

FPL's Response to OPC's First Set of  
Interrogatories Nos. 1-2, 5-9 redacted, 10  
redacted, 11 redacted, 12 redacted, 13 redacted,  
14 redacted, 15-20, 29  
(Docket No. 20210178-EI)

(Including Attachments)

QUESTION:

Isaias and Eta - Logistics.

For Hurricane Isaias and Tropical Storm Eta 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 FPL 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) and the contractor's statement of work.

QUESTION:

Isaias and Eta - Mobilization/Demobilization.

For Hurricane Isaias and Tropical Storm Eta 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) 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, FPL employs Travel Coordinators as part of its storm response and restoration efforts. As FPL witness Gerard describes in her pre-filed Direct Testimony, FPL "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 FPL witness Gerard's pre-filed Direct Testimony.

FPL has not conducted a formal "study" supporting the policy that was agreed to by OPC and approved by the Commission. The Company has actual experience in tracking hundreds of crews during the numerous storms that have impacted FPL's territory over the years, and the hundreds of times FPL has 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 end of the travel day; adverse weather conditions; and a number of other conditions that can be encountered as crews travel to and from FPL's service territory.

QUESTION:

Isaias and Eta - 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. 20160021-EI ("2016 Settlement"). The 2016 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 2016 Settlement was significantly less than the as-filed revenue requirement. The fixed base rates approved under the 2016 Settlement were designed to achieve this settled revenue requirement, not the as-filed revenue requirement. Although the base rates charged to customers under the 2016 Settlement are fixed, the 2016 Settlement agreement did not fix or otherwise specify the amount attributable for example 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 2016 Settlement.

QUESTION:

Isaias and Eta - Embedded Line Contractors.

Refer to the summary cost support Excel files included with the Confidential files attached to the November 12, 2021 petition for Hurricane Isaias and Tropical Storm Eta storm cost recovery entitled "DH-1 Isaias Final Costs as of July 2021" and "DH-2 Eta Final Costs as of July 2021." Refer further to worksheet tabs 3(b) in each file which shows the Company's ICCA calculation pertaining to line clearing costs. Provide the same type of calculation for each storm 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:

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

Notwithstanding and without waiver of this objection, FPL responds as follows. FPL 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:

Isaias and Eta - 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. 20160021-EI ("2016 Settlement"). The 2016 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 2016 Settlement was significantly less than the as-filed revenue requirement. The fixed base rates approved under the 2016 Settlement were designed to achieve this settled revenue requirement, not the as-filed revenue requirement. Although the base rates charged to customers under the 2016 Settlement are fixed, the 2016 Settlement agreement did not fix or otherwise specify the base rate amount attributable to 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 2016 Settlement.

**QUESTION:**

Isaias and Eta - 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 Isaias and Tropical Storm Eta storm cost recovery entitled "DH-1 Isaias Final Costs as of July 2021" and "DH-2 Eta Final Costs as of July 2021." Refer further to worksheet tab 3(b) in each file 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:**

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

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

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

	<b>August 2017</b>	<b>August 2018</b>	<b>August 2019</b>	<b>3 year average</b>	<b>August 2020</b>
Materials & Supplies	\$ 1,186,949	\$93,991	\$3,005,472	\$1,428,804	\$828,420

	<b>November 2017</b>	<b>November 2018</b>	<b>November 2019</b>	<b>3 year average</b>	<b>November 2020</b>
Materials & Supplies	-\$216,738	\$1,257,178	\$1,699,458	\$913,300	-\$194,725

QUESTION:

Isaias and Eta - Contractors.

Refer to the Confidential Excel flat files provided as part of the Company's November 12, 2021 filing related to Hurricane Isaias. Refer also to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Isaias Final Costs as of July 2021." Refer further to worksheet tab 1(c) which provides the summary of all contractor costs (excluding line clearing costs) and 1(d) which provides the summary of all line clearing contractor costs. For each of the contractors and invoice related amounts listed below and listed by worksheet tab and Excel cell reference, there were additional invoices processed for contractors that had costs summarized by Excel flat files but not associated with the Excel flat files provided.

<u>Contractor</u>	<u>Cost Amount</u>	<u>Worksheet Tab &amp; Cell Reference</u>
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

- a. Explain why there was not an Excel flat file provided for each of these additional invoice related amounts for the various contractors.
- b. Explain the verification process for these invoice related amounts compared to the Excel flat file verification process described in testimony.

RESPONSE:

- a. Confidential OH line and vegetation contractor flat files for line clearing crews were provided by FPL as part of the Company's November 12, 2021 filing related to Hurricane Isaias. The costs associated with the contractors identified in this interrogatory are not related to line crews or vegetation management crews as that term is used in the FPL Hurricane Irma Settlement Agreement.
- b. The invoice review process is performed by the appropriate FPL personnel who are subject matter experts related to the work performed and the associated invoice. Time and expenses related to mobilization, restoration, and demobilization are also reviewed. Similar to the process performed by the Cost Finalization team, there are instances where the reviewer may require clarification, verification, or substantiation of contractor time and/or other



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charges (e.g., fuel, meals) included on an invoice. After review and, if necessary, further research, the reviewer confirms or denies the accuracy of the billing.

### Isaias and Eta - Contractors.

[illegible]

- a. Explain why there was not an Excel flat file provided for each of these additional invoice related amounts for the various contractors.
- b. Explain the verification process for these invoice related amounts compared to the Excel flat file verification process described in testimony.

- a. Confidential OH line and vegetation contractor flat files for line clearing crews were provided by FPL as part of the Company's November 12, 2021 filing related to Hurricane Isaias. The costs associated with the contractors identified in this interrogatory are not related to line crew or vegetation management crews as that term is used in the FPL Hurricane Irma Settlement Agreement.
- b. The invoice review process is performed by the appropriate FPL personnel who are subject matter experts related to the work performed and the associated invoice. Time and expenses related to mobilization, restoration, and demobilization are also reviewed. Similar to the process performed by the Cost Finalization team, there are instances where the reviewer may require clarification, verification, or substantiation of contractor time and/or other charges (e.g., fuel, meals) included on an invoice. After review and, if necessary, further research, the reviewer confirms or denies the accuracy of the billing.

QUESTION:

Isaias and Eta - Contractors.

Refer to the Confidential Excel flat files provided as part of the Company's November 12, 2021 filing related to Hurricane Isaias. Refer also to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Isaias Final Costs as of July 2021." Refer further to worksheet tab 1(d) which provides the summary of all line clearing contractor costs. For each of the contractors and invoice related amounts listed below, there were line clearing costs listed on worksheet tab 1(d) but there were no Excel flat files provided.

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

- a. Explain why there was not an Excel flat file provided for each of these additional invoice related amounts for the various contractors.
- b. Explain why each of these vendor amounts were included as line clearing costs. If a more appropriate classification should have been made, detail each such classification change that should be made.

RESPONSE:

- a. Confidential OH line and vegetation contractor flat files for line clearing crews were provided by FPL as part of the Company's November 12, 2021 filing related to Hurricane Isaias. The costs associated with the contractors identified in this interrogatory were not related to line crew or vegetation management crews as that term is used in the FPL Hurricane Irma Settlement Agreement.
- b. The above vendor accounts were included with "line clearing costs" in Exhibit DH-1 because they are arborists contractors whose work is related to vegetation. The Charge Type "line clearing costs" detailed in Exhibit DH-1, Tab "1(d)" includes vegetation management crews in addition to other contractors whose work is related to vegetation.

**QUESTION:**

Isaias and Eta - Contractors.

Refer to the Confidential Excel flat files provided as part of the Company's November 12, 2021 filing related to Hurricane Isaias. Refer also to the Confidential summary cost support Excel file provided with the filing entitled "DH-2 Eta Final Costs as of July 2021." Refer further to worksheet tab 1(d) which provides the summary of all line clearing contractor costs. For each of the contractors and invoice related amounts listed below, there were line clearing costs listed on worksheet tab 1(d) but there were no Excel flat files provided.

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

- a. Explain why there was not an Excel flat file provided for each of these additional invoice related amounts for the various contractors.
- b. Explain why each of these vendor amounts were included as line clearing costs. If a more appropriate classification should have been made, detail each such classification change that should be made.

**RESPONSE:**

- a. Confidential OH line and vegetation contractor flat files for line clearing crews were provided by FPL as part of the Company's November 12, 2021 filing related to Hurricane Isaias. The costs associated with the contractors identified in this interrogatory were not related to line crews or vegetation management crews as that term is used in the FPL Hurricane Irma Settlement Agreement.
- b. The above vendor accounts were included with "line clearing costs" in Exhibit DH-1 because they are arborist contractors whose work is related to vegetation. The Charge Type "line clearing costs" detailed in Exhibit DH-1, Tab "1(d)" includes vegetation management crews in addition to other contractors whose work is related to vegetation.

**QUESTION:**

Isaias and Eta - Contractors.

Refer to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Isaias Final Costs as of July 2021." Refer further to worksheet tab 1(c) which provides the summary of all contractor costs other than line clearing contractors. For each of the contractors and invoice related amounts listed below, there were contractor costs listed on worksheet tab 1(c) that may have been misclassified since they appear to be line clearing related.

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

- a. For each cost amount referenced above, indicate whether the costs should have been classified as line clearing contractor costs. If not, explain why not.
- b. Refer to the response to subpart a. If line clearing contractor costs were misclassified, explain whether the misclassification would have any bearing on the ICCA adjustment related to line clearing costs and the amount of net costs portrayed on Exhibit DH-1(Isaias).

**RESPONSE:**

- a. In preparing this response, it was found that FPL inadvertently included the above costs as Contractor costs on line 4 of Exhibit DH-1 instead of as a Line Clearing costs on Line 5 of Exhibit DH-1. Note, FPL has already provided the corresponding flat files for the above contractor(s). Refer to the file referenced in the question, tab titled, "AP Detail", Column titled "Cost Finalization – Flat File" which indicates the payment(s) corresponding to a provided flat file. FPL will file a revised Exhibit DH-1(Isaias) Support File and revised Exhibit DH-1(Isaias) to reflect these changes at a later date, if necessary.
- b. The misclassification has no impact on the ICCA adjustment for line clearing reflected on line 24 of Exhibit DH-1 since the ICCA adjustment calculation utilizes non-storm costs.

**QUESTION:**

Isaias and Eta - Contractors.

Refer to the Confidential Excel flat files provided as part of the Company's November 12, 2021 filing related to Hurricane Isaias. Refer also to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Eta Final Costs as of July 2021." Refer further to worksheet tab 1(c) which provides the summary of all contractor costs other than line clearing contractors. For each of the contractors and invoice related amounts listed below, there were contractor costs listed on worksheet tab 1(c) that may have been misclassified since they appear to be line clearing related.

<u>Contractor</u>	<u>Cost Amount</u>	<u>Cell Reference</u>
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

- a. For each cost amount referenced above, indicate whether the costs should have been classified as line clearing contractor costs. If not, explain why not.
- b. Refer to the response to subpart a. If line clearing contractor costs were misclassified, explain whether the misclassification would have any bearing on the ICCA adjustment related to line clearing costs and the amount of net costs portrayed on Exhibit DH-1(Eta).

**RESPONSE:**

- a. In preparing this response, it was found that FPL inadvertently included the above costs as Contractor costs on line 4 of Exhibit DH-1 instead of as a Line Clearing costs on Line 5 of Exhibit DH-1. Note, FPL has already provided the corresponding flat files for the above contractor(s). Refer to the file referenced in the question, tab titled, "AP Detail", Column titled "Cost Finalization – Flat File" which indicates the payment(s) corresponding to a provided flat file.
- b. The misclassification has no impact on the ICCA adjustment for line clearing reflected on line 24 of Exhibit DH-1 since the ICCA adjustment calculation utilizes non-storm costs.

QUESTION:

Isaias and Eta - Line Contractors.

Refer to the Confidential Excel flat files for each storm 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:**

Isaias and Eta - Line Contractors.

Refer to the Confidential Excel flat files pertaining to all line contractors for each storm 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 FPL's response to OPC's First Set of Interrogatories No. 15 and 17.



QUESTION:

Isaias and Eta - 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 FPL's response to OPC's 1st Set of Interrogatories No. 15.

QUESTION:

Isaias and Eta - 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 Isaias and Tropical Storm Eta 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.

FPL does not have access to the confidential information regarding the rates charged to or paid by other utilities for storm restoration work.

Please also see FPL's response to OPC's 1st Set of Interrogatories No. 15 and 17.

QUESTION:

Isaias and Eta - 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 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 to 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:

Isaias and Eta - 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, FPL performs inspections or assessments to restore FPL'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 FPL'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 FPL witness Gerard's testimony filed on November 12, 2021.

FPL began incurring follow up costs for Tropical Storm Eta on November 9, 2020 and for Hurricane Isaias on August 6, 2020. Note, the GL Detail tab of "DH-1 Isaias Final Costs as of July 2021" and "DH-2 Eta Final Costs as of July 2021" miscategorized the Cost Finalization IO as restoration. Internal order S01500000019 - Cost Finalization- Isaias-2020 and S01600000019 - Cost Finalization-ETA-2020 are follow up costs.

**QUESTION:**

Isaias and Eta - Overhead Costs.

If an overhead rate was used for benefits and other related costs for any payroll related to Hurricane Isaias and Tropical Storm Eta 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:**

FPL uses payroll overhead rates to ensure that all payroll related costs are properly allocated to the activities performed by FPL 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:

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

The FPL Employee Benefit overhead rates are established at the beginning of each year by taking the approved annual FPL benefits costs divided by the budgeted FPL 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
FPL Employee Benefits - Funded Welfare	15.02%	15.03%
FPL Employee Benefits - Unfunded Service Costs	5.44%	6.80%
FPL Employee Benefits - Unfunded Benefits Costs	-14.12%	-18.26%

The FPL Payroll Tax rate is also established at the beginning of each year by taking the annual forecasted FPL taxable wages and dividing by forecasted annual FPL 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.

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O/H Rate R606 FPL Payroll Taxes  
Dependency D000 Overhead Type

Details						
Valid from	To	CD Area	Overhd type	Percentage	Unit	
01/01/2020	01/31/2020	0002	1		6.543	%
02/01/2020	02/29/2020	0002	1		10.973	%
03/01/2020	03/31/2020	0002	1		6.844	%
04/01/2020	04/30/2020	0002	1		5.316	%
05/01/2020	05/31/2020	0002	1		6.543	%
06/01/2020	06/30/2020	0002	1		6.543	%
07/01/2020	07/31/2020	0002	1		6.622	%
08/01/2020	08/31/2020	0002	1		7.153	%
09/01/2020	09/30/2020	0002	1		2.908	%
10/01/2020	10/31/2020	0002	1		9.433	%
11/01/2020	11/30/2020	0002	1		5.908	%
12/01/2020	12/31/2020	0002	1		4.980	%
01/01/2021	01/31/2021	0002	1		8.470	%
02/01/2021	02/28/2021	0002	1		8.950	%
03/01/2021	03/31/2021	0002	1		6.900	%
04/01/2021	04/30/2021	0002	1		6.350	%
05/01/2021	05/31/2021	0002	1		6.350	%
06/01/2021	06/30/2021	0002	1		6.640	%
07/01/2021	07/31/2021	0002	1		6.573	%
08/01/2021	08/31/2021	0002	1		5.960	%
09/01/2021	09/30/2021	0002	1		6.126	%
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		4.552	%

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

**DECLARATION**

I, David Hughes, sponsored the answers to Interrogatory Nos. 5-8, 27, 29, and 31-35 and co-sponsored the answers to Interrogatory Nos. 11-14, 20, 23, 24-26, 28, and 30 from OPC's First Set of Interrogatories to Florida Power & Light Company in Docket No. 20210178-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.

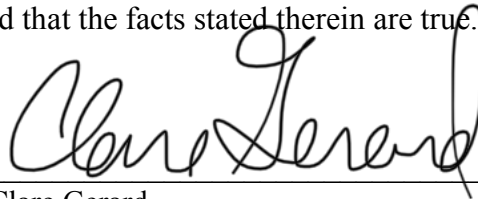
  
\_\_\_\_\_  
David Hughes

Date: 1/28/2022

**DECLARATION**

I, Clare Gerard, sponsored the answers to Interrogatory Nos. 3, 4, 9, 10, 21, and 22 and co-sponsored the answers to Interrogatory Nos. 11-14, 24-26, 28, and 30 from OPC's First Set of Interrogatories to Florida Power & Light Company in Docket No. 20210178 -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", is written over a horizontal line.

Clare Gerard

Date: \_\_\_\_\_