

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 22, 2022
TO: Office of Commission Clerk
FROM: Rhonda L. Hicks, Chief of Auditing, Office of Auditing and Performance Analysis *RLH*
RE: Docket No.: 20200241-EI, 20210178-EI, 20210179-EI
Company Name: Gulf Power Company and Florida Power & Light Company
Company Code: EI804, EI802
Audit Purpose: A1d: Limited Scope
Audit Control No: 2021-334-1-1

Attached are the Revised (03.22.22) final audit reports for the Utilities stated above. I am sending the Utilities a copy of this memo along with the Revised (03.22.22) audit reports. Verbage in the background located on page 2, which was incorrect, has been corrected. The page has been replaced and is the only correction made to the final audit reports.

RLH/cmm

Attachment: Revised (03.22.22) Audit Reports

cc: Office of Auditing and Performance Analysis File.

State of Florida



Public Service Commission

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

Revised Auditor's Report

Gulf Power Company
Storm Recovery Cost Audit – Hurricane Sally

As of October 31, 2021

Docket No. 20200241-EI
Audit Control No. 2021-334-1-1

March 22, 2022

M. Glover for T. Wolff

Thomas Wolff
Audit Manager

Marisa N. Glover

Marisa N. Glover
Reviewer

Table of Contents

Purpose..... 2

Objectives and Procedures..... 3

Audit Findings

 None..... 7

Exhibits

 1: Gulf Hurricane Sally Incremental Cost and Capitalization Approach Adjustments 8

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated November 22, 2021. We have applied these procedures to the attached schedule prepared by Gulf Power Company in support of its filing for storm recovery costs in Docket No. 20200241-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

GPC or Utility refers to Gulf Power Company.

Background

On November 12, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta Storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. FPL is not requesting recovery of \$66,346,000 associated with Hurricane Isaias and \$112,729,000 associated with Tropical Storm Eta.; instead FPL is seeking a prudence review. Gulf Power Company requested recovery of \$146,343,000 associated with Hurricane Sally and \$10,080,000 associated with Hurricane Zeta.

Expense

Payroll, Overhead, and Related Costs

Objectives: The objectives were to determine whether payroll, overtime, and related costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

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

Contractors

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

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

Line Clearing

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

Procedures: We determined line clearing costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected

a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Vehicle & Fuel

Objectives: The objectives were to determine whether fuel costs were properly stated, recorded in the period incurred, and related to Hurricane Sally.

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

Materials & Supplies

Objectives: The objectives were to determine whether materials were properly stated, recorded in the period incurred, and related to Hurricane Sally.

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

Logistics

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

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

Other Costs

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

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

Other

Capitalizable Costs

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

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

Third-Party Reimbursements

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

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

Below-the-Line Costs

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

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

Non-Incremental Costs

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

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

Jurisdictional Factors

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

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

Accounts Payable Procedures

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

Procedures: According to the Utility, the storm Accounts Payable Policy is no different than FPL's standard practices for recording and approving accounts payable. The storm related

policies and procedures work in conjunction with the standard operating accounts payable procedures. These policies, which agree with Rule 25-6.0143, F.A.C., define what items are actually recoverable during a storm event. These policies also state the approval process from the staging sites to the assigned plant accountant. The plant accountant then goes through the accounts payable process, which includes staff and management approval levels depending on the dollar amount. Based on our review of the storm related activity, no exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Gulf Hurricane Sally Incremental Cost and Capitalization Approach Adjustments

Gulf Power Company
Hurricane Sally 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	Storm Restoration Costs					
2	430	181	1,313	81	94	\$2,099
3	480	197	2,347	134	79	3,236
4	33,055	627	91,558	1,258	91	126,589
5	0	0	26,183	0	0	26,183
6	139	31	2,961	40	0	3,171
7	5,009	77	5,255	19	0	10,361
8	2,554	268	39,132	610	0	42,563
9	3,554	280	8,461	950	83	13,327
10	Total Storm Related Restoration Costs Sum of Lines 2 - 9					\$227,529
11						
12	Less: Capitalizable Costs					
13	\$0	\$0	\$0	\$0	\$0	\$0
14	11,587	0	3,840	942	0	16,369
15	556	0	2,420	0	0	2,976
16	0	0	1,846	0	0	1,847
17	0	0	0	0	0	0
18	Total Capitalizable Costs Sum of Lines 13 - 17					\$21,191
19						
20	0	0	0	0	0	0
21	Less: Third-Party Reimbursements					
22	15,730	151	0	194	0	16,076
23						
24	0	0	0	0	0	0
25	Less: Below-the-Line/Thank You Ads					
26	Total Storm Restoration Costs Charged to Base O&M Lines 10 - 18 - 20 - 22 - 24					\$190,263
27						
28	Less: ICCA Adjustments					
29	\$308	\$75	\$597	\$70	\$82	\$1,132
30	Line Clearing:					
31	0	0	692	0	0	692
32	Vehicle & Fuel:					
33	39	0	61	0	0	100
34	0	0	66	0	0	66
35	Other					
36	0	0	0	0	0	0
37	0	0	0	278	0	278
38	Total ICCA Adjustments Sum of Lines 29 - 37					\$2,268
39						
40	Incremental Storm Losses					
41	\$121	\$106	\$716	\$11	\$12	\$966
42	480	197	2,347	134	79	3,236
43	5,739	476	87,718	316	91	94,339
44	0	0	25,491	0	0	25,491
45	101	31	2,834	40	0	3,005
46	4,453	77	2,835	19	0	7,385
47	2,554	268	39,132	610	0	42,563
48	3,553	280	6,614	478	83	11,008
49	Total Incremental Storm Losses Sum of Lines 41 - 48					\$187,995
50						
51	0.9720	0.9741	0.9963	0.9841	1.0000	
52	Jurisdictional Factor (G)					
53	\$ 16,526	\$ 1,397	\$ 167,070	\$ 1,582	\$ 265	\$186,840
54						
55	Less: Additional Accruals to Storm Reserve (Post-Storm) (H)					(40,808)
56						
57	Plus: Interest on Unrecovered Deficit in the Storm Reserve					311
58						
59	Total System Storm Losses to be Recovered from Customers (Lines 53 + 55 + 57)					\$146,343

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 from Palms 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.
- (H) Represents storm reserve replenishment collected through the Hurricane Michael storm charge as approved by the Commission in Order No. PSC-2020-0349-S-EL.

State of Florida



Public Service Commission

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

Revised Auditor's Report

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

As of July 31, 2021

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


Jonathan Miller
Audit Manager


Marisa N. Glover
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	6
Exhibits	
1: FPL’s Hurricane Isaias Incremental Cost and Capitalization Approach Adjustments	7
2: FPL’s Tropical Storm Eta Incremental Costs and Capitalization Approach Adjustments.	8

Purpose

To: Florida Public Service Commission

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

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

FPL or Utility refers to Florida Power & Light.

Background

On November 21, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta Storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. In its petitions, FPL is not requesting recovery of \$66,346,000 associated with Hurricane Isaias and \$112,729,000 associated with Tropical Storm Eta.; instead FPL is seeking a prudence review. Gulf Power Company requested recovery of \$146,343,000 associated with Hurricane Sally and \$10,080,000 associated with Hurricane Zeta.

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

Expense

Payroll, Overtime, and Related Costs

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

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

Contractors

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

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

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

Line Clearing

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

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

Vehicle and Fuel

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

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

Materials and Supplies

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

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

Logistics

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

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

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

Other Costs

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

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

Other

Capitalizable Costs

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

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

Third-Party Reimbursements

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

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

Below-the-Line Costs

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

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

Non-Incremental Costs

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

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

Jurisdictional Factors

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

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

Accounts Payable Procedures

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

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

Audit Findings

None

Exhibits

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

Florida Power & Light Company Hurricane Isaias Incremental Cost and Capitalization Approach Adjustments through July 31th, 2021 (S000s)								
LINE NO.	Storm Costs By Function(A)						Total (7)	
	Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)		
1	Storm Restoration Costs							
2		\$10	\$29	\$35	\$507	\$79	\$11	\$671
3	Regular Payroll and Related Costs (C)	78	169	123	3,768	414	143	4,694
4	Overtime Payroll and Related Costs (C)	10	7	0	36,218	145	54	36,434
5	Line Clearing	0	0	0	12,787	0	0	12,787
6	Vehicle & Fuel	1	0	7	2,708	36	0	2,752
7	Materials & Supplies	0	17	0	21	0	3	42
8	Logistics	0	277	2	9,122	10	2	9,413
9	Other (D)	8	42	56	1,249	318	4	1,677
10	Total Storm Related Restoration Costs	\$106	\$540	\$224	\$66,381	\$1,002	\$216	\$68,469
11	Sum of Lines 2 - 9							
12	Less: Capitalizable Costs							
13	Payroll and Related Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Contractors	0	0	0	0	0	0	0
15	Materials & Supplies	0	0	0	0	0	3	3
16	Other	0	0	0	0	0	0	0
17	Total Capitalizable Costs	\$0	\$0	\$0	\$0	\$0	\$3	\$3
18	Sum of Lines 13 - 16							
19	Total Storm Restoration Costs Charged to Base O&M	\$106	\$540	\$224	\$66,381	\$1,002	\$214	\$68,466
20	Lines 10 - 17							
21	Less: ICCA Adjustments							
22	Regular Payroll and Related Costs (E)	\$7	\$27	\$12	\$241	\$51	\$78	\$416
23	Line Clearing:							
24	Vegetation Management	0	0	0	1,148	0	0	1,148
25	Vehicle & Fuel:							
26	Vehicle Utilization	0	0	0	337	0	0	337
27	Fuel	0	0	0	107	0	0	107
28	Other							
29	Legal Claims	0	0	0	0	0	0	0
30	Employee Assistance and Childcare	0	0	0	0	14	0	14
31	Total ICCA Adjustments	\$7	\$27	\$12	\$1,834	\$65	\$78	\$2,022
32	Sum of Lines 22 - 30							
33	Incremental Storm Losses							
34	Regular Payroll and Related Costs	\$2	\$2	\$24	\$266	\$28	\$1	\$323
35	Overtime Payroll and Related Costs	78	169	123	3,768	414	\$76	4,626
36	Contractors	10	7	0	36,218	145	\$54	36,434
37	Line Clearing	0	0	0	11,639	0	\$0	11,639
38	Vehicle & Fuel	1	0	7	2,263	36	\$0	2,307
39	Materials & Supplies	0	17	0	21	0	\$0	39
40	Logistics	0	277	2	9,122	10	\$2	9,413
41	Other	8	42	56	1,249	304	4	1,663
42	Total Incremental Storm Losses	\$99	\$513	\$212	\$64,547	\$937	\$136	\$66,444
43	Sum of Lines 34 - 41							
44	Jurisdictional Factor (F)	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
45								
46	Retail Recoverable Incremental Costs	\$ 94	\$ 479	\$ 192	\$ 64,539	\$ 907	\$ 136	\$ 66,346
	Line 42 * 44							

Notes:
(A) Storm costs are as of July 31, 2021. Totals may not add due to rounding.
(B) General plant function reflects restoration costs associated with FPL's Human Resources, External Affairs, Information Technology, Real Estate, and Marketing and Communications departments.
(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in Legal but is supporting Distribution during storm restoration would charge their time to Distribution.
(D) Includes other miscellaneous costs, including payroll and related overheads from affiliate personnel directly supporting storm restoration.
(E) Represents regular payroll normally recovered through base rate O&M and not charged to the Storm Reserve. The amounts are charged to the employee's normal business unit, which may not be
(F) Jurisdictional Factors are based on factors approved in Docket No. 160021-EI.

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

Florida Power & Light Company Tropical Storm Eta Incremental Cost and Capitalization Approach Adjustments - Revised through July 31st, 2021 (S000s)								
LINE NO.	Storm Costs By Function(A)						Total (7)	
	Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)		
1	Storm Restoration Costs							
2	8	101	568	1,496	118	36	\$2,327	
3	37	293	3,362	4,555	373	129	8,750	
4	9	231	33	77,262	618	55	78,208	
5	0	0	0	10,426	0	0	10,426	
6	0	0	843	3,886	18	0	4,747	
7	33	11	7	426	0	0	532	
8	0	213	7	8,832	26	0	9,078	
9	1	4	13	1,571	169	6	1,764	
10	Total Storm Related Restoration Costs Sum of Lines 2 - 9						\$281	\$115,831
11								
12	Less: Capitalizable Costs							
13	\$0	\$0	\$0	\$3	\$0	\$0	\$3	
14	0	0	0	28	0	0	28	
15	0	0	0	292	0	54	347	
16	0	0	0	61	0	0	61	
17	Total Capitalizable Costs Sum of Lines 13 - 16						\$54	\$439
18								
19	Total Storm Restoration Costs Charged to Base O&M Lines 10 - 17						\$227	\$115,392
20								
21	Less: ICCA Adjustments							
22	\$6	\$90	\$93	\$552	\$75	\$30	\$846	
23	Line Clearing:							
24	0	0	0	0	0	0	0	
25	0	0	0	1,082	0	0	1,082	
26	0	0	0	196	0	0	196	
27	0	0	0	0	0	0	0	
28	Other							
29	0	0	0	0	0	0	0	
30	0	0	0	0	37	0	37	
31	Total ICCA Adjustments Sum of Lines 22 - 30						\$30	\$2,161
32								
33	Incremental Storm Losses							
34	\$2	\$11	\$474	\$941	\$43	\$6	\$1,478	
35	37	293	3,362	4,555	373	129	8,750	
36	9	231	33	77,234	618	55	78,180	
37	0	0	0	10,426	0	0	10,426	
38	0	0	843	2,607	18	0	3,468	
39	33	11	7	133	0	0	185	
40	0	213	7	8,832	26	0	9,078	
41	1	4	13	1,510	132	6	1,666	
42	Total Incremental Storm Losses Sum of Lines 34 - 41						\$197	\$113,231
43								
44	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000		
45								
46	Retail Recoverable Incremental Costs Line 42 * 44						\$197	\$112,662

Notes:

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

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

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

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

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

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

(G) Corrected for formula error.

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

State of Florida



Public Service Commission

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

Revised Auditor's Report

Gulf Power Company
Storm Recovery Cost Audit – Hurricane Zeta

As of October 31, 2021

Docket No. 20210179-EI
Audit Control No. 2021-334-1-1

March 22, 2022

A handwritten signature in black ink, appearing to read "Marisa Glover", written over a horizontal line.

Marisa Glover
Audit Manager

A handwritten signature in black ink, appearing to read "M Glover for T. Wolff", written over a horizontal line.

Thomas Wolff
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 6

Exhibits

 1: Gulf Hurricane Zeta Incremental Costs and Capitalization Approach Adjustments..... 7

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated November 22, 2021. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for storm recovery costs in Docket No. 20210179-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Gulf or Utility refers to Gulf Power Company.

Background

On November 12, 2021, Florida Power & Light (“FPL”) and Gulf Power Company (“Gulf”) filed a motion to consolidate FPL’s petition for recovery of final/actual Hurricane Isaias and Tropical Storm Eta storm costs with Gulf’s petitions for recovery of final/actual costs associated with Hurricane Sally and Hurricane Zeta. In its petitions, FPL is not requesting recovery of \$66,346,000 associated with Hurricane Isaias and \$112,729,000 associated with Tropical Storm Eta.; instead FPL is seeking a prudence review. Gulf Power Company requested recovery of \$146,343,000 associated with Hurricane Sally, and \$10,080,000 associated with Hurricane Zeta.

Expense

Payroll, Overtime, and Related Costs

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

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

Contractors

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

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

Line Clearing

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

Procedures: We determined line clearing costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected

a judgmental sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Vehicle and Fuel

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

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

Materials and Supplies

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

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

Logistics

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

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

Other Costs

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

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

Other

Capitalizable Costs

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

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

Third-Party Reimbursements

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

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

Below-the-Line Costs

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

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

Non-Incremental Costs

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

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

Jurisdictional Factors

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

Procedures: We determined that Gulf used the jurisdictional factors calculated for 2021 in its filing. We verified the calculation using support documentation provided by the Utility. No further work was performed.

Accounts Payable Procedures

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

Procedures: According to the Utility, the storm Accounts Payable Policy is no different than FPL's standard practices for recording and approving accounts payable. The storm related

policies and procedures work in conjunction with the standard operating accounts payable procedures. These policies, which agree with Rule 25-6.0143, F.A.C., define what items are actually recoverable during a storm event. These policies also state the approval process from the staging sites to the assigned plant accountant. The plant accountant then goes through the accounts payable process, which includes staff and management approval levels depending on the dollar amount. Based on our review of the storm related activity, no exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Gulf Hurricane Zeta Incremental Costs and Capitalization Approach Adjustments

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

LINE NO.	Storm Costs By Function (A)					Total (6)
	Steam & Other (1)	Transmission (2)	Distribution (3)	General (B) (4)	Customer Service (5)	
1	Storm Restoration Costs					
2					18	\$304
3	0	34	224	28		
4	4	17	299	15	5	339
5	33	27	5,711	4	6	5,783
6	0	0	1,864	0	0	1,864
7	0	4	327	0	0	331
8	0	0	178	0	0	179
9	0	22	1,237	130	1	1,391
10	3	13	1,106	75	2	1,198
11	\$41	\$118	\$10,947	\$252	\$31	\$11,388
12	Less: Capitalizable Costs					
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	\$0	\$0	\$292	\$0	\$0	\$292
19	Less: Third-Party Reimbursements					
20	0	0	0	0	0	0
21	Less: Insurance Receivables (E)					
22	0	0	0	0	0	0
23	Less: Below-the-Line/Thank You Ads					
24	0	0	0	0	0	0
25	Total Storm Restoration Costs Charged to Base O&M					
26	\$41	\$118	\$10,655	\$252	\$31	\$11,096
27	Less: ICCA Adjustments					
28	\$0	\$10	\$89	\$21	\$15	\$135
29	0	0	652	0	0	652
30	0	0	54	0	0	58
31	0	0	77	0	0	77
32	0	0	0	0	0	0
33	0	0	0	53	0	53
34	\$0	\$14	\$872	\$74	\$15	\$974
35	Incremental Storm Losses					
36	\$0	\$25	\$97	\$7	\$3	\$132
37	4	17	299	15	5	339
38	33	27	5,641	4	6	5,712
39	0	0	1,212	0	0	1,212
40	0	0	197	0	0	197
41	0	0	75	0	0	75
42	0	22	1,237	130	1	1,391
43	0	0	1,026	22	2	1,066
44	\$41	\$104	\$9,783	\$178	\$17	\$10,122
45	Jurisdictional Factor (G)					
46	0.9720	0.9741	0.9963	0.9841	1.0000	
47	\$40	\$101	\$9,747	\$175	\$17	\$10,079
48	Plus: Interest on Unrecovered Deficit in the Storm Reserve					
49						1
50	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. 160186-13.