

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by
Florida City Gas,

DOCKET NO.: 20220069-GU
FILED: November 15, 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-2022-0224-PCO-GU) issued June 22, 2022 and as modified by the First Order Modifying the Order Establishing Procedure (Order No. PSC-2022-0275-PCO-GU) files its Prehearing Statement.

A. APPEARANCES:

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Attorneys for the Florida Industrial Power Users Group

B. WITNESSES AND EXHIBITS:

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

C. STATEMENT OF BASIC POSITION:

Florida City Gas ("FCG") seeks to increase its customers' base rates during these challenging economic times marked by high inflation and the real threat of an economic recession. FCG's request for a midpoint return on equity ("ROE") of 10.75%, its \$29 million dollar rate increase, and its proposed 59.6% equity ratio are excessive and should be reduced. FCG 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 FCG’s projected test period of the twelve months ending December 31, 2023, appropriate?

FIPUG: Adopt position of OPC.

ISSUE 2: Are FCG’s forecasts of customer and therns 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 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?

FIPUG: Adopt position of OPC.

QUALITY OF SERVICE

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

FIPUG: Adopt position of 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?

FIPUG: Adopt position of OPC.

ISSUE 6: If the Commission approves FCG’s proposed RSAM (Issue 7), what are the appropriate depreciation parameters (e.g. service lives, remaining lives, net salvage percentages, and reserve percentages) and depreciation rates?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of 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?

FIPUG: Adopt position of 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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of 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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 15: Has FCG 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 16: 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 17: What is the appropriate level of CWIP to include in the projected test year?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of 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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 22: Should the unbilled revenues be included in 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? (Fallout Issue)

FIPUG: Adopt position of OPC.

COST OF CAPITAL

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

FIPUG: Adopt position of OPC.

ISSUE 28: What is the appropriate amount and cost rate for customer deposits to include in the 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 FCG's projected test year revenue requirement?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of 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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 40: 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 41:** Is the injuries and damages expense in the test year reasonable?
- FIPUG:** Adopt position of OPC.
- ISSUE 42:** Is the insurance expense in the test year reasonable and/or appropriate?
- FIPUG:** Adopt position of OPC.
- ISSUE 43:** Is the level of projected contractor cost reasonable, appropriate and/or justified?
- FIPUG:** Adopt position of OPC.
- 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?
- FIPUG:** Adopt position of OPC.
- 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?
- FIPUG:** Adopt position of 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?
- FIPUG:** Adopt position of OPC.
- ISSUE 47:** What is the appropriate annual amount and amortization period for Rate Case Expense?
- FIPUG:** Adopt position of OPC.
- ISSUE 48:** Should an adjustment be made to Uncollectible Accounts and for Bad Debt in the Revenue Expansion Factor?
- FIPUG:** Adopt position of OPC.
- ISSUE 49:** What is the appropriate amount of projected test year O&M expenses? (Fallout Issue)
- 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 Depreciation and Amortization Expense for the projected test year?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of 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?

FIPUG: Adopt position of OPC.

ISSUE 57: 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 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?

- FIPUG:** Adopt position of OPC.
- ISSUE 59:** If the Commission grants a revenue increase to FCG, how should the increase be allocated to the rate classes?
- FIPUG:** Adopt position of OPC.
- ISSUE 60:** Are FCG's proposed Customer Charges appropriate?
- FIPUG:** Adopt position of OPC.
- ISSUE 61:** Are FCG's proposed per therm Distribution Charges appropriate?
- FIPUG:** Adopt position of OPC.
- ISSUE 62:** Are FCG's proposed Demand Charges appropriate?
- FIPUG:** Adopt position of OPC.
- ISSUE 63:** Are FCG's proposed connect and reconnection charges appropriate?
- FIPUG:** Adopt position of OPC.
- ISSUE 64:** Is FCG's proposed per transportation customer charge applicable to Third Party Suppliers appropriate?
- FIPUG:** Adopt position of OPC.
- ISSUE 65:** What is the appropriate effective date for FCG's revised rates and charges?
- FIPUG:** Adopt position of OPC.
- ISSUE 66:** Should the Commission give staff administrative authority to approve tariffs reflecting Commission approved rates and charges?
- FIPUG:** Adopt position of OPC.

OTHER ISSUES

- ISSUE 67:** Should the Commission approve FCG's requested Reserve Surplus Amortization Mechanism (RSAM)?
- FIPUG:** Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of 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?

FIPUG: Adopt position of OPC.

ISSUE 73: Should this docket be closed?

FIPUG: Adopt position of OPC.

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 15th day of November 2022 to the following:

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