FORTH IN THE RULE?**

5 A. No. Gulf Power Company failed to limit the costs charged to the storm reserve and FPL  
6 failed to limit the costs charged to base O&M expense to the *incremental* costs incurred  
7 and failed to exclude all “costs that normally would be charged to non-cost recovery clause  
8 operating expenses in the absence of a storm” pursuant to the requirements of the Rule.

9 First, the Companies failed to exclude all straight time labor and related loadings  
10 costs as required by the Rule. In direct contravention of the Rule, the Companies excluded  
11 only a portion of the straight time labor and related loadings for non-cost recovery clause  
12 operating expenses included in its 2020 budget.<sup>35</sup> More specifically, Gulf Power Company  
13 excluded only 45% of the distribution straight time labor costs and 41% of the straight time  
14 transmission labor costs for Hurricane Sally and only 40% of the distribution straight time  
15 labor costs and 29% of the straight time transmission labor costs for Hurricane Zeta.<sup>36</sup> FPL  
16 excluded only 48% of the distribution straight time labor costs and 34% of the straight time  
17 transmission labor costs for Hurricane Isaias and only 37% of the distribution straight time  
18 labor costs and 16% of the straight time transmission labor costs for Tropical Storm Eta.<sup>37</sup>

19 Second, the Companies failed to exclude line contractor “costs that normally would  
20 be charged to non-cost recovery clause operating expenses in the absence of a storm.” The

<sup>35</sup> Response to Interrogatory No. 35 in OPC’s First Set of Interrogatories in Docket No. 20210178-EI, a copy of which is attached as Exhibit LK-14.

<sup>36</sup> Exhibit DH-1(Sally) and Exhibit DH-1(Zeta) attached to the Direct Testimonies of David Hughes in Docket Nos. 20200241-EI and 20210179-EI, respectively.

<sup>37</sup> Exhibit DH-1(Isaias) and Exhibit DH-2(Eta) attached to the Direct Testimony of David Hughes in Docket No. 20210178-EI.

1 Companies objected and refused to provide this information in response to OPC discovery,  
2 stating that it was irrelevant, immaterial, and not reasonably calculated to lead to the  
3 discovery of admissible evidence.<sup>38</sup> Only the Companies have this information. It is  
4 directly relevant to the review of its claimed storm costs to avoid double recovery of costs  
5 that already are included either in the base revenue requirement or in cost-recovery clause  
6 revenue requirements. These costs should be treated no differently than the vegetation  
7 management costs.

8 Third, the Companies failed to exclude the materials and supplies “costs that  
9 normally would be charged to non-cost recovery clause operating expenses in the absence  
10 of a storm” pursuant to the ICCA limitations on materials and supplies costs specifically  
11 set forth in the Rule. Only in response to OPC discovery did the Company provide the  
12 actual annual cost information necessary to calculate a three-year historic average of these  
13 operating expenses in the absence of a storm.<sup>39</sup> These costs should be treated no differently  
14 than the vegetation management costs.

15  
16 **B. The Rule Requires that Costs be Prudent and Reasonable**

17 **Q. DOES RULE 25-6.0143(1)(d), F.A.C., ALLOW RECOVERY OF IMPRUDENT OR**  
18 **UNREASONABLE COSTS?**

19 **A.** No. The Rule specifically states that “[a]ll costs charged to Account 228.1 are subject to  
20 review for prudence and reasonableness by the Commission.” Thus, all claimed costs must  
21 be prudent and reasonable to qualify for ratemaking recovery.

<sup>38</sup> Objections to Interrogatory No. 6 in OPC’s First Sets of Interrogatories in Docket Nos. 20200241-EI, 20210178-EI, and 20210179-EI.

<sup>39</sup> Responses to Interrogatory No. 8 in OPC’s First Set of Interrogatories in Docket Nos. 20200241-EI, 20210178-EI, and 20210179-EI. I have attached copies of these responses as Exhibit LK-15.

1 Q. WHY IS IT IMPORTANT THAT NON-INCREMENTAL COSTS BE REMOVED  
2 AS REQUIRED BY THE RULE EVEN WHEN STORM COSTS ARE CHARGED  
3 TO BASE O&M?

4 A. As I previously noted, FPL is not subject to the inherent disincentive against charging storm  
5 costs to base O&M in a given year, which typically would cause a utility to take a charge  
6 against earnings. The FPL RSAM settlement allows it to use the depreciation reserve to  
7 defer the storm costs as an offset to the depreciation reserve and to earn a rate of return on  
8 the storm costs due to the increase in rate base, all else equal. This form of ratemaking,  
9 without any reduction for non-incremental storm costs, allows FPL to recover those non-  
10 incremental costs through the depreciation reserve, a result that is contrary to the stated  
11 purpose of the Rule and the ICCA methodology. As I previously noted, it also allows the  
12 Company to earn a rate of return on those costs at its weighted cost of capital, including  
13 the 11.60% return on equity.

14  
15 Q. IS IT REASONABLE OR PRUDENT TO ALLOW NON-INCREMENTAL STORM  
16 COSTS TO BE CHARGED TO BASE O&M?

17 A. No, it is not. It causes ratepayers to pay higher rates than they should under the Rule. It is  
18 neither reasonable nor prudent to allow customers to pay more merely because of the  
19 recovery method the utility chooses to use.

20  
21 **VI. DISALLOWANCE ISSUES**

22 **A. Non-Incremental Costs**

23 Q. HAVE YOU REFLECTED AN ADJUSTMENT ON THE HURRICANE ISAIAS  
24 AND TROPICAL STORM ETA TABLES IN THE SUMMARY SECTION OF



1           **YOUR TESTIMONY TO REMOVE FPL’s CALCULATION OF NON-**  
2           **INCREMENTAL COSTS FROM THE CHARGES TO BASE O&M EXPENSE?**

3    A.    Yes.<sup>40</sup> As I previously discussed, the Rule makes no distinction between the storm costs  
4           recoverable through the storm account and a storm surcharge compared to charging the  
5           costs to base O&M expense and recovering them through the Reserve. The inherent  
6           disincentive in the form of a reduction in the earned return on equity if the storm costs are  
7           charged to base O&M expense is not present in this proceeding given FPL’s use of the  
8           RSAM to recover its storm costs and its failure to apply, let alone properly apply, the ICCA  
9           set forth in the Rule.

10  
11           **B. Regular Payroll And Related Costs**

12    **Q.    DESCRIBE THE REMAINING REGULAR PAYROLL AND RELATED COSTS**  
13           **INCLUDED IN THE COMPANIES’ CLAIMED COSTS.**

14    A.    Gulf Power Company included \$0.966 million total Company, or \$0.957 million on a retail  
15           jurisdictional basis, in regular payroll and related costs in its claimed Hurricane Sally costs  
16           after reductions for “capitalizable” and “non-incremental” costs. Gulf Power Company  
17           included \$0.132 million total Company, or \$0.131 million on a retail jurisdictional basis,  
18           in regular payroll and related costs in its claimed Hurricane Zeta costs after reduction for  
19           “capitalizable” and “non-incremental” costs.<sup>41</sup>

<sup>40</sup> I used the amounts shown on Exhibit DH-1(Isaias) and Exhibit DH-2(Eta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 202100178-EI for these adjustments.

<sup>41</sup> Exhibit DH-1(Sally) attached to the Direct Testimony of Mr. David Hughes in Docket No. 20200241-EI for Hurricane Sally amounts before retail jurisdictional allocation. Exhibit DH-1(Zeta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 20210179-EI for Hurricane Zeta amounts before retail jurisdictional allocation. Retail allocations for both hurricanes were calculated by Mr. Kollen.

1 FPL included \$0.323 million total Company, or \$0.320 million on a retail  
2 jurisdictional basis, in regular payroll and related costs in its claimed Hurricane Isaias costs  
3 after reduction for “capitalizable” and “non-incremental” costs. FPL included \$1.478  
4 million total Company, or \$1.429 million on a retail jurisdictional basis, in regular payroll  
5 and related costs in its claimed Tropical Storm Eta costs after reduction for “capitalizable”  
6 and “non-incremental” costs.<sup>42</sup>

7  
8 **Q. HAVE YOU EXCLUDED THESE REMAINING REGULAR PAYROLL AND**  
9 **RELATED COSTS FROM EACH COMPANY’S CLAIMED COSTS?**

10 A. Yes. I excluded the remaining regular payroll and related costs as a disallowance on the  
11 tables in the Summary section of my testimony.

12  
13 **C. Non-Incremental Overtime Payroll And Related Costs**

14 **Q. DESCRIBE THE OVERTIME PAYROLL AND RELATED COSTS INCLUDED IN**  
15 **THE COMPANIES’ CLAIMED COSTS.**

16 A. Gulf Power Company included \$3.236 million total Company, or \$3.207 million on a retail  
17 jurisdictional basis, in overtime payroll and related costs in its claimed costs for Hurricane  
18 Sally. Gulf Power Company included \$0.339 million total Company, or \$0.337 million on  
19 a retail jurisdictional basis, in overtime payroll and related costs in its claimed costs for  
20 Hurricane Zeta.<sup>43</sup>

<sup>42</sup> Exhibit DH-1(Isaias) and Exhibit DH-2(Eta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 202100178-EI for amounts before retail jurisdictional allocation. Retail allocations for both hurricanes were calculated by Mr. Kollen.

<sup>43</sup> Exhibit DH-1(Sally) attached to the Direct Testimony of Mr. David Hughes in Docket No. 20200241-EI for Hurricane Sally amounts before retail jurisdictional allocation. Exhibit DH-1(Zeta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 20210179-EI for Hurricane Zeta amounts before retail jurisdictional allocation. Retail allocations for both hurricanes were calculated by Mr. Kollen.

1 FPL included \$4.626 million total Company, or \$4.582 million on a retail  
2 jurisdictional basis, in overtime payroll and related costs in its claimed costs for Hurricane  
3 Isaias. FPL included \$8.750 million total Company, or \$8.390 million on a retail  
4 jurisdictional basis, in overtime payroll and related costs in its claimed costs for Tropical  
5 Storm Eta.<sup>44</sup>

6 The Companies reflected no reductions for “capitalizable” or “non-incremental”  
7 overtime and related costs.<sup>45</sup> The Companies simply claim that the entirety of the overtime  
8 payroll and related costs is incremental, although the base revenue requirement includes  
9 overtime payroll and related costs.

10  
11 **Q. DID YOU ATTEMPT TO DETERMINE THE OVERTIME PAYROLL AND**  
12 **RELATED COSTS INCLUDED IN THE BASE REVENUE REQUIREMENTS?**

13 A. Yes. The Companies failed to provide the amounts included in the base revenue  
14 requirement in response to OPC discovery.<sup>46</sup> This information is necessary to quantify and  
15 exclude the costs that “normally would be charged to non-cost recovery clause operating  
16 expenses in the absence of a storm,” a requirement of the Rule. As a result, the costs  
17 claimed by the Companies for overtime payroll and related expenses are overstated.

<sup>44</sup> Exhibit DH-1(Isaias) and Exhibit DH-2(Eta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 202100178-EI for amounts before retail jurisdictional allocation. Retail allocations for both storms were calculated by Mr. Kollen.

<sup>45</sup> Exhibit DH-1(Sally) attached to the Direct Testimony of Mr. David Hughes in Docket No. 20200241-EI for Hurricane Sally amounts before retail jurisdictional allocation. Exhibit DH-1(Zeta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 20210179-EI for Hurricane Zeta amounts before retail jurisdictional allocation. Exhibit DH-1(Isaias) and Exhibit DH-2(Eta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 202100178-EI for amounts before retail jurisdictional allocation. Retail allocations for all four storms were calculated by Mr. Kollen.

<sup>46</sup> Response to Interrogatory No. 33 in OPC’s First Set of Interrogatories in Docket No. 20200241-EI. Response to Interrogatory No. 31 in OPC’s First Set of Interrogatories in Docket No. 202100179-EI. Response to Interrogatory No. 34 in OPC’s First Set of Interrogatories in Docket No. 202100178-EI. See Exhibit LK-2.

1 **Q. WHAT IS YOUR RECOMMENDATION?**

2 A. I recommend that the Commission disallow 25%, or \$0.802 million, of Gulf Power  
3 Company's claimed overtime payroll and related costs for Hurricane Sally, and \$0.084  
4 million for Hurricane Zeta, in the absence of the information to calculate the non-  
5 incremental amount more precisely.

6 I recommend that the Commission disallow 25%, or \$1.146 million, of FPL's  
7 claimed overtime payroll and related costs for Hurricane Isaias, and \$2.097 million for  
8 Tropical Storm Eta, in the absence of the information to calculate the non-incremental  
9 amount more precisely

10 The Companies should not be rewarded simply because they refuse to provide the  
11 information that only they have access to for these embedded and non-incremental costs.

12  
13 **D. Non-Incremental Line Contractor Costs**

14 **Q. PLEASE DESCRIBE THE COSTS INCURRED FOR LINE CONTRACTORS**  
15 **INCLUDED BY THE COMPANIES IN THEIR CLAIMED COSTS.**

16 A. Gulf Power Company included \$71.057 million total Company, or \$70.796 million on a  
17 retail jurisdictional basis, for line contractors in its claimed costs for Hurricane Sally and  
18 \$5.455 million total Company, or \$5.435 million on a retail jurisdictional basis, for  
19 Hurricane Zeta. FPL included \$30.622 million total Company, or \$30.618 million on a  
20 retail jurisdictional basis, for line contractors in its claimed costs for Hurricane Isaias and  
21 \$66.275 million total Company, or \$66.266 million on a retail jurisdictional basis, for  
22 Tropical Storm Eta.

1           Neither Company reflected reductions for non-incremental costs. They did not  
2 reduce these claimed costs by the “costs that normally would be charged to non-cost  
3 recovery clause operating expenses in the absence of a storm,” as required by the Rule. As  
4 a result, the claimed costs are overstated.

5  
6 **Q. HAVE YOU BEEN ABLE TO PRECISELY QUANTIFY THE LINE**  
7 **CONTRACTOR “COSTS THAT NORMALLY WOULD BE CHARGED TO NON-**  
8 **COST RECOVERY CLAUSE OPERATING EXPENSES IN THE ABSENCE OF A**  
9 **STORM”?**

10 A. No. As I previously noted, the Companies objected to and refused to provide the historic  
11 information necessary to quantify these embedded costs in response to OPC discovery.<sup>47</sup>  
12 The Companies used embedded line contractors to respond to the storms, which means that  
13 the contractors were not available for non-storm activities and did not charge their costs to  
14 the non-storm O&M expense accounts. However, the costs of the embedded contractors  
15 are recovered in the Companies’ base revenues. The Companies are not entitled to recover  
16 these costs twice, once in the base revenues and then again either through a storm surcharge  
17 or through a charge to base O&M expense and reduction to the depreciation reserve under  
18 the RSAM. The Companies should not be rewarded simply because they refuse to provide  
19 the information that only they have access to for these embedded costs.

<sup>47</sup> Responses to OPC Interrogatory Nos. 5 and 6 in OPC’s First Set of Interrogatories in Docket Nos. 20200241-EI, 20210179-EI, and 20210178-EI. See Exhibit LK-3.

1 **Q. WHAT IS YOUR RECOMMENDATION?**

2 A. I recommend that the Commission disallow \$1.416 million, or 2.0%, of Gulf Power  
3 Company's claimed line contractor costs for Hurricane Sally, and \$0.109 million, or 2.0%  
4 of the costs for Hurricane Zeta. I recommend that the Commission disallow \$0.612 million,  
5 or 2.0%, of FPL's claimed line contractor costs for Hurricane Isaias, and \$1.325 million,  
6 or 2.0% of the costs for Tropical Storm Eta. These recommendations are subject to rebuttal  
7 by the Companies if they choose to provide the information on embedded costs that OPC  
8 requested through discovery. If they do so, then I reserve the right to submit responsive  
9 testimony.

10 I also recommend that the Commission direct the Companies to provide and  
11 exclude line contractor "costs that normally would be charged to non-cost recovery clause  
12 operating expenses in the absence of a storm" pursuant to the ICCA limitations set forth in  
13 the Rule in future storm cost proceedings. If these costs cannot be directly quantified by  
14 the Companies, then the Commission should direct them to quantify the costs using a three-  
15 year historic average similar to the quantification of the three-year historic average used to  
16 exclude vegetation management costs pursuant to the Settlement in Docket No. 20180049-  
17 EI.

18

19 **E. Non-Incremental Materials and Supplies Costs**

20 **Q. DESCRIBE THE COSTS INCURRED FOR MATERIALS AND SUPPLIES**  
21 **INCLUDED IN THE COMPANIES' CLAIMED COSTS.**

22 A. Gulf Power Company included \$7.385 million total Company, or \$7.248 million on a retail  
23 jurisdictional basis, after reduction for capitalizable costs for materials and supplies costs

1 in its claimed costs for Hurricane Sally and \$0.075 million total Company, or \$0.074  
2 million on a retail jurisdictional basis, for Hurricane Zeta.<sup>48</sup> FPL included \$0.039 million  
3 total Company, or \$0.038 million on a retail jurisdictional basis, after reduction for  
4 capitalizable costs for materials and supplies costs in its claimed costs for Hurricane Isaias  
5 and \$0.185 million total Company, or \$0.182 million on a retail jurisdictional basis, for  
6 Tropical Storm Eta.<sup>49</sup>

7 The Companies did not reduce their claimed costs for the non-incremental “costs  
8 that normally would be charged to non-cost recovery clause operating expenses in the  
9 absence of a storm,” as specifically required by the Rule.

10  
11 **Q. HAVE YOU BEEN ABLE TO QUANTIFY THE MATERIALS AND SUPPLIES**  
12 **“COSTS THAT NORMALLY WOULD BE CHARGED TO NON-COST**  
13 **RECOVERY CLAUSE OPERATING EXPENSES IN THE ABSENCE OF A**  
14 **STORM”?**

15 A. Yes. Although the Companies objected to providing the historic information necessary to  
16 quantify these embedded costs in response to OPC discovery, they nevertheless provided  
17 three years of history and the amount included in non-storm O&M expense for each storm  
18 for the month in which each storm occurred.<sup>50</sup>

19 Gulf Power Company calculated a three-year non-storm expense historic average  
20 of \$0.152 million for the months of September 2017, 2018, and 2019, and provided the

<sup>48</sup> Exhibit DH-1(Sally) and Exhibit DH-1(Zeta) attached to the Direct Testimonies of Mr. David Hughes in Docket Nos. 20200241-EI and 20210179-EI, respectively.

<sup>49</sup> Exhibit DH-1(Isaias) and Exhibit DH-2(Eta) attached to the Direct Testimony of Mr. David Hughes in Docket No. 20210178-EI.

<sup>50</sup> Responses to Interrogatory No. 8 in OPC’s First Set of Interrogatories in Docket Nos. 20200241-EI, 20210178-EI, and 20210179-EI. See Exhibit LK-15.

1 non-storm expense of \$0.089 million for September 2020, the month when Hurricane Sally  
2 occurred. On this basis, the non-incremental materials and supplies expense is \$0.063  
3 million for Hurricane Sally.

4 Gulf Power Company calculated a three-year non-storm expense historic average  
5 of \$0.219 million for the months of October 2017, 2018, and 2019, and provided the non-  
6 storm expense of \$0.156 million for October 2020, the month when Hurricane Zeta  
7 occurred. On this basis, the non-incremental materials and supplies expense is \$0.063  
8 million for Hurricane Zeta.

9 FPL calculated a three-year non-storm expense historic average of \$1.429 million  
10 for the months of August 2017, 2018, and 2019, and provided the non-storm expense of  
11 \$0.828 million for August 2020, the month when Hurricane Isaias occurred. On this basis,  
12 the non-incremental materials and supplies expense is \$0.601 million for Hurricane Isaias.

13 FPL calculated a three-year non-storm expense historic average of \$0.913 million  
14 for November 2017, 2018, and 2019, and provided the non-storm expense of negative  
15 \$0.194 million for November 2020, the month when Tropical Storm Eta occurred. On this  
16 basis, the non-incremental materials and supplies expense is \$1.107 million for Tropical  
17 Storm Eta.

18  
19 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

20 A. I recommend that the Commission reduce Gulf Power Company's claimed materials and  
21 supplies costs by \$0.063 million total Company for Hurricane Sally and \$0.063 million  
22 total Company for Hurricane Zeta to remove the non-incremental costs, as required by the  
23 Rule. I recommend that the Commission reduce FPL's claimed materials and supplies



1 costs by \$0.039 million total Company for Hurricane Isaias and \$0.185 million total  
2 Company for Tropical Storm Eta. The reductions for FPL are the entirety of the materials  
3 and supplies costs claimed because the reduction in the actual costs incurred compared to  
4 the three-year average is greater than the amounts claimed by FPL for each storm.

5 In addition, I recommend that the Commission direct the Company to include such  
6 an adjustment to remove the non-incremental costs in future storm cost proceedings if it  
7 would reduce the storm costs recoverable through the ratemaking process, regardless of the  
8 form of the recovery.

9  
10 **Q. DOES THIS COMPLETE YOUR PREPARED DIRECT TESTIMONY?**

11 **A. Yes.**

The confidential documents contained in Exhibit LK-4 are  
confidential in their entirety.

The confidential documents contained in Exhibit LK-5 are  
confidential in their entirety.

The confidential documents contained in Exhibit LK-6 are  
confidential in their entirety.

The confidential documents contained in Exhibit LK-8 are confidential in their entirety.

The confidential documents contained in Exhibit LK-9 are  
confidential in their entirety.

The confidential documents contained in Exhibit RAF-2 are confidential in their entirety.

The confidential documents contained in Exhibit RAF-3 are confidential in their entirety.



The confidential documents contained in Exhibit RAF-4 are confidential in their entirety.

The confidential documents contained in Exhibit RAF-6 are  
confidential in their entirety.

The confidential documents contained in Exhibit RAF-7 are confidential in their entirety.

# EXHIBIT C

**EXHIBIT C**

**COMPANY:** Florida Power & Light Company  
**TITLE:** List of Confidential Documents  
**DOCKET NO.:** 20200241-EI; 20210178-EI; 202100179  
**DOCKET TITLE:** Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Sally, by Gulf Power Company. Petition for evaluation of Hurricane Isaias and Tropical Storm Eta storm costs, by Florida Power & Light Company. Petition for evaluation of Hurricane Zeta storm costs, by Gulf Power Company  
**SUBJECT:** Information contained in the testimony and exhibits of OPC witnesses Kollen and Frutal in Docket 20200241-EI; former Docket 20210178-EI; and former Docket 20210179-EI.  
**DATE:** May 20, 2022

Set	Bates Number Start	Bates Number End	Description	Page No. / Line Nos.	Florida Statute 3.66.093(3) Subsection	Declarant
Docket 20200241 Kollen Testimony	N/A	NA	Direct Testimony of Lane Kollen	Page 28, Lines 1-14	(e)	Thomas Allain
Docket 20200241 Kollen Testimony	N/A	NA	Direct Testimony of Lane Kollen	Page 34, Table 1	(e)	Thomas Allain
Docket 20200241 Exhibit LK-4	N/A	NA	Power Delivery Performance Report -Sally	All	(e)	Thomas Allain
Docket 20200241 Exhibit LK-5	N/A	NA	Power Delivery Performance Report - Isaias	All	(e)	Thomas Allain
Docket 20200241 Exhibit LK-6	N/A	NA	Power Delivery Performance Report -Eta	All	(e)	Thomas Allain
Docket 20200241 Exhibit LK-8	N/A	NA	Gulf Response to OPC 2 <sup>nd</sup> POD, No. 18, and OPC 5 <sup>th</sup> INT, No, 52	All	(e)	David Hughes

Set	Bates Number Start	Bates Number End	Description	Page No. / Line Nos.	Florida Statute 3.66.093(3) Subsection	Declarant
Docket 20200241 Exhibit LK-9	N/A	NA	Gulf Response to OPC 5 <sup>th</sup> INT, No. 51	All	(e)	David Hughes
Docket 20200241 Exhibit RAF-2	N/A	NA	Sally - JKA Contractor Summary for All Excel Flat Files	All	(e)	David Hughes
Docket 20200241 Exhibit RAF-3	N/A	NA	Zeta - JKA Contractor Summary for All Excel Flat Files responses	All	(e)	David Hughes
Docket 20200241 Exhibit RAF-4	N/A	NA	Isaias - JKA Contractor Summary for All Excel Flat Files responses	All	(e)	Clare Gerard
Docket 20200241 Exhibit RAF-5	N/A	NA	Eta - JKA Contractor Summary for All Excel Flat Files responses	All	(e)	Clare Gerard
Docket 20200241 Exhibit RAF-6	N/A	NA	Gulf Response to various OPC POD Requests	All	(e)	Clare Gerard
Docket 20200241 Exhibit RAF-7	N/A	NA	Gulf Response to OPC 4 <sup>th</sup> INT, No. 48	All	(e)	David Hughes

# EXHIBIT D

**EXHIBIT D**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Sally, by Gulf Power Company.

Docket No. 20200041-EI

Docket No. 20210178-EI

Docket No. 20210179-EI

In re: Petition for evaluation of Hurricane Isaias and Tropical Storm Eta storm costs, by Florida Power & Light Company.

In re: Petition for limited proceeding for recovery of incremental storm restoration costs and associated true-up process related to Hurricane Zeta, by Gulf Power Company.

**WRITTEN DECLARATION OF CLARE GERARD**

1. My name is Clare Gerard. I am currently employed by Florida Power & Light Company ("FPL") as Vice President, Risk and Credit Exposure Management. I have personal knowledge of the matters stated in this written declaration.

2. I have reviewed the documents and information included in Exhibit A FPL's Request for Confidential Classification, for which I am listed as the declarant on Exhibit C. The documents and files that I have reviewed and which are asserted by FPL to be proprietary confidential business information contain information relating to competitive interests, the disclosure of which would impair the competitive business of FPL. To the best of my knowledge, FPL has maintained the confidentiality of this information.

3. Consistent with the provisions of the Florida Administrative Code, such materials should remain confidential for a period of eighteen (18) months. In addition, they should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents.

4. Under penalties of perjury, I declare that I have read the foregoing declaration and that the facts stated in it are true to the best of my knowledge and belief.

  
Clare Gerard

Date: 5-19-2022



**EXHIBIT D**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Sally, by Gulf Power Company.

Docket No. 20200041-EI

Docket No. 20210178-EI

Docket No. 20210179-EI

In re: Petition for evaluation of Hurricane Isaias and Tropical Storm Eta storm costs, by Florida Power & Light Company.

In re: Petition for limited proceeding for recovery of incremental storm restoration costs and associated true-up process related to Hurricane Zeta, by Gulf Power Company.

**WRITTEN DECLARATION OF THOMAS ALLAIN**

1. My name is Thomas Allain. I am currently employed by Florida Power & Light Company (“FPL”) as Director, Compliance and Regulatory, Power Delivery. I have personal knowledge of the matters stated in this written declaration.

2. I have reviewed the documents and information included in Exhibit A FPL’s Request for Confidential Classification, for which I am listed as the declarant on Exhibit C. The documents and files that I have reviewed and which are asserted by FPL to be proprietary confidential business information contain information relating to competitive interests, the disclosure of which would impair the competitive business of FPL. To the best of my knowledge, FPL has maintained the confidentiality of this information.

3. Consistent with the provisions of the Florida Administrative Code, such materials should remain confidential for a period of eighteen (18) months. In addition, they should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents.

4. Under penalties of perjury, I declare that I have read the foregoing declaration and that the facts stated in it are true to the best of my knowledge and belief.

*Thomas Allain*

Thomas Allain

Date: May 19, 2022

**EXHIBIT D**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Sally, by Gulf Power Company.

Docket No. 20200041-EI  
Docket No. 20210178-EI  
Docket No. 20210179-EI

In re: Petition for evaluation of Hurricane Isaias and Tropical Storm Eta storm costs, by Florida Power & Light Company.

In re: Petition for limited proceeding for recovery of incremental storm restoration costs and associated true-up process related to Hurricane Zeta, by Gulf Power Company.

**WRITTEN DECLARATION OF DAVID HUGHES**

1. My name is David Hughes. I am currently employed by Florida Power & Light Company ("FPL") as Assistant Controller, Finance. I have personal knowledge of the matters stated in this written declaration.

2. I have reviewed the documents and information included in Exhibit A FPL's Request for Confidential Classification, for which I am listed as the declarant on Exhibit C. The documents and files that I have reviewed and which are asserted by FPL to be proprietary confidential business information contain information relating to competitive interests, the disclosure of which would impair the competitive business of FPL. To the best of my knowledge, FPL has maintained the confidentiality of this information.

3. Consistent with the provisions of the Florida Administrative Code, such materials should remain confidential for a period of eighteen (18) months. In addition, they should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents.

4. Under penalties of perjury, I declare that I have read the foregoing declaration and that the facts stated in it are true to the best of my knowledge and belief.



\_\_\_\_\_  
David Hughes

Date: 05/20/2022