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February 20, 2018

-VIA ELECTRONIC FILING-

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

**RE: Docket No.: 20160251-EI
Petition by Florida Power & Light Company for Approval of Final/Actual
Storm Restoration Costs, Associated True-Up Process Related to Hurricane
Matthew, and the related testimony and exhibits of Manuel Miranda, Kim
Ousdahl, Eduardo Devarona, and Tiffany Cohen which support the petition**

Dear Ms. Stauffer:

Please find enclosed for electronic filing a copy of Florida Power & Light Company's Petition for Approval of Final/Actual Storm Restoration Costs, Associated True-Up Process Related to Hurricane Matthew, and the related testimony and exhibits of Manuel Miranda, Kim Ousdahl, Eduardo Devarona, and Tiffany Cohen which support the petition in the above mentioned docket.

If there are any questions regarding this transmittal, please contact me at (561) 304-5170.

Sincerely,

/s/ Kevin I.C. Donaldson
Kevin I.C. Donaldson
Fla. Bar No. 0833401

Enclosure

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light Company
for Limited Proceeding for Recovery of Incremental
Storm Restoration Costs Related to Hurricane
Matthew

Docket No. 20160251-EI

Filed: February 20, 2018

**PETITION BY FLORIDA POWER & LIGHT COMPANY
FOR APPROVAL OF FINAL/ACTUAL STORM RESTORATION COSTS AND
ASSOCIATED TRUE-UP PROCESS RELATED TO HURRICANE MATTHEW**

Florida Power & Light Company (“FPL” or the “Company”), pursuant to Section 366.076(1), Florida Statutes (2017), Rules 25-6.0143 and 25-6.0431, Florida Administrative Code (“F.A.C.”), Order Nos. PSC-2017-0055-PCO-EI and PSC-2017-0269-FOF-EI, and the Revised Stipulation and Settlement approved by the Florida Public Service Commission (“Commission”) in Order No. PSC-2013-0023-S-EI¹ (the “2012 Stipulation and Settlement”), hereby files this petition (the “Petition”) requesting approval of the final/actual Recoverable Storm Amount of \$316.7 million (as reduced by Exhibit KO-2) and the process for determining and implementing true-up rates once the final/actual Recoverable Storm Amount and final/actual revenues collected under the 2017 Interim Storm Charge are known. In support of this Petition, FPL states as follows:

INTRODUCTION

1. FPL is an investor-owned utility with headquarters at 700 Universe Boulevard, Juno Beach, Florida 33408, operating under the jurisdiction of the Commission pursuant to the provisions of Chapter 366, Florida Statutes. FPL provides generation, transmission, and distribution service to more than 4.9 million retail customer accounts.

¹ Docket No. 20120015-EI, issued on January 14, 2013.

2. Any pleading, motion, notice, order or other document required to be served upon the petitioner or filed by any party to this proceeding should be served upon the following individuals:

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3. The Commission has jurisdiction pursuant to Sections 366.04, 366.05, 366.06 and 366.076, Florida Statutes, and Rules 25-6.0143 and 25-6.0431, F.A.C.

4. This Petition is being filed consistent with Rule 28-106.201, F.A.C. The agency affected is the Commission, located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f) and (g) of subsection (2) of that rule are not applicable to this Petition. In compliance with subparagraph (d), FPL states that it is not known which, if any, of the issues of material fact set forth in the body of this Petition, or the supporting testimony and exhibits, may be disputed by any others who may plan to participate in this proceeding.

BACKGROUND AND OVERVIEW

5. On December 29, 2016, FPL filed a petition for a limited proceeding, initially to approve a 2017 Interim Storm Charge that would apply to customer bills for a twelve-month period commencing March 1, 2017 and that was intended to collect \$318.5 million from customers as the Recoverable Storm Amount related to Hurricane Matthew. By Order No. PSC-2017-0055-PCO-EI, issued February 20, 2017, the Commission approved FPL's proposed 2017 Interim Storm Charge. The order went on to provide on page 5 that "this docket shall remain open pending final reconciliation of actual recoverable Hurricane Matthew storm costs with the amount collected pursuant to the 2017 Interim Storm Restoration Recovery Charge, and the calculation of a refund or additional charge, if warranted."

6. Pursuant to the Commission's Order Establishing Procedure, PSC-2017-0269-FOF-EI, FPL is filing with this Petition the pre-filed testimony and exhibits of FPL witnesses Manuel Miranda, Kim Ousdahl, Eduardo Devarona, and Tiffany Cohen which: 1) document that the final/actual Recoverable Storm Amount is \$316.7 million (as reduced by Exhibit KO-2); 2) demonstrate that those costs were prudently incurred; 3) demonstrate that FPL accounted for these costs in accordance with the Incremental Cost and Capitalization Approach ("ICCA") in Rule 25-6.0143, F.A.C.; and 4) propose a process for determining a one-time true-up to be applied to customer bills once the approved Recoverable Storm Amount and actual revenues collected pursuant to the 2017 Interim Storm Charge are known.

FPL'S HURRICANE MATTHEW STORM RESTORATION PROCESS

7. With a massive Category 4 hurricane heading towards FPL's heavily populated service territory, FPL began emergency plans to prepare for the storm on October 2, 2016. This preparation involved pre-staging storm resources at numerous staging sites from Daytona Beach

in the north, to Sarasota in the west, and Miami-Dade County in the south. FPL utilized approximately 14,600 personnel made up of FPL employees, contractors, and mutual aid resources to perform storm restoration activities. FPL witness Miranda's pre-filed direct testimony provides an overview of the storm-related preparedness plans and processes utilized during Hurricane Matthew. He also provides details of the Transmission and Distribution ("T&D") restoration work and costs incurred as a result of the storm impacting nearly all (34 out of 35) counties in FPL's service territory. As a result of FPL's storm restoration efforts, the Company was able to restore service to approximately 99% of the nearly 1.2 million customers whose service was interrupted by the end of the second day following the storm.

8. FPL witness Devarona's pre-filed direct testimony provides an overview of FPL's non-T&D business units' storm preparation and restoration activities related to Hurricane Matthew. FPL's nuclear, customer service, general corporate administration, and power generation business units incurred costs necessary to the execution and success of FPL's storm response. These costs are related to preparing FPL's non-T&D facilities for the extreme weather brought about by Hurricane Matthew and repairing those facilities post-storm. These non-T&D storm related activities and costs were a reasonable and prudent part of FPL's overall Hurricane Matthew response.

FPL'S STORM ACCOUNTING PROCESSES AND CONTROLS

9. As shown in FPL witness Ousdahl's pre-filed direct testimony, FPL's final/actual Recoverable Storm Amount of \$316.7 million was calculated in accordance with the ICCA methodology required by Rule 25-6.0143. FPL established unique internal orders by function, (*i.e.*, business unit) for the storm to aggregate the total amount of storm restoration costs incurred for recovery. FPL's accounting records thoroughly document the charges to FPL, as well as

FPL's payment of those charges, for all of the final/actual restoration costs for Hurricane Matthew.

10. Subsequent to September 30, 2017, the cut-off date of the final cost report filed on October 16, 2017, FPL has substantially completed its follow up work and returned unused materials to stores. At the completion of Hurricane Matthew restoration work, FPL estimates that there will be a reduction of approximately \$0.5 million to the total Retail Recoverable Costs shown on Exhibit KO-1. Because the restoration work is now substantially complete, FPL will record no further entries for Hurricane Matthew to the storm reserve after February 28, 2018. Therefore, at that time the actual amount of the reduction can be finalized. On or before March 15, 2018, FPL will make a supplemental filing of an exhibit designated as KO-2 that will be sponsored by FPL witness Ousdahl. Exhibit KO-2 will be in the same form as Exhibit KO-1 that is attached to FPL witness Ousdahl's testimony and will reflect the cost reduction.

DETERMINATION AND IMPLEMENTATION OF TRUE-UP

11. Billing of the 2017 Interim Storm Charge will conclude on February 28, 2018. On or before April 1, 2018, FPL will file a supplement to the pre-filed direct testimony of FPL witness Cohen that shows the total revenues collected under the 2017 Interim Storm Charge. Then, 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, 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.

CONCLUSION

12. Wherefore, Florida Power & Light Company respectfully requests that the Commission (i) determine that FPL's Recoverable Storm Amount (\$316.7 million, as reduced by Exhibit KO-2) was prudently incurred; (ii) approve FPL's proposed process for determining final true-up rates described in order to refund the excess or collect the shortfall between the 2017 Interim Storm Charge revenues and the approved Recoverable Storm Amount; and (iii) authorize the Commission Staff to review and verify the final true-up rates contained in FPL's proposed compliance filing.

Respectfully submitted,

By: s/ John T. Butler

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Assistant General Counsel – Regulatory
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 20th day of February, 2018, to the following parties:

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John T. Butler

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
DIRECT TESTIMONY OF MANUEL B. MIRANDA
DOCKET NO. 20160251-EI
FEBRUARY 20, 2018

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1 I. INTRODUCTION

2

3 Q. Please state your name and business address.

4 A. My name is Manuel B. Miranda. My business address is Florida Power & Light
5 Company, 700 Universe Blvd., Juno Beach, Florida, 33408.

6 Q. By whom are you employed and what is your position?

7 A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as
8 Senior Vice President of Power Delivery.

9 Q. Please describe your duties and responsibilities in that position.

10 A. As Senior Vice President of Power Delivery, I am responsible for the planning,
11 engineering, construction, operation, maintenance, and restoration of FPL’s
12 transmission and distribution (“T&D”) electric grid. During storm restoration
13 events, I assume the additional role of FPL’s Area Commander. In this capacity, I
14 am responsible for the overall coordination of all restoration activities to ensure the
15 successful implementation of FPL’s restoration strategy, which is to restore service
16 to our customers safely and as quickly as possible.

17 Q. Please describe your educational background and professional experience.

18 A. I have a Bachelor of Science in Mechanical Engineering from the University of
19 Miami and a Master in Business Administration from Nova Southeastern
20 University. I joined FPL in 1982 and have over 35 years of technical, managerial
21 and commercial experience gained from serving in a variety of positions within
22 Customer Service, Distribution and Transmission. For more than 10 years, I have
23 held several vice president positions within Distribution and Transmission,

1 including my current position. For storm restoration events, I have served as FPL's
2 Area Commander for the last five years. Additionally, for the last five years, I have
3 served as a member on the National Response Executive Committee, a group that
4 oversees a process designed to enhance the industry's ability to respond to national-
5 level events by improving access and visibility to resources from all across the
6 country.

7 **Q. Are you sponsoring any exhibits in this case?**

8 A. Yes. I am sponsoring the following exhibit:

- 9 • MBM-1 – FPL's T&D Hurricane Matthew Restoration Costs

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to provide an overview of FPL's emergency
12 preparedness plans and processes. I will also provide details for the work and costs
13 incurred by FPL's T&D organization in connection with Hurricane Matthew.
14 Specifically, I will describe FPL's T&D response and restoration efforts, follow-up
15 work activities necessary to restore FPL's facilities to their pre-storm condition and
16 details on T&D storm restoration costs. Finally, I will discuss the factors
17 contributing to FPL's overall successful performance in restoring service to those
18 customers impacted by Hurricane Matthew. As a result, my testimony supports the
19 reasonableness and prudence of the T&D storm restoration costs for which FPL is
20 seeking approval.

21

22

23

1 **II. FPL’S EMERGENCY PREPAREDNESS PLAN & RESTORATION**

2 **PROCESS**

3

4 **Q. What is the objective of FPL’s emergency preparedness plan and restoration**
5 **process?**

6 A. Consistent with Florida Public Service Commission (“FPSC” or “Commission”) rules, industry practice, state and local governments’ interests and the interests of
7 our customers, the primary objective of FPL’s emergency preparedness plan and
8 restoration process is *to safely restore critical infrastructure and the greatest*
9 *number of customers in the least amount of time.* Achieving this objective requires
10 extensive planning, training, adherence to established storm restoration processes
11 and execution that can be scaled quickly to match each particular storm. To these
12 ends, FPL’s emergency preparedness plan incorporates comprehensive annual
13 restoration process reviews and includes lessons learned, new technologies and
14 extensive training activities to ensure FPL’s employees are well prepared.

16

17 While FPL has processes in place (including actions taken prior to the storm event)
18 to manage and mitigate the costs of restoration, the objective of safely restoring
19 electric service as quickly as possible cannot, by definition, be pursued as a “least
20 cost” process. Said another way, restoration of electric service at the lowest
21 possible cost will not result in the most rapid restoration.

22

23

1 **Q. What are the key components of FPL’s emergency preparedness plan?**

2 A. FPL’s emergency preparedness plan is the product of years of planning, study and
3 refinement based upon actual experience. Key components of this plan include:

- 4 • Disaster response policies and procedures;
- 5 • Adjustable internal organizational structures based on the required
6 response;
- 7 • Timeline of activities to assure rapid notification and response;
- 8 • Mutual assistance agreements and vendor contracts and commitments;
- 9 • Plans and logistics for the staging and movement of resources, personnel,
10 materials, and equipment to areas requiring service restoration;
- 11 • Communication and notification plans for employees, customers,
12 community leaders, emergency operating centers, and regulators;
- 13 • An established centralized command center with an organization for
14 command and control of emergency response forces;
- 15 • Checklists and conference call agendas to organize, plan, and report
16 situational status;
- 17 • Damage assessment modeling and reporting procedures;
- 18 • Field and aerial patrols to assess damage;
- 19 • Comprehensive circuit patrols to gather vital information needed to identify
20 the resources required for effective restoration;
- 21 • Systems necessary to support outage management procedures and customer
22 communications; and
- 23 • Comprehensive training activities and exercises to ensure readiness.

1 This plan is comprehensive and well-suited for the purpose of facilitating prompt
2 and effective responses to emergency conditions such as hurricanes to restore
3 power as quickly as possible.

4 **Q. Does FPL regularly update its plan?**

5 A. Yes. Each year, prior to storm season, FPL reviews and updates its emergency
6 preparedness plan. To ensure rapid restoration, key focus areas of this plan are
7 staffing the storm organization, preparing logistics support, enhancing customer
8 communication methods and ensuring that required computer and
9 telecommunication systems are in place. As part of this process, all business units
10 within FPL identify personnel for staffing the emergency response organization. In
11 many cases, employees assume roles different than their regular responsibilities.
12 Training is conducted for thousands of storm personnel each year regardless of
13 whether they are in a new role or a role in which they have served many times.
14 This includes training on processes that range from analytical and clerical to
15 reinforcing restoration processes for managers and directors.

16 **Q. What else does FPL do to prepare for each storm season?**

17 A. In the logistics support area, preparations include: 1) increasing material inventory;
18 2) verifying (and, if necessary, adjusting) lodging arrangements; 3) establishing
19 staging sites (temporary work sites that are opened to serve as operation hubs for
20 Incident Management Teams to plan, coordinate and execute area restoration plans
21 and also provide parking, food, laundry service, medical care, hotel coordination,
22 and, if necessary, housing for large numbers of external and internal restoration
23 resources); and 4) verifying staging site plans and securing any necessary

1 agreements and contracts for these support services. These activities are important
2 to ensure availability and delivery of these critical items on time and at a reasonable
3 cost. All of this planning and preparation provides the foundation to begin any
4 restoration effort. .

5 **Q. Does FPL regularly test its emergency preparedness plan?**

6 A. Yes. Each year, prior to the start of hurricane season, FPL tests its readiness during
7 a hurricane “dry run” exercise. This event simulates a storm (or multiple storms)
8 impacting FPL’s service territory. The purpose is to provide a realistic, challenging
9 scenario that causes the organization to react to situations and to practice functions
10 not generally performed during normal operations. It is a full-scale exercise,
11 executed with active participation by employees representing every business unit in
12 the company. After months of preparation, the formal exercise activities begin 96
13 hours before the mock hurricane’s forecasted date and time of impact. FPL’s
14 Command Center is fully mobilized and staffed. Field patrollers are required to
15 complete simulated damage assessments that are then utilized by office staff to
16 practice updating storm systems, acquiring resources, and developing estimated
17 times of restoration. The exercise also includes simulating customer and other
18 external communications as well as updating our outage management system and
19 other storm-specific applications. Additionally, FPL conducts an annual full-scale
20 staging site exercise to assess the readiness of staging site processes (e.g.,
21 communications, logistics, materials, and equipment). This training is conducted in
22 the course of our ordinary approach to business and, as FPL witness Ousdahl
23 describes, the costs of these activities are not charged to the storm reserve.

1 **Q. How does FPL respond when a storm threatens its territory?**

2 A. FPL responds by taking well-tested actions at specified intervals prior to a storm's
3 impacts. When a storm is developing in the Atlantic Ocean or Gulf of Mexico, our
4 staff meteorologist continuously monitors conditions and various departments
5 throughout the company initiate preliminary preparations for addressing internal
6 and external resource requirements, logistics needs, and system operation
7 conditions.

8

9 At 96 to 72 hours prior to the projected impact to FPL's system, FPL activities
10 include: activating the FPL Command Center; alerting all storm personnel;
11 forecasting resource requirements; developing initial restoration plans; activating
12 contingency resources; and identifying available resources from mutual assistance
13 utilities. In addition, all FPL sites begin to prepare their facilities for the impact of
14 the storm.

15

16 At 72 to 48 hours, computer models are run based on the projected intensity and
17 path of the storm to forecast expected damage, restoration workload and potential
18 customer outages. Based on the modeled results, commitments are confirmed for
19 restoration personnel, materials, and logistics support. Staging site locations are
20 then identified and confirmed based on the storm's expected path.
21 Communications lines are ordered for the staging sites and satellite
22 communications are expanded to improve communications efforts. External
23 resources are activated and begin moving toward the expected damage areas in our

1 service territory and internal personnel may also be moved to be closer to the
2 expected damage.

3

4 At 24 hours, the focus turns to pre-positioning personnel and supplies to begin
5 restoration as soon as it is safe to do so. As the path and strength of the storm
6 changes, FPL continuously re-runs damage models and adjusts plans accordingly.

7 Also, FPL contacts community leaders and County Emergency Operations Centers
8 (“EOCs”) for coordination and to review and reinforce FPL’s restoration plans.

9 This outreach includes confirming the assignment of FPL personnel to the County
10 EOCs for the remainder of the storm and identifying restoration personnel to assist
11 with road clearing and search-and-rescue efforts. FPL also has personnel assigned
12 to the State EOC to support coordination and satisfy information needs.

13 Throughout the process, FPL also provides critical information (e.g., public safety
14 messages, storm preparation tips and guidance if an outage occurs) to the news
15 media, customers and community leaders.

16 **Q. Has FPL had previous opportunities to execute its emergency preparedness
17 plan and overall restoration process?**

18 A. Yes. Since Hurricane Andrew made landfall in 1992, FPL has experienced a
19 number of events which have provided opportunities to execute and refine our
20 storm plans. This includes the 2004 and 2005 storm seasons, when seven storms
21 impacted FPL’s service territory, five of which required full-scale implementation
22 of our restoration processes. Also, in September 2016, FPL was required to

1 implement its full-scale emergency preparedness plan and restoration process when
2 a portion of its service territory was impacted by Hurricane Hermine.

3 **Q. Since the 2004 and 2005 storm seasons, has FPL implemented improvements**
4 **to its emergency preparedness plans and restoration process based on its**
5 **experience?**

6 A. Yes. Consistent with its culture of continuous improvement, FPL has implemented
7 multiple enhancements to its processes based upon its experience with the 2004-
8 2005 hurricanes as well as more recent storms experienced by FPL and other
9 utilities (including, significantly, Superstorm Sandy). I will discuss these later in
10 my testimony.

11 **Q. How does FPL ensure the emergency preparedness plan and restoration**
12 **process are consistently followed for any given storm experience?**

13 A. Significant standardization in field operations has been institutionalized including:
14 work-site organization; work preparation and prioritization; and damage
15 assessment. For external crew personnel, FPL provides an orientation that includes
16 safety rules, work practices and engineering standards. For external personnel
17 providing patrol and management assistance, training is provided to explain their
18 duties as well as FPL processes and procedures. Also, procedures to ensure rapid
19 preparation and mobilization of remote staging sites have been developed to allow
20 us to establish these sites in the most heavily damaged areas.

21

22 Storm plan requirements are documented in a variety of media including manuals,
23 on-line procedures, checklists, job aids, process maps, and detailed instructions.

1 System data is continuously monitored and analyzed throughout the storm. FPL
2 conducts multiple daily conference calls, utilizing structured checklists and
3 agendas, with FPL Command Center leadership to confirm process discipline,
4 discuss overall progress and identify issues that can be resolved quickly because
5 leaders from all FPL business units participate. Twice-daily conference calls are
6 also held with all field restoration and logistics locations, again to provide a
7 mechanism to ensure critical activities are performed as planned and timely
8 communications occur at all levels throughout the organization. Also, each
9 organization within FPL conducts its own daily conference call(s) to ensure plans
10 are executed appropriately and issues are being resolved expeditiously. Overall
11 monitoring and performance management of field operations are performed
12 through the FPL Command Center. In addition, FPL Command Center personnel
13 routinely conduct field visits once restoration has begun to validate restoration
14 process discipline and application, assess progress at remote work sites and identify
15 any adjustments that may be required.

16 **Q. How does FPL assess its workload requirements?**

17 A. There are a variety of factors that impact restoration workload. In each storm, FPL
18 utilizes its damage forecast model to predict the expected damage and hours of
19 work to restore service. These estimates are based on the location of FPL facilities,
20 the storm's projected path, and the effects of varying wind strengths on the electric
21 infrastructure. These workload projections are matched with resource factors such
22 as availability and location, and FPL's capacity to efficiently and safely manage
23 and support available resources. As soon as the storm passes, certain employees

1 are tasked with driving predetermined routes to survey damage. Additionally, FPL
2 utilizes damage assessments obtained through aerial and field patrols and customer
3 outage information contained in FPL’s outage management system.

4 **Q. How does FPL begin to acquire resources?**

5 A. Normally, 96 to 72 hours prior to expected storm impact, FPL begins to contact
6 selected contractors to assess their availability. Additionally, as a member of the
7 Southeastern Electric Exchange (“SEE”) and Edison Electric Institute (“EEI”), FPL
8 begins to utilize the formalized industry processes to request mutual assistance
9 resources. At 72 to 48 hours, depending on the storm track certainty and forecasted
10 intensity, FPL may begin to financially commit to acquire necessary resources and
11 request that travel to and within Florida commence. Resource needs are continually
12 reviewed and adjusted, if necessary, based on the storm’s path, intensity
13 fluctuations, and corresponding damage model results.

14 **Q. Please provide detail on how FPL acquires additional resources.**

15 A. As previously mentioned, an important component of each restoration effort is
16 FPL’s ability to scale up its resources to match the increased volume of workload.
17 This includes acquiring external contractors and mutual assistance from other
18 utilities. FPL is a participating member of the SEE Mutual Assistance Group.
19 While this group is a non-binding entity, it provides FPL and other members with
20 guidelines on how to request assistance from a group of approximately 50 utilities,
21 primarily located in the southern and eastern United States. The guidelines require
22 reimbursement for direct costs of payroll and other expenses, including roundtrip
23 travel costs, when providing mutual aid in times of emergency. In addition, FPL

1 participates with EEI and the National Response Event organization to gain access
2 to other utilities and has requested assistance from those companies based on
3 similar mutual assistance agreements. Resource requests may include line crews,
4 tree trimming crews, patrol personnel, crew supervisors, material-handling
5 personnel and, in some cases, logistics support.

6
7 FPL also has a number of contractual agreements with power line and vegetation
8 contractors throughout the U.S. Many of these agreements are with contractors that
9 FPL utilizes during normal operations. Depending on the severity of the storm and
10 our resource needs, a large number of additional line and vegetation companies
11 may be contracted to provide additional support pending their release from the
12 utilities for which they normally work. If these additional power line and
13 vegetation contractors are needed, FPL negotiates rates with the new contractors on
14 an as-needed basis prior to the commencement of work.

15 **Q. How does FPL take cost into account when acquiring resources for storm**
16 **restoration?**

17 A. As indicated earlier, while rapid restoration (the primary restoration objective) does
18 not permit the least overall cost for restoration, FPL is always mindful of costs
19 when acquiring resources. For example, prior to storm season, FPL's storm
20 preparation process includes negotiating contracts with vendors, which include line
21 contractors, tree trimming contractors, logistics, environmental and salvage
22 contractors. For line and tree contractors, we endeavor to acquire resources based
23 on a low-to-high cost ranking and release these same resources in reverse cost

1 order. FPL also considers travel distance when procuring storm restoration
2 resources as longer distances require increased drive times and can result in higher
3 costs. Final contractor and mutual-aid resource decisions take into consideration
4 the number, availability, relative labor costs and travel distances of required
5 resources. This information is then evaluated relative to the expected time to
6 restore customers.

7 **Q. Describe FPL's plan for the deployment and management of the incoming**
8 **external resources.**

9 A. The deployment and movement of resources are coordinated through the FPL
10 Command Center, utilizing personnel tracking and outage management systems to
11 monitor execution of the plan. Daily management of the crews is performed by the
12 field operations organization, which is responsible for executing FPL's restoration
13 strategy. Decisions on opening staging sites to position the restoration workforce
14 in impacted areas are based primarily on the arrival time(s) of external resources.
15 Daily analysis of workload execution and restoration progress permits dynamic
16 resource management. This enables a high degree of flexibility and mobility in
17 allocating and deploying resources in response to changing conditions and
18 requirements. Another critical factor is FPL's ability to assemble trained and
19 experienced management teams to direct field activities. As part of the storm
20 organization, management teams include Incident Commanders and crew
21 supervisors to directly oversee field work.

22
23

1 **Q. What controls are in place for the acquisition of resources?**

2 A. FPL has centralized all external resource acquisition within the FPL Command
3 Center organization. This organization approves resource acquisition targets,
4 which are continually monitored by the Planning Section Chief, who reports to me
5 and keeps me informed during the entire restoration process.

6 **Q. What processes and controls are in place to ensure the proper accounting of
7 the work performed by these resources and their time?**

8 A. These external resources are assigned to an FPL Storm Production Lead when they
9 arrive at their designated staging site. The Storm Production Lead is responsible
10 for verifying crew rosters as FPL accepts these resources on to its system. The
11 Storm Production Lead also reviews and approves daily timesheets to ensure that
12 time and personnel counts are recorded accurately. The timesheets are then
13 provided to the Finance Section Chief (whose role and responsibilities are
14 described in FPL witness Ousdahl's testimony). These timesheets are sent to FPL's
15 contractor payment center, where they are used to verify invoices received from the
16 contracted companies.

17 **Q. What logistics and support personnel and activities are required?**

18 A. Various logistics functions are required to support the overall restoration effort and
19 the potentially thousands of workers involved. These functions include, but are not
20 limited to, acquisition, preparation and coordination of: staging sites,
21 environmental services, salvage, lodging, laundry, buses, caterers, ice and water,
22 office trailers, light towers, generators, portable toilets, security guards,
23 communications, and fuel delivery. Agreements with primary vendors are also in

1 place prior to the storm season as part of FPL's comprehensive storm-planning
2 process. FPL personnel from all parts of the company meet additional logistics
3 staffing needs. Most of these employees are pre-identified, trained and assigned to
4 provide site logistics management and support other restoration workforce needs.
5 FPL contracts for additional logistics resources for larger restoration efforts that
6 exceed internal logistics support capabilities.

7 **Q. What controls ensure that necessary items are procured and appropriately**
8 **accounted for?**

9 A. In addition to the procurement of external resources, which has been previously
10 discussed, FPL's logistics organization is responsible for overseeing and
11 coordinating the procurement of resources required at our staging sites. Staging
12 sites serve as the major hubs for resources involved in daily restoration activities.
13 Utilizing experience from previous storms, specific staging-site resource
14 requirements (e.g., a site's footprint, tents, meals, water, ice, buses, hotel
15 requirements, etc.) have been pre-determined. The Logistics Section Chief and
16 logistics team ensures that each staging site's resource requirements are initially
17 procured and received. The resource requirements and needs of each site are
18 monitored, assessed and determined daily through coordination between the
19 specific site management and the logistics team. The Finance Section Chief also
20 provides guidance and assistance to help ensure active, real time financial controls
21 are in effect and adhered to during the restoration event. These well-established
22 and previously tested processes and controls that FPL has implemented have
23 proven to be appropriate and effective.

1 **III. HURRICANE MATTHEW**

2

3 **Q. Please provide an overview of Hurricane Matthew and how it impacted FPL's**
4 **service territory.**

5 A. On September 28, 2016, nearly a week after emerging from the African coast, a
6 tropical system became a tropical storm that the National Hurricane Center named
7 Matthew. After reaching hurricane status on September 29, Hurricane Matthew
8 rapidly strengthened and achieved Category 5 intensity on September 30.
9 Hurricane Matthew made landfall on October 4 both in Haiti and Cuba before
10 temporarily weakening to a Category 3 storm. However, it regained Category 4
11 intensity as it moved away from Cuba. On October 6, Hurricane Matthew made
12 landfall, for the third time, as a Category 4 storm at Grand Bahama Island, which is
13 only about 75 miles due east of Palm Beach County, Florida.

14

15 Throughout the week-long period when Hurricane Matthew was ravaging the
16 Caribbean, forecasts of its track raised the likelihood that the storm would strike a
17 large portion of FPL's service territory as a major (Category 3 or higher) hurricane.
18 FPL, along with state and local emergency offices, prudently prepared for
19 potentially devastating impacts. On October 6, less than 24 hours before Hurricane
20 Matthew was forecast to impact Florida, the probability of a severe, direct landfall
21 bringing 130-140 miles-per-hour winds to Palm Beach County and the Treasure
22 Coast became likely. If this in fact occurred, there would be massive devastation to
23 a large, heavily populated portion of FPL's service territory. Fortunately, the path

1 of Hurricane Matthew moved slightly to the east as it passed over Grand Bahama
2 Island and continued on a path that positioned the eye of the storm (and the worst
3 of its winds) a few miles east of the Florida coastline.

4
5 Despite the last-minute favorable deviation in Hurricane Matthew's track, its
6 winds, feeder bands, and storm surge seriously impacted major portions of FPL's
7 service territory. Sustained winds associated with Hurricane Matthew were
8 estimated to have reached nearly 80 miles per hour, with gusts exceeding 100 miles
9 per hour along the Florida coastline. Hurricane-force winds were estimated to have
10 reached up to approximately eight miles inland along portions of Florida's
11 coastline, and tropical-storm force winds were estimated to have extended to about
12 40 miles inland. The impacts of Hurricane Matthew affected nearly all (34 out of
13 35 counties served) of FPL's service territory, with the counties along the east coast
14 of the Florida peninsula, particularly those in the central and north regions of
15 Florida, experiencing the highest winds and rainfall and the most damage.

16
17 **IV. FPL'S RESPONSE**

18
19 **Q. How did FPL initially respond to prepare for the potential impacts of**
20 **Hurricane Matthew?**

21 A. With a massive Category 4 hurricane potentially heading toward the most heavily
22 populated portions of its service territory, FPL began early discussions and
23 preparations on October 2, 2016. FPL activated its emergency response

1 organization and fully staffed its Command Center and initiated the cadence of
2 daily planning and management meetings to ensure the efficient and timely
3 execution of all pre-landfall checklists and preparation activities. Through these
4 pre-landfall planning activities, FPL reasonably anticipated the consequences of a
5 massive and potentially devastating storm and began to commit to resources to be
6 available to support the anticipated restoration work. In fact, at that time, it was
7 the largest pre-staging of storm resources in FPL's history. FPL began to open
8 staging sites and pre-position resources from as far as Daytona Beach (north),
9 Sarasota (west) and Miami-Dade County (south). However, as the path of
10 Hurricane Matthew shifted to the east and continued to move northward just off
11 Florida's east coast appropriate adjustments to FPL's restoration plans were made.

12 **Q. How did FPL respond to the impacts of Hurricane Matthew?**

13 A. While Florida, FPL and its customers were spared the worst of Hurricane
14 Matthew's effects, the storm's impacts and its large footprint on FPL's service
15 territory remained significant and widespread. In total, nearly 1.2 million
16 customers located throughout FPL's entire service territory had their service
17 interrupted. Significantly, FPL was able to quickly restore power (by the end of
18 the second full day after Hurricane Matthew left the service territory) to
19 approximately 99% of its customers affected by outages. Additionally, service was
20 fully restored to all FPL customers within four days (excluding a relatively small
21 subset of customers unable to accept service due to unsafe/uninhabitable conditions
22 in their residence or business).

1 In total, FPL arranged for approximately 14,600 personnel (approximately 8,100
2 FPL employees and 6,500 contracted and external resources) and opened 22
3 staging sites to support the power restoration effort. In response to Hurricane
4 Matthew, FPL replaced 165 miles of distribution conductor, more than 800
5 distribution transformers, and in excess of 500 FPL-owned distribution poles.
6 Additionally, tree damage was extensive, requiring a significant amount of line-
7 clearing work and the removal of fallen trees and tree branches. From a logistics
8 perspective, on a daily basis there were nearly 22,000 gallons of water consumed,
9 more than 54,000 pounds of ice used, nearly 33,000 meals served and more than
10 153,000 gallons of fuel provided to support restoration efforts.

11
12 FPL's effective pre-planning, well-tested and established restoration processes,
13 together with the dedication and execution of its employees and contracted external
14 resources, allowed us to achieve our goal of safely restoring critical infrastructure
15 and the greatest number of customers in the least amount of time.

16 17 **V. T&D RESTORATION COSTS**

18
19 **Q. What were the final Hurricane Matthew T&D restoration costs?**

20 A. The final, total Hurricane Matthew T&D restoration costs were \$299.3 million,
21 which includes \$9.3 million for follow-up work to restore FPL's T&D facilities to
22 their pre-storm condition. Adjustments that reduce this figure to the T&D "Retail

1 Recoverable Costs” total amount of \$283.4 million are provided in FPL witness
2 Ousdahl’s testimony.

3
4 Exhibit MBM-1, FPL’s T&D Hurricane Matthew Restoration Costs, contains a
5 breakdown of these costs by function (i.e., Transmission and Distribution) and
6 major cost category. The major cost categories contained in Exhibit MBM-1
7 include Regular and Overtime Payroll and Related Costs, Contractors, Vehicle and
8 Fuel, Materials & Supplies, Logistics and Other.

9
10 As shown on Exhibit MBM-1, two of the major cost categories (“Contractors” and
11 “Logistics”) account for \$266.9 million, or 89% of Total T&D restoration costs.
12 T&D “Contractors” costs account for \$185.5 million, or 62% of the Total T&D
13 restoration costs, and include line contractors, mutual assistance utilities, FPL
14 embedded contractors, line clearing/tree trimming contractors and other contractors
15 (e.g., contractors performing overhead line patrols and environmental assessments)
16 that supported FPL’s service restoration efforts and follow-up work to restore
17 facilities to their pre-storm condition. T&D “Logistics” costs totaled
18 approximately \$81.4 million, or 27% of Total T&D restoration costs, and include
19 costs associated with staging sites and other supporting facilities, such as those
20 associated with lodging, meals, water, ice, laundry and buses.

21
22 The other five cost categories in Exhibit MBM-1 account for the remaining \$32.4
23 million or 11% of the Total T&D restoration costs. The majority of these costs,

1 \$17.0 million, are comprised of “Regular and Overtime Payroll & Related Costs”
2 associated with FPL’s T&D employees who directly supported Hurricane Matthew
3 service restoration efforts and follow-up work. This includes FPL linemen, patrol
4 and other field support personnel as well as T&D staff personnel. The remaining
5 \$15.4 million includes the combined “Vehicle and Fuel,” “Materials and Supplies”
6 and “Other” major cost categories. “Vehicle and Fuel” covers FPL’s vehicle and
7 associated fuel costs, including costs for fuel that FPL supplied to line contractors,
8 mutual assistance utilities and other contractors. “Materials & Supplies” includes
9 costs associated with items such as wire, transformers and poles and other electrical
10 equipment used to restore electric service for customers and repair and restore
11 storm-impacted FPL facilities to their pre-storm condition. The “Other” category
12 includes costs not previously captured, such as freight charges and other
13 miscellaneous items.

14 **Q. Please describe the follow-up work required for T&D.**

15 A. As previously discussed, the primary objective of FPL’s emergency preparedness
16 plan and restoration process is to safely restore critical infrastructure and the
17 greatest number of customers in the least amount of time. At times, this means
18 utilizing temporary fixes (e.g., bracing a cracked pole or cross arm) and/or delaying
19 certain repairs (e.g., replacing lightning arrestors and repairing street lights) that are
20 not required to restore service expeditiously. However, these conditions must be
21 subsequently addressed during the restoration follow-up work phase, when
22 facilities are restored to their pre-storm condition.

23

1 Restoring FPL's T&D facilities to their pre-storm condition is generally a two-step
2 process: (1) assessing/identifying the necessary follow-up work to be completed;
3 and (2) executing the identified work. In total, FPL's costs for T&D follow-up
4 work associated with Hurricane Matthew were \$9.3 million. While costs for T&D-
5 related follow-up work are spread among all the major costs categories,
6 approximately \$9.0 million, or 97% of these costs, are associated with Contractors
7 (\$6.0 million) and Materials and Supplies (\$3.0 million). The major drivers for
8 these two major cost categories are associated with assessments (e.g., overhead line
9 inspections, thermovision, street lights) to identify the necessary
10 repairs/replacements to restore FPL's facilities to their pre-storm condition and the
11 labor, equipment and materials required to address the identified work.

12 VI. EVALUATING FPL'S RESTORATION RESPONSE

13
14
15 **Q. Would you consider FPL's Hurricane Matthew restoration plan and its**
16 **execution to be effective?**

17 A. Yes. As mentioned before, FPL's primary goal is to safely restore critical
18 infrastructure and the greatest number of customers in the least amount of time so
19 that FPL can return the communities we serve to normalcy. Hurricane Matthew's
20 path and large footprint caused outages to approximately 1.2 million FPL customer
21 accounts located in 34 of the 35 counties that FPL serves. These widespread
22 outages brought unique restoration challenges (e.g., logistics and redeploying
23 service restoration personnel). Fortunately, FPL and its contractors overcame those

1 challenges, as service to nearly 99% of all customers who experienced a power
2 outage was restored by the end of the second full day after Hurricane Matthew
3 exited FPL's service territory. Service was fully restored to all customers within
4 four days (excluding those customers unable to accept service, as previously
5 mentioned).

6 **Q. What key factors contributed to the effectiveness of FPL's Hurricane Matthew**
7 **restoration plan and execution?**

8 A. The high percentage of restoration accomplished in the first two days after
9 Hurricane Matthew exited FPL's service territory and the overall successful
10 restoration effort resulted from several key factors:

- 11 • Strong centralized command, solid plans and processes, and consistent
12 application of FPL's overall restoration strategy (e.g., focusing first on
13 restoring critical infrastructure and devices that serve the largest number of
14 customers);
- 15 • Utilization of FPL's damage-forecasting model, along with aerial patrols
16 and ground assessments that allowed us to identify the number and location
17 of needed resources;
- 18 • Aggressive acquisition, pre-positioning and redeployment of restoration
19 resources;
- 20 • Robust outage management system functionality and real-time information,
21 which allowed FPL to continually gauge restoration progress and make
22 adjustments as changing conditions and requirements warranted;

- 1 • Strong alliances with vendors, which assured an ample, readily available
- 2 supply of materials; and
- 3 • Previous storm restoration experience, application of lessons learned,
- 4 process enhancements, regular practice and training, and employee skill and
- 5 commitment.

6 **Q. Please provide examples of key restoration plan/process enhancements that**
7 **FPL has implemented since the 2004 and 2005 storm seasons.**

8 A. As a result of FPL’s experiences and lessons learned from the 2004/2005 storm
9 seasons, Superstorm Sandy (in the northeastern U.S.) and our annual restoration
10 training events, FPL has implemented multiple restoration plan/process
11 enhancements. Key enhancements that contributed to faster service restoration for
12 FPL customers include:

- 13 • Implementing a more aggressive and effective acquisition and re-
- 14 deployment of external resources -- e.g., committing to acquiring external
- 15 resources earlier and having them travel earlier and pre-staging them closer,
- 16 yet out of danger, to the areas expected to be affected by the approaching
- 17 storm to enable FPL to begin restoration work more quickly;
- 18 • Utilizing alternative lodging (e.g., mobile sleeper trailers and cots at staging
- 19 sites/FPL facilities) to eliminate travel time and increase restoration
- 20 productivity;
- 21 • Utilizing turnkey, all-inclusive suppliers at staging sites to increase the
- 22 speed and efficiency of staging site set-up, operations and site
- 23 dismantlement;

- 1 • Increasing physical fuel inventory and improving fuel delivery capabilities
2 (both FPL and vendor-supplied resources), mitigating fuel issues
3 experienced during the 2004/2005 storm seasons;
- 4 • Improving coordination with county EOCs, including pre-designating
5 restoration personnel to assist with road-clearing efforts and ensuring key
6 critical infrastructure facilities requiring restoration prioritization are
7 identified, and establishing an online government portal that allows
8 government officials to obtain the latest news releases and information on
9 customer outages, estimated restoration times, FPL crew resources, outage
10 maps, and other information. All of these enable EOCs to better serve their
11 respective communities' needs;
- 12 • Adding advanced new tools, such as automated voice calls to customers,
13 increased outreach and storm updates to broadcast media (radio and
14 television), daily news briefings and embedded reporters at the FPL
15 Command Center, to better communicate accurate, timely information to
16 FPL customers;
- 17 • Increasing the utilization of advanced technology, such as using smart grid
18 technology, drones and mobile devices to facilitate damage assessments and
19 deploying FPL's Mobile Command Centers and Community Response
20 Vehicles (high-tech remote command posts and communication hubs that
21 quickly relay crucial information, decisions and logistical needs to/from
22 FPL's Command Center) to impacted areas to provide better, faster and
23 more efficient support;

- 1 • Retaining a robust list of staging sites at multiple locations throughout the
2 state and maintaining contact with site owners to ensure the properties’
3 availability and use; and
- 4 • Pre-provisioning select key staging site locations for faster set-up and
5 activation, which has enabled rapid activation of these sites to support
6 restoration work.

7 **Q. Did FPL receive national recognition for its overall restoration performance**
8 **during Hurricane Matthew?**

9 A. Yes. In January 2017, the EEI, a national association of investor-owned utilities,
10 awarded its Emergency Recovery Award to FPL for its efforts and response during
11 Hurricane Matthew. EEI’s Emergency Recovery Award recognizes its U.S. and
12 international members for outstanding efforts to restore service promptly following
13 storms or natural disasters. Winners are chosen by a panel of judges based on a
14 company’s ability to respond to a crisis swiftly and efficiently, overcome difficult
15 circumstances, utilize unique or innovative recovery techniques, communicate
16 effectively with customers and restore service promptly.

17 **Q. What are your conclusions regarding FPL’s Hurricane Matthew restoration**
18 **efforts?**

19 A. FPL’s restoration performance was excellent and significantly faster than it was
20 during the 2004 and 2005 storm seasons. Our commitment to continuous
21 improvement was instrumental in achieving this excellent performance. For
22 example, process improvement implemented since 2005 included: pre-staging the
23 greatest number of resources in FPL’s history; increasing the use of technology

1 (e.g., Mobile Command Centers, drones, and smart meters) and providing new and
2 improved communications (e.g., the use of social media like Facebook and Twitter)
3 to our customers and other stakeholders. These improvements provided significant
4 benefits and contributed to the ultimate and remarkable achievement of restoring
5 service - within two days - to 99% of our customers that experienced an outage. As
6 I noted previously, storm restoration is not an exact or precise science and there are
7 always opportunities for improvement and at FPL we strive to learn from each
8 experience. In fact, we have already incorporated lessons learned from Hurricane
9 Matthew. However, overall, I believe the entire restoration team, which included
10 FPL employees, contractors and mutual assistance utilities personnel, performed
11 extremely well. This allowed FPL to meet our overarching objective to safely
12 restore critical infrastructure and the greatest number of customers in the least
13 amount of time. Storm restoration is a dynamic and challenging process that tests
14 the fortitude of each person involved. I am exceptionally proud and extremely
15 grateful to have been associated with such a committed and dedicated restoration
16 team.

17 **Q. Does this conclude your direct testimony?**

18 A. Yes.

FPL's T&D Hurricane Matthew Restoration Costs

<u>Major Cost Category</u>	<u>(000's)</u>			<u>% of Total T&D</u>
	<u>Transmission</u>	<u>Distribution</u>	<u>Total T&D</u>	
Regular Payroll & Related Costs	\$ 446	\$ 5,170	\$ 5,616	2%
Overtime Payroll & Related Costs	654	10,761	11,415	4%
Contractors*	1,493	184,057	185,550	62%
Vehicle & Fuel	145	4,820	4,965	2%
Materials & Supplies	249	7,010	7,259	2%
Logistics	123	81,237	81,360	27%
Other	228	2,879	3,107	1%
Total	\$ 3,338	\$ 295,934	\$ 299,272	100%

* Includes line clearing - \$11 for Transmission and \$27,597 for Distribution

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
DIRECT TESTIMONY OF KIM OUSDAHL
DOCKET NO. 20160251-EI
FEBRUARY 20, 2018

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1 **I. INTRODUCTION**

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Q. Please state your name and business address.

A. My name is Kim Ousdahl, and my business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as Vice President and Chief Accounting Officer.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for all financial accounting, as well as internal and external reporting, for FPL. As a part of these responsibilities, I ensure that the Company’s financial reporting complies with requirements of Generally Accepted Accounting Principles (“GAAP”) and multi-jurisdictional regulatory accounting requirements.

Q. Please describe your educational background and professional experience.

A. I graduated from Kansas State University in 1979 with a Bachelor of Science Degree in Business Administration, majoring in Accounting. That same year, I was employed by Houston Lighting & Power Company in Houston, Texas. During my tenure there, I held various accounting and regulatory management positions. Prior to joining FPL in June 2004, I was the Vice President and Controller of Reliant Energy. I am a Certified Public Accountant (“CPA”) licensed in the State of Texas and a member of the American Institute of CPAs, the Texas Society of CPAs, and the Florida Institute of CPAs.

1 **Q. Are you sponsoring any exhibits in this case?**

2 A. Yes. I am sponsoring the following exhibits:

- 3 • KO-1 – Hurricane Matthew Final Costs and Incremental Cost and
- 4 Capitalization Approach (“ICCA”) Adjustments; and
- 5 • KO-2 – Update to Exhibit KO-1, to be filed on or before March 15, 2018.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to support the calculation of the Hurricane Matthew
8 recoverable amount FPL is seeking for cost recovery in this proceeding and to
9 demonstrate that FPL’s storm restoration and recovery accounting processes and
10 controls are well established, documented, and implemented by personnel that are
11 suitably trained, to ensure proper storm accounting and ratemaking. Specifically, my
12 testimony will show that:

- 13 1. FPL has effective and appropriate controls and accounting procedures for
14 storm events;
- 15 2. FPL’s accounting for Hurricane Matthew was in accordance with the ICCA
16 methodology required under Rule 25-6.0143, Florida Administrative Code
17 (“F.A.C.”); and
- 18 3. FPL’s calculation of the proposed recovery amount is in accordance with the
19 provisions of FPL’s 2012 Stipulation and Settlement Agreement approved by
20 the Florida Public Service Commission (“FPSC” or the “Commission”) in
21 Order No. PSC-2013-0023-S-EI, Docket No. 20120015-EI (“2012 Stipulation
22 and Settlement Agreement”).

23

1 **Q. Please summarize your testimony.**

2 A. FPL's long standing control processes and procedures were employed for Hurricane
3 Matthew, and those control processes continue to ensure proper storm accounting and
4 ratemaking. The ICCA methodology was applied to each storm cost type to
5 determine the amount recoverable from FPL's customers. FPL identified correcting
6 adjustments after the Company filed the Hurricane Matthew cost report on October
7 16, 2017, and those adjustments are incorporated into the final calculation of
8 recoverable costs reflected in Exhibit KO-1. The final storm recoverable amount has
9 been calculated in accordance with the 2012 Stipulation and Settlement Agreement
10 that was in effect at the time of Hurricane Matthew and therefore, the amounts
11 reflected on Exhibit KO-1 (as reduced by Exhibit KO-2) are appropriately
12 recoverable from customers.

13

14 **II. STORM ACCOUNTING PROCESS AND CONTROLS**

15

16 **Q. Please describe the accounting guidance and process that FPL uses for storm**
17 **costs.**

18 A. FPL's storm accounting process adheres to Accounting Standards Codification 450,
19 Contingencies ("ASC 450"), which prescribes that an estimated loss from a loss
20 contingency is recognized only if the available information indicates that (1) it is
21 probable an asset has been impaired or a liability has been incurred at the reporting
22 date, and (2) the amount of the loss can be reasonably estimated. FPL incurs a
23 liability for a qualifying event, such as a hurricane, because it has an obligation to

1 customers to restore power and repair damage to its system. Therefore, once a
2 hurricane event has transpired, FPL makes an assessment of the estimated cost to
3 restore the system to pre-event conditions and accrues that liability in full when the
4 amount can be reasonably estimated under ASC 450. Storm restoration costs will
5 eventually be expensed, capitalized, or charged against FPL's storm reserve based on
6 the application of the ICCA methodology found in Rule 25-6.0143, F.A.C.

7 **Q. How does FPL track storm restoration costs?**

8 A. FPL establishes unique functional (i.e., distribution, transmission, etc.) internal orders
9 ("IOs") for each storm to aggregate the total amount of storm restoration costs
10 incurred for financial reporting and regulatory recovery purposes. The Company uses
11 these IOs to account for *all* costs directly associated with restoration, including costs
12 that will not be recoverable from FPL's storm reserve based on the Commission's
13 requirements under the ICCA methodology. All storm restoration costs charged to
14 storm IOs are captured in Federal Energy Regulatory Commission ("FERC") Account
15 186, Miscellaneous Deferred Debits. All costs charged to FERC Account 186 are
16 subsequently cleared and charged to the storm reserve, operations and maintenance
17 ("O&M") expense, capital, or below-the-line expense.

18 **Q. When did FPL begin charging costs related to Hurricane Matthew to the storm**
19 **IOs?**

20 A. Due to the expected risk of significant outages and substantial infrastructure damages,
21 FPL began making financial commitments associated with securing resources prior to
22 Hurricane Matthew's anticipated impact. On October 4, 2016, in accordance with
23 FPL's Storm Accounting Policy and with authorization from FPL's President and

1 CEO, FPL established and activated storm IOs to begin tracking costs for Hurricane
2 Matthew. An email communication was sent to all business units to inform them that
3 storm IOs had been activated for purposes of collecting storm restoration charges.
4 Attached to the email, FPL also provided: (1) a listing of IOs by function and
5 location, (2) guidance on recording time for payroll, and (3) guidance on the types of
6 costs eligible to be charged to storm IOs. The pre-landfall costs charged to the storm
7 IOs include the acquisition of external resources (e.g., line and vegetation crews),
8 mobilization and pre-staging of internal and external resources, opening of staging
9 and processing sites, reserving lodging, and securing FPL's existing operational
10 facilities in preparation for the impacts of the storm.

11 **Q. What operational internal controls are in place during a restoration event to**
12 **ensure storm accounting procedures are followed?**

13 A. Finance and accounting employees are key to storm restoration accounting and
14 controls. As reflected in the testimony of FPL witness Miranda, the FPL Command
15 Center organization recognizes the critical role and responsibilities of these
16 employees. Finance or accounting representatives are assigned to each staging and
17 processing site (referred to as "Finance Section Chiefs") to ensure active, real-time
18 financial controls are in effect and adhered to during the restoration event.
19 Responsibilities of the Finance Section Chiefs include ensuring procedural
20 compliance with internal cost controls, providing guidance and oversight to ensure
21 prudent spending, collecting and analyzing data real-time such as timesheets, and
22 assisting with the proper accounting of mutual aid resources. Representatives from
23 FPL's Human Resources department also are embedded at many sites and perform

1 internal control support tasks such as providing guidance on the proper information to
2 include on timesheets.

3
4 In addition, each business unit has a finance representative (referred to as a “Business
5 Unit Coordinator”) performing a storm controllership function for their respective
6 business units, which includes communicating the storm IO instructions to the
7 personnel directly supporting storm restoration, ensuring that appropriate costs are
8 charged to the storm IOs as well as preparing cost estimates before, during, and after
9 the restoration is complete. FPL performs extensive training each year in advance of
10 storm season for both the Finance Section Chiefs and the Business Unit Coordinators
11 that includes live training and drills during FPL’s “dry run” storm event. Costs
12 associated with the annual training are not charged to the storm reserve.

13 **Q. Does FPL’s Accounting department complete its review of all storm restoration**
14 **costs recorded by each business unit once restoration is complete?**

15 A. Yes. Post storm restoration, the Accounting department reviews the storm cost
16 recorded by each business unit for reasonableness. Accounting then applies the
17 ICCA methodology to ensure proper ratemaking and recording to the financial
18 statements.

1 **III. ANALYSIS OF HURRICANE MATTHEW STORM COSTS**

2

3 **Q. How did FPL apply the ICCA methodology to its total storm restoration costs**
4 **for Hurricane Matthew?**

5 A. All Hurricane Matthew storm costs are accumulated in FERC Account 186, including
6 charges that are considered non-incremental or capital. There are separate storm IOs
7 for each function and location charged during storm restoration. Using the ICCA
8 methodology, non-incremental amounts are calculated for the costs collected in these
9 IOs and subsequently credited from FERC Account 186 and debited to either a base
10 rate O&M expense or below-the-line expense. Capital costs also are identified and
11 subsequently credited from FERC Account 186 and debited to FERC Account 107,
12 Construction Work in Progress. After non-incremental and capital costs are removed
13 from FERC Account 186, the remaining balance, representing incremental storm
14 charges, is jurisdictionalized by using retail separation factors that were authorized by
15 the 2012 Stipulation and Settlement Agreement¹, and credited from FERC Account
16 186 and debited to FERC Account 228.1, Accumulated provision for property
17 insurance. The non-retail incremental storm charges also are credited from FERC
18 Account 186 and charged to expense, leaving a zero balance in FERC Account 186.

19 **Q. What is the total amount of retail incremental storm costs for Hurricane**
20 **Matthew?**

21 A. As reflected on Exhibit KO-1, line 53, the total amount of retail incremental storm
22 costs for Hurricane Matthew is \$291.8 million. This amount represents \$310.3

¹ Because Hurricane Matthew occurred in October 2016, cost recovery is governed by FPL's 2012 Stipulation and Settlement Agreement.

1 million of incurred Hurricane Matthew storm restoration costs less \$4.8 million of
2 non-incremental costs, \$0.3 million in third-party reimbursements, and \$13.0 million
3 of capital costs, resulting in total incremental costs of \$292.2 million (system). Once
4 jurisdictional factors are applied at the functional level, the total amount of storm
5 costs eligible for recovery from retail customers associated with Hurricane Matthew
6 is \$291.8 million (“Retail Recoverable Costs”).

7 **Q. What types of costs are included in FPL’s Retail Recoverable Costs charged to**
8 **the storm reserve for Hurricane Matthew?**

9 A. In accordance with Rule 25-6.0143, F.A.C., the categories of costs outlined below
10 were properly included in the calculation of the total Retail Recoverable Costs
11 reflected on Line 53 of Exhibit KO-1:

- 12 • **Regular Payroll and Related Costs:** Includes \$1.0 million of regular payroll
13 and related payroll overheads for employee time spent in direct support of
14 storm restoration and is net of amounts normally recovered through capital or
15 clauses. This amount excludes bonuses and incentive compensation.
- 16 • **Overtime Payroll and Related Costs:** Includes \$14.6 million of overtime
17 payroll and payroll tax overheads for employee time spent in direct support of
18 storm restoration.
- 19 • **Contractor Costs and Line Clearing:** Includes \$186.2 million of costs for
20 mutual aid utilities, line contractors and vegetation contractors, including
21 mobilization and de-mobilization costs.
- 22 • **Vehicle and Fuel:** Includes \$3.1 million for incremental fuel used by FPL and
23 contractor vehicles for storm restoration activities.

- 1 • **Materials and supplies:** Includes \$2.8 million in materials and supplies used
2 to repair and restore service and facilities to pre-storm condition. This does
3 not include that portion of materials and supplies used in the Hurricane
4 Matthew restoration activities that are included in the capital cost.
- 5 • **Logistics Costs:** Includes \$81.7 million of costs for staging and processing
6 sites, meals, lodging, buses and transportation, and rental equipment used by
7 employees and contractors in direct support of storm restoration.

8 **Q. How did FPL determine the non-incremental costs it incurred for Hurricane**
9 **Matthew?**

10 A. Once all costs were incurred and recorded to FERC Account 186, the Accounting
11 department completed a detailed review in order to determine amounts which were
12 not incremental under the ICCA methodology. Per the ICCA methodology, non-
13 incremental costs are those that are included in normal base rate operations. Below is
14 a summary of non-incremental costs incurred for Hurricane Matthew as defined in
15 Rule 25-6.0143, F.A.C., which have been removed from the total costs recorded to
16 FERC Account 186 (see Lines 14-25 on Exhibit KO-1).

- 17 • **Regular Payroll:** In general, regular payroll costs recovered through base O&M
18 are non-incremental. However, regular payroll normally recovered through
19 capital or cost recovery clauses can be charged to the storm reserve based on
20 paragraphs 21 and 22 of Order No. PSC-2006-0464-FOF-EI, Docket No.
21 20060038-EI: “otherwise, the costs would effectively be disallowed because
22 there is no provision to recover those costs in base rate operation and
23 maintenance costs...”

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FPL determines the non-incremental payroll by calculating the Company’s budgeted base O&M payroll percentage as compared to total budgeted payroll, including cost recovery clauses and capital by cost center, and then multiplying that percent by total actual payroll costs incurred (excluding overtime) for employees directly supporting storm restoration. The total amount of non-incremental payroll for Hurricane Matthew is \$2.3 million.

- **Vegetation Management:** Based on Rule 25-6.0143(1)(f)(8), F.A.C., storm-related tree trimming expenses must be excluded if the Company’s total tree trimming expense in a storm restoration month is less than the average expense for the same month in the prior three years. The tree trimming expenses during October 2016, in which Hurricane Matthew restoration work was performed, exceeded the three-year average for October in prior years. FPL has included in its incremental costs only the portion of the tree trimming storm costs that exceeded the prior three-year average, with the rest charged to O&M expense. Based on this methodology, \$0.2 million was non-incremental, all of which was related to the Distribution function.
- **Vehicle Utilization:** All FPL-owned vehicle utilization costs charged to storm IOs, totaling \$1.6 million, are considered non-incremental.
- **Fuel:** Fuel costs incurred by FPL directly related to storm restoration are charged to the storm IOs. While Rule 25-6.0143, F.A.C., does not speak directly to recovery of fuel costs, FPL has conservatively applied the same methodology described above for vegetation management. The fuel expenses during October

1 2016, in which Hurricane Matthew restoration work was performed, exceeded
2 the three-year average for October in prior years. Only fuel costs that exceeded
3 this prior three-year average were considered incremental for recovery through
4 the storm reserve. FPL determined \$0.3 million was non-incremental, all of
5 which is reflected in the Distribution function.

- 6 • **Thank You Advertisements:** Public service announcements regarding key
7 storm-related issues such as safety and service restoration estimates are
8 recoverable through the storm reserve; however, thank-you advertisements
9 directed to customers and mutual aid utilities cannot be charged to the storm
10 reserve. Thank-you advertising totaling \$0.3 million for Hurricane Matthew was
11 charged to below-the-line expense and reflected in the Marketing and
12 Communication function.

- 13 • **Legal Claims:** Certain claims were paid that primarily related to property
14 damage caused by FPL personnel and contractors during restoration. None of
15 the cost of claims is recoverable through the storm reserve; therefore, claims
16 totaling \$0.2 million were charged to O&M and reflected in the General
17 function.

- 18 • **Childcare:** Childcare provided to the children of employees on storm duty is not
19 recoverable under the ICCA methodology. These costs totaling \$0.02 million
20 were charged to O&M.

21 **Q. Did FPL receive, or does it expect to receive, any insurance recoveries associated**
22 **with storm damage resulting from Hurricane Matthew?**

23 A. No. FPL does not have insurance for its transmission or distribution (“T&D”) assets.

1 In addition, FPL could not make a property insurance claim for non-T&D assets as a
2 result of Hurricane Matthew because no loss exceeded the deductible amount for
3 insured assets.

4 **Q. Did FPL receive any third-party reimbursements for storm-related costs?**

5 A. Yes. AT&T reimbursed FPL approximately \$0.3 million for 115 poles replaced by
6 FPL on its behalf, and this amount reduced FPL's incremental recoverable costs from
7 the storm.

8 **Q. How did FPL determine the capital costs incurred for Hurricane Matthew?**

9 A. All costs related to storm restoration work (including follow-up work) are initially
10 charged to FERC Account 186, and estimated capital costs are then reclassified to
11 FERC Account 107, Construction Work In Progress ("CWIP"). Initially, FPL
12 employs a storm accounting capital estimation process derived from the amount of
13 materials and supplies assets issued during a storm less returns. Once restoration is
14 complete, FPL utilizes its distribution estimation system to calculate the total amount
15 of capital costs for the Distribution function in accordance with FPL's capitalization
16 policy, which includes both materials and labor. The capital costs for other functional
17 areas are determined based on an estimate of the work performed and are then
18 likewise recorded to the balance sheet in accordance with FPL's capitalization policy.

19
20 Once the capital jobs are completed, the CWIP account is credited and the appropriate
21 functional plant account in FERC Account 101, Plant In Service, is debited based on
22 the estimated normalized cost of installed units of property. Retirements of fixed
23 assets removed during restoration are recorded when the new incurred capital costs
24 are placed in service via a new discrete IO.

1 **Q. What jurisdictional separation factors have been applied to the Incremental**
2 **Storm Losses reflected on Line 48 of Exhibit KO-1 to determine the amount of**
3 **Retail Recoverable Costs to charge to the storm reserve?**

4 A. The jurisdictional separation factors from FPL's 2013 Test Year filed in Docket No.
5 20120015-EI have been applied to jurisdictionalize the Hurricane Matthew
6 Incremental Storm Losses on Line 48 of Exhibit KO-1. Under paragraph 5(a) of the
7 2012 Stipulation and Settlement Agreement, storm cost recovery must follow the rate
8 design method set forth in Order No. PSC-2006-0464-FOF-EI, Docket No.
9 20060038-EI, which states in paragraph 72: "FPL then allocated the total costs
10 described above among the FPL customer rate classes in the manner in which these
11 costs or their equivalent were allocated in the cost-of-service study filed by FPL in
12 connection with FPL's last rate case, as required by Section 366.8260(2)(b)2.h.,
13 Florida Statutes." In addition, Paragraph 3(b) of the 2012 Stipulation and Settlement
14 Agreement approved the cost of service allocations in the MFRs accompanying the
15 2012 Rate Petition. Therefore, FPL used these cost of service allocations to calculate
16 the amount of Retail Recoverable Costs related to Hurricane Matthew.

17 **Q. What is the storm reserve balance after recording the total incremental retail**
18 **storm costs for Hurricane Matthew of \$291.8 million?**

19 A. As shown on Line 1 on Exhibit KO-1, the pre-storm reserve balance was \$93.1
20 million as of September 30, 2016. The \$291.8 million of Retail Recoverable Costs
21 for Hurricane Matthew charged to the storm reserve created a deficiency of \$198.7
22 million (the "Eligible Restoration Costs").

1 **Q. What is the total Recoverable Storm Amount FPL is requesting approval to**
2 **recover in this proceeding?**

3 A. As reflected on Line 65 on Exhibit KO-1, the total Recoverable Storm Amount that
4 FPL is requesting approval to recover is \$316.7 million. This amount represents the
5 sum of Eligible Restoration Costs of \$198.7 million, replenishment of its storm
6 reserve to \$117.1 million, and interest on the unrecovered deficit in the storm reserve
7 of \$0.6 million, all of which have been grossed up for regulatory assessment fees.

8 **Q. Is this calculation in compliance with FPL's 2012 Stipulation and Settlement**
9 **Agreement?**

10 A. Yes. Under FPL's 2012 Stipulation and Settlement Agreement, FPL is entitled to
11 request recovery of the storm reserve deficit and replenish its storm reserve to the
12 balance as of the settlement's implementation date, which was \$117.1 million.

13 **Q. Has FPL's Hurricane Matthew storm cost calculation been audited by the**
14 **FPSC?**

15 A. Yes. The FPSC staff completed an audit of FPL's final costs for Hurricane Matthew
16 filed in this docket on October 16, 2017, and filed an audit report on January 5, 2018.

17 **Q. What were the results of the FPSC audit?**

18 A. The FPSC audit staff reviewed the final costs for Hurricane Matthew and found that
19 FPL had correctly recorded all of those costs with a few limited exceptions.
20 Specifically, the audit staff identified three audit findings in its audit report, the
21 results of which have been removed from FPL's total amount of Incremental Storm
22 Losses reflected on Line 48 on Exhibit KO-1. The three audit findings related to \$0.9
23 million of overtime payroll and related payroll taxes, \$0.02 million of duplicate

1 charges, and \$0.1 million of regular payroll and overhead charges, all of which were
2 inadvertently charged to the storm reserve. The \$0.9 million overtime payroll
3 adjustment and \$0.1 million regular payroll adjustment were self-identified by FPL in
4 its responses to OPC's First Set of Interrogatories, Question Nos. 9 and 7,
5 respectively. The duplicate charge adjustment was identified by FPL while
6 preparing a response to an audit inquiry. The aggregate impact of these adjustments
7 represents less than 0.4% of the total Hurricane Matthew Retail Recoverable Costs
8 and has been removed from the Recoverable Costs in Exhibit KO-1.

9 **Q. Did FPL identify any other required adjustments to the storm costs that are**
10 **reflected on Exhibit KO-1?**

11 A. Yes. In FPL's response to OPC's First Set of Interrogatories, Question No. 18, FPL
12 identified that it had inadvertently classified \$3.3 million of Distribution follow-up
13 work as Contractor costs on Line 3 of its final cost report filed on October 16, 2017.
14 The proper classification of these costs is reflected in the amounts reported on Lines 4
15 through 11 on Exhibit KO-1. These reclassifications had no impact on the total
16 Hurricane Matthew recoverable amount FPL is seeking to recover in this proceeding.

17 **Q. Has FPL determined whether any adjustments are required after the**
18 **preparation of the Final Cost Report?**

19 A. Yes. Subsequent to September 30, 2017, the cut-off date of the final cost report filed
20 on October 16, 2017, FPL substantially completed its follow up work and returned
21 unused materials to stores. At the completion of Hurricane Matthew restoration
22 work, FPL estimates that there will be a reduction of approximately \$0.5 million to
23 the total Retail Recoverable Costs shown on Exhibit KO-1. Because the restoration

1 work is now substantially complete, FPL will record no further entries for Hurricane
2 Matthew to the storm reserve after February 28, 2018. Therefore, at that time the
3 actual amount of the reduction can be finalized. FPL will file a supplement to my
4 direct testimony, in the form of an exhibit designated as Exhibit KO-2, on or before
5 March 15, 2018, in the same form as Exhibit KO-1 and reflecting the cost reduction.

6 **Q. Does this conclude your direct testimony?**

7 A. Yes.

Florida Power and Light
Storm Restoration Costs Related to Hurricane Matthew
(\$000s)

LINE NO.	Storm Costs By Function(A)							Total (7)	Calculation of Recoverable Storm Amount (8)
	Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)			
1	Storm Reserve Balance (Pre-Storm)								\$ (93,105)
2									
3	<u>Storm Restoration Costs</u>								
4		\$33	\$206	\$446	\$5,170	\$364	\$175	\$6,394	
5		326	1,537	654	10,761	658	700	14,635	
6		703	3,207	1,482	156,460	277	272	162,402	
7		0	0	11	27,597	0	0	27,609	
8		0	0	145	4,820	5	0	4,970	
9		20	58	249	7,010	359	56	7,751	
10		1	0	123	81,237	185	128	81,673	
11		34	5	228	2,879	1,613	151	4,910	
12	Total Storm Related Restoration Costs	\$1,118	\$5,013	\$3,338	\$295,934	\$3,460	\$1,481	\$310,343	
13									
14	<u>Less: Non-Incremental Costs</u>								
15		\$56	\$162	\$244	\$749	\$645	\$409	\$2,264	
16	Line Clearing:								
17		0	0	0	187	0	0	187	
18	Vehicle & Fuel:								
19		0	0	0	1,611	0	0	1,611	
20		0	0	0	260	0	0	260	
21	Other								
22		0	0	0	0	322	0	322	
23		0	0	0	0	160	0	160	
24		0	0	0	0	24	0	24	
25	Total Non-Incremental Costs	\$56	\$162	\$244	\$2,808	\$1,151	\$409	\$4,829	
26									
27	Less: Third-Party Reimbursements (E)	0	0	0	295	0	0	295	
28									
29	Net Restoration Costs Incurred	\$1,062	\$4,851	\$3,094	\$292,831	\$2,308	\$1,072	\$305,219	
30									
31	<u>Less: Capitalizable Costs (F)</u>								
32		\$1	\$0	\$92	\$3,006	\$0	\$0	\$3,099	
33		505	238	0	2,930	0	0	3,673	
34		0	0	207	4,657	0	56	4,920	
35		0	0	45	1,539	0	0	1,584	
36		0	0	0	-295	0	0	-295	
37	Total Capitalizable Costs	\$507	\$238	\$344	\$11,838	\$0	\$56	\$12,982	
38									
39	<u>Incremental Storm Losses</u>								
40		-\$24	\$45	\$111	\$1,415	-\$281	-\$234	\$1,031	
41		326	1,537	654	10,761	658	700	14,635	
42		198	2,969	1,482	153,531	277	272	158,728	
43		0	0	11	27,410	0	0	27,421	
44		0	0	145	2,949	5	0	3,098	
45		20	58	41	2,352	359	0	2,831	
46		1	0	123	81,237	185	128	81,673	
47		34	5	183	1,339	1,106	151	2,819	
48	Total Incremental Storm Losses	\$555	\$4,613	\$2,751	\$280,994	\$2,308	\$1,016	\$292,237	
49									
50									
51	Jurisdictional Factor (G)	0.9819	0.9819	0.9029	0.9998	0.9848	1.0000		
52									
53	Retail Recoverable Costs	\$ 545	\$ 4,529	\$ 2,484	\$ 280,951	\$ 2,273	\$ 1,016	\$ 291,799	
54									
55	Balance of Storm Reserve after Funding Estimated Storm Costs ("Eligible Restoration Costs") (Lines 1 + 53)							\$	198,693
56									
57	Plus: Interest on Unamortized Reserve Balance								599
58									
59	Plus: Amount to Replenish Reserve to Level at Settlement Agreement Implementation Date, January 2, 2013 ("Implementation Storm Reserve Balance")								117,131
60									
61	Subtotal - System Storm Losses to be Recovered from Customers (Lines 55 + 57 + 59)								316,424
62									
63	Regulatory Assessment Fee Multiplier								1.00072
64									
65	Total System Storm Losses to be Recovered from Customers ("Recoverable Storm Amount") (Lines 61 * 63)							\$	316,652

Notes:

(A) Storm costs are as of September 30, 2017, the cut-off date of the final cost report, adjusted for the items discussed on pages 18 & 19 of my testimony.

(B) General plant function reflects restoration costs associated with FPL's Human Resources, External Affairs, Information Management, Real Estate, and Marketing and Communications departments.

(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in Legal but is supporting Distribution during storm restoration would charge their time to Distribution. (D) Represents regular payroll normally recovered through base rate O&M and not charged to the Storm Reserve. The amounts are charged to the employee's normal business unit, which may not be the business unit that employee supported during the storm. Therefore, in the example in Note B above, if the Legal employee had payroll which cannot be charged to the Storm Reserve, that amount would be charged to Legal (General) whereas the recoverable portion of their time would remain in Distribution.

(E) Reimbursement from AT&T for poles replaced by FPL during restoration as a result of the storm.

(F) Includes capital associated with follow-up work.

(G) Jurisdictional Factors are based on factors approved in Docket No. 20120015-EI.

Florida Power and Light
Incremental Storm Restoration Costs Related to Hurricane Matthew
Interest Calculation
(\$000s)

LINE NO.	(1) MAR 2017	(2) APR 2017	(3) MAY 2017	(4) JUN 2017	(5) JUL 2017	(6) AUG 2017	(7) SEP 2017	(8) OCT 2017	(9) NOV 2017	(10) DEC 2017	(11) JAN 2018	(12) FEB 2018	TOTAL
1	Unrecovered Eligible Restoration Costs - Beg Bal	\$ 204,694	\$ 182,290	\$ 155,965	\$ 129,173	\$ 99,768	\$ 68,139	\$ 36,010	\$ 4,162	-	-	-	-
2	Additional Adjustments to Storm Reserve	(580)	(2,406)	459	931	527	(177)	(1,134)	(1)	-	-	-	\$ (2,381)
3	Less: Current Month Amortization (A)	(21,952)	(24,044)	(27,359)	(30,432)	(32,234)	(31,999)	(30,729)	(4,162)	-	-	-	\$ (202,912)
4	Unrecovered Eligible Restoration Costs - Before Cur Mo Int (Line 1 + 2 + 3)	\$ 182,162	\$ 155,839	\$ 129,064	\$ 99,672	\$ 68,062	\$ 35,963	\$ 4,147	\$ (2)	-	-	-	-
5	Average Unrecovered Eligible Restoration Costs ((Line 1 + 4) / 2)	193,428	169,064	142,515	114,422	83,915	52,051	20,078	2,080	-	-	-	-
6	Interest Rate - First day of Business Reporting Month (B)	0.64000%	0.94000%	0.86000%	0.95000%	1.08000%	1.12000%	1.06000%	0.73000%	0.00000%	0.00000%	0.00000%	0.00000%
7	Interest Rate - First day of Subsequent Reporting Month (B)	0.94000%	0.86000%	0.95000%	1.08000%	1.12000%	1.06000%	0.73000%	1.14000%	0.00000%	0.00000%	0.00000%	0.00000%
8	Total Interest Rate (Lines 6 + 7)	1.58000%	1.80000%	1.81000%	2.03000%	2.20000%	2.18000%	1.79000%	1.87000%	0.00000%	0.00000%	0.00000%	0.00000%
9	Average Interest Rate (50% of Line 8)	0.79000%	0.90000%	0.90500%	1.01500%	1.10000%	1.09000%	0.89500%	0.93500%	0.00000%	0.00000%	0.00000%	0.00000%
10	Monthly Average Interest Rate (1/12 of line 9)	0.06583%	0.07500%	0.07542%	0.08458%	0.09167%	0.09083%	0.07458%	0.07792%	0.00000%	0.00000%	0.00000%	0.00000%
11	Monthly Interest (Line 5 x 10)	127	127	107	97	77	47	15	2	-	-	-	\$ 599
12	Unrecovered Eligible Restoration Costs - End Bal (Line 4 + 11)	\$ 182,289	\$ 155,966	\$ 129,172	\$ 99,768	\$ 68,139	\$ 36,010	\$ 4,162	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

(A) Based on actual billed kWh storm charge sales.

(B) Represents the then-prevailing commercial paper rate when recording actual interest on its books and records.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
DIRECT TESTIMONY OF EDUARDO DEVARONA
DOCKET NO. 20160251-EI
FEBRUARY 20, 2018

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1 I. INTRODUCTION

2

3 Q. Please state your name and business address.

4 A. My name is Eduardo DeVarona. My business address is Florida Power &
5 Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

6 Q. By whom are you employed and what is your position?

7 A. I am employed by Florida Power & Light Company (“FPL” or the
8 “Company”) as the Senior Director of Emergency Preparedness Power
9 Delivery.

10 Q. Please describe your duties and responsibilities in that position.

11 A. As the Senior Director of Emergency Preparedness Power Delivery, I am
12 responsible for ensuring the effectiveness of FPL’s operational emergency
13 plans and procedures for hurricanes, severe weather, capacity shortfall, and
14 cyber and physical security. In addition, I am responsible for corporate
15 business continuity across NextEra Energy in the event of an emergency.

16 Q. Please describe your educational background and professional
17 experience.

18 A. I have a Bachelor of Science degree in Electrical Engineering from the
19 University of Florida. I joined FPL in 1991 and have served in a number of
20 positions of increasing responsibility with FPL and NextEra Energy
21 Transmission. Over the last 10 years, I have held several director level
22 positions within Transmission and Distribution (“T&D”), including my
23 current position.

1 **Q. Are you sponsoring any exhibits in this case?**

2 A. No.

3 **Q. What is the purpose of your direct testimony?**

4 A. The purpose of my testimony is to provide an overview of FPL's non-T&D
5 activities, restoration efforts and cost details related to Hurricane Matthew.
6 Through this discussion, I support the reasonableness and prudence of those
7 activities and the associated costs for which FPL is seeking recovery.

8

9 **II. FPL's NON-T&D STORM RESTORATION ACTIVITIES**

10

11 **Q. Please provide an overview of FPL's non-T&D business units that**
12 **engaged in storm preparation and restoration activities related to**
13 **Hurricane Matthew, together with the associated costs.**

14 A. As outlined in the testimony of FPL witness Miranda, the great majority of the
15 work associated with FPL's preparations for, response to and restoration
16 following Hurricane Matthew falls within the T&D functional areas.
17 However, virtually every other business unit within FPL was engaged in pre-
18 storm planning and preparation as well as restoration activities, all of which
19 contributed to the overall success of the restoration efforts. Included within
20 the family of non-T&D business units that contributed to this effort, together
21 with associated costs, are the following:

22

23

- 1 • Nuclear - \$5,013,000
- 2 • General - \$3,460,000
- 3 • Customer Service - \$1,481,000
- 4 • Power Generation Division (“PGD”) - \$1,118,000

5

6 The costs referenced above are detailed on FPL witness Ousdahl’s Exhibit
7 KO-1.

8

9 These costs were necessary as part of storm preparation and the execution of
10 storm restoration efforts and support functions. The majority of these costs are
11 related to payroll (regular and overtime) and for services performed by outside
12 contractors. The activities and associated costs of each of these business units
13 are addressed separately in my testimony.

14 **Q. Please describe your review of the activities and associated costs of the**
15 **various business units discussed in your testimony.**

16 A. In addition to my direct interactions and coordination with the non-T&D
17 business units before, during and after Hurricane Matthew, I met with
18 representatives of each of the business units to understand in greater detail the
19 nature of the work and the associated costs incurred in performing these
20 functions.

21

22

1 **Q. Are you familiar with the pre-storm season training undertaken by the**
2 **various business units addressed in your testimony?**

3 A. Yes. Although I briefly address those activities in my testimony, as FPL
4 witness Ousdahl describes, costs associated with storm preparedness and
5 training activities are not charged to the storm reserve.

6

7

III. NUCLEAR

8

9 **Q. Please provide an overview of FPL's nuclear operations in Florida.**

10 A. FPL has four nuclear units in Florida – two at the Turkey Point Nuclear
11 Generating Center (1,632 MW) in Miami-Dade County and two at the St.
12 Lucie Nuclear Power Plant (1,821 MW FPL share) in St. Lucie County.

13 **Q. Please explain the responsibilities of the Nuclear business unit in**
14 **preparing for extreme weather events.**

15 A. Each of the nuclear plants has an emergency plan that is used as the basis for
16 storm preparedness and response. As part of this plan, the Nuclear business
17 unit must ensure that each plant and site are secured and adequately staffed for
18 operations before, during, and after the storm. The emergency plan provides
19 for an emergency crew to be stationed to ride out a storm, recognizing that
20 requiring a crew to travel to the plant site during a storm would not be safe.
21 During the storm, crews are housed in safe areas throughout the plant,
22 including a team in the emergency diesel generator building. If the storm

1 impacts the station, emergency crews would respond to start, repair or
2 troubleshoot any plant equipment to the extent it is safe to do so.

3 **Q. Identify any regulatory requirements that must be taken in advance of**
4 **the impact of a hurricane.**

5 A. Pursuant to its Station Blackout requirements, the Nuclear Regulatory
6 Commission (“NRC”) requires FPL to commence a shutdown of its nuclear
7 units two hours prior to the expected onset of hurricane force winds at the site.
8 FPL has procedures at the nuclear sites to implement shutdown activities in
9 accordance with these NRC regulations.

10 **Q. Did FPL shut down either of the nuclear sites prior to the impact of**
11 **Hurricane Matthew?**

12 A. Yes. Due to the requirements mentioned above, St. Lucie Unit 2 was brought
13 off-line the morning of October 6, 2016, before the site began experiencing
14 hurricane force winds. St. Lucie Unit 1 was already off-line in a scheduled
15 refueling outage. Turkey Point Units 3 and 4 remained online because the site
16 did not encounter hurricane force winds from the storm.

17 **Q. What actions were taken at St. Lucie Units 1 and 2 in connection with the**
18 **shutdown?**

19 A. When the hurricane watch or warning was given by the National Hurricane
20 Center, the nuclear plant site filled all necessary fuel and water tanks,
21 completed all scheduled maintenance activities, conducted activities and tasks
22 required to secure the site to weather the storm, and conducted any necessary

1 updates to the training for the operating crew to ensure they were prepared for
2 potential circumstances they could face in the hurricane.

3 **Q. You noted that St. Lucie Unit 1 was already off-line in a scheduled**
4 **refueling outage. Did this fact require the Company to undertake**
5 **additional preparations at the site?**

6 A. Yes. Because a refueling outage at St. Lucie Unit 1 was already in progress, it
7 was necessary to demobilize contractors and safely secure plant equipment
8 and material staged for outage support for the unit before the storm made
9 landfall. For example, large cranes were dismantled and heavy equipment
10 was moved and secured. Numerous site personnel (employees and
11 contractors) were involved in completing these tasks in the short time frame
12 available before the storm arrived.

13 **Q. Did the nuclear plant sites sustain damage or require restoration work as**
14 **a result of Hurricane Matthew?**

15 A. Yes. The St. Lucie nuclear plant sustained damage to some of the non-nuclear
16 infrastructure; however, the costs to repair that damage were not included in
17 the storm costs that FPL is recovering through the interim storm charge
18 because they were capitalized. Both sites incurred costs for debris removal
19 that were included in storm recovery costs.

20 **Q. Explain the role of Nuclear during restoration following Hurricane**
21 **Matthew.**

22 A. The criteria for restarting the nuclear units following a hurricane are based on
23 reviews performed by the NRC and the Federal Emergency Management

1 Agency (“FEMA”) regarding the ability of FPL, the State of Florida, and local
2 governments to effectively implement their emergency plans. The standard
3 used by the NRC and FEMA to evaluate the ability to restart the plant
4 following an event such as a hurricane is whether there is reasonable
5 assurance that both FPL and the state and local governments can protect the
6 health and welfare of the public in the event of a nuclear power plant accident.

7
8 The plant systems required for operation must be able to perform their
9 intended function; the plant has technical specifications that describe what
10 equipment must be operable. In the community surrounding the plant site, the
11 Alert and Notification System (i.e., sirens) must be operable and the local
12 government must be able to support the implementation of public protective
13 actions such as shelter, evacuation and the monitoring of evacuees.
14 Additionally, the local government must have the essential personnel and
15 equipment in place for emergency operations.

16 **Q. Did Nuclear retain any contractors to assist in restarting St. Lucie Unit**
17 **2?**

18 A. Yes. Contracted support assisted in the unit restoration efforts, which
19 primarily included actions necessary to restart the unit back to full power.

20

21

22

1 **Q. Please identify the costs attributable to the activities undertaken by**
2 **Nuclear.**

3 A. Nuclear incurred approximately \$5 million in storm-related costs, the majority
4 of which were related to storm preparations, storm riders, restart activities,
5 and mobilization and demobilization activities.

6

7 **IV. GENERAL**

8

9 **Q. Please provide an overview of the business units included in the**
10 **“General” category.**

11 A. The business units grouped in the “General” category primarily include
12 Marketing and Communications (“M&C”), Information Technology (“IT”),
13 Human Resources and Corporate Services (“HRCS”) and External Affairs and
14 Economic Development (“EA”).

15

16 During and after Hurricane Matthew, M&C was responsible for all aspects of
17 communications both internally with employees and externally with
18 customers and stakeholders. More than 30 channels of communication were
19 utilized, including but not limited to email, automated calls, text messaging,
20 media events, news conferences, news releases to the media, and
21 communications to local leaders, state and federal elected officials and
22 regulators, and large commercial customers.

23

1 IT was responsible for the delivery and support of system business solutions,
2 technology infrastructure (client services, mobile services, servers, network,
3 etc.) and both wired and wireless technology.

4
5 HRCS was responsible for overseeing various functions of employee support
6 (e.g., recruiting, payroll and benefit administration, employee relations and
7 training) as well as the maintenance and management of corporate facilities.

8
9 Lastly, EA worked closely and coordinated with local government partners
10 and Emergency Operations Centers (“EOCs”) in FPL’s service territory. EA
11 also provided oversight of the Emergency Response Team (“ERT”) which is
12 the team that staffs all of the local EOCs within the FPL service territory that
13 are activated during a storm or other emergency event.

14 **Q. What did these business units do to prepare for Hurricane Matthew?**

15 A. Each of the business units prepared for storm events throughout the year as
16 part of their participation in annual corporate-level training drills.
17 Additionally, M&C established Core Emergency Response Plans that outlined
18 emergency communication roles, responsibilities, functional processes and
19 messaging for multiple types of incidents, including severe weather. IT was
20 involved in all aspects of establishing and maintaining communications
21 systems and applications to facilitate restoration efforts. HRCS supported the
22 storm efforts with a large focus on employee support and communication,
23 along with the security of FPL facilities. EA ensured a key point of contact for

1 addressing any questions or issues raised by local government officials and
2 established a clear line of communication to limit confusion and increase
3 awareness about restoration efforts. EA also managed the ERT, which reports
4 to the Liaison Officer during emergency and/or extreme weather events.

5
6 The ERT is comprised of approximately 70 employees from various business
7 units who staff the county EOCs. The ERT reports to the EA managers for
8 those locations, coordinates special crews serving the EOCs and submits any
9 requests for information or action to EA at FPL's Command Center.

10 **Q. Please explain the role of M&C, IT, HRCS and EA during the time**
11 **Hurricane Matthew was impacting FPL's service territory.**

12 A. For M&C, communications to customers, stakeholders and employees began
13 96 hours prior to estimated landfall and continued through and after landfall.
14 M&C's preapproved messaging helped customers understand recommended
15 preparation actions and safety considerations. An integrated team of M&C and
16 Care Center employees engaged with customers one on one using replies,
17 comments, and direct messages on Facebook and Twitter.

18
19 IT resources were deployed at FPL facilities and in the field to provide all
20 needed technological support.

21
22 HRCS prepared and safeguarded physical assets and managed increased
23 janitorial demands, completed repairs and clean up at the Company's facilities

1 following the storm, and assisted employees with anything from temporary
2 housing to storm-related finances. Additionally, the HRCS compensation and
3 payroll teams provided communication, policy and procedure updates to
4 employees and answered their inquiries.

5
6 EA proactively and reactively communicated with local elected officials in the
7 impacted counties and oversaw the EOC representatives staffed in the
8 impacted EOCs. Specific outreach activities included sending email updates to
9 local elected stakeholders, fielding and responding to stakeholder questions,
10 concerns and input, and personally meeting with stakeholders as often as
11 possible.

12 **Q. Did any of the business units in the “General” category retain contractors**
13 **to assist?**

14 A. Yes. M&C utilized contractors to provide support for various functions
15 including visual communication support (videography and photography);
16 social media staffing (monitoring, writing and posting content); technical
17 support for digital communications; and media support. M&C contractors
18 provided crucial services in assisting FPL staff to communicate timely
19 information to customers affected by Hurricane Matthew – via television,
20 radio, newspaper and online media outreach. The contractors primarily
21 supported the production of images and messaging regarding the current status
22 of FPL’s massive effort to restore electric service, as well as safety
23 information urging customers to take precautions to prevent potentially

1 severe, life-threatening injuries due to downed power lines and other unsafe
2 conditions caused by the hurricane.

3

4 IT utilized a contractor that provided services to support the Trouble Call
5 Management System (“TCMSII”), which tracks outage tickets and trouble
6 reports during restoration.

7

8 HRCS retained and managed contractors for building services and
9 maintenance. After the storm passed, these assets were returned to normal
10 operations, following damage assessment and necessary repairs. Contractors
11 were also retained for debris removal at corporate offices, substations and
12 service centers and the replacement of any damaged vegetation as required by
13 the towns, cities and counties.

14

15 EA retained contractors to repair localized solar plant sites and clear debris
16 and lines to help open roads immediately after the storm passed so that
17 emergency and restoration personnel could safely navigate the roads as soon
18 as possible.

19 **Q. Please identify the costs attributable to the activities taken by the business
20 units in the “General” category.**

21 A. Total costs incurred by the business units included in the “General” category
22 were approximately \$3.5 million, the majority of which was related to payroll
23 and contractor expenses.

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V. CUSTOMER SERVICE

Q. Please provide an overview of FPL’s Customer Service operations.

A. FPL’s Customer Service organization is responsible for developing and executing policies, processes and systems related to contacts with customers. This includes customer care centers; customer service field operations, which is responsible for account management for large commercial/industrial and governmental customers and other field-related activities; complaint resolution; billing and payment processes; smart meter network operations; development and implementation of FPL’s Demand Side Management programs; and credit and collections activities.

Q. Please explain what Customer Service does to prepare for extreme weather events such as Hurricane Matthew.

A. In preparation for extreme weather events, Customer Service executes on emergency response plans that are established well in advance. These plans are tested annually through both business unit and corporate drills and workshops designed to improve resiliency and effectiveness. In addition, annual training and awareness of storm roles and responsibilities begin in March and extend through the beginning of storm season. Extensive training is conducted in both an instructor-led classroom setting and via online coursework, where applicable.

1 **Q. Please explain Customer Service’s role when Hurricane Matthew was**
2 **impacting FPL’s service territory.**

3 A. During the time Hurricane Matthew was impacting FPL’s service territory,
4 Customer Service primarily handled communications from customers
5 reporting outages and hazardous conditions. Customer Service executed a
6 plan that included increasing staffing at GC Services (FPL’s customer call
7 center partner located in Texas) and having a group of Customer Care
8 employees “ride the storm” at FPL’s Miami call center, allowing them to
9 handle outage-related calls in real time as the storm passed through FPL’s
10 territory. Post landfall, Customer Service employees reported to their storm
11 roles as soon as it was safe to do so. This included increasing staffing at the
12 FPL Customer Care centers by bringing in customer service employees from
13 other departments and extending daily schedules to 12-hour shifts covering 24
14 hours/day.

15
16 In addition, Customer Service advisors worked with FPL’s governmental and
17 major accounts to conduct proactive outreach about power restoration efforts
18 and handled restoration inquiries directly from these customers. Community
19 Action Teams were also deployed post storm to the hardest hit areas to
20 provide customer service support to the community. Customer Service
21 representatives set up and staffed tents in the neighborhoods to assist
22 customers with reporting outages, provide restoration updates and information
23 on local resources (e.g., Red Cross, FEMA), and provide assistance such as

1 cell phone charging stations, WIFI and water. Customer Service assessed the
2 impact Hurricane Matthew had on FPL's Smart Meter network and the
3 communication status of network devices, conducted back-office analyses and
4 field investigations, and repaired or replaced non-communicating devices.
5 During restoration, Customer Service was also responsible, along with Power
6 Delivery, for handling customer complaints related to Hurricane Matthew.

7 **Q. Did Customer Service retain contractors to assist?**

8 A. Yes. As part of its normal business operations, FPL partners with GC
9 Services to handle customer calls and also uses electrical contractor services
10 for smart meter network maintenance and restoration. For Hurricane
11 Matthew, FPL contracted with a vendor to provide business continuity trailers
12 that included a complete mobile-computing environment for Customer Care
13 phone agents to take calls and conduct business operations.

14 **Q. Please identify the costs attributable to the activities taken by Customer
15 Service.**

16 A. Customer Service incurred approximately \$1.5 million in storm-related costs,
17 the majority of which were related to payroll and contractor services.

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1 **VI. PGD**

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3 **Q. Please provide an overview of FPL's PGD operations.**

4 A. PGD operates and maintains all non-nuclear power generation for FPL's
5 customers. The fleet includes approximately 21,000 MW of simple and
6 combined-cycle generating units.

7 **Q. Please explain the processes utilized by PGD to prepare for Hurricane**
8 **Matthew.**

9 A. PGD has an emergency response plan that is used to facilitate storm response
10 efforts. Every plant has site-specific procedures for securing equipment,
11 identifying personnel that will prepare for and ride out the storm at the plant,
12 and performing storm restoration as quickly as possible after the storm.

13 **Q. Please explain the role of PGD during restoration following Hurricane**
14 **Matthew.**

15 A. PGD's mission was to ensure that any plants shut down or damaged by
16 Hurricane Matthew were restored to provide electric generation to customers
17 safely and as quickly as possible. The only plant that was shut down due to
18 Hurricane Matthew's winds impacting the site was the Cape Canaveral Next
19 Generation Clean Energy Center. The plant was restored to service as soon
20 as the storm passed and post-storm assessments were completed.

21 **Q. Did PGD retain contractors to assist?**

22 A. Yes. PGD retained contractors to assist primarily with embankment
23 stabilization at the Cape Canaveral Next Generation Clean Energy Center.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF TIFFANY C. COHEN

DOCKET NO. 20160251-EI

FEBRUARY 20, 2018

1 **Q. Please state your name and business address.**

2 A. My name is Tiffany C. Cohen, and my business address is Florida Power & Light
3 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as
6 Director, Rates & Tariffs.

7 **Q. Please describe your duties and responsibilities in that position.**

8 A. I am responsible for developing the appropriate rate design and for administration
9 of the Company’s electric rates and charges. Additionally, I am responsible for
10 the Company’s cost of service and load research studies.

11 **Q. Please describe your educational background and professional experience.**

12 A. I hold a Bachelor of Science Degree in Commerce and Business Administration,
13 with a major in Accounting from the University of Alabama. I obtained a Master
14 of Business Administration from the University of New Orleans. I am also a
15 Certified Public Accountant. Since joining FPL in 2008, I have held positions of
16 increasing responsibility within the Company’s Regulatory Affairs Organization
17 and was promoted to my current role in December 2017. Prior to joining FPL, I
18 was employed at Duke Energy for five years, where I held a variety of positions
19 in the Rates & Regulatory Division, including managing rate cases, Corporate
20 Risk Management, and Internal Audit departments. Prior to joining Duke Energy,
21 I was employed at KPMG, LLP.

1 **Q. Are you sponsoring any exhibits with this testimony?**

2 A. Yes. As discussed below, I will sponsor pending Exhibit TCC-1 – Actual
3 Revenues Under 2017 Interim Storm Charge, which will be filed on or before
4 April 1, 2018.

5 **Q. What is the purpose of your testimony?**

6 A. My testimony provides the Company’s proposal to true-up for any final over or
7 under recovery amounts related to the 2017 Interim Storm Restoration Recovery
8 Charge (“2017 Interim Storm Charge”) that became effective March 1, 2017 and
9 terminates on February 28, 2018.

10 **Q. Please describe the 2017 Interim Storm Charge.**

11 A. The 2017 Interim Storm Charge was designed to recover estimated storm
12 restoration costs related to Hurricane Matthew and to replenish FPL’s storm
13 reserve. It was approved by the Florida Public Service Commission
14 (“Commission” or “FPSC”) in Order No. PSC-17-0055-PCO-EI, to become
15 effective for a 12-month period beginning March 1, 2017. The Commission
16 stated in its Order that, “Once the total actual storm costs are known, FPL shall
17 be required to file documentation of the storm costs for Commission review and
18 true up of any excess or shortfall.”

19 **Q. How will FPL determine any final true-up amount related to the 2017
20 Interim Storm Charge, and what is the Company’s proposal to refund or
21 charge customers for any excess or shortfall?**

22 A. FPL will compare the final Recoverable Storm Amount approved for recovery by
23 the Commission to the actual revenue received from the 2017 Interim Storm

1 Charge in order to determine any excess or shortfall in recovery. Interest will be
2 applied to the variance, at the 30-day commercial paper rate contemplated in
3 Rule 25-6.109. Thereafter, FPL will make a compliance filing with the
4 Commission that sets forth the calculation of the appropriate true-up rates to apply
5 to customer bills for a one-month period in order to refund the excess or collect
6 the shortfall. The true-up rates will be designed in a manner that is consistent
7 with the cost allocation used in the original 2017 Interim Storm Charge rates filed
8 and approved in this docket. FPL will apply the true-up rates to customer bills
9 starting on Cycle Day 1 of the first month that is more than 30 days after
10 Commission approval.

11 **Q. How will FPL notify the Commission of the actual revenue received from the**
12 **2017 Interim Storm Charge?**

13 A. FPL will file a supplement to my direct testimony, in the form of an exhibit
14 designated as TCC-1, on or before April 1, 2018, that shows the actual revenue
15 received. I will then sponsor Exhibit TCC-1 at the hearing in this proceeding.

16 **Q. How will FPL notify its customers of the billing change that is going to**
17 **occur?**

18 A. FPL will notify customers of the change in their rates at least 30 days in advance
19 in the form of a message on their bill, with more detailed information regarding
20 the revised 2017 Interim Storm Charge tariff provided on FPL's website,
21 www.FPL.com/rates.

22 **Q. Does this conclude your direct testimony?**

23 A. Yes.