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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

FILED 12/20/2018
DOCUMENT NO. 07599-2018
FPSC - COMMISSION CLERK

In the Matter of:

DOCKET NO. 20180061-EI

PETITION FOR LIMITED
PROCEEDING TO RECOVER
INCREMENTAL STORM
RESTORATION COSTS, BY
FLORIDA PUBLIC UTILITIES
COMPANY.

_____ /

VOLUME 2
PAGES 150 through 271

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COMMISSIONERS	
PARTICIPATING:	CHAIRMAN ART GRAHAM
	COMMISSIONER JULIE I. BROWN
	COMMISSIONER DONALD J. POLMANN
	COMMISSIONER GARY F. CLARK
	COMMISSIONER ANDREW G. FAY
DATE:	Tuesday, December 11, 2018
TIME:	Commenced: 3:00 p.m.
	Concluded: 6:54 p.m.
PLACE:	Betty Easley Conference Center
	Room 148
	4075 Esplanade Way
	Tallahassee, Florida
REPORTED BY:	ANDREA KOMARIDIS
	Court Reporter
APPEARANCES:	(As heretofore noted.)

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1 P R O C E E D I N G S

2 (Transcript follows in sequence from
3 Volume 1.)

4 CHAIRMAN GRAHAM: Ms. Keating.

5 MS. KEATING: Yes, sir.

6 CHAIRMAN GRAHAM: Your --

7 MS. KEATING: You ready?

8 CHAIRMAN GRAHAM: Your rebuttal witness?

9 MS. KEATING: Yes, sir. FPUC would like to
10 call Mr. Mike Cassel back to the stand.

11 CHAIRMAN GRAHAM: Thank you.

12 MS. KEATING: You ready?

13 THE WITNESS: Yes, thanks for waiting.

14 EXAMINATION

15 BY MS. KEATING:

16 Q Thank you.

17 Mr. Cassel, if you would, please go ahead and
18 just state your name for the record again.

19 A I'm Michael Cassel.

20 Q And are you the same Michael Cassel that
21 testified in this proceeding, oh, about an hour and a
22 half ago?

23 A Yes, I am.

24 Q And are you aware that you are still under
25 oath?

1 A Yes, I am.

2 Q And did you cause to be prepared and filed in
3 this proceeding rebuttal testimony consisting of 17
4 pages on November 7th?

5 A Yes, I did.

6 Q And did you have any changes or corrections to
7 that rebuttal testimony?

8 A Yes, I have some changes.

9 MS. KEATING: Mr. Chairman, we have, as you
10 are aware, an errata sheet --

11 CHAIRMAN GRAHAM: Yes, we have it and labeled
12 it Exhibit 25.

13 MS. KEATING: -- reflecting the changes. Yes,
14 sir.

15 BY MS. KEATING:

16 Q Mr. Cassel, could you please just real quickly
17 run through what those changes are.

18 A Yes. On my rebuttal test-- testimony,
19 Page 16, Line 11, originally was \$1,999,523; it's
20 revised to one million \$99 -- thousand dollars and \$405.

21 Line 16 -- or excuse me -- Page 16, Line 6
22 originally read \$163,700; it, now, reads \$163,707.

23 Page 16, also Line 11, originally read
24 \$163,700; now reads \$163,707.

25 Q Mr. Cassel, with those changes, if I asked you

1 the questions that you responded to in your rebuttal,
2 would you still have the same answers?

3 A Yes, I would.

4 MS. KEATING: Mr. Chairman, we'd ask that
5 Mr. Cassel's rebuttal testimony be inserted into
6 the record as though read.

7 CHAIRMAN GRAHAM: We'll insert Mr. Cassel's
8 rebuttal sheet with the errata into the record as
9 though read.

10 (Whereupon, Exhibit No. 25 was admitted into
11 the record.)

12 MS. KEATING: Thank you.

13 (Whereupon, Witness Cassel's prefiled rebuttal
14 testimony was inserted into the record as though
15 read.)

16

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1 Before the Florida Public Service Commission

2 Docket No. 20180061-EI

3 In re: Petition for a limited proceeding to recover incremental storm restoration
4 costs by Florida Public Utilities Company

5
6 Prepared Rebuttal Testimony of Michael Cassel

7 Date of Filing: 11/7/2018

8

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

10 A. My name is Michael Cassel. My business address is 1750 South 14th
11 Street, Suite 200, Fernandina Beach, FL 32034.

12

13 **Q. Have you previously filed direct testimony in this case?**

14 A. Yes, I have.

15

16 **Q. Have you read the testimony of Helmuth Schultz III on behalf of the
17 Citizens of the State of Florida?**

18 A. Yes, I have.

19

20 **Q. Do you agree with any of Mr. Schultz's recommendations?**

21 A. Yes. While I disagree with most of Mr. Schultz's recommendations, I
22 agree with his recommendation to reduce line clearing costs by \$21,720
23 for Hurricane Matthew and \$141,987 for Hurricane Irma.

24

1 **Q. Do you see any overarching problems with Mr. Schultz's**
2 **recommendations?**

3 A. Yes. Mr. Schultz does not appear sufficiently familiar with utility
4 hurricane preparation and response. Consequently, some of his
5 recommendations ignore the real-world difficulties faced by utilities
6 attempting to restore power to customers who urgently need it. Frankly,
7 his recommendations ignore our obligation to serve our customers.

8

9 **Q. Please summarize the areas of your disagreement with Mr. Schultz.**

10 A. I do not agree that FPUC's request should be:

- 11 • Reduced as it relates to payroll cost recovery by \$154,478 with \$114,739
12 in capitalized dollars reclassified as an offset to contractor costs;
- 13 • Reduced as it relates to benefit cost recovery by \$28,561 with \$41,299 in
14 capitalized dollars reclassified as an offset to contractor costs;
- 15 • Reduced as it relates to overhead cost recovery by \$18,298 \$13,981 in
16 capitalized dollars reclassified as an offset to contractor costs;
- 17 • Reduced as it relates to contractor costs by at least \$185,039 to adjust
18 for a storm contractor's hourly rate;
- 19 • Reduced as it relates to contractor costs by an additional \$353,795 to
20 adjust for standby time that Mr. Schultz considers "excessive";
- 21 • Reduced by another \$300,891 to address recapitalization of contractor
22 costs with an additional reduction to the Company's contractor costs by
23 of \$170,019 for the reclassified costs from payroll, benefits and
24 overheads; and

- 1 • Reduced by \$32,800 to address Mr. Schultz's concerns as it relates to
2 costs for materials and supplies. ;

3 **Q. How is your rebuttal testimony organized?**

- 4 A. Each of the areas (such as payroll, contractor costs, etc.) identified in Mr.
5 Schultz's testimony are addressed in the same order below.

6

7 **Payroll**

8 **Q. Please explain how FPUC's request for \$192,490 in payroll costs is**
9 **consistent with Rule 25-6.0143(1)(d), F.A.C., that allows FPUC to**
10 **recover for costs that "normally would be charged to non-cost**
11 **recovery clause operating expenses [i.e., base rates] in the absence**
12 **of a storm"?**

- 13 A. FPUC's request for \$192,490 includes incremental costs related to
14 overtime, as well as the cost of non-electric employees from other
15 divisions, both of which were expended due to the hurricanes. Therefore,
16 our request is both consistent with and permissible pursuant to Rule 25-
17 6.0143(1)(d), F.A.C.

18

19 **Q. Mr. Schultz treats FPUC's payroll costs in base rates as \$4,862,387**
20 **relying on the MFRs from FPUC's last full rate case. Do you agree**
21 **that this amount is the best available information for determining**
22 **the payroll costs recoverable under Rule 6.0143(1)(d), F.A.C.?**

1 A. No. The \$4,862,387 reflected in the MFRs is not the appropriate
2 comparison for several reasons. First, this amount in the MFRs includes
3 commissions, bonuses and incentive pay, which are items excluded from
4 storm restoration costs. Second, the MFRs are not the best available
5 information for determining costs recoverable because the MFR's in
6 question were part of the Company's rate proceeding that was ultimately
7 settled as part of a black box settlement and therefore there is no
8 discrete detail as to what costs were included. Lastly, in the previous
9 rate case, we requested a \$5,821,209 rate increase, but the Company
10 was only allowed \$3,750,000 so comparing one component of the
11 original MFRs without any consideration of overall outcome is incorrect.

12

13 **Q. Has FPUC's payroll risen to \$4,862,387 as projected in its 2014**
14 **MFRs? If not, why not?**

15 A. No, it has not, because the Company's projected test year included
16 additional pay and positions that the settlement with the Office of Public
17 Counsel didn't include and therefore no revenue would be included in
18 base rates for these amounts. In fact, if you were to compare the
19 Company's rate request related to Regular and Overtime payroll as
20 reflected in the 2014 MFRs, excluding bonuses and additional positions
21 requested in that prior proceeding, you would see that even if you rely on
22 the MFR projections, the Company's storm costs associated with payroll
23 reflected in our current filing exceed the Company's 2014 projections.

24 Q. What did FPUC use as a baseline for determining incremental payroll
25 costs associated with storms?

1 A. FPUC assumed overtime included during storm restoration was
2 incremental. However, although FPUC does not believe that the
3 amounts requested in the rate case should be the baseline, we did
4 compare the regular and overtime pay included in the MFR's, without
5 any additional positions requested, to the 2016 and 2017 regular and
6 overtime pay to verify that the payroll costs in 2016 and 2017 exceeded
7 the MFR regular and overtime pay. In doing so, we verified that the
8 overtime included in storm restoration was, in fact, incremental.

9

10 **Q. Mr. Schultz argues that \$69,632 of the costs FPUC seeks to recover**
11 **constitute impermissible bonuses or other special compensation.**
12 **Is the \$69,632 Mr. Schultz discusses a bonus or other special**
13 **compensation?**

14 A. No. FPUC always provides compensation for exempt employees who
15 perform qualifying functions during or following any extreme inclement
16 weather event since the event requires hours and often duties exceeding
17 those their pay was based on. The Inclement Weather Exempt
18 Employee Compensation Policy provides compensation for these
19 excessive hours which can exceed 16 hours a day. Because it is part of
20 our exempt employees' standard pay and benefits package, and has
21 been the long-standing practice of FPUC, it is not a "bonus" or "special
22 compensation."

23

1 **Q. Has FPUC ever been allowed to recover payments to managerial**
2 **employees as the result of hurricane response?**

3 A. Yes, although we do not consider the payments made to be bonuses,
4 FPUC was previously allowed to include additional pay made to exempt
5 employees in storm costs. In Order No. PSC-05-1040-PAA-GU, the
6 PSC stated:

7 Six of FPUC's directors who are in managerial positions were
8 paid a total of \$10,257 as a one-time payment (bonus). In
9 recognition of the extra effort and time that these managerial
10 employees expended during the storm damage restoration
11 activities for three hurricanes, FPUC awarded them one-time
12 payments (bonuses) in lieu of any overtime pay. These
13 directors are not eligible for any overtime pay. Although the
14 issue of salaried employees receiving bonuses was not directly
15 addressed in either the Florida Power & Light Company or
16 Progress Energy Florida, Inc. storm cost recovery dockets, we
17 did allow all incremental storm damage restoration activity
18 costs related to managerial employee compensation to be
19 charged to the storm damage reserve. Based on the facts of
20 this case, which include the small amount of bonuses, the size
21 of the company, and the extraordinary number of hurricanes,
22 we find that the inclusion of the onetime payments of \$10,257
23 as a cost in the storm damage reserve is reasonable and
24 prudent. Also we note that the directors' regular salaries were
25 not charged to the storm damage reserve.

26 **Q. Was it appropriate to capitalize some payroll costs associated with**
27 **storm recovery? If so, why?**

1 A. Yes, it was appropriate to capitalize some payroll costs because Rule
2 25-6.0143(1)(d), F.A.C., states that “capital expenditures for the removal,
3 retirement and replacement of damaged facilities charged to cover
4 storm-related damages shall exclude the normal cost for the removal,
5 retirement and replacement of those facilities in the absence of a storm.”
6 Therefore, the Company estimated the normal cost to remove and
7 replace assets destroyed in the storm based on hours and rates in non-
8 storm conditions. These “normal” cost estimates, which included payroll,
9 were capitalized and not included in the storm costs.

10

11 **Q. Mr. Schultz states that, “[i]f the payroll cannot be considered as**
12 **part of the cost subject to storm recovery because it is actually**
13 **non-incremental, then the payroll costs cannot be capitalized.” Do**
14 **you agree?**

15 A. No. As previously discussed, the payroll included in the storm costs
16 requested is incremental. In addition, although Rule 25-6.0143 (1) (d),
17 F.A.C., requires the Company to charge the normal cost for removal,
18 retirement, and replacement to capital instead of the storm reserve, it
19 does not preclude the Company from charging all costs (normal and
20 incremental) of removal, retirement, and replacement to capital instead
21 of recording them in the storm reserve.

22

23 **Q. Mr. Schultz further states that “[i]f FPUC is using this base labor**
24 **rate [of \$37.34 per hour], then it is not capitalizing the replacement**

1 **plant in accordance with Generally Accepted Accounting Principles**
2 **(“GAAP”).” Do you agree?**

3 A. No. The Company is required to follow the Florida Administrative Code
4 related to regulated utilities for anything approved by the Commission.
5 Generally Accepted Accounting Principles allow for departures in
6 unusual circumstances such as new legislation or conflicting industry
7 practices. The circumstances here do not warrant departure from policy
8 in this case.

9

10 **Benefits and Overhead**

11 **Q. Is the adjustment Mr. Schultz is suggesting to benefits dependent**
12 **on his position to disallow payroll costs due to his assertion that**
13 **2016 and 2017 payroll are less than those included in base rates?**

14 A. Yes, his adjustment to benefits is dependent on his recommended
15 adjustment to payroll. The Company does not agree that an adjustment
16 is warranted to payroll nor the adjustment to benefits.

17

18 **Q. Consequently, does FPUC believe it is entitled to recover the entire**
19 **benefit costs and overhead costs requested in the filing?**

20 A. Yes, the Company is entitled to recover all of the payroll costs included
21 in the filing. As such, the Company believes it is entitled to the benefit
22 and overhead costs associated with those incremental payroll costs.

23

1 **Contractor Costs**

2 **Q. Among other reasons, Mr. Schultz questions PAR's hourly rate**
3 **because the rate is significantly higher than the rates charged in**
4 **Docket No. 20160251-EI, related to FPL's storm recovery request,**
5 **and \$106 per hour charged to FPUC for Hurricane Irma. Are these**
6 **comparisons meaningful?**

7 A. No. Since FPUC is not able to review FPL's detail of the \$106 per hour
8 charge, it is difficult to determine if FPL's average cost is even
9 comparable to the rates of one of our contractors. It is reasonable to
10 assume that FPL has some charges that are higher and some lower.
11 Both Hurricanes Matthew and Irma impacted large areas and contractors
12 were used in record numbers. As a result, contractor services were in
13 high demand and difficult to obtain. Due to our size, we have limited
14 resources at the outset. In a situation in which demand for contractors is
15 state-wide, our ability obtain contractor services for our small system is
16 that much more critical, and challenging. We nonetheless have the
17 same obligation to serve as all other IOUs and a state responsibility to
18 immediately restore power. Therefore, when service is down but our
19 options are limited, as was the case with both of these hurricanes, we
20 simply do not have the luxury of time to search for another contractor or
21 attempt to negotiate a better rate. FPUC's witness Mark Cutshaw
22 explains this in greater detail.

23 **Q. Under the circumstances you've described, were the hourly rates**
24

1 **charged by PAR reasonable?**

2 A. Yes, based on the limited contractor supply and the immediate need to
3 restore service, the rates were reasonable. FPUC's witness Mark
4 Cutshaw discusses this in greater detail.

5

6 **Q. Mr. Schultz recommends a reduction of \$353,795 based on**
7 **excessive standby time because PAR was on standby from**
8 **September 7 until the storm entered FPUC territory on September**
9 **11. Was it reasonable to pay for PAR's standby time for this entire**
10 **period?**

11 A. PAR was not on standby from September 7 thru September 11. PAR
12 crews were travelling to the area on September 7 and 8. This travel is
13 labeled as "mobilization/demobilization" on the bill. The PAR crews were
14 on standby on September 9 and 10. It is necessary that contractors
15 arrive in advance of the storm so that overall restoration time is reduced.
16 The crews may not be able to travel once the storm has actually
17 occurred because the storm may impact the travel route of the
18 contractor. If a contractor were to delay travel to the area until after the
19 storm has hit, it is quite possible that the contractor's arrival to assist us
20 may be significantly delayed, or prevented entirely, due to damage and
21 debris on the route to our service territory. In addition, as I observed in
22 more than 4 years as part of the Air Force's Meteorology Service,
23 although storm predictions have improved over the years, storms
24 strength and speed changes on a daily, sometimes hourly basis; thus, it
25 is impossible to accurately predict the exact time a storm will impact the

1 area. Therefore, it is necessary to mobilize our crews, including
2 contractors, several days in advance based on an estimated impact,
3 even though the actual impact of the storm may vary and require some
4 standby time. And, again, as described in the rebuttal testimony of Mark
5 Cutshaw, resource availability after Hurricanes Matthew and Irma were
6 extremely constrained because of the nature and path of the hurricanes,
7 as well as an unusually high utilization of resources in the Houston area
8 in response to Hurricane Harvey.

9

10 **Q. Do you agree with Mr. Schultz's recommendation to remove the**
11 **amount of hours and costs that are associated with**
12 **mobilization/demobilization and with standby time?**

13 A. No, I do not. Both mobilization/demobilization and standby time is
14 essential to restoring power. FPUC obtained the resources it needed to
15 restore power and scheduled those resources based on the best
16 estimate of impact available at the time. Removing the costs associated
17 with these activities would force FPUC to delay the acquisition of needed
18 restoration resources until the hurricane impacts its customers. This is
19 not only unrealistic, but it is irresponsible. The delay in obtaining
20 restoration resources directly impacts the Company's ability to restore
21 power to its customers and to do so in a timely manner. FPUC's witness
22 Mark Cutshaw discusses this in greater detail.

23

1 **Q. Please explain which costs FPUC chose to capitalize and those**
2 **costs it included in its storm recovery request?**

3 A. FPUC did not choose to capitalize one type of cost instead of another in
4 its storm recovery request. Since Rule 25-6.0143(1)(d), F.A.C., requires
5 that the normal cost of capital expenditures for removal, retirement, and
6 replacement of damaged facilities be included as capital expenditures;
7 therefore, only the excess is allowed to be included in recoverable storm
8 costs. FPUC normally uses its own crews to remove and replace assets.
9 Therefore, the normal cost to install and remove was determined based
10 on the type of asset being installed or removed using in house personnel
11 rates. Average hours for the installation and removal in normal
12 conditions were determined by operations management and average
13 payroll and overhead rates in pre-storm conditions were used in the
14 calculation. Inventory normally charged to capital accounts was also
15 included in normal costs. When FPUC was asked to report costs in
16 different categories in the interrogatories, certain parts of the calculation
17 were recorded as payroll and some as contractor costs. However, the
18 categorization in the interrogatories had no bearing on the calculation of
19 normal costs that FPUC was required to include as capital expenditures
20 as required by the rule.

21

22 **Q. Why did FPUC decide to capitalize some costs and not others?**

23 A. FPUC capitalized the costs consistent with Rule 25-6.0143 (1) (d), F.A.C.
24 The rule does not preclude the Company from charging all costs (normal

1 and incremental) of removal, retirement, and replacement to capital
2 instead of recording them in the storm reserve.

3

4 **Q. How did FPUC arrive at a labor rate of \$37.34 per hour, and is that**
5 **rate reasonable and appropriate for capitalizing labor costs?**

6 A. Operations management provided an estimated rate, which was
7 compared to the actual average labor and overhead rates prior to the
8 storm.

9

10 **Materials and Supplies**

11 **Q. Mr. Schultz recommends a reduction of \$32,800 for the costs**
12 **associated with new transformers because he says these were**
13 **capitalized and are impermissible material and supply**
14 **replenishment costs. Do you agree?**

15 A. No. As reported in the Commission's audit report and numerous
16 interrogatories, in preparing its computation of normal costs, the
17 Company removed \$32,800 for transformers from the recoverable costs
18 and capitalized them. It was later determined that the \$32,800 for the
19 transformers erroneously had never been included in the storm costs
20 since, according to FERC, the transformers were capitalized at the time
21 of purchase which was before the storm. Therefore, this reduction of
22 costs was made for costs that were never in the recoverable costs to
23 begin with. The FPSC audit report contained a finding related to this
24 amount and the books and the recoverable storm costs included in

1 Exhibit MC-1 of Mike Cassel's testimony were adjusted for the audit
2 report. Mr. Schultz is proposing to remove a cost that was never
3 included in recoverable costs. Therefore, his proposed adjustment is
4 simply wrong.

5

6 **Other Costs**

7 **Q. Is FPUC seeking to recover \$67,548 in lost revenue?**

8 A. No. FPUC is only seeking to recover O&M costs that we cannot recover
9 because we did lose revenue. The \$67,548 represents the recovery of O
10 &M costs in our base rates, not the lost profit or lost revenue that reach
11 our bottom line. FPUC only charged overtime payroll incurred during
12 storm restoration to the storm reserve. Payroll during regular hours for
13 storm restoration was not charged to the storm reserve since these are
14 typically and historically recovered in base rates. Because FPUC's
15 revenue was reduced due to minimal electric usage because customers
16 left the island before the storm impact, and in the case of Hurricane
17 Matthew, mandatory evacuations that remained several days after the
18 storm impact, these regular payroll costs were not recovered in base rate
19 revenue. FPUC is not asking for the lost revenue or lost profit; but we
20 are asking for recovery of typical O & M costs that should have been
21 recovered in base rates but were not covered because of impacts to our
22 customers from the storm. Lost revenue was calculated to determine the
23 amount of O&M costs that were not recovered in base rates due to the
24 storm.

1 **Q. Are these costs appropriately considered under the storm reserve**
2 **based on previous Commission decisions?**

3 A. Yes. Our inclusion of these costs is consistent with previous commission
4 decisions. For example, in Order No. PSC-05-0937-FOF-EI, the
5 Commission stated: “due to the outages that resulted from these storms,
6 FPL has not realized the level of base rate revenues expected to cover
7 these normal O&M costs. Thus, while we agree that lost revenues are
8 not a cost, we find that the normal O&M costs that FPL charged to the
9 storm reserve, which we removed from the storm reserve as set forth
10 above, have not been recovered in base rates and should be eligible for
11 recovery in the storm recovery mechanism.” Like FPL in this previous
12 order, FPUC has not charged normal O&M costs to storm reserve, and
13 so the Commission’s previous rationale is equally applicable to FPUC.
14 Further, because the Commission agreed that lost revenues were not
15 recoverable, the subsequent change to Rule 25-6.0143(1)(f) explicitly
16 prohibiting recovery of lost revenue does not impact the Commission’s
17 previous analysis. Therefore, the distinction made in that decision
18 between prohibited lost revenue recovery and permissible O&M cost
19 recovery remains,

20

21 **Capitalizable Costs**

22 **Q. Mr. Schultz recommends a set policy for capitalization of storm**
23 **costs or a standard methodology for FPUC. Do you agree with this**
24 **recommendation?**

1 A. No. Rule 25.6.0143 (1) (d) establishes the appropriate standard..

2

3 **Summary**

4 **Q. Can you please summarize the amounts that FPUC is seeking in**
5 **each of the areas identified in your rebuttal testimony?**

\$163,707 - AK

6 A. FPUC believes that all Mr. Shultz's adjustments, except for the ~~\$163,700~~
7 reduction for line clearing, be rejected.

8

9 **Q. What is FPUC's requested recovery?**

10 A. FPUC is reducing the requested recovery of \$2,163,230 filed as Exhibit
11 MC-1 for the ~~\$163,700~~. The revised request is ~~\$1,999,523~~. \$1,099,405 - AK

12 \$163,707 - AK

13 **Q. Is there anything further you wish to add?**

14 A. Yes. These hurricanes have brought tremendous devastation to our
15 service territory. It cannot be ignored that we have an obligation to serve
16 our customers not just because of regulatory requirements but because
17 the timely provision of electric service restores the community and gets
18 people back to work. The statewide interest in this ought not be ignored
19 and public counsel and his witnesses should not look at these issues in a
20 vacuum. We do not have the luxury in times of crises to compare our
21 contractor rates, for example, with those of FPL's. Instead, we focus on
22 restoration and we focus on the needs of our customers.

1 **Q. Does this conclude your rebuttal testimony?**

2 **A. Yes.**

1 BY MS. KEATING:

2 Q Mr. Cassel, did you prepare a summary of your
3 rebuttal testimony?

4 A Yes, I have.

5 Q Would you please go ahead and present that.

6 A Yes, thank you.

7 Good evening, Commissioners. Commissioners,
8 OPC's witness has ignored the real-world challenge of
9 restoring power to a large number of customers when time
10 is of the essence, but damage is significant and extends
11 beyond the utility's own system.

12 Many of his recommendations are just plain
13 wrong. More importantly, accepting his recommendations
14 would expose FPUC's customers to longer restoration
15 times and, frankly, ignore our obligation to serve our
16 customers.

17 The mere fact that when resources were limited
18 statewide and the contractor that was released to us
19 charged a rate at the higher end of spectrum does not
20 mean that our use of that contractor was not reasonable
21 nor prudent.

22 When options are limited, particularly as they
23 were with Hurricane Irma, we still have an obligation to
24 serve our customers and restore their power as promptly
25 as possible.

1 We just don't get to tell customers, hang
2 tight until a cheaper contractor arrives on scene. His
3 recommendations regarding capitalization of costs were
4 also wrong and appear to be based on an interpretation
5 of storm-reserve rule that is inconsistent with the
6 actual provisions of the rule, and fail to recognize, in
7 any way, costs that were actually incurred.

8 We have charged costs to the reserve account
9 consistent with the Commission's rule. Capitalized
10 normal cost is also required. Mr. Schultz's
11 recommendations aren't supported by the rule or proper
12 regulatory accounting, which is a recognized exception
13 to get.

14 He also mischaracterizes over \$69,000 as
15 bonuses when, in fact, it is regular compensation
16 specifically contemplated in our payroll policy for
17 duties we require employees to perform during extreme
18 weather conditions. As such, this recommendation should
19 also be rejected.

20 I do agree with Mr. Schultz on one point: His
21 recommendation -- his recommended reduction to line-
22 clearing costs, which I did take into account earlier in
23 my reference today as the adjusted request.

24 Commissioners, we've seen how communities,
25 when they're faced with these devastating storms, react.

1 And the restoration of electric service is more than
2 just getting the lights turned back on. It literally
3 returns hope and sense of normalcy to these communities
4 and helps in the recovery process.

5 We take our role in that very seriously, and
6 we make the best decisions we can based on the
7 circumstances that we face.

8 Mr. Schultz's Monday-morning-quarterbacking
9 doesn't change the fact that the costs at issue in this
10 particular case were prudently incurred and -- and
11 support FPUC's obligations to restore power to its
12 customers.

13 Thank you.

14 MS. KEATING: Thank you, Mr. Cassel.

15 Mr. Chairman, the witness is tendered for
16 cross.

17 CHAIRMAN GRAHAM: Okay. OPC.

18 MS. PONDER: Thank you.

19 EXAMINATION

20 BY MS. PONDER:

21 Q Hello, again, Mr. Cassel.

22 A Hello.

23 Q I have passed out a packet of exhibits which
24 should be before you and the Commissioners.

25 Mr. Cassel, can -- can we agree, when I refer

1 to the storm rule in my questions that I mean rule
2 25-6.0143?

3 A Yes, I can agree with that.

4 Q And also, I'd like to reference "SEE," which
5 would mean the Southeastern Electric Exchange; is
6 that --

7 A Yes.

8 Q -- acceptable?

9 A Yes.

10 Q Thank you.

11 Mr. Cassel, at Pages 3 to 8 of your rebuttal,
12 you take issue with Mr. Schultz's recommendations to
13 adjust payroll; is that correct?

14 A Would you give me a moment look at Pages --

15 Q Absolutely.

16 A -- 3 to 8?

17 Yes, I would agree with that.

18 Q If you would, refer to Page 5, Lines 10 to 22.
19 Here, isn't it true that you contend the \$69,632
20 Mr. Schultz refers to as special compensation is
21 appropriate for recovery?

22 A If you would, give me just a minute. Let me
23 read that line, 10 to 22.

24 I would disagree with his -- his title,
25 "Special compensation," yes.

1 Q So, when Mr. Schultz took exception to this
2 compensation and referred to the exclusion found in
3 Subsection 1 after the storm rule for bonuses or special
4 compensation, was he incorrect when he stated that --
5 that that section of the rule addressed other special
6 compensation?

7 A If I understand your question, I don't
8 disagree with his reading of that rule. I disagree with
9 the nomenclature that this was the bonus or some kind of
10 special payment, special compensation.

11 Q I handed out as part of the exhibit packet the
12 storm rule, itself. If you could, locate that. It
13 should be the first one that was in that packet.

14 A I have that in front of me.

15 Q Okay. So, Subsection (1)(F)(2) -- could you
16 find that subsection, please? And -- did you find that?

17 A I found it, yes.

18 Q Would you read that aloud or just agree with
19 me that this provision expressly excludes bonuses or any
20 other special compensation for utility personnel not
21 eligible for overtime?

22 A I'll read it, "... Bonuses or any other
23 special compensation for utility personnel not eligible
24 for overtime pay."

25 Q Okay. Isn't it true that you identify this

1 **compensation of \$69,632 as inclement-weather-exempt**
2 **employee compensation policy?**

3 A It is paid as a portion of our -- as a -- our
4 inclement-weather policy. Yes, it's incremental costs.

5 **Q Is this compensation paid to exempt employees**
6 **in situations other than during their response to**
7 **inclement weather?**

8 A No, we use it in a form, almost as a
9 recruiting tool, when we know employees in a utility our
10 size -- as I said earlier, we try and take a -- you
11 know, a view where we don't hire out as much as we
12 possibly can, and everyone pitches in.

13 So, it's almost as a recruiting tool and a
14 means by which you know employees have to dedicate their
15 time. Even when they've been impacted by a storm, we
16 insist or, you know, we require them to be present. So,
17 it is part of their compensation in that sense.

18 **Q So, isn't it true that this is compensation**
19 **that is only paid under special circumstances?**

20 A It is said -- I would agree it's paid under
21 the circumstances of the inclement weather under that
22 policy for our payroll, yes.

23 **Q Is the company required by law to pay overtime**
24 **to these particular employees?**

25 A I believe if -- if I understand your question,

1 this policy is -- relating to exempt employees would be
2 employees not eligible for overtime.

3 **Q And isn't it true that the storm rule does not**
4 **provide any specific exception to FPUC for FPUC**
5 **employees to be paid special compensation?**

6 A Again, I would agree that the rule states
7 that, but this is not characterized in that manner. I
8 would disagree that's what this is.

9 **Q Okay. If you could, look at Page 6 of your**
10 **rebuttal, Lines 1 through 25. Are you there?**

11 A Yes, I'm there.

12 **Q Okay. Doesn't the -- the reference to 2005**
13 **Commission decision characterize the bonuses allowed in**
14 **that particular case as a small amount of bonuses; is**
15 **that correct?**

16 A It does say that in -- in here. Yes, it does.

17 **Q You don't consider \$69,632 to be a small**
18 **amount, given the size of your company, do you?**

19 A I'm going to say that 69,000, if -- if you're
20 making a comparison to a previous case -- unfortunately,
21 I wasn't part of the company at this time, so I can't
22 speak to that -- or the nomenclature. What is
23 materially large or small -- I don't know that I could
24 classify 69,000 as either one of those.

25 **Q Is it an immaterial amount?**

1 A Again, that's a -- a relative term. It's
2 immaterial to the total cost. Then, yes, I would say it
3 was.

4 Q If you look at Page 15, here, you cite to
5 another 2005 decision by the Commission; is that
6 correct?

7 A Yes, I do.

8 Q And in this instance, isn't it true that your
9 position here is that the \$67,548 is not actually for
10 lost revenue and, therefore, is recoverable under the
11 storm rule?

12 A Yes, that is correct.

13 Q Isn't it true that your position is the
14 \$67,548 is for O & M costs not recovered?

15 A Yes, that's correct. That \$67,000 is for
16 O & M costs not recovered.

17 Q How does a company recover O & M costs from
18 the date -- from day-to-day operations?

19 A It would be recovered by -- by virtue of
20 billing and base revenues.

21 Q And rates yield revenue, correct?

22 A That's correct.

23 Q So, you would agree with me that revenue is
24 collected when electricity is being generated and sold.

25 A I would agree that that would be, in a normal

1 circumstance, how that would occur, yes.

2 Q Okay. On the previous page, Lines 14 to 19 --
3 so, Page 14 -- are you there?

4 A Yes, I am.

5 Q So, isn't it true that you're saying here that
6 your revenue was reduced and you were not allowed to
7 recover payroll cost and base-rate revenues?

8 A Yes, that's correct.

9 Q Isn't it also true this opportunity to collect
10 these costs was lost because you could not sell
11 electricity to customers during the -- the post-storm
12 period?

13 A Yes, that's correct.

14 Q Also on this page, at the bottom -- towards
15 the bottom, on Lines 22 -- 24, you state that lost
16 revenue was calculated; is that correct?

17 A I believe, if -- if I look at Line 22, it says
18 lost revenue was calculated to determine the amount of
19 O & M costs. Again, it's not characterized -- it's an
20 O & M cost. We're using lost revenue as a calculation
21 means, but these are distinctly O & M costs.

22 Q Okay. Subsection 1F of the storm rule
23 provides a listing of storm-related costs that are
24 prohibited from being charged to the reserve; is that
25 correct?

1 A Subsection (1)(F)?

2 Q Yes.

3 A Yes, it does.

4 Q And looking at the storm rule, the exclusion
5 found in Subsection (1)(F)(9) is a prohibition against a
6 utility recovery of lost revenues for the services not
7 provided; is that correct?

8 A Subsection (1)(F)(9) -- I agree that it
9 discusses lost revenues, that's correct.

10 Q And we -- and we just briefly discussed the
11 two 2005 Commission orders cited in your testimony.
12 Isn't it true that both of these decisions predate the
13 Commission's amendments to the storm rule?

14 A I believe they do, yes.

15 Q If you look at the last page of the rule,
16 there is an amendment date there. Do you see that at
17 the end? Could you read that?

18 A Are you referring to the amended 61107?

19 Q Yes.

20 A Yes, I see that.

21 MS. PONDER: Okay. I, now, am going to refer
22 you to another exhibit I had passed out. It is the
23 staff recommendation -- oh, my apologies. This did
24 not get an exhibit number, so it --

25 CHAIRMAN GRAHAM: Well, the rule we don't need

1 to give an exhibit number to.

2 MS. PONDER: Fair enough. All right.

3 BY MS. PONDER:

4 Q So, let's see. I believe it's entitled -- it
5 should be entitled March 29, 2007, staff rule proposal.
6 Do you see that?

7 A Give me just one moment. Let me find that.
8 Was this in your handout?

9 Q Yes. Uh-huh.

10 A And you're looking at Page 2?

11 MS. PONDER: And can we go ahead and get
12 the -- an exhibit number?

13 CHAIRMAN GRAHAM: 27.

14 MS. PONDER: Storm rule staff recommendation.

15 CHAIRMAN GRAHAM: I just want to make sure
16 I've got the right one from -- if we've got
17 March 20- -- 29th, 2007, staff's rule proposal?

18 MS. PONDER: Yes, that's fine. Thank you.

19 CHAIRMAN GRAHAM: Okay.

20 (Whereupon, Exhibit No. 27 was marked for
21 identification.)

22 BY MS. PONDER:

23 Q So, if you would, look at Page 2 to the
24 highlighted language there. And the highlighted
25 portion -- could you agree with me that the last

1 sentence, which is highlighted in the second full
2 paragraph there, provides that the objective for the
3 amendments to the storm rule was to establish a single,
4 consistent, and uniform methodology for determining
5 which storm-damage restoration costs can be
6 appropriately charged to the property-damage reserve by
7 each of the Florida IOUs?

8 A I agree that's what's there, yes.

9 Q And if you would, turn to Page 6 of that same
10 recommendation. Again, looking at the highlighted
11 language there, would you please read those few -- those
12 two sentences.

13 A New Paragraph 25-6.04 -- 01431(F) contains a
14 non-exhaustive list of types of costs which are
15 prohibited from being charged to the storm-damage
16 subaccount. This list of exceptions comes directly from
17 the Commission's decision in the 2004 and 2005 hurricane
18 cost-recovery dockets.

19 Q Okay. Thank you.

20 And I believe there is a highlighted -- small
21 highlighted portion on the next page. If you could,
22 also read that aloud for us.

23 A Can I clarify, you're looking at the top
24 section, highlighted, beginning with "Staff does."

25 Q Yes. Thank you.

1 A Staff does not agree with the type-and-strike
2 comments PEF and FPL to delete the list of costs which
3 are excluded from the storm-damage subaccount. Failure
4 to include specific exclusions in the rule will -- will
5 result in different IOUs seeking to charge -- to charge
6 different costs, which in- -- frustrates the basic
7 intent of the rule and will result in continued
8 litigation. Further, staff does not agree that a list
9 of types of excluded costs would be -- would prohibit
10 recovery for a specific valid incremental expense item.

11 Staff believes the list of excluded types of
12 costs creates the right balance, when the company bears
13 the burden of demonstrating these costs, which it seeks
14 to charge to the storm's damage subaccount, are truly
15 incremental to base rates.

16 Q Thank you.

17 **So, do you think there's any chance that**
18 **citizens would not appeal an order approving recovery**
19 **for extra compensation and for lost revenues in**
20 **contravention of the storm rule?**

21 MS. KEATING: Objection.

22 CHAIRMAN GRAHAM: What's the objection?

23 MS. KEATING: Speculation. Calls for spec- --
24 calls for speculation.

25 MS. PONDER: I'll withdraw the question.

1 BY MS. PONDER:

2 Q So, the -- isn't it true that the Commission
3 decisions cited in your testimony were part of the 2004
4 and 2005 hurricane cost-recovery dockets, referenced in
5 the staff recommendation that you just read from, that
6 highlighted the need to establish a single and uniform
7 methodology for determining recoverable storm-damage
8 restoration costs?

9 A I believe that is the intent of the rule.

10 Q So, isn't it true that the reliance on the
11 2005 orders would be contrary to current Commission
12 authority?

13 A I think, again, in the circumstances that
14 we're dealing with in the 05 docket, they were -- the
15 nomenclature at that point was bonuses. And this is
16 clearly something entirely different, different set of
17 circumstances. And it's part of an incremental
18 supplemental pay as -- as are inclement weather.

19 So, while I agree that that's the intent of
20 the rule, I wouldn't agree that these circumstances are
21 the same.

22 Q If you would, go back to your rebuttal,
23 please, on Page 7 -- sorry. For one second -- beginning
24 at Line 23 and then moving on to Page 8 as well.

25 Is the \$37.34 the hourly rate under normal

1 conditions?

2 A That is calculated on an average, that's
3 correct.

4 Q Is restoration after a major storm performed
5 under normal conditions?

6 A I would say it is not.

7 Q Are the contractors who perform capital work
8 compensated at the same level as FPUC employees?

9 A I don't have any direct reference, but I
10 believe they are probably compensated a little bit more
11 than a normal utility crew would be.

12 Q Is it normal to utilize contractors for
13 restoration after a major storm?

14 A We do use, as I said earlier, a combination of
15 both contractors -- depending on the size of the
16 storm -- contractors as well as internal employees.

17 Q Again, looking at the storm rule, we discussed
18 how Subsection (1)(F) enumerates ten prohibitions. Does
19 Subsection (1)(F)(10) of the storm rule state that the
20 cost of replenishments of materials and supplies
21 inventory is prohibited from recovery?

22 A Give me one second. Let me find Section 10.

23 Q Absolutely. It should be on Page 2 of the
24 rule, at the top.

25 A I would agree with that, yes.

1 Q If you would, look at Page 9 of your
2 testimony. Isn't it true that, here, you claim -- and
3 Lines 2 to 22 -- isn't it true that you claimed that
4 FPUC, because of its size, has limited resources to
5 retain contractors, and that justifies the paying of
6 509 -- of the \$509-per-hour rate?

7 A One -- this will be covered probably more
8 specifically with Witness Cutshaw, but I can speak to
9 the portion that that -- that rate is a circumstance.
10 And again, as I said earlier, we're not looking to bring
11 the cheapest contractor in at the time.

12 We're -- we're working on restoration, safely
13 and -- and efficiently restoring power to our customers
14 at that time. So, we aren't shopping around in -- in a
15 need, in a specific situation.

16 As we've established earlier, the -- the
17 resources were extremely limited and -- and a storm that
18 covered a majority of the state. And we are in the last
19 portion of able -- the last portion of that storm area
20 to be able to receive resources.

21 And our size does limit us. If you can take
22 300 contractors, it's a little bit more difficult to get
23 if you only need 40 contractors. But again, Witness
24 Cutshaw will elaborate on that a great -- great deal
25 more than I can.

1 **Q** **On Lines 19 through 22, is it your position**
2 **that, when a storm is approaching, FPUC does not have**
3 **the time to secure contractors with better rates than**
4 **what PAR charged the company?**

5 **A** **In that particular situation, we take the**
6 **resources we have that are available at that particular**
7 **time. And every circumstance is different and every**
8 **hurricane is different.**

9 **Q** **Isn't it true that you do not have experience**
10 **negotiating directly with vendors the rates for**
11 **emergency storm work?**

12 **A** **That would be true, specific to emergency**
13 **storm work with vendors, yes.**

14 **Q** **Isn't it true that it's customary for**
15 **negotiations to occur well in advance of storm**
16 **restoration -- negotiations with contractors, excuse me,**
17 **specifically?**

18 **A** **Again, this would be covered more specifically**
19 **in Witness Cutshaw's testimony, but we do have**
20 **contractors working on the system at various times**
21 **during the year, but we do not keep them, for cost**
22 **reasons, on the system all the time.**

23 **Q** **Right. But negotiations for storm work are**
24 **customarily done in advance of a -- of storm season or a**
25 **storm occurrence.**

1 A Again, those same contractors that you would
2 negotiate with on a normal basis that are working on
3 your system would be available at that time, if you had
4 them on the system. And again, Witness Cutshaw will
5 elaborate on that a great deal more.

6 Q Okay. Thank you.

7 If you would refer to another handout -- it
8 should be entitled "Mutual Assistance Procedures and
9 Guidelines."

10 CHAIRMAN GRAHAM: I'm not sure I have that
11 one.

12 THE WITNESS: I don't think I have that one.

13 MS. PONDER: I don't have it either.

14 (Laughter.)

15 CHAIRMAN GRAHAM: Well, we'll --

16 MS. HELTON: It was the third from the bottom
17 in my packet.

18 MS. PONDER: Oh, you have it?

19 CHAIRMAN GRAHAM: I don't have it. I sure
20 don't.

21 MS. PONDER: Oh, I -- I have it here. It's a
22 small one, just a few pages. Did y'all find it?
23 It's FPUC's policies and procedures. It has --

24 COMMISSIONER FAY: Contract for the
25 requirements?

1 MS. PONDER: Yes.

2 CHAIRMAN GRAHAM: Is that the one?

3 MS. PONDER: Uh-huh. It's titled something
4 different. My apologies. On --

5 CHAIRMAN GRAHAM: We will --

6 MS. PONDER: So, it would be 28?

7 CHAIRMAN GRAHAM: We will give that 28. And
8 what did you want the short title to be? We'll
9 call it anything you want to call it.

10 MS. PONDER: We'll just do "FPUC's Policies
11 and Procedures" --

12 CHAIRMAN GRAHAM: Okay.

13 MS. PONDER: -- if that's okay.

14 (Whereupon, Exhibit No. 28 was marked for
15 identification.)

16 BY MS. PONDER:

17 Q Okay. Mr. Cassel, if you would, look at
18 Page 3. And are you generally familiar with this --
19 with this document?

20 A I am actually not familiar with this document.

21 Q If you -- okay. On Page 3, under the
22 subsection, "Emergency storm work process," if you
23 could, just take a minute to look at that paragraph.

24 A Sure (examining document). I've read that.

25 Q Do you have a general understanding of this --

1 **this document or process or --**

2 A Based on what I've just read, I have a general
3 understanding, yes.

4 Q **Isn't it true that the company in this policy**
5 **acknowledges the, quote: Process for contract work for**
6 **emergency storm work, may be modified, and specifically**
7 **includes a section in its policy entitled "Emergency**
8 **storm work process," which you've just reviewed, to**
9 **address these different circumstances?**

10 A Yes, I would agree that's what it says.

11 Q **And the last two sentences, there beginning**
12 **with, "If assigned resources" -- would you please read**
13 **those?**

14 A If assigned resources are contractor crews,
15 the rates should be reviewed and compared to past
16 emergency storm rates to verify they are competitive
17 prior to crew arrival. Any rates that appear excessive
18 should be negotiated with contractors as soon as
19 possible so that the restoration efforts are not
20 delayed.

21 Q **Isn't it true that, as part of a discovery**
22 **response, the company stated that PAR was assigned an --**
23 **an assigned contractor via the SEE?**

24 A That's correct.

25 Q **You didn't take any steps to compare PAR's**

1 rates to past emergency storm rates and verify that they
2 were competitive prior to the crew arrival, did you?

3 A Well, I was not directly involved or
4 responsible for this. And this will be covered in
5 detail with Witness Cutshaw, but again, the
6 circumstances of these hurricanes were wholly different,
7 and it was a decision between restoration or non-
8 restoration, but he'll cover that in length.

9 Q Isn't it true that, in this docket, in your
10 testimony or in the discovery, you have not described
11 the process the company undertakes to compare and verify
12 rates to past emergency storm rates?

13 A If I understand your question, have I compared
14 rates to previous storms?

15 Q There has been -- no, I'll state it again.
16 Isn't it true that, in this docket, either via your
17 testimony or in discovery, you have not described the
18 process that the company undertakes to compare and
19 verify rates to past emergency storm rates?

20 A That's correct, I have not done that in
21 testimony.

22 Q You do not have any experience verifying that
23 assigned contractor crew rates are competitive; is that
24 correct?

25 A I personally do not, but you'll find Witness

1 Cutshaw is our expert at that, operationally.

2 Q Isn't it true that the PAR rates appear
3 excessive in comparison to past emergency storm rates?

4 MS. KEATING: Objection.

5 CHAIRMAN GRAHAM: What's your objection?

6 MS. KEATING: She's characterizing the rate,
7 contrary to the witness' testimony.

8 CHAIRMAN GRAHAM: Ms. Ponder?

9 MS. PONDER: I don't believe Mr. Cassel opines
10 on -- or denies that they're excessive. And if he
11 has knowledge of other rates, he can certainly make
12 a comparison.

13 THE WITNESS: What I believe you're doing --

14 CHAIRMAN GRAHAM: I'll allow the question.

15 THE WITNESS: -- is making comparison to the
16 rates that we've had in the docket that we've
17 previously discussed this afternoon. I don't know
18 what's fair or what's reasonable in that case.

19 What we're talking about is restoration of
20 services to -- to our customers, which is safely
21 and -- and quickly restoring that service is our
22 primary objective.

23 I think we'll cover this at length, again, in
24 Mr. Cutshaw's testimony.

25 ///

1 BY MS. PONDER:

2 Q So, for example, you did not ask to see if FPL
3 had negotiated rates for PAR just a year earlier and, if
4 they did, what those rates were?

5 A Did I personally ask them, is what you're
6 asking?

7 Q Or have knowledge of that.

8 A I do not -- I did not do that, no.

9 Q You did not ask to see what PAR was charging
10 other Florida utilities during Irma or if they worked
11 Matthew -- what those rates were, did you?

12 A That's correct. During the storm, we're not
13 out shopping rates around. Our -- we have a primary
14 objective; and that is to safely and quickly get that
15 restoration effort underway. And that is our primary
16 objective.

17 Q Did you inquire, prior to the storm, about
18 compare- -- comparable rates?

19 A I have not compared rates, as you established
20 earlier, with -- with contractors for storm restoration.

21 Q Isn't it true that you did not complain to the
22 mutual-assistance committee, SEE -- SEE coordinator, or
23 anyone else within SEE regarding PAR's excessive rate of
24 \$509 per hour?

25 A I wouldn't complain -- first, it wouldn't be

1 my role to -- to make that judgment; two, I think that's
2 a subjective question as far as what -- 509 is compared
3 to what. We've established at length here what is
4 reasonable and what's not reasonable.

5 I don't know -- and if -- if you're one of our
6 customers sitting on the system, without power, if 509
7 all of a sudden seems reasonable or doesn't -- that's
8 not a judgment that I could make.

9 **Q So, you accepted those rates with the belief**
10 **that customers would be forced by this Commission to**
11 **reimburse you at whatever they charged you.**

12 A No. I believe what happens is we have a
13 process in place through the Southeastern Electric
14 Exchange that allows us to get resources in to get power
15 restored at a time of emergency.

16 **Q Okay. The company's policy instructs that**
17 **rates that appear excessive should be negotiated with**
18 **the contractor as soon as possible. I think you've**
19 **established that that's not your role; is that correct?**

20 A That is correct. That is not my role.

21 **Q Is it true to say that the company's emergency**
22 **storm work process was not adhered to for the storms at**
23 **issue in this docket?**

24 A No, I would not agree with that.

25 **Q You -- well, you -- you've testified that the**

1 **policy instructs negotiations to take place if the rates**
2 **appear excessive --**

3 A Again --

4 Q -- and that --

5 A -- we're coming back to the term "excessive,"
6 and it's not my role to negotiate these. I think that's
7 a very subjective question. And, you know, again, the
8 process isn't based around who the cheapest resource is;
9 the -- the process is to safely and quickly restore
10 power to our customers.

11 Q If FPUC was originally assigned PAR as a
12 resource and negotiated a particular rate, is it true to
13 say that rate would hold for any subsequent utility
14 company that PAR was later reassigned to via SEE?

15 A If that's a SEE rate, my understanding -- and
16 Witness Cutshaw will clarify this -- but that is a rate
17 that's negotiated among utilities. So, it's not
18 specific to FPUC. In other words, they haven't come to
19 us specifically and tried to gouge us with a rate that
20 they would not charge somebody else.

21 Q Is there any established SEE policy or
22 guideline regarding reassignment for the circumstance of
23 a utility being locked into excessive rates negotiated
24 or secured by another utility?

25 A Again, I would take exception to the word

1 "excessive" in this, as it's subjective, as it has been.
2 But in this case, you will see Witness Cutshaw is going
3 to clarify a great deal. There is a very specific
4 process that was adhered to, and it's a utility across
5 the SEE. It's not specific to FPUC. And it's a process
6 that we follow and has been followed consistently for
7 several storms over several years.

8 **Q You cannot testify here today that you believe**
9 **that an average rate of \$509 per man is reasonable.**

10 A I do believe that is reasonable, given the
11 circumstances that we were in. We were -- we were in a
12 circumstance, in this, particular instance, where a
13 hurricane was covering the whole State of Florida from
14 tip to top. And we were -- we were looking for
15 resources.

16 **Q Isn't it true that FPUC, in the past, has**
17 **never paid \$509 an hour to a contractor for restoration**
18 **services?**

19 A I do not have knowledge of that, not in -- in
20 the role that I have or that I've had with the company
21 would I have that information.

22 **Q On Page 9 of your rebuttal, Line 6 -- excuse**
23 **me -- and through Page 10, Line -- Line 11, do you**
24 **state -- are you there? I'm sorry.**

25 A Yes, I'm there.

1 **Q Okay. Do you state that the mobilization**
2 **occurred on September 7th and September 8th?**

3 A I'm identifying that, just for clarification,
4 on Page 10, not on Page 9. Page 10, Line 11.

5 **Q Line -- Line 12? Travel --**

6 A Yes, I see that. Yes.

7 **Q Okay. Sorry. Okay.**

8 **So, the contractor was able to be on-site in**
9 **two days.**

10 A Whatever their travel time was, they were
11 on-site --

12 **Q In two days?**

13 A -- and traveling through those days. And this
14 will be covered, again, by Witness Cutshaw specifically.

15 **Q Do you state the contractor was on standby on**
16 **September 9 and 10?**

17 A Yes, I do.

18 MS. PONDER: Again, I would refer you to an
19 exhibit I handed out. It should be entitled
20 "Company's Response to OPC Interrogatory No. 1."

21 So, we'll give this No. 29?

22 CHAIRMAN GRAHAM: That is correct, Exhibit
23 No. 29.

24 (Whereupon, Exhibit No. 29 was marked for
25 identification.)

1 BY MS. PONDER:

2 Q So, if you would, look at the company's
3 response there to Interrogatory No. 1. Are you there?

4 A Yes, I am. Yes.

5 Q Okay. According to this response, what time
6 did Hurricane Irma peak?

7 A It peaked -- peak storm time was 9/11,
8 approximately 0400 hours.

9 Q Okay. And again, looking at this response,
10 what time did Hurricane Irma end?

11 A Storm ended approximately -- 9/11/17 at
12 approximately 1600 hours.

13 Q And do you know how many hours per man PAR
14 billed for on September the 11th?

15 A I am not directly familiar with that without
16 reference.

17 MS. PONDER: So, if we could, turn to the
18 exhibit I handed out entitled "PAR storm crew
19 invoice." So, number -- if we could number this as
20 Exhibit No. 30.

21 CHAIRMAN GRAHAM: 30. We'll call it 30.

22 (Whereupon, Exhibit No. 30 was marked for
23 identification.)

24 BY MS. PONDER:

25 Q And then there should be one page that's

1 **flagged there, Page 1 of a weekly time report. Do you**
2 **see that?**

3 A I do see that, yes.

4 Q **So, looking at the time sheet, this time**
5 **sheet -- how many hours per man did PAR bill on**
6 **September 11th?**

7 A It appears there was regular and overtime of
8 eight hours each.

9 Q **So, 16 hours --**

10 A Correct.

11 Q **-- per man.**

12 **And isn't it true that PAR was paid for**
13 **standby for at least part of the day on September 11th?**

14 A It would appear they were, yes.

15 Q **And Mr. Schultz did not recommend an**
16 **adjustment for that standby time, did he?**

17 A I don't believe he did. No.

18 Q **Do you have a contract with PAR that limits**
19 **the number of hours that are billable on a day where**
20 **they are just standing by at the hotel?**

21 A Well, I don't have any direct knowledge of
22 what the -- what the contract and the resources are and
23 what they're agreed to within -- within the confines of
24 that contract.

25 I do know, at the time they're on standby,

1 it's a mischaracterization, as Mr. Schultz has said,
2 they're just sitting around. There's safety time.
3 There's preparation. They are learning our system and
4 preparing to go to work, which actually gets them to
5 work a little bit earlier than they would normally get
6 to go to work, if they waited to travel.

7 And again, you're coming into a set of
8 circumstances in a hurricane that -- that covered the
9 State and covered every resource available. And they
10 were here and on the ground and -- as, again, I said
11 earlier, we had record restoration time, as a fact. And
12 that preparation was a part of that.

13 MS. PONDER: Thank you.

14 Turning now to -- it should be the last packet
15 I handed out -- OPC's rate comparison and DH Elliot
16 rate sheets. This would be -- may we mark this as
17 31?

18 CHAIRMAN GRAHAM: Yes.

19 (Whereupon, Exhibit No. 31 was marked for
20 identification.)

21 BY MS. PONDER:

22 Q If you would, just look over the first page
23 there, please -- or all three pages it -- it contains on
24 DH Elliot's man-hour and equipment rates.

25 Sorry. Just one second, please.

1 **Mr. Cassel, I want to ask you a hypothetical.**
2 **You agree that the second page in this exhibit is a time**
3 **sheet summary detail, which is support for a DH Elliot,**
4 **or DHE, invoice that FPUC paid; is that correct?**

5 MS. KEATING: Mr. Chairman, if I could just
6 ask, I think she posed it as a hypothetical, and
7 I'm confused if she's speculating or -- if we could
8 just get some clarification on that.

9 MS. PONDER: I'm just asking some foundational
10 questions right now. And I haven't asked my
11 hypothetical question yet. Just if he can agree
12 this is an invoice that FPUC paid from DH Elliot.

13 THE WITNESS: I would agree that this is not a
14 hypothetical invoice. It appears to be a real
15 invoice from Davis Elliot.

16 BY MS. PONDER:

17 **Q Thank you.**

18 **And the rates shown on this time sheet summary**
19 **are the rates that you agree to with DHE, or DH Elliot,**
20 **and they are graduated in a hierarchal fashion based on**
21 **the level of experience of the crew members; is that**
22 **correct?**

23 A That would appear to be correct.

24 **Q The lowest hourly rates are for apprentice**
25 **linemen and the journeymen linemen, commanding an hourly**

1 rate, a higher rate, with the foreman and general
2 foreman requiring the highest rates, looking at this
3 rate sheet; is that correct?

4 A Could you direct me to which would be an
5 apprentice? I'm an accountant. I'm -- I apologize --

6 Q You see -- you see the general foreman there?

7 A The "GM" reference.

8 Q Right. And then there's an "AP" a little
9 further down. Lambert is his last name.

10 A Yes.

11 Q And the rates for -- so, for example, the rate
12 for --

13 A Uh-huh.

14 Q The apprentice is -- I believe, that's 98.62.
15 And then the foreman is 122.74. Do you agree with that?
16 And then you --

17 A I do not see the 122.74.

18 Q No? The very first one?

19 A Oh.

20 Q The general foreman?

21 A I do see that, yes. Yes, I see that.

22 Q And then, on the -- the foreman is 119.91?

23 A Yes, I see it.

24 Q So, again, there's a range there --

25 A Uh-huh.

1 Q -- depending.

2 And then, if you go to the first page, which
3 is the hourly rate comparison, would you agree that
4 Column F shows a waiting of the crew members' individual
5 total billings for this period insofar as each
6 contributes to the overall total billing for a single
7 hour for this period for the -- their labor component
8 only? That's Column F.

9 A Column F appears to show the ratio to total
10 for each person, yes.

11 Q Okay. So, looking at Column G -- this would
12 be my hypothetical -- would you accept that this table
13 illustrates the application of the same relative waiting
14 percentages from the DHE invoice time summary, that same
15 DHE crew to a hypothetical 509-per-hour per-man rate for
16 a single hour, and de-averages that 509 rate, based on
17 the hierarchal graduations we see in the actual billing
18 rate relationships that are shown in Column E?

19 MS. KEATING: Mr. Chairman, I have to object.
20 Calls for speculation. I'm not sure I could quite
21 follow the whole question either, and I --

22 CHAIRMAN GRAHAM: I have to say, I couldn't
23 follow it. If you want to break that question up a
24 little bit into bite-sized pieces.

25 MS. PONDER: Sure.

1 BY MS. PONDER:

2 Q It's a -- it's -- again, it's a hypothetical.
3 In looking at table. All right. We have the crew that
4 you just looked at, the DH Elliot crew; their class, the
5 general foreman, foreman, lineman, the various classes
6 there. And we've taken PAR's hourly rate.

7 So, would you accept that this table
8 illustrates the application of the same relative waiting
9 percentages from the DHE invoice time summary and using
10 that same DHE crew to a hypothetical 509-per-hour per-
11 man rate for a single hour -- do you agree with that?

12 MS. KEATING: Mr. Chairman -- sorry.

13 Mr. Chairman, I mean, Counsel is asking the witness
14 to take a look at a chart that he's never seen
15 before, he's never prepared. He's not able to
16 confirm that the amounts are correct. I mean,
17 if --

18 CHAIRMAN GRAHAM: Well, he's got a calculator
19 in front of him, if he wants to confirm or, subject
20 to check, if he wants to try to see if he can
21 answer question, I'll allow the question.

22 THE WITNESS: Well, and forgive me --

23 BY MS. PONDER:

24 Q Well, can -- could you confirm that this would
25 be how you de-average it? Can you confirm this would be

1 a process you go through to de-average it, the 509,
2 the -- sorry. PAR's hourly rate of 509 -- that this
3 would be a way to go about it to de-average it?

4 A Well, if I could -- I'm not familiar -- and
5 I'm sorry. I'm an educated man. I don't -- I don't --
6 I'm not familiar with the term "de-average," but as we
7 had established previously, the 509 an hour -- we're not
8 identif- -- identifying specifically what is in that
9 rate.

10 So, the comparison is exactly what you said.
11 It's a hypothetical. And I don't know -- it would
12 appear you're taking a percentage of -- of something
13 from PAR and trying to apply it to DH Elliot, but I
14 don't know what the comparison is that you're attempting
15 to make.

16 Q The percentages are actually from Elliot, and
17 we're imposing -- if that's the right word -- the PAR
18 hourly rate.

19 CHAIRMAN GRAHAM: I think the question was
20 asked and answered.

21 MS. PONDER: Okay.

22 CHAIRMAN GRAHAM: He says he doesn't
23 understand it and he can't follow.

24 MS. PONDER: I have no further questions,
25 Mr. Cassel.

1 CHAIRMAN GRAHAM: Staff?

2 MS. DZIECHCIARZ: Thank you, Mr. Chairman. We
3 just have a few questions.

4 EXAMINATION

5 BY MS. DZIECHCIARZ:

6 Q Hello, again, Mr. Cassel.

7 A Hello, again.

8 Q For this set of questions, can you please
9 refer to Page 13 of your rebuttal testimony. And when
10 you're there and done refreshing your memory, please
11 just let me know.

12 A (Examining document.) I'm ready.

13 Q Thank you.

14 On Page 13 of your rebuttal testimony, you
15 were asked how FPUC arrived at a labor rate of 37.34 per
16 hour and whether that rate is reasonable and appropriate
17 for capitalizing labor costs. Do you see that?

18 A Yes, I do.

19 Q And it appears that you describe how the rate
20 was estimated, but not if it is reasonable. Do you
21 believe that it is reasonable?

22 A I do believe it's reasonable.

23 Q And can you please explain why.

24 A We're taking the average cost -- what it would
25 take to do this work with our labor on the system and

1 removing that from -- from the reserve. So, it's an
2 average rate that we use to capitalize.

3 If that work were done in normal
4 circumstances, there's a rate. And what we say here is
5 the operation management provided that rate based on
6 average labor that would be done to do that same work in
7 a normal circumstance.

8 MS. DZIECHCIARZ: Okay. Thank you.

9 Staff has no more questions.

10 CHAIRMAN GRAHAM: Okay. Commissioners.

11 Commissioner Polmann.

12 COMMISSIONER POLMANN: Thank you,

13 Mr. Chairman.

14 Mr. Cassel, you had made reference to a
15 Southeast Electric cooperative or --

16 THE WITNESS: Exchange, Commissioner.

17 COMMISSIONER POLMANN: Exchange.

18 THE WITNESS: Yes.

19 COMMISSIONER POLMANN: Thank you.

20 And you have your member or component -- I'm
21 not quite sure what the right terminology -- but
22 you -- you have access through this group to a
23 number of contractors; is that correct?

24 THE WITNESS: FPUC does participate in the
25 Southeastern Electric Exchange, which does give

1 them access to contractors regionally, yes.

2 COMMISSIONER POLMANN: Thank you.

3 Did -- is that access to contractors -- is
4 that under emergency conditions only? Is that
5 the -- is that the purpose or -- or in general?

6 THE WITNESS: In general, my understanding is
7 that it would be for emergency services.

8 COMMISSIONER POLMANN: Okay. And through that
9 exchange, is -- is that the avenue by which FPUC
10 hired PAR?

11 THE WITNESS: That's correct. Yes, it was.

12 COMMISSIONER POLMANN: Okay. And does the
13 utility -- did the utility at that time become
14 aware and have access to other contractors as well
15 through -- through the exchange?

16 THE WITNESS: That exchange -- and again, this
17 will be covered more thoroughly by Witness Cutshaw.
18 And there's a very distinct process that works in
19 the SEE and how contractors are assigned.

20 And it's not, as it was characterized earlier,
21 a last-minute, we just wait and see what happens,
22 somehow just willy-nilly go out and try and get a
23 couple of people to fix the system. It's a process
24 over several days.

25 And in these particular set of circumstances,

1 where a storm is touching all the way from one end
2 of the State to the other, those resources are
3 released according to where that storm goes. And
4 you have larger -- larger players and IOUs on the
5 system, that -- that take a larger amount of those
6 resources.

7 So, we are allocated -- so, the hiring -- you
8 know, the nomenclature "to hire" -- we're actually
9 released contractors that are under contract with
10 another IOU at that time. And that's how they come
11 to us.

12 COMMISSIONER POLMANN: Let me try to
13 understand this a little better. Is it your
14 testimony or is it -- based on your understanding,
15 best of your knowledge, recognizing that you may
16 not be the person who executes this -- that the
17 utility makes a request through SEE, and that there
18 is an allocation process of the available
19 contractors to -- to the various utilities that
20 make assignments, I think, was your -- word --
21 makes allocations.

22 Do you get to choose? Does the utility choose
23 a contractor that --

24 THE WITNESS: No, they don't.

25 COMMISSIONER POLMANN: -- that comes to you

1 and does work for you?

2 THE WITNESS: No, they do not.

3 COMMISSIONER POLMANN: Okay.

4 THE WITNESS: And in a circumstance such as
5 Irma, when resources were constrained because of
6 what was going on -- you had Hurricane Harvey going
7 on in Texas. There was a lot -- that -- you know,
8 the region, the country, really, quite honestly, at
9 whole, was constrained from resources, so -- even
10 more so in those particular circumstances.

11 If the opportunity comes up for us to be able
12 to negotiate or be able to take another contractor,
13 we would do that. This was a wholly-different of
14 circumstances. It demanded reaction that made
15 these a prudent and reasonable expense to us.

16 COMMISSIONER POLMANN: Are you aware of
17 whether or not the utility, in addition to going to
18 the Exchange -- did the utility seek resources,
19 contractor resources, by other means, also?

20 THE WITNESS: To my knowledge, I'm -- again,
21 not part of what I do. I have some familiarity,
22 but I'm not familiar how that works.

23 To the point, though, earlier, the way we --
24 we do contract on our system so, if we have
25 contractors working on our system at the time,

1 those would be the contractors we would deploy in
2 an emergency as well. We would not release those
3 contractors.

4 COMMISSIONER POLMANN: Okay. Thank you, sir.

5 CHAIRMAN GRAHAM: Redirect.

6 MS. KEATING: Thank you, Mr. Chairman. Just a
7 couple.

8 FURTHER EXAMINATION

9 BY MS. KEATING:

10 Q **First, Mr. Cassel, Ms. Ponder asked you**
11 **about -- I think it was identified as Exhibit No. 28.**
12 **It's FP- -- Florida Public Utilities' policies and**
13 **procedures?**

14 A Yes.

15 Q **Would you do me a favor -- I'll just take my**
16 **glasses off -- turn to Page 2. Are you there?**

17 A I'm there.

18 Q **Could you read for me the effective date of**
19 **this policy?**

20 A Forgive me. I am not there.

21 CHAIRMAN GRAHAM: You just turned past it.

22 THE WITNESS: Oh. Effective date is
23 August 2nd, 2018.

24 BY MS. KEATING:

25 Q **Okay. So, to your knowledge, was this in**

1 effect during either of the hurricanes at issue in this
2 case?

3 A Not to my knowledge. I have not seen this
4 before. No.

5 Q Okay. Ms. Ponder asked -- also asked you some
6 questions about the inclement-weather compensation
7 policy.

8 Just a couple of questions on that. Are FPUC
9 employees expected to work during a storm?

10 A They are. That's part of the employment
11 agreement, if you will, with our employees.

12 Q And if they work during the storm, will they
13 be compensated under the weather-compensation policy?

14 A Under the inclement-weather policy, they will
15 be, yes.

16 Q Is it discretionary?

17 A It is not. It's part of the compensation that
18 they get and -- and in agreement for us to be able to
19 retain -- hire and retain people, knowing that they're
20 going to have to submit to that during the time of
21 emergency.

22 Q Okay. Ms. Ponder also asked you a couple of
23 brief questions about replenishment of supplies. Are
24 you seeking recovery of costs to replenish your
25 supplies?

1 A No, we're not.

2 Q And I believe she referred to testimony by
3 Mr. Schultz about transformers?

4 A Yes.

5 Q Are you seeking recovery of transformers?

6 A No, we are not. Those are capitalized at the
7 time they are taken in.

8 Q Okay. Could you explain what happened with
9 the transformers?

10 A I'll do my best. This was confusing -- it was
11 very simple yet confusing. We had -- \$32,800 was the
12 reference number here. There was -- there was not
13 transformers in the storm reserve, and we had made an
14 internal error through an accounting entry that removed
15 \$32,800 from the storm, but that \$32,800 never was
16 there. And it was for transformers, which, as I said,
17 are capitalized at the time they're taken in.

18 Staff, through their audit, identified that as
19 an error, and we made an entry to put the \$32,800 back
20 in. So, essentially what we did went zero to negative
21 32,800, and back to zero again because staff was able to
22 identify the error that we made on our side.

23 MS. KEATING: Thank you, Mr. Cassel.

24 We have no more redirect.

25 CHAIRMAN GRAHAM: Okay. Exhibits.

1 MS. KEATING: FPUC would move Exhibit 25.

2 CHAIRMAN GRAHAM: Yes, we already put that
3 in -- basically just included the -- the errata.

4 MS. KEATING: Okay.

5 MS. PONDER: And OPC would like to move in 27
6 through 29, please.

7 CHAIRMAN GRAHAM: Any objections to 27 through
8 29?

9 MS. KEATING: Yes, Mr. Chairman. We object to
10 Exhibit Nos. 28 and 31.

11 CHAIRMAN GRAHAM: 28 and 31. What is your
12 objections to those two exhibits?

13 MS. KEATING: Well, with regard to Exhibit 28,
14 which is the policies and procedures we just
15 discussed, as Mr. Cassel was very clear on the
16 stand, he's not familiar at all with this. It's
17 also -- the effective date is well past the storms
18 that are discussed in this proceeding.

19 So, it's not only irrelevant; Mr. Cassel can't
20 support and confirm it, so --

21 CHAIRMAN GRAHAM: Ms. Ponder?

22 MS. PONDER: It doesn't mean that it's not
23 relevant. It addresses emergency storm work
24 process; however, we can withdraw it here. We'll
25 address it with Mr. Cutshaw.

1 CHAIRMAN GRAHAM: I was going to say that I
2 think the objection is fair for 28, and doesn't
3 mean you can't use it for the next witness.

4 31.

5 MS. KEATING: For 31, I'm really just
6 objecting to the first page. This is a chart that
7 we're seeing for the first time. Mr. Cassel has
8 not had an opportunity to review, confirm the
9 numbers. There's no basis and no foundation in the
10 record for this.

11 MS. PONDER: OPC didn't ask for that to be
12 moved into the record. And that was No. 30, I
13 thought.

14 CHAIRMAN GRAHAM: That was 31.

15 MS. PONDER: It was 31? Oops. Well, we -- we
16 didn't ask for that to be moved into the record.

17 Then -- oh, 30 -- I'm sorry. So, the 30 is
18 the PAR storm, and --

19 CHAIRMAN GRAHAM: So, you want -- you want 27
20 through 30 --

21 MS. PONDER: Yes.

22 CHAIRMAN GRAHAM: -- entered into the record.

23 MS. PONDER: Yes, 27 to 30. Yes, not --

24 CHAIRMAN GRAHAM: Okay.

25 MS. KEATING: Okay.

1 MS. PONDER: Not that last exhibit.

2 MS. KEATING: I withdraw my objection.

3 CHAIRMAN GRAHAM: And so, we are -- we're
4 pulling 28, and you didn't ask for 31.

5 MS. KEATING: Withdraw the objection.

6 CHAIRMAN GRAHAM: Okay. So, then, 27, 29, and
7 30 are going into the record.

8 (Whereupon, Exhibit Nos. 27, 29, and 30 were
9 admitted into the record.)

10 MS. PONDER: Yes, thank you.

11 CHAIRMAN GRAHAM: Okay. Would you like to
12 excuse this witness?

13 MS. PONDER: Yes. Thank you, Mr. Cassel.

14 THE WITNESS: Thank you.

15 MS. KEATING: We ask that he be excused.

16 CHAIRMAN GRAHAM: And make -- make sure you
17 leave those exhibits there because I'm sure those
18 same questions will be asked.

19 MS. PONDER: I do have a separate packet for
20 Mr. Cutshaw for -- but, yeah, just leave them
21 there. That's fine.

22 THE WITNESS: Thank you very much.

23 CHAIRMAN GRAHAM: Ms. Keating -- Mr. Munson.
24 I'm sorry.

25 MR. MUNSON: Mr. Chairman -- no problem. FPUC

1 would like to call Mr. Mark Cutshaw, please.

2 EXAMINATION

3 BY MR. MUNSON:

4 Q And good evening, Mr. Cutshaw.

5 A Good evening.

6 Q Have you been sworn?

7 A Yes, I have.

8 Q Okay. Please state your name and business
9 address for the record, please.

10 A My name is Mark Cutshaw. My business address
11 is 1750 South 14th Street, Fernandina Beach, Florida
12 32034.

13 Q And by whom are you employed and what's your
14 position?

15 A I'm employed by Florida Public Utilities
16 Company as the director of business development and
17 generation.

18 Q And did you prepare rebuttal testimony
19 consisting of nine pages that was submitted on
20 November 7th?

21 A Yes, I did.

22 Q And do you have any changes or corrections to
23 that testimony?

24 A No, I do not.

25 MR. MUNSON: And at this time, Mr. Chairman,

1 we'd ask that Mr. Cutshaw's rebuttal testimony be
2 entered into the record as if read, please.

3 CHAIRMAN GRAHAM: We will insert Mr. Cutshaw's
4 rebuttal testimony into the record as though read.

5 MR. MUNSON: Thank you.

6 (Whereupon, Witness Cutshaw's prefiled
7 rebuttal testimony was inserted into the record as
8 though read.)

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1 Before the Florida Public Service Commission

2 Docket No. 20180061-EI

3 In re: Petition for a limited proceeding to recover incremental storm restoration costs by
4 Florida Public Utilities Company

5
6 Prepared Rebuttal Testimony of P. Mark Cutshaw

7 Date of Filing: 11/7/2018

8
9 **Q. Please state your name and business address.**

10 A. My name is P. Mark Cutshaw. My business address is 1750 South 14th Street,
11 Suite 200, Fernandina Beach, FL 32034.

12
13 **Q. Have you previously filed direct testimony in this case?**

14 A. No, I have not.

15
16 **Q. By whom are you employed?**

17 A. I am employed by Florida Public Utilities Company ("FPUC" or "Company").

18
19 **Q. Could you give a brief description of your background and business
20 experience?**

21 A. I graduated from Auburn University in 1982 with a B.S. in Electrical Engineering.
22 My electrical engineering career began with Mississippi Power Company in June
23 1982. I spent nine years with Mississippi Power Company and held positions of
24 increasing responsibility that involved budgeting, as well as operations and
25 maintenance activities at various locations. I joined FPUC in 1991 as Division
26 Manager in our Northwest Florida Division and have since worked extensively in
27 both the Northwest Florida and Northeast Florida divisions. Since joining FPUC,

1 my responsibilities have included all aspects of budgeting, customer service,
2 operations and maintenance. My responsibilities also included involvement with
3 Cost of Service Studies and Rate Design in other rate proceedings before the
4 Commission as well as other regulatory issues. During 2015, I moved into my
5 current role as Director, Business Development and Generation.

6
7 **Q. Have you previously testified before the Commission?**

8 **A.** Yes, I've provided testimony in a variety of Commission proceedings, including
9 the Company's 2014 rate case, addressed in Docket No. 20140025-EI. Most
10 recently, I provided written, pre-filed testimony in Docket No. 20180001-EI, the
11 Commission's regular fuel cost recovery proceeding, and also provided both pre-
12 filed and live testimony the prior year, in Docket No. 20170001-EI, regarding the
13 Commissions' regular fuel cost recovery docket.

14
15 **Q. Have you read the testimony of Helmuth Schultz III on behalf of the Citizens
16 of the State of Florida?**

17 **A.** Yes, I have.

18
19 **Q. What is the purpose of your direct testimony in this Docket?**

20 **A.** The purpose of my testimony is to discuss Mr. Schultz's adjustments for the
21 hourly rate and standby charges charged by PAR.

22
23 **Q. Mr. Schultz recommends excluding \$185,039 as an excessive hourly rate
24 charged by PAR, an electrical line repair contractor, and an additional
25 \$353,795 for an excessive amount of standby time by this same contractor.
26 What is your opinion regarding these recommendations?**

1 A. These recommendations reflect an inadequate understanding of necessary
2 hurricane preparation and recovery procedures and should be rejected.
3 Specifically, as explained in more detail below, the hourly rate was the rate
4 available under the market conditions shortly before Hurricane Irma given the
5 limited number of storm restoration contractors available and suitable for FPUC's
6 needs. A critical factor in hurricane restoration and response is the ability to
7 have sufficient restoration resources appropriately staged in order to respond
8 promptly without being impacted by travel restrictions or damage caused by the
9 storm. In order to ensure this response occurs appropriately, mobilization and
10 staging of resources must occur in conjunction with the path and impact of the
11 impending storm. This process must be flexible and change with the storm,
12 which is always challenging. In the case of Hurricane Irma, paying for standby
13 time was necessary to ensure that the contractor would be appropriately staged
14 near, but not too close, to the path of the hurricane given the inherent uncertainty
15 of the hurricane's speed and path of travel. Hurricane Irma was a particularly
16 challenging situation. FPUC, along with most other utilities on the Florida
17 peninsula, was bracing for a major hurricane that would impact a majority of the
18 land area in the state. This caused an overwhelming need by all the impacted
19 utilities to get resources to the peninsula. Additionally, the resource market was
20 already constrained as a result of Hurricane Harvey in Texas and Louisiana. In
21 this situation, FPUC had to decide to either use the resources available or delay
22 the start of its restoration efforts. While there are situations where the storm is
23 not as erratic, the impact area is not as extensive, and there are sufficient
24 resources available in the market where FPUC could reasonably bargain with the
25 restoration time of its customer's service for a better price - Hurricane Irma was
26 not this situation.

1 **Q. Is Mr. Schultz's statement that the "SEE process dictates the rates"**
2 **accurate?**

3 A. No. The Southeastern Electric Exchange (SEE) mutual assistance process is
4 strictly focused on obtaining and allocating available resources in a fair and
5 equitable manner. This process does not consider or dictate rates of
6 participating resources. The company to which the resources are allocated is the
7 entity responsible for accepting or rejecting the resource and reimbursement of
8 cost to the resource.

9
10 **Q. What dictates the rates paid by FPUC to its storm restoration contractors**
11 **(i.e., PAR)?**

12 A. The Company participates in the SEE Mutual Assistance Committee (MAC)
13 which focuses on response to electrical transmission and distribution
14 emergencies for the member companies. The member companies (Investor-
15 Owned Utilities) involved are generally located near the Southeastern United
16 States. When emergencies arise, the SEE convenes a MAC call where impacted
17 utilities communicate the number of line and tree crew resources needed to
18 achieve an acceptable Estimated Time of Restoration (ETR) based on available
19 information on the storm event. Available utility and contractor resources that
20 can respond in accordance with utility requirements are then identified by the
21 MAC. Requesting utilities then meet via conference call and allocate these line
22 and tree resources based on a number of factors such as utility/contractor,
23 location, travel times, crew sizes, self-contained ability, security, etc. When the
24 allocation process concludes, each requesting utility contacts the utility or
25 contractor resources to work out the arrangements for restoration assistance.

1 During this part of the process, the utility and the responding resource discuss
2 safety requirements, travel requirements, contracting requirements (which
3 includes rates), staging requirements, etc. Based on these discussions (or
4 possibly a change in the storm path or intensity), the utility can request the
5 resource to mobilize and begin moving to the staging location or reject and
6 redirect that resource to another utility that may be in need of additional
7 resources.

8 In most situations, resources from the SEE are not sufficient to cover the entire
9 initial request of all the requesting utilities, so it is critical that these resources be
10 utilized by the requesting utilities. It is also commonplace that storms, hurricanes
11 in particular, are unpredictable and change the path and intensity many times
12 before the actual impact. To meet ETR goals, these changes also require that
13 the requesting utilities modify their resource needs during the event and redirect
14 previously mobilized resources to a higher priority destination, which may include
15 assignment to a different requesting utility. Again, at this point, the resource and
16 the requesting utility discuss safety, travel, contracting (which includes rates),
17 staging, security, etc. The requesting utility has the ability at that point to accept
18 or reject and redirect the resource. However, since resources are almost non-
19 existent at this time, redirecting the resource could result in the requesting utility
20 having fewer resources than needed to achieve an acceptable ETR.

21 As is evident by the process described above, a storm similar to Hurricane Irma
22 can result in a number of changes due to the erratic path and significant
23 increases in intensity which greatly influences the number and location of the
24 resources required. This is very different than a tornado, which typically has a
25 more limited impact, or a winter storm that is much more predictable.

1 During natural disasters such as Hurricane Irma and other similar storms, the
2 most critical concern is to restore power as safely and quickly as possible while
3 minimizing loss of life and property. Navigating the constant changes during
4 Hurricane Irma was challenging and allocating resources appropriately was
5 extremely difficult. Rejecting resources based on the standby charges and
6 higher than anticipated rates was not an option when the safety of our customers
7 was at risk.

8
9 **Q. Did FPUC have difficulty finding a contractor to assist with Hurricane Irma**
10 **repairs? Why?**

11 A. Yes, as previously stated utility resources and utility contractors are in high
12 demand after a storm. The SEE is used as a resource to equitably allocate the
13 resources to the requesting utilities based on availability which typically does not
14 meet the stated needs. This requires some utilities to reach far outside of the
15 eastern half of the United States to achieve the resources requirements. The
16 FPUC resource request is typically for a smaller crew size compared to those
17 requested by larger utilities. Larger utilities request crew sizes that would be
18 much too large to meet the FPUC resource needs. For example, some utilities
19 may be requesting 5,000 – 10,000 personnel while FPUC may be requesting 40
20 personnel. As such, relatively few of the SEE contractors could respond to the
21 FPUC requirements. Also, since the path and intensity of Hurricane Irma
22 changed, allocations for initial resources were changed during the process which
23 further reduced the Company's ability to eliminate any available resource based
24 on cost.

1 A further complication to obtaining resources included a limitation on resources
2 due to those contractors that were still in the Texas/Louisiana area assisting after
3 Hurricane Harvey impacted that area. Hurricane Harvey's dramatic intensity
4 changes and the erratic path that made three landfalls in that area from August
5 25, 2017, through August 30, 2017, required significant resources from the same
6 resource pool called upon for Hurricane Irma. With limited resources available
7 and the fact that Hurricane Irma made landfall in Florida on September 10, 2018,
8 and impacted practically all of Florida, available resources were extremely limited
9 and very difficult to obtain.

10 During Hurricane Irma, FPUC was assigned a small crew based on the initial
11 forecast of the intensity and path. As the hurricane forecast changed, it was
12 apparent that the initial resource request was insufficient to address the
13 anticipated damage and meet the ETR targets. With this information, FPUC
14 went back to the SEE and requested additional resources, all of which had been
15 previously assigned to other requesting utilities. When the PAR contractor was
16 released by another requesting utility and became available, there were no other
17 options but to utilize them. PAR was the only contractor available at that time,
18 and while we have in the past turned PAR away because of their rates, we had
19 no other resources available to us this time. We also had no leverage or time to
20 negotiate more favorable rates. When a significant storm appears imminent
21 based on the current forecast, it is critical that resources available be utilized to
22 ensure prompt restoration and public safety.

23
24 **Q. Given the rates charged by PAR, why didn't FPUC get another contractor to**
25 **perform the work?**

1 A. As described above, the process of obtaining contractors during a hurricane
2 restoration event is exceptionally challenging based on the path and intensity
3 changes of the hurricane. When unexpected changes occur, it is incumbent on
4 the responding utility to make the necessary preparations to respond to the
5 situation in the most expeditious and safe manner. In this case, changes in the
6 forecast coupled with the limited number of available contractors and the short
7 response time did not allow time to develop other resource options. Therefore,
8 rejecting this resource could have resulted in insufficient resources to address
9 the damage caused to FPUC facilities by Hurricane Irma which would have led to
10 much longer ETR's and impacted public safety. While performing restoration
11 activities, PAR performed exceptionally and helped meet the ETR goals set for
12 Hurricane Irma restoration. PAR has been in the electrical contracting business
13 for over 60 years and has consistently performed storm restoration work for
14 utilities across the nation in a safe and efficient manner.

15

16 **Q. What steps did FPUC take to find contractors to assist with repairs for**
17 **Hurricane Irma?**

18 A. As previously stated, the SEE mutual assistance process is an industry standard
19 that provides for the most efficient method of identifying and allocating resources
20 to the electric utility industry during times of system emergencies. The system
21 has been proven time after time with excellent results. Also, as previously
22 mentioned, the number of resources typically required by larger utilities
23 necessitates bringing in resources from the western United States and Canada,
24 but this is not a good match for a small system similar to FPUC. However,
25 FPUC has had excellent results for many years utilizing the SEE to acquire

1 resources for emergency system restoration and has worked well in allocating
2 resources with the other utilities represented in the SEE. We feel that obtaining
3 resources through the SEE is the best methodology for FPUC.
4

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

6 A. Yes, it does.

1 BY MR. MUNSON:

2 Q Mr. Cutshaw, did you prepare a summary of your
3 testimony in this case?

4 A Yes, I did.

5 Q And can you please present it.

6 A Good afternoon, Commissioners. Thank you for
7 the opportunity to address you this afternoon.

8 Commissioners, Mr. Schultz misunderstands what
9 Southeastern Electric Exchange is and its purpose. The
10 SEE provides a collaborative mechanism to share utility
11 and contractor resources where needed following a storm.

12 The utility members of the SEE are the ones
13 that actually engage resources in advance of the storm.
14 When an actual event occurs, under the SEE process,
15 resource assignments are made based on the initial
16 projections for the storm. If the storm projections
17 change, resources can be reassigned to another utility
18 based on the new projection.

19 The utility that re- -- receives assistance
20 from the released contractor must, however, pay for
21 services based on the contract that resource had with
22 the utility that originally engaged the contractor.

23 At the time of release, there's no realistic
24 opportunity to negotiate or renegotiate a contract with
25 the contractor. The release process is particularly

1 critical to us because, as a smaller utility, our
2 ability to reserve resources in advance of the storm is
3 very limited.

4 FPUC would typically need smaller crews due to
5 our small size. So, understandably, contractors are
6 less inclined to contract with us than those utilities
7 that may be requesting much-larger crew sizes.
8 Fortunately, the SEE process has -- has historically
9 enabled us to obtain the resources needed in spite of
10 our size.

11 During Hurricane Irma, we simply had no other
12 resource available. We had been assigned a relatively-
13 small resource allotment early, based on the initial
14 projections of Irma. As the track changed, though, it
15 became clear we'd need more help.

16 Available resources were already tapped out,
17 due to projected statewide impact of the storm, as well
18 as the fact that other resources were still deployed,
19 responding to Hurricane Harvey.

20 PAR was literally the only resource released
21 and available to us. We were in no position to attempt
22 to negotiate a different rate. The choice was pretty
23 clear: Use the available resource and restore service
24 to our customers, as expected; or reject PAR, knowing
25 that our service restoration would be significantly

1 delayed. As a utility charged with providing safe and
2 reliable service to our customers, the choice was easy.

3 Thank you, again, for your time.

4 MR. MUNSON: We'll tender -- Mr. Chairman,
5 we'll tender the witness for cross-examination.

6 CHAIRMAN GRAHAM: Okay. Mr. Cutshaw, welcome.

7 THE WITNESS: Welcome.

8 CHAIRMAN GRAHAM: OPC.

9 MS. PONDER: Thank you.

10 EXAMINATION

11 BY MS. PONDER:

12 Q Hi, Mr. Cutshaw.

13 A Hello.

14 Q I'm passing around some exhibits now.

15 Do you have your packet?

16 A I do have the packet.

17 Q Okay. All right. Can we agree today, for
18 purposes of my questions, when I refer to "SEE," that I
19 am referring to the Southeastern Electric Exchange?

20 A Yes.

21 Q Thank you.

22 If you would, refer to Page 3 of your
23 rebuttal, Lines 1 to 2. Are you on that page?

24 A Not yet.

25 Q Okay. Sorry. I looked up.

1 A Okay. Page 3.

2 Q Yes, sir, lines 1 to 2.

3 A Okay.

4 Q Is it your opinion that Mr. Schultz does not
5 possess the necessary experience to evaluate storm cost?

6 A It did not appear so.

7 Q At the time you filed your testimony, did you
8 have any knowledge of Mr. Schultz's past experience over
9 the many years evaluating storms?

10 A I did not.

11 Q On this same page, beginning at Line 6,
12 starting with the critical factor, would you just read
13 to Line 9. I believe it's just one long sentence.

14 A Okay. "A critical" -- starting with, "A
15 critical" -- is that --

16 Q Yes. Yes, please. Thank you.

17 A "A critical factor in hurricane-restoration
18 response is the ability to have sufficient restoration
19 resources appropriately staged in order to respond
20 properly without being impacted by travel restrictions
21 or damage caused by the storm."

22 Q Does the company, in normal course of
23 business, when there are no storms heading this
24 direction, ever contact contractors to ask them if they
25 would be available for storm-restoration work?

1 A When we engage any contractor for any type
2 work, part of the contract process is also to obtain
3 rates for emergency-type work such as storm work. So,
4 we do use a number of different contractors. And with
5 these contracts, we do have in there their rates for
6 emergency work.

7 Now, beyond those contractors that we
8 typically use, we do not go further than that and engage
9 other contractors that we're not really aware of
10 regarding their abilities or their professionalism.

11 **Q And why were those contractors not available**
12 **to provide restoration service?**

13 A In typical -- all right. At -- at the time of
14 Irma, we did not have any contractor resources on our
15 system. For whatever reason, we did not have those on-
16 site. If we had had one of those on-site, we, as in any
17 other utility, would have retained that resource --
18 resource during the hurricane, and they would have
19 remained.

20 We didn't have them on-site. The other
21 contr- -- those contractors were working for other
22 utilities; and, therefore, it would be hard to pull
23 those contractors away from other utilities during the
24 storm.

25 **Q So, those contractors that -- as part of the**

1 agreement to work on the system during non-storm times,
2 to perform emergency storm work, it's only in the
3 circumstance that they're already there, they happen to
4 already be there; not that they have to move --

5 A That's correct.

6 Q Is it industry policy or standard that some
7 payment be made to secure storm-restoration services
8 ahead of time?

9 A We have not made that a practice in --

10 Q Like a retainer fee?

11 A And I'm not sure if anyone does the retainer.
12 I'm not -- not familiar with that.

13 Q How many contractors did FPUC independently
14 contract without going through the SEE?

15 A The only contractor we had during Irma was the
16 PAR contracting crew.

17 Q But you didn't independently contact any other
18 contractors?

19 A No, we did not.

20 Q What other regional utility groups did you
21 contact, other than SEE?

22 A We -- we used the al- -- resource-allocation
23 process through the Southeastern Electric Exchange. And
24 as that process moved, it was evident that there were
25 not enough resources within the SEE to fulfill all the

1 requests. And as such, they utilized the RMAGs in the
2 northwest and the upper midwest to obtain additional
3 resources.

4 So, it was pretty much everybody on the
5 eastern half of the United States was involved in the
6 process of providing resources that were available to
7 assist with Irma. Pretty big area.

8 **Q Are you aware of whether other companies were**
9 **able to retain contractors to respond with mobilization,**
10 **starting on September 9th, and being nearby and**
11 **available to begin work on the 11th, after the storm was**
12 **over?**

13 A I am not sure about what the other companies
14 were able to acquire.

15 **Q Or other SEE members?**

16 A I -- I'm not familiar with what they had as
17 well.

18 **Q Looking at Page 4, please, of your testimony,**
19 **Lines 1 through 8 --**

20 A Okay.

21 **Q Is it your understanding that Mr. Schultz is**
22 **saying that SEE is dictating the rates?**

23 A That was what it appeared to state in the --
24 in the -- in the -- the testimony that I looked at.

25 **Q Is the reason you contact SEE to retain a**

1 **resource to respond to FPUC's restoration needs?**

2 A Yes.

3 **Q Does SEE identify the available resources?**

4 A Yes, they -- their process is to work together
5 with all of the -- the members of the Southeastern
6 Electric Exchange, identify the available resources, and
7 then, through a mutually-agreeable process, allocate
8 those resources as best we can to those requesting, but
9 there is never any discussion of rates.

10 That is strictly forbidden within the SEE
11 process to discuss rates. They are strictly there as a
12 mechanism to share information and share resources.

13 **Q I'm sorry. When you say forbidden to discuss**
14 **rates, you mean forbidden to discuss rates with the**
15 **contractor you're assigned or --**

16 A We -- we do that directly with the contractor.
17 Whenever we're assigned a contractor, we're able to
18 discuss the rates with that particular contractor.

19 Within the SEE process -- again, it's just
20 allocating resources. So, when we're allocating
21 resources, there is no discussion of, this contractor
22 charges this much and this one does that. That is not
23 part of the process.

24 **Q So, FPUC does not -- is not aware of what the**
25 **rates of other SEE participating contractors are.**

1 **You're just aware -- or a utility is aware of the one**
2 **that they were assigned.**

3 A When a contractor is assigned to a particular
4 company, that company, then, discusses with that
5 contractor kind of the standards of how the mobilization
6 and the response will work, which includes hours of
7 work, safety requirements, travel, and rates. So, that
8 is strictly between the company that is assigned that
9 particular contractor and the contractor.

10 **Q Did FPUC negotiate with PAR a rate for the**
11 **storm?**

12 A That had already been done.

13 MS. PONDER: Okay. As part of the packet I
14 handed out, there was a response to OPC
15 Interrogatory 4-68, which, I think, is the last
16 document there you have.

17 And we may mark this, please, as Exhibit --
18 32; is that correct?

19 CHAIRMAN GRAHAM: Again, tell me the -- which
20 one?

21 MS. PONDER: Sure. Company's response to
22 OPC's Interrogatory 4-68 -- 4-68. It was -- should
23 be the last in the packet there.

24 CHAIRMAN GRAHAM: I gotcha.

25 Exhibit 32.

1 MS. PONDER: Thank you.

2 (Whereupon, Exhibit No. 32 was marked for
3 identification.)

4 BY MS. PONDER:

5 Q So, Mr. Cutshaw, looking at this response, if
6 you could just -- please just read -- just that second
7 short paragraph there, the company response.

8 A PAR -- PAR electric contracting was originally
9 assigned to Florida Power & Light under existing
10 contract rates. Only after PAR crews started traveling
11 to Florida from Des Moines did they get reassigned to
12 FPUC, utilizing the same FPL rates.

13 Q Thank you.

14 So, is it your understanding that the PAR rate
15 is one that was negotiated by FPL?

16 A That is my understanding.

17 Q So, would you agree that the process included
18 PAR initially getting assigned by SEE to FPL, who, then,
19 negotiated a rate with PAR, and then PAR was reassigned
20 to FPUC, and that resulted in FPUC having to pay PAR the
21 \$509 per hour?

22 A That's pretty much the process, yes.

23 Q You cannot testify that FPUC has ever
24 negotiated a rate with a SEE-assigned contractor who
25 was, then, later reassigned to another utility; is that

1 correct?

2 A Can you re- -- re- --

3 Q Sure. Isn't it true -- I'll rephrase it.

4 Isn't it true that FPUC has -- has never negotiated a
5 rate with a SEE-assigned contractor who was, then, later
6 reassigned to another utility?

7 A Not that I'm aware.

8 Q Would you please look at Page 6 of your
9 testimony, Lines 9 to 24.

10 A Okay.

11 Q Is it your testimony here that SEE contractors
12 cannot respond to FPUC's needs because the company only
13 requires a small number of crew personnel?

14 A No.

15 Q Are there other small utilities or co-ops in
16 the southeast or New England that could have assigned
17 FPUC in its restoration -- assisted -- my apologies --
18 assisted FPUC in its restoration?

19 A Typically, the co-ops and municipals work
20 separately from the investor-owned utilities.

21 Q So, is that a yes or a no?

22 A That would be a no.

23 Q On Page 7, Lines 17 to 20 --

24 A Okay.

25 Q Isn't it true that, in the past, you have

1 **turned PAR away because their rates were too high?**

2 A That is one of the factors in which we turned
3 them away, yes -- one of the factors, but not the -- the
4 entire situation was different. We were assigned a PAR
5 contractor. The rates were high and, as with many
6 hurricanes, the path changed. So, as the path changed,
7 we were no longer in need of that particular contractor.

8 So, based on the path of the storm, the
9 overall situation, and the rate, then we decided that we
10 could handle the restoration with our own crews.

11 **Q Why -- why didn't you ask FPL to assign you a**
12 **lower-cost vendor like DH Elliot or somebody under \$200?**

13 A Within the SEE process, we -- we do work
14 together, I think, extremely well within the -- with the
15 companies that are involved in the SEE.

16 It is, in my opinion, one of the leading
17 industry organizations to -- to manage huge restoration
18 efforts, but one of the things -- and again, being a
19 small-sized company, you have the -- a lot of ability to
20 negotiate with other companies because we didn't like
21 the rate.

22 When the hurricane was heading our way, that's
23 not our main focus. The main focus is to get the lights
24 turned back on in a safe and efficient manner.

25 **Q Did FPL tell you whether they were engaging**

1 PAR crews other than the ones they had sent to FPUC and,
2 if so, what the rates for those PAR crews were?

3 A I'm not aware of any discussions that took
4 place.

5 Q You didn't have discussions with FPL
6 regarding --

7 A I was not handling it at that time, so I'm not
8 aware of that.

9 Q The PAR rate of 509 per hour had equipment
10 costs embedded in it; is that correct?

11 A That's correct.

12 Q And you did not negotiate this aspect of the
13 PAR contract, correct?

14 A That's correct.

15 Q So, you would agree that a contractor will
16 sometimes charge equipment costs separately and
17 sometimes they will charge, as PAR did here, with an
18 all-inclusive rate that covers the equipment as well.

19 A Yes, there are a number of different
20 mechanisms for -- for billing from contractors.

21 Q Which is most common, in your experience?

22 A I have seen very different -- so, I'm not sure
23 if there is any one particular that's most common.

24 Q Do you have -- have enough experience in
25 negotiations or with those contracts to state whether

1 this is a common subject of negotiation with
2 contractors?

3 A Rates is definitely an important aspect of
4 contract negotiations.

5 Q I handed out a sheet entitled -- should be "DH
6 Elliot Equipment Rates," I think -- well, it actually
7 has -- it's the same title -- my apologies -- as the
8 other exhibit.

9 We can just ignore the hourly-rate comparison.
10 And we're just really looking at the last two sheets
11 here that have the man-hour and equipment, but if we --

12 (Discussion off the record.)

13 BY MS. PONDER:

14 Q So, it's Exhibit 31, but not entered into the
15 record. So, we're just looking at the DH Elliot man-
16 hour and equipment rates there. The lowest -- I'm
17 sorry. Are you there?

18 A Okay. I am now.

19 Q Okay. The -- the lowest rate here is for a
20 pickup truck in the amount of 17.95; is that correct?

21 A That's correct.

22 Q And the highest rate charged is for a digger
23 at 40.76, correct?

24 A That's correct.

25 Q So, would you agree it's fair to assume that,

1 at the very most, \$70 is embedded in PAR's hourly rate
2 of the 509 per hour to cover for equipment cost?

3 A I'm -- I'm not sure what exactly the
4 allocations that go into the 509 are.

5 Q Okay. Thank you.

6 Do you have reason to believe that PAR's rates
7 would include equipment that's substantially different
8 from that included by DH Elliot?

9 A I think it's -- it's obvious there, there is a
10 huge difference in the way they're -- they're billed.

11 Q But would PAR have substantially-different
12 equipment? Would there be a need for them to have a
13 substantially-different equipment than the DH Elliot --

14 A I'm not --

15 Q -- crew?

16 A -- familiar with what type of equipment they
17 actually brought with it.

18 Q If we could look back to -- we had it marked
19 as Exhibit 27, I believe -- 28, my apologies. Yeah, the
20 FPUC's policies and procedures.

21 A Is this the one that we were discussing
22 earlier?

23 Q That's right. That's -- that went into effect
24 in August of '18. Yeah, it's marked as 28. Do you see
25 that?

1 A Yes, I've got it.

2 Q And are you familiar with this document?

3 A Just recently, but yes, I have -- have
4 reviewed it.

5 Q Okay. And do you know what is meant by the
6 term "Pre-established contract rates," as used in this
7 process? Again, I'm looking under the -- specifically
8 under the emergency storm work process.

9 MR. MUNSON: Mr. Chairman, I would like to
10 renew the issue we discussed with this earlier.
11 There's been no foundation laid for this document.
12 The effective -- there's been no established -- and
13 no relevance established either.

14 As far as we know, this document never applied
15 to the storms that are at issue in this proceeding.

16 MS. PONDER: Well --

17 CHAIRMAN GRAHAM: Well, I think she's in the
18 process of establishing that. And the witness
19 started off from the very beginning saying he is
20 familiar with this document.

21 So, we'll let her proceed.

22 BY MS. PONDER:

23 Q Mr. Cutshaw, is this a new policy?

24 A To my knowledge, yes. It was effective
25 August 2nd of this year.

1 **Q And is it substantially similar to a previous**
2 **policy FPUC had in place?**

3 A I do not remember ever seeing the policy prior
4 to this one.

5 **Q Okay. Has FPUC provided mutual aid as a**
6 **member under SEE?**

7 A Yes.

8 **Q And what rates does FPUC charge in the SEE**
9 **context?**

10 A We --

11 **Q \$509 per hour?**

12 A I would -- I would -- it would be different --
13 yeah, with each storm, what we do, as a company, when we
14 provide response to another utility, is provide that --
15 that assistance.

16 And then, after we respond, if we get back --
17 we determine what our actual cost was for the response.
18 And with that, we bill the -- the other SEE company our
19 actual cost incurred to provide them the emergency
20 response.

21 So, I'm -- I would not know what those hourly
22 man-hours would be.

23 **Q In the non-SEE context, has FPUC charged --**
24 **what are the rates that FPUC charges in the non-SEE**
25 **context?**

1 A We have not provided any assistance to other
2 companies outside the Southeastern Electric Exchange.

3 Q **In your experience, has FPUC ever been**
4 **overcharged by a SEE-member crew?**

5 A Not that I'm aware of.

6 Q **Are you involved in negotiations for setting**
7 **rates under the mutual agreements mentioned within the**
8 **policy --**

9 A I am not at this time, no.

10 Q **-- and with SEE?**

11 **Okay. Were you, during Irma?**

12 A No, I was not.

13 Q **And the PAR circumstance -- did you compare**
14 **what FPUC paid previously to other contractors?**

15 A I have not.

16 Q **What about what FPL paid to PAR last year?**

17 A I'm not -- I'm sorry. I'm not familiar with
18 what PAR paid to -- or FPL paid to PAR.

19 Q **When FPUC got stuck with the PAR rate of \$509**
20 **per hour, did you report that to the mutual assistance**
21 **committee, SEE comm- -- SEE coordinator, or other SEE**
22 **official?**

23 A As -- as we mentioned earlier, prices, rates
24 are not discussed with anything involved with the
25 Southeastern Electric Exchange. So, that would be

1 something that would be taken up directly between the
2 utility and the contractor that they contracted with.

3 **Q Did you --**

4 (Discussion off the record.)

5 BY MS. PONDER:

6 **Q Did you communicate with FPL as the entity who**
7 **negotiated the rate?**

8 A I did not -- I was -- again, I was not
9 involved when the -- with the reallocation process.

10 **Q Do you know if lodging and meals are included**
11 **in the DH Elliot rate -- hourly rates?**

12 A I have not reviewed that, so I'm not sure. I
13 would assume that they would be billed separately,
14 though.

15 **Q Are --**

16 (Discussion off the record.)

17 BY MS. PONDER:

18 **Q And are lodging and meals included in the**
19 **all-inclusive rate when it --**

20 A With the -- the all-inclusive rate with PAR?

21 **Q Yes.**

22 A So -- can you ask that one more time?

23 **Q Are lodging and meals included in the all-**
24 **inclusive as -- with PAR?**

25 A With PAR, when they were traveling, they are

1 responsible for paying their own lodging, but that is
2 billed separately. And then, when they arrive on
3 location with us, we take care of the lodging for the
4 crews, in most cases. And that is billed directly to
5 us.

6 **Q So, the cost for the hotels when PAR is**
7 **traveling is not included in the 509 all-inclusive rate?**

8 A To my knowledge, that is something that is
9 billed separately, outside of the 509.

10 MS. PONDER: Okay. No further questions.

11 Thank you, Mr. Cutshaw.

12 CHAIRMAN GRAHAM: Staff?

13 MS. DZIECHCIARZ: Staff has no questions,
14 Mr. Chairman, but we would just like to clarify
15 that FPUC would like to insert Mr. Cutshaw's
16 rebuttal testimony into the record as though read.
17 I'm not sure if we missed that. Was it inserted?

18 CHAIRMAN GRAHAM: We did that.

19 MS. DZIECHCIARZ: Okay. Thank you.

20 CHAIRMAN GRAHAM: Commissioners.

21 Commissioner Clark.

22 COMMISSIONER CLARK: Just one quick question,
23 Mr. Chairman.

24 Mr. Cutshaw, it's been alluded to that one of
25 the options available to the utility companies is

1 the use of other utilities. What was your
2 experience during Irma and the availability of
3 other utilities? And, specifically, would -- could
4 you address how the different types of utilities
5 interact when it comes to mutual aid?

6 THE WITNESS: During Irma, the -- the end
7 result of the path of Irma was all the way up
8 peninsula Florida, into Georgia, South Carolina,
9 and continuing on up. So, as you would expect,
10 most other utilities were keeping their own
11 resources at home until they were in the clear.
12 And I think that's what I would have done. And I
13 think most other utilities were the same.

14 So, as such, we didn't get a lot of response
15 from the utilities. They did release a certain
16 number of contractors, but it was not really until
17 we reached out to the northeast and the upper
18 midwest that we really got some additional contract
19 resources that were able to assist because nobody
20 knew where the storm was going, and they were
21 keeping their resources at home until they were in
22 the clear.

23 I think your other question -- and stop me if
24 I'm headed down the wrong path -- we -- we talked
25 briefly about investor-owned utilities,

1 cooperatives, and municipals. And historically,
2 there have been issues with crossing those lines.

3 And I think over the last few years, there's
4 been some barriers that have broken down and the
5 collaboration between the three are -- are
6 beginning to go away with contracts and different
7 things that are in place now. So, it is -- I think
8 in the future, it will be an op- -- an opportunity
9 to get additional resources.

10 But again, when you have the utility -- the
11 IOUs affected, all the municipals and the
12 cooperatives in those areas will be affected as
13 well.

14 COMMISSIONER CLARK: Is -- the key issue in
15 regards to cross utilization of the utilities --
16 and I wanted to just address this. It's not a cost
17 function, it's a liability function; is that a
18 correct statement?

19 THE WITNESS: Exactly. That is exactly right.

20 COMMISSIONER CLARK: Thank you.

21 CHAIRMAN GRAHAM: Mr. Cutshaw, how is SEE
22 funded?

23 THE WITNESS: SEE is funded through all the
24 member organizations. And with that, there's a
25 relatively-small staff located in Atlanta. And

1 their job function is to bring all the member
2 organizations together.

3 And within the group -- or within the SEE,
4 that there are different groups that involve
5 distribution, transmission, safety, metering,
6 mutual assistance, generation.

7 And again, that effort is a way for a group or
8 an entity to bring utilities together in a common
9 area to discuss good things and bad things that
10 they're encountering, in order to try to make all
11 utilities stronger and more efficient.

12 CHAIRMAN GRAHAM: Now, does everybody pay a
13 hundred dollars a year or is it based on the size
14 of the utility or how --

15 THE WITNESS: It is -- it is basically on your
16 gross revenues for the year. So, it is based --
17 the bigger you are, the more you pay. So, we
18 happen to be -- we happen to get the very best deal
19 within the SEE because we are the smallest.

20 CHAIRMAN GRAHAM: And is there -- is there a
21 hierarchy here? I mean, is somebody a diamond
22 medallion and then a platinum and so on or
23 everybody is just an equal member?

24 THE WITNESS: Every -- in speaking from the
25 little guy in the -- in the SEE process, we have

1 been incorporated into the different areas, the
2 engineering pieces, the mutual assistance, just
3 like the -- the bigger Southern Companies, the
4 FPLs. I mean, we're -- we're in the room. We're
5 discussing -- we get the respect and provide
6 information just like they do.

7 So, yes, we pay a lot less, but I think,
8 through the years, the utilities have seen the
9 benefits of being involved in that organization.
10 And there's -- there's no platinum members.

11 CHAIRMAN GRAHAM: And -- so I understand how
12 this process works, you contact SEE. They assign
13 you a contractor. And then you try to ne- -- you
14 negotiate price or you ask and find out what the
15 price or rate is --

16 THE WITNESS: Well --

17 CHAIRMAN GRAHAM: -- once -- once you get
18 assigned that contractor, correct?

19 THE WITNESS: Just a small modification. We,
20 as a company, contact the Southeastern Electric
21 Exchange and request a mutual-assistance committee
22 meeting.

23 And with that, they call all the companies
24 together. So, every company within the SEE gets on
25 a call. The ones that need assistance indicate, I

1 need a thousand linemen, I need 20 linemen,
2 whatever it is. And any companies that have
3 resources available indicate, well, I can give you
4 this many, this -- this many contractors, this many
5 utility personnel.

6 And then, we, as the utilities, decide, as a
7 group, all right, where -- where do we need to send
8 the resources; how can we allocate them fairly
9 amongst all utilities based on the resources
10 available.

11 So, the SEE is there to moderate the meeting.
12 They don't dictate, allocate. The companies do all
13 of that. They're there -- they're in place just to
14 moderate and convene the meetings.

15 CHAIRMAN GRAHAM: So, they basically put
16 everybody on the phone.

17 THE WITNESS: Exactly.

18 CHAIRMAN GRAHAM: And then you tell them what
19 their needs are, and Contractor A, C, and D will
20 decide they can provide your needs.

21 THE WITNESS: Right.

22 CHAIRMAN GRAHAM: And then you ask them what
23 the rates are after that fact?

24 THE WITNESS: Well, af- -- after we come --
25 again, we -- we don't talk rates on the calls. We

1 get -- after the -- the big call is over, the
2 gr- -- the companies that are requesting resources
3 have another mini call of just those utilities, and
4 based on the resources that are out there, the
5 companies that need assistance get on the phone and
6 they allocate those resources in -- in as much of a
7 fair way as you can.

8 And then, after you're allocated a certain
9 resource, then you, as the utility, contact
10 whatever the resource is and say, you've been
11 allocated to me. I understand you have a hundred
12 linemen. Do you have hundred a linemen. Yes, we
13 do. All right. How -- how can we get them to us.
14 Where are they located. How are you going to
15 travel. What would the rate be. And oh, by the
16 way, you need to leave on this date so that you can
17 be here just prior to the storm.

18 CHAIRMAN GRAHAM: Okay. So, you get to that
19 point. They tell you what the rate is. You have
20 ability at that point to upset -- accept or reject?

21 THE WITNESS: Yes, you do.

22 CHAIRMAN GRAHAM: And then, so, if you reject,
23 do they go back into the pool --

24 THE WITNESS: They go --

25 CHAIRMAN GRAHAM: -- and can you start that

1 whole process again?

2 THE WITNESS: They can go back into the pool
3 and, if another company needs them or can use them,
4 then they're -- you kind of go through that process
5 again. But typically, from what we've seen, when
6 contractors come to the State, they come to the
7 State with a set of emergency rates in place, and
8 whether they're working for Florida Public
9 Utilities or Florida Power & Light, it's the same
10 numbers.

11 CHAIRMAN GRAHAM: Okay. I was just trying to
12 understand --

13 THE WITNESS: That's my --

14 CHAIRMAN GRAHAM: -- how the process works.
15 Thank you.

16 Commissioner Polmann.

17 COMMISSIONER POLMANN: Thank you,
18 Mr. Chairman.

19 Mr. Cutshaw, based on your level of experience
20 with -- with the company and the various roles, can
21 you please explain for me, with regard to this
22 particular subject, your level of experience with
23 the contractor-cost side of this, to follow-up to
24 the Chairman's questioning? How much experience do
25 you have dealing or negotiating or discussing

1 internally the contractor costs for this storm
2 recovery?

3 THE WITNESS: Let me -- let me talk about two
4 different avenues of that. One, I had a number of
5 years of experience of actually contracting the
6 contractors that were with us on a normal, routine
7 basis.

8 And with those, we always had emergency work
9 costs that were -- that was built into the
10 contracts. And as you would expect, those numbers
11 were significantly more than the normal day-to-day
12 work, but they were in there.

13 And I think most contractors that are out
14 there know that they're -- none of them are sitting
15 around. They're all very busy, and they know
16 they're -- what their costs are. They know what
17 they're trying to aim to get.

18 And I -- I would characterize most of them as
19 there's not a lot of negotiating that occurs
20 because there's a lot of work out there. They say,
21 you know, this is what my rates are. Are you
22 interested.

23 And for someone, like, FPU, smaller size, we
24 don't have a lot of negotiating power. Maybe
25 Florida Power & Light does because they're a lot

1 larger. I don't know one way or the other if
2 they -- they do. But I know, for us, we go out and
3 look for low-cost contractors to do our day-to-day
4 work. So, I've had a lot of experience on that.

5 On the -- the flip side of that, through the
6 SEE process, I have not -- and I've been involved
7 in that process for about 20 years. And I have
8 never seen a significant amount of negotiations
9 that occur with contractors when it comes down to,
10 there's a storm coming, we're getting ready to be
11 hit by an ice storm, we have a tornado.

12 Most -- most contractors provide you with
13 reasonable rates, but yes, storm-related rates are
14 higher than normal day-to-day rates.

15 COMMISSIONER POLMANN: Okay. And I understand
16 the distinction between their normal operating
17 condition, everybody is busy, but they're --
18 they're conducting day-to-day operations, and --
19 and operating in storm-recovery mode, the different
20 conditions and -- and higher rate seems, to me, to
21 be expected.

22 Now, would you expect it -- and let's -- let's
23 ask: Is it possible -- have you had experience
24 where there -- there would be a storm not as
25 extensive as Irma or not -- these back-to-back

1 storms that the rates that the contractors are --
2 are offering would be different than what
3 you ex- -- what you've seen this past year or two?
4 They would be -- they would be less. Certain
5 cases, they would be more.

6 I mean, they're -- are they the same every
7 storm?

8 THE WITNESS: They're -- they are never the
9 same. They change -- seem to change each year.
10 And I'm not sure if it's related to the economy or
11 to how many storms we have, but yes, they -- they
12 rou- -- routinely charge each and every -- change
13 each year.

14 COMMISSIONER POLMANN: So, would you expect
15 that, anticipating a storm, anticipating a storm
16 season, that you're -- let me -- let me back up.
17 In anticipation of -- of storm season, what level
18 of planning are -- is the utility doing with regard
19 to storm recovering -- storm recovery and
20 availability of contractors?

21 Let -- let me -- let me give you an example.
22 Is it your experience to rely on -- on the Exchange
23 process or are you doing more than that?

24 THE WITNESS: I think, at this point in time,
25 we, being a smaller utility, do rely on the SEE

1 process because it works. Yes, maybe some time,
2 one contractor charges more than the other, but we
3 feel like we always get the resources.

4 In years past, when we did rely on the SEE
5 process, it was a factor within Florida,
6 particularly. During storm season, let's get as
7 many contractors on our system as we can get so
8 that, when a storm hits, we got everybody we need.
9 Everybody else is in it for themselves.

10 And -- and I think, in years past, we, as the
11 Florida investor-owned utilities, had issues where
12 some companies had a lot more resources than others
13 because that was the mechanism. And the allocation
14 was not fair and someone like Florida Public
15 Utilities really got left out in the cold because
16 we could not always afford to have a whole bunch of
17 contractors on our system just in case a hurricane
18 came.

19 So, I think we have -- through the years, we
20 saw how that didn't work and we saw the -- the
21 contentious -- contentious moments we had between
22 utilities.

23 And we said, guys, we -- and ladies -- we
24 can't do that any longer. We need to come up with
25 a process where we can fairly allocate all these

1 resources amongst all of the utilities in Florida,
2 and -- and not get into the position like we had
3 at -- a few years back.

4 So, I think the SEE process works. And for a
5 utility, especially like FPU, that is, in my
6 opinion, the best way to go forward and obtain
7 resources and get the power restored in a safe and
8 efficient manner.

9 COMMISSIONER POLMANN: Thank you, sir.

10 That's all I have, Mr. Chairman.

11 CHAIRMAN GRAHAM: Okay. Redirect?

12 MR. MUNSON: Thank you, Chairman.

13 FURTHER EXAMINATION

14 BY MR. MUNSON:

15 **Q Mr. Cutshaw, you received a number of**
16 **questions about the SEE process. Is the process that**
17 **SEE uses -- is that described in any written documents?**

18 A Yes, there is a process contained within the
19 mutual-assistance committee that explains many, many of
20 the pieces and parts of -- of how the mutual-assistance
21 process works.

22 MR. MUNSON: Mr. Chairman, I would like to ask
23 to be -- propose Exhibit 33 be distributed.

24 CHAIRMAN GRAHAM: Sure. Thank you.

25 THE WITNESS: Thank you.

1 (Whereupon, Exhibit No. 33 was marked for
2 identification.)

3 BY MR. MUNSON:

4 **Q And Mr. Cutshaw, do you recognize that**
5 **document?**

6 A Yes.

7 **Q What is it?**

8 A This is the Southeastern Electric Exchange
9 2016 Mutual Assistance Procedures and Guidelines.

10 **Q Okay. And if I could ask you, please, to turn**
11 **to Page 9, you'll see Paragraphs 17.2 and 17.3 have been**
12 **underscored.**

13 A Okay.

14 **Q Do you recognize those paragraphs?**

15 A Yes, I do.

16 **Q What do those paragraphs describe?**

17 A This describes, in the mutual-assistance
18 process, after a particular company is assigned a
19 contractor or another utility resource, they begin the
20 mobilization process whereby that utility or the
21 contractor leaves from wherever they're at and they
22 begin putting things together, getting on the road, and
23 traveling towards wherever the requesting utility is
24 located.

25 And it talks about how, during that process,

1 if they're partially there or if they've arrived at that
2 location, and then, for whatever reason, whether it be
3 the storm track has changed or whatever, they're
4 reassigned to another utility -- this describes who pays
5 the tab for all the mobilization work.

6 **Q And in this case, with regards to PAR, was PAR**
7 **reassigned to FPUC?**

8 A Yes. They were assigned originally to Florida
9 Power & Light on September 7th. And they were later
10 reassigned to us after they -- they left Des Moines
11 headed to South Florida.

12 **Q And was the process outlined in 17.2 and 17.3**
13 **followed --**

14 A Yes.

15 **Q -- by FPUC and the PAR?**

16 A Yes, it was.

17 **Q You received a number of questions about**
18 **contractors and where to obtain them. I want to go back**
19 **through that briefly. Does FPUC, during a storm, have**
20 **access to the contractors that are already working**
21 **on-site as storm-restoration contractors as well?**

22 A No. It -- not on -- if they're working on our
23 site, we do. If they're working on the site of another
24 utility, then we do not have access to them.

25 **Q Okay. So, just for clarification, if you had**

1 a contractor, but it was located at another utility when
2 the storm came in, it was not your -- is it your
3 expectation that those contractors would, then, come
4 work for you or would they stay put?

5 A They would stay put.

6 Q Just rough idea -- I mean, how -- how
7 frequently do you all have contractors on-site, for some
8 reason or another?

9 A It -- it varies from year to year, but I would
10 say, most of the time, we at least have a small
11 contingent of contractors working on-site.

12 Q And is it a fair statement to say that, in
13 your experience, larger utilities are more likely to
14 have contractors on-site at any given time?

15 A Yes.

16 Q Okay. Aside from contractors you have
17 on-site, well -- well, scratch that.

18 Aside from contractors you have on-site and
19 contractors that you obtain through the Southeast
20 Electrical Exchange process, when the -- when the storm
21 came through that we're talking about here, where PAR
22 was used, did you -- were you aware of any other
23 contractors that you could have contacted at that time?

24 A I was not aware of any.

25 Q Okay. And there's some -- been some

1 **discussion of PAR's \$509-an-hour rate. Do you know --**
2 **does that rate include fuel costs?**

3 A On the -- the sheet -- the invoice, there was
4 a -- two lines -- I think one was mobilization/
5 demobilization. Straight-time rate was 377. The
6 overtime rate was 509.

7 And during those times in which they were
8 traveling to a location or traveling home -- that
9 included everything, which was the -- the labor rate for
10 the employees. It was the equipment cost. It included
11 any fuel that they may burn driving -- I don't know how
12 far it is to Des Moines, but it's a long way. It would
13 include all of those pieces and parts to get them from
14 their main location to our staging area.

15 Q **And in your experience, is including fuel**
16 **costs within the hourly rate typical or atypical?**

17 A That's probably atypical. Most companies
18 break that out separately.

19 Q **Okay. I want to go back to the big picture**
20 **here, briefly, Mr. Cutshaw. And -- and you mentioned**
21 **mutual-assistance calls at the Southeastern Electrical**
22 **Exchange. Did you have any of these calls during the**
23 **impact and path of Hurricane Irma?**

24 A Yes.

25 Q **How many? Do you recall?**

1 A I know that the first three were the more-
2 significant calls. There were follow-up calls, but
3 those -- the first three were the ones that did most of
4 the identification of the resources needed and the
5 available resources.

6 Q Okay. And using those calls as a framework,
7 can you give the Commission a sense of the number of
8 resources that were made available -- that were
9 requested by the utilities, including FPU, and those
10 that were actually made available to FPU and the other
11 utilities?

12 A I think earl- -- on the first call, there was
13 approximately 9,000 resources requested. And within
14 SEE, they came up with about 560 possible resources to
15 respond to the 9,000. So, it was lacking.

16 Q So, it was -- if -- my math is poor, but that
17 was 8,400 contractors short in the first call?

18 A Yes.

19 Q How about this -- how about the later calls?

20 A The later calls -- the second one, because
21 there just was not a lot of resources available within
22 the SEE area, they extended that to the other regional
23 mutual-assistance groups in the northeast and the upper
24 midwest.

25 And I think they were able to come up --

1 because they were further away -- come up with another
2 2,500 because we had expanded the reach of the available
3 resources, but we still were well short of the 9,000
4 that was being requested.

5 And then, the third one, I think there were --
6 and I don't remember the exact amount, but we were still
7 a little over 4,000 short, utilizing all the mutual-
8 assistance groups, basically, on the eastern half of the
9 United States, but we got our 40.

10 MR. MUNSON: Okay. I'm sorry. If I can have
11 just have one second --

12 CHAIRMAN GRAHAM: Sure.

13 MR. MUNSON: -- I think I'm about done, and we
14 can be done.

15 CHAIRMAN GRAHAM: You only get one bite at the
16 apple. I understand.

17 MR. MUNSON: Thank you.

18 BY MR. MUNSON:

19 **Q Mr. Cutshaw, one final question for you: If**
20 **you hadn't taken PAR at the time it was offered, what**
21 **would -- what would have the impact been upon your**
22 **power-restoration time line?**

23 A PAR made up more than half of our linemen that
24 were on property. And I think we completed the
25 restoration in four to five days, which we were shooting

1 for -- to have it all done within a week.

2 So, with having half the linemen, it could
3 have very well have been close to a two-week restoration
4 if we hadn't had them.

5 Q I'm sorry. One more question. I apologize.
6 What was the quality of their work, in your
7 opinion?

8 A They -- they really performed very well. And
9 I would have expected them to and they did. They were
10 very professional. They worked well with the customers
11 in on our community. They were very professional. They
12 were safe. Their work was done according to our
13 specifications.

14 So, I mean, it -- they were an excellent
15 contractor.

16 MR. MUNSON: Thank you. We have no further
17 questions.

18 CHAIRMAN GRAHAM: Okay. Exhibits. OPC.

19 MS. PONDER: Just Exhibit 32.

20 CHAIRMAN GRAHAM: If there's no objections
21 with Exhibit 32 --

22 MR. MUNSON: No objections.

23 CHAIRMAN GRAHAM: -- we will enter that.

24 (Whereupon, Exhibit No. 32 was admitted into
25 the record.)

1 CHAIRMAN GRAHAM: FPUC.

2 MR. MUNSON: We would like to enter
3 Exhibit 33.

4 CHAIRMAN GRAHAM: OPC?

5 MS. PONDER: No objection.

6 CHAIRMAN GRAHAM: Okay. We will enter
7 Exhibit 33.

8 (Whereupon, Exhibit No. 33 was admitted into
9 the record.)

10 CHAIRMAN GRAHAM: All right. Would you like
11 to excuse this witness or make him sit here?

12 MR. MUNSON: Thank you, Chairman. We would
13 like to excuse Mr. Cutshaw.

14 THE WITNESS: Thank you.

15 CHAIRMAN GRAHAM: Thank you, sir. Travel
16 safe.

17 Okay. Staff, are there any other matters that
18 we need to address in this docket?

19 MS. DZIECHCIARZ: No, Mr. Chairman. Just a
20 reminder that post-hearing briefs are due
21 January 7th, 2019.

22 CHAIRMAN GRAHAM: Do any of the parties have
23 any additional matters that need to be addressed?

24 MS. KEATING: None from FPUC, Mr. Chairman.

25 MS. PONDER: No.

1 CHAIRMAN GRAHAM: I -- before I adjourn, I
2 have a question to ask OPC. And I guess,
3 Mr. Hetrick and Samantha, if you would, stay around
4 after I adjourn the hearing. And FPUC, you're more
5 than welcome to stay because I don't want anybody
6 to say ex-parte in the communication, but I just
7 have a curiosity question. If you guys would just
8 stay a couple of minutes afterwards, I'd appreciate
9 it.

10 That all being said, I thank you all for
11 working diligently today and for being patient and
12 for getting this done before the 7:00 deadline that
13 I talked -- I spoke of.

14 I wish you all a Merry Christmas and happy
15 holidays and that you all travel safe. And I look
16 to see all your smiling faces after the new year.

17 Thank you very much. We're adjourned.

18 (Whereupon, proceedings concluded at 6:54
19 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
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I FURTHER CERTIFY that I am not a relative,
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financially interested in the action.

DATED THIS 20th day of December, 2018.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
EXPIRES February 9, 2021