

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Matthew by Florida Power & Light Company.

DOCKET NO. 20160251-EI
ORDER NO. PSC-2018-0245-PHO-EI
ISSUED: May 11, 2018

PREHEARING ORDER

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on May 7, 2018, in Tallahassee, Florida, before Commissioner Julie I. Brown, as Prehearing Officer.

APPEARANCES:

JOHN T. BUTLER, KENNETH M. RUBIN, and KEVIN I. C. DONALDSON
ESQUIRES, 700 Universe Boulevard, Juno Beach, Florida 33408-0420
On behalf of FLORIDA POWER & LIGHT COMPANY (FPL).

J. R. KELLY, Public Counsel, and PATRICIA A. CHRISTENSEN, ESQUIRES,
700 Universe Boulevard, Juno Beach, Florida 33408-0420
On behalf of the OFFICE OF PUBLIC COUNSEL (OPC).

JON C. MOYLE and KAREN A. PUTNAL, ESQUIRES, 118 North Gadsden
Street, Tallahassee, Florida 32301
On behalf of FLORIDA INDUSTRIAL POWER USERS GROUP (FIPUG).

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, 1300
Thomaswood Drive, Tallahassee, Florida 32308
On behalf of FLORIDA RETAIL FEDERATION (FRF).

SUZANNE BROWNLESS, ESQUIRE, Florida Public Service Commission, 2540
Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public
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PREHEARING ORDER

I. CASE BACKGROUND

On December 29, 2016, pursuant to Section 366.076(1), Florida Statutes (F.S.), Florida Power & Light Company (FPL) filed its Petition for Limited Proceeding for Recovery of Incremental Storm Restoration Costs Related to Hurricane Matthew. On January 13, 2017, the Office of Public Counsel (OPC) filed its Notice of Intervention which was acknowledged by Order No. PSC-2017-0030-PCO-EI, issued on January 18, 2017. By Order No. PSC-17-055-PCO-EI, issued on February 20, 2017, the Commission approved the requested 2017 Interim Storm Restoration Recovery Charge for a period of 12 months and required that an evidentiary hearing be held at a later date to determine actual Hurricane Matthew storm costs, actual revenues collected pursuant to the surcharge, and calculation of a refund or an additional charge, if warranted. The Florida Industrial Power Users Group (FIPUG) was granted intervention by Order No. PSC-2017-0269-PCO-EI, issued on July 12, 2017. The Florida Retail Federation (FRF) was granted intervention by Order No. PSC-2018-0176-PCO-EI, issued on April 5, 2018. The final hearing is set for May 22-23, 2018.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section

366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

While it is the policy of this Commission for all Commission hearings be open to the public at all times, the Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing that has not been filed as prefiled testimony or prefiled exhibits, parties must have copies for the Commissioners, necessary Staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand, which shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the

exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Manuel B. Miranda	FPL	2,3,4,5,6
Kim Ousdahl	FPL	1,2,3,4,5,7,8
Eduardo DeVarona	FPL	2,3,4,5
Tiffany Cohen	FPL	9,10
Helmuth W. Schultz, III	OPC	1,2,3,4,5,6,7,8,A
Donna D. Brown	Staff	2-9
<u>Rebuttal</u>		
Manuel B. Miranda	FPL	4,5,6, A
Kim Ousdahl	FPL	1,2,3,4,5,7,8

VII. BASIC POSITIONS

FPL: Hurricane Matthew, a Category 4 storm, threatened and ultimately impacted a large portion of FPL's service territory, FPL undertook reasonable, necessary, and prudent measures to prepare and respond to the impacts of the storm. These preparations included complex and comprehensive logistical arrangements for mobilizing approximately 14,600 FPL employees, external contractors, and mutual aid utilities to support the restoration effort. These logistical arrangements and coordination of resources included, but were not limited to, staging sites, lodging, laundry, food, communications, and fuel delivery. FPL pre-staged some of these resources in preparation for the storm impacting FPL's service territory.

Less than 24 hours before Hurricane Matthew's forecasted severe and direct landfall on Palm Beach County and the Treasure Coast, the storm made a small jog to the east leaving some of the worst winds off the Florida coastline. While spared the worst of a Category 4 hurricane, the storm nonetheless impacted 34 out of 35 counties in FPL's service territory. Hurricane Matthew caused damage to poles, transformers, miles of wire, and other equipment resulting in 1.2 million FPL customers having their service interrupted. FPL's effective planning and established restoration processes allowed the Company to safely restore power to approximately 99% of its customers by the end of the second full day after Matthew left FPL's service territory.

FPL has sought recovery of the final/actual recoverable storm amount in accordance with the provisions of FPL's 2012 Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-2013-0023-S-EI, Docket No. 20120015-EI. FPL had a pre-Hurricane Matthew storm reserve balance of \$93.1 million. The 2012 Stipulation and Settlement Agreement also explicitly authorizes FPL to replenish the storm reserve to the balance as of the Settlement's implementation date, \$117.1 million. Paragraph 5 of the 2012 Stipulation and Settlement Agreement confirms that storm cost recovery mechanism approved by the Commission includes recovery of both Eligible Restoration Costs and the amount required to replenish the Storm Reserve to the level in effect on January 2, 2013, the Implementation Date of the Settlement Agreement. The Company calculated the final/actual Recoverable Storm Amount of \$316.5 million in accordance with the 2012 Stipulation and Settlement Agreement, as well as the ICCA and other requirements of Rule 25-6.0143. FPL's costs were prudently and reasonably incurred in response to Hurricane Matthew. Moreover, the Commission staff completed an audit of FPL's final costs and found that FPL correctly recorded all costs with three relatively minor exceptions.

FPL's proactive approach to storm preparation, mobilization of resources, and execution of storm restoration was not just prudent and reasonable but highly successful in achieving restoration of service to approximately 99% of its

customers by the end of the second full day after Matthew left FPL's serviced territory. These activities and around the clock efforts involved logistical coordination and restoration activities executed in real time. OPC's proposed adjustments to FPL's prudent and reasonable storm restoration costs are not supported by Rule 25-6.0143, F.A.C., not justified and should be rejected by the Commission.

Once the Commission makes its final determination of the Recoverable Storm Amount, FPL will compare that approved amount to the actual revenue received from the 2017 Interim Storm Charge, in order to determine any excess or shortfall in recovery. The true-up rates will be designed in a manner that is consistent with the cost allocation used in the original 2017 Interim Storm Charge rates filed and approved in this docket.

OPC: FPL requested recovery of its Hurricane Matthew storm costs through the interim cost recovery methodology approved in its 2012 Settlement¹ in its December 29, 2016 petition. On October 16, 2017, FPL filed a two page schedule purporting to its finalized Hurricane Matthew cost. FPL subsequently filed its testimony and schedules on February 20, 2018 in which it has requested recovery of \$291.799 million (jurisdictional) of Hurricane Mathew restoration costs, net of the following: (1) less \$4.829 million of non-incremental costs; (2) less \$295,000 of third party reimbursements; (3) and less \$12.982 million of capitalized costs. The Company is also requesting the following additional costs: (1) \$599,000 of interest on the unamortized reserve balance; (2) \$228,000 for a regulatory assessment fee; and (3) \$24.026 million for replenishment of storm reserve for pre-Hurricane Matthew costs for a total storm cost recovery request of \$316.652 million. On March 15, 2018, FPL updated its request to reduce by \$152,000 its total Hurricane Matthew restoration costs to \$291.647 million (jurisdictional) for a total storm cost recovery and reserve replenishment request of \$316.500 million.

OPC has reviewed the pre-filed testimony and supporting documentation filed by FPL to support its direct case. Based on this comprehensive review, OPC, through its expert consultant, has determined that FPL's overall storm restoration and reserve replenishment request should be reduced by \$84.123 million.² Since the regular payroll expense included in FPL's Hurricane Matthew request is being recovered through base rates established by the last rate case, these regular payroll costs are not incremental to base rates (i.e. above what is normally recovered in base rates), and thus are not eligible for storm cost recovery or capitalization of storm costs. Therefore, OPC recommends reclassification of these capitalized regular payroll costs to capitalized overtime payroll costs, resulting in a reduction to FPL's request of \$1.027 million for these regular payroll costs. To properly reflect expenses which should have been capitalized rather than expensed as

¹ See, Order No. PSC-2013-0023-S-EI, issued January 14, 2013, in Docket No. 20120015-EI.

² The individual adjustments do not precisely add to the total recommended adjustment due to rounding.

storm costs for current recovery, OPC recommends reductions of \$5.677 million to overtime expenses and \$21.710 million for contractor costs. Also, due to a math error in FPL's updated filing, OPC recommends a \$14,000 reduction. Finally, due to FPL's failure to provide evidentiary support to justify charging certain costs to the storm reserve, OPC recommends reductions of \$17.971 million to logistical costs, \$13.704 million for mobilization/demobilization and standby time, and \$24.026 million for pre-Hurricane Matthew replenishment of the storm reserve. Based on all of OPC's adjustments, OPC recommends a total reduction of \$84.123 million to FPL's Hurricane Matthew cost recovery request.

FIPUG: Adopt position of Office of Public Counsel.

FRF: Subject to meeting its burden of proof, FPL is entitled to recover incremental costs of restoring service following Hurricane Matthew, including restoration of its storm reserve to the level immediately before Hurricane Matthew impacted FPL's service areas on the East Coast of Florida. Since FPL's operation and maintenance ("O&M") costs in 2016 were less than the O&M costs embedded in FPL's base rates, there can have been no incremental O&M costs, and therefore no recovery for O&M costs is appropriate. The FRF agrees with adjustments recommended by the Citizens' witness, Helmuth Schultz, to disallow certain costs that should be capitalized and certain costs that are not appropriately verifiable. Based on OPC's recommended adjustments, FPL's Hurricane Matthew cost recovery request should be limited to no more than \$231,549,000, again subject to FPL meeting its burden of proving that it is entitled to even this amount. The true-up refund should be made promptly on the same cents-per-kilowatt-hour basis that FPL used to recover costs pursuant to its Interim Storm Restoration Recovery Charge.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

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

POSITIONS

FPL: FPL utilized the appropriate baseline from which incremental costs are derived in its calculation of incremental costs related to Hurricane Matthew. The calculations concerning the appropriate baseline from which costs are derived were performed by FPL in accordance with Rule 25-6.0143 (Rule), and are

consistent with the accounting for every storm event charged to the storm reserve since prior to the effective date of the Rule.

FPL relied upon the Rule and multiple Commission Orders that support the appropriateness of FPL's calculations of non-incremental labor costs. Order No. PSC-2005-0937-FOF-EI (Docket No. 20041291-EI) 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, Order No. PSC-2006-0464-FOF-EI (Docket No. 20060038-EI) allows recovery of regular payroll normally recovered through capital or cost recovery clauses, and part (1)(f)(7) of the Rule specifies use of budgeted call center and customer service costs when calculating incremental costs. (Ousdahl)

OPC: While the 2012 Settlement was a black box settlement (i.e., settled to a revenue requirement without specifically addressing all revenue inputs), the payroll levels included in the 2012 rate case MFRs were part of the sworn testimonies of FPL witnesses Kim Ousdahl and Kathleen Slattery, and are the best available information regarding the amount of payroll included in base rates by FPL at the time Hurricane Matthew occurred. Additionally, when asked for the amount of payroll FPL included in its 2016 base rates, FPL identified in its response to Citizens' Interrogatory No. 82, that the payroll included in its base rates in effect during 2016 (the period during which the storm occurred) included \$610,638,151 of regular payroll charged to O&M expense. (Schultz)

FIPUG: Adopt position of Office of Public Counsel.

FRF: The appropriate baseline from which incremental costs are to be calculated or derived is the amount of costs that are normally charged to non-cost-recovery clause accounts. The appropriate baseline for O&M costs is the amount of O&M expense included in the utility's base rates for the year in which the storm occurred. The appropriate baseline for capital expenditures is the amount of normal removal, retirement, and replacement of damaged facilities incurred by the utility in the absence of a storm or storms.

STAFF: Staff has no position pending evidence adduced at the hearing.

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

POSITIONS

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. There is no support in the Rule or precedent for OPC's position that the baseline for determining recoverable regular payroll expense is the amount reflected in FPL's 2012 rate case MFRs. (Miranda, Ousdahl, DeVarona)

OPC: The amount of regular payroll included in FPL's base rates in effect during 2016 (the period during which the storm occurred) was \$610,638,151 of regular payroll charged to O&M expense. The actual payroll expense incurred in 2016 was \$493,011,189. Since the \$610,638,151 of regular payroll included in base rates far exceeds the 2016 actual O&M payroll expense of \$493,011,189, it would be unrealistic to assume that any regular payroll is incremental and eligible for storm restoration costs. Thus, any allowance of regular payroll as part of storm restoration costs would result in double recovery for FPL – first as part of base rates and then recovered a second time as part of the storm restoration costs. Since no regular payroll costs are actually non-incremental, the previously identified capitalized regular payroll costs must be reclassified as capitalized overtime costs. With this reclassification, OPC recommends a reduction of \$1.027 million to regular payroll expense. (Schultz)

FIPUG: Zero. FPL's actual regular payroll expense in 2016, the year in which Hurricane Matthew occurred, was significantly less than the regular payroll expense included in FPL's base rates in 2016, and therefore FPL cannot have incurred any incremental regular payroll expense in connection with Hurricane Matthew restoration.

FRF: No position at this time.

STAFF: Staff has no position pending evidence adduced at the hearing.

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

POSITIONS

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. (Miranda, Ousdahl, DeVarona)

OPC: OPC recommends the distribution overtime payroll be reduced by \$3.006 million (\$3.005 million jurisdictional) and reduced in total by \$3.099 million (\$3.089

million jurisdictional). This, again, is FPL's calculated payroll adjustment for capitalization. Additionally, OPC recommends that the Company's overtime payroll be adjusted to reflect an appropriate capitalization rate. Based on OPC's recommend capitalization rate, the estimated cost for FPL's overtime plus overheads is \$4,699,801 and the estimated vehicle cost is \$995,127 which results in a total overtime cost for capitalization in the amount of \$5,694,928. Since OPC has already recommended the reclassification of the \$3.099 million of capitalization which FPL classified as regular payroll, OPC recommends an additional adjustment of \$2,595,928 to account for the appropriate capitalization rate. (Schultz)

FIPUG: Adopt position of Office of Public Counsel.

FRF: \$8,849,000 (jurisdictional).

STAFF: Staff has no position pending evidence adduced at the hearing.

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

POSITIONS

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. (Miranda, Ousdahl, DeVarona)

OPC: The contractor costs have been undercapitalized due to understated crew sizes and related labor costs. Therefore, OPC recommends the capitalized amount for distribution costs for contractor labor be increased from \$6.072 million (\$6.071 million jurisdictional) to \$25.456 million (\$25.451 million jurisdictional). This adjustment reduces FPL's request for distribution function recovery for contractors from \$153.895 million to \$134.511 million, which is a reduction to total restoration costs of \$21.756 million (\$21.710 million jurisdictional). (Schultz)

FIPUG: Adopt position of Office of Public Counsel.

FRF: \$137,039,000 (jurisdictional), which excludes the additional adjustment (of \$13,704,000) to disallow non-verifiable costs described in the FRF's position on Issue 6.

STAFF: Staff has no position pending evidence adduced at the hearing.

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

POSITIONS

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. (Miranda, Ousdahl, DeVaron)

OPC: The logistic costs of \$17.975 million for one vendor included single line invoices with no details regarding what was included, where the lodging was located, or for whom the lodging was billed. Due to the absence of supporting detail that this vendor's lodging costs are reasonable and justified, OPC recommends disallowance of the entire \$17.975 million (\$17.971 million jurisdictional). (Schultz)

FIPUG: Adopt position of Office of Public Counsel.

FRF: \$63,672,000 (jurisdictional), which reflects a recommended disallowance of \$17.975 million to disallow non-verifiable claimed expenses from one specific vendor.

STAFF: Staff has no position pending evidence adduced at the hearing.

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?

POSITIONS

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. OPC has raised no valid objection to recovery of those costs. Standby and mobilization/demobilization time is recorded on all non-mutual aid utility contractor (approximately 85% of all contractor line resources) time sheets, which are reviewed and approved by FPL. The cost of mobilization/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, when one considers the distance and time associated with contractors travelling to and from FPL's service territory. FPL estimates that contractor standby costs, *i.e.*, costs associated with pre-staging resources in advance of the storm, were less than \$4 million out of the total \$186.4 million paid to these contractors. 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. (Miranda)

OPC: No, because FPL has not separately tracked the amount of hours and costs that are associated with mobilization/demobilization and standby time, the Commission and the parties have no way to verify these costs. This information would provide critical insight into how FPL is planning and controlling costs before, during, and after the storm restoration. The Commission should make an adjustment to disallow 10% of the OPC's recommended retail costs of \$137.039 million, or reduction of \$13.704 million. (Schultz)

FIPUG: FPL's failure to segregate and organize hours and costs related to mobilization and standby time prevents the parties from reviewing and verifying these costs in detail and in a meaningful way. FPL has not carried its burden of proof. An downward adjustment of \$10,000,000 should be made to the sums for which FPL seeks to recover from its customers.

FRF: No, because the costs are not verifiable. Agree with OPC that an additional adjustment of at least \$13.704 million should be made to Contractor costs to disallow non-verifiable claimed standby and mobilization/demobilization expenses

STAFF: Staff has no position pending evidence adduced at the hearing.

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

POSITIONS

FPL: \$117.1 million is the appropriate amount to include in storm recovery to replenish the level of FPL's storm reserve. In Order No. PSC-2017-0055-PCO-EI, the Commission approved FPL's recovery request, including replenishment of the storm reserve. In response to discovery and as reflected in Exhibit KO-4, FPL provided detail on the charges to the storm reserve between January 2013 and September 2016. 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. (Ousdahl)

OPC: OPC recommends a reduction of \$24.026 million to FPL's requested \$117.131 million to exclude the non-Hurricane Matthew replenishment of the storm reserve. FPL failed to provide any supporting detail that these pre-Hurricane Matthew costs charged to the storm reserve were reasonable and justified. The storm reserve should be replenished to the pre-Hurricane Matthew level of \$93.105 million. (Schultz)

FIPUG: Adopt position of Office of Public Counsel.

FRF: The appropriate amount to be included in allowed recovery of Hurricane Matthew storm restoration costs is \$93.105 million, based on restoration of the reserve to the pre-Hurricane Matthew level as contemplated by the stipulation approved by the Commission in Docket No. 20120015-EI.

STAFF: Staff has no position pending evidence adduced at the hearing.

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

POSITIONS

FPL: FPL requested approval for recovery of 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 that FPL is entitled to recover. (Ousdahl)

OPC: OPC recommends a total reduction of \$84.123 million jurisdictional to FPL's total storm cost recovery and reserve replenishment request of \$316.937 or \$316.500 million (jurisdictional) including the storm reserve replenishment to the pre-Hurricane Matthew level of \$93.105 million. (Schultz)

FIPUG: Adopt position of Office of Public Counsel.

FRF: \$231,549,000 (jurisdictional). This is the sum of the allowable amounts for Overtime Expense, Contractor Costs, and Logistics costs stated in the FRF's positions on Issues 3, 4, and 5, plus the additional recoverable amounts for Line Clearing, Vehicle & Fuel Expense, Materials & Supplies, and Other Expense, MINUS an additional adjustment of \$13,704,000 to reflect disallowance of claimed but non-verifiable Contractor costs for standby, mobilization, and demobilization, as addressed in Issue 6. This total jurisdictional amount (\$231,549,000) will enable FPL to appropriately replenish its storm reserve to the pre-Matthew level of \$93.105 million.

STAFF: Staff has no position pending evidence adduced at the hearing.

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?**

POSITIONS

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 (as shown in Exhibit TCC-1). Billing of the 2017 Interim Storm Charge began on March 1, 2017 and concluded on February 28, 2018. (Cohen)

OPC: No position.

FIPUG: Adopt position of Office of Public Counsel.

FRF: \$322,449,167.

STAFF: Staff has no position pending evidence adduced at the hearing.

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

POSITIONS

FPL: 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 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. The true-up rates will be designed in a manner that is consistent with the cost allocation used in the original 2017 Interim Storm 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 month that is more than 30 days after Commission approval. (Cohen)

OPC: The over recovery should be handled as a one-time adjustment to customer bills or in the alternative a one-time adjustment to the fuel clause for the remainder of 2018.

FIPUG: Adopt position of Office of Public Counsel.

FRF: Depending on the magnitude of any under-recovery or over-recovery, any such correction should be credited back to customers as promptly as practicable on the

basis of the same cents-per-kWh rate structure as was used to collect the storm surcharge revenues for Hurricane Matthew restoration costs.

STAFF: Staff has no position pending evidence adduced at the hearing.

ISSUE 11: Should this docket be closed?

POSITIONS

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

OPC: No position.

FIPUG: Yes.

FRF: Yes, after the issuance of a final order from which all opportunities for appeal have expired, this docket should be closed.

STAFF: Staff has no position pending evidence adduced at the hearing.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
<u>Direct</u>			
Manuel B. Miranda	FPL	MBM-1	FPL's T&D Hurricane Matthew Restoration Costs
Kim Ousdahl	FPL	KO-1	Hurricane Matthew Final Costs and Incremental Cost and Capitalization Approach (ICCA) Adjustments
Tiffany C. Cohen	FPL	TCC-1	Actual Revenues Under 2017 Interim Storm Charge
Helmuth W. Schultz, III	OPC	HWS-1	Qualifications of Helmuth W. Schultz, III

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
		HWS-2	Storm Restoration Costs: Schedule A – Summary Schedule B – Regular Payroll Schedule C – Contractors Schedule D- Line Clearing Schedule E – Vehicle & Fuel Costs Schedule F – Materials & Supplies Schedule G – Logistics Schedule H – Other Schedule I – Capitalizable Costs
Donna D. Brown	Staff	DDB-1	Auditor’s Report, December 5, 2017
		DDB-2	Audit Reporter’s Supplemental – April 4, 2018
<u>Rebuttal</u>			
Manuel B. Miranda	FPL	MBM-2	Hurricane Matthew Article Provided in OPC’s Response to FPL’s 1 st Production of Documents No. 2
Kim Ousdahl	FPL	KO-2 (Corrected)	Corrected Hurricane Matthew Final Costs and Incremental Cost and Capitalization Approach (ICCA) Adjustments
		KO-3	Annual Transmission and Distribution Storm Damage Feasibility Reports for 2013- 2017
		KO-4	Pre-Matthew Storm Reserve Activity for January 2013- September 2016

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XI. PENDING MOTIONS

On May 1, 2018, FPL filed two motions for temporary protective orders for discovery responses to OPC's Second Request for Production of Documents Nos. 12, 14 and 20 and Fourth Set of Interrogatories Nos. 101 and 104 provided to OPC on January 26 and March 13, 2018, respectively. At this time FPL is in the process of reviewing these responses to determine if all of these responses continue to require confidential treatment and will file confidentiality requests accordingly.

XII. PENDING CONFIDENTIALITY MATTERS

There are no pending confidentiality matters at this time.

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 50 pages and shall be filed at the same time.

XIV. RULINGS

Opening statements, if any, shall not exceed seven minutes per party.

During the course of informal meetings prior to the Prehearing Conference, OPC requested that a new issue be added: "Should FPL be required to separately track and account for costs associated standby time, mobilization and demobilization work?" OPC, joined by FIPUG and FRF, argue that this issue is relevant based on the facts of this case and, although capable of being discussed in response to Issue No. 6, needs to stand on its own. FPL counters that this is a generic issue that is in no way distinct to FPL and should be considered, if at all, in an informal workshop or rulemaking proceeding. Having heard argument of the parties and upon further

review of the issues, it is clear that this requested issue can be fully addressed by the parties in their responses to Issue No. 6 and no separate issue is necessary.

It is therefore, hereby

ORDERED by Commissioner Julie I. Brown, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Julie I. Brown, as Prehearing Officer, this 11th day of May, 2018.



JULIE I. BROWN
Commissioner and Prehearing Officer
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SBr

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case

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Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.