

Storm Recovery Cost Audit – Hurricane Zeta

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 Zeta

As of October 31, 2021

Docket No. 20210179-EI
Audit Control No. 2021-334-1-1
March 22, 2022



Marisa Glover
Audit Manager



Thomas Wolff
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 Gulf Power Company in support of its filing for storm recovery costs in Docket No. 20210179-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Gulf 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. 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.

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 Zeta.

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 Zeta.

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 Zeta.

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 Zeta.

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 Zeta.

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. 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 Zeta.

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 Zeta.

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), 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 determined that Gulf used the jurisdictional factors calculated for 2021 in its filing. We verified the calculation using support 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 Zeta Incremental Costs and Capitalization Approach Adjustments

Gulf Power Company
Hurricane Zeta 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)	0	34	224	28	18	\$304		
3	Overtime Payroll and Related Costs (C)	4	17	299	15	5	339		
4	Contractors	33	27	5,711	4	6	5,783		
5	Line Clearing	0	0	1,864	0	0	1,864		
6	Vehicle & Fuel	0	4	327	0	0	331		
7	Materials & Supplies	0	0	178	0	0	179		
8	Logistics	0	22	1,237	130	1	1,391		
9	Other (D)	3	13	1,106	75	2	1,198		
10	Total Storm Related Restoration Costs	Sum of Lines 2 - 9		\$41	\$118	\$10,947	\$252	\$31	\$11,388
11									
12	Less: Capitalizable Costs								
13	Payroll and Related Costs	\$0	\$0	\$37	\$0	\$0	\$37		
14	Contractors	0	0	71	0	0	71		
15	Materials & Supplies	0	0	104	0	0	104		
16	Other	0	0	80	0	0	80		
17	Third-Party Reimbursements	0	0	0	0	0	0		
18	Total Capitalizable Costs	Sum of Lines 13 - 17		\$0	\$0	\$292	\$0	\$0	\$292
19									
20	Less: Third-Party Reimbursements	0	0	0	0	0	0		
21									
22	Less: Insurance Receivables (E)	0	0	0	0	0	0		
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	Lines 10 - 18 - 20 - 22 - 24		\$41	\$118	\$10,655	\$252	\$31	\$11,096
27									
28	Less: ICCA Adjustments								
29	Regular Payroll and Related Costs (F)	\$0	\$10	\$89	\$21	\$15	\$135		
30	Line Clearing:								
31	Vegetation Management	0	0	652	0	0	652		
32	Vehicle & Fuel								
33	Vehicle Utilization	0	4	54	0	0	58		
34	Fuel	0	0	77	0	0	77		
35	Other								
36	Legal Claims	0	0	0	0	0	0		
37	Employee Assistance	0	0	0	53	0	53		
38	Total ICCA Adjustments	Sum of Lines 29 - 37		\$0	\$14	\$872	\$74	\$15	\$974
39									
40	Incremental Storm Losses								
41	Regular Payroll and Related Costs	Lines 2 - 13 - 29		\$0	\$25	\$97	\$7	\$3	\$132
42	Overtime Payroll and Related Costs	Line 3		4	17	299	15	5	339
43	Contractors	Lines 4 - 14 - 22		33	27	5,641	4	6	5,712
44	Line Clearing	Lines 5 - 31		0	0	1,212	0	0	1,212
45	Vehicle & Fuel	Lines 6 - 33 - 34		0	0	197	0	0	197
46	Materials & Supplies	Lines 7 - 15		0	0	75	0	0	75
47	Logistics	Line 8		0	22	1,237	130	1	1,391
48	Other	Line 9 - 16 - 36 - 37		3	13	1,026	22	2	1,066
49	Total Incremental Storm Losses	Sum of Lines 41 - 48		\$41	\$104	\$9,783	\$178	\$17	\$10,122
50									
51	Jurisdictional Factor (G)	0.9720	0.9741	0.9963	0.9841	1.0000			
52									
53	Retail Recoverable Incremental Costs	Line 49 * 51		\$ 40	\$ 101	\$ 9,747	\$ 175	\$ 17	\$10,079
54									
55	Plus: Interest on Unrecovered Deficit in the Storm Reserve							1	
56									
57	Total System Storm Losses to be Recovered from Customers (Lines 53 + 55)							\$10,080	

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 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-EL.