

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael and approval of second implementation stipulation, by Duke Energy Florida, LLC.

DOCKET NO. 20190110-EI

FILED: August 20, 2020

PRE-HEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, (“OPC”), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2020-0039-PCO-EI, filed January 30, 2020, as subsequently modified by Order Nos. PSC-2020-0138-PCO-EI and PSC-2020-0226-PCO-EI, issued on May 11, 2020, and July 1, 2020, file this Prehearing Statement.

APPEARANCES:

J.R. Kelly
Public Counsel

Charles J. Rehwinkel
Deputy 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

1. WITNESSES:

OPC's Witness	Subject Matter	Issue #
Helmuth W. Schultz III	Proper amount of storm restoration costs to be recovered under the Storm Cost Recovery Mechanism and Rule 25-6.0143, F.A.C.	1 - 9

2. ALL KNOWN EXHIBITS:

<u>Exhibit</u>	<u>Title</u>
HWS-1	Qualifications of Helmuth W. Schultz
HWS-2	Duke Filing Schedules
HWS-3	Storm Study 1
HWS-4	Storm Study 2

3. STATEMENT OF BASIC POSITION

The OPC's position is that the costs that DEF is seeking to recover from its customers are overstated in two general respects. As demonstrated in the testimony of Helmuth W. Schultz III, DEF did not properly account for \$34,445,227 (System) of costs that were incorrectly reclassified to storm restoration costs. Additionally, on an aggregate basis, DEF has included \$22,637,773 (System) in costs that are overstated and should be adjusted as follows (numbers are System):

- A reduction (and refund) of \$4,000 to Duke's request for payroll for cost identified as non-incremental;
- A reduction (and refund) of \$450,000 to Duke's request for labor burden/incentives cost recovery being reclassified as capitalized dollars;
- An increase (or refund offset) of \$715,000 for overhead cost recovery because the filing reflects more costs capitalized than existed;
- A reduction to contractor costs (and refund) of \$1,929,118 for duplicated costs and Carolina costs improperly charged to storm restoration;
- A reduction to line contractor costs (and refund) of \$6,105,055 for an excessive amount of mobilization/demobilization time;

- A reduction of \$2,588,535 (\$2,566,339 + \$22,196) to Duke’s request related to capitalization of distribution line contractor costs;
- A reduction (and refund) of \$430,524 to Duke’s request for line clearing cost recovery; A reduction (and refund) of \$6,559,641 to Duke’s request for unsupported distribution logistics and other contractor costs;
- A reduction of \$65,387 to Duke’s request for transmission line contractor costs that were duplicated; and
- A reduction of \$4,220,533 to Duke’s request for unsupported transmission logistics and other contractor costs.

The total of cost overstatement in the amount of \$56,083,000 (System) (\$44,675,000 (Retail)) should be refunded by reducing the period of collection at the rate of \$12.9 million monthly by 3.5 months.

4. OPC POSITIONS ON THE ISSUES

ISSUE 1: In undertaking storm-recovery activities, was the payroll expense Duke Energy Florida (“DEF”) has requested to include for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: DEF overstated costs by including a minor amount of \$4,000 (System) of non-incremental payroll in the costs. This should be adjusted if adherence to the 2019 storm stipulation is applied consistently. If it is not applied consistently, then the adjustment for non-incremental payroll should be \$5,716,000 (System), based on application of rule 25-6.0143, F.A.C.

ISSUE 2: In undertaking storm-recovery activities, were the benefit costs requested by DEF for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: A reduction (and refund) of \$450,000 (System) to Duke's request is required for labor burden/incentives cost recovery that should be reclassified as capitalized dollars.

ISSUE 3: In undertaking storm-recovery activities, were the overhead costs requested by DEF for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: An increase (or refund offset) of \$715,000 (System) for overhead cost recovery should be made because the filing reflects more costs capitalized than were available for capitalization.

ISSUE 4: In undertaking storm-recovery activities, were the contractor costs DEF has included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: No. As explained in the testimony of Mr. Schultz, the expenses claimed for storm restoration costs are overstated by at least \$22,637,773 (System), not including \$34,445,227 (System) of costs that are recoverable, but which should be capitalized. As Mr. Schultz demonstrates, for various reasons, the costs that DEF incurred for contractors for line clearing, line crews, logistics and other services were excessive or unsubstantiated and require a reduction to the requested storm restoration costs of \$22,637,773 (System).

ISSUE 5: In connection with the restoration of service associated with storm-related electric power outages affecting customers, were the vehicle and fuel costs DEF included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: The OPC did not identify any errors in DEF's treatment of vehicle and fuel expense in its request for storm restoration cost recovery

ISSUE 6: In connection with restoration of service associated with storm-related electric power outages affecting customers, were the material and supply costs DEF included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: Apart from the issues related to the proper treatment of the \$34,445,227 (System) of transmission and road construction costs, the OPC did not identify any errors in DEF's treatment of material and supply costs in its request for storm restoration cost recovery.

ISSUE 7: Were the uncollectible account expenses DEF included for storm recovery reasonable and prudent, in incurrence and amount? If not, what amount should be approved?

OPC: The OPC did not identify any errors in DEF's treatment of uncollectible expense in its request for storm restoration cost recovery

ISSUE 8: Was the methodology DEF utilized to capitalize costs reasonable and prudent, and was the amount of costs DEF capitalized reasonable and prudent, and consistent with Rule 25-6.0143, F.A.C.?

OPC: No position at this time.

ISSUE 9: What is the correct amount to be included in storm recovery to replenish the level of DEF's storm reserve?

OPC: \$132 million.

ISSUE 10: What is the total amount of storm-related costs and storm reserve replenishment DEF is entitled to recover?

OPC: DEF should be permitted to recover no more than \$151,161,000 (System) (\$146,670,000 (Retail)) for storm restoration and storm reserve replenishment costs.

ISSUE 11: If applicable, how should any under-recovery or over-recovery be handled?

OPC: The retail difference between the amount collected and the amount justified (\$44,675,000) should be returned to customers by shortening the collection period by 3.5 months or \$44,675,000/\$12.9 million).

ISSUE 12: Should the docket be closed?

OPC: No position.

5. **STIPULATED ISSUES:**

None at this time.

6. **PENDING MOTIONS:**

The OPC has joined with DEF in a motion filed on August 20, 2020 to abate the prehearing, hearing and post hearing process.

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

None.

8. **OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:**

None.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

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

Dated this 20th day of August, 2020.

JR Kelly
Public Counsel

/s/ Charles J Rehwinkel
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CERTIFICATE OF SERVICE
Docket No. 20190110-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail on this 20th day of August, 2020, to the following:

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