

February 28, 2018

**E-PORTAL FILING**

Ms. Carlotta Stauffer, Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850


**Re: [New Filing] - Petition for Limited Proceeding to Recover Incremental Storm Restoration Costs by Florida Public Utilities Company.**

**Dear Ms. Stauffer:**

Attached for filing, please find Florida Public Utilities Company's Petition for Limited Proceeding to Recover Incremental Storm Restoration Costs.

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

Kind regards,

  
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

MEK

Cc:// Office of Public Counsel (Kelly)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Limited Proceeding to Recover Incremental Storm Restoration Costs by Florida Public Utilities Company. | DOCKET NO.  
| DATED: February 28 , 2018

**PETITION OF FLORIDA PUBLIC UTILITIES COMPANY FOR LIMITED PROCEEDING**

Florida Public Utilities Company, (herein "FPUC" or "Company"), by and through its undersigned counsel, hereby files this Petition, pursuant to Sections 366.076(1) and 366.041, Florida Statutes ("F.S."), and Rule 25-6.0143 and 25-6.0431, Florida Administrative Code ("F.A.C."), requesting that the Florida Public Service Commission ("Commission") conduct a limited proceeding to authorize commencement of recovery of incremental storm restoration costs related to several Hurricanes and tropical storms and the replenishment of the storm reserve that FPUC maintains pursuant to Rule 25-6.0143, F.A.C. (the "Storm Reserve"), a total of \$2,280,815, from customers over a period of two years beginning with the first billing cycle of May 2018. In further support of this request, the Company hereby states:

1) FPUC is an electric utility subject to the Commission's jurisdiction under Chapter 366, Florida Statutes. Its principal business address is:

Florida Public Utilities Company  
1750 S 14th Street, Suite 200  
Fernandina Beach, FL 32034

2) The name and mailing address of the persons authorized to receive notices are:

Beth Keating, Esq.  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe Street, Suite 601  
Tallahassee, Florida 32301-1839  
(850) 521-1706

Mike Cassel  
Director, Regulatory and Governmental Affairs  
Florida Public Utilities Company/Chesapeake  
1750 S 14th Street, Suite 200  
Fernandina Beach, FL 32034  
mcassel@fpuc.com

3) The Company is unaware of any material facts in dispute at this time, but the proceeding may involve disputed issues of material fact, including, but not limited to whether FPUC has appropriately calculated the amount to be recovered and the corresponding surcharge, as well as how any end of period true-up should be addressed. The Company's request set forth herein does not involve reversal or modification of a Commission decision or proposed agency action. This is a Petition representing an initial request to the Commission, which is the affected agency located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

4) As required by Rule 25-6.0431, F.A.C., the appendices attached hereto and incorporated herein include a detailed statement of the reasons why the limited proceeding has been requested, a schedule showing the specific rate base components for which the utility seeks recovery, a detailed description of the expenses requested, and a schedule showing how the utility proposes to allocate any change in revenue to rate classes (See Attachment A included with this filing) and the proposed rates (See Attachment B included with this filing).

### **BACKGROUND**

5) FPUC, serves a total of approximately 32,000 customers consisting of two entirely separate divisions – one located on Amelia Island and the other serving a largely rural service territory in the north central Panhandle. FPUC's system sustained damage from three major hurricanes, Hermine, Matthew and Irma, two tropical storms, and some minor storms. The impact on FPUC's system from Hurricane Hermine was minimal, but Matthew and Irma caused damage that was more extensive.

6) In preparation for Hurricane Matthew, Amelia Island was evacuated beginning October 7, 2016. Although Hurricane Matthew skirted the coast and did not make direct landfall on Amelia Island, the Company's Northeast Division still received wind gusts of 87 miles an hour and

sustained winds of 39 miles an hour. Our Northeast Division experienced storm surge of 7.8 feet above normal.

7) Hurricane Irma made landfall at Cudjoe Key as a Category 4 and again in Marco Island as a Category 3. It continued up the center of the state affecting both the Company's Northwest and Northeast Divisions on September 10 and 11<sup>th</sup>, 2017. In addition to sustained winds of 45 to 50 miles an hour and hurricane force gusts of 71 miles an hour, several tornadoes occurred during the storm.

8) Fortunately, our service territories did not receive the severe, damaging winds sustained in other parts of the state during either of these storms. Nevertheless, our Northeast Division had 15,693 outages during Hurricane Matthew and 16,075 outages during Irma, which represents 100% of our customers. Our Northwest Division had 4,065 outages during Hurricane Irma, which represents approximately 26% of our customers in that division.

9) Due to the Company's planning and storm-hardened facilities, all customers were restored by October 10, 2016 after Matthew. After Irma, our Northwest Division was restored by September 12, 2017, and our Northeast Division was restored by September 15, 2017. All critical customers in the Northeast Division had been restored by September 13, 2017. The Company's storm hardening activities made a substantial difference during these hurricanes, as demonstrated by the fact that no storm hardened facilities failed during either Hurricane Matthew or Hurricane Irma.

### **COSTS**

10) Hurricane Hermine cost the Company \$27,359, Matthew cost the Company \$560,897, and Hurricane Irma cost \$2,332,934. In addition, FPUC incurred minor damage to its Northwest Division in June 2017 for Tropical Storm Cindy, to its Northeast Division in September 2016 for

Tropical Storm Julia and other un-named storms whose costs exceeded \$5,000. (See Attachment A, page 1) These storms have depleted the storm reserve and left it in a deficit of \$779,174 as of December 31, 2017.

11) Of the \$560,897 that Hurricane Matthew cost FPUC, \$31,061 related to the Northwest Division and \$529,836 was for the Northeast Division. Approximately \$317,131 of the total costs were for outside contractors, \$113,972 for payroll and overhead, \$45,235 for miscellaneous costs, \$73,455 for logistics, \$11,104 for materials and supplies. In addition, for Hurricane Matthew, FPUC capitalized \$43,805 for plant additions made during the storm and recorded \$23,526 for cost of removal to accumulated depreciation. Neither of these capital related amounts were included in the costs charged to the storm reserve.

12) Of the \$2,332,934, that Hurricane Irma cost the Company, \$222,445 related to the Northwest Division and \$2,110,489 to the Northeast Division. Approximately \$1,905,144 of the total costs were for outside contractors, \$213,122 for payroll and overhead, \$37,899 for miscellaneous costs, \$172,250 for logistics, \$4,519 for materials and supplies. Also, for Hurricane Irma, FPUC capitalized \$156,503 for plant additions made during the storm and recorded \$69,658 for cost of removal to accumulated depreciation. Neither of these capital related amounts were included in the costs charged to the storm reserve.

13) Since the storms described above have fully depleted the existing storm reserve, FPUC proposes to restore its reserve to \$1,500,000. In order to restore the reserve to this level, \$2,280,815 would need to be collected from FPUC's customers. Based on 2017 kWh sales this amounts to \$.00363 per kWh or \$3.63/1,000 kWh (see Attachment A page 1). However, in order to lessen the impact to its customers, FPUC is requesting to recover this amount over a two-year period. Therefore, the charge would be \$.00182 per kWh or \$1.82/1,000 kWh.

14) In considering this request, FPUC reviewed the most recent settlement agreements entered into by FPUC – the Stipulation and Settlement entered into to resolve its 2014 rate case (“2014 Agreement”) and the Stipulation and Settlement resolving its 2017 Petition for Limited Proceeding (“2017 Agreement”).<sup>1</sup> FPUC has determined that neither agreement has an impact on this Petition. Notably, under the 2014 Agreement, the “Minimum Term” has expired; thus, pursuant to that agreement, the only agreement terms remaining in effect would have been the “base rates, charges and related tariff term sheet terms and conditions,” as set forth in Section I.a. thereof.<sup>2</sup> The Storm Damage provisions contained in Section VII of the 2014 Agreement have, therefore, expired, as they are not components of the rates, charges, or tariff sheet terms and conditions. Even if the 2014 Agreement Storm Damage provisions applied, however, it should be noted that the agreement provision addressing Storm Damage, Section VII, clearly allows the Company to seek storm cost recovery pursuant to the Commission’s rule. As for the 2017 Agreement, the language contained in IV.e. of that agreement is quite clear that the terms of the 2017 Agreement have no bearing on, and do not preclude, FPUC’s ability to seek recovery of storm-related costs incurred prior to the effective date of that 2017 Agreement pursuant to Rule 25-6.0143, F.A.C. Given that the storm-related costs for which the Company is seeking recovery were all incurred prior to January 1, 2018, the 2017 Agreement does not apply to this request.

15) A limited proceeding is appropriate for consideration of this request because the relevant issues are narrow. The issues to be decided are:

- 1) Has FPUC correctly calculated the storm cost charges that are proposed to go into effect with the first billing cycle of May 2018?
- 2) Has the Company appropriately identified the reserve deficit?

---

<sup>1</sup> Approved by Commission Order Nos. PSC-2014-0517-S-EI, issued in Docket No. 20140025-EI and PSC-2017-0488-PAA-EI, issued in Docket No. 20170150-EI, respectively.

<sup>2</sup> Except to the extent modified by the Stipulation and Settlement Agreement approved in Docket No. 20170150-EI.

- 3) How should FPUC credit to or recover from customers the over- or under- recovery at the end of the two year period?

**REQUEST FOR RELIEF**

16) FPUC requests approval to establish a regulatory asset to be recorded in Account 182.3 Extraordinary Property Losses to record the under-recovery of the reserve of \$779,174. The regulatory asset amount will be amortized over the 24-month period when the surcharge begins. FPUC will remove the regulatory asset from rate base, and storm charge revenues and amortization of the regulatory asset from net operating income, on its quarterly earning surveillance reports.

17) FPUC respectfully requests that the Commission conduct a limited proceeding to approve a surcharge of \$1.82 per 1,000 kWh for two years to cover both the amortization of the regulatory asset and the monthly addition of \$62,500 insurance expense for 24 months to restore FPUC's storm reserve balance to \$1,500,000.

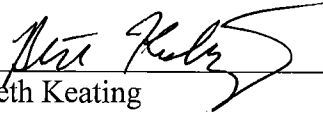
18) FPUC additionally requests that any amount collected over the \$2,280,815 at the end of the two-year period be charged to the storm reserve and if not materially under collected at the end of two years the Company will discontinue the storm reserve surcharge.

19) FPUC also asks that the Commission approve Tariff Sheet No. 67, which is included as Attachment B.

20) FPUC further asks that the Commission keep this docket open as may be necessary to

resolve any remaining over or under-recovery at the end of the 24-month period.

RESPECTFULLY SUBMITTED this 28<sup>th</sup> day of February, 2018.

  
\_\_\_\_\_  
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

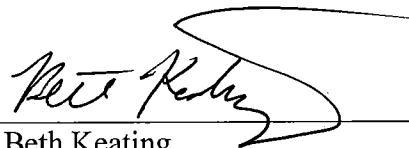
*Attorneys for Florida Public Utilities Company*



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 28<sup>th</sup> day of February, 2018.

Jennifer Crawford Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 jcrawfor@psc.state.fl.us	J.R. Kelly Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 <u>Kelly.JR@leg.state.fl.us</u>
--	---

By:   
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

**Attachment A**

**Florida Public Utilities Company  
Storm Cost Recovery  
Account 228 Storm Reserve Summary**

**ATTACHMENT A  
PAGE 1**

Line Number		Account 228.100 Storm Reserve
1	<b>Reserve Balance September 2015 (Credit)</b>	<b>\$ 2,142,805</b>
2	Monthly Accruals to Reserve (Note A)	\$ 141,890
3	Tropical Storm Cindy (2017)	\$ (3,381)
4	Tropical Storm Julia (2016)	\$ (13,177)
5	Hurricane Hermine (2016)	\$ (27,359)
6	Hurricane Matthew (2016)	\$ (560,897)
7	Hurricane Irma (2017)	\$ (2,332,934)
8	Other Minor Storms	\$ (126,120)
9	<b>Reserve Balance Underfunded at December 31, 2017</b>	<b>\$ (779,174)</b>
10	Reserve Balance Allowed Per Commission Order No. PSC-2017-0488-PAA-EI	\$ 1,500,000
11	Revenue Needed to Fund Reserve to \$1.5M Level	<u>\$ 2,279,174</u>
12	Regulatory Assessment Fee Multiplier	1.00072
13	Total System Storm Losses to Be Recovered From Customers	<u>\$ 2,280,815</u>
14	Jurisdictional Factor	100%
15	Jurisdictional Total System Storm Losses to Be Recovered From Customers	<u>\$ 2,280,815</u>
16	Total 2017 kWh	\$ 628,069,401
17	Rate Per kWh per year	\$ 0.003631
18	Rate Per 1,000 kWh Over 1 Year	\$ 3.63
19	Rate Per 1,000 kWh Over 2 Years	\$ 1.82
20	Note A: Per 2015 Rate Case Settlement Reserve funding was stopped until October 2016 to fund tree trimming.	

**Florida Public Utilities Company**  
**Summary of Rate Base Components and Expense (A)**

Line No.	FERC Account	Description	(1) Total System Note (B)	(2) Retail Jurisdictional
<b>1</b>	<b><u>Rate Base Components</u></b>			
2	182.3	Extraordinary Property Losses-Unrecovered Eligible Restoration Costs	\$ 779,174	\$ 779,174
3	228.1	Accumulated Provision for Property Insurance	\$ 1,500,000	\$ 1,500,000
<b>4</b>	<b><u>Expense Components</u></b>			
5	407.3	Regulatory Debits-Amortization of Unrecovered Eligible Restoration Costs	\$ 779,174	\$ 779,174
6	924.0	Property Insurance Expense-Replenishment of Accumulated Provision for Property Insurance	\$ 1,500,000	\$ 1,500,000

**Notes:**

- (A) Items reflected on this schedule are provided in compliance with parts (3) and (4) of Rule No. 25-6.0431, Petition for a Limited Proceeding.  
 (B) Amounts will be removed for retail base ratemaking since these items will be reflected in the storm recovery mechanism.

Florida Public Utilities Company  
Storm Reserve Limited Proceeding Electric  
Distribution of Revenue Requirement

<u>LINE NO.</u>	<u>RATE SCHEDULE</u>	(1)	(2)	(3)
		2017 kWh SALES	PERCENT OF TOTAL	ESTIMATE CHARGE PER RATE CLASS
1	RESIDENTIAL	291,510,499	46.41%	\$ 1,058,611
2	COMMERCIAL SMALL	59,742,607	9.51%	\$ 216,953
3	COMMERCIAL	156,761,471	24.96%	\$ 569,274
4	COMMERCIAL LARGE	85,163,496	13.56%	\$ 309,269
5	INDUSTRIAL	27,380,000	4.36%	\$ 99,430
6	OUTDOOR LIGHTS	7,511,328	1.20%	\$ 27,277
		<u>628,069,401</u>	<u>100.00%</u>	<u>\$ 2,280,815</u>
COSTS TO BE RECOVERED		\$ 2,280,815		
RATE PER kWh 1 YEAR RECOVERY		\$ 0.003631		
RATE PER kWh 2 YEAR RECOVERY		\$ 0.001816		

Notes:

(A) Items reflected on this schedule are provided in compliance with part (5) of Rule No. 25-6.0431, Petition for a Limited Proceeding.

**Attachment B**

---

*STORM RECOVERY SURCHARGE RESERVED FOR FUTURE USE*

---

Applicability:

Electric service under all rate schedules.

Description:

This surcharge is for recovery of storm costs and will be recovered for the two years beginning May 2018 thru April 2020.

The surcharge of .001816 / KWH will be applied to each kilowatt hour billed from May 2018 thru April 2020.

---

*STORM RECOVERY SURCHARGE*

---

Applicability:

Electric service under all rate schedules.

Description:

This surcharge is for recovery of storm costs and will be recovered for the two years beginning May 2018 thru April 2020.

The surcharge of .001816 / KWH will be applied to each kilowatt hour billed from May 2018 thru April 2020.