

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Sally, by Gulf Power Company	DOCKET NO.: 20200241-EI
In re: Petition for evaluation of Hurricane Isaias and Tropical Storm Eta storm costs, by Florida Power & Light Company.	DOCKET NO.: 20210178-EI
In re: Petition for limited proceeding for recovery of incremental storm restoration costs and associated true-up process related to Hurricane Zeta, by Gulf Power Company..	DOCKET NO.: 20210179-EI
	FILED: June 14, 2022

PRE-HEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel (OPC), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2022-0042-PCO-EI, issued January 26, 2022, modified by Order No. PSC-2022-0100-PCO-EI issued March 2, 2022, hereby submit this Prehearing Statement.

APPEARANCES:

Richard Gentry
Public Counsel

Patricia A. Christensen
Associate Public Counsel

Charles Rehwinkel
Deputy Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400

On behalf of the Citizens of the State of Florida

A. WITNESSES:

Witness	Subject Matter	Issue #
Direct		
Lane Kollen	Cost Recovery, Process Issues	1, 2, 3, 4, 5, 6, 7, 9, 11, 12, OPC 14

Randy Futral	Cost Recovery, Process Issues	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, OPC 14
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B. EXHIBITS:

Witness	Proffered By	Exhibit No.	Description	Issue #
Direct				
Lane Kollen	OPC	LK-1	Resume of Lane Kollen	All
Lane Kollen	OPC	LK-2	Interrogatory No. 31 Response	3, 6, 9
Lane Kollen	OPC	LK-3	Interrogatory No. 5 Response	4-5, 9
Lane Kollen	OPC	LK-4	Confidential	2-10, OPC 14
Lane Kollen	OPC	LK-5	Confidential	2-10, OPC 14
Lane Kollen	OPC	LK-6	Confidential	2-10, OPC 14
Lane Kollen	OPC	LK-7	Interrogatory No. 55 Response	2-10, OPC 14
Lane Kollen	OPC	LK-8	Confidential	2-10, OPC 14
Lane Kollen	OPC	LK-9	Confidential	2-10, OPC 14
Randy Futral	OPC	RAF-1	Resume of Randy A. Futral	All
Randy Futral	OPC	RAF-2	Confidential	4-5, 9
Randy Futral	OPC	RAF-3	Confidential	4-5, 9
Randy Futral	OPC	RAF-4	Confidential	4-5, 9
Randy Futral	OPC	RAF-5	Confidential	4-5, 9
Randy Futral	OPC	RAF-6	Confidential	4-5, 9
Randy Futral	OPC	RAF-7	Confidential	4-5, 9

C. STATEMENT OF BASIC POSITION

In prior settlement agreements entered into between Florida Power and Light (FPL) and Gulf Power Company (Gulf) with the OPC, process provisions were developed to improve the review of storm costs submitted for approval by the utilities. Pursuant to these process provisions, FPL and Gulf provided confidential Excel workbooks used to develop their claimed costs and exhibits, as well as other confidential materials consisting of Excel workbooks that included invoice information for their overhead line and vegetation management contractors and travel logs. The Excel workbooks summarizing costs for the overhead line and vegetation management contractors are referred to by the two Companies as contractor “flat files.” These “flat files” are extracts from the FPL-developed smart phone based iStormed App that is now required to be used by all such contractors of both Gulf Power Company and FPL. FPL committed to begin utilizing the iStormed App during the 2019 and 2020 hurricane seasons in phases as part of the Hurricane Irma Settlement Agreement. Gulf was not required to implement the iStormed App until 2021, but implemented the application in 2020. Based on OPC’s audit of the provided information and additional discovery, OPC has found that these processes have been effective in eliminating unjustified costs and streamlining the review process of the post-hurricane costs.

However, additional process improvements can and should be made to FPL’s storm pre-planning process and its resourcing process that could reduce actual storm costs incurred. Therefore, OPC recommends that additional improvements be required by the Commission for FPL (which now includes Gulf’s territory). On a going-forward basis, FPL should implement the following improvements in their hurricane processes:

- a. The utility should engage an external consulting assistance to review and further develop or replace the storm damage model to enhance its capabilities and predictive capability and accuracy.
- b. The utility should acquire and/or develop resourcing optimization software, all with goals of establishing and systematically implementing the utility’s decision criteria for reasonable restoration times and to minimize outage costs.
- c. The utility should adopt written policies that describe and require them to plan and implement its storm damage and outage responses to minimize

costs based on specific decision criteria, primarily reasonable outage times.

- d. The utility should adopt written documentation of their storm damage model, all related models, and their resourcing models, both prior to landfall and after landfall, including: 1) users' manuals; 2) use of the models and the methodologies employed; 3) and the decision criteria that are used to determine resource requirements, procure embedded and external resources to meet those requirements, and mobilize, move, and demobilize those resources throughout and after the restoration process.
- e. The utility should adopt written policies that describe and require them to minimize storm costs through careful management of the mobilization and demobilization of its contractors, including the acquisition and/or development of optimization software.
- f. The utility should provide copies of all correct contracts and detailed invoice information for overhead line and vegetation management contractors, as well as all other vendors, with its future Notices of Filings.
- g. The utility should institute a Binder file structure similar to the one that was used by Gulf Power Company in its Hurricane Michael response in order to collect vendor invoices for processing and review by vendor name to streamline the auditing process.
- h. The utility, if it has not already done so, should extend the application of the effective iStormed App process to all other storm restoration contractors, including, but not limited to, underground line contractors, arborists, transmission storm restoration contractors, and damage assessors.

In addition to these process improvements, OPC has determined through its audit of these storm costs that additional disallowances are needed. These additional disallowance are set forth in the individual issues.

D. STATEMENT OF FACTUAL ISSUES AND POSITIONS

GENERIC ISSUES

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

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: Yes. Pursuant to Rule 25-6.0143(1)(d), F.A.C., states that “[i]n determining the costs to be charged to cover storm-related damages, the utility must use an Incremental Cost and Capitalization Approach methodology (ICCA).” The Rule further states that “[u]nder the ICCA methodology, the cost charged to the cover storm-related damages must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” Under the ICCA methodology, utilities are allowed to charge to Account 228.1 these incremental costs for non-cost recovery clause operating expense in the absence of a storm and are subject to reasonable and prudence review.

A review of the processes and procedures used by the utility is necessary to ensure the cost incurred for recovery under the ICCA are fair, just, reasonable and prudent. Section 366.06(2), Florida Statutes, states that “[w]henver the commission finds, **upon request made** or upon its own motion, that the rates demanded, charged, or collected by any public utility for public utility service, or that the rules, regulations, **or practices of any public utility affecting such rates**, are unjust, unreasonable, unjustly discriminatory, or in violation of law; . . .” the Commission will hold a public hearing. (Emphasis added). Thus, the practices of the utility are a legitimate issue in the hearing. Currently, the utility does not have processes and procedure in place for pre-storm costs that ensure only fair, just and reasonable costs are recovered in its rates to customers. The processes and procedures should be improved as outlined in OPC’s position on Issue 14.

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: Yes. Pursuant to Rule 25-6.0143(1)(d) , F.A.C., states that “[i]n determining the costs to be charged to cover storm-related damages, the utility must use an Incremental Cost and Capitalization Approach methodology (ICCA).” The Rule further states that “[u]nder the ICCA methodology, the cost charged to the cover storm-related damages must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” Under the ICCA methodology, utilities are allowed to charge to Account 228.1 these incremental costs for non-cost recovery clause operating expense in the absence of a storm and are subject to reasonable and prudence review.

Under Section 25-6.0143(1)(h), F.A.C., a utility may choose, at its own option, to charge these storm related costs as operating expense rather than charging them to Account No. 228.1. Usually a utility would not choose to charge storm costs to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else equal. However, FPL has a Reserve Surplus Adjustment Mechanism (RSAM) which allows them to use the depreciation reserve to manage its earned return (i.e. use monies from the surplus created from prior customer rates for depreciation that were higher than needed to fund the depreciate reserve based on the current approved depreciation study). The Rule has only one description of storm-related damages or storm costs that may recovered from customers, despite the form of recovery or use of the RSAM. Nor does the Rule contain an exculpatory term that relieves the utility from compliance with the Rule if it chooses to charge storm cost to base O&M, and then recover the storm-costs through the uses depreciation reserve (i.e. customer monies) under the RSAM. Thus, for storm-related costs to be determined reasonable and prudent, these storm-related costs must comply with the ICCA methodology.

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c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: Yes. Pursuant to Rule 25-6.0143(1)(d), F.A.C., states that “[i]n determining the costs to be charged to cover storm-related damages, the utility must use an Incremental Cost and Capitalization Approach methodology (ICCA).” The Rule further states that “[u]nder the ICCA methodology, the cost charged to the cover storm-related damages must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” Under the ICCA methodology, utilities are allowed to charge to Account 228.1 these incremental costs for non-cost recovery clause operating expense in the absence of a storm and are subject to reasonable and prudence review.

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surplus created from prior customer rates for depreciation that were higher than needed to fund the depreciate reserve based on the current approved depreciation study). The Rule has only one description of storm-related damages or storm costs that may recovered from customers, despite the form of recovery or use of the RSAM. Nor does the Rule contain an exculpatory term that relieves the utility from compliance with the Rule if it chooses to charge storm cost to base O&M, and then recover the storm-costs through the uses depreciation reserve (i.e. customer monies) under the RSAM. Thus, for storm-related costs to be determined reasonable and prudent, these storm-related costs must comply with the ICCA methodology.

A review of the processes and procedures used by the utility is necessary to ensure the cost incurred for recovery under the ICCA are fair, just, reasonable and prudent. Section 366.06(2), Florida Statutes, states that “[w]henever the commission finds, **upon request made** or upon its own motion, that the rates demanded, charged, or collected by any public utility for public utility service, or that the rules, regulations, **or practices of any public utility affecting such rates**, are unjust, unreasonable, unjustly discriminatory, or in violation of law; . . .” the Commission will hold a public hearing. (Emphasis added). Thus, the practices of the utility are a legitimate issue in the hearing. Currently, the utility does not have processes and procedure in place for pre-storm costs that ensure only fair, just and reasonable costs are recovered in its rates to customers. The processes and procedures should be improved as outlined in OPC’s position on Issue 14.

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: Yes. Pursuant to Rule 25-6.0143(1)(d), F.A.C., states that “[i]n determining the costs to be charged to cover storm-related damages, the utility must use an Incremental Cost and Capitalization Approach methodology (ICCA).” The Rule further states that “[u]nder the ICCA methodology, the cost charged to the cover storm-related damages must

exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” Under the ICCA methodology, utilities are allowed to charge to Account 228.1 these incremental costs for non-cost recovery clause operating expense in the absence of a storm and are subject to reasonable and prudence review.

A review of the processes and procedures used by the utility is necessary to ensure the cost incurred for recovery under the ICCA are fair, just, reasonable and prudent. Section 366.06(2), Florida Statutes, states that “[w]henver the commission finds, **upon request made** or upon its own motion, that the rates demanded, charged, or collected by any public utility for public utility service, or that the rules, regulations, **or practices of any public utility affecting such rates**, are unjust, unreasonable, unjustly discriminatory, or in violation of law; . . .” the Commission will hold a public hearing. (Emphasis added). Thus, the practices of the utility are a legitimate issue in the hearing. Currently, the utility does not have processes and procedure in place for pre-storm costs that ensure only fair, just and reasonable costs are recovered in its rates to customers. The processes and procedures should be improved as outlined in OPC’s position on Issue 14.

ISSUE 2: What is the reasonable and prudent amount of regular payroll expense to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing all straight time payroll costs (regular payroll) and related costs from the storm costs, as required by the Rule. Thus, OPC recommends that \$0.957 million

(jurisdictional) be disallowed in addition to the costs already removed by the utility.

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate-recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing all straight time payroll costs (regular payroll) and related costs from the storm costs, as required by the Rule. Thus, OPC recommends that \$0.320 million (jurisdictional) be disallowed in addition to the costs already removed by the utility.

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate-recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing all straight time payroll costs (regular payroll) and related costs from the storm costs, as required by the Rule. Thus, OPC recommends that \$1.429 million (jurisdictional) be disallowed in addition to the costs already removed by the utility.

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate-recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing all straight time payroll costs (regular payroll) and related costs from the storm costs, as required by the Rule. Thus, OPC recommends that \$0.131 million

(jurisdictional) be disallowed in addition to the costs already removed by the utility.

ISSUE 3: What is the reasonable and prudent amount of overtime payroll expense to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its request to incremental costs by not removing all non-incremental overtime payroll costs. The utility simply claims that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. Further, the utility failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% of the requested overtime be disallowed in the absence of necessary detail being provided by the utility. Thus, \$0.802 million (jurisdictional) should be disallowed.

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its request to incremental costs by not removing all non-incremental overtime payroll costs. The utility simply claims that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. Further, the utility failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% of the requested overtime be disallowed in the absence of necessary detail being provided by the utility. Thus, \$1.146 million (jurisdictional) should be disallowed.

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its request to incremental costs by not removing all non-incremental overtime payroll costs. The utility simply claims that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. Further, the utility failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% of the requested overtime be disallowed in the absence of necessary detail being provided by the utility. Thus, \$2.097 million (jurisdictional) should be disallowed.

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its request to incremental costs by not removing all non-incremental overtime payroll costs. The utility simply claims that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. Further, the utility failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% of the requested overtime be disallowed in the absence of necessary detail being provided by the utility. Thus, \$0.084 million (jurisdictional) should be disallowed.

ISSUE 4: What is the reasonable and prudent amount of contractor costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its

request to incremental costs by not removing all non-incremental embedded contractor costs. Although the base revenue requirement includes costs for these embedded line contractors that normally work for the utility and were used for storm restoration, the utility did not provide the information necessary to exclude these embedded contractor costs based on the historic three-year average. The utility's failure to provide the amounts included in the base revenue requirement results in overstating contract labor in storm costs. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$1.416 million (jurisdictional) should be disallowed.

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its request to incremental costs by not removing all non-incremental embedded contractor costs. Although the base revenue requirement includes costs for these embedded line contractors that normally work for the utility and were used for storm restoration, the utility did not provide the information necessary to exclude these embedded contractor costs based on the historic three-year average. The utility's failure to provide the amounts included in the base revenue requirement results in overstating contract labor in storm costs. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$0.612 million (jurisdictional) should be disallowed.

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its request to incremental costs by not removing all non-incremental

embedded contractor costs. Although the base revenue requirement includes costs for these embedded line contractors that normally work for the utility and were used for storm restoration, the utility did not provide the information necessary to exclude these embedded contractor costs based on the historic three-year average. The utility's failure to provide the amounts included in the base revenue requirement results in overstating contract labor in storm costs. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$1.325 million (jurisdictional) should be disallowed.

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to limit its request to incremental costs by not removing all non-incremental embedded contractor costs. Although the base revenue requirement includes costs for these embedded line contractors that normally work for the utility and were used for storm restoration, the utility did not provide the information necessary to exclude these embedded contractor costs based on the historic three-year average. The utility's failure to provide the amounts included in the base revenue requirement results in overstating contract labor in storm costs. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$0.109 million (jurisdictional) should be disallowed.

ISSUE 5: What is the reasonable and prudent amount of vegetation and line clearing costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause

operating expenses in the absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted, not received and paid, or different in amounts compared to the original estimates. Thus, OPC is recommending \$0.229 million (jurisdictional) be disallowed.

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted, not received and paid, or different in amounts compared to the original estimates. Thus, OPC is recommending \$0.081 million (jurisdictional) be disallowed.

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted, not received and paid, or different in amounts compared to the original estimates. Thus, OPC is recommending \$0.116 million (jurisdictional) be disallowed.

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted,

not received and paid, or different in amounts compared to the original estimates. Thus, OPC is recommending \$0.005 million (jurisdictional) be disallowed.

ISSUE 6: What is the reasonable and prudent amount of employee expenses to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll.

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll.

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll.

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll.

ISSUE 7: What is the reasonable and prudent amount of materials and supplies expense to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to eliminate

all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.063 million (jurisdictional) be disallowed.

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to eliminate all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.038 million (jurisdictional) be disallowed.

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to eliminate all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.182 million (jurisdictional) be disallowed.

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. The utility failed to eliminate

all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.063 million (jurisdictional) be disallowed.

ISSUE 8: What is the reasonable and prudent amount of logistics costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the cost included in the storm restoration costs for this storm.

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the cost included in the storm restoration costs for this storm.

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the cost included in the storm restoration costs for this storm.

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the cost included in the storm restoration costs for this storm.

ISSUE 9: What is the reasonable and prudent total amount of costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: Gulf included \$0.311 million in interest on the unamortized storm cost for this storm. The Rule does not include interest as a recoverable cost. Thus, the total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions including the \$0.311 million in unauthorized interest.

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: The total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions.

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: The total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions.

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: Gulf included \$0.001 million in interest on the unamortized storm cost for this storm. The Rule does not include interest as a recoverable cost. Thus, the total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions including the \$0.001 million in unauthorized interest.

ISSUE 10: What is the reasonable and prudent amount of storm-related costs that should be capitalized?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.

ISSUE 11: What is the appropriate accounting treatment associated with any storm costs found to have been imprudently incurred?

a. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Under the ICCA methodology, utilities are allowed to charge to Account 228.1 these incremental costs for non-cost recovery clause operating expense in the absence of a storm and are subject to reasonable and prudence review. Under Section 25-6.0143(1)(h), F.A.C., a utility may choose, at its own option, to charge these storm related costs as operating expense rather than charging them to Account No. 228.1.

The Rule has only one description of storm-related damages or storm costs that may be recovered from customers, despite the form of recovery or use of the RSAM. The Rule does not contain an exculpatory term that relieves the utility from compliance with the Rule if it chooses to charge storm cost to base O&M, and then recover the storm-costs through the use of the depreciation reserve (i.e. customer monies) under the RSAM. For storm-related costs to be determined reasonable and prudent, these storm-related costs must comply with the ICCA methodology. Thus, the costs improperly charged by FPL to base O&M expense and recovered through the depreciation reserve should be restored to the depreciation reserve in a manner that ensures the non-incremental costs remain available to customers, but are not available to FPL to increase earnings pursuant to the RSAM in the future.

b. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that would normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Under the ICCA methodology, utilities are allowed to charge to Account 228.1 these incremental costs for non-cost recovery clause operating expense in the absence of a storm and are subject to reasonable and prudence review. Under Section 25-6.0143(1)(h), F.A.C., a utility may choose, at its own

option, to charge these storm related costs as operating expense rather than charging them to Account No. 228.1.

The Rule has only one description of storm-related damages or storm costs that may be recovered from customers, despite the form of recovery or use of the RSAM. The Rule does not contain an exculpatory term that relieves the utility from compliance with the Rule if it chooses to charge storm cost to base O&M, and then recover the storm-costs through the use of the depreciation reserve (i.e. customer monies) under the RSAM. For storm-related costs to be determined reasonable and prudent, these storm-related costs must comply with the ICCA methodology. Thus, the charges improperly charged by FPL to base O&M expense and recovered through the depreciation reserve, should be restored to the depreciation reserve in a manner that ensures the non-incremental costs remain available to customers, but are not available to FPL to increase earnings pursuant to the RSAM in the future.

ISSUE 12: Should the Commission approve Gulf Power Company’s proposed tariffs and associated charges?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: No. Gulf should be required to file new tariffs that reflect the disallowances recommended in OPC’s positions and approved by the Commission.

b. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: No. Gulf should be required to file new tariffs that reflect the disallowances recommended in OPC’s positions and approved by the Commission.

ISSUE 13: If applicable, how should any under-recovery or over-recovery be handled?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: If the approved storm costs have yet to be collected, the storm surcharge should reflect all disallowances. The current total surcharges on the bill

for Gulf customer's is \$11/1,000 kWh (\$8/1,000 kWh for Hurricane Michael and \$3/1,000 kWh for Hurricane Sally). The combined surcharge for Gulf customers should not be increased above \$11/1,000 kWh and be used to collect for Hurricanes Michael at \$8/1,000 kWh, Hurricane Sally at \$2/kWh and \$1/\$1,000 kWh for Hurricane Zeta. Once Hurricane Michael costs are fully recovered, than the surcharge for Hurricane Sally should increase by an amount equivalent to the Hurricane Michael surcharge plus the current Hurricane Sally surcharge until fully recovered. If there is any over-recovery, it should be reflected as a one-time credit on Gulf's customers' bills.

b. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: If the approved storm costs have yet to be collected, the storm surcharge should reflect all disallowances. The current total surcharges on the bill for Gulf customer's is \$11/1,000 kWh (\$8/1,000 kWh for Hurricane Michael and \$3/1,000 kWh for Hurricane Sally). The combined surcharge for Gulf customers should not be increased above \$11/1,000 kWh and be used to collect for Hurricanes Michael at \$8/1,000 kWh, Hurricane Sally at \$2/kWh and \$1/\$1,000 kWh for Hurricane Zeta. Once Hurricane Michael costs are fully recovered, than the surcharge for Hurricane Sally should increase by an amount equivalent to the Hurricane Michael surcharge plus the current Hurricane Sally surcharge until fully recovered. If there is any over-recovery, it should be reflected as a one-time credit on Gulf's customers' bills.

ISSUE 14: What changes, if any, should be made by FPL to their hurricane processes?

OPC: On a going-forward basis, FPL (which now includes Gulf's territory), should implement the following improvements in their hurricane processes:

- a. The utility should engage an external consulting assistance to review and further develop or replace the storm damage model to enhance its capabilities and predictive capability and accuracy.

b. The utility should acquire and/or develop resourcing optimization software, all with goals of establishing and systematically implementing the utility's decision criteria for reasonable restoration times and to minimize outage costs.

c. The utility should adopt written policies that describe and require them to plan and implement its storm damage and outage responses to minimize costs based on specific decision criteria, primarily reasonable outage times.

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

e. The utility should adopt written policies that describe and require them to minimize storm costs through careful management of the mobilization and demobilization of its contractors, including the acquisition and/or development of optimization software.

f. The utility should provide copies of all correct contracts and detailed invoice information for overhead line and vegetation management contractors, as well as all other vendors, with its future Notices of Filings.

g. The utility should institute a Binder file structure similar to the one that was used by Gulf Power Company in its Hurricane Michael response in order to collect vendor invoices for processing and review by vendor name to streamline the auditing process.

h. The utility, if it has not already done so, should extend the application of the effective iStormed App process to all other storm restoration contractors, including, but not limited to, underground line contractors, arborists, transmission storm restoration contractors, and damage assessors.

ISSUE 15: Should this docket be closed?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: No position at this time.

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: No position at this time.

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: No position at this time.

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: No position at this time.

CONTESTED ISSUES

E. **STIPULATED ISSUES:**

None at this time.

F. **PENDING MOTIONS:**

None.

G. **REQUESTS FOR CONFIDENTIALITY:**

OPC have no pending requests for claims for confidentiality.

H. **OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:**

OPC has no objections to any witness’ qualifications as an expert in this proceeding.

I. **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:**

There are no requirements of the Order Establishing Procedure with which the

Office of Public Counsel cannot comply.

Dated this 14th day of June, 2022

Respectfully submitted,

Richard Gentry
Public Counsel

Patricia A. Christensen
Associate Public Counsel
Florida Bar No. 989789

Charles Rehwinkel
Deputy Public Counsel
Florida Bar No. 527599

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Rm 812
Tallahassee, FL 32399-1400

Attorneys for the Citizens
Of the State of Florida

CERTIFICATE OF SERVICE
DOCKET NO. 20200241-EI, 202100178-EI &
202100179-EI

I HEREBY CERTIFY that a true and correct copy of the Office of Public Counsel's Prehearing Statement has been furnished by electronic mail on this 14th day of June 2022, to the following:

Kate P. Cotner
Russell Batters
Florida Power & Light Company
700 Universe Boulevard
Juno Beach FL 33408
Kate.cotner@fpl.com
russell.badders@nexteraenergy.com

Jennifer Crawford/Ryan Sandy/Shaw
Stiller
Florida Public Service Commission
Office of General Counsel
2540 Shumard Oak Blvd.
Tallahassee, FL 32399
jcrawfor@psc.state.fl.us
rsandy@psc.state.fl.us
sstiller@psc.state.fl.us

/s/Patricia A. Christensen

Patricia A. Christensen
Associate Public Counsel
Christensen.Patty@leg.state.fl.us