

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Sally, by Gulf Power Company	DOCKET NO.: 20200241-EI
In re: Petition for evaluation of Hurricane Isaias and Tropical Storm Eta storm costs, by Florida Power & Light Company.	DOCKET NO.: 20210178-EI
In re: Petition for limited proceeding for recovery of incremental storm restoration costs and associated true-up process related to Hurricane Zeta, by Gulf Power Company.	DOCKET NO.: 20210179-EI

FILED: August 16, 2022

CITIZENS' POST-HEARING BRIEF

The Citizens of the State of Florida, through the Office of Public Counsel “OPC”, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2022-0042-PCO-EI, issued January 26, 2022, modified by Order No. PSC-2022-0100-PCO-EI issued March 2, 2022, hereby submit this Post-Hearing Brief. Within this Brief, the Office of Public Counsel will be referred to as “Citizens” or “OPC”. OPC will refer to Florida Power & Light Company as “FPL” or “Company”. OPC will refer to Gulf Power Company as “Gulf” or “Company”. Each OPC position statement will be set off with asterisks.

STATEMENT OF BASIC POSITION

In prior settlement agreements entered into between FPL and Gulf with the OPC, process provisions were developed to improve the review of storm costs submitted for approval by the utilities. Pursuant to these process provisions, FPL and Gulf provided confidential Excel workbooks used to develop their claimed costs and exhibits, as well as other confidential materials consisting of Excel workbooks that included invoice information for their overhead line and vegetation management contractors and travel logs. TR at p. 422. The Excel workbooks summarizing costs for the overhead line and vegetation management contractors are referred to by the two Companies as contractor “flat files.” TR at p. 422. These flat files are extracts from the FPL-developed smart phone based iStormed App that is now required to be used by all such contractors of both Gulf and FPL. TR at p. 422. FPL committed to begin utilizing the iStormed App during the 2019 and 2020 hurricane seasons in phases as part of the Hurricane Irma Settlement Agreement. TR at p. 422. While Gulf was not required to implement the iStormed App until 2021, it implemented the application in 2020. TR at p. 422. Based on OPC’s audit of the provided information and additional

discovery, OPC, through its experts, has found that these processes have been effective in significantly reducing unjustified costs and streamlining the review process of the post-hurricane costs. TR at p. 418, 431.

However, additional process improvements can and should be made to FPL's storm pre-planning process and its resourcing process that could reduce actual storm costs incurred. Therefore, OPC recommends that additional improvements be required by the Commission for FPL (which now includes Gulf's territory). On a going-forward basis, the Commission should provide direction to the FPL that it should implement the following improvements in its hurricane processes:

- a. FPL should engage outside consulting assistance to review and further develop or replace the storm damage model to enhance its capabilities and predictive capability and accuracy. FPL should acquire and/or develop resourcing optimization software, all with goals of establishing and systematically implementing its decision criteria for reasonable restoration times and to minimize outage costs. TR at pp. 379, 390.
- b. FPL should adopt written documentation of their storm damage model, all related models, and their resourcing models, both prior to landfall and after landfall, including: 1) users' manuals; 2) use of the models and the methodologies employed; 3) and the decision criteria that are used to determine resource requirements, procure embedded and external resources to meet those requirements, and mobilize, move, and demobilize those resources throughout and after the restoration process. TR at pp. 379, 391.
- c. FPL should adopt written policies that contain a description of how to, as well as requirements to, plan and implement its storm damage and outage responses to minimize costs based on specific decision criteria, primarily reasonable outage times. TR at pp. 379, 391.
- d. FPL should adopt written policies that contain a description of how to, as well as requirements to, optimize the allocation and acquisition of embedded and external resources necessary to respond to the potential damage and outage risk exposures identified in their assessments of those risk exposures. TR at p. 379.
- e. FPL should adopt written policies that contain a description of how to, as well as requirements to, minimize storm costs through careful management of the mobilization and demobilization of its contractors, including the acquisition and/or development of optimization software. TR at p. 379.

- f. FPL should provide copies of all correct contracts and detailed invoice information for overhead line and vegetation management contractors, as well as all other vendors, with its future Notices of Filings. TR at p. 419.
- g. FPL should institute a Binder file structure similar to the one that was used by Gulf Power Company in its Hurricane Michael response in order to collect vendor invoices for processing and review by vendor name to streamline the auditing process. TR at p. 419.
- h. FPL, if it has not already done so, should extend the application of the effective iStormed App process to all other storm restoration contractors, including, but not limited to, underground line contractors, arborists, transmission storm restoration contractors, and damage assessors. TR at p. 420.

In addition to these process improvements, OPC has determined through its audit of these storm costs that additional disallowances are required. Rule 25-6.0143(1), F.A.C., lists the types of storm-related costs that are allowed and those that are prohibited from being charged to customers under the incremental cost and capitalization approach (“ICCA”) methodology. Under the ICCA methodology, utilities are allowed to charge to Account 228.1 incremental costs for non-cost recovery clause operating expense incurred above the level that would ordinarily be incurred in the absence of a storm. These costs are subject to review for reasonableness and prudence. While the Rule allows for the Company to choose to charge Account 228.1 or expense the storm costs to base O&M, the storm costs passed on to customers must comply with the ICCA methodology limiting costs to only incremental costs not collected in base rates. FPL/Gulf did not follow this rule in all instances. Accordingly, costs should be disallowed to eliminate the non-incremental, prohibited, or double recovered dollars contained in the FPL/Gulf claim:

- a. Base rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel of \$0.957 million (jurisdictional) for Hurricane Sally, \$0.320 million (jurisdictional) for Hurricane Isaias, \$1.429 million (jurisdictional) for Tropical Storm Eta, and \$0.131 million (jurisdictional) for Hurricane Zeta;

- b. Base rate recoverable overtime payroll and overtime payroll-related costs for utility managerial and non-managerial personnel of \$0.802 million (jurisdictional) for Hurricane Sally, \$1.146 million (jurisdictional) for Hurricane Isaias, \$2.097 million (jurisdictional) for Tropical Storm Eta, and \$0.084 million (jurisdictional) for Hurricane Zeta;
- c. Base rate recoverable embedded line contractor costs of \$1.416 million (jurisdictional) for Hurricane Sally, \$0.084 million (jurisdictional) for Hurricane Isaias, \$0.325 million (jurisdictional) for Tropical Storm Eta, and \$0.109 million (jurisdictional) for Hurricane Zeta;
- d. Double recovered, not received and paid, or different than recorded amounts for various overhead line and vegetation management contractors of \$0.229 million (jurisdictional) for Hurricane Sally, \$0.081 million (jurisdictional) for Hurricane Isaias, \$0.116 million (jurisdictional) for Tropical Storm Eta, and \$0.005 million (jurisdictional) for Hurricane Zeta;
- e. Base rate recoverable materials and supplies costs of \$0.063 million (jurisdictional) for Hurricane Sally, \$0.038 million (jurisdictional) for Hurricane Isaias, \$0.182 million (jurisdictional) for Tropical Storm Eta, and \$0.063 million (jurisdictional) for Hurricane Zeta;
- f. Prohibited interest of \$0.311 million (jurisdictional) for Hurricane Sally, and \$0.001 million (jurisdictional) for Hurricane Zeta;

Further, The combined surcharge for Gulf residential customers should not be increased above the current \$11/1,000 kWh and used to collect \$8/1,000 kWh for Hurricanes Michael, \$2/kWh for Hurricane Sally and \$1/\$1,000 kWh for Hurricane Zeta. Once Hurricane Michael costs are fully recovered, then the surcharge for Hurricane Sally should increase by an amount equivalent to the Hurricane Michael surcharge plus the current Hurricane Sally surcharge until fully recovered. However, all surcharges and O&M expensed storm costs should reflect all OPC disallowances and the Reserve Surplus Adjustment Mechanism (RSAM) credited for any O&M disallowances.

POSITIONS AND ARGUMENT ON DISPUTED ISSUES

ISSUE 1: **Should the incremental cost and capitalization approach (ICCA) found in Rule 25-6.0143, F.A.C., be used to determine the reasonable and prudent amounts to be included in the restoration costs?**

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: * Yes. Rule 25-6.0143(1)(d), F.A.C., states that “[i]n determining the costs to be charged to cover storm-related damages, the utility shall use an Incremental Cost and Capitalization Approach methodology (ICCA)” and “[u]nder the ICCA methodology, the cost charged to cover storm-related damages shall exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” These incremental costs are subject to reasonable and prudence review. *

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: * Yes. The Rule requires the utility use an ICCA methodology that excludes costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Under the Rule, a utility may choose to charge these storm-related costs as operating expense, but has only one description of storm-related damages or costs that may be recovered from customers, despite recovery form. These incremental costs are subject to reasonable and prudence review. *

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: * Yes. The Rule requires the utility use an ICCA methodology that excludes costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Under the Rule, a utility may choose to charge these storm-related costs as operating expense, but has only one description of storm-related damages or costs that may be recovered from customers, despite recovery form. These incremental costs are subject to reasonable and prudence review. *

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: *Yes. Rule 25-6.0143(1)(d), F.A.C., states that “[i]n determining the costs to be charged to cover storm-related damages, the utility shall use an Incremental Cost and Capitalization Approach methodology (ICCA)” and “[u]nder the ICCA methodology, the cost charged to cover storm-related damages shall exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” These incremental costs are subject to reasonable and prudence review. *

ARGUMENT: Rule 25-6.0143(1)(d), F.A.C., states that “[i]n determining the costs to be charged to cover storm-related damages, the utility shall use an Incremental Cost and Capitalization Approach methodology (ICCA).” The Rule further states that “[u]nder the ICCA methodology, the cost charged to cover storm-related damages shall exclude those costs that normally would be charged to non-cost recovery clause

operating expenses in the absence of a storm.” Under the ICCA methodology, utilities are allowed to charge to Account 228.1 these incremental costs for non-cost recovery clause operating expense incurred above the level that would ordinarily be incurred in the absence of a storm. These costs are subject to review for reasonableness and prudence. TR at p. 369.

Under Section 25-6.0143(1)(h), F.A.C., a utility may choose, at its own option, to charge these storm related costs as operating expense rather than charging them to Account 228.1. Usually a utility would not choose to charge storm costs to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else equal. TR at p. 372. Gulf has chosen to seek recovery through Account 228.1 and a surcharge. However, FPL has a RSAM which allows it to use the depreciation reserve to manage its earned return (i.e. use monies from the surplus created from prior customer rates for depreciation that were higher than needed to fund the depreciate reserve based on the current approved depreciation study). TR at p. 367. The Rule has only one description of storm-related damages or storm costs that may be recovered from customers, despite the form of recovery or use of the RSAM. The Rule does not contain an exculpatory term that relieves the utility from compliance with the Rule if it chooses to charge storm cost to base O&M, and then recover the storm-costs through the use of depreciation reserve (i.e. customer monies) under the RSAM. TR at p. 372. Under either scenario, recovery through surcharge or expensed to O&M, for storm-related costs to be determined reasonable and prudent and directly or indirectly recoverable from customers, these storm-related costs must comply with the ICCA methodology. Future customers should not bear these improperly charged storm costs.

Further, a review of the processes and procedures used by the utility is necessary to ensure the cost incurred for recovery under the ICCA are fair, just, reasonable and prudent. Section 366.06(2), Florida Statutes, states that “[w]henver the commission finds, **upon request made** or upon its own motion, that the rates demanded, charged, or collected by any public utility for public utility service, or that the rules, regulations, **or practices of any public utility affecting such rates**, are unjust, unreasonable, unjustly discriminatory, or in violation of law; . . .” the Commission will hold a public hearing. (Emphasis added). Thus, the practices of the

utility are a legitimate issue for the Commission to review and make determinations upon through the hearing process.

Currently, the utility does not have processes and procedure in place for pre-storm costs that ensure only fair, just and reasonable costs are recovered in its rates to customers. As described by OPC Witness Kollen, the pre-storm processes and procedures should be improved as outlined below. On a going-forward basis, FPL (which now includes Gulf's territory) should implement the following improvements in their hurricane processes:

- a. FPL should engage outside consulting assistance to review and further develop or replace the storm damage model to enhance its capabilities and predictive capability and accuracy. FPL should acquire and/or develop resourcing optimization software, all with goals of establishing and systematically implementing its decision criteria for reasonable restoration times and to minimize outage costs. TR at pp. 379, 390.
- b. FPL should adopt written documentation of their storm damage model, all related models, and their resourcing models, both prior to landfall and after landfall, including: 1) users' manuals; 2) use of the models and the methodologies employed; 3) and the decision criteria that are used to determine resource requirements, procure embedded and external resources to meet those requirements, and mobilize, move, and demobilize those resources throughout and after the restoration process. TR at pp. 379, 391.
- c. FPL should adopt written policies that contain a description of how to, as well as requirements to, plan and implement its storm damage and outage responses to minimize costs based on specific decision criteria, primarily reasonable outage times. TR at pp. 379, 391.
- d. FPL should adopt written policies that contain a description of how to, as well as requirements to, optimize the allocation and acquisition of embedded and external resources necessary to respond to the potential damage and outage risk exposures identified in their assessments of those risk exposures. TR at p. 379.
- e. FPL should adopt written policies that contain a description of how to, as well as requirements to, minimize storm costs through careful management of the mobilization and demobilization of its contractors, including the acquisition and/or development of optimization software. TR at p. 379.

- f. FPL should provide copies of all correct contracts and detailed invoice information for overhead line and vegetation management contractors, as well as all other vendors, with its future Notices of Filings. TR at p. 419.
- g. FPL should institute a Binder file structure similar to the one that was used by Gulf Power Company in its Hurricane Michael response in order to collect vendor invoices for processing and review by vendor name to streamline the auditing process. TR at p. 419.
- h. FPL, if it has not already done so, should extend the application of the effective iStormed App process to all other storm restoration contractors, including, but not limited to, underground line contractors, arborists, transmission storm restoration contractors, and damage assessors. TR at p. 420.

Implementation of these process improvements that are applicable to FPL will help to ensure that only reasonable and prudent costs are incurred for pre-storm activities. Pursuant to Section 366.07, Florida Statutes, the Commission shall determine and by order fix the fair and reasonable rates. Thus, the Commission has an obligation to ensure that only fair, just, and reasonable rates are charged to customers. The statute requires that upon request (like raised in this process) a review of the processes and procedures used by the utility is appropriate to ensure that the storm costs incurred for recovery under the ICCA methodology are fair, just, reasonable and prudent. This should not be a merely perfunctory review. See Section 366.06(2), Florida Statutes.

ISSUE 2: What is the reasonable and prudent amount of regular payroll expense to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.
 OPC: *Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing regular payroll and related costs. Thus, OPC recommends that \$0.957 million (jurisdictional) be disallowed in addition to the costs already removed by the utility.*

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: *Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate-recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing all regular payroll and related costs. Thus, OPC recommends that \$0.320 million (jurisdictional) be disallowed in addition to the costs already removed by the utility. *

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: *Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate-recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing regular payroll and related costs. Thus, OPC recommends that \$1.429 million (jurisdictional) be disallowed in addition to the costs already removed by the utility.*

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: *Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate-recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. The utility failed to limit its request to incremental costs by not removing all regular payroll and related costs. Thus, OPC recommends that \$0.131 million (jurisdictional) be disallowed in addition to the costs already removed by the utility.*

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for “storm-related damages.” TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(f), F.A.C., lists the types of storm-related costs that are prohibited from being charged to customers under the ICCA methodology including base rate-recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel. TR at p. 370. Rule 25-6.0143(1)(h), F.A.C., allows the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically, a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p. 372. However, FPL is different because of its availability and use of the excess depreciation collected

in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372. In addition, there is no language in the Rule that excludes its applicability to authorize recovery of storm costs from customers depending on recovery method. TR at p. 372.

Gulf and FPL failed to limit their costs charged to customers to only those incremental costs above the “costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” TR at p. 396. Specifically, the Companies failed to exclude all straight time labor and related loadings costs as required by the Rule. TR at p. 396. In direct contravention of the Rule, they only excluded a portion of straight time labor and related loadings for non-cost recovery clause operating expenses included in its 2020 budget. TR at p. 396. Gulf excluded only 45% of the distribution straight time labor costs and 41% of the straight time transmission labor costs related to Hurricane Sally and 40% of the distribution straight time labor costs and 29% of the straight time transmission labor costs for Hurricane Zeta. FPL excluded only 48% of the distribution straight time labor costs and 34% of the straight time transmission labor costs related to Hurricane Isaias and 37% of the distribution straight time labor costs and 16% of the straight time transmission labor costs for Tropical Storm Eta. TR at p. 396

The Companies Witness Hughes misconstrues OPC Witness Kollen’s testimony. First, Witness Hughes argues that unless the regular payroll was found to be imprudent, regular payroll would be charged to base O&M or capital (as FPL did with its regular payroll and related storm costs). TR at p. 500. Second, Witness Hughes argues that Witness Kollen adjustments for all regular payroll expense associated with restoration costs as non-incremental and disallowable is over inclusive. TR at p. 455.

Companies’ Witness Hughes argument that unless a regular payroll cost is found imprudent, it can otherwise be charged to base O&M is misleading. TR at p. 456. As Witness Kollen highlights in his testimony, the RSAM allows FPL to take funds equivalent to the storm costs from the excess depreciation reserve paid for by

customers to manage its earnings and earn a return on the storm costs until its base rates are reset in a future base rate proceeding. TR at p. 372. The Rule is designed to disallow a double recovery from customers for the same costs. As Witness Kollen testified the Rule does not incorporate an exculpatory term that relieves the utility from compliance with recovery of only incremental storm-related costs from customers regardless of cost recovery method. TR at p. 372.

Finally, Companies' Witness Hughes states that the Companies used their budget as a baseline to calculate its non-incremental payroll storm costs per the ICCA methodology. TR at p. 458. Mr. Hughes incorrectly states that Witness Kollen failed to support his exclusion of all regular payroll as a disallowance or non-incremental. Witness Kollen's adjustment did not include capital or clause related costs. Witness Kollen in his testimony clearly indicates that his adjustments are based on "straight time labor and related loadings for non-cost recovery clause operating expenses included in its 2020 budget." TR at p. 396.

Witness Kollen recommends disallowance of the remaining regular payroll and related costs after the Companies' adjustments for capitalizable and non-incremental costs. For Gulf, Witness Kollen recommends disallowing \$0.957 million on a retail jurisdictional basis for Hurricane Sally and \$0.131 on a retail jurisdictional basis for Hurricane Zeta for the remaining regular payroll and related costs. TR at p. 399. For FPL, Witness Kollen recommends disallowing \$0.320 million on a retail jurisdictional basis for Hurricane Isaias and \$1.429 million on a retail jurisdictional basis for Hurricane Zeta for the remaining regular payroll and related costs. TR at p. 400.

ISSUE 3: What is the reasonable and prudent amount of overtime payroll expense to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: *The utility failed to limit its request to incremental costs by simply claiming that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. It failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% disallowance in the absence of necessary detail being provided by the utility. Thus, \$0.802 million (jurisdictional) should be disallowed. *

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: *The utility failed to limit its request to incremental costs by not removing all non-incremental overtime payroll costs by simply claiming that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. It failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% disallowance in the absence of necessary detail being provided by the utility. Thus, \$1.146 million (jurisdictional) should be disallowed.

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: *The utility failed to limit its request to incremental costs by not removing all non-incremental overtime payroll costs by simply claiming that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. It failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% disallowance in the absence of necessary detail being provided by the utility. Thus, \$2.097 million (jurisdictional) should be disallowed. *

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: *The utility failed to limit its request to incremental costs by not removing all non-incremental overtime payroll costs by simply claiming that the entire overtime payroll and related costs were incremental, although the base revenue requirement includes overtime payroll and related costs. It failed to provide the amounts included in the base revenue requirement which results in overstating overtime. OPC recommends 25% disallowance in the absence of necessary detail being provided by the utility. Thus, \$0.084 million (jurisdictional) should be disallowed. *

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for “storm-related damages.” TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(e)(8), F.A.C., allows for “[o]vertime payroll and payroll related costs for utility personnel included in storm restoration activities” that complies with the ICCA methodology that excludes non-incremental costs. TR at p. 369-370. Rule 25-6.0143(1)(h), F.A.C., allows the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically, a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p. 372. However, FPL is different because of its availability and use of the excess

depreciation collected in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372. In addition, there is no language in the Rule that excludes its applicability to authorize recovery of storm costs from customers depending on recovery method. TR at p. 372.

Gulf included \$3.207 million on a retail jurisdictional basis, in overtime payroll and related costs in its claimed costs for Hurricane Sally. TR at p. 400. Gulf also included \$0.337 million on a retail jurisdictional basis, in overtime payroll and related costs in its claimed costs for Hurricane Zeta. TR at p. 400. FPL included \$4.582 million on a retail jurisdictional basis, in overtime payroll and related costs in its claimed costs for Hurricane Isaias. TR at p. 401. FPL also included \$8.390 million on a retail jurisdictional basis, in overtime payroll and related costs in its claimed costs for Tropical Storm Eta. TR at p. 401.

The Companies made no reductions for “capitalizable” or “non-incremental” overtime and related costs. TR at p. 401. Despite the base rate revenue requirement including overtime payroll and related costs during these time periods, the Companies simply claimed that the entirety of the overtime payroll and related costs were incremental. TR at p. 401. Gulf and FPL failed to limit costs charged to customers to only those incremental costs above the “costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” TR at p. 396. Specifically, the Companies failed to provide the amount of overtime payroll and related expenses that were included in the base rates for the relevant timeframe in response to discovery. TR at p. 401. Without this overtime payroll and related amounts in base rates, it is not possible to quantify the amount normally incurred. TR at p. 401. However, since all overtime payroll and related costs were claimed by the Companies without excluding the amount of overtime payroll and related costs normally included in base rates, the claimed overtime payroll and related costs amounts are overstated. TR at p. 401. In the absence of the necessary information to

calculate the non-incremental amount more precisely, Witness Kollen proposed a 25% disallowance. TR at p. 402.

The Companies Witness Hughes main criticism of Witness Kollen is his 25% adjustment to remove this overstated overtime payroll and related costs. TR at p. 459. Witness Hughes attempts to argue that by definition the overtime payroll and related costs for storm costs are incremental because of the settlement base revenue requirement (that was less than the as-filed revenue requirement), and that storm events are neither budgeted or planned. TR at p. 460. However, this argument is sleight of hand because although storms are not budgeted or planned for per se, overtime payroll and related costs are budgeted and planned for in base rates. TR at p. 402. The Companies should not be rewarded simply because they refused to provide the information that only they have access to for these embedded and non-incremental costs. TR at p. 402. While the 2007 version of the Rule allowed for overtime payroll and related costs to be recovered for utility personnel under the ICCA methodology, these costs still need to comply with the general ICCA methodology that only “costs that are incremental to costs normally charged to non-cost recovery clause operating expense in the absence of a storm.” Thus, it is the Companies burden to demonstrate that the overtime payroll and related costs included in storm cost recovery are all incremental, which they refused to do.

Thus, in the absence of the Companies meeting their burden to prove up the incremental amounts of overtime, Witness Kollen proposes a 25% disallowance. For Gulf, Witness Kollen recommends a \$0.802 million disallowance for claimed overtime payroll and related costs for Hurricane Sally and a \$0.084 million disallowance for claimed overtime payroll and related costs for Hurricane Zeta, in the absence of Gulf providing the necessary information to calculate the non-incremental amount more precisely. TR at p. 402. For FPL, Witness Kollen recommends a \$1.146 million disallowance for claimed overtime payroll and related costs for Hurricane Isaias and a \$2.097 million disallowance for claimed overtime payroll and related costs for Tropical Storm Eta, in the absence of FPL providing the necessary information to calculate the non-incremental amount more precisely. TR at p. 402.

ISSUE 4: What is the reasonable and prudent amount of contractor costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: *The base revenue requirement includes costs for embedded line contractors that normally work for the utility and were used for storm restoration. The utility did not provide the information necessary to exclude these costs based on the historic three-year average resulting in overstating contract labor. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$1.416 million (jurisdictional) should be disallowed.*

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: *The base revenue requirement includes costs for embedded line contractors that normally work for the utility and were used for storm restoration. The utility did not provide the information necessary to exclude these costs based on the historic three-year average resulting in overstating contract labor. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$0.612 million (jurisdictional) should be disallowed. *

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: *The base revenue requirement includes costs for embedded line contractors that normally work for the utility and were used for storm restoration. The utility did not provide the information necessary to exclude these costs based on the historic three-year average resulting in overstating contract labor. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$1.325 million (jurisdictional) should be disallowed.*

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: *The base revenue requirement includes costs for embedded line contractors that normally work for the utility and were used for storm restoration. The utility did not provide the information necessary to exclude these costs based on the historic three-year average resulting in overstating contract labor. OPC recommends 2% of the requested contract labor be disallowed in the absence of necessary detail being provided by the utility. Thus, \$0.109 million (jurisdictional) should be disallowed.*

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for “storm-related damages.” TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(e)(1), F.A.C., allows for “[a]dditional contract labor hired for storm restoration activities” that complies with the ICCA methodology that excludes non-incremental costs. TR at p. 369. Rule 25-6.0143(1)(h), F.A.C., allows

the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically, a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p.372. However, FPL is different because of its availability and use of the excess depreciation collected in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372. In addition, there is no language in the Rule that excludes its applicability to authorize recovery of storm costs from customers depending on recovery method. TR at p. 372.

Gulf included \$70.796 million on a retail jurisdictional basis, for line contractors in its claimed costs for Hurricane Sally. TR at p. 402. Gulf also included \$5.435 million on a retail jurisdictional basis, for line contractor costs in its claimed costs for Hurricane Zeta. TR at p. 402. FPL included \$30.618 million on a retail jurisdictional basis, for line contractor costs in its claimed costs for Hurricane Isaias. TR at p. 402. FPL also included \$66.266 million on a retail jurisdictional basis, for line contractor costs in its claimed costs for Tropical Storm Eta. TR at p. 402. The Companies did not reduce their line contractor claimed costs by the “costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” as required by the Rule. TR at p. 403.

Base rate revenue requirements include embedded line contractor costs during these time periods that were used to respond to storms. TR at p. 403. The Companies made no reductions for “non-incremental” line contractor costs. TR at p. 403. Thus, Gulf and FPL failed to limit costs charged to customers to only those incremental costs above the “costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm.” TR at p. 396.

Specifically, the Companies refused to provide the historic information necessary to quantify the embedded line contractor costs included in the base rates for the relevant timeframe in response to discovery. TR at p. 403. The Companies used these embedded contractors for storm activities which means they were not charging

their costs to non-storm O&M expense accounts. TR at p. 403. The Companies are not entitled to recover these costs twice, once in base revenues and then again either through a storm surcharge or through a charge to base O&M expense and reduction to the depreciation reserve under the RSAM. Thus, the claimed line contractor amounts are overstated. TR at p. 403.

In the absence of the necessary information to calculate the non-incremental amount more precisely, Witness Kollen proposed a 2% disallowance. TR at p. 404. As noted by Witness Kollen, the Companies should not be rewarded simply because they refuse to provide the information that only they have access to for these embedded costs. TR at p. 403.

The Companies Witness Hughes main criticism of Witness Kollen is his 2% adjustment to remove this overstated line contractor costs. He calls it unsupported. TR at p. 460. Witness Hughes also attempts to argue that since storm events are neither budgeted or planned these line contractor costs are by definition incremental and are allowed under the Rule. TR at p. 460. However, again his argument is misdirection because although storms are not budgeted or planned for per se, embedded line contractor costs are budgeted and planned for in base rates. Thus, not all line contractor costs are incremental because embedded line contractor costs are included in base rates. TR at p. 403. The Companies should not be rewarded simply because they refused to provide the information that only they have access to for these embedded and non-incremental costs. TR at p. 403. While the 2007 version of the Rule allowed for “additional contract labor hired for storm restoration activities” to be recovered under the ICCA methodology, embedded line contractors are not “additional” contract labor but rather redirected contract labor. In addition, the claimed line contractor costs still need to comply with the general ICCA methodology that only “costs that are incremental to costs normally charged to non-cost recovery clause operating expense in the absence of a storm.” TR at p. 403. The embedded contractor costs are included in base rates. TR at p. 403. Thus, it is the Companies burden to demonstrate that the claimed line contractor costs included in storm cost recovery are all incremental, which they refused to do. TR at p. 403.

Thus, in the absence of the Companies meeting their burden to prove up the incremental amounts for all the line contractors, Witness Kollen proposes a 2%

disallowance. For Gulf, Witness Kollen recommends a \$1.416 million disallowance for claimed line contractor costs for Hurricane Sally and a \$0.109 million disallowance for claimed line contractor costs for Hurricane Zeta, in the absence of Gulf providing the necessary information to calculate the non-incremental amount more precisely. TR at p. 404. For FPL, Witness Kollen recommends a \$0.612 million disallowance for claimed line contractor costs for Hurricane Isaias and a \$1.325 million disallowance for claimed line contractor costs for Tropical Storm Eta, in the absence of FPL providing the necessary information to calculate the non-incremental amount more precisely. TR at p. 404.

ISSUE 5: What is the reasonable and prudent amount of vegetation and line clearing costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted, not received and paid, or differed in amount compared to the original estimates. OPC is recommending \$0.229 million (jurisdictional) be disallowed. *

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted, not received and paid, or differed in amount compared to the original estimates. OPC is recommending \$0.081 million (jurisdictional) be disallowed. *

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted, not received and paid, or differed in amount compared to the original estimates. OPC is recommending \$0.116 million (jurisdictional) be disallowed.*

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the

absence of a storm. Costs for various overhead line and vegetation management contractors were accrued as estimates and posted to the general ledger, but the invoices were either double posted, not received and paid, or differed in amount compared to the original estimates. OPC is recommending \$0.005 million (jurisdictional) be disallowed.*

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for “storm-related damages.” TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(f)(8), F.A.C., prohibits vegetation management costs that do not comply with the ICCA methodology that excludes non-incremental costs. TR at p. 369. Rule 25-6.0143(1)(h), F.A.C., allows the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p. 372. However, FPL is different because of its availability and use of the excess depreciation collected in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372.

OPC Witness Futral testified that his audit team reviewed copies of all invoices over \$10,000 provided by the Companies in response to OPC discovery for outside contractors, mutual assistance companies, vehicle and fuel vendors, and logistics vendors used in storm response. TR at p. 435. The audit team verified such things as the timing of the costs incurred, the costs being appropriate for storm cost recognition by storm, line item costs matching contract and purchase order pricing and limitations when applicable, the total invoice levels matching costs details in the general ledger and accounts payable transaction registers, and there being no

duplications of individual cost items included in the storm cost summaries. TR at pp. 435-436.

The audit confirmed through discovery responses that certain amounts associated with various vendors were accrued based on estimated amounts due and posted to the general ledger, but the invoices were not received and paid or the amounts paid were different than the original estimates. TR at p. 436. These amounts were noted as reconciling differences in the Companies' accounts payable and general ledger detail registers. TR at p. 436. These overstatements occurred for three main reasons based on the audit team's review of discovery. TR at p. 436. First, some accrual estimates were double postings of cost in the general ledger. Second, some estimates were made for which no actual invoices were ever received. Third, some actual invoices received were less than accrued estimates. TR at p. 436.

To correct for these overstatements, OPC Witness Futral recommends disallowing \$0.229 million for Hurricane Sally, \$0.005 million for Hurricane Zeta, \$0.081 million for Hurricane Isaias, and \$0.116 million for Tropical Storm Eta. TR at pp. 436-437. With the exception of specific adjustments for reconciling amounts, the audit team found that the invoice supporting documentation and detailed general ledger and accounts payable transaction ledgers were sufficient to justify the costs included in the storm cost summaries. TR at p. 437.

However, to assist in the review process, Witness Futral recommends that copies of all relevant invoice supporting documentation related to all remaining contractors and vendors that do not use the iStorm Application be provided with the Notice of Filings. TR at p. 437. He also recommends that the use of the iStorm Application be expanded to include, but not limited to, underground line crews, arborists, transmission storm restoration contractors, and damage assessors who work closely with other crews and often are with the same companies as the overhead line and vegetation management crews already using the iStorm application. TR at pp. 438-440. Finally, he recommends using a binder like file structure similar to the one used by Gulf in Hurricane Michael. Each vendor was assigned a binder number which was referenced in the accounting system and used to collect the vendor's invoices for processing and reference purposes. This process would greatly improve the auditing process and potentially reduce cost. TR at p. 443. Currently, FPL puts each invoice

in individual files and assigns the file a document number. Further, the individual files are not grouped or identified by vendor, requiring a visual search of hundreds of folders to find a specific invoice for review and analysis. TR at pp. 437-438. FPL's current file naming process is unnecessarily burdensome and time consuming which is costly and thus is neither reasonable nor prudent.

ISSUE 6: What is the reasonable and prudent amount of employee expenses to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: *The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll. *

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: *The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll. *

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: *The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll. *

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: *The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll. *

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for "storm-related damages." TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to "those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm" (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(h), F.A.C., allows the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically, a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p. 372. However, FPL is different because of its availability and use of the excess

depreciation collected in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372. In addition, there is no language in the Rule that excludes its applicability to authorize recovery of storm costs from customers depending on recovery method. TR at p. 372.

For these reasons and those discussed in detail in Issues 2 and 3, The employee expenses included in the utility's request should be reduced consistent with OPC's positions on the disallowance of non-incremental regular payroll and overtime payroll.

ISSUE 7: What is the reasonable and prudent amount of materials and supplies expense to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: *The utility failed to eliminate all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.063 million (jurisdictional) be disallowed.*

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: *The utility failed to eliminate all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.038 million (jurisdictional) be disallowed.*

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: *The utility failed to eliminate all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.182 million (jurisdictional) be disallowed.*

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: *The utility failed to eliminate all non-incremental costs for materials and supplies. Although the utility objected, they did provide the information necessary to exclude these materials and supplies costs based on the historic three-year average. However, the utility did not remove all non-incremental costs which results in overstating materials and supplies in storm costs. Thus, OPC is recommending \$0.063 million (jurisdictional) be disallowed.*

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for “storm-related damages.” TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(e)(7), F.A.C., allows for “[m]aterials and supplies used to repair and restore service and facilities to pre-storm condition, such as poles, transformers, meters, light fixtures, wire, and other electrical equipment, excluding those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm”(emphasis added), in other words, complies with the ICCA methodology that excludes non-incremental costs. TR at p. 369. Rule 25-6.0143(1)(h), F.A.C., allows the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p. 372. However, FPL is different because of its availability and use of the excess depreciation collected in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372. In addition, there is no language in the Rule that excludes its applicability to authorize recovery of storm costs from customers depending on recovery method. TR at p. 372.

Gulf included \$7.248 million on a retail jurisdictional basis, after reduction for capitalizable costs, for materials and supplies costs in its claimed costs for Hurricane Sally. TR at p. 404. Gulf also included \$0.074 million on a retail

jurisdictional basis, after reduction for capitalizable costs, for materials and supplies costs in its claimed costs for Hurricane Zeta. TR at pp. 404-405. FPL included \$ 0.039 million on a retail jurisdictional basis, after reduction for capitalizable costs, for materials and supplies costs in its claimed costs for Hurricane Isaias. TR at p. 405. FPL also included \$0.182 million on a retail jurisdictional basis, after reduction for capitalizable costs, for materials and supplies costs its claimed costs for Tropical Storm Eta. TR at p. 405. The Companies did not reduce their materials and supplies costs after the reduction for capitalizable costs in their claimed costs by the “costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” as required by the Rule. TR at p. 405.

Specifically, the Companies initially refused to provide the historic information necessary to quantify the material and supplies costs included in the base rates for the relevant timeframe in response to discovery. TR at p. 405. However, the Companies provided the three years of history and the amount included in non-storm O&M expense for each storm for the month in which each storm occurred. TR at p. 405.

Gulf calculated a three-year materials and supplies non-storm expense historic average of \$0.152 million for the months of September 2017, 2018, and 2019, and non-incremental, non-storm expense of \$0.089 million for September 2020, the month Hurricane Sally occurred. TR at pp. 405-406. Based on the three-year historical average, the non-incremental materials and supplies expense should be adjusted to disallow an additional \$0.063 million for Hurricane Sally ($\$0.152 - \$0.089 = \$0.063$ million). TR at pp. 405-406.

Gulf calculated a three-year materials and supplies non-storm expense historic average of \$0.219 million for the months of October 2017, 2018, and 2019, and non-incremental, non-storm expense of \$0.156 million for October 2020, the month Hurricane Zeta occurred. TR at p. 405. Based on the three-year historical average, the non-incremental materials and supplies expense should be adjusted to disallow an additional \$0.063 million for Hurricane Sally ($\$0.219 - \$0.156 = \$0.063$ million). TR at p. 406.

FPL calculated a three-year materials and supplies non-storm expense historic average of \$1.429 million for the months of August 2017, 2018, and 2019, and non-

incremental, non-storm expense of \$0.828 million for August 2020, the month Hurricane Isaias occurred. TR at p. 406. Based on the three-year historical average, the non-incremental materials and supplies expense should be adjusted to disallow an additional \$0.601 million for Hurricane Sally ($\$1.429 - \$0.828 = \$0.601$ million). TR at p. 406.

FPL calculated a three-year materials and supplies non-storm expense historic average of \$0.913 million for the months of November 2017, 2018, and 2019, and non-incremental, non-storm expense of negative \$0.194 million for November 2020, the month Tropical Storm Eta occurred. TR at p. 406. Based on the three-year historical average, the non-incremental materials and supplies expense should be adjusted to disallow an additional \$1.107 million for Hurricane Sally ($\$0.913 - \text{negative } \$0.194 = \$1.107$ million). TR at p. 406.

The Companies Witness Hughes main criticism of Witness Kollen is his use of three-year average as a benchmark for determining cost recovered in base rates similar to tree trimming expense. TR at p. 461. Witness Hughes also attempts to argue that in the 2007 version of the Rule only tree trimming specifically requires the use of a three-year average to determine incremental storm-related expenses, therefore use of three-year average is not required by the Rule. TR at pp. 404-405, 461. However, the Rule does require exclusion of “costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (non-incremental costs) and a three-year average is the way the Rule determines non-incremental costs that are not recoverable albeit specifically explicated under tree trimming. As Witness Kollen testified materials and supplies non-incremental costs should not be determined differently than the vegetation management costs under the Rule. TR at p. 397.

For Gulf, Witness Kollen recommends a \$0.063 million (jurisdictional) disallowance for claimed materials and supplies costs for Hurricane Sally and a \$0.063 million (jurisdictional) disallowance for claimed materials and supplies costs for Hurricane Zeta. TR at pp. 406- 407. For FPL, Witness Kollen recommends a \$0.038 million (jurisdictional) disallowance for claimed line contractor costs for Hurricane Isaias and a \$0.182 million (jurisdictional) disallowance for claimed line materials and supplies costs for Tropical Storm Eta, in the absence of FPL providing

the necessary information to calculate the non-incremental amount more precisely. LK TR at p. 406- 407. The reductions for FPL are the entirety of the materials and supplies costs claimed because the reduction in the actual costs incurred compared to the three-year average is greater than the amounts claimed by FPL for each storm. TR at p. 407

ISSUE 8: What is the reasonable and prudent amount of logistics costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the logistics cost included in the storm restoration costs for this storm.*

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the logistics cost included in the storm restoration costs for this storm.*

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the logistics cost included in the storm restoration costs for this storm.*

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires that storm costs must exclude those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm. OPC is not recommending an adjustment to the logistics cost included in the storm restoration costs for this storm.*

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for “storm-related damages.” TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(e)(2), F.A.C., allows for “logistics costs of providing meals, lodging, and linens for tents and other staging areas” that complies with the ICCA methodology that excludes non-incremental costs. TR at p. 369. Rule 25-

6.0143(1)(h), F.A.C., allows the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p. 372. However, FPL is different because of its availability and use of the excess depreciation collected in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372. In addition, there is no language in the Rule that excludes its applicability to authorize recovery of storm costs from customers depending on recovery method. TR at p. 372.

OPC Witness Futral testified that his audit team reviewed copies of all invoices over \$10,000 provided by the Companies in response to OPC discovery for outside contractors, mutual assistance companies, vehicle and fuel vendors, and logistics vendors used in storm response. TR at p. 435. The audit team verified such things as the timing of the costs incurred, the costs being appropriate for storm cost recognition by storm, line item costs matching contract and purchase order pricing and limitations when applicable, the total invoice levels matching costs details in the general ledger and accounts payable transaction registers, and there being no duplications of individual cost items included in the storm cost summaries. TR at pp. 435-436. With the exception of specific adjustments for reconciling amounts, the audit team found that the invoice supporting documentation and detailed general ledger and accounts payable transaction ledgers were sufficient to justify the costs included in the storm cost summaries. TR at pp. 436-437. OPC is not recommending an adjustment to the logistics cost included in the storm restoration costs for this storm.

ISSUE 9: What is the reasonable and prudent total amount of costs to be included in the restoration costs?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: *Gulf included \$0.311 million in interest on the unamortized storm cost for this storm. The Rule does not include interest as a recoverable cost. Thus, the total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions including the \$0.311 million in unauthorized interest.*

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: *The total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions.*

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: *The total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions.*

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: *Gulf included \$0.001 million in interest on the unamortized storm cost for this storm. The Rule does not include interest as a recoverable cost. Thus, the total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in OPC's positions including the \$0.001 million in unauthorized interest.*

ARGUMENT: Gulf included \$0.311 million in interest on the unamortized storm cost for Hurricane Sally. Gulf also included \$0.001 million in interest on the unamortized storm cost for Hurricane Zeta. TR at p. 394. The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for "storm-related damages." TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to "those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm" (i.e., incremental expenses). TR at p. 369. The Rule does not include interest as a recoverable cost. TR at p. 394.

The Companies' Witness Hughes argues that Gulf should be allowed to earn interest on the unrecovered incremental costs until they are fully recovery consistent with the precedent for Hurricanes Matthew and Michael. TR at p. 462. However, both of the cases he cites are settlements which specifically state nothing in the Agreement will have precedential value. Order No. PSC-2020-0349-S-EI, issued October 8, 2020, in Docket No. 20190038-EI, In re: Petition for Limited Proceeding for Recovery of Incremental Storm Restoration Costs Related to Hurricane Michael, by Gulf Power Company at p. 16, Order No. PSC-2018-0359-FOF-EI, issued July 24,

2018, in Docket No. 20160251-EI, In re: Petition by Florida Power & Light Company for Limited Proceeding for Recovery of Incremental Storm Restoration Costs Related to Hurricane Matthew at p. 9.

The Rule also does not specify that interest may be charge on debit balances in Account 228.1. The Rule provides that “[i]f the charges to Account No. 228.1 exceed the account balance, the excess shall be carried as a debit balance in Account No. 228.1 and no request for a deferral of the excess or for the establishment of a regulatory asset is necessary.” See, Rule 25-6.0143(i). The Rule further states that “[a] utility may petition the Commission for the recovery of a debit balance in Account No. 228.1 plus an amount to replenish a storm reserve through a surcharge, securitization, or other cost recovery mechanism.” See, Rule 25-6.0143(j).

The total amount of costs to be included in restoration costs should be reduced by the disallowance recommendations in all OPC’s positions for Hurricane Sally, Hurricane Zeta, Hurricane Isaias, and Tropical Storm Eta. Further, the interest included by Gulf of \$0.311 million in interest on the unamortized storm cost for Hurricane Sally and \$0.001 million in interest on the unamortized storm cost for Hurricane Zeta should also be disallowed. TR at p. 394.

ISSUE 10: What is the reasonable and prudent amount of storm-related costs that should be capitalized?

a. Docket No. 20200241-EI for Gulf’s Hurricane Sally.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.*

b. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires that capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.*

c. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.*

d. Docket No. 20210179-EI for Gulf’s Hurricane Zeta.

OPC: *Rule 25-6.0143(1)(d), F.A.C., requires that capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for this storm.*

ARGUMENT: OPC Witness Futral testified that his audit team reviewed copies of all invoices over \$10,000 provided by the Companies in response to OPC discovery for outside contractors, mutual assistance companies, vehicle and fuel vendors, and logistics vendors used in storm response. TR at p. 435. The audit team verified such things as the timing of the costs incurred, the costs being appropriate for storm cost recognition by storm, line item costs matching contract and purchase order pricing and limitations when applicable, the total invoice levels matching costs details in the general ledger and accounts payable transaction registers, and there being no duplications of individual cost items included in the storm cost summaries. TR at pp. 435-436. With the exception of specific adjustments for reconciling amounts, the audit team found that the invoice supporting documentation and detailed general ledger and accounts payable transaction ledgers were sufficient to justify the costs included in the storm cost summaries. TR at pp. 436-437.

Rule 25-6.0143(1)(d), F.A.C., requires that capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm. OPC is not recommending an adjustment to the capitalized cost included in the storm restoration costs for Hurricane Sally, Hurricane Zeta, Hurricane Isaias, and Tropical Storm Eta.

ISSUE 11: What is the appropriate accounting treatment associated with any storm costs found to have been imprudently incurred?

a. Docket No. 20210178-EI for FPL’s Hurricane Isaias.

OPC: *The costs improperly charged by FPL to base O&M expense and recovered through the depreciation reserve should be restored to the depreciation reserve. This should be in a manner that ensures the non-incremental costs remain available to customers, but are not available to FPL to increase earnings using the RSAM in the future.*

b. Docket No. 20210178-EI for FPL’s Tropical Storm Eta.

OPC: *The charges improperly charged by FPL to base O&M expense and recovered through the depreciation reserve, should be restored to the depreciation reserve. This should be in a manner that ensures the non-incremental costs remain available to customers, but are not available to FPL to increase earnings using the RSAM in the future.*

ARGUMENT: The Rule describes the ICCA methodology to quantify the recoverable amount of the costs incurred for “storm-related damages.” TR at p. 368. The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. Rule 25-6.0143(1)(h), F.A.C., allows the utility to charge storm cost to base O&M instead of the storm reserve. TR at p. 372. Typically a utility would not choose to charge storm cost to base O&M expense unless the amounts were minimal because the additional O&M expense would reduce its earned return, all else being equal. TR at p. 372. However, FPL is different because of its availability and use of the excess depreciation collected in the depreciation reserve under the RSAM to manage its earned return, recover its storm costs, and earn a return on the storm costs until its base rates are reset in a future rate case. TR at p. 372. However, it is important to recognize that the Rule only has one description of storm-related damages or storm costs that may be recovered from customers which is not dependent on the method of recovery. TR at p. 372. In addition, there is no language in the Rule that excludes its applicability to authorize recovery of storm costs from customers depending on recovery method. TR at p. 372. For storm-related costs to be determined reasonable and prudent, these storm-related costs must comply with the ICCA methodology. Thus, the charges improperly charged by FPL to base O&M expense and recovered through the depreciation reserve, should be restored to the depreciation reserve. This should be in a manner that ensures the non-incremental costs remain available to

customers, but are not available to FPL to increase earnings using the RSAM in the future.

ISSUE 12: Should the Commission approve Gulf Power Company's proposed tariffs and associated charges?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: *No. Gulf should be required to file new tariffs that reflect the disallowances recommended in OPC's positions and approved by the Commission.*

b. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: *No. Gulf should be required to file new tariffs that reflect the disallowances recommended in OPC's positions and approved by the Commission.*

ARGUMENT: Gulf should be required to file new tariffs that reflect the disallowances recommended in OPC's positions and approved by the Commission.

ISSUE 13: If applicable, how should any under-recovery or over-recovery be handled?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: *The storm surcharge should reflect all disallowances. The combined surcharge for Gulf residential customers should not be increased above the current \$11/1,000 kWh and used to collect \$8/1,000 kWh for Hurricanes Michael, \$2/kWh for Hurricane Sally and \$1/\$1,000 kWh for Hurricane Zeta. Once Hurricane Michael costs are fully recovered, then the surcharge for Hurricane Sally should increase by an amount equivalent to the Hurricane Michael surcharge plus the current Hurricane Sally surcharge until fully recovered.*

b. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: *The storm surcharge should reflect all disallowances. The combined surcharge for Gulf residential customers should not be increased above the current \$11/1,000 kWh and used to collect \$8/1,000 kWh for Hurricanes Michael, \$2/kWh for Hurricane Sally and \$1/\$1,000 kWh for Hurricane Zeta. Once Hurricane Michael costs are fully recovered, then the surcharge for Hurricane Sally should increase by an amount equivalent to the Hurricane Michael surcharge plus the current Hurricane Sally surcharge until fully recovered.*

ARGUMENT: If the approved storm costs have yet to be collected, the storm surcharge should reflect all disallowances. The current total surcharges on the bill for Gulf residential customer's is \$11/1,000 kWh (\$8/1,000 kWh for Hurricane Michael and \$3/1,000 kWh for Hurricane Sally). TR at p. 338. Gulf proposes to collect \$3/1,000

kWh for Hurricane Sally through October 2023 and once Hurricane Michael surcharge terminates increase the Hurricane Sally portion of the surcharge to \$10/1,000 kWh for a total of 44 months through October 2024. TR at p. 338. Then Gulf proposes to charge \$9.34/1,000 kWh for Hurricane Zeta for a total of 2 months through December 31, 2024 while collecting an interest charge at the 30-day commercial paper rate for the timeframe Hurricane Zeta cost are not collected from customers. TR at p. 345.

The ICCA methodology only allows the utility to charge costs to the storm account if they are incremental to “those costs that normally would be charged to non-cost recovery clause operating expenses in the absence of a storm” (i.e., incremental expenses). TR at p. 369. The Rule does not include interest as a recoverable cost. TR at p. 394. The Rule also does not specify that interest may be charged on debit balances in Account 228.1. The Rule provides that “[i]f the charges to Account No. 228.1 exceed the account balance, the excess shall be carried as a debit balance in Account No. 228.1 and no request for a deferral of the excess or for the establishment of a regulatory asset is necessary.” See, Rule 25-6.0143(i). The Rule further states that “[a] utility may petition the Commission for the recovery of a debit balance in Account No. 228.1 plus an amount to replenish a storm reserve through a surcharge, securitization, or other cost recovery mechanism.” See, Rule 25-6.0143(j). Thus, the request for the application of the 30-day commercial paper rate to the variance for Hurricane Zeta should be disallowed.

In addition, the collection of the cost for Hurricane Zeta should not be delayed until October 2024. While FPL Witness Cohen contends that the way FPL has staggered the surcharges was a thoughtful approach in trying to mitigate bill impacts to customers, FPL’s proposal delays collecting for Hurricane Zeta for four years after the Hurricane impacted Gulf’s territory. Moreover, Witness Cohen acknowledged that a surcharge could be structured in a different way to collect for Hurricane Zeta now. For example, \$1/1,000 kWh, and \$2/1,000kWh for Hurricane Sally until Hurricane Michael is fully recovered and then increase Hurricane Sally surcharge to \$10/1,000 kWh. TR at p. 351. This surcharge structure would collect for the hurricanes closer in time to when the costs were incurred.

However, the combined surcharge for Gulf residential customers should not be increased above \$11/1,000 kWh. The surcharge should be used to collect \$8/1,000 kWh for Hurricanes Michael, \$2/kWh for Hurricane Sally and \$1/\$1,000 kWh for Hurricane Zeta. Once Hurricane Michael costs are fully recovered, than the surcharge for Hurricane Sally should increase by an amount equivalent to the Hurricane Michael surcharge plus the current Hurricane Sally surcharge until fully recovered. If there is any over-recovery, it should be reflected as a one-time credit on Gulf's customers' bills.

ISSUE 14: Should this docket be closed?

a. Docket No. 20200241-EI for Gulf's Hurricane Sally.

OPC: *No position.

b. Docket No. 20210178-EI for FPL's Hurricane Isaias.

OPC: *No position.

c. Docket No. 20210178-EI for FPL's Tropical Storm Eta.

OPC: *No position.

d. Docket No. 20210179-EI for Gulf's Hurricane Zeta.

OPC: *No position.

Dated this 16th day of August, 2022

Respectfully submitted,

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CERTIFICATE OF SERVICE
DOCKET NOS. 20200241-EI, 202100178-EI & 202100179-EI

I HEREBY CERTIFY that a true and correct copy of the Office of Public Counsel's Post-Hearing Brief has been furnished by electronic mail on this 16th day of August, 2022, to the following:

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