

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred, by Duke Energy Florida, LLC.

Docket No. 20230020-EI

Dated: April 29, 2024

**DUKE ENERGY FLORIDA, LLC'S
PREHEARING STATEMENT**

Pursuant to the Order Establishing Procedure, Order No. PSC-2023-0333-PCO-EI (the "OEP"), Duke Energy Florida, LLC ("DEF") hereby submits its Prehearing Statement, and states as follows:

1. **Known Witnesses** - DEF intends to offer the testimony of:

Witness	Direct Subject Matter	Issues#
Christopher A. Menendez	True-up of any final over or under recovery amount related to the interim storm surcharge effective the first billing cycle of April 2023 and as amended by Order No. PSC-2023-0375-PCO-EI, ending the earlier of full recovery or with the last billing cycle of December 2024. Compliance with the Independent Audit requirement included in the 2019 Storm Process Improvements.	1,2, 15, 16
Shelly Ross	Calculation and accounting of costs associated with Hurricane Nicole, Ian, Elsa, Isaias, Eta, and Tropical Storm Fred.	1-14
William T. Fountain	Operation of the Company's storm preparedness plans and processes used during Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred.	2, 9

Compliance with 2019 Storm Process Improvements.

Rebuttal

Christopher A. Menendez Rebuttal of assertions and conclusions contained in the direct testimony of Walmart Inc.
Witness Lisa V. Perry

2. **Known Exhibits** - DEF intends to offer the following exhibits:

Witness	Proffered By	Exhibit #	Description
Christopher A. Menendez	DEF	(CAM-1)	Total recoverable restoration costs, along with monthly revenues and interest collected through July 2023.
Christopher A. Menendez	DEF	(CAM-2)	PWC Opinion and Examination Report.
Shelly Ross	DEF	(SR-1)	Storm Costs Recovery Total
Shelly Ross	DEF	(SR-2)	Hurricane Nicole Cost Summary
Shelly Ross	DEF	(SR-3)	Hurricane Ian Cost Summary
Shelly Ross	DEF	(SR-4)	Tropical Storm Fred Cost Summary
Shelly Ross	DEF	(SR-5)	Hurricane Elsa Cost Summary
Shelly Ross	DEF	(SR-6)	Hurricane Isaias Cost Summary
Shelly Ross	DEF	(SR-7)	Hurricane Eta Cost Summary
Shelly Ross	DEF	(SR-8)	Storm Cost Recovery Interest Calculation

DEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

3. **Statement of Basic Position** - Not applicable. DEF's positions on specific issues are listed below.

4. **Statement of Facts**

ISSUES

ISSUE 1: Should the incremental cost and capitalization approach (ICCA) found in Rule 25-6.0143, F.A.C., be used to determine the reasonable and prudent amounts to be included in the restoration costs?

DEF: The ICCA approach in Rule 25-6.0143, F.A.C. and the terms of the 2019 Irma Settlement Agreement approved by Order No. PSC-2019-0232-AS-EI should be used to determine the reasonable and prudent amounts included in the restoration costs.

ISSUE 2: Have the terms of DEF's 2019 Settlement Agreement, approved by Order No. PSC-2019-0232-AS-EI, issued June 13, 2019, been complied with? If not, why not?

DEF: Yes.

ISSUE 3: What is the reasonable and prudent amount of regular payroll expense to be included in Total Storm Related Restoration Costs?

DEF: Below is the reasonable and prudent regular payroll expense for each storm.

- Nicole - \$1,370,120
- Ian - \$4,674,377
- Fred - \$167,704
- Elsa - \$492,800
- Isaias - \$66,191
- Eta - \$347,959

The reasonable and prudent amount of regular payroll expense to be included in Total Storm Related Restoration Costs is \$7,119,151.

ISSUE 4: What is the reasonable and prudent amount of overtime payroll expense to be included in Total Storm Related Restoration Costs?

DEF: Below is the reasonable and prudent overtime payroll expense for each storm.

- Nicole - \$3,377,663
- Ian - \$9,965,271
- Fred - \$258,537
- Elsa - \$807,888
- Isaias - \$366,526
- Eta - \$962,313

The reasonable and prudent amount of overtime payroll expense to be included in Total Storm Related Restoration Costs is \$15,738,198.

ISSUE 5: What is the reasonable and prudent amount of contractor costs, including vegetation and line clearing, to be included in Total Storm Related Restoration Costs?

DEF: Below are the reasonable and prudent contractor costs for each storm.

- Nicole - \$29,149,136
- Ian - \$267,394,755
- Fred - \$108,304
- Elsa - \$8,257,533
- Isaias - \$279,861
- Eta - \$13,084,650

The reasonable and prudent amount of contractor costs, including vegetation and line clearing, to be included in Total Storm Related Restoration Costs is \$318,274,239.

ISSUE 6: What is the reasonable and prudent amount of vehicle and fuel expense to be included in Total Storm Related Restoration Costs?

DEF: Below is the reasonable and prudent vehicle and fuel expense for each storm.

- Nicole - \$1,526,358
- Ian - \$9,397,616
- Fred - \$40,969
- Elsa - \$426,169
- Isaias - \$37,817
- Eta - \$747,426

The reasonable and prudent amount of vehicle and fuel expense to be included in Total Storm Related Restoration Costs is \$12,176,355.

ISSUE 7: What is the reasonable and prudent amount of employee expenses to be included in Total Storm Related Restoration Costs?

DEF: Below are the reasonable and prudent employee expenses for each storm.

- Nicole - \$3,453,759
- Ian - \$16,510,677
- Fred - \$24,606
- Elsa - \$836,059

- Isaias - \$16,232
- Eta - \$800,782

The reasonable and prudent amount of employee expenses to be included in Total Storm Related Restoration Costs is \$21,642,115.

ISSUE 8: What is the reasonable and prudent amount of materials and supplies expense to be included in Total Storm Related Restoration Costs?

DEF: Below is the reasonable and prudent materials and supplies expense for each storm.

- Nicole - \$3,245,543
- Ian - \$18,603,008
- Fred - \$34,668
- Elsa - \$1,002,905
- Isaias - \$37,432
- Eta - \$1,003,640

The reasonable and prudent amount of materials and supplies expense to be included in Total Storm Related Restoration Costs is \$23,927,196.

ISSUE 9: What is the reasonable and prudent amount of logistics costs to be included in Total Storm Related Restoration Costs?

DEF: Below are the reasonable and prudent logistics costs for each storm.

- Nicole - \$4,917,493
- Ian - \$44,649,681
- Fred - \$59,127
- Elsa - \$3,403,957
- Isaias - \$12,301
- Eta - \$2,768,223

The reasonable and prudent amount of logistics costs to be included in Total Storm Related Restoration Costs is \$55,810,782.

ISSUE 10: What is the reasonable and prudent amount of other costs to be included in Total Storm Related Restoration Costs?

DEF: Below are the reasonable and prudent other costs for each storm. These amounts include labor burdens/incentives, overhead allocations, external audit, insurance deductible and Irma settlement implementation costs.

- Nicole - \$1,470,546
- Ian - \$10,083,533
- Fred - \$192,958

- Elsa - \$914,981
- Isaias - \$225,532
- Eta - \$1,357,418

The reasonable and prudent amount of other costs to be included in Total Storm Related Restoration Costs is \$14,244,968.

ISSUE 11: What is the reasonable and prudent total amount of costs to be included in Total Storm Related Restoration Costs?

DEF: Below are the reasonable and prudent Total Storm Related Restoration Costs for each storm.

- Nicole - \$48,510,617
- Ian - \$381,278,918
- Fred - \$886,874
- Elsa - \$16,142,291
- Isaias - \$1,041,892
- Eta - \$21,072,410

The reasonable and prudent total amount of costs to be included in Total Storm Related Restoration Costs is \$468,933,002.

ISSUE 12: What is the reasonable and prudent amount of storm-related costs that should be capitalized?

DEF: Below are the reasonable and prudent storm-related costs that should be capitalized.

- Nicole - \$3,992,784
- Ian - \$13,714,654
- Fred - \$31,017
- Elsa - \$171,265
- Isaias - \$0
- Eta - \$395,117

The reasonable and prudent amount of storm-related costs that should be capitalized is \$18,304,837.

ISSUE 13: What is the reasonable and prudent amount of storm-related costs that should be ICCA non-incremental O&M adjustments?

DEF: Below are the reasonable and prudent storm-related costs that should be ICCA non-incremental O&M adjustments.

- Nicole - \$1,274,876

- Ian - \$4,096,655
- Fred - \$690,427
- Elsa - \$688,770
- Isaias - \$760,300
- Eta - \$376,694

The reasonable and prudent amount of storm-related costs that should be ICCA non-incremental O&M adjustments is \$7,887,722.

ISSUE 14: What is the reasonable and prudent total amount of retail Recoverable Storm Costs?

DEF: Below are the reasonable and prudent Recoverable Storm Costs including any true-up to prior storm recovery and estimated interest on the unamortized reserve deficiency balance, subject to true-up as stated in Issue 16.

- Nicole - \$42,928,330 retail
- Ian - \$359,576,056 retail
- Fred - \$155,094 retail
- Elsa - \$14,608,576 retail
- Isaias - \$258,952 retail
- Eta - \$20,160,165 retail
- Previous partial recovery of Storm Costs – (\$10,976,144)¹

The prudent and reasonable retail Total Recoverable Storm Costs plus estimated interest of \$4,669,608 is \$431,380,637.

ISSUE 15: What is the appropriate accounting treatment associated with any storm costs found to have been imprudently incurred?

DEF: Imprudently incurred storm costs should not be charged to the storm reserve or recovered through a storm restoration charge on customer bills. No storm restoration costs were imprudently incurred; therefore, no such adjustment is necessary.

ISSUE 16: If applicable, how should any under-recovery or over-recovery be handled?

DEF: DEF will compare the final storm recovery amount approved by the Commission to actual revenues from the storm restoration charge to determine any excess or shortfall. Interest will be applied to this amount at the 30-day commercial paper rate. Thereafter, DEF will collect or refund the excess or shortfall through the capacity cost recovery clause in the normal true-up process.

¹ See Order Nos. PSC-2021-0271-PCO-EI (Hurricanes Eta and Isaias surcharge) and PSC-2021-0425-FOF-EI (Rate Mitigation Plan, temporarily ceasing recovery of Eta and Isaias costs).

ISSUE 17: Should this docket be closed?

DEF: No. This docket should remain open so that DEF can file supplemental schedules that compare the final storm recovery amount approved by the Commission to actual revenues from the storm restoration charge and calculate the resulting excess or shortfall for recovery through the capacity cost recovery clause.

CONTESTED ISSUES

WALMART

ISSUE: Should any cost recovery approved in this docket be recovered from demand-metered customers through the demand charge?

DEF: No. The cost recovery approved in this docket should be recovered on an energy basis from all customers, as approved by the Commission in Order Nos. PSC-2023-0111-PCO-EI and PSC-2023-0375-PCO-EI.

OPC

ISSUE: What additional storm restoration process improvements, if any, should DEF follow in future storms?

DEF: DEF has fully implemented the Process Improvements approved in Order No. PSC-2019-0232-AS-EI. As part of DEF's process of continuous improvements, to the extent practicable without hindering safe and efficient storm restoration, DEF has agreed to work to implement the additional process refinements included in Attachment A.

DEF's Response:

5. **Stipulated Issues** - None at this time.

6. **Pending Motions** - None at this time.

7. **Requests for Confidentiality** -

DEF has the following pending requests for confidential classification:

- February 19, 2024-DEF's Request for Confidential Classification regarding its Response to OPC First Set of Interrogatories (Nos. 1-21) (DN 00756-2024).
 - February 19, 2024-DEF's Request for Confidential Classification regarding its Response to OPC's Second Set of Interrogatories (Nos. 22-24) (DN 00758-2024)
8. **Objections to Qualifications** - DEF does not object to the qualifications of Staff or Walmart's witnesses.
 9. **Sequestration of Witnesses** - DEF has not identified any witnesses for sequestration at this time.
 10. **Requirements of Order** - At this time, DEF is unaware of any requirements of the Order Establishing Procedure of which it will be unable to comply.

RESPECTFULLY SUBMITTED this 29th day of April, 2024.

/s/ Matthew R. Bernier
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**Duke Energy Florida’s Prehearing Statement
Ongoing, Continuous Storm Restoration Process Improvements**

Duke Energy Florida (“DEF” or the “company”) 2019 Storm Cost Settlement Agreement includes several “Future Process Improvements” covering a broad range of storm cost recovery issues, including: (1) contracting and vendor engagement; (2) travel and work policies; (3) cost documentation; (4) auditing and regulatory recovery processes; and (5) a methodology for determining incremental costs. *See* Order No. PSC-2019-0232-AS-EI, issued June 13, 2019, in Docket No. 20170172-EI.

Since that time, DEF has continued to document lessons learned from storm restoration efforts and has as a part of the ongoing, continuous improvement process implemented several additional process improvements.

DEF commits that it will continue to apply the 2019 storm process improvements, as well as the additional new process improvements listed below, whenever such implementation does not interfere with safe, timely, and prudent restoration of service following a storm, and that they will remain in effect until modified by an order of the Florida Public Service Commission. The company will meet with OPC to discuss the company’s storm restoration processes in the first quarter of 2025 and every two years thereafter.

In addition to these process improvements that are already in place, DEF has also identified other additional, ongoing improvements that the company commits to work towards implementing in future storms, when practical to do so:

1. DEF has adopted digital platforms to assist with: 1) crew rostering and tracking during mobilization and on-boarding; and 2) time sheet review and approval, tracking expenses, and documenting exceptions from the 2019 process improvements, respectively. DEF will continue monitoring alternative platforms available in the market, as well as internally developed solutions, to streamline or improve this process, including but not limited to, potentially combining the two applications.
2. DEF will also continue evaluating the functionality and utility of adding lodging management functions to the suite of services offered by the existing digital platforms or as part of any potential transition to alternative platform(s).
3. DEF has instituted a formal process for documenting all exceptions to the 2019 Storm Process Improvements in real time, or as close thereto as practical without impeding restoration efforts.
4. DEF will continue to work with vendor partners to identify, address, and mitigate performance issues, including any issues complying with the process improvements adopted in 2019 or herein.

5. **Standardized Rate Schedules.** To the extent possible given existing contracts and willingness of contractual partners, recognizing that resource acquisition is of paramount importance, DEF will continue working to implement a standardized rate schedule for contracts with line restoration crews. The company also commits to continue to negotiate for and implement standardized rate schedules for contracts with vegetation management crews in future storms, where possible. In addition to current contractual provisions intended to manage mobilization time and expense, DEF will focus increased emphasis on standardized terms for all vendors with the goal of minimizing the usage of “sit-down” meals, especially for large traveling convoys.
5. **Logistics Support.** DEF commits to continuing to enhance its process of logistical support for large vendor crews in the form of providing accessible staging and lodging locations as well as continuity in liaison support between the crews and DEF.

CERTIFICATE OF SERVICE

Docket No. 20230020-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 29th day of April, 2024.

/s/ Matthew R. Bernier

Attorney

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