BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida City Gas _________________________________/	Docket No: 20170179-GU Filed: March 5, 2018

PREHEARING STATEMENT OF FEDERAL EXECUTIVE AGENCIES

Federal Executive Agencies ("FEA"), through the undersigned attorney, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2017-0427-PCO-GU, issued November 7, 2017, which was revised by Order No. PSC-2017-0461-PCO-GU, issued December 5, 2017, hereby submit this Prehearing Statement.

APPEARANCES:

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Attorneys on behalf of Federal Executive Agencies

1. WITNESSES:

FEA intends to call the following witnesses, who will address the issues indicated:

NAME	TOPICS
Brian C. Collins	Class of Cost of Service and Rate Design; Interstate Pipeline Capacity Needs
Christopher C. Walters	Rate of Return

2. EXHIBITS:

Incorporated into the pre-filed written testimony of the above-mentioned witnesses, Federal Executive Agencies intend to introduce the following exhibits, which can be identified on a composite basis for each witness:

Witness	Exhibit	Title
Brian C. Collins	App A.	Qualifications of Brian C. Collins
Christopher C. Walters	App A.	Qualifications of Christopher C. Walters
Christopher C. Walters	CCW-1	Rate of Return
Christopher C. Walters	CCW-2	Valuation Metrics
Christopher C. Walters	CCW-3	Timeline of Federal Funds Rate Increases
Christopher C. Walters	CCW-4	Proxy Group
Christopher C. Walters	CCW-5	Consensus Analysts' Growth Rates
Christopher C. Walters	CCW-6	Constant Growth DCF Model
Christopher C. Walters	CCW-7	Payout Ratios
Christopher C. Walters	CCW-8	Sustainable Growth Rate
Christopher C. Walters	CCW-9	Constant Growth DCF Model
Christopher C. Walters	CCW-10	Electricity Sales
Christopher C. Walters	CCW-11	Multi-Stage Growth DCF Model
Christopher C. Walters	CCW-12	Common Stock Market/Book Ratio
Christopher C. Walters	CCW-13	Equity Risk Premium-Treasury Bond
Christopher C. Walters	CCW-14	Equity Risk Premium-Utility Bond
Christopher C. Walters	CCW-15	Bond Yield Spreads
Christopher C. Walters	CCW-16	Treasury and Utility Bond Yields
Christopher C. Walters	CCW-17	Value Line Beta
Christopher C. Walters	CCW-18	CAPM Return

3. STATEMENT OF BASIC POSITION

FEA filed testimony regarding investors' required return on equity for Florida City Gas ("FCG"). FEA's recommendation is predicated on a well-balanced and reasoned approach that relied on several market models and the resulting estimates from the application of those models. The FEA recommendation represents fair compensation for FCG's investment risk, is based on the current and expected economic environment, and will provide an equitable balance between customers and shareholders. As shown in their testimony the proximity of FEA's recommended range of 9.0%-9.6%, and recommended ROE of 9.3%, to authorized returns on equity provides additional proof that its recommendations are reasonable and just in this proceeding.

FEA also filed testimony regarding class cost of service and rate design. As demonstrated by FEA in its testimony, the class cost of service ("CCOS") study filed by FCG in this proceeding, which allocates distribution main costs using the Peak and Average method, does not accurately reflect class cost causation.

The Company bases its class revenue allocation on its proposed CCOS study. Since the Company's CCOS study does not accurately reflect cost causation, FEA recommends an alternative allocation of any revenue increase to customers. Based on the level of increase requested, the impact on customers and recognizing the principle of gradualism, FEA proposes an across-the-board increase for all customer classes. Based on the Company's claimed revenue deficiency, this would result in an increase of 29.3% for each rate class.

FEA also submitted testimony regarding FCG's proposal to purchase interstate pipeline capacity for transportation customers. It is FEA's position that the Company should not purchase interstate pipeline capacity to ensure that all transportation customers receive gas supply in the event their respective third party suppliers fail to deliver gas supply.

FEA recommends that the Company create a backup capacity service that allocates the costs of FCG purchased interstate pipeline capacity only to those FCG transportation customers (essential and non-essential) that require the Company to back up delivery of their gas supply from their respective third party gas suppliers to ensure firm delivery.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

TEST PERIOD AND FORECASTING

ISSUE 1: Is FCG's projected test period of the twelve months ending December 31, 2018, appropriate?

FEA: No issue at this time.

ISSUE 2: Are FCG's forecasts of customer and therms by rate class for the projected test year ending December 31, 2018 appropriate? If not, what adjustments should be made?

FEA: No issue at this time.

ISSUE 3: Are FCG's estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate? If not, what adjustments should be made?

FEA: No issue at this time.

CAPACITY NEEDS

ISSUE 4: Should FCG have firm transportation capacity available to any or all transportation customers?

FEA: It is FEA's position that the Company should not purchase interstate pipeline capacity to ensure that all transportation customers receive gas supply in the event their respective third party suppliers fail to deliver gas supply. FEA recommends that FCG create a backup capacity service that allocates the costs of FCG purchased interstate pipeline capacity only to those FCG transportation customers (essential and non-essential) that require the Company to back up delivery of their gas supply from their respective third party gas suppliers to ensure firm delivery.

ISSUE 5: Are FCG's forecasts of design day load, by division, for sales and transportation customers appropriate? If not, what adjustments should be made?

FEA: No issue at this time.

ISSUE 6: Are FCG's proposed measures to add firm capacity, including additional firm transportation service from FGT and construction and operation of an LNG facility, to its system reasonable?

FEA: It is FEA's position that the Company should not purchase interstate pipeline capacity to ensure that all transportation customers receive gas supply in the event their respective third party suppliers fail to deliver gas supply. FEA recommends that FCG create a backup capacity service that allocates the costs of FCG purchased interstate pipeline capacity only to those FCG transportation customers (essential and non-essential) that require the Company to back up delivery of their gas supply from their respective third party gas suppliers to ensure firm delivery.

QUALITY OF SERVICE

ISSUE 7: Is the quality of service provided by FCG adequate?

FEA: No issue at this time.

DEPRECIATION STUDY

ISSUE 8: Should the Commission establish an annual depreciation rate applicable to FCG's liquefied natural gas storage assets?

FEA: No issue at this time.

ISSUE 9: What are the appropriate depreciation parameters (remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each distribution and general plant account?

FEA: No issue at this time.

ISSUE 10: Based on the application of the depreciation parameters that the Commission has deemed appropriate to FCG's data, and a comparison of the theoretical reserves to the book reserves, what, if any, are the resulting imbalances?

FEA: No issue at this time.

ISSUE 11: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 10?

FEA: No issue at this time.

ISSUE 12: What, if any, are the appropriate capital recovery schedules?

FEA: No issue at this time.

ISSUE 13: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

FEA: No issue at this time.

RATE BASE

ISSUE 14: What is the appropriate amount of plant and accumulated depreciation to include in the projected test year for FCG's SAFE program?

FEA: No issue at this time.

ISSUE 15: What is the appropriate amount for plant in service for FCG's proposed LNG facility?

FEA: No issue at this time.

ISSUE 16: What is the appropriate level of plant in service for the projected test year?

FEA: No issue at this time.

ISSUE 17: Has FCG made the appropriate adjustments to Common Plant Allocated and Accumulated Depreciation – Common Plant Allocated, to reflect corporate plant allocated to FCG from AGL Services Company ("AGSC")?

FEA: No issue at this time.

ISSUE 18: Has FCG made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital?

FEA: No issue at this time.

ISSUE 19: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

FEA: No issue at this time.

ISSUE 20: What is the appropriate level of CWIP to include in the projected test year?

FEA: No issue at this time.

ISSUE 21: What is the appropriate level of Gas Plant Accumulated Depreciation and Amortization for the projected test year?

FEA: No issue at this time.

ISSUE 22: Should an adjustment be made to the GCUA Regulatory Asset (offset of accelerated pension costs) authorized by Order No. PSC-07-0913-PAA-GU?

FEA: No issue at this time.

ISSUE 23: Have under recoveries and over recoveries related to the Purchased Gas Adjustment, Energy Conservation Cost Recovery, and Area Expansion Plan been appropriately reflected in the Working Capital Allowance?

FEA: No issue at this time.

ISSUE 24: What is the appropriate level of working capital for the projected test year?

FEA: No issue at this time.

ISSUE 25: What is the appropriate level of rate base for the projected test year?

FEA: No issue at this time.

COST OF CAPITAL

ISSUE 26: What is the appropriate amount of accumulated deferred taxes to include in the projected test year capital structure?

FEA: No issue at this time.

ISSUE 27: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

FEA: No issue at this time.

ISSUE 28: What is the appropriate amount and cost rate for short-term debt to include in the projected test year capital structure?

FEA: No issue at this time.

ISSUE 29: What is the appropriate amount and cost rate for long-term debt to include in the projected test year capital structure?

FEA: No issue at this time.

ISSUE 30: What is the appropriate authorized return on equity ("ROE") to use in establishing FCG's projected test year revenue requirement?

FEA: The appropriate ROE to establish FCG's projected test year revenue requirement is 9.3%, which is the midpoint of FEA witness Mr. Walters' recommended range of 9.0% to 9.6%.

ISSUE 31: Has FCG made the appropriate adjustments to remove all non-utility investments from the common equity balance?

FEA: No issue at this time.

ISSUE 32: What is the appropriate weighted average cost of capital to use in establishing FCG's projected test year revenue requirement?

FEA: Given FCG's originally filed ratemaking capital structure, FEA's recommended ROE, and FCG's other cost rates, the appropriate weighted average cost of capital is 5.57%. Should the Commission rely on the updated capital structure filed by FCG, the appropriate weighted average cost of capital is 5.77%.

NET OPERATING INCOME

ISSUE 33: Has FCG properly removed Purchased Gas Adjustment and Energy Conservation Cost Recovery Revenues, Expenses, and Taxes-Other from the projected test year?

FEA: No issue at this time.

ISSUE 34: What is the appropriate amount of miscellaneous revenues?

FEA: No issue at this time.

ISSUE 35: Is FCG=s projected Total Operating Revenues for the projected test year appropriate (fallout issue)?

FEA: No issue at this time.

ISSUE 36: Has FCG made the appropriate adjustments to remove all non-utility activities from operation expenses, including depreciation and amortization expense?

FEA: No issue at this time.

ISSUE 37: Should an adjustment be made to Uncollectible Accounts and for Bad Debt in the Revenue Expansion Factor?

FEA: No issue at this time.

ISSUE 38: Should an adjustment be made to the number of employees in the projected test year?

FEA: No issue at this time.

ISSUE 39: What is the appropriate amount of salaries and benefits to include in the projected test year?

FEA: No issue at this time.

ISSUE 40: Should an adjustment be made to the amortization of the GCUA Regulatory Asset (offset of accelerated pension costs) authorized by Order No. PSC-07-0913-PAA-GU?

FEA: No issue at this time.

ISSUE 41: What is the appropriate amount of pensions and post-retirement benefits expense to include in the projected test year?

FEA: No issue at this time.

ISSUE 42: Should the Commission allow FCG to establish a storm damage reserve?

FEA: No issue at this time.

ISSUE 43: What is the appropriate annual storm damage accrual?

FEA: No issue at this time.

ISSUE 44: Is a Parent Debt Adjustment pursuant to Rule 25-14.004, Florida Administrative Code, appropriate, and if so, what is the appropriate amount?

FEA: No issue at this time.

ISSUE 45: Should an adjustment be made to Regulatory Commission Expense, for Rate Case Expense for the projected test year and what is the appropriate amortization period?

FEA: No issue at this time.

ISSUE 46: What is the appropriate amount of projected test year O&M expenses?

FEA: No issue at this time.

ISSUE 47: Has FCG made the appropriate adjustments to Common Plant Allocated Depreciation and Amortization Expense to reflect corporate plant allocated to FCG from AGSC?

FEA: No issue at this time.

ISSUE 48: What is the appropriate amount of depreciation expense to include in the projected test year for FCG's SAFE program?

FEA: No issue at this time.

ISSUE 49: Should any adjustments be made to the amounts included in the projected test year for amortization expense associated with the acquisition adjustment?

FEA: No issue at this time.

ISSUE 50: What is the appropriate amount of Depreciation and Amortization Expense for the projected test year?

FEA: No issue at this time.

ISSUE 51: What is the appropriate amount of projected test year Taxes Other than Income?

FEA: No issue at this time.

ISSUE 52: What adjustments, if any, need to be made to the projected test year for the Tax Cuts and Jobs Act (G.L.C.164, §94) signed into law on December 22, 2017, with an effective date of January 1, 2018?

FEA: No issue at this time.

ISSUE 53: What is the appropriate amount of projected test year Income Tax Expense (fall-out issue)?

FEA: No issue at this time.

ISSUE 54: What is the appropriate amount of Total Operation Expenses for the projected test year?

FEA: No issue at this time.

ISSUE 55: What is the appropriate amount of Net Operating Income for the projected test year?

FEA: No issue at this time.

REVENUE REQUIREMENTS

ISSUE 56: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FCG?

FEA: No issue at this time.

ISSUE 57: What is the appropriate annual operating revenue increase for the projected test year?

FEA: No issue at this time.

COST OF SERVICE AND RATE DESIGN

ISSUE 58: Is FCG's proposed cost of service study appropriate?

FEA: It is FEA's position that the class cost of service study ("CCOSS") study filed by FCG in this proceeding, which allocates distribution main costs using the Peak and Average method, does not accurately reflect class cost causation.

ISSUE 59: What is the appropriate class revenue allocation?

FEA: Based on the level of increase requested, the impact on customers and recognizing the principle of gradualism, FEA proposes an across-the-board increase for all customer classes of any revenue deficiency approved by the Commission.

ISSUE 60: Should FCG's proposal to replace its existing volumetric rate classes with three new residential and six new commercial rate classes be approved?

FEA: No issue at this time.

ISSUE 61: What are the appropriate customer charges?

FEA: No issue at this time.

ISSUE 62: What are the appropriate per therm distribution charges?

FEA: No issue at this time.

ISSUE 63: What are the appropriate demand charges?

FEA: No issue at this time.

ISSUE 64: What are the appropriate safety, access, and facility enhancement ("SAFE") surcharges?

FEA: No issue at this time.

ISSUE 65: What are the appropriate miscellaneous service charges (connect charges, reconnection charges, returned check charges, change of account, bill collection in lieu of disconnection, temporary disconnection of service, and failed trip charge)?

FEA: No issue at this time.

ISSUE 66: Is FCG's proposed revision to its customer deposit tariff appropriate?

FEA: No issue at this time.

ISSUE 67: Is FCG's proposed revision to its right to suspend or discontinue service to a customer tariff appropriate?

FEA: No issue at this time.

ISSUE 68: Should FCG's proposed revisions to its Transportation – Special Conditions tariff regarding the allocation and release of interstate capacity be approved?

FEA: No. It is FEA's position that the Company should not purchase interstate pipeline capacity to ensure that all transportation customers receive gas supply in the event their respective third party suppliers fail to deliver gas supply. FEA recommends that FCG create a backup capacity service that allocates the costs of FCG purchased interstate pipeline capacity only to those FCG transportation customers (essential and non-essential) that require the Company to back up delivery of their gas supply from their respective third party gas suppliers to ensure firm delivery. As a result, the Company's tariff should be modified accordingly.

ISSUE 69: Should FCG's new Economic Development Gas Service ("EDGS") tariff be approved?

FEA: No issue at this time.

ISSUE 70: Should FCG's proposal to revise the Area Expansion Program be approved?

FEA: No issue at this time.

ISSUE 71: If FCG's proposal to eliminate the Flexible Gas Service ("FGS") tariff be approved?

FEA: No issue at this time.

ISSUE 72: Should FCG's definition of incremental cost contained in the Contract Demand Service ("KDS") and Load Enhancement Service ("LES") tariffs be approved?

FEA: No issue at this time.

ISSUE 73: What is the appropriate effective date for FCG=s revised rates and charges?

FEA: No issue at this time.

OTHER ISSUES

ISSUE 74: Should any portion of the interim increase granted by Order No. PSC-2018-0011-PCO-GU be refunded to customers?

FEA: No issue at this time.

ISSUE 75: Should FCG 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?

FEA: No issue at this time.

ISSUE 76: Should this docket be closed?

FEA: No issue at this time.

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

FEA filed Notice of Intent to Request Confidential Classification 22 February, 2018.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which Federal

Executive Agencies cannot comply.

Dated this 5th day of March, 2018

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CERTIFICATE OF SERVICE
Docket No. 20170179-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing document has been furnished by electronic mail (e-mail) and/or U.S. Mail this 5th day of March, 2018 to the following:

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