Gulf Power®

November 15, 2019

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

RE: Docket No. 20190038-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael by Gulf Power Company

Dear Mr. Teitzman:

Attached for electronic filing in the above mentioned docket is Gulf Power Company's Petition for Approval of Final/Actual Storm Restoration Costs and Associated True-Up Process Related to Hurricane Michael, and the related testimony and exhibits of Paul Talley, Mitchell Goldstein, Tracy Clark and Shane Boyett.

Sincerely,

C. Shane Boyett

C. Shane Boyett
Regulatory, Forecasting and Pricing Manager

md
Attachments

cc: Gulf Power Company
Russell Badders, Esq., VP & Associate General Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Gulf Power Company for Limited Proceeding for Recovery of Incremental Storm Restoration Costs Related to Hurricane Michael	Docket No. 20190038-EI Filed: November 15, 2019

PETITION BY GULF POWER COMPANY FOR APPROVAL OF FINAL/ACTUAL STORM RESTORATION COSTS AND ASSOCIATED TRUE-UP PROCESS RELATED TO HURRICANE MICHAEL

Gulf Power Company ("Gulf Power" "Gulf" or the "Company"), pursuant to Section 366.076(1), Florida Statutes, Rules 25-6.0143 and 25-6.0431, Florida Administrative Code ("F.A.C."), Order No. PSC-2019-0221-PCO-EI, and the Stipulation and Settlement Agreement approved by the Florida Public Service Commission ("Commission") in Order No. PSC-17-0178-S-EI (the "Stipulation and Settlement"), hereby files this petition (the "Petition") requesting approval of: (i) the final/actual Recoverable Storm Amount of $295.7 million; (ii) the Proposed Storm Restoration Recovery Surcharges; (iii) the Company's Proposed Recovery Period; and (iv) the Company's proposed process for determining a one-time true-up to be applied to customer bills once the approved Recoverable Storm Amount and the actual revenues collected through the end of the Proposed Recovery Period are known. In support of the Petition, Gulf Power states as follows:

1. The name and address of the Petitioner is:

   Gulf Power Company
   One Energy Place
   Pensacola, FL 32520

Any pleading, motion, notice, order or other document required to be served upon the petitioner or filed by any party to this proceeding should be served upon the following individuals:

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2. The Commission has jurisdiction pursuant to Sections 366.04, 366.05, 366.06 and 366.076, Florida Statutes, and Rules 25-6.0143 and 25-6.0431, F.A.C.

3. Gulf Power is a corporation organized and existing under the laws of the State of Florida and is an electric utility as defined in Section 366.02(2), Florida Statutes.

4. This Petition is being filed consistent with Rule 28-106.201, F.A.C. The agency affected is the Commission, located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed

action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f) and (g) of subsection (2) of that rule are not applicable to this Petition. In compliance with subparagraph (d), Gulf states that it is not aware at this time whether there will be any disputed issues of material fact in this proceeding.

BACKGROUND AND OVERVIEW

5. On February 6, 2019, Gulf Power filed a petition for a limited proceeding, initially to approve an Interim Storm Restoration Recovery Charge that was intended to collect $342 million over an approximately 60-month period from customers as the Recoverable Storm Amount relating to Hurricane Michael. By Order No. PSC-2019-0221-PCO-EI, issued June 3, 2019, the Commission approved Gulf Power's proposed Interim Storm Restoration Cost Recovery Charge. The Order further provided on page 4 that "this docket shall remain open pending final reconciliation of actual recoverable Hurricane Michael storm costs with the amount collected pursuant to the interim storm restoration recovery charge, and the calculation of a refund or additional charge if warranted."

6. Gulf Power is filing with this Petition the pre-filed testimony and exhibits of Gulf witnesses Mitchell Goldstein, Paul Talley, Tracy Clark and Shane Boyett, which, among other things: 1) establish that the final/actual Recoverable Storm Amount is $295.7 million; 2) demonstrate that these costs were prudently incurred; 3) demonstrate that Gulf Power accounted for these costs in accordance with the Incremental Cost and Capitalization Approach ("ICCA") in Rule 25-6.0143, F.A.C.; 4) set forth the estimated duration of the Proposed Recovery Period; 5) develop new Proposed Storm Restoration Recovery Surcharges; and 6) propose a process for determining a one-time true-up to be applied to customer bills once the approved Recoverable

Storm Amount and the actual revenues collected through the end of the Proposed Recovery Period are known.

GULF POWER'S HURRICANE MICHAEL STORM RESTORATION PROCESS

7. Hurricane Michael intensified rapidly from a mere disturbance into a ferocious Category 5[1] hurricane that ravaged the Northwest Florida Gulf Coast on October 10, 2018, before cutting a devastatingly destructive path northward through Northwest Florida and beyond. The storm was the third strongest (in terms of barometric pressure) and fourth strongest (in terms of wind speed) to make landfall in the continental U.S. It was the strongest storm to ever make landfall in Northwest Florida.

8. On Friday, October 5, 2018, at 10:00 a.m., Gulf Power received the first weather alert associated with the tropical disturbance that was to become Hurricane Michael. That afternoon, Gulf Power had its first of multiple Corporate Emergency Management Center ("CEMC") calls with leadership to discuss preparation and plans for the following week. The Company continued to closely monitor the storm over the weekend. On Monday, October 8, 2018, the Company began securing outside resources to support possible restoration efforts and accelerated internal preparations for the storm. On Tuesday, October 9, 2018, the Gulf Power CEMC and the entire corporation went into full emergency operations mode with the complete activation of the CEMC at 7:00 a.m. Preparations continued throughout the day. The Company secured resources, infrastructure and facilities, evacuated employees, moved equipment and materials, planned for staging sites and logistics, activated fueling contracts, and addressed other necessities for a major restoration effort.

[1] At the time Gulf filed its initial petition in this proceeding, official reports listed Michael as a high-end Category 4 storm. In the intervening months, the storm was reclassified as a Category 5 hurricane.

9. By the end of the day on October 9, 2018, Gulf had assembled a workforce of approximately 3,200 transmission, distribution, vegetation management and support personnel. Many of these workers were pre-staged in Pensacola, while others were pre-staged outside of the Florida panhandle. Additional restoration and support personnel were en route to the area for arrival Wednesday evening, October 10, when the storm was expected to move through the area. To respond to Hurricane Michael, Gulf ultimately coordinated approximately 8,000 restoration personnel (approximately 1,000 Gulf employees and 7,000 external resources) – the largest restoration workforce that the Company has ever assembled. External resources came from 15 different states and Canada. To support these resources and facilitate the restoration effort, Gulf established eight staging sites, seven of them in Bay County, including one site that was not part of initial preparation plans and was constructed a week into the restoration effort to facilitate the construction resources that were needed to support the rebuilding efforts in the hardest hit area of Panama City. The rebuilding of this area, from the ground up in many cases, was extensive compared to the typical restoration work that was encountered in other areas across the system.

10. Gulf witness Talley's pre-filed direct testimony provides a detailed overview of the storm-related preparedness plans and restoration processes used before, during and after Hurricane Michael. He also provides details regarding the extensive amount of Transmission and Distribution ("T&D") restoration work that was performed and the actual costs incurred to perform this work.

CALCULATION OF ACTUAL RECOVERABLE STORM AMOUNT AND GULF POWER'S STORM ACCOUNTING PROCESSES AND CONTROLS

11. As detailed in Gulf witness Goldstein's pre-filed direct testimony, Gulf's actual Recoverable Storm Amount totals $295.7 million and was calculated in strict accordance with the ICCA methodology required by Rule 25-6.0143, F.A.C. Mr. Goldstein's testimony further

demonstrates that Gulf's control processes ensure proper storm accounting and ratemaking and that the actual Recoverable Storm Amount was calculated in accordance with the Stipulation and Settlement.

12. Gulf witness Clark's pre-filed direct testimony provides a detailed overview of the Company's process for reviewing, approving, and where appropriate, adjusting or rejecting vendor invoices related to Gulf's post-Hurricane Michael restoration efforts. Ms. Clark's testimony establishes that Gulf followed a robust and comprehensive invoice review process that ultimately resulted in a line-by-line review of approximately 4,500 individual invoices and cost reductions totaling more than $6.6 million. This cost reduction amount represents less than 2 percent of reviewed invoices and demonstrates that Gulf managed its vendors and the restoration process in such a way as to largely eliminate any charges that had to be adjusted or rejected.

CALCULATION OF PROPOSED STORM RESTORATION RECOVERY SURCHARGES AND DETERMINATION AND IMPLEMENTATION OF TRUE-UP

13. Gulf witness Boyett's pre-filed direct testimony presents new Proposed Storm Restoration Recovery Surcharges ("Proposed Storm Charges"), which are based upon updated cost allocations that reflect actual costs incurred by the Company. As discussed by Mr. Boyett, Gulf is proposing to maintain the residential surcharge at the current interim surcharge level of 0.8 cents per kilowatt-hour ("kWh"), or $8 per 1,000 kWh, and adjust the current interim storm charge for the other rate classes. As was true of the interim surcharge, the $8 target rate level for the residential rate class was selected to strike a fair balance between mitigating rate impact to customers and timely recovery of costs. Gulf submits that the Proposed Storm Charges remain in effect for a total of approximately 53 months, inclusive of the interim surcharge period, beginning in July 2019 and ending in November 2023 ("Proposed Recovery Period").

14. No fewer than 90 days prior to the date Gulf expects to replenish the storm reserve to $40,808,000 ("Storm Reserve Replenishment Amount")[2], Gulf will make a compliance filing with the Commission to provide notice of its intent to terminate the Proposed Storm Charges. Within 45 days after the Proposed Storm Charges expire, the Company will compare the final Recoverable Storm Amount approved for recovery by the Commission to actual revenues received from the Interim Storm Charge and Proposed Storm Charges in order to determine any excess or shortfall in recovery. Gulf will calculate final true-up rates and file with the Commission for approval to apply final true-up rates to customer bills for a one-month period in order to refund the excess or collect the shortfall. The final true-up rates will be designed in a manner that is consistent with methods ultimately approved by the Commission in this docket. Gulf will apply the true-up rates to customer bills starting on Cycle 1 of the first month that is more than 30 days after the date of Commission approval.

CONCLUSION

15. Wherefore, Gulf Power respectfully requests that the Commission: (i) determine that Gulf's actual Recoverable Storm Amount of $295.7 million was prudently incurred; (ii) approve the Company's Proposed Storm Restoration Recovery Surcharges; (iii) approve the Company's Proposed Recovery Period; and (iv) approve the Company's proposed process for determining a one-time true-up to be applied to customer bills once the approved Recoverable Storm Amount and the actual revenues collected through the end of the Proposed Recovery Period are known.

[2] Paragraph 7(a) of the Stipulation and Settlement allows the Company to replenish its storm reserve to the level that existed as of December 31, 2016. Gulf's storm reserve level as of December 31, 2016 equaled $40,808,000.

Respectfully submitted this 15th day of November, 2019.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF PAUL A. TALLEY

DOCKET NO. 20190038-EI

NOVEMBER 15, 2019

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Paul A. Talley. My business address is Gulf Power Company, One Energy Place, Pensacola, Florida, 32520.

Q. By whom are you employed and what is your position?

A. I am employed by Gulf Power Company ("Gulf" or the "Company") as the Manager of Technical Services in the Power Delivery organization.

Q. Please describe your duties and responsibilities in that position.

A. As Manager of Technical Services, I am responsible for the support functions and applications associated with operations of the transmission and distribution ("T&D") electric grid. In this capacity, I am responsible for Gulf's emergency preparedness and the overall coordination of the Company's restoration activities for major events, ensuring the restoration of electric service to customers safely and as quickly as possible.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Electrical Engineering from Auburn University. I joined Gulf in 1991, and I have over 28 years of technical and managerial experience in a variety of positions within Distribution, Transmission, and the Marketing organizations. Since 2016, I have been responsible for Gulf's emergency preparedness. In this capacity, I have overseen the Company's storm drill creation and execution, employee storm duty assignments, and storm training; coordinated the Company's response to major events affecting its service area; and provided

oversight for Company personnel involved in mutual assistance restoration efforts for other utilities.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- PAT-1 – Weather Advisory 1 – Hurricane Michael
- PAT-2 – Weather Advisory 8 – Hurricane Michael
- PAT-3 – Weather Advisory 21 – Hurricane Michael
- PAT-4 – Satellite Image of Hurricane Michael
- PAT-5 – Estimated Restoration Time Map
- PAT-6 – Gulf Power T&D Hurricane Michael Restoration Cost

Q. What is the purpose of your testimony?

A. The purpose of my testimony is threefold. First, I will provide an overview of Gulf's emergency preparedness and restoration process. Next, I will describe the details of the work completed and costs incurred by Gulf's T&D organization in connection with Hurricane Michael. Specifically, I will explain Gulf's Hurricane Michael storm preparations prior to the storm making landfall; the intense response and restoration efforts that commenced as soon as storm conditions subsided enough to allow work to be done safely; and the follow-up activities that continued past the initial restoration period that were essential to restoring Gulf's facilities to their pre-storm condition. Finally, I will discuss Gulf's highly successful performance in restoring service to customers who experienced outages due to Hurricane Michael, one of the most destructive storms to make landfall in the continental United States and the only Category 5 hurricane to ever make landfall

in the panhandle of Florida. In covering these three areas, my testimony will support both the prudence of Gulf's activities associated with the restoration process and the reasonableness of the Hurricane Michael T&D restoration costs.

II. GULF POWER'S EMERGENCY PREPAREDNESS PLAN & RESTORATION PROCESS

Q. What is the objective of Gulf's emergency preparedness plan and restoration process?

A. The primary objective of Gulf's emergency preparedness plan and restoration process is to safely restore critical infrastructure and the greatest number of customers in the least amount of time so that the customers and the communities we serve can begin their recovery process and bring some normalcy to their lives.

Q. Describe generally how Gulf approaches this objective.

A. This objective is achieved by extensive planning, training, and working within the framework of Gulf's well-established and proven restoration process. This approach has allowed Gulf to be flexible and effective over the years, enabling the Company to scale and change its response based on the many variables that each storm event presents. Gulf's emergency preparedness plan incorporates annual process reviews for each area, includes lessons learned for on-system events and when providing off system or mutual assistance support to other utilities, implements new technologies, and provides employee training to ensure they are prepared to perform their storm role when needed.

While Gulf's processes are in place to manage and mitigate the cost of restoration, which includes actions taken prior to a storm event, the objective of safely restoring electric service as quickly as possible cannot, by definition, be pursued as a "least cost" process. Said another way, restoration of electric service at the lowest possible cost will not result in the most rapid restoration.

Q. What are the key components of Gulf's emergency preparedness plan?

A. Gulf's emergency preparedness plan is the product of many years of planning, development, and refinement. Moreover, it incorporates historical experience, including knowledge and efficiencies gained from assisting other utilities in the mutual aid process, and adopts best practices from across the industry. Key components of the plan include:

- Disaster response policies and procedures;
- Scalable internal organizational structures based on the required response;
- Timelines for specific activities;
- Mutual assistance agreements and vendor contracts and commitments in place;
- Plans and logistics for staging sites;
- Communication plans for customers, employees, community leaders, Emergency Operations Centers ("EOC"), state officials and regulators, including the Florida Public Service Commission ("Commission");
- A centralized Corporate Emergency Management Center ("CEMC" or "Command Center") established to coordinate and manage all aspects of an emergency response;

- Checklists and conference call agendas focused on situational awareness;
- Damage assessment collection and communication including field and aerial patrols; and
- Systems to support the outage management process and customer communications.

Gulf's emergency plan is comprehensive and flexible, giving the Company the ability to facilitate a prompt and effective response to unique emergency situations, in order to restore electric service safely and as quickly as possible.

Q. Does Gulf regularly update its plan?

A. Yes. As stated above, prior to storm season each year, Gulf reviews and updates its emergency preparedness plan. This starts with a review and update involving the emergency preparedness plan by the Command Center leadership team to ensure staffing and critical personnel assignment roles are filled. Within the different support areas, key components are reviewed such as logistics support and preparations, customer communications plan, and telecommunication and computer infrastructure readiness. In many cases, employees assume emergency preparedness roles that differ from their daily responsibilities, and an annual review ensures they are capable and trained well in advance to respond to any type of event. An additional aspect of the annual review is to ensure that any best practices and lessons learned from the previous year's training, drills, and actual responses are memorialized within the Company's plan.

Q. What else does Gulf do to prepare for each storm season?

A. Gulf's Supply Chain organization increases inventory of critical restoration items, and creates material "storm kits" that can be rapidly deployed to affected areas in order to begin the restoration process.

The logistics team ensures that staging sites are available, and works with property owners to renew agreements for the use of these sites. Services for parking, food, laundry, medical, hotel coordination, and other large housing accommodations are all reviewed with contractors and vendors to ensure contracts and agreements are in place.

It is important to ensure availability and on-time delivery of these critical items and services. This thorough planning and preparation, well-in-advance of hurricane season, provides the foundation for a safe and rapid restoration process, when needed.

Q. Does Gulf regularly test its emergency preparedness plan?

A. Yes. Each year, prior to the start of hurricane season, as part of Gulf's culture of preparedness, the emergency preparedness plan is tested by conducting several drills. Because many different types of events, not only named tropical storms, could cause a major interruption of electric service, Gulf's emergency preparedness plan is built to respond to a variety of potential service interruptions, and accordingly, its annual drills have taken on many forms over the years. Given that the most likely source of interruption is a hurricane, the drill's most common

approach is to simulate a hurricane impacting Gulf's service area so that Company personnel can practice their storm roles. The drills are designed to provide a realistic and challenging scenario that requires personnel to react to situations and practice functions not generally performed during normal operations. These events are typically full-scale scenarios that require participation by employees and leadership representing every business unit in the Company, as well as optional participation from external organizations and media representatives. Preparation for the drills begins early in the year in order to create a scenario that is engaging and effective for testing purposes. Gulf holds scheduled Command Center calls leading up to the drill to replicate what occurs during the lead up to an actual storm event. Additionally, the Power Delivery organization typically conducts several internal training sessions and simulations leading up to the drill to ensure teams are ready to respond. The drill itself puts leadership and employees in the field to review substation procedures and conduct simulated damage assessments for resource acquisition and management. It also includes engagement with customer service, accounting, communications, information technologies, and every aspect of business continuity and operations, including plants, transmission, and distribution. In addition to the company-wide drill, many Command Center teams conduct exercises within their area. They may even participate with external organizations such as county or state EOCs as part of those organizational exercises. All of this training is conducted during the course of ordinary business. The costs of these activities are not charged to storm costs; therefore, they are not part of the evaluation of costs the Commission is conducting in this proceeding.

Q. How does Gulf respond when a storm threatens its service area?

A. Gulf responds by implementing its thoroughly vetted plans well in advance of a forecasted impact. When weather systems develop in the Atlantic Ocean or Gulf of Mexico, Gulf begins monitoring and consulting available weather resources for the latest information and storm forecast. The Gulf Command Center, which is the centralized leadership and decision making organization during a restoration event, begins working with their teams on preliminary preparations for addressing internal and external resource requirements, logistics needs, and system operation conditions. At regular intervals, the Command Center initiates conference calls for the leadership team to ensure there are no exceptions or barriers to preparation plans and to make sure everyone has the latest event information for their team. The Command Center will be activated and all Company personnel alerted once damage to the Gulf system is expected to occur within reasonable certainty. The Command Center will then finalize staffing plans, forecast resource requirements, develop initial restoration plans, and identify available resources from mutual assistance utilities and contract services. If the storm continues to progress in a manner that will impact Gulf's system, the Company continues to activate plans to acquire and move resources toward the Florida panhandle, set staging site and vendor commitments in motion, dispatch personnel to state and county EOCs, and continue outreach to customers, media outlets, and community leaders regarding preparations and the restoration process. All of these actions are taken to ensure that restoration activities can begin as soon as crews can safely return to work.

Q. Has Gulf had previous opportunities to execute its emergency preparedness plan and overall restoration process?

A. Yes. Over the years, Gulf has had several opportunities to activate its emergency preparedness plan, all of which have added to the continual improvement and refinement of the plan described above. In 2017, Hurricane Nate affected portions of the panhandle and required a partial activation of the Command Center. In September of 2018, there was another partial activation of the Command Center in response to the effects of Tropical Storm Gordon. The 2018 full activation of the Command Center for the Hurricane Michael response was the first full activation since Hurricane Katrina during the 2005 storm season. Other partial activations of the Command Center include Ice Storm Leon in January 2014, the flood event of April 2014, and the back-to-back tornadoes in February 2016.

Q. Did Gulf implement improvements to its emergency preparedness plans and restoration process based on its experiences from these recent storms?

A. Yes. Every restoration event is different, and each event presents opportunities to learn and continue to refine our processes and planning. Even though 13 years had passed between Gulf's last full activation for a live event and Hurricane Michael, every partial activation was an important opportunity to train employees and build experience within the team.

Q. How does Gulf ensure the emergency preparedness plan and restoration process are consistently followed for any given storm experience?

A. Gulf maintains standards in the training and in work site management that ensure consistency across the system for organization, work preparations, damage

assessment, and crew management. Storm plan requirements are documented in a variety of manuals and training materials, job aides, checklists, and detailed instructions. System data and restoration progress is continually monitored through the storm and recovery period. During restoration, Gulf conducts multiple daily calls among personnel stationed in the Command Center and in each business unit to ensure consistency and progress. These calls include a focus on barriers, issues, exceptions within the process, and solutions to address these issues. In addition, the Command Center personnel routinely conduct field visits once restoration has begun to validate restoration progress, assess remote work sites, and identify any adjustments that may be required. With that said, Gulf's emergency preparedness plan was created as a framework that allows for some flexibility by decision makers in the Command Center and the field to adapt to the ever changing situations associated with restoration work, meet the needs of their team, and respond efficiently. Every storm situation is different, which requires the team to stay within the framework of the plan while at the same time being efficient and creative.

Q. How does Gulf assess its workload requirements?

A. Gulf uses historical responses to similar events, team experience to both on-system and off-system events, and the framework of the emergency preparedness plan to make initial damage predictions and preliminary workload requirements. As soon as storm conditions subside enough to allow work to be done safely, initial assessments are made of the damaged area, using both aerial and field patrols. This is combined with customer outage information from Gulf's outage management

system. The restoration plan is continually adjusted based on available resources, the location of those resources, and the timing of potential releases from other utilities that may be completing restoration activities or are able to provide resources once they are in the clear from possible storm impact.

Q. How does Gulf acquire resources as a storm approaches with a probability that it will impact the Company's service area?

A. Gulf begins to acquire and assess available resources through three parallel paths: (1) available contractors and company resources within affiliate companies; (2) select contractors with which Gulf has established contracts and experience; and (3) utilization of formalized industry processes to request mutual assistance resources as a member of the Southeastern Electric Exchange ("SEE") and Edison Electric Institute ("EEI"). As storm track certainty and forecast intensity continue to validate a direct impact on Gulf's system, Gulf begins to financially commit to acquire necessary resources and request that travel to or near the Florida panhandle commence. Resource needs are continually reviewed and revised based on the storm's forecasted path, intensity, and damage estimates.

Q. Please provide detail on how Gulf acquires additional resources.

A. As I described above, an important component of each restoration effort is Gulf 's ability to scale and adjust resources to match the anticipated workload. This effort includes acquiring external contractors and mutual assistance from affiliate companies, other utilities, within (e.g., other Florida investor-owned, municipal, and cooperative utilities) and outside the State of Florida. Gulf is a founding member and active participant of the SEE Mutual Assistance Group. While this

group is a non-binding entity, it provides Gulf and other members with guidelines on how to request and obtain assistance from a group of approximately 60 utilities, primarily located in the southern and eastern United States. The guidelines require reimbursement for direct costs of all payroll and other expenses, including roundtrip travel cost (i.e., mobilization/demobilization), when providing mutual aid in times of an emergency. In addition, Gulf participates with EEI and the National Response Event organization to gain access to other utilities with similar mutual assistance agreements. Resource requests may include line crews (T&D), vegetation management crews, assessment personnel, crew supervision, logistics support, material-handling personnel and, in some cases, management support.

Q. How does Gulf take cost into account when acquiring resources for storm restoration?

A. As indicated earlier, while a rapid and safe restoration of electrical service is the primary objective in the aftermath of a major weather event, achieving that objective may not allow for the least overall cost of restoration. With that being said, Gulf is mindful of cost when acquiring resources. Preparation prior to storm season includes negotiating contracts with vendors, which include line contractors, tree trimming contractors, logistics, environmental, and other contractors. Many of these contractors are those used by Gulf during normal operations. For line and tree trimming contractors, Gulf similarly endeavors to acquire additional resources through vendors with whom we have existing contracts and experience or through affiliate companies. This process allows the Company to base acquisitions of resources on a low-to-high cost model. Gulf also endeavors to release resources

following restoration in a reverse cost order, subject to the overriding objective of quickest restoration time and related considerations. Gulf is mindful of travel distance and time when procuring storm restoration resources, as longer distances require increased drive time and can result in higher mobilization/demobilization costs. Final contractor and mutual assistance resource decisions take into consideration the number, availability, team makeup, relative labor cost, and travel distance of available resources, along with projected restoration times to restore electric service to customers.

Q. In a storm event like Hurricane Michael, is there often competition for resources as other utilities also prepare for potential impact?

A. Yes. As multiple utilities are facing impact from a single event, this creates a higher demand for resources in a given area and can cause a company to extend their reach and potentially increase cost to gain the required resources. With all aspects of a restoration event, there has to be flexibility within the plan to adapt and successfully achieve the primary objective of a safe and rapid restoration response for the customer.

Q. Describe Gulf's plan for the deployment and management of the incoming external resources.

A. The deployment and movement of resources are coordinated through the Command Center, utilizing a resource management tool, outage management system data, and information from the field. The information from these areas is combined to monitor the execution of the restoration plan. Daily management of the crews is performed by the field operations organization. Daily analysis of workload

execution and restoration progress at the operating center level permits the dynamic management of resources. This high degree of flexibility and mobility in allocating and deploying resources in response to changing conditions and requirements allows the field management team to be successful. Experienced management teams along with well-trained Substation Team Leaders create the core model for the efficient oversight of field work. During the course of event preparations and restoration, decisions on specific resource acquisition, staging site locations and activation, and work prioritization are made based on the best information available at that time.

Q. What controls are in place for the acquisition of resources?

A. Gulf has a centralized process within the Command Center for the acquisition of all external resources. Acquisition is based on approved targets set by Power Delivery and Command Center leadership teams and reported out during all Power Delivery and Command Center conference calls.

Q. What processes and controls are in place to ensure the proper accounting of the work performed by these resources and their time?

A. External resources are processed through a "check-in" site to insure that team rosters and information is correct and verified in the resource management system. Once in the system, the Command Center assigns resources to an operation manager and a subsequent Substation Team Leader, who is responsible for managing the daily work for that team until they are released back to the Command Center for redeployment or release, which is tracked in the resource management

system. Timesheets are verified as part of the invoice review process, as described in Gulf witness Clark's testimony.

Q. What logistics, logistics support personnel, and activities are required to support the overall restoration effort?

A. The logistics functions are key to a successful restoration effort. Ensuring that basic needs and supplies are adequate and available to the thousands of restoration personnel involved is critical. These functions include, but are not limited to, the acquisition, preparation, and coordination of: staging sites, environmental services, salvage, lodging, laundry, transportation, meals, ice and water, basic facilities, light towers, generators, portable toilets, security guards, communications, fuel delivery, medical, and construction materials. Agreements with primary vendors are in place well before storm season as part of Gulf's emergency preparedness plan. Gulf employees from across the Company staff many of the logistics roles and provide oversight during an active restoration. Most of these employees are pre-identified, trained and assigned to teams to provide site logistics management and support for the restoration effort. Gulf contracts with multiple vendors to provide additional logistics resources for larger restoration efforts that exceed internal support capabilities.

Q. Does Gulf have controls in place to ensure that necessary items for logistics are procured and appropriately accounted for?

A. Yes. Gulf's logistics function is responsible for overseeing and coordinating the procurement of resources required to operate a staging site. The logistics leadership and support team ensures that each staging site's resource requirements

are initially procured and received. The team provides guidance and assistance to help ensure active financial controls are in effect during the restoration event. These points are discussed in more detail by Gulf witness Goldstein.

III. HURRICANE MICHAEL

Q. Please provide an overview of Hurricane Michael and how it impacted Gulf and Gulf's customers.

A. On Friday, October 5, 2018, at 10:00 am, Gulf received the first weather alert associated with Disturbance 47 from the Company's meteorological service, Exhibit PAT-1. The disturbance was located 340 miles southeast of Cozumel, Mexico, and it was expected to strengthen to a Tropical Storm that would make landfall in the Mobile, Alabama, area on Wednesday, October 10th, with sustained winds of 45 mph. If the forecast held, Gulf's Western District would be on the east side of the storm and receive high winds and significant rainfall.

By Sunday morning, October 7th, the forecast changed, and the latest models were predicting a Category 1 Hurricane impacting the Destin, Florida area within Gulf's Central District. The forecast was for 80 mph sustained winds, and maximum gusts of 105 mph at the time the storm would make landfall, Exhibit PAT-2. At 1:00 pm on October 7th, Governor Rick Scott declared a State of Emergency for the counties in the panhandle of Florida.

On Tuesday, October 9th, the forecast continued to shift eastward with a potential impact expected in the Bay County area, which includes Panama City, the operations center for Gulf's Eastern District. As the storm forecast shifted toward Panama City, the intensity of the storm continued to increase as the now-named storm, Hurricane Michael, was predicted to make landfall as a powerful Category 3 major hurricane.

On Wednesday, October 10th, Hurricane Michael made landfall 20 miles southeast of Panama City as a Category 5 hurricane with sustained winds of 160 mph, an increase from the morning forecast, Exhibit PAT-3, as the storm continued to strengthen. At a pressure of 919 millibars, Hurricane Michael ranks as the third strongest storm to ever make landfall in the continental United States. When measured by wind speed, Hurricane Michael is currently the fourth strongest storm to make landfall in the continental United States. Moreover, as a Category 5 storm, Hurricane Michael was the strongest storm to ever make landfall in the panhandle. Hurricane-force winds extended 45 miles from the eye, and tropical storm force winds extended 175 miles from the storm center. As can be seen in the satellite view depicted in Exhibit PAT-4, Hurricane Michael's strong weather bands and wind fields covered the entire Gulf system.

Hurricane Michael battered Bay County and the surrounding area for hours. As the storm crossed the panhandle of Florida and moved into Alabama and Georgia, the storm was still a major hurricane as a Category 3 storm.

Hurricane Michael was a devastating and extremely destructive storm. It damaged trees, destroyed homes and businesses, created widespread power outages across the entire Gulf service area with major damage to the Company's T&D system. Communications of all types were virtually eliminated into and out of the Bay County area, including emergency and 911 services. Hurricane Michael was devastating to the people and communities in the panhandle at a level that had never been experienced in this area.

IV. GULF'S RESPONSE

Q. How did Gulf initially respond to prepare for the potential impacts of Hurricane Michael?

A. As I mentioned previously, Gulf's first notification of Disturbance 47 occurred at 10:00 am, on October 5, 2018, when the storm was 340 miles southeast of Cozumel, Mexico. At 1:00 pm that same afternoon, the emergency preparedness team hosted the first Command Center call for initial preparations and planning for the following week. The storm was monitored throughout the weekend by the emergency preparedness team and leadership. When the Sunday morning forecast on October 7th moved the storm path toward the east with the potential to impact Destin, Florida, as a Category 1 hurricane, the second call was scheduled for that afternoon. It was critical that the Command Center leadership team understood the potential impact of 80 mph winds and storm surge on the system. It was also critical that storm response teams began preparations first thing Monday morning,

October 8. Governor Scott's declaration of a State of Emergency for the panhandle on October 7th elevated the community response as well.

On Monday, October 8th, Gulf had several internal Command Center preparation calls throughout the day. Communication with affiliate companies within the Southern Company began as preparations were made for possible impact of three different companies within the Southern family of companies. At this time, the Company began communications with the SEE and member utilities to determine available mutual assistance resources from across the region. The Company also began securing contractor resources to support possible restoration efforts, started internal preparations for the storm, making sure that employees were activating their personal storm plans for their family and homes.

On Tuesday, October 9th, at 7:00 am, Gulf was activated to full emergency operations mode with the full activation of the Command Center, including all support personnel. At this point, the weather services continued to forecast strengthening of the weather system with possible landfall in Panama City, located in Gulf's Eastern District, as a Category 3 hurricane. Preparations continued throughout the day to secure resources, secure infrastructure and facilities, evacuate employees, move equipment and materials, plan for staging sites and logistics, activate fueling contracts, and other necessities for a major restoration effort. By the end of the day, Gulf had approximately 3,200 transmission, distribution, vegetation management personnel, and support personnel pre-staged in Pensacola,

Florida, outside of the Florida panhandle, or en route to the area for arrival Wednesday evening, October 10th, when the storm was expected to exit the area. Storm preparations continued throughout the day and into the night as the Command Center and supporting leadership team made final plans and decisions.

Q. What was the magnitude of damage to Gulf's T&D infrastructure and the number of customers that experienced outages as a result of Hurricane Michael?

A. As a result of Hurricane Michael's path, size, the intensity of a Category 5 storm, and associated tornadoes, all eight counties served by Gulf were impacted. The distribution and transmission systems in Bay County were devastated by the 160 mph sustained winds that greatly exceeded design criteria associated with the National Electrical Safety Code extreme wind loading standards. Over 140,000 of Gulf's customers experienced an outage during Hurricane Michael. The peak number of customers experiencing outages at one time was 125,452, which occurred just after landfall on October 10, 2018. 96% of customers in Bay County were without power as Hurricane Michael crossed into Alabama and Georgia. And while the storm weakened after landfall, it remained a powerful and destructive Category 3 hurricane as it left the state.

Q. How did Gulf ultimately respond to the impacts of Hurricane Michael?

A. To respond to Hurricane Michael, Gulf ultimately coordinated approximately 8,000 restoration personnel (approximately 1,000 Gulf employees and 7,000 external resources) – the largest restoration workforce that Gulf has ever assembled. External resources came from 15 different states and Canada. To

support these resources and facilitate the restoration effort, Gulf established eight staging sites, seven of them in Bay County, including one site that was not part of initial preparation plans and was constructed a week into the restoration effort to facilitate the construction resources that were needed to support the rebuilding efforts in the hardest hit area of Panama City. The rebuilding of this area, from the ground up in many cases, was extensive compared to the typical restoration work that was encountered in other areas across the system.

As discussed previously, the damage to Gulf's T&D infrastructure was extensive. For example, to restore service to customers, Gulf replaced over 200 miles of distribution conductor, approximately 4,000 distribution transformers, and over 7,000 distribution poles. Tree damage was also extensive, requiring a significant amount of line-clearing on both the transmission and distribution systems. Additionally, to gain access to Gulf's facilities during restoration, significant effort was necessary to remove fallen trees and tree branches from road ways and the electric infrastructure.

Gulf's transmission system also sustained severe damage from the Category 5 hurricane winds that affected several transmission line corridors in Bay County and the surrounding area. Typically, this type of transmission damage would not be expected during a hurricane. However, 160 mph sustained winds, which were present for several hours as the storm system moved across the area, are well above even the extreme wind loading design criteria for these structures. To

restore transmission service, Gulf had to repair or replace over 100 miles of transmission line and repair or replace 194 transmission structures.

As stated above, more than 140,000 customers across the entire Gulf system experienced an outage from Hurricane Michael. While 99% of all customers who could receive power were restored in 13 days, the vast majority of customers located outside of the heavily damaged areas in Panama City were restored faster. For example, more than 50% of customers had their service restored within 5 days and more than 70% in 10 days. Based on the heavy damage to the electric system, communication system, and other infrastructure in the area, local officials and community leaders outside of Gulf were predicting a month to restore service to many customers. Gulf, with assistance from restoration resources from across the country, was able to restore electric service to all that could receive power in 13 days, bringing hope to a community devastated by the storm and its impact. Please see Exhibit PAT-5 that shows the initial restoration plan and estimated restoration times that Gulf was able to communicate to customers and achieve.

Gulf's effective pre-planning, established restoration processes, creative engineering, and adaptive workforce, together with the dedication and execution of contracted external resources, our partners within the SEE and EEI, allowed Gulf to achieve its goal of safely restoring critical infrastructure and the greatest number of customers in the least amount of time, one full day ahead of the very aggressive goal of 14 days.

V. T&D RESTORATION COSTS

Q. What were the final Hurricane Michael T&D restoration costs?

A. As provided in Exhibit PAT-6, Gulf's total T&D Hurricane Michael restoration costs were $422 million, including follow-up work to restore the T&D electric system to its pre-storm condition. Exhibit PAT-6 also contains a breakdown of these costs by function (i.e., Transmission and Distribution) and by major cost category (i.e., Regular and Overtime Payroll and Related Cost, Contractors, Vehicle and Fuel, Materials & Supplies, Logistics, and Other).

As shown in Exhibit PAT-6, two of the major categories ("Contractors" and "Logistics") account for $378 million, or 90% of the total T&D restoration costs, including $256 million of costs associated with external line contractors, mutual assistance utilities, Gulf embedded contractors, line clearing/tree trimming contractors, and other contractors (e.g., contractors performing overhead line patrols and environmental assessments) that supported Gulf's service restoration efforts and follow-up work to restore facilities to their pre-storm condition. T&D "Logistics" costs totaled approximately $122 million, or 29% of the total T&D restoration cost, and include costs associated with staging sites and other support needs, such as lodging, meals, water, ice, laundry, and transportation.

The other five cost categories in Exhibit PAT-6 account for the remaining $44 million, or 10% of the total T&D restoration costs. $11 million of the remaining

costs are comprised of "Regular and Overtime Payroll & Related Costs" associated with Gulf employees who directly supported Hurricane Michael T&D restoration efforts and follow-up work. This includes Gulf line personnel, engineers, and other field support personnel. $28 million of the remaining costs are associated with Materials and Supplies, which include costs associated with items such as wire, transformers, poles, and other electrical equipment used to restore electric service for customers and repair and restore storm-impacted facilities on the Gulf system to their pre-storm condition. The other approximately $5 million of remaining costs includes costs associated with the "Vehicle and Fuel" and "Other" major cost categories. "Vehicle and Fuel" covers Gulf's vehicle and associated fuel expenditures, including cost for fuel that Gulf supplied to line contractors, mutual assistance utilities, and other contractors. The "Other" category includes costs not previously captured, such as affiliate payroll and related costs, contractors, freight charges and other miscellaneous items.

Q. Please describe the follow-up work required for T&D.

A. As previously discussed, the primary objective of Gulf's emergency preparedness plan and restoration process is to safely restore critical infrastructure and the greatest number of customers in the least amount of time. To do so may require utilizing temporary fixes (e.g., bracing a cracked pole, or bypassing a damaged piece of equipment, etc.) and/or delaying certain repairs (e.g., replacing lightning arrestor, repairing street lights, etc.) that are not required to expeditiously restore service. In order to return the system to its pre-storm condition and provide for

extended reliability, these conditions must be addressed once initial restoration is complete.

Restoring Gulf's T&D facilities to their pre-storm condition generally involves two steps: (1) evaluating the system and facilities to identify follow-up work; and (2) executing the identified work. In total, Gulf's costs for T&D follow-up work associated with Hurricane Michael were $20.7 million.

VI. EVALUATING GULF POWER'S RESTORATION RESPONSE

Q. Was Gulf's Hurricane Michael restoration plan and its execution timely, safe and effective?

A. Yes. As mentioned throughout this testimony, Gulf's primary goal when faced with major restoration activities is to safely restore critical infrastructure and the greatest number of customers in the least amount of time so the Company, our customers, and the communities we serve can begin to recover from the effects of the storm. With more than 96% of our customers without electric service in Bay County, and the Company facing not only a restoration effort but in many areas a complete rebuild of the electric grid, Gulf was confronted with a tremendous challenge. There were unique hurdles in every area of the restoration effort that required the entire team to be creative and persistent in overcoming daily barriers. Gulf set a very aggressive estimated restoration time for the affected areas, continued to focus on customer service and communication, and restored 99% of

the customers that could receive electric service in just 13 days, a full day ahead of the estimated restoration time for the most heavily impacted areas of Panama City. As such, we are confident that Gulf's plan, preparation, and execution were extremely effective in timely restoring electric service to Gulf's customers.

Q. What factors contributed to the effectiveness of Gulf's Hurricane Michael restoration plan and execution?

A. Gulf was faced with devastation beyond even the worst case scenarios that had been outlined in previous emergency management plans. There are numerous items at a high level that led to an effective restoration process following Hurricane Michael:

- A leadership team dedicated to preparing, training, and drilling a workforce for the possibility of a future event;
- An emergency preparedness plan that allowed scalability to adapt to a major event;
- A flexible and well trained workforce that adapted to changes and challenges;
- A strong communication plan for customers, media, state and local officials;
- Great affiliate support, contractor support, and assistance from the SEE and member utilities;
- Stable and effective outage management system and energy management system to provide data;

- Enhanced wireless voice and data communication system provided by Southern Linc; and
- Previous storm restoration experience both on-system and off-system that produced lessons learned and industry best practices.

Q. Did Gulf receive national recognition for its overall restoration performance during Hurricane Michael?

A. Yes. In January 2019, EEI, a national association of investor-owned utilities, awarded its Emergency Recovery Award to Gulf for its efforts and response during Hurricane Michael. EEI's Emergency Recovery Award recognizes its U.S. and international members for outstanding efforts to restore service safely and promptly following storms or natural disasters. Winners are chosen by a panel of judges based on a company's ability to respond to a crisis efficiently and quickly, overcome difficulties, utilize innovative recovery techniques and technologies, and communicate effectively with customers.

Q. What are your conclusions regarding Gulf's Hurricane Michael restoration efforts?

A. Gulf's restoration performance for Hurricane Michael was outstanding, showing dedication to our customers and the communities we serve. Our goal is to continuously improve in everything we do, and I believe that is evident in how the Company responded to this devastating storm. Gulf has not been impacted by a major event in many years, and many of our employees, even those in leadership, had never had the unfortunate experience to fully exercise their storm role during a live event. The implementation of improvement, training, and annual drilling

provided significant benefits and contributed to a remarkable performance in completing the major portion of restoration activities in just 13 days.

Storm restoration work never fits into a nice, neat package. There are always challenges and opportunities for improvement both during and after an event. How the Company responds to those challenges during an event is a determining factor of the restoration's success. Overall, I believe the entire restoration team, which includes Gulf employees, affiliate employees, contractors, mutual assistance personnel and vendors performed extremely well in a very difficult situation. A storm like Hurricane Michael will always test the commitment and fortitude of every person involved, and I am extremely proud and grateful to have been a part of this outstanding team.

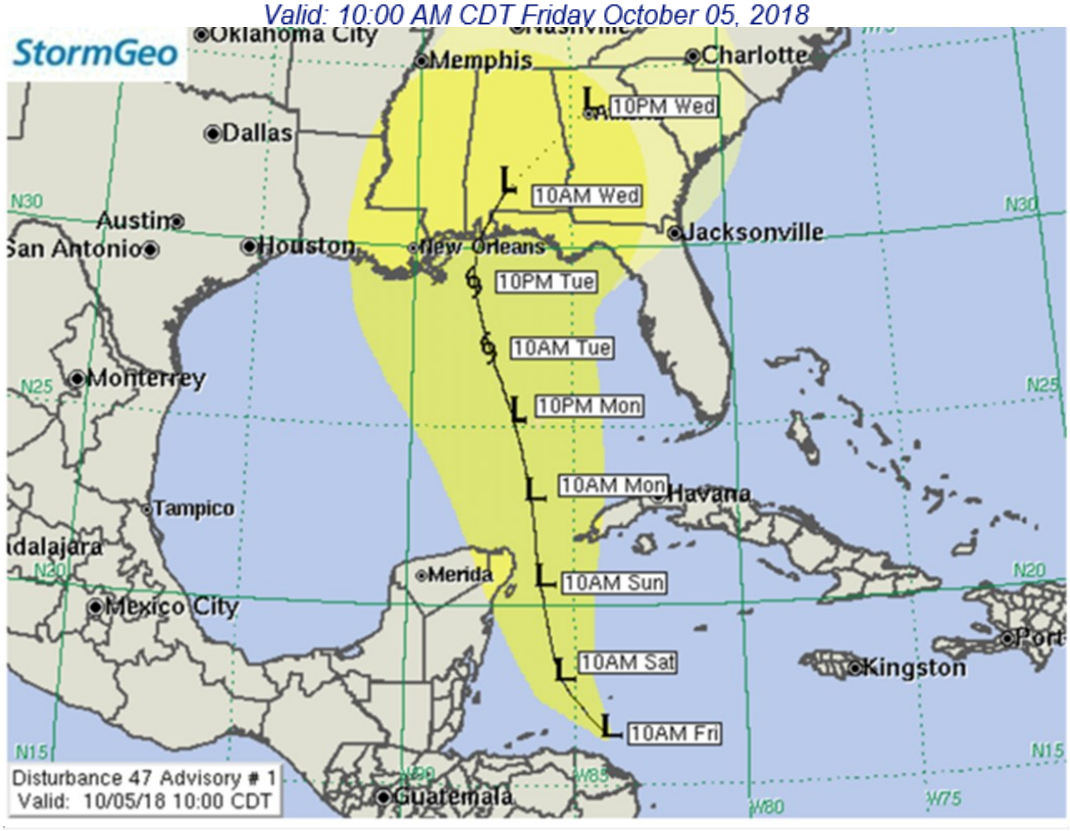
Q. Does this conclude your direct testimony?

A. Yes.

TROPICSWATCH

Disturbance 47 Advisory 1

Valid: 10:00 AM CDT Friday October 05, 2018



Current Location: 16.4N, 84.1W
Geographic Reference: 340 miles southeast of Cozumel, MX
Movement: Northwest at 6 mph
Max Winds: 30 mph gusting to 40 mph
Current Hurricane Severity Index: 0 out of a possible 50 points (0 size, 0 intensity)
Max Predicted Hurricane Severity Index: 3 out of a possible 50 points (1 size, 2 intensity)
Current Radius of Tropical Storm-Force Winds: 0 miles
Max Predicted Radius of Tropical Storm-Force Winds: 70 miles
Organizational Trend: Steady - Poorly-Organized
Forecast Confidence: Average

Chance of Development: 60 percent

Key Points

1. Disturbance 47 is predicted to become a tropical storm in the Gulf of Mexico by Tuesday.
2. Heaviest squalls and most tropical storm-force winds will likely be located east of the track.
3. Chances of this disturbance becoming a strong tropical storm or hurricane are low.

Our Forecast

Morning visible satellite imagery indicates that Disturbance 47 consists of a weak low pressure area near the eastern coast of Honduras. Strong wind shear across the western Caribbean is blowing all squalls well to the east of the disturbance center. This wind shear will persist for the next 2-3 days as the disturbance moves slowl y northward. Models are in good agreement in taking the disturbance northward into the south-central Gulf of Mexico on Monday. We think that reconnaissance will fly out to investigate the disturbance on Monday, at which time there is a good chance that it will be upgraded to a tropical depression.

Our forecast takes the center northward on Monday and Tuesday and inland along the Alabama coast on Wednesday morning. Moderate westerly wind shear across the Gulf of Mexico should inhibit strengthening somewhat, but we think that it could reach tropical storm intensity on Monday night. Max sustained winds at landfall are predicted to be about 45 mph.

Given that this is a poorly-organized disturbance to start with, there is an elevated degree of uncertainty in both the track and the intensity forecast - perhaps a little more uncertainty in the intensity forecast. While models are in reasonably good agreement on taking the center inland between southeast Louisiana and the central Florida Panhandle, there is considerable disagreement as far as the intensity. While we think that this will be a lower-end tropical storm with most squalls and tropical storm-force winds east of the track, there is a chance that the wind shear could drop off enough for winds to approach 60 mph or 65 mph prior to landfall. Though we think that a strong tropical storm is unlikely, it is not something that we can rule out.

Expected Impacts Offshore

Lund, Atwater, and Mississippi Canyon Eastward: Squalls reaching the deepwater area off the southeast Louisiana coast during the day on Tuesday, making Monday possibly the last full day of good flying weather.

Walker Ridge, Green Canyon, and Ship Shoal: Squalls should generally pass to the east of this area, though we cannot rule out any thunderstorm activity during the day on Tuesday.

Expected Impacts Inland

Southeast Louisiana: On the current forecast track, the heavy squalls should pass east of Louisiana. However, any track shift westward could bring heavy squalls to southeast Louisiana late Tuesday and on Wednesday.

Mississippi to the Mid-Florida Panhandle: Heavy squalls likely Tuesday night and Wednesday, particularly east of the track across the Florida Panhandle. Tides may increase to 3-5 feet above normal, causing coastal flooding. Heavy rain may cause travel issues.

Our next advisory will be issued by 3PM CDT this afternoon.

Meteorologists: Chris hebert / Derek Ortt

Forecast Confidence: Average							Hurricane Severity Index		
Fcst Hour	Valid	Lat.	Lon.	Max Sustained Winds	Max Gusts	Category	Size	Intensity	Total
0	10AM CDT Fri Oct 05	16.40N	84.10W	30 mph	40 mph	Tropical Disturbance	0	0	0
24	10AM CDT Sat Oct 06	18.00N	85.40W	30 mph	40 mph	Tropical Disturbance	0	0	0
48	10AM CDT Sun Oct 07	20.60N	86.00W	30 mph	40 mph	Tropical Disturbance	0	0	0
72	10AM CDT Mon Oct 08	23.00N	86.30W	35 mph	45 mph	Tropical Disturbance	0	1	1
84	10PM CDT Mon Oct 08	25.10N	86.80W	35 mph	45 mph	Tropical Depression	0	1	1
96	10AM CDT Tue Oct 09	27.20N	87.60W	40 mph	50 mph	Tropical Storm	1	1	2
108	10PM CDT Tue Oct 09	29.00N	88.10W	45 mph	60 mph	Tropical Storm	1	2	3
114	4AM CDT Wed Oct 10	30.30N	87.90W	45 mph	60 mph	Tropical Storm	1	2	3
120	10AM CDT Wed Oct 10	31.50N	87.20W	35 mph	45 mph	Tropical Depression	0	1	1
132	10PM CDT Wed Oct 10	33.90N	84.40W	30 mph	35 mph	Remnant Low	0	0	0

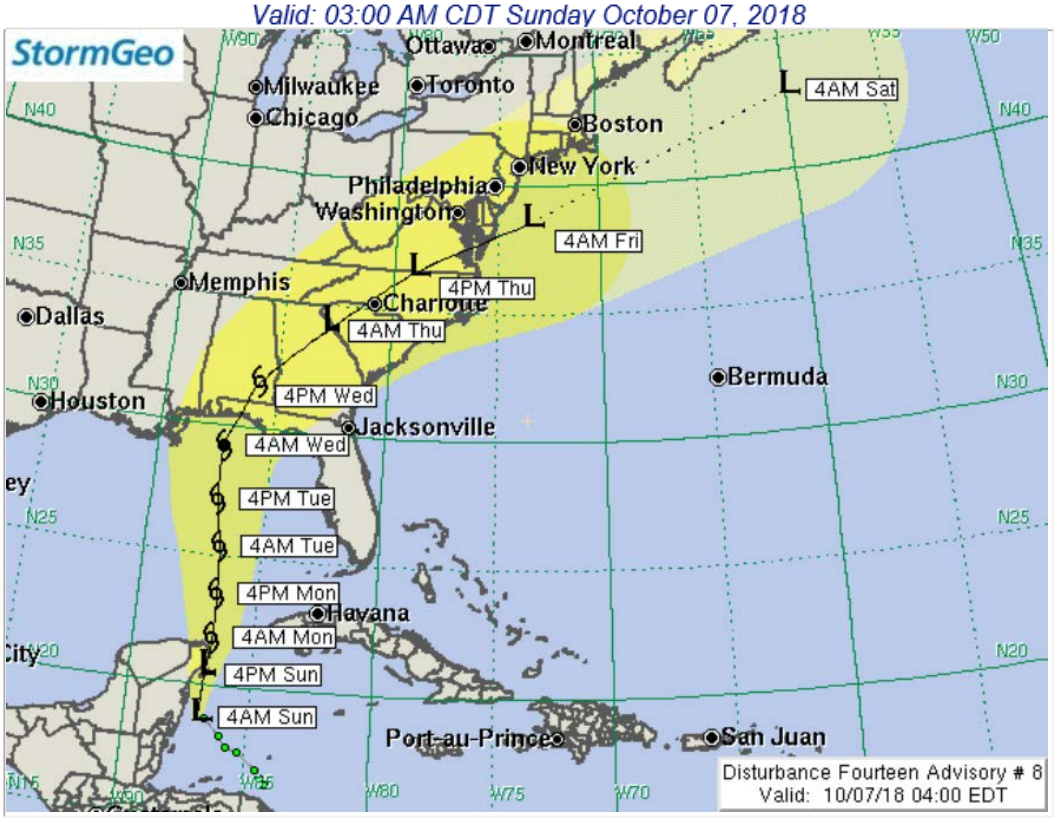
The yellow cone represents track error from the previous five hurricane seasons. Over the past five hurricane seasons, the center of the storm tracked within the yellow cone 75% of the time. The cone does not represent the forecast uncertainty in the current advisory for this storm. In addition, hurricane-force winds, very high tides, large waves, and heavy rainfall can often extend well outside the yellow cone.

tropicswatch@stormgeo.com

TROPICSWATCH

Disturbance 47 Advisory 8

Valid: 03:00 AM CDT Sunday October 07, 2018



Current Location: 18.7N, 87.0W
Geographic Reference: 105 miles south of Cozumel, MX
Movement: Nearly Stationary
Max Winds: 35 mph gusting to 45 mph
Current Hurricane Severity Index: 1 out of a possible 50 points (0 size, 1 intensity)
Max Predicted Hurricane Severity Index: 8 out of a possible 50 points (3 size, 5 intensity)
Current Radius of Tropical Storm-Force Winds: 0 miles
Max Predicted Radius of Tropical Storm-Force Winds: 200 miles
Organizational Trend: Slowly increasing
Forecast Confidence: Average

Chance of Development: 100 percent

Key Points
1. Disturbance 47 is expected to bring locally heavy rains to the Yucatan and western Cuba.
2. We are now forecasting a hurricane with 80 mph winds to make landfall on the Florida Panhandle Wednesday morning.
4. Heavy rain is possible in some of the areas that were affected by Hurricane Florence.

Our Forecast

Disturbance 47 (NHC Potential Tropical Cyclone Fourteen) has slowed temporarily. However, most of the model guidance indicates a faster motion than we previously were forecasting. Our forecast is for the system to move mainly to the north for the next few days. This will take the system near the Yucatan today, bringing heavy rains there. The squalls extend far enough to the east of the center such that heavy rains will also occur for western Cuba. Once in the Gulf, a track mainly to the north is forecast to continue. The forecast has been accelerated by a few hours out of respect for the majority of the model guidance. Landfall is now forecast to occur around 9 AM CDT Wednesday morning somewhere between Mobile Bay and the Big Bend area of Florida. The greatest risk appears to be for the western Florida Panhandle. After landfall, the track has been shifted a little the east, taking the system through western South Carolina and central North Carolina. This increases the threat to areas flooded by Hurricane Florence. After impacting the Carolinas, our forecast now takes the system offshore of the Mid Atlantic Coast in about 5 days. It is then expected to accelerate to the east-northeast. The thinking is that the extratropical storm should remain south of Atlantic Canada.

Squalls have increased near the center of Disturbance 47. In addition, the winds are increasing based upon recent satellite data. The surface circulation has also become very well defined. The disturbance should be a depression later this morning, if it is not already one. While there is strong wind shear affecting the system now, the wind shear is expected to abate during the next day or so. The dynamical models insist upon significant intensification in the Gulf of Mexico. Therefore, our latest forecast is for the system to become a tropical storm either tonight or early tomorrow morning. It is then expected to become a hurricane by the time it strikes the northern Gulf Coast. While the forecast is for winds to be 80 mph at landfall, there is a chance that the system could be stronger than we are forecasting. After landfall, weakening is expected, along with a transition into an extratropical storm. Once it moves off of the Mid Atlantic, it should intensify again as an extratropical storm.

Expected Impacts Offshore

Lund, Atwater, and Mississippi Canyon Eastward: Squalls are forecast to reach the deepwater areas off the southeast Louisiana coast during the morning or early afternoon on Tuesday, making Monday possibly the last guaranteed full day of good flying weather.

Walker Ridge, Green Canyon, and Ship Shoal: Squalls should generally pass to the east of this area, though we cannot rule out any thunderstorm activity during the day on Tuesday and on Wednesday.

Expected Impacts Inland

Mississippi and west Alabama Coast: Heaviest squalls should pass to the east of Mississippi and Alabama on Wednesday. That said, strong winds may occur for coastal Alabama, causing scattered power outages.

Alabama East of Mobile Bay and Florida Panhandle: Widespread power outages are likely near where the center makes landfall. Minor to moderate damage may also occur from both the wind and the surge. Flooding rains are also likely.

Georgia and Carolinas: Inland flooding will be possible, including for some of the areas that were flooded in Florence. Southwestern Georgia could see power outages and some wind damage

Our next advisory will be issued by 9 AM CDT.

Meteorologists: Derek Ortt / Nick Kosar

Forecast Confidence: Average							Hurricane Severity Index		
Fcst Hour	Valid	Lat.	Lon.	Max Sustained Winds	Max Gusts	Category	Size	Intensity	Total
0	3AM CDT Sun Oct 07	18.70N	87.00W	35 mph	45 mph	Tropical Disturbance	0	1	1
12	3PM CDT Sun Oct 07	20.30N	86.90W	35 mph	45 mph	Tropical Depression	0	1	1
24	3AM CDT Mon Oct 08	21.80N	86.70W	40 mph	50 mph	Tropical Storm	1	1	2
36	3PM CDT Mon Oct 08	23.50N	86.70W	50 mph	65 mph	Tropical Storm	1	2	3
48	3AM CDT Tue Oct 09	25.30N	86.80W	65 mph	80 mph	Tropical Storm	2	3	5
60	3PM CDT Tue Oct 09	27.10N	87.10W	70 mph	85 mph	Tropical Storm	2	4	6
72	3AM CDT Wed Oct 10	29.20N	87.10W	75 mph	90 mph	Category 1	3	5	8
78	9AM CDT Wed Oct 10	30.50N	86.50W	80 mph	105 mph	Category 1	3	5	8
84	3PM CDT Wed Oct 10	31.80N	85.80W	60 mph	75 mph	Tropical Storm	2	3	5
96	3AM CDT Thu Oct 11	34.00N	83.00W	35 mph	45 mph	Tropical Depression	0	1	1
108	3PM CDT Thu Oct 11	36.50N	79.00W	35 mph	50 mph	Extratropical Low	0	1	1
120	3AM CDT Fri Oct 12	38.50N	73.50W	45 mph	60 mph	Extratropical Storm	1	2	3
144	3AM CDT Sat Oct 13	43.00N	60.00W	60 mph	75 mph	Extratropical Storm	4	3	7

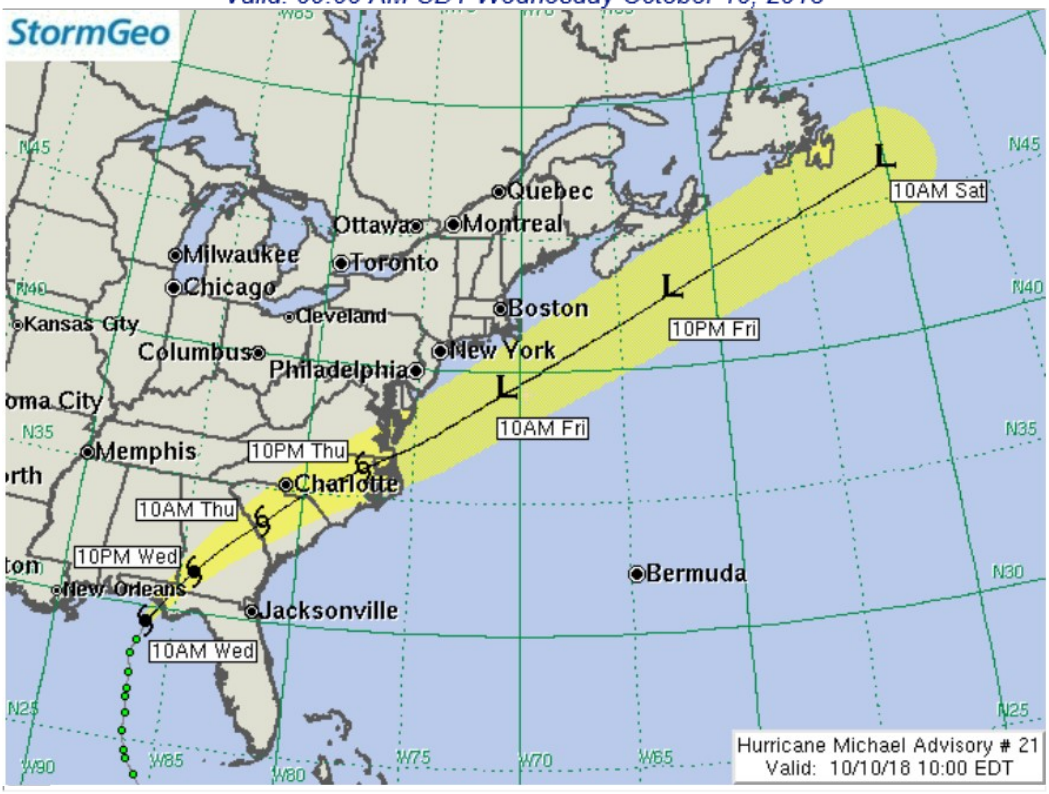
The yellow cone represents track error from the previous five hurricane seasons. Over the past five hurricane seasons, the center of the storm tracked within the yellow cone 75% of the time. The cone does not represent the forecast uncertainty in the current advisory for this storm. In addition, hurricane-force winds, very high tides, large waves, and heavy rainfall can often extend well outside the yellow cone.

tropicswatch@stormgeo.com

TROPICSWATCH

Hurricane Michael Advisory 21

Valid: 09:00 AM CDT Wednesday October 10, 2018



Current Location: 29.4N, 86.1W
Geographic Reference: 55 miles SW of Panama City, FL
Movement: North-northeast at 13 mph
Max Winds: 145 mph gusting to 175 mph
Current Hurricane Severity Index: 28 out of a possible 50 points (11 size, 17 intensity)
Max Predicted Hurricane Severity Index: 28 out of a possible 50 points (11 size, 17 intensity)
Current Radius of Tropical Storm-Force Winds: 160 miles
Max Predicted Radius of Tropical Storm-Force Winds: 265 miles
Organizational Trend: Steady
Forecast Confidence: Average

Key Points

1. The center of Michael will make landfall with 145 mph winds near Panama City early this afternoon.
2. Catastrophic wind and storm surge damage is expected near where the center makes landfall.
3. Strong winds and heavy rains will spread inland into Georgia and the Carolinas late this afternoon and on Thursday.

Our Forecast
The center of Michael is approaching the coast of Florida this morning. We expect the center to cross the coast near Panama City by 1PM CDT as a powerful category 4 hurricane. Max sustained winds are predicted to be 145 mph with gusts to 175 mph at landfall. After landfall, Michael will accelerate to the northeast. This will take Michael through Georgia and the Carolinas.

By late Thursday night, Michael will emerge into the Atlantic near the Virginia/North Carolina border as a tropical storm with max sustained winds near 60 mph. Once Michael moves back offshore, it will begin a transition into a larger non-tropical low pressure system that will pass south of Nova Scotia and Newfoundland.

Expected Impacts Offshore
Lund, Atwater, and Mississippi Canyon Eastward: The worst from Michael has passed to the east this morning. Conditions will steadily improve through the day today.

Expected Impacts Inland
Florida Panhandle / Extreme Southeast Alabama / SW Georgia: Catastrophic damage due to wind and tidal surge is expected near where the center tracks. This includes well-built structures. Widespread power outages are expected. These power outages could last for an extended period of time. Flooding rains are also likely.

Georgia and the Carolinas: Inland flooding will be possible, including for some of the areas that were flooded in Florence. Power outages due to wind are also possible.

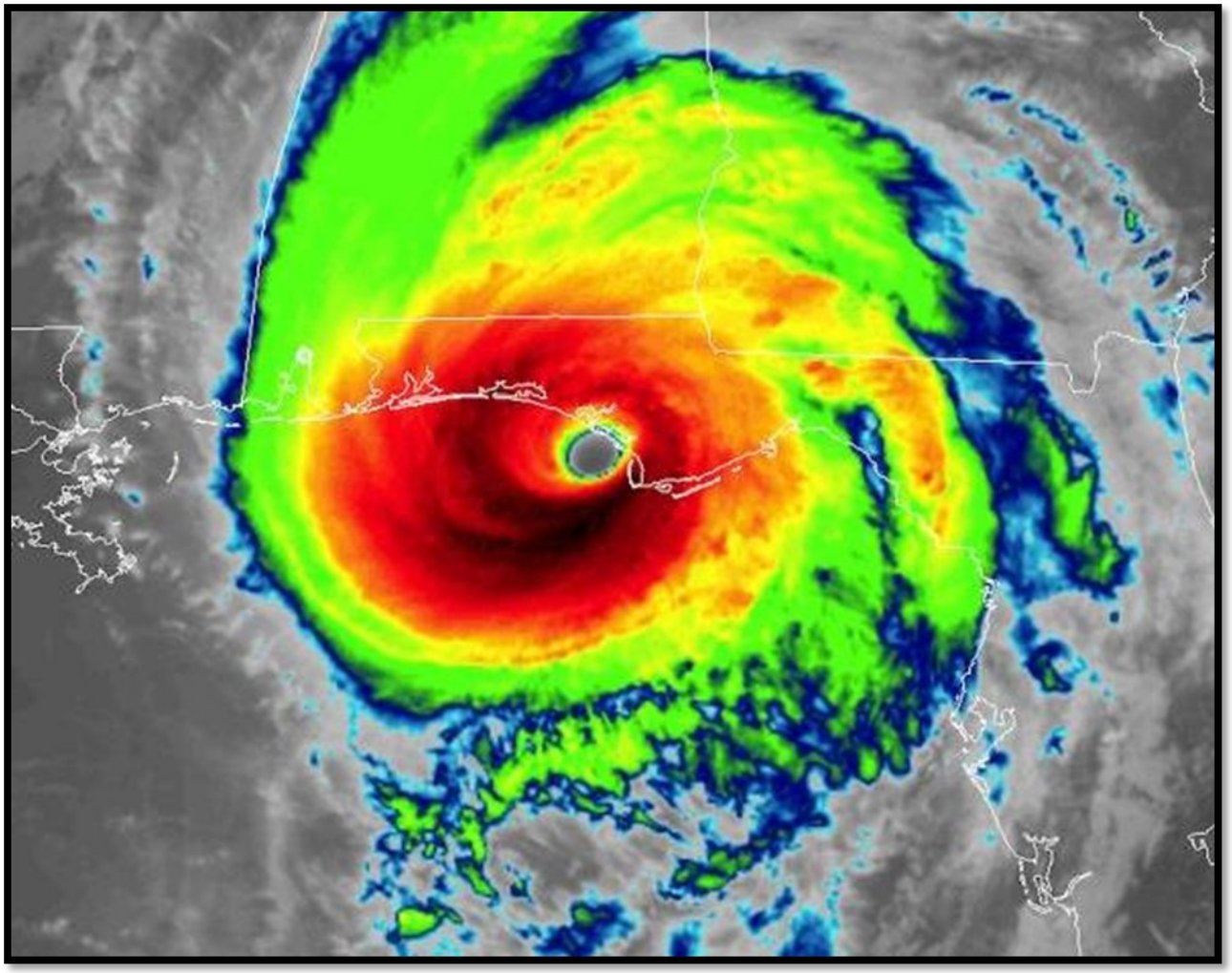
An intermediate advisory will be issued by 12 PM CDT. Our next full advisory will be issued by 3 PM CDT

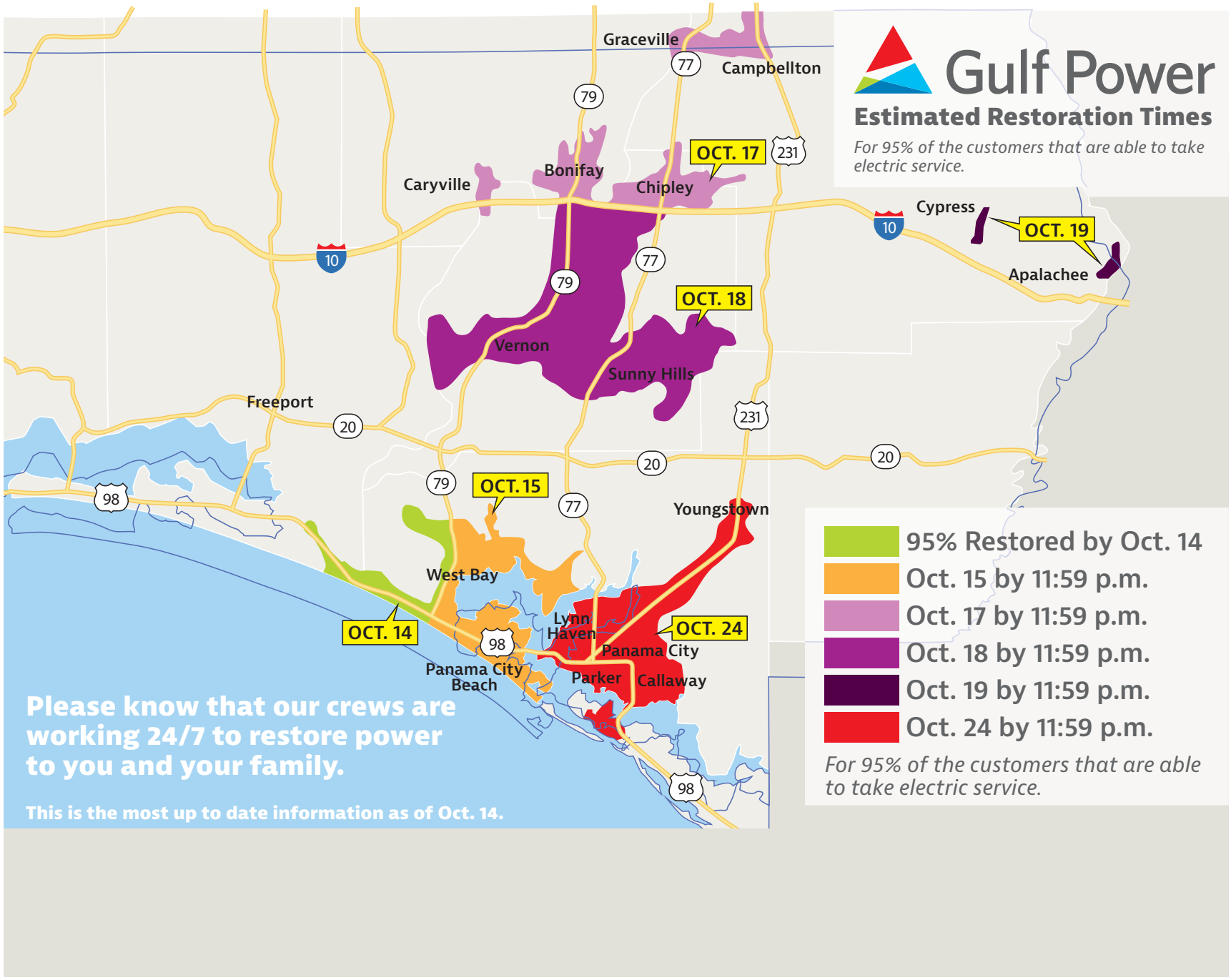
Meteorologists: Chris Hebert / Derek Ortt

Forecast Confidence: Average							Hurricane Severity Index		
Fcst Hour	Valid	Lat.	Lon.	Max Sustained Winds	Max Gusts	Category	Size	Intensity	Total
0	9AM CDT Wed Oct 10	29.40N	86.10W	145 mph	175 mph	Category 4	11	17	28
6	3PM CDT Wed Oct 10	30.40N	85.40W	140 mph	165 mph	Category 4	11	16	27
12	9PM CDT Wed Oct 10	31.50N	84.40W	100 mph	120 mph	Category 2	7	8	15
18	3AM CDT Thu Oct 11	32.60N	83.20W	75 mph	90 mph	Category 1	3	5	8
24	9AM CDT Thu Oct 11	33.70N	81.70W	50 mph	70 mph	Tropical Storm	1	2	3
30	3PM CDT Thu Oct 11	34.90N	79.90W	50 mph	75 mph	Tropical Storm	2	2	4
36	9PM CDT Thu Oct 11	36.10N	77.30W	60 mph	70 mph	Tropical Storm	3	3	6
42	3AM CDT Fri Oct 12	37.30N	74.50W	60 mph	75 mph	Tropical Storm	4	3	7
48	9AM CDT Fri Oct 12	39.10N	70.90W	65 mph	80 mph	Extratropical Storm	4	3	7
54	3PM CDT Fri Oct 12	40.80N	67.10W	65 mph	80 mph	Extratropical Storm	5	3	8
60	9PM CDT Fri Oct 12	42.70N	62.40W	65 mph	80 mph	Extratropical Storm	6	3	9
66	3AM CDT Sat Oct 13	44.50N	57.10W	65 mph	80 mph	Extratropical Storm	6	3	9
72	9AM CDT Sat Oct 13	46.30N	50.30W	65 mph	80 mph	Extratropical Storm	6	3	9

The yellow cone represents track error from the previous five hurricane seasons. Over the past five hurricane seasons, the center of the storm tracked within the yellow cone 75% of the time. The cone does not represent the forecast uncertainty in the current advisory for this storm. In addition, hurricane-force winds, very high tides, large waves, and heavy rainfall can often extend well outside the yellow cone.

tropicswatch@stormgeo.com





Docket No. 20190038-EI
Estimated Restoration Time Map
Exhibit PAT-5, Page 1 of 1

Gulf Power T&D Hurricane Michael Restoration Costs (A)

(000s)

Major Cost Category	Transmission	Distribution	Total T&D	% of Total T&D
Regular Payroll & Related Costs (B)	$ 894	$ 4,572	$ 5,467	1%
Overtime Payroll & Related Costs (B)	800	4,342	5,142	1%
Contractors (C)	23,930	231,992	255,922	61%
Vehicle & Fuel	71	657	727	0%
Materials & Supplies	1,651	26,509	28,159	7%
Logistics	14,558	107,111	121,670	29%
Other	60	4,836	4,896	1%
Total (D)	**$ 41,965**	**$ 380,018**	**$ 421,983**	**100%**

(A) Includes costs associated with follow-up work
(B) Represents total payroll charged to business unit (function) being supported - see MG-1, footnote (B).
(C) Includes line clearing - $1,376 for Transmission and $18,298 for Distribution
(D)Totals may not add due to rounding

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF MITCHELL GOLDSTEIN

DOCKET NO. 20190038-EI

NOVEMBER 15, 2019

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Mitchell Goldstein, and my business address is One Energy Place, Pensacola, Florida, 32520.

Q. By whom are you employed and what is your position?

A. I am employed by Gulf Power Company ("Gulf" or the "Company") as Vice President, Finance.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for Gulf's finance organization, including financial accounting and internal and external reporting. As a part of these responsibilities, I ensure that the Company's financial reporting complies with requirements of Generally Accepted Accounting Principles ("GAAP") and multi-jurisdictional regulatory accounting requirements.

Q. Please describe your educational background and professional experience.

A. I graduated from the Wharton School of the University of Pennsylvania in 1982 with a Bachelor of Science Degree in Economics, *magna cum laude,* and from Harvard Business School in 1986 with a Masters of Business Administration Degree, *with honors.* I began my working career with Strategic Planning Associates ("SPA"), a management consulting firm, in 1982, as a Research Analyst. I left SPA in 1984 to attend business school, returned as an Associate in 1986, and was promoted several times, becoming Vice President in 1994. In 1995, I joined Campbell Soup Company as Director, Strategic Planning, and became Vice President and Chief Financial

Officer of Vlasic Foods International, a company spun-off from Campbell, in 1998. I subsequently held the Chief Financial Officer position for several companies, including The Great Atlantic & Pacific Tea Company, Nice-Pak Products and Clear Channel Radio, before joining NextEra Energy in 2011 as Vice President, Finance, for the company's Nuclear division. I assumed my current responsibilities in January 2019.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibit:

- MG-1 – Hurricane Michael Incremental Cost and Capitalization Approach Adjustments

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the calculation of the Hurricane Michael recoverable amount Gulf is seeking for cost recovery in this proceeding and to demonstrate that Gulf's storm restoration and recovery accounting processes and controls are well established and documented and that they are implemented by personnel who are suitably trained, all undertaken to ensure proper storm accounting and ratemaking. Specifically, my testimony will show that:

1. Gulf has effective and appropriate controls and accounting procedures for storm events;
2. Gulf's accounting for Hurricane Michael was in accordance with the Incremental Cost and Capitalization Approach ("ICCA") methodology required under Rule 25-6.0143, Florida Administrative Code ("F.A.C.") ("the Rule"); and

3. Gulf's calculation of the proposed recovery amount is in accordance with the right to replenish the storm reserve included in Gulf's 2017 Stipulation and Settlement Agreement approved by the Florida Public Service Commission ("FPSC" or the "Commission") in Order No. PSC-17-0178-S-EI ("2017 Stipulation and Settlement Agreement").

Q. Please summarize your testimony.

A. Gulf's control processes ensure proper storm accounting and ratemaking. All costs associated with contractor and logistics invoices and employee expenses were evaluated in a thorough invoice review process to determine the correct and final amount of costs incurred, by function and type of activity. The ICCA methodology was applied to storm costs in accordance with the Rule to determine the amount recoverable from Gulf's customers. The final storm recoverable amount has been calculated in accordance with the ICCA methodology and the 2017 Stipulation and Settlement Agreement that was in effect at the time of Hurricane Michael's impact; therefore, the amounts reflected on Exhibit MG-1 are appropriately recoverable from customers.

II. STORM ACCOUNTING PROCESS AND CONTROLS

Q. How does Gulf track storm restoration costs?

A. Gulf establishes separate functional (i.e., distribution, transmission, etc.) work orders for each storm to aggregate the total amount of storm restoration costs incurred for financial reporting and regulatory recovery purposes. The Company uses these work

orders to account for all costs directly associated with restoration, including costs that would not be recoverable from Gulf's storm reserve based on the Commission's requirements under the ICCA methodology. All storm restoration costs charged to storm work orders are captured in Federal Energy Regulatory Commission ("FERC") Account 186, Miscellaneous Deferred Debits, or directly into capital accounts. All costs charged to FERC Account 186 are subsequently cleared and charged to either the storm reserve, base operations and maintenance ("O&M") expense, capital, or below-the-line expense, as applicable.

Q. When did Gulf begin charging costs related to Hurricane Michael to the storm work orders?

A. Due to the expected risk of significant outages and substantial infrastructure damages, Gulf began making financial commitments associated with securing resources prior to Hurricane Michael's anticipated impact. On October 8, 2018, Gulf established and activated work orders to begin tracking costs for Hurricane Michael. An email communication was sent to all business units to inform them that work orders had been activated for purposes of collecting storm restoration charges. The pre-landfall costs charged to the storm work orders include the acquisition of external resources (e.g., line and vegetation crews), mobilization and pre-staging of internal and external resources, opening of staging and check-in sites, reserving lodging, and securing Gulf's existing operational facilities in preparation for the impacts of the storm.

Q. Does Gulf have a process in place to review the invoices related to Hurricane Michael?

A. Yes. Gulf executed a thorough and detailed review of all contractor and logistics invoices, as well as employee expenses related to Hurricane Michael restoration activities, as detailed in Gulf witness Clark's testimony.

Q. What processes are in place during a restoration event to ensure proper cost management and reporting?

A. The Customer Service and Operations Support ("CSOS") Team communicates the storm work order instructions to the personnel directly supporting storm restoration and preparing cost estimates before, during, and after the restoration is complete. In addition, the CSOS Team estimates the cost of the storm each day during restoration using information gathered from each major business unit and the storm accountants. The CSOS Team then reports these costs each day to the storm and executive management teams. After restoration is complete, CSOS Team reconciles charges of all the storm work orders, ensuring that appropriate costs are charged to the storm,

III. ANALYSIS OF HURRICANE MICHAEL STORM COSTS

Q. How did Gulf apply the ICCA methodology to its total storm restoration costs for Hurricane Michael?

A. Hurricane Michael storm costs are accumulated in FERC Account 186 Miscellaneous Deferred Debits, including charges that are considered non-incremental or capital. There are separate storm work orders for each function charged during storm

restoration. Using the ICCA methodology, non-incremental amounts are calculated for the costs collected in these work orders and subsequently credited from FERC Account 186 and debited to either a base rate O&M expense or below-the-line expense. Capital costs also are identified and subsequently recorded in the appropriate capital accounts[1]. After non-incremental and capital costs are removed from FERC Account 186, the remaining balance, representing incremental storm charges, is jurisdictionalized by using retail separation factors that were authorized by the 2017 Stipulation and Settlement Agreement[2], and credited from FERC Account 186 and debited to FERC Account 228.1, Accumulated Provision for Property Insurance. The non-retail incremental storm charges also are credited from FERC Account 186 and charged to expense, leaving a zero balance in FERC Account 186.

Q. What is the total amount of retail incremental storm costs for Hurricane Michael?

A. As reflected on Exhibit MG-1, line 49, the total amount of retail incremental storm costs for Hurricane Michael is $312.8 million. This amount represents $427.7 million of incurred Hurricane Michael storm restoration costs less $6.2 million of non-incremental costs, $5.0 million in third-party reimbursements, and $101.9 million of capital costs, resulting in total incremental costs of $314.6 million (system). Once jurisdictional factors are applied at the functional level, the total amount of storm costs eligible for recovery from retail customers associated with Hurricane Michael is $312.8 million ("Retail Recoverable Costs").

[1] These capital costs include reserve equipment in FERC Account 368, Line Transformers, used in storm restoration that were subtracted as part of the Capitalized Cost Adjustment.
[2] Because Hurricane Michael occurred in October 2018, cost recovery is governed by Gulf's 2017 Stipulation and Settlement Agreement together with the Rule.

Q. What types of costs are included in Gulf's Retail Recoverable Costs charged to the storm reserve for Hurricane Michael?

A. In accordance with the Rule, the categories of costs outlined below were properly included in the calculation of the total Retail Recoverable Costs reflected on Line 49 of Exhibit MG-1:

- **Regular Payroll and Related Costs:** Includes $2.4 million of regular payroll and related payroll overheads for employee time spent in direct support of storm restoration and is net of amounts normally recovered through capital. This amount excludes bonuses and incentive compensation.
- **Overtime Payroll and Related Costs:** Includes $6.2 million of overtime payroll and payroll tax overheads for employee time spent in direct support of storm restoration.
- **Contractor Costs and Line Clearing:** Includes $255.9 million of costs for mutual aid utilities, line contractors and vegetation contractors, including mobilization and de-mobilization costs.
- **Vehicle and Fuel:** Includes $0.5 million for incremental vehicle costs and fuel used by both Gulf and contractors for storm restoration activities.
- **Materials and Supplies:** Includes $29.9 million in materials and supplies used to repair and restore service and facilities to pre-storm condition. This amount does not include that portion of materials and supplies used in the Hurricane Michael restoration activities that are included in the capital cost.

- **Logistics Costs:** Includes $121.8 million of costs for staging and check-in sites, meals, lodging, buses and transportation, and rental equipment used by employees and contractors in direct support of storm restoration.
- **Other Costs:** Includes $4.7 million of costs, primarily for reserve equipment in FERC Account 368, Line Transformers, held prior to the storm that were installed as a part of restoration. This reserve equipment was subtracted as part of the Capitalized Cost Adjustment included on Line 43 of Exhibit MG-1.

Q. How did Gulf determine the non-incremental costs it incurred for Hurricane Michael?

A. Once all costs were incurred and recorded, the CSOS Team completed a detailed review in order to determine non-incremental costs under the ICCA methodology. Per the ICCA methodology, non-incremental costs are those that are included in normal base rate operations. Below is a summary of non-incremental costs incurred for Hurricane Michael as defined in the Rule, which have been removed from the total costs recorded to FERC Account 186 (see line 26 on Exhibit MG-1).

- **Regular Payroll:** In general, regular payroll costs recovered through base O&M are non-incremental. Gulf calculated the non-incremental payroll by function. For Steam & Other and Customer Service functions, the payroll costs were recorded to base O&M, and were therefore fully removed from Account 186 as non-incremental payroll. As it relates to the Distribution function, the 2018 budgeted payroll allocation between base O&M and capital was 30 percent and 70 percent, respectively. Therefore, 30 percent was removed as non-incremental base O&M payroll. As it relates to the Transmission function, the 2018

budgeted payroll allocation between base O&M and capital was 20 percent and 80 percent, respectively. Therefore, 20 percent was removed as non-incremental base O&M payroll. Lastly, the payroll costs for support functions (such as Accounting, External Affairs, Human Resources, Legal, etc.) were base O&M and were fully removed from Account 186 as non-incremental payroll. This non-incremental payroll was then allocated to T&D, and is included on Line 15 for T&D. The total amount of non-incremental payroll for Hurricane Michael is $4.5 million.

- **Vegetation Management:** The vegetation management storm adjustment is calculated by taking a monthly O&M average for normal vegetation expenditures over a 3-year period. Based on this calculation, the storm charges are reviewed and compared to the historical monthly expenditure average for the month(s) associated with the storm. Any amount exceeding the calculated 3-year average of historical spending is shown as incremental above base storm vegetation cost. Any amount up to the calculated historical average is removed from the storm accounts. Based on this methodology, $0.8 million was non-incremental, of which $0.3 million was related to the Distribution function and $0.5 million was related to the Transmission function.
- **Vehicle Utilization and Fuel costs:** All Gulf-owned vehicle costs charged to the storm work orders, are considered non-incremental. While fuel costs incurred by Gulf directly related to storm restoration are charged to the storm work orders, only the incremental fuel expense that exceeded the October 2018 budget is considered a recoverable storm expense. Gulf determined $0.2 million

was non-incremental for both Gulf-owned vehicle costs and fuel costs, of which a majority is reflected in the Distribution function.

- **Thank-You Advertisements:** Public service announcements regarding key storm-related issues such as safety and service restoration estimates are recoverable through the storm reserve; however, thank-you advertisements directed to customers and mutual aid utilities cannot be charged to the storm reserve. Thank-you advertising totaling $7 thousand for Hurricane Michael was charged below-the-line.
- **Legal Claims:** Certain claims were paid that primarily related to property damage caused by Gulf personnel and contractors during restoration. None of the cost of claims is recoverable through the storm reserve; therefore, claims totaling $0.3 million were charged to base O&M and reflected in the T&D functions.
- **Family Services:** Employee assistance costs provided to Gulf employees are reflected in the General function, and are not recoverable through the storm reserve. These costs totaling $0.4 million were charged to base O&M.

Q. How did Gulf determine the capital costs incurred and recorded on its books and records for Hurricane Michael?

A. The amount of capital costs for each storm event is determined by applying part (1)(d) of the Rule, which states that "…the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm" should be the basis for calculating storm restoration capital.

Costs related to storm restoration work[3] are initially charged to FERC Account 186 and estimated capital costs are then reclassified to the appropriate capital accounts. Gulf employs a storm accounting capital estimation process derived from the amount of materials and supplies issued during a storm less returns. Gulf utilizes this data as a basis to calculate the total amount of capital costs for the Distribution function in accordance with Gulf's capitalization policy, which includes materials, labor and overhead. The capital costs for other functional areas are determined based on an estimate of the actual work performed and then likewise recorded to the appropriate capital accounts.

Once the capital work is completed, the costs are recorded to the appropriate functional plant account in FERC Account 101, Plant In Service, based on the estimated normalized cost of installed units of property. Retirements of fixed assets removed during restoration are recorded when the new incurred capital costs are placed in service via a new discrete work order. As shown on line 43 of Exhibit MG-1, a total of $101.9 million was recorded as capital costs for Hurricane Michael.

Q. How much did Gulf incur in its T&D functions associated with Hurricane Michael?

A. Gulf finalized the cost estimate as of October 31, 2019. As reflected on Exhibit MG-1, Gulf incurred $422.0 million of costs in its T&D functions after power had been restored to a majority of Gulf's customers.

[3] These costs exclude reserve equipment in FERC Account 368 used in storm restoration that were subtracted as part of the Capitalized Cost Adjustment.

Q. Did Gulf incur costs in functions other than T&D?

A. Yes, Gulf incurred costs associated with replacement and repairs to company buildings and structures as well as call center support from the customer service function as indicated on Exhibit MG-1 line 12.

Q. Did Gulf receive, or does it expect to receive, any insurance recoveries associated with storm damage resulting from Hurricane Michael?

A. No. Gulf does not have insurance for its T&D assets. In addition, Gulf could not make a property insurance claim for non-T&D assets as a result of Hurricane Michael because no loss exceeded the deductible amount for insured assets.

Q. Did Gulf receive any third-party reimbursements for storm-related costs?

A. Yes. As shown on line 39 of Exhibit MG-1, AT&T, Inc. reimbursed Gulf $4.8 million for 2,234 poles replaced by Gulf on its behalf, as well as $0.1 million reimbursement from PowerSouth for the replacement of a radial line.

Q. What jurisdictional separation factors have been applied to the Incremental Storm Losses to determine the amount of Retail Recoverable Costs to charge to the storm reserve?

A. The jurisdictional separation factors from Gulf's 2017 Test Year filed in Docket No. 20160186-EI have been applied to jurisdictionalize the Hurricane Michael Incremental Storm Losses and were provided by Gulf witness Boyett.

Q. What is the storm reserve balance after recording the total incremental retail storm costs for Hurricane Michael?

A. As shown on line 1 on Exhibit MG-1, the pre-storm reserve balance was $48.0 million as of September 30, 2018. The $312.8 million of Retail Recoverable Costs

for Hurricane Michael charged to the storm reserve created a deficiency of $264.8 million (the "Eligible Restoration Costs"), which was offset by an additional accrual to the reserve post-storm of $18.3 million.

Q. What is the total Recoverable Storm Amount Gulf is requesting approval to recover in this proceeding?

A. As reflected on Line 63 on Exhibit MG-1, the total Recoverable Storm Amount that Gulf is requesting is $295.7 million. This amount represents the sum of Eligible Restoration Costs of $264.8 million, the partial offset of $18.3 million related to the post-storm reserve accrual, the replenishment of its storm reserve to $40.8 million, and interest on the unrecovered deficit in the storm reserve of $8.3 million, all of which have been grossed up for regulatory assessment fees.

Q. Is this calculation in compliance with Gulf's 2017 Stipulation and Settlement Agreement?

A. Yes. Under Gulf's 2017 Stipulation and Settlement Agreement, Gulf is entitled to request recovery of the storm reserve deficit and replenish its storm reserve to the balance as of December 31, 2016, which was $40.8 million.

Q. Does this conclude your direct testimony?

A. Yes.

Gulf Power Company
Hurricane Michael Incremental Cost and Capitalization Approach Adjustments
through October 31, 2019
($000s)

LINE NO.			Storm Costs By Function(A)						
			Steam & Other (1)	Transmission (2)	Distribution (3)	General (B) (4)	Customer Service (5)	Total (6)	Calculation of Recoverable Storm Amount (7)
1	Storm Reserve Balance (Pre-Storm)								$(48,008)
2									
3	Storm Restoration Costs								
4	Regular Payroll and Related Costs (C)		$193	$894	$4,572	$50	$1,255	$6,964	
5	Overtime Payroll and Related Costs (C)		160	800	4,342	23	976	6,302	
6	Contractors		762	22,555	213,694	331	0	237,343	
7	Line Clearing		0	1,376	18,298	0	0	19,673	
8	Vehicle & Fuel		0	71	657	0	0	727	
9	Materials & Supplies		1,789	1,651	26,509	9	0	29,957	
10	Logistics		95	14,558	107,111	32	0	121,796	
11	Other (D)		17	60	4,836	0	0	4,913	
12	Total Storm Related Restoration Costs	Sum of Lines 4 - 11	$3,015	$41,965	$380,018	$445	$2,232	$427,675	
13									
14	Less: Non-Incremental Costs								
15	Regular Payroll and Related Costs (E)		$193	$401	$2,646	$50	$1,255	$4,544	
16	Overtime Payroll and Related Costs		0	5	70	23	0	98	
17	Contractors		0	0	0	331	0	331	
18	Line Clearing:								
19	Vegetation Management		0	498	290	0	0	788	
20	Vehicle & Fuel		0	15	171	0	0	186	
21	Materials & Supplies		0	0	0	9	0	9	
22	Logistics		0	0	0	32	0	32	
23	Other								
24	Thank-you Ads		0	1	6	0	0	7	
25	Legal Claims		0	30	221	0	0	251	
26	Total Non-Incremental Costs	Sum of Lines 15 - 25	$193	$951	$3,403	$445	$1,255	$6,247	
27									
28	Incremental Storm Losses								
29	Regular Payroll and Related Costs	Lines 4 - 15	$0	$493	$1,927	$0	$0	2,420	
30	Overtime Payroll and Related Costs	Line 5 - 16	160	795	4,272	0	976	6,204	
31	Contractors	Lines 6 - 17	762	22,555	213,694	0	0	237,011	
32	Line Clearing	Lines 7 - 19	0	877	18,008	0	0	18,885	
33	Vehicle & Fuel	Lines 8 - 20	0	55	486	0	0	541	
34	Materials & Supplies	Lines 9 - 21	1,789	1,651	26,509	0	0	29,948	
35	Logistics	Line 10 - 22	95	14,558	107,111	0	0	121,764	
36	Other	Line 11 - 24 - 25	17	29	4,608	0	0	4,654	
37	Subtotal	Sum of Lines 29 - 36	$2,822	$41,014	$376,615	$0	$976	$421,428	
38									
39	Less: Third-Party Reimbursements (F)		0	117	4,837	0	0	4,954	
40									
41	Net Incremental Restoration Costs Incurred	Lines 37 - 39	$2,822	$40,897	$371,777	$0	$976	$416,473	
42									
43	Less: Capitalizable Costs, excluding Third-Party Reimbursements		1,492	11,758	88,611	0	0	101,861	
44									
45	Total Incremental Storm Losses	Lines 41 - 43	$1,330	$29,140	$283,166	$0	$976	$314,612	
46									
47	Jurisdictional Factor (G)		0.9720	0.9741	0.9963	0.9841	1.0000		
48									
49	Retail Recoverable Costs	Line 45 * 47	$1,293	$28,384	$282,124	$0	$976	$312,777	$312,777
50									
51	Balance of Storm Reserve after Funding Estimated Storm Costs ("Eligible Restoration Costs") (Lines 1 + 49)								$264,769
52									
53	Less: Additional 2018 Accruals to Storm Reserve (Post-Storm)								(18,344)
54									
55	Plus: Interest on Unamortized Reserve Balance								8,304
56									
57	Plus: Amount to Replenish Reserve to Level at Settlement Agreement Implementation Date, December 31, 2016 ("Implementation Storm Reserve Balance")								40,808
58									
59	Subtotal - System Storm Losses to be Recovered from Customers (Lines 51 + 53 + 55 + 57)								$295,536
60									
61	Regulatory Assessment Fee Multiplier								1.00072
62									
63	Total System Storm Losses to be Recovered from Customers ("Recoverable Storm Amount") (Lines 59 * 61								$295,749

Notes:
(A) Storm costs are as of October 31, 2019. Totals may not add due to rounding.
(B) General plant function reflects restoration costs associated with employee assistance.
(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in Legal but is supporting Distribution during storm restoration would allocate their time to Distribution.
(D) Includes other miscellaneous costs, including reserve equipment in FERC Account 368, Line Transformers and removed as Captial Costs in Line 43 above.
(E) Represents regular payroll normally recovered through base rate O&M and not charged to the Storm Reserve.
(F) Reimbursement from AT&T for net poles and a PowerSouth tap replaced by Gulf during restoration as a result of the storm.
(G) Jurisdictional Factors are based on factors approved in Docket No. 160186-EI.

1	2	3	4	5	6	7	8	9	10	11	12		
Month	Year	Unrecovered Eligible Restoration Costs - Beginning Balance	Less: Current Month Amortization (A)	Unrecovered Eligible Restoration Costs - Before Current Month Interest (Col. 3 + 4)	Average Unrecovered Eligible Restoration Costs ((Col. 3 + 5) / 2)	Interest Rate - First day of Business Reporting Month (B)	Interest Rate - First day of Subsequent Reporting Month (B)	Average Interest Rate ((Col. 7 + 8) / 2)	Monthly Average Interest Rate (1/12 of Col. 9)	Monthly Interest (Col. 6 x 10)	Unrecovered Eligible Restoration Costs - Ending Balance (Col. 5 + 11)	Month Count	Cumulative Interest
June	2019	246,424,377	(3,580,641)	242,843,736	244,634,056	2.39000%	2.32000%	2.35500%	0.19625%	480,094	243,323,830	0	480,094
July	2019	243,323,830	(7,515,874)	235,807,956	239,565,893	2.32000%	2.10000%	2.21000%	0.18417%	441,209	236,249,165	1	921,303
August	2019	236,249,165	(7,645,174)	228,603,990	232,426,578	2.10000%	2.05000%	2.07500%	0.17292%	401,912	229,005,902	2	1,323,215
September	2019	229,005,902	(7,046,331)	221,959,571	225,482,737	2.05000%	1.97000%	2.01000%	0.16750%	377,684	222,337,254	3	1,700,898
October	2019	222,337,254	(5,704,470)	216,632,784	219,485,019	1.97000%	1.66000%	1.81500%	0.15125%	331,971	216,964,755	4	2,032,870
November	2019	216,964,755	(4,544,737)	212,420,018	214,692,387	1.66000%	1.66000%	1.66000%	0.13833%	296,984	212,717,002	5	2,329,854
December	2019	212,717,002	(5,101,765)	207,615,237	210,166,120	1.66000%	1.66000%	1.66000%	0.13833%	290,723	207,905,960	6	2,620,576
January	2020	207,905,960	(5,532,874)	202,373,086	205,139,523	1.66000%	1.66000%	1.66000%	0.13833%	283,770	202,656,855	7	2,904,346
February	2020	202,656,855	(4,793,922)	197,862,934	200,259,895	1.66000%	1.66000%	1.66000%	0.13833%	277,020	198,139,953	8	3,181,365
March	2020	198,139,953	(4,584,924)	193,555,029	195,847,491	1.66000%	1.66000%	1.66000%	0.13833%	270,916	193,825,945	9	3,452,281
April	2020	193,825,945	(4,642,778)	189,183,166	191,504,556	1.66000%	1.66000%	1.66000%	0.13833%	264,908	189,448,075	10	3,717,189
May	2020	189,448,075	(5,684,567)	183,763,508	186,605,791	1.66000%	1.66000%	1.66000%	0.13833%	258,132	184,021,639	11	3,975,321
June	2020	184,021,639	(6,582,158)	177,439,481	180,730,560	1.66000%	1.66000%	1.66000%	0.13833%	250,005	177,689,486	12	4,225,326
July	2020	177,689,486	(7,205,973)	170,483,513	174,086,499	1.66000%	1.66000%	1.66000%	0.13833%	240,814	170,724,327	13	4,466,140
August	2020	170,724,327	(6,905,354)	163,818,972	167,271,649	1.66000%	1.66000%	1.66000%	0.13833%	231,387	164,050,359	14	4,697,527
September	2020	164,050,359	(6,002,831)	158,047,528	161,048,944	1.66000%	1.66000%	1.66000%	0.13833%	222,779	158,270,307	15	4,920,306
October	2020	158,270,307	(5,059,447)	153,210,860	155,740,584	1.66000%	1.66000%	1.66000%	0.13833%	215,436	153,426,296	16	5,135,741
November	2020	153,426,296	(4,409,613)	149,016,683	151,221,490	1.66000%	1.66000%	1.66000%	0.13833%	209,185	149,225,868	17	5,344,926
December	2020	149,225,868	(4,928,722)	144,297,145	146,761,507	1.66000%	1.66000%	1.66000%	0.13833%	203,015	144,500,161	18	5,547,941
January	2021	144,500,161	(5,263,925)	139,236,235	141,868,198	1.66000%	1.66000%	1.66000%	0.13833%	196,246	139,432,482	19	5,744,188
February	2021	139,432,482	(4,491,468)	134,941,014	137,186,748	1.66000%	1.66000%	1.66000%	0.13833%	189,770	135,130,784	20	5,933,958
March	2021	135,130,784	(4,420,034)	130,710,750	132,920,767	1.66000%	1.66000%	1.66000%	0.13833%	183,869	130,894,619	21	6,117,827
April	2021	130,894,619	(4,454,900)	126,439,719	128,667,169	1.66000%	1.66000%	1.66000%	0.13833%	177,985	126,617,704	22	6,295,813
May	2021	126,617,704	(5,479,740)	121,137,964	123,877,834	1.66000%	1.66000%	1.66000%	0.13833%	171,360	121,309,324	23	6,467,173
June	2021	121,309,324	(6,371,305)	114,938,019	118,123,671	1.66000%	1.66000%	1.66000%	0.13833%	163,400	115,101,419	24	6,630,573
July	2021	115,101,419	(6,978,816)	108,122,603	111,612,011	1.66000%	1.66000%	1.66000%	0.13833%	154,393	108,276,996	25	6,784,966
August	2021	108,276,996	(6,897,157)	101,379,839	104,828,417	1.66000%	1.66000%	1.66000%	0.13833%	145,009	101,524,848	26	6,929,975
September	2021	101,524,848	(5,986,637)	95,538,211	98,531,529	1.66000%	1.66000%	1.66000%	0.13833%	136,299	95,674,509	27	7,066,274
October	2021	95,674,509	(5,040,363)	90,634,147	93,154,328	1.66000%	1.66000%	1.66000%	0.13833%	128,860	90,763,007	28	7,195,134
November	2021	90,763,007	(4,398,255)	86,364,752	88,563,879	1.66000%	1.66000%	1.66000%	0.13833%	122,510	86,487,262	29	7,317,645
December	2021	86,487,262	(4,919,703)	81,567,560	84,027,411	1.66000%	1.66000%	1.66000%	0.13833%	116,235	81,683,795	30	7,433,880
January	2022	81,683,795	(5,366,611)	76,317,183	79,000,489	1.66000%	1.66000%	1.66000%	0.13833%	109,281	76,426,465	31	7,543,161
February	2022	76,426,465	(4,528,790)	71,897,675	74,162,070	1.66000%	1.66000%	1.66000%	0.13833%	102,588	72,000,264	32	7,645,750
March	2022	72,000,264	(4,453,538)	67,546,726	69,773,495	1.66000%	1.66000%	1.66000%	0.13833%	96,518	67,643,244	33	7,742,267
April	2022	67,643,244	(4,490,437)	63,152,806	65,398,025	1.66000%	1.66000%	1.66000%	0.13833%	90,465	63,243,271	34	7,832,732
May	2022	63,243,271	(5,523,806)	57,719,466	60,481,369	1.66000%	1.66000%	1.66000%	0.13833%	83,664	57,803,130	35	7,916,396
June	2022	57,803,130	(6,425,983)	51,377,146	54,590,138	1.66000%	1.66000%	1.66000%	0.13833%	75,515	51,452,661	36	7,991,911
July	2022	51,452,661	(7,039,727)	44,412,934	47,932,797	1.66000%	1.66000%	1.66000%	0.13833%	66,305	44,479,239	37	8,058,216
August	2022	44,479,239	(6,959,919)	37,519,321	40,999,280	1.66000%	1.66000%	1.66000%	0.13833%	56,714	37,576,035	38	8,114,931
September	2022	37,576,035	(6,046,406)	31,529,629	34,552,832	1.66000%	1.66000%	1.66000%	0.13833%	47,797	31,577,426	39	8,162,728
October	2022	31,577,426	(5,099,266)	26,478,160	29,027,793	1.66000%	1.66000%	1.66000%	0.13833%	40,154	26,518,315	40	8,202,882
November	2022	26,518,315	(4,462,683)	22,055,631	24,286,973	1.66000%	1.66000%	1.66000%	0.13833%	33,596	22,089,228	41	8,236,478
December	2022	22,089,228	(4,995,107)	17,094,121	19,591,674	1.66000%	1.66000%	1.66000%	0.13833%	27,101	17,121,222	42	8,263,579
January	2023	17,121,222	(5,453,089)	11,668,133	14,394,677	1.66000%	1.66000%	1.66000%	0.13833%	19,912	11,688,045	43	8,283,491
February	2023	11,688,045	(4,600,249)	7,087,797	9,387,921	1.66000%	1.66000%	1.66000%	0.13833%	12,986	7,100,783	44	8,296,478
March	2023	7,100,783	(4,522,687)	2,578,096	4,839,440	1.66000%	1.66000%	1.66000%	0.13833%	6,694	2,584,791	45	8,303,172
April	2023	2,584,791	(4,559,373)	(1,974,582)	305,104	1.66000%	1.66000%	1.66000%	0.13833%	422	(1,974,160)	46	8,303,594
May	2023	(1,974,160)	(5,599,894)	(7,574,054)	(4,774,107)	1.66000%	1.66000%	1.66000%	0.13833%	-	(7,574,054)	47	8,303,594
June	2023	(7,574,054)	(6,503,576)	(14,077,630)	(10,825,842)	1.66000%	1.66000%	1.66000%	0.13833%	-	(14,077,630)	48	8,303,594
July	2023	(14,077,630)	(7,117,439)	(21,195,069)	(17,636,349)	1.66000%	1.66000%	1.66000%	0.13833%	-	(21,195,069)	49	8,303,594
August	2023	(21,195,069)	(7,033,765)	(28,228,834)	(24,711,952)	1.66000%	1.66000%	1.66000%	0.13833%	-	(28,228,834)	50	8,303,594
September	2023	(28,228,834)	(6,111,189)	(34,340,023)	(31,284,429)	1.66000%	1.66000%	1.66000%	0.13833%	-	(34,340,023)	51	8,303,594
October	2023	(34,340,023)	(5,158,696)	(39,498,719)	(36,919,371)	1.66000%	1.66000%	1.66000%	0.13833%	-	(39,498,719)	52	8,303,594
November	2023	(39,498,719)	(4,524,542)	(44,023,261)	(41,760,990)	1.66000%	1.66000%	1.66000%	0.13833%	-	(44,023,261)	53	8,303,594

Notes:

(A) Based on actual billed kWh storm charge sales. Storm charge revenues will be allocated first to the amortization of the unrecovered eligible restoration costs (expected to conclude in April 2023) and then to the replenishment of the reserve balance of $40.8M.
(B) Represents the average commercial paper rate.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF TRACY G. CLARK

DOCKET NO. 20190038-EI

NOVEMBER 15, 2019

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tracy Clark. My business address is One Energy Place, Pensacola, Florida, 32520.

Q. By whom are you employed and what is your position?

A. I am employed by Gulf Power Company ("Gulf" or the "Company") as Manager of Alliance Management with the responsibility of overseeing Gulf's intercompany interchange contract relationship with Southern Company, as well as the transition service agreement. In addition, I am responsible for overseeing the Hurricane Michael invoice review process.

Q. Please describe your duties and responsibilities related to overseeing the Hurricane Michael invoice review process.

A. I directed a team that reviewed and validated invoices to source documentation from vendors who assisted Gulf in its restoration efforts related to Hurricane Michael. During the review and validation process, this team, where applicable, identified discrepancies which were resolved through credits, refunds or adjustments to the vendor invoice.

Q. Please describe your educational background and professional experience.

A. I graduated cum laude from Troy State University in 1995 with Bachelor of Science Degrees in Accounting and Mathematics, and in 1996 with an MBA, with an Accounting Emphasis. I am a Certified Public Accountant licensed in the state of Alabama. I began working for Southern Company in 2003 as the Internal Controls

Manager and held various positions of increasing responsibility including Accounting Research Manager, Financial Reporting Manager and Transmission Project Manager. Since joining Gulf in 2017, I have served as Project Manager in Regulatory, and as the Assistant Secretary and Compliance and Concerns Manager, before assuming my current responsibilities.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide a detailed overview of the Company's process of reviewing, approving, and where appropriate, adjusting or rejecting invoices related to Gulf's post-Hurricane Michael restoration efforts.

Q. Please summarize your testimony.

A. My testimony establishes that Gulf followed a robust and comprehensive review process, including receipt, review, and follow-up analysis to ensure that, where appropriate, all Hurricane Michael invoices (which, for purposes of my testimony, include contractor, line clearing, logistics, employee expenses and other expenses) were rejected, adjusted or paid. Gulf reviewed approximately 4,500 invoices related to Hurricane Michael restoration activities. This comprehensive process allowed Gulf to reduce costs by more than $6.6 million, some of which is reflected as modifications to invoices, while in other cases vendors have reimbursed the Company for amounts identified through Gulf's review process.

II. INVOICE REVIEW PROCESS

Q. Please describe Gulf's invoice review process.

A. Gulf reviewed approximately 4,500 invoices related to Hurricane Michael restoration activities. Upon receipt, invoices were logged to allow for tracking and monitoring as the invoices proceeded through the review process. Gulf's team of invoice reviewers was charged with the responsibility of reviewing and validating invoices to relevant supporting documents, such as contracts, labor and equipment rates, timesheets and expense receipts. The review process was closely monitored by management, ensuring all identified discrepancies were resolved.

Q. Has an assessment been conducted to validate the soundness of Gulf's invoice review process?

A. Yes. At Gulf's request, NextEra Energy's internal audit (IA) group conducted an assessment of the controls surrounding Gulf's invoice review process. IA selected a sample of invoices and replicated Gulf's process to perform a detailed review, assessing whether the invoices were appropriately approved and supported with corresponding documentation for contracted rates, timesheets, etc. In addition, any exceptions that were noted by IA were compared to the exceptions identified by Gulf. IA concluded that the Company's invoice review process is adequate for storm invoice processing and that the Gulf invoice review team identified 99.7 percent of the same discrepancies identified by IA. Gulf addressed and resolved the items representing the 0.3 percent identified by IA that were not identified by the invoice review team and used the findings to improve the review process. Of the 0.3 percent

identified by IA that was not identified by the invoice review team, Gulf leveraged these findings and identified opportunities to improve the review process.

Q. How did Gulf handle the extensive volume of invoices received as a result of Hurricane Michael?

A. Due to the large volume of invoices, Gulf dedicated a team of five employees to oversee the accurate and timely review of the invoices related to Hurricane Michael. Gulf also hired six contractors to assist with the review process. This process included a line-by-line review of each invoice received and comparison to contemporaneous records of restoration work completed, including timesheets and meal/accommodation records. Invoices were also compared to vendor contract terms and provisions, among other activities. All reviews were detailed in a log maintained for this purpose, and potential discrepancies were documented and resolved. In total, there were more than 10,000 man-hours committed to this process.

Q. How were identified invoice discrepancies resolved?

A. For each identified discrepancy (e.g., unsupported rates, missing receipts, unauthorized expenses, etc.), the invoice review team would contact the appropriate Gulf personnel or the vendor directly for additional information. If appropriate supporting documentation was provided to validate the invoice, the discrepancy was documented as resolved, and payment was approved. Otherwise, the review team had the authority to modify or reject invoices, as appropriate, to reflect only validated amounts. In cases where the invoices were previously paid, refunds or credit memos were obtained by Gulf. Invoices that could not be validated resulted in $6.6 million

in credits and reimbursements, representing less than 2 percent the of reviewed total invoice amount.

Q. Do you have any observations about the fact that a thorough review of all invoices resulted in a reduction of less than 2 percent?

A. Yes. The fact that less than 2 percent of the invoice total amount had to be adjusted through this comprehensive review process shows that Gulf managed its vendors and the restoration process in such a way as to largely eliminate any inappropriate charges.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF CHARLES SHANE BOYETT

DOCKET NO. 20190038-EI

NOVEMBER 15, 2019

Q. Please state your name and business address.

A. My name is Shane Boyett. My business address is One Energy Place, Pensacola, Florida 32520.

Q. By whom are you employed and what is your position?

A. I am employed by Gulf Power Company ("Gulf" or the "Company") as Regulatory, Forecasting and Pricing Manager.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for the calculation of revenue requirements and cost recovery factors for the Company's fuel, capacity and environmental cost recovery clauses, tariff administration, and the regulatory filing function of Gulf Power Company.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 2001 with a Bachelor of Science degree in Business Administration and earned a Master of Business Administration degree from the University of West Florida in 2005. I joined Gulf in 2002 as a Forecasting Specialist and held that position for five years until transferring to Gulf's Regulatory, Forecasting and Pricing department, where I have held positions of increasing responsibility. In 2014, I transferred to Gulf's Financial Planning department as a Financial Analyst until being promoted later that year to lead the Regulatory and Cost Recovery department.

Q. Are you sponsoring any exhibits with this testimony?

A. Yes, I am sponsoring the following exhibits:

- CSB-1 Calculation of Proposed Storm Restoration Recovery Surcharges
- CSB-2 Proposed Revisions to Gulf Power's Tariff Sheets

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present new Proposed Storm Restoration Recovery Surcharges ("Proposed Storm Charges") for all rate classes which are based upon updated cost allocations to reflect actual costs incurred by the Company. I am also proposing a true-up methodology to resolve any final over or under recovery amounts related to the Proposed Storm Charges at the end of the period upon which the Proposed Storm Charges are effective.

Q. Please describe the Proposed Storm Charges.

A. The Proposed Storm Charges set forth in my Exhibit CSB-1 are designed to recover final storm restoration costs related to Hurricane Michael and to replenish Gulf's storm reserve as contemplated in paragraph 7 of Gulf's 2017 Stipulation and Settlement Agreement that resolved all issues in consolidated Docket Nos. 160186-EI and 160170-EI. These costs have been allocated to each retail rate class based on the rate class allocations presented in my Exhibit CSB-1. From there, I have solved for the annual retail storm restoration recovery amount that results in the residential class factor equaling 0.8 cents per kilowatt-hour ("kWh"), or $8 per 1,000 kWh, and the other rate class factors set forth in my Exhibit CSB-1. The $8 target rate level for the residential rate class was selected to strike a fair balance between mitigating rate impact to customers and timely recovery of costs. The Proposed Storm Charges will allow the Company to recover Hurricane Michael restoration costs and replenish the storm reserve over a period of approximately 53 months which began in July 2019 with the Commission's approval of Gulf's Interim Storm Restoration Charges.

Q. If Gulf's storm charges were set at $4 per 1,000 kWh, how long would it take for the Company to recovery its prudently incurred storm restoration costs?

A. If Gulf proposed a $4 per 1,000 kWh target rate level as authorized in the 2017 Stipulation and Settlement Agreement, the expected recovery period would be approximately 102 months or 8 1/2 years.

Q. Has the Commission approved the proposal to allow Gulf to recover its storm cost recovery charges at the $8 per 1,000 kWh level?

A. Yes. The Proposed Storm Charges presented in my Exhibit CSB-1 are consistent with the approach approved by the Florida Public Service Commission ("Commission" or "FPSC") in Order No. PSC-2019-0221-PCO-EI, which approved interim surcharge rates effective for the first billing cycle in July 2019. Pursuant to the terms of Gulf's 2017 Stipulation and Settlement Agreement, the Company is authorized to petition the Commission to allow storm recovery rates greater than $4 per 1,000 kWh for a period longer than 12 months if recoverable storm costs exceed $100 million.

Q. Were there any significant differences among the rate classes between the currently-approved Interim Storm Restoration Charges and the Proposed Storm Charges?

A. Yes, only one rate class had a change that was significantly different from the interim charges. Gulf reviewed and updated the cost allocations for all rate classes once the total actual storm costs were known. The final cost allocation Gulf is proposing for the Outdoor Service ("OS") rate class is considerably less than what was originally estimated in the February 6, 2019 petition proposing interim rates.

The OS rate class includes street and general area lighting as well as customer-owned fixed wattage loads like traffic signals and cable television amplifiers. This difference is the result of refining the outdoor lighting costs that are directly assigned to the OS rate class. In the interim filing, Gulf included $12 million of estimated lighting restoration costs in the OS rate class allocation which resulted in an interim OS class allocation of 5.951% and an interim surcharge rate of 2.661 cents per kWh. The total lighting restoration cost is now $10 million, which has also been adjusted to remove non-incremental outdoor lighting capital costs of $5 million. The result is a direct assignment of $5 million to the OS rate class which reduces the proposed OS rate class allocation to 2.646% with a proposed surcharge rate of 1.178 cents per kWh.

Q. How will Gulf determine the expiration date of the recovery period?

A. On an ongoing basis, Gulf will compare the final Recoverable Storm Amount approved for recovery by the Commission to the actual and projected revenue received from the Interim Storm Charges and new Proposed Storm Charges in order to monitor the forecasted expiration date of the recovery period. No fewer than 90 days prior to the date Gulf expects to replenish the storm reserve to $40,808,000 ("Storm Reserve Replenishment Amount")[1], Gulf will make a compliance filing with the Commission to provide notice of its intent to terminate the Proposed Storm Charges.

[1] Paragraph 7(a) of the Stipulation and Settlement allows the Company to replenish its storm reserve to the level that existed as of December 31, 2016. Gulf's storm reserve level as of December 31, 2016 equaled $40,808,000.

Q. How will Gulf determine any final true-up amount related to the Proposed Storm Charges, and what is the Company's proposal to calculate and resolve any excess or shortfall?

A. Gulf will compare the final Recoverable Storm Amount approved for recovery by the Commission to the actual revenue received from the Interim Storm Charges and new Proposed Storm Charges in order to determine any excess or shortfall in recovery. The Company is proposing to apply interest to the variance at the 30-day commercial paper rate, consistent with the application of interest in other cost recovery clauses. Within 45 days after the Proposed Storm Charges expire, Gulf will make another compliance filing with the Commission that sets forth the calculation of the appropriate final true-up rates to apply to customer bills for a one-month period in order to refund the excess or collect the shortfall. The final true-up rates will be designed in a manner that is consistent with the rate class cost allocation used in the Proposed Storm Charges filed herein, unless modified by this Commission. Gulf will apply the true-up rates to customer bills starting on Cycle Day 1 of the first month that is more than 30 days after the Commission approval of the true-up rates.

Q. How will Gulf notify its customers of the billing change that is going to occur?

A. Gulf will notify customers of the change in their rates at least 30 days in advance in the form of either a message on their bill or separate bill insert. Gulf will also post the revised Storm Restoration Recovery tariff on the Company's website.

Q. Please describe the Jurisdictional Factors set forth in your exhibit.

A. On page 3 of my exhibit CSB-1, I have identified the functional jurisdictional factors for use by Gulf witness Goldstein to jurisdictionalize the incremental storm restoration costs by function. These jurisdictional factors were calculated on Gulf MFR Schedules B-6 and C-4, which were filed in Gulf's most recent rate case, and are based upon the most recently approved Cost of Service Study, also filed in Docket No. 160186-EI. The jurisdictional factors utilized by Gulf in the instant proceeding represent the most recently-approved functional separation factors available to the Company.

Q. Does this conclude your direct testimony?

A. Yes.

Gulf Power Company
Storm Restoration Costs Related to Hurricane Michael
Derivation of Rate Schedule Charges

(1)	(2)	(3)	(4)	(5)
RATE CLASS	ALLOCATION %	ALLOCATED $	2020 KWH SALES	CENTS/KWH
RESIDENTIAL	65.984%	$43,002,531	5,375,316,326	0.800
GS	4.201%	$2,737,705	310,649,050	0.881
GSD/GSDT	17.020%	$11,092,101	2,502,496,008	0.443
LP/LPT	3.999%	$2,605,881	752,155,601	0.347
MAJOR ACCTS	6.151%	$4,008,906	1,715,835,780	0.234
OS	2.646%	$1,724,272	146,369,056	1.178
TOTAL RETAIL:	100.000%	$65,171,396	10,802,821,821	0.603

Docket No. 20190038-EI
Calculation of Proposed Storm
Restoration Recovery Surcharges
Exhibit CSB-1, Page 1 of 3

Gulf Power Company
Storm Restoration Costs Related to Hurricane Michael
Derivation of Rate Schedule Charges

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CATEGORY	WEIGHT[1]	RESIDENTIAL	GS	GSD/GSDT	LP/LPT	MAJOR ACCTS	OS
PRODUCTION	0.41%	0.229%	0.011%	0.091%	0.028%	0.052%	0.002%
TRANSMISSION	9.07%	5.089%	0.253%	1.980%	0.597%	1.116%	0.041%
DISTRIBUTION	90.20%	60.525%	3.890%	14.901%	3.346%	4.935%	2.603%
GENERAL	0.00%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
CUSTOMER SERVICE	0.31%	0.141%	0.047%	0.048%	0.028%	0.048%	0.000%
TOTAL	100.00%	65.984%	4.201%	17.020%	3.999%	6.151%	2.646%

[1]Weights calculated from Exhibit MG-1, Page 1, Line 49

Allocation factors are based on weight multiplied by percent allocation of plant share by rate class consistent with the Cost-of-Service study filed in Docket No. 160186-EI.

Docket No. 20190038-EI
Calculation of Proposed Storm
Restoration Recovery Surcharges
Exhibit CSB-1, Page 2 of 3

Gulf Power Company
Storm Restoration Costs Related to Hurricane Michael
Jurisdictional Factors

(1)	(2)	(3)
FUNCTION	JURISDICTIONAL FACTOR	SOURCE
PRODUCTION	0.9720	MFR B-6, Page 1, Line 2
TRANSMISSION	0.9741	MFR B-6, Page 1, Line 12
DISTRIBUTION	0.9963	MFR B-6, Page 1, Line 25
GENERAL	0.9841	MFR B-6, Page 1, Line 26
CUSTOMER SERVICE	1.0000	MFR C-4, Page 4, Line 22

Jurisidictional factors based on the MFRs filed in Docket No. 160186-EI.

Tariff Sheets

Gulf Power

Thirty-Third Revised Sheet No. ii
Canceling Thirty-Second Revised Sheet No. ii

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ISSUED BY: Charles S. Boyett

Gulf Power

Section No. VI
Thirty-Fourth Revised Sheet No. 6.1
Canceling Thirty-Third Revised Sheet No. 6.1

PAGE	EFFECTIVE DATE
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Designation	URSC	Classification	Sheet No.
RS	RS	Residential Service	6.3
GS	GS	General Service - Non-Demand	6.5
GSD	GSD	General Service - Demand	6.7
LP	GSLD	Large Power Service	6.10
PX	GSLD1	Large High Load Factor Power Service	6.13
OS	SL, OL, OL1, OL2	Outdoor Service	6.16
STORM		Storm Restoration Recovery	6.25
BB		Budget Billing (Optional Rider)	6.32
CR		Cost Recovery Clause - Fossil Fuel and Purchased Power	6.34
PPCC		Purchased Power Capacity Cost Recovery Clause	6.35
ECR		Environmental Cost Recovery Clause	6.36
		Billing Adjustments and Payment of Bills	6.37
ECC		Cost Recovery Clause - Energy Conservation	6.38
FLAT-1		Residential/Commercial Fixed Rate	6.39
GSTOU		General Service Time-of-Use Conservation (Optional)	6.42
GSDT	GSDT	General Service - Demand Time-of-Use Conservation (Optional)	6.45
LPT	GSLDT	Large Power Service - Time-of-Use Conservation (Optional)	6.49
PXT	GSLDT1	Large High Load Factor Power Service - Time-of-Use Conservation (Optional)	6.53
SBS		Standby and Supplementary Service	6.57
ISS		Interruptible Standby Service	6.67

ISSUED BY: Charles S. Boyett

Gulf Power

Section No. VI
Twenty-Fourth Revised Sheet No. 6.25
Canceling Twenty-Third Revised Sheet No. 6.25

RATE SCHEDULE STORM
STORM RESTORATION RECOVERY

PAGE	EFFECTIVE DATE
1 of 1	

APPLICABILITY:

Applicable to each filed retail rate schedule under which a Customer receives service.

DETERMINATION OF STORM RESTORATION RECOVERY SURCHARGE

The Storm Restoration Recovery Surcharge is designed to recover incremental storm-related costs incurred by the Company related to Hurricane Michael, as well as funds to replenish the Company's storm reserve. The factor is applicable to the Energy Charge under the Company's various rate schedules.

Storm Restoration Recovery Surcharge factors are shown below:

Rate Schedule	¢/kWh
RS, RSVP, RSTOU	0.800
GS	0.881
GSD, GSDT, GSTOU	0.443
LP, LPT	0.347
PX, PXT, RTP, SBS	0.234
OS-I/II	1.178
OS-III	1.178

Service under this rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

ISSUED BY: Charles S. Boyett

Legislative Format

Gulf Power

Thirty-~~Second~~Third Revised Sheet No. ii
Canceling Thirty-~~First~~Second Revised Sheet No. ii

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ISSUED BY: Charles S. Boyett

Gulf Power

Section No. VI
Thirty-~~Third~~Fourth Revised Sheet No. 6.1
Canceling Thirty-~~Second~~Third Revised Sheet No. 6.1

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Designation	URSC	Classification	Sheet No.
RS	RS	Residential Service	6.3
GS	GS	General Service - Non-Demand	6.5
GSD	GSD	General Service - Demand	6.7
LP	GSLD	Large Power Service	6.10
PX	GSLD1	Large High Load Factor Power Service	6.13
OS	SL, OL, OL1, OL2	Outdoor Service	6.16
STORM		~~Interim~~ Storm Restoration Recovery	6.25
BB		Budget Billing (Optional Rider)	6.32
CR		Cost Recovery Clause - Fossil Fuel and Purchased Power	6.34
PPCC		Purchased Power Capacity Cost Recovery Clause	6.35
ECR		Environmental Cost Recovery Clause	6.36
		Billing Adjustments and Payment of Bills	6.37
ECC		Cost Recovery Clause - Energy Conservation	6.38
FLAT-1		Residential/Commercial Fixed Rate	6.39
GSTOU		General Service Time-of-Use Conservation (Optional)	6.42
GSDT	GSDT	General Service - Demand Time-of-Use Conservation (Optional)	6.45
LPT	GSLDT	Large Power Service - Time-of-Use Conservation (Optional)	6.49
PXT	GSLDT1	Large High Load Factor Power Service - Time-of-Use Conservation (Optional)	6.53
SBS		Standby and Supplementary Service	6.57
ISS		Interruptible Standby Service	6.67

ISSUED BY: Charles S. Boyett

Gulf Power

Section No. VI
Twenty-~~Third~~Fourth Revised Sheet No. 6.25
Canceling Twenty-~~Second~~Third Revised Sheet No. 6.25

RATE SCHEDULE STORM
~~INTERIM~~ STORM RESTORATION RECOVERY

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APPLICABILITY:

Applicable to each filed retail rate schedule under which a Customer receives service.

DETERMINATION OF ~~INTERIM~~ STORM RESTORATION RECOVERY SURCHARGE

The ~~Interim~~ Storm Restoration Recovery Surcharge is designed to recover incremental storm-related costs incurred by the Company related to Hurricane Michael, as well as funds to replenish the Company's storm reserve. The factor is applicable to the Energy Charge under the Company's various rate schedules.

~~Interim~~ Storm Restoration ~~Cost~~ Recovery Surcharge factors are shown below:

Rate Schedule	¢/kWh
RS, RSVP, RSTOU	0.800
GS	0.~~920~~881
GSD, GSDT, GSTOU	0.~~453~~443
LP, LPT	0.~~302~~347
PX, PXT, RTP, SBS	0.~~229~~234
OS-I/II	~~2.661~~1.178
OS-III	~~2.661~~1.178

Service under this rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

ISSUED BY: Charles S. Boyett

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael, by Gulf Power Company**) Docket No.: **20190038-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by electronic mail this 15th day of November, 2019 to the following:

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