BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for a limited proceeding to recover incremental storm restoration costs, capital costs, revenue reduction for permanently lost customers, and regulatory assets related to Hurricane Michael, by Florida Public Utilities Company.	DOCKET NO. 20190156-EI
In re: Petition for establishment of regulatory assets for expenses not recovered during restoration for Hurricane Michael, by Florida Public Utilities Company.	DOCKET NO.20190155-EI
In re: Petition for approval of 2019 depreciation study by Florida Public Utilities Company.	DOCKET NO. 20190174-EI DATED: August 17, 2020

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2020-0121-PCO-EI, issued April 21, 2020, PSC-2020-0174-PCO-EI, issued June 2, 2020, hereby submit this Prehearing Statement.

APPEARANCES:

Patricia A. Christensen
Associate Public Counsel

A. Mireille Fall-Fry
Associate Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida

1. WITNESSES:

Helmuth Smith
David Garett

2. EXHIBITS:

Witness	Exhibit No.	Description
Helmuth Smith	HWS-1	Qualifications of Helmuth W. Smith, III
Helmuth Smith	HWS-2	Revenue Requirement Summary – Schedules A-J
Helmuth Smith	HWS-3	Estimated First Year Revenue Requirement – Revenue Requirement Calculation
Helmuth Smith	HWS-4	Estimated First Year Revenue Requirement
Helmuth Smith	HWS-5	Hourly Cost Comparison
Helmuth Smith	HWS-6	OPC POD 1 No. 4A
Helmuth Smith	HWS-7	OPC ROG 6 NO. 114G - Partial
Helmuth Smith	HWS-8	OPC ROG 6 NO. 114F-Partial
David Garett	DJG-1	Curriculum Vitae
David Garett	DJG-2	Summary Deprecation Accrual Adjustment
David Garett	DJG-3	Weighted Average Peer Group Service Lives
David Garett	DJG-4	Peer Group Detailed Parameter Comparison
David Garett	DJG-5	Detailed Rate Comparison – Weighted Average
David Garett	DJG-6	Depreciation Rate Development – Weighted Average
David Garett	DJG-7	Detailed Rate Comparison – Midwest Peer Group
David Garett	DJG-8	Depreciation Rate Development – Midwest Peer Group

David Garett	DJG-9	Detailed Rate Comparison – Coastal Peer Group
David Garett	DJG-10	Depreciation Rate Development – Coastal Peer Group
David Garett	DJG-11	Detailed Rate Comparison – Florida Peer Group
David Garett	DJG-12	Depreciation Rate Development – Florida Peer Group
David Garett	DJG-13	Account 353
David Garett	DJG-14	Account 355
David Garett	DJG-15	Account 362
David Garett	DJG-16	Account 364
David Garett	DJG-17	Account 366
David Garett	DJG-18	Account 367
David Garett	DJG-19	Account 368
David Garett	DJG-20	Account 369

3. STATEMENT OF BASIC POSITION

On August 7, 2019, FPUC filed its Petition for Limited Proceeding to Recover Incremental Storm Restoration Costs, Capital Costs, Revenue Reduction for Permanently Lost Customers, and Regulatory Assets related to Hurricane Michael subsequently assigned Docket No. 20190156-EI pursuant to Sections 366.076, 366.041, and 366.06, Florida Statutes (F.S.) and in accordance with Rule 28-106.201, Florida Administrative Code (F.A.C.). (Hereinafter referred to as “Original Storm Petition”). In this petition, FPUC asked for rates to be implemented January 2, 2020, in an attempt to avoid violating the 2017 Settlement prohibition against seeking any base rate increase before expiration of the term on last billing cycle in December 2019 approved in Order No. PSC-2017-0488-PAA-EI, issued December 26, 2017, in Docket No. 20170150-EI at p. 11. In conjunction with its Original Storm Petition, on August 7, 2019, FPUC filed its Petition for Establishment of Regulatory Assets for Expenses Not Recovered During Restoration for Hurricane Michael subsequently assigned Docket No. 20190155-EI. ("Original Regulatory Asset Petition"). On February 24, 2020, the Commission granted OPC's September 5, 2019, Motion to Consolidate Docket Nos. 20190155-EI and 20190156-EI.[1] Subsequently on March 11, 2020, FPUC submitted a Request for Leave to File Revised Petition and Revised Petition of Florida Public Utilities Company for Establishment of a Regulatory Assets in these consolidated dockets. ("Revised Petition"). These revisions updated the storm-related costs for Hurricane Michael and added Hurricane Dorian storm costs. On September 3, 2019, FPUC filed its Petition for Approval of 2019 Depreciation Study and Docket No. 20190174-EI was established. By Order No. PSC-2020-0121-PCO-EI, issued April 21, 2020, this docket was consolidated with the storm-related cost recovery dockets.

OPC hired expert witnesses, David Garett and Helmuth Schultz, who reviewed FPUC's petitions, direct and rebuttal testimonies, and conducted extensive discovery. Mr. Garett has extensive experience in conducting and reviewing depreciation studies. Mr. Schultz has over 30 years of experience in reviewing storm-related costs requests and utility regulatory accounting. After their extensive review, OPC's witnesses are recommending multiple adjustments to FPUC's requests.

[1] As stated in Order No. PSC-2020-0060-PCO-EI, these dockets involve similar issues of law or fact, and consolidation promotes the just, speed, and inexpensive resolution of these proceedings. *Id.* at p. 2.

For the depreciation study, Mr. Garett recommends the following adjustments:

Plant Function	Plant Balance 1/1/2020	FPUC Proposed Accrual	OPC Proposed Accrual	**OPC Accrual Adjustment**
Transmission	19,106,966	518,046	425,184	(92,862)
Distribution	125,915,937	4,163,199	3,443,120	(720,079)
General	9,909,111	432,892	431,590	(1,302)
Total Plant Studied	$ 154,932,014	$ 4,985,663	$ 4,171,420	**$ (814,243)**

The adjustments are based on the average service lives identified for the following eight accounts in the Weighted Average column.

Acct	**Description**	**FPUC Proposed**	**Midwest Avg**	**Coastal Avg**	**Florida Avg**	**Weighted Avg**
	TRANSMISSION PLANT					
353	Station Equipment	45	65	59	44	53
355	Poles & Fixtures	43	54	56	43	50
	DISTRIBUTION PLANT					
362	Station Equipment	50	66	56	49	55
364	Poles, Towers, & Fixtures	38	54	45	38	44
366	UG Conduit	60	71	58	65	64
367	Underground Conductors	35	60	48	39	47
368	Line Transformers	30	43	41	30	36
369	Services	40	56	49	44	48

The depreciation rates should reflect OPC's recommended depreciation rates listed in DJG-5 and will reduce the Company's proposed depreciation accrual by $814,243.

Witness Schultz addresses the storm-related costs requested by FPUC. While FPUC did not request use of the surcharge mechanism under the 2017 Settlement, approved by Order No. PSC-2019-0501-EI , issued November 22, 2019, the Commission approved the implementation of a Stipulation between OPC and FPUC for a storm interim rate increase subject to refund simultaneously with an anticipated fuel clause decrease. This implementation of a de facto surcharge was subject to a full evidentiary hearing on the appropriateness of FPUC storm-related requests. Given the establishment of the surcharge and the amount collected, it is unlikely that a regulatory asset will need to be established for the reasonable and prudent normal, incremental storm costs. In addition, in his expert opinion, Witness Schulz has determined that some of the normal, incremental storm-related costs requested by FPUC are not reasonable and prudent. For the normal, incremental storm-related costs, Witness Schultz recommends the following adjustments to eliminate the unreasonable and imprudent costs:

- A reduction of $120,800 to FPUC's request for payroll cost recovery for prohibited bonus payments;
- A reduction of $24,703 to FPUC's request for benefit/overhead cost recovery that included prohibited bonus payments;
- A reduction to contractor costs for excessive hourly charge by FPL (the amount is confidential);
- A reduction of $273,768 to FPUC's request related to excessive mobilization/demobilization costs associated with line contractor costs;
- A reduction of $166,469 to FPUC's request for unsupported other contractor costs; and
- A reduction of $316,884 to FPUC's request for unsupported logistic costs.

In addition to the normal, incremental storm-related costs, FPUC has included unusual requests to establish regulatory assets. FPUC is asking earn a return on these regulatory assets at the Weighted Cost of Capital (WACC). Some of the requests are inappropriate under Rule 25-6.0143, F.A.C., and should be processed under a normal base rate case and not a single issue rate case limited proceeding. FPUC customers, who also suffered significant loss and destruction from Hurricane Michael, should not be paying a WACC profit to FPUC on storm costs. If there are legitimate costs not recoverable under Rule 25-6.0143, F.A.C., those costs should be addressed at the FPUC's next rate case, and FPUC should earn a return at a short-term debt rate.

FPUC requested a regulatory asset for normal expenses that it claimed were unrecovered for October 2018 and November 2019. FPUC has filed its request pursuant to Rule 25-6.0143(1)(f)(9), F.A.C. Yet, FPUC has requested to establish this regulatory asset even though Rule 25-6.0143(1)(f)(9), F.A.C., specifically excludes recovery for lost revenues from services not provided. FPUC is attempting to include an amount for recovery as a regulatory asset by simply reclassifying the lost revenues as "expenses not recovered." Notwithstanding FPUC's attempt at reclassification, these unrecovered expenses are, in fact, revenues lost from services not provided in October 2018 and November 2018. Simply put, the amount requested for October and November 2018 expenses represents electric services not billed. Moreover, lost revenue is not an incurred cost under the Financial Accounting Standards Codification[2] for which a regulatory asset can be established. In addition, FPUC's request violates long-standing principles against retroactive ratemaking that a utility cannot seek to make up lost revenues if it is earning below its authorized range; conversely, customers cannot seek a refund of revenues for prior periods if a utility earns above its authorized range.[3] Therefore, OPC recommends a reduction of $885,855 to rate base and reduction of $196,857 of associated amortization expense for the unsupported and prohibited recovery of "expenses not recovered" which is in fact a request for lost revenues.

The next unprecedented regulatory asset was for FPUC's claimed lost customers from October 2018 through the end of 2019. Again, this is a request for lost revenue which is prohibited by Rule 25-6.0143(1)(f)(9), F.A.C., as well as it is not an incurred cost eligible for a regulatory asset under the Financial Accounting Standards Codification. Moreover, under the doctrine of retroactive

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[2] *See,* 980 Regulated Operations, 340 Other Assets and Deferred Costs, 25 Recognition, Recognition of Regulatory Assets 25-1.

[3] *See City of Miami v. Florida Public Service Com.,* 208 So. 2d 249, 260 (Fla. 1968); *In re: Petition for limited proceeding regarding other postretirement employee benefits and petition for variance from or waiver of Rule 25-14.012, F.A.C., by United Water Florida, Inc.*, Docket No. 971596-WS, Order No. PSC-98-1243-FOF-WS, issued September 21, 1998, in Docket No, 971596-WS.

ratemaking, a long established regulatory principle, a utility cannot seek to make up lost revenues if it is earning below its authorized range; conversely, customers cannot seek a refund of revenues for prior periods if a utility earns above its authorized range.[4] In this docket, FPUC is asking for revenues to make up for earning less than its authorized range for the prior period of October 2018 through December 2019. If approved, this will essentially turn longstanding ratemaking standards on its head by guaranteeing to shareholders that every time revenues are not sufficient to cover expenses during a specified period to achieve the utility's authorized return, utilities could request a regulatory asset for the shortfall. FPUC has an available option if it is earning below its authorized earnings range just like all other utilities; and that is to file for base rate relief. Therefore, OPC recommends a reduction of $454,000 to rate base and a reduction of $100,890 of associated amortization expenses for unsupported and prohibited recovery of lost revenues due to lost customers.

FPUC is also seeking recovery of and on new plant added due to Hurricane Michael. Normally, after a storm, new plant is added on the utility's books, but not included in rates until the utility files its next base rate case. However, due to FPUC's Limited Proceeding Request, FPUC is attempting to cherry pick its increasing costs without consideration of other potential offsetting adjustments that would normally be addressed in a normal full rate case. This is what Witness Schultz has identified as the "Single Rate Case Issue" problem with FPUC's request. Witness Schultz has also identified a double recovery issue with this request, which FPUC acknowledged in its rebuttal. Therefore, OPC recommends a reduction of $18,798,487 to rate base for new plant and a reduction of $696,680 of associated depreciation expenses because this is a storm cost recovery proceeding and not a base rate case proceeding.

[4] *Id.*

In addition to its request for recovery of and on new plant, FPUC is seeking a regulatory asset for retired plant/cost of removal. However, these costs normally are included in the Company's next depreciation study, which is currently pending in this docket, and incorporated into new depreciation rates. The new depreciation rates should be implemented in FPUC's next base rate case. Therefore, OPC recommends a reduction of $7,838,897 to rate base for retired plant/cost of removal and a reduction of $825,147 of associated amortization expenses because this is a storm cost recovery proceeding and not a rate case.

In summary, OPC recommends a total elimination of any rate base recovery as part of a single-issue rate case request (new plant), the regulatory assets for "unrecovered expenses," lost customers, accumulated depreciation/cost of removal, and a total reduction of $5,690,868 to FPUC's overall storm restoration costs. In addition, the Commission should adopt OPC's depreciation study recommendations. While FPUC incurred significant damages from Hurricane Michael, so did FPUC's customers. FPUC is currently collecting a de facto surcharge at approximately $20 million annually that allows it timely recovery of its alleged reasonable and prudent storm costs (FPUC requested $39.2 million in storm-related costs). FPUC's request for application of WACC should also be denied and the short-term cost of debt should be applied to any storm costs determined to be reasonable and prudent.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

ISSUE 1: In undertaking storm-recovery activities associated with Hurricanes Michael and Dorian, were the total payroll expenses FPUC requested for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No, FPUC's request for payroll should be adjusted. OPC recommends a reduction of $120,800 to FPUC's request for payroll cost recovery for prohibited bonus payments and a reduction of $24,703 to FPUC's request for benefit/overhead cost recovery that included prohibited bonus payments. Rule 25-6.0143(1)(f)1. and 2., F.A.C., prohibit "[b]ase rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel" from being charged to the reserve and prohibit recovery of "[b]onuses or any other special compensation for utility personnel not eligible for overtime." FPUC's response to Citizens' Interrogatory No. 1-28 stated that MDN-4 included $120,800 of inclement weather pay that was allowed by the Commission in Docket No. 20180061-EI and that the plant additions included $24,703 of IPP bonus. Inclement weather pay is a form of special compensation and the IPP bonus is a bonus. While the Commission allowed recovery in Docket No. 20180061-EI, this error should be corrected in this docket because inclement weather pay and IPP bonus both constitute an added form of employee compensation for salaried utility personnel not eligible for overtime pay or special compensation and are prohibited by Rule.

ISSUE 2: In undertaking storm-recovery activities associated with Hurricanes Michael and Dorian, were the contractor costs FPUC included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No, FPUC's request for contractor costs should be adjusted. First, there is a concern with the hours charged and the rates charged. Second, there is a concern with whether costs are adequately supported.

In reviewing hourly rates, it is generally assumed that the average rate charged will be higher for external contractors when compared to other electric utilities providing restoration assistance. This is because utilities generally limit their charges to actual costs whereas contractors are recovering cost plus a profit margin. In Witness Schultz' experience, this is a requirement by Southeastern Electric Exchange (SEE) and this is typically what he has observed in reviewing storm costs recovery filings for other utilities. However, based on Witness Schultz review of the hourly rates for contractors, he found FPL's bill excessive and not justified under the circumstances. Therefore, 50% of the excess billing should be excluded from FPUC's request.

Witness Schultz recommends FPUC be required to separately identify the number of hours and costs that are associated with mobilization/demobilization and standby time. This is essential information that is beneficial not only to the Company, but also to the Commission. This information provides critical insight into how FPUC is planning and controlling costs before, during, and after storm restoration activities. Based on his review of FPUC's mobilization and demobilization costs, comparing the distance traveled at a reasonable miles per hour, Witness Schultz identified excessive travel time. The line contractor costs should be reduced by $273,678 for the excessive travel time charged and unsupported mobilization/demobilization time.

ISSUE 3: In connection with the restoration of service associated with Hurricanes Michael and Dorian, were the vehicle and fuel costs FPUC included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: OPC does not recommend any adjustment for FPUC's request for vehicle and fuel costs.

ISSUE 4: In connection with the restoration of service associated with Hurricanes Michael and Dorian, were the material and supply costs FPUC included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: OPC does not recommend any adjustment for FPUC's request for material and supply costs.

ISSUE 5: In connection with the restoration of service associated with Hurricanes Michael and Dorian, were the logistic costs FPUC included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No, FPUC's request for logistic costs should be adjusted. There are at least two invoices for generators that should be considered capital costs; however, FPUC did not capitalize any logistics costs. Additionally, the Company's updated filing added $316,484 of costs and no additional documentation was provided to substantiate these increased costs. It is the Company's burden to prove up its requested storm cost recovery. There was no supporting detail for the $316,484 increase included in FPUC's updated filing. Unless and until the Company provides supporting documentation of what these costs are and that these costs are appropriately recoverable as storm recovery costs, these costs should be denied.

<u>ISSUE 6:</u> In connection with the restoration of service associated with Hurricanes Michael and Dorian, were the equipment rental costs FPUC included in storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No adjustment is necessary based on FPUC rebuttal testimony.

<u>ISSUE 7:</u> Should the Commission approve FPUC's request to create a regulatory asset related to incremental storm costs?

OPC: No, establishment of a regulatory asset for normal, incremental storm cost is unnecessary. FPUC is seeking recovery in these petitions under Sections 366.076, 366.041, and 366.06, F.S., and in accordance with Rule 28-106.201, F.A.C. While FPUC did not request use of the surcharge mechanism under the 2017 Settlement, approved by Order No. PSC-2019-0501-EI, issued November 22, 2019, the Commission approved the implementation of Stipulation between OPC and FPUC for a storm interim rate increase subject to refund simultaneously with an anticipated fuel clause decrease. This implementation of a de facto surcharge was subject to a full evidentiary hearing on the appropriateness of FPUC's storm-related requests. FPUC's request for normal, incremental storm costs was approximately $39.2 million. Given the establishment of the surcharge and the amount collected, which is approximately $20 million annually, it is unlikely that a regulatory asset will need to be established for the reasonable and prudent normal, incremental storm costs. In addition, in his expert opinion, Witness Schulz has determined that some of the storm-related costs requested by FPUC are not reasonable and prudent. For the storm-related costs, Witness Schultz recommends the following adjustments to eliminate the unreasonable and imprudent costs:

- A reduction of $120,800 to FPUC's request for payroll cost recovery for prohibited bonus payments;
- A reduction of $24,703 to FPUC's request for benefit/overhead cost recovery that included prohibited bonus payments;
- A reduction to contractor costs for excessive hourly charge by FPL (the amount is confidential);
- A reduction of $273,768 to FPUC's request related to excessive mobilization/demobilization costs associated with line contractor costs;
- A reduction of $166,469 to FPUC's request for unsupported other contractor costs; and
- A reduction of $316,884 to FPUC's request for unsupported logistic costs.

FPUC is asking to earn a return on the normal, incremental storm-related costs as part of its regulatory asset at the Weighted Cost of Capital (WACC). FPUC customers, who also suffered significant loss and destruction from Hurricane Michael, should not be required to pay a WACC profit to FPUC on storm costs.

ISSUE 8: Should the Commission approve FPUC's request to create a regulatory asset related to revenues not collected and costs not properly allocated as a result of a reduction in customers in the last two months of 2018 and all of 2019?

OPC: No, the Commission should not approve the creation of the unprecedented request for a regulatory asset for FPUC related to revenues not collected and costs not properly allocated as a result of a reduction in customers in the last two months of 2018 and all of 2019. FPUC has filed its request pursuant to Rule 25-6.0143(1)(f)(9), F.A.C. Yet, FPUC has requested to establish this regulatory asset even though Rule 25-6.0143(1)(f)(9), F.A.C., specifically excludes recovery for lost revenues from services not provided. Moreover, lost revenue is not an incurred cost under the Financial Accounting Standards Codification[5] for which a regulatory asset can be established. Thus, this is a request for lost revenue which is prohibited by Rule 25-6.0143(1)(f)(9), F.A.C., as well as it is not an incurred cost eligible for a regulatory asset under the applicable Financial Accounting Standards Codification.

FPUC's December 31, 2018, return on equity ("ROE") was 7.48% and its ROR for December 2018 was 4.27%. While FPUC did not achieve earnings within its authorized range, it nevertheless realized a profit and its expenses incurred during the year 2018 were recovered. Moreover, retroactive ratemaking is a long established principle that a utility cannot seek to make up lost revenues if it is earning below its authorized range; conversely, customers cannot seek a refund of revenues for prior periods if a utility earns above its authorized range.[6] In this docket, FPUC is asking for revenues to make up for earning less than its authorized range for the prior period of October 2018 through December 2019. If approved, this will essentially turn longstanding ratemaking standards on its head by guaranteeing to shareholders that every time revenues are not sufficient to recover expenses to achieve a utility's authorized return, utilities could request a regulatory asset for the shortfall. FPUC has an available option if it is earning below its authorized earnings range just like all other utilities; and that is to file for base rate relief. Therefore, OPC recommends a reduction of $454,000 to rate base and a reduction of $100,890 of associated amortization expenses for unsupported and prohibited recovery of lost revenues due to lost customers.

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[5] *See*, 980 Regulated Operations, 340 Other Assets and Deferred Costs, 25 Recognition, Recognition of Regulatory Assets 25-1.
[6] *See City of Miami v. Florida Public Service Com., supra* note 3.

ISSUE 9: Should the Commission approve FPUC's request to create a regulatory asset related to normal expenses included in the Company's current base rates but, as a result of Hurricane Michael, that FPUC asserts was unrecovered?

OPC: No, the Commission should not approve the creation of FPUC's unprecedented request for a regulatory asset for normal expenses that it claimed were unrecovered for October 2018 and November 2019. FPUC has filed its request pursuant to Rule 25-6.0143(1)(f)(9), F.A.C. Rule 25-6.0143(1)(f)(9), F.A.C., specifically excludes recovery for lost revenues from services not provided. FPUC is attempting to include an amount for recovery as a regulatory asset by simply reclassifying lost revenues as "expenses not recovered." Notwithstanding FPUC's attempt at reclassification, these unrecovered expenses are, in fact, revenues lost from services not provided in October 2018 and November 2018. Simply put, the amount requested for October and November 2018 expenses represents electric services not billed. Moreover, lost revenue is not an incurred cost under the Financial Accounting Standards Codification[7] for which a regulatory asset can be established. In addition, FPUC's request violates long-standing principles against retroactive ratemaking that a utility cannot seek to make up lost revenues if it is earning below its authorized range; conversely, customers cannot seek a refund of revenues for prior periods if a utility earns above its authorized range.[8] Therefore, OPC recommends a reduction of $885,855 to rate base and reduction of $196,857 of associated amortization expense for the unsupported and prohibited recovery of lost revenues from expenses not recovered which is in fact a request for lost revenues.

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[7] *See*, 980 Regulated Operations, 340 Other Assets and Deferred Costs, 25 Recognition, Recognition of Regulatory Assets 25-1.
[8] See *City of Miami v. Florida Public Service Com., supra* note 3.

ISSUE 10: Should the Commission approve FPUC's request to create a regulatory asset related to the negative component of the accumulated depreciation reserve caused by assets retired prematurely due to Hurricane Michael and removal costs associated with those retirements?

OPC: No, the Commission should not approve the creation of the unprecedented request for a regulatory asset related to the negative component of the accumulated depreciation reserve caused by assets retired prematurely due to Hurricane Michael and removal costs associated with these retirements. These costs normally are included in FPUC's next depreciation study, which is currently pending in this docket, and incorporated into new depreciation rates The new depreciation rates should be implemented in the Company's next base rate case.

ISSUE 11: What is the appropriate carrying charge or rate of return, if any, to be applied to the reasonable and prudent amount of storm-related restoration costs that FPUC is entitled to recover?

OPC: FPUC is requesting to earn a return on these regulatory assets at the WACC. Some of the requests are inappropriate under Rule 25-6.0143, F.A.C., and should be processed under a normal base rate case and not a single issue rate case limited proceeding. FPUC customers, who also suffered significant harm from Hurricane Michael, should not be paying a WACC profit to FPUC on storm costs. If there are legitimate costs not recoverable under Rule 25-6.0143, F.A.C., these costs should be addressed at FPUC's next rate case. FPUC should earn at a short-term debt rate only on any regulatory asset associated with the storms and, more specifically, reasonable and prudent storm restoration costs.

ISSUE 12: What is the reasonable and prudent amount of storm-related costs FPUC is entitled to recover?

OPC: In addition to the regulatory assets discussed in the other issues, FPUC is also seeking recovery of and on new plant added due to Hurricane Michael which is unreasonable as a storm recovery request. Normally, after a storm, new plant is added on a utility's books, but not included in rates until the utility's next base rate case. However, due to FPUC's Limited Proceeding Request, FPUC is attempting to cherry pick its increasing costs without consideration of other potential offsetting adjustments that would normally be addressed in a full rate case. This is what Witness Schultz has identified as the "Single Rate Case Issue" problem with FPUC's request. Witness Schultz has also identified a double recovery issue with this request, which FPUC acknowledged in its rebuttal. Therefore, OPC recommends a reduction of $18,798,487 to rate base for new plant and a reduction of $696,680 of associated depreciation expenses because this is a storm cost recovery proceeding and not a base rate case proceeding. Based on all OPC recommended adjustments addressed in this and other issues, the appropriate amount of recoverable reasonably and prudently incurred storm-related costs is $34,005,611 per HWS-2, Schedule C, line 14.

ISSUE 13: Should the Commission approve FPUC's proposed tariff and associated charge as filed associated with Hurricanes Michael and Dorian? If not, should FPUC be required to file tariffs and charges in conformance with the Commission determination in this matter?

OPC: No, FPUC's proposed tariffs and associated charges as filed associated with Hurricanes Michael and Dorian should not be approved. FPUC should be required to file tariffs and charges in conformance with the Commission determination in this matter.

ISSUE 14: If applicable, how should any under-recovery or over-recovery collected from the interim rate approved by the Commission effective January 2020 be handled?

OPC: Since FPUC is collecting approximately $20 million annually and OPC is recommending a total storm-related cost of $34,005,611, FPUC should continue to collect the current storm-related de facto surcharge until the total $34,005,611 is collected. Once the total amount has been recovered, the surcharge should be eliminated and FPUC should adjust its rates downward accordingly.

ISSUE 15: What are the appropriate depreciation parameters, resulting rates, amortization schedules, and reserve allocations?

OPC: For the depreciation study, OPC recommends the following adjustments:

Plant Function	Plant Balance 1/1/2020	FPUC Proposed Accrual	OPC Proposed Accrual	**OPC Accrual Adjustment**
Transmission	19,106,966	518,046	425,184	(92,862)
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The adjustments are based on the average service lives identified for the following eight accounts in the Weighted Average column.

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367	Underground Conductors	35	60	48	39	47
368	Line Transformers	30	43	41	30	36
369	Services	40	56	49	44	48

The depreciation rates should reflect OPC recommended depreciation rates listed in DJG-5 and would reduce the Company's proposed depreciation accrual by $814,243.

ISSUE 16: What should be the implementation date for newly authorized depreciation rates and amortization schedules?

OPC: No position.

ISSUE 17: Should the current amortization and flow back of accumulated deferred income taxes be revised to reflect the approved depreciation rates and amortization schedules?

OPC: Yes.

ISSUE 18: Should these dockets be closed?

OPC: No position.

5. STIPULATED ISSUES

None at this time.

6. PENDING MOTIONS

None at this time.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

There are no pending requests for claims for confidentiality filed by OPC.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT

OPC has no objections to the qualification of any witnesses as an expert in the field who have pre-filed testimony as of the present date.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE
There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 17th of August, 2020.

Respectfully submitted,

J.R. Kelly
Public Counsel

/s/ Patricia A. Christensen
Patricia A. Christensen
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement has been furnished by electronic mail on this 17th day of August, 2020, to the following:

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