

Gulf's Response to OPC's First Set of
Interrogatories Nos. 1-2, 5-8, 9 redacted, 10-11,
14-16 (Docket No. 20210179-EI)

(Including Attachments)

QUESTION:

Zeta - Logistics.

For Hurricane Zeta 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:

Zeta - Mobilization/Demobilization.

For Hurricane Zeta 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 page 13, 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:

Zeta - 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 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 2017 Settlement.

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QUESTION:

Zeta - 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 Zeta storm cost recovery entitled "DH-1 Zeta 10.2021." Refer further to worksheet tab 3(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:

Zeta - 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 a 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 for example 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:

Zeta - 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 Zeta storm cost recovery entitled "DH-1 Zeta 10.2021." Refer further to worksheet tab 3(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 October for each of the years 2017-2020.

	October 2017	October 2018	October 2019	3-year average	October 2020
Materials & Supplies	\$147,795	\$99,141	\$411,269	\$219,402	\$155,938

QUESTION:

Zeta - Line Contractors.

Refer to the Confidential Excel flat files provided as part of the Company's November 12, 2021 filing. Refer also to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Zeta 10.2021." 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 & Cell Reference</u>
[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 Zeta. 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 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:

Zeta - 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:

Zeta - 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:

Zeta - 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 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:

Zeta - Logistics.

Refer to the Confidential summary cost support Excel file provided with the filing entitled "DH-1 Zeta 10.2021." Refer further to worksheet tab 1(g) which provides the summary of all logistics costs by vendor and then further to cell reference B14, which includes provides an invoice related amount of [REDACTED]. Explain why this amount from a line contractor is included as a logistics costs.

RESPONSE:

In preparing this response, it was determined that Gulf inadvertently included the above referenced invoice as a Logistics cost on Line 8 of Exhibit DH-1(Zeta) instead of as a Contractor cost on Line 4 of Exhibit DH-1(Zeta). Since these costs were properly reflected under the Transmission function on Column (2) of Exhibit DH-1(Zeta) and there were no ICCA adjustments associated with Contractors under the Transmission function, there is no impact to the Retail Recoverable Incremental Costs.

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QUESTION:

Zeta - 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 –

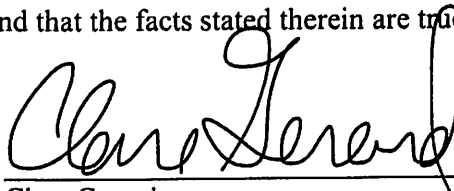
Post storm restoration, Gulf performs inspections or assessments to restore Gulf's facilities to their pre-storm condition (includes associated labor, equipment, vehicle/fuel and materials) by using either visual patrols or thermovision. All follow-up work is incremental to Gulf's normal workload, and 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 Zeta on November 2, 2020.

DECLARATION

I, Clare Gerard, sponsored the answers to Interrogatory Nos. 3, 4, 9, 17, and 18 and co-sponsored the answers to Interrogatory Nos. 20-22, 25 and 27 from OPC's First Set of Interrogatories to Gulf Power Company in Docket No. 20210179 -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: _____

DECLARATION

I, David Hughes, sponsored the answers to Interrogatory Nos. 5-8, 15, 23, 24, 26, and 28-32 and co-sponsored the answers to Interrogatory Nos. 16, 19, 20-22, 25 and 27 from OPC's First Set of Interrogatories to Gulf Power Company in Docket No. 20210179-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, Michael Spoor, sponsored the answers to Interrogatory Nos. 1, 2, and 10-14 and co-sponsored the answers to Interrogatory Nos. 16, and 19 from OPC's First Set of Interrogatories to Gulf Power Company in Docket No. 20210179-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 'Michael Spoor', is written above a horizontal line.

Michael Spoor

Date: 01/26/2022