

## Storm Recovery Cost Audit – Hurricane Sally

State of Florida



## Public Service Commission

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

### Revised Auditor's Report

Gulf Power Company  
Storm Recovery Cost Audit – Hurricane Sally

**As of October 31, 2021**

Docket No. 20200241-EI  
Audit Control No. 2021-334-1-1  
**March 22, 2022**

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### Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated November 22, 2021. We have applied these procedures to the attached schedule prepared by Gulf Power Company in support of its filing for storm recovery costs in Docket No. 20200241-EI.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

GPC or Utility refers to Gulf Power Company.

#### Background

On November 12, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta Storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. FPL is not requesting recovery of \$66,346,000 associated with Hurricane Isaias and \$112,729,000 associated with Tropical Storm Eta.; instead FPL is seeking a prudence review. Gulf Power Company requested recovery of \$146,343,000 associated with Hurricane Sally and \$10,080,000 associated with Hurricane Zeta.

### **Expense**

#### Payroll, Overhead, and Related Costs

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

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

#### Contractors

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

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

#### Line Clearing

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

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

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

#### Vehicle & Fuel

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

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

#### Materials & Supplies

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

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

#### Logistics

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

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

#### Other Costs

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

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

#### **Other**

##### Capitalizable Costs

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

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

#### Third-Party Reimbursements

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

**Procedures:** We determined there are no third-party reimbursements from Account 186 – Miscellaneous Deferred Debits. No further work performed.

#### Below-the-Line Costs

**Objectives:** The objective was to determine whether below-the-line costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143 (1)(b), F.A.C.

**Procedures:** We determined there are no below-the-line costs from Account 186 – Miscellaneous Deferred Debits. No further work performed.

#### Non-Incremental Costs

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

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

#### Jurisdictional Factors

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

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

#### Accounts Payable Procedures

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

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

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



Audit Findings

**None**

## Exhibits

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

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

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

**Notes:**

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

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

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

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

(E) Insurance receivables from Palms for damage claims.

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

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

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