

DIRECT STORM RESTORATION COSTS

Costs Eligible to be Charged to Storm Internal Order

The storm internal order is used to aggregate costs for financial reporting and for regulatory recovery purposes associated with storm damage restoration of FPL's system. The Company will use the internal order to account for all DIRECT costs associated with restoration including some that will not be recoverable outside of base rates pursuant to FPSC rules. The accounting department, in collaboration with each business unit, will adjust the total costs of storm restoration captured in these internal orders to develop its estimate of "recoverable storm costs".

Criteria for Inclusion in Storm Internal Order:

- 1) The work itself and resulting costs must be specifically identifiable to the storm event.
- 2) The costs must include work associated only with direct costs of restoration (defined below).
- 3) The costs incurred to perform the restoration work must be demonstrated to be prudent and reasonable.

Examples of Direct Costs:

Direct Costs of Restoration Include, but are not limited to:

- 1) Costs associated with preparation for the forecasted storm event.
- 2) Direct costs of system repair – materials and labor and transportation
- 3) Support costs; including temporary housing, staffing and operations of staging sites.
- 4) Fuel and related costs for backup generators
- 5) Special advertising and media costs for public safety messages and service restoration progress announcements only
- 6) Costs incurred in operating support centers for damage assessment, repairs and control.
- 7) Survey costs related to damage assessment.
- 8) Employee assistance costs
- 9) Tree trimming and waste removal to enable restoration

Examples of Ineligible Costs not considered Direct:

Ineligible Storm Costs:

- 1) Costs recoverable through commercial insurance
- 2) Time spent riding out storm at home
- 3) Meals on expense report (must be approved by Finance Section Chief)

- 4) Storm support not deployed in direct effort such as corporate office staff (may include overtime or incremental costs only).
- 5) Costs that are not reasonable or prudently incurred.
- 6) Charges for items not consumed by storm use that would normally be capitalized in accordance to corporate policy (i.e. laptops, printers, etc.)
- 7) Bonuses for personnel not otherwise eligible for overtime pay.
- 8) Replenishment of Inventories.

Incremental Storm Costs:

Certain costs may be recoverable if they are demonstrated to be incremental (i.e. over and above normal baseline operating costs).

As indicated above, ALL costs directly related to storm restoration must be charged to the Storm Internal Order regardless of their recoverability. Contact Storm Accounting for more information on FPSC rules on the recoverability of storm costs.