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FLORIDA'S LAW FIRM FOR BUSINESS

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

November 1, 2024

BY E-FILING

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 20240099-EI - Petition for rate increase by Florida Public Utilities Company**

Dear Mr. Teitzman:

Attached, for electronic filing, on behalf of Florida Public Utilities Company, please find the Company's Responses to Staff's Eighth Set of Data Requests.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Cc: (Service List)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Public Utilities Company.	DOCKET NO. 20240099-EI

FPUC'S RESPONSES TO STAFF'S EIGHTH SET OF DATA REQUESTS

For questions 1-6, please refer to the direct testimony of witness Napier:

1. Please explain if any Enterprise Resource Planning (ERP) costs of FPUC have been excluded in this proceeding for recovery.

Company Response:

Yes, none of the ERP costs allocated to FPUC were not included for recovery through base rates in this proceeding. Instead, these costs were reflected as Allowance for Funds Used During Construction (AFUDC.) The Company took this approach because it contemplates the technology rider being placed in service. Once the ERP project is completed, the Company would anticipate seek recovery for the ERP project through that mechanism, at a later date, probably in 2026 or 2027.

2. Page 26, Lines 4-5 refers to technological enhancements Chesapeake Utilities Corporation (CUC) has implemented, the parent company of FPUC. Is CUC also benefitting from the ERP projects? If yes, how are the ERP costs allocated between CUC and FPUC?

Company Response:

The ERP project will benefit all of CUC's business units. The costs will be allocated to the business units based on the Distrigas allocation discussed in Witness Galtman's testimony.

The projected 2025 Distrigas allocation to this business unit is 5%. The 2026 and 2027 allocation percentages are expected to be similar.

3. Referring to page 26, lines 5-14, the witness states that implementing the Technology Cost Recovery Rider (TCRR or Rider) mechanism will help save customers additional costs of a subsequent rate case, avoid single issue rate cases, or limited proceedings. Please explain how costs will be saved by implementing the Rider as opposed to other methods stated above. Additionally, please provide estimated cost savings of implementing the proposed Rider vs. filing a rate case or a limited proceeding.

Company Response:

The Company believes use of a rider mechanism, such as the TCRR, saves our customers additional costs in two primary ways. First, rider mechanisms are more administratively efficient to prepare and file. This is primarily because the Company can focus on that one issue with internal resources rather than having to hire external consultants to cover a wider range of topics. This directly benefits our customers by reducing costs associated with preparation and filing. Second, using a rider mechanism, also allows the Company to avoid the additional costs associated with rate case expense. Processing a full rate proceeding could add upwards of $1.5 million of additional costs for our customers by way of rate case expense.

4. Please explain if the ERP is included or is a part of the (TCRR).

Company Response:

As discussed in response to number 1 above, the Company has not included the ERP costs for recovery in this proceeding. The Company plans to request recovery of these costs in a TCRR mechanism if approved. To be clear, the TCRR is the proposed mechanism by which

the Company would anticipate recovering the ERP costs and potentially similar types of costs. While the Company has incurred costs associated with ERP to date, those costs have been excluded because they include AFUDC. The ERP project is not yet complete and will not be completed before the end of the year. It is the Company's proposal that the TRCC be approved, and that when the ERP project is completed, the TRCC will be the mechanism used to recover the costs of the ERP, rather than recovery through base rates.

5 What are the customer bill impacts (for the applicable customer classes), of the proposed TCRR for 2025 through 2030?

Company Response:

The Company is in the process of developing a technology roadmap for an ERP system implementation that is intended to improve operations through the use of technology, reduce manual processes, increase efficiency in operations and standardize processes across all business units. At this time we estimate the total cost of the ERP systems to be between $50 million to $70 million. The ERP systems are still being evaluated to finalize the suite of applications that will be implemented as part of this transformational technology project. At a minimum, the ERP system will include a new system that will support Finance & Accounting, Purchasing, and supply chain inventory, project management, asset management and regulatory reporting. In addition to these processes, the Company is also considering an integrated Human Resource Information System (HRIS) that will be integrated into the overall ERP system. These systems may be phased in over a period of two to five years. The Company has engaged a third-party expert to assist in the scoping exercise and anticipates the initial project roadmap to be completed in the first half of 2025.

Since we are still in the process of determining the extent and costs of the ERP project and any phases, we currently do not have a projection of the bill impacts. The Company will also identify which systems would be replaced which is why we can't predict which costs are being eliminated yet. In accordance with the tariff page, the costs and bill impacts would be provided to the Commission prior to implementation of the rider. At this time, the Company expects the increase to a typical residential customer bill to be less than 1% in 2027.

6. Please explain why the Company proposed a January to December 12-month term to implement the proposed TCRR, as opposed to a different 12-month term.

Company Response:

This period was chosen in order to be consistent with our other filings for similar type costs such as the fuel, conservation, and SPPCRC that are filed on a calendar year basis.

7. Please state the Commission's jurisdiction to approve the proposed TCRR rider?

Company Response:

While the proposed TCRR rider has some unique aspects, it is not unlike the following mechanisms administered by the Commission that provide for recovery of significant capital costs and related expenses associated with a specific project or specialized program:

> **Peoples Gas – Rider CI/BS - Order No. PSC-12-0476-TRF-GU, issued on September 18, 2012 in Docket No. 20110320-GU;**
> **FPUC – GRIP - Order No. PSC-2012-0490~TRF-GU, issued September 12, 2012, in Docket No. 20120036-GU;**
> **FPUC - GUARD Order No. PSC-2023-0235-PAA~ GU, issued August 15, 2023, in Docket No. 20230029-GU; and**
> **FCG – SAFE - Order No. PSC-2015- 0390-TRF-GU, issued September 15, 2015, in Docket No. 20150116-GU.**

The Commission has determined that it has jurisdiction to approve such riders under its general regulatory and rate-making authority as set forth in Sections 366.04, 366.05, and

366.06, F.S.

Albeit in a different proceeding, the Commission has succinctly stated its broad authority in this regard as follows:

> **Section 366.04(1), F.S., grants us exclusive jurisdiction to regulate and supervise each public utility with respect to its rates and service. In addition, Section 366.041, F.S., authorizes us to consider, among other things in fixing rates, the cost of providing service and the value of such service to the public. Section 366.06(1), F.S., provides that, in setting rates, we shall investigate and determine the actual legitimate costs of the property of each utility company actually used and useful in the public service. Section 366.05, F.S., gives us the power to prescribe fair and reasonable rates and charges. The Legislature declared in Section 366.01, F.S., that Chapter 366, F.S., is an exercise of the police power of the state for the protection of the public welfare, and all the provisions of Chapter 366, F.S., shall be liberally construed for the accomplishment of that purpose.[1]**

ORDER NO. PSC-2018-0566-FOF-EU, page 4.

Consistent with this statement of ratemaking authority, the Commission has authority to approve the requested TRCC. Moreover, if approved, the Commission will still have full authority to investigate and determine whether the costs submitted for recovery through the TRCC are actual legitimate costs of the utility and ensure that the costs are associated with technology that it used and useful in service to the public.

It should also be noted that, while the gas programs listed above were generally targeted and designed to serve a specific purpose, so too is the TRCC. Moreover, because the subject matter that qualifies for recovery through the proposed mechanism is limited and the costs ultimately allowed for recovery will be allocated pursuant to the cost of service approved by the Commission, the added layer of cost, complexity and time associated with a rate case or limited proceeding, particularly close on the heels of another rate case, would serve no significant benefit other than to inflate costs that would then be passed on to ratepayers.

[1] See also, Citizens of State v. Public Serv. Comm'n, 425 So. 2d 534 (Fla. 1982)

8. With reference to witness Gadgil's direct testimony, page 9, lines 1-11, please state if the new CIS billing system, based on a SAP platform, went online in August of this year. If not, when is the new billing system is expected to be operational? Also, please state what SAP stands for.

Company Response:

The CIS went online on August 26, 2024 as stated in Witness Gadgil's testimony. Once the CIS went online, the Company moved into the stabilization phase which ensures that the system is functioning as designed and meeting the standards set by the Company. That stabilization period lasted until October 1, 2024, at which time the CIS was completed and placed in service. There are some continuing costs incurred to fine tune the implementation. "SAP" is a software company that owns the software being used for CIS implemented in August 2024. Originally the name was based on the industry nomenclature of, Systems, Applications and Products (SAP).

9. Referring to witness Taylor's direct testimony, page 15, lines 20-22 states that the Company has been replacing the high pressure sodium, metal halide and mercury vapor lights with LED fixtures and plans to complete the transition during the second half of 2024. Please provide an update of this transition progress as of October 2024.

Company Response:

Due to the extensive storm activity in Florida this year, the Company has not been able to complete the transition. In addition, the Company anticipates requesting recovery of the costs that remain and have not been included in this rate proceeding, in our annual conservation filing in December.

10. Referring to witness Gadgil's testimony, for all the planned new technology implementation and improvements in cyber security projects, please state for <u>each</u> project:

   a. Costs and expenses included in the MFRs

   b. Costs and expenses to be included for cost recovery in the proposed TCRR rider

Company Response:

a. The following projects, and associated costs for technology improvements and cyber-security projects have been included in the MFR's for this case:

- **The new CIS system, as discussed in response to Staff's data request 1 number 17 - included 13-month average rate base additions of \$6,517,085, operation and maintenance expense of \$356,083 and depreciation expense of \$337,690.**
- **A lead cyber-security position - \$12,500.**
- **Cyber-security monitoring and asset maintenance costs - \$37,500.**

These expenses are detailed in MFR C-7 page 8.

b. The only costs being contemplated for recovery in the TCRR are the costs associated with the ERP project, as discussed in response to number 1 above.

For questions 11 – 19, please refer to schedule E-7 in Dockets 20140025-EI and 20240099-EI:

11. Referring to Schedule E-7, page 3 of 6, please explain the decrease in the hourly transportation rate for (pickup) from $13.50 in Schedule E-7, page 2 of 6 in FPUC's last rate case (Docket No. 20140025-EI) to $3.98 in Schedule E-7, page 2 of 6 in Docket No. 20240099-EI.

Company Response:

This hourly transportation rate was developed by averaging all the actual vehicles used for field service activities during 2023. The primary reasons for the reduction in the hourly transportation rate are related to the use of more efficient vehicles and a lower cost of fuel now versus the time during the Company's last rate proceeding.

12. Please explain the wording change from Service Labor (Docket No. 20140025-EI) to Construction labor (Docket No. 20140025-EI) when calculating the service charge for the Initial Establishment of Service.

Company Response:

The Company changed the wording from Service Labor, used in the Company's last rate proceeding, to Construction Labor to more appropriately reflect the activity being done by the line crew personnel.

13. Referring to Schedule E-7, page 3 of 6, please explain the wording change from Transportation (Pickup) (Docket No. 20140025-EI) to Transportation (Bucket) when calculating the service charge for the Initial Establishment of Service.

Company Response:

The Company changed the wording because it more appropriately reflects the activity being performed. In this case, the line crew personnel are required to use a bucket truck to run the service to the customer and then set the meter.

14. Referring to Schedule E-7, page 4 of 6, please explain the reasons for the increase in the amount of time (in hours) for clerical (0.16 to 0.35), service (0.50 to 0.75), and transportation (0.50 to 0.75) to re-establish service or make changes to an existing account.

Company Response:

The work currently being done is more complex than what was done in 2014. This is due to increased security of customer data and an increase in data obtained from the customer because the system is more structured than it was in 2014.

15. Referring to Schedule E-7, page 5 of 6, please explain why construction and transportation will now take an extra hour along with two different transportation methods (pickup and bucket) being used for Reconnect after Disconnect for violation of rules shown in section – 13 Discontinuance of Service (After Hours).

Company Response:

The reason for the two different transportation methods is that a pickup truck is used to

disconnect the service during normal hours and a bucket truck is used after hours to reconnect the power after the rule violation has been corrected. The main reason for the increase in time and that a bucket truck has to be used for reconnection is that the Company no longer has an in house two-man evening crew in place. Currently, the reconnection involves calling out our line crew after hours which involves a three-hour minimum.

16. Referring to Schedule E-7, page 6 of 6, please explain the need for administrative labor in the Collection Charge as the last rate case (Docket No. 20140025-EI) did not have time allotted to administrative labor.

Company Response:

The increase in administrative labor and the additional time is more representative of the actual time required. The cost in 2014 did not include an allocation of the employees' supervisors' time.

17. Referring to Schedule E-7, page 6 of 6, please explain the increase in time allotted for clerical labor, service labor, and transportation for the Collection Charge.

Company Response:

The increase in clerical labor, service labor and transportation and the additional time is more representative of the actual time required because the 2014 cost did not include an allocation of the employees supervisors' time.

18. Referring to Original Sheet No. 6.017, regarding Customer's Liabilities, would a customer be allowed to reconnect after tampering with the Company's meters?

Company Response:

Yes, once the customer has paid the applicable charges and any back-billing, the Company will reconnect the customer.

19. Please state in which schedule the tampering penalty charges are shown. If the tampering penalty charges are not provided in Schedule E, please provide cost support for the tampering penalties for both the $500 for residential customers and $2,500 for non-demand general service customers' penalties.

Company Response:

The Company did not complete a Schedule E for the tampering penalty charges because the charges as proposed by the Company are not cost based. The amount is a penalty and meant to discourage and prevent customers from tampering with Company equipment and was thought to be representative of charges by other companies.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 1st day of November, 2024:

Suzanne Brownless Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 sbrownle@psc.state.fl.us discovery-gcl@psc.state.fl.us	Walt Trierweiler/P. Christensen / Charles Rehwinkel/Mary Wessling/Octavio Ponce/Austin Watrous Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Trierweiler.Walt@leg.state.fl.us Wessling.Mary@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us Christensen.patty@leg.state.fl.us Ponce.octavio@leg.state.fl.us Watrous.austin@leg.state.fl.us
Michelle Napier Florida Public Utilities Company 1635 Meathe Drive West Palm Beach FL 33411 mnapier@fpuc.com	

By: ______________________

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706