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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20220069-GU

Petition for rate increase  
by Florida City Gas.

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VOLUME 3  
PAGES 512 - 688

PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ANDREW GILES FAY  
COMMISSIONER MIKE LA ROSA  
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Monday, December 12, 2022

TIME: Commenced: 1:00 p.m.  
Concluded: 5:25 p.m.

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK  
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING  
112 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
(850) 894-0828

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P R O C E E D I N G S

(Transcript follows in sequence from Volume  
2.)

(Whereupon, prefiled direct testimony of Brian  
C. Collins was inserted.)

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

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**IN RE: PETITION FOR RATE  
INCREASE BY FLORIDA CITY GAS**

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**DOCKET NO. 20220069-GU**

Direct Testimony and Exhibits of

**Brian C. Collins**

On behalf of

**Federal Executive Agencies**

August 26 2022



BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

\_\_\_\_\_)  
IN RE: PETITION FOR RATE )  
INCREASE BY FLORIDA CITY GAS ) DOCKET NO. 20220069-GU  
\_\_\_\_\_)

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**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

<b>IN RE: PETITION FOR RATE INCREASE BY FLORIDA CITY GAS</b>	) ) ) )	<b>DOCKET NO. 20220069-GU</b>
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**Direct Testimony of Brian C. Collins**

1   **Q   PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2   A   Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140,  
3   Chesterfield, MO 63017.

4

5   **Q   WHAT IS YOUR OCCUPATION?**

6   A   I am a consultant in the field of public utility regulation and a Managing Principal with  
7   the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory  
8   consultants.

9

10  **Q   PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

11  A   This information is included in Appendix A to this testimony.

12

13  **Q   ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

14  A   I am appearing in this proceeding on behalf of the Federal Executive Agencies  
15  ("FEA").

16

17

18

1 **Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?**

2 A My testimony addresses Florida City Gas's ("FCG" or "Company") proposed class  
3 cost of service ("CCOS") study and the proposed allocation of any allowed  
4 distribution rate increase to the Company's rate classes. These issues are  
5 addressed in the direct testimony of FCG witness Tara B. DuBose.

6 I have examined the testimony and exhibits presented by FCG in this  
7 proceeding with respect to class cost of service and class revenue allocation, and  
8 will comment on the propriety of its proposals and make certain recommendations.

9 I also address FCG's proposed rate case expense and proposed Reserve  
10 Surplus Amortization Mechanism ("RSAM").

11 To the extent my testimony does not address any particular issue does not  
12 indicate tacit agreement with the Company's or another party's position on that issue.

13

14 **Q PLEASE PROVIDE A BRIEF SUMMARY OF YOUR CONCLUSIONS AND**  
15 **RECOMMENDATIONS IN THIS PROCEEDING.**

16 A My conclusions and recommendations are summarized as follows:

- 17 1. The CCOS study filed by FCG in this proceeding does not accurately  
18 reflect class cost causation. FCG's CCOS study allocates the costs of  
19 distribution mains to customer classes only on the basis of a demand  
20 component and not on the basis of both demand and customer  
21 components. Allocation of distribution mains costs on both a demand  
22 and customer basis better reflects cost causation.
- 23
- 24 2. The costs of distribution mains and other capacity related costs are  
25 allocated to classes using FCG's non-traditional version of the Peak and  
26 Average ("P&A") method which does not best reflect cost causation  
27 because it allocates those costs on essentially an annual volumetric  
28 basis. The Company does not design its distribution system on the basis  
29 of annual volumes, but rather on design day demand and the number of  
30 customers on its system.
- 31
- 32 3. The Company bases its class revenue allocation on its proposed flawed  
33 P&A CCOS study. Because the Company's CCOS study does not  
34 accurately reflect cost causation, I recommend an alternative allocation of



1 any revenue increase to customers. My proposed class revenue  
2 allocation is shown in Exhibit BCC-1. To the extent the Florida Public  
3 Service Commission ("Commission") approves a different revenue  
4 increase for FCG, the percentage increase should be adjusted  
5 accordingly.  
6

- 7
- 8 4. FCG has not justified the significant increase in requested rate case  
9 expense as compared to the level of expense included in its prior rate  
10 case. The requested increase is approximately \$700,000 or a 63%  
11 increase in the level of rate case expense included in the last rate case. I  
12 recommend the Commission limit the recovery of rate case expense to  
13 the amount approved in the prior case adjusted for inflation, or  
14 approximately \$1.427 million. This would lower the Company's rate case  
15 amortization expense by approximately \$141,000 and lower the  
16 unamortized deferred rate case expenses included in rate base in 2023  
17 by approximately \$494,000.
- 18 5. FCG's proposed Reserve Surplus Amortization Mechanism ("RSAM")  
19 should be denied because such a mechanism does not incent the  
20 Company to manage its costs efficiently to the benefit of its customers if it  
21 is automatically guaranteed its approved rate of return. The proposed  
22 RSAM is an imbalanced regulatory mechanism, shifting revenue recovery  
23 risk to customers and therefore, is inappropriate.  
24  
25  
26

27 **I. Class Cost of Service and Rate Design Principles**

28 **Q COULD YOU PLEASE EXPLAIN THE RATEMAKING PROCESS AND THE**  
29 **DESIGN OF RATES?**

30 **A** The ratemaking process has three steps. First, we must determine the utility's total  
31 revenue requirement and the extent to which an increase or decrease in revenues is  
32 necessary. Second, we must determine how any increase or decrease in revenues  
33 is to be distributed among the various customer classes. A determination of how  
34 many dollars of revenue should be produced by each class is essential for obtaining  
35 the appropriate level of rates. Finally, individual tariffs must be designed to produce  
36 the required amount of revenues for each class of service and to reflect the cost of  
37 serving customers within the class.

38

1           The guiding principle at each step should be cost of service. In the first  
2 step—determining revenue requirements—it is universally agreed that the utility is  
3 entitled to an increase only to the extent that its actual cost of service has increased.  
4 If current rate levels exceed the utility’s revenue requirement, a rate reduction is  
5 required. In short, rate revenues should equal actual cost of service. The same  
6 principle should apply in the second and third steps. Each customer class should, to  
7 the extent practicable, produce revenues equal to the cost of serving that particular  
8 class, no more and no less. This may require a rate increase for some classes and a  
9 rate decrease for other classes. The standard tool for performing this exercise is a  
10 CCOS study, which shows the rates of return for each class of service. The goal is  
11 to modify rate levels so that each class of service provides approximately the same  
12 rate of return. Finally, in designing tariffs for individual classes, the goal should also  
13 be to align the rate design with the cost of service so that each customer’s rate  
14 tracks, to the extent practicable, the utility’s cost of providing service to that  
15 customer.

16

17 **Q    WHY IS IT IMPORTANT TO ADHERE TO BASIC COST OF SERVICE**  
18 **PRINCIPLES IN THE RATEMAKING PROCESS?**

19 A    The basic reasons for using cost of service as the primary factor in the ratemaking  
20 process are equity and stability. Cost of service ratemaking sends efficient price  
21 signals and encourages conservation.

22

23 **Q    PLEASE DISCUSS THE EQUITY CONSIDERATION.**

24 A    When rates are based on a CCOS study that is prepared using allocation  
25 methodologies that best reflect cost causation, each customer pays what it costs the

1 utility to serve that customer, no more and no less. But when rates are not based on  
2 a reasonable CCOS study, then some customers are required to contribute  
3 disproportionately to the utility's revenues by subsidizing the service provided to  
4 other customers. This is inherently inequitable.

5

6 **Q PLEASE DISCUSS THE STABILITY CONSIDERATION.**

7 A When rates are closely tied to costs, the earnings impact on the utility associated  
8 with changes in numbers of customers and their usage patterns will be minimized as  
9 a result of rates being designed in the first instance to track changes in the level of  
10 costs. Thus, cost-based rates provide an important enhancement to a utility's  
11 earnings stability, thereby reducing the utility's need to file for future rate increases.

12 From the perspective of the customer, cost-based rates provide a more  
13 reliable means of determining future levels of costs. If rates are based on factors  
14 other than costs, it becomes much more difficult for customers to translate expected  
15 utility-wide cost changes (*i.e.*, expected increases in overall revenue requirements)  
16 into changes in the rates charged to particular customer classes (and to customers  
17 within the classes). From the customer's perspective, this situation reduces the  
18 attractiveness of expansion, as well as of continued operations, because of the  
19 lessened ability to plan.

20

21

22

23

24

25

1 **Q WHEN YOU SAY "COST," TO WHAT TYPE OF COST ARE YOU REFERRING?**

2 A I am referring to the utility's "embedded" or actual accounting costs of rendering  
3 service; that is, those costs which are used by the Commission in establishing the  
4 utility's overall revenue requirement.

5

6 **Q WOULD YOU PLEASE COMMENT ON THE BASIC PURPOSE OF A CCOS**  
7 **STUDY?**

8 A The basic purpose of a CCOS study is to determine the costs that a utility incurs to  
9 provide service to different categories of customers. After the utility's overall cost of  
10 service (or revenue requirement) is determined, a CCOS study is used, first, to  
11 allocate the cost of service between the utility's jurisdictional and non-jurisdictional  
12 businesses, and then second, to allocate the jurisdictional cost of service among the  
13 utility's jurisdictional customer classes.

14 A CCOS study shows the extent to which each customer class contributes to  
15 the total cost of the system. For example, when a class produces the same rate of  
16 return as the total system, it returns to the utility just enough revenues to cover the  
17 costs incurred in serving that class (including a reasonable authorized return on  
18 investment). If a class produces a rate of return below the system average, the  
19 revenues it provides for the utility are insufficient to cover all relevant costs. If, on the  
20 other hand, a class produces a rate of return above the average, then that class pays  
21 revenues sufficient to cover the costs attributable to it, and it also pays for part of the  
22 costs attributable to other classes that produce below-average rates of return. The  
23 CCOS study therefore is an important tool, because it shows the revenue  
24 requirement for each class along with the rate of return under current rates and any  
25 proposed rates.

1 Q WOULD YOU PLEASE COMMENT ON THE PROPER FUNDAMENTALS OF A  
2 CCOS STUDY?

3 A Yes. Cost of service is a basic and fundamental ingredient to proper ratemaking. In  
4 all CCOS studies, certain fundamental concepts should be recognized. Of primary  
5 importance among these concepts is the functionalization, classification, and  
6 allocation of costs. Functionalization is the determination and arrangement of costs  
7 according to major functions, such as production, storage, transmission and  
8 distribution. Classification involves identifying the nature of these costs according to  
9 whether the costs vary with the demand placed upon the system, the quantity of gas  
10 consumed, or the number of customers being served. Fixed costs are those costs  
11 that tend to remain constant over the short run irrespective of changes in output, and  
12 are generally considered to be demand-related. Fixed costs include those costs that  
13 are a function of the size of the utility's investment in facilities, and those costs that  
14 are necessary to keep the facilities "on line." Variable costs, on the other hand, are  
15 basically those costs that tend to vary with throughput (or usage), and are generally  
16 considered to be commodity-related. Customer-related costs are those costs that  
17 are most closely related to the number of customers served, rather than the  
18 demands placed upon the system or the quantity of gas consumed.

19

20 **II. FCG's Proposed CCOS Study**

21 Q HAVE YOU REVIEWED THE CCOS STUDY FILED BY FCG IN THIS  
22 PROCEEDING USED TO ESTABLISH RATES?

23 A Yes. I have reviewed the CCOS study filed by FCG in this proceeding that is  
24 sponsored by Company witness Tara B. DuBose.

25

1           According to Ms. DuBose at page 15 of her testimony, the Company's filed  
2           CCOS study allocates capacity costs, including the costs of distribution mains, to  
3           FCG's customer classes based on the P&A method. This is opposed to a method  
4           that allocates a portion of distribution mains costs on a coincident design day  
5           demand basis and a portion on the basis of a customer component.

6           Based on my review of the Company's CCOS study, it appears that the  
7           Company fails to allocate any portion of distribution mains costs on a customer  
8           basis.

9

10   **Q    WHAT IS YOUR CONCLUSION WITH RESPECT TO THE COMPANY'S FILED**  
11   **CCOS STUDY?**

12   **A**For the reasons discussed below, I conclude that the Company's CCOS study does  
13    not best reflect cost causation. As explained later in this testimony, the Company's  
14    CCOS study does not best reflect class cost causation because it uses the P&A  
15    method to allocate the cost of mains to customer classes and also fails to classify  
16    and allocate any distribution mains costs on a customer basis. Because of these  
17    flaws in the Company's CCOS study, the Company CCOS study should not be used  
18    to allocate costs to customer classes.

19

20   **Q    THOUGH THE COMPANY ALLOCATES CAPACITY COSTS ON ITS VERSION OF**  
21   **THE P&A METHOD, HAS IT PREVIOUSLY RECOGNIZED THAT CUSTOMERS'**  
22   **PEAK DEMANDS REFLECT COST CAUSATION?**

23   **A**Yes. According to FCG witness Mr. Daniel J. Nikolich's direct testimony at page 18  
24    in FCG's prior rate case, Docket No. 20170179-GU, he states that:

25                   Capacity costs are directly related to being able to meet the peak  
26                   design or maximum demand requirements placed on the local

1 distribution system by its customers. Capacity costs are incurred to  
2 ensure that the system is ready to serve customers at peak design  
3 requirements levels.

4 The Company designs its distribution system to meet the design day  
5 demands of its customer classes as well as to connect all customers to its  
6 distribution system. To better reflect class cost causation, the Company should have  
7 classified its mains costs on both a demand and customer basis. The demand  
8 component should be allocated to classes based on the design day demands while  
9 the customer component should be allocated to classes based on the number of  
10 customers in each class.

11

12 **Q SHOULD A CCOS STUDY PROPERLY REFLECT COST CAUSATION?**

13 A Yes. In selecting a particular CCOS study methodology, the fundamental question is  
14 whether that methodology properly reflects cost causation. In other words, costs  
15 should be allocated to the utility's customer classes based on how the costs are  
16 incurred. The *Gas Distribution Rate Design Manual* published by the National  
17 Association of Regulatory Utility Commissioners ("NARUC") describes this principle  
18 as follows: "*Historic or embedded cost of service studies attempt to apportion total*  
19 *costs to the various customer classes in a manner consistent with the incurrence of*  
20 *those costs.* This apportionment must be based on the fashion in which the utility's  
21 system, facilities and personnel operate to provide the service."<sup>1</sup>

22 The principal objective of any CCOS study is to allocate costs to a utility's  
23 customer classes in a manner that is as reasonably consistent as possible with the  
24 incurrence of those costs. This does not mean that the method chosen should result  
25 in a perfectly precise and accurate allocation of costs, because no such method

---

<sup>1</sup> NARUC *Gas Distribution Rate Design Manual* at 20 (emphasis added).

1 exists. Invariably, some amount of judgment will be required. But the “primary goal”  
2 must always be to allocate costs in a way that best reflects cost causation, and in my  
3 view, the Company’s CCOS study does not achieve that objective.

4

5 **Q PLEASE EXPLAIN WHY THE COMPANY’S FILED CCOS STUDY DOES NOT**  
6 **BEST REFLECT COST CAUSATION.**

7 A When a gas distribution utility installs new distribution mains to expand the capacity  
8 of its system, there are two factors that the utility must consider. First, the utility must  
9 design its system to ensure that it will be capable of meeting customers’ demand on  
10 the system peak day (or “design day”). The expected demand on the system peak  
11 day is the key consideration. It dictates not only the need for an expansion, but also  
12 the proper size (in diameter) of the expanded distribution mains to be installed—and  
13 that, in turn, dictates the costs that the utility must incur. Thus, the costs incurred by  
14 the utility are a function of design day demand, because it is only when the  
15 distribution system is designed to meet the design day demand of the utility’s rate  
16 classes that the utility is able to meet its firm customers’ demands each and every  
17 day of the year.

18 Second, the utility must also design its system in such a way that all  
19 customers are physically connected to the system. While the diameter of the mains  
20 installed depends upon peak demand, the total length of the mains depends upon  
21 the number of customers being served. To illustrate, a much greater level of  
22 investment is needed to serve 10,000 customers with individual peak demands of  
23 1 Mcf located at various geographical locations than what is needed to serve one  
24 customer with a demand of 10,000 Mcf at a single geographic location. Thus, the



1 costs that a gas distribution utility incurs to provide service are driven by both peak  
2 day demand and the number of customers connected to the system.

3 FCG's filed CCOS study fails to allocate the costs of distribution mains to  
4 customer classes on the basis of both (1) each class's contribution to the total design  
5 day demand of the system and (2) the number of customers within each class. The  
6 Company's CCOS study does not properly allocate costs based on how they are  
7 incurred because it allocates distribution mains costs based on the P&A method,  
8 which is inconsistent with the cost-causation principle, and therefore, is not  
9 reasonable for the purpose of setting rates in this proceeding.

10

11 **Q WHY DOES FCG'S P&A METHOD FAIL TO BEST ALLOCATE CAPACITY**  
12 **COSTS BASED ON COST CAUSATION?**

13 A Based on a review of FCG's CCOS, FCG allocates capacity related costs essentially  
14 on each class's annual usage. Allocating capacity-related costs based on annual  
15 usage does not reflect cost causation and is not based on sound cost of service  
16 principles.

17

18 **Q BASED ON YOUR CLASS COST OF SERVICE EXPERIENCE, IS FCG'S P&A**  
19 **METHOD STANDARD AS CLAIMED BY FCG??**

20 A No it is not. For each class, FCG separately determines peak volumes and average  
21 volumes.

22 The peak volume for each class is a class's non-coincident maximum  
23 monthly volume. The average volume for each class is the average of the 12  
24 monthly usages.

25

1 For each class, both of these volumes (peak and average) are then summed  
2 for each class and used as a class's P&A volume. Each class's contribution to the  
3 sum of all classes' total P&A volumes are then used as the basis for FCG's  
4 respective class capacity allocators in its CCOS.

5 Based on my experience, in a traditional P&A CCOS study, capacity class  
6 allocators are determined by each class's contribution to the system design day  
7 demand, weighted by (1 - system load factor) and by each class's contribution to  
8 system annual usage, weighted by the system load factor.

9 FCG has not used class design day demands for its peak allocators, as is  
10 typically used in a traditional P&A CCOS study. Instead, for each class, the peak  
11 allocator is based on the monthly maximum volume of a class in the test year.

12 By using the sum of 13 months of volumes for its class P&A allocators (12  
13 actual monthly usages plus the maximum monthly volumes), FCG is essentially  
14 allocating capacity-related costs on annual usage and not on the traditional P&A  
15 method which does include a demand-related component in the allocation of costs to  
16 classes.

17

18 **Q WHY DOES ALLOCATING CAPACITY COSTS, SUCH AS DISTRIBUTION MAINS**  
19 **COSTS, ON AN ANNUAL USAGE BASIS NOT REFLECT SOUND COST OF**  
20 **SERVICE PRINCIPLES?**

21 **A** As explained above, when a gas distribution utility is considering whether to expand  
22 the capacity of its distribution system, the key consideration is the expected  
23 demands of the customer classes on the peak day. The expected demands on the  
24 peak day dictate both the need for the expansion as well as the proper size of the  
25 expanded mains, and that in turn dictates the total cost of the project. The cost of

1 the project is therefore a function of the peak day demand—and that cost is *the*  
2 *same* regardless of how much gas customers are expected to use throughout the  
3 year. For example, the cost is the same regardless of whether customers are  
4 expected to use gas consistently throughout the entire year, or during only part of the  
5 year (e.g., the winter months).

6

7 **Q IN ADDITION TO THE FACT THAT IT DOES NOT REFLECT SOUND COST OF**  
8 **SERVICE PRINCIPLES, ARE THERE OTHER PROBLEMS WITH ALLOCATING**  
9 **COSTS ON THE BASIS OF ANNUAL USAGE?**

10 A Yes. Allocating costs based on annual usage also is unfair to the customers that  
11 make more efficient use of the facilities. This is best illustrated with a simple  
12 example. Assume that Customer A uses 5 Mcf each and every day of the year (an  
13 annual total of 1,825 Mcf), and that Customer B, who is located directly across the  
14 street, uses 5 Mcf for 180 days of the year, including the peak day, but nothing the  
15 rest of the year (an annual total of 900 Mcf). Assume further that the annualized  
16 investment cost of the main needed to serve these two customers is \$300. The total  
17 annual usage of the two customers is 2,725 Mcf, of which approximately two-thirds is  
18 attributable to Customer A and approximately one-third to Customer B.

19 In order to serve these customers, the gas company must construct a main  
20 capable of delivering 10 Mcf of design day capacity on the peak day (Customer A's  
21 5 Mcf plus Customer B's 5 Mcf). Because each customer uses one-half of the firm  
22 main capacity on the peak day, it seems reasonable that they should share equally in  
23 the cost. In fact, that is how the costs would be shared under a design day demand-  
24 based allocation.

1           The results would be quite different, however, if the distribution mains costs  
2           were allocated based on annual usage. In that situation, Customer A would be  
3           allocated \$200 (2/3 of the total \$300 cost) while Customer B would be allocated just  
4           \$100 (1/3 of the total \$300 cost) because it does not use its half of the facility for six  
5           months of the year. Thus, the fact that Customer A uses the facility efficiently every  
6           day of the year will cause Customer B to save money, but Customer B's less efficient  
7           use will cause Customer A to pay additional money. In fact, Customer A would likely  
8           be much better off if the gas company simply built a dedicated main with a capacity  
9           of 5 Mcf solely to serve Customer A's load. Similarly, Customer B would likely be  
10          worse off if it had to pay for its own dedicated main.

11           With proper cost allocation, both customers should be better off sharing a  
12          facility because there will be economies of scale resulting from the larger capacity  
13          main.

14

15   **Q    DOES ALLOCATING DISTRIBUTION MAINS COSTS BASED ON ANNUAL**  
16   **USAGE CREATE AN UNBALANCED ALLOCATION AMONG CUSTOMER**  
17   **CLASSES?**

18   **A**   Yes. In the example above, even though both Customer A and Customer B have the  
19          same design day demand, they effectively pay different costs of capacity per unit of  
20          design day demand when costs are allocated based on annual usage. The total  
21          capacity cost incurred by the gas distribution company is \$30 per Mcf of design day  
22          capacity (\$300/10 Mcf). However, when costs are allocated on annual usage, the  
23          higher usage Customer A pays \$40 per Mcf of design day capacity (\$200/5 Mcf),  
24          while the lower usage Customer B pays \$20 per Mcf of design day capacity (\$100/5  
25          Mcf). Thus, under an annual usage-based allocation, a customer that utilizes the

1 distribution system more efficiently pays a premium for design day capacity (\$40/Mcf  
2 - \$20/Mcf = \$20/Mcf) above what a customer that uses the system less efficiently  
3 must pay. This occurs despite the fact that the two customers have equal rights to  
4 design day capacity on the system peak day and despite the fact that the average  
5 cost of design day capacity incurred by the utility is \$30 per Mcf on average.

6 This simple example illustrates why it is unreasonable to allocate distribution  
7 mains costs on the basis of annual usage, when such costs are incurred to ensure  
8 adequate capacity for all customers that require firm service throughout the year.

9

10 **Q IS ANNUAL USAGE A DESIGN CRITERION FOR A TYPICAL GAS**  
11 **DISTRIBUTION COMPANY FACILITY?**

12 **A** No, it is not. To be sure, annual usage is certainly a factor that should be and is  
13 considered in allocating the variable cost of operating the gas system. However,  
14 annual usage does not determine the amount of system capacity that is necessary to  
15 provide firm (i.e., non-interruptible) service to every customer every day of the year.  
16 Rather, the actual physical size of the distribution mains, compressors, and related  
17 equipment is based on customers' contributions to the system design day demand.  
18 The system's capacity must be sized for design day demand, so that all firm  
19 customers can utilize their entitlement to that capacity to receive a firm, uninterrupted  
20 supply of gas every day of the year, including the day of the system peak demand.

21

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25

1 **Q IS THE COMPANY'S P&A BASED CCOS STUDY, WHICH ALLOCATES THE**  
2 **COSTS OF DISTRIBUTION MAINS BASED ON ANNUAL USAGE,**  
3 **REASONABLE?**

4 A No. The Company's CCOS study based on the P&A method fails to meet the cost of  
5 service principle of cost causation. As explained above, a typical gas utility (such as  
6 FCG) does not use annual usage to design its distribution facilities. Rather, it  
7 designs the distribution system based on its customers' contributions to the system's  
8 design day demand. Therefore, allocating the capacity-related costs associated with  
9 distribution mains (including both rate base and expenses) on the basis of annual  
10 usage is inappropriate, because it does not reflect how the costs are incurred by the  
11 Company. Such a cost allocation does not follow how the costs are actually  
12 incurred.

13

14 **Q BUT DOESN'T THE COMPANY'S DISTRIBUTION SYSTEM ALLOW**  
15 **CUSTOMERS TO RECEIVE VOLUMES OF GAS THROUGHOUT THE YEAR?**

16 A I do not dispute that, after the distribution system is designed and constructed to  
17 meet design day demand, customers use the system to receive volumes of gas  
18 throughout the year. However, if firm customers expect supply sufficient to meet  
19 their design day demand, then they should pay for adequate distribution capacity to  
20 allow gas to be delivered every day to meet their expected demands, including days  
21 with above-average demands. Otherwise, firm customers will not be allocated  
22 adequate capacity to deliver gas on days with above-average usage, which would be  
23 most cold days, and their service would be interrupted on all of those days.

24 It is the design day demand which drives the capacity-related cost incurred in  
25 order to design, construct, implement and maintain a distribution system that is

1 adequate to provide firm service throughout the year, including the system peak day,  
2 to all customers that want firm service. Distribution systems are sized based on  
3 design day demands to ensure that firm gas supply can actually be delivered every  
4 single day of the year. Because cost causation is driven by design day demand,  
5 distribution-related costs should be allocated based on design day demand.

6 If the distribution system can meet the design day demand of its customers, it  
7 can meet the demand of its customers on every single day of the year. Daily needs  
8 must be met, but the only way to ensure that will happen is through a system that is  
9 designed to meet the design day demand.

10 Using annual usage to allocate capacity-related costs based on perceived  
11 benefits resulting from year-round use of the Company's distribution system is not  
12 based on cost-causative factors. There are no objective measures to define such  
13 benefits or determine the extent to which particular customers derive such benefits.  
14 In contrast, cost causation is based on the design and engineering of the distribution  
15 system and an understanding of the drivers that determine a utility's costs of such  
16 distribution system. The Company's CCOS study does not best represent the  
17 allocation of capacity-related costs on the Company's distribution system.

18

19 **Q PLEASE SUMMARIZE WHY THE ALLOCATION OF DISTRIBUTION MAINS**  
20 **COSTS ON BOTH A DEMAND AND CUSTOMER BASIS MORE ACCURATELY**  
21 **REFLECTS COST CAUSATION AS COMPARED TO AN ALLOCATION OF**  
22 **MAINS COSTS BASED PARTIALLY ON ANNUAL USAGE.**

23 **A** As previously discussed, a gas distribution company designs its distribution mains to  
24 meet the firm coincident demands of its rate classes on the system design day. The  
25 company also designs its distribution mains in such a way that all customers are

1 connected to the system. The company does not design its system to meet the total  
2 annual volumes of gas sold to its rate classes. It is only when the distribution mains  
3 system is designed to meet the design day demand of the company's rate classes  
4 that the company is able to deliver gas each and every day of the year to meet its  
5 customers' demands. Therefore, the company incurs the costs of these facilities to  
6 meet class coincident design day demands and to connect all customers to the  
7 distribution mains system. Allocating the costs of these facilities on a coincident  
8 design day demand basis and on a customer basis reflects how the costs are  
9 incurred and, as a result, more accurately reflects cost causation than allocating  
10 costs on an annual usage basis. As a result, the Company's CCOS study does not  
11 best reflect class cost causation on the FCG distribution system.

12

13 **Q HAVE YOU CORRECTED FCG'S CLASS COST OF SERVICE STUDY FOR THE**  
14 **ALLOCATION OF DISTRIBUTION MAINS COSTS AND OTHER CAPACITY**  
15 **RELATED COSTS?**

16 A Yes. I have based my capacity allocators for classes on a composite allocator that  
17 utilizes a peak component and a customer component. The customer component is  
18 based on the number of customers in each class as a percent of total customers,  
19 and is weighted by 59%. The weighting is determined by a minimum system study  
20 for the FCG system. Because the Company did not provide Design Day demands  
21 for its classes in its CCOS, the peak component is determined by each class's  
22 contribution to the sum of FCG's classes' non-coincident peak monthly volumes and  
23 is weighted by 41%.

24

25



1 Q DO YOUR PROPOSED CLASS CAPACITY ALLOCATORS BETTER REFLECT  
2 COST CAUSATION THAN THE COMPANY'S PROPOSED P&A ALLOCATORS?

3 A Yes. My proposed class capacity allocators better reflect class cost causation  
4 because the allocators include both a peak component and a customer component.  
5 Allocating the costs of these facilities on a peak basis and on a customer basis, and  
6 not on an annual usage basis, better reflects how the capacity costs are incurred  
7 and, as a result, more accurately reflects cost causation than allocating costs on an  
8 annual usage basis. The results of my CCOS study are shown in Exhibit BCC-1. I  
9 recommend that the results of my CCOS be the basis for determining class revenue  
10 allocation described below.  
11

12 **III. Distribution of Gas Revenue Increase to Classes**

13 Q HAVE YOU REVIEWED FCG'S PROPOSAL FOR DISTRIBUTING ITS  
14 REQUESTED REVENUE INCREASE TO CLASSES?

15 A Yes. The Company's proposed class revenue allocation to customer classes is  
16 summarized on Exhibit BCC-1.  
17

18 Q DO YOU AGREE WITH THE COMPANY'S PROPOSED CLASS REVENUE  
19 ALLOCATION?

20 A No. Because FCG's CCOS study does not accurately reflect class cost causation, I  
21 recommend that the Company's class revenue allocation be distributed to classes  
22 using the results of my CCOS study, with no class receiving an increase greater than  
23 1.5 times the system average increase, and with no class receiving a rate decrease.  
24  
25

1           My proposed class revenue allocation is summarized on Exhibit BCC-1. To  
2           the extent the Commission approves a different revenue increase for FCG, the  
3           percentage class increases should be adjusted accordingly.  
4

5   **IV. Rate Case Expense**

6   **Q   PLEASE DESCRIBE FCG'S PROPOSAL REGARDING ITS RATE CASE**  
7   **EXPENSE IN THIS PROCEEDING.**

8   A   FCG proposes a four-year amortization beginning in January 2023 for approximately  
9       \$2.0 million in rate case expense associated with this case. As described by FCG  
10      witness Liz Fuentes, the rate case expense includes \$1.6 million for affiliate rate  
11      case support from FPL, \$0.4 million for external consultant and legal services, and  
12      \$0.1 million for other miscellaneous expenses.<sup>2</sup> FCG provides detail for its rate case  
13      expense as Schedule C-13. The 2023 test year impact of rate case expense is the  
14      13-month average of \$1,742,227 of deferred rate case expense in rate base and  
15      \$497,779 in amortization expense.<sup>3</sup>  
16

17   **Q   DO YOU HAVE ANY CONCERNS WITH FCG'S RATE CASE EXPENSE?**

18   A   Yes, FCG has not justified the significant increase in rate case expense since its last  
19      rate case. As shown on Schedule C-13, FCG's 2017 rate case cost approximately  
20      \$1.2 million (including rebuttal witnesses which were not included in FCG's current  
21      rate case expense estimate).<sup>4</sup> The current rate case expense represents an  
22      increase of over \$700,000, or 63%. This increase is higher than the rate of inflation  
23      and has not been justified by the Company. Schedule C-13 shows that a majority of

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<sup>2</sup> Liz Fuentes Direct Testimony at page 17.

<sup>3</sup> FCG's response to OPC Interrogatory No. 90 attached as Exhibit BCC-2.

<sup>4</sup> The case prior to the 2017 rate case was in 2003. See FCG's response to OPC Interrogatory No. 92 attached as Exhibit BCC-3.

1 the rate case expense comes from Florida Power and Light (“FPL”) affiliate support.  
2 FCG argues the use of FPL affiliate support allows the Company to avoid permanent  
3 staff and leverage the expertise of FPL resources.<sup>5</sup> However, FCG has not  
4 demonstrated what rate case services FPL is providing that were not provided by  
5 other support in FCG’s last rate case and therefore, what is driving the increase in  
6 costs for this rate case. Given FCG became a subsidiary of FPL in 2018, Schedule  
7 C-13 does not offer an explanation of the increase given the affiliate support was not  
8 present in the prior rate case.

9 The comparisons provided on Schedule C-13 show the increase in rate case  
10 expense between cases. While rate case expense as a percent of rate base  
11 remains the same between the current and prior cases (0.41%), rate case expense  
12 as a percentage of revenues increased and rate case expense per customer  
13 increased.

14

15 **Q WHAT DO YOU RECOMMEND?**

16 A I recommend the Commission limit the recovery of rate case expense to the amount  
17 approved in the prior rate case adjusted for inflation, or approximately \$1.427 million.  
18 This would lower the Company’s amortization expense by approximately \$141,000  
19 and lower the deferred rate case expenses in rate base by approximately \$494,000.

20

21 **V. Reserve Surplus Amortization Mechanism (“RSAM”)**

22 **Q PLEASE DESCRIBE THE COMPANY’S RSAM PROPOSAL?**

23 A The Company proposes to implement an RSAM as described in the testimony of  
24 FCG witness Mark Campbell. According to the Company, the RSAM is an

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<sup>5</sup> FCG’s response to OPC Interrogatory No. 137 attached as Exhibit BCC-4.

1 accounting mechanism that will be used by the Company to respond to changes in  
2 its underlying revenues and expenses during the four-year rate plan in order to  
3 maintain a Commission adjusted ROE within the ROE range authorized by the  
4 Commission.

5 Mr. Campbell indicates at page 29 of his direct testimony that for purposes of  
6 the RSAM, the Company requests approval of the RSAM adjusted depreciation  
7 parameters and resulting depreciation rates discussed by FCG witness Liz Fuentes.  
8 Mr. Campbell further indicates in his testimony that approval of these parameters will  
9 support a Reserve Amount of up to \$52 million; however, FCG is requesting an  
10 RSAM Reserve Amount of \$25 million be available for use during the four-year rate  
11 plan.

12 At page 28 of Mr. Campbell's testimony he states the following with respect to  
13 the RSAM:

14 The Company will be able to record debits (increases to expense) or  
15 credits (decreases to expense) in any accounting period, at its sole  
16 discretion, to achieve the pre-established ROE for that period.  
17 However, the Company will not be allowed to credit (i.e., decrease)  
18 depreciation expense (and correspondingly debit/decrease the  
19 depreciation reserves) at any time during the four-year rate plan that  
20 would cause the Reserve Amount to be reduced below \$0. Similarly,  
21 FCG will not be able to debit (i.e., increase) depreciation expense  
22 (and correspondingly credit/increase the depreciation reserve) at any  
23 time during the four-year rate plan that would cause the Reserve  
24 Amount to exceed the maximum amount of RSAM available for use.  
25

26 **Q SHOULD FCG BE GUARANTEED TO EARN ITS AUTHORIZED RATE OF**  
27 **RETURN?**

28 A No. A utility has an opportunity to earn its approved rate of return, but not a  
29 guarantee. The proposed RSAM should be rejected because such a mechanism  
30 does not incent the Company to manage its costs efficiently to the benefit of both its  
31 shareholders and customers. Rather, under the proposed RSAM the Company can

1 manage earned ROE by adjusting recorded depreciation expense to stabilize  
2 earnings. Adjusting depreciation expense can distort the pay down of rate base, and  
3 artificially inflate rate base by distorting the accurate measurement of the  
4 undepreciated or net plant value of assets included in rate base over rate case  
5 cycles.

6

7 **Q IS THERE A POTENTIAL COST TO CUSTOMERS OF FCG'S RSAM**  
8 **PROPOSAL?**

9 A Yes. There is a potential future cost to FCG's customers by the reduction of  
10 depreciation expense to increase the Company's earned return. Under the  
11 Company's proposal to guarantee its authorized rate of return is earned, reduced  
12 depreciation expense will be used to increase the Company's earnings and its return.  
13 Reduced depreciation expense reduces the accumulated depreciation reserve,  
14 which is an offset to gross plant. As a result, rate base will not decline as rapidly had  
15 depreciation expense not been reduced under the RSAM proposal to guarantee  
16 FCG's approved rate of return. Customers will likely pay more return over a longer  
17 period of time on a higher level of rate base, and as a result, customers will see  
18 increased costs under the Company's proposal.

19

20 **Q FCG CLAIMS THAT THE RSAM WILL LOWER THE COST OF RATE CASES.**  
21 **PLEASE RESPOND.**

22 A FCG claims that customers would benefit by being spared the expense of rate case  
23 filings during the four-year period during which FCG is guaranteed its approved rate  
24 of return.

25

1 I disagree with this premise because paying excessive rates can be a far  
2 greater detriment to customers than rate case expense. As described above, the  
3 RSAM inflates rate base, and likely will inflate customers' rates. Also, there are  
4 many factors that could delay rate cases without an RSAM. For example, FCG has  
5 stated in its testimony it continues to realize growth in customers on its system. This  
6 should help reduce the necessity of a future rate case as increased customer growth  
7 will provide revenue growth to the Company. The Company has not demonstrated  
8 that its RSAM proposal is necessary or beneficial to customers.

9

10 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO FCG'S PROPOSED**  
11 **RSAM?**

12 A The RSAM improperly shifts the risk of revenue recovery to customers in order to  
13 guarantee FCG's approved rate of return. As a result, FCG loses its incentive to  
14 effectively manage its costs on behalf of customers. Because it is an imbalanced  
15 regulatory mechanism, the RSAM should be rejected.

16

17 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A Yes, it does.

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**Qualifications of Brian C. Collins**

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**Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

**Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

**Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.**

A I graduated from Southern Illinois University Carbondale with a Bachelor of Science degree in Electrical Engineering. I also graduated from the University of Illinois at Springfield with a Master of Business Administration degree. Prior to joining BAI, I was employed by the Illinois Commerce Commission and City Water Light & Power ("CWLP") in Springfield, Illinois.

My responsibilities at the Illinois Commerce Commission included the review of the prudence of utilities' fuel costs in fuel adjustment reconciliation cases before the Commission as well as the review of utilities' requests for certificates of public convenience and necessity for new electric transmission lines. My responsibilities at CWLP included generation and transmission system planning. While at CWLP, I completed several thermal and voltage studies in support of CWLP's operating and planning decisions. I also performed duties for CWLP's Operations Department, including calculating CWLP's monthly cost of production. I also determined CWLP's

1 allocation of wholesale purchased power costs to retail and wholesale customers for  
2 use in the monthly fuel adjustment.

3 In June 2001, I joined BAI as a Consultant. Since that time, I have  
4 participated in the analysis of various utility rate and other matters in several states  
5 and before the Federal Energy Regulatory Commission (“FERC”). I have filed or  
6 presented testimony before the Arkansas Public Service Commission, the California  
7 Public Utilities Commission, the Delaware Public Service Commission, the Public  
8 Service Commission of the District of Columbia, the Florida Public Service  
9 Commission, the Georgia Public Service Commission, the Guam Public Utilities  
10 Commission, the Idaho Public Utilities Commission, the Illinois Commerce  
11 Commission, the Indiana Utility Regulatory Commission, the Kentucky Public Service  
12 Commission, the Public Utilities Board of Manitoba, the Minnesota Public Utilities  
13 Commission, the Mississippi Public Service Commission, the Missouri Public Service  
14 Commission, the Montana Public Service Commission, the North Carolina Utilities  
15 Commission, the North Dakota Public Service Commission, the Public Utilities  
16 Commission of Ohio, the Oklahoma Corporation Commission, the Oregon Public  
17 Utility Commission, the Rhode Island Public Utilities Commission, the Public Service  
18 Commission of Utah, the Virginia State Corporation Commission, the Public Service  
19 Commission of Wisconsin, the Washington Utilities and Transportation Commission,  
20 and the Wyoming Public Service Commission. I have also assisted in the analysis of  
21 transmission line routes proposed in certificate of convenience and necessity  
22 proceedings before the Public Utility Commission of Texas.

23 In 2009, I completed the University of Wisconsin – Madison High Voltage  
24 Direct Current (“HVDC”) Transmission Course for Planners that was sponsored by  
25 the Midwest Independent Transmission System Operator, Inc. (“MISO”).



1           BAI was formed in April 1995. BAI and its predecessor firm have participated  
2 in more than 700 regulatory proceedings in forty states and Canada.

3           BAI provides consulting services in the economic, technical, accounting, and  
4 financial aspects of public utility rates and in the acquisition of utility and energy  
5 services through RFPs and negotiations, in both regulated and unregulated markets.  
6 Our clients include large industrial and institutional customers, some utilities and, on  
7 occasion, state regulatory agencies. We also prepare special studies and reports,  
8 forecasts, surveys and siting studies, and present seminars on utility-related issues.

9           In general, we are engaged in energy and regulatory consulting, economic  
10 analysis and contract negotiation. In addition to our main office in St. Louis, the firm  
11 also has branch offices in Corpus Christi, Texas; Detroit, Michigan; Louisville,  
12 Kentucky and Phoenix, Arizona.

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**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

<b>IN RE: PETITION FOR RATE INCREASE BY FLORIDA CITY GAS</b>	) ) ) )	<b>DOCKET NO. 20220069-GU</b>
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STATE OF MISSOURI	)	
	)	SS
COUNTY OF ST. LOUIS	)	

**Affidavit of Brian C. Collins**

Brian C. Collins, being first duly sworn, on his oath states:

1. My name is Brian C. Collins. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

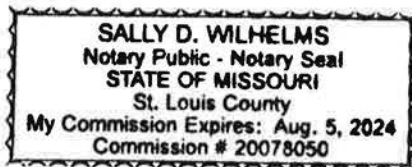
2. Attached hereto and made a part hereof for all purposes are my direct testimony and exhibits which were prepared in written form for introduction into evidence in the Florida Public Service Commission Docket No. 20220069-GU.

3. I hereby swear and affirm that the testimony and exhibits are true and correct and that they show the matters and things that they purport to show.

*Brian C. Collins*

\_\_\_\_\_  
Brian C. Collins

Subscribed and sworn to before me this 26th day of August, 2022.



*Sally D. Wilhelms*  
\_\_\_\_\_  
Notary Public

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(Whereupon, prefiled direct testimony of

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Angela L. Calhoun was inserted.)

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## 1 DIRECT TESTIMONY OF ANGELA L. CALHOUN

2 Q. Please state your name and address.

3 A. My name is Angela L. Calhoun. My address is 2540 Shumard Oak Boulevard;  
4 Tallahassee, Florida 32399-0850.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission (FPSC or Commission) as  
7 Chief of the Bureau of Consumer Assistance in the Office of Consumer Assistance &  
8 Outreach.

9 Q. Please give a brief description of your educational background and professional  
10 experience.

11 A. I graduated from Florida State University in 1993 with a Bachelor of Arts degree. I  
12 have worked for the Commission for more that 22 years, and I have experience in  
13 consumer complaints and consumer outreach. I work in the Bureau of Consumer  
14 Assistance within the Office of Consumer Assistance & Outreach where I manage  
15 consumer complaints and inquiries.

16 Q. What is the function of the Bureau of Consumer Assistance?

17 A. The Bureau's function is to resolve disputes between regulated companies and their  
18 customers as quickly, effectively, and inexpensively as possible.

19 Q. Do all consumers that have a dispute with their regulated company contact the Bureau  
20 of Consumer Assistance?

21 A. No. Consumers may initially file their complaint with the regulated company and reach  
22 a resolution without the Bureau's intervention. In fact, consumers are encouraged to  
23 allow the regulated company the opportunity to resolve the dispute prior to any  
24 Commission involvement.

25 Q. What is the purpose of your testimony?

1 A. The purpose of my testimony is to discuss/outline the number of consumer complaints  
2 logged with the Commission against Florida City Gas under Rule 25-22.032, Florida  
3 Administrative Code, Consumer Complaints, from July 1, 2017, to June 30, 2022. My  
4 testimony will also provide information on the type of complaints logged and those  
5 complaints that appear to be rule violations.

6 Q. What do your records indicate concerning the number of complaints filed for Florida  
7 City Gas.

8 A. From July 1, 2017, through June 30, 2022, the Commission logged 584 complaints  
9 against Florida City Gas. Of those, 489 were transferred to the company for resolution  
10 via Commission's Transfer-Connect (Warm-Transfer) System. This system allows the  
11 Commission to directly transfer a customer to Florida City Gas' customer service  
12 personnel. Once the call is transferred to Florida City Gas, the Company can provide  
13 the customer with a proposed resolution.

14 Q. What have been the most common types of complaints logged against Florida City Gas  
15 during the period of July 1, 2017, through June 30, 2022?

16 A. During the specified time period, approximately fifty-two (52%) percent of the  
17 complaints logged with the Commission concerned billing issues, while approximately  
18 forty-eight (48%) percent of the complaints involved quality of service issues.

19 Q. Do you have any exhibits attached to your testimony?

20 A. Yes. I am sponsoring ALC-1 and ALC-2, which are listings of consumer complaints  
21 logged with the Commission against Florida City Gas under Rule 25-22.032, Florida  
22 Administrative Code. The complaints listed were received between July 1, 2017,  
23 through June 30, 2022, and were captured in the Commission's Consumer Activity  
24 Tracking System (CATS). Exhibit ALC-1 lists quality of service complaints and  
25 Exhibit ALC-2 lists billing complaints. Both exhibits group the complaints by Close

1 Type.

2 Q. What is a Close Type?

3 A. A Close Type is an internal categorization code. It is assigned to each complaint once  
4 staff completes its investigation, and a proposed resolution is provided to the  
5 consumer.

6 Q. Do you have any additional exhibits?

7 A. Yes. Exhibit ALC-3 is a listing of complaints resolved as Close Type GI-02, Courtesy  
8 Call/Warm Transfer.

9 Q. Can you explain Close Type GI-02?

10 A. Yes. Florida City Gas participates in the Commission's Transfer-Connect (Warm-  
11 Transfer) System. This system allows the Commission to directly transfer a customer  
12 to the company's customer service personnel. Once the call is transferred to Florida  
13 City Gas, it provides the customer with a proposed resolution. Customers who are not  
14 satisfied with the company's proposed resolution have the option of re-contacting the  
15 Commission. While the Commission is able to categorize each of the complaints in the  
16 GI-02 category, a specific Close Type is not assigned because the proposed resolution  
17 is provided by the company. Consequently, the GI-02 Close Type only allows staff to  
18 monitor the number of complaints resolved via the Commission's Transfer-Connect  
19 System.

20 Q. How many of the complaints summarized on your exhibit has staff determined may be  
21 a violation of Commission rules for Florida City Gas?

22 A. Staff determined that, of the 584 complaints logged against Florida City Gas during the  
23 period of July 1, 2017, through June 30, 2022, there was one service quality complaint  
24 and four billing complaints that appear to demonstrate a violation of Commission  
25 Rules.

1 Q. Does that conclude your testimony?

2 A. Yes.

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1           CHAIRMAN FAY: All right. With that, we will  
2           move on to our witnesses. Let's go ahead and swear  
3           in the witnesses that we have present.

4           So would all the witnesses, which I believe  
5           are all Florida City Gas witnesses, at this time  
6           please stand and if you can confirm.

7           (Whereupon, all witnesses were sworn by  
8           Chairman Fay.)

9           CHAIRMAN FAY: Okay. Let the record reflect  
10          that all witnesses confirmed the affirmation of the  
11          oath.

12          With that, Commissioners, I just want to lay  
13          out a few things. I know, from a timeline  
14          perspective for the witnesses and the parties,  
15          everyone is kind of wondering where we will go  
16          through. We will work through this afternoon, and  
17          I plan on Tuesday, and Wednesday we will see where  
18          we are at that point. We may have worked through  
19          the witnesses at that point, but we do have time  
20          scheduled through Friday.

21          Just as a quick reminder for the witnesses, we  
22          have testimony -- the summaries of the testimony  
23          limited to five minutes. To the extent possible,  
24          we discussed this before, but as counsel knows, the  
25          prehearing order states the process for prefiled



1 testimony and witness answering. We ask our  
2 witnesses to answer a yes or no on the questions  
3 that are provided, and they are welcome to provide  
4 clarification if needed for those questions.

5 So with that, my hope is we will be able to  
6 get a lot of detail and clarification in the  
7 record, but at the same time, work through this  
8 efficiently.

9 Let's see, just for final cleanup here. We  
10 will take, based on conversations with the parties,  
11 assuming no objections, we will be taking up direct  
12 and rebuttal at the same time for the witnesses for  
13 our process. And only witness Slattery is  
14 participating solely as a rebuttal witness.

15 To get us in the right posture of the order,  
16 we will take up witnesses through the hearing will  
17 be witness Howard, witness Allis, witness Fuentes,  
18 witness Slattery and witness Campbell.

19 All right. With that, Mr. Trierweiler,  
20 anything else before we move into allowing Florida  
21 City Gas to take up their first witness?

22 MR. TRIERWEILER: No.

23 CHAIRMAN FAY: Okay. Great.

24 With that, then, Mr. Wright, you are  
25 recognized to call your first witness.

1 MR. WRIGHT: Thank you, Chairman. Florida  
2 City Gas calls Kurt Howard.

3 CHAIRMAN FAY: And if all the witnesses could,  
4 when you get situated, Mr. Howard, you will see a  
5 light in front, yeah, a little button and a light  
6 in front of you there. Just make sure our court  
7 reporter can get your testimony.

8 THE WITNESS: Check.

9 Whereupon,

10 KURT HOWARD

11 was called as a witness, having been previously duly  
12 sworn to speak the truth, the whole truth, and nothing  
13 but the truth, was examined and testified as follows:

14 EXAMINATION

15 BY MR. WRIGHT:

16 Q Can you please state your name?

17 A Kurt Howard.

18 Q Have you been sworn?

19 A Yes, I have.

20 Q And is your business address, Florida City  
21 Gas, 700 Universe Boulevard, Juno Beach, Florida, 33408?

22 A Yes, it is.

23 Q And by whom are you employed and in what  
24 capacity?

25 A I am employed by Florida City Gas as the

1 General Manager.

2 Q And on May 31st, 2022, did you file 42 pages  
3 of direct testimony?

4 A Yes.

5 Q Do you have any corrections to your direct  
6 testimony?

7 A I have one correction on page 42, line -- page  
8 41, line two of my direct testimony. On August 16th,  
9 2022, FCG filed a notice of identified adjustments that  
10 reflected, among other things, a decrease of \$3,104, and  
11 the O&M expense for the proposed AMI Pilot. As a result  
12 of this adjustment, the numbers shown on page 41, line  
13 two of my direct testimony should be revised from  
14 \$20,000 to \$16,896.

15 Q Okay. And with that correction, if I asked  
16 you the questions contained in your direct testimony,  
17 would your answers be the same?

18 A Yes.

19 MR. WRIGHT: Chairman, I would ask that Mr.  
20 Howard's direct testimony be inserted into the  
21 record as though read.

22 CHAIRMAN FAY: Okay. Show that inserted.

23 (Whereupon, prefiled direct testimony of Kurt  
24 Howard was inserted.)

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**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 20220069-GU**

**FLORIDA CITY GAS**

**DIRECT TESTIMONY OF KURT S. HOWARD**

**Topics: Overview of Rate Request,  
Capital Expenditures,  
Operations and Maintenance  
Expense, Update on the LNG  
Facility, Expansion of the  
SAFE Program, and  
Implementation of an AMI  
Pilot**

**Filed: May 31, 2022**

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Kurt S. Howard. My business address is Florida City Gas, 700  
5 Universe Boulevard, Juno Beach, Florida 33408.

6 **Q. By whom are you employed and what is your position?**

7 A. I am employed by Pivotal Utility Holdings, Inc. d/b/a Florida City Gas (“FCG”  
8 or the “Company”) as the Senior Director and General Manager, Gas  
9 Operations.

10 **Q. Please describe your duties and responsibilities in that position.**

11 A. In my role, I am responsible for all day-to-day operations, financial  
12 performance, and strategy for FCG.

13 **Q. Please describe your educational background and professional experience.**

14 A. I received a Bachelor of Science in Accounting, Master of Science in Decision  
15 and Information Sciences, and a Master of Business Administration from the  
16 University of Florida. I have been the General Manager of Florida City Gas  
17 since July 2020. Prior to my current role as General Manager, I started my  
18 career with NextEra Energy, Inc. (“NextEra”) in 2008 with NextEra’s  
19 unregulated subsidiary, NextEra Energy Resources, LLC. Over the past 14  
20 years, I have held positions in Financial Analysis, Treasury, Mergers &  
21 Acquisitions, Gas Infrastructure, and Business Development, all with  
22 increasing levels of responsibility.

23

1 **Q. Are you sponsoring or co-sponsoring any exhibits in this case?**

2 A. Yes. I am sponsoring Exhibit KSH-1 (List of MFRs Sponsored or Co-  
3 Sponsored by Kurt Howard).

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of my testimony is to provide an overview of FCG's filing and  
6 introduce the witnesses who are submitting direct testimony on FCG's behalf  
7 in support of the Company's proposed four-year rate plan. My testimony also  
8 supports the Company's actual and forecasted capital expenditures, as well as  
9 FCG's test year operations and maintenance ("O&M") projections. I also  
10 provide an update on the progress made to construct and complete the Liquefied  
11 Natural Gas ("LNG") Facility approved in FCG's prior rate case in Docket No.  
12 20170179-GU. Finally, I describe two new initiatives to further improve the  
13 safety of FCG's system and enhance the service provided to our customers: (i)  
14 the proposal to expand the existing Safety, Access, and Facility Enhancement  
15 ("SAFE") program to include certain vintage plastic pipeline and other rear-  
16 easement mains identified by our distribution integrity management program  
17 ("DIMP"); and (ii) the proposal to implement an advanced metering  
18 infrastructure pilot program ("AMI Pilot").

19 **Q. Please summarize your testimony.**

20 A. FCG is proposing a four-year rate plan, the elements of which I describe later  
21 in my testimony, modeled after prior multi-year plans approved by the  
22 Commission. With the approval of FCG's four-year rate plan, FCG would not  
23 seek a general base rate increase effective prior to January 1, 2027. We believe

1 this multi-year approach will work well for FCG's customers in terms of  
2 providing rate stability and certainty, avoiding repetitive and costly rate  
3 proceedings, and enabling the Company to continue to focus on providing safe,  
4 reliable, and affordable service to our customers.

5  
6 As discussed by the various FCG witnesses, the proposed base rate increase is  
7 appropriate and necessary for the Company to continue to meet the natural gas  
8 needs of existing and new customers; continue to provide safe, reliable, and  
9 quality customer service; and have a reasonable opportunity to earn a fair rate  
10 of return on the Company's investments. The proposed four-year rate plan  
11 would allow the Company to continue focusing on ways to improve its  
12 operations and performance, better meet customer needs and expectations, and  
13 invest the capital necessary to continue to safely and efficiently operate the  
14 utility during the term of the four-year rate plan.

15  
16 FCG's operations, like those of all utilities, are capital-intensive, and FCG's  
17 ability to continue to deploy capital is a key component of FCG's rate request.  
18 As explained by FCG witness Campbell, for the period 2019 through 2023,  
19 FCG projects to invest more than \$290 million in infrastructure and other  
20 capital necessary to support customer growth, enhance customer service, and  
21 continue to improve the safety and reliability of the system.

22



1 FCG's operating costs have increased since its last rate case due to significant  
2 inflationary pressures and ongoing customer growth and system expansion,  
3 increased damage prevention efforts, enhanced oversight over safety and  
4 quality control, and implementation of technology necessary to provide and  
5 enhance service to customers. FCG's O&M forecast for the 2023 Test Year is  
6 reasonable and appropriate to continue to provide safe and reliable service and  
7 meet the needs of our current and future customers.

8  
9 FCG has continued its efforts to complete the LNG Facility that was approved  
10 in the Company's prior rate case. However, as I further describe below, the  
11 construction and in-service schedule of the LNG Facility were delayed due to  
12 unanticipated external factors that were largely beyond FCG's control. As a  
13 result, the LNG Facility is currently scheduled to be completed and begin  
14 providing service to customers in March 2023.

15  
16 As part of this proceeding, FCG is seeking approval to continue and expand its  
17 existing SAFE program. As I further describe below, FCG is proposing to  
18 continue the SAFE program beyond its initial 2025 expiration date to include  
19 additional mains and services eligible to be replaced through the SAFE  
20 program. FCG is also proposing to expand the SAFE program cost recovery  
21 mechanism to include the capital investments necessary for the expedited  
22 replacement of early vintage polymer pipelines and mains installed before

1 1990. The proposal to continue and expand the SAFE program will help further  
2 improve the safety of our system for the customers and communities we serve.

3

4 FCG is also seeking approval to implement a limited four-year AMI Pilot. The  
5 proposed AMI Pilot, if approved, will allow FCG to evaluate the deployment  
6 and implementation of state-of-the-art smart meter technology capable of  
7 recording natural gas usage daily or hourly, transmitting data in real-time via a  
8 radio frequency mesh network that supports two-way communication, and  
9 enabling faster leak detection and response. In addition to the technological  
10 benefits, the new meters and meter assembly materials are anticipated to be  
11 more resistant to corrosion. The AMI Pilot was thoughtfully designed in order  
12 to test, obtain, and evaluate information and data on the deployment, use, and  
13 benefits associated with AMI technology paired with two-way communication  
14 functionality.

15

16 Taken as a whole, the proposed four-year rate plan will provide a high degree  
17 of base rate certainty for all FCG customers over a minimum of four years,  
18 encourage management to continue its focus on improving safety and  
19 reliability, allow FCG to realize additional operational efficiencies, and to  
20 continue creating stronger customer value.

21

22

23

## II. OVERVIEW OF FCG

1

2

3 **Q. Please provide a brief introduction to FCG.**

4 A. FCG is a natural gas utility subject to regulation by the Commission. FCG's  
5 service to customers has spanned decades, with its local distribution operations  
6 beginning in 1949. The Company currently provides safe, reliable, and  
7 affordable natural gas service to approximately 116,000 residential,  
8 commercial, and industrial customers in Miami-Dade, Broward, Brevard,  
9 Indian River, Palm Beach, Hendry, Indian River, and St. Lucie counties.

10

11 In July 1988, NUI Corporation acquired and subsequently operated the  
12 Company for 16 years until AGL Resources Inc. ("AGLR") acquired the  
13 Company in 2004. Upon acquisition in 2004, the name was changed to Florida  
14 City Gas. On July 1, 2015, AGLR became a wholly owned subsidiary of The  
15 Southern Company ("Southern").

16

17 On July 29, 2018, FCG was acquired by 700 Universe, LLC, a subsidiary of  
18 NextEra Energy, Inc. ("NextEra"), and subsequently transferred to Florida  
19 Power & Light Company ("FPL"). As a result of this transaction, FCG became  
20 and remains a wholly owned, direct subsidiary of FPL.

21 **Q. Please describe FCG's system.**

22 A. FCG currently operates approximately 3,800 miles of distribution main as well  
23 as 80 miles of transmission designated pipe located in southeast Florida. The

1 system is interconnected with and receives natural gas supply from a single  
2 interstate pipeline, Florida Gas Transmission (“FGT”). The Company operates  
3 20 gate stations that receive gas from FGT and transfer it onto the FCG-owned  
4 system. FCG operates three service centers located in Doral, Port St. Lucie,  
5 and Rockledge that enable the Company to cover the footprint of the service  
6 territory mentioned above.

7 **Q. What are the core values of FCG?**

8 A. As a wholly owned, direct subsidiary of FPL, FCG shares and embraces the  
9 core values that are central to FPL’s business; specifically, the commitment to  
10 excellence, doing the right thing, and treating people with respect. At FCG,  
11 these core values support and emphasize our commitment to safety for  
12 customers, as well as our employees and vendors. Safety is paramount to all  
13 facets of our business – from the investments we undertake, to the actions we  
14 perform, and to the business decisions we make.

15  
16 Consistent with these core values, we hold ourselves accountable to our  
17 customers. That accountability starts with a commitment to listen to and learn  
18 from our customers so that we fully understand their energy needs and can  
19 better assist them in determining how FCG can effectively and efficiently meet  
20 those needs. FCG is committed to increasing customer engagement, retention,  
21 and growth by making appropriate investments to ensure it is easy to do  
22 business with us.

23

1 As a natural gas utility, FCG is uniquely situated in that our service requires  
2 direct contact with our customers on a more frequent basis than other types of  
3 utilities. Unlike other utilities, natural gas utilities must enter the customer's  
4 home to initiate service by making two physical visits to the premise to safely  
5 turn the service off and on during outages. This requires the customer to be at  
6 home when the employee returns to restore service. Because our employees  
7 must enter the customer's home, this makes the initiation of gas service more  
8 challenging and emphasizes the need for effective communication and trust  
9 with our customers.

### 11 III. OVERVIEW OF FCG'S RATE REQUEST

13 **Q. Please summarize FCG's last general rate case.**

14 A. FCG's last general rate case was filed on October 23, 2017, in Docket No.  
15 20170179-GU, and resolved by Commission approval of a Stipulation and  
16 Settlement Agreement (the "2018 Settlement"). The 2018 Settlement  
17 authorized, among other things, new base rates and charges to become effective  
18 June 1, 2018, and a return on equity ("ROE") range of 9.19% to 11.19%. As  
19 part of the 2018 Settlement, FCG agreed not to seek a change in base rates prior  
20 to June 1, 2022, unless the earned ROE reported on an FCG earnings  
21 surveillance report fell below 9.19%.

1 The 2018 Settlement included projected qualified tax savings arising from the  
2 Tax Cuts and Jobs Act of 2017, which were applied as a reduction to the test  
3 year revenues. As required by the 2018 Settlement, on August 10, 2018, FCG  
4 filed a petition in Docket No. 20180154-GU for approval of the amount and  
5 flowback of protected and unprotected excess accumulated deferred income  
6 taxes. On December 20, 2018, the Commission approved a Stipulation and  
7 Settlement Agreement that reclassified \$1.6 million of excess accumulated  
8 deferred income taxes from “protected” to “unprotected” and flowed the excess  
9 accumulated deferred income tax back to customers through five amortizations  
10 of \$304,943. Under this agreement, FCG applied a levelized Purchased Gas  
11 Adjustment credit each month during 2019 to reflect the 2018 amortization of  
12 \$304,943 and implemented the remaining four amortizations through a base  
13 rate reduction of \$304,943, beginning January 1, 2019.

14

15 The 2018 Settlement also established a Storm Damage Reserve and authorized  
16 FCG to accrue \$57,500 annually with a target total reserve amount of \$800,000.  
17 The parties to the 2018 Settlement agreed to revisit the Storm Damage Reserve  
18 accrual if the reserve amount exceeds the \$800,000 target.

19

20 The 2018 Settlement also authorized FCG to construct a new LNG Facility  
21 capable of providing 10,000 dekatherms per day of capacity. The 2018  
22 Settlement allowed the Company to implement a subsequent increase in its base

1 rates and charges in an amount sufficient to recover an additional revenue  
2 requirement of \$3.8 million on the completed LNG Facility.

3 **Q. Has FCG been able to earn within the ROE range authorized by the 2018**  
4 **Settlement?**

5 A. No. As detailed in the testimony of FCG witness Campbell, capital investments  
6 since the prior case, as well as inflation and increases in operating costs, have  
7 impacted the Company's ability to achieve a reasonable return. As discussed  
8 by FCG witness Fuentes, the Company's December earnings surveillance  
9 reports and 2022 forecasted earnings surveillance report filed with the  
10 Commission demonstrate that FCG has continually earned and expects to earn  
11 below its authorized ROE range each year since its last general rate case. FCG  
12 witness Fuentes also describes that, based on the Company's projected 2023  
13 financial forecast, FCG projects that its earned ROE will be significantly below  
14 the bottom of the current authorized ROE range in 2023 without rate relief.

15 **Q. What are some of the actions the Company has taken to control costs and**  
16 **defer the need for a base rate increase?**

17 A. Despite the fact that FCG has earned below its authorized ROE range each year  
18 since its last general rate case, FCG declined to seek a base rate increase and,  
19 instead, focused on managing its costs under the terms of the 2018 Settlement,  
20 while keeping customer rates stable and at reasonable levels.

21  
22 For example, FCG revised its periodic meter testing program in 2019, which  
23 involved replacing the prior residential sampling plan deployed under Southern

1 with a new statistical sampling plan that uses the American National Standards  
2 Institute sampling techniques to determine sample size and failure rate. This  
3 refined approach allowed the Company to reduce the labor and materials  
4 associated with this activity while still strictly adhering to industry standards  
5 around ensuring the accuracy of measurement.

6  
7 Additionally, starting in 2019, FCG obtained all its short- and long-term  
8 financing needs through an intercompany loan with its parent company, FPL.  
9 The interest rate on these short- and long-term borrowings is significantly lower  
10 than the interest rates FCG could otherwise obtain on its own. This action has  
11 resulted in the Company paying lower financing costs for its working capital  
12 and capital expenditure requirements.

13  
14 Lastly, FCG has continued to efficiently manage and implement its SAFE  
15 program and associated cost recovery mechanism, which has enabled the  
16 Company to make capital investments that are necessary to further modernize  
17 and improve the safety, reliability, and quality of its system without the need  
18 for more frequent base rate case filings. As part of this rate case, the current  
19 SAFE investments will be moved from clause to base pursuant to Commission  
20 Order No. PSC-2015-0390-TRF-GU as explained by FCG witness Fuentes.

21

22



1 **Q. Please summarize the primary drivers for FCG's requested increase in**  
2 **base rates.**

3 A. The principal factor necessitating a rate increase is that FCG has been earning  
4 at or below the bottom of its approved ROE range since its last rate case.  
5 Without a rate increase, FCG is forecasted to continue to underearn.

6  
7 Another factor necessitating the rate increase is the need to respond to customer  
8 growth and demand, improve system safety, and enhance system resiliency.  
9 FCG has an obligation to make prudent and necessary infrastructure  
10 investments that provide a safe and reliable natural gas distribution system in  
11 the communities served. As discussed in the testimony of FCG witness  
12 Fuentes, FCG projects an adjusted rate base of \$489 million for the 2023 Test  
13 Year, which is an increase of approximately \$190 million (or approximately  
14 64%) over what was proposed in the last base rate proceeding.<sup>1</sup>

15  
16 FCG's operating costs have also increased since the last rate case due to the  
17 significant increase in inflation, with current inflation rates reaching their  
18 highest levels in 40 years as explained by FCG witnesses Campbell and Nelson.  
19 In addition to these significant inflationary pressures, FCG's operating costs  
20 have increased since its last rate case due to continued customer growth and  
21 system expansion, increased damage prevention efforts, enhanced oversight

---

<sup>1</sup> The estimated increase in the adjusted rate base includes the SAFE investments that are being transferred from clause recovery to base rates in 2023 as contemplated in Order No. PSC-2015-0390-TRF-GU.

1 over safety and quality control, and implementation of technology necessary to  
2 provide and enhance service to customers.

3 **Q. What is the specific rate relief that FCG is requesting in this proceeding?**

4 A. FCG is proposing a four-year rate plan that will allow FCG to continue to meet  
5 the natural gas needs of existing and new customers, continue to provide safe,  
6 reliable, and high-quality customer service, and have a reasonable opportunity  
7 to earn a fair rate of return on the Company's investments. The Company's  
8 four-year rate plan includes the following core elements:

- 9 • FCG is requesting an incremental base revenue increase of \$19.4  
10 million based on a projected 2023 Test Year as further explained by  
11 FCG witness Fuentes.
- 12 • The requested increase reflects a 10.75% mid-point ROE and an equity  
13 ratio of 59.6% from investor sources (*i.e.*, short-term debt, long-term  
14 debt, and common equity) for all regulatory purposes as described by  
15 FCG witnesses Campbell and Nelson.
- 16 • New base rates and charges would become effective February 1, 2023  
17 and continue at least until the last billing cycle of December 2026. The  
18 revenues will be allocated to FCG's rate classes based on a class cost of  
19 service study and applying the Commission's guideline on gradualism  
20 as described by FCG witness DuBose.
- 21 • A critical and essential component of FCG's proposed four-year rate  
22 plan is the adoption of a reserve surplus amortization mechanism  
23 ("RSAM") as explained by FCG witnesses Campbell and Fuentes. The

1 RSAM results in a significant reduction in the annual revenue  
2 requirement, and will enable FCG to avoid seeking a base rate increase  
3 until at least through the end of 2026. Without the RSAM proposed in  
4 this proceeding, including the proposed Reserve Amount, the Company  
5 likely would need to file an additional rate case in 2024 to support a  
6 base rate increase in 2025 as further explained by FCG witness  
7 Campbell.

- 8 • The continuation and expansion of the existing SAFE program, which  
9 will allow FCG to further implement safe, reliable, and quality system  
10 enhancements as detailed below.
- 11 • Implementation of a new limited AMI Pilot that will enable FCG to  
12 explore the potential for AMI meters to provide enhanced service to  
13 FCG's customers as further described below.
- 14 • A mechanism to account for the potential of tax reform legislation being  
15 passed during the four-year rate plan as explained by FCG witness  
16 Campbell.
- 17 • Continuation of FCG's existing Storm Damage Reserve provision  
18 approved in the 2018 Settlement, subject to the provisions of the new  
19 Rule 25-7.0143, Florida Administrative Code, as explained by FCG  
20 witness Campbell.

21 The proposed four-year rate plan will provide rate stability and certainty, avoid  
22 repetitive and costly rate proceedings, enable the Company to continue to focus  
23 on improving safety and reliability, and allow FCG to realize additional

1 efficiencies in operations and to create stronger customer value during the term  
2 of the four-year rate plan.

3 **Q. Is FCG proposing any substantive revisions to its rate schedules or tariff?**

4 A. No. As explained by FCG witness DuBose, FCG is updating its base rates and  
5 a few of its service charges but is not otherwise proposing any material changes  
6 to the rules and regulations or rate schedules in its current tariff. FCG is  
7 proposing to update certain miscellaneous service charges to more accurately  
8 reflect the costs incurred to provide these services to customers as shown on  
9 MFR E-3.

10 **Q. Who will be testifying on FCG's behalf in this proceeding?**

11 A. The following witnesses will also testify as part of FCG's direct case:

- 12 • Mark Campbell, Senior Director of Financial Forecasting at FPL –  
13 Details and supports the load, customer, capital, sales, and financial  
14 forecasts upon which FCG's projected MFRs are based. Witness  
15 Campbell also explains the major cost drivers since 2018 that  
16 necessitate a base rate increase effective February 1, 2023. He also  
17 details and supports key features of the Company's four-year rate plan,  
18 such as the RSAM, the tax change adjustment mechanism, and the  
19 continued use of FCG's Storm Damage Reserve.
- 20 • Liz Fuentes, Senior Director of Regulatory Accounting at FPL –  
21 Provides the calculation of FCG's net operating income, working  
22 capital, rate base, capital structure, and revenue requirements for the  
23 2023 Test Year, including all Commission adjustments and Company

- 1 proposed adjustments. Witness Fuentes also presents the impacts of  
2 several depreciation adjustments related to the RSAM that the  
3 Commission could approve as part of the Company's four-year rate plan  
4 in lieu of those presented by FCG witness Allis. Witness Fuentes also  
5 provides an overview of the corporate support and services FCG has  
6 received and will continue to receive from its affiliates during the 2023  
7 Test Year, and describes the policies in place to ensure no subsidization  
8 of affiliate activities.
- 9 • Tara DuBose, Manager of Cost of Service and Load Research in the Rates  
10 & Tariffs Department at FPL – Supports the specific methods employed  
11 in developing the forecasts of revenues for the historic year ended  
12 December 31, 2021, and for the 2023 Test Year ending December 31,  
13 2023. Witness DuBose also describes the methodology used to develop  
14 the class cost of service study, revenue allocation, and rate design  
15 associated with FCG's request, and presents the results of each.
  - 16 • Jennifer Nelson, Concentric Energy Advisors – Provides the  
17 Commission with a recommendation on behalf of the Company  
18 regarding the Company's ROE in this proceeding and assesses the  
19 reasonableness of the Company's requested capital structure.
  - 20 • Ned Allis – CDP, Gannett Fleming Valuation and Rate Consultants,  
21 LLC – Details the methods and procedures supporting the 2022  
22 Depreciation Study and sets forth the annual depreciation rates that  
23 result from the application of the Study.

1 Some of these individuals, as well as others, also may provide rebuttal  
2 testimony on behalf of FCG.

3

4

#### IV. CAPITAL EXPENDITURES

5

6 **Q. Please describe the types of capital investments made by FCG.**

7 A. FCG has regular ongoing capital investments that are necessary to continue to  
8 provide safe and reliable service to customers. These ongoing investments  
9 typically fall in four general categories: customer growth, reliability, safety,  
10 and customer service. In addition to these ongoing capital expenses, FCG  
11 makes periodic capital investments for special or major projects, such as the  
12 LNG Facility<sup>2</sup> and the new Starnik customer information system.<sup>3</sup>

13

14 With respect to customer growth or enhanced/incremental load, the Company  
15 is required to make capital investments to extend or upgrade its mains and  
16 services necessary to interconnect and provide natural gas service to new  
17 customers or enhanced/incremental load. Although these types of expenditures  
18 are ongoing, the timing of when these projects occur is largely driven by  
19 customers' needs and construction schedules. For these types of investments,  
20 FCG applies its tariff rules on the maximum allowable construction costs or  
21 "MACC" to determine whether the extension of service is economical and

---

<sup>2</sup> See Order No. PSC-2018-0190-FOF-GU.

<sup>3</sup> See Order Nos. PSC-2020-0489-PAA-GU and PSC-2021-0023-CO-GU.

1           beneficial to the general body of customers, or whether the customer requesting  
2           the new or enhanced service is required to pay a contribution in aid of  
3           construction consistent with the Commission Rules.

4  
5           The Company also routinely makes capital investments to continue to improve  
6           the reliability of its system. These types of investments are typically driven by  
7           the demands on FCG's system, capacity constraints of the physical system, and  
8           the need to plan for reasonably continuous natural gas service. Examples of  
9           FCG's reliability projects include, but are not limited to: projects to provide  
10          redundant (not duplicative) sources of gas supply; projects to increase capacity  
11          of the physical facilities; projects to increase system pressures; and additional  
12          gate stations.

13  
14          As I previously mentioned, safety is paramount to all facets of our business and  
15          FCG routinely makes capital investments to continue to improve the safety of  
16          system for the customers and communities we serve, as well as for our own  
17          employees and contractors. These safety-related capital investments include  
18          replacement or relocation of facilities, such as under our Commission-approved  
19          SAFE program, emergency response and preparedness, and projects to replace  
20          facilities that are identified by FCG's DIMP to have a higher risk or  
21          consequence of failure. These investments also include the addition of a new  
22          training facility.

23

1 **Q. How does FCG develop and budget for capital expenditures?**

2 A. FCG evaluates capital projects annually and integrates them into a five-year  
3 capital expenditure forecast (“Five-Year Forecast”). The Five-Year Forecast  
4 reflects the Company’s planning of future capital projects, initiatives, and  
5 associated expenditures. Each fall, FCG develops a capital budget (“Annual  
6 Capital Budget”) for projects and initiatives associated with the upcoming  
7 calendar year. The Annual Capital Budget and Five-Year Forecast are  
8 developed from information submitted by various departments within the  
9 organization, including business development, engineering, field operations,  
10 distribution and transmission integrity, fleet and facilities, and information  
11 technology. The Annual Capital Budget and the Five-Year Forecast, including  
12 all annual updates to that forecast, are subject to the review and approval by the  
13 budget review committee as further described by FCG witness Campbell.

14 **Q. Are natural gas system construction costs increasing?**

15 A. Yes, FCG has seen an increase in construction costs since its last base rate case.  
16 For example, based on actual cost data for all work on mains between 2019 and  
17 2021, including main extensions and system integrity work, FCG’s cost to  
18 construct had increased by 7% per linear foot.

19 **Q. Why are these construction costs increasing?**

20 A. These increases have largely been driven by the following: increases in  
21 inflation and material costs; industry market demand for external contractors;  
22 supply chain issues; governmental, regulatory, and compliance requirements  
23 including permitting and maintenance of traffic requirements; retirement,



1 removal and restoration costs; construction safety protocols; and enhanced  
2 construction management, inspection, and quality control.

3 **Q. How does FCG ensure that the construction costs for its planned capital  
4 projects are reasonable?**

5 A. FCG follows several practices to ensure that its capital expenditures are at the  
6 lowest reasonable cost. These include competitive bidding, contractor quality  
7 assurance, and cost tracking. With respect to competitive bidding, FCG awards  
8 pipeline installation contracts for common work as blanket agreements  
9 covering a three-year term based upon competitive bids. Larger or unique  
10 pipeline projects and other capital work are advertised separately for bids. In  
11 addition, these projects and other smaller services are all obtained using  
12 established NextEra supply chain policies to mitigate risk and deliver value.  
13 The pool of qualified candidates for each project is reviewed prior to  
14 advertisement to assure high competition for project bids. Contractor bids are  
15 evaluated weighing a combination of criteria including cost, contractor quality,  
16 supplier diversity, past performance, experience, availability, schedule, and  
17 safety. This traditional approach is readily validated and ensures that customers  
18 are delivered market-driven value through a selection process that involves  
19 multiple criteria.

20 **Q. How does FCG ensure that capital projects are completed by qualified  
21 personnel who share FCG's focus on quality for the customer?**

22 A. FCG has a robust operator qualification program in full compliance with 49  
23 CFR § 192.805 and up to date with industry best practices and evaluation

1 criteria. All personnel performing work on FCG facilities for operation,  
2 maintenance, and construction are subject to full compliance with FCG's  
3 qualification program. Qualifications and performance are continuously  
4 monitored, tracked, inspected, and audited for adherence to federal, local, and  
5 company requirements and company standards by Project Coordinators, third  
6 party inspectors, and internal Quality Assurance Specialists.

7 **Q. What are the processes and procedures that FCG uses to ensure that**  
8 **additions to plant are necessary and made at a reasonable cost?**

9 A. FCG undertakes each of these projects based on its planning criteria and  
10 analysis of alternatives. The capital investment approval process considers  
11 whether capital projects satisfy regulatory requirements, are necessary to extend  
12 services to new customers, or will enhance the efficiency, safety, and reliability  
13 of the service the Company provides to its customers in a cost-effective manner.  
14 In addition, the Company maintains and uses purchasing programs and policies  
15 designed to ensure that equipment and components are purchased at a  
16 reasonable cost and that the Company takes advantage of purchasing economies  
17 that are reasonably available to it.

18 **Q. What are the capital investments FCG has made since its last rate case?**

19 A. With the exception of the LNG Facility and FCG's new Starnik customer  
20 information system, FCG's capital investments since its last rate case were  
21 primarily related to the Company's regular ongoing capital investments for  
22 customer growth/load enhancement, safety and reliability, and customer  
23 service. As summarized by FCG witness Campbell, between 2019 and 2023,

1 FCG projects to invest more than \$290 million (including the LNG Facility and  
2 SAFE program) in infrastructure and other capital to support customer growth,  
3 customer service, and enhance the safety and reliability of its system.

4 **Q. What are the capital investments FCG is projecting for the 2023 Test**  
5 **Year?**

6 A. FCG projects to invest approximately \$55 million in infrastructure and other  
7 capital by the end of the 2023 Test Year (including the LNG Facility and SAFE  
8 program) to support customer growth, enhance customer service, comply with  
9 increasing regulatory compliance requirements, and enhance the reliability of  
10 its system. In addition to FCG's regular ongoing capital investments, these  
11 projected capital expenditures include investments for the ongoing SAFE  
12 program, the previously approved LNG Facility as further discussed below, and  
13 FCG's proposed AMI Pilot as further discussed below. MFR G1-26 provides  
14 further details regarding FCG's capital expenditures projected for the 2023 Test  
15 Year.

16 **Q. For the plant additions projected through the end of the 2023 Test Year,**  
17 **did FCG follow the processes and procedures you described above to**  
18 **ensure that additions to plant are necessary and reasonable?**

19 A. Yes. For all plant additions since its last rate case, including capital  
20 expenditures projected through the end of the 2023 Test Year, the Company has  
21 followed these same processes and procedures to ensure that its capital  
22 investments are reasonable, and it has proposed only those additions to rate base

1 that are necessary to provide regulated natural gas service and benefit  
2 customers.

3 **Q. Do you have an opinion as to whether the plant additions projected**  
4 **through the end of the 2023 Test Year have been or will be added in a**  
5 **prudent manner and at a reasonable cost?**

6 A. Yes. Based upon my knowledge of the Company's planning, operations, and  
7 purchasing policies and practices described above, and my knowledge of  
8 significant Company projects, I conclude that the plant additions since the last  
9 rate case and projected through the end of the 2023 Test Year have been made  
10 or will be made in a prudent manner and at a reasonable cost.

11

## 12 V. OPERATIONS AND MAINTENANCE

13

14 **Q. What is FCG's projected O&M expense for the 2023 Test Year?**

15 A. As shown on MFR E-6 (with RSAM), FCG's total unadjusted O&M expense  
16 for the 2023 Test Year is \$66.8 million.

17 **Q. Has FCG's O&M expense increased since its last rate case?**

18 A. Yes. As explained by FCG witness Campbell, FCG's O&M expense for the  
19 2023 Test Year has increased by \$5.8 million since the Company's last rate  
20 case, with \$2.4 million of this increase due to inflationary pressures.

21

1 **Q. Has FCG implemented any changes or improvements in its operations and**  
2 **management since its last rate case that impact the O&M expense for the**  
3 **2023 Test Year?**

4 A. Yes. Since its last rate case, FCG has initiated several changes to continue to  
5 improve reliability, safety, and customer service. Below is a summary of the  
6 key improvements and initiatives since the last rate case:

- 7 • FCG is implementing measures to address the requirements of the  
8 United States Department of Transportation Pipeline and Hazardous  
9 Materials Safety Administration’s (“PHMSA”) Mega Rule, which  
10 became effective July 1, 2020, and has added additional significant  
11 safety-oriented regulations applicable to gas transmission entities  
12 like FCG. The details of this Mega Rule can be found in the Federal  
13 Register at 84 FR 52180.
- 14 • FCG is implementing measures to comply with PHMSA’s Public  
15 Awareness Program, which requires pipeline operators to develop  
16 and conduct continuing public awareness programs to provide  
17 pipeline safety information to stakeholder audiences, including the  
18 affected public, emergency officials, local public officials, and  
19 excavators.
- 20 • In 2020, FCG implemented a new artificial intelligence-based  
21 damage prevention solution that allows FCG to employ predictive  
22 analytics to detect and prevent damage to its system. This solution

- 1           has dramatically improved damage prevention and significantly  
2           reduced safety risks and damages caused by excavator error.
- 3           • During the 2023 Test Year, FCG will begin implementing the  
4           measures to comply with the Protecting Our Infrastructure of  
5           Pipelines and Enhancing Safety Act of 2020 (“PIPES Act”), which  
6           requires FCG to utilize tools and advanced equipment to limit the  
7           release of methane emissions into the environment. In addition, the  
8           PIPES Act requires FCG to maintain advanced leak survey  
9           equipment to improve and accelerate leak detection and response  
10          process.
  - 11          • FCG developed a core of Quality Assurance and Quality Control  
12          programs to further improve and enhance the quality of work  
13          processes.
  - 14          • In 2020, FCG moved all of its GIS applications and functions in-  
15          house. Insourcing the GIS function has significantly improved the  
16          efficiency and accuracy of FCG’s system maps updates.
  - 17          • FCG deployed iPhone smart devices for its field employees, which  
18          has improved the efficiency of FCG’s field operations.
  - 19          • In 2020, FCG moved its leak survey program in-house and utilizes  
20          less costly, and more efficient, internal resources. Insourcing this  
21          function reduces costs and provides a more robust overall leak  
22          survey by leveraging the talent of our internal employees and  
23          minimizing the number of multiple trips to customers’ premises.

- 1                   • During the 2023 Test Year, FCG will begin implementing measures  
2                   associated with the safety management system recommended by the  
3                   American Petroleum Institute Recommended Practice 1173 (“API  
4                   RP 1173”), which establishes a pipeline safety management system  
5                   framework to assist pipeline operators, such as FCG, to identify and  
6                   manage risk, promote a learning environment, and continuously  
7                   improve pipeline safety and integrity.

8                   Each of the foregoing improvements and initiatives are reflected in FCG’s  
9                   O&M expense for the 2023 Test Year.

10

11

## VI. LNG FACILITY

12

13 **Q. Please describe FCG’s LNG Facility.**

14 A. FCG’s LNG Facility was approved as part of the 2018 Settlement. The 2018  
15 Settlement Agreement authorized FCG to construct the facility as FCG  
16 proposed it in the Company’s direct testimony. As set forth in FCG’s direct  
17 testimony in Docket No. 20170179-GU, the facility was proposed to be located  
18 along and tied into FCG’s Jet Fuel Line and would serve to reinforce FCG’s  
19 system south of the Miami International Airport. The LNG Facility would be  
20 capable of providing an additional 10,000 Dth/d of capacity and would include  
21 the following features: (i) truck loading facilities; (ii) three storage tanks  
22 holding a total of 270,000 gallons of LNG; (iii) vaporization equipment; and

1 (iv) other related specifications. At the time, FCG estimated the cost of the  
2 facility to be approximately \$58 million.

3  
4 As proposed in the 2018 rate case, the LNG will be brought into the plant by  
5 tankers from third-party LNG producers. The LNG will be stored in the three  
6 storage tanks until FCG's distribution system needs supplemental gas. As  
7 needed to meet system demands, the LNG will be pumped to a vaporizer and  
8 heated to change it from a liquid back into a gas. The gas will then be injected  
9 into and flow through FCG's Jet Fuel Line to the regular stations and on to end-  
10 use customers on FCG's distribution system. As FCG explained in the 2018  
11 rate case, the LNG Facility will provide extra capacity to serve customers at the  
12 most southern portion of the Company's system during times of high demand.  
13 FCG also detailed how the availability of an LNG resource will allow FCG to  
14 continue to expand further south with a plan to meet the capacity needs of  
15 additional customers during peak demand.

16 **Q. Did the 2018 Settlement address cost recovery for the LNG Facility?**

17 A. Yes. The 2018 Settlement authorized two specific step increases to recover the  
18 revenue requirements associated with the estimated costs for the LNG Facility:  
19 (i) \$2.5 million on June 1, 2019, or the in-service date of the LNG Facility,  
20 whichever is later; and (ii) \$1.3 million on December 1, 2019. The 2018  
21 Settlement also included a provision that if the in-service date of the LNG  
22 Facility was after December 1, 2019, the Company would be allowed to  
23 implement an increase in rates and charges sufficient to recover the remaining



1 revenue requirement of \$3.8 million upon the in-service date of the LNG  
2 Facility.

3 **Q. Did the 2018 Settlement require any further review or approval before the**  
4 **base rate revenue increases associated with the LNG Facility could become**  
5 **effective?**

6 A. No. Under the 2018 Settlement, the effective dates for the revenue increases  
7 associated with the LNG Facility were contingent only upon the in-service date  
8 of the LNG Facility.

9 **Q. Has FCG completed construction of the LNG Facility?**

10 A. No, the project has been delayed due to factors largely beyond FCG's control.

11 **Q. Please explain the delay in completing the construction of the LNG Facility.**

12 A. The delay in the project was caused by the loss of the initial site for the LNG  
13 Facility that was selected while FCG was still under the ownership of Southern.  
14 As explained in the direct testimony of FCG witness Wassell submitted in  
15 Docket No. 20170179-GU, the LNG Facility was originally proposed to be  
16 located on a property along FCG's Jet Fuel Line in the area between Cutler  
17 Ridge and Homestead in Miami-Dade County; however, the Company also  
18 explained that it was continuing to evaluate locations. After the 2018  
19 Settlement was approved, FCG began to engineer and design the original  
20 proposed site for the LNG Facility. However, the Company was ultimately  
21 unable to successfully obtain the zoning and permitting approvals necessary to  
22 construct the LNG Facility at the original proposed site. Since the original site  
23 was no longer viable, FCG determined the most appropriate strategy would be

1 to sell the original proposed site and secure a new site for the LNG Facility that  
2 would still allow the facility to tie into FCG's Jet Fuel Line and reinforce FCG's  
3 system south of the Miami International Airport as originally approved under  
4 the 2018 Settlement. The timing and difficulty associated with the permits and  
5 approvals for the original site, the loss of the original site as a viable project  
6 location, the need to sell the original site, and the need to secure a new project  
7 site all contributed to the delay of the LNG Facility.

8 **Q. Is the LNG Facility still needed to provide service to FCG's customers?**

9 A. Yes. Although the project has been delayed due to reasons that were largely  
10 beyond FCG's control, the need for the LNG Facility remains today just as it  
11 did when initially approved as part of the 2018 Settlement. As described in the  
12 direct testimony of FCG witness Becker submitted in Docket No. 20170179-  
13 GU, FCG needs additional interstate pipeline capacity to meet the needs of both  
14 its Sales and Essential Use Transportation customers primarily in the Miami-  
15 Dade County area, which is currently served by a single interstate pipeline with  
16 capacity that is fully subscribed. To date, FCG has been unable to acquire any  
17 additional interstate capacity at terms and pricing that is acceptable and  
18 reasonable, including additional capacity to serve customers in the Miami-Dade  
19 County area. As such, the LNG Facility continues to be necessary to provide  
20 extra capacity to serve customers at the most southern portion of the Company's  
21 system during times of high demand as originally approved in the 2018  
22 Settlement. Additionally, FCG has seen significant gas demand growth on the  
23 southern portion of its system since the 2018 Settlement.

1 **Q. Has FCG successfully acquired a new viable site for the LNG Facility?**

2 A. Yes. After its decision to sell the original site, FCG began an extensive search  
3 for a new site that would still tie into the Jet Fuel Line to serve FCG's system  
4 south of the Miami International Airport as originally approved under the 2018  
5 Settlement. After a diligent search for an appropriate site, FCG was able to  
6 identify a property that could deliver those benefits in Homestead, Florida.  
7 After months of coordination and discussion with local officials, FCG received  
8 all necessary permits and approvals to site the LNG Facility at the Homestead  
9 property and closed on the property in December of 2021.

10 **Q. Has FCG made any changes to the scope of the LNG Facility that was**  
11 **approved for construction in the 2018 Settlement?**

12 A. No. Despite the need to relocate the project site, the LNG Facility will have the  
13 same scope and purpose as approved in the 2018 Settlement.

14 **Q. What is the new projected in-service date of the LNG Facility?**

15 A. The LNG Facility currently is scheduled to be constructed and placed in-service  
16 in March 2023.

17 **Q. What is FCG's current estimated cost to complete the LNG Facility?**

18 A. The revenue increase for the LNG Facility pre-approved by the 2018 Settlement  
19 was based on a total estimated project cost of \$58 million. However, as  
20 explained in the direct testimony of FCG's witness Wassell submitted in Docket  
21 No. 20170179-GU, this was only an estimate subject to change as the project  
22 gets closer to completion. FCG currently projects the total cost of the LNG  
23 Facility to be \$68 million.

1 **Q. Please describe why the total estimated costs for the LNG Facility have**  
2 **increased since the last rate case.**

3 A. The primary driver of the increased project cost is due to the loss of the original  
4 site proposed for the LNG Facility and the associated delay to the in-service  
5 date. Specifically, FCG is forecasting: (i) \$6.2 million in increased costs  
6 associated with geotechnical analysis, environmental studies, and permitting  
7 associated with the new site; (ii) \$3.5 million in increased pipeline costs  
8 associated with the need to extend a connection from the new site for the LNG  
9 Facility to FCG's distribution system; and (iii) \$2.5 million in increased costs  
10 associated with site-specific engineering costs. These increased costs have  
11 been offset by \$2.2 million in land-related savings attributable to switching site  
12 locations. These additional costs are needed to complete the project at the new  
13 site and interconnect the LNG Facility to the Jet Fuel Line to reinforce FCG's  
14 system south of the Miami International Airport as originally approved under  
15 the 2018 Settlement.

16 **Q. Are the costs associated with the LNG Facility reflected in FCG's revenue**  
17 **requirement for the 2023 Test Year?**

18 A. Yes. As explained by FCG witness Fuentes, the total cost of the LNG Facility  
19 is included in the calculation of the total revenue requirements for the 2023 Test  
20 Year. However, as I mentioned before, the Commission previously approved  
21 an automatic increase in base rate revenues of \$3.8 million upon the in-service  
22 date of the LNG Facility. This revenue increase is factored into the calculation

1 of the incremental base revenue increase of \$19.4 million as discussed by FCG  
2 witness Fuentes.

3  
4 As explained above, the total costs for the LNG Project have increased by \$10  
5 million more than the original project estimate of \$58 million, which was the  
6 basis for the automatic increase in base rate revenues of \$3.8 million approved  
7 as part of the 2018 Rate Case Settlement. Therefore, FCG's proposed  
8 incremental base rate increase includes the revenue requirements for the  
9 incremental \$10 million of capital expenditures necessary to complete the LNG  
10 Facility.

11

## 12 VII. SAFE PROGRAM EXPANSION

13

14 **Q. Please describe the Company's SAFE program.**

15 A. The Company's SAFE program was approved by Order No. PSC-15-0390-  
16 TRF-GU, issued September 15, 2015, in Docket No. 150116-GU. The SAFE  
17 program facilitates the expeditious relocation of certain existing gas facilities  
18 located in, or associated with, rear lot easements. As the Commission  
19 recognized in its Order approving the SAFE program, the existing location of  
20 these mains, services and, in some cases, above-ground facilities, presents  
21 significant operational risks and challenges for FCG and its customers. The  
22 SAFE program facilitates the relocation process by enabling FCG to recover  
23 appropriate costs, along with a reasonable return, for the necessary main

1 relocations and associated new service lines, as well as costs associated with  
2 any above-ground facilities, such as meters and regulator sets, that may need to  
3 be replaced or relocated due to the main and service line relocations. FCG  
4 recovers these costs through a surcharge, which is subject to true up each year.

5 **Q. Is the Company proposing to continue the SAFE program?**

6 A. Yes. The current SAFE program is set to expire in 2025 based on an original  
7 estimate of 254.3 miles of mains and services to be relocated from rear property  
8 easements to the street front over the ten-year program. FCG has subsequently  
9 identified an additional approximately 150 miles of mains and services that are  
10 currently located in rear property easements and eligible for replacement under  
11 the SAFE program. As the Commission has previously found, mains and  
12 services located in rear property easements present operational and safety  
13 concerns, including the age of the facilities, limitations on the Company's  
14 access to the facilities due to vegetation overgrowth, landscaping and  
15 construction in the easements, and potential gas theft or diversion and damages  
16 to the facilities. Accordingly, FCG is seeking Commission approval to continue  
17 the SAFE program beyond its 2025 expiration date and include an additional  
18 approximately 150 miles of mains and services eligible to be replaced through  
19 the SAFE program. If approved in this proceeding, FCG will update the SAFE  
20 program in its next annual SAFE filing to reflect that the program will continue  
21 in order to relocate an additional approximately 150 miles of mains and  
22 services. As part of that annual SAFE filing, FCG will propose a new  
23 investment/construction schedule and term for the SAFE program. The

1           reasonableness and prudence of the projected and actual costs incurred will  
2           continue to be reviewed as part of FCG’s normal SAFE annual filing.

3   **Q.    Is FCG proposing any other changes to the SAFE program?**

4   A.    Yes. FCG is also proposing to expand the SAFE program cost recovery  
5           mechanism to include the capital investments necessary for the expedited  
6           replacement of approximately 160 miles of early vintage polymer pipelines and  
7           mains referred to as “orange pipe”. Orange pipe is a specific plastic material  
8           that was used in the 1970s and 1980s that has been studied by the PHMSA and  
9           shown through industry research to exhibit premature failure in the form of  
10          cracking.<sup>4</sup> The potentially compromised nature of the piping makes responding  
11          to leaks more hazardous since responders cannot safely squeeze the pipe  
12          without it cracking. This presents a significant and serious safety risk to the  
13          customers and communities we serve, as well as to first responders.

14  
15          In order to address this safety risk in a timely manner, FCG is seeking approval  
16          to expand the SAFE program cost recovery mechanism to include the capital  
17          investments necessary for the expedited replacement of approximately 160  
18          miles of orange pipe installed before 1990. The Company will prioritize the  
19          replacement of this orange pipe based on age and highest risk. If approved in  
20          this proceeding, FCG will update the SAFE program in its next annual SAFE  
21          filing to reflect the expansion of the SAFE program to include the replacement  
22          of the orange pipe. As part of that annual SAFE filing, FCG will propose an

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<sup>4</sup> See Final Report, Plastic Pipe Failure, Risk, and Threat Analysis, Gas Technology Institute (Revised April 29, 2009), available at: [https://rosap.ntl.bts.gov/view/dot/34642/dot\\_34642\\_DS1.pdf](https://rosap.ntl.bts.gov/view/dot/34642/dot_34642_DS1.pdf).

1 investment/construction schedule for the replacement of the orange pipe and  
2 new term for the SAFE program. The reasonableness and prudence of the  
3 annual projected and actual costs incurred will continue to be reviewed as part  
4 of FCG's annual SAFE filing.

5

6

## VIII. AMI PILOT

7

8 **Q. What is AMI?**

9 A. AMI systems provide granular usage information to utilities and customers. An  
10 AMI system has three major components: (i) smart meters (and associated  
11 communication modules), (ii) a communication network, and (iii) AMI back-  
12 office information technology (IT) systems to manage the two-way  
13 communications enabled by AMI. To date, only a small number of gas utilities  
14 have deployed AMI technology, but AMI is widely used across the electric  
15 utility industry.

16 **Q. Please describe FCG's proposed AMI Pilot.**

17 A. FCG's proposed AMI Pilot is a four-year research and development pilot to  
18 support the evaluation of system-wide deployment of AMI infrastructure in a  
19 future case. The purpose of the AMI Pilot is intended to test and gain  
20 information and data on the deployment, use, benefits, and cost savings  
21 associated with AMI with two-way communications. As part of the AMI Pilot,  
22 FCG will also test and gather data on (i) corrosion resistance and life of new  
23 smart meters and associated assemblies and (ii) ability of FCG's back-office



1 system to support and utilize the full potential of two-way communication smart  
2 meters. The AMI Pilot is proposed as a one-year roll-out (*i.e.*, installation) of  
3 the meters and a subsequent three-year evaluation period in which the  
4 performance of the meters and their correlative benefits will be assessed.

5 **Q. Please describe the expected benefits of using AMI.**

6 A. Although a few gas utilities currently use smart meters with AMI technology,  
7 FCG's proposed AMI Pilot would be the first of its kind in Florida with FCG  
8 potentially being the first to deliver the customer and Company benefits  
9 associated with AMI. FCG previously deployed smart meters across its system,  
10 which eliminated the need for meter readers to physically access and read the  
11 individual gas meters. The current gas meters are read remotely but still require  
12 a vehicle equipped with meter reading technology to drive FCG's entire system  
13 to read the meters on a monthly basis. Moreover, these existing meters lack  
14 any functionality for two-way communications between FCG's systems and the  
15 meter.

16  
17 The smart meters and AMI to be deployed under the AMI Pilot are similar to  
18 the AMI technology that is widely used by electric utilities, as well as a small  
19 number of other gas utilities across the nation. The AMI Pilot will allow for  
20 automated daily or hourly remote meter reads for the smart meters installed.  
21 The remote monitoring of this data will allow for: (i) reduced costs associated  
22 with driving routes to read meters on monthly basis; (ii) remote disconnection  
23 of meters; (iii) remote leak and outage detection capabilities; (iv) more accurate

1 billing; and (v) enhanced customer access to individualized data and usage  
2 information.

3 **Q. How many meters will be included in the AMI Pilot?**

4 A. Under the AMI Pilot, FCG will replace 5,000 meters in Brevard County. FCG  
5 determined that 5,000 meters would provide a large enough sample of meters  
6 such that the functionalities and benefits of the meters could be assessed. At  
7 the same time, the sample is not so large as to create an undue cost. Given that  
8 5,000 meters represents less than 5% of the customer meters on FCG's system,  
9 the number of meters will appropriately balance the need to obtain fulsome data  
10 without the need for the additional costs that would be incurred in a broader  
11 roll-out.

12 **Q. Why did FCG choose Brevard County as the location for the installation  
13 of the smart meters?**

14 A. Brevard County makes an ideal location to test the resiliency of the meters to  
15 be installed under the AMI Pilot. The gas meters currently in use in Brevard  
16 County experience accelerated corrosion due to the region's high salinity  
17 content in the air and groundwater. These meters will be replaced with new  
18 state-of-the-art two-way meters that are more resistant to corrosion, which will  
19 avoid costs of accelerated retirement and replacement. Implementation of the  
20 AMI Pilot in Brevard County will also allow FCG to test and gather data on the  
21 corrosion resistance and life of these new smart meters.

1 **Q. Does FCG currently have the wireless or radio frequency (“RF”) mesh**  
2 **network capabilities needed to support two-way communications for the**  
3 **AMI Pilot?**

4 A. No. FCG plans to use FPL’s existing RF mesh network, which will avoid the  
5 substantial costs associated with installing and creating a new standalone  
6 wireless or RF mesh network. This will allow FCG to implement the AMI Pilot  
7 with significantly less technology- and infrastructure-related risk. The RF  
8 mesh, which has worked effectively for FPL’s customers, is open with  
9 sufficient bandwidth available for FCG’s use and will not impact the  
10 functionality of FPL’s existing smart meters. FCG will fully compensate FPL  
11 for use of the network, and those costs are included in the total costs of the pilot.

12 **Q. Does FCG have the back-office systems needed to support the AMI Pilot?**

13 A. Yes. FCG’s current back-office IT and billing systems are fully capable of  
14 supporting the new smart meters to be deployed under the AMI Pilot. There  
15 will be some up-front integration costs to ensure connectivity to the existing  
16 billing system, and those costs are included in the total costs of the pilot, but no  
17 substantial system upgrades are anticipated to be necessary for the AMI Pilot.

18 **Q. What are the capital costs associated with the AMI Pilot?**

19 A. The total capital expenditures of the AMI pilot over four years are forecast to  
20 be \$3.4 million. This represents the cost of an entirely new meter assembly  
21 equipped with AMI and the cost of installation.

1 **Q. What are the total ongoing O&M costs attributable to the AMI Pilot?**

**\$16,896**

2 A. Annual O&M spend for the AMI Pilot is projected to be ~~\$20,000~~ for the four-  
3 year administration of the pilot, which includes a licensing fee paid to Itron and  
4 compensation to FPL for use of its network.

5

6 **IX. CONCLUSION**

7

8 **Q. What conclusion should the Commission draw from your testimony and**  
9 **that of the other FCG witnesses?**

10 A. At FCG, our highest priority is ensuring the safety of every customer and  
11 community we serve. We want our employees to be in a safe work  
12 environment, thereby creating a work environment that is productive and  
13 customer centric. Our customers are at the center of everything we do.  
14 Therefore, we intend to do all things possible to maintain clean, safe, reliable,  
15 affordable natural gas service at just and reasonable rates. We cannot achieve  
16 these objectives without sufficient revenues and a fair rate of return.

17

18 Despite its efforts to control costs and efficiently manage its operations, FCG  
19 has and will continue to earn well below a fair rate of return if rate relief is not  
20 granted. In order to respond to customer growth and demand, improve system  
21 safety, and enhance system resiliency, FCG has an obligation to make prudent  
22 and necessary infrastructure investments that provide a safe and reliable natural  
23 gas distribution system in the communities served. For the period 2019 through

1           2023, FCG projects to invest more than \$290 million in infrastructure and other  
2           capital to support customer growth, enhance customer service, and enhance the  
3           safety and reliability of its system. In addition to inflationary pressures, FCG's  
4           operating costs have continued to increase since its last rate case due to  
5           customer growth and system expansion, increased damage prevention efforts,  
6           enhanced oversight over safety and quality control, and implementation of  
7           additional technology.

8  
9           FCG's proposed four-year rate plan will alleviate the financial constraint  
10          currently experienced by FCG and provide it with room to expand and enhance  
11          its operations while meeting additional regulatory and compliance  
12          requirements. The four-year proposal also includes features designed to allow  
13          FCG to deploy innovative solutions that serve to enhance the customer  
14          experience – the AMI Pilot is a prime example of this.

15  
16          In total, FCG's proposal allows the Company to innovate, advance, and  
17          improve the safe, effective and affordable service it delivers to customers and  
18          should be approved by the Commission.

19   **Q.    Does this conclude your direct testimony?**

20   A.    Yes.

1 BY MR. WRIGHT:

2 Q Mr. Howard, do you have Exhibit KSH-1 that was  
3 attached to your direct testimony?

4 A Yes.

5 MR. WRIGHT: And, Chairman, I will note that  
6 that's comprehensive exhibit list Exhibit 10.

7 CHAIRMAN FAY: Okay.

8 BY MR. WRIGHT:

9 Q Was this exhibit prepared by you or under your  
10 direct supervision?

11 A Yes.

12 Q Do you have any of corrections to this  
13 exhibit?

14 A No, I do not.

15 Q Thank you.

16 Mr. Howard, would you please provide a summary  
17 of your direct testimony?

18 A Yes.

19 Good afternoon, Mr. Chairman and  
20 Commissioners. Thank you for the opportunity to be here  
21 to present testimony today.

22 My direct testimony provides an overview of  
23 FCG's proposed base rate increase and introduces the  
24 witnesses supporting the company's proposal in this  
25 proceeding.

1           FCG is proposing a four-year rate plan that  
2 will provide rate stability and certainty, avoid  
3 repetitive costly rate proceedings, enable the company  
4 to continue to focus on improving safety and  
5 reliability, and allow FCG to realize additional  
6 efficiencies in operations, and to create stronger  
7 customer value during the term of the four-year rate  
8 plan.

9           The company's four-year rate plan includes  
10 eight core elements as described in the company's  
11 opening statement. The principle factor necessitating a  
12 base rate increase is that FCG has been earning at or  
13 below the bottom of its approved ROE range since its  
14 last rate case.

15           Another factor necessitating the rate increase  
16 is the fact that FCG's operating costs have increased  
17 due to significantly -- significant inflationary  
18 pressures, as explained by FCG witnesses Campbell and  
19 Nelson. In fact, interest rates and the rate of  
20 inflation have increased significantly since FCG filed  
21 this case in May of this year.

22           In addition to these significant inflationary  
23 pressures, FCG's operating costs have increased since  
24 its last rate case due to continued customer growth and  
25 system expansion, increased damage prevention efforts,

1 enhanced oversight of safety and quality control and  
2 implementation of technology necessary to provide an  
3 enhanced service to customers.

4 At FCG, our highest priority is ensuring the  
5 safety of every customer in the communities we serve.  
6 We intend to do all things possible to maintain clean,  
7 safe, reliable, affordable natural gas service at just  
8 and reasonable rates. We cannot achieve these  
9 objectives without sufficient revenues and a fair rate  
10 of return, as explained by all FCG witnesses.

11 Taken as a whole, FCG's proposed four years  
12 rate plan will provide a high degree of base rate  
13 certainty for all FCG customers over a minimum of four  
14 years, encourage management to continue its focus on  
15 improving safety and reliability, and allow FCG to  
16 realize additional operational efficiencies and continue  
17 creating strong customer value.

18 This concludes my summary.

19 **Q Thank you, Mr. Howard.**

20 **On October 3rd, 2022, did you file 27 pages of**  
21 **rebuttal testimony in this proceeding?**

22 A Yes.

23 **Q Do you have any corrections to your rebuttal**  
24 **testimony?**

25 A No.



1           Q     If I asked you the questions contained in your  
2     rebuttals testimony, would your answers be the same?

3           A     Yes.

4                     MR. WRIGHT:  Chairman, I would ask that Mr.  
5     Howard's rebuttal testimony be inserted into the  
6     record as though read.

7                     CHAIRMAN FAY:  Okay.  Show it entered as  
8     though read.

9                     (Whereupon, prefiled rebuttal testimony of  
10    Kurt Howard was inserted.)

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 20220069-GU**

**FLORIDA CITY GAS**

**REBUTTAL TESTIMONY OF**

**KURT S. HOWARD**

**Topics: LNG Facility, AMI Pilot, Plant Additions, Employee Complement, Injuries and Damages, Storm Damage Reserve, Integration of Operations and Services, and Customer Service**

**Filed: October 3, 2022**

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Kurt S. Howard. My business address is Florida City Gas, 700 Universe  
4 Boulevard, Juno Beach, Florida 33408.

5 **Q. Did you previously submit direct testimony?**

6 A. Yes. On May 31, 2022, I submitted written direct testimony on behalf of Pivotal Utility  
7 Holdings, Inc. d/b/a Florida City Gas (“FCG” or the “Company”), together with Exhibit  
8 KSH-1.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my rebuttal testimony is to offer clarifications and corrections  
11 concerning statements and recommendations in the testimony of Office of Public  
12 Counsel (“OPC”) witness Helmuth W. Schultz, III. Specifically, my testimony  
13 addresses the following topics raised in witness Schultz’s testimony: (i) the Liquefied  
14 Natural Gas (“LNG”) Facility approved in FCG’s prior rate case in Docket No.  
15 20170179-GU; (ii) the proposed advanced metering infrastructure pilot program  
16 (“AMI Pilot”); (iii) plant additions; (iv) headcount and payroll; (v) safety, injuries, and  
17 damages; (vi) the Storm Damage Reserve; and (vii) integration of FCG into the  
18 NextEra Energy, Inc. (“NEE”) organization. Finally, I will address customer  
19 comments regarding FCG’s service, and will respond to the testimony of Staff witness  
20 Angela L. Calhoun regarding customer complaints.

21 **Q. Are you sponsoring or co-sponsoring any exhibits with your rebuttal testimony?**

22 A. Yes. I am sponsoring the following exhibits with my rebuttal testimony:

- 1                   • Exhibit KSH-2 – FCG Responses to Staff Interrogatories Concerning LNG  
2                   Facility Construction Status (Staff Interrogatory Nos. 78 and 79);
- 3                   • Exhibit KSH-3 – FCG Response to Staff Interrogatory Regarding the AMI  
4                   Pilot (Staff Interrogatory No. 36);
- 5                   • Exhibit KSH-4 – FCG Response to OPC Interrogatory Regarding Net Plant  
6                   Additions (OPC Interrogatory No. 151); and
- 7                   • Exhibit KSH-5 – FCG Responses to OPC Interrogatories Regarding  
8                   Headcount and Payroll (OPC Interrogatory Nos. 150 and 170).

9           I also co-sponsor Exhibit LF-10 – FCG’s Notice of Identified Adjustments filed August  
10           16, 2022, filed with the rebuttal testimony of FCG witness Fuentes.

11

12   **II.   LNG FACILITY**

13   **Q.   On pages 23-24 of his testimony, OPC witness Schultz discusses the loss of the**  
14   **original site and delay to the in-service date for the LNG Facility, and**  
15   **recommends that the additional \$10 million necessary to complete construction of**  
16   **the LNG Facility be disallowed. Before addressing his specific concerns, can you**  
17   **provide an overview of the selection of the original site for the LNG Facility?**

18   A.   Yes. The LNG Facility was approved as part of a Stipulation and Settlement  
19   Agreement in FCG’s last base rate case that was approved by Commission Order No.  
20   PSC 2018-0190-FOF-GU in Docket No. 20170179-GU (the “2018 Settlement”). OPC  
21   was a signatory to the 2018 Settlement. The 2018 Settlement provided (emphasis  
22   added):

23                   In its October 23, 2017, petition, FCG sought approval to construct  
24                   an LNG Facility to address the Company's capacity concerns. The

1 Parties agree that FCG shall be authorized to construct a LNG  
2 Facility as described in the testimonies of FCG witnesses Gregory  
3 Becker and Stephen Wassell capable of providing an additional  
4 10,000 Dth/d of capacity and which would include the following  
5 items discussed in those testimonies: (i) truck loading facilities; (ii )  
6 three storage tanks holding a total of 270,000 gallons of LNG; ( iii)  
7 vaporization equipment; and (iv) other related specifications.

8 With respect to the location of the LNG Facility, the direct testimony of FCG witness  
9 Wassell submitted in Docket No. 20170179-GU stated as follows (emphasis added):

10 The facility will be located on property along FCG's 6" Jet Fuel Line  
11 in the area between Cutler Ridge and Homestead. We are currently  
12 evaluating locations for the facility. This area is well suited as the  
13 land is more rural and less developed when compared to the northern  
14 portions of the pipeline, which are urban and fully developed.

15 \* \* \*

16 The Jet Fuel Line is a high pressure 6" steel pipeline that originally  
17 transported jet fuel from Miami International Airport ("MIA") to  
18 Homestead Air Reserve Base. After Hurricane Andrew hit in 1992,  
19 the line was taken out of service. FCG purchased and converted the  
20 pipeline to natural gas service in 2010 to reinforce the FCG  
21 distribution system south of the MIA.

22 \* \* \*

23 Once the planned Homestead LNG facility is constructed, we can  
24 meet the needs of these customers with the LNG plant. It creates an  
25 additional supply source that is needed by FCG at this time and is  
26 discussed in the testimony of Witness Becker. By displacing the  
27 FGT gas from the areas south of MIA, this gives extra capacity to  
28 be used north of MIA.

29 Thus, the Commission did not specifically approve a location for the LNG Facility and,  
30 in fact, the Commission and parties to the 2018 Settlement, including OPC, were fully  
31 aware that FCG was evaluating locations for the facility and had not selected an exact  
32 location.

33

1 Following the approval of the LNG Facility as part of the 2018 Settlement, FCG began  
2 an intensive effort to secure an appropriate site for the LNG Facility in Miami-Dade  
3 County (the “County”) consistent with the 2018 Settlement and the direct testimony of  
4 FCG witness Wassell in Docket No. 20170179-GU. The original site was selected due  
5 to its proximity to the existing Jet Fuel Line, which would provide reinforcement to  
6 FCG’s system south of the Miami International Airport. The original site was located  
7 outside the County’s urban development boundary and, as such, only agricultural and  
8 agricultural accessory uses were permitted without first obtaining a special or unusual  
9 use exemption. FCG therefore requested a formal opinion from the County Planning  
10 Director as to whether the development of an LNG facility would be suitable at the  
11 initial proposed site. On August 17, 2018, FCG received a formal consistency  
12 determination from the County Planning Director. Thereafter, FCG acquired the  
13 original site for the LNG Facility and began pursuing the permits and approvals needed  
14 for the site, including the special or unusual use zoning exemption from the County.

15  
16 As part of its process to obtain the special or unusual use exemption, FCG engaged in  
17 community outreach to educate the community on the benefits and necessity of natural  
18 gas and to inform them of the benefits of the LNG Facility. Although the Company  
19 received support and recommendations of approval from County staff, the Community  
20 Council ultimately declined to grant the special or unusual use zoning exemption on  
21 June 5, 2019.

1 **Q. On page 24, lines 3-5 of his testimony, OPC witness Schultz states that “it would**  
2 **not be prudent to buy property zoned residential and plan industrial construction**  
3 **on the hope and whim that a zoning change will be allowed.” Do you have a**  
4 **response?**

5 A. Yes. First, the original site for the LNG Facility was not zoned as residential as  
6 incorrectly suggested by OPC witness Schultz. Rather, as explained above, the original  
7 site was zoned for agricultural and agricultural accessory uses. Second, FCG did not  
8 acquire the property on a “hope and whim” that the zoning for the original site would  
9 be changed. To the contrary, FCG undertook due diligence with the County Planning  
10 Director regarding the consistency of the LNG Facility within the established zoning  
11 requirements as previously explained. Finally, OPC witness Schultz overlooks that the  
12 LNG Facility was eligible for a special or unusual use zoning exemption without the  
13 need for a zoning change.

14 **Q. What actions did FCG take after the County declined to grant the special or**  
15 **unusual use zoning exemption for the original LNG Facility site?**

16 A. FCG determined that the most appropriate strategy was to sell the original site and  
17 promptly begin a search for an alternative parcel that was consistent with the design,  
18 location, and need for the LNG Facility as adopted in the 2018 Settlement. In pursuit  
19 of this new strategy, FCG performed a review of over 100 potential parcels, as well as  
20 extensive due diligence of 10 locations to develop an alternative site for the LNG  
21 Facility that would still allow the facility to tie into FCG’s Jet Fuel Line and reinforce  
22 FCG’s system south of the Miami International Airport. After this extensive research,  
23 FCG located a suitable site within the City of Homestead. Additional details



1 concerning this FCG's pursuit of a suitable alternative site were provided in FCG's  
2 response to Staff Interrogatory No. 78, which is included in Exhibit KSH-2 to my  
3 rebuttal testimony.

4

5 In April 2020, a zoning verification letter was submitted to the City of Homestead's  
6 Planning Director to determine if the development of an LNG storage facility would be  
7 suitable at the new location. After receiving favorable feedback from the City's  
8 Planning Director, FCG proceeded with the submittal of a new zoning application in  
9 October 2020. The Homestead City Council approved the zoning application in July  
10 2021. The new site is fully permitted, and the LNG Facility is currently under  
11 construction with a planned completion date of March 2023.

12 **Q. In his testimony, OPC witness Schultz is critical of FCG's delay in getting the new**  
13 **site. Do you have a response?**

14 A. Yes. As explained above, FCG acted prudently and reasonably in selecting the original  
15 site and promptly sought the necessary special or unusual use exemption, which was  
16 permitted under the County zoning code. The time it took for the Community Council  
17 to reach its final decision on June 5, 2019, was largely beyond FCG's control.  
18 Thereafter, additional time was necessary to identify and evaluate other feasible  
19 alternative sites that would still meet the purpose, scope, and requirements of the LNG  
20 Facility as approved by the 2018 Settlement. FCG has no control if and when such  
21 properties would become available. Finally, the time it took to obtain final zoning  
22 approval for the new LNG Facility site from the Homestead City Council in July 2021  
23 was also largely beyond FCG's control. Given that the 2018 Settlement provided an

1 additional base rate increase upon the in-service date of the LNG Facility, FCG  
2 certainly would have preferred and was incentivized to minimize and eliminate delays  
3 where practicable. However, that simply was not possible due to factors largely beyond  
4 FCG's control.

5 **Q. Do you have any additional response to OPC witness Schultz's recommendation**  
6 **that the \$10 million cost increase for the LNG Facility be disallowed?**

7 A. Yes. First, OPC witness Schultz overlooks that, as explained in the direct testimony of  
8 FCG witness Wassell submitted in Docket No. 20170179-GU, the original project cost  
9 estimate of \$58 million was only an estimate:

10 Q: Is the project cost final at this time?

11 A: No, it is an estimate. As the project gets closer to completion,  
12 the accuracy of the cost estimate will be refined.

13 Again, the 2018 Settlement adopted the LNG Facility as described in the testimony of  
14 FCG witness Wassell. Thus, the Commission and parties were fully aware that the  
15 total cost for the LNG Facility could change. FCG's current cost estimate of \$68  
16 million reflects detailed engineering and actual construction activities, making it more  
17 refined than the original estimate provided in Docket No. 20170179-GU.

18  
19 Second, OPC does not dispute that the project is still needed, nor does OPC witness  
20 Schultz claim that the project should not be completed. Although the primary drivers  
21 for the increased project costs were the loss of the original site and delay to the in-  
22 service date, FCG acted reasonably and diligently in securing the new site for the LNG  
23 Facility and the delays in doing so were largely beyond FCG's control as explained  
24 above. As explained in my direct testimony, the increase in the total cost to complete

1 LNG Facility is due to the following factors: (i) \$6.2 million in increased costs  
2 associated with geotechnical analysis, environmental studies, and permitting; (ii) \$3.5  
3 million in increased pipeline costs needed to connect the LNG Facility with the Jet Fuel  
4 Line as approved in the 2018 Settlement; and (iii) \$2.5 million in increased engineering  
5 costs.<sup>1</sup> It is undisputed that these additional costs are necessary and appropriate to  
6 complete the LNG Facility as approved under the 2018 Settlement. Further, no parties  
7 have suggested that these necessary costs are unreasonable or excessive. For these  
8 reasons, OPC witness Schultz’s recommendation to disallow the \$10 million increase  
9 in costs to complete the LNG Facility should be rejected.

10 **Q. On page 24, lines 15-18 of his testimony, OPC witness Schultz states that there is**  
11 **a “good possibility” that the LNG Facility will not meet its in-service date. Do you**  
12 **have a response?**

13 A. Yes. OPC witness Schultz states that his concern regarding the in-service date is based  
14 on the fact that the LNG Facility has previously been delayed. However, as I explained  
15 above, those delays were associated with the time it took for a final zoning decision on  
16 the original site, find an alternative site, and obtain zoning approval for the new site –  
17 all of which were largely out of FCG’s control. Moreover, FCG received zoning  
18 approval of the new site in July 2021 and, therefore, these prior delays will not continue  
19 or re-occur as suggested by OPC witness Schultz.

20

---

<sup>1</sup> These costs have been offset by \$2.2 million in land-related savings associated with switching to the new site for the LNG Facility.

1 Furthermore, OPC witness Schultz is incorrect about the construction status of the LNG  
2 Facility. Construction of the LNG Facility commenced in June of 2022 and there are  
3 no known obstacles that could meaningfully stall or delay the progress of construction.  
4 In fact, as of this time, the vast majority of the equipment deliveries needed to construct  
5 the facility have been completed. FCG’s response to Staff Interrogatory No. 79, which  
6 is attached to my testimony as Exhibit KSH-2, provides additional detail regarding the  
7 status of the construction activities at the site of the LNG Facility. Although all  
8 construction projects can face various unforeseen challenges that can cause a delay in  
9 the expected in-service date, I believe that FCG is making significant progress on the  
10 LNG Facility and is on track to meet the projected March 2023 in-service date.

11  
12 **III. AMI PILOT**

13 **Q. On page 26 of his testimony, OPC witness Schultz recommends that costs**  
14 **associated with the AMI Pilot should be borne by shareholders since the**  
15 **technology is new to the gas industry. Do you agree?**

16 **A.** No. OPC witness Schultz is apparently unaware that the Commission has approved the  
17 recoverability of numerous utility pilot projects that allow utilities to implement a novel  
18 technology or concept at a limited scale to better understand the associated benefits. A  
19 prime and recent example is the cost for the Florida Power & Light Company (“FPL”)   
20 Green Hydrogen Pilot project that was included in rate base as part of a settlement  
21 joined by OPC and approved by Commission Order No. PSC-2021-0446-S-EI in  
22 Docket No. 20210015-EI.

23

1 Utility pilot projects, if appropriately tailored and sized, provide a significant benefit  
2 to both the utility and its customers. Pilot projects enable the utility to test and evaluate  
3 new initiatives and technologies on a limited basis to determine if it would be  
4 appropriate and beneficial to deploy these new features system wide. Such pilot  
5 projects provide real-world data and information regarding the implementation,  
6 deployment, functionality, operating and maintenance requirements, costs, and benefits  
7 of new initiatives and technologies. This information is valuable in determining the  
8 benefits and feasibility of system-wide deployment, as well as providing an opportunity  
9 to identify best practices and lessons learned before full-scale deployment. OPC  
10 witness Schultz's rationale, if accepted, would disincentivize utilities from proposing  
11 limited-scope pilot programs for the Commission's consideration. In effect, this would  
12 negate opportunities for utilities to investigate and better understand potential service  
13 innovations and the benefits of deploying emerging technologies system wide.

14  
15 I also note that AMI technology has been deployed by a limited number of gas utilities  
16 in the United States already, and it is widely used by electric utilities throughout the  
17 nation. FCG explained this in its response to Staff Interrogatory No. 36, which is  
18 attached to my rebuttal testimony as Exhibit KSH-3. The industry's experience with  
19 the capabilities of the technology has provided FCG with background on the potential  
20 benefits of AMI deployment, which FCG seeks to study and test as part of its pilot.  
21 FCG believes an approach that allows it to perform a paced and carefully evaluated  
22 implementation on its own system, instead of a full-scale system-wide deployment, will  
23 allow FCG to better understand the prospects of the technology without the full system

1 being reliant on it or customers being responsible for the costs associated with a full-  
2 scale deployment.

3 **Q. You mentioned that pilot programs should be appropriately tailored and sized.**  
4 **Can you please elaborate?**

5 A. Yes. If the scope of a pilot program is too broad, it could be difficult to pinpoint the  
6 specific features that are driving the benefits, costs, savings, or even concerns. Further,  
7 a pilot program that is overly broad in scope of size could significantly increase the  
8 costs to customers. Thus, it is appropriate to limit the scope of the pilot to meet the  
9 hypothesis or goals to be tested, and to limit the deployment size to a reasonable sample  
10 that will still provide meaningful data that can be used to support future deployment  
11 decisions.

12  
13 As explained in my direct testimony, FCG took a thoughtful and measured approach to  
14 its AMI Pilot, limiting the implementation of the pilot to only an initial 5,000 meters in  
15 a part of the Company's service territory that experiences accelerated replacement and  
16 retirement due to corrosion. This is a sufficient number of meters to allow FCG to  
17 understand the capabilities of the meters and whether the benefits that FCG expects are  
18 achievable and would be beneficial as a full-scale deployment.

19 **Q. OPC witness Schultz also states that "it is not known whether there will be a**  
20 **benefit" associated with the AMI Pilot. Do you agree?**

21 A. No. OPC witness Schultz ignores the value and benefits that a limited pilot provides  
22 to both the utility and its customers as explained above. OPC witness Schultz also  
23 simply ignores the anticipated benefits of the AMI Pilot that I describe in my direct

1 testimony. In short, it is anticipated that the AMI Pilot will allow for automated daily  
2 or hourly remote meter reads for the smart meters installed. The remote monitoring of  
3 this data will allow for: (i) reduced costs associated with driving routes to read meters  
4 on monthly basis; (ii) remote disconnection of meters; (iii) remote leak and outage  
5 detection capabilities; (iv) more accurate billing; and (v) enhanced customer access to  
6 individualized data and usage information. These are real, tangible customer benefits  
7 that we expect to test and evaluate during the AMI Pilot. Gathering and analyzing data  
8 on these benefits, together with the lessons learned on deployment and implementation,  
9 will facilitate a more educated determination regarding the potential system-wide  
10 deployment of AMI infrastructure in the future.

11 **Q. Has FCG identified any adjustments that should be made to the AMI Pilot?**

12 A. Yes. FCG determined that it incorrectly forecasted the amount of O&M expense  
13 related to the proposed AMI Pilot for (i) its use of FPL's mesh network and (ii) the  
14 vendor software and managed service fees, that when corrected resulted in an O&M  
15 expense decrease of \$3,104. To reflect the impacts of this correction, FCG filed a  
16 Notice of Identified Adjustments on August 16, 2022, which is provided as Exhibit LF-  
17 10 to the rebuttal testimony of FCG witness Fuentes.

18

19 **IV. PLANT ADDITIONS**

20 **Q. On page 28 of his testimony, OPC witness Schultz suggests that FCG's plant  
21 additions reflected in 2022 and 2023 may be overly optimistic. Do you agree?**

22 A. No. As support for his position, OPC witness Schultz references that FCG's total plant  
23 additions for 2020 was \$46.1 million as compared to \$22.0 million in 2021, which he

1           then claims makes FCG’s plant additions projection of \$41.6 million for 2022 and  
2           \$51.3 million (excluding the plant additions associated with the LNG Facility) for the  
3           2023 Test Year unreasonable. For the reasons explained in the rebuttal testimony of  
4           FCG witness Campbell, OPC witness Schultz’s analyses based on three-year historical  
5           averages as the forecasted amount to be used for the 2023 Test Year plant in service is  
6           flawed and not appropriate.

7

8           Further, OPC witness Schultz fails to recognize that 2021 – not 2020 – should be  
9           regarded as the outlier year. As noted in FCG’s response to OPC interrogatory No.  
10          151, which is attached to my testimony as Exhibit KSH-4, lower new business in 2021  
11          as a result of the ongoing impacts of the COVID-19 pandemic had a significant impact  
12          on the growth of new business for FCG. The growth of new business is a significant  
13          driver of the Company’s plant additions and is a contributing factor to the amount of  
14          plant additions forecasted for the 2023 Test Year.

15

16          FCG’s 2023 capital addition projections are more than guesswork. Projects with 2023  
17          costs are already in motion. It takes significant time to design, engineer, and permit  
18          projects, plus account for any unanticipated obstacles that may arise. FCG’s normal  
19          planning process enables visibility into upcoming capital spend for the immediate years  
20          as some projects require significant planning; and, for 2023, projects are already being  
21          studied and designed to meet customer demands or ensure system integrity across  
22          FCG’s expanding infrastructure. As detailed in my direct testimony, a significant  
23          portion of our capital spend – such as the spend on mains – is driven by FCG’s flow



1 study modeling, which identifies areas on the system that require further enhancement  
2 based on continually updating utilization, pressure, and forecasted growth. Again,  
3 these established planning processes inform the Company's projected spend in 2023.

4

5 Additionally, FCG's projected customer growth ties directly into other major  
6 components of the capital forecast, such as meters and services. FCG works closely  
7 with developers and builders to understand the pace of new construction occurring  
8 within FCG's territory so that the Company can provide realistic estimates on cost and  
9 timing needed to maintain pace with customer needs. OPC witness Schultz's comment  
10 about spending being overly optimistic for 2023 highlights his lack of understanding  
11 around the planning required to ensure that FCG's 3,700 miles, and growing, of  
12 pipeline is capable of providing safe and reliable service to new and existing customers.

13

14 **V. EMPLOYEE COMPLEMENT**

15 **Q. Please summarize OPC witness Schultz's concerns regarding FCG's employee  
16 complement forecasted for the 2023 Test Year.**

17 A. On pages 32-33 of his testimony, OPC witness Schultz takes issue with FCG's  
18 forecasted employee complement of 187 full-time equivalents ("FTEs") for the 2023  
19 Test Year because, according to him, it does not consider a vacancy factor and FCG  
20 did not provide detail on what positions are needed and why. In support, OPC witness  
21 Schultz points to discovery responses that reflect the positions filled as of June 30, 2022  
22 and adds them to the December 31, 2021 year-end headcount to arrive at his  
23 recommended employee complement of 173 FTEs.

1 **Q. Has FCG provided detail regarding the positions added/hired since its last rate**  
2 **case and future headcount needed?**

3 A. Yes. In its response to OPC Interrogatory No. 150, FCG provided specific  
4 justifications for each added position since 2018 and explained why each of the added  
5 positions were required. In its response to OPC Interrogatory No. 170, FCG provided  
6 details on its planned hires for the remainder of 2022. Both these discovery responses  
7 are attached to my rebuttal testimony as Exhibit KSH-6.

8 **Q. Please explain the need for the positions added since 2018.**

9 A. To summarize, the need for the 33 positions FCG has added since 2018 fall into the six  
10 general categories: (i) the insourcing of specific functions, such as leak surveying; (ii)  
11 the transition of functions post-acquisition from Southern Company; (iii) positions to  
12 support growing customer demands, including account management and engineering  
13 needs; (iv) positions supporting the expansion of physical gas infrastructure; (v)  
14 support for enhancements to FCG's customer information system ("CIS") and helping  
15 to implement other technology and initiatives to drive efficiency gains; and (vi)  
16 replacement positions. The headcount increases attributable to these categories are  
17 reasonable and necessary for the safe and efficient continuation of service-related  
18 activities within the utility. In addition, FCG continuously monitors and evaluates its  
19 staffing levels to ensure it keeps pace with customer needs across its system, whether  
20 that is design and engineering work to accommodate new and existing customers on  
21 FCG's system, back-office support to handle the administrative needs of customers, or  
22 day-to-day operational personnel to meet customer appointments, activate service,

1 perform compliance work as part of maintaining a safe and reliable service, or respond  
2 to emergencies.

3 **Q. Please describe the planned hires for the remainder of 2022.**

4 A. As shown in Exhibit KSH-6 (FCG response to OPC Interrogatory No. 170), FCG has  
5 provided details on its planned hires for the remainder of 2022. These new positions  
6 address needs created by both the physical expansion of FCG's system and the increase  
7 in customer count. Back-office and customer service representatives support timely  
8 and accurate billing functions and ensure FCG is actively monitoring its collections  
9 and account aging to limit exposure to write-offs. In the field, positions are being added  
10 to oversee the increasing number of facilities installed by FCG's contractors, provide  
11 quality assurance and training, and increase coverage for damage prevention.  
12 Increasing damage prevention efforts reduces the costs associated with third-party  
13 damages to FCG's facilities and improves the overall safety of service for the customers  
14 and communities we serve.

15

16 **VI. INJURIES AND DAMAGES**

17 **Q. On pages 42-43 of his testimony, OPC witness Schultz suggests that FCG's safety**  
18 **performance needs improvement and recommends a reduction to FCG's injuries**  
19 **and damages expense. Is such a reduction appropriate?**

20 A. No. First, from a safety perspective, FCG is completely and fully committed to the  
21 safe operation of Company facilities and the protection of the health and welfare of its  
22 employees, contractors, customers, and communities we serve. FCG's safety-focused

1 operations and practices continue to be enhanced over time, which the Company  
2 believes will continue to lead to improved safety performance.

3

4 OPC witness Schultz's comment is based on his assessment of FCG's safety record on  
5 its OSHA-recordable events. While useful as a metric, the OSHA-recordable events  
6 do not necessarily demonstrate overall workplace safety or the gradations of the types  
7 of injuries sustained. To clarify, an OSHA reportable event is anything that requires  
8 more than first aid to treat. Since at least its last rate case, FCG has not recorded any  
9 incidents that OSHA flags as Serious Injuries or Fatalities (SIFs), with most of FCG's  
10 OSHA recordable incidents being of the strains and sprains variety. Additionally, as a  
11 business practice, FCG encourages its employees and contractors to report all injuries,  
12 regardless of severity, to better understand where operational improvements can be  
13 made.

14

15 From a historical perspective, FCG has fared reasonably well in minimizing its OSHA-  
16 recordable events. Since 2019, the Company has never had more than three OSHA  
17 recordable incidents over the course of a year, and in 2019 FCG successfully achieved  
18 zero recordable incidents. In addition, FCG can report that it had zero OSHA  
19 recordable incidents in the first half of 2022 and is striving to complete the year in  
20 similar fashion. These statistics do not represent a downward trend in safety, as  
21 suggested by OPC witness Schultz.

1 **Q. On page 42 of his testimony, OPC witness Schultz notes that injuries and damages**  
2 **expense has increased from \$243,888 in 2020 to a projected \$515,304 in the**  
3 **projected 2023 Test Year. What is responsible for the increase?**

4 A. The specific increase in the injuries and damages expense that OPC witness Schultz is  
5 referencing is tied to the result of (i) an increase in the cost of insurance premiums  
6 across the business and (ii) a reclassification of expenses from Account 924 (Property  
7 Insurance) to Account 925 (Injuries and Damages) for the year 2020. However, this  
8 does not mean FCG's recent safety record is troubled, as witness Schultz seems to  
9 suggest.

10

11 Regarding the increase, nearly all of FCG's insurance premiums across a range of  
12 products (including but not limited to, excess liability, property, and fleet) increased in  
13 2021 as compared to 2020 due to the recent hardening of insurance markets, which  
14 occurs when there is minimal capacity and increased demand in the market. This  
15 increase in cost, while significant, is consistent with the market for these types of  
16 insurance and cannot be mitigated by pursuing market alternatives. Also, FCG's  
17 insurance program is robust and has about 17 commercial carriers, with the cost of  
18 FCG's premiums primarily driven by AEGIS, the Company's lead carrier.

19

20 These insurance costs are incurred by FCG to provide service to its customers, and  
21 benefit customers by not leaving them with a potential exposure to costs associated  
22 with injuries and damages, property damage, and vehicle accidents. It would not be  
23 prudent to forego this level of insurance and leave customers needlessly exposed.

1           Therefore, FCG's test year projection for Accounts 924 and 925 are reasonable and  
2           should be approved by this Commission.

3

4   **VII. STORM DAMAGE RESERVE**

5   **Q.   Please summarize OPC witness Schultz's proposed adjustment to the Storm  
6   Damage Reserve.**

7   A.   On page 42 of his testimony, OPC witness Schultz proposes that the target reserve for  
8   FCG's existing Storm Damage Reserve agreed to in the 2018 Settlement be reduced by  
9   almost 75% and capped at the \$205,415 reserve balance as of December 31, 2022 (*i.e.*,  
10   discontinue the accrual authorized by the 2018 Settlement). In support, OPC witness  
11   Schultz notes on page 41 of his testimony that the reserve balance of \$162,290 as of  
12   March 31, 2022, is sufficient to cover storm damages for the next 10.7 years based on  
13   the fact that FCG has only had two storms charged to the reserve at a cost of \$58,127.

14   **Q.   Do you agree with OPC witness Schultz's proposed adjustment to discontinue the  
15   Storm Damage Reserve accrual?**

16   A.   No. As a result of the Commission's adoption of Rule 25-7.0143, F.A.C., which  
17   became effective on June 28, 2021, FCG was required to file a Storm Damage Self-  
18   Insurance Reserve Study with the Commission Clerk by January 15, 2022 and at least  
19   once every 5 years thereafter. Consistent with this new requirement, FCG retained an  
20   independent, third-party expert to prepare its Storm Damage Self-Insurance Reserve  
21   Study, which was filed with the Commission Clerk on January 13, 2022. OPC witness  
22   Schultz, however, completely ignores the results of FCG's Storm Damage Self-  
23   Insurance Reserve Study, which concluded that the continuation of the storm reserve  
24   mechanism targeting \$800,000 was reasonable and appropriate based on the potential

1 impacts of storms to FCG's system. In fact, the study even recommended a range  
2 where it would be prudent to increase the current storm reserve accrual. Instead of  
3 relying on this Commission-required study, OPC witness Schultz prefers to use a few  
4 periods of historical data to base his entire conclusion that the current Storm Damage  
5 Reserve balance is adequate for future periods.

6 **Q. Do you have any other observations about OPC witness Schultz's adjustment to**  
7 **the Storm Damage Reserve?**

8 A. Yes. OPC witness Schultz's entire recommendation is based on the fact that FCG has  
9 only charged the Storm Damage Reserve twice since it was implemented. He then  
10 extrapolates these data points to suggest that FCG will experience similar storm  
11 frequency and extent of storm damages over the next 10.7 years. Again, this  
12 completely ignores the purpose of the Commission-required forecast in the Storm  
13 Damage Self-Insurance Reserve Study. Moreover, the fact that FCG's system has not  
14 been impacted by a significant number of major storms since 2018, should not serve as  
15 a predictor of the future storm events and storm damage on FCG's system. Of course,  
16 major storm events are beyond the utility's control, and no one can predict with 100%  
17 accuracy the number of annual extreme weather events, the path of each storm, the  
18 intensity or category of each storm, the speed or duration of each storm, the availability  
19 of resources to respond to and provide storm restoration services for each storm, or the  
20 extent to which the infrastructure will be impacted by a storm. However, Florida  
21 remains the most hurricane-prone state in the nation and FCG's service area has a high  
22 probability of being impacted by multiple extreme weather events in any given year.  
23 Florida utilities, including FCG, must appropriately plan and prepare for the very real

1 possibility that their service areas and facilities could be impacted by storms. FCG's  
2 proposal to continue the Storm Damage Reserve previously approved in the 2018  
3 Settlement will help ensure that FCG can quickly and promptly restore services to  
4 customers following extreme weather events. Restoration of gas service is particularly  
5 important during hurricane events that result in power outages because many  
6 customers, including critical or essential services, rely on natural gas as back-up power  
7 during such outages.

#### 8 9 **VIII. INTEGRATION WITH NEE**

10 **Q. On page 52 of his testimony, OPC witness Schultz asserts that FCG has exhibited**  
11 **“very little integration” with FPL. Can you please explain why the level of**  
12 **integration that has occurred is appropriate?**

13 A. Yes. Although FCG became a wholly-owned subsidiary of FPL on July 29, 2018, both  
14 companies are separately regulated ratemaking entities that must keep and maintain  
15 separate regulated operations, books, and records. Moreover, the gas facilities and  
16 operations, as well as the applicable state and federal safety and regulatory  
17 requirements, are different than electric facilities and operations. In short, the gas and  
18 electric utility operations are each unique and largely cannot be combined or integrated.  
19 Although the day-to-day operations and facilities of the gas and electric utilities cannot  
20 be integrated or combined, FCG has leveraged, and continues to look for opportunities  
21 to leverage, the resources available within the NEE enterprise to serve its customers  
22 more efficiently. For example, FCG has leveraged NEE's internal integrated supply  
23 chain capabilities to secure more favorable equipment and contractor pricing and terms.



1 FCG has also benefitted from the fuel procurement program existing within the NEE  
2 enterprise to enable cost efficiencies and incorporate best practices. Additionally, FCG  
3 receives a significant amount of non-operational or shared corporate services from the  
4 NEE enterprise, such as human resources, tax, risk management, finance and  
5 accounting, legal, IT, and other corporate services. These shared resources are  
6 appropriately allocated to FCG and other affiliates of FCG, as further explained in the  
7 direct testimony of FCG witness Fuentes, which benefits FCG's customers by avoiding  
8 the need and costs to hire internal employees or external contractors for these services.

9

10 **IX. CUSTOMER SERVICE**

11 **Q. Staff witness Calhoun filed direct testimony identifying consumer complaints**  
12 **logged with the Commission under Rule 25-22.032, F.A.C, since FCG's last rate**  
13 **case. Can you please elaborate on the nature of these complaints and summarize**  
14 **how?**

15 A. Yes. While the Commission received 584 logged customer contacts concerning FCG  
16 since 2017 when the last rate case was filed, 497 (85%) of these contacts were "warm  
17 transfers" that were informational in nature. It is important to note that only 87 of those  
18 contacts (15%) were logged as a complaint, and only 4 (0.7%) were found to be a  
19 possible rule violation.

20 **Q. Has FCG made improvements in its response to customer concerns and**  
21 **complaints since its last rate case?**

22 A. Yes. FCG's customers are the heart of our business, and the Company always strives  
23 to listen to and be responsive to all customer concerns or complaints. This is an

1 important part of our business because it helps the Company identify potential  
2 opportunities for improvements in our ability to continue to provide safe and reliable  
3 service to the customers and communities we serve.

4

5 Since 2018, FCG has made a consistent effort to streamline its processes for the  
6 resolution of customer issues and complaints. Specifically, since 2018, FCG has  
7 implemented the following six protocols to improve its response to customer concerns:

8 (1) FCG has streamlined the Company's responsiveness to customer concerns  
9 voiced to the call center by creating a request for assistance ("RFA") process,  
10 whereby the customer concern is transmitted immediately to our call center and  
11 back-office operations to provide special handling of questions that are more  
12 complex in nature and cannot be adequately answered on the initial customer  
13 call. The RFAs are logged in a file and assigned to a specialist who contacts  
14 the customer with a resolution within one working day.

15 (2) FCG maintains a catalogue of the most common complaints expressed by  
16 customers and meets regularly to identify the means to address those concerns  
17 such as billing system issues, call center training needs, and field operational  
18 process to prevent future complaints from occurring.

19 (3) Since becoming a wholly-owned subsidiary of FPL, FCG has endeavored  
20 to identify and incorporate best practices from FPL's customer complaint  
21 process, which have enabled FCG to respond in a more efficient manner to  
22 customer concerns.

1 (4) FCG implemented a management review process for all complaints made  
2 to the Commission, which includes oversight for investigation, customer  
3 contact, complaint resolution, written response within the 3-working day target,  
4 and internal review by key personnel and legal.

5 (5) FCG instituted a one-call resolution target for all warm-transfers received  
6 from the Commission. The Company has been successful in addressing callers'  
7 concerns and preventing these calls from escalating to a logged complaint.

8 (6) The Company has established internal goals around Commission complaint  
9 reductions and has taken steps to improve customer communications in order  
10 to reduce warm transfers.

11 I believe these improvements are a significant contributing factor to the decline in the  
12 number of logged complaints since 2018. For example, in 2018, FCG encountered 23  
13 logged complaints and that number has been reduced to only 11 logged complaints in  
14 2021 with only 1 found to be a possible rule violation. This was also at a time where  
15 customer count grew 7.8% from about 109,000 customers in 2017 to nearly 118,000  
16 customers today – meaning FCG has improved performance related to customer  
17 complaints since its prior base rate filing.

18 **Q. Can you briefly summarize the customer service hearings in this proceeding?**

19 A. There were a total of five customer service hearings, with three held virtually and two  
20 held in-person at the request of OPC. A total of 18 individuals appeared at these five  
21 customer service hearings. None of the 18 individuals that testified at the customer  
22 service hearings had a negative view of the service quality provided by FCG and, in

1 fact, most were complementary of FCG or specific FCG employees. This, I believe, is  
2 representative of the high level of customer service that FCG provides to its customers.

3 **Q. Does this conclude your rebuttal testimony?**

4 A. Yes.

1 BY MR. WRIGHT:

2 Q Mr. Howard, do you have Exhibits KSH-2 through  
3 KSH-5 that were attached to your rebuttal testimony?

4 A Yes.

5 MR. WRIGHT: Chairman, I will note that these  
6 are comprehensive exhibit -- or listed as Exhibits  
7 99 through 102 on the comprehensive exhibit list.

8 CHAIRMAN FAY: Okay.

9 BY MR. WRIGHT:

10 Q Mr. Howard, were these exhibits prepared by  
11 you or under your direct supervision?

12 A Yes.

13 Q And are you also co-sponsoring Exhibit LF-10,  
14 FCG's Notice of Identified Adjustments, that is attached  
15 to the rebuttal testimony of FCG witness Fuentes?

16 A Yes.

17 MR. WRIGHT: And, Chairman, I will note that  
18 that is Exhibit 110 on the comprehensive exhibit  
19 list, which will be moved into the record following  
20 Ms. Fuentes' testimony.

21 CHAIRMAN FAY: Okay.

22 BY MR. WRIGHT:

23 Q Mr. Howard, do you have any corrections to any  
24 of these exhibits we have just identified?

25 A No, I do not.

1           **Q     All right.  Would you please provide a summary**  
2 **of your rebuttal testimony?**

3           A     Thank you again, Commissioners.

4                     My rebuttal testimony provides this commission  
5 with clarifications and corrections concerning positions  
6 taken by Office of Public Counsel's witness Schultz.

7                     First, with regard to the LNG facility, my  
8 rebuttal testimony demonstrates that, contrary to  
9 witness Schultz's opinion, FCG was diligent and  
10 reasonable in the development of the project and that  
11 was previously approved in FCG's last base rate case.  
12 The LNG facility, by necessity, is located in an area  
13 where permitting is a challenge.  However, through FCG's  
14 intensive effort, which I detail in my testimony, the  
15 facility is now sited, permitted, and is well on target  
16 to reach its operations date of March 2023.

17                     Second, my rebuttal demonstrates that the AMI  
18 Pilot is a reasonably scaled customer-focused pilot that  
19 has the potential to provide customers with insight into  
20 the gas usage and improve system safety.  The limited  
21 AMI Pilot will use real world data and information  
22 regarding the implementation, deployment, functionality,  
23 operating and maintenance requirements, costs and  
24 benefits of AMI technology on FCG's system, which will  
25 be used to evaluate and determine the benefits and

1 feasibility of a system-wide deployment in the future,  
2 as well as providing an opportunity to identify Best  
3 Practices and lessons learned before a full scale  
4 deployment.

5 Third, my rebuttal testimony, along with the  
6 rebuttal testimony of FCG witness Campbell, respond to  
7 OPC witness Schultz's claim that FCG's plant additions  
8 for 2022 and 2023 are overly optimistic. The growth of  
9 new business is a significant driver of the company's  
10 plan additions and is a contributing factor to the  
11 amount of plan additions forecasted for 2023 test year.  
12 For 2023, projects are already being studied and  
13 designed to meet customer demands, or ensure system  
14 integrity across FCG's expanding infrastructure.

15 Fourth, my rebuttal testimony demonstrates  
16 that, contrary to the witness -- to witness Schultz's  
17 claims, FCG projections for headcount and payroll are  
18 reasonable and justified. FCG continuously monitors and  
19 evaluates its staffing levels to ensure it has optimal  
20 staffing necessary to provide -- necessary to provide  
21 safe and reliable service to customers.

22 Fifth, my rebuttal testimony reinforces the  
23 reasonableness of FCG's projected injuries and damages  
24 expense for the test year. Contrary to witness  
25 Schultz's claims, FCG has a solid record on safety and

1 maintains a constant focus on further improving it.

2 Sixth, my rebuttal testimony shows that FCG's  
3 proposal to continue the storm damage reserve as  
4 approved in FCG's last base rate case is reasonable and  
5 appropriate. OPC witness Schultz completes -- witness  
6 Schultz completely ignores that FCG retained an  
7 independent third-party expert to prepare its storm  
8 damage self-insurance reserve study, which concluded  
9 that the continuation of the storm reserve mechanism  
10 targeted at \$800,000 was reasonable and appropriate  
11 based on the potential impacts of storms to FCG's  
12 system.

13 Seventh, my rebuttal testimony demonstrates  
14 how OPC witness Schultz's commentary on FCG's  
15 integration with FPL and NextEra Energy family of  
16 companies overlooks the distinctiveness of gas and  
17 electric utility operations. Although FCG became a  
18 wholly owned subsidiary of FPL in June of 2018, both  
19 companies are separately regulated and maintain  
20 separated operations, books and records. Nonetheless,  
21 FCG has found opportunities to leverage the corporate  
22 enterprise's integrated supply chain, fuel procurement  
23 and shared corporate service opportunities. OPC witness  
24 Schultz's insinuation that FCG has somehow missed  
25 integration opportunities is unsupported.



1           Finally, I should mention that my rebuttal  
2 testimony also addresses the testimony of staff witness  
3 Angela Calhoun regarding customer service and  
4 complaints. In sum, FCG has a strong customer service  
5 record, and since 2018, FCG has made a consistent effort  
6 to streamline its processes for the resolution of  
7 customer issues and complaints.

8           This concludes my summary of my rebuttal  
9 testimony.

10           **Q     Thank you, Mr. Howard.**

11           MR. WRIGHT: We tender the witness for cross.

12           CHAIRMAN FAY: Okay. Thank you.

13           All right. Office of Public Counsel, you are  
14 recognized, Ms. Wessling.

15           MS. WESSLING: Thank you. And we do have some  
16 exhibits that I believe are going to be passed out.

17           CHAIRMAN FAY: Okay.

18           MS. WESSLING: Maybe we will wait for that to  
19 be --

20           CHAIRMAN FAY: Yeah, give us just a second and  
21 we'll -- okay. Ms. Wessling, it looks like we have  
22 five. Does that sound right?

23           MS. WESSLING: Yes, sir.

24           CHAIRMAN FAY: Okay. You are recognized when  
25 you are ready. Make sure everybody has a copy of

1           those.  Yep, go ahead.

2                   MS. WESSLING:  Okay.  Thank you.

3                                   EXAMINATION

4  BY MS. WESSLING:

5           Q       **Good afternoon, Mr. Howard.**

6           A       Good afternoon.

7           Q       **I believe you went through this in your**  
8 **summary, but just wanted to clarify.  You currently**  
9 **serve as the Senior Director and General Manager of Gas**  
10 **Operations for Florida City Gas, correct?**

11          A       That's correct.

12          Q       **All right.  And I'm probably just going to say**  
13 **FCG for the rest of this, but you understand what I am**  
14 **referring to, right?**

15          A       Yes, that works.

16          Q       **Okay.  Great.**

17                   **And FCG is owned by Florida Power & Light,**  
18 **correct?**

19          A       We are a wholly owned subsidiary of Florida  
20 Power & Light, correct.

21          Q       **And Florida Power & Light is owned by NextEra**  
22 **Energies?**

23          A       NextEra Energy.  Yes.

24          Q       **And you have worked for NextEra in some way,**  
25 **shape or form, or its subsidiaries, for the last 14**

1 years?

2 A Yes, roughly 15 years. Correct.

3 Q Okay. You have held positions in a variety of  
4 areas, including financial analysis, mergers and  
5 acquisitions, gas infrastructure and business  
6 development, correct?

7 A That's correct.

8 Q And do you have your testimony in front of  
9 you?

10 A I do.

11 Q Both the direct and the rebuttal?

12 A Yes.

13 Q Okay. In the introduction of your direct  
14 prefiled testimony, you state that, in your current  
15 position, you are responsible for all of the day-to-day  
16 operations, financial performance and strategy for FCG;  
17 correct?

18 A That's correct.

19 Q Also during those introductory pages of your  
20 direct testimony, you discuss some of the features, the  
21 main features Florida City Gas has made in this rate  
22 case, right?

23 A That's correct.

24 Q Some of those include the four-year stay-out  
25 proposal, the RSAM, the LNG facility and the AMI

1 program, correct?

2 A Yes. I introduced some of the components as  
3 well elaborate on some of the additional components.

4 Q All right. So I would just like to go through  
5 some of those with you.

6 If you could turn to your direct testimony on  
7 page four, lines 22 through 23. Are you there?

8 A Yes.

9 Q Okay. And the sentence that starts on line  
10 22, it states that with the approval of FCG's four-year  
11 rate plan, FCG would not seek a general base rate  
12 increase effective prior to January 1st of 2027,  
13 correct?

14 A Yes. That's what it says.

15 Q All right. And again on -- if you could turn  
16 to page 16. Lines 21 and 22, they say here several  
17 things, but included in those lines, it says: The  
18 proposed four-year rate plan will avoid repetitive and  
19 costly rate proceedings, right?

20 A That's correct.

21 Q So if the Commission were to approve FCG's  
22 four-year rate plan as filed, then FCG is waiving its  
23 right to come in for a base rate case any time in the  
24 next four years?

25 A I am not sure what the legal requirement is,

1 but I know the four-year plan that we have proposed  
2 would allow us to stay out for four years and continue  
3 to focus on the efficient operations of the business.

4 Q So without getting into legal terminology, is  
5 FCG agreeing not to come in for another rate case for  
6 four years if this plan is adopted without modification?

7 A I believe that's we laid out in my testimony.  
8 This plan would allow us to stay out of an additional  
9 rate proceeding for at least four years.

10 Q You also mention, both in your testimony and I  
11 believe just in your summary, that things like inflation  
12 and whatnot have increased all of your costs since the  
13 last base rate case, correct?

14 A Inflation has been a significant contributor.  
15 That's correct.

16 Q And you even say on page 25, lines 18 through  
17 20, basically that, that since the last rate case, \$2.4  
18 million, I guess, have been incurred due to inflationary  
19 pressures?

20 A Yes. I was referring to witness Campbell's  
21 testimony.

22 Q Right. And another factor that you mentioned,  
23 again both in your testimony and in your summary, is  
24 that FCG has been earning below its, I believe, minimum  
25 ROE since the last base rate case?

1           A     That's correct. We have been earning below  
2     the minimum, as described by witness Fuentes.

3           Q     All right. And that last base rate case that  
4     you are referring to, that was resolved through a  
5     settlement agreement, correct?

6           A     That's correct.

7           Q     And one of the terms of that settlement  
8     agreement was that Florida City Gas would stay out,  
9     i.e., not file a base rate case at least until June of  
10    2022, correct?

11          A     I don't have the settlement agreement in front  
12    of me, but that -- that sounds correct.

13          Q     Okay. Subject to check, that's correct,  
14    right?

15          A     Subject to check.

16          Q     Okay. And it was because that that settlement  
17    agreement had a stay-out provision, that's why FCG did  
18    not file another case until now, correct?

19          A     No, I don't believe so. I believe I even  
20    mentioned we had the opportunity to come in prior to  
21    that date, but we chose to continue to focus on driving  
22    efficiencies in the business.

23          Q     For the four years, or whatever the term was  
24    for that last settlement agreement, you didn't violate  
25    that settlement agreement by coming in before the

1 **stay-out provision, did you?**

2 A We did not violate the settlement agreement.

3 **Q And as of now, FCG is no longer bound by a**  
4 **stay-out provision of a settlement agreement, correct?**

5 A Once again, I don't -- I don't have the  
6 settlement agreement in front of me, but, yes, that  
7 sounds correct.

8 **Q To your knowledge, has the Commission ever**  
9 **ordered a stay-out period when there has not been a**  
10 **settlement agreement?**

11 A That's well beyond anything I am testifying  
12 to.

13 **Q But I am just asking to your knowledge.**

14 A No, not -- I am unaware.

15 **Q If you could turn to page 15 and line 21. All**  
16 **right. Could you read the first sentence of that bullet**  
17 **point for me?**

18 A Starting at line 21?

19 **Q Yes.**

20 A A critical and essential component of FCG's  
21 proposed four-year rate plan is the adoption of a  
22 reserve surplus amortization mechanism, RSAM, as  
23 explained by FCG witnesses Campbell and Fuentes.

24 **Q And FCG has never been approved to use an**  
25 **RSAM, correct?**

1           A     Not to my knowledge.

2           **Q     Is it your testimony that if the Commission**  
3 **denies the RSAM, that FCG cannot guarantee that FCG will**  
4 **stay out for four years?**

5           A     We've proposed a rate plan that, in its  
6 entirety, will allow us to stay out for four years.

7           **Q     So that's a yes, and then with the answer that**  
8 **you just provided?**

9           A     I am sorry, could you repeat the question?

10          **Q     Sure.**

11                   **So is it your testimony that if the Commission**  
12 **denies the RSAM, FCG cannot guarantee that FCG will stay**  
13 **out for four years?**

14          A     Yes. I believe anything outside of what we  
15 proposed here, we would have to take back and evaluate  
16 as to whether or not we could -- we could stay out  
17 because it would differ from the, I will say the detail  
18 we put into putting together this plan to allow us to  
19 stay out for four years.

20          **Q     If the Commission were to deny the RSAM,**  
21 **though, you also couldn't say that FCG would or would**  
22 **not come in for a rate case, correct?**

23          A     I believe, as described by witness Campbell,  
24 without of all the mechanisms, including the RSAM that  
25 we have laid out in the case, we could not guarantee, as



1 I have said, to be able to stay out for four years.

2 Q FCG also filed minimum filing requirements, or  
3 MFRs, that include depreciation rates both with and  
4 without the RSAM, correct?

5 A That's correct.

6 Q So the Commission has what it needs in order  
7 to determine appropriate rates even if they do not  
8 approve an RSAM, correct?

9 A Appropriate rates regarding depreciation?

10 Q Rates in general, based off of, you know,  
11 including the depreciation rate?

12 A I would say the Commission has the authority  
13 to approve rates. Yes.

14 Q But what I am saying is that FCG provided  
15 depreciation rates that incorporate the RSAM, and they  
16 also provided depreciation rates that do not  
17 incorporate the RSAM, correct?

18 A That's correct.

19 Q And between one of those two things, the  
20 Commission has what they need in order to set fair, just  
21 and reasonable rates?

22 A We provided the MFRs, which I believe are what  
23 we are supposed to provide, in order to enable the  
24 Commission to have a full set of facts to be able to  
25 make a decision.

1           Q     All right. In FCG's last rate case that I  
2 think we discussed, that was resolved through a  
3 settlement agreement, right?

4           A     That's correct.

5           Q     And one of the terms -- one of the other terms  
6 of that settlement agreement was that FCG was authorized  
7 to build a liquified natural gas facility, correct?

8           A     That's correct.

9           Q     And at the time of the settlement, FCG  
10 anticipated that the LNG facility would cost  
11 approximately \$58 million, correct?

12          A     Correct. The estimate at the time of the  
13 settlement agreement was \$58 million.

14          Q     And in your direct testimony -- I believe it's  
15 page 30, lines 12 through 13 -- you state that the  
16 original location for the LNG facility was selected by  
17 FCG's prior owner, correct?

18          A     Could you just, just to double check, point me  
19 to where you are referring to on page 31?

20          Q     Page 30, lines 12 through 13.

21          A     Yes. That's correct.

22          Q     And NextEra acquired FCG on July 29th of 2018,  
23 correct?

24          A     Yes. That sounds correct.

25          Q     And sometime after that, NextEra transferred

1 FCG to FPL as a subsidiary, correct?

2 A That's correct.

3 Q And subject to check, but the final order that  
4 approved that prior settlement agreement was entered in  
5 April of 2018, correct?

6 A Subject to check. I don't have that date in  
7 front of me.

8 Q Does that sound about right?

9 A Yeah.

10 Q Okay. In your rebuttal testimony in this  
11 case, on page five, lines 11 through 12, you quote there  
12 that some -- you quote some FCG testimony from that  
13 prior rate case, which stated that at that time, FCG was  
14 still evaluating locations for the LNG facility,  
15 correct?

16 A Yes. That's what the testimony I quoted says.

17 Q And then also in your rebuttal testimony on  
18 page six, the next page, lines 11 through 14, you note  
19 that FCG acquired the land for the original site  
20 sometime after April 17th of 2018, correct?

21 A I don't have that date in front of me  
22 specifically.

23 Q All right. Let's do this. On page six, line  
24 11, would you read the rest of that paragraph that  
25 starts with, on August 17th, 2018?

1           A     Sure.

2                     On August 17th, 2018, FCG received a formal  
3 consistency determination from the County Planning  
4 Director. Thereafter, FCG acquired the original site  
5 for the LNG facility and begun -- began pursuing the  
6 permits and approvals needed for the site, including the  
7 special or unusual zoning exemption from the County.

8           **Q     All right. So given that, it's fair to say**  
9 **that FCG acquired the original site sometime after that**  
10 **August 17th, 2018 date, correct?**

11          A     Once again, I don't have the specific date in  
12 front of me, but I would be led to believe that's  
13 correct.

14          **Q     Because on line 12, after that date, it says**  
15 **thereafter?**

16          A     Right.

17          **Q     So it's safe to assume that sometime after**  
18 **August 17th --**

19          A     Understood --

20          **Q     Okay?**

21          A     -- it's just I don't have the specific date,  
22 but, yes, I understand.

23          **Q     All right. You state that -- there, which you**  
24 **just read -- that FCG purchased that land after**  
25 **obtaining a formal consistency determination from the**

1 **County Planning Director. How -- was that in a letter,**  
2 **or how did that come about?**

3 A Once again, I don't -- I don't have that in  
4 front of me. I believe it was a letter, but I don't  
5 have that in front of me to confirm.

6 **Q Did you -- did you read that letter?**

7 A This was before my time being employed by FCG,  
8 so I don't know if I have ever seen a copy of that  
9 letter.

10 **Q Okay. If you could turn over those exhibits**  
11 **there.**

12 MS. WESSLING: And, Mr. Chair, I would like to  
13 mark the first exhibit, which is labeled Formal  
14 Consistency Determination.

15 CHAIRMAN FAY: Okay. I believe that would be  
16 185.

17 MR. TRIERWEILER: That's correct.

18 CHAIRMAN FAY: Mr. Trierweiler, does that  
19 sound right?

20 MR. TRIERWEILER: That's correct.

21 CHAIRMAN FAY: Okay.

22 (Whereupon, Exhibit No. 185 was marked for  
23 identification.)

24 BY MS. WESSLING:

25 **Q All right. And can you take a look -- what's**

1 the date of that letter?

2 A It August 17th, 2018.

3 Q All right. And can you take a look at it, and  
4 does that appear to be the letter you referred to in  
5 your testimony?

6 A Yes. It appears to be the letter I reference  
7 in my testimony.

8 Q Okay. And that letter -- I know I just gave  
9 you a copy of it, but that refers to Florida City Gas,  
10 the liquified natural gas facility, et cetera, right?

11 A Yes, I see the references in this letter.  
12 Correct.

13 Q Okay. And a formal consistency determination,  
14 as you have termed it in your testimony, is not a  
15 permit, correct?

16 A It is not a permit. We still had to seek  
17 permitting to construct the facility.

18 Q Okay. And just to be clear, that letter also  
19 does not constitute the zoning exemption that you would  
20 have need needed to pursue, correct?

21 A That's correct.

22 Q In fact, the last paragraph in that letter  
23 states: This letter is provided in response to your  
24 request for interpreting the provisions of the CDMP and  
25 does not constitute a departmental recommendation on any

1 pending or future requests for developmental approval,  
2 correct?

3 A Yes, that's what it says.

4 Q And you detailed, in the next paragraph of  
5 your testimony on page six, that that zoning exemption  
6 decision was ultimately up to the Community Council,  
7 correct?

8 A That's correct.

9 Q And the Community Council did not approve that  
10 exemption, and that took place on June 5th of 2019,  
11 correct?

12 A That's correct. They declined the exemption.

13 Q All right. But Florida City Gas relied on  
14 that letter to acquire the land before the Community  
15 Council voted on whether or not to approve the  
16 exemption, correct?

17 A As I detail, obviously, acquiring a 10- to  
18 15-acre piece of property in south Miami for the needs  
19 of constructing an LNG facility can be quite difficult.  
20 We went through a lot of diligence, including talking to  
21 the Planning Director, to ensure that, you know, to the  
22 best that we could, that this site would be compatible  
23 with the ultimate use. Ultimately, it came down to a  
24 vote, and we were not able to get a favorable vote from  
25 the City Council.

1           Q     And just for consistency throughout the  
2 proceeding, as the Chairman mentioned, if you could just  
3 try to answer a yes or no and then provide your  
4 response. So you don't need to repeat your response or  
5 anything, but FCG did -- decided to rely on that letter  
6 to acquire the original site before the Community  
7 Council voted on whether to approve the exemption,  
8 correct?

9           A     Yes. That -- the letter was an important  
10 piece of diligence that we went through in determining  
11 the applicability of that site for our ultimate needs.

12          Q     FCG had other options for locations for this  
13 facility, but chose to acquire the original LNG facility  
14 location despite knowing that it may not be granted the  
15 special or unusual use zoning exemption, correct?

16               MR. WRIGHT: Objection, assumes facts not in  
17 the record.

18               CHAIRMAN FAY: Ms. Wessling, I believe you are  
19 trying to get holistically sort of the approach  
20 that they took. I think he can answer with the  
21 components that he took part in, but to Mr.  
22 Wright's point, it might go beyond the scope of  
23 what he knows at this point, so --

24               MS. WESSLING: Well, I can ask him.

25 BY MS. WESSLING:



1           **Q     Did FCG consider other facilities or locations**  
2           **at the time that they chose to acquire this location?**

3           A     I wasn't involved at the time FCG chose this  
4           location, but I can speak to having been involved  
5           finding a new location, finding a 10- to 15-acre piece  
6           of property in south Miami-Dade County to site a liqui  
7           -- you know, liquified natural gas facility is very  
8           difficult. So the diligence that the team went through  
9           to select this first site was certainly appropriate in  
10          determining that this was an applicable site based on  
11          the determination we got from the County Zoning Planning  
12          Director, that he agreed with the use. It was -- I  
13          think, given the circumstances of how difficult it is to  
14          acquire necessary property on there, it was a good  
15          indication that this was a suitable site.

16          **Q     I may have missed it, but was there a -- did**  
17          **you say yes or no prior to that response?**

18          A     What was the specific question?

19          **Q     I believe I asked --**

20                   **CHAIRMAN FAY: Ms. Wessling, go ahead, repeat**  
21                   **the question for him.**

22          BY MS. WESSLING:

23          **Q     I believe I asked: Did FCG have other**  
24          **locations that they were considering at the time that**  
25          **they purchased that location?**

1           **CHAIRMAN FAY:** And I think Mr. Wright's  
2           objection was that those were facts outside the  
3           record. I think he spoke to the new process, but  
4           if -- to Ms. Wessling's questions question, do you  
5           have anything to add about the original process?

6           **THE WITNESS:** I do not have any data about the  
7           other sites that were part of the original process.

8           **CHAIRMAN FAY:** Okay.

9           **MS. WESSLING:** But I would just respectfully  
10          respond as far as the locations that within Mr.  
11          Howard's testimony, he quotes testimony from the  
12          2018 case, where they said they specifically were  
13          considering other locations.

14          **CHAIRMAN FAY:** Right. And I think you are  
15          asking some specifics of that. It appears that he  
16          is saying he doesn't have those specifics.

17          **MS. WESSLING:** Okay.

18          **BY MS. WESSLING:**

19           **Q**     And if you could please turn to page 30.

20           **CHAIRMAN FAY:** You are on direct, Ms.  
21           **Wessling?**

22           **MS. WESSLING:** I am sorry?

23           **CHAIRMAN FAY:** You are on direct page 30?

24           **MS. WESSLING:** Yes.

25          **BY MS. WESSLING:**

1 Q Are you there?

2 A Yes.

3 Q Okay. Page 30, lines 18 through 20, you  
4 state: After the 2018 settlement agreement was  
5 approved, FCG began to engineer and design the original  
6 proposed site for the LNG facility, correct?

7 A That's correct.

8 Q All right. I am going to go through a series  
9 of quotes here, you just make sure I accurately quote  
10 them, okay?

11 You go on to state, starting on-line 20, that  
12 FCG was ultimately unable to successfully obtain the  
13 zoning and permitting approvals necessary to construct  
14 the LNG facility at the original proposed site?

15 A That's correct.

16 Q And starting on line 22, you state: Since the  
17 original site was no longer viable, FCG determined the  
18 most appropriate strategy would be to sell the original  
19 proposed site and secure a new site for the LNG facility  
20 that would still allow the facility to tie into FCG's  
21 jet fuel line and reinforce FCG's system south of the  
22 Miami International Airport as originally approved under  
23 the 2018 settlement, correct?

24 A That's correct.

25 Q And then finally you state: The timing and

1 difficulty associated with the permits and approvals for  
2 the original site, the loss of the original site as a  
3 viable project location, the need to sell the original  
4 site and the need to secure a new project site all  
5 contributed to the delay of the LNG facility, correct?

6 A That's correct.

7 Q You referenced the loss of the original site  
8 as a viable project location; however, that original  
9 site was never zoned adequately enough for FCG to build  
10 its facility there, correct?

11 A No, it was not specifically zoned. But given  
12 the diligence that we could take before the vote of the  
13 City Council, once again reaching out to the Planning  
14 and Zoning Director, getting a favorable recommendation,  
15 we felt that was a good indication of the viability of  
16 the site.

17 Q And again, you never received the exemption  
18 that you sought, correct?

19 A The City Council did not vote to approve the  
20 exemption.

21 Q Again just no?

22 A No.

23 Q Okay. Therefore, since you never had  
24 everything you needed as far as zoning was concerned,  
25 that site was never viable, correct?

1           A       I would disagree. The site was viable until  
2 the point that the exemption did not come through. We  
3 were -- you know, this is -- was an important investment  
4 for Florida City Gas to make, and we were doing the  
5 diligence necessary to ensure that this was an  
6 appropriate site. Once again, getting a favorable  
7 recommendation from the Planning and Zoning Director,  
8 doing community outreach until the time of the vote and  
9 we -- and we received a no vote, it was a viable site.

10           **Q       Throughout your testimony, you mentioned**  
11 **several times that the LNG project delay was due to**  
12 **factors largely beyond your control, correct?**

13           A       That's correct.

14           **Q       However, and to use your words, of the loss of**  
15 **the original location, that was only due to one factor,**  
16 **the zoning issue, correct?**

17           A       The zoning issue prevented us from, correct,  
18 from allowing that site to be ultimately constructable.

19           **Q       And when you say the delay was due to factors**  
20 **largely beyond your control, that implies some factors**  
21 **were within FCG's control, therefore, which factors do**  
22 **you admit were within FCG's control with regard to his**  
23 **facility?**

24           A       Once again, all the -- all the diligence up  
25 and to the point that we received the final vote, once

1 again, the determination from working with the County  
2 Planning and Zoning, the positive determination from the  
3 Planning and Zoning Director, the community outreach, we  
4 went through a diligent process to make sure that we  
5 were developing a site that was an appropriate site and,  
6 you know, setting ourselves up for the ultimate vote of  
7 the City Council.

8 **Q FCG is seeking an additional \$10 million for**  
9 **the building of this facility in this rate case,**  
10 **correct?**

11 A Correct. The current estimate of the facility  
12 has increased to \$68 million.

13 **Q And \$6.2 million are estimated for**  
14 **geotechnical analysis, environmental studies and**  
15 **permitting for the new site, correct? And I am looking**  
16 **at your direct testimony, page 33, lines three through**  
17 **10.**

18 A Yes. That's correct.

19 **Q The \$3.5 million for increased pipeline costs**  
20 **for the new site?**

21 A That's correct.

22 **Q As well as 2.5 for site-specific engineering**  
23 **costs, correct?**

24 A That's correct.

25 **Q In your rebuttal testimony, page 11, lines**

1 nine through 10, you state that FCG believes the LNG  
2 facility will go into service in March 2023, correct?

3 A That's correct.

4 Q And is that still your belief, that the  
5 facility will go in?

6 A Absolutely.

7 Q And that's into service, correct?

8 A That's correct.

9 Q In exhibit -- what I believe is Exhibit 99,  
10 which is also Exhibit KSAH of your -- KSH-2 of your  
11 rebuttal testimony, if you could turn to page seven of  
12 eight.

13 A Okay.

14 Q All right. And it might be small for some  
15 folks, but this exhibit states that the LNG facility  
16 will be finished on June -- or excuse me, in June of  
17 2023. Do you see that in the second green line?

18 A I do not see that. I see in-service date of  
19 April 2023.

20 Q Right. So if you -- you are looking at the  
21 columns, there is a column that is entitled, Finish, do  
22 you see that? It's one, two, three, four, five columns  
23 over.

24 A Starting at the header, starting with activity  
25 ID and moving five over?

1 Q Yes.

2 A Yes. Okay.

3 Q Do you see that column what says, Finish?

4 A Uh-huh.

5 Q And that's a column full of dates, correct?

6 A Correct.

7 Q And on the line that says, in green, LNG  
8 facilities, the finish date says, June 30th of 2023,  
9 correct?

10 A Yes. That's what that line says.

11 Q And then, as you pointed out, the in-service  
12 date says, April 30th of 2023, correct?

13 A That's on -- on the date of this schedule,  
14 yes, that's what the in-service date says.

15 Q But now in your testimony, and again here  
16 today, you are saying the facility will be done in March  
17 of 2023?

18 A Yes. I mean, this is a snapshot schedule.  
19 The facility is essentially complete for major  
20 construction. We are introducing gas into the facility  
21 to test all the fittings. We have LNG planned to be  
22 delivered to the site starting in January for ultimate  
23 testing and cooldown. So in March 2023, COD date is  
24 current based on all the construction activities  
25 ongoing.



1           Q     And although it's current, obviously you have  
2 had to change the in-service date at least once  
3 throughout the course of construction of this facility,  
4 correct?

5           A     Yes. We will continue to refine the schedule  
6 based on the actual status of the facility.

7           Q     So it's also possible that the facility may  
8 not go into service until after March of 2023?

9           A     I see no obstacles that would prevent the  
10 facility from going into service in March of 2023.

11          Q     But you would agree, yes or no, that it's  
12 possible?

13          A     Certainly, I can't say it with 100 percent  
14 certainty, but there no known obstacles that would  
15 prevent the facility from going into service in March of  
16 2023.

17          Q     All right. Now I would like to discuss the  
18 AMI program a little bit with you.

19                 Another request, as you have confirmed, is  
20 that FCG is requesting approval of the AMI Pilot program  
21 being correct?

22          A     That's correct.

23          Q     And AMI stands for advanced metering  
24 infrastructure, correct?

25          A     Correct.

1 Q And as you have pointed out in your testimony,  
2 there are approximately \$3.4 million of capital costs  
3 expected for this program, correct?

4 A Correct.

5 Q And if you could refer to your rebuttal  
6 testimony at page 12, lines one through two. Would you  
7 agree with me that that first sentence on page 12  
8 indicates that this program will provide significant  
9 benefit to both the utility and its customers, correct?

10 A Correct.

11 Q If the utility were to receive a benefit, then  
12 naturally the shareholders would also receive a benefit,  
13 correct?

14 A I am sorry, I don't follow the question.

15 Q So if the utility were to benefit, as it says  
16 it will here, the shareholders for FCG will also benefit  
17 from this pilot program, correct?

18 MR. WRIGHT: Chairman, I am going to object.  
19 We are getting a little far here. That's not what  
20 his testimony says. He is not testifying benefits  
21 to the shareholders here. This as little bit of a  
22 leap from what his testimony states.

23 CHAIRMAN FAY: Yeah, Ms. Wessling, go ahead,  
24 what are you trying to get at?

25 MS. WESSLING: So just that the investors of

1 FCG, if the facility -- if the utility benefits,  
2 then shareholders benefit. That's just a natural  
3 aspect of utility ratemaking. I just wanted to  
4 clarify that, that when he says the utility is  
5 going to benefit, that also means that shareholders  
6 are going to benefit.

7 CHAIRMAN FAY: I think, as a generalized  
8 question, it's okay. I can see the complexity of  
9 getting into a financial determination as to how it  
10 impacts shareholders; but if the witness feels that  
11 they can answer that generally, then they can. I  
12 see what you are trying to get at, but it just sort  
13 of get into a financial question.

14 MS. WESSLING: And I'm not going to go much  
15 deeper on that point. I just wanted to make that  
16 clear.

17 CHAIRMAN FAY: Okay.

18 BY MS. WESSLING:

19 **Q So if the utility were to benefit, then**  
20 **shareholders would benefit from this program?**

21 A Once again, I am not quite sure I follow your  
22 logic. When I talk about the utility benefiting in my  
23 testimony, I am talking from an operational standpoint.  
24 There are operational benefits that the utility can  
25 unlock through this AMI Pilot.

1           **Q     Operational benefits are things like cost**  
2 **savings, correct?**

3           A     Cost savings would, yes, be one of the  
4 operational -- could yield an operational benefit -- or  
5 an operational benefit could yield cost savings,  
6 correct.

7           **Q     And other operational benefits, cost savings**  
8 **and others, those could ultimately, not maybe directly,**  
9 **but ultimately and indirectly could benefit**  
10 **shareholders, correct?**

11          A     I would say they would benefit customers  
12 because they allow the utility to improve the efficiency  
13 of its operations, and perhaps to, you know, defer  
14 another rate case as we continue to unlock efficiencies  
15 from pilots such as this.

16          **Q     You do state that first sentence that utility**  
17 **pilot projects, if appropriately tailored and sized,**  
18 **provide a significant benefit to both the utility and**  
19 **its customers, correct?**

20          A     Correct.

21          **Q     So is it your testimony that the utility can**  
22 **benefit while shareholders don't?**

23               MR. WRIGHT:  Chairman, I apologize.  I mean, I  
24               feel like we are asking the same question over and  
25               over.  I think this line of testimony that we keep

1 referring to, it references pilots in general, not  
2 the AMI Pilot.

3 Mr. Howard is our operations witness. If they  
4 would like to ask a financial question regarding  
5 how benefits are reflected from a financial  
6 perspective, I believe Mr. Campbell is our finance  
7 witness.

8 CHAIRMAN FAY: Okay. Mr. Howard, I mean, I  
9 tend to allow it just because Ms. Wessling is  
10 referring to your specific testimony in there,  
11 where you speak to both the utility and its  
12 customers. I think you can clarify by what you  
13 mean to that, or if not a financial, somebody else  
14 might be able to speak more to how the utility  
15 would be impacted, but I think after that, Ms.  
16 Wessling, it's been asked and answered at this  
17 point.

18 THE WITNESS: I believe the purpose of this  
19 section of my testimony is to say that a  
20 well-structured pilot would benefit utilities and  
21 customers, it's a framework for which to make  
22 investments that could unlock operational and  
23 customer service synergies benefits, you know, for  
24 the duration of the program.

25 So having a measured program from that

1           standpoint, I will say the firmness around that  
2           program being understood, would certainly benefit  
3           the utility in terms of unlocking those operational  
4           synergies and the customers from the customer  
5           service usage, safety abilities enabled by the AMI  
6           Pilot.

7   BY MS. WESSLING:

8           **Q     Right.  So -- and just because you mentioned**  
9           **cost savings as one of the operational benefits that**  
10          **could be felt by the utility, in the interim period**  
11          **between rate cases, if this pilot program is successful,**  
12          **who is going to receive the benefits of those cost**  
13          **savings?**

14          A     We are always looking to improve the  
15          effectiveness of those operations, and anything we can  
16          do more efficient -- you know, effectively or  
17          efficiently just is part of the, obviously, our  
18          structure -- our proposed structure here to stay out  
19          just enables the utility to continue to prevent coming  
20          back for, you know, these -- these rate cases.

21          **Q     Isn't it fair to say that in between rate**  
22          **cases, though, shareholders are going to receive the**  
23          **benefits, the cost savings benefits of this fame AMI**  
24          **program if it were to be approved?**

25          A     I am -- I am not aware.  I am not testifying

1 to any of that.

2 Q If you could refer to staff's third set of  
3 interrogatories, which I believe is also already in  
4 evidence as Exhibit 135. There is a courtesy copy in  
5 that stack there for you, and everyone else should have  
6 that as well, but -- it's the one labeled Staff's Third  
7 Set of Interrogatories No. 36. Do you have that?

8 A Yes.

9 Q Okay. In this response to that specific  
10 interrogatory, do you state that further information is  
11 needed in order to determine whether it is reasonable  
12 and prudent to deploy AMI technology across FCG's entire  
13 system?

14 A I don't see where I say that specifically.

15 Q All right. So in the first paragraph, the  
16 sentence that starts with for these reasons?

17 A Okay. Yes.

18 Q Would you just read that sentence for me?

19 A Further information is needed to determine  
20 whether it would be reasonable and prudent to deploy AMI  
21 technology across FCG's entire system, which is the  
22 primary reason FCG has proposed a limited AMI Pilot.

23 Q So that was a yes to the question I asked  
24 previously, correct?

25 A Yes. I see where you -- that I say that,

1 correct.

2 Q Okay. So at this time, FCG does not know  
3 whether or not the AMI Pilot program -- or excuse me,  
4 the AMI program is reasonable and prudent, correct?

5 A What we are -- what we are proposing with the  
6 AMI Pilot is we've identified a number of potential  
7 benefits to the customers in terms of safety, visibility  
8 into the usage. There is operational benefits. We  
9 think that -- we know this pilot enables, or unlocks  
10 those synergies we are looking to test and evaluate a  
11 reasonable deployment of this infrastructure to evaluate  
12 whether it would be prudent for a future larger scale  
13 deployment.

14 Q So again, I will ask it again, and if you feel  
15 like you need to elaborate further, please do. But at  
16 this time, FCG does not know whether or not the AMI  
17 program is reasonable and prudent, yes or no?

18 A I am not sure I follow the question.

19 Q So that quote you just read, the one that  
20 says: Further information is needed to determine  
21 whether it would be reasonable and prudent to deploy the  
22 AMI technology across FCG's entire system, that means  
23 that at this time, FCG does not know whether or not the  
24 AMI technology is a reasonable and prudent investment,  
25 correct?



1           A     I believe what I am saying is it would be  
2 reasonable and prudent to deploy AMI across FCG's entire  
3 fleet. I am not referring to the reasonableness of the  
4 pilot.

5           Q     Correct. And I am not asking you that. I am  
6 asking you specifically FCG does not know whether or not  
7 the AMI technology itself is a reasonable and prudent  
8 investment for FCG to undertake?

9           A     I mean, I agree that I say that at this point,  
10 we do not know whether a full scale deployment is  
11 reasonable and prudent, but we -- we believe this  
12 tailored pilot program will help us identify, evaluate,  
13 test, all the benefits that I lay out in my testimony.

14          Q     And in this time period, where FCG is  
15 intending to gather this further information to  
16 determine if it's a good idea on the -- across the  
17 entire system, in it time period, FCG is asking for the  
18 Commission to order customers to bear the entire costs  
19 of this AMI Pilot program, correct?

20          A     Yes, we are -- we are proposing to include the  
21 cost of the pilot program as part of this rate  
22 proceeding.

23          Q     And you are asking that the entire cost of the  
24 program be put on customers, correct?

25          A     We are asking -- yeah, we've estimated the

1 cost of the pilot program, and we've included that as  
2 part of this rate proceeding.

3 Q In your rebuttal testimony, on page 14, lines  
4 one through seven. You are there?

5 A Yes.

6 Q Okay. And in these -- in these lines, you are  
7 not just talking about general pilot programs here. You  
8 are specifically talking about the AMI Pilot program,  
9 correct?

10 A Yes. I am describing the -- some of the  
11 benefits that we think will be enabled by this pilot.

12 Q And one of those potential benefits that you  
13 believe may be achieved is reduce costs associated with  
14 driving routes to read meters on a monthly basis,  
15 correct?

16 A That's correct.

17 Q However, FCG doesn't have any estimates on the  
18 amount of money that would be saved in that -- if that  
19 were to come true, correct?

20 A No, we haven't tested or evaluated it yet.

21 Q Does FCG know how much they spend a month on  
22 driving routes to read meters on a monthly basis?

23 A Are you asking if I personally know?

24 Q I am asking if FCG -- I mean, is that the kind  
25 of thing that FCG would keep track of?

1           A     Yes, we -- we budget for -- for meter reading  
2 costs. I do not have those costs in front of me at this  
3 time.

4           Q     So despite having, or at least the potential  
5 of having that information, you can't provide an  
6 estimate as far as how much savings would be provided by  
7 this program, correct?

8           A     I cannot provide an estimate. Once again, I  
9 would say that the purpose of the pilot is to test and  
10 evaluate some of those -- the benefits that we think can  
11 be yielded through the program.

12          Q     All right. If you could turn to page 16,  
13 lines nine through 12. Here you state: OPC witness  
14 Schultz's comment about spending being overly optimistic  
15 for 2023 highlights his lack of understanding around the  
16 planning required to ensure that FCG's 3,700 miles, and  
17 growing, of pipeline is capable of providing safe and  
18 reliable service to new and existing customers, correct?

19          A     That's correct.

20          Q     And if you could also turn to one of the  
21 exhibits in front of you. Again, I believe this is  
22 already in evidence as Exhibit 166, but if you could --  
23 of the ones I passed out, we are looking at OPC -- OPC's  
24 eighth set of interrogatories, No. 193. Do you have  
25 that. You have that?

1           A     Yes. I am sorry, I was reading it.

2           **Q     That's okay.**

3                   **All right. So there is both a response and**  
4 **two attachments to that exhibit, or that discovery**  
5 **response, correct?**

6           A     We are talking about Interrogatory 190?

7           **Q     193?**

8           A     Oh, 193. Sorry.

9                   MR. WRIGHT: And, Ms. Wessling, while he is  
10 getting that in front of him, what number is this  
11 on the exhibit list?

12                   MS. WESSLING: It's No. 166, I believe, or at  
13 least part of Exhibit 166.

14                   MR. WRIGHT: Thank you.

15                   MS. WESSLING: Uh-huh.

16 BY MS. WESSLING:

17           **Q     You have No. 193?**

18           A     Yes.

19           **Q     Okay. So that has both a response as well as**  
20 **two attachments, correct?**

21           A     Yes.

22           **Q     Okay. And does Attachment 2 reflect projected**  
23 **additions by month for 2023 and 2023?**

24           A     Based on my reading, it says, base only plant  
25 additions.

1 Q But those are projected additions?

2 A Yes. Base -- base plant additions proj-- and,  
3 yes, it says projected.

4 Q Okay. And subject to check, but I don't think  
5 you have a calculator there with you, but the total of  
6 projected plant addition from January 2022 to September  
7 of 2022 is 23,103,017, correct?

8 A I am sorry, could you state that again?

9 Q Sure. So looking at Attachment 2, the total  
10 of the projected plant additions from January 2022 to  
11 September of 2022, is 23 -- a little over \$23 million,  
12 correct?

13 A Subject to check, I would -- I would agree  
14 with the summation of those numbers.

15 Q Okay. And if you could look at Attachment 1  
16 now. This is a summary by month from January 2022 to  
17 September 2022 of actual capital additions, correct?

18 A Yes, that appears to be correct.

19 Q And again, subject to check, but the total of  
20 the actual cash additions between January 2022 and  
21 September 2022 is \$14 million -- 14 -- approximately  
22 14-and-a-half million dollars, does that sound  
23 approximately correct?

24 A Subject to check.

25 Q So the actual capital additions were less than

1 **the projected additions based off of these two exhibits,**  
2 **correct?**

3 A Yes, at the -- as of the -- if you are asking  
4 if the two strings of numbers differ, the projections  
5 differ from the actuals.

6 **Q The actuals were significantly less than those**  
7 **projections, correct?**

8 A The actuals -- yes, the actuals, based on your  
9 summation, were. Less --

10 **Q Okay.**

11 A -- for the point in time.

12 MS. WESSLING: Nothing further.

13 CHAIRMAN FAY: Okay. All right. FEA, you are  
14 recognized for cross.

15 CAPTAIN DUFFY: No questions from us, sir.

16 CHAIRMAN FAY: Okay. Mr. Moyle, you are  
17 recognized.

18 MR. MOYLE: Thank you.

19 EXAMINATION

20 BY MR. MOYLE:

21 **Q Good afternoon.**

22 A Good afternoon.

23 **Q I want to follow up. You are the General**  
24 **Manager for Florida City Gas, right?**

25 A That's correct.

1           Q     And so that means you are kind of the person  
2 most knowledgeable or in charge of all the operations of  
3 the company?

4           A     Yes. I oversee the operations, the day-to-day  
5 operations of the company.

6           Q     And looking at your testimony, you have  
7 introduced all of the other witnesses, and I take it  
8 have pretty good general knowledge of this rate case, is  
9 that fair?

10          A     I certainly tried to, yes.

11          Q     So with respect to this four-year plan that is  
12 before the Commission for consideration, is it your  
13 understanding that if the Commission adopts the plan as  
14 you proposed, including with the RSAM, that you are  
15 guaranteeing the Commission and the intervenors, like  
16 FIPUG, that you are not coming in for a general base  
17 rate increase for at least four years? If you can go  
18 yes, no, that would be great.

19          A     Yes, that's what we committed to as part of  
20 the proposal.

21          Q     And what's the nature of that commitment? I  
22 mean, is it a contractual commitment? Is it just you  
23 have got my word? Is it subject to any kind of change  
24 in the event that there is some catastrophic situation  
25 that occurs and knocks out half of your system? I am

1 just trying to explore a little bit and understand the  
2 nature of that commitment.

3 A I am not an attorney, so I am not sure I  
4 follow your question.

5 Q And I am not looking for a lawyer answer. I  
6 am just looking for your understanding as the guy in  
7 charge of Florida City Gas. Are you saying under no  
8 circumstances will Florida City Gas come in for a base  
9 rate increase during the four years that it's committing  
10 to this commission to stay out, regardless of factual  
11 circumstances?

12 A Yes, I mean, that's -- that's what we are  
13 proposing here, is the -- our comprehensive proposal  
14 here would allow us to stay out for at least four years.

15 Q And if you came in and broke that commitment,  
16 what would the Commission be entitled to do? Would they  
17 be entitled to say, we are dismissing this because you  
18 told us for four years you are not coming in, in your  
19 opinion?

20 A Once again, I am not an attorney, so I am not  
21 sure I follow.

22 Q Sir, I am just asking you -- I am not asking  
23 you, again, for your attorney view or not. I am just  
24 asking you, again, testing the nature of your  
25 commitment. You know, you get three series of Category



1 5 hurricanes coming in in one summer and 80 percent of  
2 your system is down, that's like -- that's just you  
3 would say, that's tough. You know, we took -- we gave  
4 them a four-year commitment and we are not coming in.  
5 Or would you say, you know, these are materially changed  
6 circumstances unforeseen, we got to come in and seek  
7 some rate relief. A or B, what happens?

8 A I am not sure. I just know under the, I will  
9 say all the parameters here that we proposed here, that  
10 would allow us the opportunity to stay out for at least  
11 four years.

12 Q Right. It would allow you that opportunity.  
13 Would it require you to stay out for four years?

14 A Once again, I am not an attorney, I am not  
15 sure I can answer what the requirements are.

16 Q You can just tell me your understanding.

17 A My understanding is that this comprehensive  
18 proposal would allow us the opportunity to stay out for  
19 at least four years.

20 Q It would allow to you because it would set you  
21 up, you believe, to do business, but it wouldn't require  
22 you to do so, or obligate you to do so, correct?

23 A Once again, I am not an attorney, so I don't  
24 know how to answer that question.

25 Q You have told me five times you are not an

1 attorney. I get it. I am just trying to get you to  
2 tell me your understanding of the nature of the  
3 commitment.

4 So am I correct, that your commitment does not  
5 obligate you to stay out for four years? Yes or no?

6 A I do not know.

7 Q And who within the organization would know, if  
8 it were not you?

9 A Well, once again, my understanding is this  
10 sounds like a legal question.

11 Q I am just asking. I mean, who's your direct  
12 report?

13 A Pardon?

14 Q Do you have a direct report going up?

15 A Do I have a supervisor?

16 Q Right.

17 A Yes.

18 Q Who is that?

19 A Manny Miranda.

20 Q Has he filed testimony in this case?

21 A No.

22 MR. WRIGHT: Chairman, if I can maybe help  
23 with this.

24 I think our witness Campbell, he is here to  
25 speak about the four-year plan. I think he is

1 happy to take this question.

2 CHAIRMAN FAY: Okay. Mr. Moyle, I know there  
3 is a four-year plan that is included in this  
4 testimony, a significant amount. It does sound  
5 like he is he has provided a to his knowledge what  
6 that allow.

7 BY MR. MOYLE:

8 Q In reviewing your testimony, your direct and  
9 your rebuttal, I noticed that Florida City Gas is a  
10 subsidiary of Florida Power & Light, correct?

11 A That's correct.

12 Q Do you know, does Florida Power & Light have  
13 any other operating subsidiary corporations underneath  
14 it?

15 A I do not know.

16 Q You also provide some testimony that you --  
17 you say that a gas company is a lot different than an  
18 electric company, correct?

19 A Yes. That's correct. There are unique  
20 operational differences between gas and electric.

21 Q Would it be fair to say it's kind of an apples  
22 and oranges comparison?

23 A I don't -- I wouldn't know how to qualify  
24 the --

25 Q Well, tell us what you believe are the unique

1 **operational differences.**

2 A I believe I -- I believe there is a  
3 interrogatory around this, but FCG has its own set of,  
4 obviously, rates and tariffs. We have our own set of  
5 operational procedures. We have our own set of safety  
6 and operational standards as laid out by PHMSA, among  
7 other things that differentiate us from FPL.

8 **Q And the operations are fundamentally different**  
9 **as well. FPL delivers most of its product over overhead**  
10 **wires. Yours are underground, correct?**

11 A There are certainly some differences in the  
12 commodity, but there are, I will say, learnings we can  
13 take from Florida Power & Light, given that we are both  
14 regulated utilities in the state of Florida, and all of  
15 Florida City Gas' service territory is inside that of  
16 Florida Power & Light.

17 **Q And you are getting a lot of assistance these**  
18 **days from NextEra with a number of operational issues,**  
19 **are you not?**

20 A I believe I have laid out the synergies that  
21 we have been able to identify from a corporate  
22 perspective.

23 **Q So that would be a yes?**

24 A Yes.

25 **Q Tell me -- I assume -- you know, if you don't**

1 have personal knowledge. You became the general  
2 manager. I assume you did abilities of a historical  
3 look at the company and said, I want to know everything  
4 I can about this company, can you tell me what happened,  
5 you know, in this situation, in that situation, is that  
6 fair?

7 A I am not sure I understand your question.

8 Q So, like, for example, you were asked  
9 questions by OPC's lawyer about this land for the LNG  
10 facility. I assume, even though you weren't there when  
11 the land was purchased, you got briefed on this LNG  
12 facility, what the plan is moving forward, you did not?

13 A Since my -- yes, since my time taking over as  
14 General Manager, there are issues that have happened  
15 historically that continue to, I will say, appear, and I  
16 will try to get as educated on those as I can.

17 Q So on the LNG facility, that presently is at  
18 \$68 million is the projected cost?

19 A The current estimate is \$68 million, yes.

20 Q As we sit here today, do you have any reason  
21 to believe it may go higher than that?

22 A I am not aware of any reason that that  
23 estimate would change.

24 Q And what was the original cost, estimated?

25 A The original estimate that was provided was

1 58 million.

2 **Q And do you know why this LNG facility was**  
3 **pursued?**

4 A Yes, and I believe the parties agreed to the  
5 necessity of this LNG facility as part of the last  
6 settlement agreement.

7 **Q Yeah. Why? What does it do? Just tell your**  
8 **understanding of how it helps the Florida City Gas**  
9 **system serve its customers.**

10 A It provides resiliency for a very constrained  
11 gas market in the south end of the state, which is  
12 served by a single interstate pipeline that is fully  
13 subscribed, and has been for a number of years with no  
14 known plans of expansion. So to accommodate the growth  
15 in the area, which we've seen is roughly 30 percent  
16 increase in system throughput at the southern end of our  
17 system, having this as a resiliency mechanism against as  
18 upstream interruptions is very important to ensuring  
19 reliability for our customers in the region.

20 **Q Are you going to provide any natural gas out**  
21 **of this facility to your parent company, Florida Power &**  
22 **Light?**

23 A No. This facility is meant to provide  
24 reliability for our customers in the southern end of our  
25 service territory.

1 Q So no intercompany business will take place?

2 A No. This is, once again, to provide  
3 reliability for our customers.

4 Q Okay. And you won't -- you will sell the LNG  
5 to any third-party in the event that there is not need  
6 for it on your system?

7 A No. We -- we once again, the purpose of the  
8 facility is to maintain a supply at a very constrained  
9 point in our system to prevent and mitigate any  
10 interruptions that may occur upstream.

11 Q I have a couple of questions about your  
12 self-insurance program. Are you familiar with that?

13 A At a very high level, I am aware of it.

14 Q Okay. We'll try to keep them at a high level.  
15 Can you just explain to me why you have a  
16 self-insurance program?

17 A I could not explain that.

18 Q Do you -- this is -- I got this on page 21,  
19 line 13, I believe, of your rebuttal, about the history  
20 of the storms. Tell me when you are there.

21 A Yes, I am there.

22 Q Okay. So the history of storms in over 10  
23 years has been a total of \$58,127 in impacts, is that  
24 right?

25 A Yes. It appears for the two storms that have

1 impacted our system, the damages that we charged were  
2 \$58,000.

3 Q And as we sit here today, there is -- there is  
4 about a little over 160,000 in a fund that would be  
5 available in the event you had storm damage?

6 A Yes, 162,000 is the number you are referring  
7 to.

8 Q Right. And -- but the case -- the case here,  
9 notwithstanding those historical the facts, you are  
10 asking for, you know, more than four times that 162 be  
11 put in a reserve fund?

12 A We are asking for the continuation of the  
13 storm reserve policy.

14 Q And didn't do you a self-insurance study that  
15 said you ought to have 800,000 in there?

16 A We hired -- per Commission rule, we hired an  
17 independent expert to evaluate the impact of the storm  
18 on FCG's system, and they certainly found the need to  
19 continue to accrue for an \$800,000 reserve.

20 Q Did that -- do you know, has anybody looked at  
21 that and go, you know, maybe that's a little high.  
22 Historically, we've only had 60,000 in damages. We got  
23 three times that much. Do we really need to come up  
24 with 800,000, has that been part of any of conversations  
25 you have had in your management role?



1           A     We relied on the independent expert, as  
2     required by the -- the independent expert to assess it,  
3     as required by Commission rule.

4           Q     I have this on page 14, line five, you were  
5     asked a question by counsel for OPC about your AMI  
6     program. I don't know if you have to reference the  
7     testimony or not, but the question is, is that you say  
8     that AMI will provide for more accurate billing. You  
9     explain how AMI provides more accurate billing, if you  
10    would.

11          A     Sure. So not only is FCG proposing AMI, but  
12    we are actually holistically looking at the entire meter  
13    set that we use, the meter set being everything kind of  
14    coming out of the ground from the service line into the  
15    inlet side of the customer's house. We are looking at  
16    evaluating more corrosive resistant materials, the AMI  
17    technology themselves. A new meter that uses ultrasonic  
18    reading instead of a diaphragm, which it has shown to  
19    yield more accurate measurement than the typical  
20    diaphragm-based meter.

21          Q     And when you say more accurate measurement,  
22    can you describe order of magnitude?

23          A     I don't have that in front of me.

24          Q     I mean, is it a significant order of  
25    magnitude? I assume it is if you are going to spend the

1 money to get new equipment.

2 A Once again, I don't have that in front of me,  
3 but I know we also test our meters as part of a meter  
4 testing program to ensure accuracy for billing purposes.

5 Q Your existing meters, you test them?

6 A We test meters, yes.

7 Q Right, to make sure they are accurate. But  
8 these meters that you are going to be getting are going  
9 to be more accurate?

10 A Yes. That's based on information that we've  
11 been provided when we looked at this.

12 Q Has -- do you know if people selling you the  
13 meters have represented to you how much more accurate  
14 they would be?

15 A I don't have that in front of me.

16 MR. MOYLE: That's all I have. Thank you.

17 CHAIRMAN FAY: Okay. All right. Staff?

18 MR. TRIERWEILER: No cross.

19 CHAIRMAN FAY: Okay. Commissioners?

20 Okay. All right. Mr. Wright, redirect?

21 MR. WRIGHT: Thank you, Chairman. I will be  
22 brief.

23 FURTHER EXAMINATION

24 BY MR. WRIGHT:

25 Q Mr. Howard, you were asked about the LNG

1 facility and the estimate in the last rate case. To  
2 your knowledge, in the last rate case, was that an  
3 estimate or a final cost?

4 A That was an estimate.

5 Q Okay. And you were asked several questions by  
6 the Office of Public Counsel about the formal  
7 consistency determination, which we have marked as  
8 Exhibit 185, do you recall? Do you still have that?

9 A Yes, I still have it.

10 Q Can you explain why FCG obtained this before  
11 proceeding to get zoning approval for the original LNG  
12 site?

13 MS. WESSLING: I would object to -- he already  
14 stated he wasn't there when this embowed and he  
15 doesn't have any knowledge of it.

16 CHAIRMAN FAY: Yeah, Mr. Wright, I am not  
17 going to allow it because it would go into the  
18 historical context of this, which was the objection  
19 earlier.

20 MR. WRIGHT: Okay. I will move on.

21 BY MR. WRIGHT:

22 Q You were asked several questions about when  
23 FCG purchased the original site for the LNG facility.  
24 To your knowledge, did FCG purchase the original site or  
25 did it acquire an option?

1           A     I don't know.

2           Q     Okay. You were asked a couple of questions by  
3     Public Counsel about the in-service date. Can you  
4     explain why you said absolute on the March 2023, can you  
5     explain why you are so certain that the March 2023 date  
6     will be the in-service date for the LNG facility?

7           A     Sure. I believe as I mentioned as part of the  
8     discussion, the construction of all major components is  
9     complete. Gas is being introduced into the facility for  
10    final testing of valves and fittings. And we have  
11    scheduled LNG to be delivered to the site in January for  
12    cooldown and testing of the -- the liquid storage of the  
13    facility. So from a construction standpoint, this  
14    facility is essentially complete, and we are moving into  
15    the testing phase.

16          Q     Thank you.

17                    You were asked -- you were asked some  
18    questions by Mr. Moyle, representing FIPUG, about the  
19    storm damage reserve, and you were directed to page 21  
20    of your rebuttal testimony. Could you turn there,  
21    please?

22          A     Sure.

23          Q     Okay. And you were asked a question about a  
24    total of 58,127 of storm damages that occurred over the  
25    next 10 years. That section of your testimony, that's

1 not your testimony. You are repeating what witness  
2 Schultz claims, correct?

3 MR. MOYLE: I mean, it speaks for itself.  
4 It's a little bit of a confusing question with  
5 respect to the characterization of it.

6 CHAIRMAN FAY: Yeah, I mean, if you adopted  
7 that information in your testimony, then I don't  
8 see how it would be negated.

9 MR. WRIGHT: I think -- well, to be clear, Mr.  
10 Moyle asked him if FCG incurred 58,127 in storm  
11 damages over the last 10 years. That's not what  
12 the testimony states. This is -- he is  
13 characterizing Schultz's position.

14 CHAIRMAN FAY: Yeah, so you can clarify that,  
15 if you have anything to add.

16 THE WITNESS: Could you restate the question?

17 BY MR. WRIGHT:

18 Q Yeah. So when you replied to Mr. Moyle about  
19 the 58,127 of storm damage that has been incurred over  
20 the last 10 years, that's not accurate. That 58,127, is  
21 that the amount that's been incurred over the last 10  
22 years?

23 A I believe witness -- so this is witness  
24 Schultz saying that we've charged the reserve at a total  
25 cost of \$58,000.

1 MR. WRIGHT: Okay. No further questions.

2 CHAIRMAN FAY: Okay. All right. Let's see,  
3 Ms. Wessling, I have 185 that we will enter. You  
4 had interrogatory -- reference to Interrogatory 36.  
5 We don't need to include that unless you want to.

6 MS. WESSLING: Correct. All of the other  
7 interrogatories that I referred to are already in  
8 evidence as various exhibits. I tried to identify  
9 them as I went through, but --

10 CHAIRMAN FAY: Okay.

11 MS. WESSLING: -- they don't need to be  
12 individually admitted --

13 CHAIRMAN FAY: So I --

14 MS. WESSLING: -- the only one I would seek to  
15 admit is No. 185.

16 CHAIRMAN FAY: Okay, is the latter. And then  
17 just for clarity, though, on your -- your response  
18 to 193, you have referenced the response, but then  
19 you have also referenced two separate interrogatory  
20 attachments, is that correct?

21 MS. WESSLING: Yes. And those are both  
22 included in the response to No. 193.

23 CHAIRMAN FAY: Okay. That's fine. Unless you  
24 would like to enter it specifically, there is no  
25 need to.

1           So then with that, I have the formal  
2           consistency determination, 185, any objection?  
3           Showing no objection, show that entered into the  
4           record.

5           (Whereupon, Exhibit No. 183 was received into  
6           evidence.)

7           CHAIRMAN FAY: All right. With that, Mr.  
8           Wright, you are welcome to request your witness to  
9           be excused.

10          MR. WRIGHT: Well, before I do that, I would  
11          like to move in comprehensive exhibit list Exhibits  
12          10, 99 through 102 that were sponsored by Mr.  
13          Howard.

14          CHAIRMAN FAY: I apologize, Mr. Wright. So  
15          let's see, 10 --

16          MR. WRIGHT: 99 through 102.

17          CHAIRMAN FAY: Okay. Seeing any objections?  
18          Showing no objections, show 10 and 99 through 102  
19          entered into the record.

20          (Whereupon, Exhibit Nos. 10 & 99-102 were  
21          received into evidence.)

22          MR. WRIGHT: Thank you.

23          And we would ask that Mr. Howard be excused.

24          CHAIRMAN FAY: All right. Mr. Howard, you are  
25          excused. Travel safe. Thank you.

1 (Witness excused.)

2 CHAIRMAN FAY: All right. With that, you guys  
3 you are making my life easy here, perfect two-hour  
4 break. We will give our court reporter a break for  
5 a few minutes. Let's -- we'll start back at 3:15.

6 (Brief recess.)

7 (Transcript continues in sequence in Volume  
8 4.)

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## CERTIFICATE OF REPORTER


STATE OF FLORIDA     )  
COUNTY OF LEON     )

I, DEBRA KRICK, Court Reporter, do hereby  
certify that the foregoing proceeding was heard at the  
time and place herein stated.

IT IS FURTHER CERTIFIED that I  
stenographically reported the said proceedings; that the  
same has been transcribed under my direct supervision;  
and that this transcript constitutes a true  
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,  
employee, attorney or counsel of any of the parties, nor  
am I a relative or employee of any of the parties'  
attorney or counsel connected with the action, nor am I  
financially interested in the action.

DATED this 3rd day of January, 2023.

  
DEBRA R. KRICK  
NOTARY PUBLIC  
COMMISSION #HH31926  
EXPIRES AUGUST 13, 2024