

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, January 14, 2020, 1:00 p.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: January 6, 2020*

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (**) next to the item number.

To participate informally, affected persons need only appear at the conference and request the opportunity to address the Commission on an item listed on the agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing. See Florida Administrative Code Rules 25-22.0021 (agenda conference participation) and 25-22.0022 (oral argument).

Conference agendas, staff recommendations, vote sheets, and transcripts are available online at <http://www.floridapsc.com>, by selecting *Conferences & Meeting Agendas* and *Commission Conferences of the FPSC*. An official vote of "move staff" denotes that the Item's recommendations were approved.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the conference at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 or 850-413-6770 (Florida Relay Service, 1-800-955-8770 Voice or 1-800-955-8771 TDD). Assistive Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

The Commission Conference has a live video broadcast the day of the conference, which is available from the FPSC website. Upon completion of the conference, the archived video will be available from the website by selecting *Conferences & Meeting Agendas*, then *Audio and Video Event Coverage*.

EMERGENCY CANCELLATION OF CONFERENCE: If a named storm or other disaster requires cancellation of the Conference, Commission staff will attempt to give timely notice. Notice of cancellation will be provided on the Commission's website (<http://www.floridapsc.com>) under the Hot Topics link on the home page. Cancellation can also be confirmed by calling the Office of Commission Clerk at 850-413-6770.

If you have any questions, contact the Office of Commission Clerk at 850-413-6770 or Clerk@psc.state.fl.us.

***Revised to add attachments to Item 2.**

Table of Contents
Commission Conference Agenda
January 14, 2020

1**	Consent Agenda	1
2	Docket No. 20180055-GU – Petition to resolve territorial dispute in Sumter County and/or Lake County with City of Leesburg and/or South Sumter Gas Company, LLC, by Peoples Gas System.	3
3**PAA	Docket No. 20190167-EI – Petition to compel Florida Power & Light to comply with Section 366.91, F.S. and Rule 25.6-065, F.A.C., by Floyd Gonzales and Robert Irwin.	4
4**PAA	Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.	5

ITEM NO.

CASE

1**

Consent Agenda

PAA

A) Application for Certificate of Authority to Provide Telecommunications Service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
20190212-TX	Compu-Design USA Inc. dba Dade Institute of Technology

PAA

B) Docket No. 20190205-GU – Application for authorization to issue common stock, preferred stock and secured and/or unsecured debt, and to enter into agreements for interest rate swap products, equity products and other financial derivatives in 2020, by Chesapeake Utilities Corporation.

Chesapeake Utilities Corporation (Chesapeake or Utility) seeks authority to issue during calendar year 2020: up to 8.8 million shares of Chesapeake common stock; up to 2 million shares of Chesapeake preferred stock; up to \$650 million in secured and/or unsecured debt; to enter into agreements for up to \$200 million in interest rate swap products, equity products and other financial derivatives; and to issue short-term obligations in an amount not to exceed \$370 million.

Chesapeake allocates funds to the Chesapeake Utilities Corporation – Florida Division, Florida Public Utilities Company (FPUC), FPUC – Indiantown Division, and FPUC – Fort Meade Division on an as-needed basis. Chesapeake acknowledges that in no event will such allocations to the Florida Divisions exceed 75 percent of the proposed equity securities (common stock, and preferred stock), long-term debt, short-term debt, interest rate swap products, equity products, and financial derivatives issued by Chesapeake.

Pursuant to Section 366.04, Florida Statutes (F.S.), the Commission shall have jurisdiction to regulate and supervise each public utility in the issuance and sale of its securities, except a security which is a note or draft maturing not more than one year after the date of such issuance and sale, and aggregating not more than 5 percent of the par value of the other securities of the public utility then outstanding.

The amount requested by Chesapeake exceeds its expected capital expenditures of \$268.4 million for Chesapeake Utilities Corporation (\$153 million for the Florida Divisions). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for the purposes enumerated in the Utility’s petition, as well as, unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends the Utility’s petition to issue securities be approved.

ITEM NO.

CASE

1**

Consent Agenda

(Continued from previous page)

Recommendation: The Commission should approve the action requested in the dockets referenced above and close Docket No. 20190212-TX. For monitoring purposes, Docket No. 20190205-GU should remain open until May 7, 2021, to allow the Utility time to file the required Consummation Report.

ITEM NO.

CASE

2

Docket No. 20180055-GU – Petition to resolve territorial dispute in Sumter County and/or Lake County with City of Leesburg and/or South Sumter Gas Company, LLC, by Peoples Gas System.

Critical Date(s): The Commission's final order must be furnished to DOAH no later than February 20, 2020.

Commissioners Assigned: All Commissioners

Prehearing Officer: Polmann

Staff: GCL: Trierweiler, Harper

ECO: Coston, Draper, Guffey

ENG: Ballinger

(Post Hearing Decision - Participation is limited to Commissioners and Staff)

Issue 1: Should the Commission accept any of the exceptions filed by PGS?

Recommendation: No. PGS has failed to present any legally justifiable basis for rejecting or modifying any portion of the Recommended Order. Therefore, staff recommends that the Commission deny PGS's exceptions to Conclusion of Law 147 and 160 and disregard its request for additional requested conditions.

Issue 2: Should the Commission accept any exceptions filed by SSGC or Leesburg?

Recommendation: No. SSGC and Leesburg have failed to present any legally justifiable basis for rejecting or modifying any portion of the Recommended Order. Therefore, staff recommends that the Commission deny all of SSGC's and Leesburg's filed exceptions.

Issue 3: Should the Commission approve the Recommended Order submitted by the Administrative Law Judge?

Recommendation: Yes. The Commission should approve and adopt the attached Recommended Order (Attachment A) as the Final Order in this docket.

Issue 4: Should this docket be closed?

Recommendation: Yes the Docket should be closed upon the issuance of a final order after the time for filing an appeal has run.

ITEM NO.

CASE

3**PAA

Docket No. 20190167-EI – Petition to compel Florida Power & Light to comply with Section 366.91, F.S. and Rule 25.6-065, F.A.C., by Floyd Gonzales and Robert Irwin.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: IDM: Vogel, Cordell, Mtenga

GCL: Murphy, Passidomo

Issue 1: Should the Commission grant Floyd Gonzales and Robert Irwin’s Petition to Compel FPL’s Compliance with Section 366.91, F.S., and Rule 25-6.065, F.A.C., and request for a refund?

Recommendation: No. FPL is currently providing net metering to the Petitioners and granting Petitioners’ request for a refund is inappropriate and not warranted under the circumstances presented.

Issue 2: Should this docket be closed?

Recommendation: Yes, if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued and the docket should be closed.

ITEM NO.

CASE

4**PAA

Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

Critical Date(s): 01/14/20 (5-Month Effective Date Waived Through January 14, 2020)

Commissioners Assigned: All Commissioners

Prehearing Officer: Fay

Staff: ECO: Galloway, Coston, Draper, Guffey, Hampson, McNulty, Rogers, Smith, Ward, Wu

AFD: D. Andrews, M. Andrews, Brown, D. Buys, Cicchetti, Higgins, Mouring, Norris, Richards, Sowards, Snyder

ENG: Graves, King, Knoblauch, Lewis

GCL: DuVal, Dziechciarz

(Proposed Agency Action - Except for Issue 29)

Issue 1: Is Sebring's projected test period for the 12-months ending December 31, 2020 appropriate?

Recommendation: Yes. With the adjustments recommended by staff in the following issues, the 2020 test year is appropriate.

Issue 2: Are Sebring's forecasts of customer growth and therms by rate class appropriate?

Recommendation: Yes. Staff recommends that Sebring's forecasts of customer growth and therms by rate class for the 2020 projected test year, as contained in Document No. 10856-2019, revised Minimum Filing Requirements (MFRs) Schedule G-2, as revised on November 12, 2019, Pages 8 and 8.5 of 31, are appropriate.

Issue 3: Are Sebring's estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate?

Recommendation: Yes. Sebring's estimated revenues from sales of gas by rate class at present rates for the projected test year are appropriate.

Issue 4: Is the quality of service provided by Sebring adequate?

Recommendation: Yes. Sebring's quality of service is adequate.

Issue 5: What is the appropriate amount of capital additions to be included in base rates as utility Plant in Service?

Recommendation: Staff recommends capital additions totaling \$1,960,692 be included in rate base.

Issue 6: What is the appropriate amount of Plant in Service for the projected test year?

Recommendation: Based upon analysis of the information filed in this proceeding, staff recommends \$7,928,320 (13-month average) as the appropriate amount of Plant in Service for the projected test year.

ITEM NO.

CASE

4**PAA

Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

(Continued from previous page)

Issue 7: What is the appropriate amount of Accumulated Depreciation for the projected test year?

Recommendation: Based upon analysis of the information filed in this proceeding, staff recommends \$3,041,557 (13-month average) as the appropriate amount of Accumulated Depreciation for the projected test year.

Issue 8: What is the appropriate amount of Working Capital Allowance for the projected test year?

Recommendation: The appropriate amount of Working Capital Allowance for the projected test year is \$147,518.

Issue 9: What is the appropriate amount of Rate Base for the projected test year?

Recommendation: The appropriate amount of Rate Base for the projected test year is \$5,021,353.

Issue 10: What is the appropriate capital structure for the projected test year ending December 31, 2020?

Recommendation: The appropriate projected test year capital structure consists of 34.64 percent common equity, 54.73 percent long-term debt, 0.75 percent short-term debt, 3.10 percent customer deposits, and 6.78 percent deferred income taxes. Regarding investor capital, this recommended capital structure consists of 38.43 percent common equity and 61.57 percent debt (60.73 percent long-term debt and 0.84 percent short-term debt).

Issue 11: What is the appropriate return on equity?

Recommendation: The appropriate return on equity is 10.00 percent with a range of plus or minus 100 basis points.

Issue 12: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates?

Recommendation: The appropriate weighted average cost of capital is 6.46 percent for the projected test year ending December 31, 2020.

Issue 13: Are Sebring's projected Total Operating Revenues for the projected test year appropriate?

Recommendation: Yes. Sebring's projected Total Operating Revenues for the 2020 projected test year are appropriate.

Issue 14: Should an adjustment be made to the number of employees in the projected test year?

Recommendation: Staff recommends no adjustment to the Company's proposed number of employees. Based on staff's recommendation in Issue 5 for approval of the expansion projects in Arcadia and Wauchula, there will be a significant increase in the territory that Sebring will be serving. Therefore, staff recommends approval of one new accounting position and two new field employees.

ITEM NO.

CASE

4**PAA

Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

(Continued from previous page)

Issue 15: What is the appropriate amount of salaries and benefits to include in the projected test year?

Recommendation: The appropriate amount of salaries and benefits for the projected test year is \$513,255.

Issue 16: What is the appropriate amount of Rate Case Expense to include in the projected test year and what is the appropriate amortization period?

Recommendation: The appropriate amount of Rate Case Expense is \$151,295 to be amortized over four years. Therefore, the appropriate amount to be included in Rate Case Expense for the projected test year is \$37,824 ($\$151,295 / 4$).

Issue 17: What is the appropriate amount of O&M expenses for the projected test year?

Recommendation: The appropriate amount of O&M expenses for the projected test year is \$741,992.

Issue 18: What is the appropriate amount of Depreciation and Amortization Expense for the projected test year?

Recommendation: Based upon analysis of the information filed in this proceeding, staff recommends \$260,052 as the appropriate amount of Depreciation and Amortization Expense for the projected test year.

Issue 19: What is the appropriate amount of Taxes Other Than Income (TOTI) for the projected test year?

Recommendation: The appropriate amount of projected test year TOTI is \$22,468.

Issue 20: What is the appropriate amount of deferred income tax expense for the projected test year?

Recommendation: The appropriate amount of annual income tax expense associated with the amortization of accumulated deferred income taxes for the projected test year ending December 31, 2020 is \$19,011.

Issue 21: What is the appropriate amount of Total Operating Expense for the projected test year?

Recommendation: The appropriate amount of Total Operating Expenses for the projected test year is \$1,041,548.

Issue 22: What is the appropriate amount of Net Operating Income for the projected test year?

Recommendation: The appropriate amount of Net Operating Income for the projected test year is \$144,652.

Issue 23: What is the appropriate net operating income multiplier?

Recommendation: The appropriate net income multiplier is 1.3315, as shown on Schedule No. 5 of staff's memorandum dated January 2, 2020.

ITEM NO.

CASE

4**PAA

Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

(Continued from previous page)

Issue 24: What is the appropriate annual operating revenue increase for the projected test year?

Recommendation: The appropriate annual operating revenue increase for the projected test year is \$239,647.

Issue 25: What is the appropriate cost of service methodology to use to allocate costs to the rate classes?

Recommendation: The appropriate cost of service methodology to be used in allocating costs to the various rate classes is reflected in the cost of service study contained in Attachment A of staff’s memorandum dated January 2, 2020.

Issue 26: What are the appropriate customer charges?

Recommendation: The appropriate staff-recommended customer charges for each rate class are reflected in the table below. (Hampson, Coston)

Staff-recommended Customer Charges

Rate Class	Staff-recommended Customer Charges
Transportation Service 1 (TS-1)	\$12.00
Transportation Service 2 (TS-2)	\$20.00
Transportation Service 3 (TS-3)	\$70.00
Transportation Service 4 (TS-4)	\$225.00
Transportation Service 5 (TS-5)	\$1,000.00
Third Party Supplier (TPS)	\$3.50
Special Contracts	\$11,906.92

ITEM NO.

CASE

4**PAA

Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

(Continued from previous page)

Issue 27: What are the appropriate per therm transportation charges?

Recommendation: The appropriate staff-recommended per therm transportation charges for each rate class are reflected in the table below. (Ward)

Staff-Recommended Transportation Charges

Rate Class	Staff Recommended Transportation Charges (dollar per therm)
TS-1	0.66965
TS-2	0.46843
TS-3	0.52481
TS-4	0.39922
TS-5	0.41589

Issue 28: What is the appropriate effective date for Sebring's revised rates and charges?

Recommendation: The revised rates and charges should become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges. Sebring should file revised tariffs to reflect the Commission-approved final rates and charges for administrative approval within five business days after the Commission's vote. Pursuant to Rule 25-22.0406(8), F.A.C., customers should be notified of the revised rates in their first bill containing the new rates. A copy of the notice should be submitted to staff for approval prior to its use.

Issue 29: Should Sebring be required to notify the Commission, within 90 days after the date of the final order in this docket, that it has adjusted its books for all the applicable accounts as a result of the Commission's findings in this rate case?

Recommendation: Yes, Sebring should be required to notify the Commission, in writing, that it has adjusted its books in accordance with any Commission ordered adjustments. Sebring should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable accounts have been made to the Company's books and records. In the event the Company needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Final Agency Action)

ITEM NO.

CASE

4**PAA

Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

(Continued from previous page)

Issue 30: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.