

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate increase by Florida
Public Utilities Company.

DOCKET NO. 140025-EI

DATED: August 15, 2014

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-14-0194-PCO-EI, filed May 1, 2014, the Staff of the Florida Public Service Commission files its Prehearing Statement.

1. All Known Witnesses

Witness

Subject

Jeffery A. Small

Staff Auditor's Report of Florida Public
Utilities Company year ended September 30,
2013

2. All Known Exhibits

Exhibit

Title

JAS-1

Auditor's Report – Twelve Months Ended
September 30, 2013

3. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

4. Staff's Position on the Issues

Test Period and Forecasting

ISSUE 1: Is FPUC's projected test period of the 12 months ending September 30, 2015 appropriate?

POSITION: No position at this time.

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?

POSITION: No position at this time.

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?

POSITION: No position at this time.

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?

POSITION: No position at this time.

ISSUE 5: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2015 projected test year for FPUC?

POSITION: No position at this time.

Quality of Service

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

POSITION: No position at this time.

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?

POSITION: No position at this time.

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?

POSITION: No position at this time.

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?

POSITION: No position at this time.

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ISSUE 10: What is the appropriate projection methodology and balance of cash to be included in the 2015 working capital?

POSITION: No position at this time.

ISSUE 11: What is the appropriate balance of accounts receivable to be included in the 2015 working capital?

POSITION: No position at this time.

ISSUE 12: Has FPUC estimated an appropriate balance in its accumulated provision for uncollectible accounts?

POSITION: No position at this time.

ISSUE 13: What is the appropriate allocation methodology and amount for prepaid insurance to be included in working capital for electric operations?

POSITION: No position at this time.

ISSUE 14: What is the appropriate balance of unbilled revenue to be included in working capital?

POSITION: No position at this time.

ISSUE 15: What is the appropriate balance of temporary services to be included in working capital?

POSITION: No position at this time.

ISSUE 16: Is FPUC's balance of Accrued Interest on Customer Deposits appropriate?

POSITION: No position at this time.

ISSUE 17: What is the appropriate balance of deferred debit rate case expense to be included in working capital?

POSITION: No position at this time.

ISSUE 18: Is FPUC's request for a Self Insurance Reserve appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 19: Is FPUC's request to establish a regulatory asset for the general liability claim of \$250,000 appropriate?

POSITION: No position at this time.

ISSUE 20: Should an adjustment to projected test year expenses be made to account for the impact of the Paid Time Off (PTO) policy during the historic test year? If yes, what adjustment should be made?

POSITION: No position at this time.

ISSUE 21: Is FPUC's requested regulatory asset for the tax rate change appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 22: 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?

POSITION: No position at this time.

ISSUE 23: Is FPUC's requested rate base of \$60,596,196 for the projected test year appropriate? If not, what is the appropriate amount?

POSITION: No position at this time.

Cost of Capital

ISSUE 24: What is the appropriate cost rate for customer deposits for the projected test year?

POSITION: No position at this time.

ISSUE 25: What is the appropriate cost rate for short-term debt for the projected test year?

POSITION: No position at this time.

ISSUE 26: What is the appropriate cost rate for long-term debt for the projected test year?

POSITION: No position at this time.

ISSUE 27: What is the appropriate capital structure for the projected test year?

POSITION: No position at this time.

ISSUE 28: What is the appropriate return on equity (ROE) to use in establishing FPUC's revenue requirement?

POSITION: No position at this time.

ISSUE 29: 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?

POSITION: No position at this time.

Net Operating Income

ISSUE 30: Has FPUC properly estimated an appropriate amount of Forfeited Discounts (late payment fees) in calculating the revenues for the projected test year?

POSITION: No position at this time.

ISSUE 31: Has FPUC made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Cost Recovery Clause?

POSITION: No position at this time.

ISSUE 32: What is the appropriate projected test year miscellaneous service revenue for FPUC?

POSITION: No position at this time.

ISSUE 33: Has FPUC made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

POSITION: No position at this time.

ISSUE 34: 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?

POSITION: No position at this time.

ISSUE 35: Should an adjustment to projected test year expenses be made for severance payments paid to past employees during the historic test year? If so, what adjustment should be made?

POSITION: No position at this time.

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ISSUE 36: Should an adjustment to projected test year expenses be made for Marianna litigation bonuses paid to past employees? If so, what adjustment should be made?

POSITION: No position at this time.

ISSUE 37: Is FPUC's projected test year payroll expense for stock-based compensation appropriate? If not, what adjustments should be made?

POSITION: No position at this time.

ISSUE 38: Is FPUC's projected test year payroll expense for corporate bonuses allocated to FPUC's electric operations appropriate? If not, what adjustments should be made?

POSITION: No position at this time.

ISSUE 39: Is FPUC's projected test year payroll expense for the Incentive Performance Plan appropriate? If not, what adjustments should be made?

POSITION: No position at this time.

ISSUE 40: Is FPUC's proposed Salary Expense for the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 41: Is FPUC's proposed Pension and Benefits Expense for the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 42: Is FPUC's proposed Other Post Employment Benefits Expense for the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 43: Is FPUC's proposed advertising expense for the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

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ISSUE 44: 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?

POSITION: No position at this time.

ISSUE 45: Is FPUC's proposed Injuries and Damage Expense for the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 46: Is FPUC's proposed rate case expense for the 2015 projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 47: What is the appropriate period for the amortization of rate case expense?

POSITION: No position at this time.

ISSUE 48: Is FPUC's proposed Economic Development Expense for the projected test year appropriate?

POSITION: No position at this time.

ISSUE 49: Is FPUC's proposed Bad Debt Expense for the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 50: Are the cost allocations from FPUC's Common to FPUC's electric division for shared resources reasonable? If not, what adjustments are appropriate?

POSITION: No position at this time.

ISSUE 51: Are the cost allocations made by FPUC's corporate parent, Chesapeake Utilities, to FPUC's electric division for shared resources reasonable? If not, what adjustments are appropriate?

POSITION: No position at this time.

ISSUE 52: Are the direct charges from FPUC's corporate parent, Chesapeake Utilities, to FPUC's electric division for services and resources reasonable? If not, what adjustments are appropriate?

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POSITION: No position at this time.

ISSUE 53: Is FPUC's requested amount for the Winter Event in the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 54: 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?

POSITION: No position at this time.

ISSUE 55: 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?

POSITION: No position at this time.

ISSUE 56: Is FPUC's requested tree trimming expense in the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 57: Is FPUC's requested joint audit expense in the projected test year appropriate? If not, what adjustment should be made?

POSITION: No position at this time.

ISSUE 58: 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?

POSITION: No position at this time.

ISSUE 59: What is the appropriate amount of depreciation expense for the projected test year?

POSITION: No position at this time.

ISSUE 60: 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?

POSITION: No position at this time.

ISSUE 61: Should an adjustment be made to Income Tax expense for the projected test year?

POSITION: No position at this time.

ISSUE 62: 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?

POSITION: No position at this time.

ISSUE 63: 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?

POSITION: No position at this time.

Revenue Requirements

ISSUE 64: What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPUC?

POSITION: No position at this time.

ISSUE 65: 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?

POSITION: No position at this time.

Cost of Service and Rate Design

ISSUE 66: What is the appropriate cost of service methodology to be used in designing FPUC's rates?

POSITION: No position at this time.

ISSUE 67: If a revenue increase is granted, how should the increase be allocated to rate classes?

POSITION: No position at this time.

ISSUE 68: What are the appropriate customer charges?

POSITION: No position at this time.

ISSUE 69: What are the appropriate demand charges?

POSITION: No position at this time.

ISSUE 70: What are the appropriate energy charges?

POSITION: No position at this time.

ISSUE 71: What are the appropriate standby rates?

POSITION: No position at this time.

ISSUE 72: What are the appropriate service charges?

POSITION: No position at this time.

ISSUE 73: What are the appropriate charges for temporary service?

POSITION: No position at this time.

ISSUE 74: Is FPUC's restructuring of the energy charges for the residential rate class into a two-tier inclining block structure appropriate?

POSITION: No position at this time.

ISSUE 75: 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?

POSITION: No position at this time.

ISSUE 76: 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?

POSITION: No position at this time.

ISSUE 77: Should FPUC's Transitional Rate for non-profit sports fields be eliminated?

POSITION: No position at this time.

ISSUE78: Should FPUC's proposed Economic Development Rider Program (EDRP) tariff be approved?

POSITION: No position at this time.

ISSUE 79: What is the appropriate effective date for FPUC's new rates and charges?

POSITION: No position at this time.

Other Issues

ISSUE 80: 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?

POSITION: No position at this time.

ISSUE 81: Should this docket be closed?

POSITION: No position at this time.

5. **Stipulated Issues**

None at this time.

6. **Pending Motions**

Staff has no pending motions at this time.

7. **Pending Confidentiality Claims or Requests**

Staff has no pending confidentiality claims or requests at this time.

8. **Objections to Witness Qualifications as an Expert**

Staff has no objections to any witness' qualifications as an expert.

9. **Compliance with Order No. PSC-14-0194-PCO-EI**

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 15th day of August, 2014.

/s/ Suzanne Brownless _____
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DATED: August 15, 2014

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original of STAFF'S PREHEARING STATEMENT has been filed with Office of Commission Clerk and one copy has been furnished to the following by electronic mail on this 15th day of August, 2014:

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