

State of Florida



Public Service Commission

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

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

DATE: October 1, 2018

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Henry Merryday, Public Utility Analyst I, Division of Economics *Hm*

RE: Docket No. 20180163-GU
Joint Petition for Approval of GRIP Cost Recovery Factors by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation

Please find additional documents to be included in the docket file that were provided by Florida Public Utilities Company in response to staff's first data request. These documents were provided in an email to staff.

RECEIVED-FPSC
2018 OCT -1 AM 10:23
COMMISSION
CLERK

REVENUE EXPANSION FACTOR

Page 1 of 1

FLORIDA PUBLIC SERVICE COM EXPLANAT Provide the calculation of the revenue expansion factor for
the test year.

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY
Consolidated FN

Line No.	Description	Percent	SALES	UNCOLLECTIBLE RATE
1	Revenue Requirement	100.0000%		
2	Gross Receipts Tax Rate	0.0000%		
3	Regulatory Assessment Rate	0.5030%		
4	Bad Debt Rate	0.2778%	82,508,447.00	229,217.00 0.2778%
5	Net Before Income Taxes (1) - (2) - (3) - (4)	99.2192%		
6	State Income Tax Rate	5.5000%		
7	State Income Tax (5) x (6)	5.4571%		
8	Net Before Federal Income Tax (5) - (7)	93.7621%		
9	Federal Income Tax Rate	21.0000%		
10	Federal Income Tax (8) x (9)	20%		
11	Revenue Expansion Factor (8) - (10)	74.0721%		
12	Net Operating Income Multiplier (100% / Line 11)	1.3500		

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REVENUE EXPANSION FACTOR

FLORIDA PUBLIC SERVICE COM EXPLANAT Provide the calculation of the revenue expansion factor for the test year.

COMPANY: FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION
Consolidated GFG

Line No.	Description	Percent	SALES	UNCOLLECTIBLE RATE
1	Revenue Requirement	100.0000%		
2	Gross Receipts Tax Rate	0.0000%		
3	Regulatory Assessment Rate	0.5030%		
4	Bad Debt Rate	-0.3500%	21,748,728.00	(76,115.00) -0.003500
5	Net Before Income Taxes (1) - (2) - (3) - (4)	99.8470%		
6	State Income Tax Rate	5.5000%		
7	State Income Tax (5) x (6)	5.4916%		
8	Net Before Federal Income Tax (5) - (7)	94.3554%		
9	Federal Income Tax Rate	21.0000%		
10	Federal Income Tax (8) x (9)	19.8146%		
11	Revenue Expansion Factor (8) - (10)	74.5408%		
12	Net Operating Income Multiplier (100% / Line 11)	1.3415		
25				
26				

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REVENUE EXPANSION FACTOR

Page 1 of 1

FLORIDA PUBLIC SERVICE COM EXPLANAT Provide the calculation of the revenue expansion factor for
the test year.
COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - FORT MEADE
Consolidated FN

Line No.	Description	Percent	SALES	UNCOLLECTIBLE RATE
1	Revenue Requirement	100.0000%		
2	Gross Receipts Tax Rate	0.0000%		
3	Regulatory Assessment Rate	0.5030%		
4	Bad Debt Rate	1.3320%	263,059.00	3,504.00 1.3320%
5	Net Before Income Taxes (1) - (2) - (3) - (4)	98.1650%		
6	State Income Tax Rate	5.5000%		
7	State Income Tax (5) x (6)	5.3991%		
8	Net Before Federal Income Tax (5) - (7)	92.7659%		
9	Federal Income Tax Rate	21.0000%		
10	Federal Income Tax (8) x (9)	19%		
11	Revenue Expansion Factor (8) - (10)	73.2851%		
12	Net Operating Income Multiplier (100% / Line 11)	1.3645		

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Florida Public Utilities Company
Gas Reliability Infrastructure Program (GRIP)
Calculation of Equity and Debt Returns

Schedule A-1
Exhibit _____
Michael Cassel (MC-1)
Page 1 of 13

Earnings Surveillance Report - December 31, 2017

Equity Cost Rate	10.85%
Weighted Equity Cost Rate	4.73%
Revenue Expansion Factor	<u>1.6406</u>
Weighted Equity Cost Rate , times Revenue Expansion Factor	<u>7.760%</u>
Long Term Debt-CU	0.690%
Short Term Debt	0.380%
Long Term Debt-FC	0.290%
Short Term Debt-Refinanced LTD	0.000%
Customer Deposits	<u>0.080%</u>
Weighted Debt Cost Rate	<u>1.440%</u>
Overall Weighted Cost Rate	<u><u>6.17%</u></u>

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Florida Division of Chesapeake Utilities Corporation

Gas Reliability Infrastructure Program (GRIP)

Calculation of Equity and Debt Returns

Schedule A-1

Exhibit _____

Michael Cassel (MC-1)

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Earnings Surveillance Report - December 31, 2017

Equity Cost Rate	10.80%
Weighted Equity Cost Rate	4.65%
Revenue Expansion Factor	<u>1.6503</u>
Weighted Equity Cost Rate , times Revenue Expansion Factor	<u>7.674%</u>
Long Term Debt-CU	0.740%
Short Term Debt	0.370%
Short Term Debt-Refinanced LTD	0.000%
Customer Deposits	0.030%
Tax Credits-Weighted Cost	<u>0.000%</u>
Weighted Debt Cost Rate	<u>1.140%</u>
Overall Weighted Cost Rate	<u><u>5.79%</u></u>

Florida Public Utilities Company-Ft. Meade

Gas Reliability Infrastructure Program (GRIP)

Calculation of Equity and Debt Returns

Schedule A-1

Exhibit _____

Michael Cassel (MC-1)

Page 1 of 13

Earnings Surveillance Report - December 31, 2017

Equity Cost Rate	11.00%
Weighted Equity Cost Rate	4.35%
Revenue Expansion Factor	1.6553
Weighted Equity Cost Rate , times Revenue Expansion Factor	<u>7.200%</u>
Long Term Debt-CU	0.680%
Short Term Debt	0.340%
Long Term Debt-FC	0.000%
Short Term Debt-Refinanced LTD	0.000%
Customer Deposits	<u>0.000%</u>
Weighted Debt Cost Rate	<u>1.020%</u>
Overall Weighted Cost Rate	<u><u>5.37%</u></u>

Table 1

FPUC Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced Cast Iron	Replaced Bare Steel	Remaining	Remaining	Total	Replaced Cast Iron	Replaced Bare Steel	Remaining	Remaining	Total
			Cast Iron at Year-End	Bare Steel at Year-End				Cast Iron at Year-End	Bare Steel at Year-End	
Jul-12			0.9	197.10	198.00			0	7980	7980
2012		6.00	0.9	191.10	192.00		91	0	7889	7889
2013	0.6	26.40	0.3	164.70	165.00		2071	0	5818	5818
2014		38.00	0.3	126.70	127.00		1275	0	4543	4543
2015		30.00	0.3	96.70	97.00		605	0	3938	3938
2016		22.50	0.3	74.20	74.50		555	0	3383	3383
2017		10.30	0.3	63.90	64.20		335	0	3048	3048
2018		9.00	0.3	54.90	55.20		200	0	2848	2848
2019	0.3	14.00	0	40.90	40.90		730	0	2118	2118
2020		14.00	0	26.90	26.90		730	0	1388	1388
2021		14.00	0	12.90	12.90		730	0	658	658
2022		12.90	0	0.00	0.00		658	0	0	0

Table 2

Chesapeake Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced Cast Iron	Replaced Bare Steel	Remaining	Remaining	Total	Replaced Cast Iron	Replaced Bare Steel	Remaining	Remaining	Total
			Cast Iron at Year-End	Bare Steel at Year-End				Cast Iron at Year-End	Bare Steel at Year-End	
Jul-12			0	152.00	152.00			0	762	762
2012		5.00	0	147.00	147.00		34	0	728	728
2013		3.00	0	144.00	144.00		139	0	589	589
2014		19.00	0	125.00	125.00		47	0	542	542
2015		34.00	0	91.00	91.00		284	0	258	258
2016		25.10	0	65.90	65.90		-81	0	339	339
2017		22.80	0	43.10	43.10		18	0	321	321
2018		26.00	0	17.10	17.10		100	0	221	221
2019		6.00	0	11.10	11.10		75	0	146	146
2020		6.00	0	5.10	5.10		75	0	71	71
2021		5.10	0	0.00	0.00		71	0	0	0
2022		0.00	0	0.00	0.00		0	0	0	0

** A total of 111 YTD bare steel services were replaced in 2016. Plus a correction to increase total services remaining by 192 (4th Qtr of 2016). The net equals -81.

Table 3

Fort Meade Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced Cast Iron	Replaced Steel	Remaining	Remaining	Total	Replaced Cast Iron	Replaced Steel	Remaining	Remaining	Total
			Cast Iron at Year-End	Steel at Year-End				Cast Iron at Year-End	Steel at Year-End	
Jan-16			0	0	0			0	250	250
2016		0	0	0	0		29	0	221	221
2017		0	0	0	0		111	0	110	110
2018		0	0	0	0		40	0	70	70
2019		0	0	0	0		70	0	0	0