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November 12, 2021

VIA ELECTRONIC FILING

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

**Re: Docket No. 2021 _____ -EI
Gulf Power Company's Petition for Limited Proceeding for Recovery of
Incremental Storm Restoration Costs and Associated True-Up Process Related to
Hurricane Zeta**

Dear Mr. Teitzman:

Enclosed for our initial filing please find the following materials:

1. Gulf Power Company's Petition for Limited Proceeding for Recovery of Incremental Storm Restoration Costs and Associated True-Up Process Related to Hurricane Zeta
2. Direct Testimony and Exhibits of Gulf witnesses Michael Spoor, David Hughes, Clare Gerard and Tiffany Cohen
3. Gulf Power Company's Notice of Filing Confidential Supporting Materials in Support of its Petition for Limited Proceeding for Recovery of Incremental Storm Restoration Costs and Associated True-Up Process Related to Hurricane Zeta

In addition to the foregoing, we have on this date hand delivered for filing a Request for Confidential Classification, with the associated documents and materials, requesting that the Commission approve our request for the confidential treatment and handling of the materials referenced in our Notice of Filing.

Please contact me at (561) 691-2512 if you or your Staff have any questions regarding this filing.

Sincerely,

/s/ Kenneth M. Rubin
Kenneth M. Rubin

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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
Zeta

Docket No. 2021 _____

Filed: November 12, 2021

**GULF POWER COMPANY’S PETITION
FOR LIMITED PROCEEDING FOR RECOVERY OF
INCREMENTAL STORM RESTORATION COSTS AND ASSOCIATED TRUE-UP
PROCESS RELATED TO HURRICANE ZETA**

Gulf Power Company (“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.”), and the Stipulation and Settlement Agreement approved by the Florida Public Service Commission (“Commission”) in Order No. PSC-17-0178-S-EI¹ (the “2017 Stipulation and Settlement”), hereby files this petition (the “Petition”) requesting approval of : (i) the final/actual Recoverable Storm Amount of \$10.1 million of Hurricane Zeta incremental storm restoration costs (“Hurricane Zeta costs”); (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 further support of this Petition, Gulf states as follows:

1. The name and address of the Petitioner is:
Gulf Power Company
One Energy Place
Pensacola, FL 32520
2. Any pleading, motion, notice, order or other document required to be served upon

Gulf or filed by any party to this proceeding should be served upon the following individuals:

¹ Docket No. 20160186-EI, issued on May 16, 2017.

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3. The Commission has jurisdiction pursuant to Sections 366.04, 366.05, 366.06, and 366.07, Florida Statutes, and Rules 25-6.0143 and 25-6.0431, Florida Administrative Code (“F.A.C.”).

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 known which, if any, of the issues of material fact set forth in the body of this Petition may be disputed by any others who may plan to participate in this proceeding. The discussion below demonstrates how the Petitioner’s substantial interests will be affected by the agency determination.

5. This Petition seeks to initiate a limited proceeding under Section 366.076(1), Florida Statutes and Rule 25-6.0431, F.A.C. A limited proceeding is appropriate because Gulf’s

request is focused on the narrow issue of recovery, including interim recovery, of costs associated with Hurricane Zeta. Pursuant to the Final Order Approving the 2017 Stipulation and Settlement, the determination of storm cost recovery does not involve the application of any form of earnings test or measure.

6. Gulf is filing with this Petition the pre-filed testimony and exhibits of Gulf witnesses Michael Spoor, David Hughes, Clare Gerard, and Tiffany Cohen, which, among other things: (1) establish that the final/actual Recoverable Storm Amount is \$10.1 million; (2) demonstrate that these costs were prudently incurred and were reasonable; (3) demonstrate that Gulf 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.

I. BACKGROUND AND OVERVIEW

7. Hurricane Zeta was the 27th named storm of an extremely active 2020 Atlantic hurricane season and the seventh major (category 3 or higher) hurricane to make landfall in the calendar year, tying historical records. Zeta was also the latest-landfalling major hurricane on record to strike the continental United States.

8. After forming over the western Caribbean Sea in mid-October, Hurricane Zeta made landfall in the Yucatan Peninsula on October 26, 2020. Zeta then moved back into the Gulf of Mexico and began reorganizing and re-strengthening. Zeta turned northeasterly, approaching the Gulf Coast as a Category 3 hurricane. The latest forecasts on October 28 and 29 from the

National Hurricane Center (“NHC”) projected Hurricane Zeta to make landfall in Louisiana, and as a result the western Florida Panhandle would be impacted with strong, sustained tropical storm force winds as Zeta’s outer bands directly impacting Gulf’s service area.

9. Gulf emergency preparedness teams closely monitored the storm and initiated early discussions and preliminary preparations. Gulf’s first weather update call occurred on October 24 (96-hour call based on the NHC forecast track and timing) and Gulf’s first command center call occurred on October 26. On October 27, Gulf activated its emergency response organization, staffed its Command Center and initiated the cadence of daily planning and management meetings to ensure the efficient and timely execution of all pre-landfall checklists and preparation activities. Gulf began requesting resources to arrive by October 27 in order to begin restoration. Gulf also initiated customer communications and outreach, urging customers to prepare for Hurricane Zeta’s impacts, including potentially prolonged power outages.

10. Hurricane Zeta did not directly make landfall in Gulf’s service area, rather making landfall at Cocodrie, Louisiana on October 28 as a strong Category 3 Hurricane. However, Gulf’s system was impacted by severe weather and feeder bands as the large storm tracked toward the northeast. Wind gusts in excess of 50 mph were recorded in Pensacola, Gulf’s western-most service area. Hurricane Zeta caused approximately 52,000 customer outages and impacted Gulf’s service area from October 28 through October 29.

11. Through its pre-landfall planning activities and based on the forecasted path and intensity of the storm, Gulf reasonably anticipated and planned for the consequences of Hurricane Zeta’s potential impacts to Gulf’s service area and began to commit to resources that would be available to support the anticipated restoration work. Within 24 hours of the time when Gulf could safely begin restoration activities, power had been restored to Gulf’s customers impacted by the

storm. Gulf voluntarily implemented nearly all of the “Process Provisions” established by the Stipulation and Settlement Agreement, which the Commission approved in Order No. PSC-2020-0349-S-EI (“Hurricane Michael Settlement”), including the use of the new iStormed smart phone app (“iStormed App”) to record and track contractor time and expenses, even though the Hurricane Michael Settlement did not require Gulf to implement these provisions until the 2021 hurricane season.

12. Gulf’s significant investments in the energy grid since 2007, including storm hardening and smart grid technology, enabled Gulf to restore service faster and avoid outages. For example, grid improvements and investments provided the Distribution Control Center and field personnel better visibility into the system impact and provided opportunities for switching to restore service to customers ahead of and during restoration.

II. CALCULATION OF ACTUAL RECOVERABLE STORM AMOUNT AND GULF’S STORM ACCOUNTING PROCESSES AND CONTROLS

13. Under the terms of the Hurricane Michael Settlement, beginning with the 2021 storm season, Gulf agreed to implement certain storm restoration “Process Provisions” contained in the Commission-approved settlement in Docket No. 20180049-EI, In re: Evaluation of storm restoration costs of Florida Power & Light Company (“FPL”) related to Hurricane Irma. Although Hurricane Zeta made landfall in 2020, Gulf implemented nearly all of these provisions in its restoration efforts. The new Process Provisions utilized for Hurricane Zeta included the use of the new smart phone app (iStormed) for recording certain contractor time and expense tracking and approval, including mobilization and demobilization time.

14. Gulf witness Spoor’s pre-filed direct testimony provides an overview of Gulf’s storm-related preparedness plans and processes used before, during and after Hurricane Zeta, as

well as Gulf's execution of those plans and processes. He also provides details of the Transmission and Distribution ("T&D") restoration work that was performed, and the actual costs incurred to perform this work.

15. As detailed in Gulf witness Hughes' pre-filed direct testimony, Gulf's actual Recoverable Storm Amount totals \$10.1 million and was calculated in strict accordance with the ICCA methodology required by Rule 25-6.0143, F.A.C. Mr. Hughes' 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 2017 Stipulation and Settlement.

16. Gulf witness Gerard'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 Hurricane Zeta restoration efforts. Ms. Gerard's testimony establishes that Gulf voluntarily implemented the Process Provisions established by the Hurricane Michael Settlement in Gulf's invoice review process. In accordance with these Process Provisions, FPL's cost finalization team performed a detailed review of the electronic timesheet and expense information from the iStormed App for allowable charges. Based on this detailed review, any applicable adjustments were made in the iStormed App and any approved exceptions were documented in contract-specific flat files.² Gulf's Accounts Payable team performed a reconciliation to ensure that the total calculated payment amount on the flat file was the same as

² Each contractor's flat file is an extract from the iStormed App which contains the electronic timesheet and expense information for line and vegetation contractors.² Each flat file contains detailed information for that contractor, including crew information and daily timesheets, crew expenses where applicable, approvals by responsible employees, documentation of exceptions, and, where appropriate, adjustments to vendor invoices. This information is used by the cost finalization team to review, adjust, and approve the final payment to the contractor.

the amounts indicated in the SAP system. Ms. Gerard testifies that the flat files are consistent with the contractor information that is addressed by the Hurricane Michael Settlement, and she provides additional detail about Gulf's process for reviewing and validating contractor timesheets and expenses.

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

17. Pursuant to Paragraph 7(a) of the 2017 Stipulation and Settlement Agreement, “recovery storm costs from customers under this paragraph 7 will begin, on an interim basis, sixty days following the filing of a cost recovery petition and tariff sheets with the Commission and will be based on a 12-month Recovery Period if the storm costs do not exceed \$4.00/1,000 kWh on monthly residential customer bills.” However, with respect to Hurricane Zeta Costs, Gulf proposes to initiate recovery through an \$9.34/1,000 kWh surcharge (the “Zeta Recovery Charge”) to apply to Northwest Florida FPL residential customer bills effective November 1, 2024 through December 31, 2024 (“Zeta Recovery Period”). Gulf proposes to initiate the Zeta Recovery Period starting the month following the termination Gulf’s proposed surcharge for storm restoration costs related to Hurricane Sally.³ The Zeta Recovery Charge will be included in the non-fuel energy charge on customer bills, which is consistent with Gulf’s practice of incorporating adjustment

³ Gulf’s residential customer bills currently reflect a monthly surcharge of \$8.00/1,000 kWh for storm restoration costs related to Hurricane Michael. Additionally, Gulf is concurrently filing with this submission a Petition for Approval of Final/Actual Storm Restoration Costs and Associated True-Up Process Related to Hurricane Sally under which Gulf proposes to extend the monthly surcharge of \$3.00/1,000 kWh on residential customer bills for Hurricane Sally until October 2023. In October 2023, the surcharge for Hurricane Michael is expected to terminate and Gulf proposes to increase the surcharge for Hurricane Sally to \$10.00/1,000 kWh effective November 2023. This petition seeks Commission approval to institute the requested Hurricane Zeta surcharge of \$9.34/1,000 kWh once the Hurricane Sally surcharge terminates. Approval of this request will best serve the interests of administrative efficiency and rate stability and will be in the best interests of customers by reducing the duration of the storm surcharge to two months. Gulf hereby waives its right to seek an interim surcharge for Hurricane Zeta per the 2017 Stipulation and Settlement Agreement and to the extent the Commission feels approval of a waiver from the provisions of paragraph 7 of the 2017 Stipulation and Settlement is required, Gulf respectfully requests that this petition be considered a request for said waiver.

clause charges in the non-fuel energy charge line item. The Zeta Recovery Period would be subject to change based upon the Commission's finding and application of appropriate true-up adjustments.

18. For purposes of its proposed Zeta Recovery Charge, Gulf has allocated the estimated Eligible Storm Restoration Costs among rate classes consistent with the cost-of-service study filed in Docket No. 20160186-EI, which was the base rate proceeding giving rise to the 2017 Stipulation and Settlement. The computation of the resulting Recovery Charge for each rate class is shown on TCC-1(Zeta), attached to the pre-filed direct testimony of Gulf witness Cohen. For residential customers, the Recovery Charge is 0.934 cents per kWh, which equates to \$9.34 on a 1,000 kWh residential bill. Original Tariff Sheet No. 8.030.6, the Storm Restoration Recovery Charge Tariff by which Gulf proposes to implement the Recovery Charge for each rate class, is attached as Exhibit TCC-2(Zeta) to the pre-filed direct testimony of Gulf witness Cohen in legislative and clean formats.

19. Consistent with Rule 25-6.0143(1)(i), Gulf has maintained the amount of Eligible Storm Restoration Costs that exceed the pre-storm balance of the retail Storm Reserve as a debit on Account 228.1.4. Gulf is not requesting Commission approval to establish a regulatory asset to be recorded in Account 182.1, Extraordinary Property Losses.

20. No fewer than 90 days prior to the date Gulf expects to fully recover its final/actual recoverable storm amount for Hurricane Zeta, 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

⁴ Prior to Hurricane Zeta, Gulf's Storm Reserve was in a deficit position, primarily due to the incremental costs incurred for Hurricane Michael which are still being recovered from customers and, as such, the Storm Reserve is fully depleted.

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.⁵

21. Gulf witnesses' pre-filed testimonies demonstrate that the Company's actions and activities before, during, and after Hurricane Zeta were prudent and consistent with "what a reasonable utility manager would do in light of the conditions and circumstances which he knew or reasonably should have known at the time the decision was made." *In Re Fuel & Purchased Power Cost Recovery Clause*, Docket No. 080001-EI, Order No. PSC-2009-0024-FOF-EI, 2009 WL 692572 (FPSC Jan. 7, 2009) (emphasis added). The testimony further demonstrates the reasonableness of the Hurricane Zeta Costs.

IV. CONCLUSION

22. **WHEREFORE**, Gulf respectfully requests that the Commission conduct a limited proceeding and find that Gulf's activities undertaken in response to Hurricane Zeta were prudent, and that the associated Hurricane Zeta Costs were reasonable. Gulf further respectfully requests that the Commission: (i) determine that Gulf's actual Recoverable Storm Amount of \$10.1 million

⁵ Gulf's proposed true-up process is identical to the process utilized by Gulf in the Hurricane Michael storm cost recovery docket (No. 20190038-EI).

was prudently incurred; (ii) approve the Company's Proposed Storm Restoration Recovery Surcharges; (iii) approve Gulf's proposal to implement its Proposed Storm Restoration Recovery Surcharges of \$9.34/1,000 kWh, effective following the final payment of the Hurricane Sally surcharge; (iv) approve the Company's Proposed Recovery Period; and (v) 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.

Respectfully submitted,

By: /s/ Kenneth M. Rubin
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700 Universe Boulevard
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Florida 33408-0420

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF MICHAEL SPOOR

NOVEMBER 12, 2021

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Michael Spoor. My business address is Gulf Power Company, One Energy
5 Place, Pensacola, Florida, 32520.

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

7 A. I am employed by Gulf Power Company (“Gulf” or the “Company”) as Vice President
8 of Gulf Power Company.

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

10 A. As Vice President of Gulf Power Company, my responsibilities, with respect to Power
11 Delivery, include the planning, engineering, construction, operation, maintenance, and
12 restoration of Gulf’s transmission and distribution (“T&D”) electric grid. During
13 hurricane restoration events, I assume the additional role of Gulf’s Area Commander.
14 In this capacity, I am responsible for the overall coordination of all restoration activities
15 to ensure the successful implementation of Gulf’s restoration strategy, which is to
16 restore service to our customers safely and as quickly as possible.

17 **Q. Please describe your educational background and professional experience.**

18 A. I graduated from Auburn University with a Bachelor of Science degree in Industrial
19 Engineering and from Nova Southeastern University with a Master of Business
20 Administration. I am also a graduate of executive education programs at both Columbia
21 University and Kellogg School of Management at Northwestern University. I am a
22 licensed Professional Engineer in the State of Florida. I joined Florida Power & Light
23 Company (“FPL”) in 1985 and have served in a variety of leadership positions at FPL

1 including area operations manager, manager of reliability, director of distribution
2 system performance, director of business services and director of distribution
3 operations. I assumed my responsibilities related to Gulf's Power Delivery functions
4 in January 2019, having previously served as Vice President of Transmission and
5 Substation with FPL. In March 2021, I assumed my current position as Vice President
6 of Gulf Power Company.

7
8 I have been involved with hurricane restoration with FPL for the last 30 years serving
9 in various roles and levels of responsibility. I currently serve as the Gulf Area
10 Commander.

11 **Q. Are you sponsoring any exhibits in this case?**

12 A. Yes. I am sponsoring the following exhibits:

- 13 • MS-1(Zeta) – Hurricane Zeta Landfall and Track
- 14 • MS-2(Zeta) – Gulf's T&D Hurricane Zeta Restoration Costs

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to provide details for the work and costs incurred
17 by Gulf's T&D organization in connection with Hurricane Zeta, along with the work
18 and costs of the other Gulf business units that contributed to the Company's restoration
19 efforts. Specifically, I describe Gulf's T&D Hurricane Zeta preparation, response and
20 restoration efforts, and details on T&D hurricane restoration costs. Finally, I discuss
21 Gulf's overall successful performance in restoring service to those customers that
22 experienced an outage due to Hurricane Zeta. As a result, my testimony supports the

1 prudence of Gulf’s activities and the reasonableness of the Hurricane Zeta restoration
2 costs, the great majority of which involve the T&D system.

3

4 **II. EMERGENCY PREPAREDNESS PLAN & RESTORATION PROCESS**

5

6 **Q. What is the objective of Gulf’s emergency preparedness plan and restoration
7 process?**

8 A. The primary objective of Gulf’s emergency preparedness plan and restoration process
9 is to safely restore critical infrastructure and to restore power to the greatest number of
10 customers in the least amount of time so that Gulf can return normalcy to the
11 communities it serves.

12 **Q. Describe generally how Gulf approaches this objective.**

13 A. Achieving this objective requires extensive planning, training, adherence to established
14 storm restoration processes, and execution that can be scaled quickly to match each
15 storm’s particular challenges. To these ends, Gulf’s emergency preparedness plan
16 incorporates comprehensive annual restoration process reviews and includes lessons
17 learned, new technologies, and extensive training activities to ensure Gulf’s employees
18 are well prepared.

19

20 While Gulf has processes in place to manage and mitigate the costs of restoration
21 (including actions taken prior to a storm event), the objective of safely restoring electric
22 service as quickly as possible cannot, by definition, be pursued as a “least cost” process.
23 Said in a different manner, restoration of electric service at the lowest possible cost will

1 not result in the most rapid restoration.

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

3 A. Gulf's emergency preparedness plan is the product of years of planning, study, and
4 refinement based upon actual experience. Key components of this plan include:

- 5 • Disaster response policies and procedures;
- 6 • Scalable internal organizational structures based on the required
7 response;
- 8 • Planned timeline of activities to assure rapid notification and response;
- 9 • Mutual assistance agreements and vendor contracts and commitments;
- 10 • Plans and logistics for the staging and movement of resources, personnel,
11 materials, and equipment to areas requiring service restoration;
- 12 • Communication and notification plans for employees, customers,
13 community leaders, emergency operation centers, and regulators;
- 14 • An established centralized command center with an organization for
15 command and control of emergency response forces;
- 16 • Checklists and conference call agendas to organize, plan, and report
17 situational status;
- 18 • Damage assessment modeling and reporting procedures;
- 19 • Field and aerial patrols to assess damage;
- 20 • Comprehensive circuit patrols to gather vital information needed to
21 identify the resources required for effective restoration;
- 22 • Systems necessary to support outage management processes and
23 customer communications; and

- 1 • A comprehensive NextEra Energy Mutual Assistance Pandemic
2 Resource Guide for COVID-19, to support required changes to
3 restoration plans and added safety during the pandemic response.

4
5 This plan is comprehensive and well-suited for the purpose of facilitating prompt and
6 effective responses to emergency conditions, such as hurricanes, to restore power as
7 safely and quickly as possible.

8 **Q. Does Gulf regularly update its plan?**

9 A. Yes. Each year, prior to hurricane season, Gulf reviews and updates its emergency
10 preparedness plan. To ensure rapid restoration, the key focus areas of this plan are
11 staffing the hurricane response organization, preparing logistics support, enhancing
12 customer communication methods, and ensuring that required computer and
13 telecommunication systems are in place. As part of this process, all business units
14 within Gulf identify personnel for staffing the emergency response organization. In
15 many cases, employees assume roles different than their regular responsibilities.
16 Training is conducted for employees each year, regardless of whether they are in a new
17 role or a role in which they have served many times. This includes training on processes
18 that range from clerical and analytical to reinforcing restoration processes for our
19 employees.

20 **Q. How did the COVID-19 pandemic impact Gulf's emergency preparedness plan?**

21 A. The COVID-19 pandemic presented additional challenges during the 2020 storm season
22 that Gulf addressed and incorporated into our plan which includes a restoration response
23 protocol that would minimize our employees', outside resources', and customers'

1 potential exposure to COVID-19. Additionally, Gulf developed and adapted new
2 strategies and techniques to house, feed, and provide a safe work environment for those
3 engaged in the restoration process. Our plan, built on a foundation of knowledge,
4 experience, industry best practices, and continuous improvement, allowed the team to
5 be flexible and adapt to change.

6 **Q. What else does Gulf do to prepare for each hurricane season?**

7 A. In the logistics support area, preparations include: 1) increasing material inventory; 2)
8 verifying and securing adequate lodging arrangements; 3) securing staging sites
9 (temporary work sites that are opened to serve as operational hubs for Incident
10 Management Teams to plan, coordinate, and execute area restoration plans and also
11 provide parking, food, laundry service, medical care, hotel coordination, and, if
12 necessary, housing for large numbers of external and internal restoration resources); 4)
13 verifying staging site plans; and 5) securing any necessary agreements and contracts for
14 these support services. These activities are important to ensure availability and on-time
15 delivery of these critical items at a reasonable cost. All of this planning and preparation
16 provides the foundation to begin any restoration effort.

17 **Q. Does Gulf regularly test its emergency preparedness plan?**

18 A. Yes. Gulf has conducted annual “dry run” exercises to test its emergency preparedness
19 plan. Since its acquisition by NextEra Energy, Inc. in 2019, Gulf tests its readiness
20 during a joint hurricane dry run exercise with FPL. This event simulates a hurricane (or
21 multiple storms/hurricanes) impacting Gulf’s service area. The purpose is to provide a
22 realistic, challenging scenario that causes the organization to react to situations and to
23 practice functions not generally performed during normal operations. It is a full-scale

1 exercise, executed with active participation by employees representing every business
2 unit in the company as well as external organizations, local government officials, and
3 media representatives. After months of preparation, the formal exercise activities begin
4 96 hours before the mock hurricane's forecasted date and time of impact. Gulf's
5 Command Center is fully mobilized and staffed. Field patrollers are required to
6 complete simulated damage assessments that are then utilized by office staff to practice
7 updating storm systems, acquiring resources, and developing estimated times of
8 restoration. The exercise also includes simulating customer and other external
9 communications as well as updating our outage management system and other storm-
10 specific applications. The dry-run engages the logistics team to exercise their staging
11 site plans to assess the readiness of staging site processes (e.g., communications,
12 logistics, materials, and equipment). This training is conducted in the course of our
13 ordinary approach to business and the costs of these activities are not charged to
14 hurricane costs and, therefore, are not part of the evaluation of costs the Florida Public
15 Service Commission (the "Commission") is conducting in this proceeding.

16 **Q. How does Gulf respond when a hurricane threatens its service area?**

17 A. Gulf responds by taking well-tested actions at specified intervals prior to a hurricane's
18 impacts. When a hurricane is developing in the Atlantic Ocean or Gulf of Mexico,
19 Gulf utilizes FPL's staff meteorologist who continuously monitors conditions and
20 communicates to various departments throughout the company to initiate preliminary
21 preparations for addressing internal and external resource requirements, logistics
22 needs, and system operation conditions.

23

1 At 96 to 72 hours prior to the projected impact to Gulf's system, Gulf's activities
2 include: activating the Command Center; alerting all storm personnel; forecasting
3 resource requirements; developing initial restoration plans; activating contingency
4 resources; and identifying available resources from mutual assistance utilities. In
5 addition, all Gulf sites begin to prepare their facilities for the impact of the storm.

6

7 At 72 to 48 hours, computer models are run based on the projected intensity and path
8 of the storm to forecast expected damage, restoration workload, and potential customer
9 outages. Based on the modeled results, commitments are confirmed for restoration
10 personnel, materials, and logistics support. Staging site locations are then identified
11 and confirmed based on the hurricane's expected path. Communications lines are
12 established for the staging sites and satellite communications are expanded to improve
13 communications efforts. External resources are activated and begin moving toward the
14 expected damage areas in our service area and internal personnel may also be moved
15 closer to the expected damage.

16

17 At 24 hours, the focus turns to pre-positioning personnel and supplies to begin
18 restoration as soon as it is safe to do so. As the path and strength of the hurricane
19 changes, Gulf continuously re-runs damage models and adjusts plans accordingly.
20 Also, Gulf contacts community leaders and County Emergency Operations Centers
21 ("EOCs") for coordination and to review and reinforce Gulf's restoration plans. This
22 outreach includes confirming the assignment of Gulf personnel to the County EOCs for
23 the remainder of the hurricane and identifying restoration personnel to assist with road

1 clearing and search-and-rescue efforts. Gulf also has personnel assigned to the State
2 EOC to support coordination and satisfy information needs. Throughout the process,
3 Gulf also provides critical information (e.g., public safety messages, hurricane
4 preparation tips, and guidance if an outage occurs) to the news media, customers, and
5 community leaders.

6 **Q. Has Gulf had any recent past opportunities to execute its emergency preparedness
7 plan and overall restoration process?**

8 A. Yes. In 2018, Gulf was required to implement its full-scale emergency preparedness
9 plan and restoration process as a result of impacts from Hurricane Michael, a Category
10 5 hurricane which severely impacted Gulf’s eastern service area, which includes
11 Panama City, Panama City Beach, and Chipley. Gulf also activated the emergency
12 preparedness plan in response to several tropical storm and tornado events in 2019 and
13 2020 preceding Hurricane Zeta.

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

16 A. Yes. Every restoration event is different, and each event presents opportunities to learn
17 and continue to refine and improve our processes and planning. Consistent with our
18 culture of continuous improvement, Gulf implemented several enhancements to its
19 processes based upon its experience with Hurricane Michael. Many of these were
20 outlined as part of the Hurricane Michael Settlement, and most were implemented
21 during Hurricane Zeta even though they were not required to be implemented until the
22 2021 hurricane season. For example, Gulf utilized FPL’s iStormed Application (the
23 “iStormed App”) to record time and expenses for line and vegetation contractors, as

1 well as utilization of FPL's existing, negotiated contracts with various storm support
2 suppliers.

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

5 A. Significant standardization in field operations has been institutionalized including
6 work-site organization; work preparation and prioritization; and damage assessment.
7 For external crew personnel, Gulf provides an orientation that includes safety rules,
8 work practices, and engineering standards. Additionally, procedures to ensure rapid
9 preparation and mobilization of remote staging sites have been developed to allow Gulf
10 to establish these sites in the most heavily damaged areas.

11
12 Storm plan requirements are documented in a variety of media including manuals, on-
13 line procedures, checklists, job aids, process maps, and detailed instructions. System
14 data is continuously monitored and analyzed throughout the storm. Gulf conducts
15 multiple daily conference calls, utilizing structured checklists and agendas, with Gulf
16 Command Center leadership to confirm process discipline, discuss overall progress,
17 and identify issues that can be resolved quickly by leaders participating on the call from
18 all Gulf business units. Conference calls are also held with all field restoration and
19 logistics locations to provide a further mechanism to ensure critical activities are
20 performed as planned and timely communications occur at all levels throughout the
21 organization. Also, each organization within Gulf conducts its own daily conference
22 call(s) to ensure plans are executed appropriately and issues are being resolved
23 expeditiously. Overall monitoring and performance management of field operations

1 are performed through the Gulf Command Center. In addition, Gulf Command Center
2 personnel routinely conduct field visits once restoration has begun to validate
3 restoration process discipline and application, assess progress at remote work sites, and
4 identify any adjustments that may be required.

5 **Q. How does Gulf assess its workload requirements?**

6 A. There are a variety of factors that impact restoration workload. Historical responses to
7 similar events, team experiences with both on-system and off-system events, and the
8 framework of the emergency preparedness plan are utilized to determine preliminary
9 workload requirements. During Hurricane Zeta restoration, Gulf also utilized FPL's
10 storm damage model to forecast system damage and hours of work required to restore
11 service. These forecasts are based on the location of Gulf facilities, the weather forecast
12 associated with the storm's projected path, and the effects of varying wind strengths on
13 the electric infrastructure. As conditions change, the damage model is updated. The
14 workload projections are matched with resource factors such as availability and
15 location, and Gulf's capacity to manage and support available resources efficiently and
16 safely. As soon as the storm passes, employees are tasked with determining and
17 assessing system damage. Gulf utilizes damage assessments obtained through aerial
18 and field patrols and customer outage information contained in Gulf's outage
19 management system.

20 **Q. How does Gulf begin to acquire resources?**

21 A. Normally, 96 to 72 hours prior to expected storm impact, Gulf begins to contact
22 selected contractors to assess their availability. Additionally, as a member of the
23 Southeastern Electric Exchange ("SEE") and Edison Electric Institute ("EEI"), Gulf

1 begins to utilize the formalized industry processes to request mutual assistance
2 resources. At 72 to 48 hours, depending on the storm track certainty and forecasted
3 intensity, Gulf may begin to financially commit to acquire necessary resources and
4 request that travel to and within Florida commence. Resource needs are continually
5 reviewed and adjusted, if necessary, based on the storm's path, intensity fluctuations,
6 and corresponding damage model results.

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

8 A. As previously mentioned, an important component of each restoration effort is Gulf's
9 ability to scale and adjust resources to match the anticipated workload. This includes
10 acquiring external contractors and mutual assistance from affiliate companies, other
11 utilities, within (e.g., other Florida investor-owned, municipal, and cooperative
12 utilities) as well as outside the state of Florida. Gulf is a founding member and active
13 participant of the SEE Mutual Assistance Group. While this group is a non-binding
14 entity, it provides Gulf and other members with guidelines on how to request assistance
15 from a group of approximately 55 utilities, primarily located in the southern and eastern
16 United States. The guidelines require reimbursement for direct costs of payroll and
17 other expenses, including roundtrip travel costs (i.e., mobilization/demobilization),
18 when providing mutual aid in times of an emergency. In addition, Gulf participates
19 with EEI and the National Response Event organization to gain access to other utilities.
20 Resource requests may include line and vegetation contractors, patrol personnel, crew
21 supervisors, material-handling personnel and, in some cases, logistics support.

22

23

1 Gulf, through FPL’s Integrated Supply Chain (“ISC”), also has several contractual
2 agreements with line and vegetation contractors throughout the U.S. Many of these
3 agreements are with contractors Gulf utilizes during normal operations. Depending on
4 the severity of the storm and resource needs, a large number of additional line and
5 vegetation companies may be contracted to provide additional support pending their
6 release from the utilities for which they normally work. If these additional line and
7 vegetation contractors are needed, Gulf, through FPL’s ISC, negotiates rates with the
8 new contractors on an as-needed basis prior to the commencement of work.

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

11 A. As indicated earlier, while safe and rapid restoration (the primary restoration objective)
12 does not permit the least overall cost for restoration, Gulf is always mindful of costs
13 when acquiring resources. For line and vegetation contractors, Gulf endeavors to
14 acquire resources with pre-negotiated storm contracts based on a low-to-high cost
15 ranking and release these same resources from storm restoration assistance in reverse
16 cost order subject to the overriding objective of quickest restoration time and related
17 considerations. Gulf also considers travel distance when procuring storm restoration
18 resources, as longer distances require increased drive times and can result in higher
19 mobilization/demobilization costs. Final contractor and mutual-aid resource decisions
20 take into consideration the number, availability, relative labor costs, and travel
21 distances of required resources. This information is then evaluated relative to the
22 expected time to restore customers.

23

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

3 A. The deployment and movement of resources are coordinated through the Gulf
4 Command Center to monitor execution of the plan. Daily management of the crews is
5 performed by the field operations organization, which is responsible for executing
6 Gulf's restoration strategy. Decisions on opening staging sites to position the
7 restoration workforce in impacted areas are based primarily on the arrival time(s) of
8 external resources. Daily analysis of workload execution and restoration progress
9 permits dynamic resource management. This enables a high degree of flexibility and
10 mobility in allocating and deploying resources in response to changing conditions and
11 requirements. Another critical factor is Gulf's ability to assemble trained and
12 experienced management teams to direct field activities. As part of the storm
13 organization, management teams include Incident Commanders and crew supervisors
14 to directly oversee fieldwork.

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

16 A. Gulf, through FPL, has centralized all external resource acquisition within the
17 FPL/Gulf Command Center organization. This organization approves resource
18 acquisition targets, which are continually monitored and communicated.

19 **Q. What processes and controls are in place to ensure the proper accounting of the**
20 **work performed by these resources and the time charged for that work?**

21 A. During Hurricane Zeta, as with prior storms, these external resources initially report to
22 a Processing Site for verification of rosters and equipment before being assigned to a
23 Gulf Storm Production Lead that is associated with a designated staging site. The Storm

1 Production Lead is responsible for verifying crew rosters as Gulf accepts these
2 resources on to its system. The Storm Production Lead is then responsible for reviewing
3 and electronically approving timesheets to ensure that time and personnel counts are
4 recorded accurately. The timesheets are then electronically routed to the Finance
5 Section Chief (whose role and responsibilities are described in Gulf witness Hughes'
6 testimony) at the staging site and then sent to FPL's Cost Finalization team. Gulf
7 witness Gerard describes the role and responsibilities of the Cost Finalization team
8 which is responsible for the final validation of contractor invoices for payment.

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

11 A. Logistics functions serve a key role in any successful restoration effort, i.e., ensuring
12 that basic needs and supplies are adequately available and provided to the thousands of
13 restoration personnel involved. These functions include, but are not limited to, the
14 acquisition, preparation, and coordination of staging sites, environmental services,
15 salvage, lodging, laundry, buses, caterers, ice and water, office trailers, light towers,
16 generators, portable toilets, security guards, communications, and fuel delivery.
17 Agreements with primary vendors are also in place prior to the storm season as part of
18 Gulf's comprehensive storm-planning process. Gulf personnel from all parts of the
19 company meet additional logistics staffing needs. Most of these employees are pre-
20 identified, trained and assigned to provide site logistics management and support other
21 restoration workforce needs. Gulf contracts for additional logistics resources for larger
22 restoration efforts that exceed internal logistics support capabilities.

23

1 **Q. What actions were taken by Gulf to address Storm Preparation and Restoration**
2 **during the global COVID-19 pandemic?**

3 A. The health and safety of our workforce and our customers is our top priority. As a
4 result, Gulf's objective to maintain worker safety during the COVID-19 pandemic
5 prompted additional enhancements to Gulf's emergency preparedness plan and storm
6 restoration process. A NextEra Energy Mutual Assistance Pandemic Resource Guide
7 ("Resource Guide") was developed, which established additional safety precautions in
8 key storm response locations such as the Command Center, Control Center operations,
9 storm riders, and the various Processing and Staging Sites. The Resource Guide also
10 established additional safety requirements for other storm response workers within the
11 Company to minimize their risk of exposure to COVID-19.

12 **Q. Please describe some of the additional safety precautions that the Resource Guide**
13 **established.**

14 A. An example of the additional safety precautions was the development of Alpha and
15 Bravo teams with critical roles at separate locations. This creation of a backup team
16 allowed for continuation of critical functions if one team was impacted by COVID-19.
17 Additionally, in some cases, storm response workers with secondary support roles were
18 able to work remotely. The Resource Guide also established guidelines for adjusting
19 staging site occupancy and increasing the number of microsites for staging resources
20 to minimize crew congregation and movement.

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

23 A. Yes. Gulf's logistics organization is responsible for overseeing and coordinating the

1 procurement of resources required at our staging sites. The Logistics Section Chief and
2 logistics team ensure that each staging site’s resource requirements are initially
3 procured and received. The Finance Section Chief also provides guidance and
4 assistance to help ensure active, real time financial controls are in effect and adhered
5 to during the restoration event. These processes are discussed in more detail by Gulf
6 witness Hughes.

7

8

III. HURRICANE ZETA

9

10 **Q. Please provide an overview of Hurricane Zeta as it developed and began to**
11 **threaten Florida.**

12 A. Hurricane Zeta was the 27th named storm of an extremely active 2020 Atlantic
13 hurricane season and the seventh major (category 3 or higher) hurricane to make
14 landfall in the calendar year, tying historical records. Zeta was also the latest-
15 landfalling major hurricane on record to strike the continental United States (the old
16 record was set by the Tampa Bay Hurricane on Oct. 25, 1921).

17

18 After forming over the western Caribbean Sea in mid-October, Hurricane Zeta made
19 landfall in the Yucatan Peninsula on October 26, 2020. Zeta then moved back into the
20 Gulf of Mexico and began reorganizing and re-strengthening. Zeta turned northeasterly,
21 approaching the Gulf Coast as a Category 3 hurricane. The latest forecasts on October
22 28 and 29 from the National Hurricane Center (“NHC”) projected Hurricane Zeta to
23 make landfall in Louisiana and as a result the western Florida Panhandle would be

1 impacted with strong, sustained tropical storm force winds as Zeta’s outer bands
2 directly impacting Gulf’s service area (reference Exhibit MS-1(Zeta)).

3 **Q. Please provide an overview of how Hurricane Zeta eventually impacted Gulf’s**
4 **service area.**

5 A. Zeta did not directly make landfall in Gulf’s service area, rather making landfall at
6 Cocodrie, Louisiana on October 28 as a strong Category 3 Hurricane. However, Gulf’s
7 system was impacted by severe weather and feeder bands as the large storm tracked
8 toward the northeast. Wind gusts in excess of 50 mph were recorded in Pensacola,
9 Gulf’s western-most service area.

10 **Q. How did Gulf initially prepare to respond to the potential impacts of Hurricane**
11 **Zeta?**

12 A. Gulf’s emergency preparedness teams closely monitored the storm and initiated early
13 discussions and preliminary preparations. Gulf’s first weather update call occurred on
14 October 24 (96-hour call based on the NHC forecast track and timing) and Gulf’s first
15 command center call occurred on October 26. On October 27, Gulf activated its
16 emergency response organization, staffed its Command Center and initiated the cadence
17 of daily planning and management meetings to ensure the efficient and timely execution
18 of all pre-landfall checklists and preparation activities. Gulf began requesting resources
19 to arrive by October 27 in order to begin restoration. Also, Gulf initiated customer
20 communications and outreach, urging customers to prepare for Hurricane Zeta’s
21 impacts, including potentially prolonged power outages. Through its pre-landfall
22 planning activities and based on the forecasted path and intensity of the storm, Gulf
23 reasonably anticipated and planned for the consequences of Hurricane Zeta’s potential

1 impacts to Gulf's service area and began to commit to resources that would be available
2 to support the anticipated restoration work.

3 **Q. How did Gulf ultimately respond to the impacts of Hurricane Zeta?**

4 A. Although Gulf was still in the process of completing its Hurricane Sally follow up work
5 when Hurricane Zeta impacted Gulf's service area, the Company followed its well
6 developed, systematic and well tested plan to respond to such a weather event, which
7 includes obtaining and pre-staging resources in advance of the storm. As with other
8 storm events during the 2020 Hurricane Season, Gulf continued to utilize the company's
9 COVID-19 protocols to protect the safety and health of all employees, mutual assistance
10 responders, and customers.

11 **Q. What was the magnitude of damage to Gulf's T&D infrastructure as a result of
12 Hurricane Zeta?**

13 A. Toppled trees, vegetation outside of Gulf's trim zone, and wind-blown debris were the
14 leading causes of outages. Hurricane Zeta-caused distribution outages impacted Gulf's
15 service area from October 28 through October 29. Within 24 hours of the time when
16 Gulf could safely begin restoration activities, power had been restored to Gulf's
17 customers impacted by the storm. Gulf's significant investments in the energy grid since
18 2007, including storm hardening and smart grid technology, enabled Gulf to restore
19 faster and avoid outages. For example, grid improvements and investments provided the
20 Distribution Control Center and field personnel better visibility into the system impact
21 and provided opportunities for switching to restore customers ahead of and during
22 restoration.

23

1 **Q. How many Gulf customers experienced outages as a result of Zeta?**

2 A. Approximately 52,000 customers were affected during the early morning hours of
3 October 29 as a result of strong winds and rain from the outer bands of Hurricane Zeta.
4 As indicated above, restoration activities were complete, and power restored to impacted
5 customers within 24 hours.

6

7

IV. T&D RESTORATION COSTS

8

9 **Q. What were the final Hurricane Zeta T&D restoration costs?**

10 A. As provided in Exhibit MS-2(Zeta), Gulf's T&D Hurricane Zeta Restoration Costs, total
11 T&D restoration costs were \$11.06 million or approximately 97% of total restoration
12 costs.

13

Hurricane Zeta – T&D Restoration Costs by Category (\$000s)

	<u>Total T&D</u>	<u>%</u>
Regular Payroll and Related Costs	\$258	2%
Overtime Payroll and Related Costs	\$316	3%
Contractors	\$7,603	69%
Vehicle & Fuel	\$331	3%
Materials & Supplies	\$178	2%
Logistics	\$1,259	11%
Other	\$1,119	10%
Total	\$11,064	100.0%

14

15 **Q. Please provide a brief description of the T&D cost categories for Hurricane Zeta**
16 **storm restoration.**

17 A. A brief description of the cost categories for T&D are:

- 18 • T&D “Regular Payroll and Related Costs” and “Overtime Payroll and Related
19 Costs” are costs associated with Gulf employees who directly supported service

1 restoration efforts. This included Gulf linemen, patrollers, other field support
2 personnel, and T&D staff personnel.

- 3 • T&D “Contractors” includes costs associated with external line contractors, mutual
4 assistance utilities, Gulf embedded contractors, line clearing/tree trimming
5 contractors, and other contractors (e.g., contractors performing overhead line patrols
6 and environmental assessments) that supported Gulf’s service restoration efforts and
7 follow-up work to restore facilities to their pre-storm condition.
- 8 • T&D “Vehicle & Fuel” includes Gulf’s vehicle and associated fuel costs, including
9 costs for fuel that Gulf supplied to line contractors, mutual assistance utilities, and
10 other contractors.
- 11 • T&D “Materials & Supplies” includes costs associated with items such as wire,
12 transformers, poles, and other electrical equipment used to restore electric service
13 for customers and repair and restore storm-impacted Gulf facilities to their pre-storm
14 condition.
- 15 • T&D “Logistics” includes costs associated with staging sites and other support
16 needs, such as lodging, meals, water, ice, and buses.
- 17 • T&D “Other” category includes costs not previously captured, such as affiliate
18 payroll and related costs, contractors, freight charges and other miscellaneous items.

1 **V. NON-T&D RESTORATION COSTS**

2

3 **Q. Please provide an overview of Gulf’s non-T&D business units that engaged in**
4 **storm preparation and restoration activities related to Hurricane Zeta, together**
5 **with the associated costs.**

6 A. The great majority of the work associated with Gulf’s preparation, response, and
7 restoration following Hurricane Zeta were related to T&D functional areas. However,
8 other business units within Gulf were engaged in pre-storm planning and preparation
9 as well as post-storm restoration activities, all of which contributed to the overall
10 success of the restoration efforts. Included within the family of non-T&D business
11 units that contributed to this effort were Customer Service, Power Generation Division,
12 and General. Together, these business units incurred approximately \$324 thousand in
13 pre-storm planning, preparation, and post-storm restoration activities. These costs are
14 referenced in Gulf witness Hughes’ Exhibit DH-1(Zeta).

15 **Q. Were the activities of Customer Service, PGD, and the business units discussed in**
16 **the General category prudent and the associated costs reasonable as part of Gulf’s**
17 **overall response to Hurricane Zeta?**

18 A. Yes.

19

20

21

22

23

1 **VI. EVALUATING GULF’S RESTORATION RESPONSE**

2

3 **Q. Would you consider Gulf’s Hurricane Zeta restoration plan and execution of those**
4 **plans to be effective?**

5 A. Yes. As mentioned previously, Gulf’s primary goal is to safely restore critical
6 infrastructure and the greatest number of customers in the least amount of time so that
7 Gulf can quickly return normalcy to the communities it serves. Hurricane Zeta’s impacts
8 in Gulf’s service area affected approximately 52,000 customers, many of whom were
9 still trying to recover from Hurricane Sally. Gulf’s restoration plan and execution of the
10 plan was effective in safely and quickly restoring power to our impacted customers.

11

12 **Q. What factors contributed to the effective execution of Gulf’s Hurricane Zeta**
13 **restoration plans?**

14 A. The rapid restoration was, in large part, a result of Gulf’s preparation for and experience
15 in responding to similar events, including Hurricane Sally, which had impacted Gulf’s
16 service area just six weeks earlier. Gulf was able to quickly mobilize its restoration
17 teams to respond to Zeta-related damage to Gulf’s service area.

18 **Q. What are your conclusions regarding Gulf’s Hurricane Zeta restoration efforts?**

19 A. Gulf’s restoration performance was excellent and significantly faster than it was during
20 previous hurricane events. As I mentioned earlier, Hurricane Sally had just impacted the
21 same part of Gulf’s system just weeks before. Our customers and employees were still
22 trying to make repairs to their homes and businesses and clean up the community at the
23 time Zeta’s impacts were being felt. The Company was still heavily engaged in

1 extensive follow-up work from Hurricane Sally damage that caused severe tree and
2 vegetation damage and flooding along the coast. The team's ability to restore power in
3 less than 24 hours, notwithstanding the damage caused by Hurricane Sally, is a
4 testament to Gulf's preparations and performance for the benefit of our customers. Our
5 commitment to continuous improvement was instrumental in achieving this excellent
6 performance as we once again operated under COVID-19 protocols to keep everyone
7 safe and healthy.

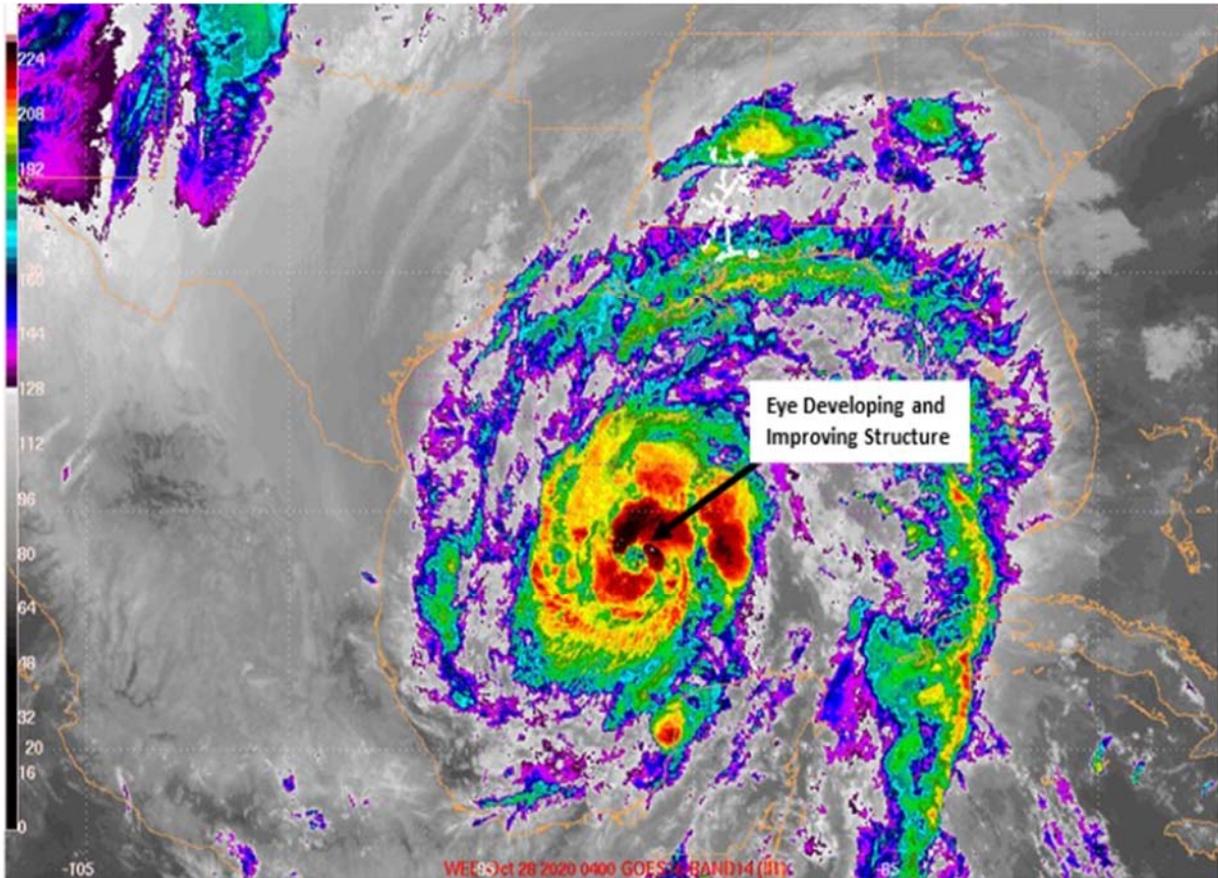
8

9 I believe the entire restoration team, which included Gulf employees, FPL employees,
10 and contractors performed extremely well. This allowed Gulf to meet our overarching
11 objective to safely restore critical infrastructure and the greatest number of customers in
12 the least amount of time. Storm restoration is a dynamic and challenging process that
13 tests the fortitude of each person involved, and I am very proud of the team and how
14 they responded to restore service for our customers.

15 **Q. Does this conclude your direct testimony?**

16 **A. Yes.**

Hurricane Zeta Landfall and Track
Exhibit MS-1(Zeta), Page 1 of 1



Gulf's T&D Hurricane Zeta Restoration Costs (A) (\$000s)

Storm Costs as of October, 31, 2021

	Transmission	Distribution	Total T&D (D)	% (D)
Regular Payroll and Related Costs (B)	\$34	\$224	\$258	2%
Overtime Payroll and Related Costs (B)	\$17	\$299	\$316	3%
Contractors (C)	\$27	\$7,575	\$7,603	69%
Vehicle & Fuel	\$4	\$327	\$331	3%
Materials & Supplies	\$0	\$178	\$178	2%
Logistics	\$22	\$1,237	\$1,259	11%
Other	\$13	\$1,106	\$1,119	10%
Total (D)	\$118	\$10,947	\$11,064	100.0%

(A) Includes costs associated with follow up work

(B) Represents total payroll charged to business unit (function) being supported - see DH-1(Zeta) footnote(C)

(C) Includes line clearing - \$0 for Transmission and \$1,864 for Distribution

(D) Totals might not add due to rounding

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF CLARE GERARD

NOVEMBER 12, 2021

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I. INTRODUCTION 3

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1 I. INTRODUCTION

2

3 Q. Please state your name and business address.

4 A. My name is Clare Gerard. My business address is NextEra Energy, Inc., 700 Universe
5 Boulevard, Juno Beach, Florida 33408.

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

7 A. I am currently employed by NextEra Energy Marketing, LLC., a subsidiary of NextEra
8 Energy, Inc., as the Vice President of Risk and Credit Exposure Management.

9 Q. Please describe your educational background and professional experience.

10 A. I have a Bachelor of Arts in Mathematics from Boston University and a Master of
11 Science in Financial Mathematics from Florida State University. I joined Florida Power
12 & Light Company (“FPL”) in 2004 and have 16 years of financial, managerial, and
13 commercial experience gained from serving in a variety of positions within Power
14 Marketing, Corporate Development, and Power Delivery. I have held several
15 leadership positions within those business units, including as the Senior Director of
16 Business Services in the Power Delivery Business Unit during the 2020 hurricane
17 season.

18 Q. Please describe your duties and responsibilities as the Senior Director of Business
19 Services in the Power Delivery Business Unit during the 2020 hurricane season.

20 A. As Senior Director of Business Services in the Power Delivery Business Unit during
21 the 2020 hurricane season, I oversaw a team that was responsible for financial planning
22 and analysis, audits, and compliance for the Power Delivery Business Unit. In this role,
23 I led the team that was responsible for reviewing invoices submitted by line and

1 vegetation contractors to assure compliance with contractor agreements. Additionally,
2 although Gulf’s Commission-approved Hurricane Michael Settlement Agreement filed
3 in Docket No. 20190038-EI is not applicable to storms that occurred in 2020,¹ Gulf
4 nonetheless voluntarily undertook to provide information in the Michael-approved
5 format to facilitate review of Gulf’s Hurricane Zeta storm costs. As a result, Gulf
6 followed the same invoice review process as FPL for storm events during the 2020
7 hurricane season.²

8 **Q. Please identify the process provisions that Gulf voluntarily incorporated in its**
9 **review and compilation of Hurricane Zeta costs.**

10 A. Gulf’s Commission-approved Hurricane Michael Settlement Agreement states that
11 beginning in the 2021 storm season, Gulf will implement paragraph 5 through 20 of
12 the “process provisions” included in the FPL Commission-approved Hurricane Irma
13 Settlement Agreement.³ These “process provisions” provide specific directions and
14 requirements for reporting storm costs, which were implemented in both FPL and
15 Gulf’s invoice review processes. For the purposes of my testimony, I will refer to the
16 Hurricane Michael and Hurricane Irma Settlement Agreements as “Hurricane Irma
17 Settlement Agreement” for the applicable provisions for invoice review process.

18
19

¹ The Hurricane Michael Settlement Agreement specifies that the Process Provisions included in paragraphs 5 through 20 of the Stipulation and Settlement apply beginning with the 2021 storm season. Order No. PSC-2020-0349-S-EI. Hurricane Zeta occurred during the 2020 storm season.

² Gulf Power Company (“Gulf”) was acquired by FPL’s parent company NextEra Energy, Inc. on January 1, 2019.

³ Docket No. 20180049-EI, In re: Evaluation of storm restoration costs for Florida Power and Light Company related to Hurricane Irma (“Hurricane Irma Settlement Agreement”).

1 **Q. Please explain the specific duties and responsibilities related to your supervision**
2 **and oversight of the invoice review process during the 2020 hurricane season.**

3 A. The invoice review process for the 2020 hurricane season took place between
4 September 2020 and July 2021. During this period, I directed the FPL team that was
5 responsible for reviewing and validating contractor invoices on Gulf's behalf. Under
6 my guidance and direction, the team either validated and approved contractor invoices
7 for payment or alternatively identified the need to reject or modify certain submissions
8 that were resolved before the contractor invoices were finalized.

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to provide a detailed overview of the process of
11 reviewing, approving, and where applicable, adjusting Gulf's Hurricane Zeta invoices
12 for line and vegetation contractors incurred during the 2020 hurricane season.

13 **Q. Please summarize your testimony.**

14 A. My testimony establishes that Gulf adopted, utilized, and followed the FPL process,
15 which provides a detailed, deliberate, and comprehensive process to review contractor
16 invoices (which, for purposes of my testimony, include line and vegetation contractors)
17 related to Gulf's Hurricane Zeta costs incurred during the 2020 hurricane season. My
18 testimony details the full scope of Gulf's invoice review process, which included
19 invoice receipt, individual invoice review, and follow-up analysis to ensure that
20 invoices were paid in conformance with contractor-specific contract terms. This
21 process also facilitated Gulf's ability to produce supporting data for the 2020 hurricane
22 season costs in an electronic format, utilizing FPL's iStormed Application (the
23 "iStormed App") for recording and approving or rejecting contractor costs.

1 **Q. Please describe the team responsible for Gulf’s contractor invoice review process.**

2 A. Gulf’s invoice review process for line and vegetation contractors was performed by the
3 FPL cost finalization (“CF”) team. The CF team was responsible for the detailed review
4 of the invoices to ensure compliance with the terms and conditions of the agreements
5 with the line and vegetation contractors and the provisions in the Hurricane Irma
6 Settlement Agreement. Furthermore, the CF team was also responsible for the
7 reconciliation of the amount to be paid to each of the contractors and submission of the
8 approved and reconciled payments to the appropriate contractors.

9 **Q. In the process of reviewing invoices, what support did the CF team receive?**

10 A. The CF team was supported by FPL and Gulf employees including those who held
11 several key storm response functions. Specifically, assistance was provided in the
12 invoice review process by employees who held the following storm roles during the
13 2020 hurricane season:

- 14 • Travel Coordinators, individuals who were responsible for coordinating and
15 tracking the progress of contractor crews during mobilization and
16 demobilization;
- 17 • Storm Approvers, individuals (e.g., Production Leads, Arborists, Operations
18 Section Chiefs) who were responsible for the more detailed oversight of
19 contractor crews, and who were responsible for electronically approving
20 timesheets and expenses, including exceptions to the contractor agreements,
21 where appropriate;
- 22 • Integrated Supply Chain (“ISC”), the group responsible for the agreements
23 entered into with contractors, continuing relationships with those contractors,

1 and with logistics, which included establishment and operation of staging sites,
2 the provision of lodging and meals; and
3 • Fleet, the group responsible for purchasing fuel and fueling the trucks at the
4 staging sites.

5
6 Individuals in these functions had direct contact with the line and vegetation crews, had
7 information that helped validate labor hours and/or expenses, and served as a source of
8 information when verification was required.

9 **Q. Please describe the training provided in advance of the 2020 hurricane season to**
10 **employees with certain storm assignments to assist those employees in the real-**
11 **time review of contractor timesheets and requests for approval of expenses.**

12 A. In 2020, Gulf’s annual storm training included participation with FPL in a joint “dry
13 run” exercise which simulated a hurricane impacting both utilities. Employees with
14 certain storm assignments attended training sessions with a specific emphasis on
15 processes involving the oversight and management of line and vegetation contractors.
16 Furthermore, the training addressed the importance of approving timesheets in the
17 iStormed App and contemporaneously documenting approvals and exceptions to the
18 terms of the agreements with contractors. This training also included explanations of
19 the differing statements of work governing Gulf’s relationships with its line and
20 vegetation contractors, and discussions related to the process provisions in the
21 Hurricane Irma Settlement Agreement with a focus on paragraph 6 and paragraphs 9
22 through 13, which I describe later in my testimony.

1 Before undertaking the actual review process, CF team members reviewed and became
2 familiar with the applicable line and vegetation contractor statements of work and the
3 Hurricane Irma Settlement Agreement and received training in the systems and
4 processes used to record and validate costs during the restoration process.

5

6

II. INVOICE REVIEW PROCESS

7

8 **Q. Please describe the general process by which the CF team received, reviewed, and**
9 **approved or adjusted line and vegetation contractor invoices for payment.**

10 A. The receipt, review, and approval or adjustment of line and vegetation contractor
11 invoices involved the following processes:

12 • Cost Finalization - The CF team performed a detailed review of the approved
13 electronic timesheet and expense information from the iStormed App for
14 allowable charges. This formed the basis of what we refer to as contract-specific
15 “flat files.” This detailed review placed emphasis on verifying that costs
16 submitted by contractors were reimbursable per the line and vegetation
17 contracts. Based on this detailed review, any applicable adjustments were made
18 in the iStormed App and any approved exceptions were documented in the flat
19 file.

20 • Reconciliation and Payment – The Accounts Payable team performed a
21 reconciliation to ensure that the total calculated payment amount on the flat file
22 was the same as the amounts indicated in the SAP system.

23

1 **Q. Please describe the data that is included in each contractor’s flat file.**

2 A. Each contractor’s flat file is an extract from the iStormed App which contains the
3 electronic timesheet and expense information for line and vegetation contractors.⁴ Each
4 flat file contains detailed information for that contractor, including crew information
5 and daily timesheets, crew expenses where applicable, approvals by responsible
6 employees, documentation of exceptions, and, where appropriate, adjustments to
7 vendor invoices. This information is used by the CF team to review, adjust, and approve
8 the final payment to the contractor.

9 **Q. Please explain the process used by the CF team to review of contractors’ timesheet
10 hours.**

11 A. The timesheet review was conducted during the cost finalization review process. This
12 portion of the process involved two verifications specific to hours recorded on the
13 timesheets. One verification consisted of the review of hours charged for mobilization
14 and demobilization (“mob/demob”), which is the time a crew spends traveling to Gulf’s
15 processing site (mob) and the time spent traveling home (demob). The other
16 verification involved a review of the timesheets reflecting the crews’ working time and
17 standby time.

18 **Q. Please explain the process for validation of timesheet hours related to mob/demob.**

19 A. The analysis of timesheet hours related to mob/demob is best explained by separating
20 the activities that were undertaken by the CF team into three buckets. The first involved
21 the CF reviewer reviewing any comments on the contractor’s iStormed timesheets,
22 which could indicate anything that could have impacted travel time. The second

⁴ Section 16 of the Hurricane Irma Settlement Agreement requires certain Storm Cost Documentation to be provided in virtual (sortable spreadsheet) or physical files.

1 involved the CF reviewer comparing the hours billed on the contractor's flat file to the
2 hours recorded by the Travel Coordinator. If the hours on the contractor's flat file were
3 different than the hours indicated by the Travel Coordinator, then the CF reviewer
4 requested more information from the contractor to verify the mob/demob hours.

5 The third and final activity involved a separate verification, undertaken by the CF
6 reviewer who confirmed that the contractor was not billing hours as mob/demob after
7 its arrival at the Gulf processing site or following its return home or release to another
8 utility by comparing the flat file hours to the Travel Coordinator's notes.

9 **Q. Please explain how timesheet hours related to working time were validated.**

10 A. For timesheet hours related to working time, there is a series of verification activities.
11 The first required the CF reviewer to verify an individual contractor's working days
12 based on the Travel Coordinator's notes. Second, the reviewer verified that the
13 iStormed timesheets during storm working hours were reviewed and approved by the
14 appropriate Gulf Storm Approver. The results of this analysis were used to update the
15 contractor's iStormed timesheet and flat file. Lastly, any applicable adjustments to the
16 contractor's mob/demob hours were included in their iStormed timesheet and flat file.

17 **Q. Please explain how the process for validation of timesheet hours related to standby
18 time.**

19 A. Standby time is appropriately billed when a contractor crew is mobilizing but asked to
20 hold or remain on-site, or not working while the storm is impacting the system, waiting
21 until conditions allow for restoration work to safely begin. While waiting for
22 conditions to allow for restoration of work, we leveraged this time by having the
23 contractors familiarize themselves with our standards and system. If the invoice

1 includes billing for standby time, the CF reviewer will verify that the standby time is
2 coded correctly on the flat file and does not exceed the maximum allotted hours for
3 standby time included in the vendor statement of work. If billing for standby time is
4 not appropriate under the circumstances, is coded incorrectly, or exceeds approved
5 hours, the CF reviewer will work with the contractor to adjust the iStormed timesheet
6 and flat file as necessary.

7 **Q. How did the CF team review the expenses claimed by a contractor?**

8 A. A review of claimed expenses, such as lodging, per diem, and fuel, was conducted by
9 the CF reviewer to ensure adherence to the statement of work and with the applicable
10 provisions in the Hurricane Irma Settlement Agreement.

11 **Q. What process was used to determine whether the contractor's expenditures for
12 meals would be reimbursed?**

13 A. Per diem expenses were generally paid during mob/demob for up to 3 meals per day.
14 However, if the per diem total was different than the number of team members, or the
15 number of meals expected based upon the time traveled (e.g., if a team didn't leave
16 their home base until the late afternoon), then the contractor's timesheet and flat file
17 were updated to ensure that they were only reimbursed for the appropriate number of
18 meals. If the contractor chose to purchase an offsite meal while they were onsite and
19 Gulf-provided meals were available, the cost of the contractor's meal was not
20 reimbursed unless it was approved by the Storm Approver supervising that crew.

21

22

1 **Q. Please explain how issues were addressed involving charges submitted by**
2 **contractors for lodging expenses.**

3 A. The CF reviewer confirmed that the total dollars on hotel receipts during mob/demob
4 were consistent with the contractor's flat file and averaged approximately \$150 or less
5 per team member per day. This allowance was permitted in response to the COVID-19
6 pandemic, where we added an approved exception to allow contractors to book single
7 occupancy rooms up to \$150 per night per person. If hotel receipts were submitted for
8 payment by a contractor during working days, the reviewer inquired if Gulf provided
9 rooms for the members of the team for that day. If the contractor made alternate
10 arrangements on a day when Gulf provided a room, the cost was rejected by the
11 reviewer unless it was approved by the Storm Approver supervising that crew or if
12 other sufficient supporting documentation was provided.

13

14 **III. HURRICANE IRMA SETTLEMENT AGREEMENT**

15

16 **Q. Did Gulf utilize the iStormed App described in the Hurricane Irma Settlement**
17 **Agreement?**

18 A. Yes. Gulf utilized the iStormed App for timesheet and expense reporting for the 2020
19 hurricane season.

20 **Q. What were the benefits of using the iStormed App during the 2020 hurricane**
21 **season?**

22 A. The iStormed App was developed to facilitate the processes of collecting, processing,
23 and approving invoices for line and vegetation contractors responding to storm

1 restoration. The most significant benefit of using the iStormed App was that it
2 eliminated the use of paper timesheets for invoice processing. Previously, the
3 verification of these paper timesheets was conducted manually. Converting this to a
4 digital process increased efficiency, improved data management, and facilitated the
5 invoice review process. For instance, due to the digital nature of invoices, it was much
6 easier to identify who had approved a timesheet (handwritten signatures can sometimes
7 be difficult to read) in order to ask follow-up questions if required.

8 **Q. Did Gulf establish invoice review criteria as a result of the Hurricane Irma**
9 **Settlement Agreement?**

10 A. Yes. Paragraphs 6 and paragraphs 9 through 13 of the Hurricane Irma Settlement
11 Agreement included provisions related to the development of information pertinent to
12 the invoice review process. The CF team incorporated the applicable provisions of the
13 Hurricane Irma Settlement Agreement into their review process.

14 **Q. Paragraph 6 of the Hurricane Irma Settlement Agreement discusses iStormed**
15 **App data (e.g., crew, billing, exceptions, etc.) that can be exported into sortable**
16 **and searchable Excel files. Is Gulf providing this data as part of this filing?**

17 A. Yes, the iStormed App data (or the “flat file”) is available in a searchable and sortable
18 Excel file and is included as a part of the filing.

19

1 **Q. Paragraphs 9 through 11 of the Hurricane Irma Settlement Agreement address**
2 **travel time and expenses of contractors travelling to and from Gulf to assist with**
3 **restoration. How did Gulf monitor travel time and expenses incurred during the**
4 **2020 hurricane season?**

5 A. Gulf relied upon information gathered by its Travel Coordinators as the most reliable
6 data to monitor travel time and expenses during mobilization and demobilization. This
7 process provided information such as the time a crew began traveling each day, where
8 it started, where a crew ended its travel each day, and at what time it stopped for the
9 night. This constant communication with the contractors provided Gulf with a better
10 understanding of anticipated arrival times and explanations for delays such as traffic or
11 weather.

12 **Q. What steps did Gulf take to monitor the pace of travel, time of travel and related**
13 **expenses addressed in paragraphs 9 through 11 of the Hurricane Irma Settlement**
14 **Agreement, and how was this information incorporated into the invoice review**
15 **process?**

16 A. During mob/demob, Travel Coordinators were in regular contact with assigned crews
17 and spoke with those crews several times each day to discuss the crew's current
18 location. As a result of the information discussed during these communications, the
19 Travel Coordinators documented impacts to travel, including but not limited to delays
20 as a result of weather and traffic. The Travel Coordinator spoke to a crew several times
21 throughout the day to determine the time a crew began traveling each day, where it left
22 from, and when and where they stopped for the night. This same process was followed
23 when the crews traveled back to their home base or were released to another utility.

1 **Q. In addition to the tools used to monitor travel and expenses as part of the invoice**
2 **review process, were other tools used to geographically track the crews?**

3 A. Yes. Where it was reasonably practicable to do so, the Crew Tracking App helped to
4 geographically track storm crews in real-time during mobilization and demobilization
5 for operational purposes. However, the Crew Tracking App is not designed for and was
6 not used to document exceptions to the line and vegetation contract provisions
7 regarding travel and expenses.

8 **Q. How did the CF team confirm that contractors were compensated for actual travel**
9 **time, including stops (e.g., for fuel, meals, weigh stations)?**

10 A. Verification of these costs and expenses was determined consistent with the timesheet
11 analysis process described earlier in my testimony. Ultimately, the CF team verified
12 travel time based on information collected and provided by Travel Coordinators.

13 **Q. As part of its invoice review process, how did the CF team ensure that contractors**
14 **maintained the pace of travel addressed in paragraph 11 of the Hurricane Irma**
15 **Settlement Agreement?**

16 A. Travel Coordinators noted on a team-by-team basis the starting and ending times and
17 locations for each day of travel to calculate the total time and distance a crew traveled
18 on any given day. With this information, the CF reviewer was able to determine
19 whether the crew traveled at a rate equivalent to 500 miles in a 16-hour day as stipulated
20 in the Hurricane Irma Settlement Agreement.

21
22 If the team travel rate was consistent with the provisions of the Hurricane Irma
23 Settlement Agreement, the reviewer approved the mobilization hours the contractor

1 submitted. In the event the team encountered a delay, such as severe weather or traffic,
2 it was noted in the travel log, and the information was factored into the determination
3 of the acceptable pace of travel. If the travel rate was less than the equivalent of
4 approximately 500 miles in 16 hours, and no supporting information was provided to
5 the Travel Coordinator, the timesheet was adjusted, and the flat file was updated as
6 necessary to meet the approved standard.

7
8 When available, the analysis of the team’s mobilization orders also included a
9 comparison of the location and dates on the contractor’s travel log, as well as lodging
10 and fuel receipts. In the circumstance where the starting and ending locations were not
11 the same on the two sets of data, the reviewer requested that the contractor provide
12 additional mobilization and demobilization details and then adjusted accordingly.

13 **Q. Paragraph 12 of the Hurricane Irma Settlement Agreement addresses**
14 **management of external line and vegetation contracts to avoid paying double time**
15 **rates. As part of its invoice review process, how did the CF team comply with this**
16 **requirement and ensure double time rates were not paid to these contractors?**

17 A. Gulf’s contracts with line and vegetation contractors do not allow for double time rates.
18 As such, iStormed does not allow an option to charge double time. The contractor can
19 only choose from straight time and overtime.

20
21
22

1 **Q. Paragraph 13 of the Hurricane Irma Settlement Agreement discusses contractors’**
2 **meals and fueling, which are expected to be provided after a crew was on-boarded.**
3 **As part of its invoice review process, how did the CF team ensure compliance with**
4 **this paragraph of the Hurricane Irma Settlement Agreement?**

5 A. Once a crew was on-site, its meals were generally provided by Gulf. If per diem was
6 claimed when a crew was on-site, a CF reviewer checked with the appropriate Storm
7 Approver to confirm if a per diem was allowed due to an extenuating circumstance. If
8 the reviewer found no extenuating circumstance, then the expense was rejected.

9 All fuel transactions required supporting receipts. If any fuel receipt dates fell within a
10 crew’s mob/demob time, the reviewer automatically rejected the fuel transactions, as
11 those costs were already incorporated into the contractor’s mob/demob rates. If after
12 onboarding, a crew submitted a receipt for fuel, that receipt would only be approved
13 for payment if authorized as a permissible exception by the Storm Approver.

14 **Q. If any exceptions related to paragraphs 6 and 9 through 13 in the Hurricane Irma**
15 **Settlement were noted as part of the invoice review process, did the CF team**
16 **confirm that they were they appropriately documented?**

17 A. Yes. As discussed in a number of my responses, the CF team required documentation
18 of exceptions or subsequent acknowledgment that the exceptions had been approved,
19 before approving payment for those items.

20 **Q. Please explain the process of documenting these exceptions.**

21 A. Approval of exception items related to paragraphs 6 and 9 through 13 was documented
22 on a per transaction basis by crew and by the contractor for expenses, and on a per
23 employee per day basis for hours worked and mob/demob time. If an exception was

1 presented, the CF reviewer documented the reason why the transaction was deemed
2 appropriate or consulted with the appropriate Gulf Storm Approver for confirmation
3 that the exception had been approved.

4 **Q. How were invoice discrepancies resolved?**

5 A. For each identified discrepancy (e.g., labor hours, charges not authorized by contract
6 terms, unauthorized expenses, etc.), the CF team worked with the contractor to obtain
7 additional information. If appropriate supporting documentation was thereafter
8 provided to validate the invoice, the issue was documented as resolved, and payment
9 was approved. Otherwise, the CF reviewer had the authority to modify invoices, as
10 appropriate, to reflect only validated amounts.

11 **Q. Did the invoice review process result in a reduction of the total payments made on
12 invoices submitted in connection with Hurricane Zeta costs?**

13 A. Yes. Gulf engaged with the line and vegetation contractors throughout the invoice
14 review process, addressing any potential open items or acquiring the necessary support
15 before finalizing the invoices. In the absence of the necessary support, invoices were
16 adjusted. As a result, the comprehensive review process undertaken by the CF team
17 was successful in further confirming the actual costs associated with storm restoration
18 during Hurricane Zeta.

19 **Q. What are your conclusions regarding Gulf's storm invoice review process for line
20 and vegetation contractors utilized during Hurricane Zeta?**

21 A. The invoice review process was thorough and comprehensive and ensured that the
22 payments to line and vegetation contractors utilized during Hurricane Zeta restoration
23 were individually reviewed, verified, adjusted where appropriate, processed, and paid.

1 Q. Does this conclude your direct testimony?

2 A. Yes.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF DAVID HUGHES

NOVEMBER 12, 2021

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is David Hughes, and my business address is Florida Power & Light
5 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

7 A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as
8 Assistant Controller.

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

10 A. I am responsible for financial accounting, as well as internal and external reporting, for
11 FPL and Gulf Power Company (“Gulf Power”). As a part of these responsibilities, I
12 ensure that the financial reporting for these entities complies with the requirements of
13 Generally Accepted Accounting Principles (“GAAP”) and multi-jurisdictional
14 regulatory accounting requirements. In addition, I manage the accounting of FPL and
15 Gulf Power’s cost recovery clauses, and the preparation and filing of FPL’s monthly
16 earnings surveillance report with the Florida Public Service Commission (“FPSC” or
17 “Commission”).

18 **Q. Please describe your educational background and professional experience.**

19 A. I graduated from the Pennsylvania State University in 1997 with Bachelor of Science
20 Degrees in Business Logistics and Health Policy Administration, and earned a Bachelor
21 of Business Administration in Accounting from Florida Atlantic University in 2001.
22 From 2002 to 2008, I was employed as an independent auditor by Ernst & Young in
23 their West Palm Beach, Florida office. I joined FPL in 2008 and have worked in

1 various accounting and reporting roles throughout my 13-year tenure with the
2 Company. I am a Certified Public Accountant licensed in the State of Florida.

3 **Q. Are you sponsoring any exhibits in this case?**

4 A. Yes. I am sponsoring Exhibit DH-1(Zeta) – Hurricane Zeta Incremental Cost and
5 Capitalization Approach Adjustments, which provides the restoration costs for
6 Hurricane Zeta as of October 31, 2021.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to support the calculation of the Hurricane Zeta
9 recoverable amount Gulf is seeking for cost recovery in this proceeding and the
10 accounting treatment for those costs. In addition, I demonstrate that Gulf’s storm
11 restoration and accounting processes and controls are well established, documented,
12 and implemented by Company personnel who are trained to ensure proper storm
13 accounting and ratemaking. Specifically, my testimony will show that:

- 14 1. Gulf has effective and appropriate controls and accounting procedures for
15 storm events;
- 16 2. Gulf’s accounting for Hurricane Zeta was in accordance with the
17 Incremental Cost and Capitalization Approach (“ICCA”) methodology
18 required under Rule 25-6.0143, Florida Administrative Code (“the Rule”);
19 and
- 20 3. Gulf’s calculation of the proposed recovery amount is in accordance with
21 the provision of Gulf’s 2017 Stipulation and Settlement Agreement
22 approved by the Commission in Order No. PSC-17-0178-S-EI (“2017
23 Stipulation and Settlement Agreement”).

1 **Q. Please summarize your testimony.**

2 A. Gulf's control processes and procedures were employed for Hurricane Zeta storm costs
3 to ensure proper storm accounting and ratemaking. Finance or Accounting
4 representatives ("Finance Section Chiefs") and business unit finance representatives
5 ("Business Unit Coordinators"), together with additional Gulf employees, ensured
6 active, real-time financial controls during the storm event. Post storm restoration, the
7 Accounting department reviewed the storm loss estimates compiled by each functional
8 business unit for reasonableness prior to recording to the financial statements. Through
9 the application of Gulf's well-established accounting processes and controls, the
10 Company ensured proper accounting of all Hurricane Zeta costs. The final storm
11 recoverable amount of \$10.1 million has been calculated in accordance with the ICCA
12 methodology based on the version of the Rule that was in effect at the time of the storm
13 event; therefore, the incremental amounts reflected on Exhibit DH-1(Zeta) are
14 appropriately recoverable from customers.

15

16 **II. STORM ACCOUNTING PROCESS AND CONTROLS**

17

18 **Q. Please describe the accounting guidance and process that Gulf uses for storm**
19 **costs.**

20 A. Gulf's storm accounting process adheres to Accounting Standards Codification 450,
21 Contingencies ("ASC 450"), which prescribes that an estimated loss from a loss
22 contingency is recognized only if the available information indicates that (1) it is
23 probable an asset has been impaired or a liability has been incurred at the reporting

1 date, and (2) the amount of the loss can be reasonably estimated. Gulf incurs a liability
2 for a qualifying event, such as a hurricane, because it has an obligation to customers to
3 restore power and repair damage to its system. Therefore, once a hurricane event has
4 transpired, Gulf assesses the estimated cost to restore the system to pre-event conditions
5 and accrues that liability in full when the amount can be reasonably estimated under
6 ASC 450. Gulf's storm accounting process is well established and consistently applied.
7 The Company's storm accounting process was applied for the Hurricane Zeta storm
8 restoration costs.

9 **Q. How does Gulf track storm restoration costs?**

10 A. Gulf establishes unique functional (i.e., distribution, transmission, etc.) internal orders
11 ("IOs") for each storm to aggregate the total amount of storm restoration costs incurred
12 for financial reporting and regulatory recovery or reporting purposes. The Company
13 uses these IOs to account for *all* costs directly associated with restoration, including
14 costs that would not be recoverable from Gulf's storm reserve based on the
15 Commission's requirements under the ICCA methodology. All storm restoration costs
16 charged to storm IOs are captured in FERC Account 186, Miscellaneous Deferred
17 Debits. All costs charged to FERC Account 186 are subsequently cleared and charged
18 to either the storm reserve, base O&M expense, capital, or below-the-line expense, as
19 applicable.

20 **Q. When did Gulf begin charging costs related to Hurricane Zeta to the storm IOs?**

21 A. Due to the expected risk of significant outages and substantial infrastructure damages,
22 Gulf began making financial commitments associated with securing resources prior to
23 Hurricane Zeta's anticipated impact. On October 27, 2020, in accordance with Gulf's

1 Storm Accounting Policy and with authorization from Gulf's President, Gulf
2 established and activated storm IOs to begin tracking and charging costs for Hurricane
3 Zeta. An email communication was sent to all Gulf business units to inform them that
4 storm IOs had been activated for purposes of collecting and tracking storm restoration
5 charges. Attached to the email, Gulf also provided: (1) a listing of IOs by function and
6 location, (2) guidance on recording time for payroll, and (3) guidance on the types of
7 costs eligible to be charged to storm IOs. The pre-landfall costs charged to the storm
8 IOs included the acquisition of external resources (e.g., line and vegetation
9 contractors), mobilization and pre-staging of internal and external resources, opening
10 of staging and processing sites, reserving lodging, and securing Gulf's existing
11 operational facilities in preparation for the impacts of the storm.

12 **Q. What operational internal controls are in place during a restoration event to**
13 **ensure storm accounting procedures are followed?**

14 A. Finance and Accounting employees are key to storm restoration accounting and
15 controls. The Gulf Command Center organization recognizes the critical role and
16 responsibilities of these employees. Finance Section Chiefs are assigned to each
17 staging and processing site to ensure active, real-time financial controls are in effect
18 and adhered to during the restoration event. Responsibilities of the Finance Section
19 Chief include ensuring procedural compliance with internal cost controls, providing
20 guidance and oversight to ensure prudent spending, collecting and analyzing data in
21 real-time, such as contractor timesheets, and assisting with the proper accounting of
22 mutual aid resources. Human Resources employees also are embedded at many sites

1 and perform internal control support tasks such as providing guidance on the proper
2 information to include on employee timesheets.

3

4 In addition, Business Unit Coordinators perform a storm controllership function for
5 their respective business units. The responsibilities of the Business Unit Coordinator
6 include communicating the storm IO instructions to the personnel directly supporting
7 storm restoration, ensuring that appropriate costs are charged to the storm IOs, and
8 preparing cost estimates before, during, and after the restoration is complete.

9

10 Gulf performs extensive training each year in advance of storm season for both the
11 Finance Section Chiefs and Business Unit Coordinators, which includes live training
12 and drills during Gulf's "dry run" storm event. Costs associated with the annual
13 training are not considered storm restoration costs and not included in the costs
14 presented in this docket.

15 **Q. Did Gulf utilize these processes in advance of and during its response to Hurricane**
16 **Zeta?**

17 A. Yes. These controls were used to effectively ensure that storm accounting processes
18 were followed.

19 **Q. Does Gulf's Accounting department complete a review of storm restoration costs**
20 **recorded by each business unit once restoration is complete?**

21 A. Yes. Post storm restoration, the Accounting Department reviews the storm loss
22 estimates compiled by each functional business unit for reasonableness prior to
23 recording to the financial statements. Accounting will then charge these costs to either

1 the storm reserve, base O&M expense, capital, or below-the-line expense, as
2 applicable, to ensure proper ratemaking and recording to the financial statements.

3 **Q. Was this process followed post-Hurricane Zeta restoration?**

4 A. Yes.

5

6 **III. ACCOUNTING TREATMENT FOR HURRICANE ZETA**

7

8 **Q. How did Gulf account for storm restoration costs?**

9 A. As described previously, Gulf utilizes unique storm IOs for each function and location
10 to record and track all storm restoration activities for each event, which are
11 accumulated in FERC Account 186. All costs charged to FERC Account 186 are
12 subsequently cleared and charged to either the storm reserve, base O&M expense,
13 capital, or below-the-line expense, as applicable.

14

15 The amount of capital costs for each storm event are determined and removed by
16 applying part (1)(d) of the Rule, which states that "...the normal cost for the removal,
17 retirement and replacement of those facilities in the absence of a storm" should be the
18 basis for calculating storm restoration capital. While Gulf was not required to
19 implement provisions of the Commission-approved Hurricane Michael Settlement
20 Agreement¹ until the 2021 hurricane season, Gulf voluntarily chose to follow the
21 incremental cost methodology of capitalized costs agreed to by the parties to the FPL
22 Hurricane Irma Stipulation and Settlement² and used a combined simple average of

¹ Order No. PSC-2020-0349-S-EI issued October 8, 2020 in Docket No. 20190038-EI.

² Order No. PSC-2019-0319-S-EI issued August 1, 2019 in Docket No. 20180049-EI.

1 hourly internal Company and embedded contractor rates that are the type normally
2 incurred in the absence of a storm to determine the amount of costs to capitalize to
3 plant, property, and equipment along with the materials and other costs. The capital
4 cost amount is credited from FERC Account 186 and debited to FERC Account 107,
5 Construction Work in Progress (“CWIP”). Gulf also reclassifies non-recoverable
6 amounts to below-the-line expense, if such costs were incurred.

7
8 When the storm restoration costs are charged to the storm reserve, the ICCA
9 methodology is used to remove the non-incremental O&M expenses, which are
10 subsequently credited from FERC Account 186 and debited to base O&M.

11
12 After the capital costs, non-recoverable costs, and non-incremental O&M expenses are
13 removed from FERC Account 186, the remaining balance, representing incremental
14 storm charges, is jurisdictionalized by using retail separation factors that were
15 authorized by the 2017 Stipulation and Settlement Agreement and credited from FERC
16 Account 186 and debited to the storm reserve. The non-retail incremental storm charges
17 also are credited from FERC Account 186 and charged to expense, leaving a zero
18 balance in FERC Account 186.

19 **Q. What categories of storm restoration costs did Gulf charge to FERC Account 186**
20 **for Hurricane Zeta?**

21 A. As reflected on page 1 of Exhibit DH-1(Zeta), Gulf charged \$11.4 million in storm
22 restoration costs related to Hurricane Zeta to FERC Account 186. The categories of
23 costs outlined below are reflected on Lines 1-10 of Exhibit DH-1(Zeta):

- 1 • **Gulf Regular Payroll and Related Costs:** Reflects \$304 thousand of regular
2 payroll and related payroll overheads for Gulf employee time spent in direct
3 support of storm restoration. This amount excludes bonuses and incentive
4 compensation.
- 5 • **Gulf Overtime Payroll and Related Costs:** Reflects \$339 thousand of
6 overtime payroll and payroll tax overheads for Gulf employee time spent in
7 direct support of storm restoration.
- 8 • **Contractor and Line Clearing Costs:** Reflects \$7.6 million of costs primarily
9 related to mutual aid utilities, line contractors, and vegetation contractors,
10 including mobilization and de-mobilization costs.
- 11 • **Vehicle and Fuel:** Reflects \$331 thousand for vehicle utilization and fuel used
12 by Gulf and contractor vehicles for storm restoration activities.
- 13 • **Materials and Supplies:** Reflects \$179 thousand in materials and supplies
14 used to repair and restore service and facilities to pre-storm condition.
- 15 • **Logistics Costs:** Reflects \$1.4 million of costs for staging and processing sites,
16 meals, lodging, buses and transportation, and rental equipment used by
17 employees and contractors in direct support of storm restoration.
- 18 • **Other:** Reflects \$1.2 million of other miscellaneous costs, including payroll
19 and related overheads from affiliate personnel directly supporting storm
20 restoration.
- 21
- 22

1 **Q. How did Gulf determine the amount of capital costs it recorded on its books and**
2 **records for Hurricane Zeta?**

3 A. Consistent with the process described earlier in my testimony, Gulf determined the
4 amount of capital costs for each storm event by applying part (1)(d) of the Rule, which
5 states that "...the normal cost for the removal, retirement and replacement of those
6 facilities in the absence of a storm" should be the basis for calculating storm restoration
7 capital. As described previously, all costs related to storm restoration work (including
8 follow-up work) were initially charged to FERC Account 186, and estimated capital
9 costs were then reclassified to FERC Account 107, CWIP.

10
11 For capital costs incurred during storm restoration, Gulf employed a capital estimation
12 process derived from the amount of materials and supplies issued during a storm less
13 returns of such assets. Consistent with FPL's Hurricane Irma Stipulation and
14 Settlement Agreement, Gulf used a blended simple average internal employee and
15 contractor hourly rate, under non-storm conditions, in its calculation of capital costs for
16 Hurricane Zeta. Once restoration was complete, Gulf utilized its distribution estimation
17 system to calculate the total amount of capital costs for the distribution function in
18 accordance with Gulf's capitalization policy, which includes materials, labor, and
19 overheads. The capital costs for follow-up work were determined based on an estimate
20 of the actual work performed and then likewise recorded to the balance sheet in
21 accordance with Gulf's capitalization policy.

22

1 After the capital jobs were completed, the CWIP account was credited and the
2 appropriate functional plant account in FERC Account 101, Plant in Service, was
3 debited based on the estimated cost of installed units of property. Retirements of fixed
4 assets removed during restoration were recorded when the new incurred capital costs
5 were placed in service through a new discrete IO. As shown on Line 18 on page 1 of
6 Exhibit DH-1(Zeta), a total of \$292 thousand was recorded as capital costs for
7 Hurricane Zeta.

8 **Q. Did Gulf record any below-the-line expenses for Hurricane Zeta?**

9 A. No.

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

12 A. No. Gulf could not make a property insurance claim for insured assets as a result of
13 Hurricane Zeta because no loss exceeded the deductible amount for insured assets.

14 **Q. Did Gulf bill any third parties for reimbursement of storm-related costs other**
15 **than insurance recoveries for Hurricane Zeta?**

16 A. No.

17 **Q. What was the total amount of Hurricane Zeta storm restoration costs charged to**
18 **the storm reserve?**

19 A. As reflected on Line 53, page 1 of Exhibit DH-1(Zeta), the amount of Hurricane Zeta
20 storm restoration costs charged to the storm reserve totaled \$10.1 million. This amount
21 represents \$11.4 million of incurred Hurricane Zeta storm restoration costs less \$974
22 thousand of non-incremental costs, and \$292 thousand of capital costs, resulting in total
23 incremental costs of \$10.1 million. Once jurisdictional factors are applied at the

1 functional level, the total amount of storm costs eligible for recovery from retail
2 customers associated with Hurricane Zeta is \$10.1 million (“Retail Recoverable
3 Costs”).

4 **Q. Has Gulf provided supporting documentation for Hurricane Zeta expenses?**

5 A. Yes. While Gulf is not required to implement provisions of the Commission-approved
6 Hurricane Michael Settlement Agreement until the 2021 hurricane season, Gulf
7 voluntarily chose to provide sortable spreadsheets of line and vegetation contractor
8 costs concurrently with the filing of its petition and direct testimony consistent with the
9 processes implemented as part of paragraph 16 of FPL’s Hurricane Irma Settlement
10 Agreement. The sortable spreadsheets of line and vegetation contractor costs represent
11 the majority of costs incurred for the storm and support the total costs incurred by cost
12 category for Hurricane Zeta on Exhibit DH-1(Zeta).

13

14 **IV. ICCA ADJUSTMENTS RELATED TO HURRICANE ZETA**

15

16 **Q. Did Gulf determine the amount of non-incremental storm costs associated with**
17 **Hurricane Zeta pursuant to the ICCA methodology?**

18 A. Yes. Consistent with the Rule in effect at the time of the storm event, Gulf calculated
19 the non-incremental costs per the ICCA methodology as reflected on Lines 28 through
20 38 of Exhibit DH-1(Zeta). Below is a summary of Hurricane Zeta non-incremental
21 costs that were charged to base O&M.

22 • **Gulf Regular Payroll:** In general, Gulf regular payroll costs recovered through
23 base O&M are non-incremental. However, Gulf regular payroll normally

1 recovered through capital or cost recovery clauses can be charged to the storm
2 reserve based on paragraphs 21 and 22 of Order No. PSC-2006-0464-FOF-EI,
3 Docket No. 20060038-EI: “otherwise, the costs would effectively be disallowed
4 because there is no provision to recover those costs in base rate operation and
5 maintenance costs....”

6
7 Gulf determines the amount of non-incremental Gulf payroll by calculating the
8 Company’s budgeted base O&M payroll percentage as compared to total budgeted
9 payroll for the month in which the storm occurred, including cost recovery clauses
10 and capital by cost center, and then multiplies that percent by the total actual
11 payroll costs incurred (excluding overtime) for Gulf employees directly supporting
12 storm restoration. The total amount of Gulf regular payroll and related overheads
13 that would be non-incremental under the ICCA methodology for Hurricane Zeta
14 is \$135 thousand. The remaining regular payroll and related overhead expense is
15 considered incremental as it would have been incurred as a component of capital
16 or cost recovery clauses absent the Hurricane Zeta storm restoration efforts.

- 17 • **Vegetation Contractors:** Based on part (1)(f)(8) of the Rule in effect at the time
18 of the storm event, storm-related tree trimming expenses must be excluded if the
19 Company’s total tree trimming expense in a storm restoration month is less than
20 the average expense for the same month in which the storm occurred in the prior
21 three years. The tree trimming expenses for the prior three-year October average
22 exceeded the tree trimming expenses during October 2020, the month in which
23 Hurricane Zeta restoration work was performed, by \$652 thousand. Based on this

1 methodology, of the total \$1.9 million in storm-related tree-trimming expenses,
2 \$652 thousand would be deemed non-incremental, all of which was related to the
3 distribution function.

4 • **Vehicle Utilization:** All Gulf-owned vehicle utilization costs charged to storm
5 IOs, totaling \$58 thousand, would be considered non-incremental under the ICCA
6 methodology.

7 • **Fuel:** Fuel costs incurred by Gulf directly related to storm restoration are charged
8 to the storm IOs. While the ICCA methodology under the Rule in effect at the
9 time of the storm event does not speak directly to recovery of fuel costs, Gulf has
10 conservatively applied the same methodology described above for vegetation
11 contractors. The fuel expenses for the prior three-year October average exceeded
12 the fuel expenses during October 2020, the month in which Hurricane Zeta
13 restoration work was performed, by \$77 thousand. Based on this methodology,
14 Gulf determined \$77 thousand would be deemed non-incremental, all of which
15 was related to the distribution function.

16 • **Employee Assistance:** Assistance provided to employees, is not recoverable
17 under the ICCA methodology. These costs for Hurricane Zeta, totaling \$53
18 thousand, would be considered non-incremental.

19 **Q. Is Gulf seeking recovery of the Retail Recoverable Incremental Costs calculated**
20 **under the ICCA methodology?**

21 A. Yes. The Retail Recoverable Incremental Costs under the ICCA methodology are a
22 subset of the total Hurricane Zeta storm restoration costs that Gulf recorded to the storm
23 reserve. As reflected on Line 57 of Exhibit DH-1(Zeta), the total Retail Recoverable

1 Storm Amount Gulf is requesting is \$10.1 million.

2 **Q. Does this conclude your direct testimony?**

3 A. Yes.

Hurricane Zeta Incremental Cost and
Capitalization Approach Adjustments
Exhibit DH-1(Zeta), Page 1 of 2

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

LINE NO.	Storm Costs By Function (A)					Total (6)			
	Steam & Other (1)	Transmission (2)	Distribution (3)	General (B) (4)	Customer Service (5)				
1	<u>Storm Restoration Costs</u>								
2		0	34	224	28	18	\$304		
3		4	17	299	15	5	339		
4		33	27	5,711	4	6	5,783		
5		0	0	1,864	0	0	1,864		
6		0	4	327	0	0	331		
7		0	0	178	0	0	179		
8		0	22	1,237	130	1	1,391		
9		3	13	1,106	75	2	1,198		
10	Total Storm Related Restoration Cost:		Sum of Lines 2 - 9	\$41	\$118	\$10,947	\$252	\$31	\$11,388
11									
12	<u>Less: Capitalizable Costs</u>								
13		\$0	\$0	\$37	\$0	\$0	\$37		
14		0	0	71	0	0	71		
15		0	0	104	0	0	104		
16		0	0	80	0	0	80		
17		0	0	0	0	0	0		
18	Total Capitalizable Costs		Sum of Lines 13 - 17	\$0	\$0	\$292	\$0	\$0	\$292
19									
20	Less: Third-Party Reimbursements			0	0	0	0	0	0
21									
22	Less: Insurance Receivables (E)			0	0	0	0	0	0
23									
24	Less: Below-the-Line/Thank You Ads			0	0	0	0	0	0
25									
26	Total Storm Restoration Costs Charged to Base O&M		Lines 10 - 18 - 20 - 22 - 24	\$41	\$118	\$10,655	\$252	\$31	\$11,096
27									
28	<u>Less: ICCA Adjustments</u>								
29		\$0	\$10	\$89	\$21	\$15	\$135		
30	Line Clearing:								
31	Vegetation Management		0	0	652	0	652		
32	Vehicle & Fuel:								
33	Vehicle Utilization		0	4	54	0	58		
34	Fuel		0	0	77	0	77		
35	Other								
36	Legal Claims		0	0	0	0	0		
37	Employee Assistance		0	0	0	53	53		
38	Total ICCA Adjustments		Sum of Lines 29 - 37	\$0	\$14	\$872	\$74	\$15	\$974
39									
40	<u>Incremental Storm Losses</u>								
41	Regular Payroll and Related Cost:		Lines 2 - 13 - 29	\$0	\$25	\$97	\$7	\$3	\$132
42	Overtime Payroll and Related Cost:		Line 3	4	17	299	15	\$5	339
43	Contractors		Lines 4 - 14 - 22	33	27	5,641	4	\$6	5,712
44	Line Clearing		Lines 5 - 31	0	0	1,212	0	\$0	1,212
45	Vehicle & Fuel		Lines 6 - 33 - 34	0	0	197	0	\$0	197
46	Materials & Supplies		Lines 7 - 15	0	0	75	0	\$0	75
47	Logistics		Line 8	0	22	1,237	130	\$1	1,391
48	Other		Line 9 - 16 - 36 - 37	3	13	1,026	22	2	1,066
49	Total Incremental Storm Losses:		Sum of Lines 41 - 48	\$41	\$104	\$9,783	\$178	\$17	\$10,122
50									
51	Jurisdictional Factor (G)			0.9720	0.9741	0.9963	0.9841	1.0000	
52									
53	Retail Recoverable Incremental Cost		Line 49 * 51	\$ 40	\$ 101	\$ 9,747	\$ 175	\$ 17	\$10,079
54									
55	Plus: Interest on Unrecovered Deficit in the Storm Reserve								1
56									
57	Total System Storm Losses to be Recovered from Customers (Lines 53 + 55)								\$10,080

Notes:

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

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

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

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

(E) Insurance receivables for damage claims.

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

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF TIFFANY C. COHEN

NOVEMBER 12, 2021

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1 **Q. Please state your name and business address.**

2 A. My name is Tiffany C. Cohen, and my business address is Florida Power & Light
3 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

5 A. I am employed by Florida Power & Light Company (“FPL”) as Senior Director,
6 Regulatory Rates, Cost of Service & Systems.

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

8 A. I oversee the load research, cost of service, rate design and regulatory systems
9 departments for all retail electric rates and charges for FPL and Gulf Power
10 Company (“Gulf”). Additionally, I am responsible for proposing and administering
11 the tariff language needed to implement those rates and charges.

12 **Q. Please describe your educational background and professional experience.**

13 A. I hold a Bachelor of Science Degree in Commerce and Business Administration,
14 with a major in Accounting from the University of Alabama. I obtained a Master
15 of Business Administration from the University of New Orleans. I am also a
16 Certified Public Accountant. In 2008, I joined FPL. During my tenure at the
17 Company, I have held various regulatory positions of increasing responsibility,
18 including overseeing the Nuclear Cost Recovery Clause and managing FPL’s Rates
19 and Tariffs department. I assumed my current role in 2017, and in 2019 I assumed
20 responsibility for supervising Gulf’s load research, cost of service, and rates and
21 tariffs functions. Prior to joining FPL, I was employed at Duke Energy for five
22 years, where I held a variety of positions in the Rates & Regulatory Division,

1 Finance, Corporate Risk Management, and Internal Audit departments. Prior to
2 joining Duke Energy, I was employed at KPMG, LLP.

3 **Q. Are you sponsoring any exhibits with this testimony?**

4 A. Yes, I am sponsoring the following exhibits:

- 5 • TCC-1(Zeta) Calculation of Proposed Storm Restoration Recovery
- 6 Surcharges
- 7 • TCC-2(Zeta) Hurricane Zeta Storm Restoration Recovery - Original Tariff
- 8 Sheet No. 8.030.6

9 **Q. Please describe the relationship of Gulf to FPL in connection with this filing.**

10 A. Gulf was acquired by FPL's parent company, NextEra Energy, Inc., on January 1,
11 2019. Gulf was subsequently merged into FPL on January 1, 2021. Following the
12 acquisition, and even prior to the legal combination of FPL and Gulf, the two
13 companies began to consolidate their operations. However, FPL and Gulf remained
14 separate ratemaking entities during the 2020 hurricane season when Hurricane Zeta
15 impacted Gulf's service area. On October 26, 2021, in Docket No. 20210015-EI,
16 the Commission approved a Stipulation and Settlement Agreement which, among
17 other things, established new unified base rates for all customers throughout the
18 former FPL and Gulf service areas, effective January 1, 2022. As a result, Gulf will
19 cease to exist in any legal, operational, or ratemaking capacity on January 1, 2022.

20

21

1 **Q. As Gulf has merged into FPL and the Commission has approved consolidated**
2 **rates for all former FPL and Gulf customers, how will you refer to FPL and**
3 **Gulf in your testimony?**

4 A. For sake of ease, I will continue to refer to “Gulf” in my testimony as the entity
5 requesting recovery of Hurricane Zeta storm restoration costs. However, Exhibits
6 TCC-1(Zeta) and TCC-2(Zeta) reflect proposed changes to FPL’s rates, given that
7 Gulf will cease to exist as a separate ratemaking entity on January 1, 2022, which
8 is the effective date of the proposed surcharges. Additionally, because the proposed
9 surcharges will apply to former Gulf customers, I will refer to those customers as
10 “Northwest Florida customers”.

11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to present Proposed Hurricane Zeta Storm
13 Restoration Recovery Surcharges (“Proposed Hurricane Zeta Storm Charges”) for
14 all rate classes which are based upon cost allocations to reflect actual costs incurred
15 by Gulf. My testimony also proposes to commence recovery of Hurricane Zeta
16 Storm Charges from customers in Northwest Florida once recovery of Hurricane
17 Sally Storm Charges are complete. Finally, I propose a true-up methodology to
18 resolve any final over or under recovery amounts related to the Proposed Hurricane
19 Zeta Storm Charges at the end of the period upon which they are effective.

20 **Q. Please describe the Proposed Storm Charges.**

21 A. The new Proposed Hurricane Zeta Storm Charges set forth in Exhibit TCC-1(Zeta)
22 were designed to recover the final/actual recoverable storm amount for Hurricane
23 Zeta, which is provided in the direct testimony of Gulf witness Hughes. These costs

1 have been allocated to each retail rate class based on the rate class allocations
2 presented in my Exhibit TCC-1(Zeta). Once the Hurricane Sally surcharge of 1.0
3 cent per kWh, or \$10.00/1,000 kWh is complete, which is expected to be by
4 October 2024, Gulf proposes to commence recovery of the proposed Hurricane
5 Zeta surcharge of 0.934 cents per kWh, or \$9.34/1,000 kWh, for a total of 2 months,
6 through December 31, 2024 (“Proposed Recovery Period”). Proposed rates
7 effective November 1, 2024 are set forth in Original Tariff Sheet No. 8.030.6 as
8 shown on Exhibit TCC-2(Zeta).

9 **Q. How will Gulf determine any final true-up amount related to the Proposed**
10 **Hurricane Zeta Storm Charges for the Northwest Florida customers, and**
11 **what is Gulf’s proposal to calculate and resolve any excess or shortfall?**

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

1 **Q. How will Gulf notify Northwest Florida customers of the billing change that is**
2 **going to occur?**

3 A. Gulf will notify Northwest Florida customers of the change in their rates at least 30
4 days in advance in the form of a message on their bill, with more detailed
5 information regarding the revised Storm Restoration Recovery tariff on its website.

6 **Q. Does this conclude your direct testimony?**

7 A. Yes.

Gulf Power Company
Storm Restoration Costs Related to Hurricane Zeta
Calculation of Rate Schedule Charges

(1) GULF RATE CLASS	(2) FPL RATE CLASSES ⁽¹⁾	(3) ALLOCATION %	(4) ALLOCATED \$	(5) KWH SALES NOV 2024 - DEC 2024	(6) CENTS/KWH
RESIDENTIAL	RS(T)-1	68.052%	\$6,859,616	734,780,472	0.934
GS	GS(T)-1	4.410%	\$444,541	46,310,136	0.960
GSD/GSDT	GSD(T)-1	16.912%	\$1,704,771	358,202,694	0.476
LP/LPT	GSLD(T)-1, CILC-1(G); CILC-1(D)	3.838%	\$386,885	113,059,511	0.342
MAJOR ACCTS	GSLD(T)-2, GSLD(T)-3, SST-TST, SST-DST; CILC-1(T); ISST-1(D); ISST-1(T)	5.729%	\$577,509	277,691,478	0.208
OS	OS-2; OL-1; SL-1; SL-1M; SL-2; SL-2M; GSCU-1; OS I/II	1.058%	\$106,643	20,389,752	0.523
TOTAL RETAIL:		<u>100.000%</u>	<u>\$10,079,966</u>	<u>1,550,434,043</u>	<u>0.650</u>

(1) As approved in Docket No. 20210015-EI

Gulf Power Company
Storm Restoration Costs Related to Hurricane Zeta
Calculation of Rate Schedule Charges

(1) CATEGORY	(2) WEIGHT ¹	(3) RESIDENTIAL	(4) GS	(5) GSD/GSDT	(6) LP/LPT	(7) MAJOR ACCTS	(8) OS
PRODUCTION	0.39%	0.217%	0.011%	0.086%	0.026%	0.050%	0.002%
TRANSMISSION	1.00%	0.561%	0.028%	0.218%	0.066%	0.123%	0.005%
DISTRIBUTION	96.70%	66.113%	4.249%	16.277%	3.655%	5.390%	1.021%
GENERAL	1.74%	1.086%	0.098%	0.305%	0.076%	0.141%	0.031%
CUSTOMER SERVICE	0.16%	0.074%	0.025%	0.025%	0.014%	0.026%	0.000%
TOTAL	<u>100.00%</u>	<u>68.052%</u>	<u>4.410%</u>	<u>16.912%</u>	<u>3.838%</u>	<u>5.729%</u>	<u>1.058%</u>

¹Weights calculated from Exhibit DH-1(Zeta), Page 1, Line 53

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. 20160186-EI.

Gulf Power Company
Storm Restoration Costs Related to Hurricane Zeta
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

Jurisdictional factors based on the MFRs filed in Docket No. 20160186-EI.

FLORIDA POWER & LIGHT COMPANY

Original Sheet No. 8.030.6

(Continued from Sheet No. 8.030.5)

HURRICANE ZETA STORM RESTORATION RECOVERY

APPLICATION:

The Storm Restoration Recovery Surcharge is designed to recover incremental storm-related costs incurred by the Company related to Hurricane Zeta. It is applicable to all accounts within the service area previously served by Gulf Power. The factor is applicable to the Energy Charge under FPL's various rate schedules.

<u>Rate Schedule</u>	<u>¢/kWh</u>
ALL KWH -- RS-1, RTR-1	0.934
GS-1, GST-1	0.960
GSD-1, GSDT-1, GSD-1EV, HLFT-1, SDTR-1	0.476
GSLD-1, GSLDT-1, GSLD-1EV, CS-1, CST-1, HLFT-2, SDTR-2	0.342
GSLD-2, GSLDT-2, CS-2, CST- 2, HLFT-3, SDTR-3	0.208
GSLD-3, GSLDT-3, CS-3, CST-3	0.208
OS-2	0.523
CILC-1(G)	0.342
CILC-1(D)	0.342
CILC-1(T)	0.208
SL-1, SL-1M, PL-1, LT-1	0.523
OL-1	0.523
OS I/II	0.523
SL-2, SL-2M, GSCU-1	0.523
SST-1(T), ISST-1(T)	0.208
SST-1(D1), SST-1(D2) SST-1(D3), ISST-1(D)	0.208

(Continued on Sheet No. 8.031)

Issued by: Tiffany Cohen, Senior Director, Regulatory Rates, Cost of Service and Systems
Effective:

FLORIDA POWER & LIGHT COMPANY

Original Sheet No. 8.030.6

(Continued from Sheet No. 8.030.5)

HURRICANE ZETA STORM RESTORATION RECOVERY

APPLICATION:

The Storm Restoration Recovery Surcharge is designed to recover incremental storm-related costs incurred by the Company related to Hurricane Zeta. It is applicable to all accounts within the service area previously served by Gulf Power. The factor is applicable to the Energy Charge under FPL's various rate schedules.

<u>Rate Schedule</u>	<u>¢/kWh</u>
<u>ALL KWH -- RS-1, RTR-1</u>	<u>0.934</u>
<u>GS-1, GST-1</u>	<u>0.960</u>
<u>GSD-1, GSDT-1, GSD-1EV, HLFT-1, SDTR-1</u>	<u>0.476</u>
<u>GSLD-1, GSLDT-1, GSLD-1EV, CS-1, CST-1, HLFT-2, SDTR-2</u>	<u>0.342</u>
<u>GSLD-2, GSLDT-2, CS-2, CST-2, HLFT-3, SDTR-3</u>	<u>0.208</u>
<u>GSLD-3, GSLDT-3, CS-3, CST-3</u>	<u>0.208</u>
<u>OS-2</u>	<u>0.523</u>
<u>CILC-1(G)</u>	<u>0.342</u>
<u>CILC-1(D)</u>	<u>0.342</u>
<u>CILC-1(T)</u>	<u>0.208</u>
<u>SL-1, SL-1M, PL-1, LT-1</u>	<u>0.523</u>
<u>OL-1</u>	<u>0.523</u>
<u>OS 1/II</u>	<u>0.523</u>
<u>SL-2, SL-2M, GSCU-1</u>	<u>0.523</u>
<u>SST-1(T), ISST-1(T)</u>	<u>0.208</u>
<u>SST-1(D1), SST-1(D2) SST-1(D3), ISST-1(D)</u>	<u>0.208</u>

(Continued on Sheet No. 8.031)

Issued by: Tiffany Cohen, Senior Director, Regulatory Rates, Cost of Service and Systems Effective:

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
Zeta

Docket No. 2021 _____

Filed: November 12, 2021

**GULF POWER COMPANY’S NOTICE OF FILING CONFIDENTIAL SUPPORTING
MATERIALS IN SUPPORT OF ITS PETITION FOR LIMITED PROCEEDING FOR
RECOVERY OF INCREMENTAL STORM RESTORATION COSTS AND
ASSOCIATED TRUE-UP PROCESS RELATED TO HURRICANE ZETA**

Gulf Power Company (“Gulf”) hereby gives notice of filing the confidential sortable spreadsheets that support the Hurricane Zeta storm restoration costs that are the subject of Gulf’s Petition for Limited Proceeding for Recovery of Incremental Storm Restoration Costs and Associated True-Up Process Related to Hurricane Zeta. The confidential searchable spreadsheets contain the data documenting the receipt, review, adjustment where appropriate, and payment of Hurricane Zeta costs incurred for line contractors and vegetation contractors, along with the additional information identified in paragraph 4 of the Hurricane Michael Stipulation and Settlement (“Settlement Agreement”) which was approved by the Commission in Order No. PSC-2020-0349-S-EI, Docket No. 20190038-EI.¹ The confidential files provide support for the other costs (i.e., costs other than line and vegetation contractors) subject to review in this proceeding, as well as a compilation of data extracted from Florida Power & Light Company’s iStormed App² together with information developed by the Cost Finalization Team. The confidential sortable spreadsheets which provide the cost support information include the following:

¹ Under paragraph 4 of the Settlement Agreement, “beginning with the 2021 storm season, Gulf will implement paragraphs 5 through 20 of the “Process Provisions” contained in the FPSC-approved settlement in the Docket 20180049-EI for In re: Evaluation of storm restoration costs for Florida Power & Light Company related to Hurricane Irma.” Notwithstanding that Hurricane Zeta occurred during the 2020 hurricane season, Gulf voluntarily implemented the Process Provisions referenced in paragraph 4 in its response to Hurricane Zeta.

² As explained in the pre-filed written direct testimony of Gulf witness Gerard, Gulf used the iStormed App to maintain an electronic database of line and vegetation contractor costs which could be approved, rejected, or adjusted through the application.

- Exhibit DH-1(Zeta)³, which provides a summary of all costs as of October 31, 2021, by category and function, and which reflects adjustments made under the Incremental Cost and Capitalization Approach methodology.
- Exhibit DH-1(Zeta) Support File, which provides supporting information for all of the costs and adjustments on DH-1(Zeta), with formulas left intact. This file includes the following:
 - Tabs with further detail supporting categories of costs, line item detail of all items recorded to the general ledger which are categorized as PO Invoices, Non-PO Invoices, Accruals and Reversals, and Journal Entries & Internal Work.
 - A reconciliation of the amounts recorded in Gulf's general ledger (GL Detail File), a subset of which represents line and vegetation contractor costs.
 - Extracted files from the iStormed App (referred to as flat files) containing detailed cost information for line and vegetation contractors.
- Each flat file contains crew information and daily timesheets, crew expenses where applicable, approvals by responsible employees, documentation of exceptions, and, where appropriate, adjustments to vendor invoices.

Gulf has filed on this date a Request for Confidential Classification of the confidential sortable spreadsheets identified in this Notice of Filing.

³ Exhibit DH-1(Zeta), appended to the testimony of Gulf witness David Hughes and available on the Commission's website, is not confidential. However, the Exhibit DH-1(Zeta) Support File, which provides the supporting information for costs and adjustments on DH-1(Zeta), is confidential as more fully described in Gulf's Request for Confidential Classification and associated materials.

Respectfully submitted,

By: /s/ *Kenneth M. Rubin*

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