

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 20180061-EI

Filed: November 14, 2018

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel (“Citizens” or “OPC”), pursuant to the Order Establishing Procedure in this docket, Order PSC-2018-0404-PCO-EI issued August 14, 2018, submit this Prehearing Statement.

APPEARANCES:

Virginia Ponder
Associate Public Counsel

Charles J. Rehwinkel
Deputy Public Counsel

J.R. Kelly
Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
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On behalf of the Citizens of the State of Florida.

A. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issue Numbers</u>
<u>Direct</u>		
Helmuth W. Schultz, III		1-20

B. EXHIBITS:

<u>Witness</u>	<u>Proffered by</u>	<u>Exhibit No.</u>	<u>Description</u>
<u>Direct</u>			
Helmuth W. Schultz	OPC	Exhibit HWS-1	Qualifications of Helmuth W. Schultz
Helmuth W. Schultz	OPC	Exhibit HWS-2	Storm Restoration Costs Summary
Helmuth W. Schultz	OPC	Exhibit HWS-3	Florida Public Utilities Company's summary provided in response to Staff Interrogatory No. 2-6

C. STATEMENT OF BASIC POSITION

Florida Public Utilities Company's ("FPUC" or "Company") petition of February 28, 2018, seeks recovery of \$2,280,815 to pay for alleged costs resulting from certain storms and to restore the Company's storm reserve to \$1,500,000. On June 12, 2018, the Florida Public Service Commission ("PSC") completed an audit of FPUC's docket and identified two findings that totaled a reduction to the Company's request of \$117,500. On August 20, 2018, FPUC filed direct testimony agreeing with PSC's adjustments and reducing the amount of its request to \$2,163,230.

OPC has reviewed the pre-filed testimony and supporting documentation filed by FPUC to support its direct case. Based on this comprehensive review, OPC, through its expert

consultant, has determined that, based on the improper allocation of costs between expense and capital and grossly excessive contractor rates and standby and mobilization time, FPUC's storm restoration and reserve replenishment request should be reduced by at least \$1,475,189.

D. STATEMENT OF FACTUAL ISSUES AND POSITIONS

ISSUE 1: What is the appropriate baseline from which incremental costs are derived?

OPC: The minimum filing requirements filed by Florida Public Utilities Company in Docket No. 20140025-EI.

ISSUE 2: In undertaking storm-recovery activities, was the payroll expense Florida Public Utilities Company ("FPUC") has requested to include for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No. The amount that should be approved is no more than \$38,011.

ISSUE 3: Is the "extra compensation" included as part of the Inclement Weather Exempt Employee Compensation submitted for recovery by FPUC an allowable cost under Rule 25-6.0143, Florida Administrative Code?

OPC: No, the "extra compensation" is not allowable compensation under Rule 21-6.0143, Florida Administrative Code.

ISSUE 4: What is the proper capitalization rate for labor, benefits and overhead?

OPC: The proper capitalization rate should be the amount shown on Exhibit No. HWS-2, Schedule B, Page 2 of 2, of Helmuth Schultz' direct testimony.

ISSUE 5: In undertaking storm-recovery activities, were the benefit costs requested by FPUC for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No. The amount that should be approved is no more than \$9,863.

ISSUE 6: In undertaking storm-recovery activities, were the overhead costs requested by FPUC for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No. The amount that should be approved is no more than 54,920.

ISSUE 7: In connection with the restoration service associated with electric power outages affecting customers as a result of Hurricanes Matthew and Irma, were the contractor rates of up to \$509 per hour that FPUC paid for storm-recovery activities reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No. A reduction of contractor costs of at least \$185,039 for a grossly excessive hourly rate charged by Par Electrical Contractors should be made.

ISSUE 8: In connection with the restoration of service associated with electric power outages affecting customers as a result of Hurricanes Matthew and Irma, were the contractor costs associated with standby time, mobilization time, and demobilization time paid by FPUC for storm-recovery activities reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No. A reduction to contractor costs of at least \$353,795 for an excessive amount of standby time should be made.

ISSUE 9: In undertaking storm-recovery activities associated with Hurricanes Matthew and Irma, were the contractor costs FPUC has 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 related to recapitalization of contractor costs should be reduced by at least \$300,891. Additionally, FPUC's request for contractor costs should be reduced by \$170,019 for the reclassified costs from payroll benefits and overheads.

ISSUE 10: As a result of the evidence in this case, what action, if any, should the Florida Public Service Commission ("Commission") take, in the future, to ensure contractor rates charged to utilities are reasonable and prudent?

OPC: The Commission should take steps to compare the rates charged by Par Electrical Contractors and other vendors to other Irma-affected utilities and to consider

rulemaking to address issues of price gouging and profiteering that unfairly impact Florida customers and the utilities who serve them. Since Commission policy is generally required to be embodied in rules pursuant to Section 120.54(1), Florida Statutes, and the only time the Commission can adjudicate and consider problems is in the specific storm dockets, the Commission must use this opportunity to address amendments to its policy found generally in Rule 15-6.0143, Florida Administrative Code, as it did in the aftermath of the 2004-2005 storm dockets when it adopted the current rule.

ISSUE 11: In connection with the restoration of service associated with storm-related electric power outages affecting customers, were the line clearing costs FPUC included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No. A reduction of at least \$163,700 to FPUC's request for line clearing cost recovery should be made.

ISSUE 12: In connection with the restoration of service associated with storm-related electric power outages affecting customers, 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: The Citizens have not identified any issues related to vehicle and fuel costs, but the Commission should satisfy itself that FPUC has carried its burden to demonstrate that such costs were reasonable and prudent in the way they were incurred and in amount.

ISSUE 13: In connection with the restoration of service associated with storm-related electric power outages affecting customers, 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: No. A reduction of at least \$32,800 to FPUC's request for materials and supplies cost recovery should be made.

ISSUE 14: In connection with the restoration of service associated with storm-related electric power outages affecting customers, 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. More information is required from FPUC to determine what adjustments, if any, should be made. The Commission should satisfy itself that FPUC has carried its burden to demonstrate that such costs were reasonable and prudent in the way they were incurred and in amount.

ISSUE 15: In connection with the restoration of service associated with storm-related electric power outages affecting customers, were the costs identified by FPUC as “Normal Expenses Not Recovered in Base Rates” and included as “other operating expenses” reasonable and prudent, in incurrence and amount? If not, what amount should be made?

OPC: No. The request for \$67,548 should be disallowed.

ISSUE 16: What is the correct amount to be included in storm recovery to replenish the level of FPUC’s storm reserve?

OPC: No more than \$688,037 should be included in storm recovery to replenish the level of FPUC’s storm reserve.

ISSUE 18: Should the Commission approve Florida Public Utility Company’s proposed tariff and associated charge?

OPC: No, FPUC’s proposed tariffs should be recalculated in accordance with Witness Schultz’s recommended adjustments.

ISSUE 19: If applicable, how should any under-recovery or over-recovery be handled?

OPC: The over recovery should be handled as a one-time adjustment to customers’ bills or, in the alternative, a one-time adjustment to the fuel clause for the remainder of 2019.

ISSUE 20: Should the docket be closed?

OPC: No position.

E. STIPULATED ISSUES:

None.

F. PENDING MOTIONS:

None.

G. REQUESTS FOR CONFIDENTIALITY

Citizens have no pending requests for claims for confidentiality.

H. OBJECTIONS TO QUALIFICATIONS

None.

I. REQUIREMENTS OF ORDER

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 14th day of November, 2018.

Respectfully submitted,

JR Kelly
Public Counsel

/s/Virginia Ponder
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CERTIFICATE OF SERVICE
20180061-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished
by electronic mail on this 14th day of November, 2018, to the following:

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