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March 18, 2019

-VIA ELECTRONIC FILING -

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

Re: Docket No. 20180049-EI - Evaluation of storm restoration costs for Florida Power & Light Company related to Hurricane Irma; Redacted, Public Version of the Prefiled Rebuttal Testimony of FPL Witnesses Manuel B. Miranda and Ronald R. Reagan, and Redacted Exhibits of FPL Rebuttal Witness Kristin Manz, together with Unredacted Prefiled Rebuttal Testimony of FPL Witnesses Thomas W. Gwaltney, Kristin Manz and Keith Ferguson

Dear Ms. Teitzman:

Enclosed please find the redacted, public version of the prefiled rebuttal testimony of FPL Witnesses Manuel B. Miranda and Ronald R. Reagan, and redacted exhibits of FPL rebuttal Witness Kristin Manz, together with unredacted prefiled rebuttal testimony of FPL Witnesses Thomas W. Gwaltney, Kristin Manz and Keith Ferguson. FPL's position regarding the confidential information contained in the designated documents is fully explained in the Request for Confidential Classification and supporting materials filed and served on Friday, March 15, 2019.

I am asking that you please accept this filing to replace Document 03137-2019 filed and served on Staff and all parties to this proceeding on Friday, March 15, 2019. The attached materials are identical to the materials filed and served on March 15, 2019, with the exception of this cover letter and the Certificate of Service which I inadvertently failed to attach.

My thanks in advance for your anticipated cooperation.

Sincerely,

/s/Kenneth M. Rubin
Kenneth M. Rubin

Cc: Counsel of Record

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Redacted, Public Version of the Prefiled Rebuttal Testimony of FPL Witnesses Manuel B. Miranda and Ronald R. Reagan, and Redacted Exhibits of FPL Rebuttal Witness Kristin Manz, together with the Unredacted Prefiled Rebuttal Testimony of FPL Witnesses Thomas W. Gwaltney, Kristin Manz and Keith Ferguson was e-filed and furnished by electronic service to Staff and counsel for all parties on March 15, 2019, and is again being e-filed and furnished by electronic service, together with this cover letter, to Staff and counsel for all parties on this 18th day of March 2019, to the following:

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By: s/ Kenneth M. Rubin
Kenneth M. Rubin

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF MANUEL B. MIRANDA

DOCKET NO. 20180049-EI

MARCH 15, 2019

REDACTED

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1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Manuel B. Miranda. My business address is Florida Power & Light
4 Company, 700 Universe Blvd., Juno Beach, Florida, 33408.

5 Q. Have you previously submitted prepared direct testimony in this proceeding?

6 A. Yes. I submitted direct testimony and accompanying Exhibits MBM-1 and MBM-
7 2 on August 31, 2018.

8 Q. What is the purpose of your rebuttal testimony?

9 A. The purpose of my rebuttal testimony is to respond to the direct testimony
10 submitted by Office of Public Counsel (“OPC”) witness Helmuth W. Schultz III,
11 who, because of his lack of operational and storm response experience,
12 misunderstands what is required to restore service as quickly as possible. As a
13 result, Mr. Schultz recommends that FPL’s Hurricane Irma distribution contractors
14 costs be reduced by \$64.3 million because certain contractor line restoration hourly
15 labor rates (\$60.1 million) and contractor standby times (\$4.2 million) are, in his
16 opinion, excessive.

17 Q. Please summarize your rebuttal testimony.

18 A. My testimony demonstrates that despite Mr. Schultz’s Monday-morning
19 quarterbacking, FPL’s decisions to acquire additional restoration line contractor
20 resources prior to and during the most severe hurricane to impact FPL’s service
21 territory and the state of Florida, including the limited number of contractors Mr.
22 Schultz identified with higher hourly labor rates, were reasonable and prudent and
23 necessary in order to quickly restore service to FPL’s customers. Also, Mr.

1 Schultz’s proposed “conservative” 20% adjustment to reduce contractor standby
2 times and costs because non-embedded line contractors arrived too early is
3 arbitrary, illogical, fails to recognize the uncertainty associated with forecasting the
4 path and intensity of a major storm and ignores FPL’s valuable lessons learned and
5 the excellent restoration results achieved by pre-staging restoration resources.
6 Additionally, if accepted, both of Mr. Schultz’s proposed adjustments would
7 ultimately be detrimental to FPL’s customers and to the state as a whole, as they
8 would result in longer restoration times and hamper FPL’s ability to “attempt to
9 restore service within the shortest time practicable consistent with safety” (Rule 25-
10 6.044(3), F.A.C.). Therefore, Mr. Schultz’s proposed adjustments are unwarranted
11 and should be rejected.

12 **Q. Are you sponsoring any exhibits to your rebuttal testimony?**

13 A. Yes. I am sponsoring the following exhibit:

- 14 • MBM-3 – OPC Responses to FPL Interrogatory Nos. 13-17 and 19
- 15 • MBM-4 – Aerial View of an FPL Staging Site

16

17 **II. FPL’S HURRICANE IRMA RESPONSE**

18 **Q. Having reviewed OPC witness Schultz’s criticisms of FPL’s storm response,**
19 **do you see any overarching problems with his recommendations?**

20 A. Yes. Mr. Schultz fails to recognize and appreciate the severity of conditions that
21 are placed upon a utility as it prepares its service territory for the potential
22 impending impacts of a major hurricane - like FPL did for Hurricane Irma. Perhaps
23 this results from Mr. Schultz having zero operational and decision-making

1 experience before, during, and after a storm threatens and then impacts a utility's
2 service territory (as indicated by the responses Mr. Schultz provided to FPL
3 discovery and included in Exhibit MBM-3, OPC Responses to FPL Interrogatory
4 Nos. 13-17 and 19). Additionally, Mr. Schultz's Monday-morning quarterbacking
5 and unrealistic second-guessing criticisms fail to recognize FPL's strategy to
6 restore service to our customers safely and as quickly as possible, consistent with
7 FPSC rules.

8 **Q. Does having this operational and management experience matter when**
9 **determining what actions a utility should take in response to an impending**
10 **storm?**

11 A. Yes. I have been involved with FPL's storm response efforts from 1992 to the
12 present, including when Hurricane Andrew made landfall, through the 2004/2005
13 storm seasons, when seven storms impacted FPL's service territory, and most
14 recently during Hurricanes Matthew and Irma. This includes being involved with
15 or responsible for making decisions regarding when and how many resources FPL
16 must acquire to respond to a storm, as well as to send resources to assist with other
17 utilities' storm response efforts (e.g., Hurricane Maria in Puerto Rico and, most
18 recently, Hurricane Michael in the Panhandle). Actual storm operational and
19 management experience helps to guide a company's actions, activities and response
20 in light of the conditions and circumstances that are known when decisions must be
21 made. For FPL, these storm decisions centered around the key components of our
22 emergency preparedness plan, which I provided on page 6 of my direct testimony.
23 For instance, pre-negotiating contractor rates at market in advance of a storm

1 assists FPL in deciding when and what resources to bring onto its system. Contrary
2 to Mr. Schultz’s fundamental misunderstanding, pre-storm contractor negotiations
3 do not guarantee that those contractor resources are going to be available when
4 called upon (e.g., a contractor may be supporting another currently active
5 restoration event). Mr. Schultz’s lack of real world, practical experience is further
6 illustrated by his misunderstanding of why and when FPL acquired and pre-staged
7 resources in order to successfully implement its successful restoration process. I
8 address Mr. Schultz’s alleged “excessive” rates and standby time criticisms and his
9 associated recommended adjustments in more detail below.

10
11 **III. ALLEGED “EXCESSIVE” CONTRACTOR RATES**

12 **Q. Mr. Schultz recommends labor costs associated with 15 contractors be**
13 **reduced by approximately \$60.1 million because they charged hourly labor**
14 **rates (for regular, overtime, standby and/or mobilization/demobilization time)**
15 **that exceeded \$█ per hour. Do you have any general observations regarding**
16 **Mr. Schultz’s recommended adjustment?**

17 **A.** Yes. In addition to the rebuttal testimony provided by FPL witness Reagan, which
18 addresses the contractor hourly rates concerns raised by Mr. Schultz, I believe Mr.
19 Schultz’s arbitrary and unsupported hourly labor rate cap for line restoration
20 contractors is completely unrealistic. Worse, the use of his arbitrary cap on hourly
21 rates would be detrimental to FPL’s customers and conflict with FPL’s ability to
22 “attempt to restore service within the shortest time practicable consistent with
23 safety” (Rule 25-6.044(3), F.A.C.).

1 **Q. What is the basis for your opinion that the adoption of an arbitrary hourly**
2 **labor rate cap for line restoration workers would negatively impact FPL’s**
3 **ability to maximize restoration efforts after a hurricane?**

4 A. If such a policy was adopted it would have a chilling effect on decision-makers
5 responsible for obtaining additional restoration resources during a major storm
6 event and unduly limit FPL’s (and other Florida electric utilities’) efforts to acquire
7 already scarce resources. It could also result in the selection of contractor
8 restoration resources that, ultimately, would be costlier (e.g., selecting a contractor
9 just under the hourly labor rate cap but considerably farther away resulting in more
10 mobilization/demobilization costs) and extend restoration times because of a
11 scarcity of contractors willing and able to perform the work at Mr. Schultz’s
12 arbitrary rate limit. This would be “penny-wise and pound-foolish” and clearly not
13 in the best interests of FPL’s customers.

14 **Q. Please explain how FPL acquires additional external restoration resources in**
15 **response to a storm that is approaching FPL’s service territory?**

16 A. As provided more extensively in my direct testimony, an important component of
17 each restoration effort is FPL’s ability to scale up its resources to match the
18 increased volume of the restoration workload. This includes acquiring external
19 contractors and mutual assistance resources from other utilities through industry
20 organizations, e.g., the Southeastern Electric Exchange (“SEE”) and Edison
21 Electric Institute (“EEI”), as well as other restoration power line contractors, which
22 FPL independently acquires. While FPL is mindful of costs when acquiring
23 additional external resources (e.g., acquiring resources based on a low-to- high cost

1 ranking), a storm's path, intensity and size, if significant enough, can substantially
2 limit the availability of external resources, as the demand for available resources
3 can exceed the available supply. In such instances, FPL has limited alternatives and
4 may be required to acquire external restoration resources that are at the higher end
5 of the low-to-high cost ranking.

6 **Q. Was this the case with Hurricane Irma?**

7 A. Yes. With Hurricane Irma's forecasted path, intensity and size, the vast majority of
8 the utilities within the southeast region of the U.S. were forced to hold on to their
9 own resources (employees and contractor resources) in order to respond to their
10 own specific restoration needs. Additionally, based on forecasted damage and
11 outage estimates, these same utilities were also seeking additional line restoration
12 resources through the SEE, other organizations, and through individual independent
13 restoration contractors. Resource availability was also being impacted by the
14 Hurricane Harvey restoration efforts that were still on-going in Texas. As a result,
15 as the storm approached, the demand for acquiring additional line restoration
16 resources significantly exceeded the supply of available resources. In fact, on
17 September 8, 2017, the day before Hurricane Irma began to impact FPL's service
18 territory, SEE members' requests for additional line resources exceeded the
19 available supply by more than 8,000 in total. This excessive demand limited FPL's
20 (as well as other utilities') options and as a result, FPL had to acquire some external
21 resources located at the upper end of the hourly labor rate cost ranking. Mr.
22 Schultz's lack of decision-making experience pre-storm and during a storm
23 response event is exactly why his 20/20 hindsight criticism of how FPL obtained

1 restoration resources in advance of Hurricane Irma impacting its service territory is
2 impractical, nonsensical, and unwarranted.

3 **Q. Were any of the 15 higher rate line restoration contractors' resources pre-**
4 **staged in order to restore service immediately after the winds from Hurricane**
5 **Irma subsided?**

6 A. Yes. 14 out of the 15 contractors identified in Mr. Schultz's Exhibit No. HWS-2
7 (page 4 of 6) as higher rate contractors had restoration line restoration resources
8 pre-staged for Hurricane Irma. In fact, in total, these contractors provided
9 approximately 1,400 line restoration personnel that were pre-staged for Hurricane
10 Irma.

11 **Q. How many line restoration resources, in total, did the 15 contractors provide**
12 **for the entire Hurricane Irma restoration effort?**

13 A. These 15 contractors provided over 1,700 line restoration resources, in total, to
14 support the FPL Hurricane Irma restoration effort.

15 **Q. If FPL had not been able to acquire these additional external resources**
16 **because of Mr. Schultz's proposed \$ [REDACTED] per hour contractor labor rate cap,**
17 **would it have impacted FPL's Hurricane Irma restoration efforts?**

18 A. Absolutely. The 1,400 pre-staged line restoration resources acquired from these 15
19 contractors represented approximately 20% of all pre-staged line restoration
20 resources, while the 1,700 total line restoration resources acquired from these 15
21 contractors represented 13% of the total line restoration resources that supported
22 FPL's Hurricane Irma restoration efforts. To provide perspective, if those 1,700
23 resources had all been located together at their own staging site, it would have been

1 larger than the vast majority of the 29 FPL staging sites opened for Hurricane Irma.
2 In Exhibit MBM-4, Aerial View of an FPL Staging Site, I have provided an aerial
3 view of the Gulfstream Park staging site (located in Broward County) to provide a
4 visual perspective of the size and magnitude of an FPL staging site. Additionally,
5 1,700 restoration resources would produce nearly 19,000 man-hours of restoration
6 work per day or more than 185,000 man-hours of restoration work for the entire 10-
7 day restoration effort. The absence of or delay in obtaining these resources would
8 have had a significant impact on the restoration effort, as critical infrastructure
9 function customers (e.g., hospitals, 911 centers, police and fire), key community
10 needs (e.g., gas stations, grocery stores, pharmacies), as well as FPL’s other
11 customers would have waited for lower cost contractors to become available –
12 whenever that may have been – all the while waiting for service to be restored.
13 Any such policy would clearly be inconsistent with the Commission’s rule
14 previously mentioned which directs utilities to restore service as quickly as
15 practicable consistent with safety.

16 **Q. Did FPL mitigate contractor labor costs by utilizing its contractor workforce**
17 **effectively and diligently?**

18 A. Yes. As was previously stated, FPL endeavors to acquire resources based on a
19 low-to high cost ranking and release resources in reverse order, subject to the
20 overriding objective of quickest restoration time and related considerations. As can
21 be seen in Mr. Schultz’s Exhibit No. HWS-2 (page 4 of 6), the 15 contractors
22 identified with what he calls “excessive” hourly labor rates billed, on average,
23 33,256 hours per contractor (498,838 hours/15). The remaining 24 contractors

1 identified in Exhibit No. HWS-2 billed, on average, 55,647 hours per contractor
2 (1,335,522 hours/24). This comparison clearly indicates that FPL utilized line
3 contractors with lower labor rates significantly more than the contractors with the
4 higher hourly labor rates, thus mitigating overall contractor labor costs.

5 **Q. Please summarize your response to Mr. Schultz’s recommended \$60.1 million**
6 **reduction in labor costs for alleged “excessive” contractor rates.**

7 A. Based on both my rebuttal testimony and FPL witness Reagan’s rebuttal testimony,
8 Mr. Schultz’s recommended adjustment is unwarranted, in conflict with FPSC
9 rules, would be ultimately detrimental for FPL’s customers and, therefore, should
10 be rejected.

11
12 **IV. ALLEGED “EXCESSIVE” CONTRACTOR**
13 **STANDBY TIMES AND COSTS**

14 **Q. Mr. Schultz believes line contractor restoration crews’ Hurricane Irma**
15 **standby times are excessive and recommends a reduction of FPL’s contractor**
16 **standby costs based on a “conservative” 20% reduction or approximately \$4.2**
17 **million. Do you agree with Mr. Schultz’s recommended adjustment?**

18 A. No. Mr. Schultz’s proposed “conservative” 20% reduction in standby times and
19 corresponding costs is arbitrary, fails to recognize the uncertainty associated with
20 major storms, ignores FPL’s valuable lessons learned and the excellent restoration
21 results that have been achieved through the pre-staging of resources. Further, his
22 “just-in-time” approach would ultimately be detrimental to FPL’s customers since
23 it would most certainly extend restoration times. As a result, Mr. Schultz’s

1 proposed adjustment to reduce FPL’s distribution contractor standby times and
2 costs are unwarranted and should be rejected.

3 **Q. Does Mr. Schultz provide any support or basis for his proposed**
4 **“conservative” 20% reduction in standby times and costs?**

5 A. No. It appears to be a conclusory statement without any detail or support. His only
6 support is an unsupported allegation as to “non-embedded contractors arriving
7 early and charging FPL’s ratepayers for two days (i.e., September 9th and 10th),
8 and in many cases 16 hours a day, and this is considered excessive and not
9 justified”.

10 **Q. What are “non-embedded” contractors?**

11 A. Embedded contractors refers to a contingent workforce of contractors (e.g., line and
12 vegetation contractors) that perform work (e.g., construction, maintenance and
13 restoration) on FPL’s system on a daily basis as part of FPL’s normal (i.e., non-
14 storm) activities. During storm events, embedded contractors are reassigned from
15 non-storm work to storm restoration work. After their storm restoration work is
16 completed, embedded contractors are re-assigned back to normal work activities.
17 In contrast, non-embedded contractors are vendors that are not performing
18 contracted non-storm work on FPL’s system at the time of the storm, but are
19 acquired to assist with FPL’s storm restoration efforts.

20

21

1 **Q. Are you aware of the “many cases”, as Mr. Schultz put it, where non-**
2 **embedded contractors charged 16 hours per day of standby time on**
3 **September 9 and September 10?**

4 A. No. However, I am not surprised standby time was charged on those days as
5 Hurricane Irma was directly impacting FPL’s service territory from September 9 –
6 September 11 and FPL had pre-staged non-embedded resources in order to be
7 ready to respond as soon as the impacts of Hurricane Irma subsided enough to
8 allow crews to safely work.

9 **Q. Mr. Shultz’s proposed standby time adjustment implies that there is certainty**
10 **to predicting the timing, location and strength of major storms and, therefore,**
11 **there should be certainty as to when resources are acquired and pre-staged.**
12 **What is your experience regarding the certainty of predicting the impacts of**
13 **major storm?**

14 A. My extensive experience regarding major storm predictions is that while
15 improvements have been made in forecasting the path and strength of storms, much
16 uncertainty still exists. This was certainly evident with Hurricane Irma. In fact, as
17 mentioned in my direct testimony, late in the evening on September 7, as Hurricane
18 Irma was approaching Florida, there were forecasts of a potential landfall in
19 Miami-Dade County – the most heavily populated area in FPL’s service territory.
20 Of course, Hurricane Irma ultimately made landfall as a Category 4 hurricane on
21 the morning of September 10 in the Florida Keys and once again that afternoon as a
22 Category 3 hurricane in the Marco Island/Naples area.

23

1 **Q. How does FPL address changes in a storm’s path and strength?**

2 A. As conditions change, FPL continues to update its damage model, and workload
3 projections are matched with resource factors such as availability and location.
4 When FPL has enough certainty regarding a storm’s timing, path, and potential
5 impacts, it begins to acquire resources, of course being mindful of the potential for
6 conditions to still change.

7 **Q. What valuable lessons learned has FPL obtained regarding pre-staging
8 resources?**

9 A. In the last two major storms to impact FPL’s service, Hurricane Matthew in 2016
10 and Hurricane Irma in 2017, FPL pre-staged more resources than ever before and
11 restoration performance for these two storms showed significant improvement vs.
12 the last major storm to impact FPL’s service territory (Hurricane Wilma in 2005).

13 **Q. Please provide information that demonstrates the significant improvement in
14 restoration performance for Hurricane Irma vs. Hurricane Wilma.**

15 A. As shown below, restoration results achieved for Hurricane Irma vs. Hurricane
16 Wilma were significantly better:

	<u>Irma</u>	<u>Wilma</u>
Total Customers Affected	4.4 Million	3.2 Million
50% of Customers Restored	1 Day	5 Days
75% of Customers Restored	3 Days	8 Days
95% of Customers Restored	7 Days	15 Days
Total Days to Restore	10 Days	18 Days
Average Days to Restore	2.3 Days	5.4 Days

1 **Q. Are the restoration performance improvements shown above solely**
2 **attributable to the pre-staging of resources?**

3 A. No. As I stated on page 29 of my direct testimony, there were other factors that
4 also contributed to the overall restoration performance improvements. However,
5 the pre-staging of resources was a significant and key contributing factor.

6 **Q. Do you believe the “just-in-time” approach Mr. Schultz appears to favor**
7 **would be in the best interest of FPL’s customers?**

8 A. No. Mr. Schultz’s faulty presumption that restoration resources would simply be
9 readily available on the eve of a major storm is clearly misguided, perhaps as a
10 result of his lack of experience in storm response decision-making. It is illogical to
11 think that contractor restoration crews would be able to travel just as well post-
12 storm vs. pre-storm. Based on my extensive storm experience, I know that having
13 fewer or no pre-staged resources for Hurricane Irma would have most definitely
14 resulted in extended restoration times for FPL’s customers. This includes
15 extending restoration times for critical infrastructure and key community needs
16 customers (e.g., hospitals, 911 centers, police and fire, gas stations, grocery stores,
17 pharmacies), all of which are extremely important to our communities. This, of
18 course, would be detrimental to all customers and undermine FPL’s ability to
19 “attempt to restore service within the shortest time practicable consistent with
20 safety” (Rule 25-6.044(3), F.A.C.). Therefore, Mr. Shultz’s proposed reduction for
21 excessive standby time and costs is unwarranted and should be rejected.

22 **Q. Does this conclude your rebuttal testimony?**

23 A. Yes.

13. Please explain whether Mr. Schultz has participated in the retention or management of storm restoration crews during a storm event. If your response is anything other than an unqualified “no,” please identify the storm event, the company Mr. Schultz assisted, and provide a description of Mr. Schultz’s role, duties, and activities in retaining or managing the restoration crews during the storm event.

OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

RESPONSE: No.

14. Please explain whether Mr. Schultz has personally participated in or observed a utility's storm restoration activities during a storm event. If your response is anything other than an unqualified "no," please also state the following:

OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

- a. Identification of the utilities participated and/or observed;

RESPONSE: While Mr. Schulz's ability to provide his expert evaluation of the recoverability of storm restoration costs is not dependent on his personal participation or observation of a utility's storm restoration, Mr. Schultz has observed the restoration process by a utility and/or its contractors subsequent to storm events over the last 30 years, including windstorms, thunderstorms, tornadoes, and snowstorms in Michigan. Mr. Schultz has not participated in the storm restoration activities on behalf of any utility.

- b. Whether Mr. Schultz was a participant or an observer;

RESPONSE: In any applicable instances, he was an observer.

- c. If Mr. Schultz was a participant, please describe his specific responsibilities;

RESPONSE: N/A.

- d. If Mr. Schultz was an observer, identify the individual or entity that retained Mr. Schultz as an observer; and

RESPONSE: No one retained Mr. Schultz to observe storm recovery activities. Mr. Schultz undertook these observation opportunities as a matter of self-education to familiarize himself with processes and procedures as well as whether damage caused could be attributed to any specific factors (i.e. vegetation management).

e. Identification of the storm event, year occurred, and location.

RESPONSE: Most of these storms were not named or identifiable. They occurred periodically over the last 30 years.

15. Please explain whether Mr. Schultz has physically been to an active crew staging site for utility storm restoration activities during a storm event. If your response is anything other than an unqualified “no,” identify the storm event and the name of the utility involved, and provide a description of the crew staging site, including the location and number and types of crews at the site.

OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

RESPONSE: No.

16. Please explain whether Mr. Schultz has personally participated in or observed a utility’s storm logistics activities during a storm event, including but not limited to the provision of meals, laundry services, accommodations, fueling of vehicles, maintenance and repair of vehicles, and other similar activities related to the operation of a storm restoration effort. If your response is anything other than an unqualified “no,” please identify the storm event and name of the utilities with

which he participated and/or that he observed, and provide a description of Mr. Schultz's role, duties, and activities during the storm event.

OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

RESPONSE: No, because personally participating in or observing a utility's storm logistics activities during a storm event is unnecessary to perform the analyses that Mr. Schultz performs.

17. Please explain whether Mr. Schultz has personally participated in or observed a utility's storm mobilization activities during a storm event. If your response is anything other than an unqualified "no," please identify the storm event and name of the utilities with which he participated and/or that he observed, and provide a description of Mr. Schultz's role, duties, and activities during the storm event.

OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

RESPONSE: While Mr. Schultz's ability to provide his expert evaluation of the recoverability of storm restoration costs is not dependent on his personal participation or observation of a utility's storm mobilization activities during a storm event, Mr. Schultz has observed mobilizing activities by a utility and/or its contractors subsequent to storm events over the last 30 years, including windstorms, thunderstorms, tornadoes, and snowstorms in Michigan.

19. Please explain whether Mr. Schultz has personally negotiated contractor rates for storm restoration, line clearing, damage assessment, or vegetation crews in anticipation of or during a storm event. If your response is anything other than an unqualified “no,” please also state the following:

OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

RESPONSE: No.

- a. Identification of the storm event, year occurred, and location;

RESPONSE: N/A

- b. Description of Schultz’s role, duties, and activities;

RESPONSE: N/A

- c. Identify the contractors involved in the negotiation;

RESPONSE: N/A

- d. Identify the negotiated rates;

RESPONSE: N/A

- e. Identify the scope of work performed by each contractor.

RESPONSE: N/A

DECLARATION

I sponsored the answers to Interrogatories from FPL's 1st Set of Interrogatories (Nos. 1-23) to the Office of Public Counsel in Docket No. PSC-20180049-EI, and hereby state the responses are true and correct based on my personal knowledge and belief.

Under penalties of perjury, I declare that I have read the forgoing declaration and the interrogatory answers identified above, and the facts stated therein are true and correct to the best of my personal knowledge and belief.



Signature

Helmut W. Schultz III

Date: FEBRUARY 19, 2019



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF THOMAS W. GWALTNEY

DOCKET NO. 20180049-EI

MARCH 15, 2019

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1 **I. INTRODUCTION**

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

3 A. My name is Thomas W. Gwaltney. My business address is Florida Power & Light
4 Company, 700 Universe Blvd., Juno Beach, Florida, 33408.

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

6 A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as
7 Senior Director Emergency Preparedness, Power Delivery.

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

9 A. As the Senior Director of Emergency Preparedness Power Delivery, I am
10 responsible for ensuring the effectiveness of FPL’s operational emergency plans
11 and procedures for hurricanes, severe weather, capacity shortfall, and cyber and
12 physical security. In addition, I am responsible for corporate business continuity
13 across NextEra Energy in the event of an emergency.

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

15 A. I have a Bachelor in Electrical Engineering from the Georgia Institute of
16 Technology. I joined FPL in 1986 and have 32 years of technical, managerial and
17 commercial experience gained from serving in a variety of positions within the
18 Distribution and Power Delivery organizations. From 2009-2018, I served as
19 Senior Director, Central Maintenance, where I was responsible for FPL’s
20 transmission and distribution contractor workforce as well as FPL’s storm
21 preparedness and storm hardening programs, which included vegetation
22 management, pole inspections and feeder hardening. For storm restoration events,
23 I have served in various roles including Incident Commander (for 13 different

1 staging sites during the 2004-2005 storm seasons), and most recently (including the
2 2016 and 2017 storm seasons) as Planning Section Chief. As Planning Section
3 Chief, my role included seeking and securing restoration resources.

4
5 I have also previously served as chair of the Southeastern Electric Exchange's
6 ("SEE") Mutual Assistance Committee. Currently, I serve as the co-chair of the
7 Edison Electric Institute's ("EEI") mutual assistance committee and the National
8 Mutual Assistance Resource Team, a group that oversees the process designed to
9 enhance the industry's ability to respond to national-level events by managing
10 resources nationwide.

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

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

- 13 • Exhibit TWG-1 – Resolution of Contractor Cost “Problems” - FPL
14 Responses to OPC Interrogatories.
- 15 • Exhibit TWG-2 – OPC’s Response to FPL Interrogatories Nos. 44-49.

16 **Q. Have you previously submitted prepared direct testimony in this proceeding?**

17 A. No.

18 **Q. What is the purpose of your rebuttal testimony?**

19 A. The purpose of my rebuttal testimony is to respond to certain portions of the direct
20 testimony submitted by Office of Public Counsel (“OPC”) witness Helmuth W.
21 Schultz III, which recommends that FPL’s Hurricane Irma distribution contractors
22 costs be reduced \$47.8 million. Mr. Schultz claims there are “problems” with
23 contractor mobilization/demobilization times and costs and seeks to impose a 25%
24 or \$30 million reduction of these costs. Mr. Schultz also asserts that FPL provided

1 inadequate detail to support costs paid to mutual aid utilities that supported FPL's
2 Hurricane Irma restoration effort and, therefore, their associated costs should be
3 reduced by 50% or \$17.8 million.

4 **Q. Please summarize your rebuttal testimony.**

5 A. My rebuttal testimony demonstrates that Mr. Schultz's proposed adjustment to
6 reduce contractor mobilization/demobilization times and costs is not factually
7 supported, as the vast majority of his alleged "problems", once investigated, were
8 determined to be non-issues. Additionally, the purported basis for his
9 "conservative" 25% adjustment is inaccurate and, more importantly, his idealized
10 mobilization/demobilization travel theories do not reflect the reality of the
11 circumstances surrounding Hurricane Irma. Additionally, I demonstrate that Mr.
12 Schultz's proposed 50% reduction for mutual aid utility costs is also arbitrary and
13 shows a lack of understanding of mutual aid processes and guidelines. As a result,
14 Mr. Schultz's proposed adjustments are unwarranted and should be rejected.

15

16 **II. ALLEGED "PROBLEMS" WITH FPL'S CONTRACTOR COSTS**

17 **Q. On pages 15 and 16 of his testimony, Mr. Schultz references specific deposition**
18 **transcript pages and exhibits that he believes suggest that there are numerous**
19 **examples of "problems" that raise a concern regarding the reasonableness of**
20 **FPL's contractor costs. Do you agree that Mr. Schultz's "problems" and**
21 **concerns are valid or have merit?**

22 A. No. The vast majority of the examples of "problems" identified by Mr. Schultz on
23 pages 15 and 16 of his testimony were, in fact, addressed and explained in FPL's

1 responses to discovery requests that OPC issued as deposition follow-up questions.
2 Most of these “problems” are claims of excessive time recorded and paid (i.e.,
3 regular, overtime, mobilization/demobilization and standby) and other claimed
4 improper reimbursements of expenses (e.g., fuel, meals), which were addressed by
5 FPL witnesses during OPC’s deposition as well as in FPL’s responses to OPC
6 discovery requests. I have provided these discovery responses in Exhibit TGW-1 –
7 Resolution of Contractor Cost “Problems” - FPL Responses to OPC Interrogatories,
8 which includes FPL’s responses to 22 OPC interrogatories. Additionally, some of
9 these and other “problems” identified by Mr. Schultz (e.g., alleged duplicate
10 contractor payments) have been addressed in FPL witness Manz’s rebuttal
11 testimony.

12 **Q. Can you provide examples of “problems” identified by Mr. Shultz on pages 15**
13 **and 16 of his testimony that, when researched, were not “problems”?**

14 A. Yes. As provided in Exhibit TWG-1, the vast majority of the discovery responses
15 demonstrate that Mr. Schultz’s concerns with numerous “problems” were
16 unfounded. For example, Mr. Schultz was concerned with contractor crews that
17 recorded three days of time as standby time and, on those same three days, the
18 standby time recorded by the crews exceeded the maximum amount of standby
19 time allowed per day under the contract. As explained in FPL’s answer to OPC
20 Interrogatory No. 182, FPL’s research determined that the crews were actually not
21 on standby but were instead performing pre-storm “button up” work, which is a
22 term used for addressing temporary construction situations that, if not addressed
23 before a storm hits, would remain as weak links in the system that are more

1 susceptible to damage and failure. It should also be noted that, in this instance, the
2 standby and regular work time were charged at the same hourly rate and, therefore,
3 it was not necessary to correct the classification of time recorded on these time
4 sheets. Additionally, since the work was, in fact, regular work, the maximum
5 allowable hours per day of standby time was not applicable.

6
7 In other examples, Mr. Schultz identified “problems” associated with what he
8 believed to be excessive amounts of time charged per day (e.g., working in excess
9 of 24 hours straight). While this was not typical, there were a limited number of
10 instances where FPL authorized crews to charge for time working more than 24
11 hours straight. For example, in FPL’s responses to OPC Interrogatory Nos. 146
12 and 179, FPL explained that two crews charged and were paid for time that
13 exceeded working 24 hours straight. These exceptions were approved based upon
14 lodging accommodation issues beyond the control of either FPL or the contractor,
15 e.g., one hotel was not accepting guests because it had lost power and there were no
16 other alternative accommodations readily available. As a result, the crews
17 unfortunately had to sleep in their trucks. While contractor sleeping time is
18 typically non-reimbursable, in this instance, FPL determined an exception was
19 warranted and the crews’ time sleeping in their trucks was reimbursed.

20
21 Mr. Schultz also identified various “problems” concerning excessive
22 mobilization/demobilization time, including: questioning payment for mobilization
23 overtime hours instead of mobilization straight time hours, and questioning the

1 amount of time to travel from location to location. However, as previously noted,
2 once FPL's research was completed, most of Mr. Schultz's alleged "problems"
3 were actually not "problems". For example, as provided in FPL's responses to
4 OPC Interrogatory No. 134, while mobilization hours were all recorded as overtime
5 hours, it was inconsequential since the hourly rates for mobilization straight time
6 and mobilization overtime were the same.

7 **Q. Please explain FPL's research and results from some of the other unfounded**
8 **examples of "problems" identified by Mr. Shultz in his testimony.**

9 A. Mr. Schultz also identifies "problems" with what he believes are excessive amounts
10 of contractor mobilization/demobilization time associated with traveling to and
11 from FPL's service territory. It is apparent that, based on his MapQuest searches,
12 Mr. Schultz believes that convoys of large trucks and equipment traveling into
13 traffic congested evacuation areas should be able to travel much faster than what
14 actually occurs. The questions in OPC Interrogatory Nos. 133, 134 and 144 reflect
15 this misconception. However, as provided in FPL's responses to these discovery
16 requests, when considering average travel speeds, stops for fuel and meals, adding
17 extra miles to obtain lodging, stops for on-boarding at FPL staging sites, as well as
18 other typical travel conditions (e.g., weather, traffic conditions), the distances and
19 time traveled are reasonable. Mr. Schultz's reliance on the travel distances and
20 times taken from MapQuest do not reflect the actual conditions and circumstances
21 that were present at the time.

22

1 **Q. Previously, it was mentioned that Mr. Schultz claimed there were “problems”**
2 **with other contractor reimbursements that appeared to be improperly**
3 **charged and paid. Please provide some examples of these alleged concerns**
4 **raised by Mr. Schultz.**

5 A. Generally, Mr. Schultz’s concerns appear to result from instances where exceptions
6 to the Statement of Work conditions contained within FPL’s contractual
7 arrangements associated with time and expenses were allowed and approved by
8 FPL. Examples of these concerns included reimbursing contractors for: fuel and/or
9 meals purchased by contractors within FPL service territory during the restoration
10 effort; time spent sleeping; and hours worked in excess of 16 hours per day.

11 **Q. Is it true that FPL allowed for such limited exceptions and reimbursed**
12 **contractors for time and expenses that, per contractual arrangements, would**
13 **not otherwise be eligible for reimbursement?**

14 A. Yes. FPL has provided authority to field supervision, e.g., a Production Lead
15 (“PL”), to approve such exceptions on a case-by-case basis. For example, per
16 contractual arrangements, once contractor restoration crews arrive in FPL’s service
17 territory, fuel for their vehicles and all meals are to be provided by FPL at its
18 staging sites and other FPL locations. As such, contractors should not be
19 submitting invoices for fuel and meals while supporting restoration efforts.
20 However, there are situations and conditions that arise during storm restoration
21 where exceptions are appropriately warranted. Examples of this include: crews
22 having to obtain fuel and/or meals because a just-opened staging site is not fully
23 functional; crews asked to travel to other staging sites require more fuel and/or

1 meals as they travel to their new location; and/or crews restoring service in areas
2 located in excess of 25 miles from an FPL staging site obtaining fuel and/or meals
3 locally instead of traveling back and forth to the staging site that is farther away.

4
5 Also, as discussed earlier, there are instances where FPL has provided for the
6 reimbursement of time while crews are sleeping (e.g., sleeping in their trucks
7 because of lodging issues). There are also instances where time that exceeds 16
8 hours per day is approved and reimbursed. This occurs most often when crews are
9 both traveling (e.g., mobilization/demobilization) and performing work on the same
10 day. It can also occur when crews are performing restoration work and several
11 more hours of work can restore service to a critical infrastructure customer (e.g.,
12 hospital, 911 center) or a feeder that, when restored, can provide service to
13 thousands of customers.

14
15 While FPL provides authority to field supervisors to approve exceptions to
16 contractual arrangements in real time on a case-by-case basis based on the actual
17 facts and circumstances that exist at the time, these exceptions are generally due to
18 extenuating circumstances and, in many cases, provide for operational efficiencies
19 and/or shorter restoration times. FPL's responses to OPC Interrogatory Nos. 51,
20 137, 138, 142, 146 and 179, included in Exhibit TWG-1, address these types of
21 concerns raised by OPC and Mr. Schultz. FPL witness Reagan also discusses in
22 further detail how exceptions to the contracts are provided for under certain
23 circumstances.

1 **Q. Are there also instances during the accounts payable process (when storm-**
2 **related invoices are reviewed and approved for payment), where PLs or other**
3 **appropriate storm management personnel are contacted to verify or**
4 **substantiate time or other costs (e.g., fuel, meals) charged?**

5 A. Yes. As discussed in FPL witness Manz's rebuttal testimony, there are instances
6 where the team of invoice reviewers may require clarification, verification or
7 substantiation of contractor time and/or other charges (e.g., fuel, meals) included on
8 an invoice. If so, the appropriate PL or other storm management personnel is
9 contacted, typically by phone, to discuss the issue(s) identified. After review and,
10 if necessary, further research, the PL or other storm management personnel
11 confirms or denies the accuracy of the billing.

12 **Q. Mr. Schultz also expresses concerns with FPL's oversight of contractors**
13 **during mobilization/demobilization and claims that FPL failed to sufficiently**
14 **monitor contractor travel time, primarily because the granularity of available**
15 **documentation, in some instances, was insufficient in his opinion. Do you**
16 **agree with his assessment?**

17 A. No. As was explained and discussed on multiple occasions throughout the two
18 days of the deposition taken by OPC, FPL has multiple touchpoints to monitor
19 contractor travel teams as they travel to and from FPL's service territory. This
20 includes FPL "travel coordinators" that communicate (usually by phone) with
21 travel teams as they begin their travel, during actual travel time, and when they stop
22 for the night. Travel coordinators maintain travel logs that document these
23 discussions. Additionally, personnel on FPL's resource acquisition team are also in

1 contact with travel teams to determine and confirm location and travel status.
2 While the level of detail supporting these conversations in the travel log varies by
3 travel coordinator, travel coordinators provided vigilant monitoring and oversight
4 of these travel teams as they traveled to support the Hurricane Irma restoration
5 event. Mr. Schultz's concerns regarding monitoring of travel teams as they travel
6 to and from FPL's service territory are unwarranted.

7 **Q. Did FPL make any adjustments for any issues identified during the discovery**
8 **process?**

9 Yes. There were a few instances where adjustments have been or will be addressed
10 (see FPL's responses to OPC Interrogatory Nos. 138, 145, 174 and 181 in Exhibit
11 TWG-1). These adjustments are discussed in the rebuttal testimonies of FPL
12 witnesses Manz (OPC Interrogatories Nos. 138 and 145) and Ferguson (OPC
13 Interrogatories Nos. 174 and 181).

14
15 Additionally, there were two invoices submitted by Contractor E identified on page
16 60 of Mr. Schultz's direct testimony that included hours for employees whose time
17 was not, absent an exception, permitted to be separately billed under the vendor
18 contract. Consistent with FPL's answer to Interrogatory No. 181, the Company has
19 reflected an adjustment of \$247,817 for these invoices on Exhibit KF-3 attached to
20 FPL witness Ferguson's rebuttal testimony.

21
22

1 **III. PROPOSED MOBILIZATION/DEMobilIZATION ADJUSTMENT**

2 **Q. Mr. Schultz believes line contractor restoration crews’**
3 **mobilization/demobilization times for Hurricane Irma are excessive and**
4 **recommends that contractor costs should be reduced by a “conservative” 25%**
5 **or approximately \$30 million. Do you agree with this proposed adjustment?**

6 A. No. The premise for Mr. Schultz’s proposed adjustment is not factually supported
7 and the purported basis for his “conservative” 25% adjustment is inaccurate and,
8 more importantly, does not reflect reality.

9 **Q. Why do you state that the premise for Mr. Schultz’s proposed “conservative”**
10 **mobilization/demobilization adjustment is not factually supported?**

11 A. As provided in his testimony, Mr. Schultz believes an adjustment for excessive
12 mobilization/demobilization time is warranted because of the alleged problems he
13 claims to have discovered through his review of FPL’s Hurricane Irma invoices,
14 timesheets and other supporting documentation. However, as provided in Section II
15 of my rebuttal testimony, the vast majority of these alleged concerns has been
16 explained and were not, in fact, problems.

17 **Q. Why is Mr. Schultz’s proposed “conservative” mobilization/demobilization**
18 **adjustment inaccurate?**

19 A. Mr. Schultz’s proposed “conservative” adjustment is based on his premise that
20 crews should be able travel 840 miles in a 16-hour day, with 14 hours of driving at
21 60 mph and 2 one-hour stops for meals and fueling. Mr. Schultz then compares his
22 840 miles of travel per day to what he refers to as his FPL “550 mile benchmark”
23 of travel per 16-hour day, with two one-hour stops for meals and fueling. Mr.

1 Schultz then concludes that FPL’s benchmark is understated by 33% (840
2 miles/day vs. 550 miles/day), which he alleges results in FPL allowing excessive
3 mobilization/demobilization times and costs. Mr. Schultz then reduces this 33% to
4 25% to be “conservative.” However, Mr. Schultz’s proposed 840 miles of travel
5 per day is further overstated by approximately 120 miles, even if the convoy of
6 utility trucks could actually travel an average of 60 mph, because it fails to account
7 for the fact that large restoration bucket trucks typically have an average range of
8 only 250 miles per tank and would require three stops for fueling during a 16-hour
9 day of driving. As a result, his “conservative” adjustment is no longer conservative
10 and is diminished even more as this adjustment does not reflect reality.

11 **Q. Why does Mr. Schultz’s proposed adjustment not reflect reality?**

12 A. The assumption that a convoy of utility vehicles, weighing 30,000 - 40,000 pounds
13 each, can average 60 mph like a passenger vehicle, while traveling to or from a
14 storm site, is without any factual support and is not realistic. Factors affecting a
15 truck’s average travel speed include:

- 16 • Traveling in a convoy – a convoy usually consists of five to thirty vehicles
17 and a convoy only moves as fast as its slowest vehicle;
- 18 • Engine rev limiters/governors – most utility trucks today include such an
19 installation, which, of course, caps maximum speeds;
- 20 • Vehicle breakdowns;
- 21 • Normal and storm related traffic congestion – can be encountered
22 anywhere, especially in major urban areas;
- 23 • Road work construction – can be encountered anywhere;

- 1 • Roadway accident congestion – can be encountered anywhere;
- 2 • Ingress/Egress to highways at beginning/end of day – occurs on roads with
- 3 speeds typically ranging from 35-50 mph; and
- 4 • Adverse weather conditions (e.g., rain, fog) – can be encountered anywhere.

5

6 Notably, Mr. Schultz, fails to account for many of these factors which would affect

7 utility crew travel time as reflected in OPC’s responses to FPL Interrogatories Nos.

8 44-49, which are identified in my testimony at Exhibit TWG-2. Additionally, as

9 someone with a career that has involved decades of supporting FPL storm

10 restoration events as well as assistance to other utilities outside of Florida, where I

11 have been involved with the travel of FPL crews to support other utilities’

12 restoration efforts, I can personally attest that it is completely unrealistic for these

13 trucks to average 60 mph. I can also personally attest that the miles per day travel

14 benchmark that FPL utilizes is realistic and reasonable, as it also considers FPL’s

15 own experience when it travels to other locations to assist in restoration efforts.

16 **Q. What is your conclusion regarding Mr. Schultz’s proposed**

17 **mobilization/demobilization adjustment?**

18 A. Based on the inaccuracy of Mr. Schultz’s proposed adjustment, his unrealistic

19 assumption that crews can average 60 mph while travelling, and the fact that FPL’s

20 miles per day travel benchmark is realistic and reasonable, Mr. Schultz’s proposed

21 25% adjustment for claimed excessive mobilization/demobilization costs is

22 unwarranted and should be rejected.

1 **IV. ALLEGED CONCERNS WITH MUTUAL ASSISTANCE COSTS**

2 **Q. Do you agree with Mr. Schultz’s proposed 50% or \$17.8 million reduction to**
3 **\$35.6 million of mutual assistance costs (associated with 14 invoices from 10**
4 **mutual assistance utilities) because he claims there was inadequate detail**
5 **provided to support the charges?**

6 A. No. It is important to note that Mr. Schultz does not claim that any of these mutual
7 assistance utilities’ costs were unreasonable or imprudent. Additionally, Mr.
8 Schultz does not claim that these costs were unsupported. Rather, Mr. Schultz’s
9 proposed adjustment is based solely on his apparent desire that additional detail
10 should have been provided to support these costs.

11 **Q. Please provide additional details regarding mutual aid support and costs.**

12 A. Mutual assistance storm restoration support is a critical and instrumental
13 component of any large electric utility restoration effort. This was certainly the case
14 for FPL after Hurricane Irma, as FPL received mutual assistance from over 50
15 electric utilities. Mutual assistance costs reflect the actual expenses incurred by the
16 mutual assistance utilities in support of FPL’s Hurricane Irma restoration efforts.
17 While the level of detail provided to support the invoices varies by utility, the final
18 invoices submitted generally include a summary level detail of the costs incurred
19 by the mutual assistance utilities, such as labor, vehicle, material, travel (e.g., hotel,
20 fuel, meals) and other expenses. This is consistent with the level of detail provided
21 historically by mutual assistance utilities and, in fact, is consistent with the level of
22 detail FPL submits when it provides mutual assistance to other utilities’ restoration
23 efforts. It is important to note that restoration support from mutual assistance

1 utilities are most often provided by members of the SEE and/or the EEI. The SEE
2 and EEI provide procedures, guidelines and principles for its members, for both
3 requests and responding to requests for mutual assistance resulting from emergency
4 restoration events. This includes guidelines for responding utilities to keep and
5 maintain cost support records and for requesting utilities to reimburse responding
6 utilities for costs incurred. An overriding principle for providing restoration
7 support is that, unlike non-mutual assistance utility contractors that have negotiated
8 rates, restoration support from SEE and EEI members is provided on a not-for-
9 profit basis, i.e., utilities charge only their actual costs incurred. This ensures that
10 the responding mutual assistance utility's customers are not paying for the costs to
11 restore service to the requesting utility's customers (in this case, FPL) and that the
12 requesting utility's customers are not subsidizing the responding mutual assistance
13 utility's customers.

14 **Q. What is your conclusion regarding Mr. Schultz's proposed recommendation to**
15 **reduce mutual assistance utility costs by \$17.8 million?**

16 A. Mr. Schultz's proposed \$17.8 million reduction of mutual assistance utility costs
17 because he feels the costs lack sufficient support has no factual basis, is arbitrary,
18 reflects a complete lack of understanding of how mutual assistance between electric
19 utilities works and would disallow actual valid expenses incurred by these utilities
20 in support of FPL's Hurricane Irma restoration efforts. As a result, Mr. Schultz's
21 recommended adjustment should be rejected.

22 **Q. Does this conclude your rebuttal testimony?**

23 A. Yes.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 1 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Second Set of Interrogatories
Interrogatory No. 51
Page 1 of 1**

QUESTION:

Refer to the response to OPC Interrogatory No. 26 referring to support employees. Please explain whether this reference includes outside contractors and if so, please further explain what the requirements are for these outside contractors with respect to utilization of food and lodging arranged for by the Logistics vendor(s).

RESPONSE:

Yes, support employees (personnel), as referenced in FPL's response to OPC's First Set of Interrogatories No. 26, include both employees and contractors. During the restoration effort, meals and lodging are provided for all restoration site support personnel, including contractors. While all site support personnel are required to utilize food and lodging provided by logistics vendors, due to timing and availability, there may be instances where it is necessary for support personnel to obtain their own meals and/or lodging during the restoration effort. For example, there are cases where support personnel are required to travel to a different or newly opened site, thereby requiring support personnel to obtain their own meals and/or lodging while travelling to their next assignment.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 2 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 132
Page 1 of 1**

QUESTION:

Please refer to Dep. p. 87-92, p. 90, line 4-6; 91, line 2; 92, line 1-7. Please explain the results of your research regarding whether the vendor who submitted invoices related to SAP Documents 5003723263 / 5202660352 was on standby from September 11-13, 2018, and if the vendor was on standby for those days, explain the reason.

RESPONSE:

FPL's research revealed that the travel team charged standby time on 9/11-9/13. On 9/11, for safety reasons, the team incurred standby time waiting for the storm to clear. On 9/12, the team incurred standby time as a result of FPL evaluating the best location(s) on the west coast to send the resources based on preliminary damage reports and the availability and functionality of our proposed staging sites. Once FPL made its determination, the travel team was told to mobilize on 9/12 from Orlando to TB1 (Charlotte County Airport) shortly before 16:00. The team arrived at approximately 21:00 hours. On the morning of 9/13, the team incurred 6 hours of standby time while FPL finalized the operational aspects of staging site TB1. The team prepared their vehicles, loaded their trucks with the necessary material, and received their restoration assignment for the work they performed later that day.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 3 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 133
Page 1 of 1**

QUESTION:

Please refer to Dep. pp. 105, line 3-10; 107, line 15-18, 109, line 17-18; 109-110, lines 23-25, 1. Please explain the results of your research regarding why the vendor who submitted invoices related to SAP Docs. 5003723985 and 5202660536 was reimbursed for 24 hours straight on September 8, 2018.

RESPONSE:

On September 7, 2017, this team started travelling at 21:00 from Atlanta, GA and drove through the night arriving at staging site NF3 (Lake City, FL) on September 8, 2017 at 13:34. The team was on-boarded, and then left Lake City at 17:00 on September 8, 2017 travelling to Orlando through heavy traffic and checked into the hotel at 24:00. Although some of the time should have been coded differently, the vendor appropriately billed for 24 straight hours.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 4 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 134
Page 1 of 1**

QUESTION:

Please refer to Dep. p. 118, lines 4-14. Please explain why the vendor who submitted the invoice related to SAP Doc. 5003770546 was reimbursed for 16 hours of overtime for travel from Daytona to Hallandale.

RESPONSE:

The mobilization regular and mobilization overtime rates are the same. Crews billed all hours as overtime but because the regular and overtime rates were the same there was no dollar impact on mobilization. The team was bedded down in Deltona on September 14, 2017. They were picked up at the hotel September 15, 2017 at 06:00 and bussed back to the Daytona staging site where they were fed, prepared their trucks for travel and then travelled to the Gulfstream Staging Site. Once the team reached the staging site they received their restoration assignment and began to load their trucks with the necessary material. Research has not identified any documentation regarding the activities performed by the vendor once they arrived at the Gulfstream staging site. The Production Lead would have reviewed and approved the activities.

Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 5 of 22

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 137
Page 1 of 1

QUESTION:

Please refer to Dep. p. 151, line 6-7; p. 152, line 6-13. Please explain the results of your research into the circumstances around the invoice related to SAP Doc. 5003975155, including but not limited to, the crew's notation about the lack of fuel, water and food at the BB&T staging center. Please explain the results of your research into the amount of resources pre-staged in place on Sept. 9, 2018.

RESPONSE:

On September 9, 2017, the crew identified on the invoice related to SAP Doc. 5003975155 arrived at the BBT staging center at 14:15. On this date, the BBT staging center was not yet fully operational (pre-storm); however, cots were available for the crew. Food and fuel were not yet available at the staging center, so food and fuel were on per diem at that time. On September 9, 2017, FPL had over 3,700 external line resources pre-staged system wide. The number of resources pre-staged at the BBT staging center on September 9, 2017 was very fluid and a precise number is not readily available.

Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 6 of 22

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 138
Page 1 of 1

QUESTION:

Please refer to Dep. p. 179, line 15. Please explain the results of your research into why fuel was charged and reimbursed for the invoice related to SAP doc 5004014366, and whether the fuel was charged during the vendor's mobilization period. Please identify the contract provision authorizing the reimbursement of such non-FPL-provided fuel.

RESPONSE:

The crew was approved by the FPL Supervisor to charge fuel during the restoration event when a fueling issue arose at the staging site (FM Kennel Club). The crew charged for fuel while working in the field if they were unable to get back to refuel at the staging site or if it was a more productive use of the resources to authorize the crew to obtain fuel in the area where they were working. While there is no written contract provision authorizing reimbursement for non-FPL provided fuel during restoration, FPL representatives had the authority to authorize these fuel purchases when it served to increase efficiencies in the restoration process or when there were fueling issues at the staging sites.

There is no written contract provision authorizing reimbursement for fuel purchased during mobilization or demobilization. Absent approval by FPL, vendors should not have been reimbursed for fuel purchased during mobilization or demobilization. FPL will reflect adjustments for costs associated with fuel purchased by vendors during mobilization and demobilization without authorization from FPL on Exhibits KF-1 and KF-2 and will seek reimbursement from the vendors where specific instances are identified.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 7 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 140
Page 1 of 1**

QUESTION:

Please refer to Dep. pp. 195, line 8; p. 197, line 5; p. 198, line 2. Please explain the reason for different mobilization times for employees in the crew related to SAP Doc. 52025648620, including an explanation of the home base(s) of each individual sub-group, if any, within the crew.

RESPONSE:

The statement and invoice referenced in the deposition is related to demobilization, not mobilization. The subject invoice contained three different travel teams from Illinois. However, the three travel teams departed from three different locations. One team departed from the Flagler Dog Track (CE1) Miami, FL, one team travelled from the Pompano Harness Dog Track (PM1) Ft Lauderdale, FL and the other team travelled from the Sarasota Fairgrounds (MS1). As such, these travel teams would have different demobilization times based on their different starting points.

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Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 8 of 22

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 141
Page 1 of 1

QUESTION:

Please refer to Dep. p. 205, line 10-11. Please explain the results of your research referenced on p. 205, including the location of the crew's home base, where they demobilized from and to, the start and end dates of their demobilization, and whether they were reimbursed for 32 hours of demobilization, as indicated in SAP Doc. 5202648695.

RESPONSE:

The crews included in this invoice are embedded contractor crews that typically work in Daytona, but worked at the St. Lucie Fairgrounds (TC1) for Hurricane Irma. After being released from TC1 on September 22, the crews worked 16 hours (Hurricane Irma follow-up work) at their home location in Daytona on September 23, 2017. The crew was not reimbursed for 32 hours of demobilization, they were reimbursed for 16 hours of demobilization and 16 hours of work time.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 9 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 142
Page 1 of 1**

QUESTION:

Please refer to Dep. p. 208, lines 11-20. Please explain whether the crew related to SAP Doc. 5202660583 was reimbursed for fuel during mobilization, and if so, why they were reimbursed for fuel during mobilization, and how many of the hours billed and reimbursed were mobilization or demobilization time, as opposed to "on system" or regular work hours. Please identify the contract provision authorizing the reimbursement of such non-FPL-provided fuel.

RESPONSE:

The fuel charged and paid on this invoice is associated with fuel purchased during the restoration effort. It is not associated mobilization/demobilization. Since this crew was staying at hotels located far east of the FPL BB&T (WG1) staging site, the Production Lead approved this crew's fuel purchases and deviation from the contract to improve the crew's efficiency/productivity. None of the hours billed on SAP document 5202660583 included mobilization or demobilization.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 10 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 143
Page 1 of 1**

QUESTION:

Please refer to Dep. p. 211, line 16; p. 212, line 16. Please explain the results of your research into whether this vendor was reimbursed for working 42 hours straight, as reflected on SAP Doc. 5202660599, and if the vendor was reimbursed for 42 hours straight, explain the reason.

RESPONSE:

The vendor was in fact reimbursed for 42 straight hours as reflected on SAP Doc. 5202660599. However, research indicates that the first 20 hours were actually travel time to FPL's service territory. When they arrived the vendor provided restoration work from midnight until 10:00 pm for an additional 22 hours. Therefore, although the initial 20 hours should probably have been identified as mobilization time, the vendor was appropriately reimbursed for the 42 hours.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
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**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 144
Page 1 of 1**

QUESTION:

Please refer to Dep. p. 213, line 6-25. Please explain why this vendor was reimbursed for 48 hours to mobilize, including an explanation of how many of those 48 hours were spent traveling.

RESPONSE:

The vendor was reimbursed for mobilization for 45 hours, not 48 hours. The team travelled on September 12, 2017 from Methuen, MA to Pine Grove, PA for a total of 17 hours. The team travelled on September 13, 2017 from Pinegrove, PA to Hardeeville, SC for 17 hours. The team travelled on September 14, 2017 from Hardeeville, SC to Miami-Dade County, Fla. for 11 hours.

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Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 12 of 22

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 145
Page 1 of 1

QUESTION:

Please refer to Dep. p. 224-225, 230-231. Please explain the results of your research into the reason the crew stopped in Panama City, and why it appears they were reimbursed for 32 hours of mobilization (as reflected in SAP Doc. 5202661051) for what is normally a 13 hour drive.

- a. Please explain why the crew was reimbursed for fuel, including what, if any, exception to the general rule or contract provision on reimbursement for fuel purchased during mobilization applied to them.
- b. If an exception applied, please state whether there is documentation of FPL's approval of the exception, and list the department and employee name of the employee who made the approval.
- c. Please identify the contract provision authorizing the reimbursement of non-FPL-provided fuel in this instance.

RESPONSE:

On September 9, 2017, the crew travelled 16 hours from Victoria, TX to Hammond, LA. On September 10, 2017, the crew travelled 16 hours from Hammond, LA to Lake City, and from Lake City back to Panama City, Florida as the storm was passing through the state.

- a. There is no written contract provision authorizing reimbursement for fuel purchased during mobilization. Absent approval by FPL, which did not occur in this instance, the vendor should not have been reimbursed for fuel purchased during mobilization. FPL will seek reimbursement from the vendor for payments made for reimbursement of fuel expenses incurred during mobilization without authorization from FPL and will reflect adjustments for these costs on Exhibits KF-1 and KF-2.
- b. See response to subpart (a).
- c. See response to subpart (a).

Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 13 of 22

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 146
Page 1 of 1

QUESTION:

Please refer to Dep. p. 233, lines 5-14. Please explain why the crew associated with SAP Doc 5202661094 was reimbursed for working 40 hours straight without a break.

RESPONSE:

This team did not work 40 hours straight without a break. The team began work at 06:00 on September 20, 2017 performing restoration work; however, due to lodging issues, FPL agreed to pay for the team to sleep in their trucks and get rest before starting the next day's work on September 21, 2017. The team worked their normal shift on September 21, 2017 at which time the lodging issues were resolved.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 14 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Eighth Set of Interrogatories
Interrogatory No. 174
Page 1 of 1**

QUESTION:

Please list and explain all journal entries for the billing discussed at Dep. p. 501 regarding Dep. Exhibits 22 and 23, including but not limited to the journal entry that purportedly reflects the credit memo referenced on line 25 of Dep. p. 501.

RESPONSE:

FPL recorded a credit memo in December 2018 for the amount reflected in Document No. 5202661125 referenced on page 501, line 25 of the deposition transcript. As of the date of this response, the vendor has worked off the entire balance of this credit memo, please see confidential Attachment No. 1. The credit memo will be reflected as a reduction on FPL's final cost report that will be submitted with FPL's rebuttal testimony, which will reflect Hurricane Irma costs and transactions through December 2018. There are no journal entries necessary to reflect the credit memo in Hurricane Irma final costs.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 15 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 175
Page 1 of 1**

QUESTION:

Refer to Dep. pp. 392-397 and Dep. Ex. 24, please explain why, for each employee listed, the vendor was reimbursed for 18 hours of work per day for an entire week, instead of the 16 hours reflected on the timesheets; describe whether the time billed was standby time, regular work time or otherwise; describe the communications and documentation which led FPL to resolve the discrepancy between the timesheets and invoices in favor of paying for 18 hours; and explain why the crew was reimbursed for more than 12 hours of standby each day.

RESPONSE:

After the deposition, FPL contacted the Production Lead (PL) who had oversight of these crews. The PL recalled that these specific crews traveled from Pembroke Pines to Pompano daily to support Hurricane Irma restoration efforts (which added paid travel time to hours working on restoration) and also validated that the 18 hours billed were for work time, not standby time. While FPL does not possess written documentation of this approval that resolved the apparent discrepancy between the hours entered on the timesheets and the actual hours for which these crews were paid, per its process, Accounts Payable would have contacted Power Delivery prior to paying the invoice) (most likely by phone, to obtain validation that the invoice was accurate. This is consistent with the way the process was described at pages 392 through 397 of the panel deposition of FPL witnesses taken December 13, 2018.

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Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 16 of 22

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 176
Page 1 of 1

QUESTION:

Regarding Dep. Ex. 25, discussed at Dep. pp. 400-405, in which the vendor wrote that this crew's work consisted of "button up" work, please explain the results of your research on this invoice, including but not limited to, what exactly the crew did that day, if not the work reflected on the invoice; explain whether this crew was embedded or non-embedded, whether or not the time billed and paid was standby time, and please explain the communications and documentation which you claim helped FPL to determine what work the crew did that day.

RESPONSE:

Based on conversations with the Production Lead, it was confirmed that on 9/5 and 9/6, the crew in question (an embedded crew) performed "button up" work and, on 9/7 and 9/8, the crew worked at the service center assisting with typical service center pre-storm activities (e.g., securing vehicles, tools, equipment and materials). The time was billed and paid as standby time; however, the work and standby hourly rates are the same.

"Button up" work involves returning parts of the electrical system that have been temporarily altered (e.g., where there is work in-progress and temporary construction methods have been used) back to their normal state - before the approaching storm impacts FPL's service territory. Addressing these temporary construction situations (e.g., where temporary construction arms have been installed on a pole), eliminates potential weak links in the system. Button-up work also involves switching the system back to its the normal state and securing current construction sites (e.g., securing equipment, tools and materials).

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 17 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 177
Page 1 of 1**

QUESTION:

Please refer to Dep. Ex. 26, discussed on Dep. pp. 406-409. Please explain the results of your research into the issues regarding this invoice discussed during the deposition, including but not limited to, the name discrepancies on this invoice in which each member of the crew appeared to bill 16 hours per day, but where the names of at least four crew members do not appear on the individual daily time sheets as having completed any work on some days.

RESPONSE:

OPC's Ninth Set of Interrogatories No. 177 purports to ask about "the names of at least four crew members (that) do not appear on the individual daily time sheets as having completed any work on some days." To be clear, the discussion at pages 406 through 409 of the deposition involved the names of precisely four crew members – not "*at least*" four crew members. And although OPC's Ninth Set of Interrogatories No. 177 suggests that the deposition questioning involved a discussion about whether the four crew members "completed any work on *some* days", in fact the questioning only related to whether the four crew members worked on a single day, that being September 12, 2017. FPL notes that the four crew members in question were included in the time sheets for all of the other days of the week of September 11 through September 17, 2017 and on the weekly time report.

As described by FPL in the deposition, as part of the review process a representative of FPL's Accounts Payable group would have contacted the Production Lead (PL) who signed the timesheet to verify that the four crew members were working on the system on September 12, notwithstanding the fact that their names weren't reflected on the daily time sheet for that specific day. As described elsewhere in the deposition, these communications between Accounts Payable and the PLs frequently occurred through telephone calls. In this instance, FPL has been unable to locate any written documentation of the communication, a fact which is not at all unexpected in light of the verification process described in the deposition. Given that the pay for the hours for the one day in question for those four individuals was not deducted from the invoice, the PL must have validated that the billing was correct.

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Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 18 of 22

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 178
Page 1 of 1

QUESTION:

Please refer to Document No. 5202656873, discussed on Dep. pp. 410-417, please explain the results of your research into the questions asked about this invoice, including but not limited to whether and how FPL determined the travel time reflected in the invoice was reasonable, describe the communications (verbal and written) between the crew and FPL employees, including but not limited to travel coordinators, the research acquisition room, Ready System, and Power Delivery personnel, which supported the decision to approve and pay the invoice.

RESPONSE:

FPL believes the travel distances/times are reasonable based on FPL's research and review. FPL's REDI system included notes that indicated discussions between FPL's travel coordinator and the contractor team occurred regarding their travel to provide restoration services to FPL's customers. Based on a conversation with a representative from the contractor's company, on September 7, the team traveled from Shepherdsville, Kentucky through Calhoun, Georgia (approximately 333 miles) and Cartersville, Georgia (another approximately 26 miles) and nearly made it to Atlanta, Georgia (another approximately 21 miles), when they were informed that FPL's processing site was not yet ready to accept them and the team needed to seek lodging for the night. Due to the team needing lodging and parking for their vehicles, they decided to turn around and proceed back to Cartersville, Georgia (approximately 21 miles). While some of the team was able to secure lodging in Cartersville, other members of the team traveled back to Calhoun because they were unable to secure lodging in Cartersville that could accommodate both their lodging needs and the parking of their vehicles (another approximately 26 miles). FPL is unable to determine what additional discussions took place internally to approve and pay the invoice, however, as noted above, FPL believes the travel time to be reasonable.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 19 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 179
Page 1 of 1**

QUESTION:

Please refer to Dep. Ex. 27, discussed on Dep. pp. 417-422. Please explain the results of your research into the issues discussed during the deposition, including but not limited to, the crews who billed for 22 hours straight and 40 hours straight, what work each crew was doing during those time periods, and the communications between FPL and the vendor to request and approve billing for those blocks of time.

RESPONSE:

On 9/11 the crews were performing restoration work in the West Palm Beach area. Per discussion with the Production Lead who had oversight responsibilities for these crews, it was confirmed that at the end of their 16-hour shift, the crews were sent to a hotel in Ft. Pierce. Upon arrival, the crews learned the hotel had lost power and would not accept guests, and the crews were sent back to the FPL staging site, where accommodations were not available and it required them to sleep in their trucks for several hours that night. Due to the lack of proper accommodations, the crews' time was approved for pay due to the extenuating circumstances. The team started their normal shift at 6:00AM on 9/12 and performed restoration work until 10:00PM.

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Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 20 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 180
Page 1 of 1**

QUESTION:

Please refer to Dep. Ex. 28 and Document No. 5202714784 discussed on Dep. pp. 438-444. Please explain the results of your research into the issues discussed during the deposition, including but not limited to, whether the billing on both invoices was appropriate based on the description of work contained in the invoices, what FPL knows about the work performed by the subject crew(s) and the accuracy of the billing rates on the invoices relative to the rates listed in the vendor's contract. Please indicate whether or not Document No. 5202714784 was paid.

RESPONSE:

FPL confirms that Document No. 5202714784 was paid and the accuracy of the billing rates on the invoices relative to the rates listed on the vendor's contract. The work performed by the crews on 9/11 was storm restoration work. FPL is unable to substantiate the exact amount of time charged to standby vs. storm restoration work on 9/11, as it may have been misclassified for part of the day. Work rates and standby rates are the same for this contractor.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 21 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 181
Page 1 of 1**

QUESTION:

Please refer to Dep. Ex. 29, discussed on Dep. pp. 472-475. Please explain the results of your research into the issues discussed during the deposition, including but not limited to, verification of the work of the employee who was listed on weekly time report, but not on the daily time sheets; the meaning of the notation "MM"; the policy regarding verifying and striking vendor employees from time sheets (see Bates No. 024664 and deletion of "Admin" employee); explain why employees identified as "Mech" and "Safety" are billed individually, in light of the first paragraph on Bates No. 073683, while "Admin" employees listed on Bates 024665 and 024649 are not stricken.

RESPONSE:

Based upon FPL's research, the support for the employee's daily time that was recorded on the weekly time report on Bates No. 024531 was actually recorded and included on another travel team's daily time sheets (see Bates Nos. 024599 – 024604). As can be seen on that travel team's weekly time report (Bates Nos. 024588 and 024589), the time for that employee for that week was not included in that travel team's weekly time report. Also, employees identified as "Admin", "Safety" or "Mech" were not entitled to pay, per the information contained on Bates No. 073683. FPL is initiating the process of obtaining reimbursement from the vendor for the amounts paid for associated with entries coded as "Admin", "Safety" or "Mech". MM refers to Meterman; in this case the meterman was also qualified to perform line work and is entitled to pay, per the information contained on Bates No. 073683. If a Production Lead encounters personnel on a timesheet that is not eligible for pay, the name and/or time is typically stricken, which indicates the time is not entitled for pay.

**Docket No. 20180049-EI
Resolution of Contractor Cost "Problems" -
FPL Responses to OPC Interrogatories
Exhibit TGW-1, Page 22 of 22**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Ninth Set of Interrogatories
Interrogatory No. 182
Page 1 of 1**

QUESTION:

Please refer to Dep. Ex. 30, discussed on Dep. pp. 489-492. Please explain the results of your research into the issues discussed during the deposition, including but not limited to, the reason this crew was, according to their own notes, on standby status, but was allowed to bill 12 hours rather than the 10 hour maximum standby time outlined in FPL's standard SOW contract attachment Exhibit A1; explain all communications and documentation, if any, indicating all of the time billed was not standby time; explain whether this crew was embedded or non-embedded, and the reason, if any, the crew entered their time on a form labeled non-embedded, if that was not an accurate description of their status.

RESPONSE:

The following information was obtained from conversations with the Production Lead (PL) and a representative of the referenced contractor. The crews were formed using a combination of embedded and non-embedded personnel from the referenced contractor that were working on various FPL projects in FPL's North and Treasure Coast management areas. On 9/7-9/10, these crews were performing pre-storm "button up" work related to various on-going construction activities (e.g., feeder hardening and reliability program work) that were in progress at that time.

As indicated in FPL's answer to OPC's Ninth Set of Interrogatories No. 176, "button up" work involves returning parts of the electrical system that have been temporarily altered (e.g., where there is work in-progress and temporary construction methods have been used) back to their normal state - before the approaching storm impacts FPL's service territory. Addressing these temporary construction situations (e.g., where temporary construction arms have been installed on a pole), eliminates potential weak links in the system. Button-up work also involves switching the system back to its the normal state and securing current construction sites (e.g., securing equipment, tools and materials).

Time noted as standby time on the time sheets on 9/7-9/10 was actually for button up work. It should be noted that as indicated on Deposition Exhibit 30, there was no difference between the rate paid to the referenced contractor for standby time and for work time.

On 9/11, these crews were brought together in order to begin restoration work in the Treasure Coast management area.

44. See page 49, lines 20-21 and page 50, lines 1-2 of Mr. Schultz's direct testimony. Please explain whether Mr. Schultz has ever traveled as part of a utility storm restoration crew. If your answer is anything other than an unqualified "no," please identify the name of the company and identify the crew, the relevant dates of travel, the type and number of vehicles involved, the starting and destination points, the total miles traveled, and the total travel time.

Response: No.

45. See page 49, lines 20-21 and page 50, lines 1-2 of Mr. Schultz's direct testimony. Please indicate whether Mr. Schultz has ever driven a utility truck at 60 miles-per-hour as part of a convoy.

Response: No.

46. See page 49, lines 20-21 and page 50, lines 1-2 of Mr. Schultz's direct testimony. Does Mr. Schultz agree that traffic conditions could impact the time it takes a utility storm restoration crew to travel a given distance? If your answer is anything other than an unqualified "yes," please explain your response in detail.

Response: Yes.

47. See page 49, lines 20-21 and page 50, lines 1-2 of Mr. Schultz's direct testimony. Did Mr. Schultz perform any independent research into the traffic conditions surrounding the utility storm restoration crews that he believes charged for excessive mobilization/demobilization time? If your answer is anything other than an unqualified "no", please list the sources of this research and explain how it was utilized in your analysis.

Response: No.

48. See page 49, lines 20-21 and page 50, lines 1-2 of Mr. Schultz's direct testimony. Does Mr. Schultz agree that weather conditions could impact the time it takes a utility storm restoration crew to travel a give distance? If your answer is anything other than an unqualified "yes," please explain your response in detail.

Response: Yes.


49. See page 49, lines 20-21 and page 50, lines 1-2 of Mr. Schultz's direct testimony. Does Mr. Schultz agree that it would take longer for utility vehicles, such as a bucket truck, digger, or truck hauling a trailer of equipment, to travel a distance than it would for typical residential vehicle to travel the same distance over the same route? If your answer is anything other than an unqualified "yes," please explain your response in detail.

Response: No. The time of travel is dependent on the driver and passengers more so than the vehicle itself. Mr. Schultz has driven hundreds of thousands of miles, and in these travels has observed utility contractor vehicles and contractors that provide restoration service to utilities (in convoys) traveling at the same speed as other vehicles and in some cases even faster than other vehicles.

DECLARATION

I sponsored the answers to Interrogatories from FPL's 2nd Set of Interrogatories (Nos. 24-70) to the Office of Public Counsel in Docket No. PSC-20180049-EI, and hereby state the responses are true and correct based on my personal knowledge and belief.

Under penalties of perjury, I declare that I have read the forgoing declaration and the interrogatory answers identified above, and the facts stated therein are true and correct to the best of my personal knowledge and belief.


Signature

Helmuth W. Schultz III

Date: MARCH 11, 2019

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF RONALD R. REAGAN

DOCKET NO. 20180049-EI

MARCH 15, 2019

REDACTED

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1 **I. INTRODUCTION**

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

3 A. My name is Ronald R. Reagan. My business address is Florida Power & Light
4 Company, 700 Universe Blvd., Juno Beach, Florida, 33408.

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

6 A. I am employed by NextEra Energy, Inc. as Vice President of Engineering and
7 Construction, a role I assumed in November of 2018. From April 2011 through
8 November 2018, including the time that Hurricane Irma impacted FPL's service
9 territory, I was employed as Vice President of Integrated Supply Chain.

10 **Q. Please describe your duties and responsibilities during the time you served as**
11 **Vice President of Integrated Supply Chain.**

12 A. As Vice President of Integrated Supply Chain, I was responsible for procurement,
13 procurement engineering, materials management, logistics, and recycling functions
14 for Florida Power & Light Company ("FPL") as well as the entire NextEra Energy
15 enterprise. During the time leading up to and during the Hurricane Irma
16 restoration, I also served as Logistics Section Chief where I had responsibility for
17 staging site logistics including staging site mobilization/demobilization, meals,
18 transportation, lodging, procurement and inventory management of materials.

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

20 A. I have a Bachelor of Science degree in Electrical Engineering from Clarkson
21 University. I joined FPL in 1990 and have 28 years of technical, managerial and
22 commercial experience gained from serving in a variety of positions within the

1 Power Generation, Business Management, Power Marketing and Trading,
2 Integrated Supply Chain and Engineering and Construction organizations.

3 **Q. Are you sponsoring any exhibits to your rebuttal testimony?**

4 A. Yes. I am sponsoring the following exhibits that are attached to my rebuttal
5 testimony:

6 • Exhibit RR-1 is OPC's response to FPL Interrogatory No. 13, which
7 describes Mr. Schultz's experience in the retention or management of storm
8 restoration crews during a storm event;

9 • Exhibit RR-2 is OPC's response to FPL Interrogatory No. 19, which
10 describes Mr. Schultz's experience in the negotiation of contractor rates for
11 storm restoration, line clearing, damage assessment, or vegetation crews in
12 anticipation of or during a storm event;

13 • Exhibit RR-3 is FPL's written response to OPC Request for Production of
14 Documents No. 9 (without the confidential supporting attachments and
15 invoices); and

16 • Exhibit RR-4 is FPL's response to OPC Interrogatory No. 162.

17 **Q. Have you previously submitted testimony in this proceeding?**

18 A. No.

19 **Q. What is the purpose of your rebuttal testimony?**

20 A. The purpose of my rebuttal testimony is to respond to certain portions of the direct
21 testimony of Office of Public Counsel ("OPC") witness Helmuth W. Schultz III.
22 Specifically, I will address Mr. Schultz's claim that the non-mutual assistance line
23 contractor hourly rates charged for storm restoration during Hurricane Irma were

1 excessive. I will also address Mr. Schultz’s concerns regarding the requirements
2 and enforcement of the non-mutual assistance contracts. Additionally, I provide
3 testimony regarding the ability of our Power Delivery Business Unit to make
4 exceptions to the terms of the contract necessary to address situations encountered
5 during Hurricane Irma restoration. Finally, I support the costs that are the subject
6 of Mr. Schultz’s proposed disallowance of certain logistics costs for what he terms
7 “lack of support”.

8 **Q. Please summarize your rebuttal testimony.**

9 A. Mr. Schultz’s criticism of the rates charged by the line contractors who assisted
10 with Hurricane Irma restoration fails to take into account the actual circumstances
11 FPL faced in responding to the significant and widespread damage caused by the
12 storm. His criticism also fails to recognize that the vast majority of the non-mutual
13 assistance contracts were pre-negotiated well in advance of the storm and include
14 the lowest rates that could be obtained at the time.

15
16 Many of Mr. Schultz’s recommended adjustments to the non-mutual assistance
17 contractor costs are based on his contention that FPL abandoned or failed to
18 enforce the non-mutual assistance contracts for storm restoration work. As further
19 explained below, although FPL’s practice is to follow and enforce the terms and
20 conditions of the contracts, FPL must have the flexibility to approve exceptions to
21 contract terms as necessary to respond to the emergent circumstances faced during
22 storm restoration.

23

1 My testimony also describes the services provided by and supports the costs
2 associated with the six logistics vendors whose costs are questioned by Mr.
3 Schultz. And, although FPL witness Miranda discusses logistics in more detail in
4 his direct testimony filed in this docket, for further context and to respond to Mr.
5 Schultz's proposed disallowance, I explain how the services provided by these
6 vendors play a crucial role in FPL's restoration efforts. Through the provision of
7 lodging, meals, transportation, laundry, parking, and other logistical support
8 services, FPL is able to help contractors, employees, mutual aid utilities and others
9 focus on the primary job of safely restoring power to FPL's customers as quickly
10 and safely as possible.

11
12 **II. CONTRACTOR RATES**

13 **Q. Please summarize Mr. Schultz's direct testimony related to line contractor**
14 **rates that you are addressing in your rebuttal testimony.**

15 A. On pages 40-43 of his direct testimony, Mr. Schultz states there were a total of 15
16 line contractors used by FPL that charged rates in excess of \$ [REDACTED] per hour. Mr.
17 Schultz asserts that, based on his experience, these rates are excessive and, on
18 pages 24 and 98 of his direct testimony, Mr. Schultz recommends a reduction of
19 \$60.049 million to FPL's total contractor costs for Hurricane Irma to remove what
20 he claims are excessive hourly rates.

1 **Q. Do you have any general observations about Mr. Schultz’s concerns regarding**
2 **line contractor rates charged for Hurricane Irma?**

3 A. Yes. As stated on page 10 of his direct testimony, Mr. Schultz states he relied on
4 his experience to conclude that the rates charged by 15 line contractors are
5 excessive. Yet, his conclusions are not reflective of any experience in this area and
6 when asked, Mr. Schultz admits that he has no experience in the negotiation or
7 management of contractor rates for storm restoration, line clearing, damage
8 assessment, or vegetation crews in anticipation of or during a storm event. Copies
9 of OPC’s responses to FPL Interrogatory Nos. 13 and 19 in which these admissions
10 were made are attached to my rebuttal testimony as Exhibits RR-1 and RR-2,
11 respectively. In short, Mr. Schultz has never been involved in the real world
12 negotiations that are necessary to acquire and have contractors ready to respond
13 when a hurricane strikes.

14
15 More fundamentally, Mr. Schultz’s criticism of the rates charged by the line
16 contractors fails to take into account the actual circumstances FPL faced in
17 responding to the significant and widespread damage caused by Hurricane Irma as
18 explained by FPL witness Miranda. Indeed, Mr. Schultz fails to recognize that the
19 reason FPL was able to respond and restore power so quickly was because the vast
20 majority of the non-mutual assistance contracts were pre-negotiated well in
21 advance of the storm as part of FPL’s normal, non-storm business. Those pre-
22 storm negotiations allowed FPL to negotiate the best market rates it was able to
23 obtain from the contractors at the time. Mr. Schultz has previously admitted in the

1 Florida Public Utilities Company (“FPUC”) docket (Docket No. 20180061-EI) that
2 utilities typically negotiate rates with contractors and have a contract in place prior
3 to a storm occurring, which is the prudent action to take.¹ This pre-negotiation of
4 non-mutual assistance contracts is exactly what FPL did well in advance of
5 Hurricane Irma impacting its service territory. Moreover, Mr. Schultz’s claim that
6 the rates charged by contractors were excessive simply ignores the market as it
7 existed when the rates were negotiated, as well as the circumstances FPL faced
8 during Hurricane Irma in acquiring, dispatching, and deploying line contractor
9 resources.

10 **Q. How many non-mutual assistance line contractors were used by FPL in**
11 **response to Hurricane Irma?**

12 A. FPL brought in approximately 110 different non-mutual assistance line contractors
13 to assist with the Hurricane Irma restoration.

14 **Q. Please describe the process used by FPL to negotiate and retain non-mutual**
15 **assistance line contractors for storm restoration activities.**

16 A. FPL uses a competitive bidding process and negotiates labor rates with the majority
17 of these contractors well in advance of the time their services may be needed. This
18 allows FPL to ensure that the rates received for storm restoration work are
19 competitive, consistent with the market rate, and as low as possible. In general, all
20 potential overhead line contractors throughout the United States and Canada are
21 sent a bid package request for proposals and asked to provide blended hourly rates
22 for all classifications of employees that will be performing work. The hourly rates

¹ See December 20, 2018 Hearing Transcript, Vol. 1, pp. 144-145, available at:
<http://www.psc.state.fl.us/library/filings/2018/07598-2018/07598-2018.pdf>.

1 (working straight time, working overtime, mobilization/demobilization straight
2 time, and mobilization/demobilization overtime) submitted by the bidders are
3 compared to each other and compared against existing rates for storm contracts
4 FPL already has in place. Based on this comparison, as well as the potential need
5 for and availability of resources in the market, FPL can either accept, reject, or
6 counter-offer the proposed rate. If FPL determines that the rate proposed by the
7 contractor is too high, FPL can either counter with lower rates and enter into a
8 contract at the best available rate and use the contractor as a resource of last resort,
9 or simply reject the offer and solicit other resources that may be available.

10 **Q. If FPL chooses to enter into a contract with a non-mutual assistance line**
11 **contractor, does this guarantee that the contractor will be assigned work in the**
12 **event of a storm that requires restoration work?**

13 A. No. There is nothing in these storm restoration contracts that guarantees FPL will
14 give work to the contractor. Likewise, there is nothing in the contract that
15 guarantees the contractor will be available to FPL to respond to a storm event.
16 Rather, the contract sets out the anticipated parameters in the event that FPL needs
17 the contractor to respond to a storm event and the contractor is available. The
18 contract provides the opportunity for work, not a guarantee of work.

19 **Q. Please explain FPL's approach to negotiating contracts with non-mutual**
20 **assistance line contractors.**

21 A. FPL typically negotiates a three-year contract to lock in pricing for that term.
22 Market conditions at the time the contract is negotiated determine the rates. As the
23 contract term nears expiration, FPL evaluates whether to renew or negotiate a new

1 storm restoration contract with the vendor based on resource needs, past experience
2 with the contractor, and market conditions. If FPL decides to attempt to renew or
3 enter into a new storm restoration contract with a vendor, FPL will negotiate and
4 obtain the best and lowest rate it can based on experience and the market conditions
5 at that time.

6 **Q. What is your response to Mr. Schultz's criticism of the range of hourly**
7 **contractor rates?**

8 A. First, as I have already stated, our process of pre-negotiating contracts allows FPL
9 to lock in contractor rates based on market conditions at the time of negotiation.
10 We believe it is prudent to pre-negotiate and execute contracts with vendors
11 capable of performing restoration work so that we have a strong bench and many
12 resources to call upon if and when the need arises. And, while this means that
13 there will always be a range of contractor rates – some higher than others – it is
14 crucial that we have these contracts in place to provide help when needed.

15
16 As FPL witnesses Miranda and Gwaltney outline in their rebuttal testimony, as
17 Hurricane Irma approached the southeastern United States, there was a serious
18 shortage of resources available to assist FPL. Because it had contracts in place,
19 FPL was able to call upon these vendors with whom it had negotiated contracts.

20
21 I have two additional observations about Mr. Schultz's statement. First, while he
22 identifies the high end of the range as \$ [REDACTED] per hour, he neglects to mention
23 that this was the overtime mobilization/demobilization rate, not the working rate.

1 The hourly work rate for this contractor was \$ [REDACTED] And second, in Docket No.
2 20180061-EI, the Commission recently rejected Mr. Schultz's and OPC's
3 argument on this very point, finding that in light of the circumstances created by
4 Hurricane Irma a mobilization rate of \$509 charged to FPUC was reasonable.

5 **Q. Of the total non-mutual assistance contractors used by FPL in response to**
6 **Hurricane Irma, how many contracts were pre-negotiated in advance of**
7 **Hurricane Irma?**

8 A. Out of the approximately 110 line contractors that were brought onto FPL's system
9 in response to Hurricane Irma, 91 had been pre-negotiated. Only 19 contracts had
10 to be negotiated immediately before or during Hurricane Irma. In fact, a majority
11 of these 91 contracts were pre-negotiated prior to the time Hurricane Matthew
12 impacted FPL's service territory in 2016.

13 **Q. How were the rates determined for the few contracts that were negotiated**
14 **immediately before or during Hurricane Irma?**

15 A. Because FPL did not have an existing contract in place with these vendors, the
16 Company contacted a number of line contractors to solicit assistance and succeeded
17 in bringing in crews from the additional 19 companies. Although the contracts
18 with the 19 additional companies had not been pre-negotiated in advance of the
19 storm, the rates agreed to were based on the best rate FPL could obtain from the
20 resources available based on the market conditions at the time.

21

22

1 **Q. At page 41 of his testimony Mr. Schultz made note of 15 vendors with rates in**
2 **excess of \$ [REDACTED] an hour, a figure above which he calls “excessive.” Were any of**
3 **the contracts with these 15 vendors that Mr. Schultz claims charged excessive**
4 **rates negotiated immediately before or during Hurricane Irma?**

5 A. No. All of the 15 vendors identified in Exhibit No. HWS-2, on Schedule C, Page 4
6 of 6, that Mr. Schultz claims charged excessive rates had existing contracts that
7 were pre-negotiated in advance of Hurricane Irma based on the market conditions
8 at the time the contracts were negotiated. The rates set forth in each of these
9 contracts reflect the best and lowest rates that FPL was able to negotiate and obtain
10 using the process described above. Notwithstanding Mr. Schultz’s opinion to the
11 contrary, the rates that were negotiated represented the market at the time.

12 **Q. On page 41 of his direct testimony, Mr. Schultz states that “the range of**
13 **hourly rates for most vendors is around \$ [REDACTED]”. Do you agree with Mr.**
14 **Schultz’s estimated range of hourly rates for purposes of Hurricane Irma?**

15 A. No. Other than his statement that he purportedly observed a range of contractor
16 rates in Florida and other unspecified jurisdictions, Mr. Schultz offers no support
17 for his arbitrary range of \$ [REDACTED] an hour as the “range of hourly rates for most
18 vendors.” Also, as I observed earlier, Mr. Schultz has no personal experience with
19 negotiating such contracts or rates. Neither has Mr. Schultz explained or provided
20 in testimony any details or analysis supporting his statement.

21

1 **Q. Is it appropriate to compare rates paid by FPL for Hurricane Irma**
2 **restoration work to rates charged by vendors for unspecified types of work in**
3 **other unspecified jurisdictions?**

4 A. No. Even putting aside the fact he has provided no details or explanation
5 supporting his assertion, Mr. Schultz's reliance on rates negotiated in other
6 unspecified jurisdictions for other unspecified types of work is misplaced. Line
7 contractors are likely to negotiate for and charge different rates for responding to
8 different types of events in different parts of the country. Mr. Schultz's reliance on
9 storm restoration rates charged in other jurisdictions, without further explanation,
10 does not provide a meaningful comparison and, moreover, ignores the reality of the
11 contractor rates actually charged for storm restoration activities in Florida, which is
12 subject to frequent and devastating hurricanes and tropical storm events.

13
14 Mr. Schultz's range of contractor rates also disregards the fact that FPL pre-
15 negotiated the vast majority of the non-mutual assistance contracts, including all 15
16 line contractors that he claims charged excessive rates, and that FPL negotiated for
17 and obtained the lowest contractor rates based on the prevailing market conditions,
18 existing contracts, and the resources available. The fact that the range of actual
19 rates charged by FPL's line contractors for responding to Hurricane Irma is
20 different from what Mr. Schultz claims to be a reasonable range demonstrates that
21 Mr. Schultz has not taken into account the actual circumstances FPL faced in
22 responding to Hurricane Irma. If FPL only entered into contracts with line
23 contractors with blended hourly rates between \$ [REDACTED] an hour, FPL would not

1 have been able to acquire enough contractors needed for storm restoration work,
2 which, as FPL witness Miranda testifies, would have caused significant delays in
3 restoring power to customers.

4 **Q. Does Mr. Schultz’s attempt to compare a blended FPL rate to a single FPUC**
5 **contractor rate provide an accurate or realistic comparison to the actual labor**
6 **and equipment required for overhead line restoration on FPL’s system during**
7 **Hurricane Irma?**

8 A. No. Mr. Schultz arbitrarily selects a lower rate charged by a single contractor used
9 by another Florida utility to perform restoration work following Hurricane Irma as
10 his purported benchmark. And, although FPL also retained contractors that
11 charged a similar rate, a single example simply cannot be used to justify a
12 reasonable and prudent range of contractor rates based on the market conditions
13 and circumstances that existed at that time. Second, a range is just that – a range.

14
15 Additionally, Mr. Schultz is not comparing apples to apples. In the example that
16 begins on page 41, line 18 of his testimony, Mr. Schultz combines an hourly labor
17 rate (based on the average cost of a General Foreman, Apprentice, and Ground
18 Man) charged by a single vendor of FPUC with an hourly equipment charge that
19 includes only “a pickup, a digger, and a bucket truck” to produce a supposedly
20 comparable hourly straight time cost of \$131.39 and hourly overtime cost of
21 \$147.02.

22

1 FPL's hourly composite blended rate, on the other hand, is inclusive of all
2 requirements of the supplier to furnish labor, miscellaneous materials, and all other
3 costs of doing business, including but not limited to overhead, permits, travel, fuel
4 during mobilization/demobilization travel, tools, maintenance of traffic equipment,
5 taxes, insurance and equipment (including safety equipment) to perform the
6 necessary functions associated with storm restoration line work on FPL's system.
7 FPL's blended rate for labor costs includes billable positions for general foreman,
8 working foreman, lineman, equipment operator, ground man, splicer, and
9 apprentice. Unlike the limited equipment included in Mr. Schultz's example from
10 FPUC (pickup, digger and bucket truck), FPL's blended rate includes costs for
11 significantly more standard equipment required by the vendor contract scope of
12 work. Examples of the types of equipment that FPL's vendors are required to
13 provide, all of which is reflected in the blended rate, are identified below:

- 14 • Aerial device capable of reaching 55 feet;
- 15 • Digger derricks capable of lifting 18,000 pounds at 10 feet load radius and
16 ability to dig to a depth of 15 feet with a 36-inch auger;
- 17 • Pressure diggers capable of digging a 19-foot hole;
- 18 • Pole cargo trailers with 20,000 load capacity;
- 19 • Tower lights for night work;
- 20 • Inaccessible equipment such as backyard digger derricks and aerial devices;
- 21 • Every crew must have Material Handling capability with an aerial device;
- 22 • Motorized and manual pole dollies/gins and capstans;
- 23 • One in every five crews must have pole setting capability;

- 1 • Two backyard machines (one with bucket & one with pole setting
2 capability) and trailer to haul per five crews;
- 3 • No pick-up trucks except those driven by the General Foreman, Assistant
4 General Foreman, or Foreman;
- 5 • Each crew must have a generator, tools and equipment to drill concrete
6 poles, ample supply of grounds, rubber goods and cover gins and capstans;
- 7 • Every group of five crews are expected to have air compressors and pole
8 jetting equipment, rear of machines for pole setting and/or man-lifting;
- 9 • Crews will be equipped with an adequate supply of traffic control devices
10 (cones, signs, vests, flags, etc.) to set and maintain a work zone using the
11 Manual on Uniform Traffic Control Devices as a guide;
- 12 • Crews will need tools or equipment to interrupt primary voltage current
13 (e.g., load break device); and
- 14 • Crews will need to be equipped with live line tools (hot sticks) and
15 attachments to perform switching and grounding operations.

16 Mr. Schultz’s reliance on a single lower cost FPUC contractor rate, which does not
17 include all of the equipment included in FPL’s blended rate, as his standard to
18 identify what he believes to be an “excessive” rate is logically flawed, and is an
19 apples-to-oranges comparison for purposes of analyzing FPL’s blended rate for the
20 line contractors.

21

1 **Q. On page 41 of his direct testimony, Mr. Schultz states that the rates FPL paid**
2 **to vendors do not distinguish between job classifications. Why does FPL**
3 **utilize a blended rate structure?**

4 A. The blended rate allows FPL to establish minimum requirements for several pieces
5 of key equipment and crew qualification levels necessary to support restoration.
6 The blended rate approach is preferred as it would not be efficient or cost effective
7 to track rates by all classification levels and equipment types for thousands of
8 overhead lineman supporting restoration. The administrative and operational
9 burden to track and approve the use of every single type of equipment and labor
10 classification type in the field would be immense, costly, and could potentially
11 slow restoration.

12 **Q. On page 42 of his direct testimony, Mr. Schultz states that FPL had 15**
13 **vendors with excessive rates. Do you agree that the rates charged by the 15**
14 **vendors identified by Mr. Schultz are excessive?**

15 A. No. To arrive at his conclusion that 15 line contractors charged excessive rates,
16 Mr. Schultz compared the average hourly rates charged by these 15 vendors (which
17 I will refer to as the “Alleged High Rate Group”) with the average hourly rates
18 charged by 24 other vendors (which I will refer to as the “Alleged Average Rate
19 Group”) that billed in excess of \$5 million. See page 42 of Schultz testimony and
20 Ex. No. HWS-2, Schedule C, page 4 of 6. However, Mr. Schultz’s comparison is
21 arbitrary, skewed, and cannot be used to draw a conclusion regarding the
22 reasonableness of FPL’s hourly contractor rates.

23

1 **Q. Please explain why you think Mr. Schultz's analysis is arbitrary.**

2 A. First, Mr. Schultz, without any explanation as to why, selected only line contractors
3 that billed in excess of \$5 million for his comparison of contractor rates. Yet, on
4 page 43 of his direct testimony, Mr. Schultz concedes that some of the selected
5 contractors billed less than his \$5 million threshold and that he assumes those line
6 contractors had additional billings for other types of restoration work that would
7 bring their total billings to \$5 million or more. Mr. Schultz's selection of
8 contractors for his excessive rate comparison is arbitrary and based on unsupported
9 assumptions.

10

11 Second, a review of the hourly average rates of the vendors selected by Mr. Schultz
12 demonstrates that both his Alleged High Rate Group and Alleged Average Rate
13 Group are inconsistent and arbitrary. For example, the average hourly rates for 5 of
14 the 15 vendors included in Mr. Schultz's Alleged High Rate Group that he claims
15 to be excessive, in fact, are lower than the arbitrary \$ [REDACTED] hourly rate that Mr.
16 Schultz asserts is a high rate. Mr. Schultz has offered no explanation why these 5
17 vendors allegedly charge excessive rates when each vendor's average hourly rate is
18 within the range that Mr. Schultz claims to be reasonable. Likewise, the average
19 rates for 7 of the 24 vendors included in the Alleged Average Rate Group are in
20 fact higher than the lowest average hourly rate charged by the vendors included in
21 Mr. Schultz's Alleged High Rate Group. Mr. Schultz has offered no explanation
22 why these 7 vendors should be included on his Alleged Average Rate Group when
23 their average hourly rate is higher than rates charged by the vendors on his Alleged

1 High Rate Group. Mr. Schultz's selection of vendors for both his Alleged High
2 Rate Group and Alleged Average Rate Group is not only arbitrary, but also
3 inconsistent.

4
5 Third, Mr. Schultz's comparison fails to account for the difference between rates
6 charged by union and non-union contractors. Generally speaking, union labor rates
7 are inherently higher than non-union contractors. Of the 15 vendors included in
8 Mr. Schultz's Alleged High Rates Group, 14 or 93% of the vendors (comprising
9 99.7% of the total costs among this group) are union contractors. In contrast, only
10 11 of the 24, or 46%, of the vendors included in Mr. Schultz's Alleged Average
11 Rate Group Vendors are comprised of union contractors. Comparing a group of
12 vendor rates that are essentially all union contractor rates to a group of vendor rates
13 that is comprised of less than half union contractor rates would obviously show a
14 disparity in average hourly rates.

15
16 Fourth, and perhaps most importantly, Mr. Schultz's classification of rates above a
17 certain level as "excessive" completely ignores the actual market in which he has
18 no personal experience.

19
20 In summary, Mr. Schultz's analysis to arrive at his excessive rate recommendation
21 is arbitrary, unsupported, and flawed for the many reasons I have explained above.
22 The fact that some vendors charge higher rates than others in no way supports a
23 conclusion that any of the rates shown in Mr. Schultz's analysis are excessive.

1 **Q. Was it reasonable for FPL to utilize higher-cost union labor for restoration**
2 **work following Hurricane Irma?**

3 A. Absolutely. When retaining contractors for any purpose, FPL does not discriminate
4 or distinguish between union and non-union contractors. As explained in the direct
5 and rebuttal testimony of FPL witness Miranda, FPL's overall focus is onboarding
6 safe, closest in proximity to FPL's service territory, and lowest-cost suppliers first
7 to support storm restoration and then as quickly as possible releasing those
8 contractors in reverse order. And, while FPL tries to first bring in lower cost
9 resources located closest to the restoration sites, whether they are union or non-
10 union, following a storm like Hurricane Irma, the Company must reach out to
11 qualified line contractors throughout the country to provide the assistance needed to
12 restore electric service to our customers. It is also important to keep in mind the
13 shortage of available resources which limited FPL's options, as discussed more
14 fully in FPL witness Gwaltney's rebuttal testimony.

15 **Q. Do you agree with Mr. Schultz's criticism of the vendor mobilization and**
16 **demobilization rates?**

17 A. Absolutely not. FPL has provided copies of the vendor contracts to OPC in
18 response to discovery. The contracts clearly set forth that the
19 mobilization/demobilization rate (both straight time and overtime) is an hourly
20 composite rate inclusive of fuel, equipment, and other costs necessary to travel
21 from a crew's normal work location to an area designated by FPL. The all-
22 inclusive mobilization/demobilization rate includes costs, such as mileage and wear
23 and tear on vehicles that are not included in the working rate for restoration work.

1 Therefore, it is not surprising that the mobilization/demobilization rate may be
2 higher than the rate charged by contractors for storm restoration work.

3
4 **III. CONTRACT PROVISIONS AND ENFORCEMENT**

5 **Q. Do you agree with Mr. Schultz that FPL failed to enforce the provisions and**
6 **requirements of the vendor contracts?**

7 A. No. The non-mutual assistance contracts for storm restoration work establish the
8 anticipated parameters of the agreement in the event that FPL needs the contractor
9 to respond to a storm event and the contractor is available. FPL's practice is to
10 follow and enforce the terms and conditions of the contracts unless exceptions are
11 granted. As an example, vendor invoices can be revised or adjusted to be
12 consistent with the contracts where no exceptions were approved by Power
13 Delivery, such as where a vendor charges a rate that is different from the contract
14 rate.

15
16 Importantly, however, the terms and conditions of the vendor contracts simply
17 cannot anticipate or address all of the potential issues and circumstances that may
18 arise during the course of any construction project. This is true even on any blue
19 sky day, but can especially occur during emergency events such as storm
20 restoration following a major hurricane. And while it might be a best practice on a
21 blue sky day to document exceptions to a contract term, either in writing or through
22 a change order to the contract, it simply is not feasible or beneficial to do so in the
23 midst of a hurricane restoration when literally thousands of people are working to

1 safely restore power as quickly as possible. FPL supervisors, especially the
2 personnel overseeing the line contractors in the field, must have the flexibility to
3 approve exceptions to the contract terms as necessary to respond to the emergent
4 circumstances faced during storm restoration. This process was explained by
5 FPL's witnesses on pages 47-48, 182-184, 230, and 495 of the deposition that is
6 attached as Exhibit HWS-3 to Mr. Schultz's testimony. As further described by
7 FPL witness Manz, when questions arise because of an apparent variation between
8 the vendor invoice and a term in the contract, FPL's Accounts payable team will
9 confirm with Power Delivery that it approved an exception before processing an
10 invoice for payment. This flexibility is necessary to help FPL achieve the primary
11 goal of storm restoration, as stated in the direct testimony of FPL witness Miranda,
12 to safely restore power to critical infrastructure and the greatest number of
13 customers in the least amount of time.

14 **Q. Do you believe it is reasonable to allow FPL field personnel to provide**
15 **exceptions to the terms in the contract while working with line contractors to**
16 **restore power following a hurricane?**

17 A. Yes. Rule 25-6.044 (3), F.A.C. tells us that "Each utility shall make all reasonable
18 efforts to prevent interruptions of service and when such interruptions occur shall
19 attempt to restore service within the shortest time practicable consistent with
20 safety." Providing this type of flexibility is an important tool that we use to help
21 get the lights back on in the shortest practicable time. FPL witness Gwaltney
22 provides examples of reasonable exceptions that are approved in the field given the
23 fluidity of circumstances that occur during a major storm event.

1 **Q. On pages 13-14 and 66-69 of his direct testimony, Mr. Schultz states that the**
2 **mobilization travel log is required by the vendor contract but FPL does not**
3 **require the log to be used for payment processing. Do you agree with his**
4 **interpretation?**

5 A. No. Although the vendor contract requires the vendor to provide an invoice for its
6 mobilization/demobilization time, the vendor contract does not require a specific
7 mobilization travel log to be used for payment processing as suggested by Mr.
8 Schultz. The mobilization travel log is included in a packet of invoice templates
9 that is provided to the vendors to assist the vendors in preparing their invoices for
10 payment. However, these are suggested templates and are not required by the
11 contract to process and approve a vendor invoice for payment. Rather, as stated in
12 the vendor contract and as FPL explained on pages 65-66 and 434 of the deposition
13 of FPL witnesses that is attached as Exhibit HWS-3 to Mr. Schultz's testimony,
14 these invoice templates may reduce the time needed to process payments (*i.e.*,
15 failure to use and complete the invoice templates may result in delays in processing
16 payments) but are not required for payment. FPL's processing of payments is
17 further addressed in the rebuttal testimony of FPL witness Manz.

18 **Q. On page 65 of his direct testimony, Mr. Schultz is critical of FPL for paying**
19 **contractors to stop for meals and fuel during mobilization and demobilization**
20 **when the contract states that meal time is not billable. Please comment on this**
21 **assertion.**

22 A. Mr. Schultz's criticism is unwarranted, misplaced and inconsistent with the plain
23 meaning of the agreements between FPL and contractors traveling to our service

1 territory to assist with restoration. The vendor contract provides that mobilization
2 charges begin when the crew starts its actual drive to the storm area and ends upon
3 arrival at the designated site, and demobilization charges begin when the crew
4 leaves the designated storm area and ends upon arrival at the original departure
5 point. Although the vendor contract further identifies the per diem rate to be paid
6 per person for meals during mobilization and demobilization, it does not state that
7 stopping for fuel and meals during mobilization/demobilization is not billable.

8
9 The portion of the contract referenced by Mr. Schultz states that “[m]eal time is not
10 billable unless the meal is provided by FPL.” However, this contract provision
11 applies to meal time during restoration work, not during
12 mobilization/demobilization time. The purpose of this contract provision is to
13 improve contractor efficiency by reducing time spent traveling to and from
14 restaurants (and for finding restaurants that have power and are open), increases
15 time spent completing restoration work, and assures that crews are being fed.

16 **Q. Mr. Schultz expressed concern for duplicate billing from embedded vendors**
17 **that do work for FPL year round. Please comment on this concern.**

18 A. Mr. Schultz’s expressed concern reflects a complete misunderstanding of the
19 relationships that exist between FPL and its embedded contractors, and the real
20 world management of these contracts. Embedded contractors perform substantial
21 work for FPL on designated projects, in many cases year after year. If anything,
22 the expectation and hope of continuing that business relationship provides an even
23 greater incentive for embedded contractors to provide quality work and accurate

1 additional contracts and agreements are established as needed during a named
2 storm event.

3

4 Acquisition of lodging (hotels) is determined at the time of the event based on the
5 resources working or traveling to a particular area each day and the availability of
6 hotel rooms in that area. With respect to availability, it is important to note that
7 FPL is potentially competing with evacuees while attempting to secure lodging as
8 close as possible to staging sites. Contracts are negotiated based on demand and
9 location by a pre-established third-party lodging provider. Alternative lodging
10 (e.g., mobile sleepers and cots) is determined based on pre-established contracts
11 that are competitively bid.

12 **Q. Please describe the types of services provided by the six vendors whose costs**
13 **are questioned by Mr. Schultz.**

14 A. Mr. Schultz's proposed disallowance targets six vendors that provided a variety of
15 services critical to FPL's Hurricane Irma restoration efforts, including but not
16 limited to the following: acquisition of lodging, including prepayment for same and
17 related administrative tasks; catering; sanitation services at staging sites; trash
18 removal services; laundry services; provision of ice and water; parking services;
19 delivery of poles from staging sites to the field; and the provision of generators,
20 light towers, tents, flooring, tables, chairs and all manner of equipment necessary to
21 operate self-sustaining staging sites.

22

1 **Q. Does Mr. Schultz offer any support to suggest that these services were**
2 **unnecessary, imprudently incurred, or unrelated to restoration activities?**

3 A. No. He does not question the necessity, need or benefit of the services or the
4 reasonableness of the costs, but instead seems primarily concerned with what he
5 terms the “supporting documentation.”

6 **Q. Is Mr. Schultz correct that FPL failed to provide support for \$26 million**
7 **charged by these six logistics contractors?**

8 A. No. First, it is important to understand that following FPL’s receipt of OPC’s
9 Request for Production of Documents No. 9, OPC and FPL agreed that FPL was
10 only to provide supporting detail for invoices over \$75,000. This agreement was
11 confirmed in FPL’s actual response to OPC Request for Production of Documents
12 No. 9. Additionally, and as stated in FPL’s response to OPC Interrogatory No. 162,
13 all invoices and other supporting documentation for the logistics costs that were
14 above the \$75,000 threshold were in fact provided in response to OPC Request for
15 Production of Documents No. 9. Copies of FPL’s responses to OPC Request for
16 Production of Documents No. 9 and OPC Interrogatory No. 162 are attached to my
17 testimony (without the confidential attachments) as Exhibits RR-4 and RR-5,
18 respectively.

19

20 In summary, support for the costs questioned by Mr. Schultz that are associated
21 with the six logistics contractors have all been provided to OPC during the course
22 of this proceeding.

1 **Q. On page 90 of his direct testimony, Mr. Schultz states that the list of logistics**
2 **invoices provided in response to OPC’s Request for Production of Documents**
3 **does not match the amounts shown on the invoices. Do you have a response?**

4 A. Yes. While FPL’s formal response to the discovery request provided invoices
5 above the \$75,000 threshold pursuant to the agreement with OPC, FPL also created
6 and produced with its response to OPC Request for Production of Documents No. 9
7 an excel spreadsheet that listed all of the logistics costs charged for Hurricane Irma
8 in an effort to aid and assist OPC. Because OPC’s Request for Production of
9 Documents No. 9 only asked for invoices and supporting detail, FPL did not
10 include documents related to accruals, which would account for some of the
11 difference between the amounts shown on the excel spreadsheet list and the
12 invoices provided. See Exhibit RR-3. Additionally, some of the differences in
13 amounts for some invoices and the amounts reflected on the excel sheet were
14 associated with sales tax. FPL has a Direct Pay Permit from the Florida
15 Department of Revenue and, as such, the Company does not normally pay the sales
16 tax to the vendors. Instead, FPL self-accrues and pays any applicable taxes directly
17 to the State. See Exhibit RR-4.

18 **Q. Did the six logistics vendors whose costs are the subject of Mr. Schultz’s**
19 **proposed disallowance of \$26.039 million provide reasonable and necessary**
20 **services during the course of the Hurricane Irma restoration, and were the**
21 **costs associated with the provision of those services reasonable?**

22 A. Absolutely. The types of services provided by these vendors at reasonable market
23 rates were crucial to FPL’s ability to provide lodging, run staging sites, and operate

1 the type of efficient, effective and coordinated restoration effort that contributed to
2 the safe and timely restoration of power to FPL's customers.

3 **Q. Does this conclude your rebuttal testimony?**

4 A. Yes.

5

13. Please explain whether Mr. Schultz has participated in the retention or management of storm restoration crews during a storm event. If your response is anything other than an unqualified "no," please identify the storm event, the company Mr. Schultz assisted, and provide a description of Mr. Schultz's role, duties, and activities in retaining or managing the restoration crews during the storm event.


OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

RESPONSE: No.

DECLARATION

I sponsored the answers to Interrogatories from FPL's 1st Set of Interrogatories (Nos. 1-23) to the Office of Public Counsel in Docket No. PSC-20180049-EI, and hereby state the responses are true and correct based on my personal knowledge and belief.

Under penalties of perjury, I declare that I have read the forgoing declaration and the interrogatory answers identified above, and the facts stated therein are true and correct to the best of my personal knowledge and belief.



Signature

Helmuth W. Schultz III

Date: FEBRUARY 19, 2019

19. Please explain whether Mr. Schultz has personally negotiated contractor rates for storm restoration, line clearing, damage assessment, or vegetation crews in anticipation of or during a storm event. If your response is anything other than an unqualified "no," please also state the following:

OBJECTION: To the extent interrogatory seeks confidential information, including attorney work product, trade secrets or other confidential information, OPC objects. Further, the interrogatory is vague and/or seeks information that is overbroad or unduly burdensome. Without waiving this objection, OPC responds below.

RESPONSE: No.

- a. Identification of the storm event, year occurred, and location;

RESPONSE: N/A

- b. Description of Schultz's role, duties, and activities;

RESPONSE: N/A

- c. Identify the contractors involved in the negotiation;

RESPONSE: N/A

- d. Identify the negotiated rates;

RESPONSE: N/A

- e. Identify the scope of work performed by each contractor.

RESPONSE: N/A

DECLARATION

I sponsored the answers to Interrogatories from FPL's 1st Set of Interrogatories (Nos. 1-23) to the Office of Public Counsel in Docket No. PSC-20180049-EI, and hereby state the responses are true and correct based on my personal knowledge and belief.

Under penalties of perjury, I declare that I have read the forgoing declaration and the interrogatory answers identified above, and the facts stated therein are true and correct to the best of my personal knowledge and belief.



Signature

Helmuth W. Schultz III

Date: FEBRUARY 19, 2019

**Docket No. 20180049-EI
FPL's written response to OPC Request for
Production of Documents No. 9
Exhibit RR-3, Page 1 of 1**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's First Request for Production of Documents
Request No. 9
Page 1 of 1**

QUESTION:

Logistics. For the logistic costs incurred, provide the supporting invoices (including all supporting detail provided by the vendor) for invoices over \$50,000, and provide all invoices for P Card charges over \$10,000.

RESPONSE:

By agreement of counsel for OPC and FPL, the threshold for documents responsive to OPC's First Request for Production of Documents No. 9 for the logistic costs incurred has been modified from \$50,000 to \$75,000. Because this request asks only for invoices and supporting detail, FPL has not included documents related to accruals. Based upon the agreement noted herein and the explanation related to accruals, please see the confidential documents provided with this response.

QUESTION:

Logistics. Refer to response to POD No. 9. Explain why you failed to produce invoices for numerous costs listed in the excel attachment to your response to POD 9 (i.e. only meal counts were included in the file). To the extent invoices were produced for some costs, explain why the invoice amounts for those costs are different from the amounts included on the excel sheet that lists invoice amounts.

RESPONSE:

Contrary to the statement in OPC's Eighth Set of Interrogatories No. 162, all invoices and other supporting documents for the costs identified in the excel attachment that were above the threshold agreed to by FPL and OPC were provided at Bates # FPL 00623 - 001394.

The primary difference in amounts for some invoices and the amounts reflected on the excel sheet was due to sales tax being assessed. FPL has a Direct Pay Permit from the FL Dept. of Revenue and as such we normally don't pay the sales tax to the vendors. FPL self- accrues and pays any applicable taxes directly to the State.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF KRISTIN MANZ

DOCKET NO. 20180049-EI

MARCH 15, 2019

REDACTED

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1 **I. INTRODUCTION**

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

3 A. My name is Kristin Manz. My business address is Florida Power & Light
4 Company, 700 Universe Blvd., Juno Beach, Florida, 33408.

5 **Q. Have you previously submitted testimony in this proceeding?**

6 A. No.

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

8 A. I am employed by Florida Power and Light as a Director in the Information
9 Technology organization, a role I assumed in July of 2018. Prior to that time, from
10 January 2017 through July of 2018, I was employed as Director of Finance
11 Operations in FPL's accounting organization.

12 **Q. Please describe your duties and responsibilities at the time you were the
13 Director of Finance Operations in FPL's accounting organization.**

14 A. As Director of Finance Operations, I oversaw a team that processed all accounts
15 payable ("AP") transactions for the NextEra Energy enterprise; a team that
16 managed accounts receivable transactions; and a team that governed the travel and
17 expense reimbursement program. In this role I led the team that received, reviewed
18 and processed the majority of invoices from vendors who assisted FPL in its
19 restoration efforts related to Hurricane Irma.

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

21 A. I have a Bachelor of Science degree from the University of Florida in Management
22 Information Science, and a Master of Business Administration with a concentration
23 in Finance from DePaul University. I have worked in various financial, budgeting,

1 process improvement, automation implementation, and control enhancement roles
2 throughout my 11 years at FPL. Before joining FPL, I had similar responsibilities
3 for my previous employer, Motorola.

4 **Q. What is the purpose of your rebuttal testimony?**

5 A. The purpose of my rebuttal testimony is to respond to certain portions of the direct
6 testimony submitted by Office of Public Counsel (“OPC”) witness Helmuth W.
7 Schultz III. Specifically, I will explain the process used by FPL to review and
8 process invoices submitted by contractors that provided restoration services to FPL
9 as a result of Hurricane Irma. I also address and rebut Mr. Schultz’s contention
10 regarding what he perceives to be a lack of control(s) by FPL for reviewing
11 invoices, and that either established controls are not working or are not being
12 followed as designed.

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

14 A. My testimony demonstrates that FPL’s AP organization followed a prudent and
15 effective restoration invoice review process, including the receipt, review, follow-
16 up investigation, and where appropriate rejection, adjustment or payment of the
17 approximately 12,000 invoice packets representing a vast majority of the \$1.3
18 billion in total charges related to Hurricane Irma restoration activities. Execution
19 of the invoice review process allowed FPL to identify numerous billing adjustments
20 along the way, resulting in credits, reversals and reimbursements in the millions of
21 dollars. FPL’s AP process functioned well in facilitating the effective, efficient and
22 timely processing of Hurricane Irma storm restoration invoices.

23

1 **Q. Are you sponsoring any exhibits to your rebuttal testimony?**

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

- 3 • KM-1 – FPL’s response and confidential Attachment to OPC Interrogatory
4 No. 156
- 5 • KM-2 – FPL’s response and confidential attachment to OPC Interrogatory
6 No. 154
- 7 • KM-3 – FPL’s responses and attachments to OPC Interrogatories No. 148
8 and No. 174 and Production of Documents No. 35

9

10 **II. INVOICE REVIEW AND APPROVAL PROCESS**

11 **Q. Please describe FPL’s invoice review and approval process.**

12 A. Upon receipt, vendor invoices are logged to allow for tracking and monitoring as
13 the invoices proceed through the review process. Individuals charged with the
14 responsibility of reviewing and validating invoices for payment, what I refer to as
15 reviewers or invoice reviewers, are identified from the core AP team. For larger
16 projects, such as the processing of Hurricane Irma invoices, additional reviewers
17 are obtained from other business units and trained in the AP processes. Invoice
18 reviewers are responsible for analyzing invoices submitted by vendors to ensure
19 that the hours and rates are properly supported. Invoice reviewers are assigned to
20 review invoices associated with one vendor at a time to mitigate risk of duplication
21 of payments to that vendor.

22

1 **Q. Please explain how invoice reviewers determine whether a vendor invoice**
2 **provides the negotiated rate at which the contractor is to be paid.**

3 A. Invoice reviewers check invoiced rates against reports pulled from SAP that
4 identify contractor rates that have been negotiated with the vendors. This allows
5 the reviewer to verify that the rates included on the vendor invoice are accurate and
6 consistent with the contracted rate.

7 **Q. Please describe the purpose of the Storm Crew Daily Time Reports.**

8 A. The Storm Crew Daily Time Reports (“daily timesheets”) are used in the field
9 during storm restoration. These daily timesheets are populated by each crew
10 foreman at the end of each day and reviewed and signed by their assigned FPL
11 Production Lead (“PL”). As described by FPL witness Miranda in his direct
12 testimony filed in this docket on August 31, 2018, FPL Power Delivery assigns PLs
13 to be responsible for reviewing and approving daily timesheets to ensure that time
14 and personnel counts are recorded accurately. As Mr. Miranda also testified, the
15 daily timesheets are then provided to the FPL Finance Section Chief, whose role
16 and responsibilities are described in the direct testimony of FPL witness Ferguson,
17 and then sent to FPL’s AP group, where they are used to verify invoices received
18 from the contracted companies.

19

20 Copies of the daily timesheets are also collected by the crews and taken back to the
21 vendors’ Accounts Receivable (“AR”) departments to process for reimbursement.

22 The vendor’s AR department may then use the storm crew weekly time report

1 (“weekly report”) to summarize the daily timesheets to generate totals for
2 invoicing.

3 **Q. Does the Company also review the weekly reports or summary timesheets?**

4 A. Yes. As I testified during the November 15, 2018 session of the deposition taken
5 by OPC, a copy of which is attached to OPC witness Schultz’s direct testimony as
6 Exhibit HWS-3, submission of daily timesheets is mandatory to process payment,
7 and those daily timesheets are reviewed as part of the AP process. The daily
8 timesheets provide the information necessary for the AP reviewers to confirm the
9 hours and activity completed by the storm crews each day approved by FPL field
10 personnel. The use of weekly reports or summary timesheets by vendors is
11 optional, though submission of those forms is recommended as it helps streamline
12 the review process.

13 **Q. With that background, please explain how the invoice reviewer uses the daily**
14 **timesheets to verify the accuracy of the hours on the invoice?**

15 A. The signed daily timesheets are ultimately submitted with the invoices received by
16 AP. If a vendor fails to provide the daily timesheets with an invoice, AP requests
17 the daily timesheets from the vendor, or relies upon its copy of the documents
18 received from the FPL Finance Section Chief. AP reviewers rely on these
19 materials to validate and verify the hours entered on the invoice. At this stage of
20 the process, the invoice reviewer also checks for receipts for hotels, meals and
21 other expenditures that are included on the invoice.

1 **Q. OPC witness Schultz makes reference in his testimony to “time sheets not**
2 **signed” or available. What is the process for AP reviewers when they**
3 **encounter this situation?**

4 A. There may be limited circumstances where daily timesheets were inadvertently not
5 signed by a PL in the field or could not be located during the invoice review
6 process. When that occurs, the reviewer follows up with Power Delivery
7 representatives, including the PLs, to substantiate the hours reflected on the invoice
8 or unsigned daily timesheet. This contact with Power Delivery most frequently
9 occurs through telephonic communications to facilitate the quickest resolution of
10 issues as they arise.

11 **Q. How does the invoice reviewer use the information received from Power**
12 **Delivery?**

13 A. Based upon the response received from Power Delivery, the reviewer will either
14 approve the invoice as submitted, or will modify the vendor invoice to match the
15 substantiated information and will notify the vendor of the correction. Once this
16 portion of the process is complete, the invoice is entered in SAP for fiduciary
17 approval and posting for payment to the vendor.

18 **Q. Are you saying that the AP reviewers have the authority to modify or reject**
19 **invoices submitted by the vendors?**

20 A. Absolutely. The reviewers have the authority to adjust an invoice from a vendor,
21 reduce the amount payable on the invoice, or reject the invoice outright.
22 Modifications to and rejection of Hurricane Irma invoices occurred numerous times
23 in this case, a subject I will address in more detail later in my testimony.

1 **Q. Please explain how fiduciary approval of an invoice differs from invoice**
2 **review performed by AP.**

3 A. All invoices and payments made by FPL are subject to our Sarbanes-Oxley
4 (“SOX”) internal controls, including payments for storm restoration. The AP
5 reviewers are verifying the accuracy of the invoice provided from the vendor to
6 identify and correct any errors prior to processing the invoice for payment. Once
7 the invoice is reviewed and accepted by AP, it is processed in SAP and follows our
8 standard payment SOX internal controls whereby someone within the Company
9 with the appropriate fiduciary approval reviews and approves the invoice in SAP.

10 **Q. OPC witness Schultz also criticizes FPL for approving payment for certain**
11 **items that may not be specifically provided for in the contract documents, such**
12 **as payment for what he calls “excessive time” and variation from the strict**
13 **terms of the contracts. What is the AP review process when these situations**
14 **are encountered?**

15 A. As with unsigned daily timesheets, when AP reviewers encounter issues that cannot
16 be resolved strictly on the face of the invoice and supporting documentation, Power
17 Delivery is contacted to confirm or deny the accuracy of the billing. This can
18 include situations where FPL management approves exceptions to the terms of the
19 contract based upon the judgment of those managing the restoration process and the
20 need to address the ever changing conditions in the field. As explained in the
21 rebuttal testimony of FPL witnesses Gwaltney and Reagan, it was not only
22 appropriate, but it was necessary for such exceptions to be made during Hurricane
23 Irma restoration to facilitate the efficient restoration of power following this storm.

1 **Q. Is payment of the invoice the final step in the review and approval process?**

2 A. No. After all invoices are processed, the AP manager runs a report of all storm
3 payments to look for potential duplicates. In performing this review, the AP
4 manager looks at dollar amount, vendor invoice number and date. Any duplicates
5 that are found are reversed from SAP, or, if a duplicate payment has already been
6 made, the vendor is contacted and advised to refund the overpayment to FPL. This
7 manual review is in addition to automated controls that exist in SAP to detect
8 duplicate invoices when the vendor Tax Identification Number, invoice number and
9 invoice date is the same as a previously entered invoice.

10 **Q. Mr. Schultz contends that there are “significant invoice approval integrity**
11 **issues” in FPL’s process. Do you agree?**

12 A. No, I do not agree with his contention or with his conclusion. I am confident that
13 FPL’s AP review process worked well to ensure the verification and payment of the
14 more than \$1 billion in vendor invoices reviewed and processed by the AP team.
15 And, while it is impossible to eliminate 100% of all potential human error from a
16 largely manual process requiring review, validation, verification and processing of
17 such a massive volume of documents, the AP process was properly designed and
18 administered. It facilitated the timely and appropriate evaluation and processing of
19 vendor invoices related to Hurricane Irma restoration work.

20

21 Contrary to the opinion expressed by Mr. Schultz, my testimony demonstrates that
22 the execution of FPL’s AP process resulted in the timely, effective and efficient
23 review, processing and payment of vendor invoices. Additionally, FPL witnesses

1 Miranda, Ferguson, DeVarona, Gwaltney and Reagan, together with literally
2 hundreds of discovery responses and tens of thousands of pages of documents
3 produced in this case, demonstrate and support the reasonableness of the costs
4 incurred by FPL in this massive restoration effort.

5 **Q. On pages 86-87 of his direct testimony, Mr. Schultz alleges that fuel costs were**
6 **paid to contractors that purchased fuel during mobilization/demobilization in**
7 **violation of the vendor contract. Please respond to this allegation.**

8 A. As the basis for his contention, Mr. Schultz cites only to a single vendor invoice
9 discussed during the deposition of FPL's witnesses where the vendor was paid for
10 fuel costs incurred during mobilization/demobilization. The vendor contract
11 provides that mobilization/demobilization rate is inclusive of fuel costs, meaning
12 that absent exceptions being granted by FPL, contractors are not reimbursed for
13 fuel costs incurred during mobilization/demobilization. FPL's response to OPC
14 Interrogatory No. 145, a copy of which is attached to FPL witness Gwaltney's
15 rebuttal testimony as part of his Exhibit TWG-1, indicated that the Company was
16 unable to confirm whether it granted an exception to the contractor for the fuel
17 purchased during mobilization in the invoice identified in the deposition.
18 Therefore, FPL stated that it would seek a refund from the vendor and will make a
19 corresponding adjustment to the total storm costs.

20

21

22

1 **Q. On page 87 of his direct testimony, Mr. Schultz claims that contractor billing**
2 **for fuel during mobilization/demobilization was not limited to the single**
3 **occurrence identified during the deposition of FPL's witnesses. Please**
4 **comment.**

5 A. I note that other than the single invoice identified in his testimony, Mr. Schultz has
6 not identified any other invoices in which the vendor billed and FPL paid for
7 unapproved fuel costs incurred during mobilization/demobilization. Indeed, as
8 stated on page 88 of his direct testimony, Mr. Schultz did not recommend any
9 adjustments to fuel costs.

10

11 Notwithstanding these facts, FPL has determined that of the approximately \$1.3
12 billion in total charges related to Hurricane Irma restoration activities, there was a
13 total of approximately \$1 million that was paid for all fuel costs for overhead line
14 contractors, including fuel purchased with authorization from FPL. And while
15 there is nothing to suggest that the situation identified by Mr. Schultz occurred with
16 any degree of frequency, FPL plans to review the invoices that included overhead
17 contractors billing for fuel and will make an adjustment to its total storm costs and
18 will seek a refund from any of these contractors that billed for fuel during
19 mobilization/demobilization without an approved exception.

20

21

1 **Q. As a result of FPL's experience processing such a massive volume of invoices**
2 **in the aftermath of Hurricane Irma, has the Company identified any lessons**
3 **learned to further improve the process?**

4 A. Yes. Consistent with FPL's culture of continuous improvement, we are currently
5 evaluating potential modifications based on our experience during Hurricane
6 Matthew and Hurricane Irma in an effort to further improve an already robust
7 process.

8 **Q. Please describe some of the lessons learned, and explain what FPL is doing to**
9 **improve its AP processes.**

10 A. Our initial focus is to eliminate the amount of paper and manual effort needed to
11 review and substantiate storm contractor payments. In 2017, following our
12 experience in Hurricane Matthew, the Company began working to develop an
13 automated timesheet application. This application will largely mirror the
14 information captured today on paper daily timesheets, but will allow the approval
15 and submittal of those timesheets electronically. The full scope of the application
16 is being designed and planned in phases, but the main focus will be to enhance
17 existing controls by leveraging technology and automated processes.

18 **Q. When do you expect this improvement to be operational?**

19 A. While this application is still in development, the current plan is to test the initial
20 functionality of the application during this year's storm dry run which will take
21 place in May of 2019.

22

1 **Q. Mr. Schultz raises questions about what he contends is duplicate billing by**
2 **vendors. Please comment.**

3 A. Mr. Schultz has selectively identified a handful of invoices which he believes
4 represent duplicate payments made to vendors, and without any factual support he
5 simply assumes that if he reviewed every invoice supporting \$1.3 billion in charges
6 that he would have found more. Mr. Schultz is either unaware of or ignores the
7 fact that many of the invoices he identified as supposed duplicate payments were
8 already adjusted or completely rejected as a result of FPL's processes, before they
9 were identified by OPC in discovery or through depositions. FPL has an effective
10 procedure for addressing invoice discrepancies.

11 **Q. Please describe how the AP review process successfully identified invoices that**
12 **might be called "duplicate" payments or duplicate invoices.**

13 A. As part of FPL's standard payment close out process, the AP team performs a
14 review of all invoice amounts against FPL's SAP system entries to correct any
15 discrepancies found at that time. In this case, approximately 60 invoices totaling
16 \$12 million were identified by FPL during the initial vendor invoice review process
17 and were either rejected by FPL and not paid to the vendors, or if paid were
18 subsequently reimbursed, credited or reversed. The majority of these
19 reconciliations occurred prior to June 1, 2018, the date by which FPL had
20 documented all actual storm restoration costs and projected any further follow up
21 costs. These reconciliations are reflected on Exhibit KM-1 - Confidential
22 Attachment to FPL's response to OPC Interrogatory No. 156. These

1 reconciliations were included in Exhibit KF-1 and, therefore, no further
2 adjustments to FPL's total storm restoration costs are necessary.

3

4 Additionally, there were numerous instances where vendor invoices were adjusted
5 or reduced as part of FPL's standard storm invoice review process prior to payment
6 being issued.

7 **Q. Were the adjustments for these 60 invoices made as a result of questions raised**
8 **during the deposition of FPL's witnesses?**

9 A. No. The approximately 60 invoices represented the rejection of \$12 million of
10 invoices, which occurred at various times up through May 31, 2018. The
11 deposition attached to Mr. Schultz's testimony as Exhibit HSW-3 was taken
12 months later over two full days, on November 15, 2018 and December 13, 2018.
13 This is further evidence that FPL's controls and review process worked effectively.

14 **Q. You testified earlier that invoice reviewers have the authority to modify or**
15 **reject invoices submitted by the vendors. Please describe how AP team**
16 **members would note that invoices were adjusted or reduced as part of the AP**
17 **review process.**

18 A. As stated before, all reviewers have the ability to adjust or reduce an invoice to
19 match supporting documentation. The reviewer will generally make handwritten
20 adjustments directly on the vendor's invoice, after which the invoice would be
21 processed in SAP for the adjusted amount. Exhibits identified during the
22 deposition, such as Deposition Exhibit 6 (Document No. 5202660536), reflect this
23 process.

1 **Q. At pages 51 through 56 of his pre-filed testimony, Mr. Schultz asserts that he**
 2 **“found duplicate payments and payments that were not supported, yet ... the**
 3 **FPL review team apparently did not discover these errors”. Please comment**
 4 **on these assertions regarding duplicate invoices.**

5 A. Aside from the invoices discussed during the deposition sessions, which I will
 6 address below, FPL’s AP process identified and FPL credited or reversed the
 7 vendor invoices that Mr. Schultz claims represent duplicate payments. The
 8 following chart, representing refunds, credits or reversals made between February
 9 2018 and October 2018 – prior to the depositions – outlines approximately \$1.9
 10 million in refunds received or reversals made by FPL on invoices Mr. Schultz calls
 11 “duplicate payments”:

Contractor Reference Legend¹	Doc No	Bates No	Invoice No	Amount	PO	Activity
J	5202632083	48160	66559676	\$253,984.64	2000250535	
J	5202632912	50557	66559676	\$145,919.54	2000250993	Refund on vendor check 451777 dated 2/19/2018
J	5202633179	50545	66559838	\$108,065.10	2000250990	Refund on vendor check 451777 dated 2/19/2018
OO	5202667866	25622	35137	\$446,858.90	2000255188	Reversed on 2/7/2018
OO	5202626883	48053	35137	\$446,858.90	2000250515	
OO	5202667862	25567	35240	\$303,366.88	2000255200	Reversed on 10/11/2018
OO	5202663914	24992	35240	\$303,366.88	2000254086	

¹ Based on the Contractor Legend included in Exhibit HWS-2, Schedule C, page 5 to Mr. Schultz’s direct testimony.

Y	5202737250	38120	156225	\$671,670.27	2000262512	
Y	5202648719	18284	156225	\$655,556.67	2000252379	Refund on vendor check 144512 dated 3/29/2018
RR	5202692840	33312	3	\$217,124.92	2000258174	
RR	5202747215	39237	3 IRMA	\$227,519.00	2000263394	Reversed on 8/23/2018

1

2 With the exception of the 10/11/2018 reversal for Contractor OO and the 8/23/18
3 reversal for Contractor RR, these refunds were included in Exhibit KF-1 and,
4 therefore, no further adjustments are necessary. A total credit of \$530,886 for the
5 10/11/2018 reversal of Contractor OO and the 8/23/18 reversal of Contractor RR is
6 included in Exhibit KF-3 – Updated Hurricane Irma Costs as of December 31,
7 2018, which is attached to the rebuttal testimony of FPL witness Ferguson.

8 **Q. Please explain the resolution of the two invoices discussed during the**
9 **deposition that witness Schultz calls “duplicates”.**

10 A. The first of the invoices that Mr. Schultz describes as “duplicates” – discussed at
11 page 55 of his direct testimony - was addressed fully in the deposition sessions of
12 November and December 2018. During the first session, when asked about the two
13 invoices that Mr. Schultz believes to be a duplicate (Deposition Exhibit 31
14 (Document No. 5202655953) and Deposition Exhibit 32 (Document No.
15 5202656335)), I testified that it appeared from the documents that our vendor
16 submitted an initial invoice and then submitted a revised invoice. I explained that
17 if the initial invoice had already been processed we would have reversed that
18 invoice and then paid the vendor for the charges on the revised invoice. I advised
19 that I would need to validate within our system that this process was followed and
20 that the reversal had been made.

1 During the second day of the deposition, I confirmed that, consistent with our
2 process, FPL had in fact reversed the first of the two invoices in February of 2018
3 and paid the charges included on the revised invoice. We have also addressed this
4 reversal in FPL's answer to OPC Interrogatory 154 provided as Exhibit KM-2
5 attached to my rebuttal testimony. This reversal of \$243,832 was included in
6 Exhibit KF-1 and, therefore, no further adjustments related to this transaction are
7 necessary.

8 **Q. Please explain the resolution of the second pair of invoices discussed during**
9 **the deposition that witness Schultz calls "duplicates".**

10 A. The second pair of invoices that Mr. Schultz describes as "duplicates" at page 52 of
11 his direct testimony were fully addressed in FPL's answers to OPC Interrogatories
12 148 and 174 and FPL's Response to OPC's Request for Production No. 35
13 provided as Exhibit KM-3 attached to my rebuttal testimony. As explained in
14 FPL's discovery responses, the invoice identified as Deposition Exhibit 22
15 (Document No. 5202661125) discussed during the November 15 and December 13,
16 2018 deposition has been remedied through the issuance of a credit memo for the
17 full amount. The referenced reversal and credit of \$1.223 million is included in
18 FPL's Exhibit KF-3 – Updated Hurricane Irma Costs as of December 31, 2018,
19 which is attached to the rebuttal testimony of FPL witness Ferguson.

20 **Q. Please address the remaining issues raised by Mr. Schultz at pages 56 through**
21 **60 of his direct testimony that he claims to be "billing issues".**

22 A. Mr. Schultz has identified what he calls "billing issues" related to contractor
23 invoices. The FPL team determined that all of these claimed "billing issues" were

1 either not billing issues in the first place, or have been reversed or reimbursed in
2 the total amount of \$167,787. Those issues identified by Mr. Schultz that have
3 resulted in reimbursements to FPL, all of which are reflected on witness Ferguson’s
4 Exhibit KF-3, are as follows:

- 5 • Contractor FF: \$74,206.70 (Schultz, page 56, lines 4-11)
- 6 • Contractor SS: \$55,800.00 (Schultz, page 56, lines 13-17)
- 7 • Contractor P: \$37,780.40 (Schultz, page 57, lines 7-13)

8 These reversals or reimbursements are included in Exhibit KF-3 – Updated
9 Hurricane Irma Costs as of December 31, 2018, which is attached to the rebuttal
10 testimony of FPL witness Ferguson.

11

12 With reference to witness Schultz’ recommended disallowances for the costs of
13 Contractor P identified at page 57, lines 13 through 22 (\$11,465 and \$40,104,
14 respectively), FPL has determined through further review of its records and
15 communications with the vendor that the workers inadvertently omitted from the
16 vendor’s daily timesheets were in fact performing Hurricane Irma restoration work
17 during the days in question. FPL similarly confirmed that workers inadvertently
18 omitted from time sheets addressed by witness Schultz on page 58, line 14 through
19 page 59, line 8 were performing Hurricane Irma restoration work and that the
20 vendor was appropriately reimbursed.

21

22

23

1 **Q. Mr. Schultz claims that either established controls are not working or are not**
2 **being followed as designed, noting that exceptions were made without**
3 **supporting documentation. Witness Schultz even goes so far as to say that**
4 **lack of documentation could be indicative of fraud. Does his claim have**
5 **merit?**

6 A. No. As I discussed earlier in my testimony, as part of our standard invoice review
7 process, exceptions to the contract terms can be approved in two ways. The PL
8 who is working directly with the vendors' crews in the field can sign a timesheet at
9 the time of restoration that approves the exception. FPL witness Gwaltney
10 provides examples of this type of occurrence in his rebuttal testimony.
11 Alternatively, if a reviewer received an invoice that included an exception that was
12 submitted for payment without supporting documentation, then AP would work
13 back through the Power Delivery organization to review the exception and obtain
14 approval for payment. If approval was not obtained from Power Delivery, then the
15 invoice would have been adjusted down to reflect the correction.

16
17 Mr. Schultz makes an unsupported accusation about the possibility of fraud but
18 offers nothing whatsoever to suggest that fraud occurred. In fact, when asked in a
19 subsequent interrogatory whether he had identified any facts to support the
20 existence of fraud, his response clearly indicates that he has not. Throughout the
21 time the AP team reviewed, adjusted and processed invoices, from just after the
22 storm up to the time the final invoice was processed, we have never encountered

1 any circumstance that suggested anything other than honest dealing between FPL
2 and its many vendors and contractors.

3 **Q. OPC witness Schultz seems to have a concern that a large number of invoices**
4 **were approved by a single person. Is this a valid concern?**

5 A. No. The individual whose name appeared on many of the invoices reviewed in the
6 deposition is one of the most knowledgeable people in the department when it
7 comes to the storm timesheet and payment process. She was dedicated full time to
8 reviewing storm invoices for a period of six months. Given the similar structure of
9 the line contracts, she reviewed a large portion of the overhead line contractor
10 invoices. At least 10 other people, including myself, contributed to the effort part
11 time throughout that period and their names would appear on the invoices they
12 reviewed. The invoices reviewed during the deposition were only a relatively small
13 sample of the approximately 12,000 invoice packets that were processed by AP for
14 Irma across all expense types.

15 **Q. Mr. Schultz is critical of FPL for not requiring the Mobilization Travel Log to**
16 **process and approve payments for mobilization and demobilization time.**
17 **What is your response?**

18 A. The log referenced by Mr. Schultz is included in the packet of forms that is
19 provided to the vendor to facilitate the completion, review, and processing of
20 invoices. However, as explained in the rebuttal testimony of FPL witness Reagan,
21 the travel log is not required by the contract. Moreover, the travel log is not
22 required to process payment for mobilization time. Rather, as I previously

1 explained, AP relies on the daily timesheets and Power Delivery to verify and
2 confirm crew time, including mobilization time.

3 **Q. Mr. Schultz contends that there were overpayments as the Storm Crew**
4 **Weekly Reports were not consistent with the Daily Time Reports for crew**
5 **members that performed work. Please comment.**

6 A. As we explained in the deposition attached to Mr. Schultz's testimony as Exhibit
7 HWS-3, FPL only requires submission of daily timesheets; the weekly or summary
8 timesheets are not required for invoice review and approval. The invoice reviewer
9 requires that the daily timesheets are signed, or an exception has been approved by
10 Power Delivery, and that the sum of the daily timesheets matches what is on the
11 invoice cover sheet. The weekly time report is a helpful tool to assist the vendor in
12 summarizing the totals, and in most cases it will match the sum of the daily
13 timesheets. However, the reviewer relies on the daily timesheets to process and
14 approve payments.

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

16 A. Yes.

17

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Eighth Set of Interrogatories
Interrogatory No. 156
Page 1 of 2

QUESTION:

Contractor Cost. Refer to FPL's response to OPC Interrogatory No. 20. Please identify any and all additional duplicate invoices or amounts FPL paid to vendors it used for the response to Hurricane Irma, aside from the invoices discussed during the deposition sessions on November 15 and December 13, 2018.

RESPONSE:

Aside from the invoices discussed during the deposition sessions, FPL's Accounts Payable process identified and FPL credited or reversed the following vendor invoices between February 2018 and October 2018 – prior to the depositions:

Doc No	Bates No	Ref	Amount	PO	Activity
5202632083	48160	66559676	\$253,984.64	2000250535	Same ref different amounts
5202632912	50557	66559676	\$145,919.54	2000250993	Refund on vendor check 451777 dated 2/19/2018
5202633179	50545	66559838	\$108,065.10	2000250990	Refund on vendor check 451777 dated 2/19/2018
5202667866	25622	35137	\$446,858.90	2000255188	Reversed on 2/7/2018
5202626883	48053	35137	\$446,858.90	2000250515	
5202667862	25567	35240	\$303,366.88	2000255200	Reversed on 10/11/2018
5202663914	24992	35240	\$303,366.88	2000254086	
5202737250	38120	156225	\$671,670.27	2000262512	
5202648719	18284	156225	\$655,556.67	2000252379	Refund on vendor check 144512 dated 3/29/2018
5202692840	33312	3	\$217,124.92	2000258174	
5202747215	39237	3 IRMA	\$227,519.00	2000263394	Reversed on 8/23/2018

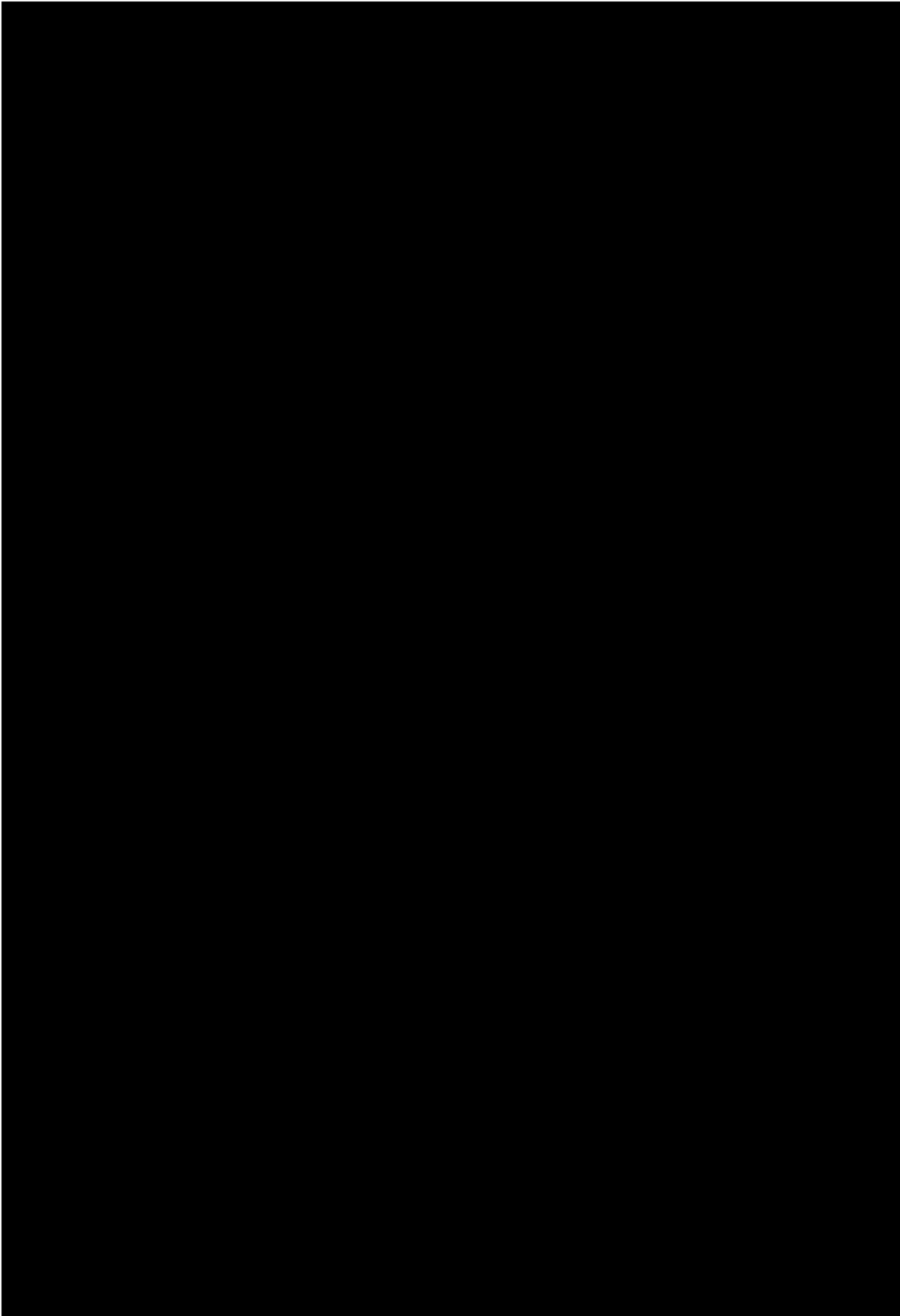
As part of FPL's standard payment close out process, the Accounts Payable team performs a review of all invoice amounts against FPL SAP system to correct any discrepancies at that time. FPL has not at this time identified any additional duplicate invoices that were paid for Hurricane Irma restoration.

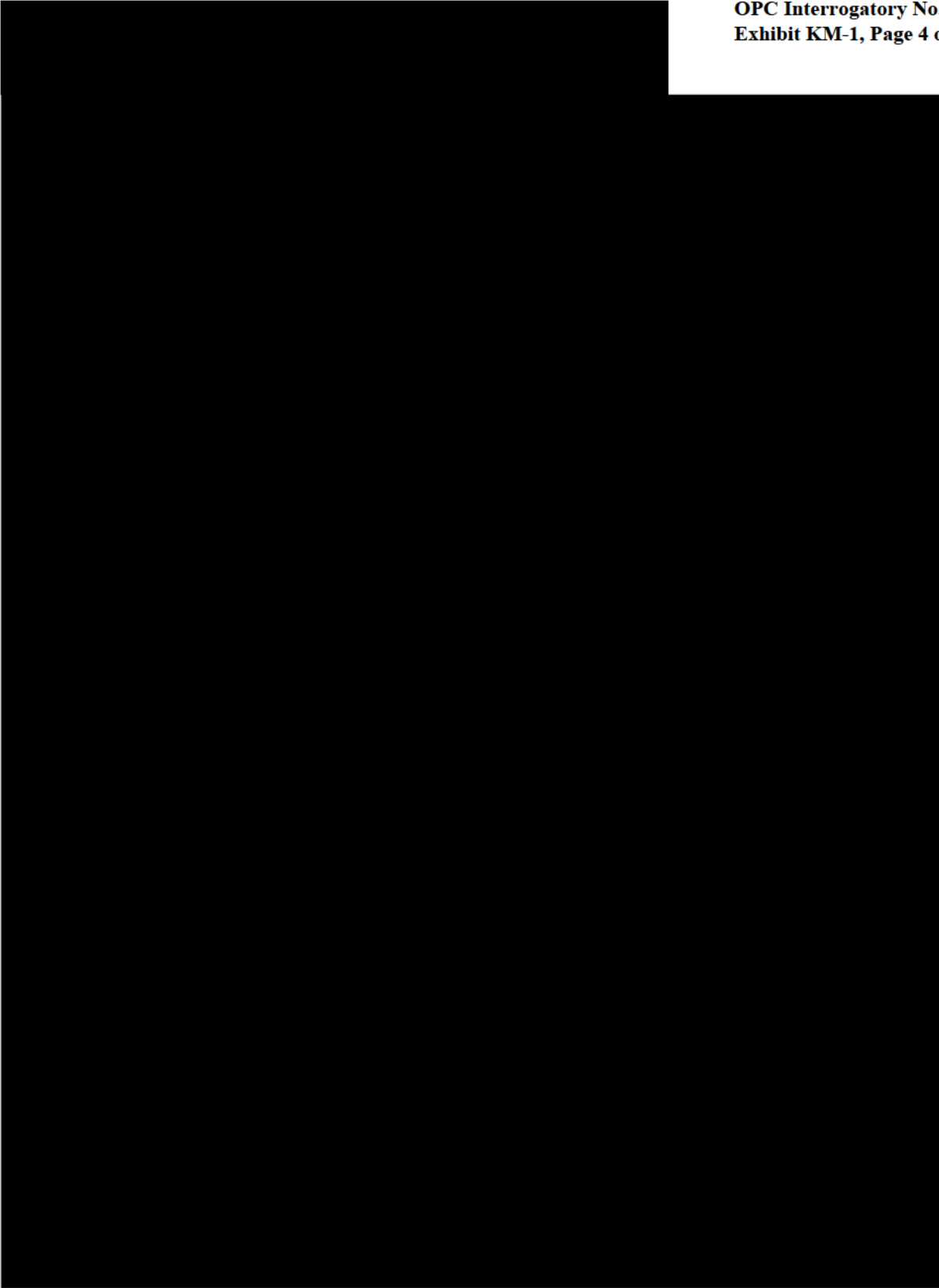
It should be noted that the questions raised during the deposition related to Exhibits 31 (Document No. 5202655953) and 32 (Document No. 5202656335) were addressed during the deposition and further in FPL's answer to OPC's Eighth Set of Interrogatories No. 154. As explained during the deposition and in FPL's answer to OPC's Eighth Set of Interrogatories No., the invoice represented by Exhibit 31 had been reversed in February of 2018. Questions raised during the deposition related to Exhibits 22 (Document No. 5202661125) and 23 (Document 5202656856) were addressed in FPL's answers to OPC's Sixth Set of Interrogatories No. 148 and OPC's Eighth Set of Interrogatories No. 174 and FPL's Response to OPC's Seventh Request for Production of Documents No. 35 As explained in FPL's responses to OPC's Sixth Set of Interrogatories No. 148 and OPC's Eighth Set of Interrogatories No. 174 and FPL's response to

Florida Power & Light Company
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Interrogatory No. 156
Page 1 of 2

OPC's Seventh Request for Production of Documents No. 35, the invoice identified as Exhibit 22 discussed during the November 15 and December 13, 2018 depositions has been remedied through the issuance of a credit memo for the full amount. The referenced reversal and credit will be reflected as a reduction on FPL's final cost report that will be submitted with FPL's rebuttal testimony.

In addition to the foregoing, approximately 60 invoices totaling \$12MM were identified by FPL during the initial vendor invoice review process and were either rejected by FPL and not paid to the vendors, or if paid were subsequently credited or reversed. These reconciliations occurred prior to June 1, 2018 as reflected on the attached spreadsheet. Additionally, there were numerous instances where vendor invoices were adjusted or reduced as part of FPL's standard storm invoice review process prior to payment being issued.





**Docket No. 20180049-EI
FPL's response and
confidential attachment to OPC Interrogatory 154
Exhibit KM-2, Page 1 of 3**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Eighth Set of Interrogatories
Interrogatory No. 154**

QUESTION:

Refer to the deposition transcript, pp. 499-500 which reference Exhibits 31 and 32. Identify the following: the date on which a "credit or reversal" occurred, the FERC account to which the credit or reversal was posted, where the credit or reversal is reflected on the Attachment to your response to Interrogatory No. 20, whether the reversal was the result of a credit issued by the vendor, and state whether or not FPL issued payments for both invoices before a credit or reversal was processed.

RESPONSE:

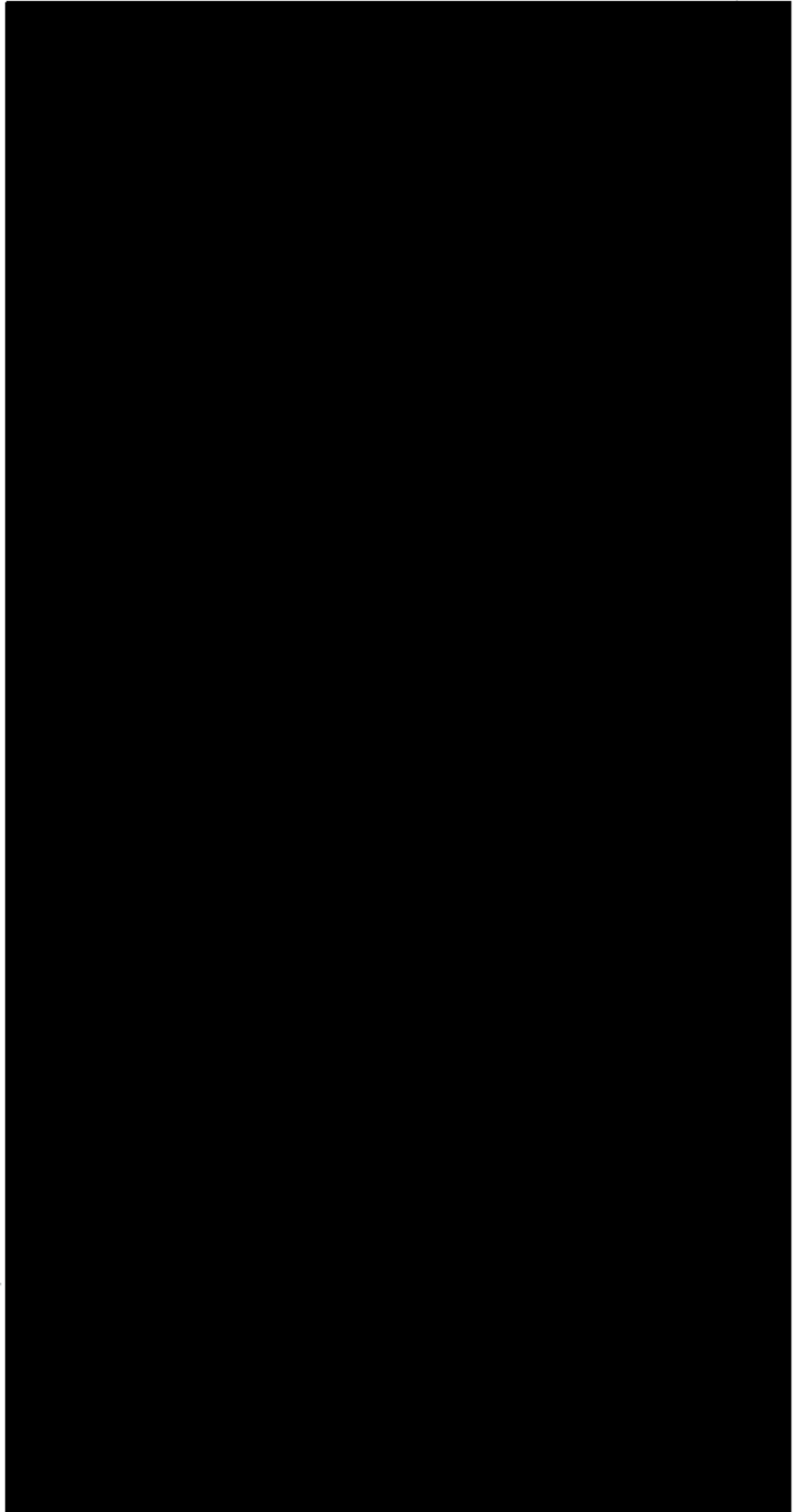
As indicated in the deposition of the FPL panel, FPL was fully reimbursed by the vendor for the payment made on the invoice marked as Exhibit 31. The reimbursement occurred through two separate transactions. First, the vendor delivered a check to FPL dated December 12, 2017 in the amount of \$243,831.63. Second, the vendor had received from FPL a check in the amount of \$54,288.00 for payment on a separate invoice, and that check had not yet been cashed when it was determined that the vendor would be required to reimburse FPL for the payment made on the invoice marked as Exhibit 31, along with another reconciliation requiring the vendor to reimburse FPL an additional sum of approximately \$4,600.00. The vendor agreed not to cash or deposit the check for \$54,288.00 and returned the check to FPL. As a result, FPL was fully reimbursed for the payment made to the vendor for the invoice marked as Exhibit 31, and the vendor was fully reimbursed for the work documented on the invoice marked as Exhibit 32.

The credit memo in the amount of \$243,831.63 was posted to FERC account 186 on 2/19/18. It is reflected on Excel line 4720 on the "Contractor Detail" tab of the Attachment to Interrogatory 20 (see screenshot below). The reason the credit memo is less than the total amount of the reimbursement is due to an agreement between the vendor and FPL that the payment on the unrelated invoice in the amount of \$54,288.00 would be cancelled.

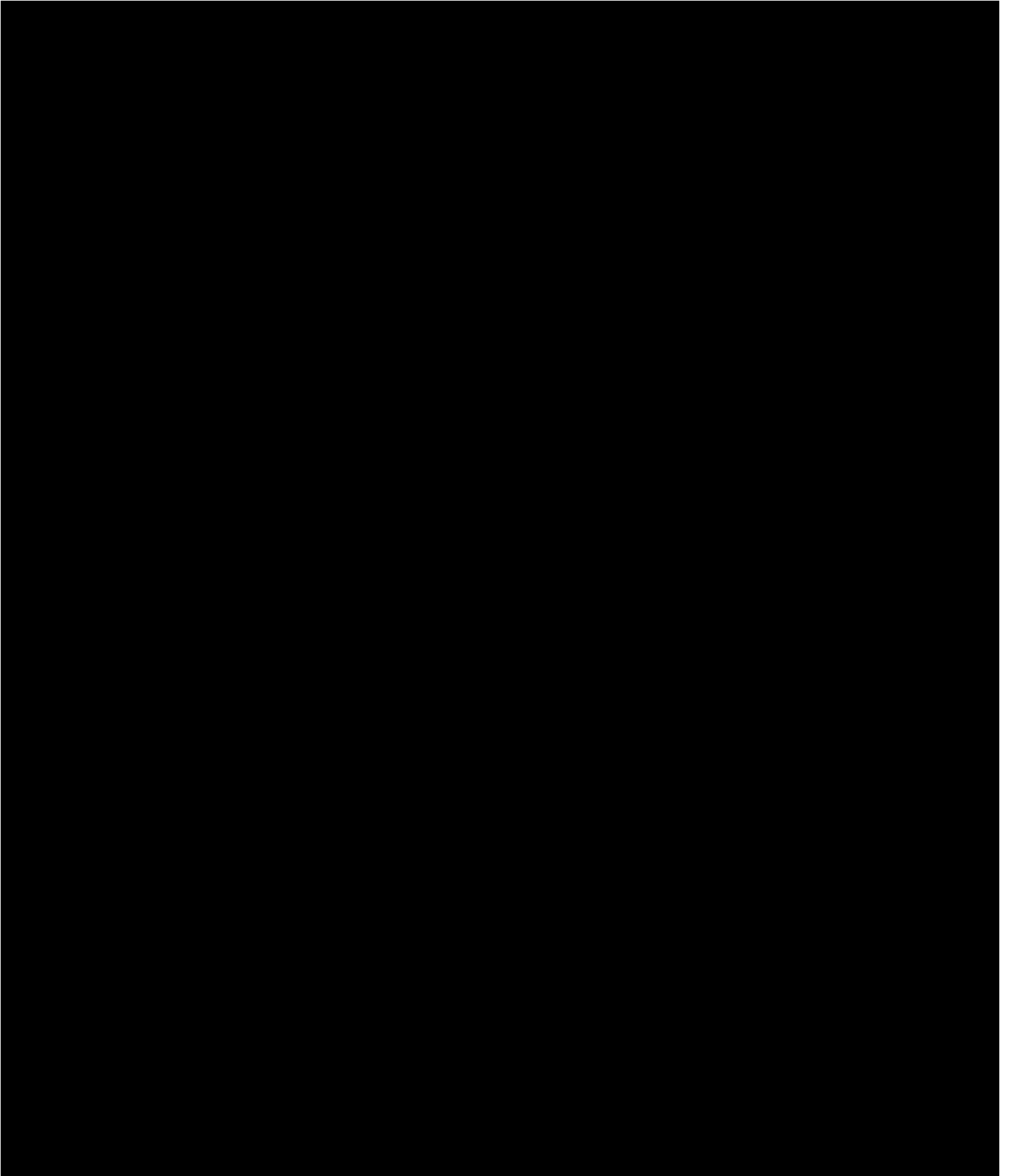
Attached please find a copy of the referenced check from the vendor dated December 12, 2017 in the amount of \$243,831.63 and a copy of the check from FPL to the vendor in the amount of \$54,288.00 which was returned to FPL by the vendor.

1	P	Ref Number	Vendor	Vendor Description	Time: Posting date	Amount	SEPT	IO BU	FUNCTION	Expense Group	Restoration/Fc
4720	#	1800153791	#	Not assigned	2/19/2018	(243,831.63)		DISTRIBUTION	Distribution	Contractor	Restoration

CONFIDENTIAL



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Docket No. 20180049-EI
FPL's responses and attachments to OPC
Interrogatories 148 and 174 and Production of Documents No. 35
Exhibit KM-3, Page 1 of 5

Florida Power & Light Company
Docket No. 20180049-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 148
Page 1 of 1

QUESTION:

Please refer to Dep. p. 243, lines 3-15. Please explain the results of your research into SAP documents 5202661125 and 5202656856, including but not limited to whether double billing occurred, and whether credit memos or any other documentation exists to demonstrate that any double-billing was reversed or canceled out; please identify any such credit memos or other documentation which reflects the reversal or cancellation of reimbursement for double-billing.

RESPONSE:

FPL's review indicates that the vendor associated with this contractor was inadvertently reimbursed for SAP invoice document 5202661125. FPL contacted the contractor's representative who advised that they submitted the two separate invoices to bill FPL for labor expenses they incurred to bring resources for storm support which they believed were covered by the contract between the contractor and FPL. As a result of these communications, the contractor understood that the labor expenses included in SAP invoice document 5202661125 are not reimbursable under the contract and that the FPL payment made for said invoice would need to be reimbursed. The contractor agreed and in an email communication committed to reimburse FPL through a credit memo to be applied against future work performed. As a result, FPL will reflect this adjustment in a revised Exhibit KF-2 to be filed in this docket.

**Docket No. 20180049-EI
FPL's responses and attachments to OPC
Interrogatories 148 and 174 and Production of Documents No. 35
Exhibit KM-3, Page 2 of 5**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Eighth Set of Interrogatories
Interrogatory No. 174
Page 1 of 1**

QUESTION:

Please list and explain all journal entries for the billing discussed at Dep. p. 501 regarding Dep. Exhibits 22 and 23, including but not limited to the journal entry that purportedly reflects the credit memo referenced on line 25 of Dep. p. 501.

RESPONSE:

FPL recorded a credit memo in December 2018 for the amount reflected in Document No. 5202661125 referenced on page 501, line 25 of the deposition transcript. As of the date of this response, the vendor has worked off the entire balance of this credit memo, please see confidential Attachment No. 1. The credit memo will be reflected as a reduction on FPL's final cost report that will be submitted with FPL's rebuttal testimony, which will reflect Hurricane Irma costs and transactions through December 2018. There are no journal entries necessary to reflect the credit memo in Hurricane Irma final costs.

**Docket No. 20180049-EI
FPL's responses and attachments to OPC
Interrogatories 148 and 174 and Production of Documents No. 35
Exhibit KM-3, Page 3 of 5**

**Florida Power & Light Company
Docket No. 20180049-EI
OPC's Seventh Request for Production of Documents
Request No. 35
Page 1 of 1**

QUESTION:

Please refer to Interrogatory 148. Please produce any and all credit memos or other documentation which reflects the reversal or cancellation of reimbursement for double-billing.

RESPONSE:

Please see attached confidential and non-confidential responsive documents.

Docket No. 20180049-EI
FPL's responses and attachments to OPC Interrogatories 148 and
174 and Production of Documents No. 35
Exhibit KM-3, Page 4 of 5

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Florida Power & Light Company
Docket No. 20180049-EI
OPC's Eighth Set of Interrogatories
Interrogatory No. 174
Attachment No. 1
Page 1 of 1

Order		Account		Time: Posting Date	IO Inputs DEC 2018 - DEC 2018
S01100000146	Miami Dade CC-North-Irma-2017	5751800	OUTSIDE SVCS: Contractor T&D Substations	12/19/2018	\$ (1,223,187)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF KEITH FERGUSON

DOCKET NO. 20180049-EI

MARCH 15, 2019

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1 **I. INTRODUCTION**

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

3 A. My name is Keith Ferguson, and my business address is Florida Power &
4 Light Company (“FPL or “the Company”), 700 Universe Boulevard, Juno
5 Beach, Florida 33408.

6 **Q. Did you previously submit direct testimony in this proceeding?**

7 A. Yes.

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

9 A. Yes. I am sponsoring Exhibit KF-3 – Updated Hurricane Irma Costs as of
10 December 31, 2018, which is an update to the storm restoration costs provided
11 in Exhibit KF-1 included with my direct testimony. This update to the total
12 storm restoration costs trues-up estimated costs that were included in Exhibit
13 KF-1, as well as makes corrections or adjustments that have been identified
14 during the course of this litigation.

15
16 I am also sponsoring Exhibit KF-4 – Updated Hurricane Irma Incremental
17 Cost and Capitalization Approach Adjustments as of December 31, 2018,
18 which is an update to Exhibit KF-2 provided with my direct testimony to
19 facilitate the review of the storm restoration costs. This update to Exhibit KF-
20 2 includes the adjustments and corrections made in Exhibit KF-3.

21
22 Finally, attached to my rebuttal testimony is Exhibit KF-5, which is OPC’s
23 response to FPL Interrogatory No. 27.

1 **Q. What is the purpose of your rebuttal testimony?**

2 A. The purpose of my rebuttal testimony is to respond to certain portions of the
3 direct testimony of Helmuth Schultz III submitted on behalf of the Office of
4 Public Counsel (“OPC”). Specifically, I will address Mr. Schultz’s contention
5 that FPL did not follow Rule 25-6.0143, Florida Administrative Code (the
6 “Rule”). I will explain that FPL followed the Rule, but certain provisions of
7 the Incremental Cost and Capitalization Approach (“ICCA”) methodology
8 related to the incremental Operations and Maintenance (“O&M”) costs are not
9 applicable because they make no difference to FPL’s total Hurricane Irma
10 storm restoration costs since FPL is not seeking any incremental recovery of
11 storm costs. I will also address Mr. Schultz’s comments regarding FPL’s use
12 of the reserve amortization mechanism to charge the Hurricane Irma storm
13 restoration costs to base O&M expense. I will also explain why Mr. Schultz’s
14 recommended adjustments to the Hurricane Irma regular payroll and overtime
15 payroll expenses are inappropriate, contrary to the Rule, ignore the facts, and
16 should be rejected. I will respond and explain why Mr. Schultz’s proposed
17 method of capitalizing Hurricane Irma costs is inappropriate, contrary to the
18 Rule, and should be rejected. Next, I will respond to and refute Mr. Schultz’s
19 claim that the distribution and nuclear accruals associated with Hurricane Irma
20 storm restoration costs should be disallowed due to lack of supporting detail.
21 Finally, I will provide an update to my direct testimony Exhibit KF-1 and
22 Exhibit KF-2 to reflect additional immaterial reductions to storm costs and
23 corrections that have been identified during the course of this litigation.

1 **II. ACCOUNTING TREATMENT AND THE ICCA METHOD**

2 **Q. On pages 3-4 of his direct testimony, Mr. Schultz appears to criticize FPL**
3 **for charging the Hurricane Irma storm restoration costs to base O&M**
4 **and use of the reserve amortization mechanism. Can you please**
5 **summarize for the Commission how FPL accounted for the Hurricane**
6 **Irma storm restoration costs?**

7 **A.** Yes. As I explained in my direct testimony, FPL typically charges storm
8 restoration costs to the storm reserve by applying the ICCA methodology set
9 forth in the Rule, and charges the incremental storm restoration costs to the
10 storm reserve. Initially, all storm restoration costs are tracked and
11 accumulated in FERC Account 186. Once the costs have been accumulated,
12 FPL will clear Account 186 by charging the costs to either: the storm reserve,
13 which is ultimately recovered from customers through a storm surcharge if the
14 activity results in a deficit balance; base O&M expense, which is recovered
15 from customers through base rates; capital costs, which is recovered from
16 customers as rate base; or below-the-line expenses, which are not recovered
17 from customers.

18
19 For Hurricane Irma, all storm restoration costs were tracked and accumulated
20 in FERC Account 186, and prior to December 2017 FPL applied the ICCA
21 methodology set forth in the Rule consistent with the accounting for every
22 storm event charged to the storm reserve for over ten years, including:

- 1 • Removal of below-the-line expenses in accordance with Part (1)(f) of
2 the Rule;
- 3 • Calculation of incremental storm costs that were charged to the storm
4 reserve in accordance with Parts (1)(d) and (1)(e) of the Rule, and any
5 non-incremental storm costs were charged to base O&M; and
- 6 • Capitalization of storm costs in accordance with Part (1)(d) of the
7 Rule.

8 In December 2017, FPL elected to charge the incremental Hurricane Irma
9 storm restoration costs to base O&M rather than seeking recovery through a
10 storm surcharge. As reflected on Exhibits KF-3 and KF-4, FPL incurred a
11 total of \$1.375 billion in Hurricane Irma storm restoration costs and charged
12 \$98.2 million as capitalized costs and \$822,000 as below-the-line expenses,
13 which resulted in a total of \$1.274 billion of storm restoration costs that were
14 charged to base O&M expense. FPL then used \$1.149 billion of reserve
15 amortization to offset a portion of this O&M expense.

16 **Q. Does FPL have the discretion to charge storm restoration costs to base**
17 **O&M expense rather than to the storm reserve?**

18 A. Yes. Part (1)(h) of the Rule states that “a utility may, at its own option,
19 charge storm related costs as operating expenses rather than charging them to
20 Account No. 228.1.” This is precisely what FPL opted to do rather than
21 implementing the optional interim incremental storm charge permitted by
22 Section 6 of the 2016 Settlement Agreement.

23

1 Further, Section 6 of the 2016 Settlement Agreement approved by the
2 Commission in Order No. PSC-2016-0560-AS-EI in Docket No. 20160021-EI
3 gives FPL the option, but does not require, the Company to seek incremental
4 storm cost recovery. FPL decided to forgo that option with respect to
5 Hurricane Irma storm restoration costs. Because another option was available
6 through the framework of the 2016 Settlement Agreement and was authorized
7 by the Rule, FPL decided to forgo seeking an incremental charge from
8 customers for the recovery of Hurricane Irma storm restoration costs. Instead,
9 FPL recorded Hurricane Irma non-capitalized storm-related costs as a base
10 O&M expense in accordance with Part (1)(h) of the Rule.

11 **Q. Does FPL have the authority to use the reserve amortization mechanism**
12 **for storm restoration costs?**

13 A. Yes. Although, FPL's use of the reserve amortization is not a proper issue in
14 this proceeding, as this docket was initiated to evaluate FPL's storm
15 restoration costs related to Hurricane Irma, I will nonetheless respond to Mr.
16 Schultz's comments. The Reserve Amount, as defined in paragraph 12 of the
17 2016 Settlement Agreement, may be amortized *at FPL's discretion* to earn a
18 targeted regulatory ROE within an authorized range of 9.6% to 11.6%. The
19 2016 Settlement contemplates that FPL will account for unexpected changes
20 in its business – no matter how they arise – within the framework of the 2016
21 Settlement Agreement. The 2016 Settlement Agreement provides FPL the
22 flexibility to use the reserve amortization mechanism to absorb additional
23 expenses (for example, the charge of storm costs to base O&M expense) or

1 lower than expected sales while remaining within the authorized return on
2 equity range. Similarly, the reserve amortization allows FPL to absorb lower
3 expenses or higher than expected sales while remaining within its authorized
4 return on equity range.

5
6 There is no prohibition in the 2016 Settlement Agreement to utilizing the
7 Reserve Amount to offset storm restoration costs, whether incremental or non-
8 incremental, so long as FPL remains within its authorized earnings range. In
9 fact, on page 4, line 2-4 of his direct testimony, Mr. Schultz acknowledges
10 that FPL may use the amortization mechanism for storm restoration costs.

11 **Q. On page 5, lines 17 through 21, and further on page 11, lines 9 through 10**
12 **of his direct testimony, Mr. Schultz states that FPL has taken the position**
13 **that the Rule does not apply for Hurricane Irma storm restoration costs**
14 **charged to base O&M. Do you have a response?**

15 A. Yes. To clarify, contrary to Mr. Schultz's interpretation of FPL's accounting
16 for Hurricane Irma storm costs, FPL did follow the Rule. As explained above,
17 FPL followed the Rule and the applicable provisions of the ICCA
18 methodology to calculate its Hurricane Irma storm restoration costs, including
19 removing below-the-line expenses and calculating storm capital, but elected to
20 charge the incremental Hurricane Irma storm restoration costs to base O&M
21 rather than seeking recovery through a storm surcharge.

22

1 As a result of FPL's decision to charge the incremental Hurricane Irma storm
2 restoration costs to base O&M, certain provisions of the Rule and ICCA
3 methodology related to incremental O&M costs (i.e., regular payroll,
4 vegetation management, etc.) to be charged to the storm reserve are not
5 applicable because they make no difference to the total Hurricane Irma storm
6 restoration costs that FPL charged to base O&M. The exercise of calculating
7 incremental O&M storm costs and charging the storm reserve became
8 unnecessary once the decision was made not to seek recovery of storm costs
9 through a storm surcharge in December 2017. Therefore, as stated in my
10 direct testimony, the ICCA methodology is not applicable to calculate FPL's
11 Hurricane Irma O&M storm restoration costs.

12 **Q. On page 5, lines 7-15 of his direct testimony, Mr. Schultz suggests that**
13 **FPL's decision to reclassify the Hurricane Irma storm restoration costs as**
14 **base O&M expense allows FPL to recover costs that would not have**
15 **otherwise been recoverable from customers if the ICCA method applied.**
16 **Do you agree with his assessment?**

17 **A.** No. It appears Mr. Schultz believes that only the incremental storm
18 restoration costs under the ICCA method are charged to customers, and that
19 the non-incremental storm restoration costs under the ICCA method are
20 disallowed (i.e., not charged to customers). The flaw with Mr. Schultz's
21 interpretation is that, even if all provisions of the ICCA method applied, all
22 reasonable and prudent non-incremental storm restoration costs are charged as
23 base O&M expense or capital.

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Had FPL sought a surcharge and applied all provisions of the ICCA methodology to calculate the incremental Hurricane Irma storm costs, the reasonable and prudent *incremental* costs would have been charged to the storm reserve and the reasonable and prudent *non-incremental* costs would have been charged to base O&M expense or capital.

III. PAYROLL COSTS

A. Regular Payroll Storm Restoration Costs

Q. Please summarize Mr. Schultz’s recommended adjustment to the Hurricane Irma regular payroll expense.

A. On page 33, lines 6-9 of his direct testimony, Mr. Schultz recommends that the total amount of distribution regular payroll expense associated with Hurricane Irma storm restoration costs be reduced by \$10 million, and that the incremental regular payroll expense be reduced by \$4.153 million. Mr. Schultz’s adjustments are based solely on his misguided application of the ICCA method and his flawed calculation of the non-incremental payroll expenses that are excluded under the ICCA method. According to his testimony on pages 27 and 30, Mr. Schultz contends that all of FPL’s regular payroll expense incurred for Hurricane Irma is non-incremental under the ICCA method and should be disallowed. Further, on pages 33-34 of his testimony, Mr. Schultz reclassifies \$5.847 million of regular payroll expense

1 that was capitalized as overtime because, according to Mr. Schultz, there is no
2 incremental payroll expense under the ICCA method that could be capitalized.

3 **Q. Do you agree with Mr. Schultz's adjustments to the regular payroll**
4 **expense?**

5 A. No. Importantly, Mr. Schultz does not claim that any portion of the regular
6 payroll expense incurred by FPL for Hurricane Irma was unreasonable or
7 imprudent. Rather, Mr. Schultz's adjustments to the regular payroll expense
8 are based entirely on his erroneous application of the ICCA method.

9
10 Mr. Schultz's adjustment fails to recognize that all of the regular payroll
11 expense was charged to base O&M expense or capital. Unless a non-
12 incremental regular payroll expense is found to be unreasonable or imprudent
13 (in which case it would be charged below-the-line and not recovered from
14 customers), it will be charged to base O&M expense or capital. Thus, even if
15 all of FPL's regular payroll expenses was non-incremental as suggested by
16 Mr. Schultz, which it is not, all reasonable and prudent non-incremental
17 regular payroll expenses would be charged to base O&M expense or capital,
18 which is where all of the regular payroll expense for Hurricane Irma has been
19 charged. Stated otherwise, Mr. Schultz's attempt to reclassify all of the
20 regular payroll expense as non-incremental costs does not, absent a finding of
21 unreasonableness or imprudence, mean the costs are disallowed as a base
22 O&M expense as suggested by Mr. Schultz.

1 **Q. Do you have any additional concerns with Mr. Schultz’s application of**
2 **the ICCA method?**

3 A. Yes. Mr. Schultz’s recommended reduction in regular payroll and calculated
4 incremental regular payroll utilizing the Company’s 2016 rate case MFRs as a
5 baseline is inconsistent with the Rule, prior Commission orders, and ignores
6 that the 2016 rate case was settled.

7
8 While the Rule does not expressly state whether the excluded regular payroll
9 costs should be based on the budgeted amount or the amount included in the
10 MFRs from the utility’s last rate case (as argued by Mr. Schultz), the Rule
11 does provide significant guidance on the purpose and intent of the Rule. Part
12 (1)(f)(1) of the Rule prohibits “base rate recoverable regular payroll and
13 regular payroll-related costs for utility managerial and non-managerial
14 personnel” from being charged to the storm reserve, and Part (1)(d) of the
15 Rule provides that “... costs charged to cover storm-related damages shall
16 exclude those costs that normally would be charged to non-cost recovery
17 clause operating expenses in the absence of a storm.” Rule 25-6.0143(1)(f)(1)
18 and (1)(d). In addition, Part (1)(f)(7) of the Rule specifically refers to the use
19 of budgeted call center and customer service costs when calculating
20 incremental costs for those functions. When these parts of the Rule are read
21 together, it is clear that the purpose of the Rule is to exclude the normal
22 regular payroll O&M expense that would have been incurred *in the absence of*
23 *the storm.*

1 There is nothing in the Rule that states the non-incremental regular payroll
2 expense must be the regular payroll expense included in the MFRs from the
3 utility's last rate case. Rather, the intent of the Rule is to permit full recovery
4 of non-capital expenses that are directly related to extraordinary storms and
5 are not part of the utility's normal, day-to-day regular payroll charged to
6 O&M expenses.

7
8 Mr. Schultz's use of MFRs from FPL's rate case to calculate the incremental
9 recoverable regular payroll expense disregards that FPL's 2016 base rate case
10 resulted in a settlement. The base rates in effect during Hurricane Irma (2017)
11 were the result of a full comprehensive, black box settlement agreement
12 approved by the Commission in Docket No. 20160021-EI. The 2016
13 Settlement was achieved after extensive, good faith negotiations among the
14 signatory parties and represented a compromise of many diverse and
15 competing litigation positions. As a result, the actual revenue requirement
16 adopted under the 2016 Settlement was significantly less than the as-filed
17 revenue requirement. The fixed base rates approved under the 2016
18 Settlement were designed to achieve this compromise settled revenue
19 requirement, not the as-filed revenue requirement. Mr. Schultz's reliance on
20 the payroll expense from the MFRs initially filed with FPL's 2016 rate case to
21 calculate the incremental recoverable regular payroll expense fails to take into
22 account that the MFRs are based on the as-filed revenue requirement, not the

1 significantly reduced revenue requirement approved under the 2016
2 Settlement and actually included in the effective base rates.

3

4 Further, Mr. Schultz's reliance on the payroll expense from the MFRs initially
5 filed with FPL's 2016 rate case fails to recognize that O&M expenses
6 fluctuate from year-to-year. Although the base rates charged to customers
7 under the 2016 Settlement are fixed, the 2016 Settlement agreement did not
8 fix or otherwise specify the amount of regular O&M payroll to be charged to
9 base rates in any given year. Rather, the actual amount of regular O&M
10 payroll to be charged to base rates can and does fluctuate from year to year –
11 meaning the amount of regular O&M payroll charged to base rates in one year
12 could be the same, more, or less than the amount charged to base rates in prior
13 or subsequent years. In fact, in response to discovery, Mr. Schultz agrees that
14 a utility's actual annual payroll expense may fluctuate after base rates have
15 been established. A copy of OPC's response to FPL Interrogatory No. 27 is
16 provided as Exhibit KF-5.

17 **Q. If you disagree with Mr. Schultz's use of the MFRs to calculate the**
18 **incremental regular payroll expense in this case, how should the**
19 **incremental regular payroll expenses be determined?**

20 A. Although calculating the incremental O&M storm costs would result in the
21 exact outcome presented by FPL in this docket, the baseline to calculate
22 FPL's non-incremental storm costs per the ICCA methodology would be its
23 current period operating budget, which is reflected on the informational

1 Exhibit KF-2 and updated Exhibit KF-4. The use of the budgeted amount of
2 regular payroll expenses to calculate the baseline from which incremental
3 recoverable costs are derived is consistent with the intent and purpose of the
4 ICCA method under the Rule because it reflects the actual amount of regular
5 payroll expense that would be charged to base O&M expense in the absence
6 of the storm. Further, the use of the budgeted amount of regular payroll
7 expenses to calculate the baseline from which incremental recoverable costs
8 are derived properly recognizes: (i) the rates in effect were the result of a
9 settlement with a significantly reduced revenue requirement, and (ii) the
10 actual amount of regular O&M payroll to be charged to base rates can and
11 does fluctuate from year to year.

12
13 Additionally, use of the budgeted amount of regular payroll expenses to
14 calculate the baseline from which incremental recoverable costs are derived is
15 consistent with multiple Commission Orders, including:

- 16 • Order No. PSC-2005-0937-FOF-EI, Docket No. 20041291-EI, which
17 required FPL to use the budgeted amount of regular payroll for the
18 year in which the storm occurred as the baseline to determine the
19 incremental amount of regular payroll for the 2004 storms;
- 20 • Paragraphs 21 and 22 of Order No. PSC-2006-0464-FOF-EI, Docket
21 No. 20060038-EI, which allowed recovery of regular payroll
22 normally recovered through capital or cost recovery clauses; and

- 1 • Part (1)(f)(7) of the Rule which specifically refers to the use of
2 budgeted call center and customer service costs when calculating
3 incremental costs for those functions.

4 A review of this guiding precedent and the intent of the Rule supports the use
5 of a current period operating budget as the baseline to calculation of non-
6 incremental storm costs.

7

8 **B. Overtime Payroll Storm Restoration Costs**

9 **Q. Please summarize Mr. Schultz’s recommended adjustment to the**
10 **Hurricane Irma overtime payroll expense.**

11 A. On page 34, lines 17 through 20 of his testimony, Mr. Schultz recommends
12 that FPL’s overtime payroll expense associated with Hurricane Irma be
13 reduced by \$17.158 million to exclude non-incremental payroll under the
14 ICCA method. On pages 33-35, Mr. Schultz reclassifies \$5.847 million of
15 capitalized regular payroll as capitalized overtime and makes a corresponding
16 reduction to overtime payroll expense. Finally, on pages 37-39, Mr. Schultz
17 contends that FPL’s capitalization rate for overtime payroll expense is
18 understated and recommends that the overtime payroll expense be reduced by
19 \$12.471 million to reflect the higher capitalization rate.

20 **Q. Do you agree with Mr. Schultz’s recommendation to exclude non-**
21 **incremental overtime payroll under the ICCA method?**

22 A. No. Similar to his non-incremental adjustment for regular payroll expense,
23 the fundamental flaw with his adjustment to the overtime payroll expense is

1 that it fails to recognize that all of the overtime payroll expense was charged
2 to base O&M expense and, unless a non-incremental overtime payroll expense
3 is found to be unreasonable or imprudent, it will be charged to base O&M
4 expense. In this case, Mr. Schultz does not contend that any portion of the
5 overtime expense associated with the Hurricane Irma storm restoration costs is
6 unreasonable or imprudent.

7
8 Further, Mr. Schultz's non-incremental adjustment to the overtime payroll
9 expense is based on the overtime payroll expense from the MFRs initially
10 filed with FPL's 2016 rate case. As explained above, use of the MFRs to
11 calculate the baseline from which incremental recoverable costs are derived is
12 not appropriate because the 2016 rate case was settled at a revenue
13 requirement that was significantly less than the as-filed revenue requirement.

14
15 More importantly, qualifying storm events and the associated overtime payroll
16 are neither budgeted nor planned – they are incremental in nature. Indeed, but
17 for the storm, FPL would not have incurred this overtime payroll expense.

18 **Q. Do you agree with Mr. Schultz's reclassification of \$5.847 million of**
19 **capitalized regular payroll as capitalized overtime?**

20 A. No. Mr. Schultz's reclassification of these costs is based solely on his
21 position that there are no incremental regular payroll costs under the ICCA
22 methodology and, therefore, there are no regular payroll costs to be
23 capitalized. Mr. Schultz then simply reclassifies the capitalized regular

1 payroll as overtime. As explained above and in my direct testimony, Mr.
2 Schultz's reclassification of these costs should be rejected.

3
4 I further note that Mr. Schultz's recommended adjustments are inconsistent.
5 According to Mr. Schultz, there are no regular payroll costs to be capitalized
6 because there are no incremental regular payroll expenses recoverable under
7 the ICCA method. Despite his position that the entirety of the regular payroll
8 cost is non-incremental and unrecoverable under the ICCA method, Mr.
9 Schultz then goes on to conclude that a portion of these very same costs
10 should be treated as a capital component of the overtime costs. The problem
11 with this approach is that by reclassifying a portion of the regular payroll costs
12 as overtime costs, Mr. Schultz is treating the very same costs as both non-
13 incremental costs on one hand and then as incremental costs on the other
14 hand. Therefore, Mr. Schultz's positions are inconsistent. Finally, Mr.
15 Schultz offers no reasonable basis or support for reclassifying these costs from
16 regular payroll costs to overtime costs.

17 **Q. Do you agree with Mr. Schultz that FPL's capitalization is understated?**

18 A. No. Mr. Schultz argues that FPL's capitalization is understated because the
19 work performed after a storm is under abnormal conditions, not normal
20 conditions, and overtime rates are higher than regular pay rates. Rather than
21 relying on the normal capitalization rate, Mr. Schultz develops a separate
22 overtime capitalization rate based on the average FPL overtime rate per

1 person and a three-man crew, which results in a reduction of \$12.741 million
2 to FPL's overtime expense claim.

3

4 The flaw with Mr. Schultz's proposed capitalization rate based on overtime
5 costs is that Rule 25-6.0143 expressly requires the *normal* amount of capital
6 costs be excluded from the recoverable storm costs. Mr. Schultz's
7 recommended adjustment completely ignores this requirement of the Rule and
8 should be rejected.

9

10 **IV. CAPITALIZATION OF COSTS**

11 **Q. Please summarize Mr. Schultz's testimony regarding the capitalization of**
12 **contractor costs.**

13 A. On pages 72-78 of his direct testimony, Mr. Schultz contends that the amount
14 of contractor costs that FPL capitalized for Hurricane Irma was understated.
15 Mr. Schultz contends FPL's normal capitalization rate used for contractor
16 costs does not represent the total cost of outside contractors who perform
17 capital restoration work because contractor rates and hours are greater than the
18 rates and hours for FPL's employees, and because the contractor crew size
19 used by FPL is too low. Mr. Schultz develops his own average hourly
20 contractor rate and, using an estimated 4-man crew, recommends an increase
21 in contractor capital costs of \$278.754 million and a corresponding reduction
22 in the total storm restoration costs charged to base O&M.

1 **Q. Please explain how FPL capitalized its contractor costs for Hurricane**
2 **Irma.**

3 A. As explained above, all storm restoration costs for Hurricane Irma were
4 tracked and accumulated in FERC Account 186, and prior to December 2017
5 FPL applied the ICCA methodology to remove below-the-line expense,
6 determine the incremental O&M costs, and capitalize the storm costs. FPL
7 subsequently elected to charge the incremental Hurricane Irma storm
8 restoration costs to base O&M rather than seeking recovery through a storm
9 surcharge.

10

11 To determine the amount of capitalized contractor costs, FPL used part (1)(d)
12 of the Rule, which states that "...the normal cost for the removal, retirement
13 and replacement of those facilities in the absence of a storm" should be the
14 basis for calculating storm restoration capital. This methodology was first
15 prescribed in the Final Order in FPL's 2004 Storm Docket No. 20060038-EI,
16 and was subsequently codified in the instant Rule. FPL has followed the same
17 methodology for calculating storm capital for all storm events since the
18 effective date of the Rule and the approach has been applied consistently by
19 the Commission.

20

21 I also note that at the March 5, 2019 Agenda Conference, the Commission
22 adopted Staff's recommendation in the Florida Public Utilities Company's
23 ("FPUC") storm cost recovery proceeding at Docket No. 20180061 to reject

1 OPC's higher contractor capitalization rate (abnormal conditions and higher
2 rates) as contrary to the Rule and accepted FPUC's "normal" capitalization
3 rate based on its average in-house rates under normal conditions for the same
4 work.

5 **Q. Do you agree with Mr. Schultz that the capitalized contractor costs are**
6 **understated?**

7 A. No. FPL followed Part (1)(d) of the Rule in determining the amount of
8 contractor costs to be capitalized under normal (non-storm) conditions.
9 Rather than relying on the normal capitalization rate that would apply in the
10 absence of a storm, Mr. Schultz develops a separate contractor capitalization
11 rate relying on the average hourly rates charged by contractors for storm
12 restoration during Hurricane Irma and an assumed four-man crew. Mr.
13 Schultz's approach completely ignores the requirements of the Rule.

14 **Q. On page 73, lines 7-13 of his direct testimony, Mr. Schultz states that**
15 **FPL's capitalization of contractor costs does not comply with Generally**
16 **Accepted Accounting Principles ("GAAP")? Do you agree?**

17 A. No. FPL's accounting process and capitalization of Hurricane Irma storm
18 costs, including contractor costs, comply with GAAP. The determination of
19 what amount is capitalizable for FPL facilities constructed for its own use,
20 including storm capital, is made in accordance with GAAP, and applicable
21 guidance from FERC and the Florida Public Service Commission. FPL is also
22 required to follow Accounting Standards Codification 980, *Regulated*
23 *Operations*, ("ASC 980") for the treatment of certain costs as prescribed by

1 the regulator. ASC 980-340-25-1 stresses the importance of accounting for
2 incurred costs in accordance with “rate actions of a regulator,” which include,
3 but are not limited to: rate orders, rules or regulations, regulator policies and
4 practices, and discussions with the regulator. In this case, the Commission
5 has expressly promulgated how storm costs should be capitalized in Part
6 (1)(d) of the Rule.

7 **Q. On pages 94-95, Mr. Schultz recommends that FPL should be required to**
8 **develop separate capitalization rates for its Company personnel and for**
9 **its contractors based on actual work, costs, and rates incurred during**
10 **storm restoration activities. Do you agree?**

11 A. No. Although contractor rates and costs during storm restoration may be
12 higher than the rates and costs of FPL’s personnel under blue-sky, non-storm
13 conditions, unless and until the Rule is amended by the Commission through a
14 rulemaking proceeding, the Rule requires the utility to use the normal
15 capitalization rate that would apply in the absence of a storm. Although Mr.
16 Schultz may disagree with the requirements and intent of the Rule, FPL
17 clearly followed the Rule with respect to the capitalization of contractor costs.

18 **Q. If the normal capital rate prescribed in the Rule did not apply to the**
19 **Hurricane Irma contractor storm restoration costs as suggested by Mr.**
20 **Schultz, do you agree with Mr. Schultz’s approach to calculate the capital**
21 **contractor costs?**

1 A. No. Even if the capitalization method included in the Rule did not apply, Mr.
2 Schultz erred in the capitalization calculations on Schedule C in his Exhibit
3 HWS-2. Those errors include:

- 4 • Estimating actual capital contractor costs for the entire Hurricane Irma
5 event based on the total FPL estimate of capital contractor costs, which
6 includes both restoration capital and follow up capital. In order to
7 develop a reasonable estimate of total capital cost incurred in a storm
8 event, one must develop separate estimates of restoration capital and
9 follow up capital, as the labor costs and Construction Man Hours
10 (“CMH”) hours are different and not consistent for the two types of
11 work.
- 12 • Deriving total capitalizable CMH by using a “normal” FPL hourly
13 labor rate. There is no need to resort to a derivation, as the capital
14 CMH for restoration is readily available in FPL’s Work Management
15 System and should be utilized directly as the basis for capital
16 determination. In addition, if one were to rely on a derivation, it
17 would be inappropriate to use the FPL labor rate to derive capital
18 CMH for contractors.
- 19 • Using an anecdotally estimated crew size in the calculation. Witness
20 Schultz’s use of a crew size of four in his calculation is arbitrary and
21 unnecessary. A proper calculation could instead utilize all-in capital
22 cost per CMH by employees versus contractors, without having to rely
23 on an unsubstantiated crew size estimate.

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V. ACCRUALS

Q. Please summarize Mr. Schultz’s testimony regarding the distribution and nuclear storm cost accruals that you address in your rebuttal testimony.

A. On page 83 of his direct testimony, Mr. Schultz recommends that the distribution accrual of \$20.166 million and the nuclear accrual of \$12.967 million be excluded from the Hurricane Irma storm restoration costs charged to base O&M expense due to lack of supporting detail.

Q. Did FPL provide supporting detail for the distribution and nuclear accruals included in its storm costs?

A. Yes. As a preliminary matter, I note that Mr. Schultz does not claim that any portion of the distribution or nuclear accruals for Hurricane Irma were unreasonable or imprudent. Rather, the sole basis for his claim that these costs should be disallowed is lack of supporting details.

Contrary to Mr. Schultz’s statement, FPL did provide supporting detail for these costs in response to discovery. The support for the distribution accrual was provided in FPL’s response to OPC Request for Production of Documents No. 26. Likewise, the support for the nuclear accrual was provided in FPL’s response to OPC Request for Production of Documents No. 14.

FPL’s estimated Hurricane Irma storm restoration costs include accruals for

1 invoices received but not yet processed, work incurred but not yet invoiced
2 and remaining follow-up work to be performed to restore the system back to
3 its pre-storm condition. As of December 2018, there remained a total of
4 \$17.633 million of Hurricane Irma storm cost accruals which are reflected on
5 Exhibit KF-3 and KF-4 for the nuclear function, and there was no remaining
6 accrual for the distribution function.

7

8 **VI. ADJUSTMENTS TO TOTAL STORM RESTORATION COSTS**

9 **Q. Has FPL identified any adjustments to the Hurricane Irma Storm and**
10 **Restoration costs filed on August 31, 2018?**

11 A. Yes. Since the filing of Exhibit KF-1 and KF-2 on August 31, 2018, FPL has
12 identified and incorporated adjustments to the total storm related restoration
13 costs, totaling \$3.397 million or less than 0.25% of the total Hurricane Irma
14 storm restoration costs, into Exhibits KF-3 and Exhibit KF-4 that are attached
15 to my rebuttal testimony. The \$3.397 million overall decrease to the total
16 storm related restoration costs (line 10) reflects a decrease in Hurricane Irma
17 Capitalizable Costs of \$6.928 million (line 18) offset by an increase Storm
18 Restoration Costs Charged to Base O&M of \$3.531 million (line 24). Each of
19 these adjustments are summarized below:

- 20 • Adjustments for Jurisdictional factors
 - 21 ○ FPL incorrectly used 2018 jurisdictional factors on Exhibit KF-
 - 22 2. After applying the 2017 factors, which are reflected on

1 Exhibit KF-4, the total incremental storm costs decreased by
2 \$67 thousand.

- 3 • Reporting misclassification for contractor work
 - 4 ○ As stated in FPL's response to OPC Interrogatory No. 81, FPL
 - 5 inadvertently misclassified an invoice totaling \$216 thousand
 - 6 as Contractor instead of Line Clearing. FPL has corrected the
 - 7 misclassification resulting in no impact to the total storm
 - 8 restoration costs.
- 9 • Decrease in Hurricane Irma Storm Restoration Costs of \$3.397 million
10 reflected on lines 2 through 9 on Exhibit KF-3 and KF-4.
 - 11 ○ FPL's final true up of follow up and restoration work resulted
 - 12 in a net decrease to overall storm costs attributed to changes in
 - 13 estimates and scope of work.
 - 14 ○ As discussed by FPL witness Manz and addressed in FPL's
 - 15 answers to OPC Interrogatories Nos. 148 and 174, FPL
 - 16 inadvertently double paid a Contractor invoice for \$1.223
 - 17 million. FPL issued a credit memo for the double payment
 - 18 resulting in a decrease to Contractor costs and total Hurricane
 - 19 Irma storm costs.
 - 20 ○ As reflected in FPL's response to OPC Interrogatory No. 145,
 - 21 FPL inadvertently paid fuel totaling \$9 thousand to a vendor
 - 22 during mobilization who had not received authorization for
 - 23 reimbursement for fuel purchased during mobilization. FPL

- 1 has removed this amount from its total storm costs and will
2 seek a refund for the vendor.
- 3 ○ As discussed by FPL witness Manz, FPL adjusted for billing
4 issue reimbursements in the total amount of \$167,787.
 - 5 ○ As discussed by FPL witness Gwaltney, an adjustment for
6 contractor invoices in the amount of \$247,817.
- 7 • Decrease in Hurricane Irma Capitalizable Costs of \$6.928 million
8 reflected on lines 13 through 17 on Exhibit KF-3 and KF-4.
 - 9 ○ FPL's final true up of follow up and restoration work resulted
10 in a net decrease to overall capitalizable costs attributed to
11 changes in estimates and scope of work.
 - 12 ○ Approximately \$1.586 million of transmission work originally
13 classified as capital was deemed maintenance (i.e., right of
14 way clean up, tree trimming, fence repair, and helicopter
15 patrols) resulting in a decrease of \$1.586 million to
16 Capitalizable Costs and equal increase to Storm Restoration
17 Costs Charged to Base O&M.

18 **Q. Does this conclude your rebuttal testimony?**

19 A. Yes.

Docket No. 20180049-EI
Updated Hurricane Irma Costs as of
December 31, 2018
Exhibit KF-3, Page 1 of 1

Florida Power & Light Company
Hurricane Irma Storm Restoration Costs
through December 31, 2018
(\$000s)

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	<u>Storm Restoration Costs</u>							
2		\$520	\$516	\$1,594	\$11,771	\$1,240	\$501	\$16,142
3		970	2,306	2,435	28,819	1,948	1,579	38,058
4		9,492	21,464	21,177	764,793	2,921	755	820,602
5		0	0	1,135	141,773	0	0	142,908
6		96	0	401	23,399	13	1	23,909
7		542	1,604	7,995	31,514	739	214	42,608
8		21	213	803	272,166	144	517	273,864
9		385	169	1,034	6,231	7,442	1,657	16,917
10	Total Storm Related Restoration Costs	Sum of Lines 2 - 9						
		\$12,026	\$26,272	\$36,574	\$1,280,467	\$14,446	\$5,223	\$1,375,008
11	<u>Less Capitalizable Costs (E)</u>							
13		\$0	\$0	\$243	\$5,075	\$0	\$0	\$5,318
14		0	6,250	4,445	57,395	208	0	68,298
15		0	0	6,079	19,949	22	204	26,254
16		0	0	0	770	0	0	770
17		0	0	0	-2,440	0	0	-2,440
18	Total Capitalizable Costs	Sum of Lines 13 - 17						
		\$0	\$6,250	\$10,767	\$80,748	\$230	\$204	\$98,200
20	Less Third-Party Reimbursements (F)				2,440	0	0	2,440
21		0	0	0				
22	Less Below-the-Line/Thank You Ads				0	822	0	822
23		0	0	0				
24	Total Storm Restoration Costs Charged to Base O&M	Lines 10 - 18 - 20 - 22						
		\$12,026	\$20,022	\$25,806	\$1,197,279	\$13,394	\$5,019	\$1,273,545

Notes

(A) Storm costs are as of December 31, 2018. 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, Marketing and Communications, Energy Marketing & Trading and Legal 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

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

(E) Includes capital associated with follow-up work.

(F) Reimbursement from AT&T for net poles replaced by FPL during restoration as a result of the storm.

Docket No. 20180049-EI
Updated Hurricane Irma Incremental Cost and
Capitalization Approach Adjustments as of
December 31, 2018
Exhibit KF-4, Page 1 of 1

Florida Power and Light
Hurricane Irma Incremental Cost and Capitalization Approach Adjustments
through December 31, 2018
(\$000s)

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	<u>Storm Restoration Costs</u>							
2		520	516	1,594	11,771	1,240	501	\$16,142
3		970	2,306	2,435	28,819	1,948	1,579	38,058
4		9,492	21,464	21,177	764,793	2,921	755	820,602
5		0	0	1,135	141,773	0	0	142,908
6		96	0	401	23,399	13	1	23,909
7		542	1,604	7,995	31,514	739	214	42,608
8		21	213	803	272,166	144	517	273,864
9		385	169	1,034	6,231	7,442	1,657	16,917
10	Total Storm Related Restoration Costs	\$12,026	\$26,272	\$36,574	\$1,280,467	\$14,446	\$5,223	\$1,375,008
11								
12	<u>Less: Capitalizable Costs (E)</u>							
13		\$0	\$0	\$243	\$5,075	\$0	\$0	\$5,318
14		0	6,250	4,445	57,395	208	0	68,298
15		0	0	6,079	19,949	22	204	26,254
16		0	0	0	770	0	0	770
17		0	0	0	-2,440	0	0	-2,440
18	Total Capitalizable Costs	\$0	\$6,250	\$10,767	\$80,748	\$230	\$204	\$98,200
19								
20	Less: Third-Party Reimbursements (F)	0	0	0	2,440	0	0	2,440
21								
22	Less: Below-the-Line/Thank You Ads	0	0	0	0	822	0	822
23								
24	Total Storm Restoration Costs Charged to Base O&M	\$12,026	\$20,022	\$25,806	\$1,197,279	\$13,394	\$5,019	\$1,273,545
25								
26	<u>Less: ICCA Adjustments</u>							
27		\$587	\$179	\$709	\$2,215	\$1,802	\$1,260	\$6,752
28								
29		0	0	0	5,080	0	0	5,080
30								
31		0	0	354	3,837	0	0	4,192
32		0	0	0	133	0	0	133
33								
34		0	0	0	244	0	0	244
35		0	0	0	0	811	123	934
36	Total ICCA Adjustments	\$587	\$179	\$1,063	\$11,509	\$2,613	\$1,383	\$17,335
37								
38	<u>Incremental Storm Losses</u>							
39		-\$67	\$337	\$642	\$4,481	-\$562	-\$760	\$4,071
40		970	2,306	2,435	28,819	1,948	1,579	38,058
41		9,492	15,214	16,731	707,398	2,713	632	752,180
42		0	0	1,135	136,693	0	0	137,828
43		96	0	46	19,429	13	1	19,585
44		542	1,604	1,917	11,565	717	9	16,553
45		21	213	803	272,166	144	517	273,864
46		385	169	1,034	5,218	5,809	1,657	14,271
47	Total Incremental Storm Losses	\$11,439	\$19,843	\$24,743	\$1,185,770	\$10,781	\$3,636	\$1,256,211
48								
49	Jurisdictional Factor (H)	0.9506	0.9326	0.9013	0.9999	0.9675	1.0000	
50								
51	Retail Recoverable Incremental Costs	\$ 10,874	\$ 18,506	\$ 22,301	\$ 1,185,614	\$ 10,430	\$ 3,636	\$ 1,251,361

Notes:

(A) Storm costs are as of December 31, 2018. 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, Marketing and Communications, Energy Marketing & Trading and Legal 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) Includes capital associated with follow-up work.

(F) Reimbursement from AT&T for net poles replaced by FPL during restoration as a result of the storm.

(G) 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. All non-incremental analyses are reflected in the "Restoration" column.

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

27. See page 27, lines 6-9 of Mr. Schultz's direct testimony. Does Mr. Schultz agree that a utility's actual annual payroll expense may fluctuate (higher or lower) after base rates have been established? If your response is anything other than an unqualified "yes," please explain your response in detail and whether Mr. Schultz believes a utility should charge a fixed payroll expense after base rates have been established regardless of the actual payroll expense that is incurred.

Response: Yes.

DECLARATION

I sponsored the answers to Interrogatories from FPL's 2nd Set of Interrogatories (Nos. 24-70) to the Office of Public Counsel in Docket No. PSC-20180049-EI, and hereby state the responses are true and correct based on my personal knowledge and belief.

Under penalties of perjury, I declare that I have read the forgoing declaration and the interrogatory answers identified above, and the facts stated therein are true and correct to the best of my personal knowledge and belief.


Signature

Helmuth W. Schultz III

Date: MARCH 11, 2019