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5 Florida Public Utilities Company.

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7 DEPUTY PUBLIC COUNSEL; and VIRGINIA PONDER, ESQUIRE,
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11 State of Florida.

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15 appearing on behalf of the Florida Public Service
16 Commission Staff.

17 KEITH HETRICK, GENERAL COUNSEL; MARY ANNE
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21 Service Commission.

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1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: I have 3:00 by the clock in
3 the back of the room. So, let me give you guys, as
4 I like doing at the beginning of these things, what
5 I'm thinking. It is 3:00. I don't know how long
6 we're going to be here. Of course, my dream
7 situation is that we get this done today, but that
8 doesn't necessarily mean that we will get this done
9 today.

10 We'll probably make a determination around
11 7:00. If we think, you know, we can get it done in
12 an hour or so, then maybe we'll push forward; if
13 not, then we may be stopping around 7:00, 7:30, and
14 just convening tomorrow morning about 9:00, but I
15 guess we don't need to worry about or talk about
16 that until we get closer to about 7:00, which I
17 figure -- and the other beauty about having such a
18 late lunch is even Gary Clark over there won't
19 start ripping my head off because he's hungry.

20 (Laughter.)

21 CHAIRMAN GRAHAM: That all being said, we will
22 convene this hearing, Docket No. 20180061-EI. I am
23 hoping I have the most-recent script in front of me
24 because I think I've gotten five of them. The date
25 is December the 11th.

1 And if I can get staff to read the notice,
2 please.

3 MS. DZIECHCIARZ: Thank you, Chairman.

4 By notice issued November 15th, 2018, this
5 time and place was set for hearing in Docket
6 No. 20180061-EI. The purpose of the hearing is set
7 out in the notice.

8 CHAIRMAN GRAHAM: Okay. Let's take
9 appearances.

10 MS. KEATING: Good afternoon, Commissioners.
11 Beth Keating with the Gunster Law Firm, here on
12 behalf of Florida Public Utilities. Also with me
13 is Greg Munson.

14 MS. PONDER: Good afternoon, Commissioners.
15 Virginia Ponder for the Office of Public Counsel.
16 I'd also like to make an appearance for Charles
17 Rehwinkel and J.R. Kelly, the Public Counsel.
18 Thank you.

19 MS. DZIECHCIARZ: Rachel Dziechciarz with
20 Commission staff. And I'd also like to put in an
21 appearance for Ashley Weisenfeld.

22 MS. HELTON: Mary Anne Helton. I'm here as
23 your advisor. I'd also like to enter an appearance
24 for your general counsel, Keith Hetrick.

25 CHAIRMAN GRAHAM: Okay. Any other attorneys

1 in the audience that want to say hello?

2 All right. Staff, is there any preliminary
3 matters?

4 MS. DZIECHCIARZ: Yes, Chairman. The
5 following issues have been stipulated: 1, 2, 5,
6 and 6. And we will be -- ask that those be entered
7 into the record after we enter the comprehensive
8 exhibit list.

9 These issues can be voted on today if the
10 Commission finds it appropriate; however, the
11 remaining contested issues will require a vote by
12 the Commission after the post-hearing briefs are
13 filed. And those are Issues 3, 4, and 7 through
14 20.

15 In addition, staff notes that there is one
16 pending motion in this docket, which is the Office
17 of Public Counsel's motion to reconsider the
18 decision in Prehearing Order No. PSC-2018-0567-
19 PHO-EI. And this motion is to strike all or part
20 of Issues 7 and 10, and was filed on December 7th.

21 CHAIRMAN GRAHAM: Okay. I know we got a copy
22 of the motion. Did all the Commissioners get a
23 copy of the FPUC's response from -- from their
24 attorney? Commissioners? Okay.

25 I don't know -- I don't think we need oral

1 arguments. If somebody wants to get into the
2 motion.

3 Commissioners?

4 COMMISSIONER CLARK: Mr. Chairman?

5 CHAIRMAN GRAHAM: Yes.

6 MR. REHWINKEL: Mr. Chairman, as a point of --
7 I'm not going to argue this at this point, but I --
8 I wanted to state for the record, I would like to
9 make oral argument. I did not ask for oral
10 argument. I filed the motion within three days of
11 the issuance of the order, even though I still have
12 until the 14th, under your rules, to file it. So,
13 technically, I could still file a request for oral
14 argument.

15 But in the interest of expediency and to get
16 this before you so that the company would have an
17 opportunity to provide a response, we filed it
18 quickly. So, that's my reason for not asking for
19 it formally, but for the record, we would like an
20 opportunity to argue it.

21 CHAIRMAN GRAHAM: Okay. Thank you.

22 Anybody from the Commission need to hear oral
23 arguments or are you guys ready to discuss?

24 COMMISSIONER POLMANN: I defer to you,
25 Mr. Chairman.

1 CHAIRMAN GRAHAM: Well, you know I don't need
2 to hear oral argument. So, let's discuss.

3 Commissioner Clark.

4 COMMISSIONER CLARK: Mr. Chairman, I -- as I
5 understand it, the motion would have to be found
6 based on an application of whether or not there was
7 some point of law that's overlooked. I read the
8 document. I don't see that. I -- I don't seem to
9 understand what was failed to be considered by the
10 prehearing officer in this particular case.

11 I move to deny the motion.

12 CHAIRMAN GRAHAM: Is there a second?

13 COMMISSIONER POLMANN: I'll second that,
14 Mr. Chairman, on the same basis. As this has been
15 explained to me, there's a simple -- what I'll
16 think of and refer to as simple -- and I would
17 concur with Commissioner Clark, is that the -- the
18 standard is very narrow.

19 This is an issue of whether or not the
20 prehearing officer made an error with regard to the
21 authority and -- and that the prehearing officer
22 has and -- and issues of law. And I'll second the
23 motion that Commissioner Clark made and I'll
24 support it on that -- that basis that the -- that
25 the issue here is very narrowly defined.

1 MR. HETRICK: Mr. Chairman? Over here. Just
2 point of clarification for Commissioner Clark, for
3 you, mistake of fact or law, right? Your -- your
4 understanding is there is no mistake of fact or
5 law?

6 COMMISSIONER CLARK: (Inaudible.)

7 CHAIRMAN GRAHAM: Well, actually, I was going
8 to go to Mary Anne or you to go over the standards
9 of dealing with this motion, and then I'll come
10 back to making sure we put the motion in the right
11 form.

12 MS. HELTON: The Commission's long-standing
13 standard for motions for reconsideration of both
14 final orders and procedural orders is whether the
15 trier or the -- the -- the tribunal made a mistake
16 of fact or law. So, I believe that is the standard
17 that's before you.

18 CHAIRMAN GRAHAM: Okay. Now, Commissioner
19 Clark, if you would like to restate or say what she
20 said.

21 COMMISSIONER CLARK: I move to deny the
22 motion, based on the fact that there was no mistake
23 of law or fact found.

24 CHAIRMAN GRAHAM: And that second,
25 Commissioner Polmann?

1 COMMISSIONER POLMANN: I second the motion
2 as -- as stated.

3 CHAIRMAN GRAHAM: Okay. We've got a motion
4 and second. Any further discussion?

5 No further discussion. All in favor, say aye.
6 (Chorus of ayes.)

7 CHAIRMAN GRAHAM: Any opposed?

8 By your action, you have passed the Clark
9 motion.

10 Staff, any other preliminary matters?

11 MS. DZIECHCIARZ: No Chairman.

12 CHAIRMAN GRAHAM: Of the parties, any other
13 preliminary matters?

14 MS. PONDER: No.

15 CHAIRMAN GRAHAM: Ms. Ponder.

16 MS. PONDER: No.

17 CHAIRMAN GRAHAM: No.

18 MS. KEATING: No, Mr. Chairman.

19 CHAIRMAN GRAHAM: Okay. Staff, where do I go
20 from here? Oral arguments?

21 MS. DZIECHCIARZ: We have --

22 CHAIRMAN GRAHAM: We talked about that --

23 MS. DZIECHCIARZ: -- the record.

24 CHAIRMAN GRAHAM: The record. So, we're on

25 Page 3 of 5.

1 MS. DZIECHCIARZ: Yes, sir.

2 CHAIRMAN GRAHAM: Okay. Prefiled testimony.

3 MS. DZIECHCIARZ: Staff would ask that the
4 prefiled testimony of our witness, Debra Dobiac,
5 identified in Section 6, which is on Page 4 of the
6 prehearing order, be inserted into the record as
7 though read.

8 CHAIRMAN GRAHAM: Is there any opposition to
9 the -- putting in the staff's witness into the
10 record as though read?

11 MS. KEATING: No, Mr. Chairman.

12 MS. PONDER: No, Mr. Chairman.

13 CHAIRMAN GRAHAM: So, we will enter Debra
14 De- -- De-bode-iak?

15 MS. DZIECHCIARZ: Do-bee-ak.

16 CHAIRMAN GRAHAM: Do-bee-ak -- her prefiled
17 record -- prefiled testimony into the record as
18 though read.

19 (Whereupon, Witness Dobiac's prefiled direct
20 testimony was inserted into the record as though
21 read.)

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

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

4 **DOCKET NO. 20180061-EI**

5 **OCTOBER 22, 2018**

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

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

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

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

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

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

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

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

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

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

1 Inc. of Florida Rate Case, Docket No. 20160101-WS. I provided testimony for the Water
2 Management Services, Inc. Rate Case, Docket No. 20100104-WU, the Gulf Power Company
3 Rate Cases, Docket Nos. 20110138-EI and 20130140-EI, the Fuel and Purchased Power
4 Recovery Clause (Hedging Activities) for Gulf Power Company, Docket Nos. 20130001-EI and
5 20140001-EI, and the Fuel and Purchased Power Recovery Clause (Hedging Activities) for
6 Florida Power & Light Company, Docket No. 20180001-EI.

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

8 A. The purpose of my testimony is to sponsor the staff auditor's report issued on June 12,
9 2018, which addresses Florida Public Utilities Company's (FPUC or Utility) application for
10 limited proceeding to recover incremental storm restoration costs. This auditor's report is filed
11 with my testimony and is identified as Exhibit DMD-1.

12 **Q. Was this audit prepared by you or under your direction?**

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

14 **Q. Please describe the work you performed in this audit.**

15 A. The procedures that we performed in this audit are listed in the Objectives and
16 Procedures section of the attached Exhibit DMD-1, pages 5 through 7 of 10.

17 **Q. Were there any audit findings in the auditor's report, Exhibit DMD-1, regarding the**
18 **historical amounts in the schedules prepared by the Utility in support of its filing in the**
19 **current docket?**

20 A. Yes. There were two audit findings reported in this audit and are found in the attached
21 Exhibit DMD-1, pages 8 through 9 of 10. The Direct Testimony of Michael Cassel filed in this
22 Docket on August 20, 2018, indicates that the Utility accepted our findings and made the
23 appropriate entries to reduce the amount of the request being made. These findings are
24 summarized below:

25 **Finding 1 – Capitalizable Costs- Hurricane Irma**

1 Hurricane Irma's recoverable storm costs should be decreased by \$104,773. On
2 December 31, 2017, a journal entry in the amount of \$226,161 was recorded to remove
3 Hurricane Irma's capitalizable costs from Account 228.1 – Storm Reserve and record this to the
4 appropriate plant and cost of removal accounts. This removal included \$32,800 for 24
5 transformers. The Utility determined that the transformers, when placed in service during the
6 storm, were capitalized and never recorded to the storm reserve. Therefore, this journal entry
7 removed costs from the storm reserve, which should not have been removed. Our adjustment to
8 increase storm costs by \$32,800 corrects this error. We also noted that items in the total amount
9 of \$137,573 had been expensed to the storm reserve. It was determined that these items are not
10 recoverable under this docket per Rule 25-6.0143(1)(d), Florida Administrative Code (F.A.C.),
11 because they should have been capitalized. Hurricane Irma's recoverable storm costs should be
12 decreased by \$104,773 (\$32,800 - \$137,573).

13 **Finding 2 – Non-Incremental Costs- Other Storms**

14 Hurricane Hermine's recoverable storm costs should be decreased by \$6,592. Tropical
15 Storm Julia's recoverable storm costs should be decreased by \$1,279. Other Minor Storms'
16 recoverable storm costs should be decreased by \$4,856. During the testing of the payroll,
17 overhead, and associated costs, we noted that regular time payroll was included for recovery in
18 the storm amounts noted above. Since regular time payroll and its associated costs are
19 considered to be recoverable through base rates, we are removing \$12,727 (\$6,592 + \$1,279 +
20 \$4,856) of regular time payroll, which is not recoverable under this docket as per Rule 25-
21 6.0143(1)(f), F.A.C.

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

23 **A.** Yes, it does.
24
25

1 CHAIRMAN GRAHAM: Staff, exhibits.

2 MS. DZIECHCIARZ: We have a comprehensive
3 exhibit list, which includes the prefiled exhibits
4 attached to the witnesses' testimony in this case.
5 The list has been provided to the parties, the
6 Commissioners, and the court reporter. The list is
7 marked as the first hearing exhibit, and the other
8 exhibits should be marked as set forth in the
9 chart.

10 At this time, we would ask that the
11 comprehensive exhibit list, marked as Exhibit 1, be
12 entered into the record.

13 CHAIRMAN GRAHAM: If there's no opposition to
14 that, we will enter the comprehensive exhibit list
15 into the record. So entered.

16 (Whereupon, Exhibit No. 1 was marked for
17 identification and admitted into the record.)

18 MS. DZIECHCIARZ: We would also ask that
19 Exhibits 2 through 22 be moved into the record as
20 set forth on the comprehensive exhibit list.

21 CHAIRMAN GRAHAM: Once again, if there's no
22 opposition to entering Exhibits 2 through 22 into
23 the record, we will do that as well. I don't see
24 anybody's head swinging, so I assume that is the
25 affirmative.

1 (Whereupon, Exhibit Nos. 2 through 22 were
2 admitted into the record.)

3 MS. DZIECHCIARZ: And in addition, staff has
4 passed out what we've labeled as Exhibit 23, which
5 is the proposed-stipulation language for Issues 1,
6 2, 5, and 6. We would also ask that this be
7 entered into the record at this time as well.

8 CHAIRMAN GRAHAM: Let me make sure that the
9 Commissioners have that in front of me and the
10 parties have Exhibit 23 in front of them.

11 And the parties -- is there any opposition to
12 entering 23 into the record?

13 MS. KEATING: No, Mr. Chairman.

14 CHAIRMAN GRAHAM: Okay. Commissioners, do you
15 have any questions about Exhibit 23?

16 What is the short title for this: Proposed
17 Stipulation Issue Nos. 1, 2, 5, and 6?

18 MS. DZIECHCIARZ: Yes, sir.

19 CHAIRMAN GRAHAM: I don't see any of my
20 Commissioners turning a light on, complaining. So,
21 we will enter that.

22 (Whereupon, Exhibit No. 23 was marked for
23 identification and admitted into the record.)

24 CHAIRMAN GRAHAM: Okay. Staff.

25 MS. DZIECHCIARZ: Staff would note that, if

1 the Commission decides that a bench decision is
2 appropriate, we recommend that the proposed
3 stipulations for Issues 1, 2, 5, and 6 be approved
4 by the Commission.

5 CHAIRMAN GRAHAM: So, now we entered it. Now
6 you want us to vote for it to accept those
7 stipulated issues, correct?

8 MS. DZIECHCIARZ: Yes, Mr. Chairman.

9 CHAIRMAN GRAHAM: Okay. Commissioners, looks
10 like I need a motion from one of you.

11 COMMISSIONER POLMANN: So moved, Mr. Chairman.

12 CHAIRMAN GRAHAM: And did I get a second on
13 that?

14 COMMISSIONER BROWN: Second.

15 CHAIRMAN GRAHAM: It's been moved and seconded
16 to accept the stipulated issues, one, two, five and
17 six. Any further discussion?

18 Seeing none, all in favor, say aye.

19 (Chorus of ayes.)

20 CHAIRMAN GRAHAM: Any opposed?

21 By your action, you've approved that motion.

22 Staff, is it opening statements?

23 MS. DZIECHCIARZ: Yes, sir.

24 CHAIRMAN GRAHAM: Is there anything else
25 before we get to opening statements?

1 Okay. Ms. Keating.

2 MS. KEATING: Thank you, Chairman Graham.
3 Good afternoon, Commissioners. And thank you for
4 this opportunity to address you.

5 FPUC is here today asking for recovery of
6 storm costs associated primarily with two
7 hurricanes, Hurricane Matthew and Hurricane Irma.
8 During the first week of October 2016, Hurricane
9 Matthew, the first CAT 5 Atlantic hurricane since
10 2007, skirted the Florida coast line, having
11 already wreaked havoc in Haiti, the Bahamas, and
12 the Lesser Antilles.

13 While the original projections were that the
14 storm would make landfall around Palm Beach County
15 or North Broward as a Category 3 storm, Matthew
16 turned due north on October 7th. While Matthew
17 continued to skirt the coastline, the impacts of
18 the storm were nonetheless significant and could be
19 felt all along the Florida East Coast.

20 As it passed by Amelia Island, Matthew
21 produced storm surges of nearly eight feet and wind
22 gusts of 87 miles per hour. Beach erosion resulted
23 in several road washouts while the hurricane-force
24 wind gusts caused widespread tree and power-line
25 damage. More than 1.2 million customers lost

1 electrical power across the State as a result of
2 Matthew, including all of FPUC's customers on
3 Amelia Island.

4 Not quite a year later, the first week of
5 September 2017, Irma developed as another major
6 hurricane and rapidly intensified. It cut across
7 the Caribbean from Barbados to Saint Martin and
8 then, after skirting Puerto Rico and Hispaniola,
9 made landfall on Cuba as a Category 5 storm.

10 It exited Cuba as a Category 2 storm, but
11 strengthened again as it crossed to the Florida
12 straits, and then made its final landfall at Marco
13 Island as a Category 3 storm. The storm weakened,
14 but continued to produce damaging tropical stor- --
15 storm-force winds as it moved north along an inland
16 route, and was still a tropical storm when it
17 entered South Georgia.

18 Because of the intensity and trajectory of the
19 storm, mandatory evacuations were ordered for
20 6.5 million Floridians from Monroe County all the
21 way up to Duval County, while voluntary evacuation
22 notices were issued as far north and inland as Bay,
23 Bradford, and Alachua Counties.

24 Hurricane Irma was a record-setting storm in
25 terms of intensity, duration, and path of

1 destruction. It impacted both of FPUC's divisions,
2 producing sustained winds of 60 miles per hour in
3 the northwest division and gusts over 70 miles per
4 hour as well as a tornado in the northeast
5 division.

6 Following the storm, over 25 percent of FPUC's
7 customers in the northwest division were without
8 power while a hundred percent of the northeast
9 division, again, lost power.

10 In each instance, FPUC was nonetheless able to
11 restore service in record time as a result of the
12 work of their crews and the additional resources
13 obtained through the Southeastern Electric
14 Exchange, also known as "SEE."

15 Witness Michael Cassel has explained the
16 significant damage and resulting financial toll
17 these storms took on FPUC. He's explained that the
18 company incurred significant incremental cost that
19 depleted its storm reserve and left the reserve
20 with a negative balance.

21 He's also explained that the company has
22 properly accounted for the costs incurred,
23 capitalizing those costs that should be
24 capitalized, and charging those appropriate for
25 recovery through the reserve to that account.

1 Mr. Cassel further explains that, under the
2 circumstances of Hurricane Irma, the rates that it
3 paid a certain contractor on its system were not
4 imprudent or unreasonable. In a crisis, the
5 company didn't have the luxury of time to debate
6 the rates of a contractor directed toward its
7 system.

8 Likewise, the mobilization and standby time
9 and associated rates were prudently incurred in
10 ensuring that the contractors were on FPUC's system
11 in time to safely and quickly restore service to
12 its customers.

13 Witness Cutshaw further explains the mechanics
14 of the SEE system and how that mechanism is
15 critical to ensuring that smaller utilities have
16 the resources they need to restore service in
17 crisis situations.

18 Mr. Cutshaw also provides additional
19 information about the overall availability of
20 contractor resources in the southeast, particularly
21 during the period coinciding with Irma.

22 Commissioners, when you consider the evidence
23 in this case, we hope you'll bear in mind the fact
24 that each storm presented a unique set of
25 circumstances and that FPUC provided an incredible

1 response to each storm in spite of its size.

2 Its actions were prudent and reasonable and
3 consistent with good utility practice, as were the
4 costs it incurred; therefore, we ask that you
5 approve our revised request for recovery in full.

6 Thank you, Commissioners.

7 CHAIRMAN GRAHAM: Thank you, Ms. Keating.

8 Ms. Ponder?

9 MS. PONDER: Thank you, Mr. Chairman.

10 OPC has carefully evaluated the petition,
11 discovery responses, and testimony filed by FPUC in
12 this proceeding. OPC has also engaged Bill Schultz
13 as an expert witness, who has 40-plus years of
14 experience in the utility regulatory field.

15 Mr. Schultz has exem- -- extensively reviewed
16 the information filed in this proceeding and, as a
17 result, has identified areas for adjustments
18 supporting an overall reduction of FPUC's storm
19 restoration and reserve-replenishment request by
20 approximately \$1.2 million.

21 Mr. Schultz testifies that certain storm costs
22 sought to be recovered by the company actually
23 constitute types of storm-related costs expressly
24 prohibited from being charged to the reserve under
25 Subsection (1)(F) of the storm rule.

1 Specifically, Mr. Schultz testifies these
2 costs constitute other special compensation, the
3 exception found in Subsection (1)(F)(2); and in
4 another instance, that the costs constitute lost
5 revenue under Subsection (1)(F)(9).

6 He also testifies that FPUC's proposed
7 capitalization costs as an offset to contractor
8 costs result in the understating of capital cost
9 and overstating storm-restoration costs.

10 He recommends an adjustment -- an adjusted
11 average hourly capitalization rate and a reduction
12 to FPUC's request related to recapitalization of
13 contractor costs.

14 OPC notes that removing a cost from storm-cost
15 recovery and capitalizing it does not prohibit
16 recovery by the company; rather, the recovery
17 simply occurs over a longer period of time.

18 FPUC requests recovery -- excuse me -- FPUC
19 requests to recover approximately \$1.9 million for
20 outside contractor costs. Any recovery for these
21 costs should be limited, actual work related to
22 restoration activities to the system and the
23 performance of other services, and evaluated based
24 on the storm-cost recovery rule.

25 Mr. Schultz identified an abnormally-high

1 amount of standby time charged as well as a
2 grossly-excessive hourly rate of \$509 charged by
3 PAR Electrical Contractors. He recommends a
4 reduction for both the grossly-excessive hourly
5 rate and for the excessive amount of standby time
6 charged. OPC seeks a specific ruling from the
7 Commission that the hourly rate of \$509 is grossly
8 excessive and imprudently incurred.

9 Based on his thorough expert examination,
10 Mr. Schultz also recommends the company be required
11 to separately identify the amount of hours and
12 costs that are associated with mobilization,
13 demobilization, and with standby time.

14 This information provides insight into how the
15 company is planning and controlling costs before,
16 during, and after storm restoration. It is
17 critical and beneficial information for both the
18 company and the Commission.

19 In summary, based upon the evidence, which
20 will be presented, a total reduction of
21 approximately 1.2 million to FPUC's overall storm
22 restoration and reserve-replenishment request
23 should be made.

24 In our brief, OPC intends to emphasize, as
25 recognized by the Florida Supreme Court, that the

1 burden of proof to justify costs for recovery
2 through rates is on the utility.

3 Thank you.

4 CHAIRMAN GRAHAM: Okay. Thank you both very
5 much for the opening statements.

6 Staff, unless I'm missing something else, I'm
7 giving the oath and then the witnesses?

8 MS. DZIECHCIARZ: Yes, that's correct.

9 CHAIRMAN GRAHAM: If I can get our two
10 witnesses to stand and raise your right hand,
11 please.

12 Do you hereby swear or affirm -- oh, three
13 witnesses. I apologize.

14 (Witnesses sworn en masse.)

15 CHAIRMAN GRAHAM: All right. I don't need to
16 get into the rest of this because you guys have all
17 been before us many times.

18 So, FPUC, call your first witness.

19 MS. KEATING: Thank you, Mr. Chairman. FPUC
20 calls Michael Cassel to the stand.

21 EXAMINATION

22 BY MS. KEATING:

23 Q Good afternoon, Mr. Cassel.

24 A Good afternoon.

25 Q Could you please state your name for the

1 record.

2 A It's Michael Cassel.

3 Q And by whom are you employed and what is your
4 business address?

5 A I'm employed by Florida Public Utilities
6 Corporation. And my business address is 1750 South 14th
7 Street, Suite 200, in Fernandina Beach, Florida.

8 Q And did you cause to be prepared and filed in
9 this proceeding direct testimony consisting of 10 pages,
10 filed on August 20th?

11 A Yes, I did.

12 Q And do you have any changes or corrections to
13 that direct testimony?

14 A Yes, I do.

15 MS. KEATING: Commissioners, we have prepared
16 an errata sheet just to -- for ease of reference.
17 And we've provided staff with copies to hand out.
18 I believe that you have copies. We would just ask
19 that this be marked as Exhibit No. 24.

20 CHAIRMAN GRAHAM: We will mark this errata
21 sheet as Exhibit 24.

22 (Whereupon, Exhibit No. 24 was marked for
23 identification.)

24 CHAIRMAN GRAHAM: And just so I can get it out
25 of my way, I will mark the rebuttal errata sheet

1 Exhibit 25.

2 MS. KEATING: Thank you, Mr. Chairman.

3 (Whereupon, Exhibit No. 25 was marked for
4 identification.)

5 BY MS. KEATING:

6 **Q Mr. Cassel, could you just walk through the**
7 **changes that are in this exhibit and explain what those**
8 **changes are associated with?**

9 A Yes. The first one -- well, they are
10 associated with line-clearing costs, as detailed in the
11 petition, starting with the first line, Page 9, Line 12,
12 changing the value 661,660 -- \$674 to \$497,967.

13 The second change is found on Page 9, Line 13.
14 It had originally read, "Net of FPSC audit adjustments
15 at;" will now read, "Net of FPSC audit adjustment and
16 line-clearing adjustment at."

17 The third correction will be Page 9, Line 17.
18 The value, again, 661,674 is being changed to \$497,967.

19 And the next change is Page 9, Line 19. The
20 value originally of \$2,163,230 is now changed to
21 \$1,999,405.

22 And last change is Page 9, Line 22. The
23 original, reading \$1.72, now reads \$1.59.

24 **Q Thank you, Mr. Cassel.**

25 **Are those the only changes that you have to**

1 **your direct?**

2 A Yes, they are.

3 **Q And did you also prepare and cause to be filed**
4 **Revised Exhibit MC-1?**

5 A Yes, I did.

6 MS. KEATING: And Mr. Chairman, I believe
7 that's already been marked and entered as
8 Exhibit No. 2, if I'm not mistaken.

9 CHAIRMAN GRAHAM: Okay. Noted.

10 BY MS. KEATING:

11 **Q Mr. Cassel, did you prepare a summary of your**
12 **testimony?**

13 A Yes, I did.

14 **Q Please present that.**

15 A Thank you.

16 Good afternoon, Commissioners.

17 Commissioners, FPUC is before you today
18 requesting replenishment of its storm reserve, as -- as
19 a result of three major hurricanes, two tropical storms,
20 and several more minor storms over a period of a few
21 short years.

22 As you know, the storms of 2016 and '17 were
23 particularly destructive to large portions of the State
24 of Florida. In October of 2016, Hurricane Matthew
25 skirted the East Coast of Florida impacting FPUC's

1 northeast division electric customers on Amelia Island.

2 Less than one year later, Hurricane Irma made
3 its way north through the center of the State impacting
4 FPUC's northwest and northeast customers. In each
5 instance, 100 percent of FPUC's customers on Amelia
6 Island lost power while over 25 percent of our customers
7 in the northwest division lost power during Irma.

8 FPUC's system encountered significant damage
9 from these devastating storms, but in spite of the
10 damage, we were able to determine that our storm-
11 hardening efforts had been successful, avoiding
12 additional and more-catastrophic damage. We're also
13 pleased to report that our training and preparedness --
14 demonstrated by record restoration times.

15 These storms were, however, very costly.
16 Before Hurricane Irma, FPUC had a storm reserve, a
17 balance of approximately \$1.5 million. These successive
18 storms left us with a significant negative balance in
19 that reserve.

20 Commissioners, we must be financially pared --
21 prepared for the next round of storms in order to ensure
22 that we are able to continue to provide safe and prompt
23 restoration of services for our customers.

24 As such, it's critical that we replenish our
25 reserve to a reasonable and prudent level in preparation

1 for these future weather events. We are, therefore,
2 asking to allow us to implement a temporary surcharge to
3 replenish that storm reserve to the pre-Hurricane Irma
4 level.

5 Since filing our petition, we've agreed with
6 certain adjustments recommended by both staff and OPC
7 witnesses and, consequently, our total adjusted request
8 is for approval to implement a surcharge that will
9 enable us to collect the total of \$1,999,405, which will
10 replenish our reserve to the approximate level of
11 1.5 million.

12 We've taken into consideration the impact of
13 these requests and what they'll have on our customers
14 and have, therefore, requested that these surcharges be
15 applied over a two-year, rather than a one-year, period,
16 which will help lessen the per-bill impact.

17 Commissioners, these costs were incurred to
18 respond to storms that were reasonably and prudently
19 incurred and fulfilling our obligation to our customers,
20 which we take very seriously.

21 Likewise, our request to replenish the reserve
22 is able -- will enable us to ensure that we are able to
23 financially and -- and be able prepared to pro- --
24 provide prompt restoration service to our customers, and
25 it's in the best interest of both the company and our

1 customers.

2 Thank you.

3 MS. KEATING: Thank you, Mr. Cassel.

4 Mr. Chairman, the witness is tendered for
5 cross.

6 CHAIRMAN GRAHAM: Okay. Mr. Cassel, welcome.

7 THE WITNESS: Thank you, Chairman.

8 CHAIRMAN GRAHAM: Do you have a -- we're
9 supposed to have a calculator in front of you. Is
10 there a calculator over there, somewhere?

11 THE WITNESS: There's a calculator here.

12 CHAIRMAN GRAHAM: Okay. I -- because I figure
13 there's going to be some numbers-crunching today,
14 so I want to make sure you have it.

15 Ms. Ponder.

16 MS. PONDER: (Inaudible.)

17 CHAIRMAN GRAHAM: No, she doesn't want to
18 insert his direct testimony into the record.

19 MS. KEATING: Oh. I guess I do want to do
20 that. I didn't realize I hadn't said that.

21 (Laughter.)

22 MS. KEATING: We'd ask that Mr. Cassel's
23 testimony be inserted into the record as though
24 read.

25 CHAIRMAN GRAHAM: We will insert Mr. Cassel's

1 direct testimony into the record as though read.

2 MS. KEATING: It's been a long day already.

3 (Whereupon, Witness Cassel's prefiled direct
4 testimony was inserted into the record as though
5 read.)

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1 Before the Florida Public Service Commission

2 Docket No. 20180061-EI

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

5
6 Direct Testimony of Michael Cassel

7 Date of Filing: August 20, 2018

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

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

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

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

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

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

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

23

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

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

12

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

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

17

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

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

21

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

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

2

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

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

11

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

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

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

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

22 **A.** Yes. The FPSC completed an audit of FPUC's docket on June 12, 2018.

23 This audit identified two findings that totaled a reduction to the

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

5

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

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

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

15

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

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

1

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

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

10

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

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

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

3

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

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

17

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

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

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

6
 7 **Q. Please summarize your testimony.**

8 A. FPUC's system sustained damage from three major hurricanes, two
 9 tropical storms, and several more minor storms by the end of 2017. The
 10 greatest impact to our customers was the two successive years of
 11 devastating hurricanes, namely Hurricanes Matthew and Irma, which left ~~the~~ ^{\$497,967}
 12 the Company's storm reserve with a deficit balance of ~~\$661,674~~, ^{- AK}
 13 ~~Net of FPSC audit adjustment and line-clearing adjustment at - AK~~
 14 ~~the FPSC audit adjustments,~~ at December 31, 2017. The Company is
 15 seeking authority to implement a surcharge to replenish its storm reserve
 16 to a balance of \$1,500,000, which approximates the pre-Hurricane Irma ^{\$497,967 -}
 17 balance. To overcome the deficit balance of ~~\$661,674~~ and get the ^{AK}
 18 Company's requested reserve balance of \$1,500,000, FPUC has ^{\$1,999,405}
 19 requested a total revenue of ~~\$2,163,230~~. FPUC is very aware of the ^{- AK}
 20 impact of any rate or bill increase to its customers. Therefore, in order to
 21 help lessen the impact to its customers, FPUC has requested this
 22 surcharge be collected over an extended two-year period at ^{\$1.52 - AK}
 23 approximately ~~\$1.72~~ per 1,000 kWh's, which represents an average
 residential customer bill. Our request is reasonable and is limited to

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

3

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

5 **A. Yes.**

1 CHAIRMAN GRAHAM: Ms. Ponder.

2 MS. PONDER: Thank you.

3 EXAMINATION

4 BY MS. PONDER:

5 Q Good afternoon, Mr. Cassel.

6 A Good afternoon.

7 Q Mr. Cassel, isn't it true that your testimony
8 in this docket is generally directed to storm-cost
9 recovery?

10 A Yes, that's correct.

11 Q I have just a few questions so the Commission
12 can understand the context of your testimony and
13 evaluate the weight it should be given.

14 Have you provided written prefiled testimony
15 in any other dockets before the Commission?

16 A Yes, I have.

17 Q And how many of those dockets address a
18 recovery of storm-dam- -- damage restoration cost?

19 A This would be the only one, to date.

20 Q Which docket was that? The current --

21 A This would be the only one.

22 Q The current -- oh, this one. Sorry.

23 Have you provided live testimony before the
24 Commission?

25 A Yes, I have.

1 Q And was that the opportunity last month in the
2 gas tax dockets or --

3 A That was --

4 Q Or --

5 A -- less than a month ago. It was just a week,
6 but the -- that docket, that's correct.

7 Q Okay. And is that -- that's the only instance
8 of live testimony before this Commission?

9 A Yes, that's correct.

10 Q And have you pro- -- provided written prefiled
11 testimony in any other dockets before a Commission in
12 another state?

13 A Yes, I have.

14 Q What states are those?

15 A I have filed testimony, pre- -- prefiled
16 testimony in both Delaware and Maryland.

17 Q Have you provided live testimony in any other
18 dockets before a Commission in another state?

19 A No, I have not.

20 Q So, I -- would that also mean that you have
21 not testified in support --

22 (Brief interruption.)

23 (Discussion off the record.)

24 BY MS. PONDER:

25 Q So, would that also mean that you have not

1 testified in support of storm recovery or storm
2 surcharge in a state other than Florida; is that
3 correct?

4 A That would be correct, yes.

5 Q So, isn't it true that you have not been
6 accepted as an expert in a storm-recovery or storm-
7 surcharge proceeding before a utility --

8 CHAIRMAN GRAHAM: Ms. Ponder, I just want to
9 make sure our Court Reporter -- you got everything?

10 (Discussion off the record.)

11 BY MS. PONDER:

12 Q Would you like me to repeat that question?

13 A If you could, that would be great. Thanks.

14 Q Isn't it true that you have not been accepted
15 as an expert in a storm-recovery or storm-surcharge
16 proceeding before a utility regulator?

17 A Outside of the State of Florida, yes.

18 Q Isn't it true that this case is the first case
19 for FPUC in seeking cost recovery via a surcharge for
20 storm damage?

21 A In the time that I've been in this role, that
22 would be a true statement, yes.

23 Q So, you don't have any previous experience in
24 providing testimony directed to surcharge, recoverable
25 storm cost, correct?

1 A Specifically to storm charge, no, I have not.
2 No.

3 **Q Isn't it true that you have not negotiated**
4 **vendor rates for line crews to help restore -- restore**
5 **service?**

6 A That's correct. I have not negotiated storm
7 contracts, but I have negotiated contracts.

8 CHAIRMAN GRAHAM: Ms. Ponder, hold on just a
9 second.

10 Mary Anne, is this voir dire? And what have
11 we decided back then or whatever we decided about
12 voir dire?

13 MS. HELTON: Mr. Chairman, I was actually
14 wondering the same thing. Under our order
15 establishing procedure, if a party is going to take
16 issue with the expertise of a witness, then they
17 must let the Commission know when filing their -- I
18 think it's their prehearing statement. And if it's
19 not that, at least by the time of the prehearing
20 conference, what lines in the testimony they are
21 taking issue with.

22 Now, that being said, I think that a -- a
23 party may take issue -- let me think about how I'm
24 going to say this -- that a party may delve into
25 the credibility of a witness. I think there may be

1 a fine line between challenging someone's expertise
2 and challenging their credibility. And I think
3 Ms. Ponder is getting awfully close to that.

4 CHAIRMAN GRAHAM: Ms. Ponder or --

5 MR. REHWINKEL: Mr. Chairman?

6 CHAIRMAN GRAHAM: Yes.

7 MR. REHWINKEL: I'll respond to that. Charles
8 Rehwinkel with the Office of Public Counsel.

9 The questions that you heard were not part of
10 the voir dire or challenge to this witness'
11 expertise, hereby. The Commission has recently
12 been instructed by the Florida Supreme Court that
13 the evidence code does not apply to administrative
14 proceedings. And what an expert is and what an
15 expert can testify to may be an area of -- for --
16 of somewhat of a new frontier before this
17 Commission.

18 And our whole purpose of that was actually the
19 last question in that line of questions, is to give
20 the Commission a framework to evaluate the
21 testimony and decide how much weight to give it.

22 But we certainly are not here challenging this
23 witness' ability to testify as an expert. And
24 we -- we -- we believe that these questions are
25 fully within the -- the OEP and the prehearing

1 order.

2 CHAIRMAN GRAHAM: Ms. Keating?

3 MS. KEATING: I was going to say that we
4 aren't offering Mr. Cassel as a storm expert
5 anyway. Mr. Cassel is here to discuss the costs
6 that were incurred and explain how those costs were
7 capitalized.

8 And I do believe that the line of questioning
9 sort of went down a route that -- that really is
10 not the purpose for which we're offering
11 Mr. Cassel.

12 That being said, if -- if they're done with
13 their line of -- I'll reserve any further
14 objections.

15 CHAIRMAN GRAHAM: Well, actually, that was my
16 objection.

17 (Laughter.)

18 CHAIRMAN GRAHAM: And seeing there's no
19 objection ahead of us, Ms. Ponder, I apologize. I
20 just wanted to make sure that we weren't -- we
21 weren't going down some path that we couldn't back
22 up and turn around.

23 MS. PONDER: That does conclude my questions
24 for Mr. Cassel on his direct. Thank you.

25 CHAIRMAN GRAHAM: That -- so, that's all?

1 Okay. Staff.

2 MS. DZIECHCIARZ: Thank you, Mr. Chairman. We
3 just have a few questions.

4 EXAMINATION

5 BY MS. DZIECHCIARZ:

6 **Q Good afternoon, Mr. Cassel.**

7 A Good afternoon.

8 **Q For this set of questions, can you please**
9 **refer to FPUC's response to OPC's first set of**
10 **interrogatories, which is No. 35.**

11 A Give me just one moment.

12 **Q Sure.**

13 A Let me find that.

14 Can I clarify, that was set one, OPC No. 35?

15 **Q Yes, sir.**

16 A (Examining document.) Okay. Thank --

17 **Q Ready?**

18 A -- you for the time.

19 **Q And if you would, please read FPUC's response**
20 **out loud.**

21 A "FPUC used outside contractors during
22 Hurricanes Matthew and Irma to restore services, set
23 poles, remove broken poles, repair and restring broken
24 conductors, replace transformers, insulators, and surge
25 arresters.

1 Q Thank you, Mr. Cassel.

2 And can you please advise if FPUC relied on
3 any of its in-house personnel to perform the work
4 described in response to FPUC's interrogatory -- to
5 No. 35?

6 A We used both internal and external crews for
7 that, yes.

8 Q Thank you.

9 And do you know approximately what percentage
10 of work was performed by FPUC employees?

11 A I do not know a percentage exactly, but it's
12 primarily subcontractors.

13 MS. DZIECHCIARZ: Okay. Thank you.

14 We have no more questions.

15 CHAIRMAN GRAHAM: Okay. Commissioners.

16 Commissioner Brown.

17 COMMISSIONER BROWN: Thank you.

18 Thank you, Mr. Cassel, for your very brief
19 testimony.

20 Question for you, I know that, in your
21 petition, you've contemplated a two-year spread
22 surcharge. What would the cost be if you did a
23 one-year -- obviously, we had Hurricane Michael,
24 which impacted FPUC's territory significantly. I'm
25 curious if you put it in one year.

1 THE WITNESS: Yes. And thank you for that,
2 Commissioner.

3 We have considered a number of different
4 iterations of this. And looking at -- and you're
5 right, in context of Michael, put things in
6 perspective.

7 In this particular instance, the two years
8 seemed like the most reasonable and prudent way to
9 proceed to lessen the bill impact, but at one year,
10 our current request would be at \$3.18 versus the
11 \$1.59 per thousand kilowatt hours.

12 COMMISSIONER BROWN: Thank you. That's all.

13 THE WITNESS: Thank you.

14 CHAIRMAN GRAHAM: Commissioner Polmann.

15 COMMISSIONER POLMANN: Thank you,
16 Mr. Chairman.

17 Good afternoon, sir.

18 THE WITNESS: Afternoon.

19 COMMISSIONER POLMANN: You identified in an
20 errata sheet corrections on Page 9 of your direct
21 testimony.

22 THE WITNESS: Yes, that's correct.

23 COMMISSIONER POLMANN: Can you refer back also
24 in direct testimony, to Page 6, please.

25 On Line 4, do you see the dollar amount,

1 \$661,674?

2 THE WITNESS: Yes, I do, sir.

3 COMMISSIONER POLMANN: I believe that was the
4 original dollar amount that you had referenced on
5 Page 9, for example, on -- what on my copy is
6 Line 12, the \$661-plus -- 661,000?

7 THE WITNESS: That's correct, yes.

8 COMMISSIONER POLMANN: When you corrected the
9 values on -- the various values on Page 9, to the
10 497,967, is there a corresponding correction
11 that -- that would be made on Page 6? And were
12 there any other corrections corresponding to the
13 values further down on Page 6 that -- that should
14 have been made?

15 THE WITNESS: I believe you're correct,
16 Commissioner, that the 661 there should also be the
17 497,967.

18 COMMISSIONER POLMANN: And could you ask --
19 answer for me, please, the four storms that are
20 listed further down the page, Hurricane Irma,
21 Hermine, and then the two tropical -- the tropical
22 storm, the other minor -- their dollar amounts --
23 would those also be affected by any -- any
24 corrections through auditing?

25 THE WITNESS: No, Commissioner. Those would

1 stay the same. What -- what those reflect is the
2 reduction of the \$117,500 as a result of staff's
3 audit, which were already taken into consideration
4 prior to the errata sheet.

5 COMMISSIONER POLMANN: Mr. Cassel, I see
6 another reference here to -- to a dollar amount,
7 661,674. I'm not quite sure what to do with that.
8 It would appear, sir, that -- that, if it was your
9 intention to correct all of the -- all of those
10 dollars, all occurrences of the -- the appearance
11 of 661,674, that you did not catch all those.

12 So, would you care to respond to that?

13 MS. KEATING: May I -- I hate to break --

14 COMMISSIONER POLMANN: I'm waiting for the
15 witness' response, if any, and then I'd be happy to
16 hear from you, Ms. Keating.

17 THE WITNESS: If I could just have a minute
18 and put it in context on -- your -- I believe,
19 you're referring to Page 9; is that correct?

20 COMMISSIONER POLMANN: I -- my overall
21 question is if --

22 THE WITNESS: Is that number --

23 COMMISSIONER POLMANN: If -- you presented an
24 errata sheet here this morning.

25 THE WITNESS: Yes.

1 COMMISSIONER POLMANN: And I'm wondering if --
2 what your comfort level is that you corrected all
3 the corrections because you responded to
4 Ms. Keating that you had made all the corrections
5 you intended.

6 THE WITNESS: I believe they should be -- the
7 497,967.

8 COMMISSIONER POLMANN: Ms. Keating?

9 MS. KEATING: I hate to disagree, but I
10 believe some of those other references are
11 specifically -- if you look at the question,
12 they're only talking about the change that took
13 into account staff's audit adjustments; whereas,
14 the change that we had in the errata sheet also
15 included the line-clearing adjustment that we
16 made based on an agreement --

17 CHAIRMAN GRAHAM: Ms. Keating --

18 MS. KEATING: -- with OPC.

19 CHAIRMAN GRAHAM: -- you probably should
20 handle that in redirect. You probably should
21 handle that in redirect.

22 Mr. Polmann, the witness?

23 COMMISSIONER POLMANN: Thank you,
24 Mr. Chairman.

25 Mr. Cassel, you -- in standard language that

1 I've seen in many prefiled testimony, on the top of
2 Page 4, in -- in answer to the question, this
3 material completed by you under your direction, you
4 said it was completed under your supervision and
5 review.

6 Does that mean that all of the work was
7 completed by others and you are summarizing it here
8 and presenting it?

9 THE WITNESS: Given the size of our company,
10 we do -- we do multiple things. First, we have a
11 staff that -- that compare -- that completes these
12 schedules, and I review them. In some instances,
13 in some dockets, I will complete those myself, but
14 in most instances, it is completed by someone,
15 reviewed by me.

16 COMMISSIONER POLMANN: Okay. So, is it -- is
17 it reasonable for me to interpret that -- that
18 you're the responsible person?

19 THE WITNESS: Yes, it is, Commissioner.

20 COMMISSIONER POLMANN: Thank you, sir.

21 THE WITNESS: Thank you.

22 COMMISSIONER POLMANN: That's all I had,
23 Mr. Chairman.

24 CHAIRMAN GRAHAM: Any other Commissioners?

25 Ms. Keating, redirect.

FURTHER EXAMINATION

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BY MS. KEATING:

Q Mr. Cassel, how long have you been with the company?

A I have been with the Chesapeake Utilities -- with the family of Chesapeake Utilities for a little over ten years, and with Florida Public roughly eight years.

Q And what is your educational background?

A I have a Bachelor's of Science in accounting.

Q And have you ever played any role in storm recovery while working with the company?

A I have -- in the State of Florida, I have, yes, since I've been in this role.

Q Could you tell me what some of those activities have involved?

A In -- in the physical aftermath of a hurricane, we all chip in and -- and some of my roles have been as governmental relations, working with those communities, working with their elected leadership, as well as serving food, cleaning bathrooms, doing laundry, anything that needs to be done at the time.

Q Have you seen customers following the storm?

A Yes, very clearly. Yes.

Q Have you seen damage following a storm?

1 A Yes, we have. Yes.

2 Q Have you interacted with crews following a
3 storm?

4 A Yes.

5 Q Mr. Cassel, if I could direct your attention
6 to your direct testimony at Page 6, I just want to
7 follow up on Commissioner Polmann's questions, just to
8 make sure -- actually, if you could, turn to Page 5,
9 just to make sure the record is clear, could you --
10 would you mind reading that question at the bottom of
11 Page 5 for me?

12 A Yes, "Were the costs in the company's exhibit
13 adjusted for FPSC's audit report findings?"

14 Q Okay. And turning back to Page 6, having read
15 that question, does the number 661,674 need to be
16 changed?

17 A No, it does not. And I should have looked
18 back at the -- at the question and made -- make that
19 correction. This was dealing -- as -- as we talked
20 about in the second set, middle of the page, it's
21 dealing with the audit adjustments as identified by
22 staff.

23 MS. KEATING: Thank you, Mr. Cassel. I have
24 no further redirect.

25 THE WITNESS: Thank you.

1 CHAIRMAN GRAHAM: Okay. Exhibits. We gave
2 the errata sheet Exhibit Number 24; not that, I
3 guess, we need to enter Exhibit 24, but if it's all
4 the same, we will enter the errata, just as long as
5 there's no concerns about that.

6 MS. KEATING: Thank you.

7 (Whereupon, Exhibit No. 24 was admitted into
8 the record.)

9 CHAIRMAN GRAHAM: There was no other exhibits
10 because we'll deal with 25 with the rebuttal,
11 correct?

12 MS. KEATING: Yes, sir.

13 CHAIRMAN GRAHAM: Would you like to
14 temporarily excuse your witness?

15 MS. KEATING: I would, indeed. Thank you.

16 CHAIRMAN GRAHAM: Okay. Thank you,
17 Mr. Cassel. We'll see you in a couple of minutes.

18 THE WITNESS: Thank you.

19 CHAIRMAN GRAHAM: Ms. Keating, your next
20 witness.

21 MS. KEATING: I believe the next witness is --

22 CHAIRMAN GRAHAM: Oh, OPC. I'm sorry.

23 MS. KEATING: -- OPC's witness.

24 MS. PONDER: Yes, OPC calls Bill Schultz.

25 EXAMINATION

1 BY MS. PONDER:

2 Q Good afternoon, Mr. Schultz.

3 A Good afternoon.

4 Q Could you please state your name and business
5 address for the record.

6 A My name is -- my name is Helmuth W. Schultz,
7 III. My business address is Larkin & Associates, PLLC,
8 15728 Farmington Road, Lavonia, Michigan 48150.

9 Q Did you cause to be filed prefiled direct
10 testimony in this docket?

11 A Yes, I did.

12 Q Do you have corrections to your testimony?

13 A I did.

14 Q And were those corrections the subject of your
15 supplemental correcting testimony filed on December 6th,
16 2018?

17 A Yes, they are.

18 Q Could you briefly describe the nature of those
19 corrections.

20 A Yes, initially, on October 22nd, 2018, the OPC
21 filed my testimony that recommended various adjustments.
22 This resulted in a total reduction of 1,475,189 to
23 FP- -- FPUC's overall storm restoration and reserve
24 replenishment.

25 On December 6th, 2018, after reviewing

1 additional information that provided greater detail to
2 previous responses by FPUC's discovery, I prepared, and
3 the OPC filed, supplemental testimony, which reduced my
4 recommended adjustment from 1,475,189 to 1,173,464.

5 This reduction was the result of the review of
6 supplemental responses that determined that payroll
7 benefits and overhead that was initially identified as
8 not -- as non-incremental were, in fact, incremental,
9 with one exception; that being, still, an issue remains
10 with the \$69,632 of special compensation that was paid
11 and is not allowed under Rule 25.

12 **Q With those changes, if I were to ask you the**
13 **same questions today, would you have the same answers**
14 **that you give in that prefiled direct and supplemental**
15 **correcting testimony?**

16 A Yes, I would.

17 MS. PONDER: I would ask that Mr. Schultz's
18 direct test- -- direct testimony and supplemental
19 correcting testimony be entered into the record --

20 CHAIRMAN GRAHAM: We will --

21 MS. PONDER: -- as though read.

22 CHAIRMAN GRAHAM: Insert Mr. Schultz's
23 prefiled direct testimony and resulting corrected
24 testimony into the record as though read.

25 MS. PONDER: Thank you.

1 (Whereupon, Witness Schultz's prefiled direct
2 testimony and supplemental correcting testimony was
3 inserted into the record as though read.)

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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.

1

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

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

11

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

15 A. Yes. As shown on Exhibit No. HWS-2, Schedule B, I have recommended an allowance
16 of \$38,011. FPUC identified this as the compensation paid to non-electric division
17 employees. Thus, this is compensation that appears for this Company to not typically
18 be reflected in base rates, and I concluded this is legitimate incremental payroll cost
19 with one caveat. In response to Citizens' Interrogatory No. 5-75, FPUC provided a
20 summary of the \$38,011 of payroll. This summary indicates \$17,750 is "Inclement
21 Weather Exempt Employee Compensation" which suggests it may be other special
22 compensation for utility personnel not eligible for overtime pay that is prohibited from
23 being charged to the reserve. If that is the case, this added compensation should also
24 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.

1

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

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

9

10 **Q. ARE YOU RECOMMENDING A DISALLOWANCE OF COSTS FOR THE**
11 **GROSSLY EXCESSIVE RATES AND THE EXCESSIVE STANDBY AND/OR**
12 **MOBILIZATION/DEMOBILIZATION?**

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

15

16 **Q. HOW DID YOU DETERMINE THESE RESPECTIVE ADJUSTMENTS?**

17 A. My calculations are shown on Exhibit No. HWS-2, Schedule C, Page 2 of 3. For the
18 excessive rate, I multiplied the 1,216 hours identified as mobilization by PAR's higher
19 normal working rate/standby rate of \$290.95 per hour. This resulted in a cost of
20 \$353,795. I then subtracted this amount of \$353,795 from mobilization cost of
21 \$538,889 which results in the grossly excessive rate adjustment of at least \$185,093.
22 This calculation is shown on lines 14-18 of Exhibit No. HWS-2, Schedule C, Page 2 of
23 3. This adjustment reduces the mobilization/standby labor billing from \$892,684 to
24 \$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.

	<u>FPUC</u>	<u>OPC</u>
10 Storm Costs Included in Request	\$2,946,369	\$1,471,176
11 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.

SUPPLEMENTAL CORRECTING 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. ARE YOU THE SAME HELMUTH W. SCHULTZ III THAT FILED DIRECT**
9 **TESTIMONY ON OCTOBER 22, 2018?**

10 A. Yes, I am.

11 **Q. WOULD YOU EXPLAIN WHY YOU ARE SUBMITTING CORRECTED**
12 **TESTIMONY?**

13 A. Yes. On November 7, 2018 Florida Public Utilities Company (the “Company” or
14 “FPUC”) filed rebuttal testimony. Company witness Michael Cassel stated in his

1 rebuttal that the payroll adjustment that I had recommended was not appropriate
2 because the compensation amount used as a base for determining whether regular and
3 overtime pay was incremental included commissions, bonuses and incentive pay. The
4 base amount I relied on was the \$4,862,387 identified in the Company's responses to
5 Citizens' Interrogatory No. 1-20 and Citizens' Interrogatory No. 22 as being the regular
6 and overtime payroll included in FPUC's filing in Docket No. 20140025_EI. After
7 receiving additional information, I determined the Company was correct and that an
8 adjustment to my recommendation was required. These adjustments are shown on
9 Exhibit No. HWS-2 Revised.

10
11 **Q. WHAT ADDITIONAL INFORMATION WAS PROVIDED TO YOU?**

12 A. On November 26, 2018, FPUC filed a response to the Florida Public Service
13 Commission ("Commission") Staff's Fourth Set of Interrogatories (No. 12). In the
14 response, the Company specifically identified some of the compensation components,
15 but not all, that were included in the \$4,862,387. Specifically identified were base
16 regular payroll and overtime before applying the requested increase to that
17 compensation. Based on that response, it appeared the actual regular payroll and
18 overtime payroll incurred and charged to O&M in 2016 and 2017 exceeded the base
19 amount included in base rates. The only question remaining was whether the Company
20 provided a sufficiently detailed response to Citizens' Interrogatories Numbers 1-21 and
21 1-23 seeking the actual regular and overtime pay for the years 2016 and 2017. The
22 concern was whether the amounts originally provided included any other pay (i.e.
23 severance and temporary pay) specifically identified in the response to the Commission
24 Staff's Interrogatory No. 12. On December 3, 2018, FPUC filed supplemental

1 responses to Citizens' Interrogatories No. 1-20 through 1-23 clarifying the information
2 previously submitted. Based on this additional information, it appears the actual
3 payroll in 2016 and 2017 exceeded base rate regular payroll and overtime payroll.
4 Accordingly, I do not contest the company's assertion that there were incremental
5 payroll costs that under Rule 25-6.0143, Florida Administrative Code ("F.A.C."),
6 should be considered for recovery and capitalization as part of the storm restoration
7 efforts and costs charged to the storm reserve.

8 II. REVISION

9
10 **Q. PLEASE SUMMARIZE YOUR REVISED RECOMMENDED**
11 **ADJUSTMENTS?**

12 A. I recommend an overall reduction of \$1,173,464 as summarized below. I recommend
13 a reduction of \$69,632 to FPUC's request for payroll expense as this amount represents
14 costs that are prohibited costs under Rule 25-6.0143, F.A.C. I recommend a reduction
15 of \$839,780 to FPUC's storm request related to contractor costs to adjust for excessive
16 hourly rates and excessive standby time, as well as identifying a greater amount of
17 contractor costs to be capitalized. I continue to recommend a reduction of \$163,707 to
18 FPUC's storm request related to tree trimming in accordance with Rule 25-6.0143,
19 F.A.C., cost adjustments, and a reduction of \$32,800 to materials and supplies in
20 accordance with the cost prohibitions of Rule 25-6.0143, F.A.C. Finally, I recommend
21 a reduction of \$67,548 of other costs that are prohibited under Rule 25-6.0143, F.A.C.,
22 and are not supported. In total, my revised recommendation is a reduction of
23 \$1,173,464 to FPUC's overall storm restoration and reserve replenishment request,

1 based on the clarifying discovery responses I received after I filed my original
2 testimony.

3 **III. PAYROLL**

4 **Q. HOW HAS THE ADDED INFORMATION IMPACTED YOUR ORIGINAL**
5 **PAYROLL RECOMMENDATION?**

6 A. I am no longer recommending a disallowance of regular payroll and overtime included
7 in FPUC's request. This means that the reclassification of \$114,739 of FPUC's
8 capitalized payroll is longer being included as part my recommendation to adjust
9 contractor costs. My only adjustment to payroll is the exclusion of \$69,632 of storm
10 bonuses.

11
12 **Q. DO YOU STILL HAVE A CONCERN WITH WHAT YOU CONSIDER TO BE**
13 **A PROPER CAPITALIZATION RATE?**

14 A. Yes, I do. The capitalization rate FPUC proposes to use for storm restoration is the
15 same as it uses in the normal course of business under normal conditions. After a storm,
16 the circumstances dictate a different response and level of cost incurrence. This
17 difference cannot and should not be ignored.

18 **IV. BENEFITS**

19 **Q. DOES THE CHANGE IN YOUR RECOMMENDATION TO PAYROLL**
20 **IMPACT YOUR RECOMMENDED ADJUSTMENT TO THE REQUESTED**
21 **BENEFIT COSTS?**

1 A. Yes, it does. Since there is no adjustment to base payroll, there is no longer a
2 requirement to adjust benefit expense. My original recommendation to reduce
3 benefits costs by \$69,860 is no longer required.

4

5 **V. OVERHEAD COSTS**

6 **Q. SHOULD THE RECOMMENDED ADJUSTMENT TO OVERHEAD COSTS**
7 **ALSO BE CHANGED?**

8 A. Yes. Similar to benefit costs, overhead costs are an add-on of costs associated with
9 payroll. Since I am no longer recommending FPUC's base rate payroll be excluded,
10 the associated overhead costs should now be allowed for recovery.

11

12 **VI. CONTRACTOR COSTS**

13 **Q. WHAT IS THE IMPACT ON YOUR RECOMMENDED ADJUSTMENT**
14 **AMOUNT FOR CONTRACTOR COSTS?**

15 A. I originally recommended an adjustment of \$1,009,799 to contractor costs. As a result
16 of the revision to payroll, the reclassification of \$170,019 of capitalized payroll, benefit
17 and overhead costs to reduce the recoverable amount of contractor costs is no longer
18 required. This results in a revised reduction to contractor costs of \$839,780.

19

20 **Q. DOES THE CHANGE IMPACT ANY OF YOUR OTHER**
21 **RECOMMENDATIONS REGARDING THE RECOVERY OF OR THE**
22 **CAPITALIZATION OF CONTRACTOR COSTS?**

1 A. No. All of the other adjustments to contractor costs remain as explained in my direct
2 testimony.

3

4 **VII. RECOMMENDATIONS**

5 **Q. BASED ON THE REVISIONS YOU HAVE IDENTIFIED, PLEASE**
6 **SUMMARIZE YOUR RECOMMENDED ADJUSTMENTS?**

7 A. My recommended adjustments are as follows:

8 • A reduction of \$69,632 to FPUC's request for payroll cost recovery for special
9 compensation;

10 • A reduction to contractor costs of at least \$185,039 for a grossly excessive hourly rate
11 charged by PAR;

12 • A reduction to contractor costs of \$353,795 for an excessive amount of standby time;

13 • A reduction of \$300,891 to FPUC's request related to recapitalization of contractor
14 costs;

15 • A reduction of \$163,700 to FPUC's request for line clearing cost recovery;

16 • A reduction of \$32,800 to FPUC's request for materials and supplies cost recovery;
17 and

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

19 For the quantified amounts identified above, I recommend a total reduction of \$1,173,464
20 to FPUC's overall storm restoration and reserve replenishment request.

21

22 **Q. WOULD YOU PROVIDE A REVISED SUMMARY HOW THE REDUCTION**
23 **TO RESTORATION COSTS CHARGED AGAINST THE RESERVE**
24 **IMPACTS THE OVERALL RECOVERY REQUESTED BY FPUC?**

- 1 A. Yes. Below, I provide a side by side comparison of FPUC request to the OPC's revised
2 recommendation for recovery.

	<u>FPUC</u>	<u>OPC</u>
Storm Costs Included in Request	\$2,946,369	\$1,772,900
Storm Reserve September 2015	(2,142,805)	(2,142,805)
Added Reserve Accruals	<u>(141,890)</u>	<u>(141,890)</u>
Reserve Deficiency	661,674	(511,795)
Desired Reserve Balance	<u>1,500,000</u>	<u>1,500,000</u>
	2,161,674	988,205
Regulatory Assessment Fee	<u>1,556</u>	<u>1,556</u>
Requested Recovery	<u>\$2,163,230</u>	<u>\$989,761</u>

3
4
5

- 6 **Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL CORRECTING**
7 **TESTIMONY?**

- 8 A. Yes it does.

1 BY MS. PONDER:

2 Q Mr. Schultz, did you prepare exhibits with
3 your testimony in this docket?

4 A I did.

5 Q Did you prepare three exhibits labeled HWS-1,
6 HWS-2, and HWS-3?

7 A I did.

8 Q Do you have any corrections to make to your
9 exhibits?

10 A The corrections were presented as part of the
11 supplemental testimony.

12 MS. PONDER: Mr. Chairman, I believe
13 Mr. Schultz's exhibits are identified as
14 Exhibits 3, 4, and 5 in the comprehensive exhibit
15 list.

16 CHAIRMAN GRAHAM: Duly noted.

17 BY MS. PONDER:

18 Q Would you please summarize your testimony,
19 Mr. Schultz.

20 A Yes.

21 Good afternoon, Commissioners. On
22 October 22nd, 2018, the OPC filed my testimony, which
23 made various recommendations. Initially, I recommended
24 a reduction to payroll benefits and overhead totaling
25 201,000 that were deemed to be non-incremental and not

1 allowed for a recovery, and to -- and to reclassify what
2 the company had capitalized as payroll benefits and
3 overhead because there was no longer payroll benefits
4 and overheads to be capitalized.

5 In addition, I recommended a reduction to the
6 contracted cost by \$185,039 for what I deemed to be
7 grossly-excessive hourly rates charged by PAR.

8 In addition, I am recomm- -- recommended a
9 reduction to contractor costs for \$353,795 for an ex- --
10 excessive amount of standby time.

11 And I've -- third adjustment to contractor
12 costs was an adjustment of \$300,891 to account for the
13 fact that contractors performed capital work.

14 In addition, I'm pr- -- made a recommendation
15 to reduce costs by \$163,700 for FPUC's clearing costs;
16 32,800 for materials and supplies; \$67,548 for
17 unsupported and prohibited recovery of lost revenue.

18 The payroll adjustment included, as indicated
19 earlier, \$69,000 of costs that were deemed to be special
20 compensation, which is not allowed under Rule 25.

21 On December 6th, I filed the -- the additional
22 supplemental testimony, which corrected for the payroll
23 adjustments and remove- -- and I am now recommending
24 that no adjustment be made to payroll benefits and
25 overheads, other than the special compensation.

1 That concludes my test- -- my summary.

2 MS. PONDER: Thank you.

3 I tender this witness for cross-examination.

4 CHAIRMAN GRAHAM: Thank you.

5 Mr. Schultz, welcome.

6 THE WITNESS: Thank you.

7 CHAIRMAN GRAHAM: Ms. Keating -- I'm sorry.

8 MR. MUNSON: Good afternoon, Commissioners.

9 My name is Greg Munson.

10 EXAMINATION

11 BY MR. MUNSON:

12 Q Good afternoon, Mr. Schultz.

13 A Good afternoon.

14 Q Do you have a copy of your direct testimony
15 there in front of you?

16 A I do, sir.

17 Q Okay. Can I ask you, please, to turn to
18 Page 19.

19 A I am there.

20 Q Okay. And if you look at Line 5, you'll see a
21 sentence that begins, "PAR's rate." Do you see that
22 sentence?

23 A Yes, sir.

24 Q Can you read that sentence for me out loud,
25 please.

1 A "PAR's rate charged for mobilization and
2 standby was \$307 per hour and \$509 per hour,
3 respectively, while its actual work ranged from \$216 to
4 \$291 per hour.

5 **Q But PAR actually didn't charge \$509 an hour
6 for standby time, did it?**

7 A You're right. It should be the other way
8 around; it was \$509 for the mobilization and \$307 for
9 the standby.

10 **Q Okay. But on that \$307 -- they actually
11 didn't charge \$307 an hour, did they?**

12 A Yes, sir, I believe they did. That's what the
13 invoice had indicated.

14 MR. MUNSON: You're sure that's what it says?

15 At this time, Commissioners, if I may, I'd
16 like to approach and distribute an exhib- -- what
17 would be Exhibit No. 26.

18 CHAIRMAN GRAHAM: We'll actually have -- our
19 staff will take that from you and pass it out.

20 MR. MUNSON: Thank you.

21 THE WITNESS: I have that.

22 MR. MUNSON: All right.

23 CHAIRMAN GRAHAM: Let's make -- give this a
24 short title, "PAR invoice, October 24th, 2017."

25 (Whereupon, Exhibit No. 26 was marked for

1 identification.)

2 CHAIRMAN GRAHAM: Did Mr. Kelly get a copy of
3 that exhibit? Okay.

4 I'm sorry. Go ahead.

5 MR. MUNSON: Thank you, sir.

6 BY MR. MUNSON:

7 Q Mr. Schultz, if you could, tell me where -- do
8 you recognize this document?

9 A Yes, sir. And I -- I'll -- I'll -- I admit
10 that I was wrong. It wasn't \$307; it was \$377.

11 Q Okay. So, despite what your testimony says,
12 your direct testimony, in fact, the \$509 an hour was for
13 mobilization, not standby, correct?

14 A Well, it -- you could pick and choose which
15 one it is. They split the -- the time equally between
16 mobilization and standby. So, you have 608 hours that
17 was billed at \$509 and you have 608 hours that's billed
18 at 377.

19 Q I'm asking you, though, on the invoice that
20 you said you relied on -- that \$509-an-hour rate is for
21 mobili- -- mobilize and demobilize, correct?

22 A That's the -- the title that was given on it,
23 yes, sir.

24 Q Okay. And -- and in fact, were you here for
25 your Counsel's opening statement?

1 A Yes, sir.

2 Q And you heard your Counsel refer to it as
3 standby time, during her opening statement as well,
4 didn't you?

5 A Yes, sir.

6 Q And that's how you've characterized it in your
7 direct testimony, here on Page 19, right?

8 A Yes, sir --

9 Q Okay.

10 A -- because -- because on the time report that
11 the company filed, it specifically indicated that it was
12 standby time.

13 Q Did -- did you review this invoice, prior to
14 your testimony here today?

15 A Yes, sir.

16 Q Okay. Aside from those two errors that we've
17 identified, is your -- in addition to the errata that
18 you -- or the -- your supplemental testimony, are there
19 any other errors in your direct testimony that you're
20 aware of?

21 A None that I haven't corrected. And, for
22 instance, I could say that there was an error on my
23 initial schedule, HWS-2, where it made reference on two
24 of the schedules, had a cross-reference to a Schedule I,
25 but that was corrected on the supplemental testimony

1 where it, now, says Schedule K.

2 So, I guess, you could say that, you know,
3 that wasn't corrected in the initial testimony, but it
4 was corrected as part of the supplemental testimony,
5 which was a total correction to all the exhibits.

6 **Q Let me rephrase -- let me rephrase it this**
7 **way: Is there anything else you didn't correct when**
8 **your lawyer asked you if you had any corrections to your**
9 **testimony?**

10 A None that I'm currently aware of. No, sir.

11 MR. MUNSON: Okay. Thank you.

12 No further questions.

13 CHAIRMAN GRAHAM: Okay. Staff.

14 MS. DZIECHCIARZ: Staff just has a few
15 questions.

16 EXAMINATION

17 BY MS. DZIECHCIARZ:

18 **Q Good afternoon, Mr. Schultz.**

19 A Good afternoon.

20 **Q For this set of questions, could you please**
21 **refer to Pages 21 and 22 of your direct testimony. And**
22 **when you're ready, let me know, please.**

23 A I'm there.

24 **Q Okay. Is it accurate that, on these pages,**
25 **with -- 21 and 22 of your direct testimony, you**

1 testified to your concerns about standby time?

2 A Yes.

3 Q Okay. And if you would, please, refer to
4 Page 22, Lines 23 and 24. And here, you state that: It
5 is not reasonable to expect ratepayers to have to pay
6 for contractors to just sit around; is that correct?

7 A That's correct. That's what it says.

8 Q To your knowledge, are there any activities,
9 aside from just sitting around, that could be included
10 in standby time?

11 A I'm sorry. I -- I -- I didn't understand the
12 first part of the question.

13 Q So, are there any activities that you can
14 think of that would be included in standby time that
15 aren't people just idly sitting?

16 A Well, I -- I guess I should clarify this. I
17 mean, as my testimony indicates -- I'm not sure exactly
18 where, but it is in there where the company's -- or the
19 subcontractor was on standby time on the 11th of
20 September when they were waiting for the storm to pass.
21 And that's standby time I didn't take objection to
22 because that's something that would be expected that
23 could occur -- occur.

24 So, there are times when the standby isn't
25 there; it's just when it gets to a point where it's

1 considered to be an excessive amount of standby time.

2 Q Okay. But can you describe, then, the basis
3 for your statement that the contractors were just
4 sitting around? What was the basis for that?

5 A Well, in reviewing time sheets, I've seen
6 where it says, sitting at the hotel -- says, staying at
7 the hotel. One of the things that I found in reviewing,
8 from various jurisdictions, the storm costs, is these
9 contractors have a little section where they fill out
10 comments. And those can be very informative as to what
11 they're doing, when they're doing it, and how they're
12 doing it, and what's going on.

13 MS. DZIECHCIARZ: Okay. Staff has no further
14 questions. Thank you.

15 CHAIRMAN GRAHAM: Commissioners, any questions
16 of this witness?

17 Commissioner Polmann.

18 COMMISSIONER POLMANN: Thank you,
19 Mr. Chairman.

20 Mr. Schultz, if -- if you could, please refer
21 to the exhibit provided -- 26 -- No. 26 provided by
22 Mr. Munson, that was a copy of the contractors'
23 invoice.

24 THE WITNESS: Yes, sir.

25 COMMISSIONER POLMANN: If we look in the -- in

1 the same area that -- that was discussed on the
2 work and standby mobilization/demobilization -- I
3 see columns there with hours and quantity, and then
4 there's a rate. You -- are you with me on that?

5 THE WITNESS: Yes, sir.

6 COMMISSIONER POLMANN: Okay. Thank you.

7 I'm looking at three different rates. In
8 fact, there's \$290.95, 377.18, and 509.17, and
9 different quantities in the corresponding columns.

10 Did you question the utility and get any
11 additional information on distinguishing the three
12 types of work item -- those being work/standby
13 hours, OT, compared to mobilize/demobilize regular
14 hours, or mobilize/demobilize OT hours? Did -- can
15 you tell me whether or not you asked questions in
16 discovery about what those three things are?

17 THE WITNESS: No, I didn't. I'm very familiar
18 with the classifications of standby time;
19 mobilization/demobilization and work time, as this
20 is typical jargon for storm restoration. And I've
21 looked at many storm-restoration costs and so --
22 and, for instance, I mean, the time that was
23 labeled here, like I said, it's -- it was -- they
24 traveled two days, which accounted for the 608
25 hours of travel. And then they trav- -- they were

1 in the hotel -- their time -- their time sheets,
2 itself, said, standby, waiting for Hurricane Irma
3 in Jacksonville, Florida. So, it -- it -- that's
4 how the other 608 came.

5 And the 1216 was the actual restoration time
6 that they -- or that -- that was actual time for --
7 that they were part of their travel time, too. I
8 mean, they -- they had two days of travel, two days
9 of sitting in the hotel.

10 COMMISSIONER POLMANN: So, the work and
11 standby hours, compared to the mobilize/
12 demobilize -- you're -- you're telling me the
13 mobilize/demobilize is travel time?

14 THE WITNESS: Yes.

15 COMMISSIONER POLMANN: So, that includes the
16 equipment as opposed to -- to crew.

17 THE WITNESS: That includes -- yes, sir.

18 COMMISSIONER POLMANN: Okay. Now, there's a
19 reference -- a lot of discussion here about \$509
20 and \$307. I don't see the \$307 in the -- in the
21 table.

22 THE WITNESS: That -- that's what the
23 company's Counsel pointed out, that my testimony
24 says 307. It's actually 377.

25 COMMISSIONER POLMANN: Okay. All right.

1 Thank you very much.

2 Thank you, Mr. Chair.

3 CHAIRMAN GRAHAM: Commissioner Clark.

4 COMMISSIONER CLARK: Thank you, Mr. Chairman.

5 A couple of questions in relation to the
6 hourly rate. It -- it seems that we're pointing
7 out and trying -- making a point here that that's
8 an extremely large number.

9 What do you typically see included with a
10 crew? Assume you're talking about a two-man crew.
11 What all comes with it for that \$509 an hour? What
12 are we getting here?

13 THE WITNESS: Well, let me -- I -- I don't --
14 I want to kind of clarify something you -- because
15 you said typically with a two-man crew. In my
16 experience, and in looking at a lot of these time
17 reports and daily time sheets, it is typical for a
18 crew that's a contracted crew to be a crew of
19 anywhere from four, five, or six, as opposed to
20 two.

21 So, you'll get that because you have your
22 general foreman. You have your linemen. You have,
23 generally, an apprentice that travels with them,
24 and then there could be another lineman or another
25 apprentice. And they sometimes have some -- I've

1 seen where they call them pole climbers. So, they
2 even have a separate classification. So -- I'm
3 sorry. I got a- -- off topic there.

4 But that -- that's a cost that I've seen in
5 contractors when they do this work. That cost I've
6 seen range from -- and I'm putting other utilities
7 to the side. I'm not including them in any of
8 this. That cost would include anywhere from, like,
9 \$120 to, generally speaking, 200-and-some dollars,
10 250, 260 could be a possibility.

11 And when you add equipment, if you are just
12 figuring that as the rate for the crew members, the
13 equipment can run from \$10, depending on what it
14 is, to maybe \$50 because your digger trucks will
15 always have probably the highest rate that you will
16 find.

17 COMMISSIONER CLARK: So, go back to my
18 question: Do you know what this \$509 includes?
19 Did it include trackhoes? Did it include
20 excavators? Did they bring other equipment? Or
21 was it just a bucket truck, three pickup trucks,
22 no -- any idea?

23 THE WITNESS: That, to my understanding, is an
24 all-inclusive rate. Man and --

25 COMMISSIONER CLARK: So -- so, it could have

1 included five excavators per crew. We -- we don't
2 know that.

3 THE WITNESS: Well, it's annual hourly rate
4 per person. So, that's basically a rate that was
5 developed that would cover that person and the
6 crew and the equipment.

7 COMMISSIONER CLARK: And the equipment they
8 brought with them.

9 THE WITNESS: That's correct.

10 COMMISSIONER CLARK: But we don't know what
11 the equipment is; is that correct?

12 THE WITNESS: Generally speaking, yes. You
13 can -- if you look at, like, a daily time report
14 here -- I've got a daily work report that was
15 attached to one of this. And it says, pickup,
16 pickup, bucket truck, Derrick digger, pickup, and
17 I'm going off of acronyms, just, you know --
18 because if you look at the time report, you won't
19 see them spelled out like that, but that -- those
20 are acronyms I'm familiar with from doing this.

21 So -- and then you'll have trailers. There
22 will be wire trailers. There would be pull
23 trailers. So, you've got a variety of equipment
24 that they'll be bringing along with them.

25 COMMISSIONER CLARK: My second question refers

1 to -- I want to go back to the standby-time issue
2 again because I'm trying to determine how you can
3 evaluate effectively what is an adequate and a fair
4 amount of standby time to -- to charge.

5 When that crew mobilizes -- if you, as a -- a
6 utility, contract an individual, you say move, that
7 crew moves to the location that you stage them in.
8 You have a -- an impending hurricane coming in. It
9 slows down. It stops. It stalls.

10 Are you suggesting that the company suspend
11 the time and not charge you if the event does not
12 occur on the time line that you have it scheduled
13 for? I've never scheduled a hurricane. I'm trying
14 to figure that one out.

15 THE WITNESS: Well, you can't schedule any of
16 the storm events, whether it be a hurricane, a
17 tornado, there's -- storms have been called
18 derechos that are heavy wind -- wind-rain storms
19 and you have the ice and snowstorms. I've dealt
20 with all of them.

21 And whether you can -- when you take a look at
22 the standby time -- I'm working from what I've
23 experienced in reviewing storm costs. And
24 generally speaking, you get an idea -- I mean,
25 that -- how long it takes to travel to get there

1 and then to get guys to go to work.

2 With respect to a hurricane, you have actually
3 a little more insight than you do on other storms
4 because, with those storms -- they happen. And
5 with respect to -- to the -- to a tornado,
6 snowstorms can be forecasted. And you -- so,
7 they -- they do have some time where they say,
8 okay, we need to get some crews in.

9 My experience is that the crews will come in,
10 but they -- they're in transit while this storm is
11 anticipated to hit. And on occasion, you will see,
12 from time to time, where they might get there early
13 and sit, stand by.

14 And then, you know, you -- that's when you
15 have to make a decision. It's a judgmental
16 decision whether you think those costs are
17 appropriate or not.

18 And in this case, you know, and in other cases
19 that I've looked at -- I don't know if it takes two
20 days for a crew to get someplace. They can get
21 there and, let's say, had they left on
22 September 9th and got part way September 10th, and
23 then they were camping out, let's say, just north
24 of Florida someplace, so that, on the 11th, as the
25 storm passed, they could have been coming in and

1 been able to get there and start working right
2 away, as opposed to sitting and waiting for the
3 storm to hit. So, you know, they're --

4 COMMISSIONER CLARK: Have you -- have you done
5 damage assessments after a storm before,
6 Mr. Helmuth [sic]?

7 THE WITNESS: I haven't done any damage
8 assessments, no.

9 COMMISSIONER CLARK: Any idea how long it
10 takes for the utility con- -- the contracting
11 utility to perform before they send crews out to
12 start working?

13 THE WITNESS: Well, actually, I -- I have some
14 familiarity with what you're speaking to there
15 because, a lot of times, the crews will be sent out
16 to actually -- I've seen to -- just -- go to where
17 the damage is already. They -- I mean, they know
18 that the damage is there. They're told just to go.

19 For instance, in a -- a recent snowstorm that
20 I -- that I was, unfortunately, involved in, the
21 power went out, and the power company had crews
22 come in and address them. And they knew right
23 where to go.

24 And I've -- frankly, I've had some
25 communication with some of these crews after storms

1 because I'm a -- I consider myself a nosy guy, and
2 I go out and talk to these people because it's
3 always been an interest to me of how they react and
4 what they're doing. So, I -- I've had interaction
5 with crews doing storm restoration where...

6 COMMISSIONER CLARK: Thank you.

7 Thank you, Mr. Chairman.

8 CHAIRMAN GRAHAM: Commissioner Brown?

9 COMMISSIONER BROWN: So, you've participated
10 and reviewed different types of natural disasters
11 and costs associated therewith.

12 THE WITNESS: Yes.

13 COMMISSIONER BROWN: And every geographical
14 area is different; wouldn't you say? And there are
15 a variety of factors to look at, at what costs
16 would be reasonable, maybe based on geographical
17 terrain.

18 THE WITNESS: Well, that's a definite
19 characteristic that you have to take into
20 consideration, but I will say that, you know,
21 it's -- for instance, I've looked at storm costs in
22 Vermont. Some were caused by storm- -- by rain,
23 some winds, some by hurricanes, and some by snow.
24 So, they've gotten them all.

25 COMMISSIONER BROWN: I -- I total- -- I get

1 it, but in your testimony, you talk about hourly
2 rate, and you talk about how PAR charged to FPUC --
3 it's not the same charges as those to other
4 utilities. And you referenced Docket 20160251, and
5 you reference the hourly rate.

6 Did you look at the different factors of
7 the -- that particular storm, compared to this
8 particular storm?

9 THE WITNESS: I -- well, they were both
10 hurricanes. I would -- you know, the --

11 COMMISSIONER BROWN: Yeah, but the damage is
12 different and -- every -- every hurricane, every
13 storm is different. Damage is different. How
14 do -- how do you evaluate what's reasonable?

15 THE WITNESS: Well, what I look at is, when
16 we're talking here, we're talking about the hourly
17 rates. Those hourly rates are generally what a
18 company will charge for their services. If they
19 don't really necessarily change them for the fact
20 that this storm was greater than another.

21 In fact, in this case, itself, FPUC has
22 indicated that they turned down PAR in a previous
23 case because their rates were too high.

24 COMMISSIONER BROWN: So -- okay. So, what
25 about -- and Irma was a massive storm. And a lot

1 of contractors, I -- I imagine, were -- had
2 pressure. And there must have -- do you look at
3 the extent of the storm and the availability of
4 contractors in assessing whether an hourly rate is
5 reasonable?

6 I imagine that there were many contractors
7 that were strapped and performing work throughout
8 the country and -- and in Florida, for Hurricane
9 Irma.

10 THE WITNESS: Yes, I take all -- I take that
11 into consideration and -- and I've seen, you know,
12 other costs. I don't -- I really don't think I can
13 get into too much detail on it, but -- for Irma,
14 from the other utilities.

15 COMMISSIONER BROWN: What do you evaluate?
16 What -- what are your factors that you particularly
17 evaluate when you deem a cost, post-storm, for
18 example, as reasonable?

19 THE WITNESS: What I'm evaluating is -- I know
20 what the contractor's performance is. I know what
21 they do. I know what -- they'll come in. They do
22 some just typical restoration work, and they do
23 some capital work. I know the type of services
24 that they're performing.

25 So, it's basically the same, unless you've got

1 a different contractor that might be doing just
2 storm assessments, or they do have, in some cases,
3 a contractor that does that.

4 So, you figure that the rates should be
5 comparative, and --

6 COMMISSIONER BROWN: Do you have a benchmark,
7 per se?

8 THE WITNESS: Well, that's why, in -- in
9 response to Commissioner Clark, there, I was
10 saying, you know, I've seen costs ranging from 120
11 to 200 and 250. You know, and -- so, I kind of use
12 that as a benchmark.

13 And then, as I indicated in that one docket,
14 that the -- the average, you know, was around 140-
15 some-dollars, I believe. And so, you -- you get a
16 feel, then, of what all these contractors do.

17 And like I said, I've -- I've looked at -- I'm
18 familiar with a lot of these contractors by name in
19 other jurisdictions.

20 COMMISSIONER BROWN: Are you in Florida? Are
21 you based out of Florida?

22 THE WITNESS: No, I'm from Michigan.

23 COMMISSIONER BROWN: Michigan.

24 THE WITNESS: So, I -- I've seen storm costs
25 in Vermont, Connecticut, Maryland, and -- and

1 Florida. And so, I -- I've seen them in different
2 jurisdictions. And the rates usually all fall --
3 and even in Massachusetts -- because I've done a
4 lot of cases in Massachusetts -- that they fall in
5 that -- that range. It's just that this one -- in
6 this particular case, you have a rate that was
7 significantly higher than I've seen in other cases.

8 And it just stands out, and even in -- in
9 factoring in, you know, the intensity of the storm,
10 you know, again, that the -- the guys are doing the
11 same work no matter what. And it's -- there's, in
12 my opinion, no justification for that high hourly
13 rate.

14 COMMISSIONER BROWN: Thank you for your
15 testimony.

16 THE WITNESS: Thank you.

17 CHAIRMAN GRAHAM: Mr. Schultz, back to
18 something you said, talking to Commissioner Brown,
19 that when they first got this invoice, the utility
20 sent it back saying it was too much?

21 THE WITNESS: No, it was in regard to, when we
22 were questioning the cost, there was an -- I
23 believe it was in response to an interrogatory. I
24 saw someplace where FPUC stated that, in a
25 previous -- at a previous time, that they turned

1 down PAR because their costs were so high.

2 CHAIRMAN GRAHAM: And then -- so, when they
3 turn them down, does PAR come back with a different
4 invoice or did PAR come back and say, the cost is
5 the cost?

6 THE WITNESS: Well, that was a different
7 circumstance. So, I don't know when that was or
8 how it was. All I know with respect to this is PAR
9 was seeking a contractor. They went to SEE. SEE
10 got -- SEE gave them, as part of this, how they
11 negotiated it -- this was supposed to be an FPL
12 provider. And instead, they came down to provide
13 service for FPUC.

14 And my understanding, based upon the responses
15 to discovery, is FPL had negotiated this rate with
16 PAR. And they got the bad end of the deal, as far
17 as I'm concerned, because they got a high-priced
18 contractor as opposed to a lower-priced contractor,
19 that maybe FPL got all -- got better deals with
20 SEE.

21 I don't know. I mean, but that -- that's what
22 it boils down to is they've got the high-price guy.
23 That's it.

24 CHAIRMAN GRAHAM: So, your experience with
25 other state commissions -- have you seen

1 commissions actually having a standardized rate?

2 THE WITNESS: No, I've never seen a
3 standardized rate. What I -- you know, like I
4 said, it's -- I just -- I'm not -- I do not recall
5 seeing a rate this high, ever. And so, it wasn't
6 so much an issue with this high of a rate.

7 CHAIRMAN GRAHAM: Okay. No, I was just
8 curious in your experience because you've been
9 other places if you've dealt with states that
10 actually had a standardized rate, you know. You
11 can come do as much work as you want, but you're
12 only going to bill this amount.

13 THE WITNESS: No, I've not seen that where
14 they've made a standardized rate.

15 CHAIRMAN GRAHAM: Okay. Commissioner Polmann.

16 COMMISSIONER POLMANN: Thank you,
17 Mr. Chairman.

18 I -- I think it's clear that different
19 contractors have different rates. You would
20 acknow- -- acknowledge that?

21 THE WITNESS: That -- that's clear, as I
22 indicated in testimony here --

23 COMMISSIONER POLMANN: Yeah.

24 THE WITNESS: -- that, yeah --

25 COMMISSIONER POLMANN: Okay. And I want to be

1 clear, the costs incurred here are under emergency
2 conditions. And you've identified that you
3 consider these contractor costs to be excessive --

4 THE WITNESS: Yes, sir.

5 COMMISSIONER POLMANN: -- is that true? Okay.

6 Now, is it your opinion that the rates charged
7 by the contractors in -- in question -- are these
8 rates higher because of an emergency and that,
9 somehow, this is higher than their normal rates?
10 Is -- is that your testimony?

11 THE WITNESS: My testimony here is that, one,
12 FPUC needed help and they went to SEE and they got
13 this contractor put on them; whereas, in my
14 opinion, they would have been in a better
15 situation, had they been proactive and had
16 contacted contractors pre-storm, without even
17 knowing it, to have made some arrangements earlier,
18 to know whether their kind -- those individ- --
19 individual companies were available to do
20 restoration work for them; and thereby, they could
21 have discussed rates that were lower than what they
22 ended up having to pay.

23 I mean, this -- this basically boiled down to
24 the fact that we needed help. We were in a dire
25 need, and you had to pay the piper.

1 COMMISSIONER POLMANN: So, is it your opinion
2 that the utility should pay the actual costs to the
3 contractor?

4 THE WITNESS: They already paid the cost to
5 the contractor. They made that decision. My -- my
6 issue isn't what they paid. My issue is what's
7 reasonable for ratepayers to have to pay and
8 that -- whether the company was prudent in
9 incurring the cost that they were willing to pay.

10 COMMISSIONER POLMANN: So, you've just
11 testified that -- if I'm interpreting it right,
12 that what's in question is whether or not the --
13 the company was prudent.

14 So, what is your opinion about how -- how they
15 could have -- you say, you know, kind of
16 precontracted, I guess, but what would be an
17 appropriate way, in your opinion, to have
18 selected -- or what is the basis to select a
19 contractor? Is it based on cost?

20 THE WITNESS: Well, there's various ways.
21 Yeah, cost is always a factor you're going to look
22 at. I mean, you shouldn't be willing to pay
23 whatever it takes if you know, from past
24 experience, that it costs less. For in- --

25 COMMISSIONER POLMANN: But this is an

1 emergency -- I'm sorry to interrupt you -- but now
2 we're in an emergency situation, and there's going
3 to be a limit to contractors because they're all
4 busy.

5 THE WITNESS: And -- and to respond to that is
6 if you look at my Exhibit HWS-2 in Schedule E,
7 Page 3 of 3, you'll see, in an emergency situation,
8 under Hurricane Matthew, they contracted with a
9 contractor and paid him \$106 an hour, on average.

10 So, it's possible to get people to come down
11 and respond to those at a lower rate. And the
12 alternative is also, during that storm, they
13 contracted with Gulf Power and got some help --
14 assistance from them.

15 There's other utilities or cooperatives that
16 are out there that are always moving crews to
17 assist other utilities in time of need.

18 COMMISSIONER POLMANN: Do you have information
19 and -- and is there evidence in the docket that
20 provides detail comparing the \$106 crew to -- to
21 PAR's crew? Because I -- I don't know how to
22 compare those.

23 I mean, I -- I can compare myself and what I
24 get paid to somebody upstairs and what they get
25 paid and -- and they're -- I mean, there's no basis

1 to say, I get paid "X" dollars and they get paid
2 "Y". So what?

3 THE WITNESS: I -- I'm -- I'm looking at my
4 experience, sir, and that -- I've looked at these
5 various companies throughout. And as I had
6 indicated in response to Mr. Clark -- I'm familiar
7 with the crews, what type of crews they send out,
8 what the guy -- the -- the levels are of the guys
9 that are sitting there; that you have crews that
10 range -- could four or five or six guys and, you
11 know, they're -- they're all very similar. The
12 only difference is the hourly rates that are being
13 charged.

14 COMMISSIONER POLMANN: I'm sorry, sir. Is
15 there evidence in the docket that compares the
16 services -- the personnel, the equipment of the
17 crews that you reference in the table in your
18 exhibit that -- that costs \$106 compared to 377?

19 Is there evidence that explains why those
20 costs are more than three times different?
21 You're -- you're telling me they provide the same
22 service.

23 THE WITNESS: There -- there are time
24 reports -- time sheets in there. Other than that,
25 I mean, it doesn't say we're charging the 300, \$500

1 an hour, compared to Elliot's -- or the -- the
2 other en- -- vendor, \$106 because something was
3 different. Again, it's -- it's just the makeup of
4 the crews and the vendor that you're contracting
5 with.

6 COMMISSIONER POLMANN: That's precisely my
7 question, is: Are there two people on the crew?
8 Are there six people on the crew? Do they have a
9 pickup truck? It gets back to Mr. -- Commissioner
10 Clark's question -- and, in fact, you answered
11 Commissioner Clark's question by identifying that
12 there might be five people on a crew.

13 I can't imagine that -- that \$106. I -- I'm
14 sorry. I'm not getting information that's helping
15 me understand that comparison.

16 THE WITNESS: Okay. Let me clarify that. The
17 \$106 is the average hourly rate per man, as is the
18 \$509. That's the average hourly rate per man.
19 It's not based upon indi- -- you know, different
20 individuals. That's the average rate. That's --
21 that's the differential.

22 It's just a -- a dollar number. There --
23 that's an apples-to-apples comparison.

24 COMMISSIONER POLMANN: So, in an emergency
25 circumstance -- in this particular circumstance,

1 where the utility does not have crews and
2 contractors in place -- that's the -- the
3 circumstance we're discussing. They have a call
4 for crews to come and -- and help restore service.

5 Should they take all comers? They put out the
6 call for -- for help. Should they pre-identify,
7 this is the limit on -- on what our customers are
8 going to pay and -- and nobody else should come?

9 THE WITNESS: What -- what I -- as I discussed
10 earlier that, you know, they should have had a
11 proactive approach where --

12 COMMISSIONER POLMANN: I understand, sir.
13 That was not my question. They had a circumstance
14 where they did not have prior con- -- prior
15 contracts in place.

16 In your judgment, what would have been prudent
17 for them? Because you're saying what they did was
18 not prudent.

19 THE WITNESS: Well, they contacted SEE and
20 found out what these guys were going to cost on an
21 hourly rate. I would have suggested, then, if that
22 were the case, that they should have made other
23 contacts and maybe tried to call somebody else. I
24 mean --

25 COMMISSIONER POLMANN: Thank you, sir.

1 Thank you, Mr. Chairman.

2 CHAIRMAN GRAHAM: Mr. Schultz, I have a
3 curiosity question. Do some of these companies --
4 and this is just your experience from traveling
5 throughout the United States. Did some of them
6 have, like, surge rates?

7 Let's just say, Utility A contracts for a
8 thousand helpers. The first 500 are going to be a
9 hundred dollars an hour; the second 300 are going
10 to be \$200 an hour; and if you want the last 200,
11 it's going to go to \$500 an hour.

12 Do some of them do it like that? Are they
13 all -- all thousand of them the same amount, no
14 matter how many you take?

15 THE WITNESS: I've never seen where they have
16 a build-up in rates like that. The only
17 differential I've ever seen in rates within the
18 same company is, in some cases, a company will bill
19 for -- on an hourly-rate basis or in the case of
20 street lights, they might bill for -- per street
21 light that's fixed. So, it's -- I -- either a unit
22 rate or an hourly rate.

23 CHAIRMAN GRAHAM: So, now, would a company --
24 because let's just say that this group had
25 contracted with a different utility, and that other

1 utility didn't use them and they went to this
2 utility. Do they, now, charge you a higher rate
3 because your contract was not with -- your contract
4 was with the Utility A, and you're working for
5 Utility C now?

6 THE WITNESS: I'm not aware that they raised
7 the rate because of that occurrence.

8 CHAIRMAN GRAHAM: Okay. I -- once again, I
9 just want -- just want to understand.

10 Commissioner Clark.

11 COMMISSIONER CLARK: Thank you, Mr. Chairman.

12 I just want to try to put some context -- Mr.
13 Helmuth [sic], I respect your opinion greatly. I
14 think you -- your analysis is -- is very unique. I
15 even agree \$500 is a lot of money. I think that in
16 normal cases, in a normal set of circumstances, I
17 would agree with you that it's excessive.

18 There are two key points here that I don't
19 have a handle on. Number one, I don't know what I
20 got for 509. I don't realize the extent of the
21 equipment. You can assume that it was a normal
22 crew. This -- this particular company may have had
23 an excessive amount of equipment that they provided
24 per employee.

25 The second, and the most important part of

1 this one, is the context that we're talking about
2 here. This is Hurricane Irma. This was, to my
3 knowledge, one of the -- the most-devastating in
4 terms of the largest geographic area that's ever
5 hit the State of Florida.

6 It's also, to my memory, the biggest mass
7 mobilization and evacuation that this state has
8 ever seen. When you look at I-10 and I-95, they
9 were packed both ways. You couldn't get here from
10 North Carolina in three days, down 95, based on the
11 congestion.

12 Also, understanding the geographic nature of
13 the storm, how it hit, and what began to occur when
14 you began to pool those resources -- there's a
15 finite amount of resources that's available when it
16 comes to storm restoration. When you began to pool
17 those resources, the person that's affected first
18 is going to typically start drawing down those
19 resources.

20 As you look, and we come up the State, how
21 would we know what we were going to need three and
22 four days out from that storm and -- and we're
23 looking at the possibility, should they have
24 contacted someone sooner. Should they -- I would
25 imagine they had to take what was left, and

1 probably that's the reason this group was the last
2 one on the list, because they're the most
3 expensive.

4 Does that play into the rationale in saying,
5 okay, we get to Monday-morning-quarterback them
6 here a little bit and say, yeah, it was -- you
7 know, that's a lot of money. But do you -- do you
8 factor that in to the decision of asking is -- was
9 it prudent, looking at the whole context of this
10 particular storm?

11 THE WITNESS: I would say, yes, sir. I mean,
12 again, when you look at the number of contractors
13 that are involved that I have looked at over the --
14 the years, and you see the various rates, and it
15 turns out that you've got a contractor here that's
16 just charging rates that isn't -- aren't comparable
17 to what others are charging and -- so, you know, to
18 me, even if that's what they're telling you, that
19 you're going to have to pay, you might pick up that
20 phone and try to contact somebody else and say, can
21 you come down. Again, there's other utilities.
22 There's cooperatives, and --

23 COMMISSIONER CLARK: Well, but would you
24 assume that maybe all those resources were taken?
25 FPU, based on their geographic location, would have

1 been the last ones to experience the impact of
2 Irma. I think that's probably a fair statement.

3 So, would you not agree that this is -- there
4 are no other resources -- we -- we can't -- we
5 don't always cross utility companies with co-ops
6 assisting investor-owned. There's some very
7 specific reasons as to why those things don't
8 happen.

9 But from a contractor perspective -- not to
10 mention that every other -- every other utility in
11 the State of Florida was dealing with their own
12 issues -- did you look to see if there were any
13 left? Were there -- was there anybody else they
14 could have brought in?

15 THE WITNESS: There -- I would have to say
16 there probably was others that they could have
17 brought in, had they made an outreach to others,
18 you know, places.

19 I mean, I could go to an extreme and say, they
20 could have contacted this -- what I saw once in
21 Massachusetts, where they hired contractors from
22 Alaska and had them come down, but those were --

23 COMMISSIONER CLARK: That would be a
24 mobilization rate, wouldn't it?

25 THE WITNESS: Those were a little bit

1 excessive, too, so -- but -- but you know, it's --
2 it's one of those things that there are -- again, I
3 focus on cooperative working with other utilities
4 or cooperatives. And there -- there probably were
5 some contractors out there that they could have
6 reached out to also, that had availabilities.

7 COMMISSIONER CLARK: Conceptually, I agree
8 with you. Thank you.

9 CHAIRMAN GRAHAM: Redirect -- oh, I'm sorry,
10 Commissioner Brown.

11 COMMISSIONER BROWN: Just a clarification
12 question to Commissioner Polmann. You were talking
13 about cost. And cost is one of the factors in
14 determining whether it's a driving factor, and
15 whether a contractor's rates are reasonable and
16 prudent.

17 Again, though, just to be clear, is cost the
18 sole driver in an emergency situation, in your
19 recommendation, that a utility should look at
20 post-storm, catastrophic storm, in determining
21 whether a contractor -- is -- is the right choice?

22 THE WITNESS: A utility would be looking at
23 them basically pre-storm, or at least during the
24 storm, itself, not --

25 COMMISSIONER BROWN: And --

1 THE WITNESS: -- post-storm, so --

2 COMMISSIONER BROWN: Is cost the sole factor?

3 THE WITNESS: No, I mean, again, here, we have
4 cost and whether there was time just sitting idly
5 by. That's another factor you look at.

6 COMMISSIONER BROWN: Thank you.

7 CHAIRMAN GRAHAM: Redirect.

8 MS. PONDER: Thank you.

9 FURTHER EXAMINATION

10 BY MS. PONDER:

11 Q Do you have the company's responses to OPC's
12 second interrogatory, No. 61, with you? I'm looking at
13 the --

14 A I might.

15 Q Okay. I'm looking at PAR's daily work report
16 dated 9/8/17.

17 May I provide him a copy of that? It's in the
18 record.

19 Do you have that?

20 A I have a PAR dated 9/8/17.

21 Q Okay. So, if you look on the right-hand side
22 there, the abbreviations -- are -- is that for
23 equipment? Are you looking at the daily work report?

24 A There -- there is one on 9/8 that says
25 equipment, but there's no equipment listed on the one

1 I'm looking at. On 9/9, there's equipment listed.

2 Q Okay. Well, then, what -- what do the
3 abbreviations on the right there, the "PU," the 2116 --
4 is that not a pickup?

5 A "PU" is pickup. "PT" is bucket truck. "DD"
6 is Derrick digger.

7 Q And "TLR," trailer?

8 A Yeah, you have -- there's a trailer there.

9 Q So, that would be their listing of equipment.

10 A Right. That's the equipment that they would
11 be charging -- that they utilized as part of this.

12 Q Is that your typical crew, as -- as you've
13 seen in your experience, or does that differ?

14 A No, it's typical.

15 Q The equipment.

16 A That's typical. For instance, like, you
17 have -- in the same time sheet, you have a -- an
18 employee name, you know, and then it says class symbol,
19 "GF," general foreman. They always drive the pickup
20 truck.

21 Then you've got "F" -- he's a foreman. Then
22 you've got the journey lineman and an apprentice. And
23 that's how you can determine how many crews they have
24 because they'll have a foreman for every crew.

25 And in this case, you've got -- one, two,

1 three -- three men to the -- these crews, along with,
2 you have the extra, as you have a superintendent, you
3 have an operator, and the general foreman as extras.

4 So, effectively, you have four -- four
5 equivalents to the -- the -- a crew here because those
6 other operatives that are in there.

7 **Q So, that is your typical equipment that you**
8 **would see with a crew listed there.**

9 A This is the typical equipment that I would
10 see. I mean, the only difference is -- that I've seen
11 elsewhere is, in other jurisdictions, you might have
12 CAT -- CAT equipment with it that comes on tracks that
13 has diggers on it.

14 **Q So, and this is the equipment that PAR**
15 **brought --**

16 A That is the equipment --

17 **Q -- down --**

18 A -- that PAR brought, yes.

19 **Q Do utilities typically negotiate rates with**
20 **contractors after the damage is known?**

21 A No. The utilities will generally have a
22 contract in place prior to the storm hitting.

23 **Q And is it prudent for a utility to wait until**
24 **the last minute to get resources for storm restoration?**

25 A In -- not in my -- in my opinion, it would not

1 be prudent because then they've got you.

2 **Q And do all the rates you've reviewed occur**
3 **under emergency circumstances?**

4 A Yes. Yes. There are rates that were -- well,
5 I want to say under emergency circumstances. There are
6 rates agreed to in anticipation of emergency
7 circumstances.

8 **Q And they're all comparable under that**
9 **circumstance.**

10 A Well, they're -- they have a range, but
11 they're comparable.

12 **Q And you stated that you compared PAR to DH**
13 **Elliot?**

14 MR. MUNSON: Chairman, I -- I'm sorry. I'm
15 going to object. We've had a series of leading
16 questions on their own witness. I would ask for
17 them to stop leading their own witness.

18 CHAIRMAN GRAHAM: Ms. Ponder?

19 BY MS. PONDER:

20 **Q Who did you compare PAR's rates to?**

21 A Well, in this particular case, a good
22 comparison is -- is the work that was done by Davis
23 Elliot in Matthew. I mean, it's -- there's -- that's a
24 contractor that's responding in a storm situation and
25 their average rate was \$106 an hour.

1 Now, I'll give them the benefit of the doubt
2 and adjust that, as I said in my testimony, that Davis
3 billed the equipment separately. So, once you pull that
4 equipment into that hourly rate to make it comparable,
5 on an apples-to-apples, to the PAR rate, it was \$141 an
6 hour, I think. So, you know, it's -- you know, it is
7 still significantly different than what PAR charged.

8 **Q Do you have the DH Elliot man-hour equipment**
9 **rate sheet in front of you? Are you able to tell me**
10 **what they charged for equipment?**

11 A I might.

12 (Examining document.) I do.

13 **Q And so, for a pickup truck, they list a rate**
14 **of -- of what? What's the rate for the pickup truck?**

15 A On the pickup truck, the hourly rate was
16 17.95.

17 **Q And for a -- a digger?**

18 A A Derrick digger is \$48.76. That's generally
19 one of your highest rates. I haven't seen anything
20 other than specialized equipment, like I indicated that
21 I've seen in --

22 **Q And the bucket truck?**

23 A Bucket truck is \$46 an hour.

24 CHAIRMAN GRAHAM: Ms. Ponder, where are you
25 trying to get to?

1 MS. PONDER: A -- a comparison, a basis for
2 what typical equipment is charged and used. There
3 were questions asked regarding man- -- the number
4 of crew and the equipment, and I was just trying to
5 give some context to that.

6 BY MS. PONDER:

7 Q The issues raised by Mr. -- discussed with you
8 by Mr. Munson -- do they change your recommendation,
9 Mr. Schultz?

10 A No.

11 MS. PONDER: Thank you. That's it.

12 CHAIRMAN GRAHAM: Okay. I think that
13 concludes our direct testimony, which hits it right
14 at about the two-hour mark for us. So, according
15 to that clock in the back there, let's take about a
16 seven- or eight-minute break. It will be ten 'til
17 five by that clock, and we'll start back with
18 rebuttal.

19 We -- we have an exhibit, No. 26.

20 MR. MUNSON: We'd like to go ahead and enter
21 that, if we may.

22 CHAIRMAN GRAHAM: Is there any objections to
23 entering Exhibit 26?

24 MS. PONDER: No.

25 CHAIRMAN GRAHAM: We'll enter Exhibit No. 26

1 into the record.

2 (Whereupon, Exhibit No. 26 was admitted into
3 evidence.)

4 MR. MUNSON: Thank you, Chairman.

5 CHAIRMAN GRAHAM: And now, we'll have a seven-
6 minute break.

7 (Brief recess.)

8 (Transcript continues in sequence in Volume
9 2.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
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financially interested in the action.

DATED THIS 20th day of December, 2018.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
EXPIRES February 9, 2021