

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 20170179-GU

PETITION FOR RATE INCREASE BY FLORIDA CITY GAS.

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VOLUME 1  
PAGES 1 through 41

PROCEEDINGS: HEARING  
COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER JULIE I. BROWN  
COMMISSIONER DONALD J. POLMANN

DATE: Monday, March 26, 2018

TIME: Commenced: 2:10 P.M.  
Concluded: 2:51 P.M.

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK  
Court Reporter

PREMIER REPORTING  
114 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
(850) 894-0828

1 APPEARANCES:

2 BETH KEATING, LILA A. JABER and GREGORY  
3 MUNSON, ESQUIRES, Gunster Law Firm, 215 South Monroe  
4 Street, Suite 601, Tallahassee, Florida 32301-1839,  
5 appearing on behalf of Florida City Gas

6 J.R. KELLY, PUBLIC COUNSEL; VIRGINIA PONDER,  
7 PATRICIA CHRISTENSEN, and STEPHANIE A. MORSE, ESQUIRES,  
8 Office of Public Counsel, c/o the Florida Legislature,  
9 111 W. Madison Street, Room 812, Tallahassee, Florida  
10 32399-1400, appearing on behalf of the Citizens of the  
11 State of Florida.

12 THOMAS A. JERNIGAN, NATALIE A CEPAK, ANDREW  
13 J. UNSICKER, LANNY ZIEMAN, ESQUIRES, Federal Executive  
14 Agencies, AFCED/JA-ULFSC, 139 Barnes Drive, Suite 1,  
15 Tyndall Air Force Base, Florida 32403, appearing on  
16 behalf of the Federal Executive Agencies.

17 WALT TRIERWEILER, JENNIFER CRAWFORD, DANIJELA  
18 JANJIC, and MARGO A. DUVAL, ESQUIRES, FPSC General  
19 Counsel's Office, 2540 Shumard Oak Boulevard,  
20 Tallahassee, Florida 32399-0850, appearing on behalf of  
21 the Florida Public Service Commission Staff.

22 KEITH HETRICK, GENERAL COUNSEL; MARY ANNE  
23 HELTON, DEPUTY GENERAL COUNSEL; Florida Public Service  
24 Commission, 2540 Shumard Oak Boulevard, Tallahassee,  
25 Florida 32399-0850, Advisor to the Commission.

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I N D E X  
WITNESSES

NAME:	PAGE
CAROLYN BERMUDEZ, GREGORY BECKER, MICHAEL MORLEY	
Examination by Commissioners	17

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EXHIBITS

NUMBER:		ID	ADMITTED
1	Comprehensive exhibit list	7	7
2-121	As identified on the comprehensive list	7	37

1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: Okay. Let the record show  
3 it is 10 after 2:00. It is Monday, March 26th, and  
4 we are here for the Florida City Gas rate case  
5 stipulation, 20170179-GU. We will convene this  
6 hearing.

7 And, staff, if I could get you to read the  
8 notice, please.

9 MR. TRIERWEILER: By notice issued March 9  
10 2018, this time and place was set for this hearing  
11 in Docket Number 20170179. The purpose of this  
12 hearing is set out in the notice.

13 CHAIRMAN GRAHAM: Okay. Let's take  
14 appearances.

15 MS. KEATING: Good afternoon, Mr. Chairman,  
16 Commissioners. Beth Keating, Greg Munson and Lila  
17 Jaber here with the Gunster law firm on behalf of  
18 Florida City Gas.

19 MS. CEPAK: Good afternoon, Chairman and  
20 Commissioners. Captain Natalie Cepak on behalf of  
21 Federal Executive Agencies.

22 MS. PONDER: Good afternoon, Commissioners.  
23 Virginia Ponder, along with Patty Christensen and  
24 J.R. Kelly, the Public Counsel, on behalf of Office  
25 of Public Counsel.

1           MR. TRIERWEILER: Good afternoon,  
2           Commissioners. On behalf of the Public Service  
3           Commission, I am Walt Trierweiler. Also  
4           represented by Danijela Janjic, Margo DuVal and  
5           Jennifer Crawford.

6           MS. HELTON: And Mary Anne Helton here as your  
7           advisor. I would also like to make an appearance  
8           to your General Counsel, Keith Hetrick.

9           CHAIRMAN GRAHAM: Okay. Welcome all.  
10          Let's start with preliminary matters.

11          MR. TRIERWEILER: On March 12th, 2018, the  
12          parties filed a joint motion for the approval of a  
13          stipulation and settlement agreement referred to as  
14          the SSA that resolves all issues identified in this  
15          proceeding. This has been marked on the  
16          comprehensive exhibit list as Exhibit No. 107. The  
17          new tariffs have been marked as Exhibit 121. On  
18          March 16, 2018, a corrected Exhibit C to the SSA  
19          was filed replacing the original exhibit.

20          Carolyn Bermudez, Mike Morley and Gregory  
21          Becker will be appearing as witnesses on behalf of  
22          City Gas as a panel to answer any of the questions  
23          that the Commission may have.

24          COMMISSIONER BROWN: Thank you,  
25          Mr. Trierweiler.

1           Let's go to marking the exhibits.

2           MR. TRIERWEILER: The admissibility of the  
3           comprehensive exhibit list has been placed before  
4           you, has been stipulated by the parties. Staff  
5           requests that the list itself be marked as Exhibit  
6           No. 1.

7           COMMISSIONER BROWN: We will go ahead and do  
8           that.

9           (Whereupon, Exhibit No. 1 was marked for  
10          identification.)

11          MR. TRIERWEILER: At this time, staff would  
12          request that Exhibit No. 1 be entered into the  
13          record, and that all exhibits be marked as  
14          identified therein.

15          COMMISSIONER BROWN: All right. Thank you.  
16          Seeing no objection, we will go ahead and enter  
17          into the record Exhibit 1, and mark all other  
18          exhibits as identified therein.

19          (Whereupon, Exhibit No. 1 was received into  
20          the record.)

21          (Whereupon, Exhibit Nos. 2-121 were marked for  
22          identification.)

23          MR. TRIERWEILER: There are no further  
24          preliminary matters.

25          COMMISSIONER BROWN: Thank you.

1           Let us get to the current status of this  
2           proceeding, please.

3           MR. TRIERWEILER: We are here today to discuss  
4           the stipulation and settlement agreement between  
5           Florida City Gas, the Office of Public Counsel and  
6           the Federal Executive Agencies regarding the rate  
7           case, including the matters concerning the Tax Cuts  
8           and Job Act of 2017, the TCJA.

9           COMMISSIONER BROWN: Thank you so much.

10          We will begin today with opening statements.  
11          Each party will have eight minutes, and we will  
12          start with City Gas, followed by OPC or FEA,  
13          whichever order you prefer. Please feel free not  
14          to use all the minutes if you so choose, but we  
15          will go ahead starting with Ms. Keating.

16          MS. KEATING: Thank you, Commissioner. We  
17          will be very conscious of the time.

18          If I could, I could like to start by  
19          introducing Ms. Carolyn Bermudez. She is the  
20          Vice-President of Operations and General Manager  
21          for Florida City Gas. She would like to make a few  
22          opening comments, and then I will follow with the  
23          company's opening statement.

24          COMMISSIONER BROWN: Certainly.

25          MS. BERMUDEZ: Good afternoon, Commissioners.



1 I want to thank Mr. Kelly and his team at the  
2 Office of Public Counsel, as well as the Federal  
3 Executive Agencies, for working with us to  
4 negotiate the settlement that is before you today.

5 I would also like to express our appreciation  
6 to the Commission staff for their review of the  
7 settlement, and for facilitating our presentation  
8 of it for your consideration.

9 The settlement you see is a product of lengthy  
10 and very detailed negotiations. It took place in  
11 tandem with our regular process of our rate case.  
12 We believe this settlement represents a fair  
13 compromise of all the positions of the parties.  
14 Most importantly, though, we think it results in  
15 maximum benefits to our customers.

16 As you know, it has been 14 years since we  
17 filed our last rate case. We have worked hard  
18 since then to control costs, which is critical  
19 because as demand for energy continues to grow, our  
20 customers deserve natural gas service they can  
21 depend on at a reasonable cost.

22 After 14 years, however, our rates are no  
23 longer sufficient to allow us to make the necessary  
24 investments to ensure that we are able to continue  
25 to provide clean, safe, reliable and affordable

1 service to our customers, which is why we filed the  
2 petition that initiated this case.

3 Over the course of this case, we've produced  
4 thousands of documents and discovery responses, in  
5 addition to the prefiled direct and rebuttal case.

6 The Public Counsel's office and FEA and your  
7 staff also worked hard to develop a complete record  
8 for your considerations.

9 As you heard testimony from our customers  
10 Miami-Dade, Port St. Lucie and Brevard, over the  
11 past few months we have seized every opportunity to  
12 engage in discussions with the OPC and FEA  
13 regarding the differing perspectives and possible  
14 opportunities for compromise. Those discussions  
15 led to the in-depth, good faith negotiations, and  
16 ultimately produced the agreement before you today,  
17 for which we -- we are very appreciative.

18 As Ms. Keating will further describe, the  
19 settlement addresses key areas of concern for the  
20 company while providing important benefits for our  
21 customers, including the flow-through of income tax  
22 reduction benefits, the extended period of rate  
23 stability, and significant reduction in rate  
24 increase originally proposed.

25 A key standout element of the settlement that

1 addresses one of the most serious concerns and  
2 there is the inclusion of the cost to build a  
3 liquefied natural gas facility. This new LNG  
4 facility, the first of its kind in Florida utility,  
5 will ensure we can continue to provide reliable and  
6 affordable natural gas service to our customers  
7 with an eye toward meeting the demands of the  
8 customers in the future.

9 Right now, on those peak demands days in  
10 Florida, we would not be able to supply gas to  
11 everyone that needs it. The construction of an LNG  
12 facility is the most cost-effective that allows us  
13 to meet the peak demand of our existing customers  
14 while also allowing to us release some of the  
15 pipeline reserve capacity that we currently hold,  
16 which should result in a cost reduction to our  
17 sales customers.

18 Commissioners, I am proud of the work our  
19 dedicated employees at Florida City Gas do on a  
20 day-to-day basis to provide safe and reliable  
21 natural gas service for our customers, and I am  
22 especially proud of the work our team has done to  
23 bring us to this point where we can come before you  
24 with this settlement today.

25 I, along with Mike Morley and Greg Becker,

1 will be available to answer any questions you have.  
2 Again, I say thank you for your favorable  
3 considerations.

4 MS. KEATING: Commissioners, the agreement  
5 before you has several critical components.

6 First, the agreement prevents the company from  
7 seeking an increase in base rates that would be  
8 effective before June 1, 2022, four years from now,  
9 except in certain limited circumstances. This  
10 assures FCG's customers that the company's  
11 remarkable record of rate stability continues  
12 following this rate case.

13 Second, the agreement quantifies the benefit  
14 of the Tax Reform Act on the company, which is  
15 reflected as a reduction to the test year over \$4  
16 million. It also recognizes that more work needs  
17 to be done as it relates to protected and  
18 unprotected deferred taxes. It establishes an  
19 initial timeline for addressing those issues, and  
20 provides that Florida City Gas will calculate and  
21 include the impact of the new tax rate in its  
22 true-up and calculation of the new SAFE surcharge  
23 for 2019.

24 Third, the agreement addresses Florida City  
25 Gas' significant concerns around capacity and

1 system performance by contemplating that the LNG  
2 facility that was proposed will be recoverable  
3 through the company's base rates in its entirety.  
4 This will be accomplished through a stepped rate  
5 process that contemplates that 3.5 million will be  
6 included in the initial proposed increase occurring  
7 on June 1st, 2018, followed by two subsequent  
8 increases taking place on June 1 and December 1,  
9 2019, or the in-service date of the facility,  
10 whichever is later.

11 The LNG facility provides a creative, highly  
12 economical and reliable capacity solution with  
13 significantly less rate impact than other available  
14 options.

15 In conjunction with the LNG facility, and  
16 recognizing the intent to purchase 20,000  
17 dekatherms of remaining capacity on FGT, the  
18 agreement supports implementation of the company's  
19 revised transportation tariff, which will avoid the  
20 cost impact of this additional capacity on the  
21 company's PGA.

22 Next, the parties have agreed that FCG should  
23 be allowed to increase its rates and charges to  
24 generate an additional revenue of three point -- of  
25 11.5 million in revenues, which includes the

1 transfer of the SAFE surcharge into base rates, to  
2 be followed thereafter by the stepped increases  
3 that are associated with the LNG facility.

4 For residential customers in the RS-1 class,  
5 this agreement reduces the proposed rate increase  
6 from 11.9 percent to 8.4 percent; which, again,  
7 given that this will be the company's first rate  
8 increase in almost 14 years, is pretty remarkable.

9 The agreement also includes other provisions  
10 similar to those as you have seen in other  
11 agreements, such as those addressing clause  
12 recovery, equity ratio, storm reserve, tariffs, the  
13 company's depreciation rates and rate case expense,  
14 which, although they are familiar, and no less  
15 important.

16 We believe this agreement represents a good  
17 compromise among the parties. It promotes rate  
18 stability and regulatory certainty for both the  
19 company and its customers.

20 Taken as a whole, Florida City Gas and the  
21 consumer parties agree that this agreement is in  
22 the public interest and should be approved without  
23 modification.

24 We have a panel of experts here, as  
25 Ms. Bermudez mentioned, to answer your questions at

1 the appropriate time.

2 And once your questions have been addressed,  
3 Commissioners, we believe this agreement will be  
4 ripe for a bench decision, at which point we  
5 respectfully ask that you approve it.

6 Thank you.

7 COMMISSIONER BROWN: Thank you, Ms. Keating.  
8 Ms. Ponder.

9 MS. PONDER: Yes. Thank you, Commissioners.  
10 First, we would like to thank Florida City Gas  
11 for its cooperation and diligence in working  
12 together to reach a settlement of this matter. The  
13 provisions of this agreement represent a reasonable  
14 compromise of the parties' positions following a  
15 lengthy discovery period, and sometimes difficult  
16 negotiations.

17 We believe the stipulation and settlement  
18 agreement in its entirety is in the public interest  
19 and is in the best interest of the customers and  
20 the company, given the facts, circumstances and  
21 posture of this case.

22 We thank you for your consideration of this  
23 agreement today, and respectfully request you  
24 approve the settlement in its entirety.

25 We are available to answer any questions you

1           may have of OPC.

2           COMMISSIONER BROWN: Thank you.

3           FEA.

4           MS. CEPAK: Yes, ma'am. In the interest of  
5 time, ditto. They've already said everything I was  
6 going to say. And FEA requests that you approve  
7 the settlement without any modifications.

8           COMMISSIONER BROWN: Thank you.

9           I would like to note, just for the record,  
10 that this commission had several service hearings  
11 throughout the territory of City Gas, and it is  
12 notable that there were -- there was very little  
13 customer participation, but at this time, time has  
14 been set aside to take public testimony from  
15 customers of City Gas. Are there any customers  
16 that are here today, in Tallahassee, that would  
17 like today's the Commission? Now is your chance to  
18 speak.

19           Seeing none, if there aren't any, then we are  
20 going -- Commissioner Polmann, you have a comment?

21           COMMISSIONER POLMANN: I have questions.

22           COMMISSIONER BROWN: I heard that -- I heard  
23 we will get to that. Just going through the script  
24 here.

25           If there aren't any, we are going to go ahead



1 to swearing in the witnesses that are on the panel.

2 If you could, City Gas, Ms. Keating, if you  
3 could have your witnesses come up to the bench over  
4 here, we will go ahead and swear them in there.

5 While you are getting situated, before I swear  
6 you in, could you all state your name, starting  
7 with Carolyn Bermudez.

8 THE WITNESS: (MS. BERMUDEZ) Carolyn  
9 Bermudez, Vice-President of Operations and General  
10 Manager.

11 COMMISSIONER BROWN: Thank you.

12 THE WITNESS: (MR. BECKER) Gregory Becker,  
13 Director of Capacity Planning for Florida City Gas.

14 THE WITNESS: (MR. MORLEY) Michael Morley,  
15 Director of Regulatory Accounting and Reporting for  
16 Florida City Gas.

17 COMMISSIONER BROWN: Thank you.

18 And now that you are comfortable, can you  
19 please stand with me and raise your right hand?

20 Whereupon,

21 CAROLYN BERMUDEZ  
22 GREGORY BECKER  
23 MICHAEL MORLEY

24 were called as a witness, having been first duly sworn  
25 to speak the truth, the whole truth, and nothing but the  
truth, was examined and testified as follows:

1           COMMISSIONER BROWN: Thank you. Please be  
2           seated.

3           All right. Now is the time for commissioners  
4           to ask questions. And I notice Commissioner  
5           Polmann has a few questions over here, so we will  
6           start with him.

7           Commissioner Polmann.

8           COMMISSIONER POLMANN: Thank you, Madam  
9           Chairman.

10          I had many questions surrounding the LNG  
11          facility and its relationship to other aspects of  
12          your petition, but I think I have narrowed a lot of  
13          that given the settlement and your answers to staff  
14          data requests. So let me see if I can be brief, or  
15          briefer than I otherwise would have.

16          If we look in the settlement document on page  
17          five. If you could turn to that, please. And I am  
18          going to be looking there, and I am also going to  
19          be looking in your responses to staff's first data  
20          request also related to the LNG. But we will start  
21          on page five, if you have that.

22          The LNG facility section indicates the parties  
23          agree that you will be authorized to construct the  
24          LNG facility -- or makes reference to testimonies  
25          of Becker and Russell facility of certain capacity,

1 and then listed items discussed in the testimonies.  
2 The last phrase there, paren four, it says, other  
3 related specification. And I take that in the  
4 context of that sentence to be other related  
5 specifications as if it's discussed in those  
6 testimonies.

7 If you could read that sentence and refresh  
8 your reading -- recollection there in the  
9 settlement. And maybe this is a question for Mr.  
10 Becker. Can you tell me if other related  
11 specifications is actually within the testimony  
12 that's in the record? Or what does that phrase  
13 mean?

14 THE WITNESS: (MR. BECKER) The other related  
15 specifications would be the necessary equipment to  
16 physically connect the new LNG facility to Florida  
17 City Gas' distribution system.

18 COMMISSIONER POLMANN: Okay. So generally  
19 speaking, it's items one, two and three, plus other  
20 things that would be necessary, related and  
21 appropriate?

22 THE WITNESS: (MR. BECKER) That's correct,  
23 Commissioner.

24 COMMISSIONER POLMANN: Okay. Let's look at  
25 your response to staff's first data request in the

1 appendix. And this is going to be on page four.  
2 It's questions -- page four and five, question five  
3 and six, I believe. And again, it's labeled the  
4 LNG facility. It's Tab 3 -- well, it's my Tab 3.  
5 I don't know -- do you folks have a copy of that?  
6 Okay.

7 So if -- under question five, this is a  
8 question regarding the intended use, and the  
9 question is fairly narrowly framed as to -- and  
10 also in question six, the form is very similar.

11 These questions are fairly narrowly framed as  
12 to alternative fuel for transportation, and then  
13 for wholesale sales. And it concerns your  
14 intention as to how you are going to use the  
15 facility.

16 Your answer is also fairly narrowly framed  
17 that you have no intention to use the facility to  
18 sell LNG as a transportation fuel, or for wholesale  
19 sales, and that you are building this to address  
20 capacity issues. And again, makes a reference to  
21 testimony of Mr. -- Mr. Becker.

22 So then my question is, from the utility's --  
23 is it the utility's intent -- and we will come  
24 black to that word -- but is it the utility's  
25 intent that City Gas will use the facility only for

1 the benefit of its ratepayers?

2 THE WITNESS: (MS. BERMUDEZ) Commissioner  
3 Polmann, yes, that is the -- our intent. This  
4 facility will be used for its ratepayers, and used  
5 as a peaking facility to provide fuel into our  
6 distribution system.

7 COMMISSIONER POLMANN: Okay. Could you  
8 clarify -- did I hear you say current intent?

9 THE WITNESS: (MS. BERMUDEZ) Well, it is our  
10 intent. Not current. It is our only intent.

11 COMMISSIONER POLMANN: Okay, because that  
12 was -- that's an important aspect of -- of my -- my  
13 follow-up question, is, you know, questions have  
14 been asked about your current business model, and  
15 not necessarily in those words, but it's been asked  
16 about you making wholesale sales, or transportation  
17 sales, and so forth. And if that were to occur, we  
18 would be looking for assurances that the utility's  
19 ratepayers would receive a benefit if you had  
20 generated any other revenue, because the ratepayers  
21 are funding the facility through this proceeding,  
22 so that if your -- if your current business model  
23 were to change, and if there was a future  
24 circumstance at any point to generate revenue  
25 outside of your current business model, we would be

1 looking for assurances that the customers, in fact,  
2 would receive a benefit from any outside sales.

3 So here today, I am -- I am trying to receive  
4 those assurances, because in Section 5 in the  
5 agreement, that's not spoken to at all, and so  
6 staff was trying to get to that in the data  
7 requests. And the language to me, it doesn't give  
8 me sufficient comfort, because the word intention,  
9 it doesn't carry enough weight. You know, I -- I  
10 can deal with that in certain ways, and I may well  
11 do that in a motion here in a minute, but I -- I am  
12 trying to discuss that.

13 I mean, I heard what you said. And I will --  
14 I think I may just leave it there and see how the  
15 Chairman, if she has follow-up or -- that's all I  
16 have for the moment. I will come back to it if I  
17 need to.

18 COMMISSIONER BROWN: Commissioner Polmann,  
19 would you like to continue with questions? But I  
20 will follow up on that.

21 COMMISSIONER POLMANN: That's really the only  
22 point of focus that I have, is on that issue.

23 COMMISSIONER BROWN: I think that is an extent  
24 line of questions, and I would like to hear from  
25 the company on that with regard to any changes that

1           could occur with regard to the LNG facility.

2           MS. KEATING: Commissioner, would it be all  
3           right if I respond to that?

4           COMMISSIONER BROWN: I am fine with that, even  
5           though you are technically not sworn in.

6           MS. KEATING: Well, from the perspective of  
7           the case presented, though, that's -- that's the  
8           only position I was coming from, is from the  
9           perspective of the case presented.

10          COMMISSIONER BROWN: Mary Anne, is that okay?  
11          I mean, we just want to know.

12          MS. HELTON: Well, I think it might be  
13          appropriate to have Ms. Keating answer, and then if  
14          we still want to -- if you still want to ask the  
15          witness the question, then I think it would be  
16          appropriate to do that.

17          COMMISSIONER BROWN: Sounds good.

18          Ms. Keating.

19          MS. KEATING: Thank you. Thank you,  
20          Commissioner Brown.

21          From the context of the case presented by the  
22          company, the LNG facility was only presented as a  
23          peaking unit. There was -- it was not contemplated  
24          that there would be LNG sales, and so that is the  
25          same context that the settlement was negotiated

1           around, was an LNG facility that contemplated only  
2           being used as a peaking facility, and not for LNG  
3           sales.

4           So I think, from a legal perspective, in terms  
5           of what the settlement contemplated and what this  
6           record that we are putting before you today  
7           includes, it would certainly require that the  
8           company come back before you with a request for  
9           permission to do any sort of retail sales of LNG  
10          outside the context of how this -- this facility  
11          has been presented to you today.

12          COMMISSIONER BROWN: Thank you. I think that  
13          does answer your question, Commissioner Polmann.  
14          Any follow-up?

15          COMMISSIONER POLMANN: Madam Chairman, what I  
16          am trying to make sure, for the benefit of the  
17          record, is that we have adequate assurances from a  
18          legal perspective. And I am simply not -- I am not  
19          certain of exactly how to do that, and we may want  
20          to take a break and then be advised by our counsel  
21          to just make sure that we've -- we've got  
22          everything we need --

23          COMMISSIONER BROWN: Okay.

24          COMMISSIONER POLMANN: -- either in the  
25          transcript, or if that -- if there is some words



1           that need to be in an order, or something. I don't  
2           know. I simply don't know.

3           COMMISSIONER BROWN: All right. I don't think  
4           we necessarily need to take a break, but I will  
5           turn to our legal to verify some of the concerns --

6           COMMISSIONER POLMANN: I mean, it may be  
7           something -- I am sorry, go ahead.

8           COMMISSIONER BROWN: -- since there were some  
9           concerns that were raised about his assurances  
10          based on the record before us today.

11          MS. HELTON: I think that we could say in the  
12          order that City Gas has represented to the  
13          Commission that if they make a change in their  
14          business plan beyond that which was presented,  
15          and -- and with respect to the settlement, and with  
16          respect to their filing, that they would come and  
17          seek approval from the Commission for any change.  
18          And I would be comforted by that language being in  
19          the order, and I think that should be sufficient.

20          COMMISSIONER BROWN: Ms. Keating, are you okay  
21          with that language?

22          MS. KEATING: Certainly.

23          COMMISSIONER BROWN: And the Intervenors?

24          MS. PONDER: I have no objection.

25          MS. CEPAK: No objection, ma'am.

1           COMMISSIONER BROWN: All right. I think that  
2           accomplishes that.

3           COMMISSIONER POLMANN: Ms. Helton, is that  
4           something that should be in a motion, or does this  
5           discussion cover that?

6           MS. HELTON: I think that's a good question,  
7           but I think that this discussion should cover that,  
8           and should give the staff the latitude to reflect  
9           the discussion here today because it seems to me  
10          that all of you are agreeing to that.

11          COMMISSIONER BROWN: Yep. Sounds good to me.

12          COMMISSIONER POLMANN: Thank you.

13          COMMISSIONER BROWN: All right. Thank you.

14          Commissioner Polmann, any -- any other  
15          questions?

16          COMMISSIONER POLMANN: No, ma'am. That was  
17          really my -- my only issue.

18          COMMISSIONER BROWN: All right. I do have a  
19          few questions. And since we are staying on the LNG  
20          plan -- and I want to commend and applaud City Gas  
21          and the intervenors for proposing such an  
22          innovative concept for meeting capacity need, so  
23          thank you for coming go forth with it.

24          I just wanted to understand the step process,  
25          and why City Gas and the intervenors are choosing

1 to do that rather than just putting the full  
2 revenue requirement into rate base when the plant  
3 is on-line.

4 THE WITNESS: (MS. BERMUDEZ) The reason for  
5 the step process is to acknowledge when the LNG  
6 facility will be in service, which, for the first  
7 step process, will be June 1st. So that was the  
8 initiating of that first step, was June 1st, when  
9 the LNG facility will be placed in service. So  
10 it -- it would not be ready right now for base  
11 rates.

12 COMMISSIONER BROWN: So my understanding,  
13 based on the filing then, would then the second  
14 revenue requirement -- is that -- so 1.3 million  
15 would go in as of -- and that's separate from the  
16 1.3 million for December 1st, 2019? That's not  
17 tied to the LNG facility?

18 THE WITNESS: (MS. BERMUDEZ) It is tied to the  
19 LNG facility. It's just a two step process. The  
20 first step being the 2.5, which will occur June 1st  
21 if the LNG facility is in service. So that would  
22 be the first step. The second step is December.

23 COMMISSIONER BROWN: Why is it a two-step?  
24 Why wouldn't you put the full amount?

25 THE WITNESS: That is the settlement we agree

1 with OPC and FEA. That was part of our settlement  
2 discussion.

3 COMMISSIONER BROWN: It seems odd to me. I  
4 mean, it's not an exorbitant amount based on the  
5 dollars that we are talking about, so I just don't  
6 understand it.

7 Ms. Keating?

8 MS. KEATING: If I may. Part of that is  
9 associated when -- with when the facility is  
10 anticipated to go into service. So really, it may  
11 be that it's only two steps, that being the first  
12 initial step on June 1, 2018, and then the  
13 in-service date of the facility.

14 So the more determinative, I guess, term, I  
15 would say, is when the LNG facility goes into  
16 service, because that's when the other step  
17 increases would go into effect. But as far as the  
18 breakdown of the dates, that's as much about trying  
19 to spread that out a little bit --

20 COMMISSIONER BROWN: Okay.

21 MS. KEATING: -- for the rate increases, and  
22 not have the full impact be in one increment.

23 COMMISSIONER BROWN: Sounds good.

24 Ms. Jaber.

25 MS. JABER: Commissioner Brown, Ms. Keating

1 obviously, of course, is correct. But the answer  
2 to all of it is it's give and take with the  
3 settlement. I mean, the -- the complete answer to  
4 your question is in the give and take of the  
5 different terms of the settlement, the step  
6 increase became critical -- a critical component in  
7 what we could live with and work with, versus  
8 revenues that were coming in at other periods of  
9 time.

10 COMMISSIONER BROWN: Got it. Thank you.

11 Again, I think it's a great venture that the  
12 company is pursuing to meet the capacity and demand  
13 needs over time, so that's great.

14 With regard to the SAFE Program, there is a  
15 provision in there under paragraph two, the  
16 calculation about the earned revenue requirement  
17 with the 21 percent federal tax rate to -- and I  
18 know it's in our data requests somewhere, but could  
19 you go over what the projected SAFE earned revenue  
20 requirement will be with that tax -- with the  
21 21 percent tax?

22 THE WITNESS: (MR. MORLEY) Commissioner Brown,  
23 are you asking what -- what we expect the --

24 COMMISSIONER BROWN: Yes.

25 THE WITNESS: (MR. MORLEY) -- the revenue --

1           COMMISSIONER BROWN:  So what it is  
2           currently --

3           THE WITNESS:  (MR. MORLEY okay.

4           COMMISSIONER BROWN:  -- and what it is  
5           projected to be with the 21 percent.

6           THE WITNESS:  (MR. MORLEY) So what the -- the  
7           SAFE revenues that we have currently in our case is  
8           3.5 million.  What we expect that to be with the  
9           21 percent rate, we -- we did not do a separate  
10          calculation for that, but it is part of the overall  
11          reduction in the income taxes that we've flowed  
12          through to the customers as part of the settlement.

13          COMMISSIONER BROWN:  Okay.  Again, this is --  
14          I mean, it's 14 years since the company has come in  
15          for a rate case, and it's somewhat modest based on  
16          the request and the evidence that's before us, but  
17          there are specifics that I just have a question on.  
18          With regard to the newly formed hurricane storm  
19          reserve fund, did you have any damage during  
20          Hurricane Irma, or during the 2017 season or 2016  
21          season?

22          THE WITNESS:  (MS. BERMUDEZ) Yes.

23          COMMISSIONER BROWN:  I mean, serving  
24          underground, so --

25          THE WITNESS:  (MS. BERMUDEZ) Yes,

1 Commissioner Brown, we had damages during both  
2 storms.

3 COMMISSIONER BROWN: Can you quantify it?

4 THE WITNESS: (MS. BERMUDEZ) I don't -- I  
5 don't recall the exact amount, but we had -- it was  
6 substantial damage. I think there were a couple  
7 hundred thousand on both storms. I don't know the  
8 exact amount.

9 COMMISSIONER BROWN: Can you go over, like,  
10 what type of typical -- and we are going to have a  
11 hurricane workshop over the next month, or the  
12 following month, to go over that, and I don't know  
13 if you will be participating in that. But, I mean,  
14 everything is underground, so I am just curious  
15 what type of damage a utility like Florida City Gas  
16 would have.

17 THE WITNESS: (MS. BERMUDEZ) Yes,  
18 Commissioner. The type of damage we tend to have  
19 seen with hurricanes, it's -- number one, the pipe  
20 that's underground, we have pipe that's been  
21 underground for a number of years, and the roots  
22 from trees tend to wrap around those pipes, so when  
23 the trees go down, it pulls the pipes up, and that  
24 creates a lot of leaks that we have to deal with.

25 We also have above ground structures. Our

1 stations, sometimes we have debris, or we have  
2 items come down on top of our stations. We have  
3 our meters that are also above ground. And  
4 depending on the type of the storm, if you take a  
5 storm back where, when we had Andrew, we saw  
6 significant damage. When those homes are damaged,  
7 it actually damaged the meters, as well as the  
8 riser connected to the home.

9 So our above ground facilities -- and we faced  
10 damage there, be but we also faced damage with the  
11 below ground facility because of the uproot of  
12 trees.

13 COMMISSIONER BROWN: That makes sense.

14 And currently, you don't have any storm  
15 reserve fund.

16 THE WITNESS: (MS. BERMUDEZ) That's correct,  
17 we do not.

18 COMMISSIONER BROWN: How have you been meeting  
19 those needs? Just through your existing revenue  
20 requirements?

21 THE WITNESS: (MS. BERMUDEZ) Yes. Well,  
22 currently, when we have faced the last two storms,  
23 we've had a storm in '18 as well as -- I mean, in  
24 '17, as well as '16, both of those storms had a  
25 significant financial impact on our earnings



1           because we did not have a reserve to offset those  
2           expenses.

3           COMMISSIONER BROWN: I think living in  
4           Florida, as you a utility, it's prudent to have  
5           that type of reserve. I just was surprised that  
6           the utility didn't have some amount. I didn't know  
7           what amount that would be appropriate, but seeming  
8           that the all of the intervenors are acceptable --  
9           accepting it as prudent, that's convincing.

10           Let's talk about the Elderly Energy Assistance  
11           Fund. Can you talk to us a little bit about the  
12           creation of this concept, and how it -- how it will  
13           be implemented, the need? I mean, I know the  
14           location of your jurisdiction. I am just curious  
15           how it arose.

16           THE WITNESS: (MS. BERMUDEZ) Well, how we  
17           came to this, we had are seeking a rate increase,  
18           but we also know that we have customers in our  
19           service territory that are living on fixed income  
20           and need some assistance, and we tend not to  
21           qualify -- our customers don't tend to qualify a  
22           lot for LIHEAP, so we wanted to create a fund to  
23           assist our elderly customers with any need for  
24           reimbursements to pay the bill -- to assist them  
25           with paying there bills. So we created this fund

1 in order to assist those customers, and these will  
2 be funds that will be used for their natural gas  
3 bills only. So it would be specific to our  
4 customers on our system for our bills, where we  
5 will be able to provide them some sort of credit  
6 assistance.

7 This fund will be completely funded by our  
8 shareholders. This is not one that we are coming  
9 to the Commission for rate recovery on.

10 COMMISSIONER BROWN: It's a very benevolent  
11 endeavor.

12 And just the last question. Again, these are  
13 all clarifying questions, so I appreciate your  
14 feedback here.

15 All right. Looking at Exhibit B on the --  
16 attached to the settlement agreement, which kind of  
17 goes over the rate design revenue comparisons. And  
18 it's very -- it's a very interesting sheet. It --  
19 it shows the current rates, the original filed  
20 proposal, the increase requested, the adjustments  
21 for tax law changes, and then the settlement  
22 proposal. So it was really helpful looking at  
23 that, and really kind of, in a granular fashion,  
24 what impact this is having to customers.

25 And I noticed the -- with the tax law changes,

1           there is savings that are spread across the board,  
2           except potentially for RS-100. It seems that that  
3           is the only class that was not adjusted downward  
4           after the tax law changes were implemented based on  
5           the settlement agreement.

6           Could anybody here speak to that, the reason  
7           for that, that that class was the only class  
8           singled out? Obviously, it's the biggest class of  
9           revenue.

10           THE WITNESS: (MS. BERMUDEZ) Just to make  
11           sure that I am following your question,  
12           Commissioner Brown. You are talking about RS-100,  
13           the second line?

14           COMMISSIONER BROWN: Yes.

15           THE WITNESS: (MS. BERMUDEZ) So on --

16           COMMISSIONER BROWN: Third column from the --  
17           if you look at the third column, too, from the end,  
18           compare that to the adjustment for the tax law  
19           changes.

20           THE WITNESS: (MS. BERMUDEZ) The tax law  
21           changes in this -- for this particular class, if I  
22           am looking at it correctly here, and I just want to  
23           make sure I am getting it correct. I am showing  
24           8.4 percent increase on your original file. And  
25           then with the tax law, I am showing 7.1 percent,

1           so --

2           COMMISSIONER BROWN: That's right.

3           THE WITNESS: (MS. BERMUDEZ) -- it actually  
4           went down a little bit. What did not change is in  
5           the settlement --

6           COMMISSIONER BROWN: Right.

7           THE WITNESS: (MS. BERMUDEZ) -- that was the  
8           settlement piece of it did not change, but the  
9           overall impact for the residential group did change  
10          it. We did see a reduction in the RS-1, but for  
11          that particular class, it did not change, you are  
12          correct, in the settlement, but they did get the  
13          benefit of the tax law.

14          COMMISSIONER BROWN: I mean, I get it's a  
15          negotiated component. Although, it is the greatest  
16          amount. And it's the only one that didn't really  
17          adjust downward even after the tax law changes. So  
18          I was just curious if you had anything to offer on  
19          that, but that will be fine.

20          Commissioner Polmann, any other questions?

21          COMMISSIONER POLMANN: No.

22          COMMISSIONER BROWN: No.

23          All right. That will conclude questions of  
24          the witnesses at this time. Thank you for your  
25          time.

1           And we are going to go to, I believe, the  
2           exhibits at this juncture.

3           MR. TRIERWEILER: To complete the record,  
4           staff requests that the settlement agreement and  
5           all other exhibits that have been identified on the  
6           comprehensive exhibit list be moved into the record  
7           as Exhibit 2 through 121.

8           COMMISSIONER BROWN: All right. We will go  
9           ahead, seeing no objection, and enter into the  
10          record Exhibits 2 through 121 into the record.

11          (Whereupon, Exhibit Nos. 2-121 were received  
12          into evidence.)

13          COMMISSIONER BROWN: Thank you.

14          All right. Would you like your witnesses  
15          excused? They are walking out anyway.

16          MS. KEATING: Yes, Commissioner, we would very  
17          much.

18          COMMISSIONER BROWN: You had it easy here.  
19          They are excused.

20          (Witnesses excused.)

21          COMMISSIONER BROWN: All right. So are there  
22          any other matters to address before we get to  
23          our -- the bench here from staff?

24          MR. TRIERWEILER: Staff has none.

25          COMMISSIONER BROWN: From the parties?

1 MS. KEATING: No thank you, Commissioner.

2 MS. CEPAK: No, ma'am.

3 COMMISSIONER BROWN: OPC?

4 MS. PONDER: No.

5 COMMISSIONER BROWN: All right. It's just you  
6 and I, Commissioner Polmann.

7 COMMISSIONER POLMANN: Madam Chairman, I am  
8 going to agree with the parties' statement, that  
9 this agreement provides regulatory certainty with  
10 regard to rates, and avoids the unnecessary rate  
11 case expense and extended rate case.

12 As the parties assert, I am satisfied that the  
13 rates and charges are fair, just and reasonable, as  
14 we see in the settlement.

15 It does provide a four-year planning period  
16 certainty, which has many benefits to the  
17 customers, to the company, and to the parties and  
18 their interests.

19 The ROE is consistent with our industry review  
20 and the brackets that we often establish, we find  
21 it in the midrange, in a range that's acceptable to  
22 us.

23 The settlement appears to represent a  
24 reasonable compromise, as we've talked about here  
25 today, compromise among the parties, and it's clear

1           that they've put forth a tremendous amount of  
2           effort, for which we are appreciative and very much  
3           a fruitful negotiation.

4           I support the parties' assertion that approval  
5           of this 2018 agreement is, in fact, in the public  
6           interest of both the company and its customers,  
7           consistent with Commission policy on settlements  
8           where, on balance, we -- I believe we can find this  
9           agreement to be in the public interest.

10           COMMISSIONER BROWN: Thank you. And so that  
11           is a motion?

12           COMMISSIONER POLMANN: Well, let me move  
13           approval of this settlement agreement, recognizing  
14           and taking account of the discussion we had  
15           regarding the LNG facility, its intended purpose,  
16           and any revenue that's generated from that, as we  
17           discussed with counsel and with the concurrence of  
18           parties. Madam Chairman, that's my motion.

19           COMMISSIONER BROWN: Thank you. And I fully  
20           support it, and I will second it.

21           I think that -- I agree with everything that  
22           you said, the settlement agreement covers a variety  
23           of complex issues. Obviously, not an easy task for  
24           all the parties to come together over time, I mean,  
25           this is 14 years coming, and there is obviously a

1           need here.

2                   Tax reform changes are incorporated here,  
3           which exempt the utility from coming back here  
4           during a separate docket.  It's going to avoid a  
5           lot of additional litigation costs that could  
6           otherwise occur.

7                   Additionally, with the hurricane reserve fund,  
8           I think that he is going to help the utility get on  
9           solid ground for future potential storms, and also  
10          the ROE.

11                   So with all that, I would second the motion.

12                   All those in favor, say aye.

13                   (Chorus of ayes.)

14                   COMMISSIONER BROWN:  All right.  The motion  
15          passes, and I will close the record at this time.

16                   And just want to say on the record, pardon  
17          Chairman Graham, he had exigent circumstances that  
18          required him to be absent for the vote, but with  
19          that being said, we are all adjourned here.  Thank  
20          you.

21                   MS. KEATING:  Thank you, Commissioners.

22                   (Whereupon, the proceedings were concluded at  
23          2:51 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA     )  
COUNTY OF LEON        )

I, DEBRA KRICK, Court Reporter, do hereby  
certify that the foregoing proceeding was heard at the  
time and place herein stated.

IT IS FURTHER CERTIFIED that I  
stenographically reported the said proceedings; that the  
same has been transcribed under my direct supervision;  
and that this transcript constitutes a true  
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,  
employee, attorney or counsel of any of the parties, nor  
am I a relative or employee of any of the parties'  
attorney or counsel connected with the action, nor am I  
financially interested in the action.

DATED this 3rd day of April, 2018.



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DEBRA R. KRICK  
NOTARY PUBLIC  
COMMISSION #GG015952  
EXPIRES JULY 27, 2020