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June 21, 2022

BY E-FILING

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

**Re: Docket No. 20220049-EI: Review of Storm Protection Plan pursuant to Rule 25-6.030,
F.A.C., Florida Public Utilities Company**

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Public Utilities Company, please find the Rebuttal Testimony of P. Mark Cutshaw, as well as the Rebuttal Testimony and Exhibit No. RCW-1 of Robert C. Waruszewski.

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

Sincerely,



Beth Keating
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MEK
cc:(Certificate of Service)

1 **Before the Florida Public Service Commission**

2 Docket No. 20220049-EI

3 In re: Petition for Review of Storm Protection Plan

4 Rebuttal Testimony of P. Mark Cutshaw

5 On Behalf of

6 Florida Public Utilities Company

7 Date of Filing: June 21, 2022

8
9 **I. Background**

10
11 **Q. Please state your name and business address.**

12 A. My name is P. Mark Cutshaw. My business address is 208 Wildlight Avenue, Yulee,
13 Florida 32097.

14
15 **Q. Have you previously filed direct testimony in this docket?**

16 A. Yes, I filed direct testimony on behalf of Florida Public Utilities Company (“FPUC” or “
17 Company”).

18
19 **Q. Have your employment status and job responsibilities remained the same since
20 discussed in your previous testimony?**

21 A. Yes.

1 **Q. Are you providing any exhibits with your rebuttal testimony?**

2 A. No.

3

4 **Q. What is the purpose of your rebuttal testimony?**

5 A. The purpose of my testimony is to rebut various conclusions contained in the direct
6 testimony of the Office of Public Counsel’s (“OPC”) witness Kevin Mara pertaining to the
7 analysis of new programs proposed by FPUC in its Storm Protection Plan (“SPP”) petition.

8

9 **Q. Do you agree with any of Witness Mara’s conclusions as presented in his direct**
10 **testimony?**

11 A. While I disagree with most of Mr. Mara’s recommendations, I do agree with his assessment
12 of the goal of the SPP where he states, “the goal is to invest in storm hardening activities
13 that benefit the customers of the electric utilities at a cost that is reasonable relative to those
14 benefits.”¹

15

16 **Q. Do you agree with Mr. Mara’s assessment that FPUC provided nothing “other than**
17 **vague language about reducing restoration costs².”**

18 A. No. FPUC believes all the programs and projects presented in its SPP provide economic
19 benefit in multiple ways, one of which is reduced restoration costs. The calculated or
20 perceived financial benefit to specific customers because of the availability of power varies
21 by customer, circumstance, and personal choice. Mr. Mara’s view of quantifying value

¹ Direct Testimony of Kevin J. Mara, p.6, lines 9-11

² Direct Testimony of Kevin J. Mara, p.11, line 19

1 solely on a perceived savings compared to a potential future storm event yields illusory
2 results as there are no established parameters that accurately measure avoided cost values,
3 quantitatively or otherwise, to residential customers, hospitals or long-term care facilities,
4 retail stores, etc. The Company cannot logically attempt to quantify the perceived
5 economical value of reduced outages or outage restoration times for each of its 30,000+
6 customers. The SPP investment is made in an effort to avoid more catastrophic costs for
7 our customers resulting from an extreme weather event. As such, attempting to specifically
8 define economic value of the Company's SPP by comparing the investment of the projects
9 in the plan to a future potential event is not the only means of measuring value.

10 Additionally, Mr. Mara states in his direct testimony on page 8, lines 11 - 14, "By installing
11 poles with greater strength needed to meet this new design standard, these hardened poles
12 will reduce restoration costs because there will be fewer pole failures and will reduce
13 restoration time because there will be fewer failed poles to repair." Though not directly
14 stated, the context of this statement appears to suggest that FPUC is proposing the
15 replacement of failed poles with the same construction standard facilities. If that is, indeed,
16 Mr. Mara's understanding, his understanding is incorrect. As FPUC has stated within its
17 SPP, as well as its prior Storm Hardening filings dating back to 2008, FPUC replaces, and
18 plans to continue to replace, failed poles with a hardened standard; be it extreme wind
19 capable for Distribution facilities, or spun concrete for Transmission facilities. The
20 Company agrees with Mr. Mara's assessment that requiring higher loading and strength
21 factors for new facilities as part of replacements will reduce restoration time and
22 subsequent costs as required by the Rule.

1 **Q. Do you agree with Mr. Mara’s statement regarding sectionalizing equipment on page**
2 **9, line 16 - 17 that states “While the devices do reduce outage times, they fail to reduce**
3 **outage costs.”**

4 A. No. While I agree that the time to replace the pole is the same in all cases, there are many
5 other factors that drive costs during power restoration activities; both during extreme and
6 non-extreme weather events. As stated by Mr. Mara, these devices reduce outage times.
7 Contrary to his testimony however, they also reduce outage costs. Less time spent
8 patrolling lines in search of damage or mobilizing and demobilizing resources between grid
9 isolation points (switches) as an example reduces the chargeable hours to restore power.
10 When there are thousands of outages present, as there typically are during extreme weather
11 events, these time savings quickly multiply. Additionally, Mr. Mara fails to account for
12 cost savings on the customer’s side resulting from eliminated or accelerated restoration
13 times. Things such as lost business, spoiled refrigerated goods, early closing, and other
14 real dollar savings for the customers are realized when these types of enhancements are
15 implemented within an electric distribution grid.

16
17 **Q. Do you agree with Mr. Mara’s statement on page 13, line 17 that “FPUC’s spending**
18 **per customer is extremely high when compared to the other utilities in Florida?”**

19 A. No. What Mr. Mara fails to consider in this overly simplistic chart is that the factors that
20 go into a cost per customer are not all equal. As a demonstrative example, a utility replaces
21 an old wooden pole with a storm hardened pole for \$5,000 and spreads the \$5,000 across
22 all of its customers. In that scenario, a utility with 30 customers would expect to see a

1 customer impact of approximately \$167 per customer, whereas a utility with 100 customers
2 would expect a customer impact of approximately \$50 per customer. The value to each
3 customer on each system in having facilities less susceptible to storm damage is the same,
4 but because one utility has fewer customers to spread the costs across, the cost benefit ratio
5 appears very different. Witness Mara’s analysis thus seems to suggest that smaller utilities,
6 like FPUC, should do less to protect their system and their customers from storm-related
7 power outages, but this perspective is not compatible with the Legislature’s direction to
8 “each utility” to “mitigate restoration costs and outage times”.³ This is particularly true
9 with utilities whose service territory is more rural such as that of FPUC when compared to
10 the other Florida IOUs. Witness Mara also fails to recognize that the costs proposed in
11 FPUC’s plan are comparable to the other Florida IOU’s when comparing the total 10-year
12 investment against total system overhead miles and below average when comparing 10-
13 year investments costs in feeder and lateral hardening programs against total system
14 overhead miles or square miles of service territory. These alternate evaluation methods
15 normalize investments based on required facilities to serve and account for discrepancies
16 in the capital utility investments required in an urban setting where one transformer may
17 be able to serve 4 to 8 homes versus a rural setting where home spacing may not provide
18 the opportunity to leverage a transformer for more than one residence.

19
20 **Q. Do you agree with Mr. Mara’s proposed reductions in the SPP which are identified**
21 **on Page 14, Line 10 of his testimony.**

³ S. 366.96(1)(e), F.S.

1 A. No, I do not. FPUC has considered the customer impact along with benefits to the customer
2 during preparation of the plan. Currently, FPUC customers have a surcharge of
3 \$0.0128/KWH based on Hurricane Michael cost recovery which will terminate in
4 December 2025. As such, FPUC has taken that significant surcharge into consideration
5 and endeavored to delay incurring additional costs associated with the SPPCR until after
6 the termination of the Hurricane Michael surcharge. This conscious effort by FPUC on
7 behalf of its customers shifted investments from the early years of the plan to the later years
8 where Mr. Mara is proposing a reduction. FPUC's proposed investments are prudent and
9 necessary to both comply with the requirements of the Rule and to achieve these objectives
10 within a reasonable timeframe for the benefit of all FPUC Customers. Mr. Mara's
11 proposed reductions are arbitrary and based on a flawed comparison of costs against total
12 customers as I have explained above. FPUC takes offense to Mr. Mara's recommendation
13 which implies that customers in metropolitan urban areas such as Miami-Dade, Tampa, or
14 Orlando are more worthy of enjoying the benefits of a strengthened electric distribution
15 grid than the deserving customers of FPUC's mostly rural service territory.

16
17 **Q. Do you agree with Mr. Mara's belief that the SPP programs should be dependent on**
18 **the most recent history of storm activity?**

19 A. Absolutely not. First, as an investor-owned electric utility, FPUC is mandated by Rule 25-
20 6.030, Florida Administrative Code, to produce a storm protection plan. To my knowledge,
21 that Rule makes no consideration for frequency of storms. Historical frequency of storms
22 is not a good measure of prudence. It has been FPUC's experience that preparation,

1 especially in the “10-year period of relative quiet” that Mr. Mara speaks of, is the right
2 time to prepare. Second, FPUC has learned from real world experience that no matter how
3 prepared you are, when severe storms hit, the restoration options available become very
4 narrow and more expensive. Had they been in place in 2018, FPUC’s proposed
5 investments in the core hardening programs such as feeder and lateral hardening would
6 have mitigated impact, costs, and outage durations during this historically anomalous
7 storm. We believe the customers whose availability of electric service was impacted by
8 Hurricane Michael would wholeheartedly agree that once is enough and they will leave the
9 statistical projection of hurricane frequency to the experts at Colorado State University and
10 depend on FPUC to strengthen the grid ahead of time.

11
12 **Q. Do you agree with Mr. Mara’s reduction in Distribution-OH Lateral Hardening?**

13 A. No. On page 19 line 20 of his testimony, Mr. Mara proposes a \$12.1M budget which is
14 nearly a 50% reduction from the proposed ten-year investment plan. He cites as the basis
15 for the reduction FPUC’s failure “to demonstrate that the benefits to FPUC’s customers
16 outweighs the costs for hardening overhead laterals” and that the FPUC SPP “has a very
17 high cost per customer.”

18
19 **Q. Would you please explain why?**

20 A. Overhead Laterals make up a significant part of the FPUC Distribution system and include
21 575 miles of overhead single, two and three phase circuits in both urban and rural settings.
22 These facilities are the final segment of facilities delivering electrical service to our

1 customers. In fact, laterals on the FPUC system are responsible for approximately 65% of
2 the CMI over the analyzed period. Arbitrarily reducing the overhead lateral hardening
3 program is contrary to the requirements of the rule to reduce outage times associated with
4 extreme weather events. Overhead Laterals were reviewed based upon the Resiliency Risk
5 Model within the SPP to determine which laterals meet the criteria to be included in the
6 early stages of the upgrades. Based on the proposed plan and assuming both the Overhead
7 Lateral Hardening and Overhead Lateral Undergrounding are approved as submitted, it
8 will take 30 years to accomplish the hardening. If the reductions occur based on Mr. Mara's
9 proposal, the completion of this integral work to harden these facilities could be pushed
10 out to approximately 60 years. For those customers at the end of the line, that is a long
11 delay in achieving the reduced outage times contemplated by the Legislature, particularly
12 given the historical impact of storms in recent years on areas of FPUC's system.

13 Additionally, Witness Mara takes issue with our reliance upon the 2018 FPSC report
14 entitled *Review of Florida's Electric Utility Hurricane Preparedness and Restoration*
15 *Actions 2018* as support for FPUC's hardening of overhead laterals. Mr. Mara states that
16 "the data demonstrating better performance was limited to feeder hardening and therefore
17 not directly applicable to this program for hardening laterals." Contrary to Witness Mara's
18 assertion, the tactics associated with the proposed Feeder Hardening Program and the
19 Overhead Lateral Hardening program are nearly identical. It therefore stands to reason that
20 an analysis of the performance of overhead feeders built to the NESC extreme wind
21 standards is a reasonable proxy for the performance of overhead lateral lines built to the
22 same standard.

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Q. Do you agree with Mr. Mara’s reduction in Distribution-OH Lateral Underground?

A. No. On page 22 line 7 of his testimony, Mr. Mara proposes a \$32.22M budget which is greater than 50% reduction from the proposed ten-year investment plan. He cites as the basis for the reduction FPUC’s failure “to demonstrate that the benefits to FPUC’s customers outweighs the costs for hardening overhead laterals” and that the FPUC SPP “has a very high cost per customer.”

Q. Would you please explain why?

A. As previously mentioned, Overhead Laterals make up a significant part of the FPUC Distribution system and include 575 miles of overhead single, two and three phase circuits in both urban and rural settings and are that final segment to actually provide electrical service to customers. In fact, laterals on the FPUC system are responsible for approximately 65% of the CMI over the analyzed period. Arbitrarily reducing the overhead lateral undergrounding program is contrary to the requirements of the rule to reduce outage times associated with extreme weather events. The single-phase Overhead Laterals included in this program were reviewed based upon the Resiliency Risk Model within the SPP to determine which laterals meet the criteria to be included in the early stages of the undergrounding. Based on the proposed plan and assuming both the Overhead Lateral Hardening and Overhead Lateral Undergrounding are approved as submitted, it will take 30 years to accomplish the hardening. If the reductions occur based on Mr. Mara’s

1 proposal, the completion could be pushed out to approximately 60 years. For those
2 customers at the end of the line, that is a long time.

3

4 **Q. Do you agree with Mr. Mara’s disallowance of Transmission/Substation Resiliency?**

5 A. No. On page 25 line 16 and page 27 line 20 of his testimony, Mr. Mara proposes eliminating
6 this project “because it is not a prudent investment...based on my review of the existing
7 system configuration...” and because “this project is not a storm hardening project; it is an
8 energy delivery/energy access project.”

9

10 **Q. Would you please elaborate on why you are opposed to the disallowance of the 138**
11 **KV line?**

12 A. I do agree with Mr. Mara that the proposed length of the new 138 KV line is not optimal
13 for resolving the issue to provide another line to Amelia Island. However, this is the closest
14 point to the FPL system that is capable of providing an additional source. When focusing
15 on the existing lines, the steel lattice structures, which were installed in 1973 are of concern.
16 Although the structures have been well maintained, they are almost 50 years old and have
17 been exposed to several hurricanes that have caused damage to the area, most recently
18 Hurricane Matthew (2016), Hurricane Irma (2017) and Hurricane Dorian (2019).
19 Additionally, the location of the steel lattice structures places them in the direct flight path
20 of the Fernandina Beach Municipal Airport and adjacent to the bridge used to access
21 Amelia Island. The likelihood that the proximity of either of these transportation facilities
22 resulting in damage to the towers is unlikely, but their proximity does increase the risk.

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Q. Are the steel lattice structures not already sufficient to withstand extreme wind and storm surge associated with extreme weather events?

A. Not necessarily. While these structures are stable and not at risk of imminent failure, storms can produce steel lattice structure failures. By way of example, the structure below is a transmission tower on Entergy’s system in Orleans Parish, Louisiana and is somewhat similar to some of the structures used by FPUC. The picture on the following page reflects the impact of Hurricane Ida on the facility, which collapsed leaving the attached facilities in the Mississippi River.



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1 The specific photo above is accessible at: [https://www.dailymail.co.uk/news/article-](https://www.dailymail.co.uk/news/article-9955983/Striking-aerial-images-major-Louisiana-transmission-tower-toppled-Hurricane-Ida.html)
2 [9955983/Striking-aerial-images-major-Louisiana-transmission-tower-toppled-Hurricane-](https://www.dailymail.co.uk/news/article-9955983/Striking-aerial-images-major-Louisiana-transmission-tower-toppled-Hurricane-Ida.html)
3 [Ida.html](https://www.dailymail.co.uk/news/article-9955983/Striking-aerial-images-major-Louisiana-transmission-tower-toppled-Hurricane-Ida.html). Other contemporary news articles regarding failure of the pole, indicate that the
4 pole had not been replaced because it was “robustly engineered,” had recently passed
5 inspection, and had survived Hurricane Katrina.
6 [https://www.wvlv.com/article/news/investigations/david-hammer/an-island-without-](https://www.wvlv.com/article/news/investigations/david-hammer/an-island-without-power-why-a-massive-entergy-transmission-tower-crumbled-and-all-8-sources-of-outside-power-were-lost/289-bc36e2e4-b19e-4bf0-af3f-97c25f44460f)
7 [power-why-a-massive-entergy-transmission-tower-crumbled-and-all-8-sources-of-](https://www.wvlv.com/article/news/investigations/david-hammer/an-island-without-power-why-a-massive-entergy-transmission-tower-crumbled-and-all-8-sources-of-outside-power-were-lost/289-bc36e2e4-b19e-4bf0-af3f-97c25f44460f)
8 [outside-power-were-lost/289-bc36e2e4-b19e-4bf0-af3f-97c25f44460f](https://www.wvlv.com/article/news/investigations/david-hammer/an-island-without-power-why-a-massive-entergy-transmission-tower-crumbled-and-all-8-sources-of-outside-power-were-lost/289-bc36e2e4-b19e-4bf0-af3f-97c25f44460f) ; (4WWWL CBS
9 News/August 30, 2021 – Hammer); quoting Entergy Louisiana CEO Phillip May. Other
10 articles reflect the political aftermath, in which the decisions of Entergy, as well as state
11 and local officials, were called into question by both residents and other industry
12 stakeholders as to why transmission facilities had not been upgraded, and why other
13 upgrades had not been accomplished more expeditiously.
14 [https://www.nytimes.com/2021/09/17/business/energy-environment/hurricane-ida-](https://www.nytimes.com/2021/09/17/business/energy-environment/hurricane-ida-entergy-power-outage-new-orleans.html)
15 [entergy-power-outage-new-orleans.html](https://www.nytimes.com/2021/09/17/business/energy-environment/hurricane-ida-entergy-power-outage-new-orleans.html) (NY Times/September 17, 2021 - Eavis and
16 Penn). I understand that these questions led to a class action lawsuit that has not yet been
17 resolved.⁴
18 My point in mentioning the Entergy transmission tower being that it is easy to focus on
19 FPUC’s transmission project and highlight it as being too expensive. However, if the line
20 does go down and the island is without power for several weeks without other alternatives

⁴ See, Stewart v. Entergy; No. 22-30177 (5th Cir. May. 27, 2022), affirming, in part, lower court’s remand of case to the state court for lack of federal jurisdiction.

1 for restoration, I suspect the criticisms we receive will be directly contrary to Witness
2 Mara's argument in this case.

3

4 **Q. Would you please elaborate on why you are opposed to the disallowance of the 69 KV**
5 **line and substation hardening?**

6 A. If the 138 KV transmission line is not approved, the 69 KV line and substation hardening
7 is even more critical for the resiliency for Amelia Island. Approximately \$5.4 million of
8 the \$86.07 million total in the Transmission and Substation Resiliency program is
9 attributable to the 69 KV line and substation hardening which can provide an additional
10 source of energy for Amelia Island during emergencies. The line and substation hardening
11 will upgrade the interconnection to the WestRock papermill, which produces electricity
12 using steam turbines driven by boilers fed by coal and natural gas. These are not black
13 start capable and would need grid power to start the process which does take some time.
14 However, using the existing Eight Flags Energy CHP or a future CHP, these facilities
15 would be able to start and provide valuable power to the island and get critical customers
16 and industries back in operation.

17 Mandatory evacuations can be required on Amelia Island, so all industrial processes are
18 shut down prior to the hurricane landfall. Using CHP technology, these units can be up
19 and running in as little as four hours after the operators are allowed back on the island
20 which demonstrates the value of CHP technology on Amelia Island.

21

22 **Q. Do you agree with Mr. Mara's disallowance of Future T&D Enhancements?**

1 A. No. On page 30 line 5 of his testimony, Mr. Mara proposes the project be “eliminated from
2 FPUC’s SPP because it fails to meet the two prong criteria” specifically Mr. Mara states
3 the program “does not reduce outage costs.”
4

5 **Q. Would you please elaborate on why?**

6 A. As mentioned above, while I agree that the time to replace the pole is the same in all cases,
7 there are many other factors that drive costs during power restoration activities; both during
8 extreme and non-extreme weather events. As stated by Mr. Mara, these devices reduce
9 outage times. Contrary to his testimony however, they also reduce outage costs. Less time
10 spent patrolling lines in search of damage or mobilizing and demobilizing resources
11 between grid isolation points (switches) as an example reduces the chargeable hours to
12 restore power. When there are thousands of outages present, as there typically are during
13 extreme weather events, these savings quickly multiply. Additionally, Mr. Mara fails to
14 account for cost savings on the customer’s side resulting from eliminated or accelerated
15 restoration times. Things such as lost business, spoiled refrigerated goods, early closing,
16 and other real dollar savings for the customers are realized when these types of
17 enhancements are implemented within an electric distribution grid.
18

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

20 A. Yes, it does.

1 **Before the Florida Public Service Commission**

2 Docket No. 20220049-EI

3 In re: Petition for Review of Storm Protection Plan
4 Rebuttal Testimony of Robert Chester Waruszewski

5 On Behalf of

6 Florida Public Utilities Company

7 Date of Filing: June 21, 2022

8 **I. Background**

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

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

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

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

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

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

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

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

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

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

14 A. No, I did not.

15 **II. Purpose of Testimony**

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

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

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

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

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

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

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

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

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

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

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

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

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

3

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 **A.** Yes.

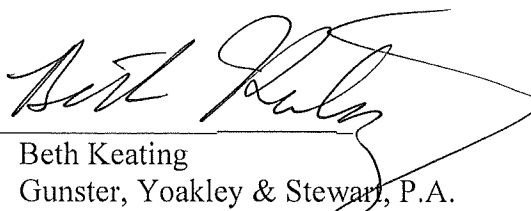
**Florida Public Utilities - Electric Division
 Storm Protection Plan Cost Recovery Clause
 Estimated Period: 2022 to 2031
 Return on Capital Investments, Depreciation and Taxes**

Line	Rates	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Year End Total/Balance	
1	Capital Investments	\$2,313,740	\$6,700,124	\$16,863,999	\$54,232,395	\$53,198,125	\$19,949,099	\$19,614,922	\$19,798,577	\$25,250,053	\$25,198,364	\$243,119,398	
2	Estimated Beginning Net Qualified Investment	\$0	\$2,283,892	\$8,838,655	\$25,257,056	\$78,138,175	\$128,633,986	\$145,006,861	\$160,627,436	\$176,026,272	\$196,408,954		
	Estimated Ending Net Qualified Investment	\$2,283,892	\$8,838,655	\$25,257,056	\$78,138,175	\$128,633,986	\$145,006,861	\$160,627,436	\$176,026,272	\$196,408,954	\$216,214,721		
	Estimated Average Net Qualified Investment	\$1,141,946	\$5,561,274	\$17,047,856	\$51,697,615	\$103,386,080	\$136,820,424	\$152,817,149	\$168,326,854	\$186,217,613	\$206,311,837		
3	Return on Average Net Qualified Investment												
	Equity Component - Grossed-Up for Taxes	7.1300%	\$81,421	\$396,519	\$1,215,512	\$3,686,040	\$7,371,428	\$9,755,296	\$10,895,863	\$12,001,705	\$13,277,316	\$14,710,034	\$73,391,134
	Debt Component	0.8200%	\$9,364	\$45,602	\$139,792	\$423,920	\$847,766	\$1,121,927	\$1,253,101	\$1,380,280	\$1,526,984	\$1,691,757	\$8,440,493
	Return Requirement		\$90,785	\$442,121	\$1,355,304	\$4,109,960	\$8,219,194	\$10,877,223	\$12,148,964	\$13,381,985	\$14,804,300	\$16,401,791	\$81,831,627
4	Investment Expenses												
	Depreciation Expense	2.58%	\$29,848	\$145,361	\$445,598	\$1,351,277	\$2,702,314	\$3,576,224	\$3,994,347	\$4,399,741	\$4,867,371	\$5,392,596	\$26,904,677
	Amortization Expense												\$0
	Property Taxes	2.00%	\$0	\$45,678	\$176,773	\$505,141	\$1,562,763	\$2,572,680	\$2,900,137	\$3,212,549	\$3,520,525	\$3,928,179	\$18,424,425
	Other												\$0
	Total Expense		\$29,848	\$191,039	\$622,371	\$1,856,418	\$4,265,077	\$6,148,904	\$6,894,484	\$7,612,290	\$8,387,896	\$9,320,775	\$45,329,102
5	Total System Recoverable Expenses (Lines 3 + 4)		\$120,633	\$633,160	\$1,977,675	\$5,966,378	\$12,484,271	\$17,026,127	\$19,043,448	\$20,994,275	\$23,192,196	\$25,722,566	\$127,160,729

CERTIFICATE OF SERVICE

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

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