

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

### -M-E-M-O-R-A-N-D-U-M-

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**DATE:** November 21, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Vogel, D. Buys, Quigley, Hinson, Norris)<sup>AFD</sup>  
Division of Economics (Hampson, P. Kelley)<sup>EJD</sup>  
Office of the General Counsel (Brownless, Crawford)<sup>JSC</sup>

**RE:** Docket No. 20240149-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Debby, Helene, and Milton, by Florida Power & Light Company.

**AGENDA:** 12/03/24 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Fay

**CRITICAL DATES:** 12/26/24<sup>24</sup> (60-day interim deadline)

**SPECIAL INSTRUCTIONS:** None <sup>AT 11/21/24</sup>

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### Case Background

On October 29, 2024, Florida Power and Light Company (FPL or Company) filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover \$1.2 billion for the incremental restoration costs related to Hurricanes Debby, Helene, and Milton, as well as the replenishment of its retail storm reserve. Included in the \$1.2 billion is interest charged on the unrecovered balance of storm restoration costs resulting from Hurricanes Debby, Helene, and Milton (collectively, “the Storms”). Pursuant to the 2021 Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-2021-0446-S-EI, the recovery of storm costs from customers will begin, on an interim basis, 60 days after the filing of

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a cost recovery petition and tariff with the Commission.<sup>1</sup> FPL requested a 12-month recovery period, applied to all bills from January 1, 2025, through December 31, 2025.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.076, Florida Statutes.

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<sup>1</sup> Order No. PSC-2021-0446-S-EI, issued December 2, 2021, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power and Light Company*.

## Discussion of Issues

**Issue 1:** Should the Commission authorize FPL to implement an interim storm restoration recovery charge?

**Recommendation:** Yes. The Commission should authorize FPL to implement an interim storm restoration recovery charge, subject to refund. Once the total actual storm costs are known, FPL should be required to file documentation of the total storm costs for Commission review and true-up of any excess or shortfall. (Hinson)

**Staff Analysis:** As stated in the Case Background, FPL filed a petition for a limited proceeding seeking authority to implement an interim storm restoration charge to recover an estimated total of \$1.2 billion for incremental storm restoration costs for the Storms and to replenish its storm reserve. In its petition, FPL requested to replenish the storm reserve to \$150 million.

The petition was filed pursuant to the provisions of the 2021 Settlement approved by the Commission in Order Nos. PSC-2021-0446-S-EI and PSC-2021-0446A-S-EI. Pursuant to paragraph 10 of the 2021 Settlement, FPL can begin recovery of storm costs 60 days following the filing of a petition for recovery.

In its petition, FPL asserted that it incurred approximate recoverable costs in the amount of \$113.5 million for Hurricane Debby, \$157.8 million for Hurricane Helene, and \$811.1 million for Hurricane Milton. The Company further asserted that all amounts were calculated in accordance with the Incremental Cost and Capitalization Approach methodology prescribed in Rule 25-6.0143, Florida Administrative Code.

The approval of an interim storm restoration recovery charge is preliminary in nature and is subject to refund pending further review once the total actual storm restoration costs are known. After the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim storm restoration recovery charge, a determination will be made whether any over/under recovery has occurred. The disposition of any over or under recovery, and associated interest, will be considered by the Commission at a later date.

Based on a review of the information provided by FPL in its petition, staff recommends that the Commission authorize the Company to implement an interim storm restoration recovery charge subject to refund. Once the total actual storm costs are known, FPL should be required to file documentation of the storm costs for Commission review and true-up of any excess or shortfall

**Issue 2:** What is the appropriate security to guarantee the amount collected subject to refund through the interim storm restoration recovery charge?

**Recommendation:** The appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. (Quigley)

**Staff Analysis:** Staff recommends that all funds collected subject to refund be secured by a corporate undertaking. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. FPL requested a 12-month collection period from January 2025 through December 2025 for the Interim Storm Recovery charges of approximately \$1.2 billion related to the Storms. Staff reviewed FPL's three most recent annual reports filed with the Commission (2023, 2022, and 2021) to determine if the Company can support a corporate undertaking to guarantee the funds collected for recovery of incremental storm restoration costs related to all the weather events. FPL's financial information demonstrates the Company has acceptable levels of liquidity, ownership equity, profitability, and interest coverage to support a potential refund of \$1.2 billion. Moreover, it is improbable FPL will be required to refund the entire requested amount.

Staff believes FPL has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, staff recommends that a corporate undertaking of \$1.2 billion is acceptable. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in this proceeding.

**Issue 3:** Should the Commission approve FPL's proposed interim storm restoration recovery charge tariff as shown in Attachment A of the recommendation?

**Recommendation:** Yes. The Commission should approve FPL's proposal to revise the interim storm restoration recovery tariff and associated surcharges, as shown in Attachment A to this recommendation. The tariff should become effective the first billing cycle of January 2025. The interim storm restoration surcharges should be subject to final true-up once the total actual storm costs are known. (P. Kelley)

**Staff Analysis:** FPL calculated the interim storm surcharge for the 12-month period of January 1, 2025 through December 31, 2025, subject to true-up once the final total recoverable storm amount is known and determined. In paragraph 24 of the petition, FPL states that the updated surcharges are allocated to the rate classes consistent with the rate design approved in the 2021 Settlement. Staff has reviewed the allocation to rate classes and believes that the allocations provided in Appendix F to the petition are consistent with those approved in FPL's most recent rate case. Furthermore, staff has reviewed the derivation of the surcharges provided in Appendix F to the petition. Staff agrees that the surcharges have been calculated correctly, using projected kilowatt hour (kWh) sales for January through December 2025.

The proposed interim storm restoration surcharges are shown on Fifth Revised Tariff Sheet No. 8.030.7, provided in Appendix G to the petition. For residential customers, the proposed surcharge would be 1.202 cents per kWh, which equates to a total surcharge of \$12.02 for a 1,000 kWh monthly bill. The storm cost recovery surcharge would be included in the non-fuel energy charge on customer bills.

Paragraph 10(b) of the 2021 Settlement states that FPL may petition to the Commission for recovery of storm costs at a rate beyond \$4.00 on a 1,000 kWh residential bill if FPL incurs in excess of \$800 million of storm recovery costs. As discussed in Issue 1 to the recommendation, FPL has requested to recover \$1.2 billion in incremental storm restoration costs.

Staff recommends that the Commission approve FPL's proposed interim storm restoration recovery tariff and associated surcharges, as shown in Attachment A to this recommendation. The tariff should become effective the first billing cycle of January 2025. The interim storm restoration surcharges should be subject to final true-up once the total actual storm costs are known.

**Issue 4:** Should this docket be closed?

**Recommendation:** No. This docket should remain open pending final reconciliation of actual recoverable storm costs with the amount collected pursuant to the interim storm restoration recovery charge and the calculation of a refund or additional charge if warranted. (Brownless)

**Staff Analysis:** No, this docket should remain open pending final reconciliation of actual recoverable storm costs with the amount collected pursuant to the interim storm restoration recovery charge and the calculation of a refund or additional charge if warranted.

FLORIDA POWER & LIGHT COMPANY

~~Fourth-Fifth~~ Revised Sheet No. 8.030.7  
 Cancels ~~Fourth-Third~~ Revised Sheet No.8.030.7

(Continued from Sheet No. 8.030.3)

2025 INTERIM STORM RESTORATION RECOVERY

APPLICATION:

The 2025 Interim Storm Restoration Recovery Surcharge is designed to recover incremental storm-related costs incurred by the Company related to Hurricanes Debby, Helene, and Milton. The factor is applicable to the Energy Charge under FPL's various rate schedules.

Rate Schedule	¢/kWh
<u>ALL KWH - RS-1, RTR-1</u>	<u>1.202</u>
<u>GS-1, GST-1</u>	<u>1.118</u>
<u>GSD-1, GSD-1EV, GSDT-1, HLFT-1, SDTR-1</u>	<u>0.545</u>
<u>GSLD-1, GSLD-1EV, GSLDT-1, CS-1, CST-1, HLFT-2, SDTR-2</u>	<u>0.522</u>
<u>GSLD-2, GSLDT-2, CS-2, CST-2, HLFT-3, SDTR-3</u>	<u>0.397</u>
<u>GSLD-3, GSLDT-3, CS-3, CST-3</u>	<u>0.024</u>
<u>OL-1</u>	<u>5.035</u>
<u>OS-2</u>	<u>1.436</u>
<u>SL-1, PL-1, LT-1, OS I/II</u>	<u>2.072</u>
<u>SL-1M</u>	<u>1.089</u>
<u>SL-2</u>	<u>0.598</u>
<u>SL-2M</u>	<u>2.800</u>
<u>SST-1(D), ISST-1(D)</u>	<u>0.021</u>
<u>SST-1(D1), SST-1(D2), SST-1(D3), ISST-1(D)</u>	<u>2.552</u>
<u>CILC-1(D)</u>	<u>0.394</u>
<u>CILC-1(G)</u>	<u>0.513</u>
<u>CILC-1(T)</u>	<u>0.024</u>
<u>MET</u>	<u>0.540</u>
<u>GSCU-1</u>	<u>2.509</u>

~~RESERVED FOR FUTURE USE~~

(Continued on Sheet No. 8.031)

Issued by: Tiffany Cohen, VP Financial Planning and Rate Strategy  
 Effective: September 1, 2024