

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 10, 2014
TO: All Parties of Record and Interested Persons
FROM: Suzanne S. Brownless, Senior Attorney, Office of the General Counsel *SBW*
RE: Docket No. 140025-EI - Application for rate increase by Florida Public Utilities Company.

Please note that an informal meeting between Commission staff and interested persons to the above-captioned docket has been scheduled for the following time and place:

Thursday, July 17, 2014 at 1:30 p.m.
Gerald Gunter Building, Room 105
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The purpose of the meeting is to identify and discuss issues to be litigated in the rate case. Staff's preliminary issue list is attached for your review. In order to facilitate discussion, it would be greatly appreciated if you could e-mail your issues to all parties by close of business, Wednesday, July 16, 2014. Attendance is not required; however, all interested parties are encouraged to attend.

Interested persons may participate telephonically in this meeting by dialing **1-888-670-3525**, Passcode **5317547583 then #**. If you have any questions about the meeting, please call Suzanne Brownless at 850-413-6218.

If settlement of the case or a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of General Counsel at 850-413-6199.

DOCKET NO. 140025-EI, FPUC RATE CASE

STAFF'S ISSUE LIST

July 9, 2014

Test Period and Forecasting

- ISSUE 1:** Is FPUC's projected test period of the 12 months ending September 30, 2015 appropriate?
- ISSUE 2:** Are FPUC's forecasts of Customers, kWh, and kW by rate class, for the projected test year appropriate? If not, what adjustments should be made?
- ISSUE 3:** Are FPUC's forecasts of billing determinants by rate schedule for the projected test year appropriate? If not, what adjustments should be made?
- ISSUE 4:** Are FPUC's estimated revenues from sales of electricity by rate class at present rates for the projected test year appropriate? If not, what adjustments should be made?
- ISSUE 5:** What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2015 projected test year budget for FPUC?

Quality of Service

- ISSUE 6:** Is the quality and reliability of electric service provided by FPUC adequate?

Rate Base

- ISSUE 7:** Is FPUC's requested level of Plant in Service in the amount of \$108,023,717 for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 8:** Is FPUC's requested level of Accumulated Depreciation in the amount of \$54,267,086 for the projected test year appropriate? If not, what is the appropriate amount?

- ISSUE 9:** Is FPUC's requested level of Construction Work in Progress in the amount of \$4,625,996 for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 10:** What is the appropriate projection methodology and balance of cash to be included in the 2015 working capital?
- ISSUE 11:** What is the appropriate balance of accounts receivable to be included in the 2015 working capital?
- ISSUE 12:** Has FPUC estimated an appropriate balance in its accumulated provision for uncollectible accounts?
- ISSUE 13:** What is the appropriate allocation methodology and amount for prepaid insurance to be included in working capital for electric operations?
- ISSUE 14:** What is the appropriate balance of unbilled revenue to be included in working capital?
- ISSUE 15:** What is the appropriate balance of temporary services to be included in working capital?
- ISSUE 16:** Is FPUC's balance of Accrued Interest on Customer Deposits appropriate?
- ISSUE 17:** What is the appropriate balance of deferred debit rate case expense to be included in working capital?
- ISSUE 18:** Is FPUC's requested Regulatory Asset for Self Insurance Reserve appropriate? If not, what adjustment should be made?
- ISSUE 19:** Is FPUC's requested Regulatory Asset for Tax Rate Change appropriate? If not, what adjustment should be made?
- ISSUE 20:** Is FPUC's proposed level of Working Capital for the projected test year of \$2,213,542 appropriate? If not, what is the appropriate amount?

ISSUE 21: Is FPUC's requested rate base of \$60,596,196 for the projected test year appropriate? If not, what is the appropriate amount?

Cost of Capital

ISSUE 22: What is the appropriate cost rate for customer deposits for the projected test year?

ISSUE 23: What is the appropriate cost rate for short-term debt for the projected test year?

ISSUE 24: What is the appropriate cost rate for long-term debt for the projected test year?

ISSUE 25: What is the appropriate return on equity (ROE) to use in establishing FPUC's revenue requirement?

ISSUE 26: What is the appropriate weighted average cost of capital for FPUC including the proper components, amounts and cost rates associated with the capital structure for the projected test year?

Net Operating Income

ISSUE 27: Has FPUC properly estimated an appropriate amount of forfeited discounts in calculating the revenues for the projected test year?

ISSUE 28: Has FPU made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Cost Recovery Clause?

ISSUE 29: What is the appropriate projected test year miscellaneous service revenue for FPUC?

ISSUE 30: Has FPUC made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

- ISSUE 31:** Is FPUC's projected level of Total Operating Revenues of \$17,363,433 for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 32:** Is FPUC's proposed Salary Expense for the projected test year appropriate? If not, what adjustment should be made?
- ISSUE 33:** Is FPUC's proposed Pension and Benefits Expense for the projected test year appropriate? If not, what adjustment should be made?
- ISSUE 34:** Is FPUC's proposed Other Post Employment Benefits Expense for the projected test year appropriate? If not, what adjustment should be made?
- ISSUE 35:** Is FPUC's proposed advertising expense for the projected test year appropriate? If not, what adjustment should be made?
- ISSUE 36:** Is FPUC's proposed reserve target level and annual storm damage accrual of \$121,620 for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 37:** Is FPUC's proposed Injuries and Damage Expense for the projected test year appropriate? If not, what adjustment should be made?
- ISSUE 38a:** Is FPUC's proposed Rate Case Expense for the 2015 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 38b:** What is the appropriate period for the amortization of rate case expense?
- ISSUE 39:** Is FPUC's proposed Economic Development Expense for the projected test year appropriate?
- ISSUE 40:** Is FPUC's proposed Bad Debt Expense for the projected test year appropriate? If not, what adjustment should be made?

- ISSUE 41:** What adjustment, if any, should be made to account for affiliated activities/transactions for the projected test year?
- ISSUE 42a:** Is FPUC's requested amount of \$4,231,489 for distribution O&M Expense for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 42b:** Is FPUC's requested amount of \$130,291 for transmission O&M Expense for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 42c:** Is FPUC's requested level of O&M Expense in the amount of \$12,160,672 for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 43:** What is the appropriate amount of depreciation expense for the projected test year?
- ISSUE 44:** Is FPUC's requested level of Taxes Other Than Income of \$992,182 for the projected test year appropriate? If not, what adjustment should be made?
- ISSUE 45:** Should an adjustment be made to Income Tax expense for the projected test year?
- ISSUE 46:** Is FPUC's requested level of Total Operating Expenses in the amount of \$16,595,318 for the projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 47:** Is FPUC's projected Net Operating Income in the amount of \$768,115 for the projected test year appropriate? If not, what is the appropriate amount?

Revenue Requirements

- ISSUE 48:** What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPUC?
- ISSUE 49:** Is FPUC's requested annual operating revenue increase of \$5,852,171 for the projected test year appropriate? If not, what is the appropriate amount?

Cost of Service and Rate Design

- ISSUE 50:** What is the appropriate cost of service methodology to be used in designing FPUC's rates?
- ISSUE 51:** If a revenue increase is granted, how should the increase be allocated to rate classes?
- ISSUE 52:** What are the appropriate customer charges?
- ISSUE 53:** What are the appropriate demand charges?
- ISSUE 54:** What are the appropriate energy charges?
- ISSUE 55:** What are the appropriate standby rates?
- ISSUE 56:** What are the appropriate service charges?
- ISSUE 57:** What are the appropriate charges for temporary service?
- ISSUE 58:** Is FPUC's restructuring of the energy charges for the residential rate class into a two-tier inclining block structure appropriate?
- ISSUE 59:** Should FPUC's current outdoor lighting (OL-2) and street lighting (SL-3) rate classes be combined into a single Lighting Service (LS) rate class? If so, what are the appropriate lighting rates for the LS rate class? If not, what are the appropriate lighting rates for the OL-2 and SL-3 rate classes?
- ISSUE 60:** Should FPUC's current SL1-2 and OL (mercury vapor) rate classes be combined into a single OSL rate class? If so, what are the appropriate lighting rates for the OSL rate class? If not, what are the appropriate lighting rates for the SL1-2 and OL rate classes?
- ISSUE 61:** Should FPUC's Transitional Rate for non-profit sports fields be eliminated?

ISSUE 62: Should FPUC's proposed Economic Development Rider Program (EDRP) tariff be approved?

ISSUE 63: What is the appropriate effective date for FPUC's new rates and charges?

Other Issues

ISSUE 64: Should FPUC be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

ISSUE 65: Should this docket be closed?