

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Rate Increase by)
Florida City Gas)
_____)

DOCKET NO. 20220069-GU
FILED: November 15, 2022

**PREHEARING STATEMENT OF THE SUGAR CANE GROWERS COOPERATIVE
OF FLORIDA**

The Sugar Cane Growers Cooperative of Florida ("SCGC"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2022-0224-PCO-GU, issued June 22, 2022, hereby submits this Prehearing Statement.

APPEARANCES:

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On behalf of the Sugar Cane Growers Cooperative of Florida

1. **WITNESSES:**

The Sugar Cane Growers Cooperative does not intend to call any witnesses for direct examination but reserves its rights to cross-examine all witnesses and to rely upon the prefiled testimony of witnesses in this docket, as well as testimony on their cross-examination.

2. **EXHIBITS:**

The SCGC will not introduce any exhibits on direct examination but reserves its rights to introduce exhibits through cross-examination of other parties' witnesses.

3. STATEMENT OF BASIC POSITION

Florida City Gas (FCG), as a public utility subject to Florida’s regulatory statutes, has the duty to provide safe and reliable service to its customers at the lowest possible cost, again emphasizing that this means the lowest possible cost consistent with providing safe and reliable service. The Commission’s task in this case, as in all ratemaking cases, is to set rates that are fair, just, reasonable, non-discriminatory, and neither excessive nor insufficient.

FCG’s request contains many over-reaching requests and proposals, including an excessive rate of return on common equity, an excessive equity ratio, and excessive amounts of requested expenses, all of which are countered by the testimony and evidence presented by witnesses for consumer parties. Additionally, FCG’s proposal for a Reserve Surplus Amortization Mechanism (RSAM) is not authorized by and indeed, is contrary to applicable provisions of Chapter 366, Florida Statutes, and the Commission should reject it. FCG’s proposal for a speculative tax adjustment mechanism where no evidence of the need or basis for such hypothetical, speculative future adjustments is likewise without statutory authority, and the Commission should likewise reject this provision. Further, the Commission lacks the statutory authority to approve FCG’s four-year rate plan.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

PROPOSED ISSUES

TEST PERIOD AND FORECASTING

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

SCGC: Agree with OPC.

ISSUE 2: Are FCG'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?

SCGC: No position at this time, pending further information from FCG.

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?

SCGC: Agree with OPC.

QUALITY OF SERVICE

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

SCGC: Agree with OPC.

DEPRECIATION STUDY

ISSUE 5: Based on FCG's 2022 Depreciation Study, what are the appropriate depreciation parameters (e.g. service lives, remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each distribution and general plant account?

SCGC: Agree with OPC.

ISSUE 6: If the Commission approves FCG's proposed RSAM (Issue 67), what are the appropriate depreciation parameters (e.g. service lives, remaining lives, net salvage percentages, and reserve percentages) and depreciation rates?

SCGC: The Commission lacks the statutory authority to approve FCG's proposed RSAM. Therefore, there are no appropriate depreciation parameters applicable to this issue.

ISSUE 7: 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?

SCGC: Agree with OPC.

ISSUE 8: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 7?

SCGC: Any depreciation reserve imbalances identified under Issue 7 should be applied to reduce or increase FCG's revenue requirements consistent with the matching principle long recognized as appropriate by the Commission.

ISSUE 9: What should be the implementation date for revised depreciation rates and amortization schedules?

SCGC: Agree with OPC.

ISSUE 10: Should FCG's depreciation rates approved in this proceeding remain in effect until base rates are reset in FCG's next general base rate proceeding?

SCGC: Agree with OPC.

RATE BASE

ISSUE 11: Has FCG made the appropriate adjustment to Rate Base to transfer the SAFE investments as of December 31, 2022 from clause recovery to base rates?

SCGC: Agree with OPC.

ISSUE 12: Should FCG's proposed Advanced Metering Infrastructure (AMI) Pilot be approved? If so, what adjustments, if any, should be made?

SCGC: Agree with OPC.

ISSUE 13: What is the appropriate amount of plant in service for FCG's delayed LNG facility that was approved in its last rate case?

SCGC: Agree with OPC.

ISSUE 14: What is the appropriate level of plant in service for the projected test year? (Fallout Issue)

SCGC: Agree with OPC.

ISSUE 15: Has FCG made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital?

SCGC: No position.

ISSUE 16: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

SCGC: Agree with OPC.

ISSUE 17: What is the appropriate level of CWIP to include in the projected test year?

SCGC: Agree with OPC.

ISSUE 18: What is the appropriate level of Gas Plant Accumulated Depreciation and Amortization for the projected test year?

SCGC: Agree with OPC.

ISSUE 19: 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?

SCGC: No position.

ISSUE 20: Should the unamortized balance of Rate Case Expense be included in Working Capital and, if so, what is the appropriate amount to include?

SCGC: Agree with OPC.

ISSUE 21: What is the appropriate amount of deferred pension debit in working capital for FCG to include in rate base?

SCGC: No position.

ISSUE 22: Should the unbilled revenues be included in working capital?

SCGC: No position.

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

SCGC: Agree with OPC.

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

SCGC: Agree with OPC.

COST OF CAPITAL

ISSUE 25: What is the appropriate amount of accumulated deferred taxes to include in the projected test year capital structure?

SCGC: Agree with OPC.

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

SCGC: Agree with OPC.

ISSUE 27: What is the appropriate amount and cost rate for long-term debt to include in the projected test year capital structure?

SCGC: Agree with OPC.

ISSUE 28: What is the appropriate amount and cost rate for customer deposits to include in the capital structure?

SCGC: Agree with OPC.

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

SCGC: Agree with OPC that the appropriate equity ratio is 48.41%.

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

SCGC: Agree with OPC that the appropriate ROE is 9.25%.

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

SCGC: No position.

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

SCGC: Agree with OPC that the appropriate WACC is 5.75%.

NET OPERATING INCOME

ISSUE 33: Has FCG properly removed Purchased Gas Adjustment and Natural Gas Conservation Cost Recovery Clause revenues, expenses, and taxes-other-than-income from the projected test year?

SCGC: Agree with OPC.

ISSUE 34: Has FCG made the appropriate adjustment to Net Operating Income to remove amounts associated with the transfer of SAFE investments as of December 31, 2022 from clause recovery to base rates?

SCGC: No position.

ISSUE 35: Should FCG's proposal to transfer outside service costs incurred for clause dockets from base rates to each of the respective cost recovery clause dockets be approved and, if so, has FCG made the appropriate adjustments to remove all such outside service costs incurred for clause dockets from the projected test year operating revenues and operating expenses?

SCGC: No position.

ISSUE 36: What is the appropriate amount of miscellaneous revenues?

SCGC: Agree with OPC.

ISSUE 37: Is FCG's projected Total Operating Revenues for the projected test year appropriate? (Fallout Issue)

SCGC: Agree with OPC.

ISSUE 38: Has FCG made the appropriate adjustments to remove all non-utility activities from operation expenses, including depreciation and amortization expense?

SCGC: No position.

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

SCGC: Agree with OPC.

ISSUE 40: What is the appropriate amount of pensions and post-retirement benefits expense to include in the projected test year?

SCGC: Agree with OPC.

ISSUE 41: Is the injuries and damages expense in the test year reasonable?

SCGC: Agree with OPC.

ISSUE 42: Is the insurance expense in the test year reasonable and/or appropriate?

SCGC: Agree with OPC.

ISSUE 43: Is the level of projected contractor cost reasonable, appropriate and/or justified?

SCGC: No position.

ISSUE 44: Should the projected test year O&M expenses be adjusted to reflect changes to the non-labor trend factors for inflation and customer growth?

SCGC: No position.

ISSUE 45: Should FCG's proposal to continue the Storm Damage Reserve provision included in the 2018 Settlement Agreement be approved and, if so, what is the appropriate annual storm damage accrual and target reserve amount?

SCGC: Agree with OPC.

ISSUE 46: Is a Parent Debt Adjustment pursuant to Rule 25-14.004, Florida Administrative Code, appropriate, and if so, what is the appropriate amount?

SCGC: Agree with OPC.

ISSUE 47: What is the appropriate annual amount and amortization period for Rate Case Expense?

SCGC: Agree with OPC.

ISSUE 48: Should an adjustment be made to Uncollectible Accounts and for Bad Debt in the Revenue Expansion Factor?

SCGC: Agree with OPC.

ISSUE 49: What is the appropriate amount of projected test year O&M expenses? (Fallout Issue)

SCGC: Agree with 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?

SCGC: Agree with OPC.

ISSUE 51: What is the appropriate amount of Depreciation and Amortization Expense for the projected test year?

SCGC: Agree with OPC.

ISSUE 52: What is the appropriate amount of projected test year Taxes Other than Income?

SCGC: Agree with OPC.

ISSUE 53: What is the appropriate amount of projected test year Income Tax Expense?
(Fallout Issue)

SCGC: Agree with OPC.

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

SCGC: Agree with OPC.

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

SCGC: Agree with OPC.

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?

SCGC: No position.

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

SCGC: Agree with OPC that the appropriate annual operating revenue increase for the projected test year is no more than \$4,805,981.

COST OF SERVICE AND RATE DESIGN

ISSUE 58: Is FCG's proposed cost of service study appropriate and, if so, should it be approved for all regulatory purposes until base rates are reset in FCG's next general base rate proceeding?

SCGC: No position at this time.

ISSUE 59: If the Commission grants a revenue increase to FCG, how should the increase be allocated to the rate classes?

SCGC: Any allowed revenue increase should be allocated following the cost of service methodology approved by the Commission.

ISSUE 60: Are FCG's proposed Customer Charges appropriate?

SCGC: No position.

ISSUE 61: Are FCG's proposed per therm Distribution Charges appropriate?

SCGC: No position at this time.

ISSUE 62: Are FCG's proposed Demand Charges appropriate?

SCGC: No position at this time.

ISSUE 63: Are FCG's proposed connect and reconnection charges appropriate?

SCGC: No position.

ISSUE 64: Is FCG's proposed per transportation customer charge applicable to Third Party Suppliers appropriate?

SCGC: No position at this time.

ISSUE 65: What is the appropriate effective date for FCG's revised rates and charges?

SCGC: Agree with OPC.

ISSUE 66: Should the Commission give staff administrative authority to approve tariffs reflecting Commission approved rates and charges?

SCGC: Yes, subject to the parties having a reasonable opportunity to identify and communicate to Staff any apparent miscalculations or inconsistencies with the Commission's order.

OTHER ISSUES

ISSUE 67: Should the Commission approve FCG's requested Reserve Surplus Amortization Mechanism (RSAM)?

SCGC: No. The proposed RSAM is contrary to applicable Florida Statutes and would unfairly, unjustly, and unreasonably transfer customer-created value from FCG's customers to FCG's shareholder. Moreover, the Commission may not establish depreciation rates in a general rate case for the express purpose of creating a depreciation imbalance (a surplus in this case) without a factual basis in a depreciation study.

ISSUE 68: Should the Commission approve FCG's proposal for addressing a change in tax law, if any, that occurs during or after the pendency of this proceeding?

SCGC: No. The Commission lacks the statutory authority to approve such a provision. Further, the SCGC agrees with the Office of Public Counsel that this issue should be stricken.

ISSUE 69: Should the Commission approve FCG's proposal to continue the SAFE program to include additional mains and services to be relocated from rear property easements to the street front? If so, what adjustments, if any, should be made?

SCGC: No position.

ISSUE 70: Should the Commission approve FCG's proposal to expand the SAFE program to include replacement of "orange pipe"? If so, what adjustments, if any, should be made?

SCGC: No position.

ISSUE 71: Should the Commission approve FCG's requested four-year rate plan?

SCGC: Agree with OPC.

ISSUE 72: 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?

SCGC: Agree with OPC.

ISSUE 73: Should this docket be closed?

SCGC: After the entry of a final order and either the resolution of all appeals or the expiration of time to file appeals, this docket should be closed.

CONTESTED ISSUES

OPC PROPOSED ISSUES:

Legal:

ISSUE A: Does the Commission have the statutory authority to grant FCG's requested rate increase?

SCGC: Agree with OPC.

ISSUE B: Does the Commission have the statutory authority to grant FCG's requested four-year plan?

SCGC: Agree with OPC.

Net Operating Income:

ISSUE C: Should an adjustment be made to the amount of Directors and Officers Liability Insurance expense that FCG included in the test year?

SCGC: Agree with OPC.

ISSUE D: Should the AMI O&M expense be removed from the projected test year O&M expenses?

SCGC: Agree with OPC.

ISSUE E: What is the appropriate amount of the affiliate expense to be included in the projected test year?

SCGC: Agree with OPC.

ISSUE F: What is the appropriate amount of incentive compensation expense to include in the projected test year?

SCGC: Agree with OPC.

Depreciation Study:

ISSUE G: Absent a stipulation of the parties, does the Commission have the authority to establish depreciation rates in a general rate case for the express purpose of creating a depreciation imbalance (surplus) and which are based on parameters which are not factually based on a depreciation study?

SCGC: The Commission lacks the statutory authority to establish depreciation rates for the purpose of creating a depreciation imbalance, either with or without a stipulation of parties to this case.

Rate Base:

ISSUE H: Has FCG properly accounted for the LNG facility?

SCGC: Agree with OPC.

ISSUE I: Are all LNG costs that are included in the Minimum Filing Requirements prudent?

SCGC: Agree with OPC.

SCGC PROPOSED ISSUES:

Legal:

ISSUE J: Does the Commission have the statutory authority to approve FCG's requested Reserve Surplus Amortization Mechanism (RSAM)?

SCGC: No. FCG's proposed RSAM is unlawful under applicable provisions of Chapter 366, Florida Statutes.

ISSUE K: Does the Commission have the statutory authority to approve FCG's proposal for addressing a change in tax law, if any, that occurs during or after the pendency of this proceeding?

SCGC: No.

5. **STIPULATED ISSUES:**

The SCGC is not aware of any stipulated issues at this time.

6. **PENDING MOTIONS:**

The SCGC has no pending motions before the Commission in this docket.

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

The SCGC has no pending requests or claims for confidentiality.

8. **OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:**

As of the time of filing its prehearing statement, the SCGC does not expect to challenge the qualification of any witness. However, the SCGC believes that each party that intends to rely upon a witness's testimony as expert testimony should be required to identify the field or fields of expertise of such witness and to provide the basis for the witness's claimed expertise.

9. **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:**

There are no requirements of the Order Establishing Procedure with which the Sugar Cane Growers Cooperative cannot comply.

Respectfully submitted this 15th day of November, 2022.

/s/Robert Scheffel Wright

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by electronic mail on this 15th day of November, 2022.

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