

Writer's E-Mail Address: bkeating@gunster.com

July 1, 2020

VIA HAND DELIVERY

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

REDACTED

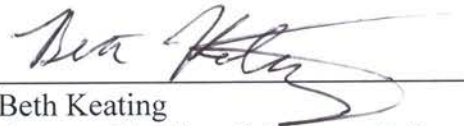
Re: Docket No. 20190156-EI - Petition for a limited proceeding to recover incremental storm restoration costs, capital costs, revenue reduction for permanently lost customers, and regulatory assets related to Hurricane Michael, by Florida Public Utilities Company.

Dear Mr. Teitzman:

Enclosed for electronic filing in the above-referenced dockets, please find the original and 7 copies of Notice of Intent to Request Confidential Classification of information contained in the Testimony and Exhibits of OPC's witness Helmuth Schultz, which is being submitted on behalf of Florida Public Utilities Company.

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

Sincerely,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

COM _____
AFD 6
APA _____
ECO _____
ENG _____
GCL 1 and 1 redacted
IDM _____
CLK _____

Enclosure

cc:/ Service List

RECEIVED-FPSC
2020 JUL -1 PM 4:00
COMMISSION
CLERK

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: July 1, 2020

**NOTICE OF INTENT OF FLORIDA PUBLIC UTILITIES COMPANY
TO REQUEST CONFIDENTIAL TREATMENT OF PORTIONS OF THE DIRECT
TESTIMONY AND EXHIBITS OF HELMUTH W. SCHULTZ**

NOTICE IS HEREBY GIVEN that Florida Public Utilities Company (“FPUC”), by and through its undersigned counsel, pursuant to Section 366.093, Florida Statutes, and consistent with Rule 25-22.006(3), Florida Administrative Code, hereby submits its Notice of Intent to Request Confidential Classification for information contained in the Testimony and Exhibits HSW-2 and HSW-5 of Helmuth Schultz on behalf of the Office of Public Counsel.¹

The confidential documents contain information relating to specific confidential contractual terms and rates. FPUC and the companies with whom it contracted treat the identified information as highly confidential, the disclosure of which would harm FPUC’s

¹ Original filed June 26, 2020, and corrected type & strike pages filed June 30. FPUC asks that the information in both versions of the document be afforded confidential classification.

Dockets No. 20190155, 20190156-EI, and Docket No. 20190174-EI

competitive business interests. As such, the information in question meets the definition of “proprietary confidential business information” as set forth in Section 366.093, Florida Statutes.

Release of the referenced information as a public record would harm FPUC’s business operations and ratepayers by impairing the Company’s ability to effectively negotiate for goods and services. As such, FPUC requests that the Commission protect this information pending the filing by FPUC of a Request for Confidential Classification consistent with Rule 25-22.006, Florida Administrative Code. Attached to this request are one highlighted and two redacted copies of the documents containing the subject confidential information.

RESPECTFULLY SUBMITTED this 1st day of July, 2020.



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 618
Tallahassee, FL 32301
(850) 521-1706

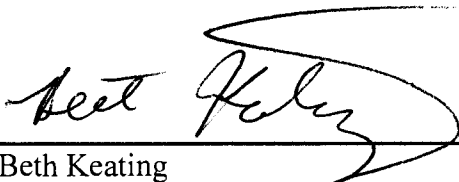
Attorneys for FPUC

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of foregoing (redacted attachments only) in Docket Nos. 20190155-EI, 20190156-EI, and 20190174-EI has been furnished by Electronic Mail (redacted only) to the following parties of record this 1st day of July, 2020:

<p>Florida Public Utilities Company Mike Cassel 208 Wildlight Ave. Yulee, FL 32097 mcassel@fpuc.com</p>	<p>Ashley Weisenfeld Rachael Dziechciarz Bianca Lherisson Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 awaisenf@psc.state.fl.us rdziehc@psc.state.fl.us blheriss@psc.state.fl.us</p>
	<p>Office of Public Counsel* J.R. Kelly/Patricia Christensen/Mireille Fall-Fry c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Kelly.jr@leg.state.fl.us christensen.patty@leg.state.fl.us fall-fry.mireille@leg.state.fl.us</p>

By: _____


Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

*Hand delivery

1 time prior to the storm, until after the storm passes, yet the utilities either determined
2 the crews were not needed or an assignment of work is not made until a day or more
3 after impact. In this case, I have only identified issues with travel time for mobilization
4 and demobilization. However, since no standby time was charged, there were no
5 adjustments to make in this case, although I do have concerns which I address later in
6 this testimony.

7 **Q. IS THERE A CONCERN WITH THE HOURLY RATES CHARGED TO FPUC**
8 **DURING THE RESTORATION PROCESS?**

9 A. Yes, there is one concern identified. In reviewing hourly rates, it is generally assumed
10 that the average rate charged will be higher for external contractors when compared to
11 other electric utilities providing restoration assistance. This is because utilities
12 generally limit their charges to actual costs whereas contractors are recovering cost plus
13 a profit margin. It is my understanding, this is a requirement by South East Exchange
14 (SEE) and this is typically what I have seen in reviewing storm costs recovery filings
15 for other utilities. In its response to Citizens' Interrogatory No. 1-12, FPUC identified
16 FPL FPUC as having an overall cost per hour of [REDACTED] the
17 next highest charge being ARC American, Inc., at an average hourly r [REDACTED]
18 With the exception of one other contractor, the average hourly rate ranged from \$122
19 to \$146. This range of costs for the other contractors is considered reasonable.
20 However, in reviewing the detail provided the average hourly rate for FPL FPUC was
21 understated. In its response to Citizens' Production of Documents No. 4, FPUC's
22 documents indicated a different billing amount for labor, benefits, vehicle costs and
23 overheads that increases the [REDACTED] hourly rate charged by FPL FPUC significantly.

1 The total bill was [REDACTED]. After eliminating [REDACTED] for administrative and
2 general cost, which includes subsistence, the cost is \$ [REDACTED] which calculates to
3 an average hourly rate of [REDACTED]. Review of the detail provided
4 by FPUC suggests that FPUC FPL's loaded pay rate and added costs are much higher
5 when compared to the rate charged by external contractors (general highest rates) and
6 the IOU rates (using SEE requirements to implement cost-only billing amongst
7 utilities) and calls into question the reasonableness of FPUC FPL's rates charged in this
8 docket.

9 **Q. DID YOU INQUIRE AS TO WHY FPUC FPL'S COSTS WERE SO HIGH?**

10 A. Yes. Based on the comparison of rates, a follow up request was made. FPUC's
11 response to Citizens' Interrogatory No. 52 stated that FPUC FPL's per hour cost is
12 higher because FPUC FPL provided restoration support that was fully self-contained
13 including its own support staff, lodging, facilities and meals.

14 **Q. DOES THE EXPLANATION PROVIDE JUSTIFICATION FOR THE HIGHER**
15 **CHARGES FROM FPUC FPL?**

16 A. No, it does not. On the surface, it may seem to be a logical explanation. However,
17 when you factor in all the other costs associated with the contractor costs summarized
18 in FPUC's response to Citizens' Interrogatory No. 1-12, FPUC FPL's average hourly
19 rate is still extremely high in comparison. I made a calculation on Exhibit HWS-5 that
20 begins with the total cost and hours provided by the Company in the response and then
21 deducted the FPUC FPL cost and hours charged by FPUC FPL. The net result was an
22 average cost of [REDACTED] per hour for other contractors. I then added the extra costs
23 associated with housing, meals, fuel, equipment rental and other costs incurred. After

1 adding \$4,103,592 of costs, the average hourly rate for the external contractors is [REDACTED]
2 When you compare this to FPUC FPL's billing of [REDACTED] for [REDACTED] hours (which
3 results in an average cost of [REDACTED] per hour), this shows an hourly rate being charged
4 that is much higher than that charged by external contractors. For comparison
5 purposes, the overall cost billed by Tampa Electric Company ("TECO") was [REDACTED]
6 for [REDACTED] hours of labor. That results in an average hourly rate of [REDACTED]. Thus, FPUC
7 FPL's rate appears excessive and not justified under the circumstances.

8 **Q. ARE YOU MAKING ANY RECOMMENDATION WITH RESPECT TO THE**
9 **COST CHARGED BY FPUC FPL?**

10 A. Yes. As shown on Exhibit HWS-5, there is a calculated excess billing by FPUC FPL
11 of \$ [REDACTED]. Absent any justification for the significant billing difference, I am
12 recommending that [REDACTED] or 50% of the excess be excluded from FPUC's request.
13 An argument presented by FPUC in Docket No. 20180061-EI when it paid PAR
14 Electric an excessive rate was that external contractors have to be paid whatever they
15 charge due to the circumstances. This argument does not apply to a neighboring
16 electric utility that is subject to the SEE cost recovery protocol.

17 **Q. ARE THERE ANY CONCERNS WITH THE CAPITALIZATION OF**
18 **CONTRACTOR COSTS?**

19 A. No. Based on the Company's response to Citizens' Interrogatory No. 1-16, the major
20 costs capitalized were for pole replacement, conductor and services. Since there were
21 concerns with the capitalization process in Docket No. 20180061-EI, FPUC was
22 requested to explain whether a formula was utilized to determine the amount
23 capitalized and, if so, to provide an explanation of the process and a detailed calculation

1 rate for labor. In many cases, but not all, this approach was conservative since FPUC's
2 documentation may have indicated travel on certain dates, yet when the travel exceeded
3 one day, I prorated the hours on the second day of travel because I did not believe the
4 travel could be as high as the documents suggested. As I discussed above, each of the
5 three examples had excessive travel time. Based on that analysis, the excess appears
6 to be in the 40-50% range. While I am confident that excessive time was allowed for
7 travel, the ability to calculate an exact amount is not possible since the information for
8 mobilization/demobilization was not sufficiently tracked. My recommended reduction
9 of 25% instead of 40%-50% allows for stopping for fuel and resting. Thus, my
10 recommended reduction of 25% is a conservative estimate for the
11 mobilization/demobilization costs that should be disallowed.

12 **Q. WHAT ARE YOU RECOMMENDING FOR AN OVERALL ADJUSTMENT**
13 **TO THE LINE CONTRACTOR COSTS INCLUDING**
14 **MOBILIZATION/DEMobilIZATION?**

15 A. As shown on Exhibit No. HWS-2, Schedule E, Page 1 of 4, I am recommending the
16 line contractor costs charged to restoration be reduced by \$5,062,011 (from
17 \$31,480,762 to \$26,418,750). This includes an adjustment of [REDACTED] for the
18 excessive costs related to the FPUC FPL charges and \$273,768 for excessive charges
19 for mobilization/demobilization.

20 **ii. Line Clearing Costs**

21 **Q. WHAT IS FPUC REQUESTING FOR LINE CLEARING?**
22 A. FPUC reported \$4,051,976 of line clearing costs in its response to Citizens'
23 Interrogatory No. 1-2. FPUC allocated \$1,269,449 to plant and \$643,659 to cost of

1 time the petition for cost recovery is filed. I believe this is a better model for Florida
2 to implement and will improve the overall process. Another important element for the
3 Commission to consider is to require a utility to submit documentation demonstrating
4 it has reviewed all contractor costs. While there were a number of issues with missing
5 or omitted information in this proceeding, documenting that the utility has reviewed its
6 contractor costs will provide, a higher level of assurance with respect to the reliability
7 of the costs and amounts being requested.

8 **Q. BASED ON YOUR TESTIMONY, PLEASE SUMMARIZE YOUR**
9 **RECOMMENDED ADJUSTMENTS?**

10 A. My recommended adjustments are as follows:

- 11 • A reduction of \$120,800 to FPUC's request for payroll cost recovery for prohibited
12 bonus payments;
- 13 • A reduction of \$24,703 to FPUC's request for benefit/overhead cost recovery that
14 included prohibited bonus payments;
- 15 • A reduction to contractor costs of [REDACTED] excessive hourly charge by FPL
16 FPUC;
- 17 • A reduction of \$273,768 to FPUC's request related to excessive
18 mobilization/demobilization costs associated with line contractor costs;
- 19 • A reduction of \$166,469 to FPUC's request for unsupported other contractor costs;
- 20 • A reduction of \$316,884 to FPUC's request for unsupported logistic costs;
- 21 • A reduction of \$885,855 to rate base and reduction of \$196,857 of associated
22 amortization expense for the unsupported and prohibited recovery of lost revenues from
23 expenses not recovered which is in fact a request for lost revenues;

Line No.	Description	Overhead Line Contractors	Line Clearing Contractors	Other Contractors	Total
	<u>Contractors</u>				
1	Overhead Line Contractors	52,723,318			52,723,318
2	Line Clearing Contractors		4,051,976		4,051,976
3	Other Contractors			371,875	371,875
4					0
5	Co. Revised Contractor Costs	52,723,318	4,051,976	371,875	57,147,169
6	Less: Non-Incremental Costs	0	0	0	0
7	Less : Capitalized Costs	(21,242,556)	(1,913,108)	(7,425)	(23,163,089)
8				0	0
9			0	0	0
10	Co. Requested for Contractors	31,480,762	2,138,868	364,450	33,984,080
11	Company Total Cost	52,723,318	4,051,976	371,875	57,147,169
12	Less : Capitalized Costs Per Co.	(21,242,556)	(1,913,108)	(7,425)	(23,163,089)
16	Less: Excessive Mob/Demob.	(273,768)	0	0	(273,768)
17	Less: Unsupported Costs			(166,469)	(166,469)
18	OPC Recommended Amount	<u>26,418,751</u>	<u>2,138,868</u>	<u>197,982</u>	<u>28,755,600</u>
19	OPC Recommended Adjustment	<u>(5,062,011)</u>	<u>0</u>	<u>(166,469)</u>	<u>(5,228,480)</u>

Source: Lines 1-3 are from Company 2nd Revision in response to OPC Interrogatory No. 2.
 Line 5 total amount is from Company Revised Exhibit MDN-4.

Florida Public Utilities Company

Storm Restoration Costs

Docket No. 20190156-EI
 Docket No. 20190155-EI
 Docket No. 20190174-EI
 Overhead Line Contractor Billing Summary
 Exhibit HWS-2
 Schedule E
 Page 2b of 4

Line No.	Invoice Reference	Vendor	Hours	Avg. Rate	Labor/ Fringe	Corp. A&G	Materials	Equip.	Exp. / Misc.	Total	2nd Revision OPC IR 2	Date	Crew/Info	MOB/ DEMOB	Standby
114	TLHSTORM1130	MASTEC NORTH AMERICA INC		85	62,273			28,382		90,655	90,655	11/4-11/16		No Ind	
115	TLHSTORM1031	MASTEC NORTH AMERICA INC	6,068	95	577,924			237,701	4,200	819,825	819,825	10/11-10/28		52,387	10or12
116	14-24561	MDR	375	58	21,642			14,129		35,771	35,771	6/3-6/6	Chambley		
117	14-24595	MDR	433	62	26,835			14,263		41,098	41,098	6/12-6/16	Chambley		
118	25-23086									0	6				
119	25-23086									0	32				
120	25-23086										511				
121	25-23086										4,660				
122	25-23086										4,660				
123	25-23086										9,320				
124	25-23086										27,961				
125	25-23086	MDR CONSTRUCTION INC	400	80	32,188			61,014	550	93,752	46,601	10/15-10/21	Chisolm		
126	25-23066	MDR CONSTRUCTION INC								0	29				
127	25-23066	MDR CONSTRUCTION INC									405				
128	25-23066	MDR CONSTRUCTION INC									405				
129	25-23066	MDR CONSTRUCTION INC									810				
130	25-23066	MDR CONSTRUCTION INC									2,430				
131	25-23066	MDR CONSTRUCTION INC									4,050				
132	25-23067	MDR CONSTRUCTION INC								0	33				
133	25-23067	MDR CONSTRUCTION INC								0	44				
134	25-23067	MDR CONSTRUCTION INC									523				
135	25-23067	MDR CONSTRUCTION INC									523				
136	25-23067	MDR CONSTRUCTION INC									1,045				
137	25-23067	MDR CONSTRUCTION INC									3,136				
138	25-23067	MDR CONSTRUCTION INC									5,226				
139	25-23068	MDR CONSTRUCTION INC									443				
140	25-23068	MDR CONSTRUCTION INC									443				
141	25-23068	MDR CONSTRUCTION INC									887				
142	25-23068	MDR CONSTRUCTION INC									2,660				
143	25-23068	MDR CONSTRUCTION INC									4,434				
144	25-23069	MDR CONSTRUCTION INC									2,130				
145	25-23069	MDR CONSTRUCTION INC									3,549				
146	25-23069	MDR CONSTRUCTION INC									355				
147	25-23069	MDR CONSTRUCTION INC									355				
148	25-23069	MDR CONSTRUCTION INC									710				
149	25-23070	MDR CONSTRUCTION INC									356				
150	25-23070	MDR CONSTRUCTION INC									356				
151	25-23070	MDR CONSTRUCTION INC									711				

Florida Public Utilities Company

Docket No. 20190156-EI
Docket No. 20190155-EI
Docket No. 20190174-EI
Overhead Line Contractor Billing Summary
Exhibit HWS-2
Schedule E
Page 28 of 4

Florida Public Utilities Company

Storm Restoration Costs

Docket No. 20190156-EI
Docket No. 20190155-EI
Docket No. 20190174-EI
Overhead Line Contractor Billing Summary
Exhibit HWS-2
Schedule E
Page 2g of 4

Florida Public Utilities Company

Storm Restoration Costs

Docket No. 20190156-EI
Docket No. 20190155-EI
Docket No. 20190174-EI
Overhead Line Contractor Billing Summary
Exhibit HWS-2
Schedule E
Page 2g of 4

Florida Public Utilities Company

Storm Restoration Costs

Docket No. 20190156-EI
Docket No. 20190155-EI
Docket No. 20190174-EI
Overhead Line Contractor Billing Summary
Exhibit HWS-2
Schedule E
Page 2g of 4

Florida Public Utilities Company

Storm Restoration Costs

Docket No. 20190156-EI
Docket No. 20190155-EI
Docket No. 20190174-EI
Overhead Line Contractor Billing Summary
Exhibit HW5-2
Schedule E
Page 21 of 4

Florida Public Utilities Company

Storm Restoration Costs

Docket No. 20190156-EI
Docket No. 20190155-EI
Docket No. 20190174-EI
Overhead Line Contractor Billing Summary
Exhibit HWS-2

Florida Public Utilities Company
 Limited Proceeding Electric

Docket No. 20190156-EI
 Docket No. 20190155-EI
 Docket No. 20190174-EI
 Hourly Cost Comparison
 Exhibit HWS-5

Line No.	Description	Cost	Hours	Average Rate
1	Average Cost Per Hour of All Vendors	46,223,973	328,608	141
2	FPL Cost and Hours in Response	[REDACTED]	[REDACTED]	[REDACTED]
3	Adjusted Total	[REDACTED]	[REDACTED]	[REDACTED]
4	Employee Expenses	77,555		
5	Logistics	1,754,780		
6	Fuel	1,475,235		
7	Equipment Rental	232,334		
8	Call Center Costs	26,516		
9	Other	165,297		
10	Other Contractor Costs	371,875		
11	Loaded Cost for Contractors	37,013,073	255,389	145
12	FPL Billing	[REDACTED]	[REDACTED]	[REDACTED]
13		[REDACTED]	[REDACTED]	[REDACTED]
14	Billing Rate Difference	[REDACTED]	[REDACTED]	[REDACTED]
15		[REDACTED]	[REDACTED]	[REDACTED]
16	Proposed Adjustment	(4,788,243)		
17		[REDACTED]	[REDACTED]	[REDACTED]
18	Billing	[REDACTED]	[REDACTED]	[REDACTED]
19	Materials	4,813,193		
20	FPL Materials and Other Costs	[REDACTED]	[REDACTED]	[REDACTED]
21	FPUC Payroll and Payroll Costs	[REDACTED]	[REDACTED]	[REDACTED]
22	Other Tree Costs Not In Response	598,929		Cost would lower average
23	Other Line Costs Not In Response	[REDACTED]	[REDACTED]	Cost would lower average
24	Uncollectible Expense	120,321		
25	Enco in Citizens' IR No. 1-12	(33,289)		
26		67,329,957		
27	Storm Restoration Costs Per Co.	67,329,958		
28	Difference	(1)		