

1 **Before the Florida Public Service Commission**

2 Docket No. 20220049-EI

3 In re: Petition for Review of Storm Protection Plan

4 Rebuttal Testimony of Robert Chester Waruszewski

5 On Behalf of

6 Florida Public Utilities Company

7 Date of Filing: June 21, 2022

8 **I. Background**

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

10 A. My name is Robert C. Waruszewski. My business address is 500 Energy Lane, Suite
11 100, Dover, Delaware 19901.

12 **Q. By whom are you employed and in what capacity?**

13 A. I am employed by Chesapeake Utilities Corporation as Regulatory Manager, South.

14 **Q. Briefly state your education background and employment experience.**

15 A. I received a Bachelor of Science Degree in mathematics and economics from St.
16 Vincent College, Latrobe, Pennsylvania. After graduation, I worked as a junior
17 accounting clerk for the Bank of New York Mellon, assisting in the preparation of
18 audits as well as gathering local tax data for the bank's employees before joining
19 Columbia Gas of Pennsylvania in November 2011 in the Regulatory Department.
20 There, I prepared rate case and gas cost filings and in 2013, I was promoted to Senior
21 Regulatory Analyst. I joined Peoples Natural Gas, a distribution company operating
22 in Pennsylvania, West Virginia, and Kentucky in December 2017, as the Senior Rates
23 and Regulatory Analyst, where I was responsible for assisting in budget preparation

1 and compiling regulatory filings for the Company's Pennsylvania and West Virginia
2 affiliates. I was subsequently promoted to Finance and Rates Analyst IV. In January
3 2022, I joined Chesapeake Utilities Corporation where my responsibilities include
4 monthly filing of the Purchase Gas Adjustment (PGA), and other regulatory filings
5 and analysis.

6 **Q. Have you testified before this or any other Commission?**

7 A. Yes, I provided testimony in FPUC's PGA True-Up filing at Docket No. 20220003-
8 GU. In addition, I have testified before the Pennsylvania Public Utility Commission
9 in various gas cost proceedings for Peoples Natural Gas and in various Columbia Gas
10 of Pennsylvania rate proceedings. In addition, I have testified before the Public Service
11 Commission of Maryland on several occasions on behalf of Columbia Gas of
12 Maryland.

13 **Q. Did you file direct testimony in this proceeding?**

14 A. No, I did not.

15 **II. Purpose of Testimony**

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

17 A. The purpose of my testimony is to rebut various conclusions contained in the direct
18 testimony of the Office of Public Counsel's ("OPC") witness Lane Kollen pertaining
19 to the analysis of new programs proposed by FPUC in its Storm Protection Plan
20 ("SPP") petition.

21 **Q. Are you sponsoring any exhibits?**

22 A. Yes, I am sponsoring Exhibit RCW-1, which is a revised schedule submitted to remove
23 the VA transformer project from FPUC's SPP revenue requirement.

1 **Q. Do you agree with Witness Kollen’s recommendations and assessments?**

2 A. I do agree with some, but certainly not all of Witness Kollen’s recommendations. In
3 this testimony, I will address the key items that I disagree with, as well as certain points
4 upon which I agree with Witness Kollen. To be clear, however, for any other
5 particulars of Witness Kollen’s testimony that I do not specifically address, such
6 absence from this testimony should not be construed to mean that I either agree or
7 disagree with Witness Kollen.

8 **Q. On page 9, lines 1 – 8, of his direct testimony, Witness Kollen recommends that**
9 **“The Commission should apply rational and specific decision criteria to the**
10 **selection, ranking, and magnitude of the proposed programs and projects and**
11 **apply those decision criteria consistently to all four utilities in these proceedings.”**

12 **Do you agree with this recommendation?**

13 A. No. Mr. Kollen applies an overly broad interpretation of 26-6.030 Florida
14 Administrative Code (“F.A.C”). The Commission should, of course, apply rational
15 and specific decision criteria, but the criteria should also recognize that each utility
16 operates in its own unique service area and has different operational needs. For
17 example, FPUC’s service territory and customer base is much smaller and more rural
18 than the other utilities in this proceeding. Thus, FPUC has unique needs not
19 experienced by the other utilities. While Section 366.96(4), Fla. Stat. provides the
20 four items for the Commission to consider when evaluating the storm protection plan,
21 the Commission should have the discretion of how this applies to each utility and avoid
22 a one size fits all approach.

1 **Q. On page 9, lines 16-22 ,Witness Kollen asserts that, through the implementation**
2 **of the various Storm Protection Programs and projects, the utilities will achieve**
3 **cost savings through avoided costs and that these savings should be passed on to**
4 **customers either through a reduction to base rates or the SPPCRC. Do you agree**
5 **with this recommendation?**

6 **A.** While I agree with Witness Kollen that the completion of the proposed SPP projects
7 will result in cost savings for customers in the long run, there is no way to quantify
8 from a monetary perspective the savings that will be achieved through this process. As
9 a result, there should not be an adjustment to base rates to reflect future savings as they
10 are unknown at this time. While the Company expects future restoration costs from
11 severe storms to be lower by completing these storm projection programs and
12 enhancing system reliability, there is no reasonable way to quantify the savings
13 amount, since the restoration costs related to a severe storm are related to the timing
14 and damage of the storm in the future.

15 Nonetheless, FPUC believes that customers will ultimately benefit from the proposed
16 SPP projects, both in terms of reduced outages and reduced restoration costs, which
17 will be realized by the customers through enhanced reliability, as well as reduced
18 storm damage and restoration costs that could be expected to be passed on to customers
19 following a storm through a surcharge or other mechanism. FPUC believes that the
20 proactive approach of its SPP, which contemplates upgrading the system
21 incrementally over a span of time prior to a severe storm occurrence is a more cost-
22 effective way of maintaining the reliability of the electrical system than having to

1 replace a significant portion of the system in a rapid manner after a severe storm event
2 occurs.

3
4 **Q. Do you agree with Witness Kollen's recommendation on page 10 of his direct**
5 **testimony that the Commission reject all proposed projects that do not have a**
6 **benefit-to-cost ratio of 100%?**

7 **A.** No. My understanding of the definition of the SPP, as found in Section (2) (a) of 25-
8 6.030 F.A.C. is that projects included in the SPP are to enhance FPUC's infrastructure
9 for the purpose of reducing restoration costs and outage times and to improve the
10 Company's overall service reliability in the event of a storm. However, Mr. Kollen
11 appears to add an additional requirement to the evaluation of each project, a benefit
12 ratio of 100% It is not immediately clear how Mr. Kollen came up with a benefit ratio
13 of 100%, nor how that is to be applied in the instance of projects in the SPP. If a
14 customer of FPUC experiences reduced restoration costs and shorter outage times as
15 a result of the projects contained in the SPP, then, I would expect that most customers
16 would perceive that result to be 100% better than sitting in the dark in the Florida heat
17 waiting on restoration following an extreme weather event.

18 **Q. How should the Commission evaluate the prudence of the proposed projects?**

19 The Company does not believe a quantification of estimated benefits vs costs of
20 enhanced storm protection is a meaningful guide on its own to assessing the prudence
21 of a project, in part because the benefits to be achieved are wide ranging and not easily
22 quantified. As stated in the statute, the estimated costs and benefits of making
23 improvements to the system are criteria the Commission is to consider, along with

1 reduced restoration costs and outage times, feasibility, reasonability and practicality
2 of storm protection, as well as the estimated rate impact on customers. These criteria
3 clearly provide a sufficient basis for the Commission to assess FPUC's SPP while also
4 recognizing the Commission's regulatory expertise and its discretion to apply its
5 assessment in the appropriate context.

6 **Q. On page 11, lines 1 and 2 of his direct testimony, Witness Kollen recommends**
7 **that costs associated with vegetation management and pole inspections be moved**
8 **from base rates to SPPCRC to ensure that costs are not double recovered. Do you**
9 **agree with this recommendation?**

10 A. Yes, this is ultimately the Company's long-term intent, which the Company would
11 anticipate addressing in its next base rate proceeding. In the interim, the Company
12 agrees that there should be no "double recovery" of costs and therefore has only
13 contemplated recovery of incremental amounts associated with certain items for which
14 a portion is already recovered through base rates.

15 **Q. Do you agree with Witness Kollen's statement on Pages 22 and 23 of his direct**
16 **testimony that the Company incorrectly included costs incurred prior to the**
17 **approval of the SPP in its SPP revenue requirement?**

18 A. The Company agrees with Mr. Kollen that the 75m VA transformer project was
19 erroneously included in the revenue requirement and had revised the revenue
20 requirement to remove this project, since it already had been placed in service prior to
21 2022. This revision was provided in Attachment B to OPC's Second Set of
22 Interrogatories and is provided as Exhibit RCW-1 to my rebuttal testimony. However,
23 the Company believes that the estimated engineering and planning costs for 2022 SPP

1 projects are appropriate to include within the SPP revenue requirement. These
2 estimated engineering and planning costs would be incurred subsequent to the April
3 11, 2022, filing of FPUC's SPP, and are therefore eligible for recovery under Rule 25-
4 6.031(6)(a), Florida Administrative Code.

5 **Q. Do you agree with Witness Kollen's assertion on page 23, line 3, that FPUC**
6 **improperly included depreciation expense on CWIP?**

7 A. The original schedule was designed as a high-level investment and did not reflect
8 details related to CWIP within the overall calculation. The Company agrees that CWIP
9 should not be included as a part of depreciation expense and has not included CWIP
10 in the computation of depreciation expense in the recently submitted 2022 E and 2023
11 P schedules at Docket No. 20220010-EI.

12 **Q. Do you agree with Witness Kollen's statement on page 23, line 4, that FPUC**
13 **improperly included property tax expense on CWIP?**

14 A. In the Company's original filing, it was assumed that CWIP projects would be closed
15 out annually, and therefore, there would not be CWIP balances. In the Company's
16 2022 E and 2023 P schedules submitted in Docket No. 20220010-EI, which contain a
17 more detailed calculation of the SPP costs and revenue requirement, the Company has
18 not reflected property tax expense on CWIP.

19 **Q. Do you agree with Witness Kollen's statement on page 23, lines 5-12 that FPUC**
20 **has overstated its costs for SPP by including vegetation management?**

21 A. No. The original schedule was designed as a high-level estimate of total investments
22 related to storm protection. As stated earlier in my testimony, it is not the Company's

1 intent to double recover any costs related to vegetation management, but only the
2 incremental costs related to this program that are not already included in base rates.

3 **Q. Do you agree with Witness Kollen's recommendation on pages 25 and 26 of his**
4 **direct testimony to exclude CWIP from rate base and defer it as either AFUDC**
5 **or a miscellaneous deferred debit?**

6 **A.** While the Company believes this is outside the scope of this proceeding and should be
7 handled in the SPPCRC proceeding, the Company is not opposed to excluding CWIP
8 from rate base and deferring it until the plant is placed in service.

9 **Q. Does this conclude your testimony?**

10 **A.** Yes.

Florida Public Utilities - Electric Division
Storm Protection Plan Cost Recovery Clause
Estimated Period: 2022 to 2031
Return on Capital Investments, Depreciation and Taxes

Line	Rates	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Year End Total/Balance
1	Capital Investments	\$2,313,740	\$6,700,124	\$16,863,999	\$54,232,395	\$53,198,125	\$19,949,099	\$19,614,922	\$19,798,577	\$25,250,053	\$25,198,364	\$243,119,398
2	Estimated Beginning Net Qualified Investment	\$0	\$2,283,892	\$8,838,655	\$25,257,056	\$78,138,175	\$128,633,986	\$145,006,861	\$160,627,436	\$176,026,272	\$196,408,954	
	Estimated Ending Net Qualified Investment	\$2,283,892	\$8,838,655	\$25,257,056	\$78,138,175	\$128,633,986	\$145,006,861	\$160,627,436	\$176,026,272	\$196,408,954	\$216,214,721	
	Estimated Average Net Qualified Investment	\$1,141,946	\$5,561,274	\$17,047,856	\$51,697,615	\$103,386,080	\$136,820,424	\$152,817,149	\$168,326,854	\$186,217,613	\$206,311,837	
3	Return on Average Net Qualified Investment											
	Equity Component - Grossed-Up for Taxes	7.1300%	\$81,421	\$396,519	\$1,215,512	\$3,686,040	\$7,371,428	\$9,755,296	\$10,895,863	\$12,001,705	\$13,277,316	\$73,391,134
	Debt Component	0.8200%	\$9,364	\$45,602	\$139,792	\$423,920	\$847,766	\$1,121,927	\$1,253,101	\$1,380,280	\$1,526,984	\$8,440,493
	Return Requirement		\$90,785	\$442,121	\$1,355,304	\$4,109,960	\$8,219,194	\$10,877,223	\$12,148,964	\$13,381,985	\$14,804,300	\$81,831,627
4	Investment Expenses											
	Depreciation Expense	2.58%	\$29,848	\$145,361	\$445,598	\$1,351,277	\$2,702,314	\$3,576,224	\$3,994,347	\$4,399,741	\$4,867,371	\$26,904,677
	Amortization Expense											\$0
	Property Taxes	2.00%	\$0	\$45,678	\$176,773	\$505,141	\$1,562,763	\$2,572,680	\$2,900,137	\$3,212,549	\$3,520,525	\$18,424,425
	Other											\$0
	Total Expense		\$29,848	\$191,039	\$622,371	\$1,856,418	\$4,265,077	\$6,148,904	\$6,894,484	\$7,612,290	\$8,387,896	\$45,329,102
5	Total System Recoverable Expenses (Lines 3 + 4)		\$120,633	\$633,160	\$1,977,675	\$5,966,378	\$12,484,271	\$17,026,127	\$19,043,448	\$20,994,275	\$23,192,196	\$127,160,729

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Rebuttal Testimony of P. Mark Cutshaw, as well as the Rebuttal Testimony and Exhibit RCW-1 of Robert Waruszewski on behalf of the Company has been furnished by Electronic Mail to the following parties of record this 21st day of June, 2022:

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