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FPL's Response to OPC's Thirteenth Interrogatories

Nos. 236-238, 240, 244.

(including attachments for Nos. 236-238)

Confidential Document No. 236

QUESTION:

Palms Insurance Company Limited.

- a. What expense for insurance provided by Palms Insurance Company Limited did FPL (and Gulf) record in each year 2017 through 2021, by account?
- b. What insurance coverage was provided by Palms Insurance Company Limited to FPL (and Gulf) each year 2017 through 2021?
- c. What expense has FPL (and Gulf) budgeted for 2021 and for each year in the four year rate plan, 2022 through 2025 for insurance provided by Palms Insurance Company Limited in total for each year and by account?
- d. During any year, 2017 through 2021, did FPL (or Gulf) receive reimbursements or payments from Palms Insurance Company Limited? If so, identify the amounts by account and explain what the payments were for and how each of the payments related to the insurance for FPL (and Gulf) that is provided by Palms Insurance Company Limited.
- e. Please identify each insurance policy that FPL (and Gulf) has with Palms Insurance Company Limited for each year, 2017 through 2021.
- f. Please identify each invoice for insurance provided by Palms Insurance Company Limited to FPL (and Gulf) for each year, 2017 through 2021.

RESPONSE:

- a. Please see Attachment No. 1 for the requested information for FPL and Attachment No. 2 for Gulf Power.
- b. Please refer to Attachment No. 3 for the requested information for FPL and Gulf Power.
- c. Please see Attachment No. 1 for the requested information for FPL and Attachment 2 for Gulf Power.
- d. Yes. Please see Attachment No. 4 for the requested information for FPL. For Gulf Power, please see response provided to OPCs Thirteenth Set of Interrogatories, No. 239 which discusses an outstanding claim related Hurricane Sally for \$24.8 million recognized by Gulf Power in 2020 which is pending to be paid by Palms.
- e. See response to part b.
- f. Please refer to FPL's response to OPCs Eleventh Request for Production of Documents, No. 129.

REDACTED

FPL 064778
20210015-EI
OPC's 13th Set of Interrogatories, No. 236
Attachment No. 1

Policy	Palms Insurance Expense									
	Actuals ^a					Forecast ^a				
	FPL 2017	FPL 2018	FPL 2019	FPL 2020	FPL 2021	Combined 2022	Combined 2023	Combined 2024	Combined 2025	
<u>FERC ACCOUNT 924 PROPERTY INSURANCE:</u>										
Property ^(b)	\$ 235,808	\$ 529,744	\$ 502,929	\$ 3,806,804						
Crime	-	-	-	103,382						
Total	<u>\$ 235,808</u>	<u>\$ 529,744</u>	<u>\$ 502,929</u>	<u>\$ 3,910,187</u>						
<u>FERC ACCOUNT 925 LIABILITY INSURANCE:</u>										
Directors & Officers	\$ -	\$ -	\$ -	\$ 168,957						
Fiduciary	-	-	-	200,468						
Excess Liability	-	77,366	919,892	1,907,407						
Total	<u>\$ -</u>	<u>\$ 77,366</u>	<u>\$ 919,892</u>	<u>\$ 2,276,831</u>						
<u>FERC ACCOUNT 588 - FLEET LIABILITY INSURANCE</u>	\$ 2,501,951	\$ 4,500,000	\$ 4,352,866	\$ 5,872,416						
<u>VARIOUS ACCOUNTS</u>										
Contractor Wrap Up ^(c)	\$ 929,228	\$ 835,581	\$ 679,568	\$ 1,106,432						
Employee Worker's Comp ^(d)	\$ 4,859,391	\$ 4,637,449	\$ 4,302,193	\$ 4,150,547						

Notes:

- ^a FPL records premiums paid to Palms to a prepaid account and amortizes the premiums to expense over the policy term, which may not coincide with a calendar year. For the forecast periods, the amounts reflected are based on the expected premiums invoiced by Palms for each respective policy since FPL does not forecast at the vendor level.
- ^b Beginning in 2020, Palms provided additional coverage to FPL versus prior years. In addition, property insurance expense is expected to increase in the 2021 renewal due to adverse market conditions.
- ^c Contractor wrap-up is charged to various O&M and Capital FERC accounts which are not readily identifiable. Therefore, amounts reflected represent the total policy premium paid to Palms.
- ^d Worker's compensation is initially charged to a cost pool and then allocated between O&M and capital based on payroll charges. Therefore, amounts reflected represent the total policy premium paid to Palms.

20210015.EI Staff Hearing Exhibits 00644
REDACTED

FPL 064779
 20210015-EI
 OPC's 13th Set of Interrogatories, No. 236
 Attachment No. 2

<u>Policy</u>	Palms Insurance Expense				
	Actuals ^a				Forecast ^a
	<u>Gulf</u> <u>2017</u>	<u>Gulf</u> <u>2018</u>	<u>Gulf</u> <u>2019</u>	<u>Gulf</u> <u>2020</u>	<u>2021</u>
<u>FERC ACCOUNT 924 - PROPERTY INSURANCE:</u>					
Property ^(b)	\$ -	\$ -	\$ 84,447	\$ 718,953	
Crime	-	-		10,873	
Total	\$ -	\$ -	\$ 84,447	\$ 729,826	
<u>FERC ACCOUNT 925 - LIABILITY INSURANCE:</u>					
Directors & Officers	\$ -	\$ -	\$ -	\$ 31,392	
Fiduciary	-	-	-	21,083	
Excess Liability	-		81,325	176,306	
Total	\$ -	\$ -	\$ 81,325	\$ 228,781	
<u>FERC ACCOUNT 588 - FLEET LIABILITY INSURANCE</u>	\$ -	\$ -	\$ 261,000	\$ 320,738	
<u>VARIOUS ACCOUNTS</u>					
Employee Worker's Comp ^(c)	\$ -	\$ -	\$ 550,000	\$ 484,509	

- ^a Gulf records premiums paid to Palms to a prepaid account and amortizes the premiums to expense over the policy term, which may not coincide with a calendar year. For the forecast periods, the amounts reflected are based on the expected premiums invoiced by Palms for each respective policy since Gulf does not forecast at the vendor level.
- ^b Beginning in 2020, Palms provided additional coverage to Gulf Power versus 2019. In addition, property insurance expense is expected to increase in the 2021 renewal due to adverse market conditions.
- ^c Worker's compensation is initially charged to a cost pool and then allocated between O&M and capital based on payroll charges. Therefore, amounts reflected represent the total policy premium paid to Palms.

QUESTION:

Palms Insurance Company Limited, work by FPL employees.

- a. For each year, 2017 through 2020 identify the FPL employees by location and job title who work on Palms Insurance Company Limited matters.
- b. For each year, 2017 through 2020 identify the FPL employee payroll, benefits and overhead costs that were charged or allocated to Palms Insurance Company Limited.
- c. For 2021 how much labor cost for FPL employees (by location and job title) who work on Palms Insurance Company Limited matters has been incurred to date, by account, and how much has been allocated or charged to Palms Insurance Company Limited?
- d. For each year, 2022 through 2025, how much labor cost for FPL employees (by location and job title) who work on Palms Insurance Company Limited matters is budgeted/projected in total, and how much is projected to be charged or allocated to Palms Insurance Company Limited?
- e. Does Palms Insurance Company Limited have any employees? If so, how many and where are they located?

RESPONSE:

- a. Palms Insurance Company Limited has a captive manager (independent third party) who runs the day to day operations of the captive insurance company. A limited number of FPL Risk Management employees located in Juno Beach, Florida handled some of the day to day activities of Palms Insurance Company Limited in coordination with the captive manager. The time spent by these employees on Palms work is allocated as described in part b. Aside from the roles listed below, additional FPL employees may occasionally work on Palm matters (also subject to the allocations described in part b).
 - i. Manager of Risk Management
 - ii. Principal of Risk Management
 - iii. Principal of Strategic Initiatives
 - iv. Senior Manager of Risk Management
 - v. Senior Director of Risk Management
- b. The FPL Risk Management team supports the entire NextEra Energy organization and allocates those support costs to all operating affiliates. The FPL Risk Management costs related to Palms activities are included in the allocation to its parent company, NextEra Energy Capital Holdings, and are not tracked separately, nor by individual employee. Please see FPL's response to OPCs Thirteenth Set of Interrogatories, No. 238 for FPL's Risk Management payroll charged to FPL affiliates, in total, for the years 2017 through 2020, and forecasted for the years 2021-2025.

- c. The FPL Risk Management costs related to Palms activities are included in the allocation to its parent company, NextEra Energy Capital Holdings, and are not tracked separately, nor by individual employee. The fully loaded payroll, which includes payroll, payroll taxes, benefits, performance incentives, and workers compensation, charged by FPL Risk Management employees to all FPL affiliates from January through March 2021 is \$210,949.
- d. See FPL's response to subpart b above.
- e. Please see FPL's specific objections filed on May 24, 2021 and general objections filed contemporaneously with this response.

QUESTION:

FPL Risk management.

- a. For each year, 2017 through 2020 identify the cost by account for FPL Risk Management employees (1) in total, (2) allocated/charged to affiliates and (3) retained by FPL.
- b. For 2021 identify the cost, by account for FPL Risk Management employees (1) in total, (2) allocated/charged to affiliates and (3) retained by FPL.
- c. For each year, 2022 through 2025, identify the budgeted/projected cost, by account for FPL Risk Management employees (1) in total, (2) to be allocated/charged to affiliates and (3) expected to be retained by FPL.

RESPONSE:

a, b and c: Refer to Attachment No. 1 to this response for the requested information.

QUESTION:

Palms Insurance Company Limited vehicle and insurance benefit programs. Referring to items 6 in FPL's May 13, 2021 letter:

- a. Identify the cost in each year, 2017 through 2020, by account, recorded by FPL (and Gulf) for the vehicle and insurance benefit programs provided to executives.
- b. Identify the cost incurred to date and projected for the remainder of 2021, by account, for the vehicle and insurance benefit programs provided to executives.
- c. Identify the budgeted/projected cost in each year, 2022 through 2025, by account, for the vehicle and insurance benefit programs provided to executives.
- d. Explain in detail what vehicle and insurance benefit programs are provided to executives.
- e. Explain in detail what executives are eligible for and receive the vehicle and insurance benefit programs.

RESPONSE:

Palms Insurance Company does not write any policies related to the insurance benefit program referenced in item 6 in the May 13, 2021 letter. Please see responses below for costs related to vehicle and insurance benefit programs provided to executives.

- a. Total costs for the executive vehicle and insurance benefits are detailed below:

FPL				
Account	2017	2018	2019	2020
920	119,671	130,598	128,886	117,295
922	(8,724)	(7,299)	(7,985)	(11,161)
925	56,576	54,420	55,943	61,433
	167,523	177,719	176,844	167,566
Gulf				
Account				
923			916	1,768
925			3,330	3,546
			4,246	5,314

- b. Total costs for the executive vehicle and insurance benefits incurred through Q1 2021 and projected for the remainder of 2021 are detailed below:

FPL Account	Cost incurred through Q1 2021	Cost projected for remainder 2021
920	24,486	98,943
925		37,385
	24,486	136,328

- c. Total projected costs for the executive vehicle and insurance benefit programs for 2022 through 2025 are detailed below:

FPL Account	2022	2023	2024	2025
920	118,612	120,376	122,787	126,919
925	38,573	39,761	41,016	42,267
	157,185	160,137	163,803	169,186

- d. Certain executives are provided with a passenger vehicle for business and personal transportation, including vehicle insurance. Executives are also provided with personal excess liability insurance.
- e. The officers of the company are provided with personal excess liability insurance protection. Officers who were in their roles prior to 2014 drive a company vehicle.

QUESTION:

For each type of insurance that is provided to FPL (and Gulf) by Palms Insurance Company Limited, were competitive quotes and insurance policies from non-affiliated insurers sought, received and evaluated? If not, explain fully why not. If so, identify the competitive quotes and insurance policies from non-affiliated insurers that were sought, received and evaluated.

RESPONSE:

Palms insures policies for NextEra Energy, Inc. that includes all subsidiaries:

- 1) Directors and Officers insurance is competitively priced every year. In 2020, Palms began writing a portion of the D&O program and follows the market and therefore the pricing and policy terms are set by the market.
- 2) In 2020, Palms began writing the Crime policy and utilizes market pricing and commercial terms that are validated via a broker at each year's renewal.
- 3) In 2020, Palms began writing the Fiduciary policy and utilizes market pricing and commercial terms that are validated via a broker at each year's renewal.
- 4) For Excess Liability policy, Palms participates in a quota share with the lead commercial insurer. The pricing is set by the lead insurer. Palms also participates in an excess layer, where the pricing is determined also by the previous commercial market layer.
- 5) For Builder's Risk, Palms participates on a quota share basis with the commercial market on various builder's risk projects. The pricing is determined and set by the commercial market.
- 6) Palms insures part of NextEra Energy, Inc property program. The overall property program is competitively priced in the marketplace each year at renewal. Palms layer specific pricing utilizes a combination of techniques for pricing including various modeling (Stochastic modeling and CAT modeling), actuarial loss projections, historical loss ratio, and commercial market rates.

FPL/Gulf utilize Palms to write an insurance policy for Auto and Workers Compensation. Similar to other insurance companies, these risks are modeled and priced utilizing yearly actuarial analysis and are not competitively priced. The analysis is done by a third party independent actuarial firm that estimates the expected loss at different confidence levels to set reserves and pricing. Palms prices the risk based on the P75 modeling confidence level plus expenses.

DECLARATION

I, Meredith Quick co-sponsored the answers to Interrogatory Nos. 244 and 236 from the Office of Public Counsel (OPC) Thirteenth Set of Interrogatories to Florida Power & Light Company in Docket No. 20210015-EI, and the responses are true and correct based on my personal knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.

Meredith Quick

Date: _____

DECLARATION

I, Scott R. Bores sponsored the answer to Interrogatory No. 243 and co-sponsored the answers to Interrogatory Nos. 237-238, 240 and 244 from the Office of Public Counsel (OPC) Thirteenth Set of Interrogatories to Florida Power & Light Company in Docket No. 20210015-EI, and the responses are true and correct based on my personal knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.

A handwritten signature in black ink, appearing to be 'S. Bores', written over a horizontal line.

Scott R. Bores

Date: 6/10/2021

DECLARATION

I, Kathleen Slattery co-sponsored the answers to Interrogatory Nos. 237 and 240 from the Office of Public Counsel (OPC) Thirteenth Set of Interrogatories to Florida Power & Light Company in Docket No. 20210015-EI, and the responses are true and correct based on my personal knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.



Kathleen Slattery

Date: 6/11/2021