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RICHARD CORCORAN
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October 22, 2018

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

Re: Docket No. 20180061-EI

Dear Ms. Stauffer:

Please find enclosed for filing in the above referenced docket the Direct Testimony and Exhibits of Helmuth W. Schultz III. This filing is being made via the Florida Public Service Commission's Web Based Electronic Filing portal.

If you have any questions or concerns, please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely

/s/ Virginia Ponder
Virginia Ponder
Associate Public Counsel

cc: All Parties of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 20180061-EI

Filed: October 22, 2018

DIRECT TESTIMONY

OF

HELMUTH W. SCHULTZ III

ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL

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DIRECT TESTIMONY

OF

Helmuth W. Schultz, III

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 20180061-EI

1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

3 A. My name is Helmuth W. Schultz, III. I am a Certified Public Accountant licensed in
4 the State of Michigan and a senior regulatory consultant at the firm Larkin &
5 Associates, PLLC, (“Larkin”) Certified Public Accountants, with offices at 15728
6 Farmington Road, Livonia, Michigan, 48154.

7

8 **Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, P.L.L.C.**

9 A. Larkin performs independent regulatory consulting primarily for public service/utility
10 commission staffs and consumer interest groups (public counsels, public advocates,
11 consumer counsels, attorney generals, etc.). Larkin has extensive experience in the
12 utility regulatory field as expert witnesses in over 600 regulatory proceedings,
13 including water and sewer, gas, electric and telephone utilities.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC**
15 **COMMISSION AS AN EXPERT WITNESS?**

1 A. Yes. I have provided testimony before the Florida Public Service Commission
2 (“Commission” or “FPSC”) as an expert witness in the area of regulatory accounting
3 in more than 15 cases.
4

5 **Q. HAVE YOU PREPARED AN EXHIBIT WHICH DESCRIBES YOUR**
6 **EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE?**

7 A. Yes. I have attached Exhibit No.__(HWS-1), which is a summary of my background,
8 experience and qualifications.
9

10 **Q. BY WHOM WERE YOU RETAINED, AND WHAT IS THE PURPOSE OF**
11 **YOUR TESTIMONY?**

12 A. Larkin was retained by the Florida Office of Public Counsel (“OPC”) to review the
13 request for recovery of the 2016 and 2017 storm costs, including the \$2,228,161 of
14 costs associated with Hurricane Irma, submitted for recovery by Florida Public Utilities
15 Company (the “Company” or “FPUC”). Accordingly, I am appearing on behalf of the
16 citizens of Florida (“Citizens”) who are customers of FPUC.
17

18 **II. BACKGROUND**

19 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF DOCKET NO.**
20 **20180061-EI.**

21 A. This docket is described as a petition by FPUC for recovery of costs associated with
22 two named tropical storms, three hurricanes and other minor storms during the 2016
23 and 2017 hurricane seasons and replenishment of FPUC’s storm reserve.

1 **Q. PLEASE SUMMARIZE WHAT THE COMPANY HAS INCLUDED IN ITS**
2 **REQUEST TO THE FLORIDA PUBLIC SERVICE COMMISSION?**

3 A. The February 28, 2018 petition filed by FPUC is seeking recovery of \$2,280,815 to pay
4 for alleged costs resulting from certain storms and to restore the Company's storm
5 reserve back to \$1,500,000. On August 20, 2018, FPUC filed direct testimony
6 requesting recovery of \$2,163,230. FPUC witness Michael Cassel attributes the
7 difference of \$117,500 to be the acceptance by FPUC of adjustments contained in the
8 Florida Public Service Commission ("PSC") staff's audit. The request includes
9 \$2,946,369 related to storm costs and \$1,556 related to Regulatory Assessment Fees.

10
11 **Q. HOW DO YOU RECONCILE THE ALLEGED STORM COSTS OF \$2,946,369**
12 **WITH THE REQUEST FOR \$2,163,230?**

13 A. The costs are as follows:

14	Storm Costs Included in Request	\$2,946,369
	Storm Reserve September 2015	(2,142,805)
15	Added Reserve Accruals	<u>(141,890)</u>
	Reserve Deficiency	661,674
16	Desired Reserve Balance	<u>1,500,000</u>
		2,161,674
17	Regulatory Assessment Fee	<u>1,556</u>
18	Requested Recovery	<u>\$2,163,230</u>

19
20 **Q. WHAT IS THE LEVEL OF COST THAT IS SUBJECT TO EVALUATION AND**
21 **REVIEW?**

22 A. The \$2,946,369 of storm costs charged against the reserve is subject to evaluation and
23 review. To the extent any of the storm costs are determined to be inappropriately

1 charged against the reserve, the request for recovery would have to be reduced. I note
2 that a detailed summary of the Company's request can be viewed in the attachment to
3 the Company's response to Staff's Interrogatory No. 2-6.¹ This response provided a
4 reconciliation of the amounts in the Company's Exhibit MC-1 with various responses
5 to Citizen's interrogatories that detailed the different cost categories. The Company's
6 summary provided in response to Staff's Interrogatory is attached as Exhibit
7 No.__(HWS-3).

8

9 **Q. HOW HAVE YOU PRESENTED YOUR ANALYSIS OF COSTS?**

10 A. My analysis of costs is presented in a format similar to the Company's summary
11 provided in its response to Staff's Interrogatory No. 2-6 which separates the costs by
12 storm and by type of cost. My analysis also includes separate schedules analyzing the
13 various cost categories.

14

15 **Q. PLEASE BRIEFLY DESCRIBE THE ISSUES YOU WILL BE ADDRESSING**
16 **IN THIS PROCEEDING.**

17 A. I am addressing the appropriateness of FPUC's proposed recovery of costs related to
18 payroll, overhead, benefits, contractors, line clearing, materials and supplies, logistics
19 and other items as reflected in its petition. As part of my analysis, I relied on my
20 experience in analyzing storm costs in other jurisdictions, past review of storm costs in
21 Florida, and Rule 25-6.0143, Florida Administrative Code ("F.A.C."), which addresses

¹ This response does not increase the dollars requested by the Company in its August 20, 2018, filing.

1 what costs should be included and excluded from a utility’s request for recovery of
2 storm related costs.

3

4 **Q. PLEASE SUMMARIZE YOUR RECOMMENDED ADJUSTMENTS?**

5 A. I recommend an overall reduction of \$1,475,191 as summarized below. I recommend
6 a reduction of \$154,478 to FPUC’s request for payroll expense since these costs are
7 already covered by amounts collected through base rates, are prohibited costs, and they
8 are not incremental costs as discussed below. I recommend a reduction of \$46,859 to
9 FPUC’s storm request related to benefits and overhead costs related to the payroll cost
10 adjustment. I recommend a reduction of \$1,009,799 to FPUC’s storm request related
11 to contractor costs to adjust for excessive hourly rates and excessive standby time, as
12 well as identifying a greater amount of contractor costs to be capitalized. I recommend
13 a reduction of \$163,707 to FPUC’s storm request related to tree trimming in accordance
14 with Rule 25-6.0143, F.A.C., cost adjustments. Next, I recommend a reduction of
15 \$32,800 to materials and supplies in accordance with the cost prohibitions of Rule 25-
16 6.0143, F.A.C. Finally, I recommend a reduction of \$67,548 of other costs that are
17 prohibited under Rule 25-6.0143, F.A.C., and not supported. In total, I recommend a
18 reduction of \$1,475,191 to FPUC’s overall storm restoration and reserve replenishment
19 request.

20 **III. PAYROLL**

21 **Q. WHAT HAS THE COMPANY REQUESTED FOR RECOVERY OF PAYROLL**
22 **COSTS AS PART OF ITS REQUEST TO RESTORE THE STORM RESERVE?**

1 A. FPUC’s storm restoration cost includes \$307,228 of payroll costs. Excluded from
2 FPUC’s request for recovery is \$114,739 of payroll that was capitalized; therefore, the
3 net total payroll being requested is \$192,490. The payroll costs charged to the storm
4 reserve included in FPUC’s request consists of \$38,011 of non-electric division regular
5 payroll, \$69,632 of storm bonuses and \$199,584 of distribution regular and overtime
6 payroll.

7

8 **Q. ARE THERE CONCERNS WITH WHAT THE COMPANY IS REQUESTING?**

9 A. Yes, there are. The Company’s request includes payroll dollars that are already being
10 paid for by customers in base rates and it also includes bonuses which, under Rule 25-
11 6.0143, F.A.C., are prohibited from being charged to the storm reserve.

12

13 **Q. WHAT IS RULE 25-6.0143, F.A.C., AND HOW DOES IT PRESCRIBE THE**
14 **APPROPRIATE LEVEL OF PAYROLL TO BE INCLUDED IN STORM COST**
15 **RECOVERY?**

16 A. Rule 25-6.0143, F.A.C., (the “Rule”), identifies the costs that are allowed and
17 prohibited from storm cost recovery utilizing the Incremental Cost and Capitalization
18 Approach methodology (“ICCA”). Rule 25-6.0143(1)(d) provides that “the utility will
19 be allowed to charge to Account No. 228.1 costs that are **incremental** to cost normally
20 charged to non-cost recovery clause operating expenses in the absence of the storm.”
21 This means costs that are recovered as part of base rates are not incremental and are
22 not recoverable under the Rule. Additionally, Rule 25-6.0143(1)(f)1 prohibits “base
23 rate recoverable payroll and regular payroll-related costs for utility managerial and non-
24 managerial personnel” from being charged to the reserve and it prohibits recovery of

1 “bonuses or any other special compensation for utility personnel not eligible for
2 overtime.”

3

4 **Q. IN YOUR OPINION, WHAT ARE INCREMENTAL PAYROLL COSTS**
5 **RECOVERABLE UNDER RULE 25-6.0143(1), F.A.C.?**

6 A. Based upon my 40-plus years of experience as an accountant in the utility field,
7 incremental payroll costs are costs, as stated in the Rule, that are incremental to costs
8 normally charged to non-cost recovery clause (i.e. “base rate recovery”) operating
9 expenses in the absence of a storm. This definition requires an evaluation to compare
10 the amount of payroll currently included in a utility’s applicable base rates to the
11 amount of payroll charged to base rate O&M accounts during the period in which the
12 storm occurred. This comparison will establish whether the payroll charged to the
13 reserve is in excess of what is included in base rates which would make those payroll
14 dollars incremental and thus eligible for storm cost recovery.

15

16 **Q. YOU INDICATED THAT YOU ARE CONCERNED THE COMPANY’S**
17 **REQUEST INCLUDES PAYROLL INCLUDED IN FPUC’S BASE RATES.**
18 **WHY IS THAT A CONCERN?**

19 A. As discussed above, Rule 25-6.0143(1)(d), F.A.C., provides guidance as to what costs
20 are recoverable. Specifically, under ICCA, costs charged to cover storm-related
21 damages shall exclude those costs that normally would be charged to non-cost recovery
22 clause operating expenses in the absence of a storm. FPUC has charged payroll to the
23 storm costs sought to be recovered even though the payroll charged to non-cost
24 recovery clause operating expenses in 2016 and 2017 was below the cost approved by

1 the Commission to be recovered in the Company's base rates. That means the cost
2 incurred during the storms was not incremental and, therefore, not allowable in FPUC's
3 request for recovery.

4

5 **Q. WHAT IS THE BASIS FOR STATING THAT PAYROLL INCLUDED IN**
6 **FPUC'S REQUEST IS ALREADY INCLUDED IN BASE RATES?**

7 A. In response to Citizens' Interrogatory No. 1-20, the Company indicated its last full rate
8 case was in Docket No. 20140025-EI and that FPUC's proposed amount of payroll in
9 base rates was \$4,862,387. According to the Company's responses to Citizens'
10 Interrogatory Nos. 1-21 and 1-23, the sum total of actual O&M base payroll in 2016
11 and 2017 was \$4,043,981 and \$3,954,096, respectively. Therefore, for any payroll to
12 be included in the storm reserve request for 2016, it must exceed the amount of
13 \$818,406 (the difference between the amount of \$4,862,387 included in base rates and
14 the actual O&M base payroll incurred of \$4,043,981). Likewise, for storms in 2017,
15 payroll must exceed the amount of \$908,291 to be incremental. The total payroll
16 requested by FPUC in this docket, including storm bonuses, is \$192,489 for 2015
17 through 2017.

18

19 **Q. WAS DOCKET NO. 20140025-EI RESOLVED BY COMMISSION APPROVAL**
20 **OF A SETTLEMENT AGREEMENT AND DOES THAT SETTLEMENT**
21 **IMPACT YOUR POSITION?**

22 A. Yes, In response to Citizens' Interrogatory No. 1-20, the Company stated that Docket
23 No. 20140025-EI was resolved by a Settlement and that the Settlement does not
24 specifically address payroll. I do not disagree with that contention. Nevertheless, the

1 Settlement does not impact my position because the rates agreed upon were based on a
2 cost of service that included payroll.

3

4 **Q. IS IT APPROPRIATE TO USE THE LEVEL OF PAYROLL INCLUDED IN**
5 **THE MINIMUM FILING REQUIREMENTS (MFRs) FOR DOCKET NO.**
6 **20140025-EI EVEN THOUGH THAT CASE WAS SETTLED?**

7 A. Yes, it is appropriate. The Settlement was a black box settlement (i.e. settled to a
8 revenue requirement without specifically addressing specific revenue inputs).
9 Notwithstanding the Settlement, the payroll levels included in the rate case MFRs were
10 part of the submitted testimonies of FPUC witnesses' and are the best available
11 information regarding payroll included in base rates by the Company commencing on
12 the first billing cycle in November 2014 through the last billing cycle in December
13 2016. The base rates in 2017 should continue to reflect a payroll amount of \$4,862,367,
14 since FPUC has not had a subsequent base rate proceeding since the approval of the
15 Settlement. It is incontrovertible that base rates include payroll. Here, the best
16 evidence of the amount for payroll included in base rates is the amount requested by
17 FPUC in Docket No. 20140025-EI. To ignore the fact that base rates include payroll
18 and to allow recovery of non-incremental payroll dollars would be akin to allowing
19 double recovery of costs from ratepayers. The purpose of the Rule is to prevent utilities
20 from recovering non-incremental costs as part of storm restoration. To assume the
21 payroll charged to the reserve, as part of restoration efforts, is an incremental cost
22 simply because the last rate case was settled would set a precedent that to essentially
23 render the Rule meaningless.

24

1 **Q. WHAT IS YOUR CONCERN WITH INCLUDING STORM BONUSES AS**
2 **PART OF THE COMPANY’S REQUEST FOR RECOVERY?**

3 A. Rule 25-6.0143(1),(f),2, F.A.C., specifically states “[b]onuses or *any other special*
4 *compensation* for utility personnel not eligible for overtime pay” are prohibited from
5 being charged to the reserve. My concern is that FPUC should not be allowed to
6 recover any of these costs in its request for storm recovery charges.

7
8 **Q. WHY HAVE YOU EMPHASIZED “ANY OTHER SPECIAL**
9 **COMPENSATION”?**

10 A. In response to Citizens’ Interrogatory No. 1-19, which asked whether any incentive
11 compensation or storm bonus payments were included in the recorded costs charged to
12 the reserve, FPUC stated:

13 We do not pay bonuses or incentive compensation for storm related
14 work. The Company included additional payments to salaried
15 employees for extraordinary work performed well beyond their regular
16 duties. Additional compensation payments were \$25,632 related to
17 Hurricane Matthew and \$44,000 related to Hurricane Irma in
18 accordance with the Company’s Inclement Weather Exempt Employee
19 Compensation Policy. Many salaried individuals worked in excess of 16
20 hour days for an extended period of time. Although employees are
21 salaried and expected to work more than 40 hours, the hours worked
22 before, during and after the storm far exceed the normal hours and job
23 functions normally expected to be worked as a salaried employee.

24
25 Clearly, FPUC is attempting to circumvent the prohibition of paying bonuses.
26 However, the description provided in its response does not change the fact that these
27 payments constitute an added form of employee compensation for salaried utility
28 personnel not eligible for overtime pay or, at the very least, other special compensation
29 that is prohibited from recovery.

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Q. HOW DID YOU DETERMINE THE LEVEL OF PAYROLL COSTS THAT SHOULD BE CONSIDERED INCREMENTAL AND ALLOWED FOR RECOVERY IN THIS PROCEEDING?

A. As discussed above, the level of payroll included in base rates must be established before a determination of whether any payroll can be considered incremental and eligible for storm cost recovery. That level of payroll is \$4,862,387. Since base O&M payroll actually incurred in 2016 and 2017 was significantly less than the amount allowed in base rates, no FPUC payroll should be included in the costs to be recovered in this docket.

Q. WAS ANY OF THE REQUESTED REGULAR PAYROLL COST INCREMENTAL AND, THEREFORE, ELIGIBLE FOR STORM COST RECOVERY?

A. Yes. As shown on Exhibit No. HWS-2, Schedule B, I have recommended an allowance of \$38,011. FPUC identified this as the compensation paid to non-electric division employees. Thus, this is compensation that appears for this Company to not typically be reflected in base rates, and I concluded this is legitimate incremental payroll cost with one caveat. In response to Citizens' Interrogatory No. 5-75, FPUC provided a summary of the \$38,011 of payroll. This summary indicates \$17,750 is "Inclement Weather Exempt Employee Compensation" which suggests it may be other special compensation for utility personnel not eligible for overtime pay that is prohibited from being charged to the reserve. If that is the case, this added compensation should also be excluded. Because it remains unclear whether or not this cost is incremental payroll,

1 I have not excluded it. FPUC should affirmatively demonstrate recoverability or the
2 \$17,750 should be disallowed.

3

4 **Q. WHAT ADJUSTMENT ARE YOU PROPOSING TO THE COMPANY'S**
5 **REQUEST FOR PAYROLL COSTS?**

6 A. As shown on Exhibit No. HWS-2, Schedule B, Page 1 of 2, I am recommending the
7 total payroll be reduced by \$269,217. This adjustment is based on payroll charged by
8 FPUC to the storm reserve in the amount of \$307,228 less the recommended allowance
9 of \$38,011.

10

11 **Q. HOW CAN THE PAYROLL BE REDUCED BY MORE THAN WHAT IS**
12 **INCLUDED IN THE COMPANY'S REQUEST?**

13 A. The Company's payroll request was calculated as a net adjustment of capitalization
14 costs in the amount of \$114,739. If the payroll cannot be considered as part of the cost
15 subject to storm recovery because it is actually non-incremental, then the payroll costs
16 cannot be capitalized. That capitalization should be applied solely to contractor costs
17 that are allowable for recovery as part of this request. The result is an adjustment of
18 \$154,478 to the Company's requested amount of \$192,490 as summarized in the
19 Company's response to Staff's Interrogatory No. 2-6, which leaves in the incremental
20 payroll amount of \$38,011. Adding the reserve adjustment of \$154,478 to the \$114,739
21 capitalized amount results in a total cost adjustment of \$269,217.

22 **Q. PLEASE EXPLAIN YOUR STATEMENT THAT PAYROLL COSTS SHOULD**
23 **NOT BE CAPITALIZED IN THIS CASE.**

1 A. FPUC capitalized what was considered to be incremental payroll incurred during a
2 storm. If FPUC incurred no incremental payroll costs, then there is no amount to be
3 capitalized. Nonexistent incremental restoration costs cannot be capitalized. Since
4 payroll is clearly a non-incremental cost and there are no payroll dollars that can be
5 capitalized, the only option is to assign the capitalization to FPUC's reasonable and
6 prudent contractor restoration costs, since those costs are truly incremental storm costs.

7

8 **Q. HOW CAN YOU IGNORE THE FACT THAT FPUC INCURRED PAYROLL**
9 **COSTS AS PART OF THE STORM RESTORATION EFFORT AND**
10 **EXCLUDE THAT PAYROLL FROM THE AMOUNT TO BE CAPITALIZED?**

11 A. I am not ignoring the payroll incurred by FPUC. First and foremost, because that
12 payroll is included in base rates, it must be excluded from storm cost recovery in this
13 docket. Second, since that payroll is included in base rates, it cannot be considered in
14 the capitalization of labor dollars because to do so would result in a double recovery
15 for FPUC – initially, in base rates and then as a capitalized cost to be recovered over
16 time. Clearly, it would be inappropriate to allow such a double recovery.

17

18 **Q. DID YOU IDENTIFY ANY OTHER CONCERNS WHEN EVALUATING**
19 **PAYROLL COSTS?**

20 A. Yes, I did. In response to Citizens' Interrogatory No. 2-44, the Company explained
21 how the capital costs were determined. The Company stated that for Hurricanes
22 Matthew and Irma the Operation Manager estimated the hours to install and remove
23 equipment, and then applied an average labor rate of \$37.34 per hour. Assuming the
24 payroll charged to the reserve was incremental, it is highly probable this cost would be

1 charged at an overtime rate that exceeds \$37.34. If FPUC is using this base labor rate,
2 then it is not capitalizing the replacement plant in accordance with Generally Accepted
3 Accounting Principles (“GAAP”). Under GAAP, capital additions to plant are to be
4 capitalized at cost. The use of a labor rate that is not applicable to the time and place
5 of the infrastructure replacement (i.e. during storm restoration) understates the
6 capitalized cost. The circumstances here require the capitalization rate to be corrected.
7 On Exhibit No. HWS-2, Schedule B, Page 2 of 2, I have recalculated the capitalized
8 cost for labor, benefits and overhead and the result is an understatement of at least
9 \$231,567.

10

11 **Q. PLEASE EXPLAIN WHAT YOU CONSIDER TO BE A PROPER**
12 **CAPITALIZATION RATE?**

13 A. The capitalization rate FPUC proposes to use for storm restoration is the same as it uses
14 in the normal course of business under normal conditions. That capitalization rate is
15 not appropriate, as the storm restoration work is being performed under abnormal
16 conditions. After an extraordinary storm, the work is increased and the incremental
17 work is done at overtime rates. FPUC’s use of an average capitalization rate ignores
18 this very important fact, and thus significantly understates the costs that should be
19 capitalized. There is also the concern that the response to Citizens’ Interrogatory No.
20 2-44 suggests an estimate of hours is being used. If that estimate does not factor in
21 multiple employees, then the capitalized cost is understated even more because it fails
22 to consider the fact that multiple employees will be performing that capital function.

23

1 **Q. DID YOU INQUIRE AS TO THE SPECIFICS OF THE COMPANY’S CAPITAL**
2 **CALCULATION?**

3 A. Yes, I did. Citizens’ Interrogatory No. 2-44 requested an explanation of how the capital
4 amounts were determined and specifically asked for a formula, if applicable. In its
5 response to Citizens’ Interrogatory No. 2-44, the Company only stated that this cost
6 was based on what it termed “actual inventory,” the Operations Manager estimate of
7 hours, the use of a \$37.34 labor rate and that some overhead rates were applied. The
8 Company did not provide a formula nor did it provide further explanation.

9
10 **Q. WHAT IMPACT DOES THE USE OF THE AVERAGE RATE HAVE ON THE**
11 **AMOUNT CAPITALIZED?**

12 A. The rate to be used should reflect the average double time rate instead of the \$37.34
13 per hour, and then that rate should be grossed up for benefits and labor overheads. Once
14 that grossed up, or loaded, rate is determined, it should be multiplied by the number of
15 hours FPUC has determined to be capital related hours (assuming a crew size of 3).
16 This is the method that should be applied to calculate the loaded labor costs. I have
17 made a calculation on Exhibit No. HWS-2, Schedule B, Page 2 of 2, based on the
18 estimated hours capitalized assuming those hours reflect three man crews. I determined
19 the estimated cost for FPUC overtime plus overhead to be \$401,585 for capitalization.
20 That \$401,585 of loaded payroll cost is \$231,567 higher than FPUC’s capitalized
21 amount of \$170,019 which illustrates FPUC’s significant understatement of labor
22 dollars capitalized.

1 **IV. BENEFITS**

2 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE REQUESTED**
3 **BENEFIT COSTS?**

4 A. Yes, I am. The benefits are an add-on of costs associated with payroll. Since I am
5 recommending that FPUC base rate payroll be excluded, the associated benefit costs
6 should also be excluded from recovery. As shown on Exhibit No. HWS-2, Schedule
7 C, I am recommending a reduction of \$69,860 for benefit costs included in FPUC
8 storm costs charged to the reserve. This consists of \$28,561 of net costs requested for
9 recovery and a reduction to capital costs of \$41,299.

10

11 **Q. WHY ARE YOU RECOMMENDING THAT \$9,863 OF BENEFIT COSTS BE**
12 **ALLOWED FOR RECOVERY?**

13 A. The \$9,863 represents the benefit costs associated with the \$38,011 of non-electrical
14 division employee payroll that I agree should be allowed for recovery.

15

16 **V. OVERHEAD COSTS**

17 **Q. WHY ARE YOU RECOMMENDING AN ADJUSTMENT TO THE**
18 **REQUESTED OVERHEAD COSTS?**

19 A. Similar to benefit costs, overhead costs are an add-on of costs associated with payroll.
20 Since I am recommending FPUC base rate payroll be excluded, the associated

1 overhead costs should also be excluded from recovery. As shown on Exhibit No.
2 HWS-2, Schedule D, I am recommending a reduction of \$32,279 for overhead costs
3 included in storm costs charged by FPUC to the reserve. This consists of a reduction
4 of \$18,298 in net costs requested for recovery and a reduction to capital costs of
5 \$13,981.

6

7 **Q. WITH BENEFITS, YOU ALLOWED SOME COSTS ON THE ASSUMPTION**
8 **THEY WERE ASSOCIATED WITH NON-ELECTRIC DIVISION PAYROLL.**
9 **DID YOU DO THIS WITH OVERHEAD COSTS?**

10 A. Yes. I followed the same process for allocating these costs; however, it should be
11 noted that this allocation may be overly conservative and in the Company's favor
12 because FPUC stated in response to Citizens' Interrogatory No. 1-30 that some of its
13 overhead costs are not incremental.

14

15 **VI. CONTRACTOR COSTS**

16 **Q. WHAT IS THE AMOUNT OF STORM RESTORATION COSTS IDENTIFIED**
17 **AS BEING ASSOCIATED WITH CONTRACTORS AND WHAT AMOUNT OF**
18 **CONTRACTOR COSTS WERE CAPITALIZED?**

19 A. In response to Citizens' Interrogatory No. 1-37, the Company identified \$2,144,270 in
20 contractor costs associated with Hurricane Matthew and Hurricane Irma. In response
21 to Staff's Interrogatory No. 2-6, the Company revised this amount to \$1,978,291 as a
22 result of adding contractor costs for the storm classification "Other," reclassifying costs

1 for Hurricane Matthew and Hurricane Irma to “Other” and adjusting the Hurricane
2 Matthew and Hurricane Irma costs for capitalization of costs. The capitalization
3 amount of \$162,351 was removed, of which \$137,573 was based on Staff’s audit
4 “Finding 1” that concluded materials should be capitalized. I do not take issue with
5 these costs being capitalized especially since these costs should have been reflected in
6 Materials and Supplies, and capitalized out of that cost category. Outside contractor
7 costs should be limited to actual contractor work related to restoration activities to the
8 system and performing other services. To include materials and other costs that are not
9 associated with contractors performing restoration activities only creates more
10 confusion when a review is being performed.

11

12 **Q. WITH THE ADJUSTMENTS MADE, ARE YOU SATISFIED WITH THE**
13 **REQUESTED RECOVERY OF \$1,978,291 FOR OUTSIDE CONTRACTOR**
14 **COSTS?**

15 A. No, I am not. There are multiple concerns with the amount requested. First, there are
16 hourly rates that are grossly excessive even under the circumstances of storm
17 restoration. Second, there is a concern with an excessive amount of standby time being
18 charged. Finally, the proper capitalization of this component of restoration costs is an
19 issue.

20

21 **Q. WHAT IS YOUR CONCERN WITH THE CONTRACTORS RATES AND**
22 **TIME CHARGED BEING EXCESSIVE?**

23 A. As shown on Exhibit No. HWS-2, Schedule E, Page 3 of 3, the contractor Par Electrical
24 Contractors (“PAR”) billed \$1,682,556 for time and expenses. Of this amount, PAR

1 charged \$905,074 (over 54% of the total amount) for purely mobilization and standby
2 charges. That in and of itself is very significant. However, of equally serious concern,
3 is PAR's hourly rate that it charged during the mobilization and standby periods which
4 was significantly higher than the hourly rate it charged for actually performing
5 restoration work. PAR's rate charged for mobilization and standby was \$307 per hour
6 and \$509 per hour, respectively, while its actual work rate ranged from \$216 to \$291
7 per hour. In response to Citizens' Interrogatory No. 4-68, FPUC attributed this hourly
8 rate cost differential as being the result of a commitment through the Southeastern
9 Electric Exchange ("SEE") mutual assistance process. FPUC's response states:

10 Par Electric Contracting was allocated to FPUC through the Southeastern
11 Electric Exchange (SEE) mutual assistance process for Hurricane Irma.
12 The SEE process dictates that when the Utility requests outside resources
13 to assist in restoration efforts, the Utility agrees to start paying for the
14 assigned Contractor at that time. This is done to assure there is no delays
15 in getting resources to the affected Utility as quickly as possible. In general,
16 responding SEE Companies and Contractors rely on each other to charge
17 reasonable rates that only cover actual costs. Because speed of deployment
18 is essential, we have not required responding outside resources to provide
19 rates for approval prior to mobilizing.

20 Par Electric Contracting was originally assigned to Florida Power & Light
21 under existing Contract rates. Only after the Par Crews started traveling to
22 Florida from Des Moines did they get reassigned to FPUC utilizing the
23 same FP&L rates.

24 Par explained the higher rate during mobilization/demobilization when
25 compared to their standard rate was due to some extreme costs they have
26 incurred while responding to other storm areas and that all the Utilities they
27 assisted after Hurricane Irma were charged these same rates.

28

29 Based upon this response, it is a concern that the SEE process dictates the rates – which,
30 according to FPUC, FPL apparently negotiated for itself - to be charged and that these
31 charges begin when the contractor is assigned (in this case on September 7, 2017, four

1 days before Hurricane Irma). Additionally, there is concern with PAR’s explanation
2 that its hourly rate cost differential was due to “some extreme costs” PAR incurred
3 while responding to other storm areas and that all utilities PAR “assisted *after*
4 Hurricane Irma were charged [the] same rates.” This general, non-specific and
5 unsubstantiated statement does not meet any test for reasonableness or prudence I have
6 ever observed in my experience in any state.

7 While the SEE is a trade association that is intended to represent the interests of its
8 members (i.e. the utility companies), FPUC’s explanation indicates the utility accepts
9 that it is the contractor’s best interest and not that of the utility that is of concern to the
10 SEE. Additionally, FPUC began paying PAR on September 7. Hurricane Irma actually
11 hit the FPUC territory on September 11. Since the trip from Des Moines, Iowa to
12 Florida is approximately 20 hours and since PAR was in Jacksonville, Florida on
13 September 8, this raises a major concern as to proper planning by FPUC, especially
14 with the high mobilization rates charged by PAR. Finally, PAR’s hourly rates for travel
15 time of \$377 to \$509 are 30% and 75%, respectively, higher than PAR’s hourly
16 working rate and standby rate that ranges from \$216 to \$291. This is especially
17 concerning when you take into consideration my summary of contractors on Schedule
18 C, Page 3 of 3 in Docket No. 20160251-EI pertaining to storm recovery for Hurricane
19 Matthew reflected an overall average hourly contractor rate significantly less than
20 either the PAR’s \$216 or \$291 hourly rate. PAR’s rates are clearly egregious, and
21 should be grounds for investigating what other types of excessive charges the SEE and
22 its participating utilities have agreed to pay each other for storm restoration activities
23 that the customers are expected to reimburse them. It is clearly unreasonable to charge

1 “price gouging” or “profiteering” rates to ratepayers when they will ultimately bear the
2 cost of storms and are also the ones who are inconvenienced by the power outages.

3

4 **Q. DO YOU QUESTION WHETHER THE HOURLY RATE PAR CHARGED TO**
5 **FPUC IS THE SAME AS THAT CHARGED TO OTHER UTILITIES?**

6 A. No, that is not the issue. The issue is whether the rates are reasonable and whether
7 FPUC’s practice (as well as the practice of other utilities) of consenting to SEE rates is
8 appropriate, and reflects the best interests of the utilities and their customers, not that
9 of the contractors. As I stated earlier, these rates are significantly higher than the
10 overall average rate in Docket No. 20160251-EI related to storm recovery. The rates
11 here are also substantially higher than the average \$106 per hour charged to FPUC by
12 Davis H Elliot Construction for Hurricane Matthew². Even after adding in equipment
13 charges which were billed separately, the implicit average hourly rate for Davis H Elliot
14 Construction is only \$141. I would also urge the Commission – which is broadly
15 charged with regulating all investor owned-utilities and protecting the interests of all
16 electric customers and the integrity of the electric grid – to take steps to compare the
17 rates charged by PAR and other vendors to other Irma-affected utilities.

18

19 **Q. ARE THERE OTHER CONCERNS YOU IDENTIFIED WITH FPUC’S**
20 **STORM COST RECOVERY FILING?**

21 A. Yes, there are. In response to Citizens’ Interrogatory No. 1-7, FPUC stated it did not
22 incur any standby time for its contractors for any of the storms. However, the invoices

² See Exhibit No. HWS-2, Schedule E, Page 3 of 3.

1 clearly indicate a charge for standby with a notation that the contractor was on standby.
2 This obviously raises issues with respect to FPUC’s review process for paying outside
3 vendors. In response to Citizens’ Interrogatory No. 5-83, FPUC explained that it
4 interpreted the question to be asking if there were costs associated to a contractor hired
5 prior to the storm season to specifically standby in case assistance was requested.
6 Notwithstanding this “explanation,” this is a concern when the term “standby” is clearly
7 indicated on the bills and time sheets.

8

9 **Q. WHAT IS YOUR CONCERN WITH RESPECT TO FPUC’S**
10 **REPRESENTATIONS ABOUT IDENTIFYING BILLING FOR STANDBY**
11 **TIME?**

12 A. Any payment of standby-related costs is important. Standby time can be used to
13 determine how prepared a utility is for storm restoration activities and whether it is
14 monitoring this significant cost element of restoration in an efficient manner. If
15 contractor crews are standing by and waiting for assignment for an excessive amount
16 of time, then this is an indication the company is not properly monitoring crew activities
17 and/or managing its resources efficiently. As a result, it is the utility ratepayers (and in
18 this case, the FPUC ratepayers) who suffer because (1) they are experiencing the power
19 outages, and (2) they will ultimately have to pay the storm restoration expenses. My
20 experience with reviewing storm costs has found that contractors generally note on its
21 time sheets whether standby occurred. A prudent utility should require and use this
22 information to evaluate its own performance and to help it develop a process that will
23 minimize standby time. It is not reasonable to expect ratepayers to have to pay for
24 contractors to just sit around.

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Q. ARE YOU MAKING ANY RECOMMENDATION WITH RESPECT TO ACCOUNTING FOR CONTRACTOR TIME?

A. Yes, I am. I am recommending FPUC be required to separately identify the amount of hours and costs that are associated with mobilization/demobilization and with standby time. This is essential information that is beneficial not only to the Company, but also to the Commission. This information provides critical insight into how FPUC is planning and controlling costs before, during, and after storm restoration.

Q. ARE YOU RECOMMENDING A DISALLOWANCE OF COSTS FOR THE GROSSLY EXCESSIVE RATES AND THE EXCESSIVE STANDBY AND/OR MOBILIZATION/DEMobilIZATION?

A. Yes, I am recommending the contractor costs be reduced by at least \$185,093 for the grossly excessive rate and \$353,795 for the excessive amount of standby time.

Q. HOW DID YOU DETERMINE THESE RESPECTIVE ADJUSTMENTS?

A. My calculations are shown on Exhibit No. HWS-2, Schedule C, Page 2 of 3. For the excessive rate, I multiplied the 1,216 hours identified as mobilization by PAR's higher normal working rate/standby rate of \$290.95 per hour. This resulted in a cost of \$353,795. I then subtracted this amount of \$353,795 from mobilization cost of \$538,889 which results in the grossly excessive rate adjustment of at least \$185,093. This calculation is shown on lines 14-18 of Exhibit No. HWS-2, Schedule C, Page 2 of 3. This adjustment reduces the mobilization/standby labor billing from \$892,684 to \$707,591 for the 2,432 hours billed. I do not concede that an average rate of \$290.95

1 per hour is reasonable at all. In fact, given that it is an average, it is clearly excessive.
2 I would support further reductions in this rate but have not had an opportunity to
3 develop a reasonable surrogate rate.

4 For the excessive standby cost, I determined that two days (1,216 hours), instead of
5 four days (2,432 hours), was a reasonable and sufficient time for PAR to travel to
6 Florida and be available to perform restoration work. Since half of the time billed is
7 considered excessive, I multiplied the remaining \$707,591 by 50% which results in an
8 adjustment of \$353,795 for excessive standby time.

9

10 **Q. WHY IS HALF OF THE TIME CONSIDERED TO BE EXCESSIVE?**

11 A. As discussed earlier, the excess is substantiated by the fact that PAR was in
12 Jacksonville on September 8 and was on standby for the next two days. Moreover, that
13 four day billing period does not count the day of the storm for which the contractor was
14 also compensated.

15

16 **Q. PLEASE EXPLAIN YOUR CONCERN WITH THE CAPITALIZATION OF**
17 **CONTRACTOR COSTS.**

18 A. First, the initial capitalized contractor dollars were primarily for materials; therefore,
19 this means labor costs must be capitalized. This additional adjustment is necessary
20 because contractors performed capital work as part of their services in restoring the
21 system. FPUC acknowledged its contractors did capital work in its response to
22 Citizens' Interrogatory No. 1-35. Therefore, the labor to perform this work must be
23 capitalized, otherwise storm recovery costs will be overstated and capital costs will be
24 understated. Second, there is an issue with FPUC's method of capitalizing restoration

1 costs. As discussed earlier, the method used by FPUC ignores the fact that, if the capital
2 work was performed by FPUC employees incurring incremental time, then that work
3 would be at an overtime rate and not at the \$37.34 an hour applied by FPUC. Moreover,
4 the capitalized costs are further understated once you factor in the contractor's hourly
5 rate which is even higher than FPUC's overtime rates.

6

7 **Q. WHY DOES IT MATTER WHETHER THE CAPITALIZATION COSTS ARE**
8 **ACCURATE?**

9 A. If the Company is allowed to understate the capital amount, current ratepayers will pay
10 for capital costs that will benefit future ratepayers. This is a concern commonly
11 referred to as intergenerational inequity. Current ratepayers should not bear the total
12 costs of plant that will be used over thirty to forty years by future customers who are
13 not receiving service from FPUC today. The Commission should also be vigilant in
14 preventing the storm cost recovery mechanism from creating an incentive to overstate
15 immediately recoverable "expenses." Because FPUC has understated its capitalized
16 plant, it is accelerating recovery of that plant expense which should be capitalized as
17 part of the restoration costs it is seeking to recover immediately instead of over the life
18 of the plant. It is more appropriate to spread the cost of that plant over the life of that
19 capital asset being installed and not over a two-year period as requested by FPUC.
20 Under GAAP, the cost of plant to be capitalized is the actual cost. Under the
21 circumstances of this docket (i.e. storm restoration), it is difficult to capture the actual
22 cost; however, that does not justify making an improper estimate of the replacement
23 plant using an understated cost per hour. FPUC's method of capitalization does not

1 comply with GAAP requirements for capitalization of plant based on actual costs, and
2 an adjustment must be made to correct this error.

3

4 **Q. FPUC CAPITALIZED SOME COSTS BASED ON ESTIMATED HOURS AND**
5 **THE \$37.34 HOURLY RATE. IS IT SUFFICIENT TO ONLY ACCOUNT FOR**
6 **THE RATE DIFFERENTIAL BETWEEN CONTRACTORS AND FPUC**
7 **EMPLOYEES?**

8 A. Under the circumstances, that is not sufficient. FPUC assumed under their
9 capitalization plan that work was performed by FPUC employees at their normal hourly
10 rate and that the work was incremental to base rates. As discussed earlier, any work
11 performed during restoration is commonly performed at overtime rates; thus, there is
12 justification for using a different hourly rate for capital work. The other issue is that
13 the FPUC labor was not incremental; therefore, the costs should not be considered as
14 part of the storm restoration costs. If the FPUC labor is not incremental, then it cannot
15 be capitalized which means the amount capitalized should be adjusted based on what
16 capital labor dollars are incremental. The only such labor dollars available for
17 capitalization are the contractor dollars.

18

19 **Q. WOULDN'T IT BE APPROPRIATE TO ASSUME FOR CAPITALIZATION**
20 **PURPOSES THAT THE WORK WAS PERFORMED BY FPUC EMPLOYEES**
21 **AND THE COST OF THAT LABOR IS REASONABLE?**

22 A. No. The Rule makes a distinction between incremental and non-incremental costs in
23 order to avoid a double count and double recovery of dollars from ratepayers. Since
24 the FPUC labor is non-incremental, ratepayers are already paying for that cost as part

1 of base rates. If the Commission allows that FPUC labor for capitalization purposes,
2 then ratepayers will pay for that labor a second time when they pay a return on that
3 plant and when the plant is depreciated. Accordingly, any capitalization has to be an
4 offset to contractor costs as those costs are truly incremental storm costs.

5
6 **Q. IS IT APPROPRIATE TO USE FPUC'S CALCULATED CAPITALIZATION**
7 **COSTS AS AN OFFSET TO CONTRACTOR COSTS?**

8 A. No, it is not. The FPUC calculation assumes the \$37.34 hourly rate and, as shown on
9 Exhibit No. HWS-2, Schedule E, Page 3 of 3, the average contractor hourly rate is
10 approximately \$221, after adjusting for the grossly excessive rates charged by PAR.
11 While the offset in theory may have some merit, the ultimate result is that capital costs
12 are understated and storm restoration costs (expenses) are overstated.

13
14 **Q. WHAT ARE YOU RECOMMENDING FOR AN ADJUSTMENT TO THE**
15 **CONTRACTOR COSTS FOR THE CAPITALIZATION OF RESTORATION**
16 **COSTS?**

17 A. As shown on Exhibit No. HWS-2, Schedule E, Page 2 of 3, I am recommending that
18 capitalization of contractor costs should reduce the amount charged against the reserve
19 by \$500,305. The adjustment as calculated on Exhibit No. HWS-2, Schedule E, Page
20 2 of 3 consists of a reclassification of the Company's capitalization costs for labor,
21 overhead and benefits of \$170,019, vehicle costs of \$29,395 plus \$300,891 for the
22 difference between the Company's capitalization rate and the adjusted average hourly
23 capitalization rate of \$221 for contractors. The calculation is based on the estimated
24 capital restoration hours multiplied by the average hourly contractor rate of \$221. This

1 adjustment does not preclude the Company from recovering the contractor costs, but
2 rather spreads the cost over the life of the assets that were replaced.

3

4 **Q. WHY DO YOU REFER TO THE ADJUSTMENT AS INCLUDING A**
5 **RECLASSIFICATION AND A RATE DIFFERENCE INSTEAD OF JUST**
6 **REFERRING TO THE ADJUSTMENT AS THE CAPITALIZATION OF**
7 **CONTRACTOR COST?**

8 A. As discussed earlier, the Company capitalized replacement plant using the normal cost
9 rate that exists under normal conditions. This cost rate is not consistent with GAAP.
10 Additionally, the Company's methodology ignores the fact that restoration takes place
11 under abnormal conditions when higher Company rates would be in effect and that
12 contractors are performing replacement work. In separating the costs, as I have done,
13 it is clear why the Company's methodology provides results that are not representative
14 of the true costs of restoring replacement plant impacted by the storm.

15

16 **Q. WHAT ARE YOU RECOMMENDING FOR AN OVERALL ADJUSTMENT**
17 **TO THE CONTRACTOR COSTS?**

18 A. As shown on Exhibit No. HWS-2, Schedule E, Page 1 of 3, I am recommending the
19 contractor costs charged against the reserve be reduced by \$1,009,799 (from
20 \$1,978,291 to \$968,493). This adjustment is calculated on Exhibit No. HWS-2,
21 Schedule E, Page 2 of 3, and consists of the \$185,093 of grossly excessive rate charges,
22 the \$353,795 of excessive standby time charges, the reclassification of the Company's
23 capitalization amount of \$170,019 and the \$300,891 understatement of capitalization
24 cost once contractor rates are included in the capitalization of restoration costs.

1 **VII. LINE CLEARING COSTS**

2 **Q. WHAT IS FPUC REQUESTING FOR LINE CLEARING?**

3 A. In response to Staff’s Interrogatory No. 2-6, FPUC is requesting \$261,431 for line
4 clearing costs. For Hurricanes Matthew and Irma, the requests are \$37,698 and
5 \$219,276, respectively.

6

7 **Q. DO YOU HAVE ANY CONCERNS WITH RESPECT TO FPUC’S**
8 **PROCESSING OF LINE CLEARING INVOICES?**

9 A. Yes. My review was very limited in this area because invoices from the line clearing
10 contractors appear to be daily billings which fell below the selection threshold. I have
11 not observed this in other dockets, and recommend that FPUC require billing be done
12 based on weekly time reporting.

13

14 **Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO LINE CLEARING**
15 **COSTS?**

16 A. Yes, I am. I am recommending an adjustment of \$21,720 for Hurricane Matthew and
17 \$141,987 for Hurricane Irma. The adjustments are based on information provided by
18 FPUC in response to Citizens’ Interrogatory No. 2-58. This response shows the amount
19 of costs by which the three year average of normal tree trimming exceeded the actual
20 costs for the months of November and December 2016 (i.e. Matthew) and 2017 (i.e.
21 Irma). Based on the guidelines set forth in Rule 25-6.0143,(1),(f),8, F.A.C., an
22 adjustment is required when tree trimming expenses incurred in any month in which
23 storm damage restoration activities are conducted are less than the actual monthly
24 average of tree trimming costs charged to O&M expense for the same month in the

1 three previous calendar years. I note that in response to Citizens' Interrogatory No. 5-
2 76, the Company acknowledged the adjustment was not made and that those costs
3 should be excluded.

4

5 **VIII. VEHICLE & FUEL COSTS**

6 **Q. WHAT IS FPUC REQUESTING FOR VEHICLE AND FUEL COSTS?**

7 A. FPUC's response to Staff's Interrogatory 2-6 identifies vehicle and fuel costs for the
8 storm to be \$63,626. The Company has reflected a reduction of \$29,395 to cost for
9 capitalization. This results in \$34,231 being charged to the reserve.

10

11 **Q. DO YOU HAVE ANY CONCERNS WITH THE LEVEL OF VEHICLE AND**
12 **FUEL COSTS BEING REQUESTED?**

13 A. No, I do not. After a review of the costs and the supporting detail provided, I have not
14 identified any issues that would require an adjustment to the Company's request
15 concerning vehicle and fuel costs.

16

17

18 **IX. MATERIALS & SUPPLIES**

19 **Q. WHAT DID YOU DETERMINE FROM YOUR REVIEW OF THE COSTS FOR**
20 **MATERIALS AND SUPPLIES THAT WERE INCLUDED IN THE**
21 **COMPANY'S REQUEST FOR RECOVERY?**

22 A. FPUC's is requesting \$89,295 for materials and supplies, after capitalizing \$69,030.
23 This request is \$32,800 more than the \$56,495 identified in the Company's response to
24 Citizens' Interrogatory No. 1-38. The increase is discussed in Finding 1 of the Staff

1 audit and relates to capitalization of transformers and was discovered when FPUC was
2 responding to Citizens' Interrogatory No. 1-38.

3

4 **Q. ARE THERE ANY CONCERNS WITH THE LEVEL OF MATERIALS AND**
5 **SUPPLIES BEING CHARGED TO FPUC'S REQUEST?**

6 A. Yes, there are. The adjustment and explanations for the transformers are a concern.
7 First, transformers are to be capitalized; therefore, including this cost in the amount to
8 be recovered is not appropriate. Second, Rule 25-6.0143, (1), (f), 10, F.A.C., prohibits
9 charging the cost for replenishment of materials and supplies inventory to the storm
10 reserve. Absent additional justification for including this cost in the storm reserve, I
11 recommend the \$32,800 be removed from the Company's request. The adjustment is
12 shown on Exhibit No. HWS-2, Schedule D.

13

14 **X. LOGISTICS**

15 **Q. WHAT AMOUNT OF LOGISTIC COSTS HAS FPUC INCLUDED IN ITS**
16 **REQUEST?**

17 A. FPUC includes logistic costs for Hurricane Matthew and Hurricane Irma of \$73,455
18 and \$172,250, respectively. There are no logistics costs being requested for the other
19 storms. In its response to Citizens' Interrogatory No. 4-70, FPUC provided a listing of
20 each invoice included in its request. Logistic costs are costs related to the establishment
21 and operation of storm restoration sites, and to support employees and contractors who
22 are working on storm restoration (i.e., lodging, meals, transportation, etc.). The total
23 requested is \$245,705. FPUC did not identify any of these costs to be either non-
24 incremental or costs which should be capitalized.

1 **Q. ARE THERE ANY CONCERNS WITH THE LOGISTIC COST REQUESTED?**

2 A. Yes, there are. An invoice for Hurricane Matthew provided as support totaled \$82,390;
3 however, FPUC included only \$40,000 in its request which was identified as a down
4 payment. It is not clear why only the down payment was reflected and whether any
5 additional payments were subsequently made. If it was paid, FPUC should explain
6 how it was accounted for and, if it was not paid, FPUC should explain why it was not.

7
8 **Q. ARE YOU PROPOSING AN ADJUSTMENT TO THE COMPANY'S**
9 **LOGISTIC EXPENSE FOR THE DIFFERENCE?**

10 A. No, I am not. As I stated, there is a concern with the \$42,390 difference and an
11 explanation should be provided by FPUC. If there was an issue as to whether the
12 contractor actually provided the service, then that is relevant since during Hurricane
13 Irma the full bill for that contractor was included in FPUC's request for recovery.

14 **XI. OTHER COSTS**

15 **Q. WHAT IS INCLUDED IN THE "OTHER COST" CATEGORY**
16 **CLASSIFICATION?**

17 A. In response to Citizens' Interrogatory No. 1-40, FPUC indicates that \$83,470 of costs
18 are being requested in this category. The Company's response to Staff's Interrogatory
19 No. 2-6 indicates the request is for \$83,644. These other costs consist of meals &
20 employee reimbursements (\$336), P Card purchases for food, gas, portable sanitation
21 and supplies (\$13,720), miscellaneous costs (\$1,866) and "Normal Expenses Not
22 Recovered in Base Rates" totaling \$67,548. The "Normal Expenses Not Recovered in
23 Base Rates" requires further detail to support this request.

1

2 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE “OTHER COST”**
3 **CATEGORY?**

4 A. Yes, I am. The request for \$67,548 of “Normal Expenses Not Recovered in Base
5 Rates” should be disallowed. In its response to Citizens’ Interrogatory No. 5-84, FPUC
6 stated the following:

7 Due to outages impacting Amelia Island, including the entire island as it
8 relates to Hurricane Matthew, FPUC did not realize the level of base rate
9 revenues expected to cover its normal O&M costs. These are the amounts in
10 included in “Normal Expenses Not Recovered in Base Rates”. As for the
11 additional request for invoices, FPUC states that there are no invoices.
12

13 This response clearly indicates the costs sought are for the recovery of lost revenue.
14 According to Rule25-6.0143,(1),(f),9, F.A.C., utility lost revenue from services not
15 provided is prohibited from being charged to the reserve. In addition, the Company
16 did not provide any supporting evidence that it incurred the \$67,548 of cost for which
17 support was requested. The only information provided for the added cost are two
18 journal entry amounts.

19

20 **XII. CAPITALIZABLE COSTS**

21 **Q. ARE YOU MAKING ANY RECOMMENDATIONS TO IMPROVE THE**
22 **METHOD OF RECOVERING STORM COSTS?**

23 A. Yes, I am. FPUC does not appear to have a set policy for capitalization of storm costs
24 or a standard methodology in place. In response to Citizens’ Production of Documents
25 No. 1-1, FPUC confirmed no capitalization policy exists. A prudent utility should have
26 a capitalization policy in place and develop a method for capitalizing storm restoration

1 costs. The same holds true for FPUC. That methodology should factor in contractor
2 rates and crew sizes since contractors perform capital restoration work. This is
3 essential since contractor rates are significantly higher than either regular or overtime
4 rates of FPUC employees.

5
6 **Q. WOULD YOU EXPLAIN HOW THE RATE PER HOUR IS SIGNIFICANTLY**
7 **DIFFERENT BETWEEN CONTRACTORS AND FPUC'S PERSONNEL?**

8 A. The cost for contractors will be higher because they utilize larger crews (generally four
9 to five) and the contractors' hourly pay rates are significantly higher on average. In
10 my experience, a utility's crews are generally two or three personnel. That means the
11 cost for restoring poles and wires will be significantly more than under normal weather
12 and circumstances since a utility often utilizes outside contractors after storm events.

13
14 **XIII. RECOMMENDATIONS**

15 **Q. ARE YOU MAKING ANY RECOMMENDATIONS TO IMPROVE THE**
16 **PROCEDURE FOR SEEKING RECOVERY OF STORM COSTS?**

17 A. Yes, I am. In addition to my previous recommendation regarding record keeping
18 associated with mobilization/demobilization and with standby time, I recommend the
19 Commission mandate additional filing requirements when a utility seeks to recover
20 storm costs. FPUC incurred a significant amount of costs that included substantial
21 costs for mobilization and standby, during the process of restoring service to customers
22 after Hurricane Matthew and Hurricane Irma. When a utility submits its requests for
23 cost recovery, the supporting cost documentation and testimony should be provided
24 simultaneously with the petition seeking cost recovery. This would significantly

1 reduce the need for additional discovery by Commission staff and intervening parties,
2 and would provide the requisite support for the recovery that is being requested from
3 ratepayers. For example, in Massachusetts when a company seeks recovery for storm
4 costs, it is required to include all supporting documentation at the time the petition for
5 cost recovery is filed. I believe this is a better model for Florida to implement.

6

7 **Q. BASED ON YOUR TESTIMONY, PLEASE SUMMARIZE YOUR**
8 **RECOMMENDED ADJUSTMENTS?**

9 A. My recommended adjustments are as follows:

- 10 • A reduction of \$154,478 to FPUC's request for payroll cost recovery and reclassify
11 capitalized dollars of \$114,739 as an offset to contractor costs;
- 12 • A reduction of \$28,561 to FPUC's request for benefit cost recovery and reclassify
13 capitalized dollars of \$41,299 as an offset to contractor costs;
- 14 • A reduction of \$18,298 to FPUC's request for overhead cost recovery and reclassify
15 capitalized dollars of \$13,981 as an offset to contractor costs;
- 16 • A reduction to contractor costs of at least \$185,039 for a grossly excessive hourly rate
17 charged by PAR;
- 18 • A reduction to contractor costs of \$353,795 for an excessive amount of standby time;
- 19 • A reduction of \$300,891 to FPUC's request related to recapitalization of contractor
20 costs and reduced contractor cost by \$170,019 for the reclassified costs from payroll,
21 benefits and overheads;
- 22 • A reduction of \$163,700 to FPUC's request for line clearing cost recovery;
- 23 • A reduction of \$32,800 to FPUC's request for materials and supplies cost recovery;
- 24 and

1 • A reduction of \$67,548 for unsupported and prohibited recovery of lost revenue.

2 For the quantified amounts identified above, I recommend a total reduction of \$1,475,189
3 to FPUC's overall storm restoration and reserve replenishment request.

4

5 **Q. WOULD YOU SUMMARIZE HOW THE REDUCTION TO RESTORATION**
6 **COSTS CHARGED AGAINST THE RESERVE IMPACTS THE OVERALL**
7 **RECOVERY REQUESTED BY FPUC?**

8 A. Below I provide a side by side comparison of FPUC request to the OPC's
9 recommendation for recovery.

10

	<u>FPUC</u>	<u>OPC</u>
11 Storm Costs Included in Request	\$2,946,369	\$1,471,176
Storm Reserve September 2015	(2,142,805)	(2,142,805)
12 Added Reserve Accruals	<u>(141,890)</u>	<u>(141,890)</u>
Reserve Deficiency	661,674	(813,519)
13 Desired Reserve Balance	<u>1,500,000</u>	<u>1,500,000</u>
	2,161,674	686,481
14 Regulatory Assessment Fee	<u>1,556</u>	<u>1,556</u>
15 Requested Recovery	<u>\$2,163,230</u>	<u>\$688,037</u>

16 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

17 A. Yes it does.

CERTIFICATE OF SERVICE
20180061-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Direct Testimony and Exhibits of Helmuth W. Schultz, III has been furnished by electronic mail on this 22nd day of October, 2018, to the following:

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QUALIFICATIONS OF HELMUTH W. SCHULTZ, III

Mr. Schultz received a Bachelor of Science in Accounting from Ferris State College in 1975. He maintains extensive continuing professional education in accounting, auditing, and taxation. Mr. Schultz is a member of the Michigan Association of Certified Public Accountants

Mr. Schultz was employed with the firm of Larkin, Chapski & Co., C.P.A.s, as a Junior Accountant, in 1975. He was promoted to Senior Accountant in 1976. As such, he assisted in the supervision and performance of audits and accounting duties of various types of businesses. He has assisted in the implementation and revision of accounting systems for various businesses, including manufacturing, service and sales companies, credit unions and railroads.

In 1978, Mr. Schultz became the audit manager for Larkin, Chapski & Co. His duties included supervision of all audit work done by the firm. Mr. Schultz also represents clients before various state and IRS auditors. He has advised clients on the sale of their businesses and has analyzed the profitability of product lines and made recommendations based upon his analysis. Mr. Schultz has supervised the audit procedures performed in connection with a wide variety of inventories, including railroads, a publications distributor and warehouse for Ford and GM, and various retail establishments.

Mr. Schultz has performed work in the field of utility regulation on behalf of public service commission staffs, state attorney generals and consumer groups concerning regulatory matters before regulatory agencies in Alaska, Arizona, California, Connecticut, Delaware, District of Columbia, Florida, Georgia, Kentucky, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Vermont and Virginia. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on numerous occasions.

Partial list of utility cases participated in:

U-5331	Consumers Power Co. Michigan Public Service Commission
Docket No. 770491-TP	Winter Park Telephone Co.

	Florida Public Service Commission
Case Nos. U-5125 and U-5125(R)	Michigan Bell Telephone Co. Michigan Public Service Commission
Case No. 77-554-EL-AIR	Ohio Edison Company Public Utility Commission of Ohio
Case No. 79-231-EL-FAC	Cleveland Electric Illuminating Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Refunds Michigan Public Service Commission
Docket No. 820294-TP	Southern Bell Telephone and Telegraph Co. Florida Public Service Commission
Case No. 8738	Columbia Gas of Kentucky, Inc. Kentucky Public Service Commission
82-165-EL-EFC	Toledo Edison Company Public Utility Commission of Ohio
Case No. 82-168-EL-EFC	Cleveland Electric Illuminating Company, Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Company Phase II, Michigan Public Service Commission
Docket No. 830012-EU	Tampa Electric Company, Florida Public Service Commission
Case No. ER-83-206	Arkansas Power & Light Company, Missouri Public Service Commission
Case No. U-4758	The Detroit Edison Company - (Refunds), Michigan Public Service Commission
Case No. 8836	Kentucky American Water Company,

Kentucky Public Service Commission

Case No. 8839	Western Kentucky Gas Company, Kentucky Public Service Commission
Case No. U-7650	Consumers Power Company - Partial and Immediate Michigan Public Service Commission
Case No. U-7650	Consumers Power Company - Final Michigan Public Service Commission
U-4620	Mississippi Power & Light Company Mississippi Public Service Commission
Docket No. R-850021	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. R-860378	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. 87-01-03	Connecticut Natural Gas State of Connecticut Department of Public Utility Control
Docket No. 87-01-02	Southern New England Telephone State of Connecticut Department of Public Utility Control
Docket No. 3673-U	Georgia Power Company Georgia Public Service Commission
Docket No. U-8747	Anchorage Water and Wastewater Utility Alaska Public Utilities Commission
Docket No. 8363	El Paso Electric Company The Public Utility Commission of Texas

Docket No. 881167-EI	Gulf Power Company Florida Public Service Commission
Docket No. R-891364	Philadelphia Electric Company Pennsylvania Office of the Consumer Advocate
Docket No. 89-08-11	The United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. 9165	El Paso Electric Company The Public Utility Commission of Texas
Case No. U-9372	Consumers Power Company Before the Michigan Public Service Commission
Docket No. 891345-EI	Gulf Power Company Florida Public Service Commission
ER89110912J	Jersey Central Power & Light Company Board of Public Utilities Commissioners
Docket No. 890509-WU	Florida Cities Water Company, Golden Gate Division Florida Public Service Commission
Case No. 90-041	Union Light, Heat and Power Company Kentucky Public Service Commission
Docket No. R-901595	Equitable Gas Company Pennsylvania Consumer Counsel
Docket No. 5428	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 90-10	Artesian Water Company Delaware Public Service Commission
Docket No. 900329-WS	Southern States Utilities, Inc.

	Florida Public Service Commission
Case No. PUE900034	Commonwealth Gas Services, Inc. Virginia Public Service Commission
Docket No. 90-1037* (DEAA Phase)	Nevada Power Company - Fuel Public Service Commission of Nevada
Docket No. 5491**	Central Vermont Public Service Corporation Vermont Department of Public Service
Docket No. U-1551-89-102	Southwest Gas Corporation - Fuel Before the Arizona Corporation Commission
	Southwest Gas Corporation - Audit of Gas Procurement Practices and Purchased Gas Costs
Docket No. U-1551-90-322	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 176-717-U	United Cities Gas Company Kansas Corporation Commission
Docket No. 5532	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 910890-EI	Florida Power Corporation Florida Public Service Commission
Docket No. 920324-EI	Tampa Electric Company Florida Public Service Commission
Docket No. 92-06-05	United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. C-913540	Philadelphia Electric Co. Before the Pennsylvania Public Utility Commission

Docket No. 92-47	The Diamond State Telephone Company Before the Public Service Commission of the State of Delaware
Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation (Supplemental) State of Connecticut Department of Public Utility Control
Docket No. 93-08-06	SNET America, Inc. State of Connecticut Department of Public Utility Control
Docket No. 93-057-01**	Mountain Fuel Supply Company Before the Public Service Commission of Utah
Docket No. 94-105-EL-EFC	Dayton Power & Light Company Before the Public Utilities Commission of Ohio
Case No. 399-94-297**	Montana-Dakota Utilities Before the North Dakota Public Service Commission
Docket No. G008/C-91-942	Minnegasco Minnesota Department of Public Service
Docket No. R-00932670	Pennsylvania American Water Company Before the Pennsylvania Public Utility Commission
Docket No. 12700	El Paso Electric Company

Public Utility Commission of Texas

Case No. 94-E-0334	Consolidated Edison Company Before the New York Department of Public Service
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Case No. PU-314-94-688	U.S. West Application for Transfer of Local Exchanges Before the North Dakota Public Service Commission
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 95-03-01	Southern New England Telephone Company State of Connecticut Department of Public Utility Control
Docket No. U-1933-95-317	Tucson Electric Power Before the Arizona Corporation Commission
Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 96-01-26**	Bridgeport Hydraulic Company State of Connecticut Department of Public Utility Control
Docket Nos. 5841/ 5859	Citizens Utilities Company Before Vermont Public Service Board

Docket No. 5983	Green Mountain Power Corporation Before Vermont Public Service Board
Case No. PUE960296**	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-03493A-98-0705*	Black Mountain Gas Division of Northern States Power Company, Page Operations Before the Arizona Corporation Commission
Docket No. 98-10-07	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. 99-01-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-04-18	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 99-09-03	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 980007-0013-003	Intercoastal Utilities, Inc. St. John County - Florida
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah

Docket No. 6332 **	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. G-01551A-00-0309	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 6460**	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 01-05-19 Phase I	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket No. 010949-EI	Gulf Power Company Before the Florida Office of the Public Counsel
Docket No. 2001-0007-0023	Intercoastal Utilities, Inc. St. Johns County - Florida
Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket Nos. R. 01-09-001 I. 01-09-002	Verizon California Incorporated Before the California Public Utilities Commission
Docket No. 99-02-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-03-04	United Illuminating Company State of Connecticut Department of Public Utility Control

Docket Nos. 5841/ 5859	Citizens Utilities Company Probation Compliance Before Vermont Public Service Board
Docket No. 6120/6460	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 020384-GU	Tampa Electric Company d/b/a/ Peoples Gas System Before the Florida Public Service Commission
Docket No. 03-07-02	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 6914	Shoreham Telephone Company Before the Vermont Public Service Board
Docket No. 04-06-01	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket Nos. 6946/6988	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 04-035-42**	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 050045-EI**	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 050078-EI**	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 05-03-17	The Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control

Docket No. 05-06-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. A.05-08-021	San Gabriel Valley Water Company, Fontana Water Division Before the California Public Utilities Commission
Docket NO. 7120 **	Vermont Electric Cooperative Before the Vermont Public Service Board
Docket No. 7191 **	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 06-035-21 **	PacifiCorp Before the Public Service Commission of Utah
Docket No. 7160	Vermont Gas Systems Before the Vermont Public Service Board
Docket No. 6850/6853 **	Vermont Electric Cooperative/Citizens Communications Company Before the Vermont Public Service Board
Docket No. 06-03-04** Phase 1	Connecticut Natural Gas Corporation Connecticut Department of Public Utility Control
Application 06-05-025	Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California- American Water Company Before the California Public Utilities Commission
Docket No. 06-12-02PH01**	Yankee Gas Company State of Connecticut Department of Public Utility Control

Case 06-G-1332**	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Case 07-E-0523	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 07-07-01	Connecticut Light & Power Company Connecticut Department of Public Utility Control
Docket No. 07-035-93	Rocky Mountain Power Company Before the Public Service Commission of Utah
Docket No. 07-057-13	Questar Before the Public Service Commission of Utah
Docket No. 08-07-04	United Illuminating Company Connecticut Department of Public Utility Control
Case 08-E-0539	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 080317-EI	Tampa Electric Company Before the Florida Public Service Commission
Docket No. 7488**	Vermont Electric Cooperative, Inc. Before the Vermont Public Service Board
Docket No. 080318-GU	Peoples Gas System Before the Florida Public Service Commission
Docket No. 08-12-07***	Southern Connecticut Gas Company Connecticut Department of Utility Control
Docket No. 08-12-06***	Connecticut National Gas Company Connecticut Department of Utility Control
Docket No. 090079-EI	Progress Energy Florida, Inc. Before the Florida Public Service Commission

Docket No. 7529 **	Burlington Electric Company Before the Vermont Public Service Board
Docket No. 7585****	Green Mountain Power Corporation Alternative Regulation Before the Vermont Public Service Board
Docket No. 7336****	Central Vermont Public Service Company Alternative Regulation Before the Vermont Public Service Board
Docket No. 09-12-05	Connecticut Light & Power Company Connecticut Department of Utility Control
Docket No. 10-02-13	Aquarion Water Company of Connecticut Connecticut Department of Utility Control
Docket No. 10-70	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 10-12-02	Yankee Gas Services Company Connecticut Department of Utility Control
Docket No. 11-01	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Case No.9267	Washington Gas Light Company Maryland Public Service Commission
Docket No. 110138-EI	Gulf Power Company Before the Florida Public Service Commission
Case No.9286	Potomac Electric Power Company Maryland Public Service Commission
Docket No. 120015-EI	Florida Power & Light Company Before the Florida Public Service Commission

Docket No. 11-102***	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 8373****	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board
Docket No. 110200-WU	Water Management Services, Inc. Before the Florida Public Service Commission
Docket No. 11-102/11-102A	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Case No.9311	Potomac Electric Power Company Maryland Public Service Commission
Case No.9316	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 130040-EI**	Tampa Electric Company Before the Florida Public Service Commission
Case No.1103	Potomac Electric Power Company Public Service Commission of the District of Columbia
Docket No. 13-03-23	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No. 13-06-08	Connecticut Natural Gas Corporation Connecticut Public Utility Regulatory Authority
Docket No. 13-90	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Docket No. 8190**	Green Mountain Power Company Before the Vermont Public Service Board

Docket No. 8191**	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board
Case No.9354**	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No.2014-UN-132**	Entergy Mississippi Inc. Mississippi Public Service Commission
Docket No. 13-135	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 14-05-26	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No. 13-85	Massachusetts Electric Company and Nantucket Electric Company D/B/A/ as National Grid Massachusetts Department of Public Utilities
Docket No. 14-05-26RE01***	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No.2015-UN-049**	Atmos Energy Corporation Mississippi Public Service Commission
Case No.9390	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 15-03-01***	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Docket No. 15-03-02***	United Illuminating Company Connecticut Department of Public Utility Control
Case No.9418***	Potomac Electric Power Company Maryland Public Service Commission

Case No.1135*** Docket No. 15-03-01***	Washington Gas Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority
Case No.1137	Washington Gas Public Service Commission of the District of Columbia
Docket No. 160021-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 160062-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 15-149	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 8710	Vermont Gas Systems Inc. Before the Vermont Public Service Board
Docket No. 8698	Vermont Gas Systems Inc. Alternative Regulation Before the Vermont Public Service Board
Docket No. 16-06-042	United Illuminating Company Connecticut Department of Public Utility Control
Docket No. A.16-09-001	Southern California Edison Before the California Public Utilities Commission
Case No. 17-1238-INV**	Vermont Gas Systems Inc. Before the Vermont Public Utility Commission
Case No. 17-3112-INV**	Green Mountain Power Company Before the Vermont Public Utility Commission
Docket No. 17-10-46**	Connecticut Light & Power Company Connecticut Public Utility Regulatory Authority

Docket No. 20170141-SU KW Resort Utilities Corp.
Before the Florida Public Service Commission

Docket No. 2017-0105 The Hawaii Gas Company
Before the Hawaii Public Utility Commission

Docket No. 20160251-EI** Florida Power & Light. Company
Before the Florida Public Service Commission

Case No. 18-0409-TF** Vermont Gas Systems Inc.
Before the Vermont Public Utility Commission

Docket No. 2018-00008 Maine Water Company
Before the Maine Public Utility Commission

Docket No. 18-05-16** Connecticut Natural Gas Company
Connecticut Public Utility Regulatory Authority

Docket No. 18-05-10** Yankee Gas Services Company
Connecticut Public Utility Regulatory Authority

* Certain issues stipulated, portion of testimony withdrawn.

** Case settled.

*** Assisted in case and hearings, no testimony presented

**** Annual filings reviewed and reports filed with Board.

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
<u>Company Requested</u>								
1	Payroll & Related Costs	1,936	3,387	3,953	56,157	79,969	47,088	192,489
2	Benefits	566	1,516	3,574	14,439	707	17,623	38,425
	Overheads	67	2,707	5,828	1,157	83	13,014	22,856
3	Contractors	0	953	0	312,717	1,661,100	3,520	1,978,291
4	Line Clearing	0	0	1,642	37,698	219,276	2,816	261,431
5	Vehicle & Fuel	812	2,345	4,989	2,711	2,425	20,949	34,231
6	Materials & Supplies	0	991	645	17,153	54,452	16,053	89,294
7	Logistics	0	0	0	73,455	172,250	0	245,705
8	Other	0	0	136	45,409	37,898	200	83,643
9	Incremental Storm Costs Per Co.	3,381	11,899	20,767	560,896	2,228,160	121,264	2,946,365
10	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
11	Requested Recoverable Retail Costs	3,381	11,898	20,767	560,896	2,228,160	121,264	2,946,364
<u>Per OPC</u>								
12	Payroll & Related Costs	0	0	(0)	5,315	32,697	(0)	38,011
13	Benefits	0	(0)	0	1,379	8,485	(0)	9,863
	Overheads	(0)	(0)	0	637	3,921	0	4,558
14	Contractors	0	953	0	223,057	740,963	3,520	968,493
15	Line Clearing	0	0	1,642	15,978	77,289	2,816	97,724
16	Vehicle & Fuel	812	2,345	4,989	2,711	2,425	20,949	34,231
17	Materials & Supplies	0	991	645	17,154	21,652	16,053	56,495
18	Logistics	0	0	0	73,455	172,250	0	245,705
19	Other	0	0	136	2,040	13,720	200	16,096
20	Incremental Storm Costs Per OPC.	812	4,289	7,412	341,725	1,073,400	43,539	1,471,176
21	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
22	Recommended Recoverable Retail Costs	812	4,289	7,412	341,725	1,073,400	43,539	1,471,176
23	OPC Retail Adjustment (L.22 - L.11)	<u>(2,569)</u>	<u>(7,609)</u>	<u>(13,355)</u>	<u>(219,171)</u>	<u>(1,154,760)</u>	<u>(77,725)</u>	<u>(1,475,189)</u>

Note: Line 11 reflects the requested amount per Company Exhibit MC-1 and the response to Staff Interrogatory No. 2-6.

Attachment A	3381	13177	27359	560897	2332934	126120	
Difference	(0)	(1,279)	(6,592)	(1)	(104,774)	(4,856)	(117,504)

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Regular Payroll & Related Costs		1,279	6,592	5,315	32,696	3,044	48,926
2	Added Compensation				25,632	44,000		69,632
3	Overtime Payroll & Related Costs	1,936	3,387	3,952	53,641	89,580	40,379	192,876
4	Attachment 17 Correction		(1,279)	(6,592)			3,665	(4,206)
5	Company Revised Payroll Costs	1,936	3,387	3,953	84,588	166,277	47,088	307,228
6	Less: Non-Incremental Costs							0
7	Less : Capitalized Costs				28,431	86,308		114,739
8	Company Requested Payroll	1,936	3,387	3,953	56,157	79,969	47,088	192,489
9	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
10	Retail Recoverable Cost Per Co.	1,936	3,387	3,953	56,157	79,969	47,088	192,489
11	Co. PR & Related Costs	1,936	3,387	3,953	84,588	166,277	47,088	307,228
12	Non-Incremental Costs	(1,936)	(3,387)	(3,953)	(53,641)	(89,580)	(47,088)	(199,585)
13	Bonus Compensation	0	0	0	(25,632)	(44,000)	0	(69,632)
14	Capitalized Costs							
15	Payroll & Related Costs	0	0	(0)	5,315	32,697	(0)	38,011
16	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
17	Retail Costs Per OPC	0	0	(0)	5,315	32,697	(0)	38,011
18	OPC Retail Adjustment (L.15 - L. 9)	(1,936)	(3,387)	(3,953)	(50,842)	(47,272)	(47,088)	(154,478)
19	Capitalization Assigned to Contractors				(28,431)	(86,308)	0	(114,739)
20	Total Payroll Cost Adjustment							(269,217)

Source: Lines 1, 2, 3 and 7 are from response to Citizens IR No. 1-17 attachment.
Line 4 is from correction to Attachment 17 from response to Staff Interrogatory No. 2-6

Florida Public Utilities Company
Storm Restoration Costs
Overtime Payroll

Docket No. 20180061-EI
Exhibit No. HWS-2
Schedule B
Page 2 of 2

Line No.	Description	Amounts	Amounts	Source
1	Capitalized Labor		114,739	Schedule I
2	Hourly Labor Rate (LVM)		37.34	Citizens' IR No. 2-44
3	Capitalized Hours		3,073	Line 1 / Line 2
4	Overtime Hourly Rate	\$75		
5	Overhead Rate 75%	1.75		Citizens' IR No. 2-44
6	Labor and Overhead	131		Line 4 x Line 5
7	FPUC Employees	1		
8	Calculated Labor & Payroll Overhead Rate	131	131	
9	Estimated Labor & Overhead Cost @ Double Time		401,585	Line 3 x Line 8
10	Capitalized Labor		114,739	
11	Capitalized Benefits		41,299	
12	Capitalized Overhead		13,981	
13	FPUC Capitalized		170,019	
14	Minimum Understated Capital Cost		231,567	

Florida Public Utilities Company
Storm Restoration Costs
Benefits

Docket No. 20180061-EI
Exhibit No. HWS-2
Schedule C

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Benefit & Payroll Taxes	566	1,516	3,574	24,672	31,773	14,845	76,946
2	Attachment 17 Correction						2,778	2,778
3	Co. Rev. Benefit Costs	566	1,516	3,574	24,672	31,773	17,623	79,724
4	Less: Non-Incremental Costs							0
5	Less : Benefit Capitalized Costs				10,233	31,066		41,299
6	Company Requested Benefits & P/R Taxes	566	1,516	3,574	14,439	707	17,623	38,425
7	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
8	Co. Rev. Benefit Costs	566	1,516	3,574	14,439	707	17,623	38,425
9	Co. Rev. Benefit Costs	566	1,516	3,574	24,672	31,773	17,623	79,724
10	Non-Incremental Costs	(566)	(1,516)	(3,574)	(24,672)	(31,773)	(17,623)	(79,724)
11	Benefits on Non-Electric Division P/R	0	0	0	1,379	8,485	0	9,864
12	Benefit & Payroll Taxes	0	(0)	0	1,379	8,485	(0)	9,863
13	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
14	Retail Costs Per OPC	0	(0)	0	1,379	8,485	(0)	9,863
15	OPC Retail Adjustment (L.14 - L. 8)	(566)	(1,516)	(3,574)	(13,060)	7,778	(17,623)	(28,561)
16	Capitalization Assigned to Overtime	0	0	0	(10,233)	(31,066)	0	(41,299)
17	Total Benefit Adjustment							(69,860)

Source: Lines 1 and 5 are from response to Citizens IR No. 1-17 attachment.
Line 2 is from correction to Attachment 17 from response to Staff Interrogatory No. 2-6

Florida Public Utilities Company
Storm Restoration Costs
Department Internal Expenses (Overheads)

Docket No. 20180061-EI
Exhibit No. HWS-2
Schedule D

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Expenses	879	5,052	10,817	14,956	32,636	22,859	87,199
2	Attachment 17 Correction	(812)	(2,345)	(4,989)	(10,473)	(21,898)	(9,845)	(50,362)
3	Department Expenses (Overheads)	67	2,707	5,828	4,483	10,738	13,014	36,837
4	Less: Non-Incremental Costs							0
5	Less : Capitalized Costs				11,088	32,288		43,376
6	Attachment 17 Correction				(7,762)	(21,633)		(29,395)
7	Company Requested	67	2,707	5,828	1,157	83	13,014	22,856
8	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
9	Retail Recoverable Cost Per Co.	67	2,707	5,828	1,157	83	13,014	22,856
10	Department Expenses (Overheads)	67	2,707	5,828	4,483	10,738	13,014	36,837
11	Non-Incremental Costs	(67)	(2,707)	(5,828)	(4,483)	(10,738)	(13,014)	(36,837)
12	O/H on Non-Electric Division P/R	0	0	0	637	3,920	0	4,558
13	Retail Recoverable Cost	(0)	(0)	0	637	3,921	0	4,558
14	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
15	Retail Costs Per OPC	(0)	(0)	0	637	3,921	0	4,558
16	OPC Retail Adjustment (L.15 - L. 9)	(67)	(2,707)	(5,828)	(520)	3,837	(13,014)	(18,298)
17	Capitalization Assigned to Overheads	0	0	0	(3,326)	(10,655)	0	(13,981)
18	Total Overhead Adjustment							(32,279)

Source: Lines 1 and 7 are from response to Citizens IR No. 1-17 attachment.
Lines 2 and 6 are from correction to Attachment 17 from response to Staff Interrogatory No. 2-6

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Contractors	0		0	322,854	1,821,416	0	2,144,270
2	Staff Requested Detail		953				3,520	4,473
3	Staff Requested Reclassification				(4,337)	(3,764)		(8,101)
4	Capitalized Costs				(5,800)	(18,978)		(24,778)
5	Staff Capitalization- Materials					(137,573)		(137,573)
6	Co. Revised Contractor Costs	0	953	0	312,717	1,661,100	3,520	1,978,291
7	Less: Non-Incremental Costs	0	0	0	0	0	0	0
8	Less : Capitalized Costs					0	0	0
9	Company Requested for Contractors	0	953	0	312,717	1,661,100	3,520	1,978,291
10	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
11	Retail Recoverable Cost Per Co.	0	953	0	312,717	1,661,100	3,520	1,978,291
12	Co. Revised Contractor Costs	0	953	0	312,717	1,661,100	3,520	1,978,291
	Excessive Rate Adjustment					(185,093)		(185,093)
	Excessive Standby Adjustment					(353,795)		(353,795)
13	Co. Capitalization Reclassified	0	0	0	(41,990)	(128,029)	0	(170,019)
14	OPC Capitalization Adjustment	0	0	0	(47,671)	(253,220)	0	(300,891)
15	OPC Contractor Costs	0	953	0	223,057	740,963	3,520	968,493
16	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
17	Retail Costs Per OPC	0	953	0	223,057	740,963	3,520	968,493
18	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	(89,661)	(920,138)	0	(1,009,799)

Source: Line 1 is from response to Citizens IR No. 1-37 attachment.
Lines 2-5 are from response to Staff IR No. 2-6.

CONFIDENTIAL

Line No.	Description	Amounts	Amounts	Source
1	Payroll & Related Costs Capitalized		170,019	Schedule I
2	Hourly Labor Rate + Overheads		75.15	Citizens' IR No. 2-44
3	Capitalized Hours		2,262	Line 1 / Line 2
4	Average Contractor Rate	221		Schedule C, Page 3
5	Contractor Employees	1		
6	Calculated Labor & Payroll Overhead Rate	221	221	Line 4 x Line 5
7	Estimated Contractor Labor & Overhead Cost		500,305	Line 3 x Line 6
8	Payroll Capitalized	114,739		
9	Benefits Capitalized	41,299		
10	Overhead Capitalized	13,981		
11	Vehicle Cost Capitalized	29,395		
12	Company Capitalized Labor & Related Cost	199,414	199,414	
13	Adjustment for Contractor Capitalization		(300,891)	Line 12-Line 7
14	Mobilization	608	229,313	
15	Mobilization	608	309,575	
16		1,216	538,889	
17	Highest Normal Working Rate @ \$290.95	1,216	353,795	
18	Excessive Rate Adjustment		(185,093)	Line 17-Line 16
19	Excessive Standby Days 2 of 4 days	1,216	(353,795)	
20	Total Adjustment		(1,009,799)	

Note: The total mobilization/standby labor is \$892,685 - the rate adjustment of \$185,093 = \$707,591

Line No.	Invoice Reference	Vendor	Hours	Average Rate	Labor/Fringe	Corp. A&G	Materials	Equip./Tr ans.	Exp. / Misc.	Total	Comment	Description	MOB/ DEMOB	Standby
Matthew														
1	20162070	ARMSTRONG FENCE CO			2,410					2,410				
2	20162069	ARMSTRONG FENCE CO			5,591					5,591				
3	325562	DAVIS H ELLIOTT CONST	1,604	106	170,659			55,772	1,785	228,216	X	No TR		
4	52836463.003	ELECTRIC SUPPLY			1,404					1,404				
5	52836239.003	ELECTRIC SUPPLY			3,083					3,083				
6	A23211	FLORIDA AIR SERVICE AND ENGINEERING			85					85				
7	17-009	GULF POWER COMPANY	586	71	41,525	5,594		3,010	483	50,611	X	No TR	MUA	
8	532921	GUNSTER YOAKLEY & STEWART PA			188					188				
9	556808	GUNSTER YOAKLEY & STEWART PA			569					569				
10	15177	JOHNNY'S ELECTRIC INC			130					130				
11	595217	KATHY L WELCH			86					86				
12	523415	KATHY L WELCH			158					158				
13	509835	KATHY L WELCH			420					420				
14	529059	KATHY L WELCH			450					450				
15	516320	KATHY L WELCH			653					653				
16	588630	KATHY L WELCH			1,800					1,800				
17	7863	NORTH AMERICAN SUBSTATION SVS LLC			5,000					5,000				
18	STORM FUNDS 0916	PATRICIA THORNTON			3,000					3,000				
19	258753-0	SOUTHWEST ELECTRIC CO			17,033					17,033				
20	12751A	STEPHS HEAVY TRANSPORT INC			355					355				
21	12484A	STEPHS HEAVY TRANSPORT INC			355					355				
22	532921	GUNSTER YOAKLEY & STEWART PA			188					188				
23	509835	KATHY L WELCH			420					420				
24	516320	KATHY L WELCH			653					653				
25					0					0				
26										<u>322,854</u>				
Irma														
27	3680647-00	ANIXTER INC			3,799					3,799				Y
28	930734584	COOPER POWER SYSTEMS					25,423			25,423	X	Switchgear		Y
29	930720934	COOPER POWER SYSTEMS					25,423			25,423	X	Switchgear		Y
30	52944432.001	ELECTRIC SUPPLY			329					329				
31	52942985.001	ELECTRIC SUPPLY			771					771				
32	52942806.001	ELECTRIC SUPPLY			4,734					4,734				Y
33	901710009	PAR ELECTRICAL CONTR	3,062	254	776,235				1,247	777,482	X	WE 9/17/17		
34	901710008	PAR ELECTRICAL CONTR	2,432	367	892,684				12,390	905,074	X	No Work	WE 9/10/17	538,888 353,795
35	6023317005165	PRESIDIO HOLDINGS INC			401					401				
36	6023317004399	PRESIDIO HOLDINGS INC			653					653				
37	6023317004398	PRESIDIO HOLDINGS INC			1,255					1,255				
38	56864	SERVICE ELECTRIC COMPANY			6,045					6,045				Y
39	57647	SERVICE ELECTRIC COMPANY			13,942					13,942				Y
40	HH30663	STEPHS HEAVY TRANSPORT INC			358					358				
41	HH31040	STEPHS HEAVY TRANSPORT INC			425					425				
42	1135786	THE L E MYERS COMPANY			52,310					52,310	X	No detail	Rep arrestors	Y
43	D17090192	FASTENER SERVICE INC			227					227				
44	6023318000073	PRESIDIO HOLDINGS INC			152					152				
45	6023317004678	PRESIDIO HOLDINGS INC			304					304				
46	6023317005165	PRESIDIO HOLDINGS INC			401					401				
47	6023317004399	PRESIDIO HOLDINGS INC			653					653				
48	6023317004398	PRESIDIO HOLDINGS INC			1,255					1,255				
49					0					0				
50	PAR Electric Rate Adjustment				(185,093)					<u>1,821,415</u>				
51	PAR Electric Adjustment				(1,216)					<u>(353,795)</u>				
52					<u>5,882</u>	221.13				<u>1,300,689</u>				
53							Costs Verified			<u>1,961,383</u>				
54							Cost Not Verified			<u>182,887</u>				

X Reference number and amount match listing in Citizens POD No. 1-6 and Citizens Interrogatory No. 2-61.
 Y Staff audit capitalized costs.

Sources: Company response to Citizens Interrogatory No. 37.

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Line Clearing	0	0		37,698	219,276	0	256,974
2	Staff Requested Detail	0	0	1,642		0	2,816	4,458
3	Staff Requested Reclassification	0	0	0		0	0	0
4	Co. Revised Line Clearing Costs	0	0	1,642	37,698	219,276	2,816	261,431
5	Less: Non-Incremental Costs	0	0	0		0	0	0
6	Less : Capitalized Costs	0	0	0	0	0	0	0
7	Company Requested Line Clearing	0	0	1,642	37,698	219,276	2,816	261,431
8	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
9	Retail Recoverable Cost Per Co.	0	0	1,642	37,698	219,276	2,816	261,431
10	Co. Rev. Line Clearing Costs	0	0	1,642	37,698	219,276	2,816	261,431
11	Non-Incremental Costs	0	0	0	(21,720)	(141,987)	0	(163,707)
12	Capitalized Costs	0	0	0	0	0	0	0
13	Line Clearing	0	0	1,642	15,978	77,289	2,816	97,724
14	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
15	Retail Costs Per OPC	0	0	1,642	15,978	77,289	2,816	97,724
16	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	(21,720)	(141,987)	0	(163,707)

Source: Lines 1 is from response to Citizens IR No. 1-32 attachment.

Line No.	Invoice Reference	Vendor	Hours	Average Rate	Labor/ Fringe	Corp. A&G	Materials	Expenses	Trans.	Misc.	Total	Duplicates	Description	Earliest and Last Dates	MOB/ DEMOB	Standby
Matthew																
1	910656968	The Davey Tree			1,808						1,808					
2	910656967	The Davey Tree			2,443						2,443					
3	910656970	The Davey Tree			3,961						3,961					
4	910656966	The Davey Tree			10,593						10,593					
5	910680237	The Davey Tree			2,194						2,194					
6	910656971	The Davey Tree			4,726						4,726					
7	910656972	The Davey Tree			5,164						5,164					
8	910680236	The Davey Tree			2,907						2,907					
9	910656969	The Davey Tree			3,903						3,903					
10																
11											<u>37,698</u>					
Ima																
12	911719077	THE DAVEY TREE			2,468						2,468					
13	911773335	THE DAVEY TREE			3,225						3,225					
14	911773336	THE DAVEY TREE			3,331						3,331					
15	911897842	THE DAVEY TREE			2,194						2,194					
16	911897761	THE DAVEY TREE			2,194						2,194					
17	911799773	THE DAVEY TREE			2,194						2,194					
18	911897843	THE DAVEY TREE			2,276						2,276					
19	911868424	THE DAVEY TREE			2,578						2,578					
20	911868425	THE DAVEY TREE			2,742						2,742					
21	911841416	THE DAVEY TREE			2,742						2,742					
22	911841418	THE DAVEY TREE			2,742						2,742					
23	911799771	THE DAVEY TREE			2,742						2,742					
24	911897763	THE DAVEY TREE			2,934						2,934					
25	78W70817	ASPLUNDH TREE			1,146						1,146					
26	78W70717	ASPLUNDH TREE			4,681						4,681					
27	78W70917	ASPLUNDH TREE			6,355						6,355					
28	78W70617	ASPLUNDH TREE			24,328						24,328					
29	911814230	THE DAVEY TREE			5,946						5,946					
30	911814231	THE DAVEY TREE			6,949						6,949					
31	911868468	THE DAVEY TREE			9,963						9,963					
32	911719085	THE DAVEY TREE			2,992						2,992					
33	911745716	THE DAVEY TREE			3,134						3,134					
34	911719083	THE DAVEY TREE			4,960						4,960					
35	911773313	THE DAVEY TREE			2,391						2,391					
36	911773312	THE DAVEY TREE			7,948						7,948					
37	911799785	THE DAVEY TREE			2,816						2,816					
38	911799784	THE DAVEY TREE			6,777						6,777					
39	911852113	THE DAVEY TREE			704						704					
40	911868443	THE DAVEY TREE			2,610						2,610					
41	911897756	THE DAVEY TREE			2,816						2,816					
42	911897754	THE DAVEY TREE			2,816						2,816					
43	911841420	THE DAVEY TREE			2,816						2,816					
44	911852111	THE DAVEY TREE			3,338						3,338					
45	911868440	THE DAVEY TREE			5,254						5,254					
46	911897755	THE DAVEY TREE			5,951						5,951					
47	911852112	THE DAVEY TREE			6,553						6,553					
48	911841419	THE DAVEY TREE			8,927						8,927					
49	911814225	THE DAVEY TREE	525	58	30,583				7,033		37,666	X				
50	911868466	THE DAVEY TREE			1,106						1,106					
51	911868469	THE DAVEY TREE			2,101						2,101					
52	911868464	THE DAVEY TREE			2,405						2,405					
53	911897845	THE DAVEY TREE			2,816						2,816					
54	911897846	THE DAVEY TREE			2,816						2,816					
55	911868460	THE DAVEY TREE			3,831						3,831					
56											0					
57																
58											<u>219,276</u>					
59											256,974					
60											<u>37,666</u>					
61											<u>219,308</u>					

X Reference number and amount match Invoices Citizens POD No. 1-6.
 Sources: Company response to Citizens Interrogatory Nos. 1-32 and 1-37

Florida Public Utilities Company
Storm Restoration Costs
Vehicle & Fuel Costs

Docket No. 20180061-EI
Exhibit No. HWS-2
Schedule G

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Vehicle & Fuel	812	2,345	4,989	10,473	24,058	13,543	56,220
2	Citizens No. 1-39 Correction						7,406	7,406
3	Company Update 3/15/18							0
4	Co. Revised Vehicle & Fuel	812	2,345	4,989	10,473	24,058	20,949	63,626
5	Less: Non-Incremental Costs							0
6	Less : Capitalized Costs	0	0	0	7,762	21,633	0	29,395
7	Co. Requested Vehicle & Fuel	812	2,345	4,989	2,711	2,425	20,949	34,231
8	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
9	Retail Recoverable Cost Per Co.	812	2,345	4,989	2,711	2,425	20,949	34,231
10	Co. Rev. Vehicle & Fuel Costs	812	2,345	4,989	10,473	24,058	20,949	63,626
11	Non-Incremental Costs	0	0	0	0	0	0	0
12	Capitalized Costs	0	0	0	(7,762)	(21,633)	0	(29,395)
13	Vehicle & Fuel Costs	812	2,345	4,989	2,711	2,425	20,949	34,231
14	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
15	Retail Costs Per OPC	812	2,345	4,989	2,711	2,425	20,949	34,231
16	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	0	0	0	0

Source: Line 1 and 6 are from response to Citizens Interrogatory No. 1-39.
Line 2 is from correction from response to Staff Interrogatory No. 2-6

Florida Public Utilities Company
Storm Restoration Costs
Materials & Supplies

Docket No. 20180061-EI
Exhibit No. HWS-2
Schedule H

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Materials & Supplies	0	991	645	17,154	21,652	16,053	56,495
2	Staff Requested Reclassification				11,779	57,251		69,030
3	Audit Adjustment					32,800		32,800
4	Co. Revised Materials & Supplies	0	991	645	28,933	111,703	16,053	158,325
5	Less: Non-Incremental Costs	0	0	0	0	0	0	0
6	Less : Capitalized Costs	0	0		11,779	57,251	0	69,030
7	Co. Requested Mat. & Supplies	0	991	645	17,154	54,452	16,053	89,295
8	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
9	Retail Recoverable Cost Per Co.	0	991	645	17,154	54,452	16,053	89,295
10	Co. Rev. Materials & Supplies	0	991	645	28,933	111,703	16,053	158,325
11	Non-Incremental Costs	0	0	0	0	(32,800)	0	(32,800)
12	Capitalized Costs	0	0	0	(11,779)	(57,251)	0	(69,030)
13	Materials & Supplies	0	991	645	17,154	21,652	16,053	56,495
14	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
15	Retail Costs Per OPC	0	991	645	17,154	21,652	16,053	56,495
16	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	0	(32,800)	0	(32,800)

Source: Line 1 is from response to Citizens Interrogatory No. 1-38.

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Logistics				73,455	172,250		245,705
2	Company Update 2/20/18							0
3	Company Update 3/15/18							0
4	Co. Revised Logistics	0	0	0	73,455	172,250	0	245,705
5	Less: Non-Incremental Costs	0	0	0	0	0	0	0
6	Less : Capitalized Costs	0	0	0	0	0	0	0
7	Company Requested Logistics	0	0	0	73,455	172,250	0	245,705
8	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
9	Retail Recoverable Cost Per Co.	0	0	0	73,455	172,250	0	245,705
10	Co. Rev. Logistics	0	0	0	73,455	172,250	0	245,705
11	Unjustified	0	0	0		0	0	0
12	Capitalized Costs	0	0	0	0	0	0	0
13	Logistics Cost	0	0	0	73,455	172,250	0	245,705
14	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
15	Retail Costs Per OPC	0	0	0	73,455	172,250	0	245,705
16	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	0	0	0	0

Source: Line 1 is from response to Citizens Interrogatory No. 1-40.

Line No.	Invoice Reference	Vendor	Lodging	Meals / Catering	Staging	Other	Total	Comment
<u>Matthew</u>								
1	JRNLO0418339			155			155	
2	JRNLO0419450	Marriot - Amelia Island	3,526				3,526	
3	Various			444			444	
4	Various	Householder Meals		1,395			1,395	
5	Various	Marroit - Amelia Island	11,967				11,967	
6	Various	Z Capital				896	896	
7	JRNLO0420270	Fairfield Inn	(2,922)				(2,922)	
8	JRNLO0418260	Best Western	9,365				9,365	
9	JRNLO0418260	Country Caterers		40,000			40,000	Y No Detail
10	JRNLO0418260	Various Stores		6,333			6,333	
11	JRNLO0419450	Marroit - Amelia Island	1,148				1,148	
12	JRNLO0418330	Rizo-Patron		316			316	
13	JRNLO0418350	Socarras/ZCapital				498	498	
14	JRNLO0418339	Wagner				20	20	
15	Various	Webber/Meal		162			162	
16	JRNLO0419582	J. STANLEY - ADVANCE				150	150	
17			<u>23,085</u>	<u>48,806</u>		<u>1,564</u>	<u>73,455</u>	
<u>Irma</u>								
18	JRNLO0445047	Sep BOA Pcard-Meals		1,809			1,809	
19	JRNLO0445047	Sep BOA Pcard-COMFORT INN OF YU	530				530	
20	JRNLO0445047	Sep BOA Pcard-THE PIG		111			111	
21	JRNLO0445047	Sep BOA Pcard-BEST WESTERN PLUS	507				507	
22	JRNLO0445047	Sep BOA Pcard-FAIRFIELD INN & SUIT	403				403	
23	JRNLO0445047	Sep BOA Pcard-Meals		408			408	
24	JRNLO0445047	Sep BOA Pcard-HAMPTON INN BONI	716				716	
25	JRNLO0445047	Sep BOA Pcard-THE OAKS		143			143	
26	JRNLO0445047	Sep BOA Pcard-FAIRFIELD INN & SUIT	447				447	
27	JRNLO0445047	Sep BOA Pcard-COMFORT INN & SUIT	2,426				2,426	
28	JRNLO0445047	Sep BOA Pcard-WAFFLE HOUSE		154			154	
29	JRNLO0446708	FPU LODGING DURING HURRICANE I	154				1,099	
30	JRNLO0445047	Sep BOA Pcard-SPRINGHILL SUITES	1,099				481	
31	JRNLO0445047	Sep BOA Pcard-FAIRFIELD INN & SUIT	481				370	
32	JRNLO0445047	Sep BOA Pcard-WINN-DIXIE #0084		370			370	
33	JRNLO0446090	LODGING FOR CONTRACT WORKER F	1,501				1,501	
34	JRNLO0445047	Sep BOA Pcard-SPRINGHILL SUITES	381				381	
35	JRNLO0446090	LODGING FOR CONTRACT WORKER F	420				420	
36	JRNLO0445047	Sep BOA Pcard-Various	14,659				14,659	
37	JRNLO0446708	FPU LODGING DURING HURRICANE I	3,542				3,542	
38	Various	Sep BOA Pcard-Various	12,480				12,480	
39	Various	LODGING Marriot Island	6,835				6,835	
40	JRNLO0445047	Sep BOA Pcard-HOLIDAY INN EXPRES	6,553				6,553	
41	Various	LODGING Marriot Island	29,918				29,918	
42	JRNLO0445047	Sep BOA Pcard-PUBLIX #322		779			779	
43	Various	LODGING Marriot Island	13,753				13,753	
44	JRNLO0445843	LODGING FOR HURRICANE IRMA 201	11,884				11,884	
45	JRNLO0444541	Country Caterers		59,786			59,786	X
46			<u>108,689</u>	<u>63,560</u>		<u>0</u>	<u>172,249</u>	

X Reference number and amount match listing in Citizens POD No. 1-6.
 Y Company provided invoice for \$82,390.

Sources: Company response to Citizens Interrogatroy No. 70.

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Other	0		136	45,235	37,899	200	83,470
2	Employee Expenses	0	852	20	3,719	6,147	610	11,348
3	Exclude Employee Expense		(852)	(20)	(3,719)	(6,147)	(610)	(11,348)
4	Company Adjustment				174			174
5	Co. Revised Other	0	0	136	45,409	37,899	200	83,644
6	Less: Non-Incremental Costs	0	0	0	0		0	0
7	Less : Capitalized Costs	0	0			0	0	0
8	Company Requested Other	0	0	136	45,409	37,899	200	83,644
9	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
10	Retail Recoverable Cost Per Co.	0	0	136	45,409	37,899	200	83,644
11	Co. Revised Other	0	0	136	45,409	37,899	200	83,644
12	Unsupported Costs	0	0	0	(43,369)	(24,179)	0	(67,548)
13	Capitalized Costs	0	0	0	0	0	0	0
14	Other Costs	0	0	136	2,040	13,720	200	16,096
15	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
16	Retail Costs Per OPC	0	0	136	2,040	13,720	200	16,096
17	OPC Retail Adjustment (L.15 - L. 9)	0	0	0	(43,369)	(24,179)	0	(67,548)

Source: Line 1 is from response to Citizens Interrogatory No. 1-40.
Line 2 is from response to Citizens Interrogatory No. 1-41.
Lines 3 & 4 are from Sraff IR 2-6

Florida Public Utilities Company
Storm Restoration Costs
Capitalizable Costs

Docket No. 20180061-EI
Exhibit No. HWS-2
Schedule K

Line No.	Description	Cindy	Julia	Hermine	Matthew	Irma	Other	Total
1	Payroll	0	0	0	28,431	86,308	0	114,739
2	Benefits	0	0	0	10,233	31,066	0	41,299
3	Overhead	0	0	0	3,326	10,655	0	13,981
4	Contractors - Materials	0	0	0	0	137,573	0	137,573
5	Vehicles & Fuel	0	0	0	7,762	21,633	0	29,395
6	Materials & Supplies	0	0	0	11,779	57,251	0	69,030
7	Logistics	0	0	0	0	0	0	0
8	Other	0	0	0	0	0	0	0
9	Co. Revised Capital Costs	0	0	0	61,531	344,486	0	406,017
10	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
11	Retail Capital Cost Per Co.	0	0	0	61,531	344,486	0	406,017
12	Co. Revised Capital Costs	0	0	0	61,531	344,486	0	406,017
13	Payroll Adjustment							
14	Contractor Adjustment	0	0	0	47,671	253,220	0	300,891
15								
16	OPC Revised Capital Costs	0	0	0	109,202	597,706	0	706,908
17	Total Capital Cost Adjustment	0	0	0	47,671	253,220	0	300,891
18	Jurisdictional Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
19	Retail Capital Cost Per OPC.	0	0	0	47,671	253,220	0	300,891

Source: Staff Interrogatory 2-6.
Line 4 is based on Staff Audit Finding 1.

DOCKET NO. 20180061-GU

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Interrogatory No. 6

6. Please refer to exhibit MC-1, page 1. For each storm, please provide costs associated with the categories listed below. Also, if applicable, please explain any differences in the costs provided in this response, when compared to FPUC's responses to Office of Public Counsel (OPC) Interrogatories identified below.

- a. Regular Payroll – OPC Interrogatory No. 17
- b. Overtime Payroll - OPC Interrogatory No. 17
- c. Contractors - OPC Interrogatory No. 34
- d. Line Clearing - OPC Interrogatory No. 32
- e. Vehicles & Fuels - OPC Interrogatory No. 39
- f. Materials & Supplies - OPC Interrogatory No. 38
- g. Logistics - OPC Interrogatory No. 40

Other - OPC Interrogatory No. 40

Company Response:

Please refer to the Company's attached file labeled "Question 6". The difference between the response to the Citizen's interrogatories and the attached file are that the Citizen's interrogatory inadvertently left out the Blountstown Bristol Storm from Interrogatory Nos. 17 and 39. In addition, since the Company's response was made, two adjustments were processed to the storm reserve. These two adjustments are the difference between Attachment A in the original filing and MC-1 in the testimony filed by Mike Cassel. The first removes the regular payroll identified in Citizen's Interrogatory 17 from the storm reserve. See the adjustment to "a. Regular Payroll" on the attachment. The second removes certain contractor costs which the Company determined were related to capital additions. See adjustment to "c. Contractor Costs" on the attachment. This interrogatory also asks for comparison of contractor costs to Citizen's Interrogatory No. 34. However, Citizen's Interrogatory No. 34 only discussed line clearing contractors and the Company's response to this question includes all contractor costs. Additional rows have been added to the file since this information was provided in Staff's Third Data Request, Question 6, in order to facilitate the comparison to Citizen's ROG 65.

Respondent: *Mike Cassel*

Staff Interrogatory 2, Question 6

Line	Hermine	Irma	Marianna Storm	Matthew	NW Storm 1/22/17	NW Storm 2/7/17	Bloustown Bristol	TS Cindy	TS Julia	Total
1	Salaries:									
2 a.	\$ 6,592.17		\$ 3,043.53				\$ 1,812.31		\$ 1,278.78	\$ 12,726.79
3	\$ (6,592.17)		\$ (3,043.53)				\$ (1,812.31)		\$ (1,278.78)	\$ (12,726.79)
4	Total Regular Payroll									
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 b.		\$ 44,000.00		\$ 25,632.20						\$ 69,632.20
7		\$ 32,696.32		\$ 5,314.77						\$ 38,011.09
8		\$ (86,308.00)		\$ (28,430.67)						\$ (114,738.67)
9	\$ 3,952.42	\$ 89,580.33	\$ 12,466.54	\$ 53,640.84	\$ 11,140.23	\$ 16,772.31	\$ 6,708.89	\$ 1,936.00	\$ 3,387.34	\$ 199,584.90
10	Total Overtime Payroll and Payroll for Non-Electric Employees									
11	\$ 3,952.42	\$ 79,968.65	\$ 12,466.54	\$ 56,157.14	\$ 11,140.23	\$ 16,772.31	\$ 6,708.89	\$ 1,936.00	\$ 3,387.34	\$ 192,489.52
12										
13 c.		\$ 1,821,415.72	\$ 2,466.24	\$ 322,853.92	\$ 297.95	\$ 756.14			\$ 952.95	\$ 2,148,742.92
14		\$ 6,095.00		\$ 150.00						\$ 6,245.00
15		\$ (9,859.37)		\$ (4,486.84)						\$ (14,346.21)
16		\$ (18,978.00)		\$ (5,799.59)						\$ (24,777.59)
17		\$ (137,572.95)								\$ (137,572.95)
18	Total Contractor Costs									
19	\$ -	\$ 1,661,100.40	\$ 2,466.24	\$ 312,717.49	\$ 297.95	\$ 756.14	\$ -	\$ -	\$ 952.95	\$ 1,978,291.17
20 d.	\$ 1,641.50	\$ 219,275.83	\$ 2,816.00	\$ 37,697.74						\$ 261,431.07
21										
22 e.	\$ 4,989.00	\$ 24,058.00	\$ 6,244.00	\$ 10,473.00	\$ 2,787.00	\$ 4,512.00	\$ 7,406.26	\$ 812.00	\$ 2,345.00	\$ 63,626.26
23		\$ (21,633.00)		\$ (7,762.00)						\$ (29,395.00)
24	Total Vehicle & Fuel Costs									
25	\$ 4,989.00	\$ 2,425.00	\$ 6,244.00	\$ 2,711.00	\$ 2,787.00	\$ 4,512.00	\$ 7,406.26	\$ 812.00	\$ 2,345.00	\$ 34,231.26
26 f.	\$ 645.00	\$ 79,173.30	\$ 6,718.00	\$ 28,932.41	\$ 3,147.00	\$ 4,726.00	\$ 1,462.00		\$ 991.00	\$ 125,794.71
27		\$ (57,521.00)		\$ (11,778.90)						\$ (69,299.90)
28	\$ 645.00	\$ 21,652.30	\$ 6,718.00	\$ 17,153.51	\$ 3,147.00	\$ 4,726.00	\$ 1,462.00	\$ -	\$ 991.00	\$ 56,494.81
29		\$ 32,800.00								\$ 32,800.00
30	Total Materials & Supplies									
31	\$ 645.00	\$ 54,452.30	\$ 6,718.00	\$ 17,153.51	\$ 3,147.00	\$ 4,726.00	\$ 1,462.00	\$ -	\$ 991.00	\$ 89,294.81
32 g.		\$ 172,250.00		\$ 73,455.00						\$ 245,705.00
33										
34 h.	\$ 136.00	\$ 37,899.00		\$ 45,409.00	\$ 100.00	\$ 100.00				\$ 83,644.00
35										
36	Other Items on OPC 17 Not Listed in this request:									
37	Benefits:									
38	\$ 2,466.93	\$ 21,989.59	\$ 3,547.90	\$ 17,457.87	\$ 3,042.15	\$ 3,677.44	\$ 1,933.71	\$ 391.25	\$ 1,018.47	\$ 55,525.31
39	\$ 1,107.19	\$ 9,783.43	\$ 1,501.00	\$ 7,213.74	\$ 1,460.75	\$ 1,615.60	\$ 844.31	\$ 174.96	\$ 497.25	\$ 24,198.23
40		\$ (31,066.00)		\$ (10,233.22)						\$ (41,299.22)
41	Total Benefits									
42	\$ 3,574.12	\$ 707.02	\$ 5,048.90	\$ 14,438.39	\$ 4,502.90	\$ 5,293.04	\$ 2,778.02	\$ 566.21	\$ 1,515.72	\$ 38,424.32
43	Department Expenses:									
44	\$ 10,817.42	\$ 32,636.13	\$ 12,742.97	\$ 14,955.81	\$ 3,897.50	\$ 6,218.85	\$ 11,104.42	\$ 878.55	\$ 5,051.80	\$ 98,303.45
45	\$ (4,989.00)	\$ (21,898.00)	\$ (6,244.00)	\$ (10,473.00)	\$ (2,787.00)	\$ (4,512.00)	\$ (7,406.26)	\$ (812.00)	\$ (2,345.00)	\$ (61,466.26)
46		\$ (10,655.00)		\$ (3,325.96)						\$ (13,980.96)
47	Department Expenses									
48	\$ 5,828.42	\$ 83.13	\$ 6,498.97	\$ 1,156.85	\$ 1,110.50	\$ 1,706.85	\$ 3,698.16	\$ 66.55	\$ 2,706.80	\$ 22,856.23
49	TOTAL COSTS									
50	\$ 20,766.46	\$ 2,228,161.33	\$ 42,258.65	\$ 560,896.12	\$ 23,085.58	\$ 33,866.34	\$ 22,053.33	\$ 3,380.76	\$ 11,898.81	\$ 2,946,367.38
51	\$ 20,767	\$ 2,228,161	\$ 42,259	\$ 560,897	\$ 23,085	\$ 33,866	\$ 22,053	\$ 3,381	\$ 11,898	\$ 2,946,368.18
52										
53	\$ (0.54)	\$ 0.33	\$ (0.44)	\$ (0.88)	\$ 0.14	\$ 0.17	\$ (0.15)	\$ (0.24)	\$ 0.81	\$ (0.80)