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Storm Recovery Cost Audit – Hurricane Isaias & Tropical Storm Eta

State of Florida



Public Service Commission

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

Revised Auditor's Report

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

As of July 31, 2021

Docket No. 20210178-EI
Audit Control No. 2021-334-1-1
March 22, 2022


Jonathan Miller
Audit Manager


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Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated November 22, 2021. We have applied these procedures to the attached schedules prepared by Florida Power & Light in support of its filing for storm recovery costs in Docket No. 20210178-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

FPL or Utility refers to Florida Power & Light.

Background

On November 21, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta Storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. In its petitions, FPL 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.

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

Expense

Payroll, Overtime, and Related Costs

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

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

Contractors

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

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

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

Line Clearing

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

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

Vehicle and Fuel

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

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

Materials and Supplies

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

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

Logistics

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

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

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

Other Costs

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

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

Other

Capitalizable Costs

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

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

Third-Party Reimbursements

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

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

Below-the-Line Costs

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

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

Non-Incremental Costs

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

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

Jurisdictional Factors

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

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

Accounts Payable Procedures

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

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

Audit Findings

None

Exhibits

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

Florida Power & Light Company

Hurricane Isaias Incremental Cost and Capitalization Approach Adjustments

through July 31st, 2021

(\$000s)

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

Notes:

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

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

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

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

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

(F) Jurisdictional Factors are based on factors approved in Docket No. 160021-EI.

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

Florida Power & Light Company

Tropical Storm Eta Incremental Cost and Capitalization Approach Adjustments - Revised

through July 31st, 2021

(\$000s)

LINE NO.	Storm Costs By Function(A)						Total (7)						
	Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)							
1	Storm Restoration Costs												
2		8	101	568	1,496	118	36	\$2,327					
3		37	293	3,362	4,555	373	129	8,750					
4		9	231	33	77,262	618	55	78,208					
5		0	0	0	10,426	0	0	10,426					
6		0	0	843	3,886	18	0	4,747					
7		33	11	7	426	0	54	532					
8		0	213	7	8,832	26	0	9,078					
9		1	4	13	1,571	169	6	1,766					
10	Total Storm Related Restoration Costs	Sum of Lines 2 - 9					\$88	\$853	\$4,832	\$108,453	\$1,323	\$281	\$115,831
11													
12	Less: Capitalizable Costs												
13		\$0	\$0	\$0	\$3	\$0	\$0	\$3					
14		0	0	0	28	0	0	28					
15		0	0	0	292	0	54	347					
16		0	0	0	61	0	0	61					
17	Total Capitalizable Costs	Sum of Lines 13 - 16					\$0	\$0	\$0	\$384	\$0	\$54	\$439
18													
19	Total Storm Restoration Costs Charged to Base O&M	Lines 10 - 17					\$88	\$853	\$4,832	\$108,069	\$1,323	\$227	\$115,399
20													
21	Less: ICCA Adjustments												
22		\$6	\$90	\$93	\$552	\$75	\$30	\$846					
23	Line Clearing:												
24		0	0	0	0	0	0	0					
25		0	0	0	1,082	0	0	1,082					
26		0	0	0	196	0	0	196					
27		0	0	0	0	0	0	0					
28		0	0	0	0	0	0	0					
29		0	0	0	0	37	0	37					
30		0	0	0	0	0	0	0					
31	Total ICCA Adjustments	Sum of Lines 22 - 30					\$6	\$90	\$93	\$1,830	\$112	\$30	\$2,161
32													
33	Incremental Storm Losses												
34		\$2	\$11	\$474	\$941	\$43	\$6	\$1,478					
35		37	293	3,362	4,555	373	129	8,750					
36		9	231	33	77,234	618	55	78,180					
37		0	0	0	10,426	0	0	10,426					
38		0	0	843	2,607	18	0	3,468					
39		33	11	7	133	0	0	185					
40		0	213	7	8,832	26	0	9,078					
41		1	4	13	1,510	132	6	1,666					
42	Total Incremental Storm Losses	Sum of Lines 34 - 41					\$83	\$763	\$4,738	\$106,239	\$1,211	\$197	\$113,233
43													
44		0.9513	0.9335	0.9028	0.9999	0.9682	1.0000						
45	Jurisdictional Factor (H)												
46	Retail Recoverable Incremental Costs	Line 42 * 44					\$ 79	\$ 713	\$ 4,278	\$ 106,225	\$ 1,172	\$ 197	\$ 112,662

Notes:

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

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

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

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

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

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

(H) Jurisdictional Factors are based on factors approved in Docket No. 160021-F1

Notes:

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

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

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

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

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

(G) Corrected for formula error.

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