



June 18, 2024

VIA ELECTRONIC FILING

The Honorable Mike La Rosa
Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Test Year Notification Pursuant to Rule 25-6.140, Florida Administrative Code

Dear Chairman La Rosa:

Florida Public Utilities Company (“FPUC”) operates as an electric utility in Florida, as well as a natural gas utility, subject to regulation by the Commission under Chapter 366, Florida Statutes. FPUC’s electric utility operations are comprised of two discrete divisions – one serving in and around Marianna, Florida (Northwest Division) and the other serving Fernandina Beach, Florida (Northeast Division) (jointly, “Consolidated Electric Division” or “Company”). FPUC’s Consolidated Electric Division is also unique in that it does not own any generation and, therefore, relies entirely upon power purchases to serve its 33,090 customers.

The Company efficiently meets its obligation to serve, providing the highest quality of service safely and reliably. We are focused on carefully and prudently managing our operating expenses and capital spending to ensure that we are meeting the changing energy needs in our service territory. In doing this, the Company works diligently and thoughtfully to continuously improve our electric system's safety, reliability, and resilience, improve efficiency in all areas of our operations and ensure that we can continue serving customers at all times regardless of external conditions.

Major Factors Necessitating a General Base Rate Increase

There are several conditions that have contributed to the declining revenues of the Company. In that regard, it is critical to note that the Company’s current base rates, which were established by Commission approval of a Stipulation and Settlement in Docket No. 20140025-EI, took effect in November 2014 – nearly 10 years ago. As such, the primary reason for our need to seek rate relief at this time is the impact of inflation on the cost of materials and labor since the last rate proceeding and the significant capital investment needed to enhance and modernize the Company’s electric distribution and transmission assets, including costs associated with the implementation of newer, more advanced technologies to improve service to customers and to enhance our cybersecurity to protect against increasingly sophisticated cyber attacks.

Actions Taken to Avoid a Base Rate Increase

In the 10 years since the Company's last rate case, we have taken several proactive steps to manage costs, including the consolidation of many employee functions and the utilization of Chesapeake's stronger financial posture to fund capital additions at lower rates. Nonetheless, the impact of inflation over a 10-year span, as well as aging plant and the need to implement more advanced technology to better serve our customers, necessitate that we pursue rate relief at this time.

Our Need for Relief

The Company estimates that an increase in revenue requirement of \$11.5 million to \$13 million is necessary to produce sufficient revenues to enable the Company to continue to provide outstanding, reliable electric service to our customers in the most efficient way possible with the modernized technology and, as always, the accessible, "home town" touch our customers have come to expect. Consistent with Chesapeake's core values, we care about our customers and our employees, and we aim to serve with integrity and excellence. As such, these additional revenues will enable the Company to invest in technologies that will enhance the safety of our employees and customers, as well as the reliability of our distribution system; and to further modernize our customer service operations. The Company, therefore, submits this Test Year Notification letter, along with the following required information.

Test Year Selection

In accordance with Rule 25-6.140, Florida Administrative Code, the Company has selected the twelve-month period ending December 31, 2025, as the projected test year for purposes of the Company's request for a permanent base rate increase. The Company's request will seek an effective date for new rates of January 1, 2025. The Company believes that the requested test year is appropriate in that it will (1) best reflect the economic conditions impacting the Company during the first 12-month period that the new rates will be in effect and (2) provide the most accurate picture of revenues (which are projected to continue to decline) as compared with the Company's cost to serve during the initial period new rates would be placed into effect.

Interim Rates

The Company will also request interim rate relief per Section 366.071, Florida Statutes, using the period January 1, 2023, through December 31, 2023, as the test period. The Company will seek interim relief to allow the Company to earn within its authorized range while its request for permanent rate relief is processed. The period January 1, 2023, through December 31, 2023, will serve as the Company's interim test year, as well as its historic test year period for purposes of the Petition.

Conclusion

To conclude, FPUC is requesting that the Commission process the Company's petition for a rate increase using the proposed agency action process authorized in Section 366.06(4), F.S. The Company anticipates filing its Petition on August 19, 2024. If the Company is unable to file on or before that date, the Company will so notify the Commission in writing prior to that date, including an explanation as to the reasons for the delayed filing and an indication of the revised target date.

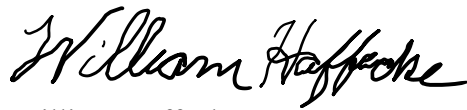
The Honorable Mike La Rosa

June 18, 2024

Page 2

The Company has only undertaken this request after thoughtful deliberation and considerable study. We understand the impact that increasing rates can have on our customers. Consequently, we've made significant efforts to control expenses and cut costs, which has allowed us to defer this request 8 years beyond the "stay out" period contemplated in the Stipulation and Settlement approved in our last rate case. A base rate increase has, however, become necessary in order to maintain the Company's financial integrity and ensure we are able to continue providing our customers with the high level of safe, reliable service our customers expect and deserve.

Sincerely,



William Haffecke
General Manager – Florida Operations
Florida Public Utilities Company

cc: All via Electronic Mail
Honorable Gary F. Clark, Commissioner
Honorable Andrew Giles Fay, Commissioner
Honorable Art Graham, Commissioner
Honorable Gabriella Passidomo, Commissioner
Braulio Baez, Executive Director
Mark Futrell, Deputy Executive Director, Technical
Apryl Lynn, Deputy Executive Director, Administrative
Keith Hetrick, General Counsel
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Cynthia Muir, Director, Office of Consumer Assistance & Outreach
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Beth Keating, Legal Counsel