

Gulf's Response to OPC's First Set of  
Interrogatories Nos. 1-4, 5-8, 10-17, 20, 28, 30,  
32 (Docket No. 20200241-EI)

(Including Attachments)

QUESTION:

Sally - Logistics.

For Hurricane Sally restoration work, identify and describe all costs that the Company considers logistics costs. In addition, describe the Company's policies for contractors with respect to fueling, meals and lodging while working in-territory on restoration activities

RESPONSE:

The costs categorized as logistics relate to the establishment and operation of storm restoration sites, and support employees who are working on storm restoration, and all attendant services to house, feed, and provide for the needs of the workers performing restoration services. Logistics costs include but are not limited to costs for lodging for hotels, mobile sleepers, cots in tents and fixed facilities, meals (whether at the staging sites, in the field, or elsewhere), buses, on-site first aid care, laundry services, material transportation, security, site equipment, salvage, environmental (site repairs), ice, water, site transportation, site safety equipment (cones, traffic signs), and sanitation services (toilets and hand-wash stations). Turn-key vendors provide many of the services and equipment noted, in addition to logistics labor to support the site. The invoices and costs are managed by personnel in FPL's supply chain organization that perform a logistics function during storms.

The majority of logistics expenses are tied to pre-established contracts that are competitively bid. In addition, with an understanding that not all scenarios are foreseen, contracts/agreements are established as needed during a named storm event.

Acquisition of lodging (hotels) is determined at time of event based on the resources working or traveling to a particular area each day and the availability of hotel rooms in that area. With respect to availability, it is important to note that Gulf is potentially competing with evacuees while attempting to secure lodging as close as possible to staging sites. Contracts are negotiated based on demand and location by a pre-established 3rd party lodging provider. Alternative lodging (e.g., mobile sleepers, cots) is determined based on pre-established contracts that are competitively bid.

The Company's policies for contractors with respect to fueling, meals and lodging while working in-territory on restoration activities are based on processes as provided in Paragraph 13 of the Commission-approved Hurricane Irma Settlement Agreement (Docket No. 20180049-EI), the policy followed by Gulf with respect to this proceeding, and the contractor's statement of work.

QUESTION:

Sally - Mobilization/Demobilization.

For Hurricane Sally restoration activities, describe in detail the Company policy for determining whether mobilization/demobilization travel time is considered reasonable, why that policy should be considered reasonable, and whether the Company (or any other entity) has performed a study supporting that policy.

RESPONSE:

The Company's policy for determining whether mobilization/demobilization travel time is considered reasonable is based on closely monitoring the travel time of storm crews to and from FPL's service area, as well as FPL's significant experience traveling to assist other utilities following storm events. Paragraphs 9 through 11 of the Commission-approved Hurricane Irma Settlement Agreement (Docket No. 20180049-EI), the policy followed by Gulf with respect to this proceeding, describe the policy.

The policy itself should be considered reasonable for several reasons. First and foremost, the policy is based on the significant experiences of FPL, both as the recipient and provider of restoration resources in advance of, in connection with, and following storm events. Additionally, the reasonableness of the policy is further supported by the fact that OPC agreed to the provisions in paragraphs 9 through 11 of the Hurricane Irma Settlement Agreement, and the Commission approved the Stipulation and Settlement in the Hurricane Irma proceeding (Docket No. 20180049-EI) and found the settlement to be in the public interest. (ORDER NO. PSC-2020-0104-PAA-EI).

To facilitate the implementation of this policy, Gulf and FPL employed Travel Coordinators as part of its storm response and restoration efforts. As Gulf Witness Gerard describes in her pre-filed Direct Testimony on pages 13 and 14, Gulf "relied upon information gathered by its Travel Coordinators as the most reliable data to monitor travel time and expenses during mobilization and demobilization." Reliance upon this process is further described in more detail in Gulf Witness Gerard's pre-filed Direct Testimony.

Neither Gulf nor FPL has conducted a formal "study" supporting the policy that was agreed to by OPC and approved by the Commission in the Hurricane Irma proceeding, the policy followed by Gulf with respect to this proceeding. Gulf and FPL have actual experience in tracking hundreds of crews during the numerous storms that have impacted Gulf's and FPL's territory over the years, and the hundreds of times Gulf and FPL have travelled out of its service territory to assist other utilities following storm events. In arriving at its policy, FPL considered a number of factors affecting pace of travel, including but not limited to: the speed with which a convoy of utility vehicles (as opposed to passenger cars) can reasonably travel; the use of engine rev limiters/governors that limit the speed the vehicles may travel; breakdowns; the time needed for repairs; normal and storm-related traffic congestion; road work construction; accidents; stops for meals and other personal needs; ingress and egress to and from highways at the beginning and

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end of the travel day; adverse weather conditions; and any number of other conditions that can be encountered as crews travel to and from Gulf's and/or FPL's service territory.

**QUESTION:**

Sally - Mobilization/Demobilization.

For Hurricane Sally restoration work, provide a summary of the amount of line contractor costs and the amount of line clearing costs by cost category and by contractor, included in the respective totals requested, that were incurred for mobilization and demobilization. If the information is not available, explain why it is not available and how the Company was able to verify the billing for mobilization and demobilization.

**RESPONSE:**

Please see Confidential Vendor Flat File(s) as provided with the Notice of Filing submitted on November 12, 2021.

**QUESTION:**

Sally - Standby.

For Hurricane Sally, does the Company have any information that would identify the costs specifically incurred for standby time of line contractors and/or line clearing contractors once mobilized? If not, explain why the Company does not analyze these costs, how the Company mitigates standby time, and how the Company can support the position that all the costs requested are reasonable.

**RESPONSE:**

Please see Confidential Vendor Flat File(s) as provided with the Notice of Filing submitted on November 12, 2021. Standby time, where it occurred and was approved, is noted in the Confidential Vendor Flat File(s), in the tab labeled "TimeSheet" under the "Standby ST" and "Standby OT" column.

QUESTION:

Sally - Embedded Line Contractors.

Provide the amount of annual expense associated with embedded line contractors providing day-to-day service that was included in base rates in effect during 2020. Identify and provide the source of this expense amount, e.g., rate filing schedule and/or workpapers.

RESPONSE:

The base rates in effect for 2020 were the result of a full comprehensive, black box settlement agreement approved by the Commission in Docket No. 160186-EI ("2017 Settlement"). The 2017 Settlement was achieved after extensive, good faith negotiations among the signatory parties and represented a compromise of many diverse and competing litigation positions. As a result, the actual revenue requirement adopted under the 2017 Settlement was significantly less than the as-filed revenue requirement. The fixed base rates approved under the 2017 Settlement were designed to achieve this settled revenue requirement, not the as-filed revenue requirement. Although the base rates charged to customers under the 2017 Settlement are fixed, the 2017 Settlement agreement did not fix or otherwise specify the amount attributable to embedded line contractors to be charged to base rates in any given year. The actual amount of embedded line contractor expense to be charged to base rates can and does fluctuate from year to year – meaning the amount of embedded line contractors charged to base rates in one year could be the same, more, or less than the amount charged to base rates in prior or subsequent years. However, these fluctuations do not alter the fixed base rates charged to customers under the 2017 Settlement.

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**QUESTION:**

Sally - Embedded Line Contractors.

Refer to the summary cost support Excel file included with the Confidential files attached to the November 12, 2021 petition for Hurricane Sally storm cost recovery entitled "DH-1 Sally 10.2021 Rev3." Refer further to worksheet tab 4(b) which shows the Company's ICCA calculation pertaining to line clearing costs. Provide the same type of calculation in similar format associated with embedded line contractors providing day-to-day service for each of the years 2017-2020, excluding any costs that were capitalized or deferred and included in storm recovery requests in unlocked format.

**RESPONSE:**

Gulf has filed an objection to OPC's First Set of Interrogatories No. 6.

Notwithstanding and without waiver of this objection, Gulf responds as follows. Gulf does not track embedded line contractors at the requested level of detail. Embedded line contractors are recorded to the same GL account as non-embedded line contractors and cannot be identified as embedded vs. non-embedded.



QUESTION:

Sally - Materials and Supplies.

Provide the amount of annual expense associated with materials and supplies that was included in base rates in effect during 2020. Identify and provide the source of this expense amount, e.g., rate filing schedule and/or workpapers.

RESPONSE:

The base rates in effect for 2020 were the result of a full comprehensive, black box settlement agreement approved by the Commission in Docket No. 160186-EI ("2017 Settlement"). The 2017 Settlement was achieved after extensive, good faith negotiations among the signatory parties and represented a compromise of many diverse and competing litigation positions. As a result, the actual revenue requirement adopted under the 2017 Settlement was significantly less than the as-filed revenue requirement. The fixed base rates approved under the 2017 Settlement were designed to achieve this settled revenue requirement, not the as-filed revenue requirement. Although the base rates charged to customers under the 2017 Settlement are fixed, the 2017 Settlement agreement did not fix or otherwise specify the amount attributable Material and Supplies. The actual amount of Material and Supplies to be charged to base rates can and does fluctuate from year to year – meaning the amount of Material and Supplies charged to base rates in one year could be the same, more, or less than the amount charged to base rates in prior or subsequent years. However, these fluctuations do not alter the fixed base rates charged to customers under the 2017 Settlement.

**QUESTION:**

Sally - Materials and Supplies.

Refer to the summary cost support Excel file included with the Confidential files attached to the November 12, 2021 petition for Hurricane Sally storm cost recovery entitled "DH-1 Sally 10.2021 Rev3." Refer further to worksheet tab 4(b) which shows the Company's ICCA calculation pertaining to line clearing costs. Provide the same type of calculation in similar format associated with materials and supplies for each of the years 2017-2020, excluding any costs that were capitalized or deferred and included in storm recovery requests in unlocked format.

**RESPONSE:**

Gulf has filed an objection to OPC's First Set of Interrogatories No. 8.

Notwithstanding and without waiver of this objection, Gulf provides the following response.

See the below table for transmission & distribution non-storm, non-capital, Materials and Supplies expense for September for each of the years 2017-2020.

	September 2017	September 2018	September 2019	3-year average	September 2020
Materials & Supplies	\$171,806	\$103,209	\$181,087	\$152,034	\$89,145

**QUESTION:**

Sally - Line Contractors.

Refer to the Confidential Excel flat files pertaining to all line contractors provided as part of the Company's filing. Refer further to the hourly rates for each employee that were standard for each employee and not differentiated by position.

- a. Explain all reasons why the line contractor vendors were allowed to charge one hourly rate for all its contractors that was not differentiated on the contractor employee positions and/or the level of expertise of the individual contractor employee (e.g. foreman vs apprentice).
- b. Describe the derivation of the individual hourly rates for the line contractor vendors. In your description, include a discussion of equipment charges and any other overhead components that may be included in the hourly rates.

**RESPONSE:**

- a. FPL contracts with line contractors are based on blended hourly rates for all classifications of personnel and standard equipment for performance of work. Also please see subpart (b) of this response.
- b. All known potential overhead line contractors throughout the nation are sent a Request for Proposal (RFP) bid package and asked to provide blended hourly rates for all classifications of personnel that will be performing work. Hourly rates are a blended composition for labor and standard equipment necessary to perform scope of work. These rates (straight time, overtime, mobilization straight time, and mobilization overtime) are reviewed with Power Delivery along with other factors such as safety performance/rating, distance to mobilize to Florida, and if the crew can meet the required arrival time. Bids are compared to each other and compared against existing rates for contracts already in place. Typically, three-year contracts are established to lock in pricing. In cases where pricing is higher than market, contracts may still be established/awarded but only called upon where more cost affordable options are not available.

Our contractors are made aware that their pricing will have an impact on the resource acquisition process, and how quickly we engage their organization, if at all. Therefore, our contractors are incentivized to provide the lowest rate possible.

**QUESTION:**

Sally - Line Contractors.

Refer to the Confidential Excel flat files pertaining to all line contractors provided as part of the Company's filing. Refer further to the hourly rates charged by the contractors. Explain all reasons why most of the line contractors were allowed to charge higher hourly rates for mobilization/demobilization than for actual restoration and follow-up work.

**RESPONSE:**

Mobilization/demobilization hourly rates and straight and overtime labor rates are subject to market-based contractual agreements. Mobilization/demobilization has the same cost basis as restoration work, plus it is inclusive of fuel and overheads (e.g., mileage, insurance, maintenance) related to mobilizing vehicles and equipment.

Please also see Gulf's response to OPC's First Set of Interrogatories No. 10 and 12.

**QUESTION:**

Sally - Line Contractors.

Explain what measures the Company takes to determine that line contractor rates are reasonable and comparable from contractor to contractor.

**RESPONSE:**

Measures taken by the Company to determine that line contractor rates are reasonable and comparable from contractor to contractor start with competitive bidding on pre-established contracts. Because contractors are not able to see bids submitted by other contractors, there is a resulting range of agreed rates considered reasonable in light of the nature of the work and the circumstances under which those resources may be called upon to provide support. Due to the unpredictable nature of storms and resource requirements, and in order to ensure the customer receives the best value, contractors are generally prioritized by rates (low to high) during the resource acquisition process, although a number of factors may and do impact the order in which resources are acquired.

Please also see Gulf's response to OPC's 1st Set of Interrogatories No. 10.

QUESTION:

Sally - Line Contractors.

Has the Company performed any analysis of line contractor rates charged to other utilities in Florida or elsewhere that would allow the Company to determine whether rates it agreed to for Hurricane Sally restoration work are reasonable and/or comparable to rates other utilities are being charged under the similar emergency conditions? If not, explain why not and whether the Company would consider that information important.

RESPONSE:

Measures taken to determine that line contractor rates the Company agreed to for storm restoration work are reasonable as determined by our competitive bidding process. Our contractors are made aware their pricing will have an impact on the resource acquisition process, and how quickly we engage their organization, if at all. Therefore, our contractors are incentivized to provide the lowest rate possible.

Neither Gulf nor FPL has access to the confidential information regarding the rates charged to or paid by other utilities for storm restoration work.

Please also see Gulf's response to OPC's 1st Set of Interrogatories No. 10 and 12.

**QUESTION:**

Sally - Contractor Rates.

Describe any differences in contractor rates (line contractors and/or vegetation management contractors) that depend on whether the contractor is performing embedded and/or day-to-day services or performing storm restoration services and/or that depend on the type of storm restoration services, e.g., the intensity of the storm. Cite to relevant contract provisions.

**RESPONSE:**

Embedded contractors are paid for "day-to-day services" pursuant to their contracts for blue-sky work. The Storm Statement of Work goes into effect when contractors are mobilized for storm. At that time, the "Emergency Restoration Statement of Work" goes into effect and the Storm Rates apply to both embedded and non-embedded contractors. The Emergency Restoration Statement of Work states, at pages 10 through 12, that "this rate consists of two separate price structures which are mobilization/demobilization and working/standby."

Pages 16 through 18 of the Vegetation Management Storm Restoration Handbook includes details on reimbursable expenses and time related to restoration efforts.

Please also see Confidential Vendor Flat File(s) provided with the Notice of Filing submitted on November 12, 2021 and refer to the tab "Payment".

Contractor rates are not dependent on, and do not vary, based on the type or the extent of the storm or the storm restoration services (e.g., the intensity of the storm).

QUESTION:

Sally - Logistics.

Refer to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Sally 10.2021 Rev3." Refer further to worksheet tab 1(g) which provides the summary of all logistics costs by vendor and then further to cell reference C38, which includes provides an invoice related amount of \$191,314.61 for Pike Electric LLC. Explain why this amount from a line contractor is included as a logistics costs.

RESPONSE:

In preparing this response, it was found that Gulf inadvertently included the Pike Electric LLC invoice in the amount of \$191,314.61 as a Logistics cost on Line 8 of Exhibit DH-1(Sally) instead of as a Contractor cost on Line 4 of Exhibit DH-1(Sally). Since these costs were properly reflected under the Transmission function on Column (2) of Exhibit DH-1(Sally) and there were no ICCA adjustments associated with Contractors under the Transmission function, there is no impact to the Retail Recoverable Incremental Costs.



QUESTION:

Sally - Capitalized Cost.

Refer to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Sally 10.2021 Rev3" and further to worksheet tab 2(a) which shows the summary of Capitalized Cost associated with Hurricane Sally and reflects a distinction between "PD Restoration" capitalization and "PD Follow-up" capitalization. Define the acronym "PD" and describe in detail the distinction between the two and indicate the applicable dates for which costs were capitalized for each.

RESPONSE:

The acronym "PD" stands for "Power Delivery" which represents the "Distribution" function on tab 2(a).

Restoration Capital - During storm restoration, specific internal orders ("IOs") are established to track all storm related costs. Upon completion of restoration activities, Gulf's business units, along with the Accounting Department, review all work performed during restoration that would meet the capitalization criteria in accordance with Gulf's capitalization policy. Labor and overhead (engineering) is applied to capital materials installed (materials and supplies issued less returns) during the storm event through Gulf's Work Management System ("WMS") for Distribution, and Project Update and Reporting ("PUR") for Transmission. The total amount charged to capital cost is the sum of labor, materials and overheads.

Follow-up Capital – Post-storm restoration, Gulf performs inspections or assessments to restore Gulf's facilities to their pre-storm condition (includes associated labor, equipment, vehicle/fuel and materials) by using either visual patrols or thermovision. This identification of damage is used to create work requests in Gulf's WMS to assign the work and from the design of the repairs, Gulf obtains an estimated construction man hour ("CMH") to perform the work. Gulf uses its current standard contractor dollar/CMH in order to develop its estimate for the contractor part of the follow-up restoration work. All follow-up work is incremental to Gulf's normal workload, and most of this work is contracted to third parties. Once final costs are known and follow-up is complete, estimates are trued up to actuals.

Gulf began incurring follow up costs on September 21, 2020. Gulf does not track when capitalized follow-up work is incurred.

Refer to Attachment No. 1 of this response, which illustrates capital costs by the date they were recorded to capital on Gulf's books and records, as reflected on Confidential Exhibit DH-1 Support File, tab 2(a).

QUESTION:

Sally - Restoration vs Follow-Up.

Provide an explanation for costs included in the Company's request broken down between "restoration" costs and "follow-up" costs. If the costs are distinguished by date of incurrence, explain.

RESPONSE:

Restoration –

Costs associated with preparing for, responding to, and restoring service and facilities impacted by a tropical cyclone.

Follow-up –

Post storm restoration, Gulf performs inspections or assessments to restore Gulf's facilities to their pre-storm condition (includes associated labor, equipment, vehicle/fuel and materials) by using either visual patrols or thermovision. All follow-up work is incremental to Gulf's normal workload, and most of this work is contracted to third parties. Furthermore, this includes costs associated with the Cost Finalization team as discussed in Gulf witness Gerard's testimony filed on November 12, 2021.

Gulf began incurring follow up costs for Hurricane Sally on September 21, 2020.

QUESTION:

Sally - Other.

Refer to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Sally 10.2021 Rev3" and further to worksheet tabs 1(h) and GL Detail which show a summary breakdown of 'other costs' associated with Hurricane Sally. Explain what type of costs are included in the 'other costs' requested in this docket and explain all reasons why costs were recorded in months after September/October 2020 and through at least July 2021.

RESPONSE:

Costs reflected in the "Other" cost category represent miscellaneous costs including but not limited to outside services, affiliate payroll and related overheads from affiliate personnel directly supporting storm preparations (i.e., securing critical equipment, storm riders, etc.) and restoration to pre-storm status, as well as freight, rental equipment, meals, telecommunications and security. Note that these cost categories do not exist in Gulf's general ledger and are used for storm reporting purposes only. In addition, some costs that may be classified as "Other" in one function may be classified in a different category for another function, depending on the nature and relative materiality of the cost.

Please see tab 1(h) on the Confidential "DH-1 Sally 10.2021 Rev3" support file for a summary of Other costs by function and type. The costs recorded to the ledger after September/October 2020 and through July 2021 represent costs for invoices which were reviewed, processed and finalized months after the storm occurred.

QUESTION:

Sally - Overhead Costs.

If an overhead rate was used for benefits and other related costs for any payroll related to Hurricane Sally restoration work, provide a summary of costs, the corresponding overhead rate(s), a description of how the rate(s) was (were) determined, and the calculation of each such rate.

RESPONSE:

Gulf uses payroll overhead rates to ensure that all payroll related costs are properly allocated to the activities performed by Gulf employees. The rates are applied to different payroll bases depending on the type of costs that are being charged. For example, the payroll tax overhead rate is applied to all payroll since all payroll is subject to payroll taxes. On the other hand, the benefits overhead rates are only applied to eligible straight time payroll. Below are the overhead pool categories and the costs included in each rate:

- Gulf Employee Benefits: Funded Welfare - Medical, dental, 401k, life insurance, etc.
- Gulf Employee Benefits: Unfunded Service - Pension Service Cost, Postemployment benefit costs, retiree medical service costs
- Gulf Employee Benefits: Unfunded Benefits - Pension credit, retiree medical costs
- Gulf Payroll Taxes - FICA, FUTA and SUTA

The Gulf Employee Benefit overhead rates are established at the beginning of each year by taking the approved annual Gulf benefits costs divided by the budgeted Gulf annual straight time payroll for employees. These rates typically do not change throughout the year; however, they may be updated periodically if there are significant changes to forecasted costs. See the below table for the benefit overhead rates for 2020 and 2021.

	2020	2021
Gulf Employee Benefits - Funded Welfare	20.45%	16.07%
Gulf Employee Benefits - Unfunded Service Costs	19.95%	7.10%
Gulf Employee Benefits - Unfunded Benefits Costs	-28.88%	-19.24%

The Gulf Payroll Tax rate is also established at the beginning of each year by taking the annual forecasted Gulf taxable wages and dividing by forecasted annual Gulf gross payroll. Since payroll taxes are subject to salary limits, this rate fluctuates each month based on actual activity to ensure costs are properly allocated. See the below table for the payroll tax rates for 2020 and 2021. Note: For the months January 2020 through March 2020, the payroll tax rate was 6.52%.

O/H Rate R500 Gulf Payroll Taxes  
Dependency D000 Overhead Type

Details						
	Valid from	To	CO Area	Ovrhd type	Percentage	Unit
	01/01/2019	12/31/2019	0002	1	6.520	%
	04/01/2020	04/30/2020	0002	1	6.540	%
	05/01/2020	05/31/2020	0002	1	14.000	%
	06/01/2020	06/30/2020	0002	1	6.540	%
	07/01/2020	07/31/2020	0002	1	6.600	%
	08/01/2020	09/30/2020	0002	1	6.540	%
	10/01/2020	10/31/2020	0002	1	10.300	%
	11/01/2020	11/30/2020	0002	1	5.800	%
	12/01/2020	12/31/2020	0002	1	3.466	%
	01/01/2021	01/31/2021	0002	1	8.470	%
	02/01/2021	02/28/2021	0002	1	8.160	%
	03/01/2021	03/31/2021	0002	1	6.320	%
	04/01/2021	04/30/2021	0002	1	6.390	%
	05/01/2021	05/31/2021	0002	1	6.890	%
	06/01/2021	06/30/2021	0002	1	6.530	%
	07/01/2021	07/31/2021	0002	1	6.570	%
	08/01/2021	08/31/2021	0002	1	6.870	%
	09/01/2021	09/30/2021	0002	1	6.790	%
	10/01/2021	10/31/2021	0002	1	5.999	%
	11/01/2021	11/30/2021	0002	1	5.630	%
	12/01/2021	12/31/9999	0002	1	5.100	%

There is no difference between payroll overheads used for storm vs. non-storm.

**QUESTION:**

Sally - Payroll.

Provide the amount of straight time payroll included in O&M expense in each of the years 2017-2020 and provide the amount of straight time payroll charged to storm costs in each of the years 2017-2020.

**RESPONSE:**

Gulf has filed an objection to OPC's First Set of Interrogatories No. 30.

Notwithstanding and without waiver of this objection, Gulf provides the following response.

See Table 1 below for actual regular and overtime base payroll costs for years 2018 through 2020. Note that the amounts do not include any storm-related payroll, which were reclassified to functional miscellaneous FERC O&M accounts. The amounts below do not include payroll overheads, incentives, or other types of payroll related expenses.

Table 1

**Regular and Overtime Payroll**

**Base O&M Expenses**

	2018	2019	2020
Regular Payroll	\$60,733,717	\$49,721,150	\$37,857,210
Overtime Payroll	\$4,640,804	\$4,501,342	\$5,749,000
Grand Total	<u>\$65,374,521</u>	<u>\$54,222,491</u>	<u>\$43,606,210</u>

See Table 2 below for actual regular and overtime storm related payroll recorded to FERC account 186. These amounts do not include ICCA adjustments or storm costs that were reclassified to base O&M, nor do they include payroll overheads, incentives, or other types of payroll related expenses.

Table 2

**Regular and Overtime Payroll Recorded to FERC Acct 186**

	2018	2019	2020
Regular Payroll	\$5,110,034	\$104,998	\$3,316,141
Overtime Payroll	\$6,716,944	\$51,483	\$2,194,663
Grand Total	<u>\$11,826,978</u>	<u>\$156,480</u>	<u>\$5,510,804</u>

QUESTION:

Sally - Payroll.

Provide the straight time transmission payroll expense and straight time distribution payroll expense included in the base rates that were in effect during 2020 (based on the Company's last base rate proceeding). In addition, provide the percentage of straight time transmission payroll costs charged to expense in the last base rate proceeding and the percentage of straight time distribution payroll costs charged to expense in the last base rate proceeding. Identify and provide the source of these expense amounts and the percentages, e.g., rate filing schedule and/or workpapers.

RESPONSE:

The base rates in effect for 2020 were the result of a full comprehensive, black box settlement agreement approved by the Commission in Docket No. 160186-EI ("2017 Settlement"). The 2017 Settlement was achieved after extensive, good faith negotiations among the signatory parties and represented a compromise of many diverse and competing litigation positions. As a result, the actual revenue requirement adopted under the 2017 Settlement was significantly less than the as-filed revenue requirement. The fixed base rates approved under the 2017 Settlement were designed to achieve this settled revenue requirement, not the as-filed revenue requirement. Although the base rates charged to customers under the 2017 Settlement are fixed, the 2017 Settlement agreement did not fix or otherwise specify the amount of straight time transmission payroll expense and straight time distribution payroll expense to be charged to base rates in any given year. The actual amount of straight time transmission payroll expense and straight time distribution payroll expense to be charged to base rates can and does fluctuate from year to year – meaning the amount of straight time transmission payroll expense and straight time distribution payroll expense charged to base rates in one year could be the same, more, or less than the amount charged to base rates in prior or subsequent years. However, these fluctuations do not alter the fixed base rates charged to customers under the 2017 Settlement.

**DECLARATION**

I, Michael Spoor, sponsored the answers to Interrogatory Nos. 1, 2, and 10-14 and co-sponsored the answers to Interrogatory Nos. 17, 20 and 23 from OPC's First Set of Interrogatories to Gulf Power Company in Docket No. 20200241-EI, and the responses are true and correct based on my personal knowledge.

Under penalties of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.



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Michael Spoor


Date: 01/26/2022



**DECLARATION**

I, Carmine Priore III, co-sponsored the answers to Interrogatory Nos. 35, and 36 from OPC's First Set of Interrogatories to Gulf Power Company in Docket No. 20200241-EI, and the responses are true and correct based on my personal knowledge.

Under penalties of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.


  
\_\_\_\_\_  
Carmine A. Priore, III

Date: 01/27/2022

**DECLARATION**

I, David Hughes, sponsored the answers to Interrogatory Nos. 5-8, 15, 16, 25, 26, 28, and 30-34 and co-sponsored the answers to Interrogatory Nos. 9, 17, 20-24, 27, 29, 35 and 36 from OPC's First Set of Interrogatories to Gulf Power Company in Docket No. 20200241-EI, and the responses are true and correct based on my personal knowledge.

Under penalties of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.

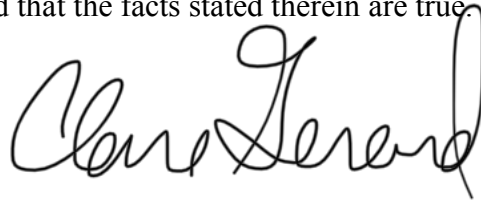
  
\_\_\_\_\_  
David Hughes

Date: 1/28/2022

**DECLARATION**

I, Clare Gerard, sponsored the answers to Interrogatory Nos. 3, 4, 18, and 19 and co-sponsored the answers to Interrogatory Nos. 9, 21, 22, 24, 27 and 29 from OPC's First Set of Interrogatories to Gulf Power Company in Docket No. 20200241-EI, and the responses are true and correct based on my personal knowledge.

Under penalties of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.

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

\_\_\_\_\_  
Clare Gerard

Date: \_\_\_\_\_ 1/28/2022 \_\_\_\_\_