

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: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey, Coston, Draper) *JGH*
Office of the General Counsel (Sandy, Crawford) *JSC*

RE: Docket No. 20220067-GU – Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.

AGENDA: 07/07/22 – Regular Agenda – Tariff Suspension – Participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Passidomo

CRITICAL DATES: 07/25/22 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On May 24, 2022, Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company-Fort Meade, and Florida Public Utilities Company-Indiantown Division (collectively FPUC or Company) filed a petition seeking Commission approval to increase rates and charges and to consolidate the four natural gas utilities into one utility operating under the name Florida Public Utilities Company (FPUC). The four natural gas utilities provide sales and transportation of natural gas and are public utilities subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes (F.S.).

In 2009, Chesapeake Utilities Corporation, a Delaware corporation, which owned and operated the Florida Division of Chesapeake Utilities Corporation, acquired Florida Public Utilities

Company's electric and gas divisions. In 2010, Florida Public Utilities Company acquired Indiantown Gas Company and in 2013 the natural gas assets of Fort Meade, a municipal utility. Since the acquisitions, Indiantown Gas Company operates as Florida Public Utilities Company-Indiantown Division and Fort Meade as Florida Public Utilities Company-Fort Meade.

The Company currently serves approximately 92,000 residential, commercial, and industrial customers in 26 counties throughout the state of Florida. In its petition, the Company requested an increase of \$43.8 million in additional annual revenues. Of that amount, \$19.8 million is associated with moving the Company's current investment in the Commission-approved Gas Reliability Infrastructure Program (GRIP), which is being recovered through a separate surcharge on customers' bills, into base rates. The remaining \$24 million, according to FPUC, is necessary for the Company to earn a fair return on its investment and a requested return on equity of 11.25 percent. The Company based its request on a 13-month average rate base of \$454.9 million for the projected test year January through December 2023. The requested overall rate of return is 6.43.

FPUC's last approved rate case was in 2008,¹ Florida Division of Chesapeake Utilities Corporation's last rate case was in 2009,² and the Indiantown Division's last rate case was in 2003, prior to its acquisition in 2013.³ Fort Meade was a municipal utility prior to its acquisition in 2013 and has not had a rate case prior to this pending docket. More recently, in Commission Order No. PSC-2021-0148-TRF-GU,⁴ the four individual utilities' tariffs were consolidated without modifications to customer rates. Prior to the consolidation of the tariffs, the utilities provided natural gas service under four separate Commission-approved tariffs.

The Company stated that the key drivers for the proposed rate increase are: capital investments to expand service, technology and safety investments, increased insurance premiums, and an increase in cost of materials and labor as a result of high inflation. As part of the petition, the Company filed a new 2023 depreciation study, a cost recovery environmental surcharge, revisions to its Area Expansion Program (AEP), and consolidated rate structures.

In its petition, the Company requested an interim rate increase of \$7.13 million. Section 366.071, F.S., addresses interim rates and procedures and requires the Commission to authorize within 60 days of a filing for an interim rate increase the collection of interim rates. On June 7, 2022, the Company waived the 60-day provision of Section 366.071(2), F.S., and agreed to defer

¹ Order No. PSC-2009-0848-S-GU, issued December 28, 2009, in Docket No. 20080366-GU, *In re: Petition for rate increase by Florida Public Utilities Company*.

² Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, in Docket No. 20090125-GU, *In re: Petition for increase in rates by Florida Division of Chesapeake Utilities Corporation*.

³ Order No. PSC-04-0565-PAA-GU, issued June 2, 2004, in Docket No. 20030954-GU, *In re: Petition for rate increase by Indiantown Gas Company*.

⁴ Order No. PSC-2021-0148-TRF-GU, issued April 22, 2021, in Docket No. 20200214-GU, *In re: Joint petition of Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and the Florida Division of Chesapeake Utilities Corporation for approval of consolidation of tariffs, for modifications to retail choice transportation service programs, and to change the MACC for Florida Public Utilities Company*.

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implementation of the proposed interim rates until the issue is addressed at the scheduled August 2, 2022 Agenda Conference.⁵

This recommendation is to suspend the proposed final rates and charges. Pursuant to Sections 366.06(2) and (4), F.S., FPUC requested that this rate case should be processed using the Commission's hearing process. Accordingly, an administrative hearing has been scheduled for this matter from October 25 through 28, 2022. The Commission has jurisdiction over this request under Section 366.06, F.S.

⁵ Document No. 03478-2022, filed June 7, 2022.

Discussion of Issues

Issue 1: Should the request for a permanent increase in rates and charges be suspended for FPUC?

Recommendation: Yes. Staff recommends that the requested permanent increase in rates and charges be suspended for FPUC. (Guffey)

Staff Analysis: Staff recommends that the requested permanent increase in rates and charges be suspended for FPUC to allow staff and the parties time to analyze the case and for the Commission to conduct a hearing.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change, a reason, or written statement of a good cause for doing so with 60 days. Staff believes that the reasons previously stated are good cause consistent with the requirements of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's final resolution of the Company's requested rate increase. (Sandy)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.