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**JOSE R. OLIVA**  
*Speaker of the House of  
Representatives*

February 12, 2019

Mr. Adam Teitzman, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket No. 20180049-EI - Evaluation of storm restoration costs for Florida Power & Light Company related to Hurricane Irma; Redacted, Public Version of the Direct Testimony of Helmuth Schultz subject to claim of confidentiality by FPL.

Dear Mr. Teitzman:

Enclosed for filing in the above docket is the Redacted, Public Version of the prefiled testimony of OPC witness Helmuth W. Schultz, III.

On January 11, 2019, the Office of Public Counsel submitted one copy of the prefiled testimony of Helmuth W. Schultz under Florida Power & Light Company's (FPL) claim of confidentiality. That testimony was given Document No. 00178-19. This procedure was an interim measure, designed to enable OPC to adhere to the procedural schedule while providing FPL an opportunity to review the testimony and redact the material that it regards as confidential. The enclosed Public Version reflects FPL's review. Counsel for FPL has provided its revised request for confidentiality, not including the yellow highlighted confidential material and the accompanying detailed justification, in a separate filing (Document No. 00555-19).

The complete, unredacted original testimony of Helmuth W. Schultz, III filed on January 11, 2019 is the evidence that the OPC intends to introduce into evidence at the hearing. We have verified that the confidential version that FPL filed on January 31, 2019 as Document No. 0556-19 is identical in all material respects to the original testimony filed on January 11<sup>th</sup> except for the yellow highlighting indicating the scope of its claim of confidentiality. After careful review, the OPC has no objection to the Commission returning the non-highlighted testimony of Helmuth W. Schultz, III to FPL so long as the yellow highlighted, complete version is retained in the files and treated as timely filed.

The OPC has likewise verified that the public version of Mr. Schultz's testimony filed here is identical in all material respects except for the redactions and the stamped indications of redaction supplied by FPL. The public version will be served on all parties and the yellow highlighted, confidential version will be available by request under appropriate arrangements with FPL and/or OPC.

Please call if you have any questions regarding this process or filing.

Thank you for your assistance.

Sincerely,

/s/Charles J. Rehwinkel  
Charles J. Rehwinkel  
Deputy Public Counsel

cc: Parties of record

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Public Version of the Direct Testimony and Exhibits of Helmuth W. Schultz, III has been furnished by electronic mail on this 12<sup>th</sup> day of February, 2019, to the following:

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*/s/Charles J. Rehwinkel*  
Charles J. Rehwinkel  
Deputy Public Counsel

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for limited proceeding for recovery  
of Hurricane Irma Storm Costs, by Florida Power  
& Light Company.

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Docket No. 20180049-EI

Filed: January 11, 2019

REDACTED, PUBLIC VERSION

**CONFIDENTIAL**  
**(PURSUANT TO CLAIM BY FLORIDA POWER & LIGHT**  
**COMPANY)**

**DIRECT TESTIMONY**

**OF**

**HELMUTH SCHULTZ III**

**ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

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**DIRECT TESTIMONY**

**OF**

**Helmuth W. Schultz, III**

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 20180049-EI

1        **I. STATEMENT OF QUALIFICATIONS**

2        **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

3        A. My name is Helmuth W. Schultz, III. I am a Certified Public Accountant licensed in  
4        the State of Michigan and a senior regulatory consultant at the firm Larkin &  
5        Associates, PLLC, (“Larkin”) Certified Public Accountants, with offices at 15728  
6        Farmington Road, Livonia, Michigan, 48154.

7

8        **Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, P.L.L.C.**

9        A. Larkin performs independent regulatory consulting primarily for public service/utility  
10       commission staffs and consumer interest groups (public counsels, public advocates,  
11       consumer counsels, attorney generals, etc.). Larkin has extensive experience in the  
12       utility regulatory field as expert witnesses in over 600 regulatory proceedings,  
13       including water and sewer, gas, electric and telephone utilities.

14

15       **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC**  
16       **SERVICE COMMISSION AS AN EXPERT WITNESS?**

1 A. Yes. I have provided testimony before the Florida Public Service Commission  
2 (“Commission” or “FPSC”) as an expert witness in the area of regulatory accounting  
3 in more than 15 cases.  
4

5 **Q. HAVE YOU PREPARED AN EXHIBIT WHICH DESCRIBES YOUR**  
6 **EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE?**

7 A. Yes. I have attached Exhibit No. \_\_ (HWS-1), which is a summary of my background,  
8 experience and qualifications.  
9

10 **Q. BY WHOM WERE YOU RETAINED, AND WHAT IS THE PURPOSE OF**  
11 **YOUR TESTIMONY?**

12 A. Larkin was retained by the Florida Office of Public Counsel (“OPC”) to review the  
13 request for approval of the restoration costs associated with Hurricane Irma incurred  
14 by Florida Power & Light Company (the “Company” or “FPL”). Accordingly, I am  
15 appearing on behalf of the citizens of Florida (“Citizens”) who are customers of FPL.  
16

17 **II. BACKGROUND**

18 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE REASON**  
19 **DOCKET NO. 20180049-EI WAS OPENED.**

20 A. FPL’s petition in this docket states the Company seeks a determination that the costs  
21 incurred as a result of responding to Hurricane Irma were reasonable and that FPL’s  
22 actions in furtherance of restoring power following Hurricane Irma were prudent. The  
23 petition specifically states that FPL is not seeking through this proceeding recovery of  
24 the Hurricane Irma costs or replenishment of the storm reserve.

1 **Q. HOW CAN FPL AVOID SEEKING RECOVERY FOR A STORM OF THE**  
2 **MAGNITUDE OF HURRICANE IRMA?**

3 A. It is not clear that they can or are avoiding recovery for expended Hurricane Irma storm  
4 costs. FPL's petition states that FPL recorded the Hurricane Irma costs as base  
5 operation and maintenance ("O&M") expenses and that FPL plans to offset this  
6 expense with the expected savings from the Tax Cuts and Jobs Act of 2017 ("TCJA").  
7 It appears that FPL is functionally seeking approval of the costs of Irma restoration  
8 through a series of roundabout accounting transactions that ultimately mean the  
9 customers will pay for costs that the Commission approves to be expensed in this  
10 docket.

11

12 **Q. WOULD YOU EXPLAIN HOW FPL PROPOSES TO OFFSET THIS EXPENSE**  
13 **WITH THE SAVINGS FROM THE TCJA?**

14 A. Yes. FPL's petition in Docket No: 20180046-EI (Consideration of the tax impacts  
15 associated with Tax Cuts and Jobs Act for Florida Power & Light Company) explained  
16 that the settlement that was approved in Order No. PSC-16-0560-AS-EI provided a  
17 mechanism for FPL to keep its earnings within a range of reasonableness approved by  
18 the Commission. The mechanism to which FPL referred relates to the amortization  
19 reserve ( or "Reserve") that was specifically created by the parties to the settlement  
20 using calculated, estimated excess amounts from FPL's depreciation reserve. This  
21 reserve was initially provided by ratepayers and has accumulated over time. The  
22 amortization reserve, in essence, functions as an insurance policy for FPL, in that it  
23 effectively guarantees the Company will achieve a return on equity ("ROE") within the  
24 range deemed reasonable by the PSC. To the extent the Company's return on equity



1 would have been reduced below the top point of the range, 11.6%, due to the costs from  
2 Hurricane Irma being charged to O&M expense, FPL applied the entire available  
3 balance of \$1,148,000,000 in the amortization reserve as a credit to its cost of service.  
4 Ordinarily, this would not be a significant concern at this juncture; however, as part of  
5 FPL's request in Docket No. 20180046-EI, the Company is proposing to re-establish  
6 the amortization reserve by periodically crediting some of the tax savings from the  
7 TCJA. Basically, FPL wants to have the depleted insurance policy, initially funded by  
8 ratepayers, to be re-established with the tax savings that should, as a matter of fair  
9 ratemaking and good public policy, be returned to ratepayers. Even if FPL's theory  
10 were to be accepted, which I believe would be unfair, unjust, unreasonable, and bad  
11 public policy, allowing excessive costs to be "replenished" into the Reserve would  
12 deprive ratepayers of the benefits of the amortization reserve that their payments over  
13 the years created; this is unjust, unfair, and unreasonable.

14  
15 **Q. WOULD YOU EXPLAIN FURTHER WHY YOU STATE THAT ORDINARILY**  
16 **THIS WOULD NOT BE A SIGNIFICANT CONCERN AT THIS JUNCTURE?**

17 A. It appears FPL's idea is that, instead of current ratepayers having to pay the added  
18 surcharge for the costs for restoration of Hurricane Irma, those costs could be covered  
19 by wiping out the amortization reserve so that future customers will pick up the tab by  
20 the return of and on a higher rate base. As a result of FPL's proposed methodology,  
21 they are now applying a different standard for accounting for storm costs and proposing  
22 to use tax savings that should be refunded to ratepayers to re-establish the amortization  
23 reserve. Beyond the fundamental unfairness of FPL effectively keeping money that  
24 should fairly be flowed back to ratepayers, an additional problem is that FPL stated in

1 its petition in Docket No. 20180046-EI that it elected to reclassify the storm costs from  
2 the storm reserve to base O&M. Then, in its petition filed in this case, FPL stated that  
3 because it is not seeking to establish a surcharge to recover Hurricane Irma costs and  
4 because it is not seeking replenishment of the storm reserve, the Incremental Cost and  
5 Capitalization Approach (“ICCA”) methodology under Rule 25-6.0143, Florida  
6 Administrative Code (“F.A.C.”), (“the Rule”) is not applicable to this proceeding.  
7 What this translates to under FPL’s proposal is that FPL is essentially asking to recover  
8 hurricane-related costs – using ratepayer monies that established the amortization  
9 reserve (which it proposes to re-establish with windfall tax savings that belong to the  
10 customers) – which it charged to base O&M, even though some of those costs are not  
11 eligible for recovery under the Rule. FPL’s decision to reclassify costs that it had  
12 originally charged to the storm reserve as O&M should not be a basis for making  
13 ratepayers pay for storm costs that otherwise would not have been recoverable from  
14 ratepayers under the Commission’s rule (or under ordinary standards of ratemaking  
15 based on reasonable and prudent costs). Ironically, FPL has taken the position in this  
16 filing that the capitalization of costs incurred for restoration after Hurricane Irma is  
17 based on the Rule. That position is clearly inconsistent with its position that the Rule  
18 does not apply for restoration costs charged to base O&M. Since one way or, other FPL  
19 customers are paying for the Hurricane Irma costs permitted by Commission decision,  
20 FPL should not be allowed to avoid the application of the Rule that applies to all  
21 companies by the use of a circuitous route of accounting debits and credits.

1 **Q. UNDER FPL'S PROPOSAL, HOW WOULD RATEPAYERS BE FORCED TO**  
2 **PAY FOR COSTS THAT THEY WOULD NOT BE REQUIRED TO PAY**  
3 **UNDER THE RULE?**

4 A. Certain costs that are not allowed for recovery under the Rule, such as regular payroll  
5 that is not incremental, are not allowed to be included in a storm surcharge. Under  
6 FPL's tortured reading of the Rule, these costs would then be included in base O&M,  
7 and if FPL's ROE is not within what is deemed to be the reasonable range, some or all  
8 of those costs (which otherwise would not be recoverable under the Rule) may be  
9 covered by the amortization reserve. If the calculated ROE is within the range of  
10 reasonableness, none of the costs would be paid for using the ratepayer's funded  
11 Reserve. If the ROE is below FPL's desired earnings point within the authorized range,  
12 then some or all of the excluded costs would be paid for by ratepayers because the  
13 amortization reserve created with ratepayer funds would be used to cover the shortfall  
14 and then further offset with customer tax savings or future customers paying the costs  
15 of a higher rate base. Under the latter scenario, FPL's implicit suggestion is that it does  
16 not matter how the costs are accounted for; however, the accounting treatment does, in  
17 fact, matter. The reason it matters is because FPL is proposing to re-establish the  
18 amortization reserve with the tax savings that, according to the TCJA and fundamental  
19 principles of fair ratemaking, should be flowed back to ratepayers. Thus, in essence,  
20 ratepayers are paying for costs that under normal circumstances they would not pay.  
21 This payment is either through the use of the amortization reserve or the flowback of  
22 the TCJA funds.

1 **Q. COULD YOU PROVIDE A SIMPLE EXAMPLE OF WHAT YOU MEAN?**

2 A. Yes. Assume, for example that storm costs included \$100,000, of which \$10,000 was  
3 non-incremental payroll. Under the Rule, only incremental payroll is allowed to be  
4 recovered in a surcharge; therefore, in this example, only \$90,000 would be recoverable  
5 in a surcharge. In FPL's situation, the \$10,000 would be charged back to O&M and  
6 depending on what the Company's ROE is, FPL may or may not need to utilize the  
7 amortization reserve. As a result, this special purpose Reserve paid for by FPL's  
8 ratepayers may be reduced anywhere from zero to \$10,000. Under FPL's proposal in  
9 this docket, because of the magnitude of the storm costs and the depletion of the  
10 amortization reserve, FPL wants to keep the tax savings generated by the TCJA to re-  
11 establish the Reserve instead of returning that money to ratepayers. In the example  
12 above, FPL's ratepayers could not be charged for the \$10,000 in a storm surcharge  
13 because the incremental payroll would not be allowed; however, under FPL's proposal  
14 the incremental payroll amount of \$10,000 would be reimbursed to the Company  
15 through the amortization reserve. In football, this maneuver would be referred to as an  
16 "end-around" – or a way for FPL to keep the money which is rightfully due ratepayers,  
17 in order to maintain the "insurance policy" even though that particular method is not  
18 standard practice in general business accounting or even in conventional utility  
19 accounting.

20

21 **Q. SHOULD THE STORM COSTS BE EVALUATED BASED ON THE RULE?**

22 A. Yes, they should. With FPL's proposed accounting, the ratepayers' funds from the  
23 TCJA are being reduced to restore the amortization reserve credit. This would result

1 in funds that are intended for ratepayers being shifted to FPL's insurance policy as a  
2 benefit to FPL, at ratepayers' expense.

3

4 **Q. PLEASE SUMMARIZE WHAT THE COMPANY HAS INCLUDED IN ITS**  
5 **REQUEST TO THE FLORIDA PUBLIC SERVICE COMMISSION.**

6 A. The August 31, 2018 filing by FPL states that FPL is not seeking recovery of the  
7 Hurricane Irma Costs or replenishment of its storm reserve. Instead, FPL says it is  
8 requesting the Commission find that the Hurricane Irma costs incurred were reasonable  
9 and that FPL's hurricane restoration methods were prudent. FPL has offered testimony  
10 and exhibits for evaluation of \$1,270.014 million of Hurricane Irma restoration costs,  
11 as shown on the Company's Exhibit KF-1. This consists of \$1,378.405 million in costs,  
12 less \$105.128 million of capital costs, less \$2.440 million of third party  
13 reimbursements, and less \$822,000 of below the line costs. To *assist* the Commission  
14 in evaluating FPL's Hurricane Irma costs, the Company has gratuitously provided FPL  
15 Exhibit KF-2 that reflects total restoration costs of \$1,378,405 million. Subtracted from  
16 the total costs are the same three categories of costs shown above **plus another** \$17,335  
17 million of non-incremental costs. According to FPL, following the ICCA methodology  
18 under the Rule, the net restoration costs listed in FPL's Exhibit KF-2 were \$1,252,680  
19 million (\$1,248,174 million jurisdictional).

20

21 **Q. HAS FPL UPDATED ITS REPORTED RESTORATION COSTS FOR**  
22 **HURRICANE IRMA SINCE IT FILED EXHIBIT KF-1 AND EXHIBIT KF-2?**

23 A. No. There are no corrections or changes that I am aware of.

1 **Q. WHAT TYPES OF ACTIVITIES ARE CONSIDERED DISTRIBUTION**  
2 **FUNCTIONS?**

3 A. The Company's request is summarized by functions. The functions include Steam &  
4 Other, Nuclear, Transmission, Distribution, General and Customer Service. The  
5 distribution function is for costs that are associated with restoration to the distribution  
6 system which includes poles, transformers and conductors that provide service to  
7 residential, industrial and commercial customers. The distribution function represents  
8 the majority of the costs incurred for storm restoration; and it includes payroll,  
9 contractor costs, line clearing costs, vehicle and fuel costs, materials and supplies,  
10 logistics costs and various other costs. I address each cost category throughout my  
11 testimony.

12

13 **Q. WHY ARE YOU DISTINGUISHING BETWEEN DISTRIBUTION AND**  
14 **TOTAL COSTS?**

15 A. Throughout my testimony, I will reference the distribution amount as well as the total  
16 amount included in the restoration request because the distribution function is the  
17 source of the majority of costs being requested by FPL. For Hurricane Irma, the total  
18 jurisdictional amount is \$1,248,174 million, of which the distribution function is  
19 \$1,184,867 million, or 94.9% of the total request. The distribution function is where  
20 the majority of the damage to poles and wires is reflected; therefore, I believe it is  
21 helpful to separately identify the costs associated with that function.

22

23 **Q. PLEASE BRIEFLY DESCRIBE THE ISSUES YOU WILL BE ADDRESSING**  
24 **IN THIS PROCEEDING.**

1 A. I am addressing the appropriateness of FPL's proposed recovery of costs related to  
2 payroll, contractors, line clearing, vehicles and fuel, materials and supplies, logistics  
3 and other items as reflected in its petition. As part of my analysis, I relied on my  
4 experience in analyzing storm costs in other jurisdictions, past review of storm costs in  
5 Florida, and the Rule, which governs what costs should be included and excluded from  
6 a utility's request for recovery of storm related costs.

7

8 **Q. IS THERE ANYTHING SPECIAL AND/OR DIFFERENT ABOUT THIS CASE**  
9 **COMPARED TO OTHER PROCEEDINGS IN WHICH YOU HAVE**  
10 **PARTICIPATED?**

11 A. Yes, there is. This case is unique in that the level of dollars involved is significantly  
12 higher than average, the accounting treatment proposed by FPL is not typical when  
13 compared to other storm cases, and the amount of documentation requiring review is  
14 extraordinarily voluminous - estimated to be at least 82,000 pages. The pages of detail  
15 produced for just the contractor costs exceeded 56,000 pages alone. In addition to those  
16 56,000 pages, there are thousands of pages related to line clearing, logistics and other  
17 costs included in the reported costs for restoration. My efforts to review this massive  
18 volume of information have required a significant amount of time, not merely because  
19 of the huge volume of pages, but because of the unorthodox accounting treatment  
20 proposed by FPL. In fact, more time is needed than the Commission has allotted to  
21 appropriately analyze the information that has been received to date, as well as the  
22 additional discovery that is anticipated in response to requests that are still outstanding  
23 from FPL on the date of filing my testimony. One concern I have is the level and  
24 amount of information that FPL has classified as "confidential." In an attempt to be

1 informative in this document without labeling a significant portion of testimony as  
2 confidential, I have created a legend that utilizes letters instead of company names, so  
3 that I can explain the concerns and issues that have been identified thus far as part of  
4 my evaluation.

5

6 **Q. WOULD YOU CONSIDER THE POSTURE OF THIS CASE TO PROVIDE AN**  
7 **OPPORTUNITY FOR A NORMAL ANALYSIS OF STORM COSTS?**

8 A. No. To begin with, the dollars involved are significantly higher than average storm  
9 cases which is further complicated by the facts that FPL has (1) taken the position that  
10 the Commission's storm cost recovery rule does not apply, (2) elected to charge the  
11 costs to base O&M and to utilize the amortization reserve to offset the storm costs, and  
12 (3) proposed to utilize the tax savings from the TCJA to re-establish the exhausted  
13 amortization reserve. Further, in performing the analysis, I have identified significant  
14 invoice approval integrity issues that magnify the concern from an accounting and  
15 regulatory policy standpoint as to whether the costs incurred were in fact reasonable,  
16 and whether they were properly verified by FPL. Because of these serious issues, I  
17 determined that additional time to perform the analysis would be necessary to  
18 determine whether the issues were isolated or whether they were pervasive throughout  
19 both the storm invoice submittal process and FPL's invoice verification, approval and  
20 payment process.

21

22 **Q. WHAT ISSUES ARE YOU REFERRING TO?**

23 A. The issues I identified include contractors submitting duplicate invoices (double  
24 billing) and FPL paying both invoices, duplicate billings of crew members within



1 multiple invoices, and cases where the bill includes certain crew members, yet the daily  
2 time sheets do not reflect those crew members working on the days billed.  
3 Incongruities of these types all raise an issue as to whether FPL was properly  
4 overseeing the restoration process and payment of bills, which ultimately it will seek  
5 its ratepayers to pay. On November 15, 2018 and December 13, 2018 the OPC deposed  
6 three FPL employees designated by the Company as persons who collectively had  
7 responsibility and knowledge about the management and oversight of line crew vendor  
8 contracts and contract compliance, and overall responsibility and knowledge about  
9 FPL's review and processing of the invoices for payment. The deposition testimony  
10 by FPL's corporate representatives did not provide me confidence in the integrity of  
11 FPL's invoice review process. I have made these depositions and the deposition  
12 exhibits a consolidated Exhibit HWS-3 to this testimony.

13  
14 **Q. DO YOU HAVE ANY EXAMPLES OF WHAT RAISED YOUR CONCERN?**

15 **A.** Yes. When asked if the witnesses were aware of any invoices being rejected because  
16 they were not appropriate, one of the deponents stated that she was not aware of any  
17 specific invoices, with the caveat that she did not review every invoice.<sup>1</sup> Even though  
18 I did not have time to review every invoice, I found duplicate payments and payments  
19 that were not supported, yet this witness and the FPL review team apparently did not  
20 discover these errors. Another source of doubt in the integrity of FPL's review  
21 processes involved a large number of contractors' invoices that appeared to have been  
22 approved by a single individual within a short period of time. I can attest to the fact that

---

<sup>1</sup> Exhibit HWS-3, p. 53, lines 1-17.

1 that would be a monumental task based on what I reviewed, and the level of review  
2 that apparently changed from invoice to invoice. Furthermore, there was the question  
3 as to whether the deponents were familiar with the form identified as the “Daily  
4 Contractor Mobilization Log Storm Travel.” All three deponents indicated they were  
5 not familiar with this document. In fact, one deponent testified that he had not even  
6 seen the form.<sup>2</sup> That is somewhat concerning since this document existed as support  
7 for a very large number of the invoices provided, and the fact individuals that  
8 supposedly had the responsibility for approving costs lacked familiarity with the forms  
9 FPL apparently provided to its vendors to support their invoices further casts doubt on  
10 the credibility and integrity of FPL’s review processes. In my opinion, this document  
11 should have been included with every invoice, as it appears to have been required by  
12 FPL contract provisions and this would be especially true when there were charges for  
13 mobilization/demobilization. FPL’s contract Exhibit A1<sup>3</sup> specifically states that

14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]<sup>4</sup>

17  
18 **Q. WHY DO YOU STATE THAT THE DAILY CONTRACTOR MOBILIZATION**  
19 **LOG DOCUMENT SHOULD HAVE BEEN INCLUDED WITH EVERY**

---

<sup>2</sup> Exhibit HWS-3, p. 61, line 16 through p. 63, line10.

<sup>3</sup> Response to Citizens’ production of Documents No. 19.

<sup>4</sup> Response to Citizens’ production of Documents No. 19, Bates No. 073674, titled “Florida Power & Light Company Statement of Work Distribution Storm and Emergency Restoration Exhibit A1” at p. 14.

1 INVOICE AND APPEARED TO BE REQUIRED PURSUANT TO FPL'S  
2 CONTRACT PROVISIONS?

3 A. In the contractual documents provided by FPL, the provisions referenced in each  
4 contract specify that [REDACTED]  
5 [REDACTED] <sup>5</sup> Moreover, as was pointed  
6 out in the deposition, the document itself states [REDACTED]  
7 [REDACTED]  
8 [REDACTED] When asked what these statements mean,  
9 FPL's corporate representatives responded [REDACTED]  
10 [REDACTED] and [REDACTED] The questions were not who  
11 reviewed the individual document, but what do the words "should" and "must" mean  
12 in the context of this document. The only explanation offered by the FPL  
13 representatives from that interchange was [REDACTED]  
14 [REDACTED] <sup>6</sup> In the accounting profession,  
15 the word "should" means you will do it. The discussion regarding this document  
16 continued, and when FPL's corporate representatives were asked if the Daily  
17 Contractor Mobilization Log was required for the invoice to be paid, one of the  
18 representatives stated [REDACTED] <sup>7</sup> In my opinion,  
19 FPL's contract attachment entitled Exhibit A1, which is referenced in and made a part  
20 of all the vendors' contracts, states the contrary – i.e., [REDACTED]  
21 [REDACTED]

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<sup>5</sup> *Id.*

<sup>6</sup> Exhibit HWS-3, p. 63, line 11 through page 64 line 11.

<sup>7</sup> Exhibit HWS-3, p. 65, lines 17-21.

1 **Q. WERE THERE MORE DISCUSSIONS OF SIMILAR PROBLEMS DURING**  
2 **THE DEPOSITIONS?**

3 A. Yes. Examples of duplicate or erroneous or questionable billings, and examples of  
4 numerous and systematic abandonment of the principles, provisions, requirements and  
5 safeguards found in the contract documents are shown on the following pages of  
6 Exhibit HWS-3:

- 7 • Reviewers unfamiliar with required mobilization documentation; vagueness about  
8 required documentation despite clear contract language: 61-67
- 9 • Invoice reviewers not privy to mobilization documentation: 69
- 10 • Electronic maps appear to be inadequately used for the “commensurability”  
11 purposes required by contract language: 76; 304-306; 376: 414-415
- 12 • Excessive standby time: 87-92; 411-417; 478-484; 485-492
- 13 • Instances of excessive time recorded – greater than or equal to 24 hours: 102-110;  
14 Dep. Ex. 7; 210-212; Dep. Ex. 18 (42 hours out of 48); 232-234 (40 hours); 417-  
15 422; Dep. Ex. 27 (40 hours)
- 16 • Excessive mobilization time: 103-110; Dep. Ex. 7;110-119; Dep. Ex. 8; 123-127;  
17 Dep. Ex. 9; 136-140; 194-199; 204-207; Dep. Ex. 16; 212 -216; Dep. Ex. 19 (sit  
18 down meals); 221-231; Dep. Ex. 20; 368-373; 375-376; 377-381; 411-417; 438-  
19 444 ; Dep. Ex.. 28: 444-445 (18 hours of mobilization between Broward and North  
20 Dade County well after storm had left the very northern part of the state): 478-484:  
21 485-492
- 22 • No documentation or substantiation; time sheets not signed: 42-48; 141-142; 182-  
23 184

- 1 • Fuel improperly reimbursed: 174-180; Dep. Ex. 12; 207-210; Dep. Ex. 17; 221-  
2 231; Dep. Ex. 20
- 3 • Meals improperly billed while working: 189-192
- 4 • Inadequate demobilization documentation: 216-221
- 5 • Double billing: 237-244; 501-502; 505-506; Dep. Exs. 22-23
- 6 • In-territory mobilization rate allowed even with FPL-provided fuel 286-292; 295-  
7 293
- 8 • Strict conditions in contract illusory as all subject to undocumented exceptions in  
9 the discretion of Power Delivery: 297-300 (no mustering paid); 300-302 (roster  
10 information required); 304-306, 309-311 (strict mobilization/demobilization  
11 documentation required); 330-331 (strict overtime limits); 331-332 (double time  
12 reimbursement prohibited); 333 (sleeping time not paid); 334-335 (non-FPL meals  
13 not reimbursed in territory); 337-340 (meal time not reimbursed)
- 14 • Acknowledged that signatures on time sheets not really required (contrast 42, lines  
15 5-11; Statement of Work): 389-390
- 16 • Late-arriving crew shuffled around for days in-territory without performing work:  
17 390-392
- 18 • Crew reported time for 16 hour days but billed for 18 hours: 393-396; Dep. Ex. 24
- 19 • Crew on standby for 4 days before storm: 400-405; Dep. Ex. 25
- 20 • Time billed for names not appearing on time sheets: 406-409; Dep. Ex. 26
- 21 • Improper separate billing for labor types included in “all-inclusive” rate: 465-472;  
22 Dep. Ex. 29; 472-475
- 23 • Double time billed despite strict contractual prohibition; 475-477

1 **Q. HAVE YOU HAD A REASONABLE OPPORTUNITY TO REVIEW FPL'S**  
2 **RESEARCH INTO QUESTIONS RAISED IN THE NOVEMBER 15, 2018**  
3 **SEGMENT OF EXHIBIT HWS-3?**

4 A. I have only had an opportunity to perform a cursory review as it was received by me  
5 late last week. The explanations we sought for the December 13, 2018 segment will  
6 not be due for several weeks.

7

8 **Q. IS IT POSSIBLE THAT SOME OF THE EXPLANATIONS PROVIDED**  
9 **WOULD CAUSE YOU TO CHANGE YOUR OPINION REGARDING THE**  
10 **NEED TO REVIEW MOST OF NOT ALL INVOICES?**

11 A. It is highly unlikely given the admitted excessive or double billing and the numerous  
12 examples of exceptions made to the strict provisions that supposedly protect customers  
13 from excessive costs. I will, however, consider any evidence that FPL submits in  
14 response to the deposition and follow-up discovery.

15

16 **Q. BASED ON YOUR REVIEW OF A SUBSET OF THE INVOICES IN THE TIME**  
17 **ALLOTTED, DO YOU BELIEVE THAT A "RISK-BASED SAMPLING OF**  
18 **RELEVANT INVOICES AND VENDOR DOCUMENTS" AS SUGGESTED BY**  
19 **FPL IS WARRANTED?**

20 A. No, I do not. With \$825 million in vendor costs at issue, a risk-based sampling method,  
21 at this time, will be grossly inadequate to produce a meaningful determination of the  
22 actual, reasonable and prudent storm costs to be passed on to the ratepayers. Risk-  
23 based sampling uses identified risks and a review of less than 100 percent of the invoice  
24 population to obtain reasonable assurance and ultimately form a "reasonable opinion."

1 The determination of costs to be passed on to customers is not a financial audit exercise  
2 where the auditor is formulating an opinion based on a reasonable assurance obtained  
3 from sampling results. I have been hired by the customers of FPL to determine the  
4 reasonableness of the **total** legitimate and correct storm costs which can only be done  
5 by reviewing most if not all storm invoices for FPL. The customers are not seeking  
6 reasonable assurance about the true and correct storm costs. Instead, as is the standard  
7 in public utility regulation, in cases where rates are determined an accurate and certain  
8 determination of costs for customer recovery such as these costs based on substantially  
9 all of the storm invoice population is fundamentally necessary. Using either random  
10 sampling, or a subset that FPL claims are relevant, I cannot be reasonably certain of  
11 the actual, legitimate, reasonable, and prudent storm costs incurred, paid and to be  
12 passed on to the customers. Any sampling to be relied on must be based only on the  
13 sampler's judgement in determining what should be tested. This determination must  
14 be an independent determination. FPL has already pierced the independence by  
15 choosing to modify what threshold should be used in evaluating costs.

16  
17 **Q. BASED ON THE EVIDENCE YOU HAVE SEEN TO DATE, THE EXAMPLES**  
18 **PROVIDED IN YOUR TESTIMONY AND THE DEPOSITION INCLUDED AS**  
19 **EXHIBIT HWS-3, WHAT IS THE NECESSARY AND PROPER ANALYTICAL**  
20 **TOOL TO APPLY IN EVALUATING THE COSTS CUSTOMERS SHOULD**  
21 **PAY?**

22 A. To provide an accurate determination of the actual storm costs paid by the utility, a  
23 target audit approaching 100 percent of the invoices must be conducted; otherwise, the  
24 random sampling will yield only an estimation or extrapolation of storm costs, and such

1 incomplete estimation may miss instances of overbilling, duplicate billing, or even a  
2 possible misappropriation. Based on the discovery and analysis performed to date, I  
3 do not believe that simple statistical sampling would provide reliable results for  
4 determining the total legitimate and prudent storm costs in this docket.

5  
6 There are a significant amount of costs that at this juncture that will not be analyzed  
7 because FPL objected to the sampling level requested. FPL's claim that a detailed  
8 review of the scope limited documentation already in hand is not necessary and a  
9 sampling is sufficient is not appropriate. To ignore the issues at hand and base a  
10 conclusion on a simple sampling as suggested would provide a disservice to customers  
11 and the Commission.

12  
13 Based on the discovery and the deposition examples, there appears to be a lack of  
14 control(s) by FPL within the control environment for reviewing invoices, and that either  
15 established controls are not working or are not being followed as designed. It is clear  
16 from the documentation or lack thereof that purported controls were overridden by  
17 management authorizing duplicate payments and creating ad hoc exceptions to what  
18 appear to be iron-clad provisions in the control documents. Notably these "override"  
19 instances are not documented, but verbally communicated to FPL staff and ostensibly  
20 denoted by the absence of a contrary indication on the invoice. Such a lack of controls  
21 and lack of documentation or the override of the controls could be indicative of a fraud  
22 risk factor. The increased control risk associated with the inability to rely upon the  
23 FPL's purported process controls provides evidence that 100 percent – or near 100



1 percent -- invoice review is necessary in order to properly validate the correct storm  
2 costs.

3

4 **Q. IS THERE AN ACCOUNTING PROFESSION STANDARD THAT SUPPORTS**  
5 **YOUR OPINION?**

6 A. Yes there is. Auditing standard AU 350.07 provides:

7 AU 350.07, Uncertainty and Audit Sampling, PCAOB, states  
8 that "Some degree of uncertainty is implicit in the concept of "a  
9 reasonable basis for an opinion" referred to in the third standard  
10 of field work. The justification for accepting some uncertainty  
11 arises from the relationship between such factors as the cost and  
12 time required to examine all of the data and the adverse  
13 consequences of possible erroneous decisions based on the  
14 conclusions resulting from examining only a sample of the data.  
15 If these factors do not justify the acceptance of some uncertainty,  
16 the only alternative is to examine all of the data.  
17

18 Even though this process I am undertaking on behalf of the ratepayers is not an audit,  
19 even if it were, sampling as endorsed by the Commission would not be sufficient to  
20 achieve the intended purpose of a review.

21

22 **Q. DOES THIS STANDARD INFLUENCE YOUR OPINION AS TO THE**  
23 **ADVISABILITY OF USING SAMPLING IN THIS CASE?**

24 A. Yes it does. It is my professional opinion that adverse consequences will occur if risk-  
25 based sampling is used as a basis for the Commission's determination of the true and  
26 correct total storm costs, resulting in misstated or inflated storm costs being passed on  
27 to customers. In accordance with AU 350.07, the only alternative is to examine as  
28 close to 100 percent of the invoices as time will permit. There are no time constraints  
29 that should prevent this scope of examination.

1 Again, based upon my review of the documentation and/or lack thereof in this docket,  
2 the instances of poor controls, the number of incorrect invoices, the duplicate payments  
3 and the indications of possible fraud supports the need to shift from a risk-based  
4 sampling methodology to a 100 percent invoice target audit allowing for a deeper dive  
5 into the remaining invoices.

6  
7 **Q. IF RISK-BASED SAMPLING IS USED, WHAT WOULD BE THE POTENTIAL**  
8 **IMPACT ON THE CUSTOMERS WHO ARE BEING ASKED TO PAY THE**  
9 **COST OF THE VENDORS FPL HIRED?**

10 A. The basis for determining the total storm costs could potentially be erroneous causing  
11 significant overpayment of millions of dollars. Based on my review to date, there are  
12 a number of payment errors, poor controls, and a risk for fraud, which ultimately could  
13 result in an incorrect storm cost calculation as well as unjust enrichment (payment and  
14 recovery of unreasonable and imprudent amounts) to FPL and its providers at the  
15 expense of the customers.

16  
17 **Q. YOU INITIALLY STATED THAT ADDITIONAL TIME WOULD HAVE**  
18 **BEEN IMPORTANT TO HELP DETERMINE WHETHER OR NOT FPL'S**  
19 **INVOICE AND PAYMENT ISSUES WERE PERVASIVE. WASN'T THE OPC**  
20 **ALREADY GRANTED ADDITONAL TIME?**

21 A. Yes, they were. However, as I have discussed, as more information is analyzed and  
22 more anomalies found, there appears to be a greater need to expand that analysis.  
23 Sometimes when performing an analysis you have to keep peeling the layers to get a  
24 better understanding and determine the extent of issues identified. This is the case here.

1 The OPC requested more time because of the volume of documents and the issues  
2 identified thus far. FPL opposed OPC's request for additional time, and suggested  
3 sampling certain invoices and documents was sufficient. The Commission adopted  
4 FPL's argument, and said a "risk-based sampling of relevant invoices and vendor  
5 documents" is more reasonable than the analysis undertaken by OPC.  
6

7 **Q. GIVEN THE ISSUES AND WEAKNESSES IN FPL'S VENDOR WORK-**  
8 **MONITORING AND INVOICE PROCESSING CONTROLS, WHAT IS YOUR**  
9 **POSITION REGARDING THE BASIS FOR MAKING ADJUSTMENTS?**

10 **A.** As I have stated, there are serious issues with the documents I have analyzed so far,  
11 and if FPL and the Commission together believe that customers are protected by an  
12 arbitrary sampling process, then they have to accept what was determined from  
13 sampling. For example, the mobilization of contractors, based on sampling, was not  
14 monitored efficiently, contrary to FPL's claims. Based on the excess travel hours  
15 allowed by FPL, at least 33% of the mobilization and demobilization time should be  
16 considered excessive. The same applies to standby time. Based on what I have  
17 discerned from the evidence provided by FPL, the requirement to have non-embedded<sup>8</sup>  
18 contractors sitting in hotels some 2 days prior to the storm and the day of the storm is  
19 not justified, and all standby time for non-embedded contractors could be considered  
20 excessive. There is insufficient time provided by the docket schedule to try and

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<sup>8</sup> In deposition testimony, one of FPL's corporate representatives testified that [REDACTED]

[REDACTED] See, HWS-3, p. 97, lines 17-24.

1 distinguish whether some was justified, considering the fact that with embedded crews  
2 already in Florida, the addition of non-embedded crews only adds to the chaos a storm  
3 like Hurricane Irma brings to FPL and its customers. Moreover, there are the duplicate  
4 billing issues. I discovered some examples of duplicate billing by chance in a sample  
5 review of whether the weekly reports used to generate the invoices were supported by  
6 the daily time sheets. After discovering that double billing had occurred, I expanded  
7 the review by looking at more invoices; however, I did not review the weekly and daily  
8 time sheets that are supposed to support each and every invoice. If I had, I feel  
9 confident I would have found more duplicate payments than the 15 or so that I will  
10 discuss later in my testimony. I would also note that FPL's invoice practices hindered  
11 the analysis process. FPL's guideline requires that its vendors submit invoices on a  
12 weekly basis. FPL apparently allowed contractors to send, for a single crew, two or  
13 three invoices for the same week. This created an issue when you see the same "Travel  
14 Team ID" on multiple invoices that say they are for the same week ending on a  
15 particular date. The appearance is that the contractor billed two or three times for that  
16 same week ending on a given date. When researched, it was found that the contractor  
17 billed for Monday and Tuesday, then submitted a second bill for maybe Wednesday  
18 and Thursday, and then a third bill for the remainder of the week. Sampling would  
19 have proven valueless here, as it would have led to an erroneous conclusion that the  
20 contractor was paid three times for that specific crew and specific week when in reality  
21 FPL was not following its own guidelines, and allowed daily billings instead of a  
22 weekly billing.

1           **III. SUMMARY OF RECOMMENDED ADJUSTMENTS**

2   **Q.   PLEASE SUMMARIZE YOUR RECOMMENDED ADJUSTMENTS.**

3   A.   Based upon what I have been able to review to date, and on a jurisdictional basis, I  
4       recommend a reduction of at least \$4.104 million to FPL’s request for regular payroll  
5       expense since these costs are already covered by amounts collected through base rates  
6       and they are not incremental costs, as discussed below. I recommend a reduction of at  
7       least \$29.571 million to FPL’s request for overtime payroll expense to remove non-  
8       incremental payroll and to properly reflect the capitalization of restoration work. I  
9       recommend a reduction of at least \$278.726 million to FPL’s reported storm costs  
10      related to contractor costs to adjust for the increased amount of contractor costs which  
11      should be capitalized. I recommend a reduction of at least \$4.068 million to account  
12      for the obvious instances of double billing that I discovered in the sample I was able to  
13      review in the time allotted, as well as the instances in the subset of reviewed invoices  
14      of improper billing for employees who were not listed on daily time sheets as having  
15      performed work, thus whose time was neither documented nor verified in writing. I  
16      recommend a reduction to contractor cost of at least \$60.049 million for excessive rates,  
17      and at least \$34.177 million for an excessive amount of mobilization/demobilization  
18      and standby time. Next, I recommend a reduction of at least \$50.076 million for  
19      accruals and mutual aid costs included in contractor costs because the costs cannot be  
20      substantiated as storm costs. Finally, I recommend a reduction of at least \$26.039  
21      million to logistics costs for lack of support. In total, I recommend a reduction of at  
22      least \$486.769 million to FPL’s overall storm restoration cost. I have reflected each of  
23      these categories of costs as minimums due to the large amount of invoices that, despite  
24      diligence, have not been fully reviewed given the time and volume.

1 **IV. PAYROLL ADJUSTMENTS**

2 **Q. WHAT DID FPL ASSERT AS RECOVERABLE PAYROLL COSTS AS PART**  
3 **OF ITS STORM RESTORATION COSTS FOR HURRICANE IRMA?**

4 A. Included in FPL's storm restoration costs are \$16.753 million of regular payroll and  
5 \$38.663 million of overtime payroll for a total restoration payroll of \$55.416 million.  
6 Pursuant to the Rule, FPL excluded from its request \$6.752 million of regular payroll  
7 identified as non-incremental and \$5.847 million of regular payroll that was capitalized.  
8 FPL reported net total incremental payroll in the amount of \$42.816 million. The  
9 Company requested approval of \$12.333 million in regular distribution payroll, of  
10 which \$7.604 million is excludable as capitalized and non-incremental; therefore, the  
11 net total regular distribution payroll FPL reported amounts to \$4.729 million (\$4.729  
12 million jurisdictional). The distribution overtime payroll reported by FPL, with no  
13 exclusion for capital or non-incremental, is \$29.490 million (\$29.487 million  
14 distribution jurisdictional).

15

16 **Q. ARE THE PAYROLL DOLLARS AT ISSUE STRICTLY PAYROLL?**

17 A. No, they are not. According to FPL's responses to Citizens' Interrogatory Nos. 41 and  
18 42, the costs listed as payroll include overhead loadings. The loadings typically include  
19 medical and dental insurance, thrift plan, life insurance, pension, long term disability  
20 benefits, social security, Medicare, and state and federal unemployment taxes.

21

22 **Q. DID FPL PROPERLY APPLY THE RULE IN DETERMINING THE**  
23 **INCREMENTAL PAYROLL ADJUSTMENT REFLECTED IN EXHIBIT KF-**

24 **2?**

1 A. No. As stated in FPL’s testimony, the regular payroll adjustment for non-incremental  
2 costs was for informational purposes only and was determined by calculating the  
3 budgeted base O&M payroll percentage as compared to the budgeted payroll for the  
4 month in which the storm occurred. I am not aware that FPL has requested a waiver  
5 of the Rule. Since customers will ultimately bear the costs of restoration, as I discuss  
6 elsewhere, this Rule clearly applies. For this reason, and contrary to FPL’s claim, this  
7 Rule does apply in determining the prudent and reasonable costs attributable to  
8 Hurricane Irma. Rule 25-6.0143 proscribes that, under the ICCA methodology, “the  
9 utility will be allowed to charge to Account No. 228.1 costs that are **incremental** to  
10 cost normally charged to non-cost recovery clause operating expenses in the absence  
11 of the storm.” (Emphasis added). The Rule prohibits “base rate recoverable payroll  
12 and regular payroll-related costs for utility managerial and non-managerial personnel”  
13 from being charged to the reserve. Accordingly, FPL’s method is inconsistent with the  
14 requirements outlined in the Rule.

15

16 **Q. IN YOUR OPINION, HOW SHOULD THE COMMISSION DETERMINE**  
17 **INCREMENTAL PAYROLL COSTS UNDER RULE 25-6.0143(1)(f)1., F.A.C.?**

18 A. Based upon my years of experience as an accountant in the utility field and a plain  
19 reading of the Rule, the Rule requires that the amount of regular payroll included in a  
20 utility’s applicable base rates must be established *before* a determination can be made  
21 as to whether any of the regular payroll costs are incremental, thus eligible for storm  
22 cost recovery.

1 **Q. IS A BUDGETED LEVEL OF PAYROLL AN APPROPRIATE MEASURE FOR**  
2 **ESTABLISHING INCREMENTAL PAYROLL COSTS?**

3 A. No, it is not. The Rule plainly states “[b]ase **rate** recoverable.” (Emphasis added.)  
4 Thus, payroll included in a utility’s established, currently effective rates – not the  
5 utility’s budgeted spending levels of payroll as FPL proposes – is the appropriate  
6 measurement. Rates are set at a point in time and those rates include a set level of  
7 payroll expense. The budget levels used by FPL were established *after* rates were  
8 established; therefore, the budget amount is not an appropriate benchmark for  
9 determining which costs are incremental. Using FPL’s approach would be akin to an  
10 Olympic team switching lab samples after the sample is taken but before it is tested.

11

12 **Q. HOW DID YOU DETERMINE THE THRESHOLD LEVEL OF PAYROLL**  
13 **COSTS THAT SHOULD BE CONSIDERED THE NORMAL COST LEVEL**  
14 **INCLUDED IN BASE RATES FOR THIS PROCEEDING?**

15 A. In determining whether the payroll costs requested by FPL were incremental to its  
16 normal costs included in its base rates, I requested that FPL identify what amount of  
17 payroll was included in its base rates for 2017. In response to Citizens’ Interrogatory  
18 No. 73, FPL stated that they were unable to provide the amount requested because rates  
19 were settled in Docket No. 20160021-EI. However, FPL provided for informational  
20 purposes the amount of payroll dollars reflected in FPL’s MFRs for the projected test  
21 year 2017. I made my determination using the MFR payroll amounts provided by FPL.

22

23 **Q. IS IT APPROPRIATE TO USE THE LEVEL OF PAYROLL INCLUDED IN**  
24 **THE 2016 RATE CASE MFRS EVEN THOUGH THAT CASE WAS SETTLED?**



1 A. Yes, it is appropriate. The 2016 Settlement was a black box settlement (i.e., settled to  
2 a revenue requirement without specifically addressing all revenue inputs).  
3 Notwithstanding the settlement, the payroll levels included in the 2016 rate case MFRs  
4 were part of and expressly supported by the sworn testimonies of FPL witnesses in the  
5 2016 rate case, and they are the best available information regarding payroll included  
6 in base rates by the Company at the time Hurricane Irma occurred. As discussed above,  
7 the level of regular payroll included in base rates must be established before a  
8 determination of whether any regular payroll can be considered incremental, thus  
9 eligible for storm cost recovery.

10

11 Based on FPL's representation that the payroll information it provided in response to  
12 Citizens' Interrogatory No. 73 was the amount charged to O&M expense included in  
13 its base rates, I relied on FPL's response as being the payroll amount to be used in  
14 determining what payroll costs were incremental in 2017 as part of the storm restoration  
15 costs. I, as well as the Commission, must assume that FPL would not have requested  
16 the Commission to approve more payroll than they the Company actually needed in  
17 2017. To assume otherwise would mean that FPL padded its payroll request.

18

19 **Q. IS IT REASONABLE TO ASSUME THAT THE PAYROLL AMOUNT**  
20 **REQUESTED IN A RATE CASE WOULD BE DIFFERENT FROM THE**  
21 **PAYROLL AMOUNT INCLUDED IN A SETTLEMENT?**

22 A. It is possible; however, absent additional, contrary evidence, and in accordance with  
23 FPL having the burden of proof for cost recovery, the Commission must assume payroll  
24 would be the last item to change. For example, when a settlement occurs, one part of

1 that settlement would be a change to the return on equity (“ROE”). This is typical even  
2 when the settlement is called a “black box” settlement. In my experience, maintenance  
3 costs are commonly reduced and rate base is generally adjusted in an effort to achieve  
4 a desired result. Since FPL provided sworn testimony regarding the number of  
5 personnel necessary to provide safe and reliable service, it should be sufficient to rely  
6 on that personnel complement as “absolutely necessary” for evaluation of storm costs.  
7 If the Company claims that the payroll was reduced as part of the settlement, regulators  
8 would have to wonder whether the payroll in the original application was padded and  
9 the testimony was not truthful.

10

11 **Q. WHAT WAS THE AMOUNT OF PAYROLL THE COMPANY STATED WAS**  
12 **INCLUDED IN ITS 2017 BASE RATES?**

13 A. In response to Citizens’ Interrogatory No. 73, FPL states its base rates in effect during  
14 2017, the period during which the Hurricane Irma occurred, included \$511,977,245 of  
15 regular payroll charged to O&M expense and \$55,457,346 of overtime charged to  
16 O&M expense.

17

18 **Q. WHAT WAS THE AMOUNT OF ACTUAL PAYROLL RECORDED TO O&M**  
19 **EXPENSES IN 2017?**

20 A. In response to Citizens’ Interrogatory No. 72, the Company stated that in 2017, O&M  
21 expense included \$484,913,366 of regular payroll and \$74,258,632 of overtime payroll.  
22 These amounts do include payroll costs associated with the storm restoration because  
23 FPL expensed the storm costs when it reclassified the costs from Account 228.1 to base  
24 O&M expense.

1 **Q. WAS ANY OF THE REQUESTED REGULAR PAYROLL COST**  
2 **INCREMENTAL AND THEREFORE ELIGIBLE FOR STORM COST**  
3 **RECOVERY?**

4 A. No, it was not. As shown on Exhibit No. HWS-2, Schedule B, Page 4 of 4, it is clear  
5 that the \$511,977 million of regular payroll included in base rates that was being  
6 collected during the time Hurricane Irma impacted Florida exceeded the \$484,913  
7 million of regular payroll costs that FPL actually incurred in 2017. Thus, all of the  
8 Company's regular payroll included in the restoration costs should be excluded as non-  
9 incremental costs. Since the regular payroll included in base rates exceeded the 2017  
10 actual O&M payroll expense by \$27,064 million, it would be impractical to assume  
11 that any regular payroll could be considered as incremental storm restoration costs.  
12 Any allowance of regular payroll as part of storm restoration costs could result in  
13 **double recovery** for FPL – first as part of base rates, and then recovered a second time  
14 as part of FPL's proposal to re-establish the amortization reserve with tax savings from  
15 the TCJA.

16  
17 **Q. AS PART OF EXHIBIT KF-2, DID FPL EXCLUDE ANY REGULAR**  
18 **PAYROLL FROM ITS RECOVERABLE COSTS AS NON-INCREMENTAL?**

19 A. Yes, it did. The Company excluded \$6.752 million of total regular payroll and  
20 overhead costs from the \$16.754 million total regular payroll charged to the storm  
21 restoration costs for Hurricane Irma.

22  
23 **Q. DO YOU AGREE WITH THE METHOD FPL USED TO ESTABLISH ITS**  
24 **NON-INCREMENTAL REGULAR PAYROLL?**

1 A. No, I do not. As I explained earlier, FPL’s adjustment is based on budgeted dollar  
2 amounts rather than the actual amounts reflected in base rates. The use of budgeted  
3 dollars ignores the requirement under the Rule to exclude regular payroll included in  
4 base rates, and instead focuses on the “budgeted” payroll included in O&M – a  
5 methodology that is not compliant with the ICCA methodology contemplated by the  
6 Rule. A budgeted number established after the fact only results in an apples to oranges  
7 comparison. The budgeted amount fluctuates, whereas the amount included in base  
8 rates is fixed. A determination of what is incremental and what is non-incremental  
9 cannot be made when using a moving benchmark. Use of a fixed amount like that  
10 included in the MFRs is the most appropriate yardstick for determining what amount  
11 is correctly classified as “non-incremental.”

12

13 **Q. DID OPC ASK FPL WHY REGULAR PAYROLL COSTS WERE INCLUDED**  
14 **AS PART OF THE STORM-RELATED RESTORATION COST RECOVERY?**

15 A. Yes, we did. In response to Citizens’ Interrogatory No. 6, FPL stated it is not seeking  
16 any incremental recovery of storm costs through either a surcharge or depletion of the  
17 storm reserve; therefore, the ICCA is not applicable. This response further stated that  
18 because of the TCJA, the costs that would have been charged to the storm reserve were  
19 charged to base O&M. FPL did concede that, in general, regular payroll costs  
20 recovered through base O&M are non-incremental, and would not be charged to the  
21 storm reserve if the ICCA was applicable.

22

23 The problem is that FPL’s position in this docket is that because of the TCJA, it elected  
24 to charge all the storm expenses to base O&M. If approved in another docket, FPL’s

1 election to completely exhaust the amortization reserve and then attempt to re-establish  
2 it with the TCJA tax savings (which should have been returned to ratepayers) would  
3 allow FPL to evade the requirement in the Rule to compare the actual amount of regular  
4 payroll costs to the amount of payroll that was included in base rates for O&M. This  
5 would mean that FPL's accounting election – which it contends allows the Company  
6 to ignore the Commission Rule – would effectively force customers to pay for costs  
7 that the Commission has determined should not be imposed on customers. Bypassing  
8 the Rule requirement designed to prevent possible double recovery will then  
9 predictably result in a double recovery for FPL. First, the payroll is recovered as part  
10 of existing base rates, and then again as part of FPL's proposal to re-establish the  
11 amortization reserve with the ratepayers' tax savings.

12

13 **Q. DOES FPL HAVE THE OPTION TO FOREGO CHARGING THE STORM**  
14 **COSTS TO THE STORM RESERVE AND INSTEAD EXPENSE THE STORM**  
15 **COSTS TO BASE O&M?**

16 A. Yes, it does. As explained in response to Citizen's Interrogatory No. 35, the 2016  
17 Stipulation and Settlement Agreement provides the option, but does not require, FPL  
18 to seek incremental storm cost recovery. Again, it is not a question of whether the  
19 Company can or cannot charge the costs to O&M, the issue is with the method FPL  
20 used, i.e., charging costs initially charged to the reserve to base O&M, then  
21 extinguishing the amortization reserve to cover those costs in order to allow the  
22 Company to achieve a desired ROE and then asking ratepayers to pay for the re-  
23 establishment of the Reserve with the tax savings that should be refunded to ratepayers.  
24 In other words, FPL is asking that ratepayers use their own tax refund money to re-

1 establish the reserve used to pay for the storm and/or to pay back FPL for storm  
2 restoration costs FPL claimed to have written off in December 2017.

3

4 **Q. WHAT ADJUSTMENT ARE YOU PROPOSING TO THE COMPANY'S**  
5 **REPORTED REGULAR PAYROLL COSTS?**

6 A. As shown on Exhibit No. HWS-2, Schedule B, Page 1 of 4, I am recommending the  
7 reported distribution regular payroll be reduced by \$10 million and the total regular  
8 payroll costs as shown on Company Exhibit KF-2 be reduced by \$4.153 million (\$4.104  
9 million jurisdictional).

10

11 **Q. HOW CAN THE TOTAL REGULAR PAYROLL FOR DISTRIBUTION BE**  
12 **REDUCED BY MORE THAN WHAT IS INCLUDED IN THE COMPANY'S**  
13 **STORM RESTORATION COSTS LISTED IN EXHIBIT KF-2?**

14 A. FPL's regular payroll of \$4.153 million on Exhibit KF-2 was calculated as a net  
15 adjustment of capitalization costs in the amount of \$5.847 million and non-incremental  
16 costs in the amount of \$6.752 million. This resulted in regular payroll for some  
17 functions reflected as negative amounts. Because the regular payroll is actually non-  
18 incremental, it cannot be considered as part of the cost subject to storm recovery;  
19 therefore, the regular payroll costs cannot be capitalized. Any capitalization of FPL  
20 payroll must be applied solely to overtime payroll, if overtime is incremental. As a  
21 result, the adjustment to the Company's regular payroll amounts, as presented in its  
22 Exhibit KF-2, would be a reduction of \$4.729 million for distribution and \$4.153  
23 million in total (\$4.104 million jurisdictional). In addition, the capitalized amount of  
24 \$5.847 million should be reclassified and reflected as a reduction to overtime payroll.

1 **Q. WHAT DO YOU MEAN REGULAR PAYROLL CANNOT BE CAPITALIZED;**  
2 **THEREFORE, THE CAPITALIZATION OF PAYROLL MUST BE SOLELY**  
3 **OVERTIME PAYROLL?**

4 A. FPL determined that its personnel performed some level of restoration work that must  
5 be capitalized. Since regular payroll is clearly non-incremental, there are no regular  
6 payroll dollars that can be capitalized. Thus, the only option is to assign the  
7 capitalization to FPL's overtime restoration costs.

8

9 **Q. WILL THE DETERMINATION DENY FPL FROM RECOVERING THE**  
10 **PAYROLL COSTS IN QUESTION?**

11 A. Not necessarily. These costs are currently in base O&M expense and a determination  
12 that they are not recoverable as storm costs under the Rule does not preclude recovery.  
13 Since the costs are part of base O&M, FPL's base rates should cover those O&M costs.

14

15 **Q. WHAT DID YOU DETERMINE IN YOUR REVIEW OF THE OVERTIME**  
16 **PAYROLL REPORTED BY FPL?**

17 A. FPL's overtime payroll charged to O&M expense of \$74.259 million in 2017 exceeded  
18 the \$55.457 million of overtime payroll which was included in base rates. Therefore,  
19 \$18.801 million of overtime costs would be eligible to be charged to the storm reserve  
20 as incremental.

21

22 **Q. WOULD YOU EXPLAIN HOW THE EXCLUSION OF REGULAR PAYROLL**  
23 **WOULD MEAN THE CAPITALIZATION MUST BE APPLIED TO**  
24 **OVERTIME PAYROLL?**

1 A. Yes. FPL's filing did not reflect any reduction to overtime for capitalization. Since all  
2 regular payroll was non-incremental, these costs are not permitted for recovery as storm  
3 restoration costs and, thus cannot be capitalized. Therefore, any capitalization of FPL's  
4 payroll costs must be applied to the overtime payroll.

5  
6 **Q. IN ITS EVALUATION OF FPL'S FILING, SHOULD THE COMMISSION**  
7 **CONSIDER WHETHER THE COMPANY'S OVERTIME PAYROLL**  
8 **SHOULD BE CAPITALIZED?**

9 A. Yes. FPL's own filing indicated some Company labor should be capitalized. The fact  
10 that regular payroll is all non-incremental means that it is being recovered through  
11 regular base rates and there is no amount remaining to be capitalized. Thus, the amount  
12 of capitalized labor costs should be applied to the overtime payroll dollars in FPL's  
13 request prior to being included as part of the overtime FPL labor costs to be recovered  
14 as storm restoration costs.

15  
16 **Q. WHAT ADJUSTMENT ARE YOU PROPOSING TO THE COMPANY'S**  
17 **REQUEST?**

18 A. I am proposing three adjustments to FPL's reported overtime and overhead of \$38.663  
19 million. First, as shown on Exhibit No. HWS-2, Schedule B, Page 2 of 4, I am  
20 recommending the distribution overtime payroll be reduced by \$17.381 million for the  
21 2017 non-incremental overtime included in the \$38.663 million amount. Second, a  
22 reduction of \$5.847 million is required for the reclassification of the non-incremental  
23 regular payroll that was capitalized by FPL. This is the first amount of overtime payroll  
24 to be classified as capitalized. Finally, I recommend an additional capitalization



1 adjustment of \$6.710 million to reflect a more accurate cost of restoration based on the  
2 actual costs incurred during the restoration.

3

4 **Q. WHY IS AN ADJUSTMENT REQUIRED FOR NON-INCREMENTAL**  
5 **OVERTIME?**

6 A. As discussed earlier, FPL incurred \$74.259 million of overtime payroll in 2017, which  
7 exceeded the \$55.457 million included in base rates by \$18.801 million. Since the  
8 \$18.801 million is the incremental amount of overtime in 2017, the reported storm  
9 restoration overtime and overhead cost of \$38.662 million is overstated and should be  
10 reduced by at least the 2017 known and measurable difference.

11

12 **Q. WASN'T SOME OF THE \$38.662 MILLION INCURRED IN 2018?**

13 A. Yes, it was. To be clear, the \$38.662 million amount is overtime payroll and overhead.  
14 FPL's response to Citizen's Interrogatory No. 19 indicates the actual overtime payroll  
15 excluding overhead was \$36,375,544. Included in the \$36,375,544 is \$193,171 of  
16 overtime incurred in 2018, leaving the remaining \$36,182,373 of overtime being  
17 recorded in 2017. Since there was \$36,182,373 of overtime reported as storm related  
18 in 2017, and only \$18,801,286 of that amount was incremental, the remaining  
19 difference of \$17,381,087 is non-incremental and should be excluded from storm  
20 restoration costs. That adjustment is shown on line 9 of Exhibit HWS-2, Schedule B,  
21 Page 2 of 4. My recommended adjustment does not include any 2018 overtime and  
22 does not include any associated overhead charges.

1 **Q. PLEASE EXPLAIN THE SECOND ADJUSTMENT.**

2 A. The second adjustment simply reclassifies the Company's calculated payroll  
3 adjustment for capitalization applied to regular payroll to overtime payroll. This  
4 adjustment is necessary because regular payroll is not incremental, so any capitalization  
5 of payroll associated with storm restoration must be applied to overtime payroll. This  
6 adjustment leads to the final adjustment where I recommend the Company's overtime  
7 payroll be adjusted to reflect an appropriate capitalization rate.

8

9 **Q. WHY IS THE FPL CAPITALIZATION RATE INAPPROPRIATE?**

10 A. The capitalization rate applied by FPL for storm restoration is the same as it uses in its  
11 normal course of business under normal conditions.<sup>9</sup> That capitalization rate is not  
12 appropriate because the storm restoration work performed is being done under  
13 abnormal conditions. Under normal conditions, restoration is done at both regular pay  
14 rates and overtime pay rates because restoration work under normal conditions is  
15 typically scheduled. After an extraordinary storm, it is normal for the workload to  
16 increase and the incremental work to be done at overtime rates. FPL's use of a normal  
17 capitalization rate under normal conditions ignores this very important difference, thus  
18 it significantly understates the costs that should be capitalized.

19

20 Additionally, the Company used a payroll rate of \$141.85 per hour for normal work  
21 conditions, which includes labor overhead, vehicle costs and miscellaneous costs.<sup>10</sup>

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<sup>9</sup> FPL's response to Citizens' Interrogatory No. 34.

<sup>10</sup> FPL's response to Citizens' Interrogatory No. 33.

1 The problem with using FPL's normal condition rate for capitalization is that the 2016  
2 overall average overtime rate for FPL personnel to replace distribution poles and to  
3 install transformers and conductors was \$61 per hour.<sup>11</sup> To the extent capital work is  
4 performed by FPL personnel under the abnormal conditions of storm restoration, the  
5 typical crew size for an accessible pole replacement would be a three man crew.<sup>12</sup>  
6 Three crew members at \$61 per hour amount is \$183 per hour just for the payroll alone.  
7 Clearly, the \$140.45 per person-hour rate is not appropriate for purposes of calculating  
8 the capitalized labor costs, especially when factoring in the adders, such as overhead,  
9 vehicle costs and miscellaneous costs that are presumably included in the average rate  
10 being utilized by FPL.

11

12 **Q. WHAT RATE ARE YOU RECOMMENDING FOR CALCULATING THE**  
13 **OVERTIME COST ASSOCIATED WITH FPL PERSONNEL?**

14 A. I used an average overtime rate of \$63 per hour per person, based on the 2016 hourly  
15 rate escalated by 3%. That rate is grossed up to \$67 per hour for labor overhead of  
16 6.29%. That grossed up, or "loaded" rate, is then multiplied by the 3 employees per  
17 crew to get an hourly crew rate of \$200. I then multiplied the \$200 per hour by the  
18 calculated capitalized number of hours that was based on FPL capitalized costs, divided  
19 by FPL's \$140.46 capitalization rate. This is the method that should be applied to  
20 calculate the loaded labor costs. Once that is determined, a vehicle cost should be  
21 added. I have made this calculation on Exhibit No. HWS-2, Schedule B, Page 3 of 4.  
22 I determined the estimated cost for FPL overtime plus overhead to be \$8,339,906 and

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<sup>11</sup> FPL's response to Citizens' Interrogatory No. 79 in Docket No. 20160251-EI.

<sup>12</sup> FPL's response to Citizens' Interrogatory No. 78 in Docket No. 20160251-EI.

1 estimated the vehicle cost to be \$4,217,517, resulting in a total overtime cost for  
2 capitalization in the amount of \$12,557,422. Since I already recommended the  
3 reclassification of the \$5.847 million of capitalization which FPL classified as regular  
4 payroll, I am recommending an additional adjustment of \$6,710,422.

5  
6 **Q. WOULD ANY OF THESE ADJUSTMENTS TO OVERTIME IMPACT THE**  
7 **LEVEL OF COSTS THAT COULD OR WOULD CAUSE FPL TO USE THE**  
8 **RE-ESTABLISHED AMORTIZATION RESERVE?**

9 A. Even if FPL is ultimately allowed to re-establish the amortization reserve and replenish  
10 it with TCJA savings, which I strongly believe is contrary to fundamental principles of  
11 fair, just, and reasonable ratemaking, the adjustment to exclude non-incremental  
12 overtime may or may not impact FPL's use of the amortization reserve, depending on  
13 how other costs are accounted for. The reclassification of overtime should not impact  
14 any requirement for the amortization reserve since this is just a reclassification and the  
15 capitalized dollars have already been excluded from O&M. The added capitalization  
16 adjustment of \$6,710,422 will reduce the amount of any use of the amortization reserve.  
17 Further, I would note that this adjustment does not prevent FPL from recovering this  
18 cost because it simply spreads the cost recovery over the lives of the capitalized assets  
19 created as part of the replacement of plant destroyed or damaged by Hurricane Irma  
20 instead of depleting the amortization reserve. This adjustment will help preserve the  
21 amortization reserve for its intended uses, assuming that the Commission allows FPL  
22 to re-establish the amortization reserve using TCJA savings, contrary to what I  
23 understand to be the position of the OPC.

1           **V. CONTRACTOR COSTS**

2   **Q.   WHAT IS INCLUDED IN THE STORM RESTORATION COSTS FOR**  
3           **CONTRACTORS AND WHAT AMOUNT OF CONTRACTOR COSTS WERE**  
4           **CAPITALIZED?**

5   A.   The Company identified \$825.088 million in contractor costs associated with  
6           Hurricane Irma on its Exhibits KF-1 and KF-2. Based on each exhibit, there are  
7           \$72.404 million in contractor costs being capitalized, which results in restoration costs  
8           of \$752.684 million sought to be recovered from ratepayers by means of the application  
9           of the amortization reserve credit and the TCJA.

10

11 **Q.   DID YOU IDENTIFY ANY CONCERNS WITH THE REPORTED**  
12 **CONTRACTOR COSTS?**

13 A.   Yes, I identified a number of concerns, as follows:

- 14           • Various vendors charged hourly rates that are excessive
- 15           • Various contractors charged for an excessive amount of  
16           mobilization/demobilization and standby time
- 17           • Payments to vendors included some duplicate payments and improper  
18           payments for contract workers whose hours were not supported by any  
19           documentation
- 20           • The capitalization amount for contractors is understated
- 21           • Distribution costs labeled as “Not Assigned” totaled \$156.901 million, which  
22           included accruals, and lacked sufficient supporting details,
- 23           • FPL failed to enforce the general contract requirements contained in its  
24           restoration contracts

- 1           • FPL appears to lack adequate controls or implementation of controls to insure  
2           the integrity of the vendor billings sufficient to demonstrate reasonableness and  
3           prudence of the costs for customer re-imbusement.  
4

5 **Q. WHY DO YOU ASSERT THERE ARE VENDORS WITH EXCESSIVE**  
6 **HOURLY RATES?**

7 A. In reviewing storm costs in other jurisdictions and in Florida, I have observed a range  
8 in rates. This range is fairly wide; however, with Hurricane Irma, I noted excessive  
9 hourly rates for some vendors. The range of hourly rates for most vendors is around  
10 [REDACTED] to [REDACTED] FPL has 15 vendors with rates in excess of [REDACTED] an hour. What makes  
11 this a concern is that in some cases an individually high rate may be justified for  
12 someone classified as a general foreman, yet with FPL there is no distinction between  
13 job classifications – every vendor employee, regardless of qualification, experience or  
14 job title, is billed at the same set rate. It is not reasonable to expect that an apprentice  
15 or lower level lineman would be billed at a rate in excess of [REDACTED], but because FPL  
16 uses a “blended” rate this is exactly what occurred. In fact, [REDACTED] per hour is more in  
17 line with the very high end of what the General Foreman rate would be, not what you  
18 would pay for an apprentice lineman. For example, in Docket No. 20180061-EI,  
19 FPUC used a contractor who charged the following rates: (1) General Foreman was  
20 billed at \$122.74 for straight time and \$143.19 for overtime; (2) an Apprentice was  
21 billed at \$93.62 for straight time and \$109.23 for overtime; (3) and at the low end, a  
22 Ground Man was billed at \$65.04 for straight time and \$75.87 for overtime. That  
23 averages out to an average labor rate of \$93.80 for straight time and \$109.43 at  
24 overtime. The equipment was billed separately, so assuming a pickup, a digger and a

1 bucket truck are added at \$17.95 per hour, \$48.76 per hour and \$46.05 per hour,  
2 respectively, the overall equipment average per hour would be \$37.59. By adding the  
3 overall labor averages of \$93.80 and \$109.43 to the overall equipment average of  
4 \$37.59 results in a comparable straight time cost of \$131.39 and an overtime cost of  
5 \$147.02. That is clearly indicative that a [REDACTED] per hour rate is very high, and the  
6 combined rates that are even higher are clearly excessive. When coupled with FPL's  
7 inadequate enforcement of contract requirements designed to prohibit slow  
8 mobilization and demobilization, the overbilling impact of these excessive rates is  
9 amplified.

10  
11 **Q. HAVE YOU PERFORMED AN ANALYSIS COMPARING THE VARIOUS**  
12 **VENDOR RATES?**

13 A. Yes, I have. Exhibit No. HWS-2, Schedule C, Page 4 of 6, summarizes the fifteen  
14 contractors with rates considered to be excessive and compared them to another twenty-  
15 four contractors whose billing exceeded \$5 million. The average hourly rate for the  
16 high cost contractors exceeds the other contractors' rate by [REDACTED] per hour. The high  
17 rate contractors billed [REDACTED] hours; multiplied by the excessive incremental rate of  
18 [REDACTED] per hour, equates to an excess billing of \$60,055,233. As shown on Schedule C,  
19 Page 4 of 6, the hourly rate for the contractors with excessively high rates ranges from  
20 [REDACTED] per hour to [REDACTED] per hour. The other major contractors, excluding  
21 patrollers, charged hourly rates ranging from [REDACTED] to [REDACTED]

1 **Q. IF YOUR COMPARISON SAMPLE INCLUDES CONTRACTORS THAT**  
2 **BILLED OVER \$5 MILLION, WHY ARE SOME OF THE COSTS UNDER \$5**  
3 **MILLION?**

4 A. The selection took into consideration all of the vendor billings. Some of the vendors  
5 had billings that were under the \$100,000 threshold and some were contractors that  
6 billed for other types of restoration work as part of their total billing. Therefore, the  
7 total cost for these contractors exceeded the \$5 million threshold.

8

9 **Q. WITH RESPECT TO ENSURING THAT FPL'S RATEPAYERS PAY ONLY**  
10 **THE FAIR, JUST, AND REASONABLE COSTS OF RESTORING SERVICE,**  
11 **WHAT IS THE ISSUE WITH MOBILIZATION/DEMOBILIZATION AND**  
12 **STANDBY TIME?**

13 A. Most contractors were paid a higher hourly rate for traveling than for performing actual  
14 restoration work, which is facially nonsensical, and in many cases the contractors billed  
15 a minimum of 16 hours per day, no matter the distance traveled. As a result of the 16  
16 hours per day travel minimum, along with other daily billing, the charged travel time  
17 is significantly more bloated than what the actual travel time should have cost. This  
18 problem of "bloated" mobilization/demobilization travel time becomes an even bigger  
19 issue because FPL claims that it had rigid guidelines in place that purportedly limited  
20 compensated travel to actual travel time, but; however, that guidance was not followed  
21 or enforced by FPL in many cases nor was there proper documentation of adherence to  
22 the guidelines. Moreover, after traveling multiple days at the elevated mobilization rate,  
23 some contractors were compensated for standby time on September 9 and September  
24 10, several days before the storm actually hit. The same issue exists with standby



1 where, despite FPL having rigid guidelines in place that purportedly would limit the  
2 hours to be compensated, FPL failed to follow or enforce its own guidance and contract  
3 provisions.

4  
5 **Q. CAN YOU PROVIDE SOME EXAMPLES OF WHERE VENDORS BILLED**  
6 **HOURS OF TRAVEL TIME THAT SUBSTANTIALLY EXCEEDED THE**  
7 **ACTUAL TIME REQUIRED TO COVER THE DISTANCE SUPPOSEDLY**  
8 **TRAVELED?**

9 A. Yes. One example is contractor F, which had a crew of 10 men that started in \*\*  
10 Confidential Mount Pocono, Pennsylvania Confidential\*\* on September 13 and  
11 traveled to Rock Hill, South Carolina - a distance of 626 miles with an estimated  
12 reasonable travel time of 9.5 hours. The crew billed for 17 hours. On September 14,  
13 the crew traveled from Rock Hill, South Carolina to Daytona Beach - a distance of 448  
14 miles with an estimated drive time of 7 hours. The crew billed for 17 hours. Then on  
15 September 15, the crew traveled from Daytona Beach to Hallandale - a distance of 250  
16 miles with an estimated travel time of 4 hours. The crew billed for 8 hours of  
17 mobilization travel even though they were "in-territory" and had access to fuel  
18 provided by FPL. In that example, the vendor crew billed 42 hours for traveling a  
19 distance of 1,324 miles, where a reasonable estimated travel time would be 20.5 hours.  
20 Interestingly, another crew for contractor F traveled from \*\*Confidential Oconomowoc  
21 Wisconsin Confidential\*\*, to Orlando - a distance of 1,319 miles with an estimated  
22 travel time of 20 hours - and billed 33 hours. Even though the latter crew time is still  
23 somewhat questionable, it charged 9 hours less than the first crew for essentially the  
24 same distance.

1 Another example is contractor NN, whose crews took 4 days to mobilize from  
2 Michigan to Florida. The crews started in **\*\*Confidential Onaway Confidential\*\***,  
3 Michigan on September 6 and traveled a distance of 290 miles with an estimated travel  
4 time of 4.5 hours per Map Quest[or other source]. They billed 14 hours to travel those  
5 few miles that day. The next day the crews traveled from to Atlanta, Georgia - a  
6 distance of 684 miles with an estimated travel time of 11.5 hours. The billing on  
7 September 7 was for 17 hours. On September 8, the crews traveled from Atlanta,  
8 Georgia to Orlando - a distance of 437 miles with an estimated travel time of 5.5 hours.  
9 They billed 20 hours for the travel on September 8. Then, on September 9 the crews  
10 traveled from Orlando to Sunrise - a distance of 215 miles with an estimated travel time  
11 of 3 hours. They billed 11 hours for travel on September 9. A total of 62 hours per man  
12 was charged for 1,626 miles, where the estimated reasonable time to travel those miles  
13 is 25 hours. Even applying FPL's rule of thumb of 500-550 miles per 16 hour day  
14 would result in a total travel time of 47 hours, not the 62 hours charged by the vendor.  
15 Ironically, this very same crew returned to **\*\*ConfidentialOnawayConfidential\*\***,  
16 Michigan from Bonita Springs, Florida - a distance of 1,573 miles - in only 39 hours.  
17 FPL made no adjustments for any of these overbillings. Clearly, this is an example of  
18 FPL failing to adhere to its alleged rigid guidelines for travel time for mobilization and  
19 demobilization or to properly monitor its vendors, as FPL has claimed.

20 Another contractor NN crew billed demobilization time to FPL for restocking their  
21 trucks on September 28, a day after returning to **\*\*ConfidentialOnawayConfidential\*\***,  
22 Michigan on September 27. This crew also traveled from Collier County Fairgrounds  
23 in Florida to **\*\*ConfidentialOnawayConfidential\*\***, Michigan - a distance of 1,585  
24 miles - in 39 hours.

1 Another example was discussed in the deposition of FPL's corporate representative  
2 panel on November 15, 2018 (Exhibit HWS-3). On several occasions during the  
3 deposition, FPL's corporate representatives stated that they had to do some follow-up  
4 after the deposition in order to research questions for which they did not know the  
5 answers. In response to follow-up discovery, FPL stated:

6 On September 28, 2017, the vendor's team travelled from GS1  
7 (Gulfstream Park) to Roanoke Rapids, NC for 16 hours of  
8 demobilization. On September 29, 2017, they travelled from Roanoke  
9 Rapids, NC to their home work locations in VA. FPL's records do not  
10 identify whether anything extraordinary occurred to explain the nature  
11 of any delay in the vendor's final day of demobilization.  
12

13 FPL's Response to Citizens' Interrogatory No. 135

14 This demonstrates that FPL failed to sufficiently monitor travel time to assure that  
15 ratepayers would pay only reasonable and prudent amounts for the vendors' travel  
16 times.  
17

18 **Q. ARE THE OVERBILLING INSTANCES DISCUSSED ABOVE UNCOMMON**  
19 **OR ARE THEY MORE OF THE NORM IN FPL'S VENDOR TRAVEL**  
20 **CHARGES?**

21 A. Based on my review to date, these examples are not uncommon. The travel times for a  
22 number of contractors shows the same problems.  
23

24 **Q. EARLIER YOU REFERRED TO "GUIDELINES" THAT FPL HAD IN PLACE**  
25 **RELATED TO VENDOR TRAVEL. WHAT ARE THESE GUIDELINES FPL**  
26 **ALLEGEDLY HAD THAT LIMITS TRAVEL TIME TO ACTUAL DRIVE**  
27 **TIME?**

1 A. In response to OPC's Production of Documents Request No. 19, FPL provided  
2 numerous contracts with its various contractors. The contracts are very similar, as they  
3 are in a standard format with slight modifications. Included in the contracts is a  
4 reference to Exhibit A1 which is the "Statement of Work Distribution Storm and  
5 Emergency Restoration" ("Statement"). This Statement contains a number of  
6 requirements and guidance as to what is expected, and the circumstances under which  
7 certain costs are eligible for reimbursement or rejection.

8

9 **Q. WHAT DOES THE STATEMENT SPECIFICALLY STATE ABOUT DRIVE**  
10 **TIME?**

11 A. The Statement includes the following regarding mobilization/demobilization pricing:

12

**CONFIDENTIAL**

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14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24



25 (Emphasis Added)

26

27 FPL's Statement also contains the following provision regarding how this  
28 requirement will be monitored:

29  
30  
31  
32



1  
2  
3  
4  
5  
6  
7



**END CONFIDENTIAL**

8

This wording is critical as it appears FPL has ignored its own guidelines.

9

Additionally, in response to Citizens' Interrogatory No. 58, FPL stated:

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Mutual assistance procedures/guidelines and other non-mutual assistance restoration contracts/agreements do not specifically provide for minimum, maximum or expected travel time/ hours per day. However, with the knowledge of the contractor resources starting location, estimated travel distance/time and other information (e.g., expected departure times, potential weather or traffic delays, expected hours of travel per day and actual in-progress travel status updates/revised estimated arrival times), FPL is able to determine when resources should arrive as well as the reasonableness of actual arrival times. Generally, compensation for travel time is limited to actual travel time. (Emphasis Added)

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22  
23  
24  
25  
26


The reference to FPL having knowledge of contractor resources to scrutinize its vendors' travel raises a significant concern since the Company states in its response to Citizens' Interrogatory No. 127 that the cities of origin and destination were not documented. Thus, how can ratepayers be assured of FPL's reliability to effectively manage and monitor the travel times of its vendors?

27

28

**Q. WHAT DID FPL IGNORE FROM THE STATEMENT?**

29

A. The actual drive time requirement was not enforced by FPL, as many contractors billed for hours that greatly exceeded their actual drive time, and in many cases the contractors billed 16 hours or more a day for travel, despite the fact that there was the contractual provisions 

30  
31  
32  
33

particularly in instances when a contractor did not actually drive for 16 hours.

1 Q. DID YOU ASK FPL WHY THEY PAID FOR TRAVEL TIME THAT  
2 EXCEEDED ACTUAL DRIVE TIME?

3 A. FPL was asked this question during the depositions on November 15 and December  
4 13. The response was that – [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]<sup>13</sup>

10

11 Q. [REDACTED]

12 [REDACTED]

13 A. [REDACTED]

14 [REDACTED] This is unreasonable, particularly when some

15 contractors traveled significantly longer distances per hour – this was especially so

16 when the contractors were traveling back home. Common sense and common

17 knowledge alone suggest that averaging 34.4 miles per hour is not realistic. For

18 example, assume that a crew travels at 60 miles per hour and requires an hour for meals

19 and fueling. In a 16 hour day, two stops would allow for 14 hours of actual drive time,

20 meaning they could travel 840 miles. This is approximately 50% more distance per day

21 than FPL’s allowance, and a more reasonable distance per day for traveling. Applying

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<sup>13</sup> Exhibit HWS-3 at pages 70-71.

1 840 miles for a 16 hour travel day as a guideline would reduce the travel time paid to  
2 FPL's vendors by approximately 33%.

3

4 **Q. IS IT POSSIBLE THAT TRAFFIC SITUATIONS COULD OCCUR THAT**  
5 **WOULD LIMIT THE TRAVEL TO 550 MILES PER 16 HOURS?**

6 A. Yes, it is possible; however, in the extensive amount of detail I reviewed, the  
7 documentation did not show this to be a major issue during the  
8 mobilization/demobilization process. In addition, there was little, if any,  
9 documentation to support any assertion that contractors had traffic problems navigating  
10 travel to FPL's service territory. In fact, most delays referenced by vendors on their  
11 daily time sheets were due to FPL. Based upon my review of the daily time sheets that  
12 I was able to review, the contractors generally included comments when they  
13 encountered extraordinary circumstances or events that would affect their travel  
14 schedules. Such comments were generally uncommon in the documentation that I was  
15 able to review.

16

17 **Q. IS THE USE OF AN HOUR FOR MEALS AND FUELING REASONABLE IN**  
18 **YOUR ESTIMATION OF MILES TO BE TRAVELED?**

19 A. I believe it is. However, FPL's deponents were asked about meals, and the response  
20 was that [REDACTED]

21 [REDACTED]<sup>14</sup>.

---

<sup>14</sup> Exhibit HWS-3 at pages 71-72.

1 **Q. PLEASE IDENTIFY SOME OF THE DUPLICATE PAYMENTS YOU FOUND**  
2 **AND EXPLAIN THE EVIDENCE YOU RELIED ON TO DETERMINE THE**  
3 **COST WAS DUPLICATED?**

4 A. The duplication of invoices is based on FPL's response to Citizen's Interrogatory No.  
5 20, which is a listing of all contractor costs for Hurricane Irma. The duplication was  
6 identified as part of the detailed analysis of the supporting documentation supplied in  
7 response to Citizen's Production of Documents No. 6. My analysis included a review  
8 of the invoices, the time summaries, time sheets, the mobilization logs and receipts  
9 (albeit not all invoices, time sheets, mobilization logs and receipts, as time has not yet  
10 permitted that extensive of a review even through based on my initial analysis such a  
11 in depth review is warranted). As shown on Exhibit HWS-2, Schedule C, Page 3 of 6,  
12 there were approximately 7,700 lines of invoices reported by FPL, and over 56,000  
13 pages of supporting documents produced by FPL to be analyzed.

14  
15 Here are several examples that I discovered so far with respect to duplicate invoices:  
16 Contractor J submitted an invoice for \$253,985 for [REDACTED] for September 7 through  
17 September 10.<sup>15</sup> The invoice listing also included two other invoices totaling  
18 \$253,985<sup>16</sup> with the same personnel, the same hours, the same dates and the same  
19 mobilization and standby dollar amounts. The only difference between the three  
20 invoices was that the same \$253,985 was billed through two invoices, one for  
21 September 7 through September 8 and the other for September 9 through September

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<sup>15</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202632083; Bates FPL 048160.

<sup>16</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202633179; Bates FPL 050545 and Document 5202632192; Bates FPL 050557.



1           10, while in the other instance the entire amount was billed in one invoice. This type  
2           of double billing is especially insidious and difficult to ferret out, and illustrates why  
3           more than just a sampling or cursory review advocated by FPL and apparently favored  
4           by the Commission is wholly inadequate.

5  
6           Contractor P included an invoice for \$1,230,638<sup>17</sup> regarding ██████████ of work from  
7           September 18 through September 24. The invoice list included a second invoice for  
8           \$1,223,187<sup>18</sup> with the same personnel and the same hours. The difference was that one  
9           bill did not include expenses while the second bill included \$7,451 of expenses. After  
10          OPC confronted FPL with this evidence at the November 15 deposition, FPL conducted  
11          research on the apparent double billing. Subsequently, during the deposition on  
12          December 13, 2018, FPL acknowledged this was a case of double billing. FPL's  
13          response to Citizens' Production of Documents No. 35 confirmed that Contractor P was  
14          paid twice for the same work and duplicate billing, and that FPL's O&M expense was  
15          credited in December 2018. Therefore, an adjustment is definitely required for this  
16          duplicate payment.

17  
18          In another instance of double billing, the summary of costs for Contractor OO included  
19          two invoices for \$446,859; each invoice was for ██████████ for September 11 through

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<sup>17</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202656856; Bates FPL 020775.

<sup>18</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202661125; Bates FPL 023893.

1           September 17.<sup>19</sup> Similarly, the listing for Contractor OO included two invoices for  
2           \$303,367 each for ██████████ for September 18 through September 22<sup>20</sup>. The detail  
3           showed the invoices listed the same personnel, the same dates supposedly worked and  
4           the same hours. No differences were noted in the respective invoices, thus FPL should  
5           have identified both of these as duplicates during its review and processing of invoices.

6  
7           Yet another duplicate bill amount was submitted by Contractor Y, where one invoice  
8           charged \$655,557<sup>21</sup> and the second invoice charged \$671,670<sup>22</sup>. Both invoices were  
9           supported by the same personnel and the same time period September 18 through  
10          September 24. Ironically, both had the same invoice number - 156225. The reason  
11          there was a difference in the amounts billed was because FPL had adjusted the hours  
12          on the Storm Crew Weekly Time Report for the dates September 19 and September 24  
13          for some of the employees.

14  
15       **Q.    BASED ON THE EXPLANATION CONTAINED IN THE DECEMBER 15**  
16       **DEPOSITION TRANSCRIPT AT PAGES 238-244, 501-502 AND 505-506, AND**  
17       **DEPOSITION EXHIBITS 22 AND 23, IS THERE AN ACCOUNTING**  
18       **DESCRIPTION FOR CHARACTERIZING THE DUPLICATE \$1.2 MILLION**  
19       **THAT FPL PAID?**

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<sup>19</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202667866; Bates FPL 025622 and Document 5202626883; Bates FPL 048053.

<sup>20</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202667862; Bates FPL 025567 and Document 5202663914; Bates FPL 024992.

<sup>21</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202737250; Bates FPL 038120.

<sup>22</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202648719; Bates FPL 018284.

1 A. Yes. The way this was described in the deposition some may view this as an attempt to  
2 misappropriate funds. Assume, a person went to a store and handed the cashier \$10 for  
3 a \$5 charge. The cashier then hands that person \$15 in change and the person  
4 knowingly walks away with it. That is a misappropriation of funds. This scenario is  
5 similar to how I understand this transaction occurred.

6

7 **Q. DID YOU SEE ANY EVIDENCE THAT FPL'S "CONTROLS" OR TIME**  
8 **SHEET APPROVAL PROCESS WAS ADEQUATE TO DETECT THIS**  
9 **DUPLICATE BILLING?**

10 A. No. More of a concern to me is that the timesheet approval process (relied upon by the  
11 accounts payable department in processing the invoices) contains signatures indicating  
12 field approval of this vendor's submission of duplicate invoices.

13

14 **Q. CAN THE COMMISSION AND CUSTOMERS BE ASSURED THAT THIS**  
15 **WAS AN ISOLATED INCIDENT?**

16 A No. Moreover, it appears to me that FPL's controls are inadequate to discern this type  
17 of activity, and the fact that FPL appears not only unconcerned but, astonishingly  
18 appears to continue to tolerate the actions described on pages 505-506 of the deposition,  
19 is reason to doubt the efficacy of FPL's control process. This is a special concern in the  
20 case of a vendor who does year-round work for FPL and has an ongoing relationship  
21 with the very personnel purporting to sign off on the time sheets. Further, it creates a  
22 looming concern to customers and the Commission, since the vendor does work and  
23 bills FPL for both storm restoration work and normal, year-round line work.

1 **Q. ARE THERE MORE DUPLICATE INVOICES INCLUDED IN THE LISTING**  
2 **OF COSTS PROVIDED BY FPL IN RESPONSE TO CITIZENS**  
3 **INTERROGATORY NO. 20?**

4 A. Yes. Contractor PP also submitted duplicate invoices. There are two invoices with  
5 the same total hours and the same personnel for the same time period September 11  
6 through September 17, 2017. One invoice charged \$316,924.80<sup>23</sup> and indicates it is a  
7 revision of the other invoice which charged \$293,524.80.<sup>24</sup> The difference is that the  
8 revised billing shifted hours from straight time to overtime. During the deposition of  
9 December 13, 2018, [REDACTED]

10 [REDACTED]<sup>25</sup> In performing a follow-up search for Contractor  
11 PP's entries on the cost listing provided by FPL in response to Interrogatory No. 20, I  
12 could not locate a credit for either amount. If FPL made a reversal, it was not reflected  
13 as part of the costs reported by the Company.

14  
15 In another duplication, Contractor RR submitted two invoices with the same personnel  
16 for the same time period September 18 through September 24, 2017. One invoice  
17 charged \$217,124.92<sup>26</sup> and the other invoice charged \$227,519.00.<sup>27</sup> The difference is  
18 that the second billing added [REDACTED] hours to six individuals on September 18 who were

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<sup>23</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202656335; Bates FPL 020076.

<sup>24</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202655953; Bates FPL 019800.

<sup>25</sup> Deposition of FPL December 13, 2018 at pages 500-501.

<sup>26</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202692840; Bates FPL 033312.

<sup>27</sup> FPL's response to Citizens' Production of Documents No. 6, Documents; Document 5202747215; Bates FPL 039237.

1 shown on the previous invoice to have no time and deducted █ hours from two  
2 individuals time on September 18, reducing their overtime from █ hours to █ hours.

3

4 Contractor FF also had a duplicate billing. This duplicate was for a five man crew that  
5 was included on two invoices for the same dates and hours. The invoice in Document  
6 5202737137 (FPL 037968) reflected █ hours for the five man crew on the weekly  
7 crew report (FPL 037974) for the period September 18 through September 24. The  
8 invoice in Document 5202736987 (FPL 037906) reflected the same █ hours for the  
9 five man crew on the weekly crew report (FPL 037907) for the period September 18  
10 through September 24. This resulted in a duplicate billing of \$73,920 based on █  
11 hours at an average rate of █ an hour.

12

13 Contractor SS submitted two invoices for the same crew for the same week. The first  
14 invoice was for six days, September 12, 2017 through September 17, 2017.<sup>28</sup> The  
15 second invoice was for two days September 11, 2017 through September 12, 2017.<sup>29</sup>  
16 This resulted in September 12 being paid for twice. The duplicate billing is \$54,400  
17 based on █ hours at a rate of █ an hour and █ hours at a rate of █ an hour.

18

19 **Q. DID YOU IDENTIFY ANY OTHER BILLING ISSUES?**

20 A. Yes. The other billing issue is with invoices reflecting the hours as reported on the  
21 Storm Crew Weekly Time Report (“WEEKLY”), yet the supporting detail from the

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<sup>28</sup> FPL’s response to Citizens’ Production of Documents No. 6, Documents; Document 5202622041; Bates FPL 058897.

<sup>29</sup> FPL’s response to Citizens’ Production of Documents No. 6, Documents; Document 5202632030; Bates FPL 059599.

1 Storm Crew Daily Time Report (“DAILY”) for the WEEKLY invoices either did not  
2 show a crew member had performed work or the Storm Crew Daily Time Report  
3 indicated that the crew member had a classification that was not billable according to  
4 the vendor’s contract.

5  
6 **Q. WOULD YOU PROVIDE SOME EXAMPLES OF BILLING ISSUES?**

7 A. Yes. In my review, I identified at least three occasions on which Contractor P was paid  
8 for individuals listed on the WEEKLY that were not listed on the DAILYs for the week.  
9 The first invoice was included on Document No. 5202656376. On this particular  
10 billing, two individuals were on the WEEKLY that were not listed on the DAILY.  
11 Here, an adjustment of \$37,947 is required for payment of [REDACTED] hours at an average rate  
12 of [REDACTED] an hour. This adjustment is reflected on Line 388 of Exhibit HWS-2, Schedule  
13 C, Page 3 of 6. The second overpayment for Contractor P was on Document No.  
14 5202656872. Here, four crew personnel were listed on the WEEKLY that were not  
15 listed on the DAILY for September 12. That resulted in an overpayment of \$11,465,  
16 based on [REDACTED] hours of unsupported time at an average rate of [REDACTED] an hour. This  
17 adjustment is reflected on Line 389 of Exhibit HWS-2, Schedule C, Page 3 of 6. The  
18 third overpayment for Contractor P was on Document No. 5202656856. Here, the same  
19 two crew personnel, in the first invoice discussed, were again listed on the WEEKLY  
20 but were not listed on the DAILYs for the week. That resulted in an overpayment of  
21 \$40,104 based on [REDACTED] hours of unsupported time at an average rate of [REDACTED] an hour.  
22 This adjustment is reflected on Line 390 of Exhibit HWS-2, Schedule C, Page 3 of 6.

1 **Q. IS ONE DOCUMENT CONSIDERED MORE RELIABLE THAN THE OTHER**  
2 **WHEN DESCREANCIES OCCUR?**

3 A. That is an interesting question. In my opinion, they both are important. The WEEKLY  
4 is the source for the hours on the invoice itself. The DAILY is purportedly the source  
5 for the WEEKLY. However, FPL representatives stated in the November 15, 2017  
6 deposition that the WEEKLY is optional and the DAILY is not optional,<sup>30</sup> thus that is  
7 why I find the question interesting.

8

9 **Q. ARE THERE MORE INVOICES THAT INCLUDED TIME FOR CREWS**  
10 **THAT WERE NOT SUPPORTED BY THE STORM CREW DAILY TIME**  
11 **REPORT?**

12 A. Yes. There are at least three more invoices that I was able to identify where the  
13 WEEKLY was not supported by the DAILY. The three are as follows:  
14 Contractor E's invoice in Document 5202661266 (FPL Bates No. 024567) included  
15 three crew members on the weekly summary time reports (FPL Bates Nos. 024568 and  
16 024569) that could not be found on the daily time report (FPL Bates Nos. 024570  
17 through 024585). This overstatement requires an adjustment of \$86,112 based on [REDACTED]  
18 hours at a rate of [REDACTED] an hour. In addition, Contractor E had another invoice in  
19 Document 5202661262 (FPL Bates No. 024529) that included two crew members on  
20 the weekly summary time reports (FPL Bates Nos. 024530 and 024531) that were not  
21 located on the daily time reports (FPL Bates Nos. 024532 through 024543). This

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<sup>30</sup> Exhibit HWS-3 at page 41, lines 19-21.

1           overstatement requires an adjustment of \$64,584 based on [REDACTED] hours at a rate of [REDACTED]  
2           an hour.

3  
4           Document 5202651611 (FPL 019003) was an invoice for Contractor FF that included  
5           hours on the WEEKLY based on the incorrect DAILY. The DAILY showed the crew  
6           worked from 6 AM to 10 PM which is 16 hours. The Daily showed 18 hours for each  
7           crew member. This error occurred on 5 days and resulted in an overpayment of \$18,724  
8           based on [REDACTED] hours of incorrectly reported time at an average rate of [REDACTED] an hour.

9  
10       **Q. PLEASE DESCRIBE THE ISSUE WITH BILLING FOR CREW POSITIONS**  
11       **THAT ARE NOT BILLABLE UNDER THE CONTRACT?**

12       A. FPL has specific contracts with most of the outside contractors they do business with.  
13       The specific contracts all reference Exhibit A1. CONFIDENTIAL Exhibit A1  
14       specifically states that, [REDACTED]  
15       [REDACTED] During my  
16       analysis, when the daily time reports were reviewed it was noted on some that some  
17       contractors did bill for those crew classifications. Contractor E billed for each of the  
18       three classifications on Document 5202661272. That billing inappropriately included  
19       \$84,318 for [REDACTED] hours at an average rate of [REDACTED] an hour.

20  
21       **Q. IS IT POSSIBLE THAT THE CONTRACTOR WAS ALLOWED TO BILL FOR**  
22       **THOSE CLASSIFICATIONS BASED ON THE SPECIFIC CONTRACT FOR**  
23       **THAT VENDOR?**



1 A. My review of FPL's contracts leads me to conclude that the answer to this question is  
2 that the contracts do **not** allow such billing. The response to Citizens' Production of  
3 Documents No. 19 provided various contracts. The contract for Contractor E did not  
4 make a special provision for those classifications. In fact, the contract specifically  
5 reiterated that those classifications were included in the all-inclusive rate. Contractor  
6 E had two other invoices that included billing for those classifications. The invoices  
7 were included with Documents 5202656432 (FPL 061495) and 5202664515 (FPL  
8 025181), and the amounts of \$63,687 and \$100,464 should be disallowed, respectively,  
9 for this over billing.

10

11 **Q. WHY IS THE STANDBY TIME AN ISSUE?**

12 A. Numerous contractors mobilized for 2 or 3 days, arrived in Florida on September 8,  
13 and then billed September 9 and 10 as standby time. There were also a number of  
14 contractors who traveled on the 9<sup>th</sup> and 10 and arrived in Florida, or just north of Florida,  
15 so they could be on the job after the storm passed on September 11.

16

17 **Q. ISN'T IT PRUDENT TO HAVE CREWS IN PLACE AND READY TO GO TO**  
18 **WORK AFTER THE STORM PASSES?**

19 A. Being proactive is obviously a good thing and can be reasonable, when the proactive  
20 actions are conducted prudently. However, as with everything else, FPL needs to make  
21 sure that they proceed prudently when contracting with restoration crews. In fact, FPL  
22 had contracts in place with numerous contractor crews before Hurricane Irma became  
23 a storm. With those contracts in place, one would expect effective coordination (with  
24 embedded and non-embedded crews) such that FPL should not have to mobilize

1 contractor crews too early for travel, and then have those crews sitting around in Florida  
2 waiting (and billing customers) for excessive periods of time for the storm to make  
3 impact. This is a concern because it can result in excessive wait and standby times.  
4 Another concern is that, if the contractors are instructed to mobilize from their home  
5 bases to Florida too soon, they may be inclined to take their time or drag out the drive  
6 time to Florida for more hours and days because they get paid a higher rate for  
7 mobilization than for actual restoration work; this is clearly a money maker for them.  
8 What makes this even more of a concern is that FPL's Exhibit A-1, which is referenced  
9 in most contracts, contains guidelines that could potentially minimize the excessive  
10 mobilization time issue, but more often than not, FPL did not enforce the requirements  
11 mandated in the contracts.

12

13 **Q. COULD YOU PROVIDE SOME EXAMPLES WHERE FPL DID NOT**  
14 **FOLLOW THE REQUIREMENTS OF EXHBIT A1?**

15 **CONFIDENTIAL**

16 **A. Yes. In reviewing Exhibit A1, it states the following under the heading "The Work**  
17 **(Scope):"**

18

19

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27

My review of documents produced by FPL revealed instances where vendors charged  
for equipment, fuel purchased, and repairs to equipment during

1 mobilization/demobilization and repairs to equipment. These costs are obviously  
2 excluded under the work scope in Exhibit A1.

3

4 Also in Exhibit A1, the “General Resource Requirements” subsection under the  
5 “Resource Requirements” states the following:

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20 (Emphasis added).

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22

This is reiterated in the “Rate Structure” section where it states:

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1 As part of my review, I looked at numerous daily time sheets to confirm the hours  
2 summarized on the weekly time summaries that served as the source for the hours on  
3 the FPL invoice template. These daily time sheets identified the crew member's  
4 classification, and there were several billings for employees listed as administrative,  
5 safety personnel and mechanics. FPL paid for these personnel even though Exhibit A1  
6 states that they [REDACTED] As was discussed earlier under the  
7 capitalization section, the contractor crews included four, five or six personnel. The  
8 review of daily time sheets confirmed that this was routine, and the predominant size  
9 was five.

10 Under the subsection "Specific Resource Requirements" in Exhibit A1, it states the  
11 following:

12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]

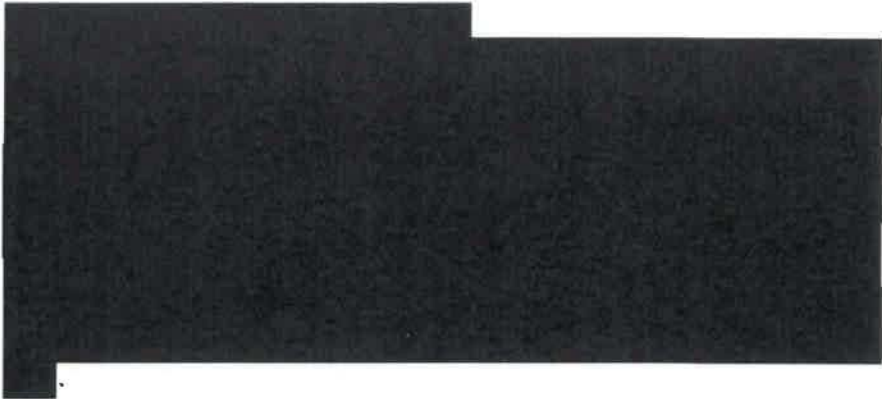
17 (Emphasis added).

18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

26 This language indicates the use of five man crews, which as I explained earlier is  
27 ignored by FPL when calculating the capitalization of certain restoration work. I would  
28 also note that there were crews with more than one apprentice.

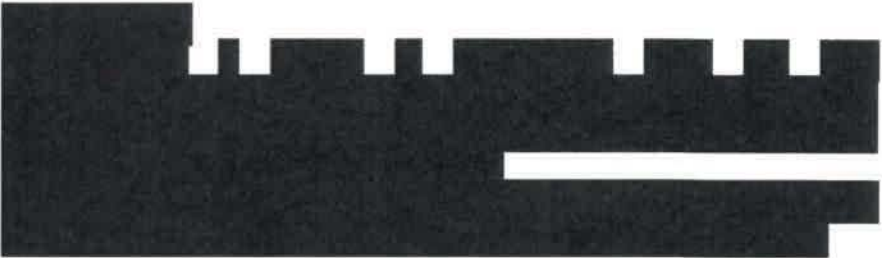
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Under the caption "Vehicles and Equipment Maintenance," Exhibit A1 states:



(Emphasis Added)

As stated earlier, there was some maintenance of equipment which was billed to FPL and included in the requested restoration costs, in obvious violation of this provision. Under the "Working/Standby Price Structure," Exhibit A1 states the following regarding standby hours:



A number of crews billed for 16 hours during standby time, despite the 10 hour maximum of standby time allowed under Exhibit A1, and these costs were included in the requested restoration costs.

Under the "Overtime Hours" subsection, Exhibit A1 states in bold print [redacted] [redacted] However, contractor QQ billed for double time, which was paid by FPL and submitted as storm restoration costs. Although the

1 Company explained that this was due to union contract requirements, with all the  
2 advance preparation and negotiated contracts, FPL should have been aware of this issue  
3 and negotiated a better deal for its customers.

4  
5 Under the “Lodging” section, Exhibit A1 states [REDACTED]  
6 [REDACTED] Notwithstanding this  
7 language, certain time sheets include notes that contractors slept in their trucks and  
8 billed for their sleep time resulting in hours billed as if the workers had worked more  
9 than 24 hours straight.

10  
11 The section identified as “Gasoline/Diesel Fuel” states in bold that [REDACTED]  
12 [REDACTED] This is particularly intriguing since part of the  
13 argument for allowing 16 hours for mobilization/demobilization for 550 miles of travel  
14 is that the crews stop for meals and fuel. Adding to that concern is that under the  
15 “Meals” section, it clearly states [REDACTED]  
16 [REDACTED] Thus, FPL failed to comply with its own statement of  
17 requirements in allowing these to be included in its requested restoration costs.

18  
19 **Q. DO YOU HAVE ANY CONCERNS WITH HOW THE CONTRACTOR COSTS**  
20 **WERE TRACKED AND/OR REVIEWED?**

21 A. Yes, I do. I am concerned about the lack of documentation regarding the mobilization,  
22 demobilization and standby time for the contractors. FPL was requested to provide a  
23 summary listing, by contractor and line clearing crews, of the costs for mobilization  
24 and demobilization. FPL’s response to Citizens’ Interrogatory No. 3 only provided an

1 estimate that 25% of contractor costs were for mobilization/demobilization and that  
2 line clearing and mutual aid utility information was not available. It is unacceptable for  
3 a company of FPL's size and resources to fail to maintain sufficient documentation to  
4 support its requested restoration costs.

5  
6 Based upon the Company's response, 25% of contractor costs is for  
7 mobilization/demobilization. Therefore, this is a major cost component of the storm  
8 costs for which FPL is seeking approval. The fact that FPL is unable to identify the  
9 amount of costs for line clearing and mutual aid should be a major concern for the  
10 Commission in determining the prudent and reasonable storm costs in this docket.

11  
12 What is more concerning is that FPL should be reviewing these costs for reasonableness  
13 and support, and the Company's current billing system has the documents to do this.  
14 In the limited time provided by the Commission for review of the voluminous materials  
15 produced by FPL, I noted a document identified as the "Daily Contractor Mobilization  
16 Log." This document is designed to identify (1) who is traveling, (2) the origin of the  
17 trip, (3) the destination, (4) when departing, (5) each stop along the way, (6) when the  
18 crew arrived, and (7) other important information such as when the crew was released.  
19 This information is relevant and clearly could be used to verify whether a crew's time  
20 and costs are reasonable. However, FPL apparently only considers this document as  
21 something that *may* be used to facilitate payment processing as indicated in its response  
22 to Citizens' Interrogatory No. 124:

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QUESTION:

Refer to the response to Production of Documents No. 6. Please explain why some vendors include the "Daily Contractor Mobilization Log" sheets with their billing as support for mobilization/demobilization pay and others are not required to submit the mobilization form with their bills.

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RESPONSE:

The "Daily Contractor Mobilization Log" is included in the invoicing templates FPL provides to the storm vendors to help facilitate the payment process. Vendors may use it to support their travel to and from their assigned location but it is not mandatory, similar to the other invoicing templates, so long as the vendor provides sufficient back up documentation in a format satisfactory to FPL.

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This is very troubling because FPL obviously has a document that could be utilized to verify charges and serve as supporting documentation that costs are appropriate. Instead, FPL relies on an insufficient benchmark for travel time and occasional verbal employee verification via telephone, etc., that is not documented. The assumption that the FPL representative who is assigned to oversee the execution of a contractor's work assignments is sufficient simply because the representative signs a time report is itself insufficient. As indicated earlier, numerous contractors billed for 16 hours a day or more for travel without any justifiable support that the travel time was accurate or reasonable.

28  
29

In discovery following the November 15 deposition, FPL responded to OPC's Interrogatory No. 130 as follows:

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31  
32  
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QUESTION:

Please refer to Dep. p. 62-63, lines 2-12, 1-11. Please explain the results of your research related to the forms titled Daily Contractor Mobilization Log Storm Travel, including but not limited to, how that



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log is used in the invoice review and approval process, which FPL organization or entity created the form for the Daily Contractor Mobilization Log Storm Travel, at what stage in the storm response process the log is generated and sent to a vendor, and to which FPL organization the vendor submits the completed form (FPL department, employee title and name).

RESPONSE:

This form is included in the packet of templates provided by FPL in order to assist the vendor with preparing their invoices for payment. The blank template (see sample as Attachment No. 1 to this response) is sent to the vendor at the time of resource commitment along with all of the other invoicing templates. At the time of submitting an invoice for payment, a vendor would include this form in their invoice support and send it to the Accounts Payable department. The use of any of the FPL templates is recommended but not required to process and approve a vendor invoice for payment. If and when a vendor provides the travel log, it is used as part of the overall invoice review process to confirm appropriate billing. The main focus for the invoice review is on the daily timesheet and this log is provided as supplemental information. Vendor invoices are processed and approved as long as FPL Accounts Payable has the information needed to perform their review and the information has been approved by Power Delivery.

This response included an attachment with instructions that read: "Enter all Mob/Demob information on the Travel log tab. Include the city, state and time for any stops made during travel. (Employee names must be listed on the travel log)." However, this response is inconsistent with the requirements included in Exhibit A1 that is referenced in the specific contractor contracts. Under the "Invoicing" section of Exhibit A1, it states:



1 This should be a significant concern to the Commission in that the contractual  
2 requirements are being ignored. Even more concerning is that, when asked about the  
3 deficiency, FPL stated: “Vendors may use it to support their travel to and from their  
4 assigned location but it is not mandatory.”<sup>31</sup> In my accounting experience, when some  
5 direction or rule uses the terminology “shall,” that means it is mandatory and does not  
6 mean “may” or “can.” In FPL’s situation here, the number of invoices without  
7 mobilization logs is significant.

8  
9 In addition, in response to Citizens’ Interrogatory No. 127, FPL stated it does not  
10 document the origin and destination city for mobilization/demobilization. Absent the  
11 documentation for this information, there is no supporting evidence that FPL evaluated  
12 the reasonableness of the contractors’ travel times.

13

14 **Q. DON’T INVOICES IDENTIFY THE ORIGIN OF THE CREWS?**

15 A. Not necessarily. The address listed on the invoices is normally the contractor’s billing  
16 address; however, that is not always where the crews originated. As part of my review,  
17 I attempted to identify the origin and destination from the Daily Contractor  
18 Mobilization Log, when available, and the contractor addresses on hotel bills, time  
19 sheets and other documents provided. The challenge is that this is very time  
20 consuming, considering the abbreviated time provided in the docket schedule, as  
21 compared to the magnitude of documents.

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<sup>31</sup> Response to Citizens’ Interrogatory No. 124.

1 I will note that during the review of Hurricane Matthew costs, the Company stated it  
2 had no documents or any analysis that summarized the costs incurred for standby time  
3 of contractors or mutual assistance aid. Given what I have observed as part of my  
4 review of the costs in this filing, I would be surprised if FPL made any changes to  
5 improve its oversight of storm costs. In that case and again here, I note that I am  
6 concerned with the lack of accountability of the standby time.

7

8 **Q. WHY IS THERE A CONCERN WITH THE ACCOUNTABILITY OF**  
9 **CONTRACTORS' TIME?**

10 A. As I discussed earlier, the Company incurred an excessive amount of standby and  
11 mobilization/demobilization costs, and for some vendors this problem was  
12 compounded by excessive mobilization rates. It is important to respond in a timely and  
13 efficient manner when a storm impacts the system, yet that is not justification to assume  
14 any cost incurred was justified.

15

16 **Q. ARE YOU MAKING ANY RECOMMENDATION WITH RESPECT TO**  
17 **ACCOUNTING FOR CONTRACTOR TIME?**

18 A. Yes, I am. I am recommending FPL be required to separately identify the amount of  
19 hours and costs that are associated with mobilization/demobilization and with standby  
20 time. This is important information that is beneficial not only to the Company, but also  
21 to the Commission. This information provides critical insight into how FPL is planning  
22 and controlling costs before, during, and after the storm restoration. It is simply not  
23 acceptable for FPL to state that it needs to fix the problem, but then ignore the cost.  
24 This is especially true from the ratepayers' perspective.

1 **Q. ARE YOU RECOMMENDING A DISALLOWANCE OF COSTS FOR**  
2 **EXCESSIVE STANDBY AND/OR MOBILIZATION/DEMOBILIZATION?**

3 A. I am not making a specific recommendation as to each contractor at this time because  
4 of time limitations and the sheer volume of documentation that needs to be reviewed.  
5 Based upon what I have reviewed and the deficiencies I have identified, I am estimating  
6 the amount of excess time and dollars rather than recommending specific contractor  
7 adjustments. My recommendation is considered conservative and I believe that the  
8 Commission has the authority and a basis upon which to make an adjustment on its  
9 own and to disallow a greater portion of these costs because the Company has failed to  
10 meet its burden to properly justify the time and cost for standby and  
11 mobilization/demobilization time. It is my opinion that this case should provide an  
12 extended opportunity to fully evaluate the invoices given the significant discrepancies  
13 in the subset of invoices that were reviewed in the time allotted. This should occur even  
14 if the hearing needs to be delayed as there is no urgent deadline to issue a final order in  
15 this case. In the alternative, OPC may need to delve more deeply into this issue via  
16 extensive cross-examination at the hearing.

17

18 **Q. WHAT ADJUSTMENTS ARE YOU RECOMMENDING FOR THE**  
19 **EXCESSIVE STANDBY AND/OR MOBILIZATION/DEMOBILIZATION?**

20 A. Earlier I had indicated that FPL's lack of monitoring travel could have resulted in  
21 mobilization/demobilization being overstated by 33%. However, to be conservative, I  
22 am recommending that 25% or \$30.016 million of the mobilization/demobilization cost  
23 be considered as excessive and not allowable for recovery by either the amortization  
24 reserve or the TCJA as proposed by FPL.

1 The standby time of \$20.825 million that I have identified is primarily attributable to  
2 non-embedded contractors arriving early and charging FPL's ratepayers for two days  
3 (i.e. September 9th and 10th), in many cases 16 hours a day, and this is considered  
4 excessive and not justified. However, again to be conservative, I am recommending  
5 that 20% or \$4.165 million of this cost be considered as excessive and not allowable  
6 for recovery by either the amortization reserve or the TCJA as proposed by FPL. The  
7 calculations of the respective adjustments are reflected on Exhibit HWS-2, Schedule  
8 C, p. 3 of 6.

9  
10 **Q. WHY DID YOU STATE THAT THE CONTRACTOR CAPITALIZATION OF**  
11 **COSTS IS UNDERSTATED?**

12 A. FPL used a formula for capitalization of costs which, based on the Company's  
13 predetermined overtime rates or contractor rates, understates the amount that should be  
14 capitalized because it is based on normal weather conditions, not on what is normal  
15 during storm restoration. Applying the same formula for capitalization of contractor  
16 costs will also understate the amount capitalized for these costs, which results in more  
17 costs being charged to storm restoration rather than being capitalized as part of the  
18 restoration costs.

19  
20 **Q. DOES IT MATTER WHETHER THE CAPITALIZATION COSTS ARE**  
21 **ACCURATE?**

22 A. Yes, it does. If FPL is allowed to understate the capital amount, current ratepayers will  
23 pay for capital costs that will benefit future ratepayers. This is referred to as  
24 intergenerational inequity. Current ratepayers should not bear the total costs of plant

1 that will be used over thirty to forty years by future customers who are not receiving  
2 service from FPL today. Because FPL is understating its capitalized plant, it is  
3 accelerating recovery of that plant expense which should be capitalized as part of the  
4 restoration costs via the re-establishment of the amortization reserve instead of over  
5 the life of the plant. The cost of that plant should be spread over the life of that capital  
6 asset being installed and not as part of the Reserve re-establishment as FPL is  
7 proposing. Under Generally Accepted Accounting Principles (“GAAP”), the cost of  
8 plant to be capitalized is the actual cost. Under the circumstances of this docket (i.e.  
9 storm restoration), it is difficult to capture the actual cost; however, that does not justify  
10 making an improper estimate of the replacement plant using an understated cost per  
11 hour. FPL’s capitalization formula does not comply with GAAP requirements for  
12 capitalization of plant based on actual costs, and an adjustment must be made to reflect  
13 this error. Therefore, I am recommending a jurisdictional adjustment of \$278.754  
14 million for the capitalization of contractor costs. This adjustment is calculated on  
15 Exhibit HWS-2, Schedule C, p. 2 of 6.

16  
17 **Q. IS THERE ANY DISPUTE REGARDING WHETHER CONTRACTORS**  
18 **PERFORMED CAPITAL-RELATED WORK?**

19 A. No, there is not. FPL’s responses to Citizens’ Interrogatories No. 14 and 15 clearly  
20 state that capital work was performed by contractors and mutual aid utilities.

21  
22 **Q. ARE THERE ANY OTHER CONCERNS WITH HOW FPL TRACKED**  
23 **CONTRACTOR TIME TO BE CAPITALIZED?**

1 A. Yes, there is. Capital work performed by both FPL employees and contractors is a  
2 significant cost element in both the immediate restoration activities and subsequent  
3 “follow-up” activities for which FPL is seeking approval as storm costs. In its response  
4 to Citizens’ Interrogatory Nos. 15, FPL states it is unable to provide the specific number  
5 of poles set by contractors because that information is not specifically  
6 identified/tracked during emergency response events. As this response indicates, FPL  
7 does not track this “capitalizable” pole setting activity for contractors during the  
8 immediate restoration time period. Thus, FPL has failed to properly track and,  
9 subsequently, account for this important capital activity during the restoration time  
10 period.

11

12 **Q. HOW DID FPL DETERMINE THE AMOUNT OF CAPITALIZED**  
13 **CONTRACTOR COSTS IN THIS CASE?**

14 A. FPL’s response to Citizens’ Interrogatory No. 16 states:

15 The amount of capital costs for each storm event is determined by  
16 applying part (1)(d) of Rule 25-6.0143, Use of Accumulated Provision  
17 Accounts 228.1, 228.2 and 228.4, Florida Administrative Code  
18 (“F.A.C”), which states that “...the normal cost for the removal,  
19 retirement and replacement of those facilities in the absence of a storm”  
20 should be the basis for calculating storm restoration capital.

21

22 FPL’s utilizes its Work Management Systems, WMS for Distribution  
23 and Project Update and Reporting (PUR) for Transmission to calculate  
24 capitalized contractor work. Labor cost is applied to capital materials  
25 installed during storm restoration by creating work requests through  
26 WMS and PUR. For work incurred during restoration, the capital labor  
27 cost is allocated between contractor and regular payroll based on WMS  
28 predetermined construction man hours (CMH) and capital labor split  
29 between FPL employees and contractors required to perform the  
30 installation of the material. The 2017 normal condition labor rate is then  
31 applied to the CMH and capital labor split to obtain capital contractor  
32 cost. The follow-up work capital labor split between FPL  
33 employees and contractors is known because this work is planned.

1                   There remained some follow-up work to be completed as of May 31,  
2                   2018 at which time FPL finalized the cost estimate, but this work has  
3                   been fully scoped and has been subject to fixed price bids such that the  
4                   capital labor cost can be estimated using similar work. The estimate for  
5                   the follow-up work to be completed is included in the cost summary in  
6                   Attachment No. 1 to FPL's response to OPC's First Set of  
7                   Interrogatories No. 5.

8  
9                   In its response to Citizens' Interrogatory No. 40, FPL further states:

10                   The predetermined construction man hours (CMH) referenced in FPL's  
11                   response to OPC's First Set of Interrogatories No. 16 are based on  
12                   historical labor studies for the type of work being performed during  
13                   normal conditions. Also, as provided in FPL's response to OPC's First  
14                   Set of Interrogatory No. 16, FPL did not modify its normal condition  
15                   labor rate to account for the storm restoration work being capitalized.  
16                   Instead, the labor rate applied by FPL was the 2017 normal condition  
17                   labor rate and capital labor split (employee/contractor), as required by  
18                   Rule 25-6.0143.

19  
20                   **Q.     IS THE USE OF A CMH RATE IN DETERMINING THE CONTRACTOR**  
21                   **CAPITALIZED COST APPROPRIATE?**

22                   A.     Yes, it is appropriate to use a CMH rate since FPL stated that it does not specifically  
23                   identify and/or track contractor capital work during emergency response events.<sup>32</sup> The  
24                   use of a calculated rate is common because contractors do not specifically identify the  
25                   amount of time required to perform capital work and companies do not track the time  
26                   required to perform the capital work. The key determinant is whether the rate used is  
27                   reasonable given the circumstances and the crews utilized for restoration.

28  
29                   **Q.     IS THERE A CONCERN AS TO THE AMOUNT OF CONTRACTOR COSTS**  
30                   **THAT WERE CAPITALIZED?**

---

<sup>32</sup>FPL's response Citizens' Interrogatory No.16.



1 A. Yes, there is. My concern is that the average hourly rate utilized by FPL for  
2 capitalization does not represent the cost for contractor personnel performing capital  
3 work during normal restoration. As discussed earlier, the rate used for FPL's personnel  
4 to perform storm restoration work is not representative of the conditions and  
5 requirements after a storm has occurred. Similarly, since contractor rates and hours are  
6 greater than the rates and hours for FPL's personnel, the average hourly rate FPL  
7 utilized for contractors does not represent the total cost of outside contractors who  
8 perform capital restoration work. Based upon my analysis, the cost for capitalization  
9 work performed by contractors is significantly understated. Use of an understated FPL  
10 rate for contractors, which even understates the capitalized work that FPL itself  
11 performed, presents an even larger problem because when costs are capitalized, the  
12 actual costs recorded are understated even more.

13

14 **Q. DID YOU PERFORM ANY ANALYSIS TO EVALUATE THE COMPANY'S**  
15 **CONTRACTOR COSTS IN THIS CASE?**

16 A. I analyzed the respective hourly rates for FPL's employees versus the average hourly  
17 contractor rate and compared that to the actual hourly billing rates by contractors for  
18 storm restoration work. The Company's response to Citizens' Interrogatory No. 76  
19 indicates the average blended hourly capitalization rate for FPL employees is \$140.46  
20 and for contractors it is [REDACTED]. This rate includes labor, vehicle costs and  
21 miscellaneous costs. Ignoring the vehicle costs and miscellaneous costs, the \$140.46  
22 hourly rate applies for approximately three FPL employees performing the capital  
23 work. The average regular FPL payroll rate in Docket No. 20160251-EI was \$38 an  
24 hour. I am confident that rate has not declined and multiplying that rate times 3

1 employees and an approximate overhead rate of 14% equates to an average cost of  
2 \$129.26 per hour ( $\$38 \times 3 \times 1.14$ ). This is at the regular pay rate. As discussed earlier,  
3 during restoration this would be even higher because it would be an overtime rate. The  
4 capitalization rate of \$140.45 barely covers regular labor costs using regular rates let  
5 alone the purported vehicle costs and miscellaneous costs. The fact that contractor  
6 crews perform this work and their crews typically range from [REDACTED] personnel means  
7 the hourly rate of \$140.46, or even the [REDACTED], is not representative of what the cost  
8 per hour would be when the number of personnel involved is factored in. As shown on  
9 Exhibit No. HWS-2, Schedule C, Page 3 of 6, I have estimated the average hourly  
10 contractor rate at approximately [REDACTED] an hour. If just [REDACTED] contractor employees were  
11 doing the capital work, the hourly rate would be [REDACTED]. This [REDACTED] an hour  
12 rate is over five times  $(\text{[REDACTED]} / \$140 = \text{[REDACTED]})$  the hourly rate utilized by FPL for  
13 capitalization.

14  
15 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO WHAT THE**  
16 **COMPANY REFLECTED AS CAPITALIZED?**

17 A. Yes, I am. The capitalized amount for distribution costs for contractor labor should be  
18 increased from \$72.404 million to \$351.158 million, an increase in capital costs of  
19 \$278.754 million. A corresponding reduction to total restoration costs of \$278.754  
20 million is then required. This adjustment does not deprive FPL from recovering the  
21 costs, it simply spreads the recovery over an appropriate time frame as required under  
22 GAAP.

1 **Q. HOW DID YOU DETERMINE YOUR ADJUSTMENT?**

2 A. On Exhibit No. HWS-2, Schedule C, Page 2 of 6, I first determined the actual hours  
3 utilized by FPL to calculate its adjustment on capitalization by dividing the  
4 capitalization cost by [REDACTED] which is the FPL CMH rate for contractors. I note that  
5 this is what FPL identified as the contractor rate; however, I have not seen that they  
6 used this rate since the only calculation provided used the \$140.46 hourly rate provided  
7 in the response to Citizens' Interrogatory No. 76. Next, I multiplied the average hourly  
8 rate of [REDACTED] by [REDACTED] which is a conservative contractor personnel level. This resulted  
9 in an hourly rate of [REDACTED] for a contractor crew. I multiplied that by the hours capitalized  
10 by FPL, which resulted in a cost of \$351.158 million as shown on Exhibit No. HWS-  
11 2, Schedule C, Page 2 of 6, line 11. I deducted the capitalization of \$72.404 million  
12 that was proposed by FPL which results in my adjustment of \$278.754 million.

13

14 **Q. PLEASE EXPLAIN YOUR CONCERN WITH THE COST CLASSIFIED AS**  
15 **"NOT ASSIGNED".**

16 A. As part of the Company's costs for its contractors, FPL includes \$177.364 million of  
17 costs labeled as "Not Assigned." OPC asked FPL via an interrogatory to explain why  
18 some vendor descriptions were listed as "Not Assigned" and why there is no vendor  
19 number included for all vendors. The Company responded as follows:

20 Items listed as vendor descriptions "Not Assigned" and vendor numbers  
21 of # indicate a non-purchase order invoice or accrual related to vendors  
22 whose contracts had not been pre-negotiated but whose services were  
23 needed and therefore were retained shortly before or during the  
24 restoration effort. Note, the purpose of the schedule included in FPL's  
25 response to OPC's First Set of Interrogatories No. 20 was to  
26 provide a summary of contractor costs by function, and its contents  
27 should be reviewed independently of FPL's response to OPC's First  
28 Request for Production of Documents No. 6. The purpose of the

1 schedule provided in FPL's response to OPC's First Request for  
2 Production of Documents No. 6 was to provide a roadmap and a more  
3 convenient way to locate specific invoices provided at and above the  
4 agreed upon threshold.  
5

6 FPL's Response to OPC's Interrogatory No. 43.  
7

8 Citizens' Production of Documents No. 6 was a request for FPL to provide invoices for  
9 various contractor costs listed in the Company's response to Citizens' Interrogatory  
10 No. 20. FPL's response to Production of Documents No. 6, while voluminous, did not  
11 provide the information in an organized manner. Instead, FPL's response included  
12 three main folders: Folder 6a, Folder 6a part 2 and Folder 6b. Folder 6a consisted of  
13 twelve different sub-folder descriptions for approximately 640 different files/individual  
14 documents. The different sub-folder descriptions presented the first challenge because  
15 some were listed by name, some referred to a document purchase order number, some  
16 referred to a document reference number, while a significant number of descriptions  
17 referenced a combination of the document reference number and an SAP document  
18 number. In addition, there were two unique sub-folders included. One unique file was  
19 labeled "crystal clear;" however, the contents were not crystal clear or understandable,  
20 and the second unique file was labeled "POD6a Invoices pdf." The latter file consisted  
21 of 421 pages of various invoices and documents. Folder 6a2 consisted of  
22 approximately four different types of sub-folders. The approximate 780 subfolders  
23 were primarily labeled with the combination of document numbers. Moreover, folder  
24 6b consisted of five sub-folders, which included another unique sub-folder labeled  
25 "POD 6b Invoices pdf." That unique sub-folder consisted of 128 pages of various  
26 documents and invoices. Having \$177.364 million of costs, which represents

1 approximately 21.5% of FPL's contractor costs, described as "Not Assigned" only  
2 added to the challenge of trying to identify each document with its appropriate  
3 classification and vendor.

4  
5 The largest contributor to the category of "Not Assigned" was the distribution function  
6 that totaled \$156.901 million. I was able to identify a large component of "Not  
7 Assigned" as mutual assistance companies. These costs in some cases were supported  
8 by multiple pages of documentation, yet in other cases the mutual aid payment lacked  
9 significant detail. If FPL actually provided in its discovery responses all the  
10 documentation in its possession that it received in conjunction with these vendors and  
11 their alleged restoration work, then there does not appear to be any way that FPL could  
12 have attempted to evaluate these costs to determine whether the amounts billed were  
13 justified.

14  
15 **Q. WHY DO YOU BELIEVE THAT THESE COSTS WERE NOT FULLY**  
16 **EVALUATED BY FPL?**

17 A. I have summarized all the contractor costs on Exhibit HWS-2, Schedule C, Page 3 of  
18 6. If you refer to the distribution function and look at the "Not Assigned" grouping,  
19 you will see I have labeled 14 amounts with the caption "NO SUPPORTING  
20 DETAIL." The sum total of those 14 amounts is \$35,618,796. FPL provided a total  
21 of 36 pages of purported supporting documentation for these 14 listed amounts. That  
22 documentation ranged from 1 page to 10 pages per amount. Based upon a review of  
23 the supporting information, it only shows that an invoice was provided without any  
24 other supporting documentation. The information is so limited it is not possible to

1 evaluate whether the billing is justified. As a counter-example, one mutual assistance  
2 provider billed FPL \$524,117 and included 539 pages of documentation as support for  
3 that invoice. Clearly, 36 pages is inadequate and does not provide sufficient detail for  
4 FPL to evaluate what work was allegedly performed for \$35,618,796.

5  
6 **Q. IS THE MUTUAL ASSISTANCE THE ONLY CONCERN WITH THE “NOT  
7 ASSIGNED” COSTS?**

8 A. No. There still remain some costs that I have no clue as to what work was performed  
9 or what the costs pertained to. The most troubling costs are the accruals. FPL included  
10 Distribution costs of \$20.166 million that I was able to identify as accruals. FPL was  
11 requested to provide all supporting documentation for this \$20.166 million in Citizens’  
12 Production of Documents No. 26. The Company’s response appears to be two journal  
13 entries with back up being simply a listing of costs and estimates. This information  
14 provided by FPL, which is allegedly all the supporting documentation in its possession,  
15 is simply insufficient as support for \$20.166 million of costs that FPL is expecting to  
16 charge to base O&M at ratepayers’ expense. The detail provided by the Company  
17 represents a mere listing of costs and/or estimates with no backup. At this juncture,  
18 FPL should have detailed invoices to support the amounts accrued. Absent that  
19 documentation, the costs are unsubstantiated and not appropriate for recovery by means  
20 of applying either the amortization reserve or the TCJA to cover the costs charged to  
21 base O&M.

22  
23 **Q. DID THE OTHER COST FUNCTIONS LACK SUPPORTING DETAILS FOR  
24 ACCRUALS?**

1 A. Yes. The support for \$192,731 provided in response to Citizens' Production of  
2 Documents No. 25 consisted of 2 pages. Page 1 appears to be only a journal entry and  
3 page 2 is a list of costs with three of the costs included in the list totaling to the \$192,731  
4 amount. The numbers are nothing more than estimated amounts without any  
5 supporting documentation as requested. Supporting documentation was also requested  
6 for the Nuclear accruals in Citizens' Production of Documents No. 14. The two  
7 accruals were for \$221,287 and \$12,966,523. FPL provided over 100 pages of  
8 documents in its response; however, I was unable to figure out which of these  
9 documents were purportedly support for the \$12,966,523. The only document I found  
10 referencing the \$12,996,523 amount was a page called "Storm Phase II Estimate  
11 Template" and the accrual was described as "FAS 5 Contingency Accrual." This  
12 reference is very confusing since FAS 5 is the former Financial Accounting Standard  
13 No. 5 pronouncement for the accrual of contingencies; thus, it is not clear how this  
14 accrual would be appropriate as a storm cost recovery item. It absolutely lacks  
15 supporting detail and is just a number on a single page of many provided. A  
16 contingency is an estimate for cost that may occur and this recovery is supposedly for  
17 actual costs incurred. FPL could, and should, have provided a summary of the costs  
18 included in this contingency along with sufficient detailed support for those costs in a  
19 more organized manner in order to obtain Commission approval for recovery.

20  
21 **Q. SHOULD THE CONTRACTOR COSTS BE ADJUSTED FOR THE "NOT**  
22 **ASSIGNED" COSTS THAT ARE QUESTIONABLE AND/OR**  
23 **UNSUPPORTED?**

1 A. Yes. I recommend that the distribution accrual of \$20.166 million and the Nuclear  
2 contingency accrual of \$12.967 million be excluded from the storm restoration costs  
3 that are chargeable to base O&M expense due to lack of supporting documentation. In  
4 addition, I recommend that \$17.809 million, or 50% of the \$35.619 million for mutual  
5 aid, be excluded from the base O&M expense for failure to provide sufficient evidence  
6 that the costs were justified on the basis that there is insufficient information to show  
7 that FPL had any a level of documentation to evaluate the reasonableness of these  
8 charges. The total recommended “Not Assigned” Adjustment is \$50.942 million.

9  
10 **Q. WOULD YOU EXPLAIN WHY YOU ALLOWED 50% OF THE**  
11 **UNSUPPORTED COST FOR MUTUAL AID?**

12 A. Yes. There is no question that FPL incurred costs for mutual aid and that there was  
13 some benefit from these services that were provided. Nevertheless, FPL has the burden  
14 of proof to show the costs incurred were justified and reasonable. Due to the lack of  
15 documentation, there is simply no way for FPL to meet its burden of proof and all the  
16 costs could legitimately be disallowed for lack of supporting evidence and  
17 documentation. However, since there was some benefit, I recommend a 50/50 split  
18 between shareholders and ratepayers be considered as a reasonable allocation.

19

## 20 **VI. LINE CLEARING COSTS**

21 **Q. WHAT IS THE AMOUNT IDENTIFIED AS RESTORATION COSTS FOR**  
22 **LINE CLEARING?**

23 A. Reported restoration costs for Hurricane Irma are \$139.908 million for line clearing.  
24 The Company has identified \$5.080 million as non-incremental pursuant to the



1 guidelines set forth in the Rule. Excluding the \$5.080 million as being non-incremental  
2 leaves \$134.828 million as restoration costs that would be allowed for recovery.

3

4 **Q. WERE THERE ISSUES IN REVIEWING THE INFORMATION SUPPLIED**  
5 **BY FPL?**

6 A. Yes. Citizens' Interrogatory No. 21 requested FPL to provide a summary of costs  
7 listing each invoice by function by line clearing contractor. The Company's response  
8 stated that a summary was provided but that a summary by invoice is not readily  
9 available. FPL has what utilities refer to as a robust SAP system, thus it is troublesome  
10 that this system is purportedly unable to produce a summary of costs by invoice. The  
11 summary FPL provided is by vendor and Purchase Order number. In an attempt to  
12 verify the costs, FPL was requested to provide all invoices over \$50,000. The response  
13 to Citizens' Production of Documents No. 7 instead provided invoices over \$75,000.  
14 This response also included a summary of the purported invoices provided, which is  
15 interesting since a similar document with amounts under the threshold could not be  
16 produced in response to Citizens' Interrogatory No. 21. The objective was to match the  
17 invoices listed in the response to Citizens' Interrogatory No. 21 to the invoices listed  
18 in the response to Citizens' Production of Documents No. 7; however, because the  
19 information was provided in different formats, I could only make a comparison of  
20 invoices to the purchase order amounts leaving unknown differences. These  
21 differences may or may not be storm restoration costs.

22

23 **Q. DID YOU ENCOUNTER ANY ADDITIONAL ISSUES AS PART OF YOUR**  
24 **REVIEW?**

1 A. Yes. As I indicated above, the response to Citizens' Production of Documents No. 7  
2 included an Excel spread sheet listing the various invoices over the \$75,000 threshold.  
3 This listing totaled \$86.397 million. In reviewing the supplied documentation, we were  
4 only able to identify invoices for \$58.415 million. That means either FPL did not  
5 provide \$27.983 million of invoices that were supposed to be provided or, because of  
6 the way the information was provided it, it could not be easily located. This is very  
7 concerning, and because of the time limitation imposed on the review, FPL should be  
8 required to research this problem and provide an explanation as to why the information  
9 was not easily identified.

10

11 **Q. ARE YOU MAKING ANY RECOMMENDATION WITH RESPECT TO LINE**  
12 **CLEARING COSTS?**

13 A. Consistent with the determination of contractor costs, I am recommending the  
14 Commission require FPL to identify the amount of hours and costs that are associated  
15 with mobilization/demobilization and standby time. This is important information that  
16 is beneficial to not only to the Company, but also to the Commission. This information  
17 provides critical insight into how FPL is planning and controlling costs before, during,  
18 and after the restoration process. It is simply not sufficient for FPL to state that it needs  
19 to fix the problem, but then ignore the cost. This is especially true from the ratepayers'  
20 perspective.

21

22 **Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO LINE CLEARING**  
23 **COSTS?**

1 A. An adjustment should be made because the documentation supplied in response to  
2 discovery does not appear to have been provided for all invoices over FPL's chosen  
3 threshold. However, I am not recommending an adjustment at this time but reserve the  
4 right to file supplemental testimony if it turns out the cost are not supported and/or  
5 determined to be excessive.

6

7 **VII. VEHICLE & FUEL COSTS**

8 **Q. WHAT IS FPL REPORTING FOR VEHICLE AND FUEL COSTS?**

9 A. FPL's Exhibits KF-1 and KF-2 identify vehicle and fuel costs of \$23.876 million. On  
10 Exhibit KF-2, the Company has excluded \$4.325 million because that amount is  
11 considered non-incremental. There is no amount listed as being capitalized.

12 **Q. DID FPL FACTOR IN VEHICLE COSTS TO ITS CAPITALIZATION RATE?**

13 A. Yes, it did. Based on FPL's response to Citizens' Interrogatory No. 33, the average  
14 hourly capitalization rate is \$141.85, which includes labor, vehicle costs and  
15 miscellaneous costs. When the capitalization was booked, it was booked against  
16 payroll and contractor costs, so presumably that is why there is no capitalization  
17 adjustment for vehicles.

18

19 **Q. DO YOU HAVE ANY CONCERNS WITH THE LEVEL OF VEHICLE AND**  
20 **FUEL COSTS BEING REQUESTED?**

21 A. After a review of the costs and the supporting detail provided, I have not identified any  
22 major cost issues that would require an adjustment. However, during the deposition on  
23 November 15, the Company was asked to explain why fuel costs were allowed during  
24 mobilization/demobilization. In response, FPL explained that the charges should not

1 have been paid and that it would adjust Exhibits KF-1 and KF-2. This is reflected in  
2 FPL's response to Citizen's Interrogatory No. 145:

3 On September 9, 2017, the crew travelled 16 hours from Victoria, TX  
4 to Hammond, LA. On September 10, 2017, the crew travelled 16 hours  
5 from Hammond, LA to Lake City, and from Lake City back to Panama  
6 City, Florida as the storm was passing through the state. There is no  
7 written contract provision authorizing reimbursement for fuel purchased  
8 during mobilization. Absent approval by FPL, which did not occur in  
9 this instance, the vendor should not have been reimbursed for fuel  
10 purchased during mobilization. FPL will seek reimbursement from the  
11 vendor for payments made for reimbursement of fuel expenses incurred  
12 during mobilization without authorization from FPL and will reflect  
13 adjustments for these costs on Exhibits KF-1 and KF-2.  
14

15 It should be noted that this is not a single occurrence. FPL was asked to provide  
16 documentation supporting any exception to the requirement that fuel for  
17 mobilization/demobilization not be included with any billing. The response to  
18 Citizens' Production of Documents No. 34 states "FPL was unable to locate any  
19 responsive documents for approving fuel during mobilization."  
20

21 It should also be noted that FPL cannot identify how much of the \$141.85 hourly rate  
22 is considered vehicle costs that are part of the CMH rate it used for capitalization. This  
23 raises a concern as to the reliability of FPL's numbers.  
24

25 **Q. HOW DO YOU KNOW THE COMPANY CANNOT IDENTIFY WHAT**  
26 **AMOUNT OF THE HOURLY CAPITALIZATION RATE IS FOR VEHICLE**  
27 **COSTS?**

28 A. In Docket No. 20160251-EI, FPL, in response to discovery, stated that the costs for  
29 Labor, Vehicle, and Miscellaneous ("LVM") used for distribution capital estimates

1        *cannot be separated*, as it is a system-generated amount calculated by FPL’s Work  
2        Management System (“WMS”). In response to Citizens’ Interrogatory No. 33 in this  
3        docket, FPL provided a calculation that was the same as it provided in Docket No.  
4        20160251-EI, thus it is obvious the process has not changed based on that response  
5        alone. As of the date of filing this testimony, there is outstanding discovery pending to  
6        verify that the Company cannot separate the costs for labor, vehicles and  
7        miscellaneous.

8  
9        The fact that FPL purportedly cannot identify the specific vehicle rate presents a  
10       problem because the vehicle rate amount could impact whether my adjustment for the  
11       LVM of \$141.85 per hour is too conservative; in other words, the proper cost for labor  
12       (the highest component of the hourly rate) could actually be higher than what I have  
13       estimated it to be.

14  
15    **Q.    ARE YOU RECOMMENDING ANY ADJUSTMENT TO VEHICLE AND**  
16    **FUEL COSTS?**

17    A.    No, I am not.

18  
19    **VIII. MATERIALS & SUPPLIES**

20    **Q.    WHAT DID YOU DETERMINE FROM YOUR REVIEW OF THE**  
21    **MATERIALS AND SUPPLIES COSTS THAT WERE INCLUDED IN THE**  
22    **COMPANY’S REQUEST FOR RECOVERY?**

23    A.    FPL’s Exhibits KF-1 and KF-2 include \$45.305 million of materials and supplies, of  
24    which the Company has capitalized \$28.397 million, for a net reported restoration

1 charged to base O&M expense of \$16.908 million. The amounts capitalized and  
2 reported as storm restoration expense appear to be reasonable, and subject to additional  
3 information being received and reviewed, I am not recommending any adjustment at  
4 this time.

5  
6 **IX. LOGISTICS**

7 **Q. WHAT ARE LOGISTICS COSTS THAT ARE INCLUDED IN FPL'S**  
8 **REPORTED STORM COSTS?**

9 A. FPL's Exhibits KF-1 and KF-2 include \$272.996 million of costs charged to base O&M  
10 expense for Hurricane Irma storm restoration. In its response to Citizens' Interrogatory  
11 No. 26, the Company identifies logistic costs as costs related to the establishment and  
12 operation of storm restoration sites, and to support employees who are working on  
13 storm restoration (i.e., lodging, meals, transportation and buses). The majority of  
14 expenses are based on pre-established contracts that were competitively bid. The  
15 reported amount expensed to base O&M is \$272.996 million. FPL did not consider  
16 any of these costs to be non-incremental or costs which should be capitalized.

17  
18 **Q. DO YOU HAVE ANY CONCERNS WITH THE LOGISTIC COST**  
19 **REPORTED?**

20 A. Yes, I do. There are many concerns with the reported costs and the supporting  
21 documentation, and I will identify some of the concerns. First, Citizens' Interrogatory  
22 No. 27 requested FPL to provide a summary of cost by type listing each invoice. This  
23 request was similar to the request in Citizens' Interrogatory No. 20, yet the response  
24 was not the same. Instead, FPL provided a summary of cost by vendor which means

1 there is no way that we could verify that all requested invoices were provided. Citizens'  
2 Production of Documents No. 9 asked for all invoices over \$50,000 and all P Card  
3 Charges over \$10,000. FPL's response states that it was providing invoices over  
4 \$75,000 and that it did not include documents supporting accruals. The total for the  
5 invoices on the listing provided was \$246.619 million. Assuming that invoices were  
6 provided for all amounts on the invoice listing in response to the POD request, that  
7 leaves \$26.377 million of costs that could not be reviewed or even evaluated because  
8 FPL did not produce the listing of "all" invoices as requested. The review of invoices  
9 was further hindered by the fact that the listing of invoices over \$75,000 provided in  
10 response to Citizens' Production of Documents No. 9 and the amounts on the invoices  
11 provided did not match in most instances. Purchase Orders were also provided;  
12 however, purchase orders are not invoices and are not adequate support for costs  
13 incurred. The logistic costs are significant and include various billings, primarily for  
14 staging, lodging, and catering. In addition, because logistics costs serve as added costs  
15 for FPL's employees and contractors, a strong argument could be made that some  
16 portion of these costs should be included in the capitalization formula when  
17 determining what amount should be capitalized.

18  
19 **Q. WHAT ARE SOME EXAMPLES OF ISSUES YOU FOUND IN YOUR**  
20 **REVIEW?**

21 **A.** The rates for various types of meals are questionable. The sum paid for the three meals  
22 listed on the various purchase orders exceeds the daily per diem paid to contractors by  
23 \$27. Since the contractor is paid for meal time, requiring them to use the per diem  
24 would be cheaper instead of providing meals. Since almost every contractor at some

1 point was paid per diem, a question also rises as to whether the contractor was paid the  
2 per diem rate even if the contractor was fed as part of the logistic process. Meal costs  
3 could potentially be duplicated because of this.  
4

5 Another issue is that there were no invoices provided for many vendors, only emails of  
6 meal counts or a sheet showing meal counts. Thus, those counts had to be used to  
7 calculate a cost based on the purchase orders attached in order to verify whether the  
8 amount paid was reasonable. **CONFIDENTIAL** For example, with [REDACTED]  
9 meal counts were used to estimate the costs and that resulted in a total cost of \$216,025.  
10 FPL reported \$211,229 of costs reported in response to Citizens' Interrogatory No. 27  
11 and the listing of costs provided in response to Production of Documents No. 9 was  
12 \$211,353. All three amounts exceed the amount identified in the purchase order that  
13 was provided. **END CONFIDENTIAL** It is not clear that FPL followed the  
14 contract/purchase order with this vendor. Another issue with this vendor was the fact  
15 that FPL only provided two actual invoices which totaled \$2,400. The reported costs  
16 over \$75,000 for this vendor was \$211,353 so there is no real verification of the  
17 reported cost. This documentation is questionable as actual invoices should be  
18 provided.  
19

20 Another notable concern was with a vendor who was paid for meals that were not  
21 delivered. The documentation in one case indicated that, since there was a minimum  
22 meal requirement and FPL made arrangements for another vendor to provide the meals,  
23 the minimum should be paid. In another instance, the higher of meals requested or  
24 meals served was paid.



1 Absent actual invoices, this is an area where misappropriation could occur. This should  
2 be a major concern for the Commission when over \$250 million of costs have very  
3 sketchy and/or limited supporting detail. As such, FPL has failed to meet its burden to  
4 demonstrate these costs were reasonable.

5  
6 **Q. WOULD IT BE CORRECT TO INFER THAT BECAUSE THE MINIMUM**  
7 **WAS PAID DUE TO ANOTHER VENDOR SUPPLYING MEALS THAT**  
8 **THERE WAS A DUPLICATION OF COST?**

9 A. That is a reasonable inference. In addition, it was noted that the vendor  
10 [REDACTED] have been overpaid. The listing of  
11 invoices provided by FPL shows two invoices for [REDACTED]  
12 [REDACTED] one for \$319,568 and another for \$632,049, totaling \$951,167. For  
13 the first invoice of \$319,568, the documentation showed only an indication of an  
14 invoice of \$17,691 and the detail provided meal counts for September 8 through  
15 September 14. The documentation provided for the \$632,049 included the same sheets  
16 provided with the \$319,568. That detail also included an Excel sheet for the entire  
17 period and the total costs listed were either \$579,500 based on requested meals or  
18 \$743,421 based on actual meals. As I indicated, the total of invoices over \$75,000  
19 listed for the [REDACTED] is  
20 \$951,167, thus it would appear this vendor was overpaid by at least \$207,746.

21  
22 **Q. ARE YOU PROPOSING AN ADJUSTMENT TO THE COMPANY'S**  
23 **LOGISTICS EXPENSE?**

1 A. Yes, I am. Due to FPL's failure to provide information as requested, the fact that there  
2 appears to be some duplication of costs and due to FPL's failure to provide supporting  
3 detail in the form of invoices for a number of vendors, I am recommending a reduction  
4 to Logistics of \$26,041,487. The adjustments are reflected on Exhibit HWS-2,  
5 Schedule G, Page 2 of 2. This adjustment could have been higher had I not calculated  
6 an estimated cost where only the number of meals was provided and had I not limited  
7 my adjustment to variances of \$1 million or more between the cost and the supporting  
8 detail supplied.

9

10 **X. OTHER COSTS**

11 **Q. WHAT IS INCLUDED IN THE "OTHER COST" CATEGORY**  
12 **CLASSIFICATION?**

13 A. The majority of other costs represents contractors, affiliate payroll, freight, meals,  
14 telecommunications and security.<sup>33</sup> The Company's Exhibits KF-1 and KF-2 indicate  
15 the cost for other was \$15.817 million. Exhibit KF-1 deducts \$921,000 for capitalized  
16 cost. Exhibit KF-2 deducts \$1.178 million for non-incremental and \$921,000 for  
17 capitalization, leaving a net of \$12.896 million included in FPL's reported restoration  
18 costs under ICCA.

19

20 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE OTHER COST**  
21 **CATEGORY?**

22 A. Not at this time.

---

<sup>33</sup> FPL's response to Citizens Interrogatory No. 28.

1           **XI. NON-INCREMENTAL COSTS**

2   **Q.    ARE YOU MAKING ANY RECOMMENDATIONS REGARDING THE**  
3           **MANNER IN WHICH NON-INCREMENTAL COSTS SHOULD BE**  
4           **DETERMINED IN FUTURE REQUESTS?**

5    A.    Yes, I am. As I have stated in other storm proceedings and in my professional opinion,  
6           Rule 25-6.0143 is clear that regular payroll is payroll that is included in a utility's base  
7           rate. That figure must be based on what is included in rates and not budgeted amounts.  
8           If budgeted amounts are allowed as a benchmark, then the Rule as stated has no real  
9           meaning. The Rule does not make any reference to budgeted dollars. Applying what  
10          was allowed in base rates in the last rate case establishes for the Commission a real  
11          benchmark for determining whether a utility's request for storm cost recovery includes  
12          incremental regular payroll. Therefore, the Commission should require FPL to follow  
13          the requirements of the Rule in this proceeding and in any future docket for storm  
14          recovery.

15

16           **XII. CAPITALIZABLE COSTS**

17   **Q.    ARE YOU MAKING ANY RECOMMENDATIONS TO IMPROVE THE**  
18           **METHOD OF RECOVERING STORM COSTS?**

19    A.    Yes, I am. FPL currently uses the same formula for capitalizing costs, whether the  
20          work is performed by its personnel or outside contractors. This is not appropriate  
21          because the pay rates are significantly different between the two, and the crew size is  
22          generally different. Thus, this results in a significant overall hourly rate differential.  
23          FPL should develop different capitalization rates for its Company personnel and

1 another for its contractors based on actual employee requirements and costs during  
2 storms and actual contractor rates and crew deployment during storms, respectively.  
3 FPL definitely did not determine its capitalization in this proceeding based on what is  
4 normal storm restoration requirements which resulted in a less than reasonable or  
5 understated rate for capitalization for FPL. As I discussed in detail earlier in my  
6 testimony, understating capitalization creates intergenerational inequities wherein  
7 current ratepayers are paying the total costs for certain assets (i.e., poles) that will  
8 benefit future ratepayers over the next 30 to 40 years.

9  
10 **Q. WOULD YOU EXPLAIN WHY THE RATE PER HOUR IS SIGNIFICANTLY**  
11 **DIFFERENT BETWEEN CONTRACTORS AND FPL'S PERSONNEL?**

12 A. The cost for contractors will be higher because they utilize larger crews (generally four  
13 to five) and the contractors' hourly billing rates are higher on average. For example,  
14 FPL may use a three man crew with overtime hourly rates of approximately \$63 per  
15 hour. Escalating that cost for overhead expenses at 6.29% results in an hourly rate of  
16 \$201 for the crew ( $(\$63 \times 3 = \$189) \times 1.0629$ ). On the other hand, if the contractor's  
17 *average hourly rate per person* for its crew members is hypothetically \$150 and four  
18 crew members are performing the restoration work, the contractor cost rate would be  
19 \$600 per hour. There is no overhead added to the contractor rate because it is built into  
20 the hourly rate. This difference in rates is significant and should not be ignored because  
21 the actual cost is for capital work that is performed predominately by contractors.

1           **XIII. RECOMMENDATIONS**

2   **Q.    ARE YOU MAKING ANY RECOMMENDATIONS TO IMPROVE THE**  
3   **PROCEDURE FOR SEEKING RECOVERY OF STORM COSTS?**

4   A.    Yes, I am. In addition to my previous recommendation regarding record keeping  
5        associated with mobilization/demobilization and with standby time, I am  
6        recommending the Commission require additional filing requirements when a utility  
7        seeks to recover storm costs. FPL incurred a significant amount of costs during the  
8        process of restoring service to customers after Hurricane Irma. Currently, the Company  
9        assembles a preliminary filing which summarizes the costs, along with testimony. The  
10       cost for Hurricane Irma is a prime example why changes should be implemented. The  
11       amount of documentation is monumental and requires significant time for review.  
12       While the staff of Larkin & Associates reviewed a significant portion of the material  
13       provided under my direct supervision and control, there was not enough time to allow  
14       an in-depth evaluation of all materials that is necessary to provide a complete analysis.  
15       The same burden would lie with Commission Staff if they were reviewing this  
16       information. There is an obligation to ratepayers and to the Company to provide some  
17       assurance that costs billed were not duplicated and that costs are properly accounted  
18       for. I recommend that when the Company submits its request for cost recovery, the  
19       supporting cost documentation and testimony should be provided simultaneously with  
20       the petition seeking cost recovery. This would significantly reduce the need for  
21       additional discovery and provide support for the recovery that is being requested from  
22       ratepayers. For example, in Massachusetts, when a company seeks recovery for storm  
23       costs, it is required to include all supporting documentation at the time the petition for  
24       cost recovery is filed. I believe this is a good model for Florida to implement.

1 **Q. ARE YOU AWARE OF WHETHER STAFF ENCOUNTERED ANY ISSUES**  
2 **WITH THE FILING OR WHETHER THEY IDENTIFIED DUPLICATED**  
3 **PAYMENTS?**

4 A. I do not know at this time whether Staff audited the costs or whether any level of review  
5 was performed.

6

7 **Q. WHAT DO YOU RECOMMEND WITH RESPECT TO OUTSTANDING**  
8 **DISCOVERY AND ANY ADDITIONAL REVIEW THAT IS REQUIRED?**

9 A. With approximately 80,000 pages of documentation already in hand and more  
10 document requests outstanding which must still be received and reviewed, I am  
11 recommending that where added inquiry is required, OPC counsel should develop  
12 issues through cross examination of FPL witnesses during the hearing. Getting all the  
13 facts before the Commission is necessary when you are considering the appropriateness  
14 of \$1.3 billion that is being paid for by ratepayers through either the application of the  
15 amortization reserve or the re-establishment of the Reserve with TCJA funds that  
16 should be refunded to ratepayers. The Commission, the Commission Staff, OPC and  
17 FPL all have a fiduciary duty here because ratepayers have previously supplied the  
18 funds included in the amortization reserve and the ratepayers are entitled to the TCJA  
19 funds. The amount of storm restoration costs applied to either the amortization reserve  
20 or the TCJA funds must be reasonable and must be prudently incurred.

21

22 **Q. ARE YOU SATISFIED THAT YOU HAVE HAD A REASONABLE**  
23 **OPPORTUNITY TO ADEQUATELY AND FULLY GIVE YOUR OPINION ON**  
24 **THE REASONABLENESS AND PRUDENCE OF THE COSTS FPL HAS**

1           **SUBMITTED FOR RECOVERY AND/OR THE APPROPRIATE**  
2           **ACCOUNTING TREATMENT OF THE COSTS?**

3    A.    No. Given the magnitude of the costs and the volume of documentation and in some  
4           cases the lack of documentation and the needlessly hurried nature of the discovery and  
5           testimony schedule, my lack of an adjustment for any invoiced cost does not mean it is  
6           reasonable or prudent in amount or incurrence. I reserve the right to file supplemental  
7           testimony in light of additional evidence that may be uncovered.

8

9    **Q.    BASED ON YOUR TESTIMONY, PLEASE SUMMARIZE YOUR**  
10           **RECOMMENDED ADJUSTMENTS?**

- 11   A.    My recommended adjustments, on a jurisdictional basis, are as follows:
- 12           • A reduction of \$4.104 million to FPL’s request for regular payroll expense to  
13           exclude non-incremental payroll;
  - 14           • A reduction of \$17.158 million to FPL’s request for overtime payroll expense to  
15           exclude non-incremental payroll;
  - 16           • A reduction of \$12.471 million to FPL’s request for overtime payroll expense to  
17           properly reflect the capitalization of restoration work;
  - 18           • A reduction of \$278.726 million to FPL’s request related to recapitalization of  
19           contractor costs;
  - 20           • A reduction of \$4.068 to account for the duplicated payments;
  - 21           • A reduction of \$60.049 million to FPL’s request for contractor cost to exclude  
22           excessive hourly rates;
  - 23           • A reduction of \$30.013 million to FPL’s request for contractor cost to exclude  
24           excessive mobilization/demobilization;

- 1           • A reduction of \$4.165 million to FPL's request for contractor cost to exclude  
2           excessive standby time;
- 3           • A reduction of \$26.039 million to logistics costs for lack of support;
- 4           • A reduction of \$50.076 million for unsupported contractor accruals and mutual  
5           assistance; and

6           Based on the quantified adjustments described in my testimony and listed above, I  
7           recommend a total reduction of \$486.769 million to FPL's overall storm restoration cost  
8           and/or reserve re-establishment request.

9

10   **Q.    DOES THAT CONCLUDE YOUR TESTIMONY?**

11   **A.    Yes it does.**



## QUALIFICATIONS OF HELMUTH W. SCHULTZ, III

Mr. Schultz received a Bachelor of Science in Accounting from Ferris State College in 1975. He maintains extensive continuing professional education in accounting, auditing, and taxation. Mr. Schultz is a member of the Michigan Association of Certified Public Accountants

Mr. Schultz was employed with the firm of Larkin, Chapski & Co., C.P.A.s, as a Junior Accountant, in 1975. He was promoted to Senior Accountant in 1976. As such, he assisted in the supervision and performance of audits and accounting duties of various types of businesses. He has assisted in the implementation and revision of accounting systems for various businesses, including manufacturing, service and sales companies, credit unions and railroads.

In 1978, Mr. Schultz became the audit manager for Larkin, Chapski & Co. His duties included supervision of all audit work done by the firm. Mr. Schultz also represents clients before various state and IRS auditors. He has advised clients on the sale of their businesses and has analyzed the profitability of product lines and made recommendations based upon his analysis. Mr. Schultz has supervised the audit procedures performed in connection with a wide variety of inventories, including railroads, a publications distributor and warehouse for Ford and GM, and various retail establishments.

Mr. Schultz has performed work in the field of utility regulation on behalf of public service commission staffs, state attorney generals and consumer groups concerning regulatory matters before regulatory agencies in Alaska, Arizona, California, Connecticut, Delaware, District of Columbia, Florida, Georgia, Kentucky, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Vermont and Virginia. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on numerous occasions.

### Partial list of utility cases participated in:

U-5331

Consumers Power Co.  
Michigan Public Service Commission

Docket No. 770491-TP	Winter Park Telephone Co. Florida Public Service Commission
Case Nos. U-5125 and U-5125(R)	Michigan Bell Telephone Co. Michigan Public Service Commission
Case No. 77-554-EL-AIR	Ohio Edison Company Public Utility Commission of Ohio
Case No. 79-231-EL-FAC	Cleveland Electric Illuminating Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Refunds Michigan Public Service Commission
Docket No. 820294-TP	Southern Bell Telephone and Telegraph Co. Florida Public Service Commission
Case No. 8738	Columbia Gas of Kentucky, Inc. Kentucky Public Service Commission
82-165-EL-EFC	Toledo Edison Company Public Utility Commission of Ohio
Case No. 82-168-EL-EFC	Cleveland Electric Illuminating Company, Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Company Phase II, Michigan Public Service Commission
Docket No. 830012-EU	Tampa Electric Company, Florida Public Service Commission
Case No. ER-83-206	Arkansas Power & Light Company, Missouri Public Service Commission
Case No. U-4758	The Detroit Edison Company - (Refunds), Michigan Public Service Commission

Case No. 8836	Kentucky American Water Company, Kentucky Public Service Commission
Case No. 8839	Western Kentucky Gas Company, Kentucky Public Service Commission
Case No. U-7650	Consumers Power Company - Partial and Immediate Michigan Public Service Commission
Case No. U-7650	Consumers Power Company - Final Michigan Public Service Commission
U-4620	Mississippi Power & Light Company Mississippi Public Service Commission
Docket No. R-850021	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. R-860378	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. 87-01-03	Connecticut Natural Gas State of Connecticut Department of Public Utility Control
Docket No. 87-01-02	Southern New England Telephone State of Connecticut Department of Public Utility Control
Docket No. 3673-U	Georgia Power Company Georgia Public Service Commission
Docket No. U-8747	Anchorage Water and Wastewater Utility Alaska Public Utilities Commission
Docket No. 8363	El Paso Electric Company The Public Utility Commission of Texas

Docket No. 881167-EI	Gulf Power Company Florida Public Service Commission
Docket No. R-891364	Philadelphia Electric Company Pennsylvania Office of the Consumer Advocate
Docket No. 89-08-11	The United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. 9165	El Paso Electric Company The Public Utility Commission of Texas
Case No. U-9372	Consumers Power Company Before the Michigan Public Service Commission
Docket No. 891345-EI	Gulf Power Company Florida Public Service Commission
ER89110912J	Jersey Central Power & Light Company Board of Public Utilities Commissioners
Docket No. 890509-WU	Florida Cities Water Company, Golden Gate Division Florida Public Service Commission
Case No. 90-041	Union Light, Heat and Power Company Kentucky Public Service Commission
Docket No. R-901595	Equitable Gas Company Pennsylvania Consumer Counsel
Docket No. 5428	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 90-10	Artesian Water Company Delaware Public Service Commission

Docket No. 900329-WS	Southern States Utilities, Inc. Florida Public Service Commission
Case No. PUE900034	Commonwealth Gas Services, Inc. Virginia Public Service Commission
Docket No. 90-1037* (DEAA Phase)	Nevada Power Company - Fuel Public Service Commission of Nevada
Docket No. 5491**	Central Vermont Public Service Corporation Vermont Department of Public Service
Docket No. U-1551-89-102	Southwest Gas Corporation - Fuel Before the Arizona Corporation Commission  Southwest Gas Corporation - Audit of Gas Procurement Practices and Purchased Gas Costs
Docket No. U-1551-90-322	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 176-717-U	United Cities Gas Company Kansas Corporation Commission
Docket No. 5532	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 910890-EI	Florida Power Corporation Florida Public Service Commission
Docket No. 920324-EI	Tampa Electric Company Florida Public Service Commission
Docket No. 92-06-05	United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. C-913540	Philadelphia Electric Co. Before the Pennsylvania Public Utility Commission

Docket No. 92-47	The Diamond State Telephone Company Before the Public Service Commission of the State of Delaware
Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation (Supplemental) State of Connecticut Department of Public Utility Control
Docket No. 93-08-06	SNET America, Inc. State of Connecticut Department of Public Utility Control
Docket No. 93-057-01**	Mountain Fuel Supply Company Before the Public Service Commission of Utah
Docket No. 94-105-EL-EFC	Dayton Power & Light Company Before the Public Utilities Commission of Ohio
Case No. 399-94-297**	Montana-Dakota Utilities Before the North Dakota Public Service Commission
Docket No. G008/C-91-942	Minnegasco Minnesota Department of Public Service
Docket No. R-00932670	Pennsylvania American Water Company Before the Pennsylvania Public Utility Commission

Docket No. 12700	El Paso Electric Company Public Utility Commission of Texas
Case No. 94-E-0334	Consolidated Edison Company Before the New York Department of Public Service
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Case No. PU-314-94-688	U.S. West Application for Transfer of Local Exchanges Before the North Dakota Public Service Commission
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 95-03-01	Southern New England Telephone Company State of Connecticut Department of Public Utility Control
Docket No. U-1933-95-317	Tucson Electric Power Before the Arizona Corporation Commission
Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 96-01-26**	Bridgeport Hydraulic Company State of Connecticut Department of Public Utility Control
Docket Nos. 5841/ 5859	Citizens Utilities Company Before Vermont Public Service Board

Docket No. 5983	Green Mountain Power Corporation Before Vermont Public Service Board
Case No. PUE960296**	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-03493A-98-0705*	Black Mountain Gas Division of Northern States Power Company, Page Operations Before the Arizona Corporation Commission
Docket No. 98-10-07	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. 99-01-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-04-18	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 99-09-03	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 980007-0013-003	Intercoastal Utilities, Inc. St. John County - Florida
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah



Docket No. 6332 **	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. G-01551A-00-0309	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 6460**	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 01-05-19 Phase I	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket No. 010949-EI	Gulf Power Company Before the Florida Office of the Public Counsel
Docket No. 2001-0007-0023	Intercoastal Utilities, Inc. St. Johns County - Florida
Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket Nos. R. 01-09-001 I. 01-09-002	Verizon California Incorporated Before the California Public Utilities Commission
Docket No. 99-02-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-03-04	United Illuminating Company State of Connecticut Department of Public Utility Control

Docket Nos. 5841/ 5859	Citizens Utilities Company Probation Compliance Before Vermont Public Service Board
Docket No. 6120/6460	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 020384-GU	Tampa Electric Company d/b/a/ Peoples Gas System Before the Florida Public Service Commission
Docket No. 03-07-02	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 6914	Shoreham Telephone Company Before the Vermont Public Service Board
Docket No. 04-06-01	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket Nos. 6946/6988	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 04-035-42**	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 050045-EI**	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 050078-EI**	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 05-03-17	The Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control

Docket No. 05-06-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. A.05-08-021	San Gabriel Valley Water Company, Fontana Water Division Before the California Public Utilities Commission
Docket NO. 7120 **	Vermont Electric Cooperative Before the Vermont Public Service Board
Docket No. 7191 **	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 06-035-21 **	PacifiCorp Before the Public Service Commission of Utah
Docket No. 7160	Vermont Gas Systems Before the Vermont Public Service Board
Docket No. 6850/6853 **	Vermont Electric Cooperative/Citizens Communications Company Before the Vermont Public Service Board
Docket No. 06-03-04** Phase 1	Connecticut Natural Gas Corporation Connecticut Department of Public Utility Control
Application 06-05-025	Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California- American Water Company Before the California Public Utilities Commission
Docket No. 06-12-02PH01**	Yankee Gas Company State of Connecticut Department of Public Utility Control

Case 06-G-1332**	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Case 07-E-0523	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 07-07-01	Connecticut Light & Power Company Connecticut Department of Public Utility Control
Docket No. 07-035-93	Rocky Mountain Power Company Before the Public Service Commission of Utah
Docket No. 07-057-13	Questar Before the Public Service Commission of Utah
Docket No. 08-07-04	United Illuminating Company Connecticut Department of Public Utility Control
Case 08-E-0539	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 080317-EI	Tampa Electric Company Before the Florida Public Service Commission
Docket No. 7488**	Vermont Electric Cooperative, Inc. Before the Vermont Public Service Board
Docket No. 080318-GU	Peoples Gas System Before the Florida Public Service Commission
Docket No. 08-12-07***	Southern Connecticut Gas Company Connecticut Department of Utility Control
Docket No. 08-12-06***	Connecticut National Gas Company Connecticut Department of Utility Control
Docket No. 090079-EI	Progress Energy Florida, Inc. Before the Florida Public Service Commission

Docket No. 7529 **	Burlington Electric Company Before the Vermont Public Service Board
Docket No. 7585****	Green Mountain Power Corporation Alternative Regulation Before the Vermont Public Service Board
Docket No. 7336****	Central Vermont Public Service Company Alternative Regulation Before the Vermont Public Service Board
Docket No. 09-12-05	Connecticut Light & Power Company Connecticut Department of Utility Control
Docket No. 10-02-13	Aquarion Water Company of Connecticut Connecticut Department of Utility Control
Docket No. 10-70	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 10-12-02	Yankee Gas Services Company Connecticut Department of Utility Control
Docket No. 11-01	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Case No.9267	Washington Gas Light Company Maryland Public Service Commission
Docket No. 110138-EI	Gulf Power Company Before the Florida Public Service Commission
Case No.9286	Potomac Electric Power Company Maryland Public Service Commission
Docket No. 120015-EI	Florida Power & Light Company Before the Florida Public Service Commission

Docket No. 11-102***	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 8373****	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board
Docket No. 110200-WU	Water Management Services, Inc. Before the Florida Public Service Commission
Docket No. 11-102/11-102A	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Case No.9311	Potomac Electric Power Company Maryland Public Service Commission
Case No.9316	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 130040-EI**	Tampa Electric Company Before the Florida Public Service Commission
Case No.1103	Potomac Electric Power Company Public Service Commission of the District of Columbia
Docket No. 13-03-23	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No. 13-06-08	Connecticut Natural Gas Corporation Connecticut Public Utility Regulatory Authority
Docket No. 13-90	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Docket No. 8190**	Green Mountain Power Company Before the Vermont Public Service Board

Docket No. 8191**	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board
Case No.9354**	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No.2014-UN-132**	Entergy Mississippi Inc. Mississippi Public Service Commission
Docket No. 13-135	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 14-05-26	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No. 13-85	Massachusetts Electric Company and Nantucket Electric Company D/B/A/ as National Grid Massachusetts Department of Public Utilities
Docket No. 14-05-26RE01***	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No.2015-UN-049**	Atmos Energy Corporation Mississippi Public Service Commission
Case No.9390	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 15-03-01***	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No. 15-03-02***	United Illuminating Company Connecticut Department of Public Utility Control
Case No.9418***	Potomac Electric Power Company Maryland Public Service Commission

Case No.1135*** Docket No. 15-03-01***	Washington Gas Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Case No.1137	Washington Gas Public Service Commission of the District of Columbia
Docket No. 160021-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 160062-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 15-149	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 8710	Vermont Gas Systems Inc. Before the Vermont Public Service Board
Docket No. 8698	Vermont Gas Systems Inc. Alternative Regulation Before the Vermont Public Service Board
Docket No. 16-06-042	United Illuminating Company Connecticut Department of Public Utility Control
Docket No. A.16-09-001	Southern California Edison Before the California Public Utilities Commission
Case No. 17-1238-INV**	Vermont Gas Systems Inc. Before the Vermont Public Utility Commission
Case No. 17-3112-INV**	Green Mountain Power Company Before the Vermont Public Utility Commission
Docket No. 17-10-46**	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority



Docket No. 20170141-SU	KW Resort Utilities Corp. Before the Florida Public Service Commission
Docket No. 2017-0105	The Hawaii Gas Company Before the Hawaii Public Utility Commission
Docket No. 20160251-EI**	Florida Power & Light. Company Before the Florida Public Service Commission
Case No. 18-0409-TF**	Vermont Gas Systems Inc. Before the Vermont Public Utility Commission
Docket No. 2018-00008	Maine Water Company Before the Maine Public Utility Commission
Docket No. 18-05-16**	Connecticut Natural Gas Company Connecticut Public Utility Regulatory Authority
Docket No. 18-05-10**	Yankee Gas Services Company Connecticut Public Utility Regulatory Authority
Docket No. 20180061-EI	Florida Public Utilities Company. Before the Florida Public Service Commission

\* Certain issues stipulated, portion of testimony withdrawn.

\*\* Case settled.

\*\*\* Assisted in case and hearings, no testimony presented

\*\*\*\* Annual filings reviewed and reports filed with Board.



Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Regular Payroll & Related Costs	520	513	1,656	12,333	1,231	501	16,754
2	Less : Capitalized Costs	0	0	(458)	(5,389)	0	0	(5,847)
3	Less: Non-Incremental Costs	(587)	(179)	(709)	(2,215)	(1,802)	(1,260)	(6,752)
4	Rounding		(1)				(1)	(2)
5	Co. Reported Incremental Costs	(67)	333	489	4,729	(571)	(760)	4,153
6	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
7	Retail Recoverable Cost Per Co.	(64)	311	441	4,729	(553)	(760)	4,104
8	Co. Reg. PR & Related Costs	(67)	333	489	4,729	(571)	(760)	4,153
9	Capitalized Costs	0	0	458	5,389	0	0	5,847
10	Adjusted Regular Payroll	(67)	333	947	10,118	(571)	(760)	10,000
11	Non-Incremental Costs	67	(333)	(947)	(10,118)	571	760	(10,000)
12	Regular Payroll & Related Costs	0	0	0	0	0	0	0
13	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
14	Retail Costs Per OPC	0	0	0	0	0	0	0
15	OPC Adjustment (L.5 - L.12)	67	(333)	(489)	(4,729)	571	760	(4,153)
16	OPC Retail Adjustment (L.15 - L. 9)	64	(311)	(441)	(4,729)	553	760	(4,104)
17	Capitalization Assigned to Overtime	0	0	(458)	(5,389)	0	0	(5,847)
18	Total Non-incremental Adjustment (L.15 + L.17)							(10,000)

Source: Lines 1-3 , line 5 are from Company Exhibit KF-2.

Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Overtime Payroll & Related Costs	970	2,305	2,372	29,490	1,946	1,579	38,662
2	Less : Capitalized Costs	0	0	0	0	0	0	0
3	Less: Non-Incremental Costs	0	0	0	0	0	0	0
4	Rounding	0	0	0	0	0	0	1
5	Co. OT. PR & Related Costs	970	2,305	2,372	29,490	1,946	1,579	38,663
6	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
7	Retail Recoverable Cost Per Co.	923	2,152	2,141	29,487	1,884	1,579	38,166
8	Co. OT. PR & Related Costs	970	2,305	2,372	29,490	1,946	1,579	38,662
9	Less: Non-Incremental Costs	(436)	(1,036)	(1,066)	(13,258)	(875)	(710)	(17,381)
10	OPC Reclassification Adjustment	0	0	(458)	(5,389)	0	0	(5,847)
		534	1,269	848	10,843	1,071	869	15,434
11	OPC Capitalization Adjustment	(232)	(552)	(369)	(4,714)	(466)	(378)	(6,710)
12	Overtime Payroll & Related Costs	302	717	479	6,129	605	491	8,723
13	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
14	Retail Costs Per OPC	287	669	433	6,129	586	491	8,595
15	OPC Adjustment (L.5 - L.13)	(668)	(1,588)	(1,893)	(23,361)	(1,341)	(1,088)	(29,938)
16	OPC Retail Adjustment (L.15 - L. 9)	(636)	(1,482)	(1,709)	(23,358)	(1,298)	(1,088)	(29,571)

Source: Lines 1 and 6 are from Company Exhibit KF-2.  
Line 9 is from Schedule B Page 4 of 4.  
Line 10 is from Schedule B Page 1 of 4  
Line 11 is from Schedule B Page 3 of 4

Line No.	Description	Amounts	Amounts	Source
1	Regular Payroll & Related Costs Capitalized		5,847,000	Co. Exhibit KF-2
2	Hourly Labor Rate (LVM)		140.46	OPC IR No. 76
3	Capitalized Hours		41,628	Line 1 / Line 2
4	Estimated Overtime Hourly Rate	\$63		
5	Overhead Rate 6.29%	1.0629		Sch. B P. 4
6	Labor and Overhead	67		Line 4 x Line 5
7	FPL Employees	3		
8	Calculated Labor & Payroll Overhead Rate	200	200	
9	Estimated Labor & Overhead Cost		8,339,906	Line 3 x Line 8
10	Incremental Vehicle Expense per Co.	19,552,000		Co. Exhibit KF-2
11	Incremental Overtime Expense per Co.	38,663,000		Co. Exhibit KF-2
12	Estimated Vehicle Cost Percentage	50.57%	4,217,517	Line 10 / Line 11
13	OPC Estimated Loaded Overtime Cost (LVM)		12,557,422	
14	Co. Estimated Loaded Regular Payroll Rate (LVM)		5,847,000	
15	Additional Adjustment for Capitalized Overtime		(6,710,422)	

Source: Lines 4 and 7 are based on responses to OPC IR's 78 and 79 in Docket No. 20160251-EI.

Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Regular Payroll & Related Costs	520	513	1,656	12,333	1,231	501	16,754
2	Regular Payroll	456	450	1,453	10,823	1,079	439	14,699
3	Overhead Cost	64	63	203	1,510	152	62	2,055
4	Overhead Percentage	14.09%	14.08%	13.94%	13.96%	14.08%	14.10%	13.98%
5	Overtime Payroll & Related Costs	970	2,305	2,372	29,490	1,946	1,579	38,662
6	Overtime Payroll	911	2,168	2,227	27,761	1,827	1,482	36,376
7	Overhead Cost	59	137	145	1,729	119	97	2,286
8	Overhead Percentage	6.48%	6.32%	6.53%	6.23%	6.52%	6.51%	6.29%
		<u>2017</u>				<u>2018</u>		
		Regular	Overtime	Total		Regular	Overtime	Total
9	O&M Base Payroll Expensed	484,913	74,259	559,172		0	0	0
10	Base Rates O&M Expense	511,977	55,457	567,435				
11	Incremental (Non-Incremental)	(27,064)	18,801	(8,263)				
12	2017 Storm Regular Payroll	14,493				207		14,699
13	2017 Storm Overtime Payroll		36,182				193	36,376
14	Non-Incremental Adjustment to Overtime		<u>(17,381)</u>					

Source: Lines 1 and 5 are from Company Exhibit KF-2.  
Lines 2 and 12 are from response to OPC Interrogatory No. 18.  
Lines 6 and 13 are from response to OPC Interrogatory No. 19.  
Line 9 is from response to OPC Interrogatory No. 72.  
Line 10 is from response to OPC Interrogatory No. 73.

Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Contractors	9,777	21,187	20,984	769,381	3,003	755	825,087
2	Less : Capitalized Costs	0	(6,300)	(5,511)	(60,384)	(208)	0	(72,403)
3	Less: Non-Incremental Costs						0	0
4	Rounding							0
5	Co. Contractor Costs	9,777	14,887	15,473	708,997	2,795	755	752,684
6	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
7	Retail Reported Cost Per Co.	9,301	13,897	13,969	708,926	2,706	755	749,554
8	Co. Contractor Costs	9,777	14,887	15,473	708,997	2,795	755	752,684
9	Excessive Rate Adjustment				(60,055)			(60,055)
10	Excessive Mobilization Adjustment				(30,016)			(30,016)
11	Excessive Standby Adjustment				(4,165)			(4,165)
12	Duplicate Payment Adjustment				(4,069)			(4,069)
13	Not Assigned Adjustment		(12,967)		(37,975)			(50,942)
14								0
15	OPC Capitalization Adjustment	0	0	0	(278,754)	0	0	(278,754)
16	OPC Contractor Costs	9,777	1,920	15,473	293,963	2,795	755	324,683
17	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
18	Retail Costs Per OPC	9,301	1,792	13,969	293,934	2,706	755	322,457
19	OPC Retail Adjustment (L.18 - L. 7)	0	(12,105)	0	(414,992)	0	0	(427,097)

Source: Lines 1, 2, 3 and 6 are from Company Exhibit KF-2.

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Line No.	Description	Amounts	Amounts	Source
1	Regular Payroll & Related Costs Capitalized		72,404,000	Co. Exhibit KF-2
2	Hourly Labor Rate (LVM)		[REDACTED]	OPC IR No. 76
3	Capitalized Hours		474,221	Line 1 / Line 2
4	Average Contractor Rate	[REDACTED]		Schedule C, Page 3
5	Contractor Employees	[REDACTED]		
6	Calculated Labor & Payroll Overhead Rate	[REDACTED]	[REDACTED]	Line 4 x Line 5
7	Estimated Labor & Overhead Cost		[REDACTED]	Line 3 x Line 8
8	Vehicle Expense	0		
9	Meals, Per Diem	0		
10	Estimated Vehicle/ Miscellaneous Cost		0	
11	OPC Estimated Loaded Overtime Cost (LVM)		[REDACTED]	
12	Co. Estimated Capitalization Rate (LVM)		72,404,000	
13	Adjustment for Contractor Capitalization		(278,754,105)	



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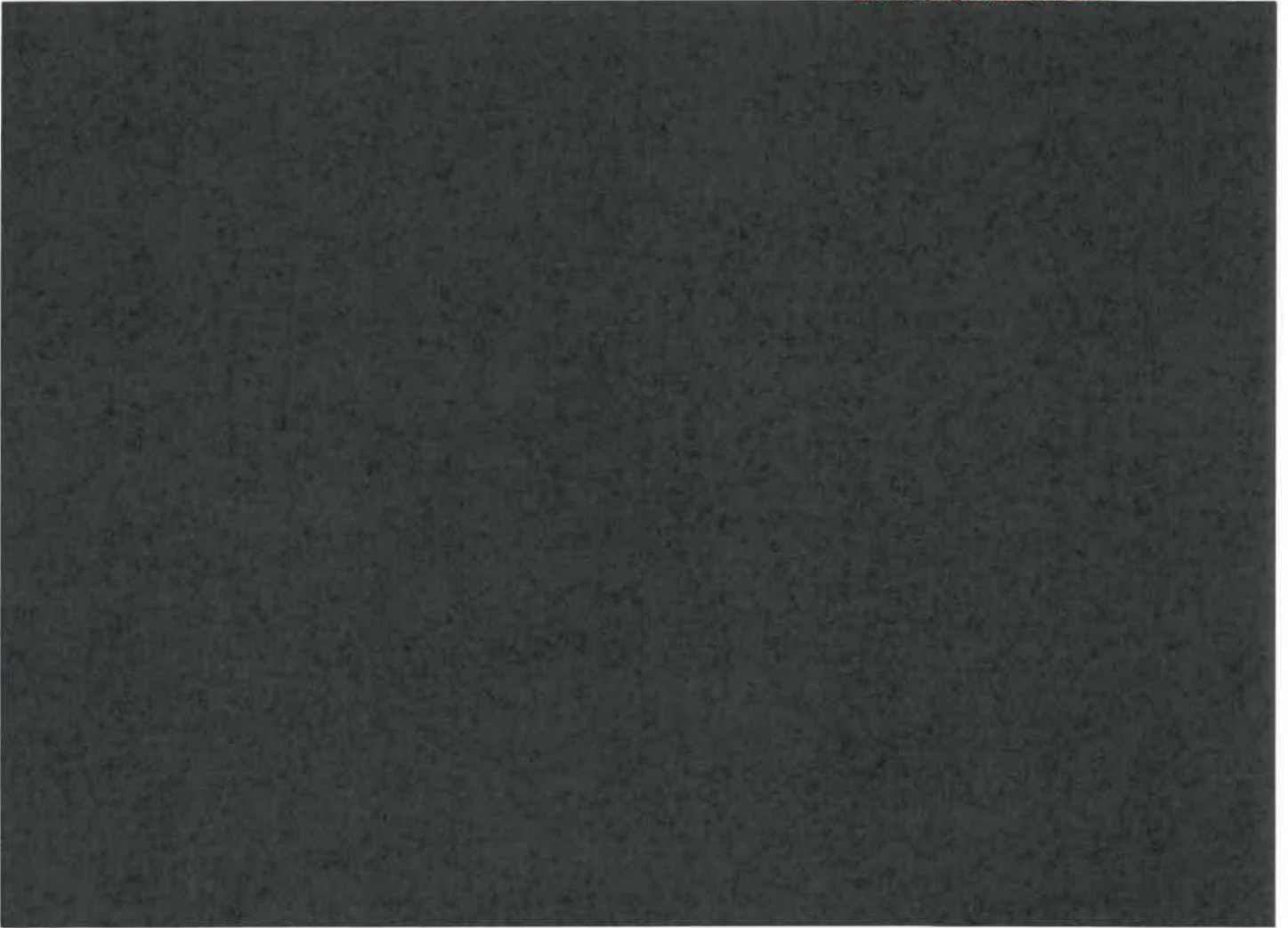
Florida Power & Light  
Storm Restoration Costs Related to Hurricane Irma  
Contractor Billing Summary

Doc# 20160251-41  
Sheet# 4 C  
Exhibit# No. HV52  
Page 3 of 6

CONFIDENTIAL

Line No.	Document Reference	Vendor	Hours	Any Base	Labor/Fringe	Equip/Units	Fuel	Expenses	Misc.	Total	W-29 Amount	Deduction	Adjust.	Fines	MOP/DEM/OB	Surety	Pages	W-29 U-est.
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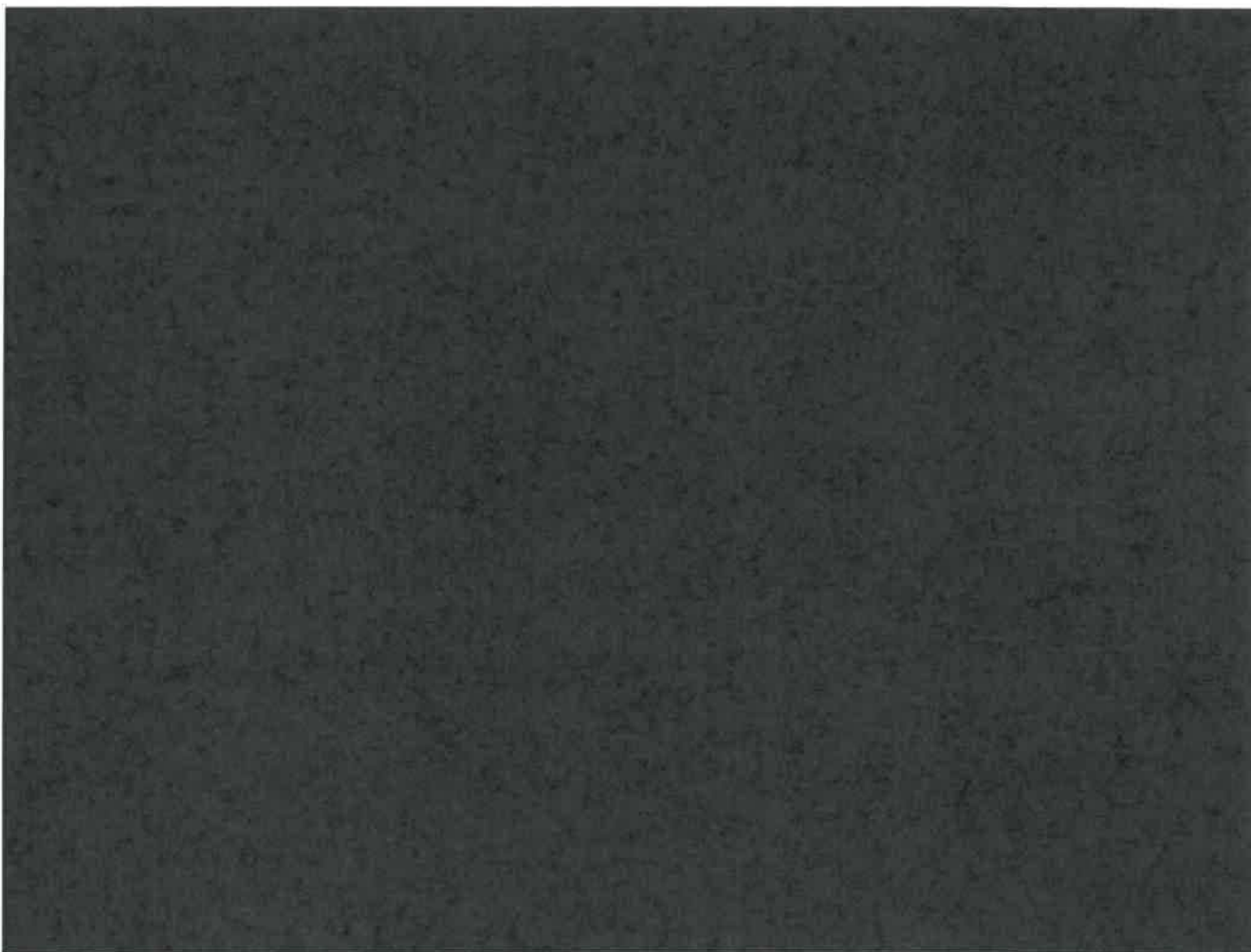
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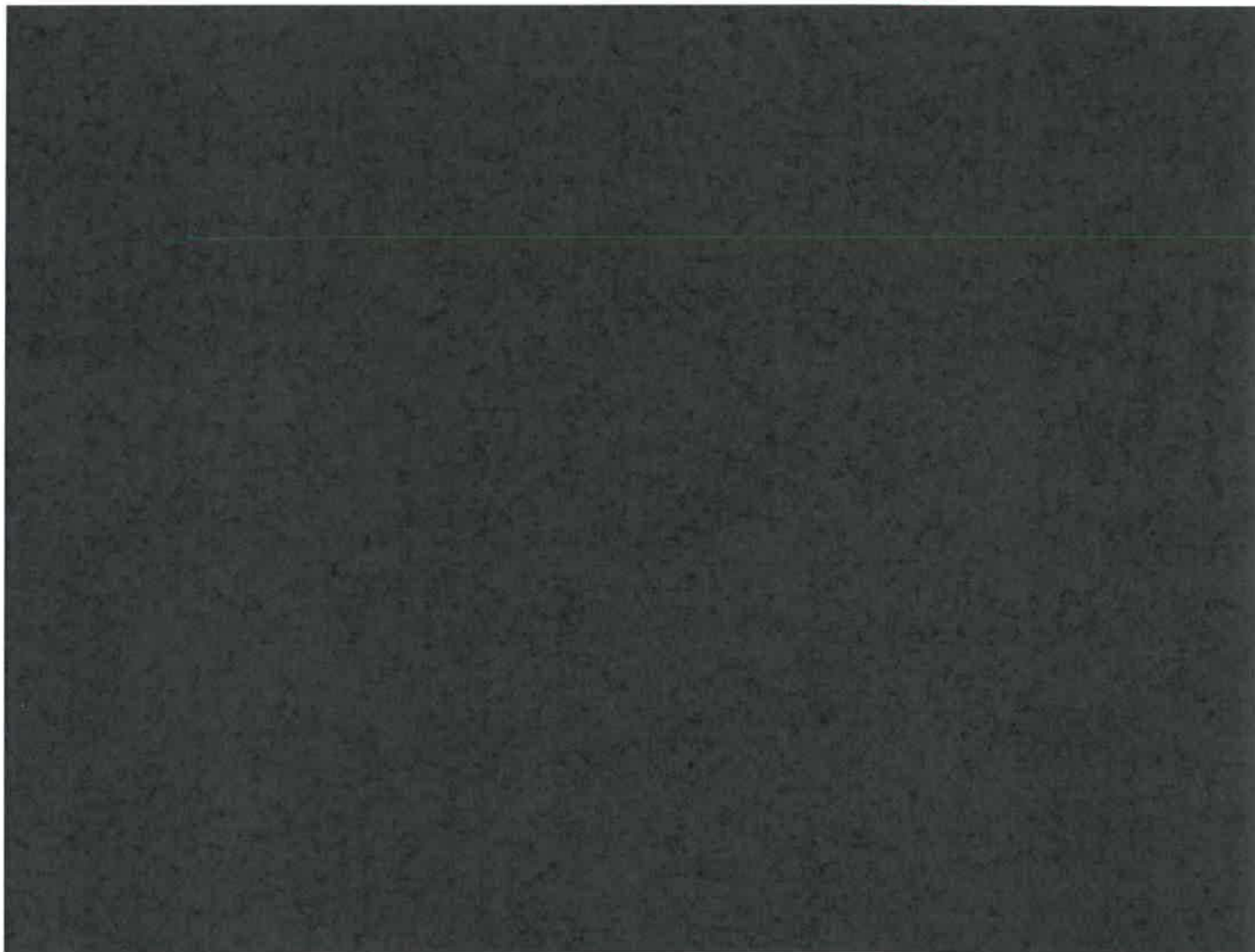
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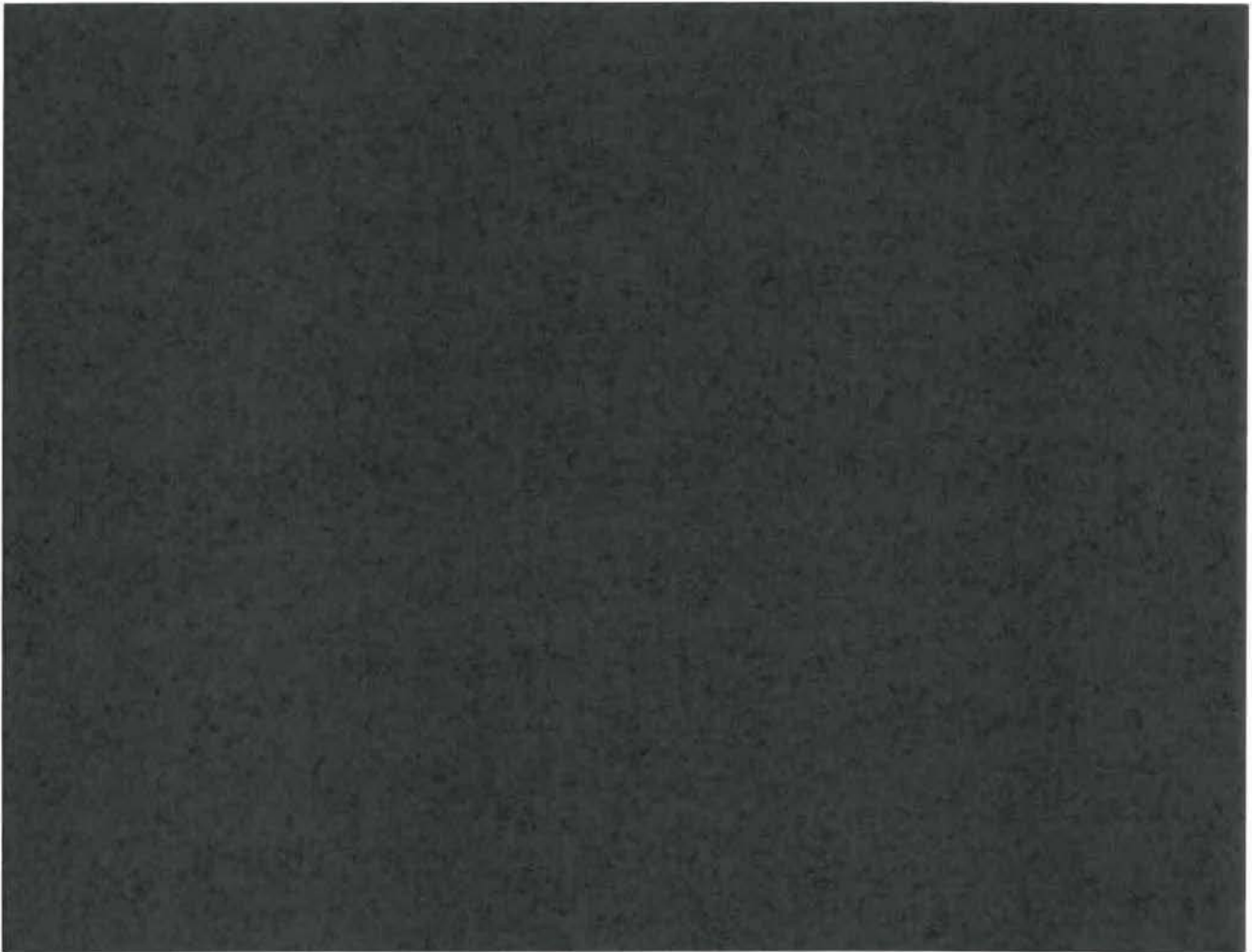
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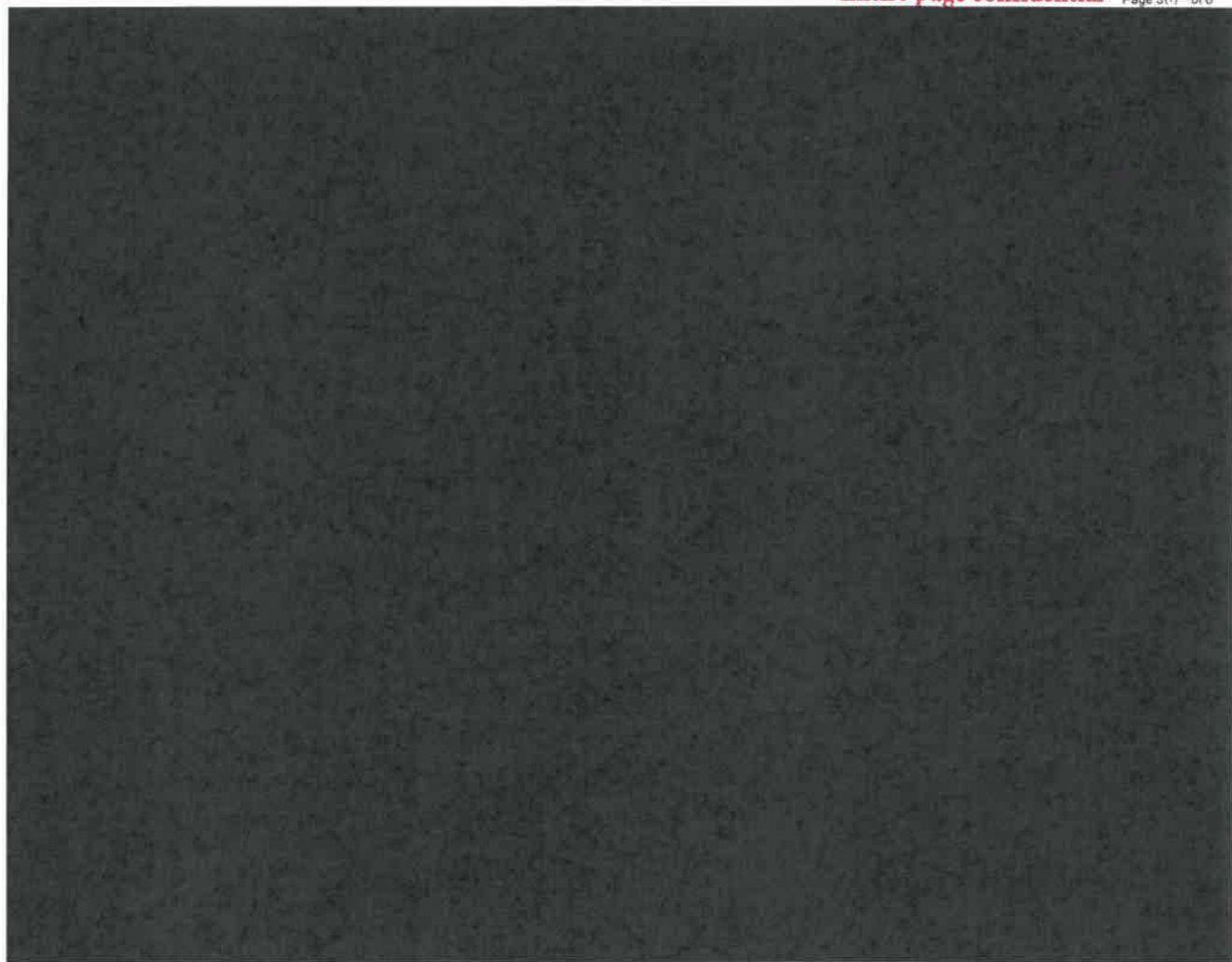
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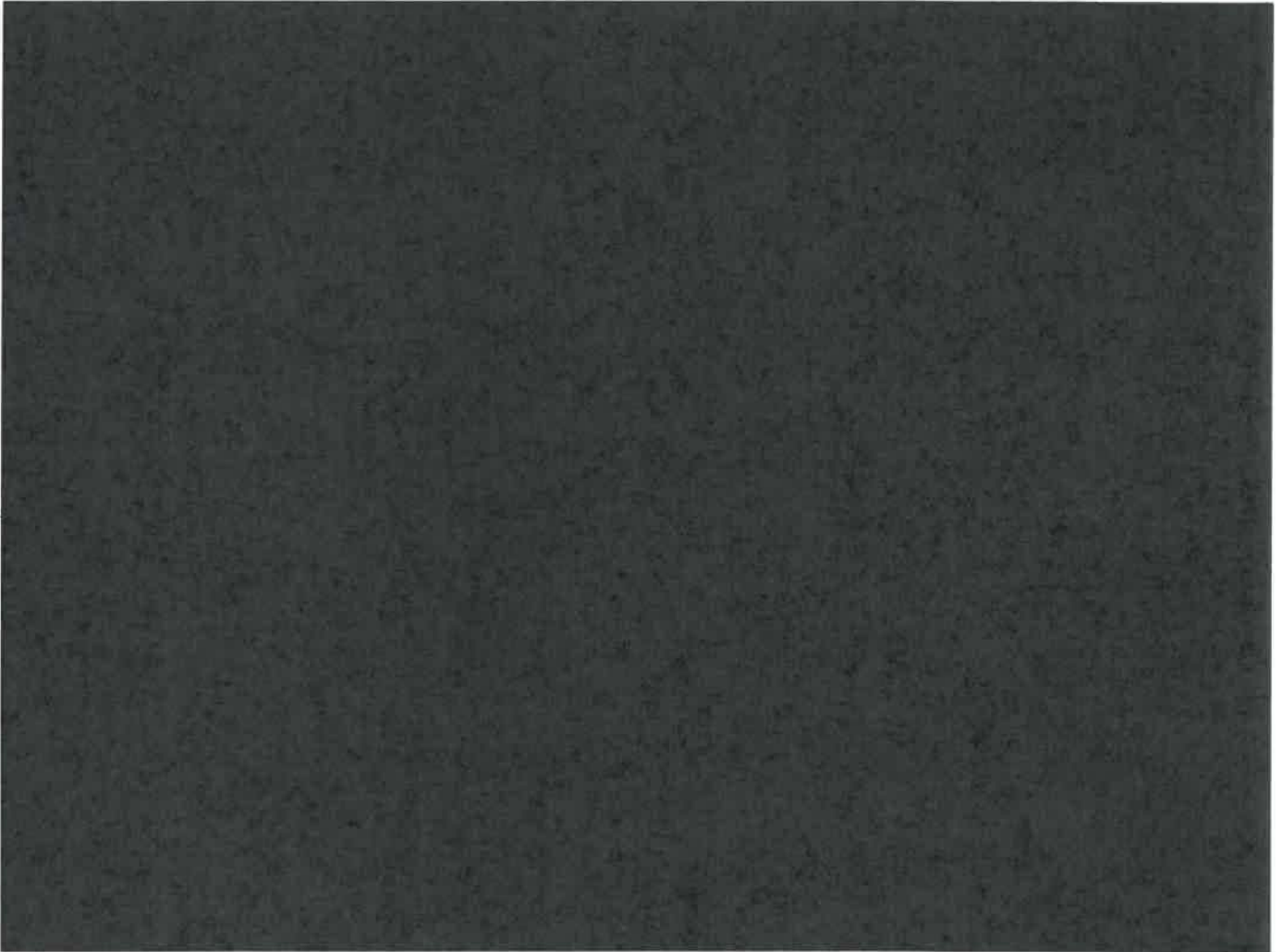
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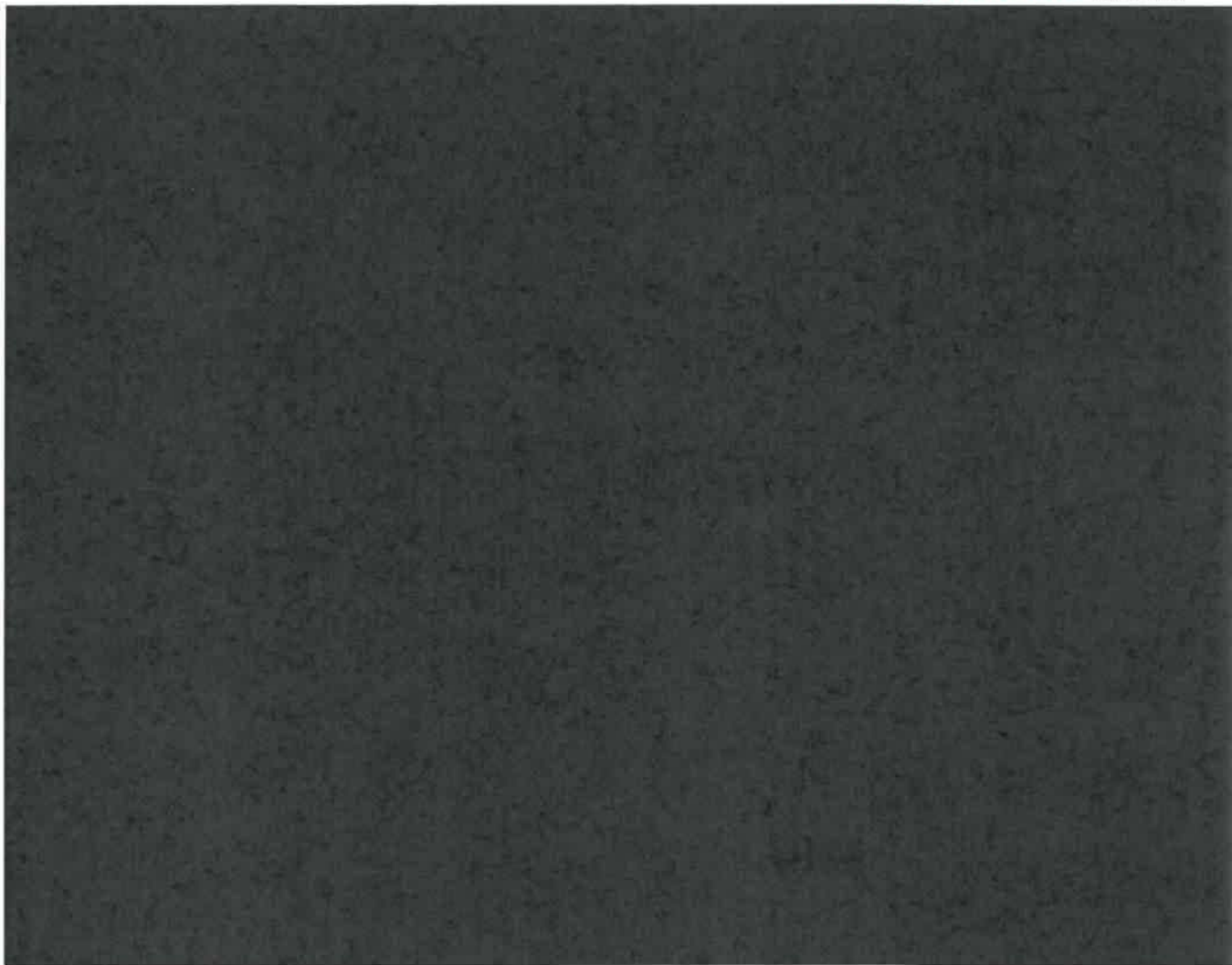


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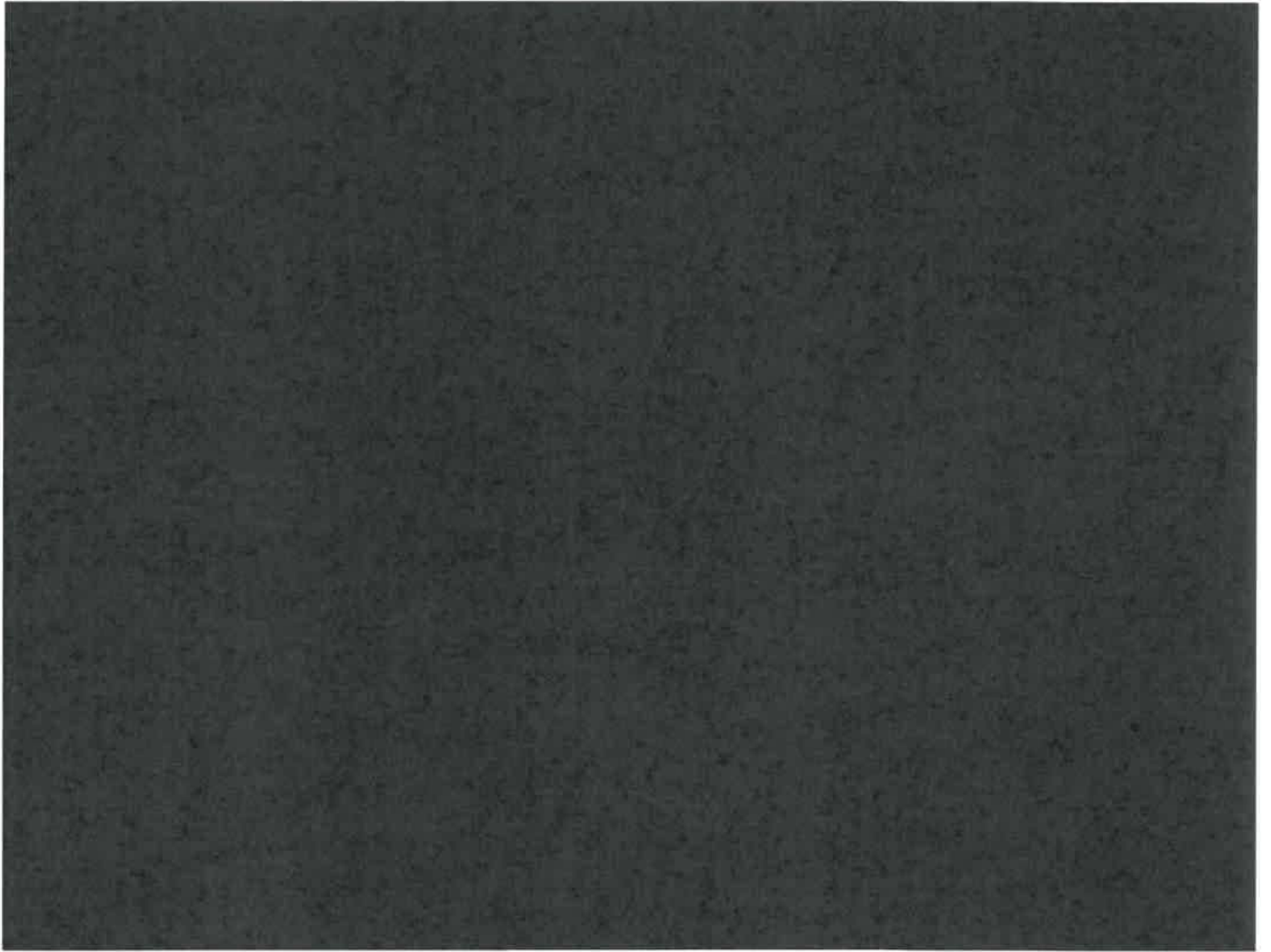




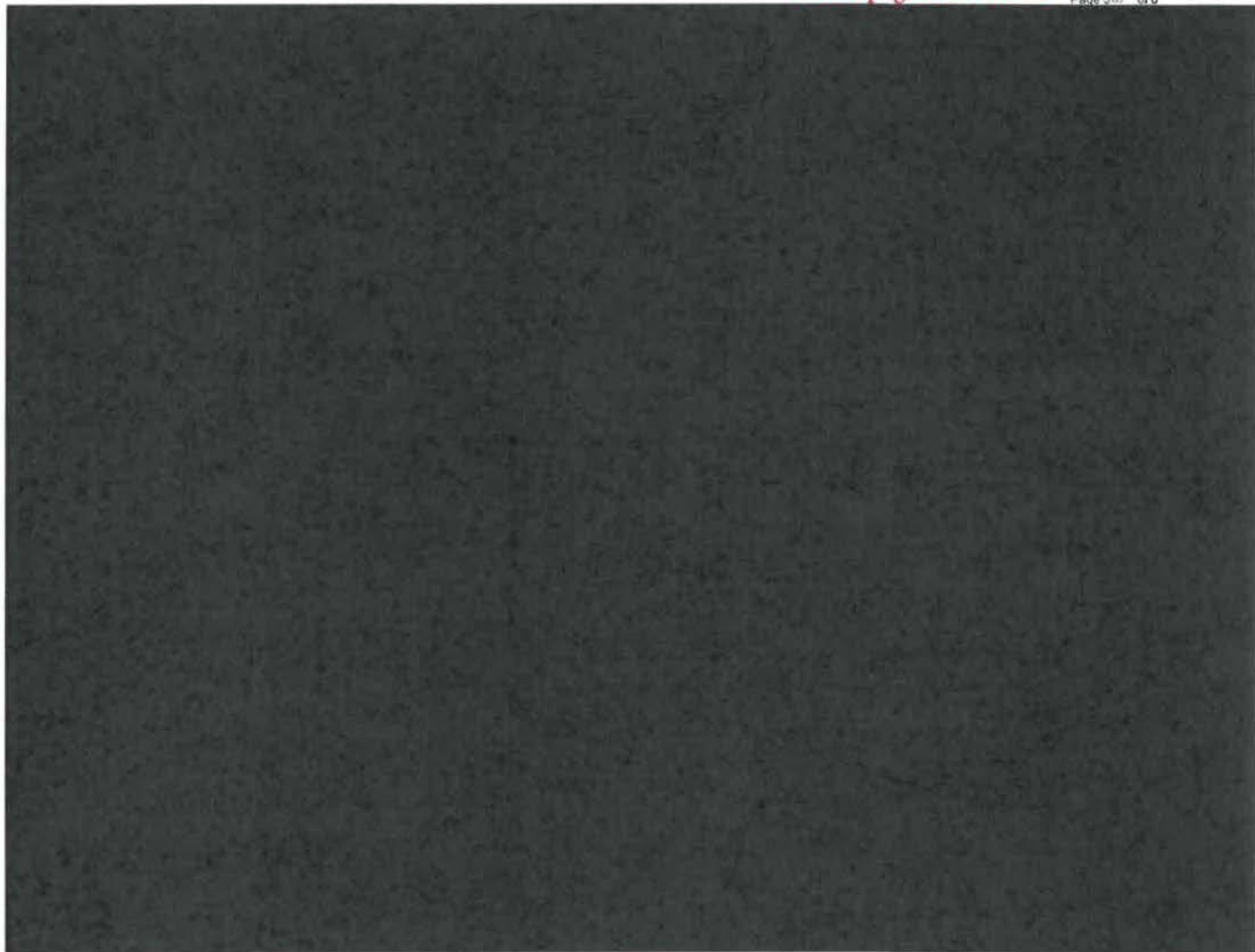
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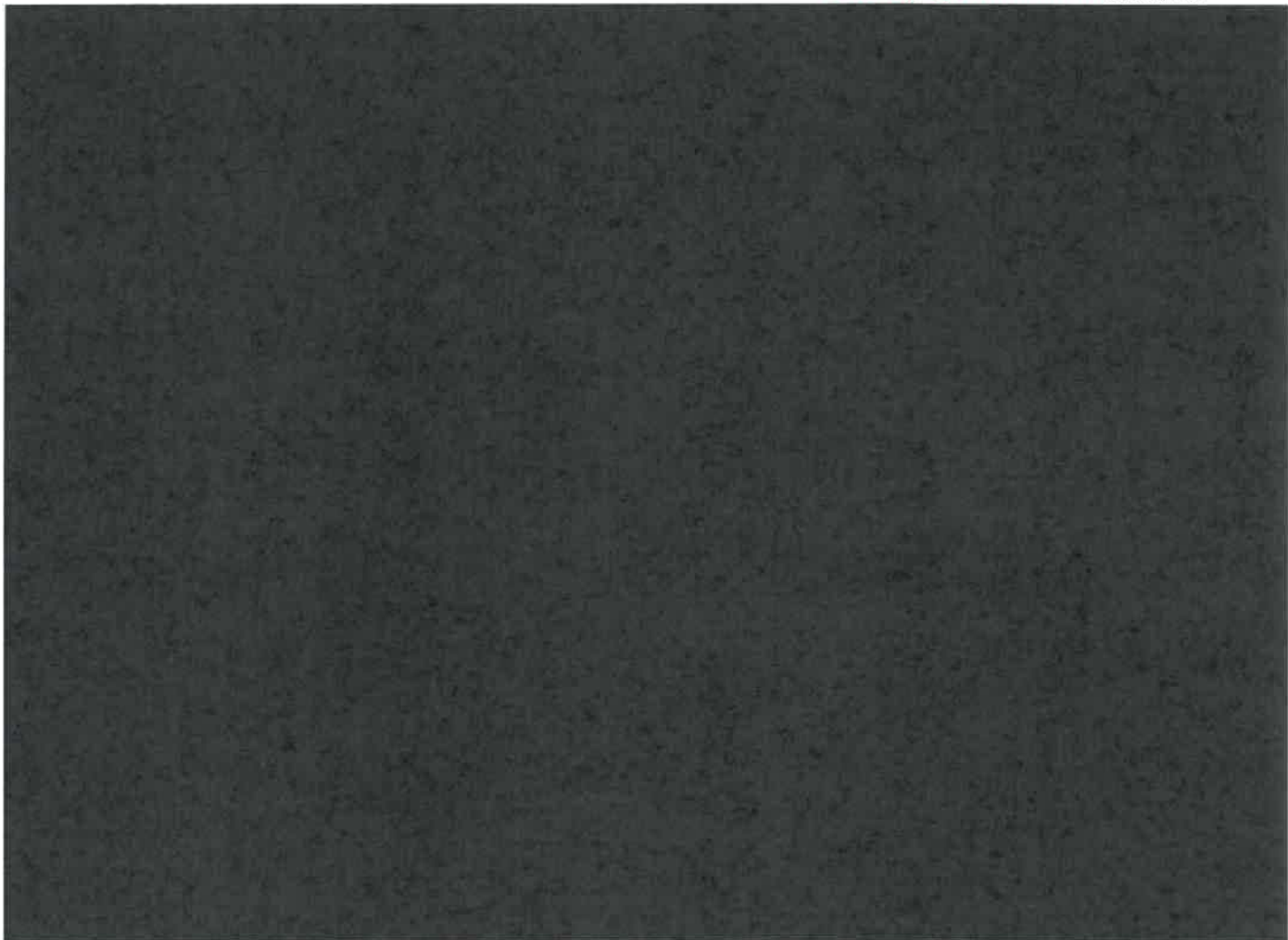
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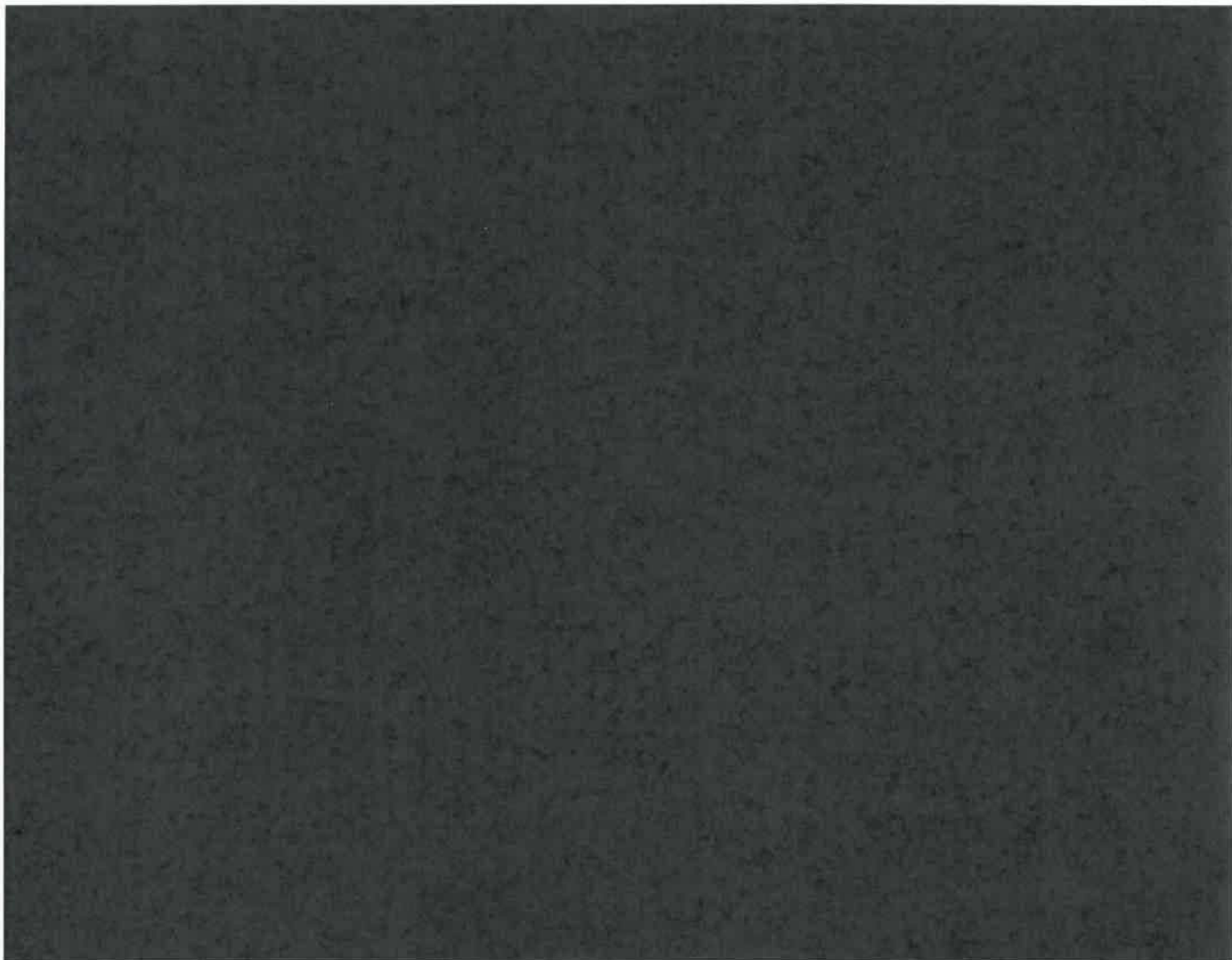
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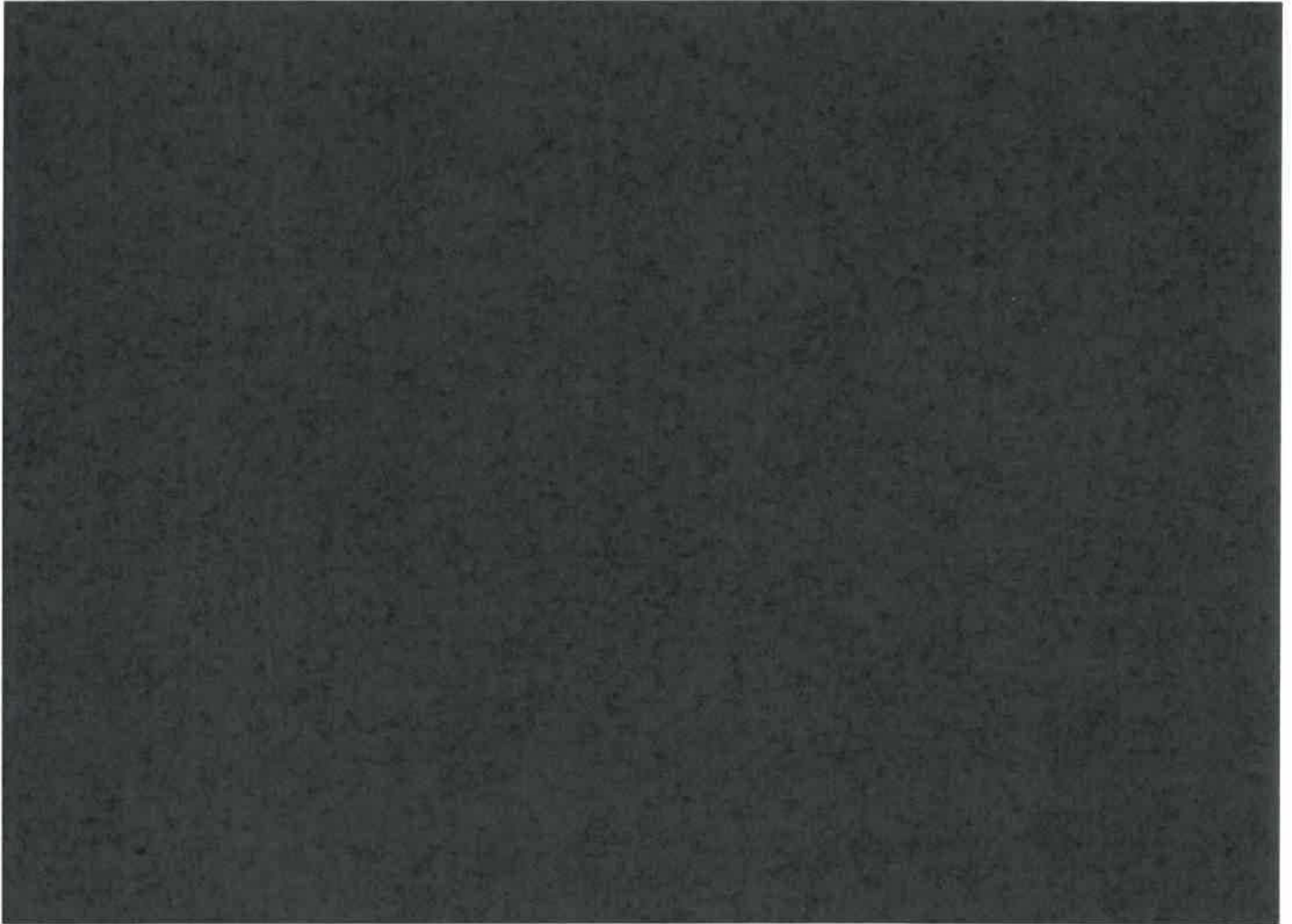
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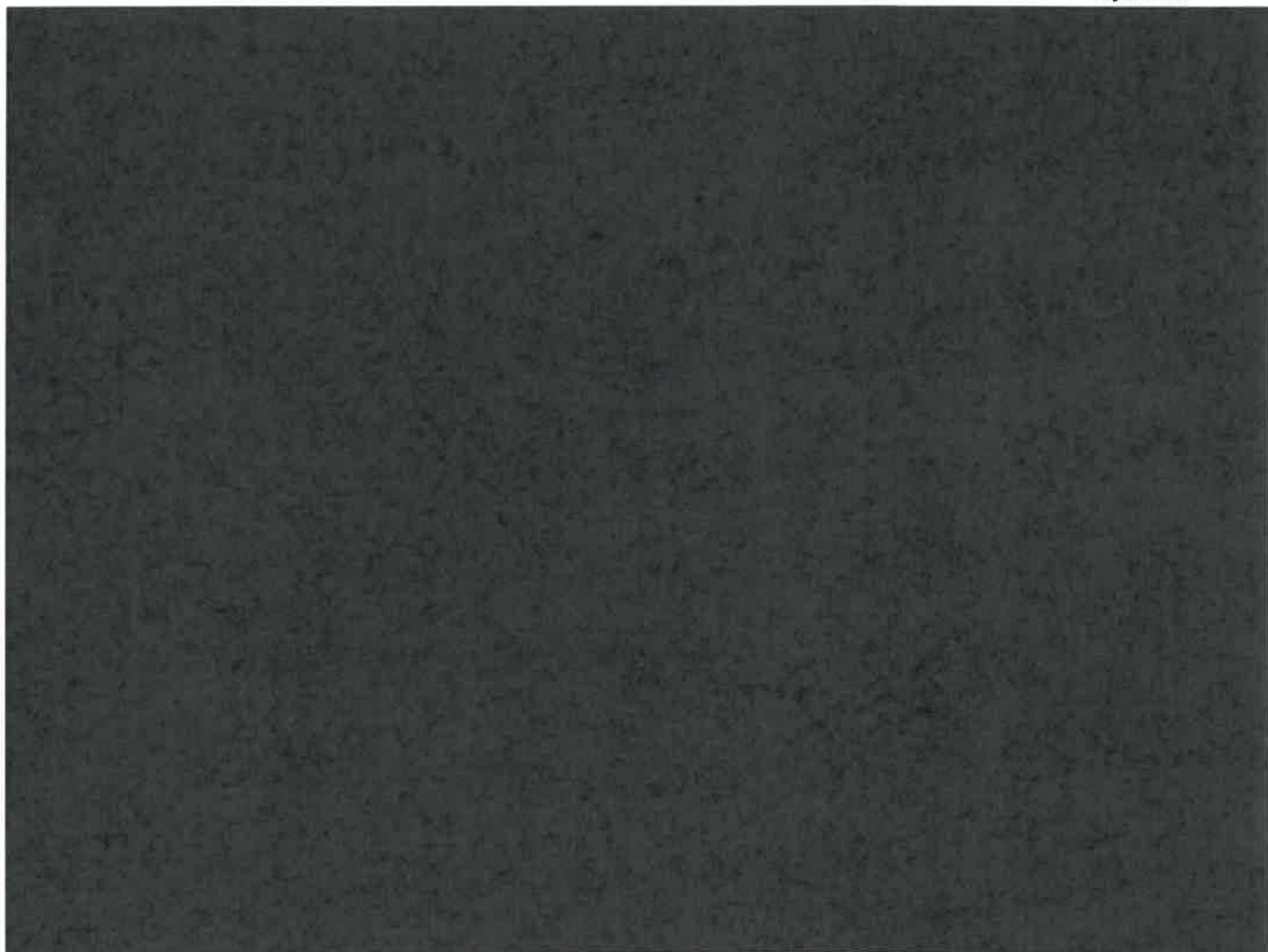
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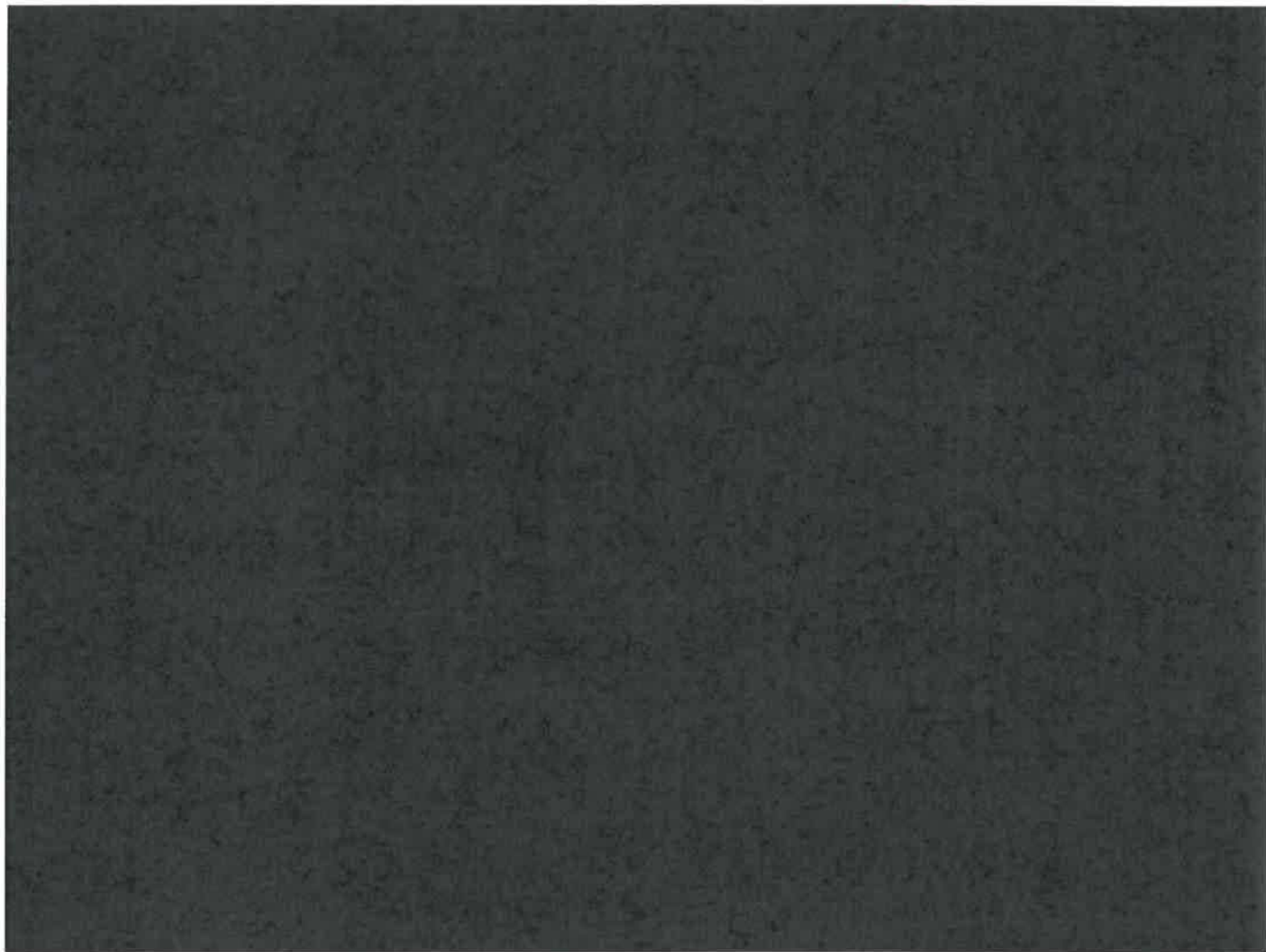
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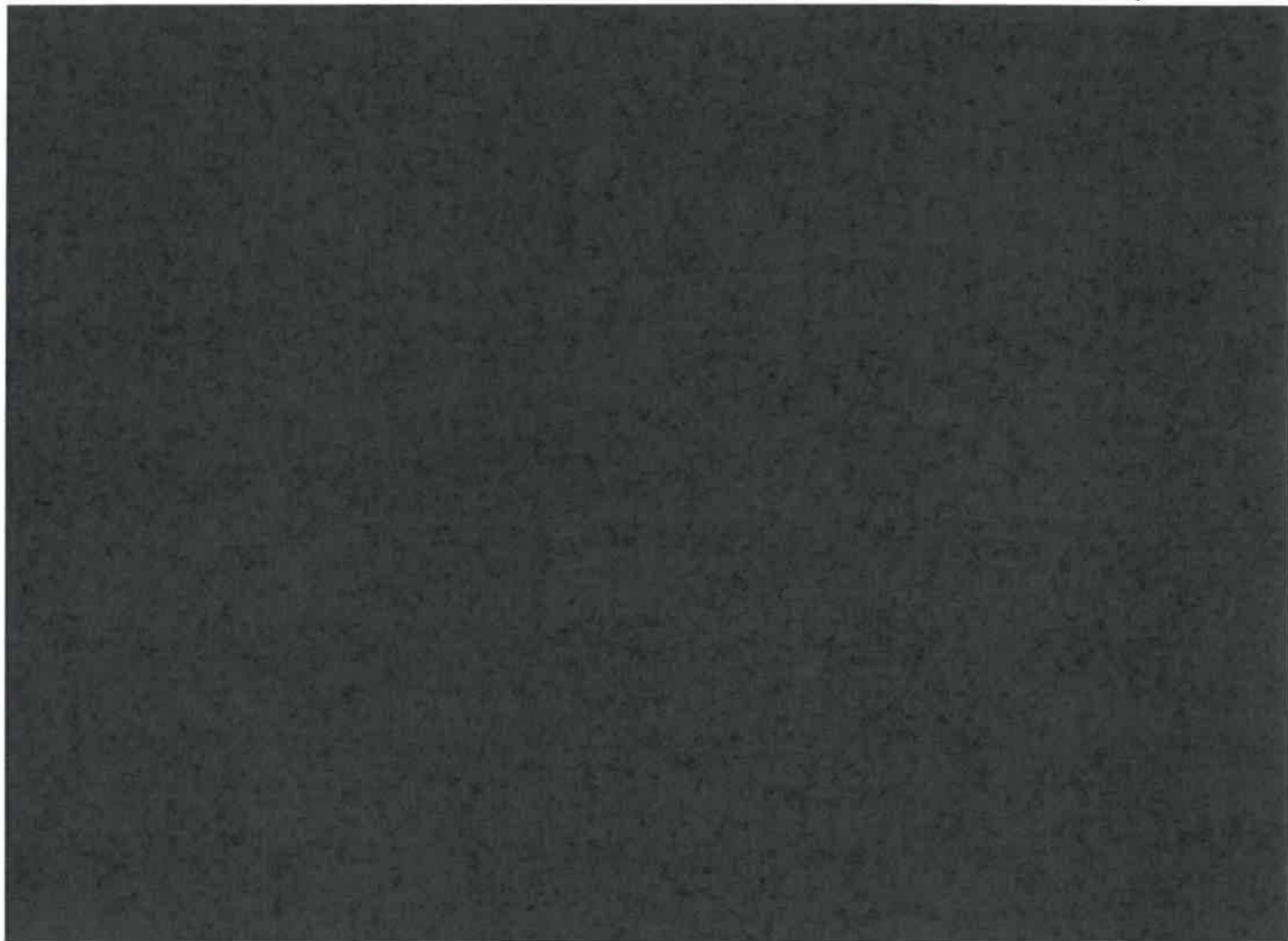


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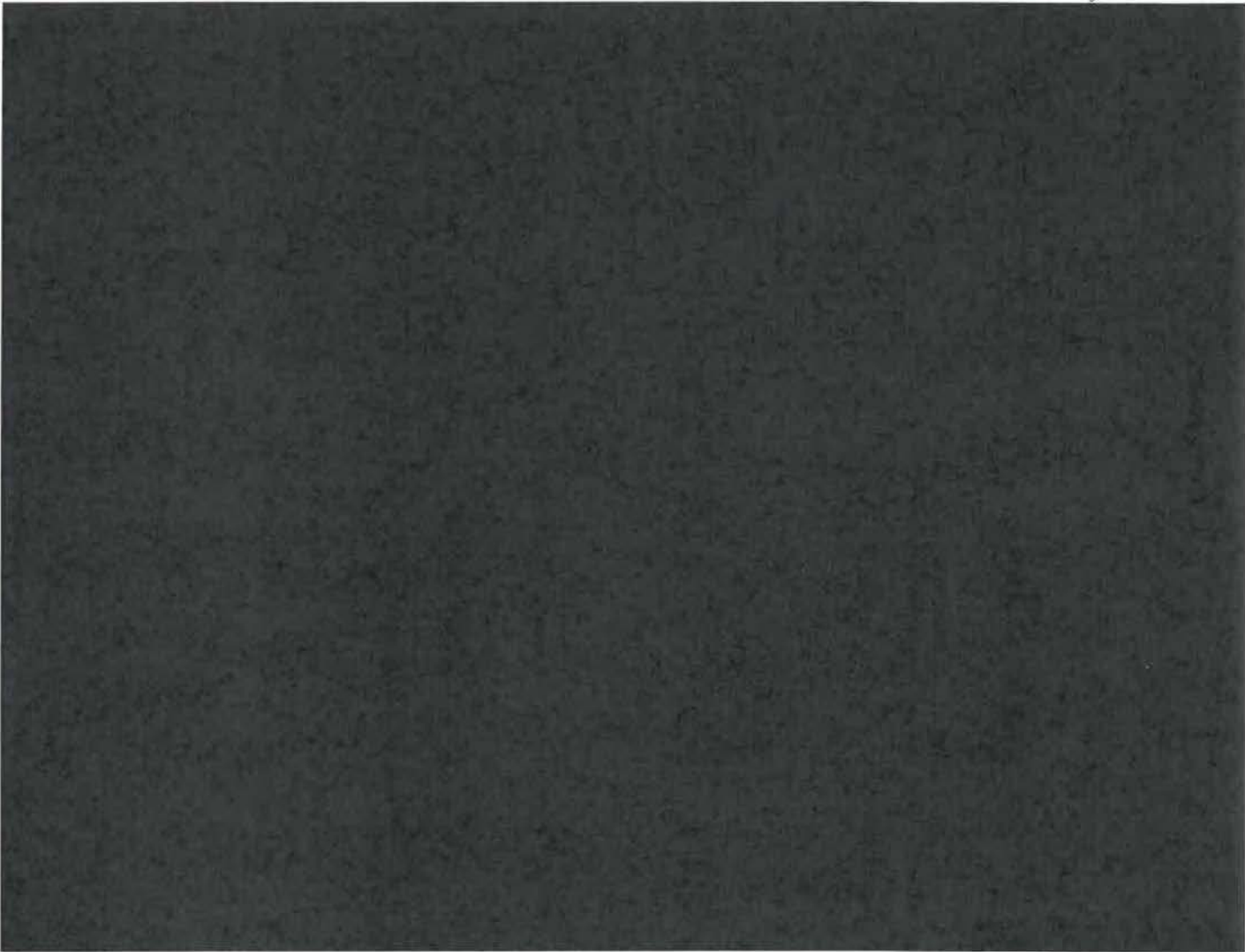




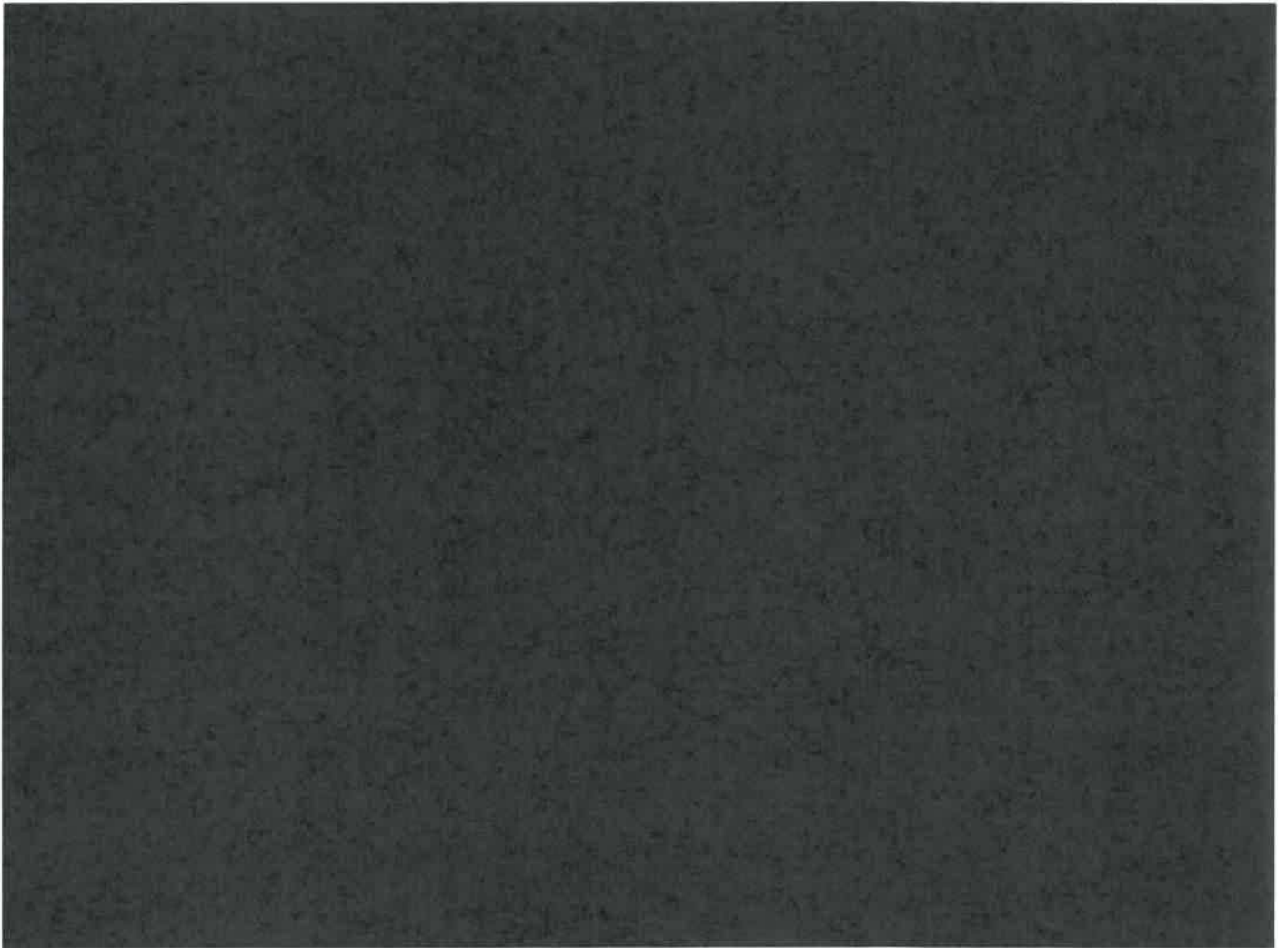
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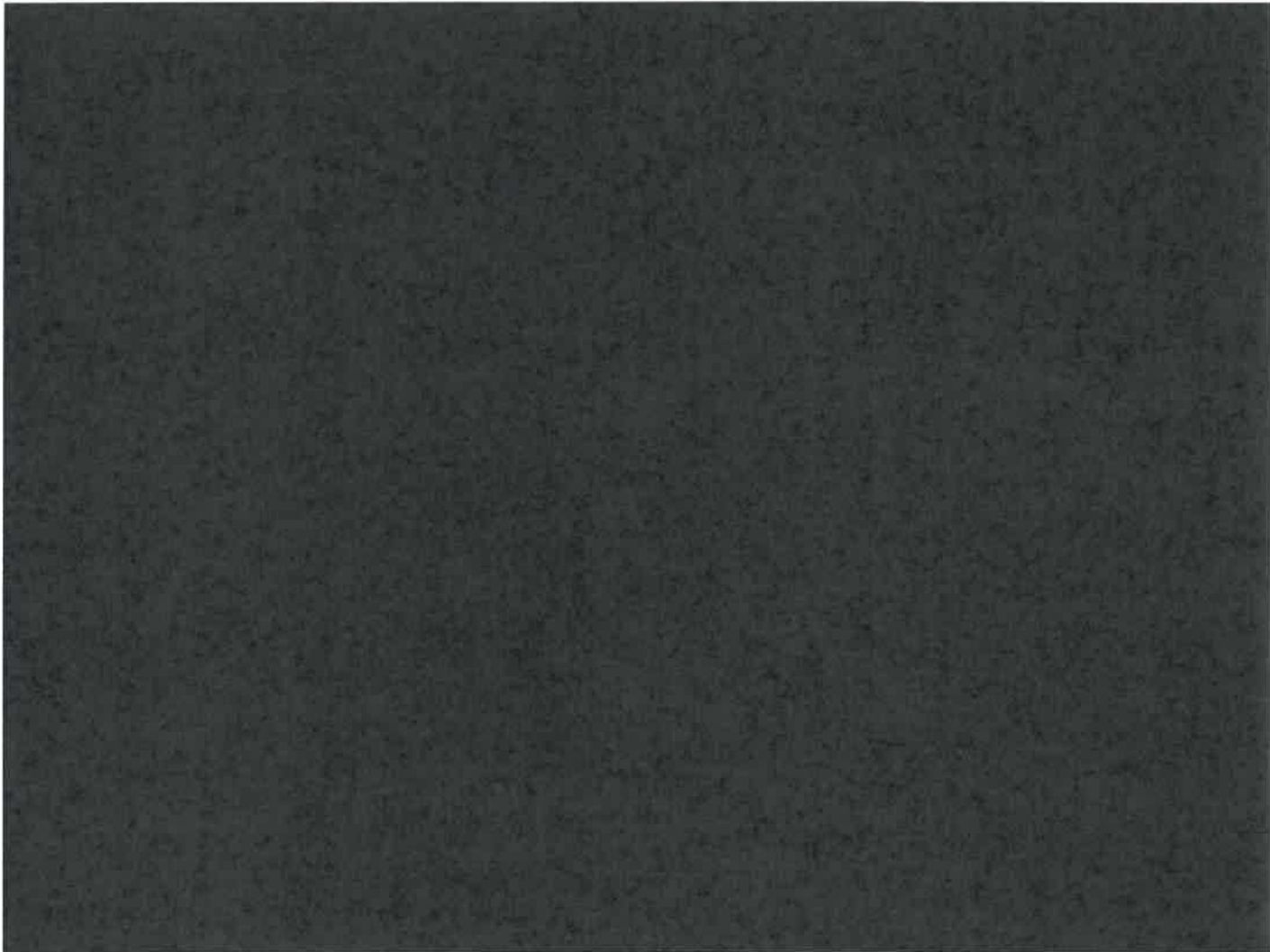
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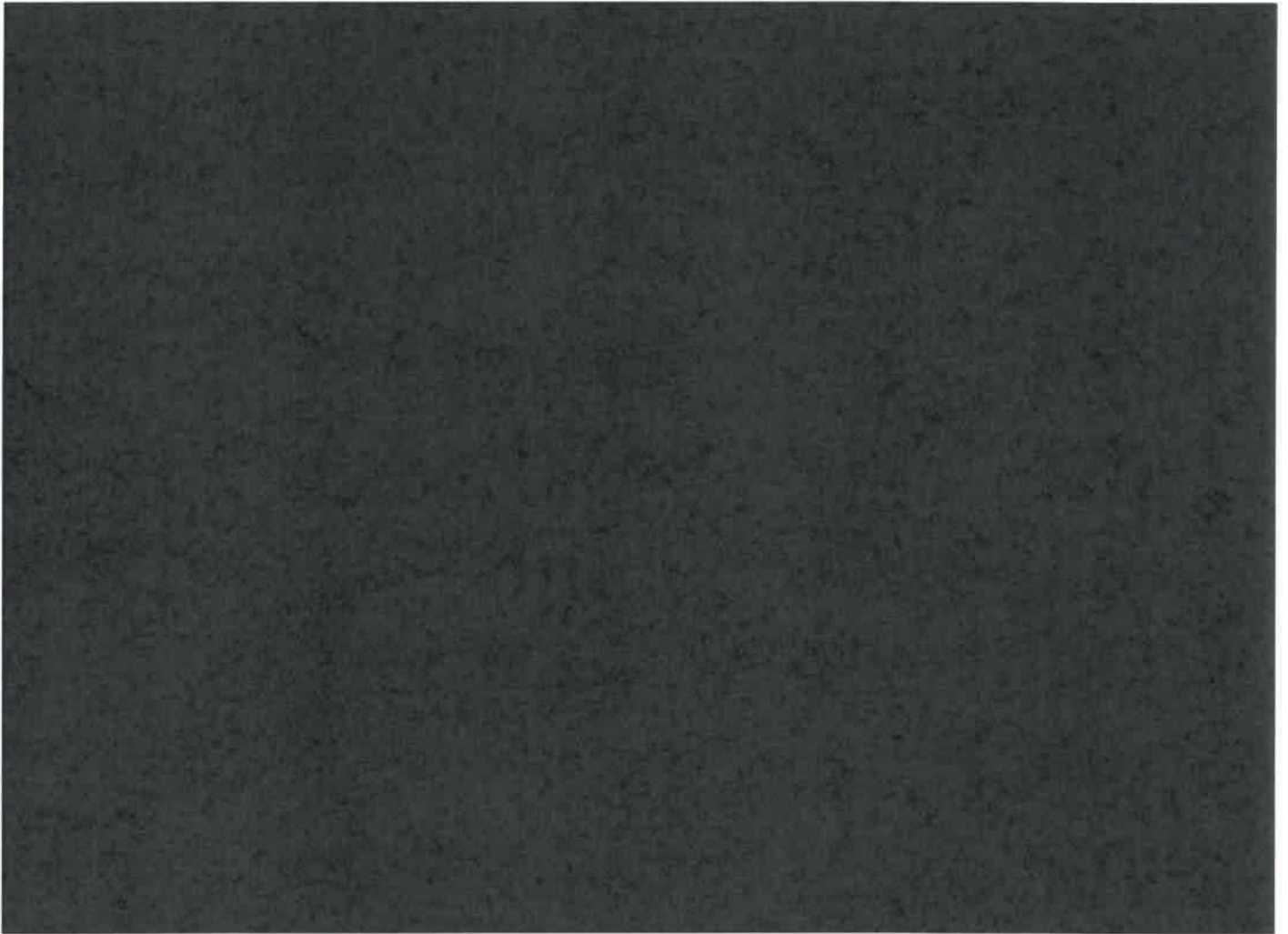
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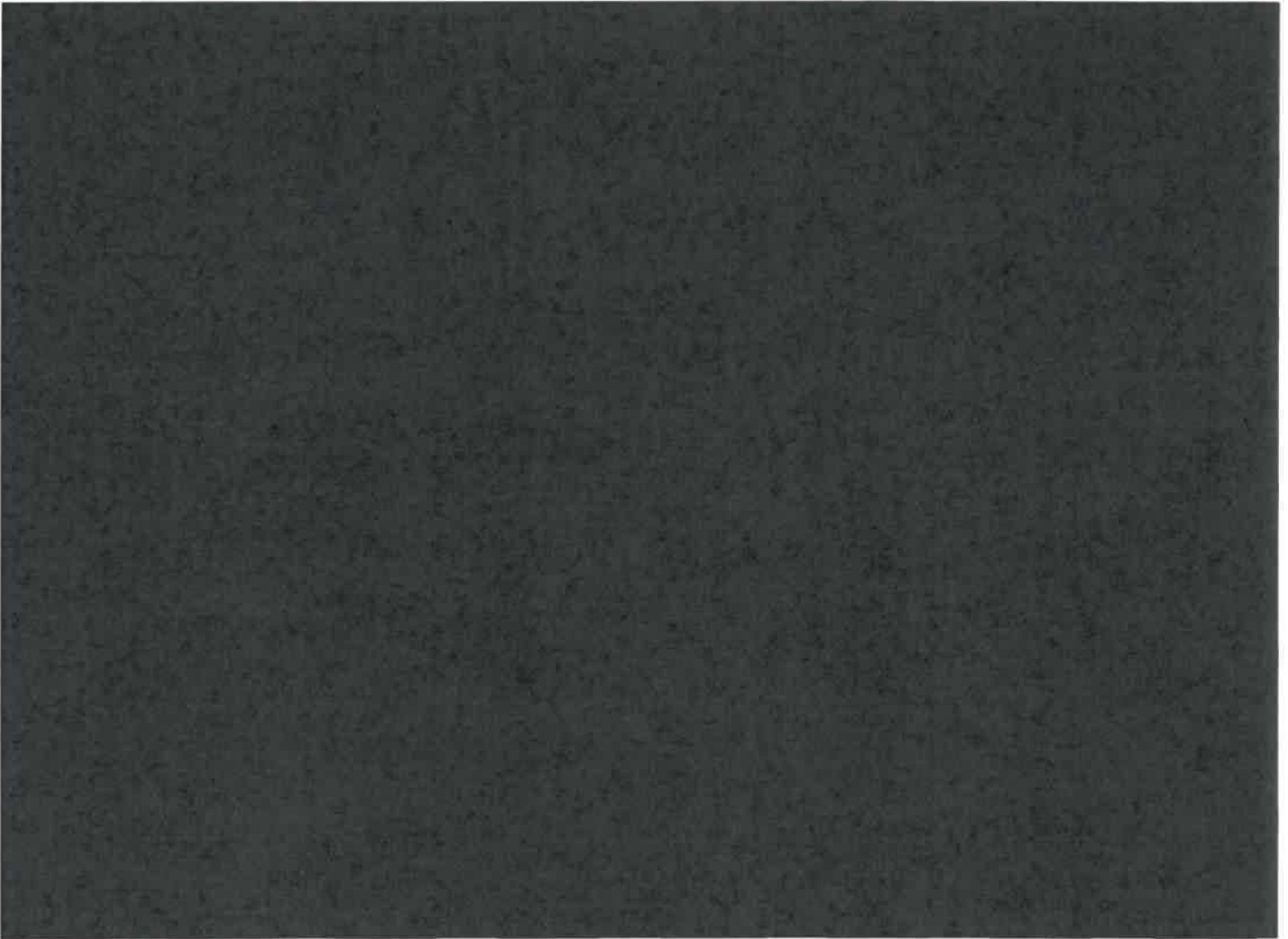


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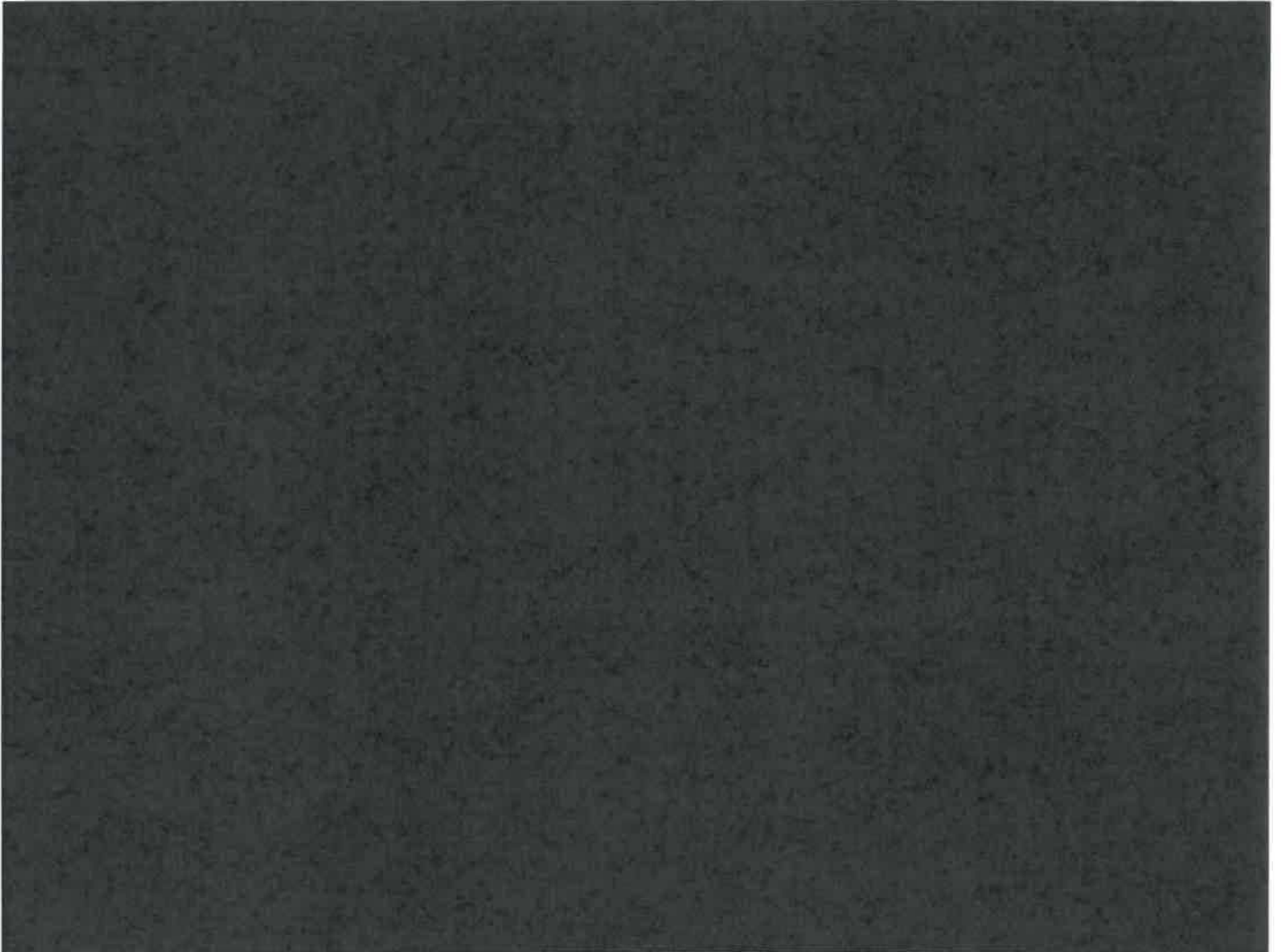


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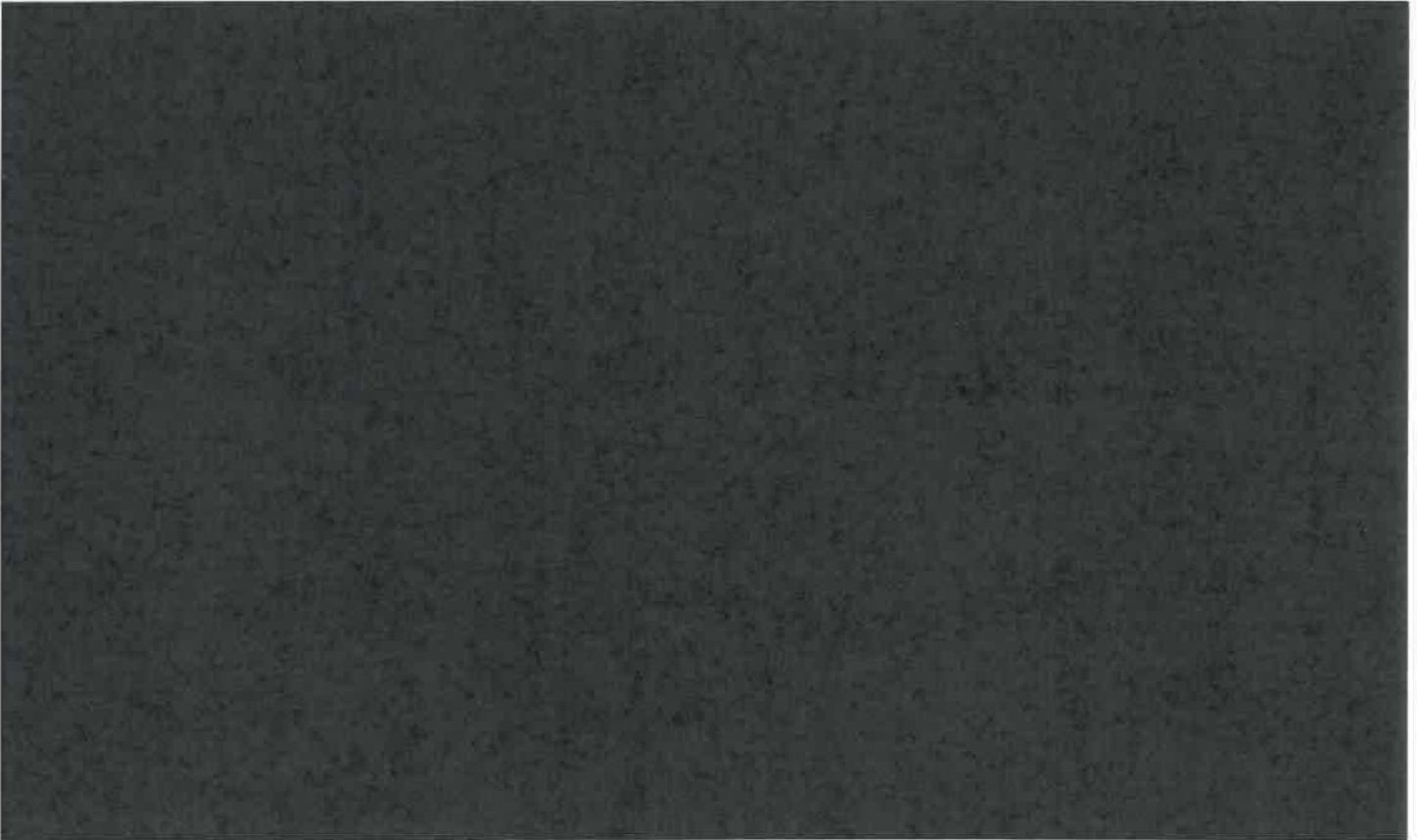


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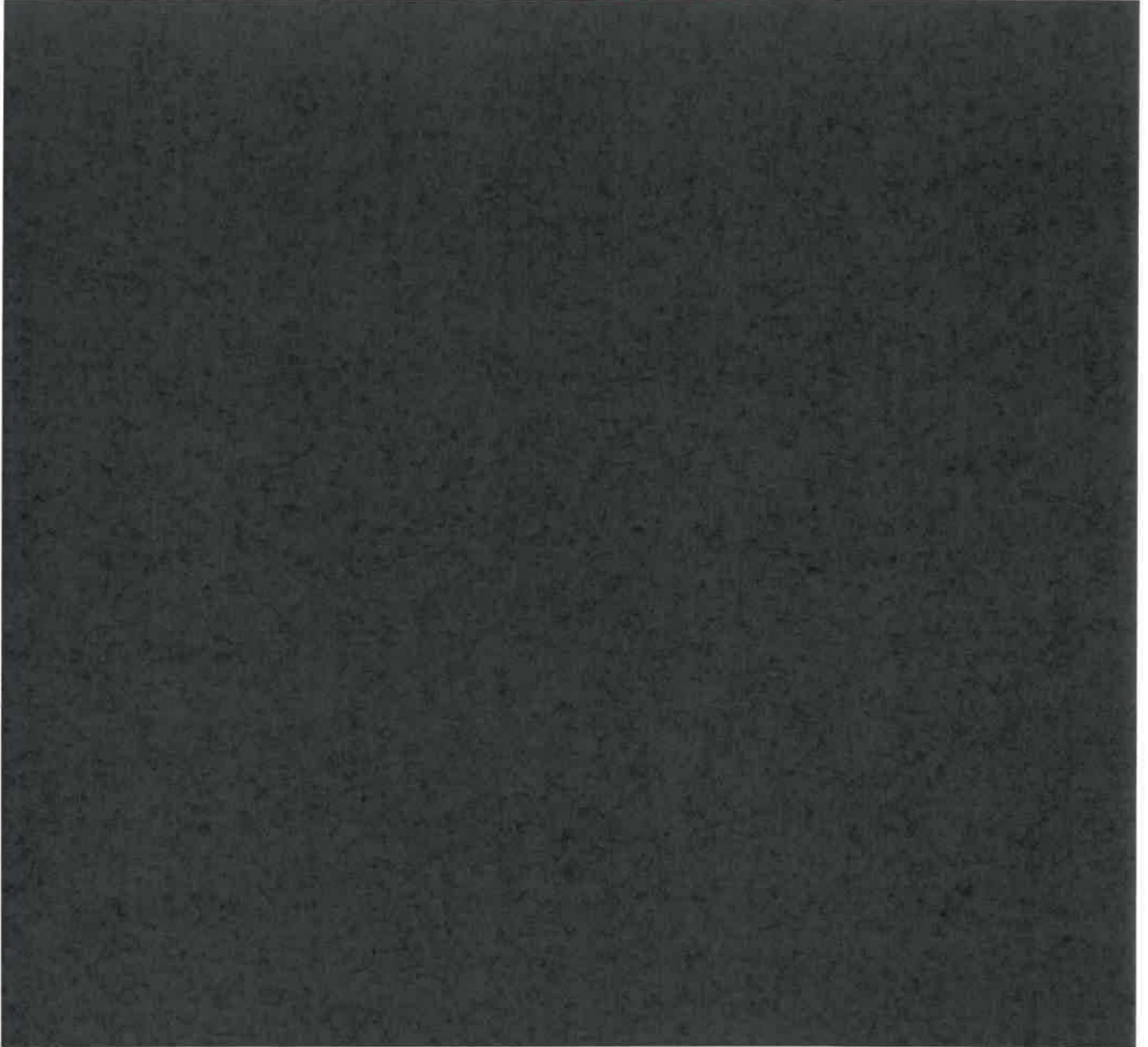




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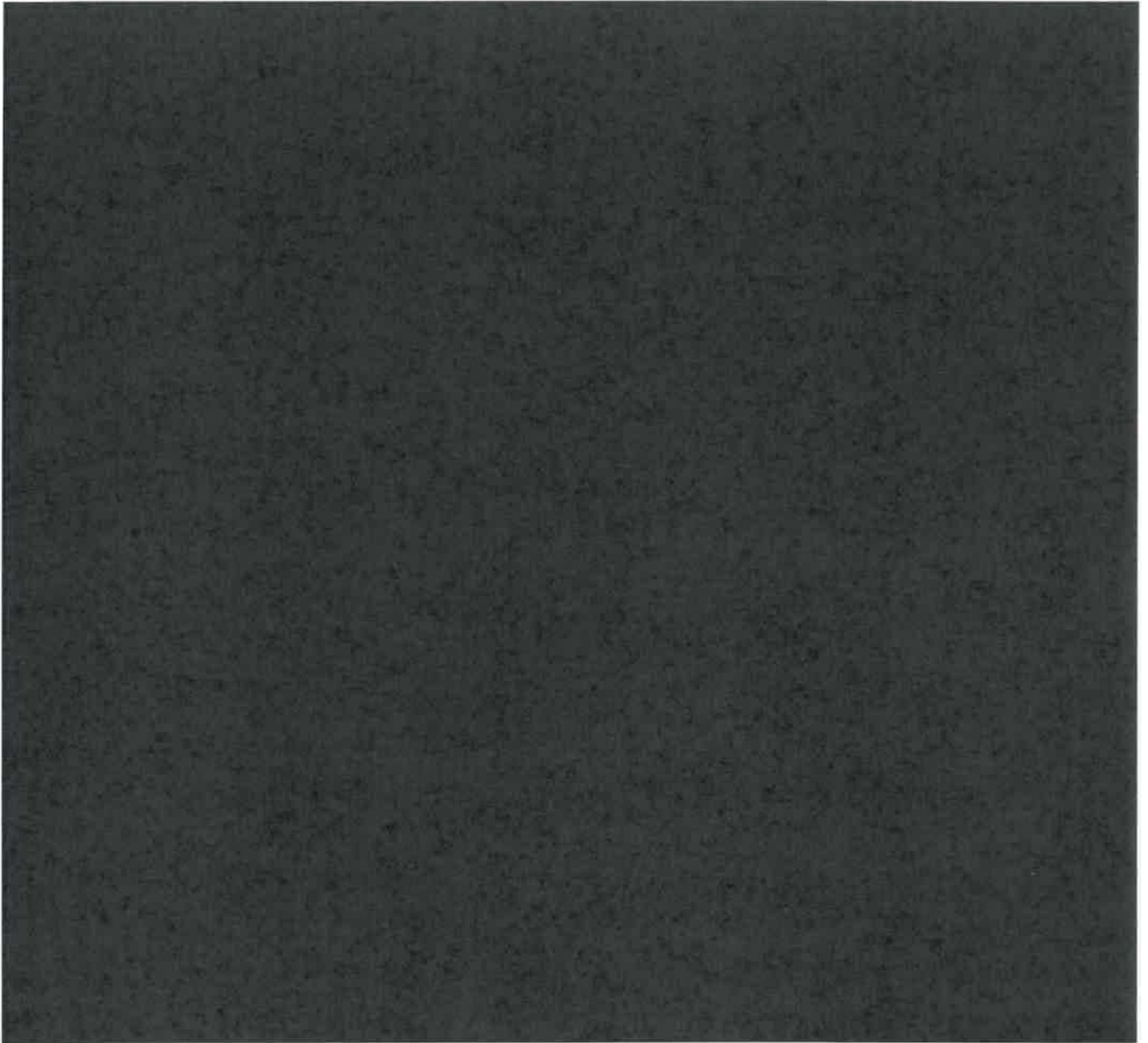


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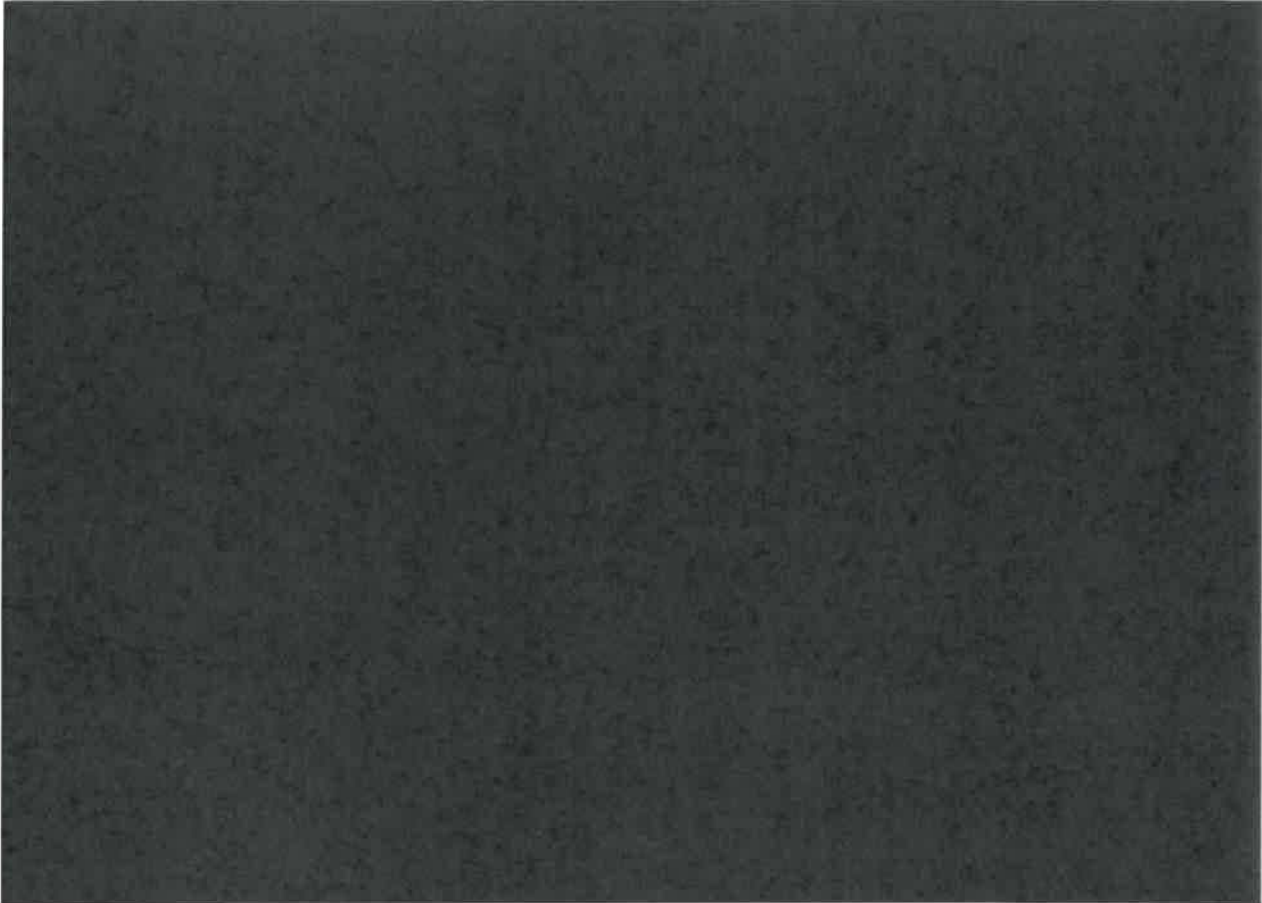
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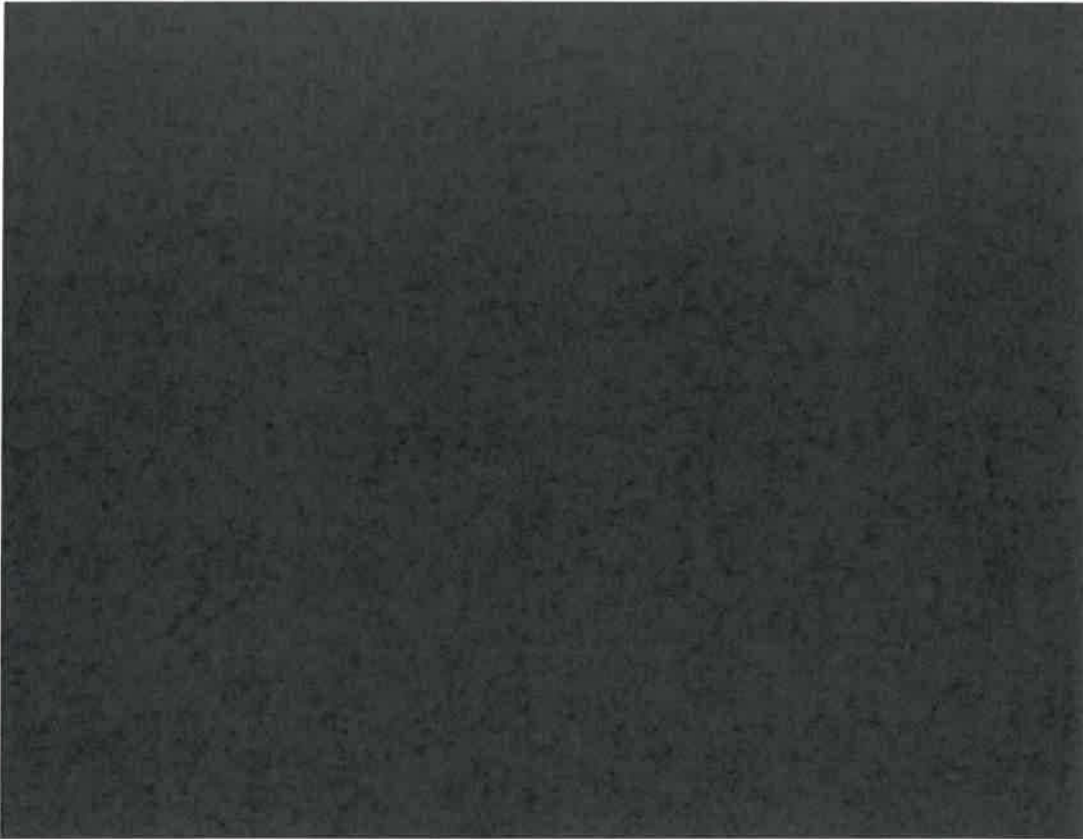
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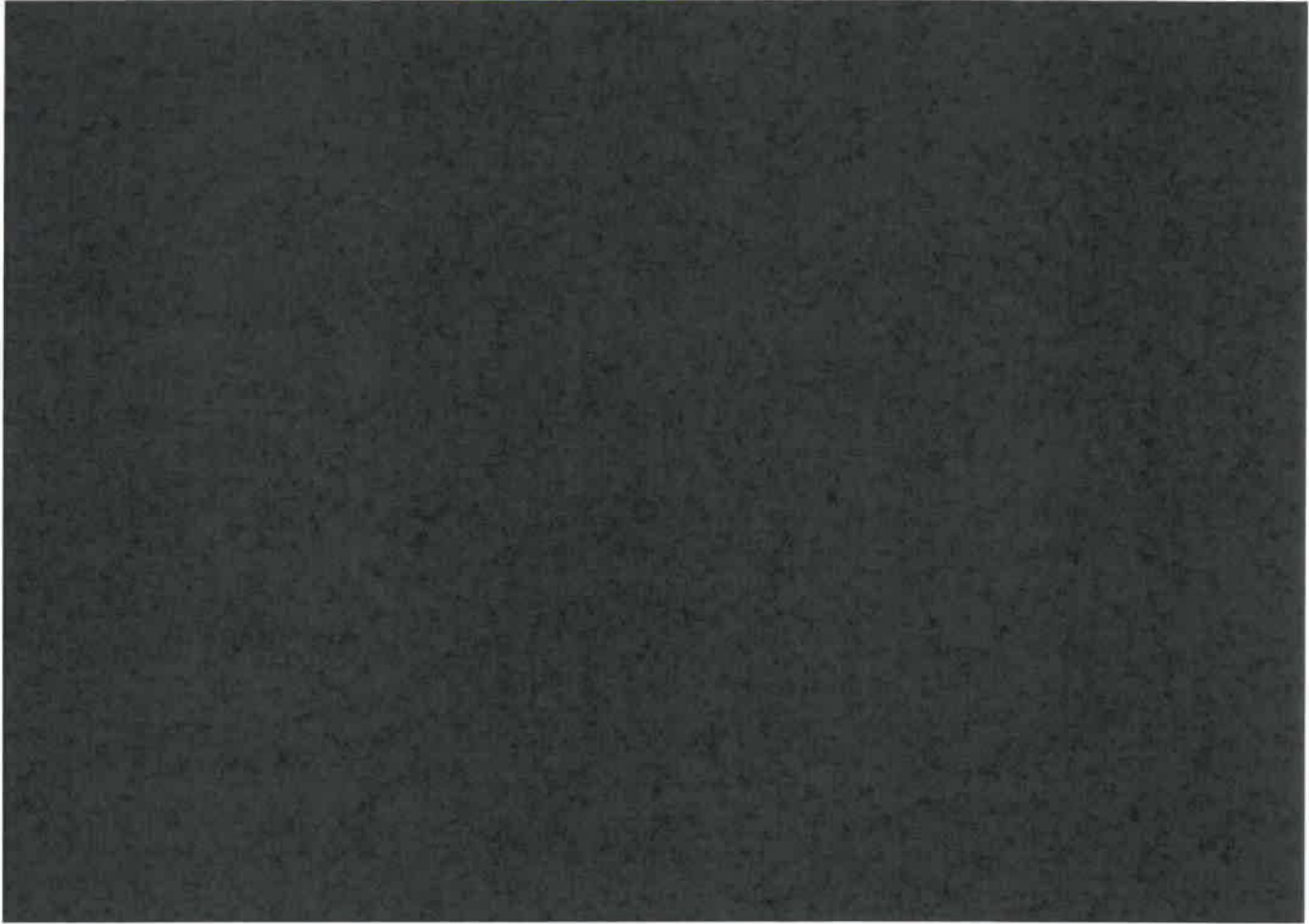


Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Line Clearing	0	0	1,120	138,788	0	0	139,908
2	Less: Non-Incremental Costs	0	0	0	5,080	0	0	5,080
3	Less : Capitalized Costs	0	0	0	0	0	0	0
4	Company Requested Line Clearing	0	0	1,120	133,708	0	0	134,828
5	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
6	Retail Reported Cost Per Co.	0	0	1,011	133,695	0	0	134,706
7	Co. Line Clearing Costs	0	0	1,120	138,788	0	0	139,908
8	Non-Incremental Costs	0	0	0	(5,080)	0	0	(5,080)
9	Unsupported Cost Adjustment	0	0	0	0	0	0	0
10	Line Clearing	0	0	1,120	133,708	0	0	134,828
11	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
12	Retail Costs Per OPC	0	0	1,011	133,695	0	0	134,706
13	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	0	0	0	0

Source: Lines 1, 2, 3, 4 and 5 are from Company Exhibit KF-2.

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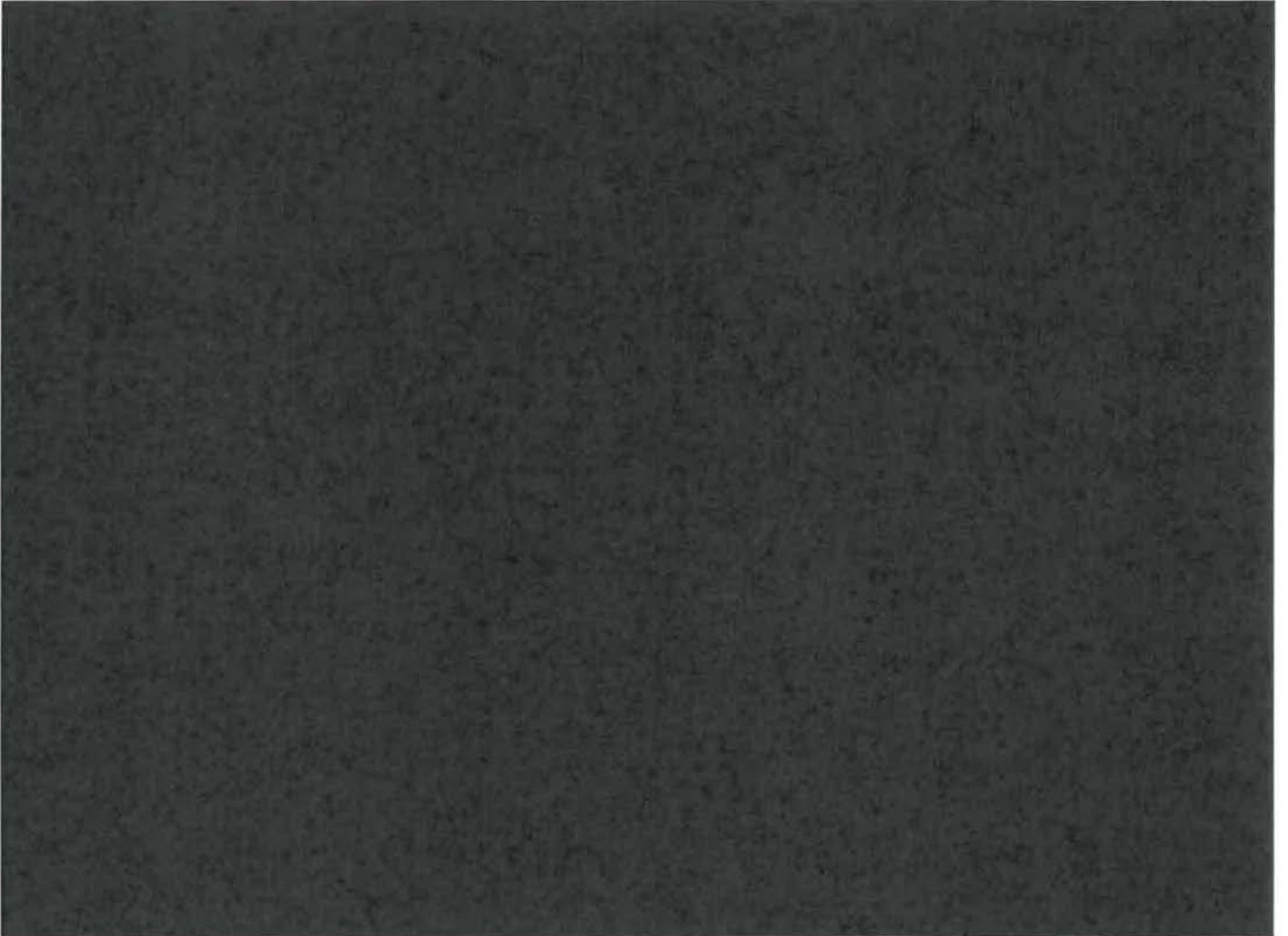
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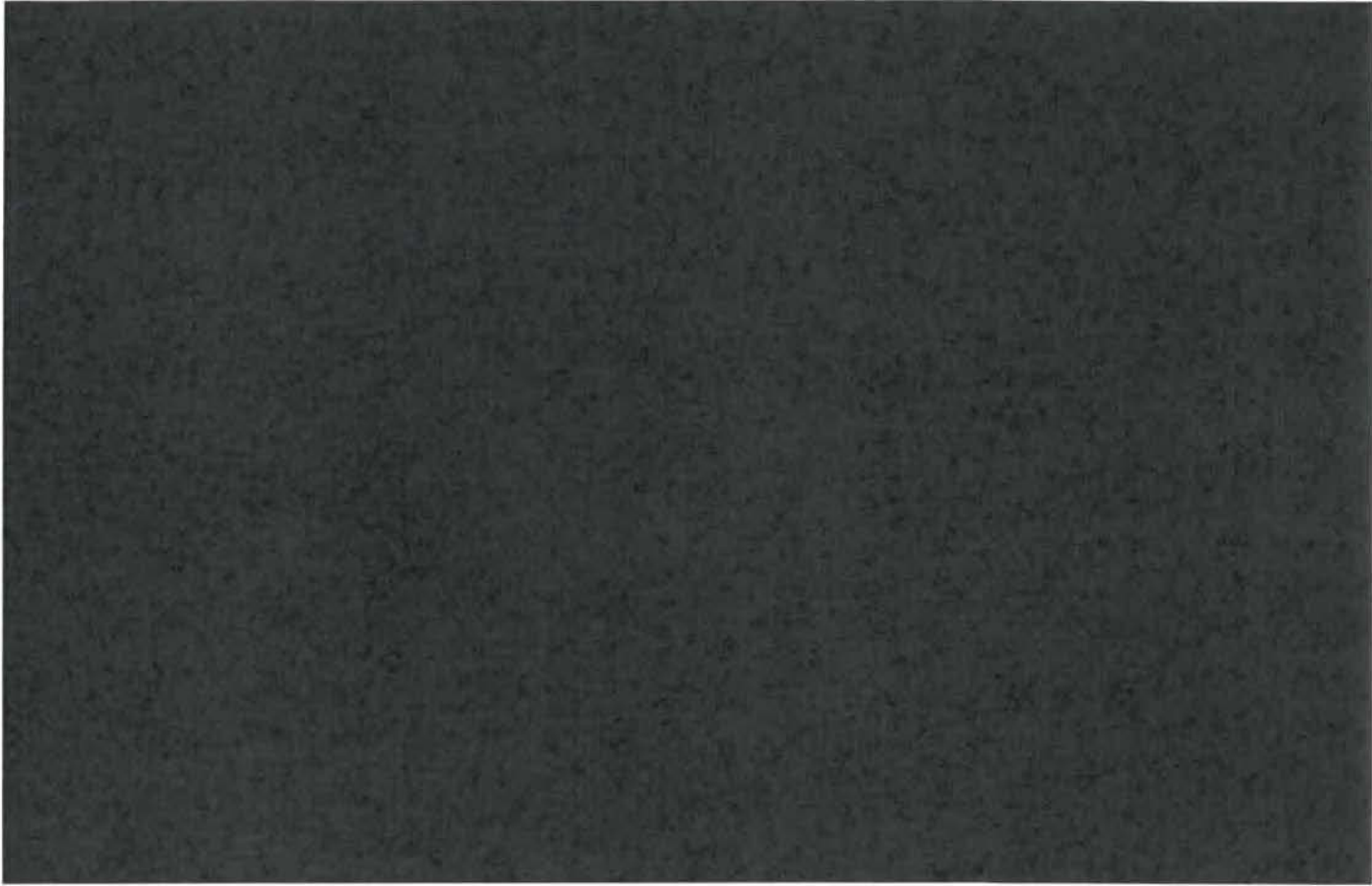




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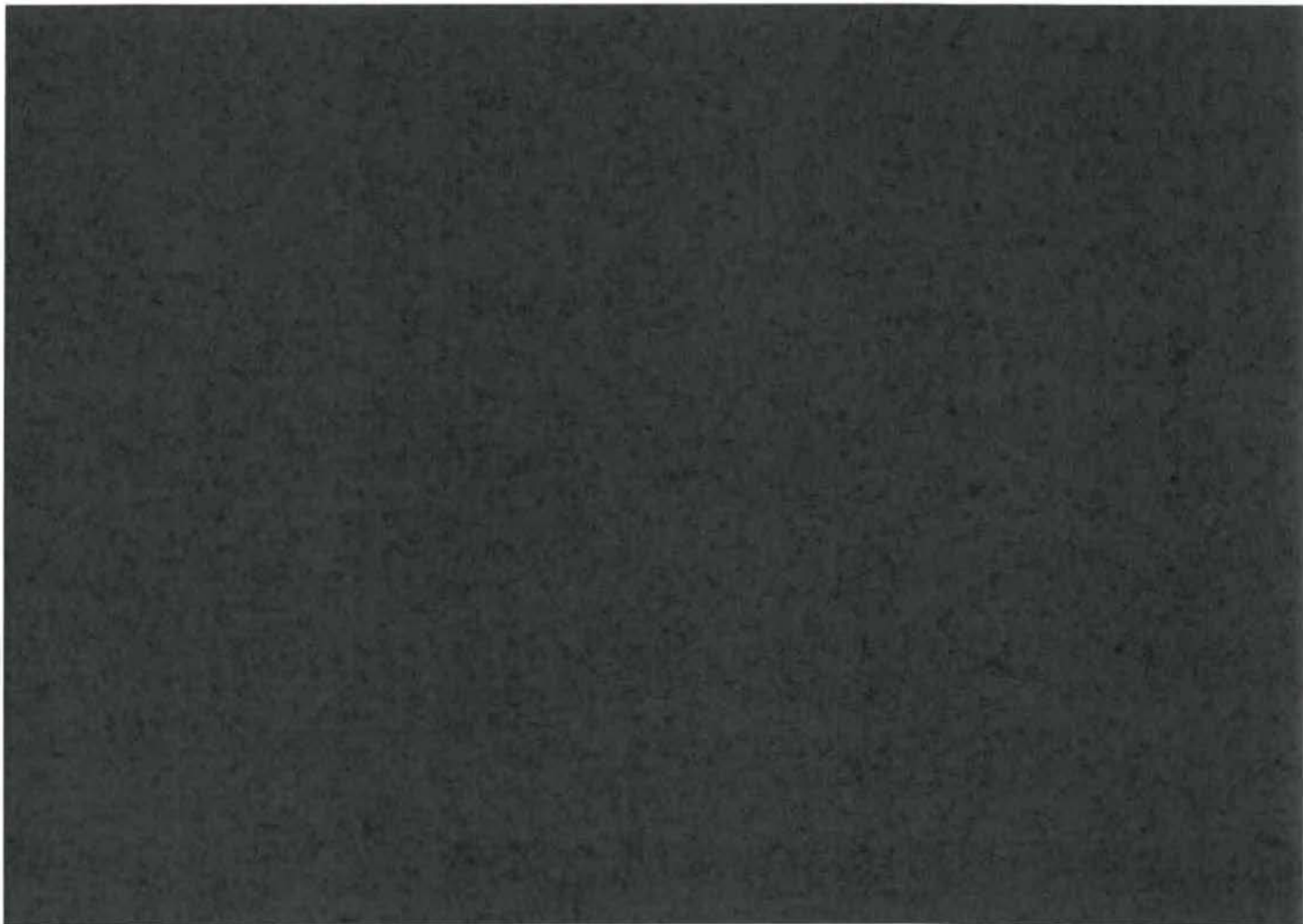
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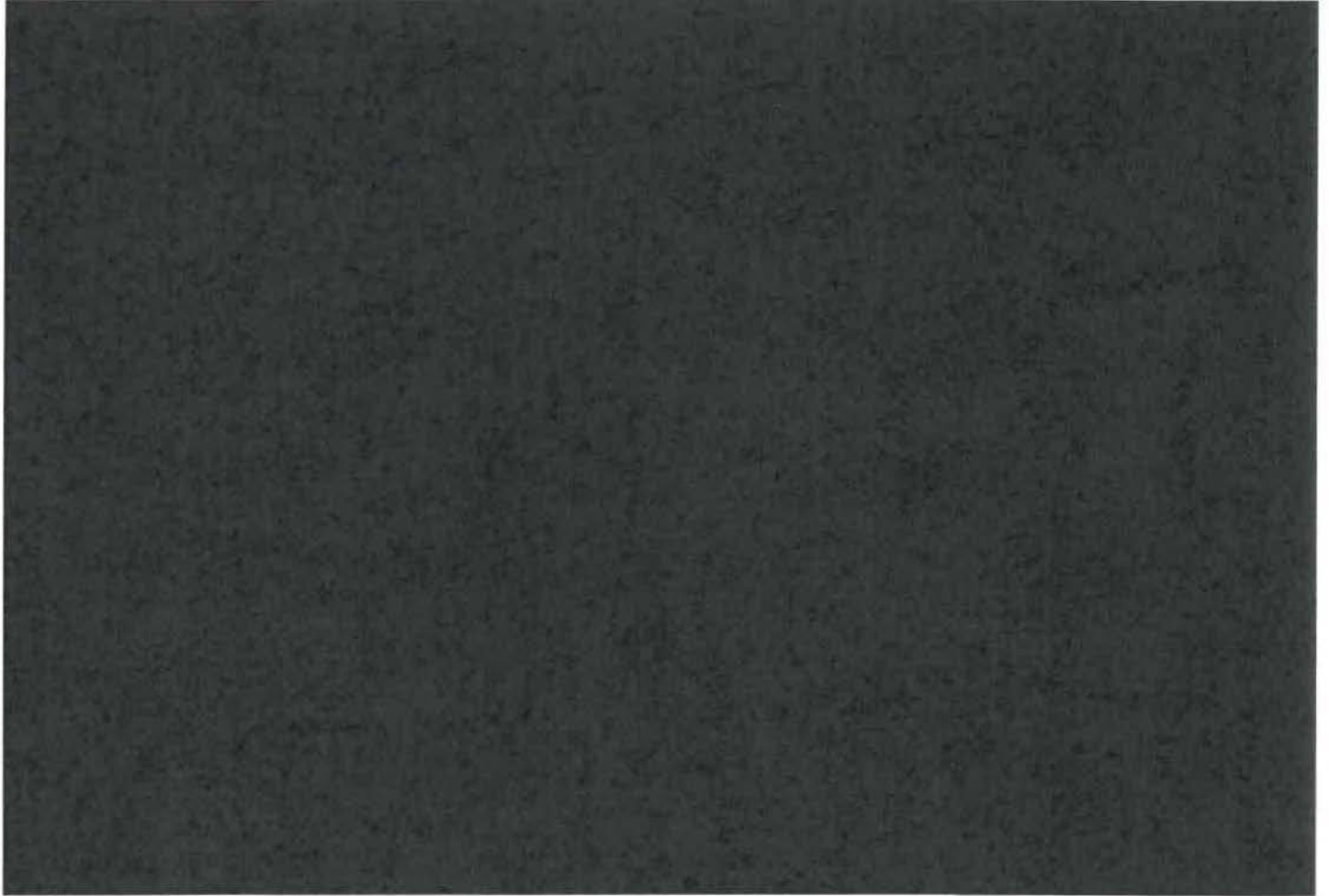
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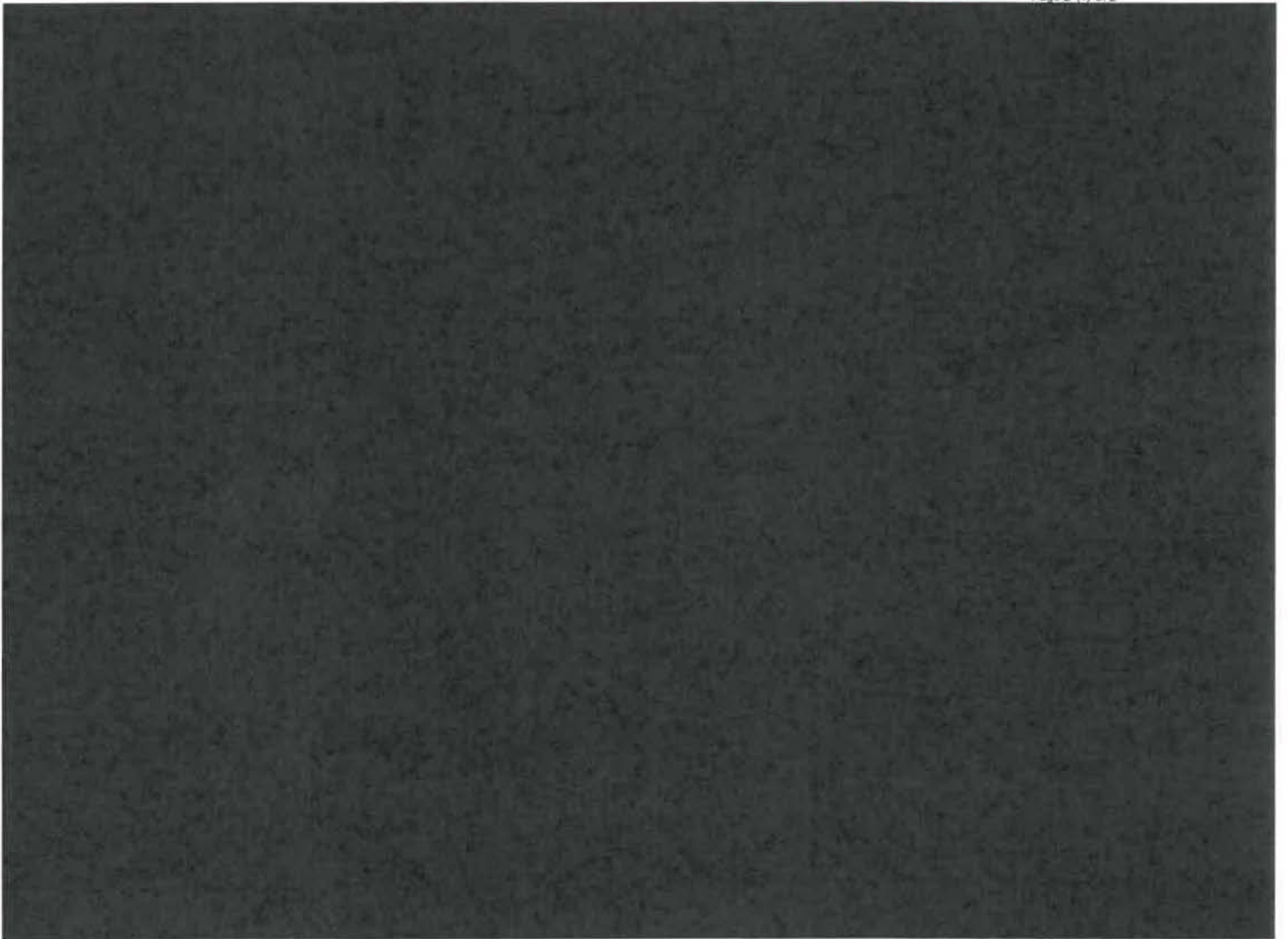
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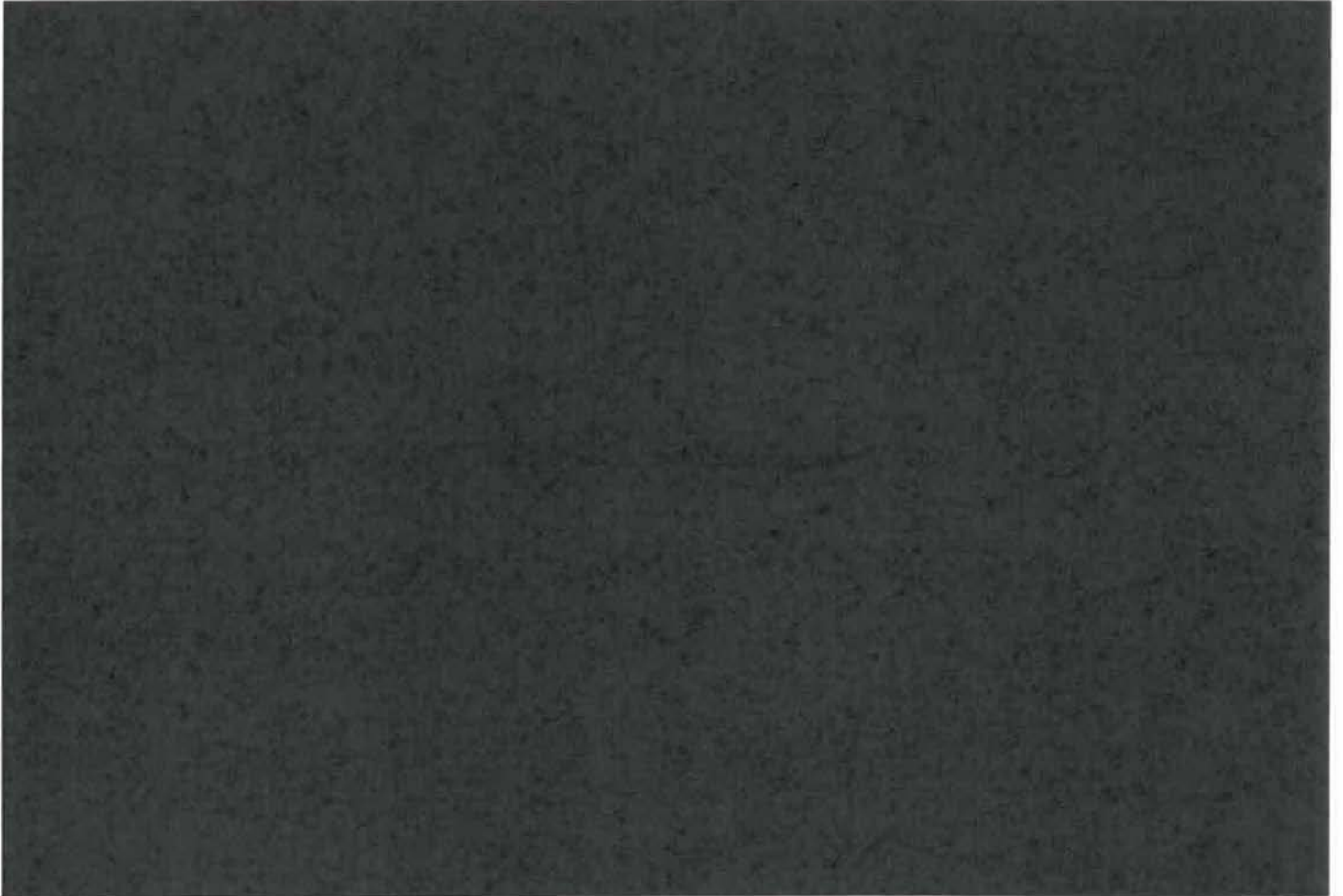
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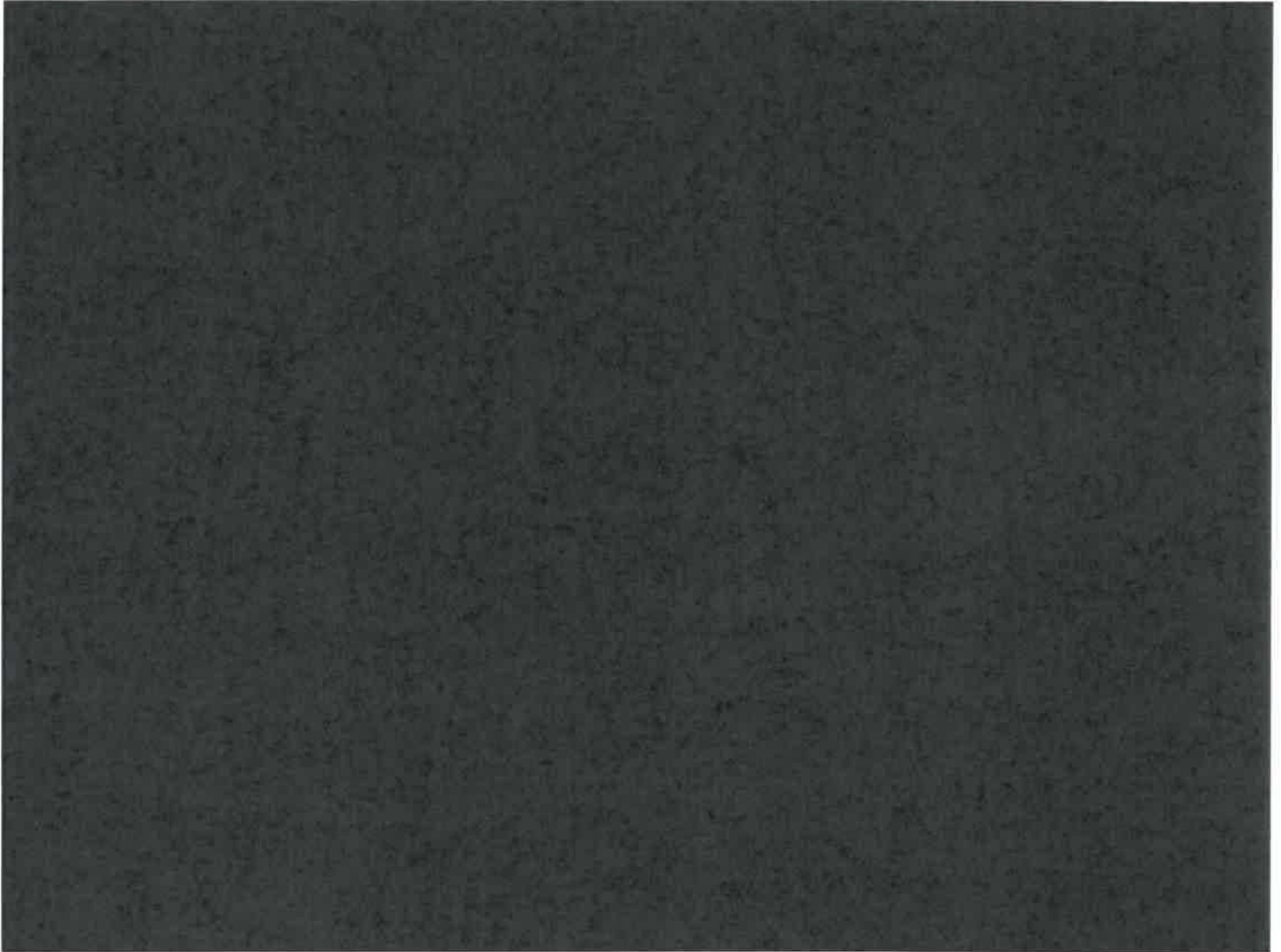
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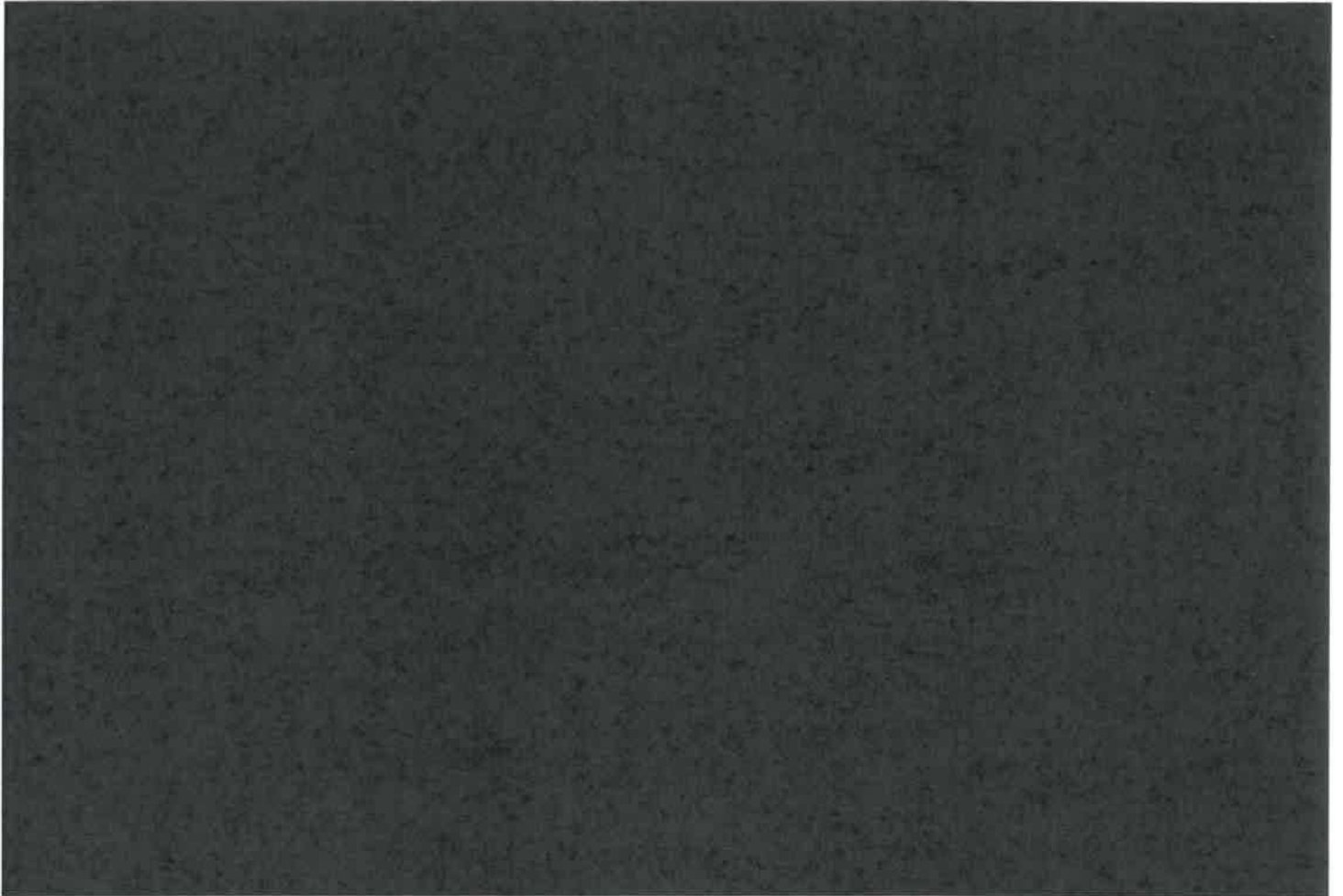
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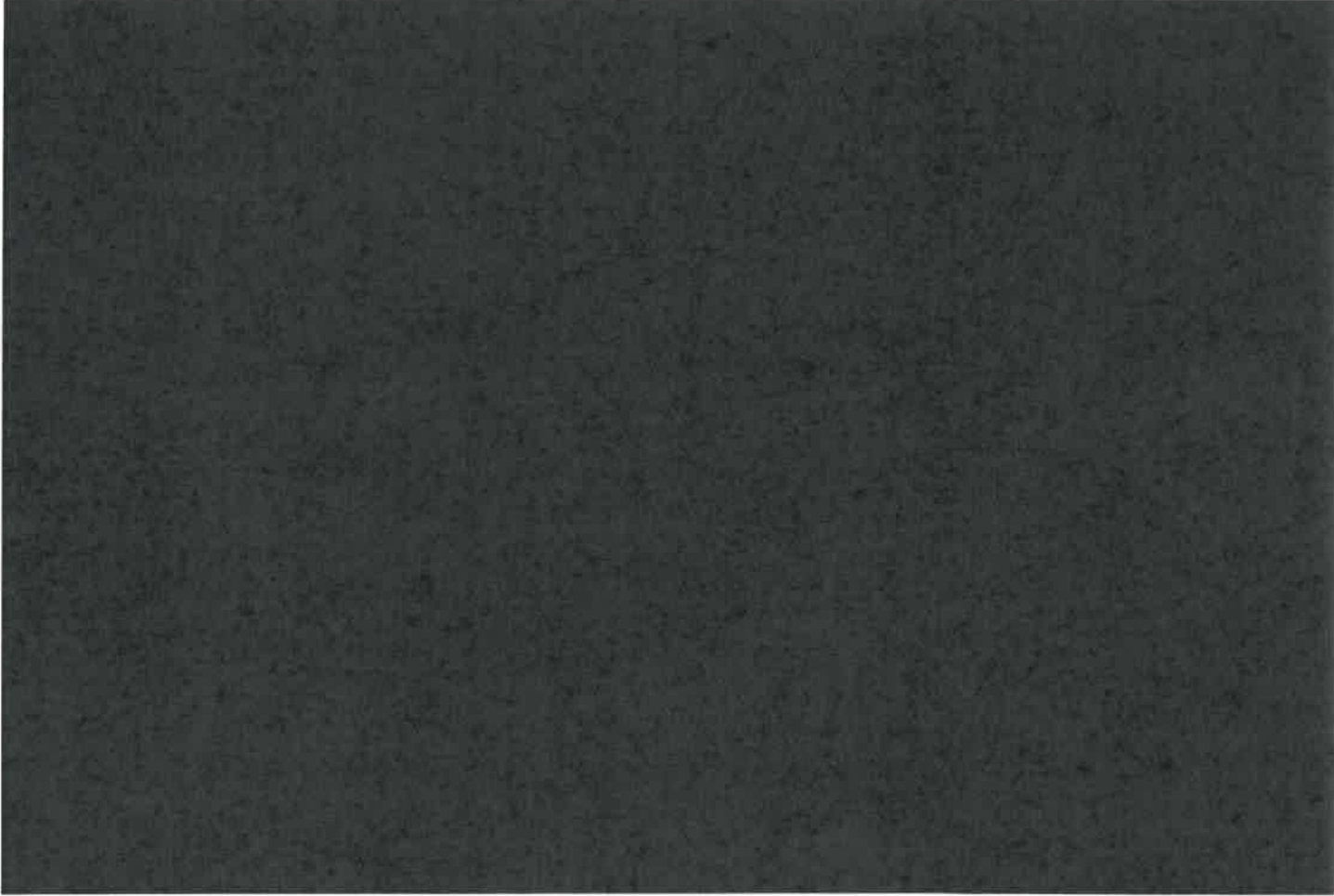
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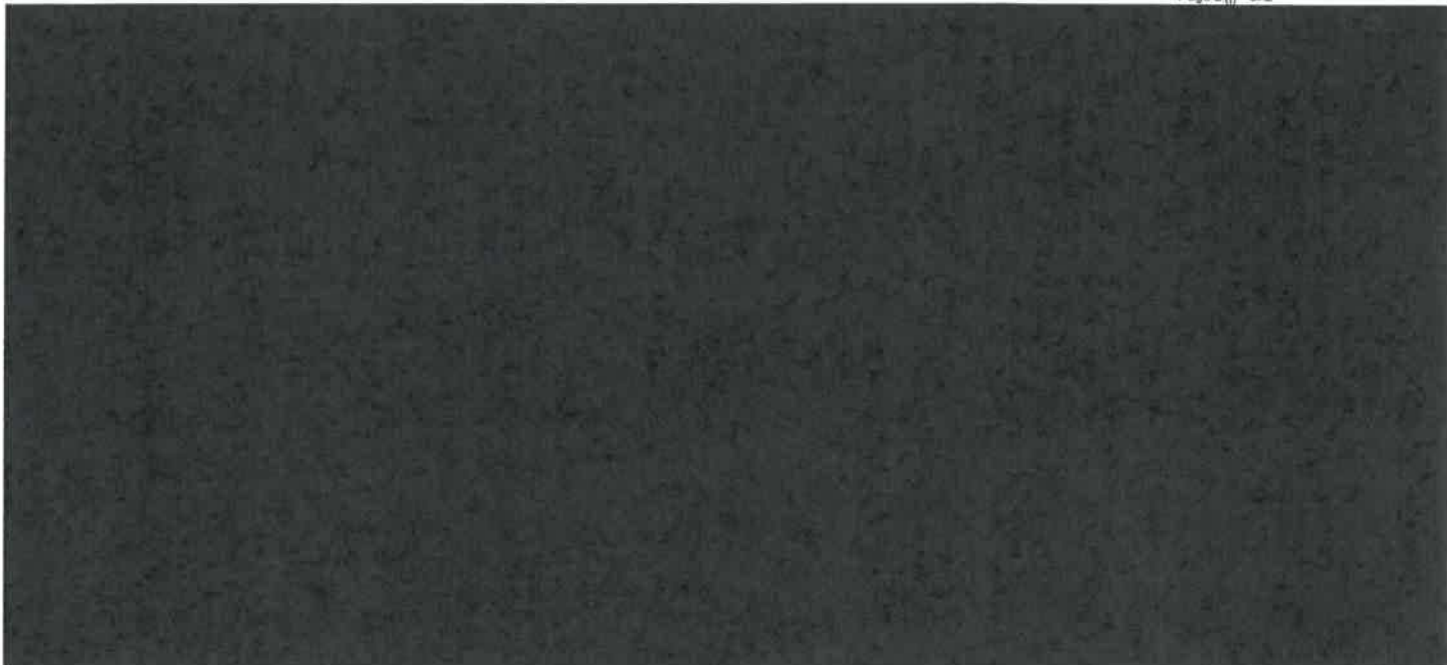
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Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Vehicle & Fuel	96	0	401	23,366	13	0	23,876
2	Less: Non-Incremental Costs	0	0	354	3,970	0	0	4,324
3	Less : Capitalized Costs	0	0	0	0	0	0	0
4	Co. Requested Vehicle & Fuel	96	0	47	19,396	13	0	19,552
5	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
6	Retail Recoverable Cost Per Co.	91	0	42	19,394	13	0	19,540
7	Co. Rev. Vehicle & Fuel Costs	96	0	401	23,366	13	0	23,876
8	Non-Incremental Costs	0	0	(354)	(3,970)	0	0	(4,324)
9	Capitalized Costs	0	0	0	0	0	0	0
10	Vehicle & Fuel Costs	96	0	47	19,396	13	0	19,552
11	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
12	Retail Costs Per OPC	91	0	42	19,394	13	0	19,540
13	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	0	0	0	0

Source: Lines 1, 2, 3, 4 and 5 are from Company Exhibit KF-2.

Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Materials & Supplies	542	1,357	7,384	35,181	628	214	45,306
2	Less: Non-Incremental Costs	0	0	0	0	0	0	0
3	Less : Capitalized Costs	0	0	6,538	21,632	22	204	28,396
4	Co. Requested Mat. & Supplies	542	1,357	846	13,549	606	10	16,910
5	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
6	Retail Recoverable Cost Per Co.	516	1,267	764	13,548	587	10	16,691
7	Co. Materials & Supplies	542	1,357	7,384	35,181	628	214	45,306
8	Non-Incremental Costs	0	0	0	0	0	0	0
9	Capitalized Costs	0	0	(6,538)	(21,632)	(22)	(204)	(28,396)
10	Materials & Supplies	542	1,357	846	13,549	606	10	16,910
11	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
12	Retail Costs Per OPC	516	1,267	764	13,548	587	10	16,691
13	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	0	0	0	0

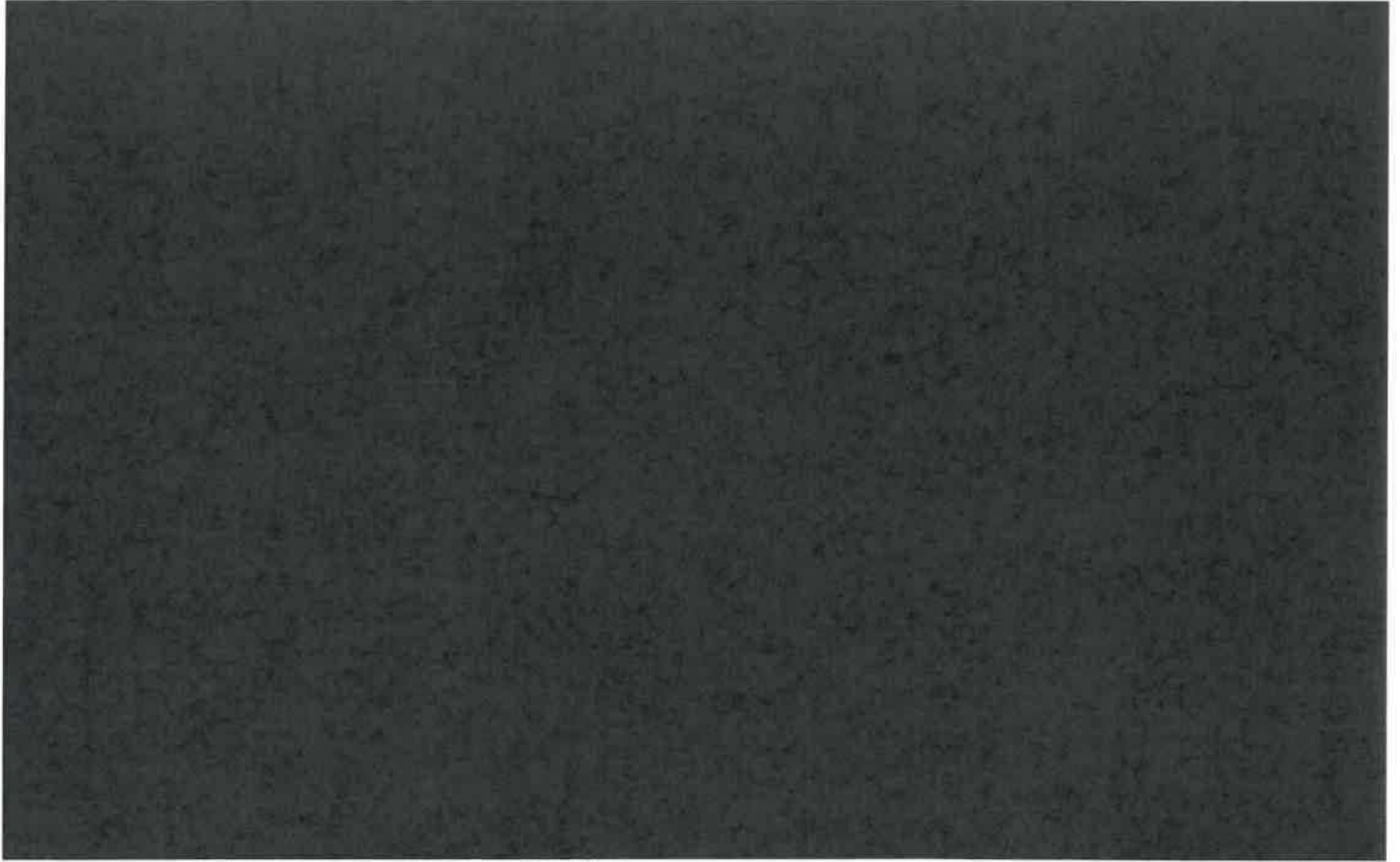
Source: Lines 1, 2,3, 4 and 5 are from Company Exhibit KF-2, Page 1 of 2.

Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Logistics	21	213	798	271,303	144	517	272,996
2	Less: Non-Incremental Costs	0	0	0	0	0	0	0
3	Less : Capitalized Costs	0	0	0	0	0	0	0
4	Company Reported Logistics	21	213	798	271,303	144	517	272,996
5	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
6	Retail Recoverable Cost Per Co.	20	199	720	271,276	139	517	272,872
7	Company Logistics	21	213	798	271,303	144	517	272,996
8	Unjustified	0	0	0	(26,041)	0	0	(26,041)
9	Capitalized Costs	0	0	0	0	0	0	0
10	Logistics Cost	21	213	798	245,262	144	517	246,955
11	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
12	Retail Costs Per OPC	20	199	720	245,237	139	517	246,833
13	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	(26,039)	0	0	(26,039)

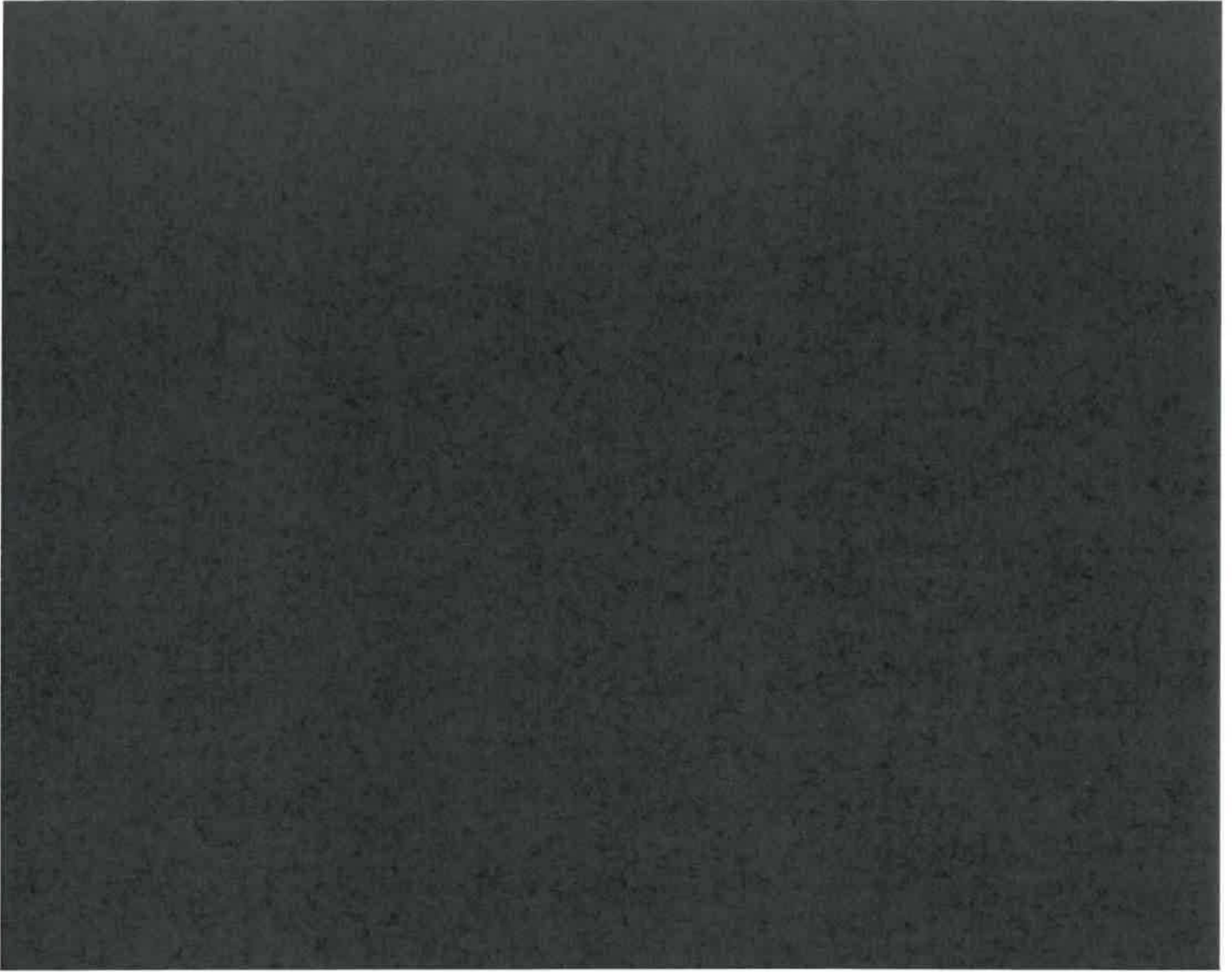
Source: Lines 1, 2,3, 4 and 5 are from Company Exhibit KF-2, Page 1 of 2.

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Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Other	190	225	1,018	4,971	7,755	1,657	15,816
2	Less : Capitalized Costs	0	0	(47)	(874)	0	0	(921)
3	Less: Non-Incremental Costs	0	0	0	(244)	(811)	(123)	(1,178)
4	Rounding							1
5	Co. Subtotal Other	190	225	971	3,853	6,944	1,534	13,718
6	Thank You Adds					(822)		(822)
7	Company Reported Other	190	225	971	3,853	6,122	1,534	12,896
8	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
9	Retail Recoverable Cost Per Co.	181	210	877	3,853	5,927	1,534	12,581
10	Co. Revised Other	190	225	971	3,853	6,122	1,534	12,896
11	Non-Incremental Costs							0
12	Capitalized Costs	0	0	0	0		0	0
13	Other Costs	190	225	971	3,853	6,122	1,534	12,896
14	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
15	Retail Costs Per OPC	181	210	877	3,853	5,927	1,534	12,581
16	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	0	0	0	0

Source: Lines 1,2 and 3 are from Company Exhibit KF-2.

Line No.	Description	Steam & Other	Nuclear	Trans.	Distribution	General	Customer Service	Total
1	Capitalizable Costs	0	6,300	12,554	85,839	230	204	105,127
2						0	0	0
3						0	0	0
4	Co. Capital Costs	0	6,300	12,554	85,839	230	204	105,127
5	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
6	Retail Capital Cost Per Co.	0	5,881	11,334	85,830	223	204	103,472
7	Co. Capital Costs	0	6,300	12,554	85,839	230	204	105,127
8	Payroll Adjustment	232	552	369	4,714	466	378	6,710
9	Contractor Adjustment	0	0	0	278,754	0	0	278,754
10	OPC Capital Costs	232	6,852	12,923	369,307	696	582	390,591
11	Total Capital Cost Adjustment	232	552	369	283,468	466	378	285,464
12	Jurisdictional Factor	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
13	Retail Capital Cost Per OPC.	221	515	333	283,440	451	378	285,337

Source: Line 1 is from Company Exhibit KF-2



**EXHIBIT B**

**Exhibit HWS - 3 is confidential in its entirety**