

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 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.

DOCKET NO.: 20220067-GU

FILED: September 30, 2022

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT**

The Florida Industrial Power Users Group (FIPUG), pursuant to Order Establishing Procedure (Order No. PSC-2022-0222-PCO-GU) issued June 17, 2022 and as modified by the First Order Modifying the Order Establishing Procedure (PSC-2022-0270-PCO-GU) files its Prehearing Statement.

A. APPEARANCES:

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B. WITNESSES AND EXHIBITS:

FIPUG reserves the right to call witnesses listed by other parties in this docket.

C. STATEMENT OF BASIC POSITION:

Florida Public Utility Company (“FPUC”) seeks to increase its customers’ base rates during these challenging economic times marked by high inflation and the real threat of an economic recession. FPUC’s request for a midpoint return on equity (“ROE”) of 11.25% is excessive and should be reduced, as should be FPUC’s requested increase in base rates of nearly \$25 million dollars. FPUC must meet its burden of proof in this matter in all respects. FIPUG further adopts the positions of the Office of Public Counsel in this matter as if fully set forth herein.

D. STATEMENT OF ISSUES AND POSITIONS:

ISSUE 1: Is FPUC's projected test period of the twelve months ending December 31, 2023, appropriate?

FIPUG: Adopt position of OPC.

ISSUE 2: Are FPUC's forecasts of customer and therms by rate class for the projected test year ending December 31, 2023, appropriate? If not, what adjustments should be made?

FIPUG: Adopt position of OPC.

ISSUE 3: Are FPUC'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?

FIPUG: Adopt position of OPC.

QUALITY OF SERVICE

ISSUE 4: Is the quality of service provided by FPUC adequate?

FIPUG: Adopt position of OPC.

DEPRECIATION STUDY

ISSUE 5: Based on FPUC's 2023 Depreciation Study, what are the appropriate depreciation parameters (e.g. service life, remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rate for each distribution and general plant account?

FIPUG: Adopt position of OPC.

ISSUE 6: Based on the application of the depreciation parameters that the Commission has deemed appropriate, and a comparison of the theoretical reserves to the book reserves, what, are the resulting imbalances, if any?

FIPUG: Adopt position of OPC.

ISSUE 7: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 6?

FIPUG: Adopt position of OPC.

ISSUE 8: What should be the implementation date for revised depreciation rates, and amortization schedules?

FIPUG: Adopt position of OPC.

RATE BASE

ISSUE 9: Has FPUC made the appropriate adjustments to reflect GRIP investments as of December 31, 2022, in rate base?

FIPUG: Adopt position of OPC.

ISSUE 10: Is FPUC's adjustment to move existing Area Extension Program (AEP) projects into rate base appropriate? If so, what additional adjustments, if any, should be made?

FIPUG: Adopt position of OPC.

ISSUE 11: What is the appropriate amount of existing environmental costs, if any, that should be removed from rate base and recovered through the Company's proposed environmental cost recovery surcharge mechanism?

FIPUG: Environmental costs should be remain in base rates and not be recovered through a clause mechanism.

ISSUE 12: Is FPUC's proposed Safety Town project reasonable? If so, what is the appropriate amount for plant-in-service for the project?

FIPUG: Adopt position of OPC.

ISSUE 13: Do FPUC's adjustments to Florida Common and Corporate Common plant and accumulated depreciation allocated appropriately reflect allocations among FPUC's gas division, FPUC's electric division, and non-regulated operations? If not, what additional adjustments, if any, should be made?

FIPUG: Adopt position of OPC.

ISSUE 14: Has FPUC made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital?

FIPUG: Adopt position of OPC.

ISSUE 15: What is the appropriate level of Miscellaneous Intangible Plant for the projected test year?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 17: What is the appropriate level of accumulated depreciation for the projected test year? (Fallout issue)

FIPUG: Adopt position of OPC.

ISSUE 18: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

FIPUG: Adopt position of OPC.

ISSUE 19: What is the appropriate level of Construction Work in Progress (CWIP) to include in the projected test year?

FIPUG: Adopt position of OPC.

ISSUE 20: Have under recoveries and over recoveries related to the Purchased Gas Adjustment and Energy Conservation Cost Recovery been appropriately reflected in the Working Capital Allowance?

FIPUG: Adopt position of OPC.

ISSUE 21: Should an adjustment be made to remove unamortized rate case expense from working capital?

FIPUG: Adopt position of OPC.

ISSUE 22: Should an adjustment be made to remove a portion of prepaid Directors and Officers (“D&O”) Liability Insurance from working capital?

FIPUG: Adopt position of OPC.

ISSUE 23: What is the appropriate level of working capital for the projected test year?

FIPUG: Adopt position of OPC.

ISSUE 24: What is the appropriate level of rate base for the projected test year?

FIPUG: Adopt position of OPC.

COST OF CAPITAL

ISSUE 25: What is the appropriate amount and cost rate for short-term debt to include in the projected test year capital structure?

FIPUG: Adopt position of OPC.

ISSUE 26: What is the appropriate amount and cost rate for long-term debt to include in the projected test year capital structure?

FIPUG: Adopt position of OPC.

ISSUE 27: What is the appropriate amount and cost rate for customer deposits to include in the projected test year capital structure?

FIPUG: Adopt position of OPC.

ISSUE 28: What is the appropriate amount of accumulated deferred taxes to include in the projected test year capital structure?

FIPUG: Adopt position of OPC.

Issue 29: What is the appropriate equity ratio to use in the capital structure for ratemaking purposes?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 31: What is the appropriate method to reconcile average capital structure to average jurisdictional rate base?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

NET OPERATING INCOME

ISSUE 33: Has FPUC properly removed Purchased Gas Adjustment and Natural Gas Conservation Cost Recovery Revenues, Area Extension Plan Revenues, Expenses, and Taxes Other than Income from the projected test year?

FIPUG: Adopt position of OPC.

ISSUE 34: Has FPUC made the appropriate adjustments to remove all non-utility activities from operation expenses, including depreciation and amortization expense?

FIPUG: Adopt position of OPC.

ISSUE 35: Should an adjustment be made to the number of employees in the projected test year?

FIPUG: Adopt position of OPC.

ISSUE 36: What is the appropriate amount of salaries and benefits to include in the projected test year?

FIPUG: Adopt position of OPC.

OPC ISSUE 36A: Should an adjustment be made to remove a portion of incentive compensation expense from projected test year cost of service?

FIPUG: Adopt position of OPC.

OPC ISSUE 36B: Should an adjustment be made to remove stock-based compensation expense from projected test year cost of service?

FIPUG: Adopt position of OPC.

OPC ISSUE 36C: Should an adjustment be made to remove Supplemental Executive Retirement Program (“SERP”) expense from projected test year cost of service?

FIPUG: Adopt position of OPC.

ISSUE 37: What is the appropriate amount of pensions and post-retirement benefits expense to include in the projected test year?

FIPUG: Adopt position of OPC.

ISSUE 38: Should an adjustment be made to remove a portion of Directors and Officers Liability (“D&O”) insurance expense from projected test year cost of service?

FIPUG: Adopt position of OPC.

ISSUE 39: Should the projected test year O&M expenses be adjusted to reflect changes to the non-labor trend factors for inflation and customer growth?

FIPUG: Adopt position of OPC.

ISSUE 40: What is the appropriate annual storm damage accrual and cap?

FIPUG: Adopt position of OPC.

ISSUE 41: Is a Parent Debt Adjustment pursuant to Rule 25-14.004, Florida Administrative Code, appropriate, and if so, what is the appropriate amount?

FIPUG: Adopt position of OPC.

ISSUE 42: 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?

FIPUG: Adopt position of OPC.

ISSUE 43: Should an adjustment be made to Uncollectible Accounts and for Bad Debt in the Revenue Expansion Factor?

FIPUG: Adopt position of OPC.

ISSUE 44: Should an adjustment be made to reduce rental expense from the projected test year?

FIPUG: Adopt position of OPC.

ISSUE 45: What is the appropriate amount of projected test year O&M expenses? (Fallout Issue)

FIPUG: Adopt position of OPC.

ISSUE 46: Do FPUC's adjustments to Florida Common and Corporate Common depreciation and amortization expense allocated appropriately reflect allocations among FPUC's gas division, FPUC's electric division, and non-regulated operations? If not, what additional adjustments, if any, should be made?

FIPUG: Adopt position of OPC.

ISSUE 47: What is the appropriate amount of depreciation expense to include in the projected test year for FPUC's GRIP program?

FIPUG: Adopt position of OPC.

ISSUE 48: What is the appropriate amount of Depreciation and Amortization Expense for the projected test year? (Fallout Issue)

FIPUG: Adopt position of OPC.

ISSUE 49: What adjustments, if any, are appropriate to account for interest synchronization?

FIPUG: Adopt position of OPC.

ISSUE 50: Should any adjustments be made to the amounts included in the projected test year for amortization expense associated with the acquisition adjustment?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 52: What is the appropriate amount of projected test year Income Tax Expense (Fallout Issue)

FIPUG: Adopt position of OPC.

ISSUE 53: What is the appropriate amount of Total Operation Expenses for the projected test year? (Fallout Issue)

FIPUG: Adopt position of OPC.

ISSUE 54: What is the appropriate amount of Net Operating Income for the projected test year? (Fallout Issue)

FIPUG: Adopt position of OPC.

REVENUE REQUIREMENTS

ISSUE 55: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPUC?

FIPUG: Adopt position of OPC.

ISSUE 56: What is the appropriate annual operating revenue increase for the projected test year? (Fallout Issue)

FIPUG: Adopt position of OPC.

COST OF SERVICE AND RATE DESIGN

ISSUE 57: Should FPUC's proposal to consolidate its cost of service for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown be approved?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 59: Are FPUC's proposed consolidated residential and commercial rate classes appropriate?

FIPUG: Adopt position of OPC.

ISSUE 60: Are FPUC's proposed customer charges for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown appropriate?

FIPUG: Adopt position of OPC.

ISSUE 61: Are FPUC's proposed per therm distribution charges for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown appropriate?

FIPUG: Adopt position of OPC.

ISSUE 62: Are FPUC's proposed consolidated miscellaneous service charges appropriate?

FIPUG: Adopt position of OPC.

ISSUE 63: Is FPUC's proposal to modify its existing AEP appropriate?

FIPUG: Adopt position of OPC.

ISSUE 64: Is FPUC's proposed Environmental Cost Recovery Surcharge an appropriate mechanism to recover environmental remediation costs related to FPUC's former manufactured gas plant sites?

FIPUG: Adopt position of OPC.

ISSUE 65: Are FPUC's non-rate related tariff changes appropriate?

FIPUG: Adopt position of OPC.

ISSUE 66: What is the appropriate effective date of FPUC's revised rates and charges?

FIPUG: Adopt position of OPC.

OTHER ISSUES

ISSUE 67: Should the Commission approve a rate adjustment mechanism in the event State or Federal income tax rates change in the future?

FIPUG: Adopt position of OPC.

ISSUE 68: Should FPUC's proposal to modify its Extension of Facilities tariff to provide the Company with the option of requiring a Minimum Volume Commitment from non-residential customers be approved?

FIPUG: Adopt position of OPC.

ISSUE 69: Should any portion of the interim increases granted be refunded to the customers?

FIPUG: Adopt position of OPC.

ISSUE 70: Should FPUC 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?

FIPUG: Adopt position of OPC.

Should this docket be closed?

FIPUG: Yes.

E. STIPULATED ISSUES:

None at this time.

F. PENDING MOTIONS:

None at this time.

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

None.

H. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.

I. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Florida Industrial Power Users Group cannot comply at this time.

/s/ Jon C. Moyle _____

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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail this 30th day of September 2022 to the following:

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