

Docket No. 20190038-EI
Gulf Power Company
Petition for Limited Proceeding for Recovery of Incremental Storm Restoration Costs
Related to Hurricane Michael, by Gulf Power Company.

Witness: **Direct Testimony of Debra M. Dobiac,**
Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: June 26, 2020

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DEBRA M. DOBIAC**

4 **DOCKET NO. 20190038-EI**

5 **JUNE 26, 2020**

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

7 A. My name is Debra M. Dobiac. My business address is 2540 Shumard Oak Boulevard,
8 Tallahassee, Florida, 32399.

9 **Q. By who are you presently employed?**

10 A. I am employed by the Florida Public Service Commission (FPSC or Commission) in the
11 Office of Auditing and Performance Analysis. I have been employed by the Commission since
12 January 2008.

13 **Q. Please describe your current responsibilities.**

14 A. Currently, I am a Public Utility Analyst with the responsibilities of managing regulated
15 utility financial audits. I am also responsible for creating audit work programs to meet a specific
16 audit purpose.

17 **Q. Briefly review your educational and professional background.**

18 A. I graduated with honors from Lakeland College in 1993 and have a Bachelor of Arts
19 degree in accounting. Prior to my work at the Commission, I worked for six years in internal
20 auditing at the Kohler Company and First American Title Insurance Company. I also have
21 approximately 12 years of experience as an accounting manager and controller.

22 **Q. Have you presented testimony before this Commission or any other regulatory
23 agency?**

24 A. Yes. I testified in the Aqua Utilities Florida, Inc. Rate Case, Docket No. 20080121-WS,
25 the Water Management Services, Inc. Rate Case, Docket No. 20110200-WU, and the Utilities,

1 Inc. of Florida Rate Case, Docket No. 20160101-WS. I also provided testimony for the Water
2 Management Services, Inc. Rate Case, Docket No. 20100104-WU, the Gulf Power Company
3 Rate Cases, Docket Nos. 20110138-EI and 20130140-EI, the Fuel and Purchased Power
4 Recovery Clause (Hedging Activities) for Gulf Power Company, Docket Nos. 20130001-EI,
5 20140001-EI and 20190001-EI, and the Fuel and Purchased Power Recovery Clause (Hedging
6 Activities) for Florida Power & Light Company, Docket No. 20180001-EI, and the Florida
7 Public Utilities Company's Limited Proceeding to recover incremental Storm Restoration Costs,
8 Docket No. 20180061-EI.

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

10 A. The purpose of my testimony is to sponsor the staff auditor's report issued on January 16,
11 2020, which addresses Gulf Power Company's (Gulf or Utility) petition for limited proceeding
12 for recovery of incremental storm restoration costs related to Hurricane Michael. This report is
13 filed with my testimony and is identified as Exhibit DMD-1.

14 **Q. Was this report prepared by you or under your direction?**

15 A. Yes, it was prepared under my direction.

16 **Q. Please describe the work you performed.**

17 A. I have separated the work performed into several categories.

18 Payroll, Overtime, and Related Costs

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

23 Contractors

24 We determined contractor costs from Account 186 – Miscellaneous Deferred Debits by
25 function and reconciled the balances to the storm restoration costs filing. We selected a

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

3 Line Clearing

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

8 Vehicle and Fuel

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

13 Materials and Supplies

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

18 Logistics

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

23 Other Costs

24 We determined other costs from Account 186 – Miscellaneous Deferred Debits by
25 function and reconciled the balances to the storm restoration costs filing. We selected a

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

3 Capitalizable Costs

4 We determined capitalizable costs from Account 186 – Miscellaneous Deferred Debits by
5 function and reconciled the balances to the storm restoration costs filing. We requested a
6 detailed description of the capitalizable costs, and tested these costs to determine if the Utility
7 included for recovery only those costs that are allowed as per Rule 6.0143(1)(d), Florida
8 Administrative Code (F.A.C.). No exceptions were noted.

9 Third-Party Reimbursements

10 We determined third-party reimbursements from Account 186 – Miscellaneous Deferred
11 Debits by function and reconciled the balances to the storm restoration costs filing. We
12 requested a detailed description of the third-party reimbursements, and tested these costs to
13 determine if the Utility included for recovery only those costs that are allowed as per Rule 25-
14 6.0143 (1)(b), F.A.C. No exceptions were noted.

15 Below-the-Line Costs

16 We determined below-the-line costs from Account 186 – Miscellaneous Deferred Debits
17 by function and reconciled the balances to the storm restoration costs filing. We requested a
18 detailed description of the below-the-line costs, and tested these costs to determine if the Utility
19 included for recovery only those costs that are allowed as per Rule 25-6.0143 (1)(b), F.A.C. No
20 exceptions were noted.

21 Non-Incremental Costs

22 We determined non-incremental costs from Account 186 – Miscellaneous Deferred
23 Debits by function and reconciled the balances to the storm restoration costs filing. We
24 requested a detailed description of the non-incremental costs, and tested these costs to determine
25 if the Utility included for recovery only those costs that are allowed by the applicable Rule.. No

1 exceptions were noted

2 Jurisdictional Factors

3 We determined that Gulf used the jurisdictional factors calculated for 2019 in its filing.
4 We verified the calculation using support documentation provided by the Utility. No further
5 work was performed.

6 **Q. Please review the findings in this report.**

7 A. There were no findings.

8 **Q. Does that conclude your testimony?**

9 A. Yes, it does.

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State of Florida



Public Service Commission

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

Auditor's Report

Gulf Power Company
Storm Recovery Cost Audit – Hurricane Michael

As of October 31, 2019

Docket No. 20190038-EI
Audit Control No. 2019-323-1-1
January 10, 2020

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

Debra M. Dobiac
Audit Manager

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

Marisa N. Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated November 18, 2019. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for storm recovery costs in Docket No. 20190038-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Gulf or Utility refers to Gulf Power Company.

Background

On November 15, 2019, Gulf filed a petition to facilitate an evaluation of Hurricane Michael storm costs. According to the petition, Gulf incurred \$427,674,776 in storm restoration costs and follow-up work related to Hurricane Michael from October 1, 2018 through October 31, 2019. After deducting Hurricane Michael non-incremental costs, related capital, third-party reimbursements, and below-the-line costs, the remaining total incremental storm losses amounted to \$314,612,139. After accounting for the pre-storm reserve balance, additional post-storm reserve accruals, replenishing the storm reserve, and interest, Gulf requests that the total storm amount to be recovered is \$295,748,645.

Expense

Payroll, Overtime, and Related Costs

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

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

Contractors

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

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

Line Clearing

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

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

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

Vehicle and Fuel

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

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

Materials and Supplies

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

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

Logistics

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

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

Other Costs

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

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

Other

Capitalizable Costs

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

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

Third-Party Reimbursements

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

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

Below-the-Line Costs

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

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

Non-Incremental Costs

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

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

Jurisdictional Factors

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

Procedures: We determined that Gulf used the jurisdictional factors calculated for 2019 in its filing. We verified the calculation using support documentation provided by the Utility. No further work was performed.

Audit Findings

None

Exhibits

Exhibit 1: Gulf's Hurricane Michael Final Storm Restoration Costs

Cost/Payer Company
 Hurricane Michael Loan-related Cost and Capitalization Adjustments
 through October 31, 2019
 (000s)

Exhibit MG-1, Page 1 of 2

LINE NO	Storm Costs by Function(A)					Total (6)	Capitalization of Recoverable Storm Assets (7)
	System & Other (1)	Transmission (2)	Distribution (3)	General (4)	Customer Service (5)		
1	Storm Recovery Balance (Pre-Storm)						
2	Special Assessment Costs						
3	Regulator Payroll and Related Costs (C)	\$193	\$834	\$4,572	\$30	\$1,231	\$6,964
4	Customer Payroll and Related Costs (C)	160	600	4,342	23	976	6,502
5	Operations Payroll and Related Costs (C)	762	22,315	213,694	331	0	217,041
6	Construction	0	1,376	18,298	0	0	19,673
7	Loan Charges	0	71	637	0	0	727
8	Vehicle & Fuel	1,789	1,631	24,369	9	0	29,997
9	Materials & Supplies	93	14,538	107,111	32	0	121,796
10	Logistics	17	60	4,836	0	0	4,913
11	Other (D)						
12	Total Storm Related Management Costs	\$3,013	\$41,363	\$350,018	\$443	\$2,231	\$427,075
13	Loan-Non-Storm-Related Costs						
14	Regulator Payroll and Related Costs (B)	\$193	\$401	\$2,646	\$30	\$1,231	\$4,544
15	Customer Payroll and Related Costs (B)	0	3	76	23	0	98
16	Operations Payroll and Related Costs	0	0	0	331	0	331
17	Construction	0	0	0	0	0	0
18	Loan Charges	0	498	390	0	0	788
19	Vehicle & Fuel	0	13	171	0	0	186
20	Materials & Supplies	0	0	0	9	0	9
21	Logistics	0	0	0	32	0	32
22	Other	0	0	0	0	0	0
23	Third-Party Adm.	0	1	4	0	0	7
24	Legal Costs	0	30	221	0	0	251
25	Total Non-Storm-Related Costs	\$193	\$531	\$3,403	\$443	\$1,231	\$6,297
26							
27	Sum of Lines 13 - 25						
28	Intercompany System Loans						
29	Regulator Payroll and Related Costs	50	4493	11,937	50	50	1,430
30	Customer Payroll and Related Costs	160	793	4,272	0	976	6,204
31	Operations Payroll and Related Costs	762	22,375	213,694	0	0	217,011
32	Construction	0	877	18,488	0	0	19,365
33	Loan Charges	0	37	486	0	0	541
34	Vehicle & Fuel	1,789	1,631	24,369	0	0	29,948
35	Materials & Supplies	17	14,031	107,111	0	0	121,764
36	Logistics	17	32	4,654	0	0	4,694
37	Other						
38	Subtotal	\$3,823	\$41,014	\$376,613	\$0	\$976	\$431,423
39	Less: Third-Party Reimbursements (F)	0	117	4,837	0	0	4,954
40	Net Intercompany Reimbursement Costs Incurred	\$3,823	\$40,897	\$371,777	\$0	\$976	\$416,473
41							
42	Less: Capitalizable Costs, excluding Third-Party Reimbursements	1,492	11,738	\$8,611	0	0	101,861
43	Total Intercompany Storm Loans	\$1,330	\$29,159	\$313,166	\$0	\$976	\$314,612
44	Intercompany Factor (G)						
45	Total Intercompany Storm Loans	0.9720	0.9741	0.9963	0.9841	1.0000	
46	Revol Reimbursable Costs						
47	Less: (1) * 47	\$1,291	\$21,884	\$291,134	\$0	\$976	\$312,777
48	Balance of Storm Recovery after Funding Estimated Storm Costs (Eligible Reimbursable Costs) (Lines 1 - 49)						
49	Less: Additional 2018 Accruals to Storm Recovery (Pre-Storm)						
50	Plus: Interest on Unamortized Recovery Balance						
51	Plus: Interest on Unamortized Recovery Balance						
52	Plus: Interest on Unamortized Recovery Balance						
53	Plus: Interest on Unamortized Recovery Balance						
54	Plus: Interest on Unamortized Recovery Balance						
55	Plus: Interest on Unamortized Recovery Balance						
56	Plus: Interest on Unamortized Recovery Balance						
57	Plus: Interest on Unamortized Recovery Balance						
58	Subtotal - System Storm Loans to be Recovered from Customers (Lines 51 - 55 - 57)						
59	Regulatory Assessment Fee Multiplier						
60							
61							
62	Total System Storm Loans to be Recovered from Customers (Recoverable Storm Assets) (Lines 59 - 61						
63							
							\$391,349
							\$291,536
							1,00072
							\$291,349

Notes:
 (A) Storm costs are as of October 31, 2019. Totals may not add due to rounding.
 (B) General plant financing reflects restrictions costs associated with employee savings.
 (C) Regulator and payroll charges to the System are (estimated) being reported. For example, as employee data works in legal but is reporting Distribution during storm restoration would allocate their time to Distribution.
 (D) Includes other construction costs, including repair equipment to FIDIC Account. Not. Line Transactions not reported as Capital Costs in Line 43 above.
 (E) Regulator regular payroll normally recovered through State from O&M but not charged to the Storm Recovery.
 (F) Reimbursable from ATR for not poles and a Power Stock rep reported by Grid during restoration as a result of the storm.
 (G) Intercompany Factors are based on letters approved in October, No. 18016422.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael, by Gulf Power Company.

DOCKET NO. 20190038-EI

DATED: June 26, 2020

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Debra Dobiac on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished by electronic mail to the following on this 26th day of June, 2020.

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