

State of Florida



Public Service Commission

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

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

DATE: March 10, 2022
TO: Office of Commission Clerk
FROM: Rhonda L. Hicks, Chief of Auditing, Office of Auditing and Performance Analysis *RLH*
RE: Docket No.: 20200241-EI, 20210178-EI, 20210179-EI
Company Name: Gulf Power Company and Florida Power & Light Company
Company Code: EI804, EI802
Audit Purpose: A1d: Limited Scope
Audit Control No: 2021-334-1-1

Attached are the final audit reports for the Utilities stated above. I am sending the Utilities a copy of this memo and the audit reports. If the Utilities desire to file a response to the audit reports, they should send a response to the Office of Commission Clerk. There are no confidential work papers associated with this audit.

RLH/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File.

State of Florida



Public Service Commission

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

Auditor's Report

Gulf Power Company
Storm Recovery Cost Audit – Hurricane Sally

As of October 31, 2021

Docket No. 20200241-EI
Audit Control No. 2021-334-1-1

February 28, 2022

Thomas Wolff
Audit Manager

Marisa N. Glover
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, 2021. We have applied these procedures to the attached schedule prepared by Gulf Power Company in support of its filing for storm recovery costs in Docket No. 20210241-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

GPC or Utility refers to Gulf Power Company.

Background

On November 12, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta Storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. In its petitions, FPL requested recovery of \$66,346,000 associated with Hurricane Isaias and \$112,729,000 associated with Tropical Storm Eta. Gulf Power Company requested recovery of \$146,343,000 associated with Hurricane Sally and \$10,080,000 associated with Hurricane Zeta.

Expense

Payroll, Overhead, and Related Costs

Objectives: The objectives were to determine whether payroll, overtime, and related costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

Procedures: We determined regular payroll, overtime, and related costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to payroll records. No exceptions were noted.

Contractors

Objectives: The objectives were to determine whether contractor costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

Procedures: We determined contractor costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Line Clearing

Objectives: The objectives were to determine whether line clearing costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

Procedures: We determined line clearing costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected

a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Vehicle & Fuel

Objectives: The objectives were to determine whether fuel costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

Procedures: We determined vehicle and fuel costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to source documents. No exceptions were noted.

Materials & Supplies

Objectives: The objectives were to determine whether materials were properly stated, recorded in the period incurred, and related to Hurricane Sally.

Procedures: We determined logistics costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or inventory records. No exceptions were noted.

Logistics

Objectives: The objectives were to determine whether logistics costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

Procedures: We determined logistics costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or employee expense reports. No exceptions were noted.

Other Costs

Objectives: The objectives were to determine whether other costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

Procedures: We determined other costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Other

Capitalizable Costs

Objectives: The objectives were to determine whether the capitalizable 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.

Procedures: We determined capitalizable costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We requested a detailed description of the capitalizable costs, and tested these costs to determine if the Utility included for recovery only those costs that are allowed by the applicable Rule. No exceptions were noted.

Third-Party Reimbursements

Objectives: The objective was 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 determined there are no third-party reimbursements from Account 186 – Miscellaneous Deferred Debits. No further work performed.

Below-the-Line Costs

Objectives: The objective was to determine whether below-the-line 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 determined there are no below-the-line costs from Account 186 – Miscellaneous Deferred Debits. No further work performed.

Non-Incremental Costs

Objectives: The objective was 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 determined non-incremental costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a sample of costs to test. We determined the Utility calculated the ICCA adjustments as allowed by Rule 25-6.0143, F.A.C. No exceptions were noted.

Jurisdictional Factors

Objectives: The objective was to determine the jurisdictional factors used by the Utility.

Procedures: We verified the calculation using supporting documentation provided by the Utility. No further work was performed.

Accounts Payable Procedures

Objectives: The objective was to determine whether storm preparation and restoration efforts for approving and processing accounts payable vary from standard practices for approving and processing accounts payable.

Procedures: According to the Utility, the storm Accounts Payable Policy is no different than FPL's standard practices for recording and approving accounts payable. The storm related

policies and procedures work in conjunction with the standard operating accounts payable procedures. These policies, which agree with Rule 25-6.0143, F.A.C., define what items are actually recoverable during a storm event. These policies also state the approval process from the staging sites to the assigned plant accountant. The plant accountant then goes through the accounts payable process, which includes staff and management approval levels depending on the dollar amount. Based on our review of the storm related activity, no exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Gulf Hurricane Sally Incremental Cost and Capitalization Approach Adjustments

Gulf Power Company Hurricane Sally Incremental Cost and Capitalization Approach Adjustments through October 31, 2021 (\$000s)							
LINE NO.		Storm Costs By Function (A)					Total (6)
		Steam & Other (1)	Transmission (2)	Distribution (3)	General (B) (4)	Customer Service (5)	
1	Storm Restoration Costs						
2	Regular Payroll and Related Costs (C)	430	181	1,313	81	94	\$2,099
3	Overtime Payroll and Related Costs (C)	480	197	2,347	134	79	3,236
4	Contractors	33,055	627	91,558	1,258	91	126,589
5	Line Clearing	0	0	26,183	0	0	26,183
6	Vehicle & Fuel	139	31	2,961	40	0	3,171
7	Materials & Supplies	5,009	77	5,255	19	0	10,361
8	Logistics	2,554	268	39,132	610	0	42,563
9	Other (D)	3,554	280	8,461	950	83	13,327
10	Total Storm Related Restoration Costs	\$45,221	\$1,660	\$177,209	\$3,092	\$347	\$227,529
11							
12	Less: Capitalizable Costs						
13	Payroll and Related Costs	\$0	\$0	\$0	\$0	\$0	\$0
14	Contractors	11,587	0	3,840	942	0	16,369
15	Materials & Supplies	556	0	2,420	0	0	2,976
16	Other	0	0	1,846	0	0	1,847
17	Third-Party Reimbursements	0	0	0	0	0	0
18	Total Capitalizable Costs	\$12,143	\$0	\$8,106	\$942	\$0	\$21,191
19							
20	Less: Third-Party Reimbursements	0	0	0	0	0	0
21							
22	Less: Insurance Receivables (E)	15,730	151	0	194	0	16,076
23							
24	Less: Below-the-Line/Thank You Ads	0	0	0	0	0	0
25							
26	Total Storm Restoration Costs Charged to Base O&M	\$17,349	\$1,509	\$169,103	\$1,955	\$347	\$190,263
27							
28	Less: ICCA Adjustments						
29	Regular Payroll and Related Costs (F)	\$308	\$75	\$597	\$70	\$82	\$1,132
30	Line Clearing:						
31	Vegetation Management	0	0	692	0	0	692
32	Vehicle & Fuel						
33	Vehicle Utilization	39	0	61	0	0	100
34	Fuel	0	0	66	0	0	66
35	Other						
36	Legal Claims	0	0	0	0	0	0
37	Employee Assistance and Childcare	0	0	0	278	0	278
38	Total ICCA Adjustments	\$347	\$75	\$1,416	\$348	\$82	\$2,268
39							
40	Incremental Storm Losses						
41	Regular Payroll and Related Costs	\$121	\$106	\$716	\$11	\$12	\$966
42	Overtime Payroll and Related Costs	480	197	2,347	134	\$79	3,236
43	Contractors	5,739	476	87,718	316	\$91	94,339
44	Line Clearing	0	0	25,491	0	\$0	25,491
45	Vehicle & Fuel	101	31	2,834	40	\$0	3,005
46	Materials & Supplies	4,453	77	2,835	19	\$0	7,385
47	Logistics	2,554	268	39,132	610	\$0	42,563
48	Other	3,553	280	6,614	478	83	11,008
49	Total Incremental Storm Losses	\$17,002	\$1,434	\$167,687	\$1,607	\$265	\$187,995
50							
51	Jurisdictional Factor (G)	0.9720	0.9741	0.9963	0.9841	1.0000	
52							
53	Retail Recoverable Incremental Costs	\$ 16,526	\$ 1,397	\$ 167,070	\$ 1,582	\$ 265	\$186,840
54							
55	Less: Additional Accruals to Storm Reserve (Post-Storm) (H)						(40,808)
56							
57	Plus: Interest on Unrecovered Deficit in the Storm Reserve						311
58							
59	Total System Storm Losses to be Recovered from Customers (Lines 53 + 55 + 57)						\$146,343

Notes:

(A) Storm costs are as of October 31, 2021. Totals may not add due to rounding.

(B) General plant function reflects restoration costs associated with Gulf's External Affairs, Marketing and Communications, Information Technology, and Corporate Real Estate.

(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in Legal but is supporting Distribution during storm restoration would charge their time to Distribution.

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

(E) Insurance receivables from Palms for damage claims.

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

(G) Jurisdictional Factors are based on factors approved in Docket No. 160186-EI.

(H) Represents storm reserve replenishment collected through the Hurricane Michael storm charge as approved by the Commission in Order No. PSC-2020-0349-S-EI.

State of Florida



Public Service Commission

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

Auditor's Report

Florida Power & Light
Storm Recovery Cost Audit – Hurricane Isaias & Tropical Storm Eta

As of July 31, 2021

Docket No. 20210178-EI
Audit Control No. 2021-334-1-1
February 28, 2022

A handwritten signature in black ink, appearing to read "Jonathan Miller", written over a horizontal line.

Jonathan Miller
Audit Manager

A handwritten signature in black ink, appearing to read "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover
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, 2021. We have applied these procedures to the attached schedules prepared by Florida Power & Light in support of its filing for storm recovery costs in Docket No. 20210178-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

FPL or Utility refers to Florida Power & Light.

Background

On November 21, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta Storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. In its petitions, FPL requested recovery of \$66,346,000 associated with Hurricane Isaias and \$112,729,000 associated with Tropical Storm Eta. Gulf Power Company requested recovery of \$146,343,000 associated with Hurricane Sally and \$10,080,000 associated with Hurricane Zeta.

The Utility revised it’s filing on December 6, 2021. Audit staff used the revised Incremental Cost and Capitalization Approach adjustment schedule “Exhibit DH-2(Eta)” when performing this audit.

Expense

Payroll, Overtime, and Related Costs

Objectives: The objectives were to determine whether regular payroll, overtime, and related costs were properly stated, recorded in the period incurred, and related to Hurricane Isaias and Tropical Storm Eta.

Procedures: We determined regular payroll, overtime, and related costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to payroll records. No exceptions were noted.

Contractors

Objectives: The objectives were to determine whether contractor costs were properly stated, recorded in the period incurred, and related to Hurricane Isaias and Tropical Storm Eta.

Procedures: We determined contractor costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. Audit staff determined there was a double entry of \$105,860 on the general ledger. The Utility made the adjustment as of January 5, 2022. Also, when reconciling the general ledger to the Contractor Storm Restoration Costs for Tropical Storm Eta, the general ledger was \$27,734 (\$28,000 rounded) more than the contractor costs reflected on Line 36 of the Utility

filing (Exhibit 2). However, the Utility reduced its storm costs by this same amount on Line 14, as part of its Capitalizable Costs. No exceptions were noted.

Line Clearing

Objectives: The objectives were to determine whether line clearing costs were properly stated, recorded in the period incurred, and related to Hurricane Isaias and Tropical Storm Eta.

Procedures: We determined line clearing costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Vehicle and Fuel

Objectives: The objectives were to determine whether vehicle and fuel costs were properly stated, recorded in the period incurred, and related to Hurricane Isaias and Tropical Storm Eta.

Procedures: We determined vehicle and fuel costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to source documents. No exceptions were noted.

Materials and Supplies

Objectives: The objectives were to determine whether materials and supplies were properly stated, recorded in the period incurred, and related to Hurricane Isaias and Tropical Storm Eta.

Procedures: We determined materials and supplies from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or inventory records. Also, when reconciling the general ledger to the Materials and Supplies Storm Restoration Costs for Tropical Storm Eta, the general ledger was \$292,442 (\$292,000 rounded) more than the materials and supplies costs reflected on Line 39 of the Utility filing (Exhibit 2). However, the Utility reduced its storm costs by this same amount on Line 15, as part of its Capitalizable Costs. No exceptions were noted.

Logistics

Objectives: The objectives were to determine whether logistics costs were properly stated, recorded in the period incurred, and related to Hurricane Isaias and Tropical Storm Eta.

Procedures: We determined logistics costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or employee expense reports. Audit staff determined there was a \$2,000,000 variance between the general ledger and Utility filing. This was a prepaid lodging expense that was reflected on the

general ledger but not paid to the vendor. The Utility made the correction to the general ledger on November 11, 2021. No exceptions were noted.

Other Costs

Objectives: The objectives were to determine whether other costs were properly stated, recorded in the period incurred, and related to Hurricane Isaias and Tropical Storm Eta.

Procedures: We determined other costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. Also, when reconciling the general ledger to the Other Storm Restoration Costs for Tropical Storm Eta, the general ledger was \$60,847 (\$61,000 rounded) more than the other costs reflected on Line 41 of the Utility filing (Exhibit 2). However, the Utility reduced its storm costs by this same amount on Line 16, as part of its Capitalizable Costs. No exceptions were noted.

Other

Capitalizable Costs

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

Procedures: We determined capitalizable costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We requested a detailed description of the capitalizable costs, and tested these costs to determine if the Utility included for recovery only those costs that are allowed by the applicable Rule. No exceptions were noted.

Third-Party Reimbursements

Objectives: The objective was 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 determined there are no third-party reimbursements from Account 186 – Miscellaneous Deferred Debits. No further work performed.

Below-the-Line Costs

Objectives: The objective was to determine whether below-the-line 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 determined there are no below-the-line costs from Account 186 – Miscellaneous Deferred Debits. No further work performed.

Non-Incremental Costs

Objectives: The objective was to determine whether non-incremental costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143, F.A.C.

Procedures: We determined non-incremental costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a sample of costs to test. We determined the Utility calculated the ICCA adjustments as allowed by Rule 25-6.0143, F.A.C. No exceptions were noted.

Jurisdictional Factors

Objectives: The objective was to determine the jurisdictional factors used by the Utility.

Procedures: We verified the calculation using supporting documentation provided by the Utility. No further work was performed.

Accounts Payable Procedures

Objectives: The objective was to determine whether storm preparation and restoration efforts for approving and processing accounts payable vary from standard practices for approving and processing accounts payable.

Procedures: According to the Utility, the storm Accounts Payable Policy is no different than FPL's standard practices for recording and approving accounts payable. The storm related policies and procedures work in conjunction with the standard operating accounts payable procedures. These policies, which agree with Rule 25-6.0143, F.A.C., define what items are actually recoverable during a storm event. These policies also state the approval process from the staging sites to the assigned plant accountant. The plant accountant then goes through the accounts payable process, which includes staff and management approval levels depending on the dollar amount. Based on our review of the storm related activity, no exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: FPL's Hurricane Isaias Incremental Cost and Capitalization Approach Adjustments

Florida Power & Light Company Hurricane Isaias Incremental Cost and Capitalization Approach Adjustments through July 31st, 2021 (\$000s)										
LINE NO.	Storm Costs By Function(A)						Total (7)			
	Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)				
1	Storm Restoration Costs									
2		\$10	\$29	\$35	\$507	\$79	\$11	\$671		
3	Regular Payroll and Related Costs (C)	78	169	123	3,768	414	143	4,694		
4	Overtime Payroll and Related Costs (C)	10	7	0	36,218	145	54	36,434		
5	Contractors	0	0	0	12,787	0	0	12,787		
6	Line Clearing	1	0	7	2,708	36	0	2,752		
7	Vehicle & Fuel	0	17	0	21	0	3	42		
8	Materials & Supplies	0	277	2	9,122	10	2	9,413		
9	Logistics	8	42	56	1,249	318	4	1,677		
9	Other (D)									
10	Total Storm Related Restoration Costs	Sum of Lines 2 - 9		\$106	\$540	\$224	\$66,381	\$1,002	\$216	\$68,469
11										
12	Less: Capitalizable Costs									
13	Payroll and Related Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
14	Contractors	0	0	0	0	0	0	0		
15	Materials & Supplies	0	0	0	0	0	3	3		
16	Other	0	0	0	0	0	0	0		
17	Total Capitalizable Costs	Sum of Lines 13 - 16		\$0	\$0	\$0	\$0	\$3	\$3	
18										
19	Total Storm Restoration Costs Charged to Base O&M	Lines 10 - 17		\$106	\$540	\$224	\$66,381	\$1,002	\$214	\$68,466
20										
21	Less: ICCA Adjustments									
22	Regular Payroll and Related Costs (E)	\$7	\$27	\$12	\$241	\$51	\$78	\$416		
23	Line Clearing:									
24	Vegetation Management	0	0	0	1,148	0	0	1,148		
25	Vehicle & Fuel:									
26	Vehicle Utilization	0	0	0	337	0	0	337		
27	Fuel	0	0	0	107	0	0	107		
28	Other									
29	Legal Claims	0	0	0	0	0	0	0		
30	Employee Assistance and Childcare	0	0	0	0	14	0	14		
31	Total ICCA Adjustments	Sum of Lines 22 - 30		\$7	\$27	\$12	\$1,834	\$65	\$78	\$2,022
32										
33	Incremental Storm Losses									
34	Regular Payroll and Related Costs	Lines 2 - 13 - 22		\$2	\$2	\$24	\$266	\$28	\$1	\$323
35	Overtime Payroll and Related Costs	Line 3		78	169	123	3,768	414	\$76	4,626
36	Contractors	Lines 4 - 14		10	7	0	36,218	145	\$54	36,434
37	Line Clearing	Lines 5 - 24		0	0	0	11,639	0	\$0	11,639
38	Vehicle & Fuel	Lines 6 - 26 - 27		1	0	7	2,263	36	\$0	2,307
39	Materials & Supplies	Lines 7 - 15		0	17	0	21	0	\$0	39
40	Logistics	Line 8		0	277	2	9,122	10	\$2	9,413
41	Other	Line 9 - 16 - 28 - 29		8	42	56	1,249	304	4	1,663
42	Total Incremental Storm Losses	Sum of Lines 34 - 41		\$99	\$513	\$212	\$64,547	\$937	\$136	\$66,444
43										
44	Jurisdictional Factor (F)	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000			
45										
46	Retail Recoverable Incremental Costs	Line 42 * 44		\$ 94	\$ 479	\$ 192	\$ 64,539	\$ 907	\$ 136	\$ 66,346

Notes:
(A) Storm costs are as of July 31, 2021. Totals may not add due to rounding.
(B) General plant function reflects restoration costs associated with FPL's Human Resources, External Affairs, Information Technology, Real Estate, and Marketing and Communications departments.
(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in Legal but is supporting Distribution during storm restoration would charge their time to Distribution.
(D) Includes other miscellaneous costs, including payroll and related overheads from affiliate personnel directly supporting storm restoration.
(E) Represents regular payroll normally recovered through base rate O&M and not charged to the Storm Reserve. The amounts are charged to the employee's normal business unit, which may not be
(F) Jurisdictional Factors are based on factors approved in Docket No. 160021-EL.

Exhibit 2: FPL's Tropical Storm Eta Incremental Costs and Capitalization Approach Adjustments

Florida Power & Light Company Tropical Storm Eta Incremental Cost and Capitalization Approach Adjustments - Revised through July 31th, 2021 (S000s)														
LINE NO.	Storm Costs By Function(A)						Total (7)							
	Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)								
1	Storm Restoration Costs													
2		8	101	568	1,496	118	36	\$2,327						
3		37	293	3,362	4,555	373	129	8,750						
4		9	231	33	77,262	618	55	78,208						
5		0	0	0	10,426	0	0	10,426						
6		0	0	843	3,886	18	0	4,747						
7		33	11	7	426	0	54	532						
8		0	213	7	8,832	26	0	9,078						
9		1	4	13	1,571	169	6	1,764						
10	Total Storm Related Restoration Costs	Sum of Lines 2 - 9						\$88	\$853	\$4,832	\$108,453	\$1,323	\$281	\$115,831
11	Less: Capitalizable Costs													
13		\$0	\$0	\$0	\$3	\$0	\$0	\$3						
14		0	0	0	28	0	0	28						
15		0	0	0	292	0	54	347						
16		0	0	0	61	0	0	61						
17	Total Capitalizable Costs	Sum of Lines 13 - 16						\$0	\$0	\$0	\$384	\$0	\$54	\$439
19	Total Storm Restoration Costs Charged to Base O&M	Lines 10 - 17						\$88	\$853	\$4,832	\$108,069	\$1,323	\$227	\$115,392
21	Less: ICCA Adjustments													
22		\$6	\$90	\$93	\$552	\$75	\$30	\$846						
23	Line Clearing:													
24		0	0	0	0	0	0	0						
25		0	0	0	1,082	0	0	1,082						
26		0	0	0	196	0	0	196						
27		0	0	0	0	0	0	0						
28		0	0	0	0	0	0	0						
29		0	0	0	0	0	0	0						
30		0	0	0	0	37	0	37						
31	Total ICCA Adjustments	Sum of Lines 22 - 30						\$6	\$90	\$93	\$1,830	\$112	\$30	\$2,161
33	Incremental Storm Losses													
34		\$2	\$11	\$474	\$941	\$43	\$6	\$1,478						
35		37	293	3,362	4,555	373	129	8,750						
36		9	231	33	77,234	618	55	78,180						
37		0	0	0	10,426	0	0	10,426						
38		0	0	843	2,607	18	0	3,468						
39		33	11	7	133	0	0	185						
40		0	213	7	8,832	26	0	9,078						
41		1	4	13	1,510	132	6	1,666						
42	Total Incremental Storm Losses	Sum of Lines 34 - 41						\$83	\$763	\$4,738	\$106,239	\$1,211	\$197	\$113,231
44		0.9513	0.9335	0.9028	0.9999	0.9682	1.0000							
45	Jurisdictional Factor (H)													
46	Retail Recoverable Incremental Costs	Line 42 * 44						\$ 79	\$ 713	\$ 4,278	\$ 106,225	\$ 1,172	\$ 197	\$ 112,662

Notes:

(A) Storm costs are as of July 31, 2021. Totals may not add due to rounding.

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

(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in Legal but is supporting Distribution during storm restoration would charge their time to Distribution.

(D) Corrected for invoice document reference No. 5006383178 which was reflected twice in the general ledger, removed from Line 4, Column 4. Correction made in December 2021.

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

(F) Represents regular payroll normally recovered through base rate O&M and not charged to the Storm Reserve. The amounts are charged to the employee's normal business unit, which may not be

(G) Corrected for formula error.

(H) Jurisdictional Factors are based on factors approved in Docket No. 160021-EL.

State of Florida



Public Service Commission

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

Auditor's Report

Gulf Power Company
Storm Recovery Cost Audit – Hurricane Zeta

As of October 31, 2021

Docket No. 20210179-EI
Audit Control No. 2021-334-1-1
February 28, 2022

A handwritten signature in cursive script, appearing to read "Marisa Glover", written above a horizontal line.

Marisa Glover
Audit Manager

A handwritten signature in cursive script, appearing to read "Thomas Wolff", written above a horizontal line.

Thomas Wolff
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, 2021. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for storm recovery costs in Docket No. 20210179-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Gulf or Utility refers to Gulf Power Company.

Background

On November 12, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. In its petitions, FPL requested recovery of \$66,346,000 associated with Hurricane Isaias and \$112,729,000 associated with Tropical Storm Eta. Gulf Power Company requested recovery of \$146,343,000 associated with Hurricane Sally, and \$10,080,000 associated with Hurricane Zeta.

Expense

Payroll, Overtime, and Related Costs

Objectives: The objectives were to determine whether regular payroll, overtime, and related costs were properly stated, recorded in the period incurred, and related to Hurricane Zeta.

Procedures: We determined regular payroll, overtime, and related costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to payroll records. No exceptions were noted.

Contractors

Objectives: The objectives were to determine whether contractor costs were properly stated, recorded in the period incurred, and related to Hurricane Zeta.

Procedures: We determined contractor costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Line Clearing

Objectives: The objectives were to determine whether line clearing costs were properly stated, recorded in the period incurred, and related to Hurricane Zeta.

Procedures: We determined line clearing costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected

a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Vehicle and Fuel

Objectives: The objectives were to determine whether vehicle and fuel costs were properly stated, recorded in the period incurred, and related to Hurricane Zeta.

Procedures: We determined vehicle and fuel costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to source documents. No exceptions were noted.

Materials and Supplies

Objectives: The objectives were to determine whether materials and supplies were properly stated, recorded in the period incurred, and related to Hurricane Zeta.

Procedures: We determined materials and supplies from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or inventory records. No exceptions were noted.

Logistics

Objectives: The objectives were to determine whether logistics costs were properly stated, recorded in the period incurred, and related to Hurricane Zeta.

Procedures: We determined logistics costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or employee expense reports. No exceptions were noted.

Other Costs

Objectives: The objectives were to determine whether other costs were properly stated, recorded in the period incurred, and related to Hurricane Zeta.

Procedures: We determined other costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Other

Capitalizable Costs

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

Procedures: We determined capitalizable costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We requested a detailed description of the capitalizable costs, and tested these costs to determine if the Utility included for recovery only those costs that are allowed by the applicable Rule. No exceptions were noted.

Third-Party Reimbursements

Objectives: The objective was 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 determined there are no third-party reimbursements from Account 186 – Miscellaneous Deferred Debits. No further work performed.

Below-the-Line Costs

Objectives: The objective was to determine whether below-the-line 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 determined there are no below-the-line costs from Account 186 – Miscellaneous Deferred Debits. No further work performed.

Non-Incremental Costs

Objectives: The objective was to determine whether non-incremental costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143, F.A.C.

Procedures: We determined non-incremental costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a sample of costs to test. We determined the Utility calculated the ICCA adjustments as allowed by Rule 25-6.0143, F.A.C. No exceptions were noted.

Jurisdictional Factors

Objectives: The objective was to determine the jurisdictional factors used by the Utility.

Procedures: We determined that Gulf used the jurisdictional factors calculated for 2021 in its filing. We verified the calculation using support documentation provided by the Utility. No further work was performed.

Accounts Payable Procedures

Objectives: The objective was to determine whether storm preparation and restoration efforts for approving and processing accounts payable vary from standard practices for approving and processing accounts payable.

Procedures: According to the Utility, the storm Accounts Payable Policy is no different than FPL's standard practices for recording and approving accounts payable. The storm related

policies and procedures work in conjunction with the standard operating accounts payable procedures. These policies, which agree with Rule 25-6.0143, F.A.C., define what items are actually recoverable during a storm event. These policies also state the approval process from the staging sites to the assigned plant accountant. The plant accountant then goes through the accounts payable process, which includes staff and management approval levels depending on the dollar amount. Based on our review of the storm related activity, no exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Gulf Hurricane Zeta Incremental Costs and Capitalization Approach Adjustments

Gulf Power Company
Hurricane Zeta Incremental Cost and Capitalization Approach Adjustments
through October 31, 2021
(\$000s)

LINE NO.		Storm Costs By Function (A)					Total (6)
		Steam & Other (1)	Transmission (2)	Distribution (3)	General (B) (4)	Customer Service (5)	
1	Storm Restoration Costs						
2	Regular Payroll and Related Costs (C)	0	34	224	28	18	\$304
3	Overtime Payroll and Related Costs (C)	4	17	299	15	5	339
4	Contractors	33	27	5,711	4	6	5,783
5	Line Clearing	0	0	1,864	0	0	1,864
6	Vehicle & Fuel	0	4	327	0	0	331
7	Materials & Supplies	0	0	178	0	0	179
8	Logistics	0	22	1,237	130	1	1,391
9	Other (D)	3	13	1,106	75	2	1,198
10	Total Storm Related Restoration Costs	\$41	\$118	\$10,947	\$252	\$31	\$11,388
11							
12	Less: Capitalizable Costs						
13	Payroll and Related Costs	\$0	\$0	\$37	\$0	\$0	\$37
14	Contractors	0	0	71	0	0	71
15	Materials & Supplies	0	0	104	0	0	104
16	Other	0	0	80	0	0	80
17	Third-Party Reimbursements	0	0	0	0	0	0
18	Total Capitalizable Costs	\$0	\$0	\$292	\$0	\$0	\$292
19							
20	Less: Third-Party Reimbursements	0	0	0	0	0	0
21							
22	Less: Insurance Receivables (E)	0	0	0	0	0	0
23							
24	Less: Below-the-Line/Thank You Ads	0	0	0	0	0	0
25							
26	Total Storm Restoration Costs Charged to Base O&M	\$41	\$118	\$10,655	\$252	\$31	\$11,096
27							
28	Less: ICCA Adjustments						
29	Regular Payroll and Related Costs (F)	\$0	\$10	\$89	\$21	\$15	\$135
30	Line Clearing:						
31	Vegetation Management	0	0	652	0	0	652
32	Vehicle & Fuel:						
33	Vehicle Utilization	0	4	54	0	0	58
34	Fuel	0	0	77	0	0	77
35	Other						
36	Legal Claims	0	0	0	0	0	0
37	Employee Assistance	0	0	0	53	0	53
38	Total ICCA Adjustments	\$0	\$14	\$872	\$74	\$15	\$974
39							
40	Incremental Storm Losses						
41	Regular Payroll and Related Costs	\$0	\$25	\$97	\$7	\$3	\$132
42	Overtime Payroll and Related Costs	4	17	299	15	5	339
43	Contractors	33	27	5,641	4	6	5,712
44	Line Clearing	0	0	1,212	0	0	1,212
45	Vehicle & Fuel	0	0	197	0	0	197
46	Materials & Supplies	0	0	75	0	0	75
47	Logistics	0	22	1,237	130	1	1,391
48	Other	3	13	1,026	22	2	1,066
49	Total Incremental Storm Losses	\$41	\$104	\$9,783	\$178	\$17	\$10,122
50							
51	Jurisdictional Factor (G)	0.9720	0.9741	0.9963	0.9841	1.0000	
52							
53	Retail Recoverable Incremental Costs	\$ 40	\$ 101	\$ 9,747	\$ 175	\$ 17	\$10,079
54							
55	Plus: Interest on Unrecovered Deficit in the Storm Reserve						1
56							
57	Total System Storm Losses to be Recovered from Customers (Lines 53 + 55)						\$10,080

Notes:

(A) Storm costs are as of October 31, 2021. Totals may not add due to rounding.

(B) General plant function reflects restoration costs associated with Gulf's External Affairs, Marketing and Communications, Information Technology, and Corporate Real Estate.

(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in Legal but is supporting Distribution during storm restoration would charge their time to Distribution.

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

(E) Insurance receivables for damage claims.

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

(G) Jurisdictional Factors are based on factors approved in Docket No. 160186-EL.