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September 20, 2022

BY E-FILING

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

Re: Docket No. 20220067-GU: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.

Dear Mr. Teitzman:

Attached, for electronic filing, please find the **Rebuttal Testimony of Michael Cassel**, submitted on behalf of Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

Sincerely,

/s/Beth Keating
Beth Keating
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cc.(Certificate of Service)

1 Before the Florida Public Service Commission

2 Docket No. 20220067-GU

3 In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of
4 Chesapeake Utilities Corporation, Florida Public Utilities Company – Fort Meade,
5 and Florida Public Utilities Company – Indiantown Division

6
7 Prepared Rebuttal Testimony of Michael Cassel

8 Date of Filing: 09/20/2022

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

11 A. My name is Michael Cassel. My business address is 208 Wildlight Ave., Yulee, FL
12 32097.

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

14 A. Yes, I have.

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. While I disagree with many of Mr. Smith’s recommendations, I will focus my rebuttal
17 on his recommendation that the Commission remove the positive acquisition
18 adjustment associated with the acquisition by Chesapeake Utilities Corporation
19 (“CUC”) of Florida Public Utilities Company (“FPUC”).

20 **Q. Do you see any overarching problems with how Mr. Smith developed his**
21 **recommendation?**

22 A. Yes. In his review of the acquisition adjustment being sought by the Company,
23 Witness Smith expresses a number of broad opinions as to why the Commission
24 should disallow the acquisition adjustment without providing any analytical support

1 for his recommendation. Instead, he simply asks the Commission to reject the
2 evidence provided by the Company that demonstrates FPUC's burden has been met.
3 Contrary to his assertions, the evidence presented by multiple Company witnesses, as
4 summarized below, clearly demonstrates that FPUC should be allowed to retain the
5 acquisition adjustment on its books. The evidence presented by the Company clearly
6 shows that the acquisition of FPUC by CUC was in the public interest.

7 **Q. Would you please explain why you disagree with Witness Smith's**
8 **recommendation on the acquisition adjustment?**

9 A. Yes. Witness Smith argues that the Company has failed to meet its burden of proof
10 under the five-factor test, but he only indicates he has an issue with two of the factors
11 – 1. Quality of Service; and 2. Lower operating costs. He is wrong on both points.
12 The acquisition brought two key components to the table to the benefit of FPUC and
13 its customers. First, acquisition by CUC introduced a significantly improved level of
14 professional and experienced leadership to FPUC. Second, acquisition by CUC
15 provided FPUC with significantly improved access to capital at far more competitive
16 rates. The acquisition of FPUC by CUC provided the ability to attract enough capital
17 and obtain enough low-cost debt that enabled the consolidated gas divisions to make
18 the \$323,974,978 in capital spending since the last rate case, as discussed in my direct
19 testimony. A comparison of the cost of capital for the unconsolidated FPUC division
20 in prior rate cases is shown in the MFR Schedule A-5 FPUC. This MFR demonstrates
21 the decrease in long-term debt costs from 7.9% to 3.48% and the overall reduction of
22 weighted cost from 8.17% to 6.46%. This reduction in the cost of capital has allowed
23 the Company to complete significant capital investments without requesting a base

1 rate increase for over 13 years. Although Witness Smith did not expressly mention
2 these factors, these two factors are critical, because they provide the foundation for the
3 Company's improvement in the other three areas of the "five factor" test.
4 Furthermore, as it relates to Witness Smith's contention that all the improvements
5 made by the Company were simply a result of business as usual, as he asserts, then
6 FPUC would have implemented them, or at least planned for their implementation,
7 before the CUC acquisition. However, as I learned when working with FPUC
8 immediately after the acquisition, these activities could not have happened without the
9 expanded capabilities that resulted from the acquisition. The simple fact is that, as a
10 result of the acquisition by CUC, FPUC has access to far better funding, leadership,
11 experience, talent, and diversification, which has, and continues to be, a benefit to
12 FPUC's ratepayers.

13 **Q. Do you agree with Witness Smith's assertion at page 17 that FPUC has failed to**
14 **demonstrate that the improvements made to the system to increase quality of**
15 **service are attributable to the acquisition?**

16 A. No, for two reasons. First, neither the Commission's prior decision approving the
17 acquisition adjustment, nor the Commission's five-part test, requires that the utility tie
18 every improvement, savings, or benefit back to the original acquisition in perpetuity.
19 That is a ridiculous suggestion and would be an impossible task, as I am sure Witness
20 Smith is aware. Once approved, subsequent review by the Commission is to determine
21 whether the benefits that the Commission found when it first approved that acquisition
22 adjustment have continued. In other words, does the utility continue to make progress
23 and move forward in the key areas addressed by the test? The Commission has

1 indicated it will only disallow some, or all, of the acquisition adjustment if cost savings
2 no longer exist.¹

3 Second, as reflected in the testimony of our witnesses, there are a number of
4 improvements that have been made to our system that would not have been made, or
5 would have been significantly delayed, had CUC not acquired FPUC. For example,
6 key technology improvements discussed by Witness Gadgil, such as upgrades to our
7 core server infrastructure, investment in a Tier 3 data center, and even modernized
8 telephony, would not have happened under prior management. All of these
9 investments have improved our service but could not have happened without the
10 expanded funding capabilities of CUC, as well as diverse leadership with a broader,
11 more modern perspectives that is cognizant of the changes that need to be made to
12 keep pace with modern communications, data exchange, and security issues. The
13 same can be said for the enhanced leak detection efforts using of satellite scans of the
14 gas pipeline system that we are proposing, as discussed in Witness Bennett's
15 testimony, or the modern approach to customer service, including the VOC program,
16 addressed by Witness Parmer in which we now analyze a customer's interaction with
17 us across all areas so that can better capture unstructured feedback and continuously
18 improve how we serve our customers. Witness Parmer perhaps said it best when she
19 described FPUC before the acquisition by CUC as a "mom and pop" operation. It is
20 not a criticism; it is simply a fair depiction of the limitations on the resources, at any
21 and all levels, available to FPUC prior to its acquisition. FPUC, and by extension our

¹ Order No. PSC-2012-0010-PAA-GU, at pg. 9.

1 customers, is better off as a result of the acquisition by CUC, and that benefit remains
2 to this day.

3 **Q. On page 17 of his testimony, Witness Smith includes the Company's GRIP**
4 **program as one of the "expected, normal improvements" made to the system,**
5 **characterizing it as a "required GRIP program". Do you agree with this**
6 **characterization?**

7 A. No, I do not. While Witness Smith accurately states that the Company's GRIP program
8 was developed in response to federal safety initiatives, the Company was not
9 "required" to develop and implement our Gas Reliability Infrastructure Program or
10 "GRIP". The Company developed the program to enable it expedite replacement of
11 aging distribution mains and services constructed of materials now known to be less
12 reliable, particularly replacement of suspect facilities in and around large population
13 centers. The Company's goal was a program that would allow it to expedite the work
14 and investment without having to file a rate case on a regular basis, which would have
15 further delayed the implementation of the replacements. The Company recognized the
16 safety issue involved, the concerns of its customers, and the importance of finding a
17 creative way to get the job done. We did, and as Witness Bennett has stated, our GRIP
18 program will be completed by the end of this year, ensuring that our customers, our
19 employees, and our communities remain safe. While FPUC, without the acquisition
20 by CUC, may have eventually made the facility replacements necessary, it certainly
21 would not have done so on the expedited basis that we have been able to accomplish.
22 And, with that delay, there would have been an extended, growing risk to the safety of

1 the Company's customers and the public as whole. So, again, no, I do not agree with
2 Witness Smith.

3 **Q. Do you agree with Witness Smith's assessment of the Company's ongoing**
4 **operational cost savings as detailed in his testimony on page 19?**

5 A. No. Aside from his erroneous suggestion that this request for rate increase is evidence
6 that savings no longer exist, which Witness Deason addresses, Witness Smith ignores,
7 entirely, the continued cost savings presented in Exhibits MN-2 and MN-3 of
8 Company Witness Napier's testimony. In the entire 93 pages comprising his
9 testimony and exhibits, Witness Smith mentions Witness Napier, in passing, three
10 times, referring only to limited portions of her testimony. **Not once** does he indicate
11 that he reviewed the exhibits sponsored by Witness Napier, namely MN-2 and MN-3,
12 which, taking into account growth and inflation, show year-over-year savings in
13 numerous categories. As a matter of fact, these savings were detailed on Exhibit MN-
14 2 of Witness Napier's direct testimony. Witness Napier's Exhibit laid out an annual
15 savings of \$4,462,872 to FPUC's customers. This amount is made up of an annual
16 charge of \$2,647,134 for the premium of the acquisition offset by an annual savings
17 \$7,110,006. He also disregards the cumulative interest savings of approximately \$9.0
18 million described by Witness Russell. Instead, he blithely suggests that there does not
19 appear to be an "overall financial and service benefit" for FPUC's customers
20 associated its acquisition by CUC. In light of the case we have put forward, I can only
21 assume he is either asking that an unachievable bar be set, or he has also not reviewed
22 the testimonies of our witnesses Parmer, Gadgil, Russell, and Bennett, along with
23 Witness Napier's Exhibits MN-2 and MN-3.

1 In sum, Witness Smith has offered no basis for his assessment of FPUC’s cost savings,
2 and that is because he has none.

3 **Q. Are there any other issues with Witness Smith’s recommendation regarding the**
4 **acquisition adjustment you would like to address?**

5 A. Yes. On page 18, Witness Smith asserts “. . .the Company has not carried its burden
6 to demonstrate that its requested rate increase will not cost customers more,
7 particularly if the acquisition adjustment is allowed to be included in utility rate base
8 in this rate case.” Although awkwardly stated, I’ve assumed that he is not suggesting
9 that the Company has a burden to show that a rate increase is not a rate increase.
10 Therefore, assuming he means that the Company has a burden to show that the ongoing
11 inclusion of the acquisition adjustment will not cost customers more than if it were
12 removed, no such burden exists, and the Commission should reject outright Witness
13 Smith’s attempt to create an entirely new requirement. Moreover, the Company has
14 provided substantial, verifiable evidence in this proceeding that, but for the acquisition
15 by CUC, FPUC’s customers would be paying higher costs for a lesser level of service.

16
17 **Q. What are your final conclusions regarding Witness Smith’s recommendations?**

18 A. The acquisition started the Company down a path of progress and improvement, which
19 is now an integral part of the corporate culture. Service excellence standards govern
20 our every action. We have made significant investments to improve system operation
21 and reliability. Our customer service activities are more customer-focused, and our
22 relationships with our communities are greatly enhanced. The combined Company has
23 a robust, strategic planning process that starts with our most senior executives.

1 Accepting Witness Smith’s arguments regarding removal of the acquisition
2 adjustment, would ignore the existing and projected significant benefits, value, and
3 savings that the acquisition by CUC has produced for FPUC and its customers, as
4 demonstrated by our witnesses. It would also send the wrong message to utilities and
5 the capital markets regarding the value of innovation, growth, efficiency, and safety
6 as it relates to regulated gas utilities in Florida, as well as the wrong signal regarding
7 the reliability of defined Florida regulatory requirements applicable to a utility from
8 one rate case to the next. The Commission found in 2012 that the acquisition of FPUC
9 by CUC was in the public interest. That has not changed and is even more evident
10 today. As such, the Commission should reject Witness Smith’s arguments and allow
11 continued recognition of the positive acquisition adjustment.

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

13 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Rebuttal Testimony has been served by Electronic Mail this 20th day of September, 2022, upon the following:

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