



Joel Baker
Principal Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 691-7255
(561) 691-7135 (Facsimile)
E-mail: joel.baker@fpl.com

January 12, 2021

VIA ELECTRONIC FILING

Mr. Adam Teitzman
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20200172-EI - Petition for Evaluation of Hurricane Dorian Storm Costs, by Florida Power & Light Company.

Dear Mr. Teitzman:

I enclose for filing in the above-referenced docket the Rebuttal Testimony of Manuel Miranda, the Rebuttal Testimony of David Hughes, together with Exhibit DH-2, and the Rebuttal Testimony of Clare Gerard on behalf of Florida Power & Light Company. Copies of this filing will be provided as indicated on the enclosed Certificate of Service.

Please contact me if you or your Staff has any questions regarding this filing at (561) 691-7255 or joel.baker@fpl.com.

Sincerely,

s/ Joel T. Baker
Joel T. Baker
Florida Bar No. 108202

Enclosure

cc: Counsel for Parties of Record

CERTIFICATE OF SERVICE
Docket No. 20200172-EI

I HEREBY CERTIFY that a true and correct copy of the Rebuttal Testimony of Manuel Miranda, the Rebuttal Testimony of David Hughes, together with Exhibit DH-2, and the Rebuttal Testimony of Clare Gerard, on behalf of Florida Power & Light Company, have been served by electronic mail this 12th day of January 2021 to the following:

Public Service Commission
Office of General Counsel
Jennifer Crawford
Shaw Stiller
Suzanne Brownless
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
jcrawfor@psc.state.fl.us
sstiller@psc.state.fl.us
sbrownle@psc.state.fl.us

J.R. Kelly
Patricia A. Christensen
Anastacia Pirrello
Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, Florida 32399
Kelly.jr@leg.state.fl.us
Christensen.patty@leg.state.fl.us
Pirrello.anastacia@leg.state.fl.us

s/ Joel T. Baker

Joel T. Baker

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
REBUTTAL TESTIMONY OF MANUEL B. MIRANDA
DOCKET NO. 20200172-EI
JANUARY 12, 2021

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

I. INTRODUCTION3

II. FPL’S HURRICANE DORIAN RESPONSE 4

III. ALLEGED “PROCESS” ISSUES..... 7

IV. MUTUAL ASSISTANCE..... 13

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. Have you previously submitted prepared direct testimony in this proceeding?**

7 A. Yes. I submitted direct testimony and accompanying Exhibits MBM-1 through
8 MBM-4 on June 29, 2020.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my rebuttal testimony is to respond to the direct testimony submitted
11 by Office of Public Counsel (“OPC”) witness Lane Kollen. Mr. Kollen’s flawed
12 “process” conclusions reflect his misunderstanding of what is required to restore
13 service safely and as quickly as possible. My testimony also elaborates on why Mr.
14 Kollen’s “process” recommendations are unrealistic, unsound and not in the best
15 interests of customers.

16 **Q. Please summarize your rebuttal testimony.**

17 A. My testimony demonstrates that despite Mr. Kollen’s benefit of hindsight in
18 evaluating Florida Power & Light Company’s (“FPL” or the “Company”) response
19 to Hurricane Dorian, he reached flawed conclusions regarding FPL’s storm
20 restoration preparations and procedures, perhaps reflecting his lack of qualifications
21 in this area. He also completely ignored FPL’s obligation to prepare for severe
22 damage to the most heavily populated portion of FPL’s service territory that would
23 have occurred had Hurricane Dorian made landfall, as evidenced by the complete

1 devastation it caused in the Bahamas. As Dorian approached Florida as a Category
2 5 hurricane, FPL took all prudent and reasonable steps to be prepared to safely and
3 quickly restore service to FPL’s customers. Mr. Kollen’s conclusions and
4 recommendations, even with the benefit of hindsight, fail to recognize the
5 uncertainty associated with forecasting the path, timing, and intensity of a major
6 storm and ignore FPL’s valuable lessons learned and the excellent restoration results
7 achieved in this and in previous storms by pre-staging restoration resources. If
8 accepted, Mr. Kollen’s proposed recommendations would be detrimental to FPL’s
9 customers and to the State as a whole, as they would result in longer restoration times
10 and hamper FPL’s flexibility and ability to “attempt to restore service within the
11 shortest time practicable consistent with safety” (Rule 25-6.044(3), F.A.C.). Mr.
12 Kollen’s proposed recommendations ignore the real life and real time decisions with
13 which FPL is faced as storms approach, ignore FPL’s experience in successfully
14 responding to hurricanes and restoring power safely and quickly, and should be
15 rejected by this Commission.

16
17 **II. FPL’S HURRICANE DORIAN RESPONSE**

18
19 **Q. Having reviewed Mr. Kollen’s criticisms of FPL’s storm response, do you see**
20 **any overarching problems with his recommendations?**

21 A. Yes. Mr. Kollen’s testimony fails to recognize and appreciate the severity of
22 conditions facing a utility as it prepares its service territory for the potential
23 impending impacts of a major hurricane. Mr. Kollen’s testimony and exhibits show

1 that while he does have extensive regulatory accounting experience, he does not
2 appear to have operational or decision-making experience relevant to decisions
3 required before, during, or after a storm threatens or impacts a utility's service
4 territory. In addition, despite Mr. Kollen's benefit of hindsight, his retrospective
5 opinions fail to recognize FPL's strategy to restore service to our customers safely
6 and as quickly as possible.

7 **Q. Does operational and management experience matter when determining what**
8 **actions a utility should take in preparing to respond to an impending storm?**

9 A. Yes. I have been involved with FPL's storm response efforts from 1992 to the
10 present, including when Hurricane Andrew made landfall, through the 2004 and
11 2005 storm seasons when seven storms impacted FPL's service territory, and most
12 recently during Hurricanes Matthew, Irma, and Dorian. This includes being involved
13 with or responsible for making decisions regarding when and how many resources
14 FPL must acquire to respond to a storm, as well as whether to send resources to assist
15 with other utilities' storm response efforts (e.g., Hurricane Maria in Puerto Rico and,
16 most recently, Hurricane Michael in Northwest Florida, both at the request of former
17 Florida Governor Scott). Actual storm operational and management experience
18 informs and helps to guide a company's actions, activities, and response, considering
19 the conditions and circumstances that are known when decisions must be made. For
20 FPL, these storm decisions, made as Hurricane Dorian approached, centered around
21 the key components of our emergency preparedness plan, which I provided in my
22 direct testimony. For instance, pre-negotiating contractor rates at market rates in

1 advance of a storm assists FPL in deciding what resources to bring onto its system,
2 and when it is prudent to do so.

3

4 Contrary to Mr. Kollen's fundamental misunderstanding of the storm preparedness
5 and restoration process, pre-storm contractor negotiations do not guarantee that those
6 contractor resources are going to be available when called upon to travel to assist
7 FPL. For example, a contractor may be supporting another currently active
8 restoration event, may be committed to assist another utility, or may have other
9 business reasons preventing dispatch to FPL. Mr. Kollen's lack of operational and
10 storm restoration experience is further illustrated by his misunderstanding of why
11 and when FPL acquired and pre-staged resources for Hurricane Dorian in order to
12 successfully implement its restoration process.

13 **Q. How would you characterize FPL's response to Hurricane Dorian?**

14 A. As I outlined in my direct testimony, FPL's primary goal is to safely restore critical
15 infrastructure to the greatest number of customers in the least amount of time. FPL
16 prudently prepared to respond to the very real threat posed by a dangerous Category
17 5 hurricane that caused devastating damage to the Bahamas, approximately 100 miles
18 from FPL's most heavily populated area. And while Hurricane Dorian ultimately
19 did not make landfall in FPL's service territory, it impacted more than 184,000
20 customers. FPL's preparations and rapid response resulted in an efficient and
21 effective restoration, allowing the affected customers to return to normalcy soon after
22 the storm passed.

23

1 to impact its service territory, assess the level of damage and customer interruptions,
2 and then, and only then, proceed to procure external resources to commence
3 restoration efforts in order to “minimize cost”. Mr. Kollen fails to acknowledge that
4 FPL must prepare and make decisions in anticipation of the potential damage that a
5 storm can cause in FPL’s territory based on the National Hurricane Center’s
6 (“NHC”) forecasts, which are subject to significant degree of uncertainty in terms of
7 path, timing of impact and level of storm intensity.

8 **Q. Mr. Kollen has testified that “the Company acknowledges that minimizing**
9 **storm costs is not a planning or implementation objective.” What is your**
10 **response to this statement?**

11 A. That assertion is simply not true. Mr. Kollen has focused on the discussion at page
12 6 of my direct testimony describing the key components of FPL’s operational
13 emergency preparedness plan, while ignoring portions of my testimony detailing
14 FPL’s pre-storm negotiation of vendor rates at market prices, FPL’s practice of
15 bringing in and releasing resources to mitigate costs wherever possible, and the
16 overall efficiencies employed by FPL in the execution of its well planned and storm-
17 tested processes. Each of these actions and practices serve to minimize the costs of
18 restoration.

19 **Q. Please explain how FPL acquires additional external restoration resources in**
20 **response to a storm that is approaching FPL’s service territory?**

21 A. As described more extensively in my direct testimony, an important component of
22 each restoration effort is FPL’s ability to scale up its resources to match the increased
23 volume of the projected restoration workload, which includes engaging our FPL

1 team, sister company (Gulf Power), and embedded contractors. This “scaling-up”
2 effort includes acquiring external contractors and mutual assistance resources from
3 other utilities through industry organizations (e.g., the Southeastern Electric
4 Exchange (“SEE”) and Edison Electric Institute (“EEI”)), as well as other restoration
5 power line contractors, which FPL independently acquires. While FPL is mindful of
6 costs when acquiring additional external resources (e.g., acquiring resources based
7 on a low-to-high cost ranking where possible), a storm’s path, intensity and size, if
8 significant enough, can substantially limit the availability of external resources, as
9 the demand for available resources can exceed the available supply. In such
10 instances, FPL has limited alternatives and may be required to acquire external
11 restoration resources that are at the higher end of the low-to-high cost ranking.

12 **Q. Was this the case with Hurricane Dorian?**

13 A. Yes. With Hurricane Dorian’s forecasted path, intensity and size, most of the utilities
14 within the Southeastern U.S. were forced to hold on to their own resources
15 (employees and contractors) in order to respond to their own specific restoration
16 needs. Additionally, based on forecasted damage and outage estimates, these same
17 utilities were also competing with FPL to acquire additional line restoration
18 resources through the SEE and other organizations, as well as through individual
19 independent restoration contractors.

20 **Q. On page 19, lines 22-24, Mr. Kollen makes a recommendation that “Systematic**
21 **Assessments of Risk Exposures At Least Annually Are Necessary in Order to**
22 **Optimize Resources and Minimize Cost of Storm Response and Customer**
23 **Interruptions.” Please provide your view of this recommendation.**

1 A. It is apparent that Mr. Kollen chose to ignore parts of my direct testimony in this
2 docket, where I describe the extensive preparations that FPL undertakes annually to
3 get ready for storm season. Perhaps that is why Mr. Kollen makes a recommendation
4 that presumes that FPL can forecast the total number of storms that will impact FPL's
5 system during the coming year, with certain knowledge of potential paths, level of
6 intensity and resulting customer interruptions, and that the information can be
7 entered into a linear programming algorithm in order to optimize the number of
8 resources and to minimize cost of storm response efforts. Such a restoration effort
9 would be contrary to FPL's well tested processes and all industry practices and
10 procedures, would significantly delay recovery after a storm, and would result in
11 harm to FPL's customers and to Florida's economy.

12 **Q. Did FPL assess the need for resources and mitigate contractor labor costs by**
13 **utilizing its contractor workforce effectively and diligently for Hurricane**
14 **Dorian?**

15 A. Yes. As explained in more detail in my direct testimony, FPL responds to storms by
16 taking specified and well-rehearsed actions at specified intervals prior to a storm's
17 impact. These actions include activating the FPL Command Center based on the
18 storm's NHC-forecasted track and timing; forecasting resource requirements;
19 developing initial restoration plans; activating contingency resources; preparing
20 communications to inform and prepare customers; and identifying available
21 resources from mutual assistance utilities. FPL endeavors to acquire resources based
22 on a low-to-high cost ranking and release resources in reverse order, subject to the
23 overriding objective of quickest restoration time and related considerations.

1 **Q. On page 21, line 8 of his testimony, Mr. Kollen asserts that FPL has not**
2 **performed any assessment and/or study that documents, analyzes, or estimates**
3 **the amount of storm cost savings that the Company was able to achieve because**
4 **of the storm hardening and protection activities performed prior to Hurricane**
5 **Dorian. Please comment.**

6 A. Because FPL’s service territory was ultimately spared the most severe impacts of the
7 storm, the Company did not find it necessary to undertake such a study. However,
8 FPL did perform a comprehensive forensic analysis, a copy of which was produced
9 to OPC and attached as an exhibit to Mr. Kollen’s testimony.

10 **Q. On page 23, lines 5-21 and page 24, lines 1-2 of his testimony, Mr. Kollen alleges**
11 **that the Company has not provided evidence that it assigns and/or acquires**
12 **resources through a prudent and reasonable mix of its own employees, affiliate**
13 **company contractors, mutual assistance contractors, and third party**
14 **contractors in a manner that minimizes storm costs. Please comment on Mr.**
15 **Kollen’s opinion.**

16 A. Mr. Kollen once again chose to ignore parts of my direct testimony, specifically
17 pages 13 through 15 where I describe the formalized industry processes to request
18 mutual assistance resources for storm restoration. Mr. Kollen also ignored answers
19 to interrogatories in this docket describing pre-established contracts with line
20 contractors that are competitively bid for three-year terms to lock-in pricing. In Mr.
21 Kollen’s view of storm restoration, the allocation of all these resources can be
22 optimized to “minimize storm costs.” Mr. Kollen’s view, however, presumes that

1 all those resources will be available to FPL and only to FPL in the event of a storm,
2 which they are not.

3 **Q. On page 27 of his testimony, Mr. Kollen makes a recommendation that the**
4 **Commission adopt a ratemaking incentive to ensure that FPL is focused on**
5 **continuous improvement in planning and implementation and other processes**
6 **to minimize costs before costs for a specific storm are incurred, contractors are**
7 **mobilized, and invoices are issued by the contractors and paid by the**
8 **Company. What is your view of this recommendation?**

9 A. Mr. Kollen's recommendation is both unnecessary and inappropriate for this
10 proceeding. FPL does not need to receive a ratemaking incentive to do what the
11 Company has been doing and performing as an industry leader for years: preparing
12 for and responding to hurricanes and other weather events. Time and again the
13 Company has demonstrated to the Commission that its actions in preparing for and
14 responding to major weather events including hurricanes were prudent and the
15 associated costs were reasonable. Continuous improvement in planning,
16 implementation, and all aspects of our operations is firmly instilled as part of the
17 Company's practices and culture. Moreover, the Commission always has the final
18 say on prudence and reasonableness issues.

19 **Q. On page 25-26 of his testimony, Mr. Kollen expresses his opinion that the**
20 **Company "unnecessarily delayed the demobilization of numerous contractors."**
21 **What is your view of this statement?**

22 A. As detailed in FPL's response to Staff's 1st Set of Interrogatories, No. 7, FPL began
23 the crew release process on September 3, 2019, with additional releases occurring on

1 September 4, 2019 and September 5, 2019. As noted in that response, a Hurricane
2 Warning issued by the NHC was in effect for portions of Florida from September 1
3 into September 4, which along with the path of the storm, factored into FPL's
4 decision to release contractor crews in multiple phases as the storm's potential impact
5 to FPL's service territory evolved. Staggering demobilization in this manner ensured
6 that sufficient crews remained to handle any potential threats posed by the hurricane,
7 while also ensuring that crews were being maneuvered and demobilized safely and
8 efficiently.

9
10 **IV. MUTUAL ASSISTANCE**

11
12 **Q. Mr. Kollen claims in his testimony that FPL did not appropriately exercise its**
13 **use of mutual assistance utilities in responding to Hurricane Dorian. Do you**
14 **agree?**

15 A. No. To summarize and expand on my direct testimony pertaining to mutual
16 assistance storm restoration support, the ability to scale up resources to match the
17 increased volume of workload is an important component of each storm restoration.
18 The use of mutual aid support is therefore a critical and instrumental component of
19 any large electric utility restoration effort, and that support was engaged and utilized
20 appropriately in responding to Hurricane Dorian.

21
22 It is important to note that restoration support from mutual assistance utilities is
23 provided by members of the SEE and/or the Regional Mutual Assistance Groups

1 (“RMAG”) within EEI. The SEE and EEI provide procedures, guidelines and
2 principles for its members, for both requests and responding to requests for mutual
3 assistance resulting from emergency restoration events. This includes guidelines for
4 responding utilities to keep and maintain cost support and for requesting utilities to
5 reimburse responding utilities for costs incurred.

6
7 An overriding principle for providing restoration support is that, unlike non-mutual
8 assistance utility contractors that have negotiated rates, restoration support from SEE
9 and EEI members is provided on a not-for-profit basis (i.e., utilities charge only their
10 actual costs incurred). Therefore, mutual assistance costs reflect the actual expenses
11 incurred by the mutual assistance utilities’ support of FPL’s restoration. This ensures
12 that the responding mutual assistance utility’s customers are not paying for the costs
13 to restore service to the requesting utility’s customers (in this case, FPL) and that the
14 requesting utility’s customers are not subsidizing the responding mutual assistance
15 utility’s customers.

16 **Q. On page 24 of his testimony, Mr. Kollen states that “most of the costs incurred**
17 **for line contractors from the mutual assistance companies were from**
18 **geographically distant companies.” What is your view of this statement?**

19 A. Mr. Kollen’s statement reflects a lack of understanding about how mutual assistance
20 works. FPL of course would prefer to receive mutual aid from utilities in closer
21 proximity to FPL’s territory, but that is not always an option, as those utilities are
22 most likely to be impacted by the same event. In the case of Hurricane Dorian,
23 mutual assistance resources were not readily available since many of the SEE

1 member utilities had decided to hold their resources and/or were requesting resources
2 themselves in anticipation of a potentially impactful storm. Given the limited
3 available resources in the SEE, FPL was required to reach out to other RMAGs. As
4 a result, mutual assistance utilities such as [REDACTED] provided support to our
5 customers as a potentially catastrophic hurricane approached the State of Florida.
6 FPL's decisions in this regard were prudent inasmuch as they balanced the needs of
7 timely and efficiently restoring power to our customers with the costs of bringing in
8 available external resources based on the expected forecast and intensity of the
9 hurricane at the time the acquisition decisions were made.

10 **Q. Also on page 24 of his testimony, Mr. Kollen states that "Sixty percent of the**
11 **Company's costs incurred for line contractors from mutual assistance**
12 **companies were charged by these two companies alone." What is your view of**
13 **this statement?**

14 **A.** The fact that a significant proportion of the mutual assistance costs were charged by
15 only two utilities simply reflects the level of work that those utilities performed. Of
16 the seven mutual assistance utilities that charged costs to FPL and traveled to FPL's
17 service territory to perform restoration work, [REDACTED]
18 [REDACTED] were amongst the ones that provided the most support. So, it is logical that
19 those utilities would comprise the greatest portion of costs for mutual assistance
20 companies.

21
22

1 **Q. On page 47 of his testimony, Mr. Kollen makes a recommendation that FPL**
2 **inform the mutual assistance company that they will need to justify costs in**
3 **future invoices that are unreasonable. What is your view of this**
4 **recommendation?**

5 A. As previously explained, the costs referenced by Mr. Kollen are not unreasonable.
6 The utilities providing assistance are charging FPL only their actual costs incurred,
7 and their assistance is provided on a not-for-profit basis.

8 **Q. What is your conclusion regarding Mr. Kollen’s comments pertaining to mutual**
9 **assistance utility costs and storm restoration?**

10 A. Mr. Kollen’s testimony reflects a lack of understanding about how mutual assistance
11 between electric utilities works, and his proposal would disallow valid expenses
12 prudently incurred by these utilities in preparation for and in support of FPL’s
13 restoration efforts.

14

15 As quoted in my direct testimony, Florida Governor DeSantis thanked FPL for its
16 efforts associated with Hurricane Dorian by stating, “But that was really great
17 preparation and I think that’s not always the case anytime there’s a storm in any part
18 of the country...”. FPL successfully executed on its emergency preparedness plan
19 and the restoration process, relying on its own management and employees,
20 contractors, and mutual assistance to safely restore critical infrastructure and the
21 greatest number of customers in the least amount of time.

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

23 A. Yes.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF DAVID HUGHES

DOCKET NO. 20200172-EI

JANUARY 12, 2021

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

TABLE OF CONTENTS

I. INTRODUCTION 3

II. RULE 25-6.0143, F.A.C. AND IRMA SETTLEMENT REQUIREMENTS ... 4

III. ACCOUNTING TREATMENT AND THE ICCA METHODOLOGY 8

IV. INCREMENTAL STORM COSTS..... 14

V. STORM RESTORATION ACCRUALS..... 20

VI. FINAL HURRICANE DORIAN STORM RESTORATION COSTS 21

1 **I. INTRODUCTION**

2

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

4 A. My name is David Hughes, and my business address is Florida Power & Light
5 Company (“FPL or “the Company”), 700 Universe Boulevard, Juno Beach,
6 Florida 33408.

7 **Q. Did you previously submit direct testimony in this proceeding?**

8 A. Yes.

9 **Q. Are you sponsoring any rebuttal exhibits?**

10 A. Yes. I am sponsoring Exhibit DH-2 – Updated Hurricane Dorian Costs as of
11 December 31, 2020, which is an update to the storm restoration costs provided
12 in Exhibit DH-1 included with my direct testimony. This update to the total
13 storm restoration costs trues-up estimated costs that were included in Exhibit
14 DH-1.

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. The purpose of my rebuttal testimony is to respond to certain portions of the
17 direct testimony of Lane Kollen submitted on behalf of the Office of Public
18 Counsel (“OPC”). Specifically, I will explain that FPL followed Rule 25-
19 6.0143, Florida Administrative Code (the “Rule”), in the identification of
20 Hurricane Dorian storm costs charged to base Operations & Maintenance
21 (“O&M”), and properly applied the Incremental Cost and Capitalization
22 Approach (“ICCA”) methodology to those costs. In so doing, I will show that
23 Mr. Kollen’s recommended adjustments to the Hurricane Dorian regular

1 payroll, overtime payroll, line contractor expenses and storm cost accruals are
2 inappropriate, contrary to the Rule, ignore the facts, and therefore should be
3 rejected.

4
5 Further, I will explain that the “disallowances” proposed by Mr. Kollen to
6 FPL’s total Hurricane Dorian storm restoration costs that he incorrectly claims
7 are non-incremental have no material impact on the Commission’s ultimate
8 decision in this proceeding, since FPL is not seeking any incremental recovery
9 of storm costs through depletion of the storm reserve or a storm surcharge. I
10 will also briefly address Mr. Kollen’s comments regarding FPL’s use of the
11 reserve amortization mechanism to charge the Hurricane Dorian storm
12 restoration costs to base O&M expense, an issue that has no place in this
13 proceeding. Finally, I will provide Exhibit DH-2, an update to my direct
14 testimony Exhibit DH-1, with final restoration costs for Hurricane Dorian.

15
16 **II. RULE 25-6.0143, F.A.C. AND IRMA SETTLEMENT REQUIREMENTS**

17
18 **Q. Please identify the Rule that FPL is required to follow in the identification
19 of and accounting for Hurricane Dorian storm-related costs.**

20 A. The Rule, identified above as the Rule , clearly delineates both the categories
21 of costs allowed to be charged to the reserve under the ICCA methodology, and
22 the categories of costs prohibited from being charged to the reserve under the
23 ICCA methodology.

1 **Q. Did FPL comply with the Rule in identifying incremental storm-related**
2 **costs and then apply the ICCA methodology to those costs?**

3 A. Yes. FPL followed the requirements of the Rule governing the identification
4 of incremental storm-related costs incurred in connection with Hurricane
5 Dorian. While Mr. Kollen acknowledges that “the standard for recovery of
6 claimed costs is set forth in Rule 25-6.0143, F.A.C. (the “Rule”),” he
7 nonetheless readily admits that he relied on other non-Rule criteria in his
8 analysis.¹

9 **Q. Do you agree with Mr. Kollen’s reliance on his non-Rule “criteria”?**

10 A. No. The settlement agreements involving Duke Energy Florida, Gulf Power
11 Company, and Tampa Electric Company relied upon by Mr. Kollen have no
12 bearing on the manner in which FPL captured, recorded, and reported its
13 Hurricane Dorian storm-related costs. Additionally, while Mr. Kollen also
14 claims he relied on FPL’s settlement agreement from a prior storm docket, he
15 does not even suggest that FPL failed in any way to live up to its obligations
16 under that agreement.²

¹ It should be noted, and bears repeating, that FPL is not seeking recovery of costs in this docket through a surcharge. Mr. Kollen acknowledges that fact at page 3 of his testimony.

² Mr. Kollen’s reference to the FPL settlement agreement, though not specifically identified in his testimony, is presumed to be the FPL Hurricane Irma settlement agreement (“Hurricane Irma Settlement”) approved by the Commission in Docket No. 20180049-EI, Order No. PSC-2019-0319-S-EI. It should be noted that the Office of Public Counsel was a signatory to that settlement agreement and was a joint petitioner in seeking Commission approval of the Hurricane Irma Settlement.

1 **Q. Did Mr. Kollen rely on other non-Rule based criteria in his criticism of**
2 **FPL’s approach to the manner in which FPL identified its Hurricane**
3 **Dorian storm related costs?**

4 A. Yes. Rule 25-6.0143(f)(8), F.A.C., addressing tree trimming expenses,
5 specifically requires the use of a three-year average of tree trimming expenses
6 to determine incremental storm-related expenses. That is the only section of
7 the Rule where the use of a three-year average is the benchmark for determining
8 costs recovered in base rates as opposed to incremental storm-related costs.
9 Notwithstanding that fact, Mr. Kollen criticizes FPL for failing to use the three-
10 year average to identify incremental materials and supplies, and line contractor
11 costs. In neither case is the use of a three-year average authorized by the Rule.
12 In so doing, he disregards the clear language of the Rule regarding the
13 identification of incremental storm-related materials and supplies, and
14 additional contract labor hired for storm restoration activities.

15 **Q. Mr. Kollen claims that FPL refused to provide certain data in response to**
16 **OPC’s discovery requests regarding costs in base rates, as well as the three-**
17 **year averages of costs which Mr. Kollen mistakenly believes to be relevant**
18 **to this case. What is your response to these comments?**

19 A. It is hard to understand Mr. Kollen’s concerns on these issues given the fact he
20 himself points to documents that: (1) explain that FPL’s base rates are the
21 product of a comprehensive settlement; (2) provide the three-year averages
22 where available; and (3) explain why three-year average cost information is not
23 available in one instance.

1 **Q. What is your response to Mr. Kollen’s complaints about the scope and**
2 **quantity of information provided by FPL with its initial filing?**

3 A. It is again hard to understand how Mr. Kollen could complain about the vast
4 amount of information provided by FPL with its initial filing. Utilities’ initial
5 filings in storm dockets have traditionally included a petition, and perhaps two
6 or three pieces of direct testimony. In this case, in accordance with the
7 Hurricane Irma Settlement, FPL’s initial filing provided a tremendous amount
8 of additional information consisting of confidential sortable spreadsheets with
9 cost support including the Exhibit DH-1 Support File, more than 100
10 confidential line and vegetation contractor flat files with detailed invoice-
11 related information (e.g., crew timesheet and expenses, documentation of
12 exceptions, adjustments, etc.), and a compilation of confidential data exported
13 from the REDi system (Resources for Emergency Deployment) providing
14 certain contractor travel information. The notion that the filing is insufficient
15 because FPL did not include all contracts with its initial filing – notwithstanding
16 the absence of any rule, precedent, or agreement requiring this - is simply not
17 credible and ignores the fact that it complies with requirements of the
18 Commission-approved Hurricane Irma Settlement to which OPC is a party.

19 **Q. Are there other non-Rule based criteria Mr. Kollen asserts should be**
20 **considered by the Commission?**

21 A. Yes. Mr. Kollen introduces an asymmetrical one-directional penalty system
22 regarding the recovery of storm related costs – a proposal which has no place
23 in this proceeding.

1 **Q. It seems that OPC, through Mr. Kollen, is suggesting that the Commission**
2 **ignore the clear intent of the governing Rule by asking the Commission to**
3 **consider many non-Rule based criteria. What is FPL’s position with**
4 **respect to these suggestions?**

5 A. This docket – opened to determine the prudence and reasonableness of FPL’s
6 Hurricane Dorian storm-related costs – is not a rulemaking proceeding and
7 simply is not the forum within which these non-Rule based suggestions should
8 even be considered. As stated above, in both its filing and its responses to
9 discovery, FPL has fully complied with the Commission Rule and those aspects
10 of the Commission-approved, OPC-supported Hurricane Irma Settlement
11 Agreement that apply. FPL respectfully submits that the Commission should
12 reject Mr. Kollen’s efforts to turn this docket into a rulemaking proceeding.

13
14 **III. ACCOUNTING TREATMENT AND THE ICCA METHODOLOGY**

15
16 **Q. Beginning on page 15, and throughout his direct testimony, Mr. Kollen**
17 **refers to excessive costs included in FPL’s request that he recommends**
18 **should be “disallowed.” Do you agree?**

19 A. No, I do not agree. It appears Mr. Kollen believes that only the incremental
20 storm restoration costs under the ICCA method are charged to customers and
21 that the non-incremental storm restoration costs under the ICCA method are
22 “disallowed” (i.e., not charged to customers). Of course, that is not true. Under
23 the ICCA methodology, all reasonable and prudently incurred non-incremental

1 storm restoration costs are charged as base O&M expense or Capital. With
2 respect to Mr. Kollen's comments regarding accruals, I address that subject in
3 more detail later in my testimony.

4
5 Similarly, had FPL sought a storm surcharge and charged Hurricane Dorian
6 storm restoration costs to the storm reserve, the reasonable and prudently
7 incurred *incremental* costs would have been charged to the storm reserve and
8 the reasonable and prudently incurred *non-incremental* costs would have been
9 charged to base O&M expense or Capital.

10 **Q. Does Mr. Kollen offer any evidence to suggest that any of the costs under**
11 **what he calls his “Disallowance Conclusions” (i.e., \$9.855 million) were**
12 **imprudently or unreasonably incurred?**

13 A. No. Mr. Kollen does not claim that any of the Hurricane Dorian storm
14 restoration costs presented in this docket are unreasonable or imprudent.
15 Rather, his proposed adjustments to the regular payroll, overtime payroll, and
16 line contractor expense are based entirely on his erroneous application of the
17 ICCA methodology. Mr. Kollen also fails to recognize that all of his proposed
18 adjustments have already been charged to base O&M expense. Unless a non-
19 incremental expense is found to be imprudent or unreasonable (in which case it
20 would be charged below-the-line), it is charged to base O&M expense or
21 Capital. Thus, even if all the adjustments Mr. Kollen is suggesting are deemed
22 non-incremental, which they are not, they nonetheless are all prudent and
23 reasonable non-incremental expenses that are properly charged to base O&M

1 expense or Capital, which is where Hurricane Dorian costs have been charged.
2 Stated otherwise, Mr. Kollen's attempt to adjust and reclassify expenses as non-
3 incremental costs does not, absent a finding of imprudence or unreasonableness,
4 mean the costs should be disallowed as a base O&M expense as suggested by
5 Mr. Kollen.

6 **Q. On page 34, lines 9 through 14, of his direct testimony, Mr. Kollen suggests**
7 **that FPL incorrectly applied the Rule by failing to exclude costs in**
8 **accordance with the ICCA methodology. Can you please summarize for**
9 **the Commission how FPL accounted for the Hurricane Dorian storm**
10 **restoration costs?**

11 A. Yes. As I explained in my direct testimony, FPL applies the ICCA
12 methodology set forth in the Rule and charges the incremental storm restoration
13 costs to the storm reserve. Initially, all storm restoration costs are tracked and
14 accumulated in FERC Account 186. Once the costs have been accumulated,
15 FPL will clear Account 186 by charging the costs to either: the storm reserve,
16 which is recoverable from customers through a storm surcharge if the activity
17 results in a deficit balance; base O&M expense, which is recoverable from
18 customers through base rates; capital costs, which is recoverable from
19 customers as rate base; or below-the-line expenses, which are not recoverable
20 from customers.

21

1 For Hurricane Dorian, all storm restoration costs were tracked and accumulated
2 in FERC Account 186, and prior to December 2019, FPL applied the ICCA
3 methodology set forth in the Rule, including:

- 4 • Calculation of incremental storm costs that were charged to the storm
5 reserve in accordance with Parts (1)(d) and (1)(e) of the Rule, and any
6 non-incremental storm costs were charged to base O&M; and
- 7 • Capitalization of storm costs in accordance with Part (1)(d) of the Rule.

8
9 In December 2019, FPL elected to charge all incremental Hurricane Dorian
10 storm restoration costs calculated using the ICCA methodology to base O&M
11 rather than seeking recovery through a storm surcharge. As reflected on Exhibit
12 DH-1, FPL incurred a total of \$240.6 million in Hurricane Dorian storm
13 restoration costs, and charged \$209 thousand as capitalized costs and \$2.0
14 million in ICCA adjustments to base O&M. This resulted in \$238 million of
15 incremental jurisdictionalized storm restoration costs which FPL charged to
16 base O&M expense.

17 **Q. Does FPL have the discretion to charge storm restoration costs to base**
18 **O&M expense rather than to the storm reserve?**

19 A. Yes. Part (1)(h) of the Rule states that “*a utility may, at its own option, charge*
20 *storm related costs as operating expenses rather than charging them to Account*
21 *No. 228.1.*” This is precisely what FPL opted to do rather than implementing
22 an optional interim incremental storm surcharge permitted by Section 6 of
23 FPL’s 2016 Rate Settlement Agreement approved by the Commission in Order

1 No. PSC-2016-0560-AS-EI in Docket No. 20160021-EI (“2016 Settlement
2 Agreement”)

3

4 Further, Section 6 of the 2016 Settlement Agreement gives FPL the option, but
5 does not require, the Company to seek incremental storm cost recovery. FPL
6 decided to forgo that option for incremental recovery through a storm surcharge
7 with respect to Hurricane Dorian storm restoration costs because another option
8 was available through the framework of the 2016 Settlement Agreement and is
9 authorized by the Rule. Using that alternative option, FPL recorded Hurricane
10 Dorian non-capitalized storm-related costs as a base O&M expense in
11 accordance with Part (1)(h) of the Rule.

12 **Q. Had FPL utilized the storm surcharge for recovery of Hurricane Dorian**
13 **storm costs, would its treatment of non-incremental costs have been any**
14 **different?**

15 A. No. The non-incremental costs were prudently incurred and would have been
16 charged to base O&M regardless of whether a storm surcharge had been sought.

17 **Q. On pages 4 through 5 of his testimony, Mr. Kollen takes issue with FPL’s**
18 **use of the reserve amortization mechanism for storm restoration costs and**
19 **states that it results in additional ratemaking recovery. Do you have a**
20 **response?**

21 A. Yes. FPL’s use of the reserve amortization is not a proper issue in this
22 proceeding, as this docket was initiated to evaluate FPL’s storm restoration
23 costs related to Hurricane Dorian.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

In Docket No. 20180046-EI, Order No. PSC-2019-0225-FOF-EI, issued on June 10, 2019, the Commission found that FPL’s use of the reserve amortization mechanism to pay for Hurricane Irma costs was appropriate, which is exactly how Hurricane Dorian storm costs are being treated. Mr. Kollen’s claim that FPL’s use of reserve amortization results in additional recovery of storm costs ignores the fact that non-incremental costs are charged to base O&M regardless of FPL’s deferral of the costs to the storm reserve. Mr. Kollen’s attempt to introduce what he calls the “ratemaking implications of FPL’s request” are misplaced, inappropriate in the context of this case, and should be rejected by the Commission.

Q. Did the FPSC conduct an audit to review FPL’s application of the ICCA methodology related to Hurricane Dorian storm costs?

A. Yes. The FPSC conducted an audit to determine if Hurricane Dorian storm costs were properly stated and recorded. The final audit report reflects no findings regarding the Company’s application of the ICCA methodology for Hurricane Dorian storm costs. Therefore, the Commission auditors have acknowledged and validated that FPL followed the requirements of the ICCA methodology to calculate incremental storm costs for recovery in this proceeding.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

IV. INCREMENTAL STORM COSTS

A. Regular Payroll Storm Restoration Costs

Q. Please summarize Mr. Kollen’s recommended adjustment to the Hurricane Dorian regular payroll expense.

A. On page 41, lines 16 through 17 of his direct testimony, Mr. Kollen contends that all regular payroll expense associated with Hurricane Dorian storm restoration costs is non-incremental and should be disallowed. Mr. Kollen’s adjustment to remove \$1.883 million of total Regular Payroll Costs on the table included on page 16 of his testimony is unsupported and based solely on his flawed application of the ICCA.

Q. Do you agree with Mr. Kollen’s adjustment to the regular payroll expense?

A. No. As stated in my direct testimony, FPL regular payroll normally recovered through capital or cost recovery clauses can be charged to the storm reserve based on paragraphs 21 and 22 of Order No. PSC-2006-0464-FOF-EI, Docket No. 20060038-EI. The regular payroll expense calculated by FPL as incremental storm expense would have been incurred as a component of capital or cost recovery clauses absent the Hurricane Dorian storm restoration efforts. Importantly, Mr. Kollen does not claim that any portion of the regular payroll expense incurred by FPL for Hurricane Dorian was unreasonable or imprudent. Rather, Mr. Kollen’s adjustments to the regular payroll expense are based entirely on his erroneous application of the ICCA method.

1 Unless a non-incremental regular payroll expense is found to be imprudent, it
2 would be charged to base O&M expense or capital, which is where all of the
3 regular payroll expense for Hurricane Dorian has been charged. Mr. Kollen’s
4 adjustment fails to recognize that all the regular payroll expense was charged
5 to base O&M expense or capital. Mr. Kollen’s attempt to reclassify all the
6 regular payroll expense as non-incremental costs does not mean the costs are
7 disallowed as a base O&M expense as suggested by Mr. Kollen; in the case of
8 Dorian, it simply shifts where the regular payroll expense on Exhibit DH-1
9 would be reflected and would have no other impact on FPL’s books and records.
10 For these reasons, Mr. Kollen’s arbitrary reduction in regular payroll misapplies
11 the ICCA method and is not consistent with the Rule.

12 **Q. Do you have any additional concerns with Mr. Kollen’s application of the**
13 **ICCA method?**

14 A. Yes. While the Rule does not expressly state how the ICCA methodology
15 should be applied to regular payroll, the Rule does provide significant guidance
16 on the purpose and intent of it. Part (1)(f)(1) of the Rule prohibits “base rate
17 recoverable regular payroll and regular payroll-related costs for utility
18 managerial and non-managerial personnel” from being charged to the storm
19 reserve, and Part (1)(d) of the Rule provides that “... costs charged to cover
20 storm-related damages shall exclude those costs that normally would be
21 charged to non-cost recovery clause operating expenses in the absence of a
22 storm.” In addition, Part (1)(f)(7) of the Rule specifically refers to the use of
23 budgeted call center and customer service costs when calculating incremental

1 costs for those functions. When these parts of the Rule are read together, it is
2 clear that the purpose of the Rule is to exclude the normal regular payroll O&M
3 expense that would have been incurred *in the absence of the storm*.

4
5 There is nothing in the Rule that states all regular payroll expense must be
6 disallowed for recovery or considered non-incremental. Mr. Kollen fails to
7 support his exclusion of all regular payroll as a disallowance or non-incremental
8 expense and provides no reasoning for suggesting such adjustment.

9 **Q. Did FPL apply the ICCA methodology to Regular Payroll and exclude**
10 **those costs that normally would be charged to non-cost recovery clause**
11 **operating expenses in the absence of a storm? Please explain your answer.**

12 A. Yes. FPL used its current period operating budget as the baseline to calculate
13 its non-incremental Hurricane Dorian Regular Payroll storm costs per the ICCA
14 methodology, which was reflected on Exhibit DH-1 and the updated Exhibit
15 DH-2. The use of the budgeted amount of regular payroll expenses to calculate
16 the baseline from which incremental recoverable costs are derived is consistent
17 with the intent and purpose of the ICCA methodology under the Rule because
18 it reflects the actual amount of regular payroll expense that would be charged
19 to base O&M expense in the absence of the storm. Further, the use of the
20 budgeted amount of regular payroll expenses to calculate the baseline from
21 which incremental recoverable costs are derived properly recognizes that: (1)
22 the base rates in effect were the result of a comprehensive settlement with a
23 significantly reduced revenue requirement from what was initially requested;

1 and (2) the actual amount of regular O&M payroll to be charged to base rates
2 can and does fluctuate from year to year.

3

4 **B. Overtime Payroll Storm Restoration Costs**

5 **Q. Please summarize Mr. Kollen’s recommended adjustment to the**
6 **Hurricane Dorian overtime payroll expense.**

7 A. On page 42, lines 19 through 21 of his testimony, Mr. Kollen recommends that
8 an arbitrary and unsupported 25%, or \$2.271 million, of FPL’s overtime payroll
9 expense associated with Hurricane Dorian be disallowed and excluded under
10 the ICCA methodology.

11 **Q. Are you able to identify the basis of the arbitrary and unsupported**
12 **recommended adjustment of 25% of FPL’s overtime payroll?**

13 A. No. Mr. Kollen readily admits that he simply “assumed” that 75% of FPL’s
14 Hurricane Dorian overtime was incremental and 25% was non-incremental.
15 This assumption appears to be based on a number of additional incorrect
16 assumptions, none of which support his conclusion.

17

18 In reaching his conclusion, Mr. Kollen relies on his Exhibit LK-2, which is
19 FPL’s response to OPC’s Second Set of Interrogatories, No. 37. He claims at
20 page 42 of his testimony that “[T]he Company objected and refused to provide
21 the amount (of overtime payroll and related costs) included in the base revenue
22 requirement or historic amounts actually incurred in response to OPC
23 discovery.” But even a cursory review of Exhibit LK-2 shows that, contrary to

1 Mr. Kollen's assertion, after asserting its legal objection, FPL in fact provided
2 a detailed answer, explaining: (1) that base rates in effect for 2019 were the
3 result of a full comprehensive settlement agreement approved by the
4 Commission, and that the fixed based rates approved under that 2016
5 Settlement Agreement were designed to achieve the settled revenue
6 requirement, not the as-filed revenue requirement; and (2) that overtime payroll
7 for Hurricane Dorian (as a qualifying storm event) was neither budgeted nor
8 planned, and that as a result any and all associated overtime payroll is by
9 definition incremental.

10 **Q. Do you agree with Mr. Kollen's recommendation to exclude non-**
11 **incremental overtime payroll under the ICCA method?**

12 **A.** No. Similar to his non-incremental adjustment for regular payroll expense, the
13 fundamental flaw with his adjustment to the overtime payroll expense is that it
14 fails to recognize that all of the overtime payroll expense was charged to base
15 O&M expense and, unless a non-incremental overtime payroll expense is found
16 to be unreasonable or imprudent, it will remain charged to base O&M expense.
17 In this case, Mr. Kollen does not contend that any portion of the overtime
18 expense associated with the Hurricane Dorian storm restoration costs is
19 unreasonable or imprudent.

20

21 Further, Mr. Kollen's non-incremental adjustment to the overtime payroll
22 expense fails to recognize that qualifying storm events and the associated
23 overtime payroll are neither budgeted nor planned – they are incremental in

1 nature. Indeed, but for the storm, FPL would not have incurred this overtime
2 payroll expense. Mr. Kollen’s recommended adjustment should be rejected.

3

4 **C. Line Contractor Costs**

5 **Q. Please summarize Mr. Kollen’s recommended adjustment to the**
6 **Hurricane Dorian line contractor expense.**

7 A. On pages 43 through 44 of his direct testimony, Mr. Kollen contends that FPL
8 did not properly apply the ICCA methodology to “line contractor costs.” Mr.
9 Kollen recommends a disallowance of an arbitrary and unsupported 2% of line
10 contractor costs, once again incorrectly claiming that FPL “objected to and
11 refused to provide the historic information necessary to quantify these
12 embedded costs in response to OPC discovery.” Similar to his adjustments for
13 Payroll and overtime payroll, his adjustment for Line Contractor costs is
14 unsupported and contrary to the Rule.

15

16 Notwithstanding Mr. Kollen’s assertions to the contrary, reference to his
17 Exhibit LK-3 again shows that after asserting its legal objection, FPL in fact
18 provided a detailed answer, explaining that “notwithstanding and without
19 waiver of its objection...FPL does not track line contractor expenses at the
20 requested level of detail.” FPL further explained that line contractor expenses
21 are recorded to the same general ledger account as all other contractor expenses.

22

1 **Q. Do you agree with Mr. Kollen that FPL did not properly apply the ICCA**
2 **methodology to line contractor costs?**

3 A. No. FPL followed Part (1)(e)(1) of the Rule in determining the amount of line
4 contractor costs that are allowed to be recovered, which included “additional
5 contract labor hired for storm restoration activities.” Similar to Overtime
6 Payroll, line contractor costs are neither budgeted nor planned – they are
7 incremental in nature. Indeed, but for the storm, FPL would not have incurred
8 this line contractor expense.

9

10 **V. STORM RESTORATION ACCRUALS**

11

12 **Q. Please summarize Mr. Kollen’s testimony regarding the third-party**
13 **contractor storm cost accruals included in FPL’s Hurricane Dorian storm**
14 **costs.**

15 A. On page 46 of his direct testimony, Mr. Kollen recommends that all accrued
16 costs should be disallowed and excluded from the Hurricane Dorian storm
17 restoration costs charged to base O&M expense due to lack of supporting detail.

18 **Q. Did FPL provide supporting detail for the third-party contractor cost**
19 **storm cost accruals included in its storm costs?**

20 A. Yes. As a preliminary matter, I note that Mr. Kollen does not claim that any
21 portion of the accruals for Hurricane Dorian were unreasonable or imprudent.
22 Rather, the sole basis for his claim is that these costs should be disallowed due
23 to lack of supporting details.

1

2 FPL's storm cost accruals included in Exhibit DH-1 were based on the best
3 available estimate at the time my direct testimony was filed and are most
4 assuredly prudently incurred costs. Contrary to Mr. Kollen's statement, FPL
5 did provide supporting detail for these costs in its Exhibit DH-1 Support file
6 when its petition was filed.

7

8 FPL's estimated Hurricane Dorian storm restoration costs include accruals for
9 invoices received but not yet processed, work incurred but not yet invoiced and
10 remaining follow-up work to be performed to restore the system back to its pre-
11 storm condition. As of December 2020, there remained only a total of \$272
12 thousand of Hurricane Dorian storm cost accruals which are reflected on
13 Exhibit DH-2.

14

15 **VI. FINAL HURRICANE DORIAN STORM RESTORATION**

16 **COSTS**

17

18 **Q. Has FPL identified any adjustments to the Hurricane Dorian Storm and**
19 **Restoration costs filed on June 29, 2020?**

20 **A.** Yes. Since the filing of Exhibit DH-1 on June 29, 2020, FPL's total Hurricane
21 Dorian retail recoverable incremental storm losses increased from \$238 million
22 to \$239 million, resulting in a final true up of follow up and restoration work
23 charged to base O&M of \$760 thousand, or 0.3% of the total Hurricane Dorian

1 storm restoration costs, attributed to changes in estimates and scope of work
2 which are reflected on Exhibit DH-2 and attached to my rebuttal testimony.

3 **Q. Does this conclude your rebuttal testimony?**

4 **A. Yes.**

Florida Power & Light Company
Hurricane Dorian Incremental Cost and Capitalization Approach Adjustments
as of December 31, 2020
(\$000s)

LINE NO.	Storm Costs By Function (A)						Total (7)	
	Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)		
1	Storm Restoration Costs							
2		\$110	\$192	\$318	\$2,115	\$293	\$56	\$3,085
3		270	959	766	6,389	681	188	9,253
4		135	1,153	213	151,048	1,110	94	153,752
5		0	0	0	32,884	0	0	32,884
6		0	4	86	8,653	4	0	8,747
7		7	62	168	700	2	30	968
8		102	456	40	28,755	144	4	29,501
9		16	111	36	2,245	737	68	3,213
10	Total Storm Related Restoration Costs	\$641	\$2,937	\$1,626	\$232,787	\$2,971	\$441	\$241,402
11								
12	Less: Capitalizable Costs							
13		\$0	\$0	\$0	\$4	\$0	\$0	\$4
14		0	0	0	153	0	0	153
15		0	0	0	64	0	30	93
16		0	0	0	8	0	0	8
17		0	0	0	-19	0	0	-19
18	Total Capitalizable Costs	\$0	\$0	\$0	\$209	\$0	\$30	\$238
19								
20	Less: Third-Party Reimbursements (E)	0	0	0	19	0	0	19
21								
22	Less: Below-the-Line/Thank You Ads	0	0	0	0	0	0	0
23								
24	Total Storm Restoration Costs Charged to Base O&M	\$641	\$2,937	\$1,626	\$232,559	\$2,971	\$411	\$241,145
25								
26	Less: ICCA Adjustments							
27		\$79	\$181	\$61	\$474	\$230	\$83	\$1,108
28	Line Clearing:							
29	Vegetation Management	0	0	0	0	0	0	0
30	Vehicle & Fuel:							
31	Vehicle Utilization	0	15	86	706	1	0	808
32	Fuel	0	0	0	75	0	0	75
33	Other							
35	Legal Claims	0	0	0	0	0	0	0
36	Employee Assistance and Childcare	0	0	0	0	28	0	28
37	Total ICCA Adjustments	\$79	\$196	\$146	\$1,255	\$259	\$83	\$2,019
38								
39	Incremental Storm Losses							
40	Regular Payroll and Related Costs (C)(F)	\$31	\$12	\$257	\$1,637	\$63	-\$27	\$1,973
41	Overtime Payroll and Related Costs	270	959	766	6,389	681	188	9,253
42	Contractors	135	1,153	213	150,895	1,110	94	153,599
43	Line Clearing	0	0	0	32,884	0	0	32,884
44	Vehicle & Fuel	0	-11	0	7,872	3	0	7,864
45	Materials & Supplies	7	62	168	636	2	0	875
46	Logistics	102	456	40	28,755	144	4	29,501
47	Other	16	111	36	2,237	709	68	3,178
48	Total Incremental Storm Losses	\$561	\$2,741	\$1,480	\$231,304	\$2,711	\$328	\$239,126
49								
50	Jurisdictional Factor (G)	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
51								
52	Retail Recoverable Incremental Costs	\$534	\$2,559	\$1,336	\$231,274	\$2,625	\$328	\$238,656

Notes:

(A) Storm costs are as of December 31, 2020. Totals may not add due to rounding.

(B) General plant function reflects restoration costs associated with FPL's Human Resources, Corporate and External Affairs, Energy Marketing & Trading, Information Technology, Real Estate, Marketing and Communications, General Counsel, Regulatory Affairs, Internal Audit and Strategy, Policy & Business.

(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) Includes other miscellaneous costs, including payroll and related overheads from affiliate personnel directly supporting storm restoration.

(E) Reimbursement due from AT&T for 6 poles replaced by FPL during restoration as a result of the storm.

(F) 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 the employee supported during the storm. Therefore, in the example in Note (C) 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.

(G) Jurisdictional Factors are based on factors approved in Docket No. 160021-EI.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **REBUTTAL TESTIMONY OF CLARE GERARD**

4 **DOCKET NO. 20200172-EI**

5 **JANUARY 12, 2021**

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

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

2 A. My name is Clare Gerard. My business address is Florida Power & Light Company,
3 15430 Endeavor Drive, Jupiter, FL 33478.

4 **Q. Have you previously submitted prepared direct testimony in this proceeding?**

5 A. Yes. I submitted direct testimony and accompanying Exhibit CLG-1 on June 29, 2020.

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

7 A. The purpose of my rebuttal testimony is to respond to Office of Public Counsel
8 (“OPC”) witness Lane Kollen’s claim that the estimated accruals associated with
9 Hurricane Dorian storm restoration costs should be disallowed due to lack of
10 supporting detail. My testimony also provides the results of the cost finalization of
11 certain invoices which have been resolved subsequent to the filing of my direct
12 testimony.

13 **Q. Mr. Kollen recommends an adjustment of \$3.142 million based upon his assertion**
14 **that “[T]he amounts charged by the Company to base O&M expense included**
15 **estimated costs that had not yet been finalized or paid.” Please respond to this**
16 **assertion.**

17 A. At the time my direct testimony was filed, the review and dispute process was still
18 underway. I testified that we would identify with more precision final costs once the
19 remaining disputes had been resolved. In the intervening months, the amount in dispute
20 initially increased to more than the approximately \$3 million discussed in my direct
21 testimony. However, as we continued to resolve the outstanding disputes, while also
22 supporting the Florida Power & Light Company (“FPL”) through an extremely busy
23 storm season, the amount in dispute has significantly decreased.

1 **Q. Did Mr. Kollen claim that the \$3.142 million represents costs that were**
2 **unreasonable or imprudently incurred?**

3 A. No, the basis for the recommended adjustment is that the costs are, what he termed,
4 “estimated amounts.”

5 **Q. In the time that has passed since filing direct testimony, has FPL resolved the vast**
6 **majority of the remaining invoices?**

7 A. Yes. A considerable effort has been made to resolve the disputes related to these
8 accruals. As of December 31, 2020, there remained only a total of \$272 thousand in
9 Hurricane Dorian storm cost accruals which remain unresolved, as reflected in FPL
10 witness Hughes’ Exhibit DH-2.

11 **Q. What is your response to Mr. Kollen’s comments related to the Cost Finalization**
12 **team?**

13 A. I agree with Mr. Kollen’s statement that FPL’s review of the invoices “was systematic
14 and comprehensive.” He acknowledged the effectiveness of the process undertaken by
15 the team. The detailed and deliberate review by the Cost Finalization team effectively
16 allowed for the payment of appropriate storm costs, thereby providing tremendous
17 customer benefit.

18 **Q. Does this conclude your rebuttal testimony?**

19 A. Yes.