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July 29, 2020

**VIA E -PORTAL**

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

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

Dear Mr. Teitzman:

Attached for electronic filing in the above-referenced consolidated docket, please find the corrected Redacted Rebuttal Testimony of P. Mark Cutshaw, along with his Redacted Exhibit PMC-1 and Exhibit PMC-2, submitted in this proceeding on behalf of Florida Public Utilities Company. The Company has previously submitted the confidential portions of these documents, along with a Request for Confidential Classification. This corrected version is being filed to eliminate duplicative pages and exhibits in the original filing.

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

Sincerely,

*s/ Beth Keating*

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Beth Keating  
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Enclosure

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**Before the Florida Public Service Commission**

Docket No. 20190156-EI: Petition for Limited Proceeding to Recover Incremental Storm Restoration Costs, Capital Costs, Revenue Reduction for Permanently Lost Customers, and Regulatory Assets related to Hurricane Michael for Florida Public Utilities Company

**Prepared Rebuttal Testimony of Mark Cutshaw**

Filed: July 27, 2020

**I. POSITION, QUALIFICATIONS, AND PURPOSE**

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

**A.** My name is P. Mark Cutshaw. My business address is 208 Wildlight Avenue, Yulee, Florida 32097.

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

**A.** I am employed by Florida Public Utilities Company ("FPUC" or "Company") as Director, Generation and Pipeline Development.

**Q.** Have you previously filed testimony in this proceeding?

**A.** Yes. I filed direct testimony with our petition initiating this proceeding on August 7, 2019. I filed revised direct testimony when FPUC made its revised filing on March 11, 2020.

**Q.** What is the purpose of your rebuttal testimony in this proceeding?

**A.** The purpose of my rebuttal testimony is to respond to Office of Public Counsel ("OPC") Witness Schultz's assertions regarding reduced

1           Operations and Maintenance ("O&M") costs, as well as issues he has  
2           raised with regard to the bill formats and level of itemization provided by  
3           the Company's outside contractors and amounts billed by certain of those  
4           contractors.

5  
6   **Q.    Are you sponsoring any exhibits in this proceeding?**

7   **A.**   Yes, I am sponsoring Confidential Exhibit PMC-1, which provides  
8           information regarding one of our contractor's rates, and Exhibit PMC-2,  
9           which is a composite exhibit of pictures showing damage to existing trees  
10          in the Company's Northwest Division.

11  
12   **Q.    Do you agree with Witness Schultz's assertion that FPUC has failed**  
13          **to take into account offsetting O&M cost reductions in its filing as it**  
14          **relates to the inclusion of new plant?<sup>1</sup>**

15   **A.**   No, I do not. Witness Schultz seems to assume that that all new plant  
16          facilities were installed and old plant retired.<sup>2</sup> However, the majority of the  
17          existing plant facilities were not replaced during restoration activities.  
18          These facilities were, however, exposed to the extreme weather  
19          conditions which will, in the long term, impact the integrity and reliability of  
20          those facilities. During restoration activities, repairs undertaken are for  
21          facilities that are unsafe or cannot be energized with the main purpose  
22          being that power is restored to customers as quickly and safely as  
23          possible. As such, the Company has not retired every piece of equipment

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<sup>1</sup> Direct Testimony of Helmuth Schultz III at pg. 13.

<sup>2</sup> Id. at p. 13.

1 impacted by the storm. It is very possible that conditions exists where  
2 expected O&M cost will actually increase based on the need to make  
3 repairs to plant facilities that were not replaced during the restoration  
4 process but eventually fail while in-service due to the impact of Hurricane  
5 Michael's extreme weather.

6

7 **Q. Do you agree with Witness Schultz's assertion that FPUC should**  
8 **show a reduction in expenses for future tree trimming activities?**

9 **A.** No, I do not. I do agree that the impact that Hurricane Michael was  
10 devastating and broke or damaged a tremendous number of trees,  
11 however, it did not take down all the trees within the service territory.  
12 There are still a significant number of trees along the rights of way where  
13 our lines are located. It has also been reported that the trees that did not  
14 fall during the storm were badly damaged and have begun to slowly die as  
15 a result of the bending and twisting movement of the entire tree during  
16 Hurricane Michael. As those trees continue to die, it is possible that near  
17 term tree trimming expense could increase as we address those situations  
18 in order to ensure safe and reliable service to our customers. I am  
19 including, as Exhibit PMC-2, pictures that demonstrate the condition of  
20 many of the remaining trees in the aftermath of Hurricane Michael in  
21 FPUC's Northwest Division.

22

23 **Q. OPC Witness Schultz has indicated that FPUC allowed some vendors**  
24 **to bill a "bulk rate" for equipment and employees.<sup>3</sup> Consequently, he**

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<sup>3</sup> Id. at pg. 27

1           **questions FPUC’s ability to ensure these vendors are billing**  
2           **correctly. Do you agree with Witness Schultz’s concern?**

3    **A.**    No. First, I think to say FPUC “allowed” vendors to bill a bulk rate is a bit  
4           misleading. Contractors invoice customers based on the billing standard  
5           for that contractor. While FPU uses those invoices for billing, FPUC also  
6           carefully examines billing records in detail based on field observations for  
7           that contractor during restoration activities. Second, FPUC is able to  
8           verify and confirm billings by outside contractors that bill using this method  
9           by having personnel with the contractors on a consistent basis in order to  
10          ensure that the resources and equipment provided by the contractor were  
11          on site, working, and worked the number of hours prescribed while  
12          performing restoration activities. The employees were able to monitor  
13          what occurred and report back to management regarding those  
14          contractors. I note that the vendors that used a bulk rate fell into the  
15          average cost assumption provided by Witness Schultz.

16  
17    **Q.**    **Witness Schultz identifies a similar concern with contractor invoices**  
18           **as it relates to mobilization and demobilization (“mob/demob”) billed**  
19           **but not itemized on invoices.<sup>4</sup> Do you agree with Witness Schultz’s**  
20           **concern regarding FPUC’s ability to review “mob/demob” time**  
21           **charged to the Company?**

22    **A.**    No. It seems important to differentiate “mob/demob” from travel time as  
23           this seems to be confusing when reviewing some of these invoices.  
24           Travel time would be the amount of time required for bucket trucks and

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<sup>4</sup> Id. at pg. 41.

1           derrick trucks to travel from one location to another with a large number of  
2           trucks, navigating travel obstructions, stopping at certain weigh stations,  
3           addressing vehicle issues, making fueling stops, eating meals while all  
4           traveling together. This is very different than your average travel  
5           experience.

6           The "mob/demob" does include travel time but also includes time for the  
7           employees to prepare to travel, equip all the vehicles for travel/restoration  
8           work and ensure safety materials are on each vehicle. Additionally, due to  
9           the fact that some of the crews are larger crews, it may be necessary to  
10          have crews travel from different locations or have the crews travel to the  
11          common departure location in order to meet with the remainder of the  
12          crews that will be traveling together. It is common place for contractors to  
13          bring crews from multiple locations to make up the storm team when  
14          responding to restoration activities.

15          Many of the same impacts are encountered during the demobilization  
16          period as crews must prepare to depart, travel to their ultimate location  
17          and then transition from storm response to normal construction work.

18          Based on the many facets of putting together a storm team, it is difficult to  
19          put together a detailed invoice regarding the "mob/demob" process but in  
20          working with each contractor on an individual basis we are able to  
21          understand the process, keep up with the time involved and determine if  
22          the "mob/demob" charges are reasonable.

23

24       **Q.    Witness Schultz highlights a concern he has with an invoice from**  
25       **Chain Electric, namely that the time sheet does not include time for**

1           **demobilization and the timesheet does not include the mileage for**  
2           **demobilization.<sup>5</sup> Witness Schultz therefore questions whether FPUC**  
3           **has verified the costs in the invoice. Do you agree with Witness**  
4           **Schultz's stated concern?**

5    **A.**    No. As stated above, the "mob/demob" involves more than just your  
6           typical mileage or travel time which is referenced in Witness Schultz's  
7           testimony in several cases. All of the items mentioned above can  
8           drastically impact the number of hours involved in both the "mob/demob"  
9           activities which is why the labor hours, rather than mileage, are used.  
10          During mobilization, the crews traveled from the central location in  
11          Hattiesburg, Mississippi to Marianna on October 11, 2018. This included  
12          packing/preparing the crews for travel, stopping for fuel/meals, navigating  
13          along hazardous road conditions in Northwest Florida (many of which  
14          were or had been closed), arrived in Marianna, checked in with FPUC,  
15          completed the on-boarding/safety training, prepared to begin work the  
16          following day and checked into the lodging facilities.  
17          Similarly, the demobilization included travel from Marianna to various  
18          locations in Mississippi. This included confirmation from FPUC that they  
19          were being released, removing unused materials from the vehicles, travel  
20          back to and checking out of the lodging facilities, preparing vehicles to  
21          travel (much of which would be along congested roadways), stops for  
22          fuel/meals and arriving at the destination for final check in and  
23          demobilization.

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<sup>5</sup> Id. at Pg. 41.

1 As described, "mob/demob" is much more involved than described by  
2 Witness Schultz and can only be accounted for accurately using labor  
3 hours.

4  
5 **Q. Do you agree with Witness Schultz's assessment that invoices and**  
6 **time sheets used by outside contractors to bill FPUC for**  
7 **"mob/demob" were outside the norm?<sup>6</sup>**

8 **A.** No I do not. Assuming you are paying for only travel time along the typical  
9 route, it would be fairly simple to establish the "norm" and compare this to  
10 the mileage traveled. However, as I discussed above there are many  
11 other factors that come into play when "mob/demob" cost are determined  
12 and cannot be determined by simply calculating the mileage.

13  
14 **Q. Is FPUC able to verify mob/demob time charged to it by outside**  
15 **contractors?**

16 **A.** FPU is able to review applicable charges for the "mob/demob" for  
17 contractors, review the situations related to that particular contractor and  
18 establish if the charges are reasonable. Since contractors are obtained  
19 from locations well outside the service territory, it is both impractical and  
20 impossible to inspect the details of the mobilization and demobilization  
21 process but is possible to review the information and determine the  
22 reasonableness of the charges.

23

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<sup>6</sup> Id. at pg. 42.

1 **Q. What type of information or documentation does FPUC use to**  
2 **determine whether the Company has been appropriately billed for**  
3 **“mob/demob” time?**

4 **A.** In the normal review of contractor invoices, all aspects of the billing are  
5 reviewed in the greatest degree of detail possible. The charges for  
6 “mob/demob” do present the greatest challenge based on the number of  
7 factors involved in mobilizing crews. As mentioned above there are a  
8 number of factors involved, all of which are considered as we determine  
9 the reasonableness based on the discussions with the contractors.

10

11 **Q. Is Witness Schultz’s concern that FPUC does not have sufficient**  
12 **documentation to effectively review “mob/demob” time valid?<sup>7</sup>**

13 **A.** No it is not. It appears that his concern is that there is not sufficient detail  
14 that provides FPUC the ability to verify all the time worked during  
15 “mob/demob” and the number of miles traveled. As discussed there are a  
16 number of other factors involved in the process and that makes detailed  
17 analysis very difficult, however, FPUC did review all charges based on the  
18 circumstances surrounding each contractor to ensure a standard of  
19 reasonableness was ensured.

20

21 **Q. Witness Schultz takes issue specifically with an ARC American**  
22 **invoice, which listed the crew travel mileage as 663 miles.<sup>8</sup> Witness**  
23 **Schultz raises a concern with the mileage and travel time on this**

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<sup>7</sup> Id. at 43-44.

<sup>8</sup> Id. at pg. 44.

1           **invoice based upon his research using MapQuest. Do you agree**  
2           **with the concerns raised by Witness Schultz on this invoice?**

3   **A.**    No, I do not. Again as previously mentioned, there are a number of factors  
4           involved in the “mob/demob” over and above strictly the travel time and  
5           miles. Attempting to determine total cost strictly based on mileage for  
6           travel time does not adequately describe the entire “mob/demob” process.  
7           In fact, the ARC crews came from various locations. A portion of the ARC  
8           crews traveled from south Florida and ended up spending the night in  
9           Jacksonville prior to traveling on to Marianna on October 12<sup>th</sup>. Again,  
10          getting a large crew ready for travel, traveling through congested  
11          highways, stopping for fuel/meals/overnight lodging, final travel to  
12          Marianna, checking in with FPUC, on-boarding/safety training and  
13          obtaining materials/ instruction to get ready to work does require more  
14          labor hours than just travel.

15  
16   **Q.**    **Witness Schultz also takes issue with travel time and mileage for**  
17          **travel by Chain Electric crews from Mississippi.<sup>9</sup> Are Witness**  
18          **Schultz’s concerns valid?**

19          **A.**    No. Witness Schultz relies on MapQuest to determine that it takes  
20          4 hours and 21 minutes to travel the 275 miles from Hattiesburg,  
21          Mississippi to Marianna, Florida. Based on this, he argues that Chain  
22          overbilled FPUC for 46 hours of excessive travel time. His analysis fails to  
23          consider that during mobilization the crews traveled from the central  
24          location in Hattiesburg, Mississippi to Marianna on October 11, 2018. This

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<sup>9</sup> Id. at pg. 45.

1 included packing/preparing the crews for travel, stopping for fuel/meals,  
2 navigating along hazardous road conditions in Northwest Florida.  
3 Immediately after Hurricane Michael impact, Interstate 10 was completely  
4 closed to traffic for several days and many of the other major roadways  
5 such as Highway 90, Highway 231, Highway 71 and Highway 20 which  
6 are important transportation routes in the area were blocked by debris in  
7 many locations which drastically hindered the ability to move around in the  
8 area. Additionally, the auxiliary roads in the area were also blocked by  
9 debris which blocked traffic for many days until the debris could be  
10 removed. After finally arriving in Marianna, the crews checked in with  
11 FPUC, completed the on-boarding/safety training, prepared to begin work  
12 the following day and checked into the lodging facilities. Once again the  
13 mobilization is much more than simply mileage and associated travel time.

14  
15 **Q. Does Witness Schultz make a recommended adjustment to reduce**  
16 **costs for travel time and mob/demob?**<sup>10</sup>

17 **A.** Yes, he does, but it does not appear to be specific adjustments based on  
18 specific invoices. Instead, it appears that he came up with a percentage  
19 range that he thought was overbilled, then adjusted it to account for  
20 fueling time and resting which does not include other factors involved in  
21 the "mob/demob" process.

22  
23 **Q. Is Witness Schultz's recommended adjustment for travel time and**  
24 **mob/demob time justified?**<sup>11</sup>

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<sup>10</sup> Id. at pg. 47-48.

1 . No, for the reasons I've outlined above, it is not. Moreover, the method by  
2 which he came up with the amount of his recommended adjustment does  
3 not consider all factors involved in the "mob/demob" process.  
4

5 **Q. Does Witness Schultz recommend any other adjustments based**  
6 **upon a similar analysis?**

7 **A.** Yes. Applying the same percentage utilized to calculate his reduction to  
8 the Company's line contractor costs for mob/demob, he recommends a  
9 reduction to FPUC's mob/demob costs charged by line clearing  
10 contractors.<sup>12</sup>  
11

12 **Q. Does he provide a basis for his recommended adjustment?**

13 **A.** No. He suggests his review was limited because the invoices were below  
14 a threshold of \$25,000. It's not clear to me why this limited his review. It  
15 is my understanding that the OPC did not request invoices below \$25,000.  
16 FPUC does maintain all invoices and line clearing contractor invoices  
17 were available for review. In addition, Witness Schultz ties his  
18 recommendation to an assumed amount of unjustified mob/demob time,  
19 which is simply incorrect for the reasons I've outline above pertaining to  
20 the same category of charges by line contractors. He fails to consider  
21 preparation time, the obstacles and related challenges associated with  
22 travel to and from a storm zone, he does not take into account that the  
23 contractors sent crews that were already positioned at locations other than

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<sup>11</sup> Id. at pg. 47.

<sup>12</sup> Id. at pg. 49.

1 the contractor headquarters, and that travel for crews with bucket trucks is  
2 much different than travel by one time by one sedan. Additionally, when  
3 the crews arrive at the final location, efficiency dictates that any on-  
4 boarding/safety training and obtaining materials be done as soon as  
5 possible so that work can be initiated quickly on the following day.

6

7 **Q. Witness Schultz also makes an adjustment to effectively reduce the**  
8 **hourly rate charged by one of FPUC's outside contractors.<sup>13</sup> Do you**  
9 **agree with Witness Schultz that this adjustment is appropriate?**

10 **A.** Absolutely not and for a couple of reasons. First, Witness Schultz's  
11 inclusion of labor, benefits, vehicle costs and overheads to conflate FPL's  
12 hourly rate from the actual [REDACTED] to [REDACTED] is just wrong. Witness Schultz  
13 failed to [REDACTED] in outside services/logistics service cost  
14 which would (based on current accounting) reduce the hourly cost to  
15 [REDACTED]/hour. FPL was the only contractor to [REDACTED]  
16 so it seems appropriate to remove this amount in order to compare hourly  
17 cost.

18 Also, if you remove the Administrative and General Cost (A&G) and  
19 Materials, an additional [REDACTED] would be removed further reducing  
20 the hourly cost to [REDACTED]/hour. Both of these hourly amounts seem  
21 reasonable considering the role they played in the restoration. Other  
22 contractors did not provide the extensive management resources or  
23 materials provided by FPL, the cost of which must be removed to compare  
24 the FPL cost to other contractors. With my rebuttal testimony, I am

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<sup>13</sup> Id. pg. 37-38.

1 providing Confidential Exhibit PMC-1, which is consistent with  
2 documentation the Company originally provided to the OPC in response to  
3 Citizen's Request for Production of Documents No. 4. This exhibit  
4 provides greater detail regarding the costs included, as further explained  
5 below.

6 Second, FPL's rate is reasonable given that they played a vital role in  
7 allowing FPU to achieve the state mandated restoration time of October  
8 31, 2018. The FPL resources made up a substantial portion of the total  
9 restoration force, provided [REDACTED] provided all  
10 management personnel, provided materials, provided field  
11 engineering/supervision and responded quickly without which FPU would  
12 have failed to meet the state-mandated restoration times.

13 The actual amount of [REDACTED] hour seems to be an acceptable amount  
14 given FPL's role in the restoration effort and compared to other  
15 contractors. As such, his calculation of an "excess billing" by this  
16 contractor, as well as his recommended adjustment using 50% of the  
17 "excess" amount is totally unjustified.<sup>14</sup>

18

19 **Q. On Confidential Exhibit PMC-1, there is an amount of \$ [REDACTED]**  
20 **shown as "Payroll and Payroll Related Costs". What does this**  
21 **amount represent?**

22 **A.** This amount includes [REDACTED]  
23 employees and the logistics services billed by their contractor.  
24

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<sup>14</sup> Id. at pg. 38.

1 Q. What [REDACTED] did [REDACTED] provide during the restoration  
2 associated Hurricane Michael and how much was billed for this  
3 service?

4 A. [REDACTED]

5 [REDACTED] Locations were set up in Marianna and Altha to provide a  
6 command center, communications equipment, sleeping trailers, showers,  
7 dining facilities, restrooms, showers, water trailer, generators, laundry,  
8 fueling and parking. As you can imagine, and have probably seen, these  
9 logistics staging sites are difficult to establish but are very efficient in  
10 assisting in the restoration activities.

11 Since Marianna did not have sufficient lodging, dining and other logistics  
12 facilities, it was necessary that [REDACTED] provide this resource. The total  
13 amount billed to FPUC by [REDACTED]  
14 [REDACTED]. It seems appropriate to remove this [REDACTED] amount  
15 from the total when calculating the average hourly cost comparison since  
16 this was paid for by [REDACTED] and then in turn passed through to FPUC.

17  
18 Q. Did FPUC review all logistics related charges?

19 A. Yes. All logistics-related bills were provided and were reviewed by FPUC  
20 for accuracy and approved.

21  
22 Q. Why didn't FPUC use the [REDACTED] resources in Marianna to take care  
23 of the [REDACTED] employees similar to other contractors?

24 A. As mentioned above, there were no additional hotel rooms available in  
25 and around Marianna to take care of the additional contractors. In fact,

1 due to the extensive damage to the FPUC electrical facilities, it was  
2 necessary to rent generators in order to provide power to two hotels for  
3 contractors to have rooms. It was also necessary for some contractors to  
4 be housed at a local church and FEMA trailers just to have lodging for  
5 non-FPL contractors. Without the [REDACTED] capabilities from  
6 FPL and its contractor, it would have been necessary to transport crews to  
7 neighboring cities for lodging and food.

8

9 **Q. Witness Schultz argues that FPUC did not have to pay the rate**  
10 **charged by the contractor in question, because the contractor is a**  
11 **neighboring utility and therefore not subject to the SEE cost**  
12 **recovery protocol. Do you agree?**

13 **A.** No. This contractor billed in accordance with the terms of the SEE  
14 agreement which states that actual cost will be passed along to the utility  
15 receiving the assistance. This methodology of passing actual cost along  
16 to neighboring utilities within Florida (and any utilities within the SEE) has  
17 occurred on a number of occasions in the past, has been accepted by this  
18 Commission in previous matters and should continue in the future as we  
19 support Florida utilities in response to future hurricanes.

20

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

22 **A.** Yes, it does.

23

24

The table is a large grid with approximately 25 rows and 3 columns. The entire area is filled with a solid black color, indicating that the content has been redacted. The white grid lines are visible, creating a clear structure for the data that is not legible.

Exhibit PMC-1  
Outside Services  
Page 1 of 1





**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the redacted and corrected rebuttal testimony and exhibits of Witness P. Mark Cutshaw on behalf of FPUC has been furnished by Electronic Mail to the following parties of record this 29th day of July, 2020:

Florida Public Utilities Company Mike Cassel 208 Wildlight Ave. Yulee, FL 32097 <a href="mailto:mcassel@fpuc.com">mcassel@fpuc.com</a>	Ashley Weisenfeld Rachael Dziechciarz Bianca Lherisson Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 <a href="mailto:awaisenf@psc.state.fl.us">awaisenf@psc.state.fl.us</a> <a href="mailto:rdziehc@psc.state.fl.us">rdziehc@psc.state.fl.us</a> <a href="mailto:blheriss@psc.state.fl.us">blheriss@psc.state.fl.us</a>
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By:     s/ *Beth Keating*

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