

Docket No. 20190110-EI
Duke Energy Florida, LLC
Petition for limited Proceeding for Recovery of Incremental Storm Restoration
Costs Related to Hurricane Michael, by Duke Energy Florida, LLC.

Witness: Direct Testimony of SIMON O. OJADA
Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: July 2, 2020

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION STAFF

DIRECT TESTIMONY OF SIMON O. OJADA

DOCKET NO. 20190110-EI

JULY 2, 2020

Q. Please state your name and business address.

A. My name is Simon O. Ojada. My business address is 1313 N. Tampa Street, Suite 220, Tampa, Florida 33602.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a Public Utility Analyst in the Office of Auditing and Performance Analysis. I have been employed by the Commission since April 1997.

Q. Briefly review your educational and professional background.

A. I received a Bachelor of Science degree from the University of South Florida with a major in Finance in 1991, a Bachelor of Science Degree from Florida Metropolitan University with a major in Accounting in 1994, and a Master of Business Administration with a concentration in Accounting in 1997.

Q. Please describe your current responsibilities.

A. My responsibilities consist of planning and conducting utility audits of manual and automated accounting systems for historical and forecasted data.

Q. Have you previously presented testimony before this Commission?

A. Yes. I filed testimony in the Fuel and Purchased Power Cost Recovery Clause, Docket Nos. 20130001-EI, 20140001-EI, 20150001-EI, 20160001-EI, 20170001-EI, 20180001-EI, and 20190001-EI.

1 **Q. What is the purpose of your testimony today?**

2 A. The purpose of my testimony is to sponsor the staff auditor's report issued on January
3 22, 2020 which addresses Duke Energy Florida, LLC's (DEF or Utility) petition for limited
4 proceeding for recovery of incremental storm restoration costs primarily related to Hurricane
5 Michael. This report is filed with my testimony and is identified as Exhibit SOO-1.

6 **Q. Was this audit prepared by you or under your direction?**

7 A. Yes, it was prepared by me.

8 **Q. Please describe the work performed in this audit.**

9 A. I have separated the audit work into several categories.

10 Payroll, Overtime, and Related Costs

11 We scheduled regular payroll, overtime, and related costs by cost type and storm. We
12 selected a judgmental sample of costs for detail testing and traced the amounts to payroll
13 records. No exceptions were noted.

14 Contractors

15 We scheduled contractor costs by storm. We selected a judgmental sample of costs for
16 detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions
17 were noted.

18 Employee Expense

19 We scheduled employee expense by storm. We selected a judgmental sample of costs
20 for detail testing and traced the amounts to invoices and/or other supporting documentation.
21 No exceptions were noted.

22 Internal Fleet Costs

23 We selected a judgmental sample of costs for detail testing and traced the amounts to
24 source documents. No exceptions were noted.

25 Materials and Supplies

1 We scheduled material and supplies by storm. We selected a judgmental sample of
2 costs for detail testing and traced the amounts to purchase orders, invoices, or inventory
3 records. No exceptions were noted.

4 Other Costs

5 We scheduled other operating costs by storm. We selected a judgmental sample of
6 costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No
7 exceptions were noted.

8 Capitalizable Costs

9 We requested a detailed description of the capitalizable costs, and tested these costs to
10 determine if the Utility included for recovery only those costs that are allowed as per Rule
11 6.0143(1)(d), Florida Administrative Code (F.A.C.). No exceptions were noted.

12 Third-Party Reimbursements

13 We requested a detailed description of any third-party reimbursements or insurance
14 claims. We noted that there were no third-party reimbursements. No exceptions were noted.

15 Non-Incremental Costs

16 We requested a detailed description of the non-incremental costs, and tested these costs
17 to determine if the Utility included for recovery only those costs that are allowed by the
18 applicable Rule. No exceptions were noted

19 Jurisdictional Factors

20 We obtained and reviewed Order No. PSC-2012-0104-FOF-EI, issued March 8, 2012,
21 in Docket No. 20120022-EI, as amended by Order No. PSC-2012-0104A-FOF-EI, issued
22 March 15, 2012. We verified the calculation using support documentation provided by the
23 Utility. No further work was performed.

24 **Q. Please review the audit findings in this report.**

25 A. There were no findings.

1 **Q. Does this conclude your testimony?**

2 **A. Yes.**

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State of Florida



Public Service Commission

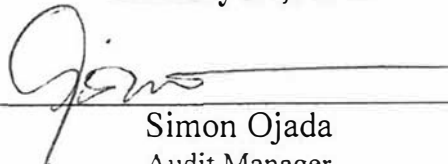
Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Duke Energy Florida, LLC
Storm Costs Recovery

As of December 31, 2018

Docket No. 20190110-EI
Audit Control No. 2019-329-2-1
January 14, 2020



Simon Ojada
Audit Manager



Linda Hill
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated November 22, 2019. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its filing for storm recovery costs in Docket No. 20190110-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

DEF or Utility refers to Duke Energy Florida, LLC.

Incremental Costs are costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.

Non-incremental Costs are costs that are not incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.

Background

On April 30, 2019, Duke Energy Florida, LLC filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover a total of \$221 million (retail) before interest and regulatory assessment fees in incremental storm restoration costs related to Hurricane Michael, subject to final true-up as described in the petition.

On November 22, 2019, DEF filed a Petition for Approval of Actual Storm Restoration Costs related to Hurricane Michael (\$190,774,000) and Tropical Storm Alberto (\$571,000) and the related interest expense (\$4,889,000) for bond issuance. The storms totaled \$191,345,000. Related interest expense and minor adjustments equal \$4,889,000. Total retail recovery amount that DEF seeks equal to \$196,234,000 pursuant to the provisions of the 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) approved by the Commission in Order No. PSC-2017-0451-AS-EU. Pursuant to the 2017 Settlement, DEF can recover storm costs without a cap on the level of charges on customer bills, on an interim basis beginning 60 days following the filing of a petition for recovery.

Utility Books and Records

Objective: The objective was to determine whether all the storm costs incurred are supported by the Utility's books and records.

Procedures: We reconciled the recoverable costs for the two named storms listed in Exhibit TM-2 in the testimony filed by Tom Morris to the general ledger Account 186 Miscellaneous Deferred Debits. No exceptions were noted.

Expense

Labor

Objectives: The objectives were to determine whether payroll, overhead, and related costs were properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled payroll, overhead, and related costs by cost type and storm. We selected a judgmental sample of costs for detail testing and traced the amounts to the payroll register and allocation schedules. No exceptions were noted.

Employee Expense

Objectives: The objectives were to determine whether employee expense was properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled employee expense by storm. We selected a judgmental sample of costs for testing to include meals, travel and lodging, and traced the amounts to the invoice and/or supporting documentation. No exceptions were noted

Contractors Costs

Objectives: The objectives were to determine whether Contractors Costs were properly stated, storm related, and recoverable under this docket.

Procedures: We selected a judgmental sample of costs for detail testing and traced the amounts to the supporting documentation. No exceptions were noted.

Materials and Supplies

Objectives: The objectives were to determine whether Materials and Supplies were properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled material and supplies by storm. We selected a judgment sample of costs for detail testing and traced the items to the documentation or supporting invoices. No exceptions were noted.

Internal Fleet Costs

Objectives: The objectives were to determine whether Internal Fleet costs were properly stated, storm related, and recoverable under this docket.

Procedures: We selected a judgmental sample of costs for detail testing and traced the amounts to the supporting documentation. No exceptions were noted.

Other Costs

Objectives: The objectives were to determine whether other costs were properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled other operating costs by storm. We selected a judgmental sample of costs for detail testing and traced the items to supporting invoices and documentation. No exceptions were noted.

Non-Incremental Costs

Objectives: The objectives were to determine whether the non-incremental costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We requested a detailed description of non-incremental costs as well as the policies and procedures for recording these costs. We selected a judgmental sample of costs for detail testing and traced the items to supporting invoices and documentation. No exceptions were noted.

Third-Party Reimbursements

Objectives: The objectives were to determine whether third-party reimbursement costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143 (1)(b), F.A.C.

Procedures: We requested a detail listing of any third-party reimbursements or insurance claims. We noted that there were no third-party reimbursements. No exceptions were noted.

Capitalized Costs

Objectives: The objectives were to determine whether the capitalized costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143(1)(d), F.A.C. This rule states that the Utility will be allowed to charge to Account No. 228.1, costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm. In addition, 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.

Procedures: We requested a detailed description of the capitalized costs as well as the policies and procedures for recording these costs. We tested the capitalized costs to determine if the Utility included for recovery only those costs that are allowed by the applicable Rule. No exceptions were noted.

Other

Jurisdictional Factors

Objective: The objective was to determine whether the Utility used the appropriate jurisdictional factors for the filing.

Procedures: We obtained and reviewed Order No. PSC-2012-0104-EI in Docket No. 20120022-EI, issued March 8, 2012. The Utility used the appropriate jurisdictional separation factors as authorized. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: Duke Energy Florida, LLC - Storm Costs Recovery

Docket No. 20190110-EI
 Storm Costs Recovery Total
 Exhibit No. TM-1, Page 1 of 1

(\$000's)

Line No.	Description	Reference	Incremental Storm Cost
1	Total Storm Costs		
2	Michael	Exhibit TM-2, Page 1, line 29	\$190,774
3	Alberto	Exhibit TM-2, Page 2, line 29	571
4	Total Recoverable Restoration Costs - Retail	line 2 + line 3	<u>191,345</u>
5	Plus, Interest	Exhibit TM-3	<u>4,889</u>
6	Total Retail Storm Recovery Amount - Retail	line 4 + line 5	<u>\$196,234</u>

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael and approval of second implementation stipulation, by Duke Energy Florida, LLC

DOCKET NO. 20190110-EI

DATED: JULY 2, 2020

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Simon O. Ojada on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished by electronic mail to the following on this 2nd day of July, 2020.

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