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August 20, 2018

E-PORTAL FILING

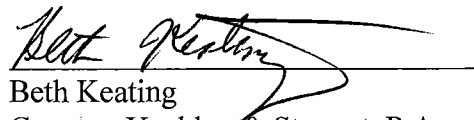
Ms. Carlotta Stauffer, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20180061-EI – In Re: Petition for Limited Proceeding to Recovery Incremental Storm Restoration Costs by Florida Public Utilities Company.

Attached for filing in the above-referenced docket, please find the Direct Testimony and Exhibit MC-1 of Michael Cassel on behalf of Florida Public Utilities Company.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Kind regards,



Beth Keating
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MEK

Cc:// Parties of Record

1 Before the Florida Public Service Commission

2 Docket No. 20180061-EI

3 In re: Limited Proceeding to Recover Incremental Storm Restoration Costs for
4 Florida Public Utilities Company

5
6 Direct Testimony of Michael Cassel

7 Date of Filing: August 20, 2018

8
9 **Q. Please state your name and business address.**

10 A. My name is Michael Cassel. My business address is 1750 South 14th
11 Street, Suite 200, Fernandina Beach, FL 32034.

12
13 **Q. By whom are you employed and what is your position?**

14 A. I am employed by Florida Public Utilities Company ("FPUC") as the
15 Director of Regulatory and Governmental Affairs.

16
17 **Q. Please describe your educational background and professional
18 experience.**

19 A. I received a Bachelor of Science Degree in Accounting from Delaware
20 State University in Dover, Delaware in 1996. I was hired by Chesapeake
21 Utilities Corporation ("CUC") as a Senior Regulatory Analyst in March
22 2008. As a Senior Regulatory Analyst, I was primarily involved in the
23 areas of gas cost recovery, rate of return analysis, and budgeting for
24 CUC's Delaware and Maryland natural gas distribution companies. In

1 2010, I moved to Florida in the role of Senior Tax Accountant for CUC's
2 Florida business units. Since that time, I have held various management
3 roles including Manager of the Back Office in 2011, Director of Business
4 Management in 2012. I am currently the Director of Regulatory and
5 Governmental Affairs for CUC's Florida business units. In this role, my
6 responsibilities include directing the regulatory and governmental affairs
7 for the Company in Florida including regulatory analysis, and reporting
8 and filings before the Florida Public Service Commission ("FPSC") for
9 FPUC, FPUC-Indiantown, FPUC-Fort Meade, Central Florida Gas, and
10 Peninsula Pipeline Company. Prior to joining Chesapeake, I was
11 employed by J.P. Morgan Chase & Company, Inc. from 2006 to 2008 as
12 a Financial Manager in their card finance group. My primary
13 responsibility in this position was the development of client specific
14 financial models and profit loss statements. I was also employed by
15 Computer Sciences Corporation as a Senior Finance Manager from
16 1999 to 2006. In this position, I was responsible for the financial
17 operation of the company's chemical, oil and natural resources business.
18 This included forecasting, financial close and reporting responsibility, as
19 well as representing Computer Sciences Corporation's financial interests
20 in contract/service negotiations with existing and potential clients. From
21 1996 to 1999, I was employed by J.P. Morgan, Inc., where I had various
22 accounting/finance responsibilities for the firm's private banking clientele.

23

1 **Q. Have you ever testified before the FPSC?**

2 A. Yes. I've provided written, pre-filed testimony in a variety of the
3 Company's annual proceedings, including the Fuel and Purchased
4 Power Cost Recovery Clause, Docket No. 20160001-EI and the Gas
5 Reliability Infrastructure Program ("GRIP") Cost Recovery Factors
6 proceeding for FPUC and our sister company, the Florida Division of
7 Chesapeake Utilities Corporation, Docket No. 20160199. I have also
8 provided written, pre-filed testimony in FPUC's electric limited
9 proceeding, Docket No. 20170150-EI and most recently, in FPUC's
10 proceeding for consideration of the tax impacts associated with Tax Cuts
11 and Jobs Act of 2017, Docket No. 20180048-EI.

12
13 **Q. What is the purpose of your testimony?**

14 A. I will support the request for and the calculation of the Company's storm
15 charge as detailed in its Limited Proceeding to Recover Incremental
16 Storm Restoration Costs, Docket No. 20180061 petition.

17
18 **Q. Are you sponsoring any exhibits in this case?**

19 A. Yes. I am sponsoring Exhibit MC-1, which summarizes the costs of the
20 storms and the calculation of the storm surcharge.

21
22 **Q. Was this schedule completed by you, or under your direct**
23 **supervision?**

1 A. Yes, it was completed under my direct supervision and review.

2

3 **Q. Which storms affected FPUC's Electric Division territory?**

4 A. As shown on Exhibit MC-1, for the period October 2016 through October
5 2017, the majority of the charges to the storm reserve were for Hurricane
6 Irma. Hurricane Matthew also produced significant damage to our
7 system, resulting in significant costs. Somewhat less significant, but still
8 impactful, were Tropical Storms Cindy and Julia, as well as Hurricane
9 Hermine. A limited amount of charges to the reserve were associated
10 with other, more minor storms.

11

12 **Q. Did FPUC identify anything particularly noteworthy as a result of**
13 **the two largest storms?**

14 A. Yes. Fortunately, FPUC's electric system was spared from the direct hit
15 of Hurricanes Irma and Matthew, however, the impact from these storms
16 was still significant. Skirting the Atlantic coast in October 2016,
17 Hurricane Matthew passed uncomfortably close to FPUC's Northeast
18 Division, Amelia Island, producing wind gusts of 87 miles per hour and
19 sustained winds of 39 miles per hour with a storm surge of nearly 8 feet
20 above normal. Less than a year later, in September 2017, Hurricane
21 Irma made its way north through the center of the state, affecting both
22 FPUC's Northeast and Northwest Divisions. With far more impact across
23 the state, Hurricane Irma ushered in the second evacuation of Amelia

1 Island with its 71 miles per hour gusts, 45 to 50 miles per hour sustained
2 winds, and numerous tornados. Understandably, the impact of
3 excessive winds, storm surge, and tornados, such as experienced during
4 these hurricanes, left FPUC's system in quite a state of disrepair. In both
5 Hurricanes Matthew and Irma, FPUC's electric system lost 100% of its
6 customers in the Northeast Division. Additionally, FPUC's Northwest
7 Division lost approximately 26% of its customers during Hurricane Irma.
8 While damages such as downed power lines, broken poles, faulted
9 transformers, broken switches, and burned conductors were found after
10 each storm, the Company's preparation was immediately visible as the
11 restoration efforts began. The impact experienced from these two large,
12 successive hurricanes identified two significant points worth noting.
13 First, the FPUC crews and subcontractors were all well prepared and
14 trained for the monumental restoration efforts that resulted in the
15 Company's customers being restored in record time. Second, the efforts
16 made in storm hardening the Company's electric system helped to
17 mitigate a potentially catastrophic outcome. This was demonstrated by
18 the fact that none of the Company's storm-hardened facilities failed
19 during these hurricanes.

20 **Q. Were the costs in the Company's Exhibit adjusted for the FPSC's**
21 **audit report findings?**

22 **A.** Yes. The FPSC completed an audit of FPUC's docket on June 12, 2018.
23 This audit identified two findings that totaled a reduction to the

1 Company's request of \$117,500. FPUC agrees with these adjustments
2 and has made the appropriate entries to reduce the amount of the
3 request being made. The impact of these adjustments reduced the
4 Company's deficit balance from \$779,174 to \$661,674.

5

6 **Q. How were the impacts of the audit findings allocated to the**
7 **Company's request?**

8 A. The findings identified in the FPSC audit report decreased the costs by
9 \$117,500 and are reflected on page 1 of FPUC's attached Exhibit MC-1.
10 The breakdown of this amount by storm follows:

11	Hurricane Irma	\$104,773	Finding 1
12	Hurricane Hermine	\$6,592	Finding 2
13	Tropical Storm Julia	\$1,279	Finding 2
14	Other Minor Storms	\$4,856	Finding 2

15

16 **Q. What was the balance of the reserve at December 31, 2017?**

17 A. As of December 31, 2017, the Company's reserve had a deficit balance
18 of \$779,174. As discussed above, when the impact of the FPSC's audit
19 findings is included, this brings the balance of the reserve to a deficit
20 balance of \$661,674.

1

2 **Q. What reserve balance do you think is reasonable for FPUC to**
3 **maintain to be able to cover future storms?**

4 A. Given the recent, increased activity of hurricanes and tropical storms,
5 FPUC felt it most appropriate to request replenishment of the storm
6 reserve to \$1,500,000, which approximates the balance that existed prior
7 to Hurricane Irma in 2017. The Company believes that this amount will
8 replenish the reserve in the most responsible period of time without
9 unnecessarily burdening our ratepayers.

10

11 **Q. How was the surcharge computed?**

12 A. As reflected on page 1 of my Exhibit MC-1, the deficit balance of
13 \$661,674 was added to the requested reserve balance of \$1,500,000 to
14 arrive at the revenue request of \$2,161,674. This amount was multiplied
15 by the regulatory assessment fee multiplier of 1.00072, since the fee will
16 be assessed on the revenue generated by the surcharge. Therefore, the
17 total recovery requested is \$2,163,230. This amount was divided by the
18 actual 2017 kWh sold on our electric system to arrive at a rate of
19 \$.003444 per kWh if FPUC were allowed to recover the amount over one
20 year. The rate drops to \$.001722 per kWh if FPUC is allowed to recover
21 the amount over two years as requested in the petition. Page 2 of
22 Exhibit MC-1 demonstrates the impact to the Company's general ledger

1 and page 3 of the Exhibit provides the estimated effect of the surcharge
2 by rate class.

3

4 **Q. Does the Stipulation and Settlement Agreement regarding FPUCs**
5 **2014 rate case (“2014 Agreement”) impact the request filed in this**
6 **Docket?**

7 A. No. Under the 2014 Agreement, the “Minimum Term” has expired. As
8 such, the only agreement terms remaining in effect would have been the
9 “base rates, charges and related tariff sheet terms and conditions,” as
10 set forth in Section I.a. The Storm Damage provisions contained in
11 Section VII of the 2014 Agreement have, therefore, expired, as they are
12 not components of the rates, charges, or tariff sheet terms and
13 conditions. Even if the 2014 Agreement Storm Damage provisions
14 applied, however, it should be noted that the agreement provision
15 addressing Storm Damage, Section VII, clearly allows the Company to
16 seek storm cost recovery pursuant to the Commission's rule.

17

18 **Q. Does the Stipulation and Settlement Agreement resolving FPUCs**
19 **2017 Petition for Limited Proceeding (“2017 Agreement”) impact the**
20 **request filed in this Docket?**

21 A. No. Under the 2017 Agreement, the language contained in IV.e. makes
22 it clear that the terms of the 2017 Agreement do not preclude FPUC from

1 the ability to seek recovery of storm-related costs incurred prior to the
2 effective date of that 2017 Agreement, which is January 1, 2018. As
3 discussed previously, all the storm-related costs for which the Company
4 is seeking recovery in this Docket were incurred prior to January 1, 2018,
5 and as such, the 2017 Agreement does not apply to this request.

6

7 **Q. Please summarize your testimony.**

8 A. FPUC's system sustained damage from three major hurricanes, two
9 tropical storms, and several more minor storms by the end of 2017. The
10 greatest impact to our customers was the two successive years of
11 devastating hurricanes, namely Hurricanes Matthew and Irma, which left
12 the Company's storm reserve with a deficit balance of \$661,674, net of
13 the FPSC audit adjustments, at December 31, 2017. The Company is
14 seeking authority to implement a surcharge to replenish its storm reserve
15 to a balance of \$1,500,000, which approximates the pre-Hurricane Irma
16 balance. To overcome the deficit balance of \$661,674 and get the
17 Company's requested reserve balance of \$1,500,000, FPUC has
18 requested a total revenue of \$2,163,230. FPUC is very aware of the
19 impact of any rate or bill increase to its customers. Therefore, in order to
20 help lessen the impact to its customers, FPUC has requested this
21 surcharge be collected over an extended two-year period at
22 approximately \$1.72 per 1,000 kWh's, which represents an average
23 residential customer bill. Our request is reasonable and is limited to

1 costs appropriately charged to our storm reserve, as well as an
2 additional amount to replenish the reserve to a prudent level.

3

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

5 **A. Yes.**

Docket No. 20180061-EI

**Petition for limited proceeding to recover incremental storm restoration costs, by
Florida Public Utilities Company.**

EXHIBIT MC-1

On behalf of

Florida Public Utilities Company

Florida Public Utilities Company
Storm Cost Recovery

EXHIBIT: MC-1
Docket No. 20180061-EI
Page 1 of 3

Account 228 Storm Reserve Summary

Line Number		Account 228.100 Storm Reserve
1	Reserve Balance September 2015 (Credit)	\$ 2,142,805
2	Monthly Accruals to Reserve (Note A)	\$ 141,890
3	Tropical Storm Cindy (2017)	\$ (3,381)
4	Tropical Storm Julia (2016) Adjusted for Audit Report	\$ (11,898)
5	Hurricane Hermine (2016) Adjusted for Audit Report	\$ (20,767)
6	Hurricane Matthew (2016)	\$ (560,897)
7	Hurricane Irma (2017) Adjusted for Audit Report	\$ (2,228,161)
8	Other Minor Storms - Adjusted for Audit Report	\$ (121,264)
9	Reserve Balance Underfunded at December 31, 2017	\$ (661,674)
10	Reserve Balance	\$ 1,500,000
11	Revenue Needed to Fund Reserve to \$1.5M Level	<u>\$ 2,161,674</u>
12	Regulatory Assessment Fee Multiplier	1.00072
13	Total System Storm Losses to Be Recovered From Customers	<u>\$ 2,163,230</u>
14	Jurisdictional Factor	100%
15	Jurisdictional Total System Storm Losses to Be Recovered From Customers	<u>\$ 2,163,230</u>
16	Total 2017 kWh	\$ 628,069,401
17	Rate Per kWh per year	\$ 0.003444
18	Rate Per 1,000 kWh Over 1 Year	\$ 3.44
19	Rate Per 1,000 kWh Over 2 Years	\$ 1.72
20	Note A: Per the 2015 Rate Case Settlement, storm reserve funding was diverted to fund tree trimming until October 2016.	

Florida Public Utilities Company
Summary of Rate Base Components and Expense (A)

EXHIBIT: MC-1
Docket No. 20180061-E
Page 2 of 3

Line No.	FERC Account	Description	(1) Total System Note (B)	(2) Retail Jurisdictional
1	<u>Rate Base Components</u>			
2	182.3	Extraordinary Property Losses-Unrecovered Eligible Restoration Costs	\$ 661,674	\$ 661,674
3	228.1	Accumulated Provision for Property Insurance	\$ 1,500,000	\$ 1,500,000
4	<u>Expense Components</u>			
5	407.3	Regulatory Debits-Amortization of Unrecovered Eligible Restoration Costs	\$ 661,674	\$ 661,674
6	924.0	Property Insurance Expense-Replenishment of Accumulated Provision for Property Insurance	\$ 1,500,000	\$ 1,500,000

Notes:

(A) Items reflected on this schedule are provided in compliance with parts (3) and (4) of Rule No. 25-6.0431, Petition for a Limited Proceeding.
(B) Amounts will be removed for retail base ratemaking since these items will be reflected in the storm recovery mechanism.

Distribution of Revenue Requirement

<u>LINE NO.</u>	<u>RATE SCHEDULE</u>	(1) 2017 kWh SALES	(2) PERCENT OF TOTAL	(3) ESTIMATE CHARGE PER RATE CLASS
1	RESIDENTIAL	291,510,499	46.41%	\$ 1,004,036
2	COMMERCIAL SMALL	59,742,607	9.51%	\$ 205,769
3	COMMERCIAL	156,761,471	24.96%	\$ 539,926
4	COMMERCIAL LARGE	85,163,496	13.56%	\$ 293,325
5	INDUSTRIAL	27,380,000	4.36%	\$ 94,304
6	OUTDOOR LIGHTS	7,511,328	1.20%	\$ 25,871
		<u>628,069,401</u>	<u>100.00%</u>	<u>\$ 2,163,230</u>
COSTS TO BE RECOVERED		\$ 2,163,230		
RATE PER kWh 1 YEAR RECOVERY		\$ 0.003444		
RATE PER kWh 2 YEAR RECOVERY		\$ 0.001722		

Notes:

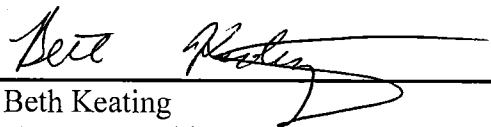
(A) Items reflected on this schedule are provided in compliance with part (5) of Rule No. 25-6.0431, Petition for a Limited Proceeding.

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the Direct Testimony of Michael Cassel, along with his Exhibit MC-1, which has been filed in the referenced docket on behalf of Florida Public Utilities Company, have been served by Electronic Mail this 20th day of August, 2018, upon the following:

<p>Rachael Dziechciarz Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 rdziehc@psc.state.fl.us</p>	<p>J.R. Kelly / Virginia Ponder Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Kelly.jr@leg.state.fl.us Ponder.Virginia@leg.state.fl.us</p>
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By: _____


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