CORRESPONDENCE
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State of Florida

# Public Service Commission

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

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

**DATE:** May 14, 2021

**TO:** Docket file

**FROM:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk PJB for AJT

**RE:** 20210015-EI - Petition for rate increase by Florida Power & Light

Please file the attached response from FPL in the correspondence section of the above mentioned docket file.

Kenneth M. Rubin
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Florida Power & Light Company
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May 13, 2021

Mr. Adam Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

**Re: Docket No 20210015-EI**

Dear Mr. Teitzman:

Florida Power & Light Company ("FPL") hereby provides the following response to the anonymous letter dated April 26, 2021 assigned as correspondence to Docket No. 20210015-EI, Document No. 03720-2021.

1) This statement is misleading. Palms Insurance Company Limited is a wholly owned subsidiary of NextEra Energy Capital Holdings (NEECH). Palms, like any insurance company, can declare dividend distributions from surplus, not premiums as improperly contended in the statement, to its parent company assuming it maintains the appropriate capital requirements set out by its regulator, Cayman Investment Monetary Authority (CIMA) for the insurance business. Similarly, Palms, like any other insurance company, would not request additional capital from FPL to cover a loss that arose from an FPL asset that Palms insures.

2) Palms Insurance Company Limited insures the risk of many NextEra Energy entities, including FPL. Palms maintains separate books and records from its parent company (consolidates for reporting purposes of parent company through NEECH) or any other NextEra Energy subsidiary, including FPL, and those books and records accurately reflect the whole insurance company entity. Palms underwrites, models, and prices each risk it insures on its own merit. Palms is independently audited by Deloitte & Touche LLP, regulated by the Cayman Investment Monetary Authority (CIMA), monitored by an external captive manager, and has a separate credit rating distinct from its parent by AM Best.

3) This statement is misleading. As the corporate shared services provider, FPL employs individuals that work on Palms activities on behalf of the entire NEE organization. All

FPL Risk Management employees allocate their time to all NEE operating entities via the Corporate Services Charge. FPL retains only its portion of the costs for these services.

4) The statement is misleading and missing key facts. The property premium is competitively priced in the marketplace every year. In the 2018 US property renewal, FPL's Total Insurable Value (TIV) increased by ~14% while NEER's TIV decreased by ~4%. In addition, FPL's assets are 100% exposed to hurricanes and post 2017 Hurricane Irma, rates for hurricane prone assets have increased and continue to increase following multiple years of catastrophic events. NextEra Energy's independent property broker reviewed our lead underwriter's risk and premium allocation for the program and allocated the premium ~50% FPL and ~50% NEER. Therefore, NextEra Energy's independent property broker McGriff invoiced FPL for an incremental ~$3 MM of cost and credited NEER due to the change in TIV's, losses, and market driven costs.

5) This statement is misleading. During the yearly property renewal, risk management and NextEra Energy's property broker analyze the overall risk, pricing, and what is commercially available in the marketplace. FPL performed a CPVRR analysis to analyze the long-term cost associated with differing premiums and deductibles while taking into account FPL's previous loss history. As a result of that CPVRR analysis, it was determined that increasing the FPL deductible from $10 MM to $25 MM was the appropriate long-term decision for customers based on the current market insurance costs. As a result of the increase in the deductible, FPL's annual premium was reduced by ~$4.5 MM.

6) The vehicle and insurance benefit programs available to certain executive leaders are provided to maximize such leaders' work time and reduce distractions, in recognition of the extraordinary demands on their time and attention. Such fringe benefits constitute a modest component of the total compensation and benefits package, while enabling participants to remain focused on delivering exceptional performance for the benefit of customers.

7) Vegetation management is an important component of our overall storm hardening plan and FPL consistently completes vegetation maintenance on over 22,000 miles of distribution and transmission lines each year. FPL's currently approved distribution vegetation program includes the following system-wide vegetation management activities: three-year cycle for feeders; mid-year cycle targeted maintenance for certain feeders; six-year cycle for laterals; and continued education of customers through its Right Tree, Right Place initiative. FPL inspects and maintains, on average, approximately 7,000 miles of transmission lines annually, including approximately 4,300 miles for NERC transmission line corridors and approximately 2,700 miles for non-NERC transmission line corridors. Project Accelerate' s focus has been directly correlated to improving the tools used by Arborists to gain efficiencies and improve the overall customer experience. Additionally, the customer trim request (CTR) process has been enhanced to include the development of a customer facing application whereby customers can self-report concerns/conditions and provide pictures for more efficient disposition. As a result of these tools, the volume of CTRs completed has increased by 30% over the past 4 years.

8) The statement is not accurate and misleading. FPL takes all aspects of safety including vehicle safety very seriously. Actions have been and continue to be taken to reduce the number and types of auto accidents.

From 2016 to 2020, FPL's Southeast Electric Exchange (S.E.E) Vehicle Accident Frequency rate averaged 4.62. Relative to this 5 year average, FPL's rate was lower in 2019, higher in 2020, and lower for the first quarter of 2021. Overall FPL's performance in this area has remained relatively flat. It should be noted that in the first quarter of 2021, FPL's score was in the 1st quartile, a notable accomplishment to date, particularly recognizing that much of FPL's service area is high density and heavily trafficked by drivers generally associated with a more aggressive style of driving.

S.E.E. Vehicle Accident Frequency rate is calculated by the using the formula of Number of Accidents times 1,000,000 divided by Miles Driven. FPL's auto premium is priced yearly using an actuarial report that models out the ultimate loss projections and premium based on P75 plus expenses.

Quartile Rating is measured against a predetermined annual S.E.E. Vehicle Accident Frequency Rate Goal. The 2021 S.E.E. goal is 2.73. To establish the annual goal, the S.E.E. uses the previous year's year-end average and reduces it by 25%. However, the new annual goal cannot be higher than the previous year's goal. If it is, the previous year's goal is used.

| FPL's S.E.E. Vehicle Accident Frequency Rate | | |
|---|---|---|
| Year | Vehicle Accident Frequency Rate | Quartile |
| 2016 | 4.82 | 2nd |
| 2017 | 4.57 | 3rd |
| 2018 | 4.69 | 3rd |
| 2019 | 3.81 | 2nd |
| 2020 | 5.18 | 3rd |
| Q1-2021 | 3.11 | 1st |

FPL has taken a number of steps to reduce accidents and improve its vehicle accident frequency rate.

- Backup cameras were installed in 2006 on Restoration Specialist trucks since they are a one-person crew.
- Mobileye in cab driver alert system were installed in the entire FPL fleet. This system is an aftermarket product that provides forward facing encroachment and lane departure audible alarm - installed in 2014.
- 3rd Eye Radar – Rear facing radar and in cab alarm technology to reduce backing accidents - installed starting in 2015.
- 923 Power Delivery line employees completed the Smith Driver training in 2017 and 2018 - www.drivedifferent.com.

- Rear chevron decals were added to the FPL fleet in 2017 and is an on-going standard for our fleet field vehicles.
- LED jobsite and strobe lights have been added to Light Duty Vehicles (LDV) and Heavy Duty (HD) units.

To take the next step in performance, FPL added additional technology solutions to its fleet and is continuing to take steps to reduce accidents.

- Purchasing vehicles with OEM On-Guard Interactive radar technology which provides driver proximity alerts and autonomous braking.
- Installed 360 degree cameras in units where visibility is restricted due to the structure of the vehicle i.e., box trucks and service body units.
- Installed GeoTab GPS and telemetry technology in light duty vehicles (passenger cars, pickup trucks, vans, etc.) which provides an interactive performance dashboard, driver and leadership score card reporting and historical driving patterns.
- In 2020, began installing side swipe prevention radar technology which provides the driver blind spot visibility in heavy duty line trucks. This initiative will be completed Q4-2021.
- Q4-2020 and Q1&2-2021 initiated a pilot to review On-board Dash Cameras options and vendors for heavy duty trucks.

These systems will also provide the following benefits:

- 5 camera views (forward and cab facing, right and left views and rear view)
- Artificial Intelligence monitoring for seatbelts use, distracted driving, failure to come to a complete stop at traffic stops, speeding, and cell phone us while driving.
- Infraction notifications.

Finally, in Q1-2022, FPL will initiate phase one of the installation of On-board Dash Cameras in all heavy-duty vehicles.

9) The assertions that Palms targets a 55% loss ratio and that all captives write to an 80-90% loss ratio are misleading and inaccurate. Each risk and each policy are analyzed on its own risk factors and what is covered by insurance. Each line of coverage is different in its loss patterns and curves. Palms does not target a 55% loss ratio for FPL property; as an example, FPL's five (5) year loss ratio for auto is ~82% and workers compensation is ~71%.

10) The statement has no bearing on the FPL rate case or impact to customer rates. The suite at the Super Bowl was appropriately paid for by a NextEra subsidiary and not paid for by FPL.

11) This statement is not factual. FPL is not the operator of any generating assets outside of Florida. In 2020, FPL paid self-procurement tax for property policy on Florida assets including FPL.

Please place a copy of this letter in the referenced file.

Sincerely,

*/s/Kenneth M. Rubin*
Kenneth M. Rubin

cc: Braulio L. Baez, Executive Director
Keith Hetrick, Esq., General Counsel