BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light Company for Limited Proceeding for Recovery of Incremental Storm Restoration Costs Related to Hurricane Matthew	Docket No. 20160251-EI Filed: June 28, 2018

POST-HEARING BRIEF
FLORIDA POWER & LIGHT COMPANY

I. INTRODUCTION

Florida Power & Light Company ("FPL" or the "Company") hereby files with the Florida Public Service Commission ("FPSC" or "Commission") its Post-Hearing Brief in the above-referenced docket pursuant to the briefing schedule adopted at the final hearing on June 5, 2018, and Order Nos. PSC-2017-0471-PCO-EI, PSC-2018-0189-PCO-EI, and PSC-2018-0245-PHO-EI.

FPL's final/actual Recoverable Storm Amount for Hurricane Matthew was $316,459,000. FPL recovered a total of $322,449,167 through the 2017 Interim Storm Restoration Recovery Charge during the twelve-month period ended March 1, 2018. FPL, Commission Staff, and the Office of Public Counsel ("OPC") exchanged multiple rounds of testimony and exhibits, and engaged in extensive discovery. These parties thoroughly reviewed and evaluated the Company's claims related to the Hurricane Matthew storm restoration costs. As a direct result of these efforts, FPL and OPC ultimately entered into a proposed Stipulation and Settlement (the "PSA") and filed a Joint Motion for Approval of Settlement Agreement on May 15, 2018.

The Florida Industrial Power Users Group ("FIPUG") initially opposed the PSA; the Florida Retail Federation ("FRF") did not support the PSA. On June 20, 2018, FIPUG changed its position and now takes no position on the PSA. A hearing was held on June 5, 2018. The testimony and exhibits of FPL witness DeVarona and OPC witness Schultz were stipulated into

the record, and they were excused from appearing at the hearing. FPL's other witnesses (Miranda, Ousdahl and Cohen) and Staff witness Brown appeared at the hearing and were made available for cross-examination. Only FIPUG and Staff conducted cross examination. At the close of the hearing, FIPUG asked to file a brief, and the Chairman ruled that briefs would be due on June 28, 2018 and could address the issues identified in the prehearing order as well as a new Issue A: "Should the settlement agreement be approved." Tr. 328-30.

FPL respectfully requests FPSC approval of the PSA. It provides for a refund of $27,690,197 plus interest to customers resulting from the reduction of FPL's Recoverable Storm Amount from $316,459,000 to $294,759,000, and the reconciliation of that reduced amount with the $322,449,167 collected through the 2017 Interim Storm Restoration Recovery Charge. The PSA represents a reasonable compromise of competing positions and fully resolves all issues raised in this docket. If approved, the PSA will provide for reasonable recovery of the incremental costs incurred by FPL to meet its goal to safely restore power to its customers in the shortest time practicable, which is a significant and important benefit to FPL's customers and the state as a whole. Additionally, the PSA provides a one-time refund to be applied to customer bills in the first full billing period following Commission approval of the PSA.

The PSA is clearly in the public interest and should be approved. The PSA fully resolves all issues raised in this proceeding. FPL addresses the public interest of the PSA in Section IV below, and will show that the PSA, considered as a whole, fairly and reasonably balances the interests of FPL's customers and FPL. In the event the Commission decides that it must look beyond the settlement, FPL addresses the 11 litigation issues in Section V below and demonstrates that the evidence presented at hearing supports FPL's full Recoverable Storm Amount of $316,459,000.

II. BACKGROUND AND OVERVIEW

Hurricane Matthew was a Category 4 hurricane that impacted Florida starting on October 6, 2016. Sustained winds associated with Hurricane Matthew were estimated to have reached nearly 80 miles per hour in FPL's service territory, with gusts exceeding 100 miles per hour along the Florida coastline. Hurricane-force winds were estimated to have reached up to approximately eight miles inland along portions of Florida's coastline, and tropical-storm force winds were estimated to have extended to about 40 miles inland. Tr. 46 (Miranda).[1]

The winds, feeder bands, and storm surge from Hurricane Matthew had significant and widespread impacts throughout FPL's service territory, affecting nearly all (34 out of 35 counties served) of FPL's service territory, with the counties along the east coast of the Florida peninsula, particularly those in the central and north regions of Florida, experiencing the highest winds and rainfall and the most damage. *Id.* In total, nearly 1.2 million customers located throughout FPL's entire service territory had their service interrupted. Tr. 47 (Miranda).

As a Florida investor-owned electric utility, FPL has a statutory and regulatory obligation to "make all reasonable efforts to prevent interruptions of service and when such interruptions occur shall attempt to restore service within the shortest time practicable consistent with safety." Rule 25-6.044(3), F.A.C. (emphasis added). The record in this case demonstrates that FPL undertook extensive efforts before, during, and after Hurricane Matthew to safely restore critical infrastructure and the greatest number of customers in the least amount of time. Indeed, despite the widespread damage and outages left in the wake of Hurricane Matthew, FPL was able to quickly and safely restore power to approximately 99% of its customers affected by outages by the end of the second full day after Hurricane Matthew left the service territory. Moreover, service was fully restored to all FPL customers within four days (excluding a relatively small

[1] Unless otherwise noted, all citations to the Transcript (Tr.) refer to the June 5, 2018 Hearing.

subset of customers unable to accept service due to unsafe/uninhabitable conditions in their residence or business). Tr. 47 (Miranda).

FPL's emergency preparedness plan incorporates comprehensive annual restoration process reviews and includes lessons learned, new technologies and extensive training activities to ensure FPL's employees are well prepared. A detailed description of FPL's emergency preparedness plan is provided in the direct testimony of FPL witness Miranda. *See* Tr. 32-44 (Miranda). While FPL has processes in place (including actions taken prior to the storm event) to manage and mitigate the costs of restoration, the objective of safely restoring electric service as quickly as possible cannot, by definition, be pursued as a "least cost" process. Said another way, restoration of electric service at the lowest possible cost will not result in the most rapid restoration. Tr. 32 (Miranda).

While Florida, FPL, and its customers were spared the worst of Hurricane Matthew's effects, the storm nevertheless caused significant and widespread damage to poles, transformers, miles of wire, and other equipment resulting in nearly 1.2 million customers located throughout FPL's entire service territory having their service interrupted. However, due to FPL's effective planning and tremendous storm restoration efforts, FPL was able to quickly and safely restore power as explained above. *Id.*

In total, FPL arranged for approximately 14,600 personnel (approximately 8,100 FPL employees and 6,500 contracted and external resources) and opened 22 staging sites to support the power restoration effort. In response to Hurricane Matthew, FPL replaced 165 miles of distribution conductor, more than 800 distribution transformers, and in excess of 500 FPL-owned distribution poles. Additionally, tree damage was extensive, requiring a significant amount of line-clearing work and the removal of fallen trees and tree branches. From a logistics perspective, on a daily basis there were nearly 22,000 gallons of water consumed, more than

54,000 pounds of ice used, nearly 33,000 meals served and more than 153,000 gallons of fuel provided to support restoration efforts. Tr. 48 (Miranda).

FPL's effective pre-planning, well-tested and established restoration processes, together with the dedication and execution of its employees and contracted external resources, allowed the Company to achieve its goal to safely restore critical infrastructure and the greatest number of customers in the least amount of time. FPL's final/actual Recoverable Storm Amount for Hurricane Matthew was $316,459,000. *See* Ex. 11. The Company calculated the final/actual Recoverable Storm Amount in accordance with the 2012 Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-2013-0023-S-EI, Docket No. 20120015-EI ("2012 Settlement"), as well as the Incremental Cost and Capitalization Approach ("ICCA") and other requirements of Rule 25-6.0143, F.A.C. Tr. 170-77, 183-86 (Ousdahl).

OPC was acknowledged as a party by Order No. PSC-2017-0030-PCO-EI issued on January 18, 2017. FIPUG was granted intervention by Order No. PSC-2017-0269-PCO-EI issued on October 16, 2017, and FRF was granted intervention by Order No. PSC-2018-0176-PCO-EI issued on April 5, 2018. A procedural schedule was adopted by Order No. PSC-2017-0471-PCO-EI issued December 15, 2017, and revised by Order No. PSC-2018-0189-PCO-EI issued May 19, 2018.

Pursuant to the Order Establishing Procedure, FPL submitted a Petition for Approval of Final/Actual Storm Restoration Costs and Associated True-Up Process Related to Hurricane Matthew on February 20, 2018, together with its pre-filed testimony and exhibits of Company witnesses Manuel Miranda, Kim Ousdahl, Eduardo DeVarona, and Tiffany Cohen. FPL filed supplemental exhibits on March 15, 2018, to reflect the completion of follow-up work, true-up the costs of material and supplies, and provide the actual revenues collected under the 2017 Interim Storm Restoration Recovery Charge.

OPC submitted the testimony and exhibits of OPC witness Helmuth W. Schultz, III on April 6, 2018. The Commission Staff submitted the testimony and exhibits of Donna D. Brown on April 11, 2018. Pursuant to the Revised Order Establishing Procedure, FPL submitted the rebuttal testimony and exhibits of Manuel Miranda and Kim Ousdahl on May 2, 2018. Although FIPUG and FRF intervened, they did not engage in discovery or present any witnesses.

Staff and OPC engaged in extensive discovery of FPL's claims. FPL responded to a total of approximately 154 discovery requests, many of which included multiple subparts. Through this process, all parties were provided the opportunity to conduct a thorough review of the Company's claims related to the Hurricane Matthew storm restoration costs.

On May 2, 2017, the parties submitted Prehearing Statements that identified the litigation issues and positions to be addressed in this proceeding. In their Prehearing Statements, FIPUG and FRF largely adopted the positions and recommendations of OPC. In Prehearing Order PSC-2018-0245-PHO-EI, the Commission identified 11 issues to be resolved in this proceeding.

FPL and OPC engaged in settlement negotiations and ultimately entered into the PSA to resolve all issues raised in this proceeding. On May 11, 2018, FPL provided notice of the terms of the PSA to FIPUG and FRF. On May 15, 2018, FPL and OPC filed a Joint Motion for Approval of PSA ("Joint Motion"). FIPUG and FRF filed responses to the Joint Motion on May 18, 2018 and May 22, 2018, respectively, with FIPUG opposing and FRF not supporting the PSA. On June 20, 2018, FIPUG filed a notice of change of position, receding from its pre-hearing position of opposition to the Joint Motion and now taking no position on the Joint Motion.

An evidentiary hearing was held before the Commission on June 5, 2018. At the hearing, Staff, OPC, and FPL moved their respective testimonies and exhibits into the record, and FPL's witnesses were presented for cross-examination and questioning by the Commissioners and

parties.[2] The record in this proceeding closed at the conclusion of the evidentiary hearing, *i.e.*, June 5, 2018. This matter is now ripe for disposition.

FPL submits this Post-Hearing Brief, principally in support of the PSA's approval but also to address the 11 issues identified in the prehearing order in the event that the Commission does not approve the PSA. For the reasons explained herein, the PSA should be approved in its entirety and without modification. In the event that the Commission does not approve the PSA, FPL submits that the clear preponderance of the evidence demonstrates that FPL's final/actual Recoverable Storm Amount of $316,459,000 is reasonable, prudent, and consistent with Rule 25-6.0143, prior FPSC orders and historical practice, and therefore should be approved.

III. LEGAL STANDARDS

A. Public Interest Standard for Settlements

The Commission has a "long history of encouraging settlements, giving great weight and deference to settlements, and enforcing them in the spirit in which they were reached by the parties." *Re Florida Power & Light Company*, Docket No. 050045-EI, Order No. PSC-05-0902-S-EI (FPSC Sept. 14, 2005). The proper standard for the Commission's approval of a settlement agreement is whether it is in the public interest. *Sierra Club v. Brown*, __ So.3d __, 2018 WL 2252188, at *4-5 (Fla. May 17, 2018) (citing *Citizens of State v. FPSC*, 146 So.3d 1143, 1164 (Fla. 2014)); *see also Gulf Coast Elec. Coop., Inc. v. Johnson*, 727 So.2d 259, 264 (Fla. 1999) ("[I]n the final analysis, the public interest is the ultimate measuring stick to guide the PSC in its decisions").

[2] The testimony of FPL witness DeVarona and OPC witness Schultz were moved into the record after having been stipulated. FPL witness Miranda was cross-examined on his substantive testimony (direct and rebuttal) while FPL witnesses Ousdahl and Cohen were cross-examined on both their substantive testimony and on the settlement.

The Florida Supreme Court has explained that the "determination of what is in the public interest rests exclusively with the Commission." *Citizens*, 146 So.3d at 1173. The Commission has broad discretion in deciding what is in the public interest and may consider a variety of factors in reaching its decision. *See Re The Woodlands of Lake Placid L.P.,* Docket No. 030102-WS, Order No. PSC-04-1162-FOF-WS at p. 7, (FPSC Nov. 22, 2004*); In Re: Petition for approval of plan to bring generating units into compliance with the Clean Air Act by Gulf Power Company*, Docket No. 921155-EI, Order No. PSC-93-1376-FOF-EI, at p. 15 (FPSC Sept. 20, 2003). However, the Commission is not required to resolve the merits of every issue independently or explain why it overruled a party's objection to a settlement. *Sierra Club*, 2018 WL 2252188, at *8 (Fla., 2018) (citing *Citizens*, 146 So.3d at 1153). Rather, a "determination of public interest requires a case-specific analysis based on consideration of the proposed settlement taken as a whole." *In re: Petition for Rate Increase by Gulf Power Co.*, 2017 WL 2212158, at *6 (FPSC May 16, 2017).

B. Prudence Review of Storm Restoration Costs

The fundamental purpose of this proceeding is to determine whether FPL's actual storm restoration costs associated with Hurricane Matthew were reasonable and prudent. *See* Rule 25-6.0143(1)(d), F.A.C., ("[a]ll costs charged to Account 228.1 are subject to review for prudence and reasonableness by the Commission"). To determine prudence, the Commission must ask "what a reasonable utility manager would do in light of the conditions and circumstances which he knew or reasonably should have known at the time the decision was made." *In Re Fuel & Purchased Power Cost Recovery Clause*, Docket No. 080001-EI, Order No. PSC-09-0024-FOF-EI, 2009 WL 692572 (FPSC Jan. 7, 2009) (emphasis added) (citation omitted).

The evidentiary standard applied to prudence proceedings is whether there is a preponderance of evidence to support a finding of prudence. *Id*. (citing *Balino v. HRS*, 348 So.

2d 349 (Fla. 1st DCA 1977); *In re: fuel and purchased power cost recovery clause with generating incentive performance factor*, Docket No. 900001-EI, Order No. 23232 (FPSC July 20, 1990)). A "preponderance" of the evidence is defined as "the greater weight of the evidence," or evidence that "more likely than not" tends to prove a certain proposition. *In Re Colony Beach & Tennis Club, Inc.*, Docket No. 991680-EI, Order No. PSC-01-2090-FOF-EI, 2001 WL 1489893 (FPSC Oct. 22, 2001) (citing *Gross v. Lyons*, 763 So. 2d 276, 280 n.1 (Fla. 2000)).

Importantly, the Commission has explained that when making its decision in prudence proceedings, "we will not apply hindsight review." *In Re Fuel & Purchased Power Cost Recovery Clause*, Docket No. 080001-EI, Order No. PSC-09-0024-FOF-EI, 2009 WL 692572 (FPSC Jan. 7, 2009) (emphasis added) (citing *Richter v. FPSC*, 366 So. 2d 798 (Fla. 2d DCA 1979) (hindsight makes a different course of action look preferable)). Thus, the standard to be applied to the merits of the litigation positions in this proceeding, if reached, is whether the greater weight of the evidence demonstrates that the Hurricane Matthew storm restoration costs incurred by FPL were reasonable and prudent based on the information that was available to FPL at the time the costs were incurred.

IV. SETTLEMENT

ISSUE A: Should the Proposed Settlement Agreement be approved?

***FPL**: Yes. The PSA reflects a reasonable compromise of competing positions after an extensive review of FPL's storm costs. Approval of the PSA is in the public interest because it provides reasonable recovery of the costs incurred by FPL to safely restore power to the greatest number of customers in the least amount of time, and provides a one-time bill reduction for customers following Commission approval of the PSA.

FPL's final/actual Recoverable Storm Amount for Hurricane Matthew was $316,459,000. OPC was the only party to submit testimony in opposition to FPL's final/actual Recoverable Storm Amount. OPC recommended a total net reduction of $84.123 million to FPL's final/actual

Recoverable Storm Amount based on OPC witness Mr. Schultz's contention that (i) FPL did not provide sufficient detailed information to support certain costs and (ii) certain other costs should be recalculated or reclassified.[3]

After an extensive review and evaluation of the Company's claims related to the Hurricane Matthew storm restoration costs, FPL and OPC entered into the PSA and filed a Joint Motion for Approval of Settlement Agreement on May 15, 2018. The principal terms of the PSA are simple and straightforward, and provide as follows:

- FPL's claimed Recoverable Storm Amount for Hurricane Matthew is $316,459,000 million (jurisdictional).
- FPL has collected $322,449,167 pursuant to the authorized 2017 Interim Storm Restoration Recovery Charge.
- The Recoverable Storm Amount will be reduced by a total of $21,700,000, such that the total amount to be recovered from customers is $294,759,000.
- Of the $21.7 million total reduction:
    - $20 million will be reclassified as capital and added to FPL's retail Plant in Service balance in Account 364.1 - Poles, Towers and Fixtures (Wood), for all surveillance and future rate setting purposes. OPC agrees not to dispute the reasonableness or prudence of this additional $20 million of capital in any future rate proceeding.
    - $1.7 million will be transferred to base rate O&M expense in 2018 and reflected as such on FPL's earnings surveillance reports.
- FPL will refund to customers $27,690,167, plus interest at the 30-day commercial paper rate, as a one-time refund, in the manner described in FPL witness Tiffany Cohen's direct testimony filed on February 20, 2018. FPL will apply the refund tariff sheet to customer bills for one month of consumption starting no later than

[3] In its testimony submitted on April 5, 2018, OPC recommended that FPL's overall storm restoration and reserve replenishment be reduced by a total of $70.419 million. Tr. 268 (Schultz). Specifically, OPC's witness recommended: (i) a reduction of $17.971 million to logistic costs and a reduction of $24.026 million to replenish the Storm Reserve because, according to OPC's witness, FPL failed to provide sufficient support for these claims; and (ii) a total net reduction of $28.414 million based on OPC witness's recalculation of incremental regular payroll and reclassification of certain overtime and contractor storm expenses as capital costs. However, in its Prehearing Statement submitted on May 2, 2018, OPC recommended additional reductions of $13.704 million for mobilization/demobilization and standby time, which resulted in a total net reduction of $84.123 million.

Cycle Day 1 of the first month that is more than 30 days after Commission approval.

- FPL and OPC agree that nothing in the Agreement will have precedential value.

If approved, the PSA will provide for reasonable recovery of the incremental costs incurred by FPL to safely restore power to the greatest number of customers in the least amount of time, which is a significant and important benefit to FPL's customers and FPL. Under the PSA, customers will be receiving a refund of $21.7 million in addition to the over collection under the 2017 Interim Storm Restoration Recovery Charge and interest on both. Tr. 220 (Ousdahl). This results in a direct and immediate benefit to customers through a one-time refund to be applied to customer bills in the first full billing period following Commission approval of the PSA. For a 1,000 kWh typical residential customer, the refund will be $2.94.

The PSA represents a reasonable compromise of competing positions and fully resolves all issues raised in this docket. As explained in detail in Section V below, many of OPC's recommended adjustments to FPL's Recoverable Storm Amount were inconsistent with Rule 25-6.0143 and prior practice, and all of the adjustments were rebutted by the Company's testimony and exhibits. The terms agreed to in the PSA reflect the parties' assessments of their respective litigation positions, as well as their efforts to reach a reasonable and mutually acceptable compromise on all issues. Importantly, if the parties were unable to reach a settlement and FPL prevailed on the substantive issues addressed below, customers would be receiving a refund of just under $6 million, rather than the $27.7 million refund provided under the PSA.

For the foregoing reasons, the PSA, taken as a whole, is clearly in the public interest. Approving the PSA is fully consistent with the Commission's long-standing policy of encouraging the settlement of contested proceedings in a manner that benefits the customers of utilities subject to the Commission's regulatory jurisdiction.

FIPUG and FRF initially opposed or did not join the PSA primarily based on their lack of involvement in the settlement process. In their responses to the Joint Motion and opening arguments at the June 5, 2018 evidentiary hearing, both FIPUG and FRF asserted that they could not support a settlement unless they were involved in the settlement negotiations. As noted above, FIPUG changed its position and now takes no position on the Joint Motion. Tr. 20; *see also* FIPUG Response to Joint Motion, p. 1, and FIPUG Notice of Change of Position, p. 1; FRF Response to Joint Motion, p. 2.

Although FIPUG and FRF were not involved in the settlement negotiations, both parties were made aware of the settlement terms on May 11, 2018, four days before the Joint Motion for Approval of the Settlement Agreement was filed. *See* FIPUG Response to Joint Motion, p. 1; FRF Response to Joint Motion, p. 1. Thus, these parties had the opportunity to raise any questions, concerns, or issues they may have had with the PSA prior to the submission of the Joint Motion on May 15, 2018; however, both FIPUG and FRF declined to do so.

FPL recognizes the important role that intevenors play in proceedings before this Commission. However, neither FIPUG nor FRF engaged in any discovery or submitted any testimony or exhibits in support of their positions. Up to and including the time of the Prehearing Conference, FIPUG and FRF essentially adopted the positions taken by OPC. Under such circumstances, it was not unreasonable for FPL to enter into settlement negotiations with the only active intervenor at the time – OPC – and then to provide notice to FIPUG and FRF once an agreement was reached so that they could raise any questions, concerns, or issues with the PSA. There are no statutory or regulatory requirements in Florida that require a unanimous settlement. *See Sierra Club*, 2018 WL 2252188, at *7 (Fla., May 17, 2018) ("we have allowed non-unanimous settlement agreements over the objections of various intervenors ... it would be unreasonable to allow a single holdout party that does not get its way on one issue

during settlement negotiations to derail the entire settlement process if settlement is fully in the public's interest all along.") (citing *Citizens*, 146 S.3d at 1152-54; *S. Fla. Hosp. & Healthcare Ass'n v. Jaber*, 887 So.2d 1210, 1212–13 (Fla. 2004)). The fact that a party was not involved in the negotiation of settlement terms or does not choose to support the settlement does not change the ultimate question that the Commission must decide: whether the terms ultimately agreed to are in the public interest.

Based on FIPUG's cross-examination at the June 5, 2018 evidentiary hearing, there are three other arguments against approval of the PSA that FPL anticipates that FIPUG may make in its brief, none of which has merit:

- FIPUG may complain that the Commission should not find that the PSA is in the public interest because FPL's witnesses were not involved in the negotiation of the terms of the PSA and therefore FIPUG did not have an opportunity to explore those negotiations at hearing. Tr. 86, 203, and 256-57. This is a proverbial red herring. What was said or not said during settlement negotiations does not change what is actually in the PSA and presented for this Commission's consideration. The FPSC's job is to determine whether the terms in the PSA are in the public interest, not how they got there. FIPUG was free to ask FPL's witnesses about the appropriateness of the PSA's terms, but with very limited exceptions chose not to do so.
- FIPUG questioned FPL witnesses Miranda and Ousdahl about the appropriateness of permitting FPL to replenish the Storm Reserve to $117.1 million. But that replenishment level is not subject to dispute in this proceeding, least of all by FIPUG. As FPL witness Ousdahl explained, the 2012 Settlement, which was in effect at the time the Hurricane Matthew storm costs were incurred, explicitly authorizes FPL to replenish the storm reserve to the balance as of the Settlement's implementation date,

$117.1 million. Tr. 204-206. Notably, FIPUG was a signatory to the 2012 Settlement and thus is bound by its terms, including FPL's entitlement to replenish the Storm Reserve to the $117.1 million level.

- FIPUG also questioned the provision of the PSA for FPL to capitalize an additional $20 million of storm costs rather than recovering them through the interim storm charge. It is important to note that OPC, whose position was adopted by FIPUG, did not challenge the prudence of these costs, but simply questioned whether they were incremental and therefore recoverable as part of the storm charge as opposed to being capitalized for recovery in base rates.[4] Regardless, FIPUG's counsel suggested in his cross-examination that reclassifying those costs as capital for surveillance and future rate setting purposes is not in the public interest because FPL will earn a return on these capitalized costs. Tr. 220-22. This argument is misplaced and overlooks several important facts. When the costs are capitalized, FPL must raise the capital to finance them. FPL only earns its Commission-determined cost of capital on such investments – in other words, FPL simply recovers its actual costs for the investments. Moreover, FPL will receive no incremental cash revenues to compensate it for those additional capital costs until its next rate case. In the meantime, FPL will be required to finance the $20 million and pay the interest and costs associated with such financing, *i.e.*, the cost of capital. Tr. 221-22, 224. It must be remembered that FPL and OPC had significantly different positions on the appropriate level of capitalization for storm costs, with OPC arguing that $24.297 million (jurisdictional) more of those costs should be capitalized, a position with

[4] If the Commission approves the Joint Motion, the costs in question will now be capitalized and recovered through base rates rather than through the interim storm charge, resulting in the refund of $20 million that had been collected through the interim storm charge.

which FIPUG and FRF concurred. *See* Ex. 7, Schedule I; Order NO. PSC-2018-0245-PHO-EI, at 9-10. The provision in the PSA to capitalize $20 million of additional storm costs was in direct response to, and resolution of, the parties' disagreement on that point. Finally, FIPUG ignores the benefit to customers of having an additional $20 million refunded to customers immediately following Commission approval of the PSA.

For these reasons, the PSA represents a reasonable compromise of these divergent positions. Based on the foregoing, the PSA, considered as a whole, fairly and reasonably balances the interests of FPL's customers and FPL. Accordingly, the PSA is in the public interest and should be approved. FPL has attached as "**Attachment 1**" to this brief a tariff sheet and supporting calculations for a one-time refund of $28,168,603 (including interest), which FPL will make to customers in the month of September 2018 if the PSA is approved at the August 7, 2018 agenda conference.

V. ARGUMENT ON THE MERITS OF THE LITIGATION POSITIONS

As explained above, both FPL and OPC have respectfully requested that the Commission approve the PSA. If it is approved, the PSA resolves all issues in this proceeding and there will be no need to address the 11 issues that were identified for resolution in the prehearing order. However, if the Commission does not approve the PSA, then those 11 issues will need to be addressed, and FPL respectfully submits that the record amply supports approval for FPL to recover the full Recoverable Storm Amount of $316.5 million as set forth in FPL's position on Issue 8.

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

***FPL**: FPL utilized the appropriate baseline from which incremental costs are derived in its calculation of incremental costs related to Hurricane Matthew. Consistent with Commission rules and precedent, FPL used the budgeted amount of regular payroll for the year in which the storm occurred as the baseline to determine the incremental amount of regular payroll.

Rule 25-6.0143 sets forth the ICCA methodology for determining the allowable costs to be charged to cover storm related damages, as well as costs that must be excluded from being charged to the storm reserve. Under the ICCA methodology, a utility is permitted to charge to the storm reserve "costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in absence of a storm." *See* Rule 25-6.0143(1)(d), F.A.C. The ICCA methodology prohibits "base rate recoverable payroll and regular payroll-related costs for utility managerial and non-managerial personnel" from being charged to the storm reserve. *See* Rule 25-6.0143(1)(f)1, F.A.C.

FPL and OPC disagree on the interpretation and application of Rule 25-6.0143, and the appropriate baseline from which incremental recoverable storm costs should be determined under the ICCA method.[5] For purposes of determining the incremental regular payroll expense, FPL used the budgeted amount of regular payroll for the year in which Hurricane Matthew occurred (2016) as the baseline to determine the incremental amount of actual payroll costs

[5] The rules of statutory construction apply equally to the interpretation of regulations. *See, e.g., Bleich v. Chicago Title Ins. Co.*, 117 So. 3d 1163, 1164–65 (Fla. 3d DCA 2013) (applying the cannons of statutory construction to interpret regulations); *Halifax Area Council on Alcoholism v. City of Daytona Beach*, 385 So. 2d 184, 187 (Fla. 5th DCA 1980) (regulations are subject to the same rules of construction as are state statutes). The Florida Supreme Court has reiterated the application of the rules of statutory construction in Florida:

> When construing a statute, this Court attempts to give effect to the Legislature's intent, looking first to the actual language used in the statute and its plain meaning.... When the statutory language is clear or unambiguous, this Court need not look behind the statute's plain language or employ principles of statutory construction to determine legislative intent.... In such an instance, the statute's plain and ordinary meaning must control unless that meaning leads to a result that is unreasonable or clearly contrary to legislative intent.... When the statutory language is unclear or ambiguous, this Court applies rules of statutory construction to discern legislative intent....

*English v. Stat*e, 191 So. 3d 448 (Fla. 2016).

incurred (excluding overtime) for employees directly supporting storm restoration.[6] Tr. 173 (Ousdahl). OPC relied on the regular payroll operations and maintenance ("O&M") expense included in the MFRs for FPL's 2012 base rate case in Docket No. 20120015-EI, a projection made many years prior to the time the subject costs were incurred. Tr. 271-72 (Schultz). OPC's interpretation of the ICCA method is inconsistent with the Rule 25-6.0143, prior Commission orders, and long-standing practice.

While Rule 25-6.0143 does not expressly state whether the excluded regular payroll costs should be based on the budgeted amount (as proposed by FPL) or the amount in the MFRs from the utility's last rate case (as proposed by OPC), the Rule does provide significant guidance on the purpose and intent of the Rule. Part (1)(f)(1) of the Rule prohibits "[b]ase rate recoverable regular payroll and payroll related costs for utility managerial and non-managerial personnel" from being charged to the reserve, and Part (1)(d) of the Rule provides that "costs charged to cover storm related damages shall exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm." *See* Rule 25-6.0143(1)(f)(1) and (1)(d), F.A.C. (emphasis added). In addition, Part (1)(f)(7) of the Rule specifically refers to the use of budgeted call center and customer service costs when calculating incremental costs for those functions. *See* Rule 25-6.0143(1)(f)(7), F.A.C.

When Parts (1)(d), (1)(f)(1), and (1)(f)(7) of Rule 25-6.0143 are read together, which must be done under the canons of statutory construction,[7] it is clear that the true intent and

[6] Specifically, FPL determined the non-incremental payroll by calculating the Company's 2016 budgeted regular payroll O&M expense percentage as compared to total 2016 budgeted payroll, including cost recovery clauses and capital by cost center, and then multiplied that percent by the total actual payroll costs incurred (excluding overtime) for employees directly supporting Hurricane Matthew storm restoration. Tr. 173 (Ousdahl).

[7] "It is a recognized rule of statutory construction that statutes which relate to the same person or thing or to the same class of persons or things, or to the same or a closely allied subject or object, may be regarded as *in pari materia*. Statutes which have a common purpose or the same common purpose, or are parts of the same general scheme or plan or aimed at accomplishing the same results, may be regarded as *in pari materia*." *Singleton v. Larson*, 46 So. 2d 186, 190 (Fla. 1950).

purpose of the Rule is to exclude the normal regular payroll O&M expense that would have been incurred in the absence of the storm. Stated differently, the intent of the Rule is to permit full recovery of non-capital expenses that are directly related to extraordinary storms and are not part of the utility's normal, day-to-day regular payroll O&M expenses. OPC's interpretation of Rule 25-6.0143 would render the "in the absence of the storm" and "non-budgeted" language in Parts (1)(d) and (1)(f)(7) of the Rule meaningless.[8]

In this case, FPL used the budgeted amount of payroll expense for the year in which Hurricane Matthew occurred to determine the amount of regular payroll expense that would have been incurred in the absence of the storm (*i.e.*, the non-incremental payroll expense). This budgeted amount of regular payroll was the Company's normal, day-to-day regular payroll O&M expense that normally would be charged to and recovered through FPL's base rates. However, as a result of the Hurricane Matthew storm restoration efforts, FPL incurred incremental regular payroll expense that exceeded this budgeted amount. This incremental regular payroll expense was directly attributable to the Hurricane Matthew storm restoration efforts and was not incurred for normal, day-to-day O&M expenses. Tr. 172-73 (Ousdahl). Indeed, but for the storm, FPL would not have incurred this incremental regular payroll expense. For these reasons, FPL submits that the use of the budgeted amount of regular payroll expenses to calculate the baseline from which incremental recoverable costs are derived is consistent with the intent and purpose of the ICCA method under Rule 25-6.0143.[9]

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[8] *See Martinez v. State*, 981 So.2d 449, 452 (Fla.2008) ("It is a basic rule of statutory construction that 'the Legislature does not intend to enact useless provisions, and courts should avoid readings that would render part of a statute meaningless.'" (quoting *State v. Bodden*, 877 So.2d 680, 686 (Fla.2004))).

[9] Base distribution rates are established on what is considered a representative level of costs. Those costs can increase or decrease, in the aggregate or individually, subsequent to the test year. Although a company may experience year-to-year fluctuations in budgeted O&M payroll costs under fixed base rates, this does not change the fact that the annual budgeted amount reflects the normal O&M payroll costs that the company anticipates to incur in the absence of the storm.

FPL's use of the budgeted amount of regular payroll expense to calculate "non-incremental" costs is also consistent with multiple Commission orders. For example, in *In Re Florida Power & Light Co.*, Docket No. 20041291-EI, Order No. PSC-2005-0937-FOF-EI, 2005 WL 2372148, 244 P.U.R.4th 276 (FPSC Sept. 21, 2005), the Commission required FPL to use the budgeted amount of regular payroll for the year in which the storm occurred as the baseline to determine the incremental amount of regular payroll for the 2004 storms. Likewise, in *In re: Petition for issuance of a storm recovery financing order, by Florida Power & Light Compa*ny, Docket No. 060038-EI, Order No. PSC-2006-0464-FOF-EI, 2006 WL 1517271, 249 P.U.R.4th 526 (FPSC May 30, 2006), the Commission excluded recovery of expenses that were below the budgeted amount (tree trimming expenses, telecommunications expense, and landscaping maintenance expenses), allowed recovery of expenses that exceed the budgeted amount (vehicle costs), and allowed recovery of regular payroll normally recovered through capital or cost recovery clauses. A review of these prior Commission orders supports FPL's use of the budgeted payroll expense for the year in which Hurricane Matthew occurred to calculate the baseline from which incremental recoverable costs are derived. Tr. 172-73, 189-90 (Ousdahl).

Further, OPC's interpretation would impermissibly add a new requirement to Rule 25-6.0143 that was not provided by the Commission when it adopted the Rule (*i.e.*, incremental storm costs may only include costs that exceed the amounts set forth in the MFRs from the utility's last rate case).[10] Importantly, if OPC's proposed new requirement were to be adopted, it should appropriately have state-wide application to all investor-owned electric utilities rather than a single utility as would be the case if OPC's proposal were adopted in this proceeding.

[10] *See Koster v. Sullivan*, 160 So. 3d 385, 390–91 (Fla. 2015) (similar to statutes, regulations must not be construed "in a way which would extend, modify, or limit, its express terms or its reasonable and obvious implications" (citation and internal quotation omitted); *see also*, *Villanueva v. State*, 200 So. 3d 47, 52 (Fla. 2016) (it is "well-established rule that we are not at liberty to add to a statute words that the Legislature itself has not used in drafting that statute") (citing *Lawnwood Med. Ctr., Inc. v. Seeger*, 990 So.2d 503, 512 (Fla.2008)).

FPL submits that it is not appropriate for OPC to ask the Commission to essentially modify Rule 25-6.0143 to retroactively impose a new requirement on a single electric utility (FPL) after the storm restoration costs were incurred.[11]

Finally, it should be noted that Staff undertook an audit of the Hurricane Matthew storm costs and took no exception to FPL's use of the budgeted payroll as the baseline from which to calculate the incremental recoverable regular payroll costs for Hurricane Matthew.[12] *See* Tr. 312-17 (Brown); Ex. 8. Thus, the Commission auditors have acknowledged and validated that FPL followed the requirements of the ICCA methodology to calculate the incremental recoverable storm costs in this proceeding.

Based on the foregoing, FPL has used the appropriate baseline to account for Hurricane Matthew storm restoration costs consistent with Rule 25-6.0143 and prior Commission Orders.

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

***FPL**: $1.6 million of regular payroll and related payroll overheads for employee time spent in direct support of storm restoration and net of amounts normally recovered through capital or clauses. This amount excludes bonuses and incentive compensation and is the appropriate amount of FPL regular payroll expense to be included in storm recovery.

The appropriate amount of FPL regular payroll to be charged to cover storm related damages is determined by the ICCA method under Rule 25-6.0143. This issue is directly tied to Issue No. 1 above and the appropriate baseline used to calculate the incremental recoverable storm costs. As explained below, FPL's $1.6 million regular payroll expense claim is correctly

[11] *See Smiley v. State of Florida*, 966 So. 2d 330, 334 (Fla. 2007) (there is a "presumption against retroactive application for substantive changes"); *Florida Insurance Guarantee Ass'n v. Devon Neighborhood Ass'n, Inc.*, 67 So. 3d 187, 196 (Fla. 2011) ("the presumption against retroactive application is a well-established rule of statutory construction that is appropriate in the absence of an express statement of legislative intent").

[12] The Commission audit included three findings-- all self-identified by the Company-- which resulted in a reduction in recoverable costs due to recording errors. The aggregate impact of these adjustments represents less than 0.4% of the total Hurricane Matthew Retail Recoverable Costs and was removed from the Recoverable Costs in Exhibit 11. *See* Tr. 177-78 (Ousdahl). None of these issues involved the proper application of the ICCA methodology.

limited to the incremental payroll expense that was directly attributable to the increased work associated with storm restoration, net of amounts normally recovered through capital or clauses and excluding bonuses and incentive compensation. OPC recommends that FPL's entire regular payroll expense be disallowed. OPC's recommended adjustment is without merit and should be rejected.

FPL establishes unique functional (*i.e.*, distribution, transmission, etc.) internal orders ("IOs") for each storm to track and aggregate the total amount of storm restoration costs incurred for financial reporting and regulatory recovery purposes. Tr. 167 (Ousdahl). All storm costs, including charges that are considered non-incremental or capital, are charged to the IOs. Post storm restoration, FPL's Accounting department reviews the storm costs recorded to the IOs by each business unit for reasonableness. Then, using the ICCA methodology, non-incremental amounts are calculated for the costs collected in these IOs and subsequently credited from FERC Account 186 and debited to either a base rate O&M expense or below-the-line expense. Capital costs also are identified and subsequently credited from FERC Account 186 and debited to FERC Account 107, Construction Work in Progress. Tr. 170 (Ousdahl).

FPL had a total of $6.389 million charged to IOs for employee regular payroll time during Hurricane Matthew. Using the Company's 2016 budgeted regular payroll O&M expense as explained above, FPL then calculated and removed $2.264 million of non-incremental payroll expense that would have been incurred and recoverable through base rates in the absence of Hurricane Matthew. The Company also removed $2.556 million of regular payroll that was capitalized. This resulted in a total of $1.6 million of additional, unbudgeted regular payroll and related payroll overheads for the increased employee time spent in direct support of the storm restoration for Hurricane Matthew. This amount excludes bonuses and incentive compensation. *See* Tr. 171 (Ousdahl); Ex. 11. FPL's $1.6 million regular payroll expense claim is consistent

with the intent and purpose of the ICCA method under Rule 25-6.0143 as explained above, and is fully supported by the record.

OPC recommends that the Commission disallow all additional regular payroll and related payroll overheads for employee time spent in direct support of the storm restoration for Hurricane Matthew. *See* Tr. 276 (Schultz); Ex. 7, Sch. B, p. 1.[13] OPC's recommendation is based on its position that Rule 25-6.0143 requires the prior rate case MFRs be used to set the baseline to calculate the incremental recoverable storm costs. As explained above in Issue No. 1, OPC's reliance on the MFRs from the 2012 base rate case as the baseline from which incremental recoverable storm costs are derived is inconsistent with the purpose and intent of Rule 25-6.0143 and prior Commission orders. Further, OPC ignores the fact that FPL's last rate case before Hurricane Matthew (*i.e.,* the 2012 base rate case) resulted in a full comprehensive black box settlement.[14] As such, the amount of regular payroll O&M expense included in the 2012 base rate case MFRs was based on the <u>as-filed</u> revenue requirement and <u>not the actual revenue requirement adopted under the 2012 Settlement</u> that was in effect at the time of Hurricane Matthew.

Approximately 8,100 employees of FPL were used to support the power restoration effort following Hurricane Matthew. Tr. 48 (Miranda). In many cases, employees assumed roles different than their regular responsibilities. Tr. 34 (Miranda). Clearly, these employees engaged in some of their storm restoration activities during regular, non-overtime hours at a regular

[13] Relatedly, OPC contends that the capital component of FPL's regular payroll expense cannot be capitalized because it is non-incremental and, therefore, there are no regular payroll dollars to be capitalized. Tr. 277 (Schultz). This recommendation is addressed in Issue No. 3 below.

[14] OPC relies on FPL's discovery response for the proposition that regular payroll O&M expense included in base rates during 2016 exceeded the actual amount of regular payroll O&M expense incurred in 2016. Tr. 272-73 (Schultz). However, the regular payroll O&M expense information provided in this discovery response was the "regular and overtime payroll dollars included in FPL's projected test year" (*i.e.*, the amount included in the as-filed MFRs), <u>not</u> the amount of regular payroll O&M expense charged to base rates under the revenue requirement adopted as a result of the 2012 PSA. *See* Tr. 272 (Schultz) (quoting FPL response to OPC Interrogatory No. 82).

payroll rate. Indeed, the fact that the regular payroll and related payroll overheads for employee time spent in direct support of Hurricane Matthew storm restoration exceeded the Company's 2016 budgeted amount clearly demonstrates that employees took on additional storm restoration roles and responsibilities that would not have been incurred but for the storm. Further, given that power was restored to approximately 99% of customers by the end of the second full day after Hurricane Matthew, Tr. 47 (Miranda), it is impractical to assume that all FPL employee restoration work occurred during overtime hours. OPC's recommended blanket denial of all regular payroll expenses from recoverable storm restoration costs is illogical, unsupported by the record, contrary to what actually occurred, and should be rejected.

Based on the foregoing, FPL has appropriately accounted for regular payroll storm restoration costs for Hurricane Matthew consistent with the ICCA method under Rule 25-6.0143 and prior Commission orders. The $1.6 million of regular payroll expense is the actual, increased work during regular, non-overtime hours incurred in direct support of the storm restoration for Hurricane Matthew, net of amounts normally recovered through capital or clauses and excluding bonuses and incentive compensation.

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

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

The ICCA method permits overtime payroll and payroll-related costs for utility personnel storm restoration activities to be charged to the storm reserve. *See* Rule 25-6.0143(e)(8), F.A.C. As explained below, FPL's $14.6 million claim for overtime is correctly limited to the incremental overtime expense that was directly attributable to the storm restoration for Hurricane Matthew and clearly followed Rule 25-6.0143 in determining the amount of overtime costs to be

capitalized. OPC does not dispute the fact that the overtime costs charged to the storm reserve are incremental recoverable storm costs under Rule 25-6.0143. Tr. 277 (Schultz). Nor does OPC claim that FPL's total overtime storm restoration costs associated with Hurricane Matthew were unreasonable or imprudent. Rather, OPC's sole issue is that the capitalized component of the overtime expense claim is understated, resulting in a recommendation for a reduction of $5.677 million to the overtime payroll expense claim to reflect a higher capitalization rate. *See* Tr. 278-79 (Schultz); Ex. 7, Schedule B, p. 2. OPC's recommended adjustments to FPL's overtime expense claim are without merit and should be rejected.

A. The OPC's Overtime Capitalization Rate is Flawed and Inconsistent with Rule 25-6.0143.

Rule 25-6.0143 states that "capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm." Rule 25-6.0143(1)(d) (emphasis added). This methodology was first prescribed in the Final Order in FPL's 2004 Storm Docket No. 060038-EI, was subsequently codified in the Rule 25-6.0143, and has been consistently applied in each of the following years. Tr. 190-91 (Ousdahl).

As acknowledged by OPC's witness, FPL determined the capitalized component of the overtime costs using the same capitalization rate applied to the normal course of business. *See* Tr. 279 (Schultz) (citing Ex. 17, FPL response to OPC Interrogatory No. 48). Thus, FPL has clearly followed Rule 25-6.0143 in determining the normal amount of overtime costs to be capitalized and excluded from the recoverable storm costs.

OPC's witness argues that FPL's use of a normal capitalization rate for overtime costs understates the costs that should be capitalized because overtime rates are higher than regular pay rates. Rather than relying on the normal capitalization rate, OPC develops a separate

overtime capitalization rate relying on the average overtime rate per person and a three-man crew, which results in a reduction of $2.595 million to FPL's overtime expense claim. *See* Tr. 279-80 (Schultz); Ex. 7, Schedule B, p. 2.

The fundamental problem with OPC's proposed capitalization rate based on overtime costs is that Rule 25-6.0143 expressly requires that the normal amount of capital costs be excluded from the recoverable storm costs. OPC's recommended adjustment completely ignores this requirement of the Rule and, therefore, should be rejected.

B. The OPC's Reclassification of the Capitalized Component of FPL's Regular Payroll Expense as Overtime Capital Costs is Contrary to Rule 25-6.0143.

OPC's witness also recommends an adjustment to FPL's overtime expense to reflect the reclassification of the capitalized component of the regular payroll expense as overtime capital costs. Tr. 278 (Schultz); Ex. 7, Schedule B, pp. 1-2. OPC contends that the capital component of FPL's regular payroll expense cannot be capitalized because it is non-incremental and, therefore, there are no regular payroll dollars to be capitalized. Tr. 277 (Schultz). OPC, therefore, presumes to reclassify the regular payroll capital costs as overtime capital costs, which results in a reduction of $3.099 million to the Company's overtime expense. Tr. 280 (Schultz); Ex. 7, Schedule B, pp. 1-2. OPC's reclassification of the regular payroll capital costs is contrary to Rule 25-6.0143.

OPC's reclassification of the regular payroll capital costs as overtime capital costs is based entirely on OPC's position that Rule 25-6.0143 requires the prior rate case MFRs to be used as the baseline to calculate the incremental recoverable storm costs. As explained above in Issues Nos. 1 and 2, OPC's argument is contrary to the Rule and the record. For these same reasons, OPC's recommended reclassification of the regular payroll capital costs as overtime capital cost and corresponding reduction to the overtime expense should be denied.

Further, OPC's recommended adjustments are inconsistent. According to OPC, there are no regular payroll costs to be capitalized because there are no incremental regular payroll expenses recoverable under Rule 25-6.0143. Tr. 277 (Schultz). Despite its position that the entirety of the regular payroll cost is non-incremental and unrecoverable, OPC then goes on to conclude that a portion of these very same costs should be treated as a capital component of the overtime costs. The fundamental problem with this approach is that by reclassifying a portion of the regular payroll costs as overtime costs, OPC is treating the very same costs as both non-incremental costs on one hand and then as incremental costs on the other. *See* Tr. 277 (Schultz) ("overtime costs charged to the storm reserve are incremental"). Finally, OPC offers no reasonable basis or support for reclassifying these costs from regular payroll costs to overtime costs.

For these reasons, OPC's recommended reclassification of the regular payroll capital storm costs as overtime capital storm costs must be rejected.

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

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

The ICCA method permits the costs for additional contract labor hired for storm restoration activities (*i.e.*, contractor costs) to be charged to the storm reserve. *See* Rule 25-6.0143(e)(1), F.A.C. FPL's contractor and line clearing costs for Hurricane Matthew comprise $184.32 million of costs for mutual aid utilities, line contractors and vegetation contractors, including mobilization/demobilization and standby costs. *See* Tr. 171 (Ousdahl); Ex. 11. With the exception of mobilization/de-mobilization and standby costs, which are discussed below in Issue No. 6, OPC does not contest the prudence or reasonableness of FPL's contractor costs associated with Hurricane Matthew. Rather, OPC's sole issue is that the capitalized component

of the contractor expense claim is understated. OPC recommends a total reduction of $21.710 million (jurisdictional) to the contractor costs recovered through the storm charge to reflect a higher capitalization rate. *See* Tr. 287-294 (Schultz); Ex. 7, Schedule C, p. 2. OPC's recommended adjustment to FPL's contractor expense is inconsistent with Rule 25-6.0143 and flawed for multiple reasons.

First, OPC improperly applied its estimate for the entire Hurricane Matthew event based on the total FPL estimate of capital contractor costs, which includes both initial restoration and follow-up work. The final, actual capitalized contractor costs are known and measurable as shown in Exhibit 11 and, therefore, there is no need to estimate these costs. *See* Ex. 22 (FPL response to OPC Interrogatory Nos. 109 and 110). Further, by applying the estimate to both the restoration and follow-up work OPC is double counting capital costs for the follow-up work because the actual amount of capital costs for follow-up work has already been accounted for in Exhibit 11. Tr. 191 (Ousdahl).

Second, there is no need to resort to a derivation, as the capital CMH for restoration is readily available in FPL's Work Management System and should be utilized directly as the basis for capital determination. Moreover, even if one were to rely on a derivation, it would be inappropriate to use the FPL labor rate to derive capital CMH for contractors as suggested by OPC. Tr. 191-92 (Ousdahl).

Finally, OPC's approach is flawed in using an anecdotally estimated crew size in the calculation. OPC's witness's use of a crew size of four in his calculation is arbitrary and unnecessary. A proper calculation should instead utilize all-in capital cost per CMH by employees versus contractors, without having to rely on an unsubstantiated crew size estimate. Tr. 192 (Ousdahl).

Consistent with the discussion in Section A of Issue 3 above, FPL utilizes its longstanding method to calculate normal capital; be it overtime payroll or contractor expense or any other component of incurred restoration cost. Based on the foregoing, FPL has appropriately accounted for the capitalized portion of the contractor costs associated with Hurricane Matthew by relying on a consistent application of its normal capitalization calculation. FPL's $184.3 million of contractor costs (including line clearing) is the appropriate amount of contractor costs that should be included in storm recovery.

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

***FPL**: $81.7 million of logistics costs for staging and processing sites, meals, lodging, buses and transportation, and rental equipment used by employees and contractors in direct support of storm restoration is the appropriate amount of logistic costs that should be included in storm recovery.

The ICCA method allows the costs charged for logistics, transportation of crews, and rental equipment for storm restoration activities to be charged to the storm reserve. *See* Rule 25-6.0143(e)(2)-(3), (6), F.A.C. As explained below, FPL's $81.7 million logistics claim for staging and processing sites, meals, lodging, buses and transportation, and rental equipment used by employees and contractors in direct support of storm restoration is reasonable and prudent, supported by the record and discovery provided, and should be approved.

In total, FPL arranged for approximately 14,600 personnel (approximately 8,100 FPL employees and 6,500 contracted and external resources) and opened 22 staging sites to support the power restoration effort. From a logistics perspective, on a daily basis there were nearly 22,000 gallons of water consumed, more than 54,000 pounds of ice used, nearly 33,000 meals served and more than 153,000 gallons of fuel provided to support restoration efforts. Tr. 48 (Miranda). Storm restoration is hard and dangerous work, and FPL must ensure that its employees and contracted resources are productive and working in a safe environment. Tr. 96

(Miranda). As FPL witness Mr. Miranda explained, the best thing FPL can do to ensure maximum productivity of its storm restoration crews is "work them hard and feed them well … and get them a good night's rest … and that's what we try to do." Tr. 139 (Miranda).

Hotel lodging plays a critical role in any significant storm restoration event. Importantly, without hotel rooms, securing external resources and/or moving internal resources from their homes to other areas to support restoration needs would become very challenging and most likely extend restoration time. Tr. 58 (Miranda). Hotel lodging costs for Hurricane Matthew that FPL paid to its hotel vendor totaled $21.790 million ($21.786 million jurisdictional).[15] Tr. 59 (Miranda). In response to discovery, FPL provided an invoice paid to its hotel vendor for the initial prepayment of $17.975 million for lodging, as well as subsequent invoices that reflected additional payments of $3.846 million for the final total actual billing amount due for all hotel rooms booked on behalf of FPL. Tr. 59 (Miranda) (citing Ex. 15, FPL Response to OPC POD No. 9).

The OPC argues that the initial prepayment of $17.975 million paid to the hotel vendor should be disallowed in its entirety because it is a one-line invoice that does not provide sufficient detail to support the costs. Tr. 298 (Schultz). This argument misunderstands what the invoice for the hotel vendor represents. The invoice was for an initial prepayment to reserve the rooms that FPL expected would be necessary at the time it made the decision based on the forecasts, projected path, and estimated impact of Hurricane Matthew. It is unsurprising that this initial prepayment was handled as a lump sum. But then OPC ignores the supporting details for each of these hotel lodging invoices in Ex. 15 (FPL's response to OPC POD No. 9), which were provided to OPC on December 4, 2017. Tr. 59 (Miranda). That response included a cover

[15] This total reflects the $2,100 adjustment to lodging costs described and provided in FPL witness Ousdahl's rebuttal testimony. Tr. 192-93 (Ousdahl).

sheet/summary for each of the ten invoices that provided: the total number of room nights included in the invoice; the charge for each of the room nights; taxes; the hotel vendor's commission; the total amount due; the amount credited due to the initial prepayment; and the net additional amount due to the vendor. Also, each invoice attached a detailed Excel spreadsheet that included: the name and address of each hotel; the number of rooms and room nights booked; arrival and departures dates; room rates; taxes; the hotel vendor's commission; and a total charge for each room booked. Tr. 60 (Miranda). Accordingly, OPC's argument that FPL failed to provide sufficient detail to support the lodging costs is contrary to the evidence provided and must be rejected.

Based on an estimated room cost of $200 per night, OPC also appears to assert that the room rate and number of booked hotel rooms was unreasonable. Tr. 298 (Schultz). For Hurricane Matthew, the average total hotel room cost per night was approximately $171 ($21.790 million/127,087 room-nights), not $200 as estimated by OPC. Tr. 59 (Miranda). Excluding state and local taxes, the average per room per night hotel lodging cost was only about $153. This is a reasonable average rate, considering that these rooms were booked when there was significant competition for hotel rooms due to evacuations, other utilities and first responders, and large blocks of rooms already booked for events. Tr. 61 (Miranda). The total number of rooms booked was also reasonable, in relation to the cumulative daily totals of storm restoration personnel that FPL needed to house. *Id.* Additionally, FPL arranged for mobile sleepers and cots to provide alternative lodging needs. This was in response to the uncertainty that existed with respect to both the path of the storm and the availability of hotel rooms due to the considerable competition discussed above. Therefore, arranging for mobile sleepers and cots at staging sites was a prudent decision and essential preparation in the face of uncertainty. Tr. 62 (Miranda).

Finally, OPC suggests that some of the hotel costs were duplicative because various crews separately submitted bills for overnight lodging. Tr. 298 (Schultz). Although OPC did not specifically identify the contractor bills at issue, it generally would not be unexpected or unusual for a number of contractor bills to include charges for overnight lodging beyond that provided by FPL. For example, during contractor mobilization and demobilization, contractors are responsible for securing their own respective lodging needs while they are travelling to or from FPL's service territory. Tr. 62 (Miranda).

Based on the foregoing, the record amply demonstrates that FPL's Hurricane Matthew hotel lodging costs were prudently incurred and reasonable. Without adequate hotel rooms in the right locations at the right times, securing external resources and/or moving internal resources from their homes to other areas to support restoration needs would have been very challenging and would extend restoration time.

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

***FPL**: Yes. FPL's standby and mobilization/demobilization costs that are included in FPL's storm recovery are appropriate and no adjustment should be made. Incurring these costs, which are relatively small compared to the total contractor and total restoration costs, was essential to getting customers' power back on as quickly as possible.

The ICCA method allows additional contractor costs for storm restoration activities to be charged to the storm reserve. *See* Rule 25-6.0143(e)(1), F.A.C. The acquisition, mobilization, and pre-staging of external resources in advance of a storm are critical to FPL's ability to safely restore critical infrastructure and the greatest number of customers in the least amount of time. Similarly, demobilization is necessary for these external resources to return home after storm restoration efforts are completed. As such, mobilization/demobilization and standby costs are essential to getting customers' power back on as quickly as possible. Tr. 63 (Miranda).

OPC's witness did not make any specific recommendations related to mobilization/demobilization and standby costs. Tr. 287 (Schultz). Rather, he only expressed concerns with how contractor costs were tracked, and recommended that FPL be required to separately identify the amount of hours and costs that are associated with mobilization/demobilization and standby costs. Tr. 285-87 (Schultz).

FIPUG and OPC recommended a downward adjustment of $10 million and $13.7 million, respectively, for mobilization/demobilization and standby costs. *See* Order No. PSC-2018-0245-PHO-EI, p. 12 (statement of FIPUG position on Issue No. 6). Similar to OPC, during the May 7, 2018 Prehearing Conference, FIPUG stated that it intended to support its recommendation through cross-examination. Although FIPUG crossed-examined FPL's witnesses on mobilization/demobilization and standby time, there is nothing in the record to support or explain how FIPUG arrived at its recommended $10 million reduction or why it is correct. Accordingly, FIPUG's proposal must be rejected.

During cross examination, FIPUG and Commissioners asked FPL witness Miranda about using mutual aid and non-mutual aid resources that were closer to Florida and whether, if available, that could have reduced the mobilization/demobilization and standby costs for Hurricane Matthew. FPL separately addresses below (a) the reasonableness and documentation for mobilization/demobilization costs, (b) the reasonableness and documentation for standby costs, and (c) OPC's recommendation to separately identify the amount of hours and costs that are associated with mobilization/demobilization and standby costs.

A. Mobilization/Demobilization Costs

Mobilization and demobilization time/costs are incurred by contractors as they travel to and from FPL's service territory to support storm service restoration efforts. Mobilization and demobilization time and costs can be substantial (and in a shorter restoration event like

Hurricane Matthew disproportionate to the total cost of restoration), as contractors' travel time to and from the restoration effort can cover several days each way. However, such costs are unavoidable. Tr. p. 63 (Miranda).

FPL makes every effort to obtain the closest resources that are available, which "would be our absolute first choice to respond to a storm." Tr. 114 (Miranda). However, the availability of these resources is beyond FPL's control. Nearby mutual aid and non-mutual aid contractors may not be available due to needs in their own local service territories. Indeed, given the projected path of Hurricane Matthew, many nearby utilities and municipalities were unwilling to release their contractors or crews to FPL because they may be needed to respond to and restore power in the utilities' own service territory. Tr. 115 (Miranda). As a result, FPL had to rely in part on external contractors that came from Texas, the Midwest and the Northeast, for which travel time was substantial but unavoidable. Tr. 63-64 (Miranda).[16]

As noted by OPC's witness, FPL stated that it was unable to provide the "total costs associated with mobilization/demobilization" because some of the contractor mobilization/demobilization costs (*i.e.*, those incurred by mutual aid utilities) are not always specifically itemized or identified on their invoices. *See* Ex. 14 (FPL response to OPC Interrogatory No. 25). However, when FPL stated that mobilization/demobilization costs are not "tracked by FPL," this meant only that FPL does not, as a part of its normal course of business, aggregate and/or break out as a specific line item on a report these types of costs. It does not mean that FPL has not overseen, reviewed, and approved mobilization/demobilization time and costs. Tr. 64 (Miranda).

[16] To the extent that FIPUG briefs and argues that the Commission should adopt FIPUG's recommended $10 million adjustment for mobilization/demobilization because FPL failed to utilize resources located in closer proximity to FPL's service territory, this argument must be rejected for the reasons stated herein. Further, as explained above, FIPUG's recommendation is completely arbitrary and lacks any record evidence to support or explain how FIPUG arrived at its recommended $10 million reduction or why it is correct.

In fact, mobilization/demobilization time is recorded on all non-mutual aid contractor time sheets and reviewed/approved by FPL personnel. Tr. 64 (Miranda). Additionally, through its continual discussions with external contractors when obtaining their commitment to support FPL's restoration efforts, FPL is well aware of the contractors' travel plans and estimated time of arrival. Furthermore, on many occasions, FPL continues to have discussions with these contractors as they are actually travelling. In some cases, FPL is able to release contractors to other utilities to support their restoration efforts, which then allows FPL to completely avoid those contractors' demobilization time/costs. Tr. 64-65 (Miranda).

After receiving OPC's testimony, FPL reviewed its records on non-mutual aid utility contractor line resources (approximately 85% of all contractor line resources) and created an extract that identifies the mobilization and demobilization costs for those resources. Based on this extract, the cost of mobilization and demobilization for non-mutual aid utility contractor line resources was approximately $40 million, out of a total of $120 million paid to those contractors. This is a reasonable portion of the total costs for mobilization and demobilization, when one considers the distance and time associated with contractors traveling to and from FPL's service territory. Tr. 65 (Miranda).

Based on the foregoing, the mobilization/demobilization costs were essential to getting crews to FPL's service territory to safely restore power to customers' as quickly as possible. The record demonstrates that FPL properly tracked, reviewed, and approved mobilization/demobilization time and costs for Hurricane Matthew and, therefore, these costs should be approved.

B. Standby Costs

Storm-related contractor standby time/costs are incurred when contractors have arrived in advance of a storm's impacts, are pre-staged and waiting for the storm to pass. Pre-staging

restoration resources and having them ready to begin restoration as soon as the storm passes and it is safe to work is essential to reducing overall restoration time. Tr. 65-66 (Miranda).

As noted by OPC's witness, FPL stated in discovery that it "does not specifically track or aggregate standby costs." *See* Ex. 17 (FPL response to OPC Interrogatory No. 66). However, this meant only that FPL does not, as a part of its normal course of business, aggregate and/or report on these specific types of costs – not that FPL failed to obtain, oversee and approve these costs. Standby time is recorded on all non-mutual aid contractor time sheets, which are reviewed and approved by FPL representatives. Tr. 66 (Miranda).

Again, after receiving OPC's testimony, FPL reviewed its records to develop an estimate of contractor standby time and costs for Hurricane Matthew utilizing the number of resources pre-staged, average line and vegetation contractor rates and estimated contractor standby time per day. This resulting estimate provides insight into the magnitude of standby costs incurred during Hurricane Matthew. In this estimate, the contractor standby costs incurred were less than $4 million for Hurricane Matthew, out of total contractor costs of $186.4 million. This shows that standby costs were small compared to the total contractor costs. Tr. 66 (Miranda).

Based on the foregoing, the standby time/costs were essential to getting customers' power back on as quickly as possible. The record demonstrates that FPL properly tracked, reviewed, and approved standby time and costs for Hurricane Matthew and, therefore, these costs should be approved.

C. Tracking and Accounting for Costs Associated with Standby Time and Mobilization/Demobilization Work

OPC's witness recommended that FPL be required to separately identify the amount of hours and costs that are associated with mobilization/demobilization and standby costs. Tr. 286-87 (Schultz). There is nothing in Rule 25-6.0143, or any other statutory or regulatory provision, that requires electric utilities to separately track and account for mobilization/demobilization and

standby costs. In essence, OPC is asking the Commission to evaluate and adopt a new requirement for an additional and potentially burdensome layer of record-keeping. OPC's recommendation is flawed and should not be adopted for multiple reasons.

First, OPC's recommendation would impermissibly add a new requirement into Rule 25-6.0143 that was not there when the Commission adopted the Rule.[17] FPL undertook and tracked the costs for its storm restoration of Hurricane Matthew in accordance with the requirements of Rule 25-6.0143 that was in effect at the time. It is not clear whether OPC intends retroactive application of this proposed requirement, but if that is the case then the recommendation would be procedurally and substantively improper. Thus, even if the Commission wanted to adopt OPC's recommendation, it should have prospective effect only and should not be applied retroactively to disallow any portion of the reasonable and prudent storm restoration costs for Hurricane Matthew.[18]

Second, FPL submits that it is inappropriate to address OPC's recommendation in the context of this proceeding. OPC's recommendation, if it is to be considered at all, should have state-wide application to all investor-owned electric utilities and thus cannot be properly evaluated in this proceeding where those other utilities are not represented.

Third, if adopted, OPC's recommendation would impose an additional and potentially burdensome layer of record-keeping that could frustrate the utilities' ability to meet their obligation to "make all reasonable efforts to prevent interruptions of service and when such interruptions occur shall attempt to restore service within the shortest time practicable consistent

[17] *See Koster v. Sullivan*, 160 So. 3d 385, 390–91 (Fla. 2015) (similar to statutes, regulations must not be construed "in a way which would extend, modify, or limit, its express terms or its reasonable and obvious implications" (citation and internal quotation omitted); *see also*, *Villanueva v. State*, 200 So. 3d 47, 52 (Fla. 2016) (it is a "well-established rule that we are not at liberty to add to a statute words that the Legislature itself has not used in drafting that statute") (citing *Lawnwood Med. Ctr., Inc. v. Seeger*, 990 So.2d 503, 512 (Fla.2008)).

[18] Although it is unclear whether OPC intends retroactive application of this proposal to change the requirements in the Rule, it has nonetheless recommended a disallowance of an arbitrary 10% of OPC's recommended retail costs of $137.039 (a reduction of $13.704 million) for mobilization/demobilization and standby time.

with safety." Rule 25-6.044(3), F.A.C. (emphasis added). Further, OPC's proposal could result in an increase in costs necessary to implement this additional layer of record-keeping, which could reduce productivity.[19] These are important issues that need to be fully and carefully considered and addressed, with input from all interested and affected stakeholders, before being implemented.

Based on the foregoing and the results of Staff's audit of the Hurricane Matthew storm costs that took no exception to FPL's mobilization/demobilization and standby costs, *see* Tr. 312-17 (Brown); Ex. 8, the Commission should reject OPC's recommendation to layer on additional, burdensome recordkeeping requirements for those costs.

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

***FPL**: $117.1 million is the appropriate amount to include in storm recovery to replenish the level of FPL's storm reserve. FPL has fully complied with the Rule and its 2012 Settlement Agreement with respect to the recording of costs for prior storms and the calculation of the recoverable amount in this proceeding.

In this proceeding, FPL seeks Commission approval to replenish the Storm Reserve to the $117.1 million level established in the 2012 Settlement agreement approved by Order No. PSC-2013-0023-S-EI. OPC recommends that FPL only be allowed to replenish the Storm Reserve to the pre-Hurricane Matthew level of $93.105 million, or a reduction of $24.026 million.[20] Tr. 304 (Schultz). In support, OPC contends that FPL failed to provide detailed support to justify the $24.026 million charged to the Storm Reserve for storms other than Hurricane Matthew. Tr.

[19] For example, FPL witness Miranda relayed his experience in Puerto Rico where the Army Corps' storm restoration efforts were inefficient because they were counting and tracking individual nuts and bolts, which resulted in the crews being completely idle. Tr. 133, 143-44 (Miranda).

[20] In support of its recommendation, OPC asserts that FPL's filing in this docket failed to clearly state that FPL sought approval to replenish the storm reserve for $24.026 million associated with storm events prior to Hurricane Matthew. Tr. 302, 304-05 (Schultz). Contrary to OPC's statement otherwise, FPL's filing clearly put the parties on notice that it sought to replenish its storm reserve to the $117.1 million balance that existing on January 2, 2013. Indeed, Appendix A of FPL's December 29, 2016 Petition, which initiated this proceeding, clearly identified a $93.1 million pre-storm debit balance in the storm reserve and asked to replenish the reserve to the $117.1 million level that existed on the implementation date of the 2012 PSA. Tr. 184 (Ousdahl).

303-04 (Schultz). For the reasons explained below, OPC's arguments are without merit, and the $117.1 million is the appropriate amount to include in storm recovery to replenish the level of FPL's Storm Reserve.

FPL has fully complied with Rule 25-6.0143 and the 2012 Settlement with respect to the recording of costs for prior storms and the calculation of the recoverable amount in this proceeding. Rule 25-6.0143 establishes an orderly process for recovery of incremental storm costs by utilities: Part (1)(b) directs that charges to the storm reserve be made for costs not recoverable by insurance; Part (1)(c) explains that utilities must maintain records of the charges to the account; and Part (1)(d) describes how to apply the ICCA methodology and includes a notice provision in the event storm costs are expected to exceed $10 million. Part (1)(g) of the Rule outlines the conditions for which approval for recording certain specific and limited types of charges to the account must be granted in advance by the Commission. However, this provision makes clear that all other costs previously listed in Part (1)(e) are chargeable to the storm reserve using the ICCA methodology without preapproval.

Finally, Part (1)(m) or the Rule provides for the annual reporting of amounts recorded to the storm reserve. Each year that the Rule has been in effect, FPL has prepared and submitted to the Commission the required annual report, referred to as the Annual Transmission and Distribution Storm Damage Feasibility Report. The annual reports for the period 2013 through 2017 were provided in discovery. Tr. 184 (Ousdahl); Ex. 12.

There is no evidence in the record that FPL failed to comply with any portions of the Rule with respect to pre-Matthew storms. However, and without citing to any basis in the Rule or Commission precedent for such a requirement, OPC contends that FPL should have provided detailed support in this docket for the $24.026 million charged to the Storm Reserve for storms other than Hurricane Matthew. In response to OPC's assertion, FPL has provided detail on each

of those storms, which is part of the record and was not challenged or even referenced during the hearing. *See* Tr. 186-87 (Ousdahl); Ex. 13; and Ex. 27 (FPL response to Staff POD No. 3) (detail of pre-Matthew storm reserve activity for the period January 1, 2013 to just prior to Hurricane Matthew).

Based on the foregoing, FPL has complied with Rule 25-6.0143 and the 2012 Settlement, and has consistently followed its own storm policies and practices which conform to the Rule and prior storm orders. FPL should be authorized to recover its incremental storm costs charged against the reserve in accordance with those requirements. Accordingly, $117.1 million is the appropriate amount to include in storm recovery to replenish the level of FPL's Storm Reserve.

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

***FPL**: The final/actual Recoverable Storm Amount of $316.5 million is the appropriate amount of storm-related costs and storm reserve replenishment FPL is entitled to recover for Hurricane Matthew.

The final/actual Recoverable Storm Amount of $316.5 million is the appropriate amount of storm-related costs and storm reserve replenishment for Hurricane Matthew that FPL is entitled to recover. *See* Ex. 11. The OPC's recommended adjustments should be rejected for the reasons explained above in Issue Nos. 1-7. As explained therein, OPC's recommended adjustments are contrary to Rule 25-6.0143 and are unsupported by the record. Accordingly, OPC's recommended adjustments should be rejected and the final/actual Recoverable Storm Amount of $316.5 million should be approved as the appropriate amount of storm-related costs and storm reserve replenishment for Hurricane Matthew.

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

***FPL**: The total amount of storm-related revenues that FPL collected for Hurricane Matthew through its approved interim storm restoration recovery charge is $322.4 million.

On December 29, 2016, FPL filed the above-captioned Petition seeking to implement a 2017 Interim Storm Restoration Recovery Charge to recover a total of $318.5 million for incremental restoration costs related to Hurricane Matthew and to replenish its storm reserve. By Order No. PSC-17-0055-PCO-EI issued on February 20, 2017, the Commission approved the requested 2017 Interim Storm Restoration Recovery Charge for a period of twelve (12) months subject to an evidentiary hearing at a later date to determine (i) the final, actual incremental storm restoration costs related to Hurricane Matthew, (ii) the actual revenues collected under the 2017 Interim Storm Restoration Recovery Charge, and (iii) the calculation of the refund or additional charge, as appropriate, to reconcile the actual Hurricane Matthew storm costs with the actual revenues collected pursuant to the 2017 Interim Storm Restoration Recovery Charge.

Billing of the 2017 Interim Storm Restoration Recovery Charge began on March 1, 2017 and concluded on February 28, 2018. The total amount of storm-related revenues that FPL collected for Hurricane Matthew through its 2017 Interim Storm Restoration Recovery Charge was $322.4 million. *See* Ex. 5.

No party opposed the final storm-related revenues collected through the 2017 Interim Storm Restoration Recovery Charge

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

***FPL**: The final Hurricane Matthew storm costs approved in this proceeding will be reconciled with the actual revenues collected pursuant to the 2017 Interim Storm Restoration Recovery Charge, and FPL will apply a one-time credit to customer bills, with interest, in the first full billing period following Commission approval.

Once the Commission has made its final determination of the Recoverable Storm Amount, FPL will compare that approved amount to the actual revenue received from the 2017 Interim Storm Restoration Recovery Charge of $322.4 million, in order to determine any excess or shortfall in recovery. Interest will be applied to the variance, at the 30-day commercial paper rate as contemplated in Rule 25-6.109. Thereafter, FPL will make a compliance filing with the Commission that sets forth the calculation of the appropriate true-up rates to apply to customer bills for a one-month period in order to refund the excess or collect the shortfall. Tr. 251-52 (Cohen).

The true-up rates will be designed in a manner that is consistent with the cost allocation used in the original 2017 Interim Storm Restoration Recovery Charge rates filed and approved in this docket. FPL will apply the true-up rates to customer bills starting on Cycle Day 1 of the first full billing month after Commission approval. FPL will notify customers of the change in their rates in the form of a message on their bill, with more detailed information regarding the revised 2017 Interim Storm Restoration Recovery Charge tariff provided on FPL's website, at www.FPL.com/rates. Tr. 252 (Cohen).

No party opposed FPL's proposal to reconcile the final approved Recoverable Storm Amount with the actual revenues collected pursuant to the 2017 Interim Storm Restoration Recovery Charge.

ISSUE 11: Should this docket be closed?

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

This docket should be closed upon the issuance of a final an order that: (i) approves the PSA or, in the alternative, approves the final/actual Recoverable Storm Amount of $316.5 million as the appropriate amount of storm-related costs and storm reserve replenishment for Hurricane Matthew; and (ii) approves a one-time refund to be applied to customer bills in the first full billing cycle following Commission approval for the reconciliation of the of final Hurricane Matthew storm costs approved in this proceeding with the actual revenues collected pursuant to the 2017 Interim Storm Restoration Recovery Charge approved by Order No. PSC-2017-0055-PCO-EI, subject to interest at the 30-day commercial paper rate as contemplated in Rule 25-6.109.

VI. CONCLUSION

For all the foregoing reasons, based upon Florida law, the evidentiary record in this proceeding, and Commission precedent, FPL respectfully requests that the Commission approve the Proposed Settlement Agreement in its entirety and without modification and approve the tariff attached hereto as "**Attachment 1**" so that FPL may make one-time refund of $28,168,603 in September 2018. Alternatively, if the Commission does not approve the Proposed Settlement Agreement, then FPL respectfully requests that the Commission:

(i) Approve the final/actual Recoverable Storm Amount of $316.5 million for the storm-related costs and storm reserve replenishment for Hurricane Matthew;

(ii) Approve the reconciliation of the recoverable Hurricane Matthew storm costs approved by the Commission with the total revenues collected under the 2017

Interim Storm Restoration Recovery Charge, subject to interest at the 30-day commercial paper rate as contemplated in Rule 25-6.109; and

(iii) Permit FPL to apply a one-time credit to customer bills on the first full billing cycle following Commission approval to refund the excess revenues recovered under the 2017 Interim Storm Restoration Recovery Charge.

Respectfully submitted this 28th day of June, 2018,

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Attachment 1

Tariff Sheet and Supporting Calculations for One-Time Refund

2018 Interim Storm Restoration Recovery Refund

The following reductions are applied to the Monthly Rate of each rate schedule as indicated and are calculated in accordance with the formula specified by the Florida Public Service Commission. The 2018 Interim Storm Restoration Recovery Refund shall be applied for a period of one (1) month from the effective date of this tariff.

Rate Schedule	**¢/kWh**
ALL KWH -- RS-1, RTR-1	(0.294)
GS-1, GST-1	(0.281)
GSD-1, GSDT-1, HLTF-1, SDTR-1	(0.214)
GSLD-1, GSLDT-1, CS-1, CST-1, HLFT-2, SDTR-2	(0.247)
GSLD-2, GSLDT-2, CS-2, CST-2, HLFT-3, SDTR-3	(0.175)
GSLD-3, GSLDT-3, CS-3, CST-3	(0.089)
OS-2	(1.399)
MET	(0.236)
CILC-1(G)	(0.364)
CILC-1(D)	(0.198)
CILC-1(T)	(0.062)
SL-1, SL-1M, PL-1	(1.791)
OL-1	(1.670)
SL-2, SL-2M, GSCU-1	(0.131)
SST-1(T), ISST-1(T)	(0.042)
SST-1(D1), SST-1(D2) SST-1(D3), ISST-1(D)	(1.089)

2018 INTERIM STORM RESTORATION RECOVERY REFUND
DERIVATION OF RATE SCHEDULE CREDITS

Line No.	Rate Schedule	Allocation % [1]	Allocated Refund $ with Interest [2]	Forecasted kWh Sales September 2018 [3]	September 2018 cents/kWh
		[A]	[B] = [A] x Line 17	[C]	[D] = [B] / [C] x 100
1	CILC-1(D)	1.583%	($445,898)	225,000,941	(0.198)
2	CILC-1(G)	0.112%	($31,507)	8,662,950	(0.364)
3	CILC-1(T)	0.277%	($77,918)	125,260,996	(0.062)
4	GS-1, GST-1	5.829%	($1,642,045)	583,687,112	(0.281)
5	GSD-1, GSDT-1, HLFT-1, SDTR-1	18.629%	($5,247,654)	2,456,648,144	(0.214)
6	GSLD-1, GSLDT-1, CS-1, CST-1, HLFT-2, SDTR-2	8.000%	($2,253,594)	911,664,886	(0.247)
7	GSLD-2, GSLDT-2, CS-2, CST-2, HLFT-3, SDTR-3	1.412%	($397,641)	226,824,392	(0.175)
8	GSLD-3, GSLDT-3, CS-3, CST-3	0.047%	($13,349)	15,027,604	(0.089)
9	MET	0.068%	($19,206)	8,143,669	(0.236)
10	OL-1	0.487%	($137,206)	8,215,369	(1.670)
11	OS-2	0.039%	($11,030)	788,243	(1.399)
12	RS-1, RTR-1	60.529%	($17,050,136)	5,798,180,950	(0.294)
13	SL-1, PL-1, SL-1M	2.897%	($816,094)	45,563,254	(1.791)
14	SL-2, GSCU-1, SL-2M	0.045%	($12,682)	9,714,759	(0.131)
15	SST-1(T), ISST-1(T)	0.012%	($3,488)	8,354,076	(0.042)
16	SST-1(D1), SST-1(D2), SST-1(D3), ISST-1(D)	0.033%	($9,156)	840,607	(1.089)
17	**Total Retail**	100.000%	($28,168,603)	10,432,577,948	

[1] Allocation is same as approved in Appendix C of the initial filing.

[2] Total refund is equal to the settlement refund of $27,690,167 and $478,436 of interest.

[3] FPL averaged forecasted sales for August 2018 and September 2018 to reflect customer billings that will include usage from August, September or both.

2018 INTERIM STORM RESTORATION RECOVERY REFUND
PROVISION FOR REFUND INTEREST

	REFUND ACCRUAL	CUMULATIVE REFUND	INTEREST RATE	CUM. REFUND WITH INTEREST	MONTHLY INTEREST	CUMULATIVE INTEREST
Mar-17	$1,074,274	$1,074,274	0.06583%	$1,074,628	$353.60	$354
Apr-17	$2,201,266	$3,275,540	0.07500%	$3,277,525	$1,631.45	$1,985
May-17	$3,164,115	$6,439,655	0.07542%	$6,445,305	$3,665.10	$5,650
Jun-17	$3,611,281	$10,050,936	0.08458%	$10,063,565	$6,978.65	$12,629
Jul-17	$3,032,164	$13,083,101	0.09167%	$13,106,345	$10,615.06	$23,244
Aug-17	$2,443,666	$15,526,767	0.09083%	$15,563,025	$13,014.28	$36,258
Sep-17	$1,667,133	$17,193,900	0.07458%	$17,242,387	$12,228.58	$48,487
Oct-17	$3,157,966	$20,351,866	0.07792%	$20,415,019	$14,665.61	$63,152
Nov-17	$1,537,574	$21,889,441	0.09958%	$21,973,688	$21,094.83	$84,247
Dec-17	$2,295,276	$24,184,717	0.11792%	$24,296,229	$27,264.67	$111,512
Jan-18	$1,439,249	$25,623,966	0.12667%	$25,767,165	$31,686.75	$143,199
Feb-18	$2,066,201	$27,690,167	0.12833%	$27,867,758	$34,392.78	$177,591
Mar-18	$0	$27,690,167	0.14500%	$27,908,167	$40,408.25	$218,000
Apr-18	$0	$27,690,167	0.15458%	$27,951,308	$43,141.37	$261,141
May-18	$0	$27,690,167	0.15500%	$27,994,632	$43,324.53	$304,466
Jun-18	$0	$27,690,167	0.15500%	$28,038,024	$43,391.68	$347,857
Jul-18	$0	$27,690,167	0.15500%	$28,081,483	$43,458.94	$391,316
Aug-18	$0	$27,690,167	0.15500%	$28,125,009	$43,526.30	$434,842
Sep-18	$0	$27,690,167	0.15500%	$28,168,603	$43,593.76	$478,436
TOTAL	$27,690,167				$478,436	

Total Cumulative Refund with Interest $28,168,603

CERTIFICATE OF SERVICE
Docket No. 20160251-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 28th day of June 2018 to the following:

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