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DOCKET NO. 060644-TL: Petition to recover 2005 tropical system related costs and expenses, by Embarg Florida, Inc.

WITNESS: Direct Testimony Of Iliana H. Piedra, Appearing On Behalf Of the Staff of the Florida Public Service Commission

DATE FILED: November 20, 2006

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DOCUMENT NUMBER-DATE

10630 NOV 20 8

FPSC-COMMISSION CLERA

1	DIRECT TESTIMONY OF ILIANA H. PIEDRA
2	Q. Please state your name and business address.
3	A. My name is Iliana H. Piedra and my business address is 3625 N.W. 82nd Ave.,
4	Suite 400, Miami, Florida, 33166.
5	DECLASSIFIED
6	Q. By whom are you presently employed and in what capacity?
7	A. I am employed by the Florida Public Service Commission as a Professional
8	Accountant Specialist in the Division of Regulatory Compliance and Consumer
9	Assistance.
10	
11	Q. How long have you been employed by the Commission?
12	A. I have been employed by the Florida Public Service Commission since January,
13	1985.
14	
15	Q. Briefly review your educational and professional background.
16	A. In 1983, I received a Bachelor of Business Administration from Florida
17	International University with a major in accounting. I am also a Certified Public
18	Accountant licensed in the State of Florida.
19	
20	Q. Please describe your current responsibilities.
21	A. Currently, I am a Professional Accountant Specialist with the responsibilities of
22	planning and directing audits of regulated companies, and assisting in audits of
23	affiliated transactions. I am also responsible for creating audit work programs to meet
24	a specific audit purpose.
25	

*

1	Q. Have you presented expert testimony before this Commission or any other
2	regulatory agency?
3	A. Yes. I testified in the City Gas Company of Florida rate case, Docket No.
4	940276-GU, the General Development Utilities, Inc. rate cases for the Silver Springs
5	Shores Division in Marion County and the Port LaBelle Division in Glades and
6	Hendry Counties in Docket Nos. 920733-WS and 920734-WS, respectively, and the
7	Florida Power and Light storm Docket No. 041291-EI
8	DECLASSIFIED
9	Q. What is the purpose of your testimony today?
10	A. The purpose of my testimony is to sponsor the staff audit report of Embarq
11	Florida, Inc. which addresses the Company's Petition for authority to recover
12	prudently incurred storm restoration costs related to the 2005 storm season. The Audit
13	Control Number is 06-277-4-1. This audit report is filed with my testimony and is
14	identified as Exhibit IHP-1.
15	
16	Q. Did you prepare or cause to be prepared under your supervision, direction, and
17	control this audit report?
18	A. Yes, I was the audit manager in charge of the audit.
19	
20	Q. Please describe the work performed in this audit.
21	A. We verified the amounts included in Embarq's petition dated September 25,
22	2006, Exhibit KWD-2 and KWD-3 by performing the following procedures. The net
23	effect on the filing for salaries were the overtime wages. We selected a sample of the
24	detail provided for the dollar amounts included in the filing and traced these amounts
25	to time sheets. We verified the percentage of pension, taxes, workmen's compensation

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- 2 -

1 and benefits to the trial balance.

2

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3 The company removed contractor costs that related to capital additions from the filing. We reconciled the detail of the non-capital contractor costs to the filing, 4 5 selected a sample, and traced the supporting documentation to invoices. The accruals were tested by sorting the files by invoice date and selecting a sample of outstanding 6 7 accruals. We determined that the company did not reverse the total amount of invoices for prior periods. However, we determined that the accrual at the end of period was 8 not sufficient to cover invoices paid in periods after the filing. No adjustment is needed 9 10 to the filing since the company understated the payables at the end of February 2006.

11

Material costs were traced to the accounts payable detail and a sample was selected and traced to invoices. It was determined that these items were for storm related costs. Some items were purchased from an affiliate company. In response to our questions, the company claimed that these items were at original invoice cost, and that overheads and incremental costs were not included in the filing. We reviewed the original invoices to the affiliate.

18

Line 15 on Exhibit KWD-2 includes recovery for buildings, generators, fuel,
line card repair & repair. We traced these amounts to the accounts payable detail. A
sample was selected and traced to invoices.

Line 23 on KWD-2 references average annual storm expense. We reviewed the
details supporting this and recomputed the average.

25

22

1	We traced the intrastate factors to a company report of interstate/intrastate
2	splits.
3	DECLASSIFIED
. 4	We recalculated the carrying costs and interest calculations and traced the cost
5	rates to the company calculations. The calculations were reconciled to the trial balance
6	and interest rates were traced to the Wall Street Journal.
. 7	
8	Line 33 on KWD-2 includes a factor for uncollectible revenue. We reviewed
9	the calculation of the uncollectible rate and traced the components to the annual report.
10	
11	Embarq included the total storm-related expense Salary, Contactor Costs, and
12	Generators, and Fuel expense in its filing. It then reduced these costs by the related
13	budget amounts. Our second objective was to verify the accuracy of this adjustment.
14	In order to accomplish this objective, we reviewed the company support for the budget
15	exclusions and the program used to extract these numbers from the budget system.
16	
17	The third objective was to verify the number of UNE loops and determine
18	which relate to major Competitive Local Exchange Companies. To do this, we
19	obtained the detail of the forecasted number of lines used in the filing. The detail
20	contained the breakdown of UNE loops which satisfied the analyst. We performed an
21	analytical review to determine the reasonableness of the forecast. The forecasted lines
22	decreased more than in prior years for total lines. However, this decrease would not
23	have an effect material enough to change the 50 cent rate.
24	
25	The fourth objective was to verify the net book value of the destroyed assets

- 4 -

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1	included in Embarq's petition. To do this, we obtained detailed lists of the assets
2	replaced during the hurricane. The extraordinary capital loss was reconciled to
3	schedules of assets, depreciation, cost of removal and salvage. The methodology for
4	computing the depreciation, cost of removal and salvage were reviewed. We also
5	reviewed the extraordinary contractor costs by tracing the hours to supporting
6	documentation and the rates to the contract.
7	
8	The fifth objective was to reconcile the amounts in Exhibit KWD-2 to KWD-3.
9	We traced and referenced all numbers in the filing. We also traced them to supporting
10	documentation.
11	
12	Q. Please review the audit disclosures in the audit report.
13	A. Staff was asked to compute carrying costs differently than was done in the
14	company filing. This computation is included in Audit Finding 1. The computation
15	decreases carrying costs. However, the decrease would not have an effect material
16	enough to change the 50 cent rate.
17	
18	Q. Does this conclude your testimony?
19	A. Yes, it does.
20	
21	
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DOCKET NO. 060644-TL: Petition to recover 2005 tropical system related costs and expenses, by Embarg Florida, Inc.

WITNESS: Direct Testimony Of Iliana H. Piedra, Appearing On Behalf Of the Staff of the Florida Public Service Commission

EXHIBIT IHP-1: Audit Report

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Docket No. 060644-TL Exhibit IHP-1 (Page 1 of 9) Audit Report



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE BUREAU OF AUDITING

Miami District Office

EMBARQ FLORIDA, INC.

2005 STORM RECOVERY

AS OF DECEMBER 31, 2005

DOCKET NO. 060644-TL AUDIT CONTROL NO. 06-277-4-1

Iliana Piedra, Audit Manager

Gabriela Leon, Auflit Staff

Yen/Ngo, Audit Sta

Ruth Young, Audit Staff

Kathy L. Welch, District Audit Supervisor

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	1. EXHIBIT NO. KWD – 2 2. EXHIBIT NO. KWD – 3	

DECLASSIFIED

Docket No. 060644-TL Exhibit IHP-1 (Page 3 of 9) Audit Report

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE AUDITOR'S REPORT

November 18, 2006

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Competitive Markets and Enforcement in its audit service request. We have applied these procedures to the attached schedules prepared by Embarg Florida, Inc. in support of its filing for storm recovery.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

DECLASSIFIED

Docket No. 060644-TL Exhibit IHP-1 (Page 4 of 9) Audit Report

OBJECTIVES AND PROCEDURES:

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Objective: To verify the amounts included in Embard's petition dated September 25, 2006, Exhibit KWD-2 and KWD-3.

Procedures: The net effect on the filing for salaries were the overtime wages. We selected a sample of the detail provided for the dollars included in the filing and traced the amounts to time sheets.

We verified the percent of pension, taxes, workmen's compensation and benefits multiplied by payroll dollars to the trial balance. The actual percentages for pension, benefits, and workmen's compensation were higher than the filing. However, because the utility has already exceeded the cap, there is no change to the recovery amount.

Contractor costs that related to capital additions were not included in the filing. The detail of the non-capital contractor costs were reconciled to the filing. A sample was selected and traced to invoices. We requested information about refunds or disputed items. The accruals were tested by sorting the files by invoice date and selecting a sample of outstanding accruals. We determined that the utility did not reverse the total amount of invoices for prior periods. However, we determined that the accrual at the end of period was not sufficient to cover invoices paid in periods after the filing. No adjustment is needed to the filing since the utility costs already exceed the cap.

Material costs were traced to the accounts payable detail and a sample was selected and traced to invoices. It was determined that these items were for storm related costs. Some items were purchased from an affiliate company. In answer to our questions, the company states that these items were at original invoice cost, and that overheads and incremental costs were not included in the filing. The original invoices to the affiliate were reviewed.

The costs for generators, ice, fuel, and building were traced to the accounts payable detail. A sample was selected and traced to invoices.

We obtained the costs of each storm by year and more detail for one year. We recomputed the average but no further work was done.

We traced the intrastate factors to supporting documentation.

We recalculated the carrying costs and interest calculations and traced the cost rates to the utility calculations. The calculations were reconciled to the trial balance and interest rates traced to the Wall Street Journal.

The calculation of the uncollectible rate was reviewed. Components were traced to the annual report.

Docket No. 060644-TL Exhibit IHP-1 (Page 5 of 9) Audit Report

DECLASSIFIED

Objective: To determine what plans, if any, Embarq had to incur these expenditures prior to being impacted by the referenced named storms. If any of these expenditures had been planned prior to the subject storms, determine the estimated budget.

Procedures: Embarg included the total expense for the months effected for Salary, Contactor Costs, and Generators, and Fuel expense in its filing. It then reduced these costs by the budget for those areas for those months. We reviewed the company support for budget excluded and reviewed the program used to extract these numbers from the budget system.

Objective: To verify the number of UNE loops and determine which relate to major Competitive Local Exchange Companies.

Procedures: We obtained the detail of the forecasted number of lines used in the filing. The detail contained the breakdown of UNE loops which satisfied the analyst. We performed an analytical review to determine the reasonableness of the forecast. The forecasted lines decreased more than prior years for total lines. However, the decrease would not have an effect material enough to change the 50 cent rate.

Objective: To verify the net book value of the destroyed assets included in Embarg's petition.

Procedures: We obtained detailed lists of the assets replaced during the hurricane. The extra-ordinary capital loss was reconciled to schedules of assets, depreciation, cost of removal and salvage. The methodology for computing the depreciation, cost of removal and salvage were reviewed. We also reviewed the extraordinary contractor costs by tracing the hours to supporting documentation and the rates to the contract.

Objective: To reconcile the amounts in Exhibit KWD-2 to KWD-3.

Procedures: We traced and referenced all numbers in the filing. We also traced them to all supporting documentation provided.

Docket No. 060644-TL Exhibit IHP-1 (Page 6 of 9) Audit Report

AUDIT FINDING NO. 1

DECLASSIFIED

SUBJECT: CARRYING COSTS

SUMMARY: Carrying costs would decrease by \$1,796,675 using the analyst's methodology and a correction in interest rates but the decrease is not material enough to change the cap rate.

STATEMENT OF FACT: The utility calculated carrying costs from July 2005 to January 2007 using its weighted average cost of capital and taxes on the equity portion. We were requested to compute the carrying cost using the 30-day commercial paper rate instead of the company methodology. The calculation can be found on the following page. The alternate methodology reduces the carrying costs from July 2005 to January 2007 by \$1,730,105.

In addition, the calculation of carrying costs from February 2007 did not use the average commercial interest rate for September 1, 2006. The interest rate change and the change in the beginning balance brought forward because of the changes made to July 2005 to January 2007, result in a decrease in carrying costs of \$66,570.

The total decrease in carrying costs is \$1,796,675. This decrease is not material enough to decrease the cap rate of 50 cents per access line.

EFFECT ON THE GENERAL LEDGER: There is no effect on the general ledger.

EFFECT ON THE FILING: Total costs would be reduced by \$1,796,675 but this decrease is not low enough to change the cap.

EMBARQ FLORIDA, INC. RECALCULATION EXTRAORDINARY STORM COST 2005 STORM SEASON

minimize 109/30 2004/30 200/30 200/30 <th< th=""><th>Actual Carrying Costs</th><th>Jul-05</th><th>Aug-05</th><th>Sep-05</th><th>Oct-05</th><th>Nov-05</th><th>Dec-05</th><th>Jan-06</th><th>Feb-06</th><th>Mar-06</th><th>Apr-06</th><th>May-06</th><th>Jun-06</th><th>Jul-06</th><th>Aug-06</th><th>Sep-06</th><th>Oct-06</th><th>Nov-06</th><th>Dec-06</th><th>Jan-07</th><th>Total</th></th<>	Actual Carrying Costs	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan- 07	Total
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2,704 2,684 2,651 2,624 2,598 2,579 2,555 2,533 2,519 2,506 2,493 2,490 1 Recovery (1,334,536) (1,324,911) (1,308,577) (1,295,368) (1,222,952) (1,230,352) (1,243,306) '(1,233,618) (1,202,760) (1,229,011) ding Batance 12,289,433 11,018,442 9,758,209 8,505,655 7,260,679 6,019,493 4,784,875 3,555,516 2,327,810 1,101,205 (124,723) (1,344,282) 'Company 13,542,360 12,316,645 11,061,749 9,814,592 8,575,073 7,339,404 6,110,363 4,286,642 3,666,433 2,443,787 1,223,678 - Rerence (1,292,927) (1,294,203) (1,303,540) (1,304,937) (1,314,394) (1,319,911) (1,225,488) (1,314,282) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) <td>mentage of Uncollectible</td> <td>1081066</td> <td>1.0810%</td> <td>1.0911044</td> <td>1.081084</td> <td>1.081094</td> <td>1081084</td> <td></td> <td>1.08104/</td> <td>1.00104/</td> <td>1.68.000</td> <td>1.071784</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	mentage of Uncollectible	1081066	1.0810%	1.0911044	1.081084	1.081094	1081084		1.08104/	1.00104/	1.68.000	1.071784									
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2,704 2,684 2,651 2,624 2,598 2,579 2,555 2,533 2,519 2,506 2,493 2,490 1 Recovery (1,334,536) (1,324,911) (1,308,577) (1,295,368) (1,222,952) (1,230,352) (1,243,306) '(1,233,618) (1,202,760) (1,229,011) ding Batance 12,289,433 11,018,442 9,758,209 8,505,655 7,260,679 6,019,493 4,784,875 3,555,516 2,327,810 1,101,205 (124,723) (1,344,282) 'Company 13,542,360 12,316,645 11,061,749 9,814,592 8,575,073 7,339,404 6,110,363 4,286,642 3,666,433 2,443,787 1,223,678 - Rerence (1,292,927) (1,294,203) (1,303,540) (1,304,937) (1,314,394) (1,319,911) (1,225,488) (1,314,282) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) (1,344,610) <td></td> <td>. 16.19</td> <td>14,000</td> <td>14.547</td> <td>14,105</td> <td>19,091</td> <td>13,340</td> <td>[3,609</td> <td>13,092</td> <td>13,613</td> <td>13,343</td> <td>13,477</td> <td>13,458</td> <td></td> <td></td> <td></td> <td></td> <td>1. 1. M.</td> <td>3.31</td> <td>i & '8</td> <td>C I</td>		. 16.19	14,000	14.547	14,105	19,091	13,340	[3,609	13,092	13,613	13,343	13,477	13,458					1. 1. M.	3.31	i & '8	C I
1 Recovery (1,334,536) (1,324,911) (1,208,577) (1,282,295) (1,273,042) (1,261,029) (1,233,306) *(1,236,188) (1,230,760) (1,229,011) ding Balance 13,289,433 11,018,442 9,758,209 8,505,655 7,260,679 6,019,493 4,784,875 3,555,516 2,327,810 1,101,205 (1,24,723) (1,354,282) rCompany 13,582,360 12,316,645 11,061,749 9,814,592 8,575,073 7,339,404 6,110,363 4,886,642 3,664,633 2,443,787 1,223,678 - Interve (1,292,927) (1,208,203) (1,303,540) (1,314,394) (1,319,911) (1,225,488) (1,336,623) (1,342,882) (1,344,401) (1,3454,282) rying Cost per Company 10,015,540 (1,314,394) (1,319,911) (1,225,488) (1,336,623) (1,342,582) (1,344,401) (1,3454,282)	londa Regulatory Fee	0,20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%						···· • • 3		I. A.
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13_542_360 12_316_645 11,061,749 9,814_592 8,575,073 7.339,404 6,10,363 2,463,787 1,223,678 - Renence (1,292,927) (1,298,203) (1,303,540) (1,314,394) (1,319,911) (1,325,488) (1,331,126) (1,342,582) (1,344,401) (1,354,282) mrying Cosi per Company	nding Bafance	12,289,433	11.018.442	9.758,209	8,505,655	7.260.679	6.019.491	4.784.875	1,644,614	2 337 810	1 161 204	(124 792)	(1 154 797)								
Reference (1,292,927) (1,298,203) (1,303,540) (1,314,394) (1,319,911) (1,325,488) (1,331,126) (1,336,823) (1,344,401) (1,354,282) rying Cost per Company 417,838	er Company				, .	. ,							(1,2 29,6 04)								
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Docket No. 060644-TL Exhibit IHP-1 (Page 8 of 9) Audit Report

Affidavit of Kent W. Dickerson Exhibit No. KWD - 2 Storm Costs & Extraordinary Recovery Page 1 of 1

Row Description Calculation Extraordinary Cost 8 Hurricane related cost: Cost Cost Cost 9 Hurricane related cost: \$ 32,250,961 Tr.287,467 11 Extraordinary Asset Restoral Costs 2,607,274 Startal Capital & Expense 2,910,263 14 Overheads Expense & Capital 7,287,467 2,003,986 2,800,790 15 Buildings, Generators, Fuel, Line Card Repair & Return 2,003,986 2,800,790 16 Total Hurricane related cost (Sum Rows 10 to 15) \$ 59,940,742 17 Exclusions: (Sum Rows 10 to 15) \$ 59,940,742 18 Wages associated w/ regular time and budget OT \$ 28,347,670 \$ 2,80,790 19 Contractor Expense Budget & Capitalized Contractor Costs 8,508,685 \$ 2,80,790 20 Capitalized Material Cost 2,880,790 \$ 42,666,661 25 Extraordinary Cost (Row 16 - Row 24) \$ 17,274,081 2,880,790 26 Extraordinary Cost (Row 28 * Row 29) \$ 14,852,165 \$ 17,274,081 2,880,581	A	В	С	D	ε
Row Description Calculation Cost Cost 8 Hurricane related cost: 9 Hurricane related cost: 9 S 32,250,961 10 Wages & Benefits \$ 32,250,961 17,287,467 12 Extraordinary Asset Restoral Costs 2,607,274 13 Material Capital & Expense 2,910,263 14 Overheads Expense & Capital 2,980,790 15 Buildings, Generators, Fuel, Line Card Repair & Return 2,003,986 16 Total Hurricane related cost (Sum Rows 10 to 15) \$ 59,940,742 17 Exclusions: 8,508,685 2 6,508,685 20 Capitalized Material Cost 1,584,276 2,880,790 21 Overheads Expense & Capital 2,880,790 2,880,790 23 Average Annual Storm Expense 598,240 \$ 17,274,081 24 Total Exclusions (Sum Rows 18 to 23) \$ 42,666,661 25 Subtotal (Row 26 + Row 27) \$ 19,954,663 26 Intrastate Factor 0,74429533 1,74274,	h			<u> </u>	
8 Hurricane related cost: \$ 32,250,961 11 External Contractors Expense & Capital 17,287,467 12 Extraordinary Asset Restoral Costs 2,607,274 13 Material Capital & Expense 2,910,263 14 Overheads Expense & Capital 2,880,790 15 Buildings, Generators, Fuel, Line Card Repair & Return 2,003,986 16 Total Hurricane related cost (Sum Rows 10 to 15) \$ 59,840,742 17 Exclusions: \$ 28,347,670 18 Wages associated W/ regular time and budget OT \$ 28,347,670 19 Contractor Expense Budget & Capital 2,880,790 10 Overheads Expense & Capital 2,880,790 11 Overheads Expense & Capital 2,880,790 12 Durkings, Generators, Fuel, Line Card Repair & Return Budget 747,000 13 Average Annual Storm Expense 598,240 14 Extraordinary Cost (Row 16 - Row 24) \$ 17,274,081 15 Intrastate Factor	Row	Description	Calculation	Cost	
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11 External Contractors Expense & Capital 17,287,467 12 Extraordinary Asset Restoral Costs 2,607,274 13 Material Capital & Expense & Capital 2,800,790 14 Overheads Expense & Capital 2,800,790 15 Buildings, Generators, Fuel, Line Card Repair & Return 2,003,986 16 Total Hurricone related cost (Sum Rows 10 to 15) \$ 59,940,742 17 Exclusions: \$ 28,347,670 \$ 28,347,670 18 Wages associated w/ regular time and budget OT \$ 28,347,670 \$ 59,940,742 17 Contractor Expense Budget & Capitalized Contractor Costs 8,508,685 20 Capitalized Material Cost 1,554,276 21 Overheads Expense & Capital 2,880,790 23 Average Annual Storm Expense 598,240 24 Total Exclusions (Sum Rows 18 to 23) \$ 17,274,081 27 Carrying Cost Before Recovery 2,680,581 2,680,581 28 Uncollectible (Row 26 * Row 29) \$ 14,852,166 29 Intrastate Subtotal (Row 35 * 0.04) \$ 16,270,004 23 Haverage Annual Storm Expenses	10	Wages & Benefits		\$ 32,250,961	
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15 Buildings, Generators, Fuel, Line Card Repair & Return Total Hurricane related cost (Sum Rows 10 to 15) 2,003,986 16 Total Hurricane related cost (Sum Rows 10 to 15) \$ 59,940,742 18 Wages associated w/ regular time and budget OT \$ 28,347,670 19 Contractor Expense Budget & Capitalized Contractor Costs 8,508,685 19 Coverheads Expense & Capital 2,880,790 21 Overheads Expense & Capital 2,880,790 22 Buildings, Generators, Fuel, Line Card Repair & Return Budget 747,000 24 Total Exclusions (Sum Rows 18 to 23) \$ 42,666,661 26 Extraordinary Cost (Row 16 - Row 24) \$ 17,274,081 28 Subtotal (Row 26 + Row 27) \$ 19,954,663 29 Intrastate Factor (Row 30 + Row 31) \$ 19,954,663 30 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 30 + Row 31) \$ 14,852,166 31 Interest During Recovery Period (Row 35 * 0.2%) 0.20% 30,936 34 Florida Regulatory Assessment Fee (Row 35 * Row 26) 0.20% 30,936 35 Average Total Access Linnes and	14	Overheads Expense & Capital			
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17 Exclusions: Wages associated w/ regular time and budget OT \$ 28,347,670 18 Wages associated w/ regular time and budget OT \$ 28,347,670 19 Contractor Expense Budget & Capitalized Contractor Costs 8,508,685 20 Capitalized Material Cost 1,584,276 21 Overheads Expense & Capital 2,880,790 22 Buildings, Generators, Fuel, Line Card Repair & Return Budget 747,000 23 Average Annual Storm Expense 598,240 24 Total Exclusions (Sum Rows 18 to 23) \$ 42,666,661 25 Extraordinary Cost (Row 16 - Row 24) \$ 17,274,081 26 Extraordinary Cost (Row 26 + Row 27) \$ 19,954,663 27 Intrastate Factor 0.744/29553 30 Intrastate Subtotal (Row 28 + Row 29) \$ 14,852,166 31 Interest During Recovery Period 5.23% 417,838 32 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 35 * 1.08*%) 1.081% 33 Uncollectible (Row 35 * 0.2%) 0.20% 30,936 34 Total Intrastate Extraordinary Cost (Sum Rows 32 6.	16	Total Hurricane related cost	(Sum Rows 10 to 15)		
19 Contractor Expense Budget & Capitalized Contractor Costs 8,508,685 20 Capitalized Material Cost 1,564,276 21 Overheads Expense & Capital 2,880,790 22 Buiklings, Generators, Fuel, Line Card Repair & Return Budget 747,000 23 Average Annual Storm Expense 598,240 24 Total Exclusions (Sum Rows 18 to 23) \$ 17,274,081 25 Subtotal (Row 16 - Row 24) \$ 17,274,081 26 Extraordinary Cost (Row 26 + Row 27) \$ 19,954,663 29 Intrastate Factor 0.74429553 0.74429553 20 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 35 * 1.081%) 1.081% 16,721 31 Uncollectible (Row 35 * 0.2%) 0.20% \$ 15,468,151 32 Total Intrastate Extraordinary Cost (Sum Rows 32 to 34) \$ 15,468,151 33 Uncollectible (Row 35 / Row 35) / 12) 0.20% \$ 0.936 34 Per Month Recovery Rate Per Line ((Row 35 / Row 35) / 12) \$ 0.50 34 Recovery limited to \$0.50 per line for 12 months per 384,051(4)(b) 5, Florida Statutes: \$ 0.50	17	Exclusions:			
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13 Less: Florida Regulatory Assessment Fee (Row 41 ° 0.2%) 14 Intrastate Net Recovery (Row 41 - Row 42 - Row 43)		ntrastate Billed Amount	(Row 36 * Row 40 * 12)		
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	43	÷ ,	(Row 41 * 0.2%)		
5 Unrecovered Intrastate Extraordinary Balance (Row 32 - Row 44)			(Row 41 - Row 42 - Row 4	3)	
	45 U	nrecovered Intrastate Extraordinary Balance	(Row 32 - Row 44)		

Docket No. 060644-TL Exhibit IHP-1 (Page 9 of 9) Audit Report

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Affidavit of Kent W. Dickerson Exhibit No. KWD - 3 Summary Extraordinary Storm Costs & Recovery Page 1 of 1

A B C D Row Description Calculation E 8 9 Extraordinary Hurricane Related Cost 0 District Storm Extraordinary Company Labor & Benefits \$ 10 District Storm Extraordinary Company Labor & Benefits \$ \$ 11 Extraordinary Contractor Expense over Budget \$ 12 Extraordinary Contractor Expense over Budget \$ 13 Asset Restoral Extraordinary Cost \$ 16 Extraord. Buildings, Generators, Fuel, Line Card Repair & Return \$ 19 Average Annual Storm Expense \$ 21 Extraordinary Cost \$ \$ 22 Extraordinary Cost \$ \$ 23 Carrying Cost Before Recovery \$ \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Subtotal \$ \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ \$ 28 Intrastate Subtotal \$ \$ \$ \$ 29 Uncollectible Gen Groveany Reto Per Jouring Recovery	E Extraordinary Cost 3,903,291 8,778,783
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16 Extraordinary Material Expense 17 Extraord. Buildings, Generators, Fuel, Line Card Repair & Return 19 Average Annual Storm Expense 20 Average Annual Storm Expense 21 Extraordinary Cost (Sum Rows 10 to 20) 23 Carrying Cost Before Recovery \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total Intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	2,607,274
17 Extraord. Buildings, Generators, Fuel, Line Card Repair & Return 19 Average Annual Storm Expense 20 Average Annual Storm Expense 21 Extraordinary Cost (Sum Rows 10 to 20) 22 Extraordinary Cost (Sum Rows 10 to 20) 23 Carrying Cost Before Recovery \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Interest During Recovery Period \$ \$ 28 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	1,325,987
18 Extraord. Buildings, Generators, Fuel, Line Card Repair & Return 19 20 Average Annual Storm Expense 21 22 Extraordinary Cost (Sum Rows 10 to 20) \$ 23 Carrying Cost Before Recovery \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Interest During Recovery Period \$ \$ 28 -Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	1,323,307
19 Average Annual Storm Expense 20 Average Annual Storm Expense 21 Extraordinary Cost (Sum Rows 10 to 20) 23 Carrying Cost Before Recovery \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Interest During Recovery Period \$ 28 -Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	1,256,986
20 Average Annual Storm Expense 21 Extraordinary Cost (Sum Rows 10 to 20) \$ 22 Extraordinary Cost Before Recovery \$ 23 Carrying Cost Before Recovery \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 28 -Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	1,200,000
21 22 Extraordinary Cost (Sum Rows 10 to 20) \$ 23 Carrying Cost Before Recovery \$ \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 28 -Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 31 * 1.081%) 1.081% 29 Uncollectible (Row 31 * 0.2%) 0.20% \$ 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% \$ 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	(598,240)
22 Extraordinary Cost (Sum Rows 10 to 20) \$ 23 Carrying Cost Before Recovery \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 28 -Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	(000,240)
23 Carrying Cost Before Recovery \$ 24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 28 -Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$ \$	17,274,081
24 Subtotal (Row 22 + Row 23) \$ 25 Intrastate Factor (Row 24 * Row 25) \$ 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Interest During Recovery Period 5.23% 28 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$	
25 Intrastate Factor 26 Intrastate Subtotal (Row 24 * Row 25) \$ 27 Interest During Recovery Period 5.23% 28 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$	19,954,663
27 Interest During Recovery Period 5.23% 28 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.061%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops \$	0.74429553
27 Interest During Recovery Period 5.23% 28 Intrastate Cost (before uncollectible and FL reg. assessment fee) (Row 26 + Row 27) \$ 29 Uncollectible (Row 31 * 1.081%) 1.081% 30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops 5	14,852,166
29Uncollectible(Row 31 * 1.081%)1.081%30Florida Reg. Fee(Row 31 * 0.2%)0.20%31Total intrastate Extraordinary Cost(Sum Rows 28 to 30)\$32Average Total Access Lines and UNE Loops(Sum Rows 28 to 30)\$	417,838
30 Florida Reg. Fee (Row 31 * 0.2%) 0.20% 31 Total intrastate Extraordinary Cost (Sum Rows 28 to 30) \$ 32 Average Total Access Lines and UNE Loops (Sum Rows 28 to 30) \$	15,270,004
31 Total Intrastate Extraordinary Cost (Sum Rows 28 to 30) 32 Average Total Access Lines and UNE Loops	167,211
32 Average Total Access Lines and UNE Loops	30,936
	15,468,151
33 Per Month Recovery Rate Per Line ((Row 31 / Row 32) / 12)	
34	
35 Recovery limited to \$0.50 per line for 12 months per 364.051(4)(b) 5. Florida Statutes:	
36 Capped Recovery Rate Per Month Per Line Per 364.051(4)(b) 5 \$	0.50
37 intrastate Billed Amount (Row 32 * Row 36 * 12)	
38 Less: Uncollectible (Row 37 • 1.081%)	
39 Less: Florida Regulatory Assessment Fee (Row 37 • 0.2%)	
40 Intrastate Net Recovery (Row 37 - Row 38 - Row 39)	
41 Unrecovered Intrastate Extraordinary Balance (Row 28 - Row 40)	