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 Commission Conference Agenda
 December 3, 2024

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Item 1

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Day, Deas, Fogleman) CH
Office of the General Counsel (Farooqi, Imig, Harper) AEH

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 12/3/2024 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following Applications for Certificate of Authority to Provide Telecommunications Service on the consent agenda for approval.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>CERT. NO.</u>
20240102-TX	Ezee Fiber Texas, LLC d/b/a Ezee Fiber	8996
20240132-TX	Prime Fiber, LLC	8997

The Commission is vested with jurisdiction in this matter pursuant to Section 364.335, Florida Statutes. Pursuant to Section 364.336, Florida Statutes, certificate holders must pay a minimum annual Regulatory Assessment Fee if the certificate is active during any portion of the calendar year. A Regulatory Assessment Fee Return Notice will be mailed each December to the entities listed above for payment by January 30.

Item 2

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Vogel, D. Buys, Quigley, Hinson, Norris) ^{AFD}
Division of Economics (Hampson, P. Kelley) ^{EJD}
Office of the General Counsel (Brownless, Crawford) ^{JSC}

RE: Docket No. 20240149-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Debby, Helene, and Milton, by Florida Power & Light Company.

AGENDA: 12/03/24 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 12/26/24²⁴ (60-day interim deadline)
^{at 11/21/24}

SPECIAL INSTRUCTIONS: None

Case Background

On October 29, 2024, Florida Power and Light Company (FPL or Company) filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover \$1.2 billion for the incremental restoration costs related to Hurricanes Debby, Helene, and Milton, as well as the replenishment of its retail storm reserve. Included in the \$1.2 billion is interest charged on the unrecovered balance of storm restoration costs resulting from Hurricanes Debby, Helene, and Milton (collectively, “the Storms”). Pursuant to the 2021 Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-2021-0446-S-EI, the recovery of storm costs from customers will begin, on an interim basis, 60 days after the filing of

Docket No. 20240149-EI
Date: November 21, 2024

a cost recovery petition and tariff with the Commission.¹ FPL requested a 12-month recovery period, applied to all bills from January 1, 2025, through December 31, 2025.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.076, Florida Statutes.

¹ Order No. PSC-2021-0446-S-EI, issued December 2, 2021, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power and Light Company*.

Discussion of Issues

Issue 1: Should the Commission authorize FPL to implement an interim storm restoration recovery charge?

Recommendation: Yes. The Commission should authorize FPL to implement an interim storm restoration recovery charge, subject to refund. Once the total actual storm costs are known, FPL should be required to file documentation of the total storm costs for Commission review and true-up of any excess or shortfall. (Hinson)

Staff Analysis: As stated in the Case Background, FPL filed a petition for a limited proceeding seeking authority to implement an interim storm restoration charge to recover an estimated total of \$1.2 billion for incremental storm restoration costs for the Storms and to replenish its storm reserve. In its petition, FPL requested to replenish the storm reserve to \$150 million.

The petition was filed pursuant to the provisions of the 2021 Settlement approved by the Commission in Order Nos. PSC-2021-0446-S-EI and PSC-2021-0446A-S-EI. Pursuant to paragraph 10 of the 2021 Settlement, FPL can begin recovery of storm costs 60 days following the filing of a petition for recovery.

In its petition, FPL asserted that it incurred approximate recoverable costs in the amount of \$113.5 million for Hurricane Debby, \$157.8 million for Hurricane Helene, and \$811.1 million for Hurricane Milton. The Company further asserted that all amounts were calculated in accordance with the Incremental Cost and Capitalization Approach methodology prescribed in Rule 25-6.0143, Florida Administrative Code.

The approval of an interim storm restoration recovery charge is preliminary in nature and is subject to refund pending further review once the total actual storm restoration costs are known. After the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim storm restoration recovery charge, a determination will be made whether any over/under recovery has occurred. The disposition of any over or under recovery, and associated interest, will be considered by the Commission at a later date.

Based on a review of the information provided by FPL in its petition, staff recommends that the Commission authorize the Company to implement an interim storm restoration recovery charge subject to refund. Once the total actual storm costs are known, FPL should be required to file documentation of the storm costs for Commission review and true-up of any excess or shortfall

Issue 2: What is the appropriate security to guarantee the amount collected subject to refund through the interim storm restoration recovery charge?

Recommendation: The appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. (Quigley)

Staff Analysis: Staff recommends that all funds collected subject to refund be secured by a corporate undertaking. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. FPL requested a 12-month collection period from January 2025 through December 2025 for the Interim Storm Recovery charges of approximately \$1.2 billion related to the Storms. Staff reviewed FPL's three most recent annual reports filed with the Commission (2023, 2022, and 2021) to determine if the Company can support a corporate undertaking to guarantee the funds collected for recovery of incremental storm restoration costs related to all the weather events. FPL's financial information demonstrates the Company has acceptable levels of liquidity, ownership equity, profitability, and interest coverage to support a potential refund of \$1.2 billion. Moreover, it is improbable FPL will be required to refund the entire requested amount.

Staff believes FPL has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, staff recommends that a corporate undertaking of \$1.2 billion is acceptable. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's position on other issues in this proceeding.

Issue 3: Should the Commission approve FPL's proposed interim storm restoration recovery charge tariff as shown in Attachment A of the recommendation?

Recommendation: Yes. The Commission should approve FPL's proposal to revise the interim storm restoration recovery tariff and associated surcharges, as shown in Attachment A to this recommendation. The tariff should become effective the first billing cycle of January 2025. The interim storm restoration surcharges should be subject to final true-up once the total actual storm costs are known. (P. Kelley)

Staff Analysis: FPL calculated the interim storm surcharge for the 12-month period of January 1, 2025 through December 31, 2025, subject to true-up once the final total recoverable storm amount is known and determined. In paragraph 24 of the petition, FPL states that the updated surcharges are allocated to the rate classes consistent with the rate design approved in the 2021 Settlement. Staff has reviewed the allocation to rate classes and believes that the allocations provided in Appendix F to the petition are consistent with those approved in FPL's most recent rate case. Furthermore, staff has reviewed the derivation of the surcharges provided in Appendix F to the petition. Staff agrees that the surcharges have been calculated correctly, using projected kilowatt hour (kWh) sales for January through December 2025.

The proposed interim storm restoration surcharges are shown on Fifth Revised Tariff Sheet No. 8.030.7, provided in Appendix G to the petition. For residential customers, the proposed surcharge would be 1.202 cents per kWh, which equates to a total surcharge of \$12.02 for a 1,000 kWh monthly bill. The storm cost recovery surcharge would be included in the non-fuel energy charge on customer bills.

Paragraph 10(b) of the 2021 Settlement states that FPL may petition to the Commission for recovery of storm costs at a rate beyond \$4.00 on a 1,000 kWh residential bill if FPL incurs in excess of \$800 million of storm recovery costs. As discussed in Issue 1 to the recommendation, FPL has requested to recover \$1.2 billion in incremental storm restoration costs.

Staff recommends that the Commission approve FPL's proposed interim storm restoration recovery tariff and associated surcharges, as shown in Attachment A to this recommendation. The tariff should become effective the first billing cycle of January 2025. The interim storm restoration surcharges should be subject to final true-up once the total actual storm costs are known.

Issue 4: Should this docket be closed?

Recommendation: No. This docket should remain open pending final reconciliation of actual recoverable storm costs with the amount collected pursuant to the interim storm restoration recovery charge and the calculation of a refund or additional charge if warranted. (Brownless)

Staff Analysis: No, this docket should remain open pending final reconciliation of actual recoverable storm costs with the amount collected pursuant to the interim storm restoration recovery charge and the calculation of a refund or additional charge if warranted.

FLORIDA POWER & LIGHT COMPANY

~~Fourth-Fifth~~ Revised Sheet No. 8.030.7
 Cancels ~~Fourth-Third~~ Revised Sheet No.8.030.7

(Continued from Sheet No. 8.030.3)

2025 INTERIM STORM RESTORATION RECOVERY

APPLICATION:

The 2025 Interim Storm Restoration Recovery Surcharge is designed to recover incremental storm-related costs incurred by the Company related to Hurricanes Debby, Helene, and Milton. The factor is applicable to the Energy Charge under FPL's various rate schedules.

Rate Schedule	¢/kWh
<u>ALL KWH - RS-1, RTR-1</u>	<u>1.202</u>
<u>GS-1, GST-1</u>	<u>1.118</u>
<u>GSD-1, GSD-1EV, GSDT-1, HLFT-1, SDTR-1</u>	<u>0.545</u>
<u>GSLD-1, GSLD-1EV, GSLDT-1, CS-1, CST-1, HLFT-2, SDTR-2</u>	<u>0.522</u>
<u>GSLD-2, GSLDT-2, CS-2, CST-2, HLFT-3, SDTR-3</u>	<u>0.397</u>
<u>GSLD-3, GSLDT-3, CS-3, CST-3</u>	<u>0.024</u>
<u>OL-1</u>	<u>5.035</u>
<u>OS-2</u>	<u>1.436</u>
<u>SL-1, PL-1, LT-1, OS I/II</u>	<u>2.072</u>
<u>SL-1M</u>	<u>1.089</u>
<u>SL-2</u>	<u>0.598</u>
<u>SL-2M</u>	<u>2.800</u>
<u>SST-1(D), ISST-1(D)</u>	<u>0.021</u>
<u>SST-1(D1), SST-1(D2), SST-1(D3), ISST-1(D)</u>	<u>2.552</u>
<u>CILC-1(D)</u>	<u>0.394</u>
<u>CILC-1(G)</u>	<u>0.513</u>
<u>CILC-1(T)</u>	<u>0.024</u>
<u>MET</u>	<u>0.540</u>
<u>GSCU-1</u>	<u>2.509</u>

~~RESERVED FOR FUTURE USE~~

(Continued on Sheet No. 8.031)

Item 3

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Vogel, D. Buys, Ferrer, Gatlin, McGowan, Norris, Przygocki, Quigley) *ALM*
Division of Economics (Galloway, Hampson, Hudson, Kunkler, McClelland, Ward) *EJD*
Division of Engineering (King, Lewis, Ramos, Smith) *TB*
Office of the General Counsel (Dose, Crawford, Farooqi) *JSC*

RE: Docket No. 20240046-GU – Petition for rate increase by St. Joe Natural Gas Company, Inc.

Docket No. 20240004-GU – Natural gas conservation cost recovery.

AGENDA: 12/03/24 – Regular Agenda – Proposed Agency Action for All Issues, Except for Issues 37 and 39 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 10/29/24 (5-Month Effective Date - PAA Rate Case waived through 12/03/24)

SPECIAL INSTRUCTIONS: None

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Docket Nos. 20240046-GU & 20240004-GU

Date: November 21, 2024

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Case Background

On May 29, 2024, St. Joe Natural Gas Company, Inc. (SJNG or Company) filed a petition seeking the Commission's approval to increase rates and charges. SJNG provides sales and transportation of natural gas and is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes (F.S.). SJNG currently serves approximately 3,186 residential and commercial customers in Gulf and Bay Counties. In its original petition, SJNG requested an increase of \$1,043,841 in additional gross annual revenues. According to SJNG, the requested increase will provide the Company with an opportunity to earn an overall rate of return of 6.05 percent on the Company's plant and property used to serve its customers based on a midpoint return on equity of 11.00 percent. The Company based its request on a 13-month average rate base of \$3,381,746 for the projected test year ending December 2024. SJNG is also proposing to restructure its residential service class to reduce stratification within the residential classes. Per Rule 25-7.140(1)(d), Florida Administrative Code (F.A.C.), SJNG has elected to use the five month Proposed Agency Action process authorized in Section 366.06(4) F.S.

SJNG's last approved rate case was in 2008 in Docket No. 20070592-GU.¹ More recently, in Docket No. 20230022-GU, the Commission approved new depreciation rates with an implementation date of January 1, 2023. Notably, in Docket No. 20160033-GU, the Commission approved SJNG's request to reallocate the \$285,011 annual revenue deficiency resulting from the permanent loss of its largest customer, the Arizona Chemical Company, to the remaining customer classes.² Also, in Docket No. 20200039-GU, the Commission approved a temporary storm cost recovery surcharge to deal with Hurricane Michael recovery, as well as a base rate increase in January 2025 to reflect recovery of a regulatory asset of \$77,761 associated with the remaining life value of lost capital assets.³ By Order No. 2024-0272-TRF-GU, the temporary storm cost recovery surcharge that was set to cease at the end of 2024 was terminated early on July 9, 2024, due to the Company reaching the agreed-upon amount the surcharge was intended to recover.⁴

The Company stated that the key drivers for the proposed rate increase are: current rates not recovering its property tax expense or property insurance expense, increases to rate base associated with extensions to serve new customers, increasing operating expenses reflecting nearly 16 years of inflation, and increases in regulatory costs, particularly federal pipeline safety regulations.

In its petition, the Company also requested an interim rate increase of \$612,209 based on a historic test year ended December 31, 2023. In Order No. PSC-2024-0379-PCO-GU, the Commission approved an interim rate increase of \$543,665. Due to the timeframe of the

¹Order No. PSC-2008-0436-PAA-GU, issued July 8, 2008, in Docket No. 20070592-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*

²Order No. PSC-2016-0297-PAA-GU, issued July 27, 2016, in Docket No. 20160033-GU, *In re: Petition for limited proceeding to restructure rates by St. Joe Natural Gas Company, Inc.*

³Order No. PSC-2021-0196-AS-GU, issued June 3, 2021, in Docket No. 20200039-GU, *In re: Petition for approval to implement a temporary storm cost recovery surcharge, by St. Joe Natural Gas Company, Inc.*

⁴Order No. PSC-2024-0272-TRF-GU, issued July 26, 2024, in Docket No. 20200039-GU, *In re: Petition for approval to implement a temporary storm cost recovery surcharge, by St. Joe Natural Gas Company, Inc.*

Date: November 21, 2024

projected test year and available data reflected in the historic interim test year, the Company provided an updated filing reflecting actual data for the intermediate 2023 test year, which in turn updated the projected test year ending December 31, 2024. Based on this update to the 2023 intermediate test year, SJNG's request increased to \$1,113,241. Audit staff reviewed this updated filing, instead of auditing the 2022 historic base year.

One virtual customer meeting was held on September 4, 2024. No customers participated in this meeting. No customer comments or letters have been filed in the correspondence side of the docket.

This recommendation addresses the Company's requested permanent rate increase. The final rates based on the Commission vote will be addressed at the subsequent rates agenda, currently scheduled for January 7, 2025. The Commission has jurisdiction over this matter pursuant to Chapter 366, F.S., including Sections 366.06 and 366.071, F.S.

Discussion of Issues

Issue 1: Is SJNG’s projected test period of the twelve months ending December 31, 2024, appropriate?

Recommendation: Yes, SJNG’s projected test period of the twelve months ending December 31, 2024, is appropriate. (Kunkler)

Staff Analysis: In general, a projected test year methodology uses forecasted data for a 12-month period to match revenues and expenses with rate base investment. SJNG proposed the year ending December 31, 2024 as its test year for this docket, stating that it will “best reflect the Company’s on-going operations with respect to customer base, investment requirements, throughput levels and overall cost of service at the time that the rates set in this proceeding will be in effect.”⁵

Staff believes that the 12-month period ending December 31, 2024, is a reasonable period for assessing SJNG’s financial and operational performance, allowing for a thorough evaluation of revenues, expenses, and rate base investment. Further, staff notes this proposed test period allows for projections that reflect current trends and anticipated future conditions, making it a sound period for regulatory and financial planning.

Staff believes that SJNG’s proposed 2024 test year provides a balanced approach that accounts for the evolving needs of the Company and its customers, while maintaining regulatory efficiency and transparency. Therefore, staff recommends that the projected test period of the 12 months ending December 31, 2024, is appropriate.

CONCLUSION

Staff recommends that SJNG’s projected test period of the twelve months ending December 31, 2024, is appropriate.

⁵Direct Testimony of Stuart Shoaf, page 17.

Issue 2: Should the Commission approve SJNG’s forecasts of customers and therms by rate class for the projected test year ending December 31, 2024? If not, what adjustments should be made?

Recommendation: The Commission should approve SJNG’s forecasts of customers and therms by rate class for the projected test year ending December 31, 2024 with two exceptions: (1) the test year sales projections for the GS-4 rate class should be increased by 42,391 therms, and (2) the test year sales projections for the FTS-4 rate class should be decreased by 2,694 therms. (Kunkler)

Staff Analysis: SJNG prepared its forecasts for the projected test year, for both customer counts and therm usage, utilizing historical data trends to develop its projections. As detailed in its MFRs, SJNG projected its customer count to increase by 7.1 percent to 3,412 customers, and its therm sales to increase by 5.5 percent to 1,103,398 therms in the 2024 test year.

In October 2018, SJNG suffered a significant loss of its customer base due to the effects of Hurricane Michael. In the years since (2019-2023), SJNG has experienced relatively steady recovery growth. In those years, the Company’s average annual customer growth was approximately 6.0 percent. Staff believes this average increase when compared to SJNG’s projected customer count increase of 7.1 percent for the test year is reasonable.

Similarly, in the same years since Hurricane Michael, the Company experienced average annual therm sales growth of approximately 11.5 percent. While the Company’s forecast of 5.5 percent therm sales growth for the test year may appear low, staff believes the average therm sales for the post-Hurricane Michael years is skewed due to significant therm sales increases in 2020 and 2021. Sales growth for the Company has slowed considerably in each year since 2021.

Staff has reviewed SJNG’s customer count and therm sales projections at each customer class level for the 2024 test year. Staff believes the Company’s customer and therm sales projections for each customer class are reasonable with the exception of the therm sales projection for one customer class, the GS-4 rate class. As discussed in more detail below, this rate class includes Sacred Heart Hospital and the Gulf Correctional Institute (GCI). As SJNG explained, therm sales to GCI under the GC-4 rate class only occur during months when GCI experiences higher demand than is allowed under its contract with its gas vendor.⁶

SJNG explained that GCI has a contractual agreement with Gas South. This gas is provided over SJNG’s distribution system. GCI was included in the Company’s filing as a customer, and listed in the FTS-4 rate class, which is the Company’s lone transportation service rate class.

Staff noted that, as of August 30, 2024, SJNG’s GS-4 customer class had already exceeded the Company’s annual therm projection for that class. SJNG explained that when GCI requires more gas than scheduled from Gas South, SJNG will supply its system gas as needed to GCI and bill this additional system gas under the GS-4 customer class. Since this “additional” gas is unscheduled, and according to SJNG “without notice,” no additional therm sales for GCI were included in Company’s forecast of therm sales for the GS-4 rate class for the test year. SJNG

⁶FPSC Data Requests

acknowledged that it has supplied 44,203 therms of system gas to GCI in 2024 as of September 30, 2024.

Based on the updated information from the Company, staff believes that SJNG's determination to not recognize these additional therm sales to GCI in its original filing will result in an underestimated revenue forecast at current rates and potentially distort the Company's revenue requirement percentage increase amount. An under-forecast of test year revenue at current rates, if not corrected, can be expected to impact the proposed test year percentage increase in revenues and ultimately customer rates.

Staff believes an adjustment to SJNG's therm sales will not only provide a more accurate representation of total therm sales and revenue for the test year, but also prevent SJNG's customers from paying higher rates that may result from the under-forecasting of GS-4 therm sales. On October 21, 2024, SJNG provided an updated 2024 Test Year therm sales forecast for both the GS-4 and FTS-4 rate classes that properly accounts for the excess therm sales to GCI.

Staff has reviewed the updated forecasts for the GS-4 and FTS-4 rate classes provided by SJNG and believe them to be a more accurate projection of the projected test year sales that the Company will actually realize. The updated therm sales information results in a 42,391 increase to the projected test year therm sales for the GS-4 rate class and a 2,694 reduction to the projected test year FTS-4 rate class.

CONCLUSION

The Commission should approve SJNG's forecasts of customers and therms by rate class for the projected test year ending December 31, 2024 with two exceptions: (1) the projected test year sales projections for the GS-4 rate class should be increased by 42,391 therms, and (2) the FTS-4 rate class sales should be decreased by 2,694 therms.

Issue 3: Are SJNG’s estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate? If not, what adjustments should be made?

Recommendation: No. SJNG’s estimated revenues from sales of gas by rate class at present rates for the projected test year are underestimated for the GS-4 rate class and overestimated for the FTS-4 rate class. SJNG’s estimated revenues from the sales of gas for all other rate classes are appropriate. The Company’s GS-4 rate class test year revenues should be increased by \$6,715 and the FTS-4 rate class revenues should be decreased by \$427, resulting in a net \$6,288 increase to SJNG’s estimated test year revenues from sales of gas at present rates. (Kunkler)

Staff Analysis: This issue addresses whether SJNG’s estimated revenues from sales of gas by rate class at present rates for the projected test year is appropriate. As explained in Issue 2, SJNG provided forecasted customer counts and therm sales for all of the Company’s rate classes for the 2024 test year. Once the forecasted customer counts and therm sales are established, they are multiplied by the Company’s respective current rates for each customer class and summed to yield total revenues from the sale of gas.

Staff confirmed that SJNG used the correct current rates for all customer classes in its calculations of test year revenue. However, as discussed in Issue 2, staff believes SJNG’s therm sales forecasts for the GS-4 and FTS-4 rate classes should be adjusted to reflect more accurate and updated year-to-date sales data.

**Table 3-1
 2024 Test Year Revenues from Sales of Gas: GS-4 and FTS-4 Rate Classes**

	SJNG Proposed	Staff Proposed	Difference
GS-4 Therm Sales	108,755	151,146	42,391
Current Rate (per therm)	\$0.15840	\$0.15840	-
Energy Charge Revenue	\$17,227	\$23,942	\$6,715
FTS-4 Therm Sales	127,567	124,873	(2,694)
Current Rate (per therm)	\$0.15840	\$0.15840	-
Energy Charge Revenue	\$20,207	\$19,780	(\$447)

Source: SJNG MFR Schedule E-2, page 1 of 2; DN 09805-2024

If the Commission approves staff’s recommendation in Issue 2, SJNG’s test year revenues from sales of gas at present rates should be increased from \$1,401,291 to \$1,407,579, an increase of \$6,288.

CONCLUSION

SJNG’s estimated revenues from sales of gas by rate class at present rates for the projected test year are underestimated for the GS-4 and overestimated for the FTS-4 rate classes. SJNG’s estimated revenues from the sales of gas for all other rate classes are appropriate. The

Company's GS-4 rate class test year revenues should be increased by \$6,715 and the FTS-4 rate class revenues should be decreased by \$427, resulting in a net \$6,288 increase to SJNG's estimated test year revenues from sales of gas at present rates.

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

Recommendation: Yes. SJNG's quality of service is adequate. (Lewis)

Staff Analysis: Pursuant to Section 366.041, F.S., in fixing rates, the Commission is authorized to give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered. As part of its review, Commission staff held a virtual customer meeting on September 4, 2024. The purpose of the meeting was to gather information regarding customer concerns about SJNG's quality of service and its request for a rate increase. No customers participated in the meeting, and no customer comments were filed in the docket. SJNG serves approximately 3,186 customers.

A review of the Commission's Consumer Activity Tracking System indicated that there were nine complaints received from January 1, 2019, through October 28, 2024. Of the nine complaints, there were six complaints pertaining to billing and three complaints regarding improper disconnects. There was one apparent rule violation identified by staff that occurred in August 2023. A proper disconnect notice was not sent to the customer, resulting in the interruption of service for one day. The Company apologized to the customer and restored service.

Pursuant to Rule 25-7.018, F.A.C., each gas utility shall keep a complete record of all interruptions affecting the lesser of 10 percent or 500 or more of its division meters. Based on the Company's filing, there were no customer interruptions affecting either 10 percent or 500 meters during the historic 2023 test year.

CONCLUSION

Based on a review of the information discussed above, staff recommends that SJNG's quality of service is adequate.

Issue 5: Should the depreciation rates approved in SJNG’s last depreciation study by Order No. PSC-2023-0215-PAA-GU, issued July 26, 2023, be used in this docket for calculating the projected test year’s depreciation expense?

Recommendation: Yes, the depreciation rates approved in SJNG’s last depreciation study and appearing in Order No. PSC-2023-0215-PAA-GU, issued July 26, 2023, should be used for calculating the projected test year’s depreciation expense. (Kunkler)

Staff Analysis: Depreciation is a significant component of a utility’s cost, and an accurate calculation of depreciation expense is critical for projecting a utility’s total expenses for the test year. Utilizing the most current depreciation rates allow for a utility to closely align its financial projections with the actual, observed decline in asset value over time, resulting in the most accurate estimate of the revenue requirement for the projected test year.

Pursuant to Rule 25-7.0435(4)(a), F.A.C., SJNG filed its last depreciation study in January 2023, in Docket No. 20230022-GU. The depreciation rates were approved by Order No. PSC-2023-0215-PAA-GU in that docket, and were developed through a detailed analysis of SJNG’s assets and reflect their most current life and usage patterns.⁷ No new depreciation rates have been approved for this Company since the issuance of the aforementioned order.

Further, Rule 25-7.0435(2)(a), F.A.C., prescribes that no utility shall change any existing depreciation rate or initiate any new depreciation rate without prior Commission approval. Therefore, staff believes that the depreciation rates approved by Order No. PSC-2023-0215-PAA-GU not only provide a reliable and accurate basis for determining the test year depreciation expense and will lead to the most accurate financial projections for the test year, but are also the rates that are required by the Commission’s depreciation rule.

CONCLUSION

Staff recommends that the depreciation rates approved in SJNG’s last depreciation study by Order No. PSC-2023-0215-PAA-GU, issued July 26, 2023, should be used for calculating the projected test year’s depreciation expense.

⁷Order No. PSC-2023-0215-PAA-GU, issued July 26, 2023, in Docket No. 20230022-GU, *In re: Petition for approval of 2022 Depreciation Study by St. Joe Natural Gas Company, Inc.*

Issue 6: Has SJNG made the proper adjustments to remove all non-utility activities from the projected test year rate base? If not, what adjustments should be made?

Recommendation: No. Plant-in-Service should be decreased by \$58,773 and Accumulated Depreciation increased by \$16,080 in the projected test year rate base related to non-utility activities. (Przygocki)

Staff Analysis: In Audit Finding No. 8, staff found that adjustments to Common Plant Allocated and Accumulated Depreciation listed in MFR Schedule F-1 were incorrect. Staff adjusted Common Plant Allocated from \$216,805 to \$275,578 and Accumulated Depreciation from \$125,229 to \$141,309. Therefore, Plant-in-Service should be decreased by \$58,773 and Accumulated Depreciation should be increased by \$16,080. The Company reviewed this audit finding and agreed with the adjustments.

CONCLUSION

Plant-in-Service should be decreased by \$58,773 and Accumulated Depreciation increased by \$16,080 in the projected test year rate base related to non-utility activities.

Issue 7: What level of projected test year Plant-in-Service should be approved?

Recommendation: The appropriate amount of Plant-in-Service for the projected test year is \$9,431,217. Staff recommends a reduction to the 13-month average Plant-in-Service of \$59,800 associated with SJNG's 2024 plant additions. Staff also recommends that SJNG provide the Commission a written update on the purchase status of the trucks within one calendar year of the issuance of the final order in this proceeding. (Lewis, Przygocki)

Staff Analysis: SJNG filed Plant-in-Service of \$9,549,790. Based on the adjustment from Issue 6, staff reduced Plant-in-Service by \$58,773. Additional adjustments to the Company's requested plant additions in the projected test year are necessary.

Requested Plant Additions

As discussed in the direct testimony of Andy Shoaf, SJNG requested cost recovery for two capital projects, as well as two vehicles, power operated equipment, and two office computers. Staff's total recommended cost for plant additions is \$340,045, which represents a reduction of \$176,693. The reduction to the 13-month average Plant-in-Service balance in the projected test year is \$59,800. The requested plant additions, amounts, staff's recommendations, and adjustments to the Company's MFRs are discussed below.

Encoder Receiver Transmitters (ERTs)

SJNG is in the process of replacing ERTs, which are used for the automatic meter reading of gas meters. SJNG began deploying the ITron 100-G ERT system approximately 13 years ago. SJNG's existing ERTs need to be replaced due to battery failure. The Company most recently replaced 200 meters in January 2023 at a cost of \$16,214 (\$81.07 each). As part of this rate case, the Company requested cost recovery for the 3,000 residential meters remaining to be replaced and indicated that it anticipates these replacements would be completed over the next three years at a cost of \$333,254. However, SJNG stated that it has been unable to purchase the remaining ERTs due to back order issues. While staff does not dispute the need for the ERTs, there is no certainty as to when SJNG will obtain the replacement ERTs and it would not be appropriate for SJNG to recover costs for a plant addition that does not have an anticipated in-service date. Due to the uncertainty of SJNG's ability to obtain the ERTs, staff does not recommend approval of this plant addition at this time. The Company may petition the Commission to recover the costs of the remaining meters once they have been acquired.

Trucks

SJNG requested two trucks, a regular cab and a crew cab, as replacements for existing vehicles. The vehicles being replaced are the oldest in its fleet with the highest mileage. These trucks were purchased more than 5 years ago and maintenance costs are increasing due to age and usage. SJNG stated that the new standard cab truck is used as a service vehicle, and the crew cab is used by the Company's Operation Manager to inspect the distribution system. System inspections require a four-wheel drive vehicle in order to access remote areas of the system. The crew cab is also used to transport multiple employees to job sites. The Company explained that all of its service and manager vehicles are set up the same way in order to have all necessary equipment to perform duties and protect the trucks from wear and tear. This includes: added toolboxes, toroidal propane tanks and conversion kits, vinyl wraps with the Company's name, and bed liners. The toroidal tanks are used to convert the trucks to run on propane, which saves SJNG

Date: November 21, 2024

fuel costs for these vehicles. SJNG included \$127,988 in its MFRs to reflect the purchase of the two trucks. However, in response to staff's data requests, the Company provided invoices and quotes, for trucks and accompanying accessories it purchased in late 2022 and 2023, as examples of costs to be incurred. This amounted to more than what was originally recorded in the MFRs. Staff questioned this discrepancy through data requests and SJNG replied that the estimates included in the MFRs were early projections. Staff does not dispute SJNG's need for the truck replacements and believes they are reasonable. Therefore, staff recommends \$144,243 for the purchase of the trucks, toroidal propane tanks, conversion kits, toolboxes, vinyl wraps, and bed liners. This represents an increase of \$16,255 over the amounts included in SJNG's MFRs. However, SJNG has not yet purchased these trucks and indicated it intends to purchase them once cash flow allows. While staff recommends the purchase of these trucks and accompanying accessories, staff also recommends that SJNG provide the Commission a written update on the purchase status of the trucks within one calendar year of the issuance of the final order to this in this proceeding.

Tractor

In August 2024, SJNG purchased a new tractor. The Company also purchased various accessory components such as a backhoe, front loader, and a trailer for hauling the tractor to worksites. SJNG explained that this tractor is used to maintain more than 22 miles of right-of-way in its service territory. SJNG's previous tractor was in disrepair, requiring \$17,750 of engine repairs. Based on provided invoices, SJNG purchased the new tractor and its accessories for \$77,600. At the time of purchase, SJNG received \$20,000 as the trade-in value for the old tractor. In addition, SJNG stated that 25 percent of the tractor should be allocated to its non-utility business. Based on the above information, staff believes this is a necessary replacement. Therefore, staff recommends \$58,200 for the tractor and accessories. This represents an increase of \$10,500 to the Company's MFRs. However, staff also recommends an adjustment be made to the Company's depreciation reserve by adding \$15,000 ($\$20,000 \times 75$ percent) to reflect the trade-in of the old tractor. Therefore, the overall rate base affect would be a reduction of \$4,500.

Computers

In its filing, SJNG requested \$7,796 for two desktop computers, which were purchased in July 2024. These computers are replacements for older computers that were starting to show their age in terms of their operating systems' speed. Based on a paid invoice submitted by SJNG, the total cost for the two Dell OptiPlex 7000-ST computers was \$2,520 (\$1,255 each), which is \$5,276 less than SJNG's original filing. Staff believes that this request is reasonable and recommends \$2,520 for recovery of the costs of these computers.

City Gate Replacement

SJNG's 2024 capital plan included replacing its primary City Gate Receipt Point (the point where the Company receives gas from the transmission system) to include a check meter for comparison of delivered volumes of gas from its supplier, Florida Gas Transmission Company (FGT). SJNG requested a check meter be included as part of this project due to recent billing issues with FGT. FGT's meter is currently the only meter at SJNG's receipt point from the FGT pipeline and installing this check meter would avoid any potential billing issues in the future. SJNG's obtained quote included the purchase of an assembly to allow for remote monitoring. The contracted cost to build the new meter station and install the new check meter is \$81,411.

The meter and accompanying components were purchased for \$34,439. This project also required an estimated \$15,233 of preparatory site work and an additional \$4,000 for a contractor to keep the site drained during the four-day installation. SJNG stated that it expects to have the city gate replacement completed by December 2024.

Despite the fact that witness Andy Shoaf included the need for the City Gate replacement in his testimony, no estimates for the project were included in the Company's MFRs. This is because the MFRs were prepared prior to the testimony and prior to SJNG finding a reasonable bid from a contractor to complete the work. Due to heightened concerns regarding FGT's measuring capabilities, the Company felt it necessary to request this project in the instant case. Staff agrees this is a valid concern and SJNG's request is reasonable. Therefore, based on the estimates and invoices provided by the SJNG, staff recommends that the total cost of the project is \$135,083.

Summary

In total, SJNG's requested 2024 plant additions should be decreased by \$176,693. The Commission should approve an adjusted amount of \$340,045 for SJNG's 2024 plant additions. The resulting reduction to the 13-month average Plant-in-Service balance in the projected test year is \$59,800. Staff also recommends that SJNG provide the Commission a written update on the purchase status of the trucks within one calendar year of the subsequent Order to this recommendation.

CONCLUSION

The appropriate amount of Plant-in-Service for the projected test year is \$9,431,217. Staff recommends a reduction to the 13-month average Plant-in-Service of \$59,800 associated with SJNG's 2024 plant additions. Staff also recommends that SJNG provide the Commission a written update on the purchase status of the trucks within one calendar year of the issuance of the final order to this in this proceeding.

Issue 8: What level of projected test year Accumulated Depreciation should be approved?

Recommendation: Staff recommends an Accumulated Depreciation balance of \$6,254,754 for the projected test year. Staff recommends increasing Accumulated Depreciation by \$11,930. (Przygocki, Kunkler)

Staff Analysis: SJNG's original filing reflected a projected test year Accumulated Depreciation balance of \$6,242,825. In addition to the adjustment discussed in Issue 6 and corresponding adjustments from the Plant-in-Service adjustments in Issue 7, there is one additional audit finding addressing Accumulated Depreciation.

As reflected in Audit Finding No. 4, the wrong depreciation rate was applied to Account 390. The Company used 1.8 percent, whereas the Commission-approved rate is 2.2 percent. Audit staff noted that 23.93 percent of Account 390 was allocated to the Company's non-regulated operations. The Accumulated Depreciation for Account 390 should be increased by \$357 and the allocated Accumulated Depreciation for Account 390 should be increased by \$86.

CONCLUSION

Based on the above adjustments and previous issues, staff recommends increasing Accumulated Depreciation by \$11,930. Staff, therefore, recommends an Accumulated Depreciation balance of \$6,254,754.

Issue 9: What level of projected test year Construction Work in Progress (CWIP) should be approved?

Recommendation: The level of projected test year CWIP that should be approved is \$0. (Przygocki)

Staff Analysis: On MFR Schedule G-1, page 1, the Company reflects a projected test year balance of CWIP to be \$0. Staff does not recommend any adjustments.

Issue 10: What level of projected test year Working Capital should be approved?

Recommendation: The amount of projected test year Working Capital should be \$74,822. (Przygocki)

Staff Analysis: On MFR Schedule G-1, page 1, the Company reflected a projected test year balance of Working Capital of \$74,822. Staff reviewed the levels of the components, including a cash balance of \$126,764, non-utility adjustments, and verified that SJNG did not include unamortized rate case expense in Working Capital for the projected test year. Staff has no reductions to Working Capital.

CONCLUSION

As such, staff does not recommend any adjustments. The amount of projected test year Working Capital should be \$74,822.

Issue 11: What level of projected test year rate base should be approved?

Recommendation: The level of projected test year rate base that should be approved is \$3,251,285. (Przygocki)

Staff Analysis: This is a fallout issue. SJNG reflected a projected test year rate base of \$3,381,787. Based on the adjustments in Issues 6, 7, and 8, staff recommends reducing rate base by \$130,502. As such, staff recommends a projected test year rate base of \$3,251,285.

CONCLUSION

The level of projected test year rate base that should be approved is \$3,251,285.

Issue 12: What amount of projected accumulated deferred taxes should be approved for the projected test year capital structure?

Recommendation: The amount of accumulated deferred income taxes to include in the 2024 projected test year capital structure is \$602,050. (Ferrer)

Staff Analysis: SJNG requested a total accumulated deferred income tax (ADITs) balance of \$989,098 be included in the 2024 projected test year capital structure, which is presented on MFR Schedule G-3, page 2. The Company filed supplemental MFR Schedules on August 19, 2024 which updated the amount to \$1,235,741. SJNG witness Stitt testified that the appropriate level of deferred income taxes to be used in the determination of the Company's capital structure for the projected test year is \$989,098, based on the amount submitted in the original MFR Schedules. Upon review, staff had concerns about the large amount of ADITs as compared to the Company's rate base amount of \$3,381,787, which is 36.54 percent of its capital structure. Upon staff's request, SJNG consulted with its accountant and determined that the ADIT balance included in its MFR Schedule reflected the per books total for both the Company's regulated and non-regulated businesses. Subsequently, SJNG provided a calculation of the projected 2024 ADIT balance of \$626,216 based on the regulated portion of the Company's ADIT Balance.⁸ Staff believes the revised amount is more reasonable given the ADIT balance approved in the Company's 2008 rate case relative to the 2008 test year capital structure. After reconciliation of the capital structure to the recommended rate base amount, the amount of ADITs is \$602,050. Accordingly, the amount of accumulated deferred income taxes to include in the 2024 projected test year capital structure is \$602,050.

CONCLUSION

The amount of accumulated deferred income taxes to include in the 2024 projected test year capital structure is \$602,050.

⁸DN 09929-2024

Issue 13: What amount and cost rate for customer deposits should be approved for the projected test year capital structure?

Recommendation: The amount and cost rate for customer deposits for the 2024 projected test year capital structure is \$50,111 at a cost rate of 2.00 percent. (Quigley)

Staff Analysis: In its initial filing, SJNG presented its 2024 projected test year capital structure based on a 13-month average reflecting a customer deposit per book balance of \$189,447 at a cost rate of 2.00 percent as shown on MFR schedule G-3, page 2 of 11, line 4. The Company made a specific adjustment of \$137,325 to remove the customer deposits for the non-regulated business for an adjusted balance of \$52,122.

Staff reviewed Supplemental MFR schedule G-3, page 7 of 11, and confirmed the calculation of interest on customer deposits complies with the requirements set forth in Rule 25-7.083(6)(a), F.A.C. After reconciliation of the capital structure to the recommended rate base amount, the amount of customer deposits is \$50,111. Accordingly, staff recommends the amount and cost rate for customer deposits that should be approved for the 2024 projected test year capital structure is \$50,111 at a cost rate of 2.00 percent.

CONCLUSION

The amount and cost rate for customer deposits for the 2024 projected test year capital structure is \$50,111 at a cost rate of 2.00 percent.

Issue 14: What amount and cost rate of long-term debt should be approved for inclusion in the projected test year capital structure?

Recommendation: An amount of \$883,741 for long-term debt at a cost rate of 8.36 percent should be approved for inclusion in the projected test year capital structure. (McGowan)

Staff Analysis: In its initial filing, SJNG presented its 2024 projected test year capital structure based on a 13-month average consisting of long-term debt in the adjusted amount of \$335,752 at a cost rate of 8.50 percent as reflected on MFR Schedule G-3, page 2 of 11. The Company filed supplemental MFR Schedules on August 19, 2024, which updated the amount to \$302,639. SJNG witness Stitt affirmed that the Company is forecasting the capital budget requirements and some operating requirements will be funded with debt and all Company debt in the projected test year is anticipated to be long-term.

On MFR Schedule G-3, page 3 of 11, the Company calculated an embedded cost of long-term debt of 7.95 percent. This cost rate was based on dated interest rates. The long-term debt consisted of four debt issuances. Two of the loans are from the Shoaf Family Trust and the Costin Family Trust in the amounts of \$150,000 each, at a cost rate of 6.50 percent, and included maturity dates of December 31, 2023. The other two loans are projected loans from Centennial Bank in the amounts of \$500,000 and \$300,000. SJNG's President, Stuart Shoaf, testified the projected cost rate of long-term debt for the Centennial Bank Loans was based on conversations with local lending institutions and the actual 8.50 percent interest rate for a loan the Company recently obtained from Centennial Bank on February 9, 2024, for non-utility purposes.⁹ Staff confirmed the cost rate of 8.50 percent is reflected in the loan agreement and believes it is reasonable based on the current prime rate of 7.75 percent.¹⁰

Regarding the loans from the Shoaf Family Trust and Costin Family Trust, SJNG explained the Company was unable to pay off the loans at maturity and the lenders renewed the loans in April 2024 at an interest rate of 8.00 percent. Given the documentation and information provided by the Company, and after recalculating the interest for the renewed loans, the proper cost rate for long-term debt is 8.36 percent for the projected test year. In Issue 15, staff recommends that the equity ratio be capped at 60.00 percent which increases the long-term debt balance to \$919,213. After reconciliation of the capital structure to the recommended rate base amount, the amount of long-term debt is \$883,741.

CONCLUSION

An amount of \$883,741 for long-term debt at a cost rate of 8.36 percent should be approved for inclusion in the projected test year capital structure.

⁹Document No. 09343-2024.

¹⁰<https://www.federalreserve.gov/releases/h15/>.

Issue 15: What equity ratio should be approved for the projected test year capital structure?

Recommendation: An equity ratio of 60.00 percent, based on investor sources, should be approved for the projected test year capital structure. (D. Buys)

Staff Analysis: In its filing, SJNG requested an equity ratio of 82.00 percent, based on investor sources. In SJNG's last rate case in 2008, the Commission capped the Company's equity ratio at 60.00 percent, reducing SJNG's requested equity ratio of 84.40 percent. In its Order, the Commission expressed its concern that SJNG was not using lower cost debt to leverage its operations and minimize its overall cost of capital.¹¹ The Commission also found that allowing SJNG an equity ratio that is greater than the average equity ratio maintained by other natural gas distribution companies offsets the business risks facing a small, privately held utility that is exposed to the financial and business risks discussed in Issue 16. The equity ratios of the four other natural gas companies in Florida are summarized in Table 15-1.

Table 15-1
Natural Gas Company Equity Ratio

Natural Gas Company	Equity Ratio
Peoples Gas System, Inc.	54.70%
Florida City Gas	59.60%
Florida Public Utilities Co.	55.10%
Sebring Gas System, Inc.	38.43%
AVERAGE	51.96%

Source: Staff Analysis

The authorized equity ratios of the Florida natural gas utilities reflect the actual capitalization of the companies, and average 52.00 percent. Capping the equity ratio at 60.00 percent is greater than the equity ratio of the four Florida natural gas companies and would help offset SJNG's business risks as compared to the other natural gas companies. This adjustment is consistent with the decision in SJNG's last two rate cases in 2008¹² and 2001¹³. Therefore, staff believes an equity ratio of 60.00 percent is reasonable and recommends an equity ratio of 60.00 percent, based on investor sources, should be approved for the projected test year capital structure. The amount of equity that should be included in the projected test year capital structure is \$1,325,612.

CONCLUSION

An equity ratio of 60.00 percent, based on investor sources, should be approved for the projected test year capital structure.

¹¹Order No. PSC-08-0436-PAA-GU, Issued July 8, 2008, in Docket No. 070592-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*

¹²Id.

¹³Order No. PSC-01-1274-PAA-GU, Issued June 8, 2008, in Docket No. 001447-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*

Issue 16: What return on equity (ROE) should be approved for establishing SJNG's projected test year revenue requirement?

Recommendation: An authorized ROE of 10.50 percent, with a range of plus or minus 100 basis points, should be approved for establishing SJNG's projected test year revenue requirement. (D. Buys)

Staff Analysis: SJNG's currently authorized return on equity (ROE) of 11.00 percent was last established in 2008 by Order No. PSC-08-0436-PAA-GU.¹⁴ In its petition, SJNG requested the Commission maintain this same return on common equity for purposes of this proceeding. The Company did not file traditional cost of capital testimony with its petition in this case, citing the high cost of retaining an expert cost of capital witness, and that using the typical cost of equity analyses using financial models is problematic for a Company as small as SJNG. Instead, the Company submitted pre-filed testimony on what it believes is the appropriate cost rate for common equity. In his testimony, witness Stuart Shoaf, President of SJNG, recommended the Commission set SJNG's ROE based on an assessment of the Company's business risk, financial risk, and comparability with other similarly-situated natural gas utilities operating in Florida. Witness Shoaf also requested the Commission set rates in this proceeding that would allow the Company an opportunity to earn a return on its investment consistent with the standards established by the U.S. Supreme Court decisions in the *Hope* and *Bluefield* cases.¹⁵ Those standards are summarized as follows: (1) the rate of return for a public utility should be similar to the returns of other financially sound businesses with comparable risk profiles, (2) the rate of return should be adequate to assure confidence in the financial integrity of the utility, and (3) the rate of return should be sufficient to support the credit requirements of the utility and enable it to attract the capital, at reasonable costs, needed to provide adequate and reliable service to consumers.

SJNG's President provided a general assessment of the Company's business risk factors. He explained that SJNG is an extremely small company compared to the other regulated natural gas distribution companies operating in Florida. A smaller company is more susceptible to a slow down in the economy, increased operating expenses, and declining gas consumption. Also, natural gas is not a monopoly fuel and all natural gas customers have fuel alternatives, including electric and propane. In addition, SJNG is dependent on a single large volume transportation customer, Gulf Correctional Institute, for 10 percent of its throughput and sales. In SJNG's last rate case, the Company indicated 80 percent of its total sales were for two industrial customers, Gulf Correctional Institution and Arizona Chemical. Since the last rate case, Arizona Chemical closed its operations in 2009, and consequently, SJNG saw an annual revenue shortfall of just under \$300,000. Additionally, in October 2018, Hurricane Michael targeted the heart of SJNG's service territory causing catastrophic damage to the Company's natural gas distribution system and the homes and businesses of its customers. Many of the customers rebuilt homes with more efficient gas or all electric appliances that reduced the amount of gas consumed. Witness Shoaf

¹⁴Order No. PSC-08-0436-PAA-GU, Issued July 8, 2008, in Docket No. 070592-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*

¹⁵*Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia, et.al*, 262 U.S. 679 (1923), and *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 501 (1944).

contended, and staff is persuaded, that SJNG is exposed to greater business risk than the average natural gas distribution company in Florida.

Regarding financial risk, the Company has requested a capital structure containing an equity ratio as a percentage of investor supplied capital of 82.00 percent. In Issue 15, staff recommends that the Commission cap the equity ratio at 60.00 percent, based on investor sources. This level of equity capitalization is greater than the relative level of equity capital maintained by all four of the other Florida natural gas distribution companies. Normally, a company with a higher equity ratio is exposed to less financial risk than a comparable company with a lower equity ratio. In this case, even when capped at 60.00 percent SJNG has a comparably higher equity ratio than the average natural gas distribution company in Florida.

As pointed out in witness Shoaf’s testimony, Sebring Gas System, Inc. (Sebring) is the most comparable to SJNG due to its size and business risks. However, Sebring’s ROE of 11.00 percent was set based on an investor supplied equity ratio of 38.43 percent, which is less than half that of SJNG’s actual equity ratio of 82.00 percent. Even with an imputed equity ratio of 60.00 percent, SJNG has significantly less financial risk than Sebring. Accordingly, the authorized ROE should reflect SJNG’s low financial risk as compared to the other Florida natural gas distribution companies.

The table below summarizes the equity ratio, authorized ROE, WACC, and rate base as of June 30, 2024, of the five natural gas distribution companies in Florida. As shown in Table 16-1, SJNG currently has the lowest WACC of all the Florida gas companies. In Issue 17, staff recommends a WACC of 6.58 percent based on an equity ratio of 60.00 percent and an ROE of 10.50 percent. This capital structure and resulting WACC would bring SJNG within the range of WACCs currently authorized by the Commission for the other Florida natural gas companies.

**Table 16-1
 Comparable Natural Gas Companies**

Company	Rate Base	Equity Ratio	ROE	WACC	Year Set
Peoples Gas System, Inc.	\$2,203,576,000	54.70%	10.15%	7.02%	2023
Florida City Gas	\$488,147,944	59.60%	9.50%	6.44%	2023
Florida Public Utilities Co.	\$482,410,455	55.10%	10.25%	5.97%	2023
Sebring Gas System, Inc.	\$4,464,446	38.43%	11.00%	6.81%	2020
St. Joe Natural Gas Co. Inc.	\$3,037,553	60.00%	11.00%	5.44%	2009

Source: Staff Analysis

In addition, the most recent returns on equity authorized by the Commission for natural gas distribution companies have been similar, ranging from 9.50 percent to 10.25 percent. The average of the most recent authorized ROEs for the other natural gas utilities is 10.225 percent, excluding SJNG. SJNG and Sebring have the highest ROE to reflect their smaller size and greater exposure to other business risks. Table 16-2 shows the most recent returns on equity authorized by the Commission for Florida natural gas distribution companies.

Table 16-2
Commission Orders for Comparable Natural Gas Companies

Company	Order Number	Issued	ROE
Peoples Gas System, Inc.	PSC-2023-0388-FOF-GU	December 27, 2023	10.15%
Florida City Gas	PSC-2023-0177-FOF-GU	June 9, 2023	9.50%
Florida Public Utilities Co.	PSC-2023-0103-FOF-GU	March 15, 2023	10.25%
Sebring Gas System, Inc.	PSC-2020-0047-PAA-GU	February 3, 2020	11.00%
St. Joe Natural Gas Co. Inc.	PSC-08-0436-PAA-GU	July 8, 2009	11.00%

Source: Staff Analysis

In addition, at the time of the Commission’s decision in SJNG’s last rate case in July 2008, the yield on 30-year U.S. Treasury Bonds was 4.53 percent and is currently 4.49 percent. However, the long-term Baa corporate bond yield has declined by approximately 135 basis points from around 7.00 percent in July 2008 to 5.64 percent currently. This indicates capital costs between the two periods have declined slightly which suggests the access to capital at reasonable terms has remained similar, if not slightly improved.

In SJNG’s last rate case, the Commission authorized an ROE of 11.00 percent with an equity ratio of 60.00 percent, which equated to a weighted average cost of equity of 3.65 percent in the Company’s approved capital structure in the 2008 rate case. Staff’s recommended ROE of 10.50 percent in this proceeding, combined with an equity ratio of 60.00 percent provides the Company with a weighted average cost of equity of 4.28 percent. Although staff is recommending a reduction to the Company’s ROE from the rate that was authorized in its last rate case, SJNG’s equity ratio of 60.00 percent provides the Company with a strong balance sheet and lower financial risk as compared to other utilities operating in Florida. Therefore, staff believes an ROE of 10.50 percent combined with an equity ratio of 60.00 percent is reasonable, comports with the *Hope* and *Bluefield* requirements to set a fair rate of return commensurate with returns set for other companies of comparable risk, and will enable the Company to obtain the needed capital at reasonable terms to provide adequate and reliable service to its consumers.

Based on the aforementioned, staff recommends an authorized ROE of 10.50 percent for SJNG, with a range of plus or minus 100 basis points.

CONCLUSION

An authorized ROE of 10.50 percent, with a range of plus or minus 100 basis points, should be approved for establishing SJNG’s projected test year revenue requirement.

Issue 17: What capital structure and weighted average cost of capital should be approved for establishing SJNG’s projected test year revenue requirement?

Recommendation: The projected test year capital structure that should be approved consists of 40.77 percent common equity, 27.18 percent long-term debt, 1.54 percent customer deposits, 18.52 percent deferred taxes, and 11.99 percent for the Florida Coast Paper Company (FCPC) deferred credits. The appropriate WACC that should be approved for establishing SJNG’s projected test year revenue requirement is 6.58 percent. (Quigley, D. Buys)

Staff Analysis: For the projected test year ending December 31, 2024, SJNG filed a revised capital structure consisting of 82.00 percent common equity and 18.00 percent long term debt, based on investor sources. In Issue 15, staff recommends the Commission cap the equity ratio at 60.00 percent. When reconciled to the rate base pro rata over all sources, the equity ratio decreased to 40.77 percent, and the long-term debt ratio increased to 27.18 percent. In addition to the investor sources of capital, the Company’s capital structure also includes 1.54 percent of customer deposits, 18.52 percent of ADITs, and 11.99 percent of deferred credits related to the imputation of pre-paid revenue for FCPC.¹⁶

The 13-month average amounts reflect staffs recommended amounts in Issues 12 through 15. As discussed in Issue 14, staff recommends a cost rate for long-term debt of 8.36 percent. As discussed in Issue 16, staff recommends an ROE of 10.50 percent. After these adjustments, a pro rata adjustment is made over all sources of capital to reconcile the capital structure to the rate base amount in Issue 11. The recommended capital structure and WACC for establishing the revenue requirement is summarized in Table 17-1.

Table 17-1
Staff Recommended Capital Structure and WACC

Capital Component	Adjusted Amount	Ratio	Cost Rate	Weighted Cost
Common Equity	\$1,325,612	40.77%	10.50%	4.28%
Long-Term Debt	\$883,741	27.18%	8.36%	2.27%
Customer Deposits	\$50,111	1.54%	2.00%	0.03%
ADITs	\$602,050	18.52%	0.00%	0.00%
FCPC Deferred Credits	\$389,771	11.99%	0.00%	0.00%
TOTAL	\$3,251,285	100.00%		6.58%

Source: Staff Analysis

The net effect of these adjustments is an increase in the weighted average cost of capital from 6.05 percent as originally requested by the Company to 6.58 percent. Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ending

¹⁶In Order PSC-01-1274-PAA-GU, Issued June 8, 2001, in Docket No. 001447-GU, *In re: Request for rate increase by St. Joe Natural Gas Company, Inc.*, p. 20-21, the Commission approved an accounting adjustment to recognize prepaid taxable extraordinary income related to the bankruptcy of FCPC that included the addition of a deferred tax liability to be amortized over 31 years in the capital structure at zero cost.

December 31, 2024, the projected test year capital structure that should be approved for establishing SJNG's projected test year revenue requirement is 6.58 percent.

CONCLUSION

The projected test year capital structure that should be approved consists of 40.77 percent common equity, 27.18 percent long term debt, 1.54 percent customer deposits, 18.52 percent deferred taxes, and 11.99 percent for the Florida Coast Paper Company (FCPC) deferred credits. The appropriate WACC that should be approved for establishing SJNG's projected test year revenue requirement is 6.58 percent.

Issue 18: Has SJNG made the proper adjustments to remove all non-utility activities from projected test year net operating expenses, including depreciation and amortization expense? If not, what adjustments should be made?

Recommendation: No. SJNG did not remove all non-utility activities from projected test year net operating expenses. Staff recommends a decrease of \$14,393 to the projected test year operations and maintenance (O&M) expense for non-utility activities, as well as a corresponding increase of \$14,494 to projected test year revenues. (Vogel)

Staff Analysis: SJNG did not make the proper adjustments to remove all non-utility activities from projected test year net operating expenses. Staff found three items the Company included in its filing that need to be addressed.

Property Insurance Expense

The Company noted an error in the calculation of property insurance expense because it was estimated using 2017 data. When the Company applied the 2023 allocation percentages, it reduced the actual 2023 amount to \$43,382 from \$60,501. Therefore, the projected test year property insurance expense should be reduced by \$17,633.

Rental Income and Expense

SJNG recorded rental expense of \$9,865 for the projected test year. In response to staff's fourth data request, dated September 23, 2024, SJNG stated that, "[o]ffice rental income from non-regulated divisions ... was omitted from the original MFRs filed and needs to be taken into account." The rental adjustments include rental income of \$14,494 for one building and additional rental expense of \$3,240 from a different building. Both of these buildings are shared locations and the adjusted amounts have correct allocations.

Advertising Expense

SJNG included advertising expense of \$1,276 for the projected test year. Audit Finding No. 11 found advertising expenses of \$1,454 in the 2023 base year. SJNG included in that amount an incorrect allocation for a Chamber of Commerce expense, resulting in a reduction of \$38. Staff also noted that the Company failed to allocate a cost for promotional attire totaling \$735. To properly allocate that cost, staff recommends reducing this cost by \$100. Staff's total reduction for advertising expense is \$138. Staff's reductions result in a 2023 total expense of \$1,316. Staff believes the Company should properly allocate these expenses in the future, but does not recommend an adjustment to the \$1,276 expense included in the projected test year.

CONCLUSION

SJNG did not remove all non-utility activities from projected test year net operating expenses. Staff recommends a decrease of \$14,393 to the projected test year O&M expense for non-utility activities, as well as a corresponding increase of \$14,494 to projected test year revenues.

Issue 19: What is the appropriate amount of salaries and benefits to include in the projected test year?

Recommendation: The appropriate amount of projected salaries and benefits that should be included in the test year is \$769,803. (Vogel)

Staff Analysis: SJNG included a salaries expense of \$769,803 for the projected test year. Audit staff verified the salaries and hours of all regulated employees and did not have any findings. Staff sent additional data request questions regarding the work hours, allocation methodology, and employee count to verify that this level of salary is appropriate for the Company.

Staff verified 2023 labor expenses of \$724,588 for the regulated utility and verified that the appropriate amount of allocations took place for that year. Staff, therefore, has no allocation adjustments to make for salaries expense.

SJNG used a compound multiplier, found on MFR Schedule C-37, to justify the increased expenses from 2011. They take into account the increased number of customers and the increase in consumer price index (CPI) over the timeframe of 2011-2022. The calculations result in a multiplier of 1.3779. The Company then used this multiplier as a benchmarking tool to justify the increases requested. For most expenses, the Company used the 2006 base year to compare the benchmark to the requested expenses. The resulting calculations present a matching problem as the multiplier does not include the years prior to 2011, or the year 2023. Even with this discrepancy, the Company's benchmark versus requested comparisons show little variance.

In regard to SJNG's salaries expense, SJNG includes a comparison of CPI increases and salary increases from the years 2019-2022 on MFR Schedule C-33. This comparison shows that the Company has not increased wages at the same rate of CPI over that timeframe.

Staff does not believe the increase in salaries expense seen since 2022 is unreasonable. Staff believes that the expenses were allocated correctly and that the expenses have been reasonable based on inflation increases in the years prior to the filing of the rate case. Therefore, staff recommends no adjustments. Staff recommends including a salaries expense of \$769,803 for the projected test year.

CONCLUSION

Staff recommends no adjustments to salaries and benefits. The appropriate amount of projected salaries and benefits that should be included in the test year is \$769,803.

Issue 20: What amount of projected test year Rate Case Expense should be approved? What amortization period should be used?

Recommendation: The appropriate amount of rate case expense is \$137,500. This expense should be recovered over four years for an annual expense of \$34,375. The annual amortization expense should be increased by \$14,875. (Vogel)

Staff Analysis: In its MFRs, SJNG requested \$137,500 for rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On October 18, 2024, the Company submitted its current invoices supporting a portion of the requested rate case expense, which totaled \$71,770. They also provided a breakdown of the estimated expenses included in the filing of \$130,000 for legal expenses and \$7,500 for CPA/other expenses.

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on its review, staff believes the following adjustments to SJNG requested rate case expense are appropriate.

In its MFRs, SJNG included \$130,000 in legal fees to complete the rate case. In response to staff's eighth data request, the Company provided all current invoices for legal fees in relation to rate case expense totaling \$71,770. The Company stated that the rest of the estimated expense is based off of a cost estimate provided by the attorney. Staff received an updated estimated legal fee for the case of \$130,000, which did provide more detail as to how the amount was appropriate for the case. Staff believes this estimate is sufficient and recommends legal fee expense of \$130,000.

In its MFRs, SJNG included \$7,500 in other expenses to complete the rate case. In response to staff's eighth data request, the Company provided information that this expense was to cover the expenses of the CPA to complete the rate case. The expense was calculated based on previous billings from the CPA.

Based on the adjustments above, staff recommends that the requested rate case expense of \$137,500 be approved. In its MFRs, the Company requested a total rate case expense of \$137,500. When amortized over four years, this represents an annual expense of \$34,375. However, its original filing reflected annual amortization expense of \$19,500. In the Company's response to staff's eighth data request, it stated that the amount of \$19,500 was accidentally left in the MFRs from a previous filing. As such the net increase in annual amortization expense should be \$14,875.

CONCLUSION

The appropriate amount of rate case expense is \$137,500. This expense should be recovered over four years for an annual expense of \$34,375. The annual amortization expense should be increased by \$14,875.

Issue 21: What amount of projected test year O&M expenses should be approved?

Recommendation: Staff recommends a total O&M expense of \$1,548,893 for the projected test year. Staff, therefore, recommends an increase of \$51,072 to projected test year O&M expenses. (Vogel)

Staff Analysis: SJNG reflected projected O&M expenses of \$1,497,821 in its original filing. In addition to Issues 18 and 20, additional adjustments are recommended.

The Company's updated filing reflected an increase to O&M expenses of \$69,790. In addition to audit staff reviewing the updated 2023 O&M expenses, staff verified that the increase to the projected test year reflected the same factors used in the Company's original filing. The updated O&M expenses requested is \$1,567,611.

In addition to adjustments recommended in Issues 18 and 20, staff recommends an additional adjustment to the Company's Director Fees expense. The regulated utility has been paying the full amount of Director Fees prior to 2000 and has not been adjusted after the creation of the appliance and propane divisions of the Company. The Company stated that the Director Fees are only paid by the regulated operations because the Directors only operate as directors for the regulated division of the Company. However, staff reviewed the minutes of past Annual Meetings of Shareholders and Directors and found that these meetings included discussion of all business of SJNG, including non-regulated businesses. Therefore, staff recommends allowing only 36 percent of the Director's Fees, the same allocation as payroll, which would create a reduction of \$19,200 to O&M expense.

CONCLUSION

Staff recommends a total O&M expense of \$1,548,893 for the projected test year. Staff, therefore, recommends an increase of \$51,072 to projected test year O&M expenses.

Issue 22: What amount of projected test year Depreciation and Amortization Expense should be approved?

Recommendation: The amount of Depreciation and Amortization Expense that should be approved for the projected test year is \$370,803. Based on adjustments in Issues 6, 7, and 8, staff recommends a decrease in depreciation expense of \$3,246. (Vogel)

Staff Analysis: The Company reflected Depreciation and Amortization Expense of \$374,049 for the projected test year in its original filing. Based on adjustments in Issues 6, 7, and 8, staff recommends a decrease in depreciation expense of \$3,246. Staff recommends Depreciation and Amortization Expense of \$370,803 for the projected test year.

CONCLUSION

The amount of Depreciation and Amortization Expense that should be approved for the projected test year is \$370,803. Based on adjustments in Issues 6, 7, and 8, staff recommends a decrease in depreciation expense of \$3,246.

Issue 23: What amount of projected test year Taxes Other than Income should be approved?

Recommendation: The appropriate amount of Taxes Other Than Income (TOTI) for the 2024 projected test year is \$129,363. TOTI should be increased by \$1,000 for the projected test year. (Vogel)

Staff Analysis: The Company recorded TOTI of \$128,363 in its original MFRs. In its supplemental MFRs the Company made an adjustment of \$41,990 to bring the total amount of TOTI to \$170,353.

In its response to staff's eighth data request, it explained that the increase was due to Gross Receipts Tax expense being removed from the calculation because it was not included in revenues. However, this does not explain the increase in the expense, unless it was accounting for the expense not included in the original filing. In Order No. PSC-01-1274-PAA-GU, the Commission removed the Gross Receipts Tax embedded in base rates and separately stated on customer bills.¹⁷ As such, staff does not recommend increasing TOTI by \$41,990 to reflect the Gross Receipts Tax in the adjusted filing amount.

An additional fallout adjustment for regulatory assessment fees (RAFs) is necessary based on the adjustments in Issues 4 and 18, resulting in an increase of \$1,000. As such, staff recommends TOTI of \$129,363 for the projected test year.

CONCLUSION

The appropriate amount of TOTI for the 2024 projected test year is \$129,363. TOTI should be increased by \$1,000 for the projected test year.

¹⁷Order No. PSC-2001-1247-PAA-GU, issued June 8, 2001, in Docket No. 20001447-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*

Issue 24: What amount of projected test year Income Tax Expense should be approved?

Recommendation: The appropriate amount of projected test year Income Tax Expense is \$0. Projected Income Tax Expense should be decreased by \$102,452. (Vogel)

Staff Analysis: SJNG reflected total income taxes for the test year ending December 31, 2024 of \$102,452, which was comprised entirely of deferred tax expense. Based on the Company's updated filing and staff's Audit Finding No. 9, this amount was an error and should be removed. No additional fallout adjustments are necessary based on the negative net operating income reflected in Issue 26, and accordingly, the income tax expense for the projected test year should be \$0. Staff's recommended revenue increase in Issue 28 reflects the multiplier in Issue 27, which reflects income tax expense on the revenue increase.

CONCLUSION

The appropriate amount of projected test year Income Tax Expense is \$0. Projected Income Tax Expense should be decreased by \$102,452.

Issue 25: What amount of projected test year Total Operating Expenses should be approved?

Recommendation: The appropriate amount of Total Operating Expenses in the projected test year should be \$2,049,059. Total Operating Expenses should be reduced by \$76,915. (Vogel)

Staff Analysis: SJNG included total operating expense of \$2,125,974 in the test year. The Company updated its filing with a total operating expense of \$2,203,302.

In the Company's original filing, it reflected a projected test year amount of \$23,289 labeled Interest Synchronization." In its updated filing, it increased this amount by \$68,000, for a total of \$91,289. Staff believes this adjustment was made in error and is actually the interest expense that is associated with the additional loans discussed in Issue 14. MFR Schedule G-6 also describes it as interest expense. Interest expense on loans is not included in Interest Synchronization and should be removed. Staff recommends decreasing total operating expense by \$23,289 to reflect the removal of the projected test year amount in its original filing.

Based on the adjustments made in previous issues and the adjustment to Interest Synchronization, staff is recommending a reduction of total operating expenses of \$76,915. Staff recommends a total operating expense of \$2,049,059 (\$2,125,974 - \$76,915) for the projected test year.

CONCLUSION

Staff recommends a Total Operating Expense of \$2,049,059, for the projected test year. Total Operating Expenses should be reduced by \$76,915.

Issue 26: What amount of projected test year Net Operating Income should be approved?

Recommendation: The appropriate amount of Net Operating Income in the projected test year, prior to the rate increase, should be negative \$479,274. (Vogel)

Staff Analysis: SJNG included a net operating income of negative \$576,971 in the projected test year. Based on the adjustments in the previous issues, staff recommends an increase in net operating income of \$97,697 for the projected test year. Staff recommends a net operating income of negative \$479,274 for the projected test year.

CONCLUSION

Staff recommends a Net Operating Income of negative \$479,274, prior to the rate increase, for the projected test year.

Issue 27: What revenue expansion factor and net operating income multiplier should be approved for the projected test year?

Recommendation: The appropriate revenue expansion factor and net operating income multiplier is 74.058 percent and 1.3503, respectively. (Vogel)

Staff Analysis: SJNG included a revenue expansion factor of 74.874 percent in the filing. For the projected test year, the Company did not use the correct state income tax factor of 5.5 percent. The corrected state income tax decreases the revenue expansion factor to 74.058 percent. Staff recommends including a revenue expansion factor of 74.058 percent and a net operating income multiplier of 1.3503, for the projected test year.

Issue 28: What annual operating revenue increase should be approved for the projected test year?

Recommendation: The appropriate annual operating revenue increase for the projected test year should be \$936,224. (Vogel)

Staff Analysis: Based on staff adjustments made in all previous issues, the appropriate annual operating revenue increase for the projected test year should be \$936,224. In its original filing, the Company's MFRs reflected a total increase \$1,043,841. Based on its update to the 2023 intermediate test year, SJNG's request increased to \$1,113,241.

Table 28-1
Revenue Increase

	Company's Request	Staff Recommended	\$ Decrease	% Decrease
Original Filing	\$1,043,841	\$936,224	(\$107,617)	10.3%
Updated Filing	\$1,113,241	\$936,224	(\$177,017)	15.9%

Issue 29: What is the appropriate cost of service methodology to be used in allocating 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 the MFRs. SJNG should file a revised cost of service study, including rates and tariffs that reflect the Commission's vote on all issues by December 16, 2024, close of business. (Ward)

Staff Analysis: The purpose of a cost of service study is to allocate the approved total revenue requirement of the utility system among the various rate classes. Then, base rates are designed to recover the total revenue requirement attributable to that class. Base rates for SJNG include the monthly fixed customer charge and the variable per-therm gas delivery service rate, which are addressed in Issues 35 and 36, respectively. In rate design, the fixed customer charge is typically determined first and represents a portion of the overall rate requirement. The per-therm gas delivery service rate is determined by taking the remaining revenue requirement, and dividing by the projected therm volume of each rate class.

Witness Andy Shoaf stated that the standard methodology traditionally used by Commission staff formed the principal basis of the cost of service study. Traditionally, the Commission follows the practice of gradualism, which limits the increase of each rate class to 1.5 times the system average increase in revenue, including adjustment clauses. The practice of gradualism, including limiting the increase to no greater than 1.5 times the system average percentage increase in total, has been affirmed in several prior Commission orders. However, SJNG is proposing to increase revenues by 110.04 percent for the GS-2 rate class, which is more than 1.5 times the system average. In response to staff's fifth data request, SJNG stated that it would agree to limit the increase to 1.5 times the system total revenue increase as long as the revenue reduction in GS-2 is added back to one or more other rate classes. SJNG's proposed cost of service also combined the RS-1 and RS-2 rate classes. As discussed in Issue 34, Staff recommends approval of the rate class consolidation.

Based on the above, 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 the MFRs. SJNG should file a revised cost of service study, including rates and tariffs that reflect the Commission's vote on all issues by December 16, 2024, close of business.

Issue 30: What are the appropriate customer charges?

Recommendation: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025. (McClelland)

Staff Analysis: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025.

Issue 31: What are the appropriate per therm Gas Delivery Service Rates?

Recommendation: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025. (McClelland)

Staff Analysis: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025.

Issue 32: What are the appropriate miscellaneous service charges?

Recommendation: The appropriate miscellaneous service charges are contained in Table 32-1 below. The Company should file a revised tariff sheet to reflect returned charges as pursuant to Section 68.065, F.S. (Ward)

Staff Analysis: The miscellaneous service charges are fixed charges that are paid when a specified activity occurs, such as the initial connection of a residence or business, a change of account, or a late payment. The miscellaneous service charges are designed to recover the billing, personnel, and other overhead costs associated with the specific charge.

Staff’s recommended miscellaneous service charges are contained in the table below. The table also shows SJNG’s present and proposed charges.

**Table 32-1
 SJNG Miscellaneous Service Charges**

Miscellaneous Service Charges	Present	Proposed	Staff Recommended
Residential Connect	\$40	\$80	\$80
Residential Reconnect	\$40	\$90	\$90
Non-residential Connection and Reconnection	\$60	\$120	\$120
Change of Account	\$26	\$66	\$66
Late Payment	\$3 or 1.5%	\$13 or 1.5%	\$13 or 1.5%
Returned Check	\$25 or 5%	\$35 or 5%	Pursuant to Section 68.065, F.S.
After Normal Business Hours Service	2x normal rate	2x normal rate	2x normal rate

Source: SJNG’s First Revised Tariff Sheets No. 27 and 28

The cost support for the increase in miscellaneous service charges is shown in Schedule E-3 of the MFRs, and illustrates that the increased rates are largely driven by increases in the cost of labor. As shown in the table, staff recommends the same miscellaneous service charges as proposed by SJNG except for the returned check charge. The Company proposed a charge of \$35 or 5 percent or whichever is greater. Section 68.065, F.S. prescribes the appropriate assessment of charges for the collection of worthless checks, or orders of payment. SJNG’s proposed minimum charge of \$35 exceeds the amount allowed by statute. As currently set forth in Section 68.065(2), F.S., the following non-sufficient funds (NSF) charges may be assessed:

1. \$25, if the face value does not exceed \$50,
2. \$30, if the face value exceeds \$50 but does not exceed \$300,
3. \$40, if the face value exceeds \$300,

4. or five percent of the face amount of the check, whichever is greater.

In order to be consistent with the statute, staff recommends that the returned check charges be consistent with Section 68.065, F.S.

Based on the above, the appropriate miscellaneous service charges are contained in Table 32-1. The Company should file a revised tariff sheet to reflect returned charges as pursuant to Section 68.065, F.S.

Issue 33: Should the new Realtor Inspection Charge be approved?

Recommendation: Yes, the new Realtor Inspection Charge of \$105 should be approved.
(Ward)

Staff Analysis: SJNG proposed a new Realtor Inspection Charge of \$105 for service activated for less than seven days for the sole purpose of an inspection to facilitate a real estate transaction. Pursuant to Rule 25-7.057, F.A.C., in the case of temporary service for short-term use, the Company may require the customer to pay all costs of making the service connection and removing the material after service has been discontinued, or to pay a fixed amount in advance to cover such expense; provided, however, that the customer shall be credited with reasonable salvage realized by the Company when service is terminated.

In response to staff's fifth data request, SJNG stated that it has been using the existing \$40 connection charge for realtor inspections and classifying them as the same. SJNG also provided cost support for the Realtor Inspection Charge similar to a Schedule E-3 included in the MFRs. The cost support provided illustrates that the charge includes costs for both the initial connection and for a second trip to lock off the meter at the site to discontinue service. The Company additionally clarified that whoever requests the service is responsible for the charge. Staff believes the requested charge is reasonable and consistent with the rule. Based on the above, staff recommends that the new Realtor Inspection Charge of \$105 should be approved.

Issue 34: Is SJNG’s proposal to combine the RS-1 class into RS-2 class appropriate?

Recommendation: SJNG’s proposal to combine the RS-1 class into RS-2 is appropriate and should be approved. SJNG should file revised energy conservation cost recovery (ECCR) factors and associated ECCR tariffs based on the two residential rate classes, for Commission approval at the rates agenda on January 7, 2025. (McClelland)

Staff Analysis: During its 2008 rate proceeding, the Commission approved SJNG’s request to stratify its residential rate structure into three classes: RS-1, with an annual usage of less than 150 therms, RS-2, with an annual usage of 150-299 therms, and RS-3, with an annual usage of over 300 therms. However, in this rate proceeding, SJNG has proposed to consolidate its RS-1 and RS-2 rate classes due to similarity in usage and to improve administrative efficiency. Witness Stuart Shoaf explained that “with experience over time since the last rate case, the Company reached the conclusion that the stratification in its existing residential class is not warranted or practical.” In addition, witness Stuart Shoaf indicated the year-to-year revising of customers between the RS-1 and RS-2 rate classes based on relatively marginal changes in usage created administrative inefficiencies.

The proposed restructuring would leave SJNG with stratification over two rate classes, RS-2 and RS-3. The proposed RS-2 class will be available to customers who use less than 300 therms annually. The RS-3 class would continue to be available for customer who use over 300 therms annually. Staff believes this change is reasonable and appropriate because it minimizes administrative inefficiencies due to shifting customers between RS-1 and RS-2.

Reducing the stratification to the residential classes will have an impact on the ECCR factors determined in the 20240004-GU docket due to the timing of the final rates in this proceeding. The Commission approved ECCR factors for the RS-1, RS-2, and RS-3 rate classes at the November 5, 2024 ECCR hearing. The currently approved ECCR factors differ for the three residential rate classes. If the Commission approves the reduction of stratification to two residential rate classes, SJNG should be required to file recalculated ECCR factors, to reflect the combined RS-1 and RS-2 rate classes, for Commission approval at the subsequent rates agenda. The revised ECCR factors should be filed in the 20240004-GU ECCR docket.

Based on the above, SJNG’s proposal to combine the RS-1 class into RS-2 is appropriate and should be approved. SJNG should file revised tariffs to reflect the appropriate ECCR factors based on the two residential rate classed for Commission approval. The revised ECCR factors should be effective concurrent with the effective date of revised base rates in this proceeding.

Issue 35: Should the Commission give staff administrative authority to approve tariffs reflecting Commission-approved rates and charges?

Recommendation: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025. (McClelland)

Staff Analysis: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025.

Issue 36: What is the effective date for SJNG's revised rates and charges?

Recommendation: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025. (Ward)

Staff Analysis: This is a fallout issue and will be addressed at the rates agenda on January 7, 2025.

Issue 37: Should any portion of the interim increases granted be refunded to the customers?

Recommendation: No. The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, no refund is required. Further, upon issuance of the final order in this docket, the corporate undertaking should be released. (Vogel)

Staff Analysis: By Order No. PSC-2024-0379-PCO-GU, issued August 19, 2024, the Commission authorized the collection of interim rates, subject to refund, pursuant to Section 366.071, F.S. The approved interim revenue requirement for SJNG was \$2,196,392. The interim collection period is September 2024 through January 2025.

According to Section 366.071, F.S., adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim rates is the 12-month period ended December 31, 2023. FPUC's approved interim rates did not include any provisions for pro forma or projected operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the lower limit of the last authorized range for return on equity.

To establish the proper refund amount, staff has calculated a revised interim revenue requirement utilizing the same data used to establish final rates for the 2024 projected test year. Items, such as rate case expense, were excluded because these items are prospective in nature and did not occur during the interim collection period. Using the principles discussed above, because the revenue requirement, granted in Order No. PSC-2024-0379-PCO-GU, for the December 2023 interim test year is less than the revenue requirement of \$2,374,319, staff recommends that no refund is required. Further, upon issuance of the final order in this docket, the corporate undertaking should be released.

CONCLUSION

The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, no refund is required. Further, upon issuance of the final order in this docket, the corporate undertaking should be released.

Issue 38: Should SJNG be required to establish and maintain a Cost Allocation Manual (CAM)?

Recommendation: Yes. SJNG should be required to establish and maintain a CAM. The Company should be required to file its CAM with the Commission, in Docket No. 20240046-GU, by December 31, 2025. (Vogel)

Staff Analysis: SJNG operates natural gas, propane gas, and appliance businesses. As noted by Audit Finding No. 1, the Company provided how some costs are allocated between its three businesses, but it does not have a written CAM. This results in a lack of consistency and clarity in the Company's allocation policies and procedures. This posed many difficulties in staff's review of SJNG's filing.

Section 366.05(9), F.S., provides that the Commission may require the filing of reports and other data by a public utility or its affiliated companies, including its parent company, regarding transactions, or allocations of common costs, among the utility and such affiliated companies. The Commission may also require such reports or other data necessary to ensure that a utility's ratepayers do not subsidize nonutility activities.

Staff recommends that the Commission require SJNG to establish and maintain a CAM, as it is now involved in nonregulated activities. Additionally, this would facilitate the rate case process in a subsequent proceeding. The CAM should show whether transactions involve regulated or nonregulated products or services, and be organized and indexed so that the information contained therein can be easily accessed. The Company should be required to file its CAM with the Commission, in Docket No. 20240046-GU, by December 31, 2025.

CONCLUSION

For the reasons outlined above, SJNG should be required to establish and maintain a CAM. The Company should be required to file its CAM with the Commission, in Docket No. 20240046-GU, by December 31, 2025.

Issue 39: Should SJNG be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

Recommendation: Yes. SJNG should be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case. (Gatlin)

Staff Analysis: Yes. SJNG should be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case.

Issue 40: Should this docket be closed?

Recommendation: This docket should remain open for the Commission to determine the final rates at a subsequent Commission Conference. (Dose, Farooqi)

Staff Analysis: This docket should remain open for the Commission to determine the final rates at a subsequent Commission Conference.

COMPARATIVE AVERAGE RATE BASE

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 20240046-GU
PTY 12/31/24

ATTACHMENT 1

ISSUE NO.	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
UTILITY PLANT					
	\$9,848,703				
		(298,913)			
6				(58,773)	
7				(59,800)	
	\$9,848,703	(\$298,913)	\$9,549,790	(\$118,573)	\$9,431,217
CONSTRUCTION WORK IN PROGRESS					
	\$140,262				
		(140,262)			
	\$140,262	(\$140,262)	\$0	\$0	\$0
TOTAL UTILITY PLANT					
	\$9,988,966	(\$439,176)	\$9,549,790	(\$118,573)	\$9,431,217
DEDUCTIONS					
	(\$6,407,028)				
		164,203			
8				(357)	
8				(86)	
8				(16,080)	
8				4,593	
	(\$6,407,028)	\$164,203	(\$6,242,825)	(\$11,930)	(\$6,254,754)
TOTAL DEDUCTIONS					
	(\$6,407,028)	\$164,203	(\$6,242,825)	(\$11,930)	(\$6,254,754)
NET UTILITY PLANT					
	\$3,581,938	(\$274,973)	\$3,306,965	(\$130,502)	\$3,176,463
WORKING CAPITAL ALLOWANCE					
	(\$281,217)				
		356,039			
	(\$281,217)	\$356,039	\$74,822	\$0	\$74,822
TOTAL RATE BASE					
	\$3,300,721	\$81,066	\$3,381,787	(\$130,502)	\$3,251,285

CAPITAL STRUCTURE

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 20240046-GU
PTY 12/31/24
13-Month Average

ATTACHMENT 2

COMPANY POSITION	COMPANY		PRO RATA	COMPANY ADJUSTED	RATIO	COST RATE	WEIGHTED COST
	PER BOOKS	SPECIFIC					
COMMON EQUITY	\$5,221,313	\$0	(\$3,627,616)	\$1,593,697	47.13%	11.00%	5.18%
LONG TERM DEBT	1,100,000	0	(764,248)	\$335,752	9.93%	8.50%	0.84%
LONG TERM DEBT (NON-UTILITY)	1,230,000	(1,230,000)	0	\$0	0.00%	0.00%	0.00%
SHORT TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	189,447	0	(131,622)	57,825	1.71%	2.00%	0.03%
DEFERRED TAXES	989,098	0	0	989,098	29.25%	0.00%	0.00%
DEFERRED CREDITS - FCPC	405,416	0	0	405,416	11.99%	0.00%	0.00%
TOTAL	<u>\$9,135,274</u>	<u>(\$1,230,000)</u>	<u>(\$4,523,487)</u>	<u>\$3,381,787</u>	<u>100.00%</u>		<u>6.05%</u>

STAFF RECOMMENDED	COMPANY ADJUSTED	SPECIFIC	60 PERCENT EQUITY		STAFF ADJUSTED	RATIO	COST RATE	WEIGHTED COST
			PRO RATA	PRO RATA				
COMMON EQUITY	\$1,593,697	\$295,640	(\$510,517)	(\$53,208)	\$1,325,612	40.77%	10.50%	4.28%
LONG TERM DEBT	335,752	72,944	510,517	(35,472)	883,741	27.18%	8.36%	2.27%
LONG TERM DEBT (NON-UTILITY)	0	0	0	0	0	0.00%	0.00%	0.00%
SHORT TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	57,825	(5,703)	0	(2,011)	50,111	1.54%	2.00%	0.03%
DEFERRED TAXES	989,098	(362,882)	0	(24,166)	602,050	18.52%	0.00%	0.00%
DEFERRED CREDITS - FCPC	405,416	0	0	(15,645)	389,771	11.99%	0.00%	0.00%
TOTAL	<u>\$3,381,787</u>	<u>(\$1)</u>	<u>\$0</u>	<u>(\$130,502)</u>	<u>\$3,251,285</u>	<u>100.00%</u>		<u>6.58%</u>

COMPARATIVE NET OPERATING INCOME

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 20240046-GU
PTY 12/31/24

ATTACHMENT 3

ISSUE NO.	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
OPERATING REVENUES					
	\$2,575,806				
		(1,026,803)			
3				6,715	
3				(427)	
18				14,494	
	<u>\$2,575,806</u>	<u>(\$1,026,803)</u>	<u>\$1,549,003</u>	<u>\$20,782</u>	<u>\$1,569,785</u>
OPERATING EXPENSES:					
COST OF GAS					
	\$1,021,694				
		(1,021,694)			
	<u>\$1,021,694</u>	<u>(\$1,021,694)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPERATION & MAINTENANCE EXPENSE					
	\$1,497,821				
18				(17,633)	
18				3,240	
20				14,875	
21				69,790	
21				(19,200)	
	<u>\$1,497,821</u>	<u>\$0</u>	<u>\$1,497,821</u>	<u>\$51,072</u>	<u>\$1,548,893</u>
DEP. & AMORT. EXP. - PLANT					
	\$408,122				
		(34,073)			
22				(3,246)	
	<u>\$408,122</u>	<u>(\$34,073)</u>	<u>\$374,049</u>	<u>(\$3,246)</u>	<u>\$370,803</u>
TAXES OTHER THAN INCOME					
	\$133,471				
		(5,108)			
23				1,000	
	<u>\$133,471</u>	<u>(\$5,108)</u>	<u>\$128,363</u>	<u>\$1,000</u>	<u>\$129,363</u>
INCOME TAX EXPENSE					
	\$0				
	102,452				
	23,289				
24				(102,452)	
25				(23,289)	
	<u>\$125,741</u>	<u>\$0</u>	<u>\$125,741</u>	<u>(\$125,741)</u>	<u>(\$0)</u>
	<u>\$3,186,850</u>	<u>(\$1,060,876)</u>	<u>\$2,125,974</u>	<u>(\$76,915)</u>	<u>\$2,049,059</u>
	<u>(\$611,044)</u>	<u>\$34,073</u>	<u>(\$576,971)</u>	<u>\$97,697</u>	<u>(\$479,274)</u>

NET OPERATING INCOME MULTIPLIER

ST. JOE NATURAL GAS COMPANY, INC.
 DOCKET NO. 20240046-GU
 PTY 12/31/24

ATTACHMENT 4

DESCRIPTION	COMPANY PER FILING	STAFF RECOMMENDED
REVENUE REQUIREMENT	100.0000%	100.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.3000%	0.3000%
NET BEFORE INCOME TAXES	<u>99.2000%</u>	<u>99.2000%</u>
STATE INCOME TAX RATE	4.6000%	5.5000%
STATE INCOME TAX	4.4223%	5.4560%
NET BEFORE FEDERAL INCOME TAXES	<u>94.7777%</u>	<u>93.7440%</u>
FEDERAL INCOME TAX RATE	21.0000%	21.0000%
FEDERAL INCOME TAX	19.9033%	19.6862%
REVENUE EXPANSION FACTOR	<u>74.8744%</u>	<u>74.0578%</u>
NET OPERATING INCOME MULTIPLIER	<u>1.3356</u>	<u>1.3503</u>

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

ST. JOE NATURAL GAS COMPANY, INC.

ATTACHMENT 5

DOCKET NO. 20240046-GU

PTY 12/31/24

	COMPANY ADJUSTED	STAFF RECOMMENDED
RATE BASE (AVERAGE)	\$3,381,787	\$3,251,285
RATE OF RETURN	X <u>6.05%</u> X	<u>6.58%</u>
REQUIRED NOI	<u>\$204,598</u>	<u>\$214,072</u>
Operating Revenues	<u>\$1,549,003</u>	<u>\$1,569,785</u>
Total Operating Expenses	<u>2,125,974</u>	<u>2,049,059</u>
ACHIEVED NOI	<u>(\$576,971)</u>	<u>(\$479,274)</u>
NET REVENUE DEFICIENCY	\$781,569	\$693,346
REVENUE EXPANSION FACTOR	1.3356	1.3503
REVENUE DEFICIENCY	<u><u>\$1,043,841</u></u>	<u><u>\$936,224</u></u>

Item 4

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (York, Swards) *ALM*
Office of the General Counsel (Dose) *JSC*

RE: Docket No. 20240005-WS – Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

AGENDA: 12/03/24 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 03/31/25 (Statutory Reestablishment Deadline)

SPECIAL INSTRUCTIONS: None

Case Background

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes (F.S.), and Rule 25-30.420, Florida Administrative Code (F.A.C.), the Commission has established a price increase or decrease index for major categories of operating costs on or before March 31 of each year. This process allows water and wastewater utilities to adjust rates based on current specific expenses without applying for a rate case.

Staff calculated its proposed 2025 price index by comparing the Gross Domestic Product Implicit Price Deflator Index for the fiscal year ended September 30, 2024. This same procedure has been used each year since 1995 to calculate the price index. The U.S. Department of Commerce, Bureau of Economic Analysis, released its most recent third quarter figures on October 30, 2024.

Docket No. 20240005-WS

Date: November 21, 2024

Since March 31, 1981, the Commission has received and processed approximately 4,073 index and pass through applications. The Commission has jurisdiction over this matter pursuant to Section 367.081, F.S.

Discussion of Issues

Issue 1: Which index should be used to determine price level adjustments?

Recommendation: The Gross Domestic Product Implicit Price Deflator Index is recommended for use in calculating price level adjustments. Staff recommends calculating the 2025 Price Index by using a fiscal year, four quarter comparison of the Implicit Price Deflator Index ending with the third quarter of 2024. (York)

Staff Analysis: In 1993, the Gross Domestic Product Implicit Price Deflator Index (GDPDEF) was established as the appropriate measure for determining the water and wastewater price index. At the same time, the convention of using a four quarter fiscal year comparison was also established and this practice has been used every year since then.¹ The GDPDEF is prepared by the U.S. Department of Commerce. Prior to that time, the Gross National Product Implicit Price Deflator Index (GNPDEF) was used as the indexing factor for water and wastewater utilities. The Department of Commerce switched its emphasis from the GNPDEF to the GDPDEF as the primary measure of U.S. production.

Pursuant to Section 367.081(4)(a), F.S., the Commission, by order, shall establish a price increase or decrease index for major categories of operating costs incurred by utilities subject to its jurisdiction reflecting the percentage of increase or decrease in such costs from the most recent 12-month historical data available. Since 1995, the price index adjustment has been determined by comparing the change in the average GDPDEF for the year ending September 30, instead of the original December 31, in order to more easily meet the statutory deadline.

By Order No. PSC-2023-0383-PAA-WS, issued December 21, 2023, in Docket No. 20230005-WS, the Commission, in keeping with the practice started in 1993, reiterated the alternatives which could be used to calculate the indexing of utility revenues. Past concerns expressed by utilities, as summarized from utility input in previous hearings, are:

- 1) Inflation should be a major factor in determining the index;
- 2) Nationally published indices should be vital to this determination;
- 3) Major categories of expenses are labor, chemicals, materials and supplies, maintenance, transportation, and treatment expense;
- 4) An area wage survey, Dodge Building Cost Index, Consumer Price Index, and the GDP should be considered;
- 5) A broad measure index should be used; and
- 6) The index procedure should be easy to administer.

¹Order No. PSC-1993-0195-FOF-WS, issued February 9, 1993, in Docket No. 19930005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

Based upon these concerns, the Commission has previously explored the following alternatives:

- 1) Survey of Regulated Water and Wastewater Utilities;
- 2) Consumer Price Index;
- 3) Florida Price Level Index;
- 4) Producer Price Index – previously the Wholesale Price Index; and
- 5) GDPDEF (replacing the GNPDEF).

Over the years, the Commission found that the Survey of Regulated Water and Wastewater Utilities should be rejected because using the results of a survey would allow utilities to pass on to customers all cost increases, thereby reducing the incentives of promoting efficiency and productivity. The Commission also found that the Consumer Price Index and the Florida Price Level Index should be rejected because of their limited degree of applicability to the water and wastewater industry. Both of these price indices are based upon comparing the advance in prices of a limited number of general goods and, therefore, appear to have limited application to water and wastewater utilities.

The Commission further found that the Producer Price Index (PPI) is a family of indices that measure the average change over time in selling prices received by domestic producers of goods and services. PPI measures price change from the perspective of the seller, not the purchaser, and therefore should be rejected. The bases for these indices have not changed, and staff believes that the conclusions reached in Order No. PSC-2023-0383-PAA-WS should continue to apply in this case. Since 1993, the Commission has found that the GDPDEF has a greater degree of applicability to the water and wastewater industry. Therefore, staff recommends that the Commission continue to use the GDPDEF to calculate water and wastewater price level adjustments. Staff recommends calculating the 2025 Price Index by using a fiscal year, four quarter comparison of the GDPDEF ending with the third quarter of 2024.

The following information provides a historical perspective of the annual price index.

Table 1-1
Historical Analysis of the Annual Price Index for Water and Wastewater Utilities

Year	Commission Approved Index	Year	Commission Approved Index
2014	1.41%	2020	1.79%
2015	1.57%	2021	1.17%
2016	1.29%	2022	4.53%
2017	1.51%	2023	7.07%
2018	1.79%	2024	3.24%
2019	2.36%	2025	2.23%

The table below shows the historical participation in the index and/or pass-through programs:

Table 1-2
Percentage of Jurisdictional Water and Wastewater Utilities Filing for Indexes and Pass-Throughs

Year	Percentage	Year	Percentage
2013	41%	2019	60%
2014	39%	2020	43%
2015	49%	2021	52%
2016	38%	2022	57%
2017	37%	2023	53%
2018	42%	2024	36%

Issue 2: What rate should be used by water and wastewater utilities for the 2025 Price Index?

Recommendation: The 2025 Price Index for water and wastewater utilities should be 2.23 percent. (York)

Staff Analysis: The U.S. Department of Commerce, Bureau of Economic Analysis, released the most recent third quarter 2024 figures on October 30, 2024. Consistent with the Commission's establishment of the 2024 Price Index last year, staff is using the third quarter amounts to calculate staff's recommended 2025 Price Index. Using the third quarter amounts allows time for the Commission to establish the 2025 Price Index by March 2025, in accordance with Section 367.081(4)(a), F.S. The percentage change in the GDPDEF using the fiscal year comparison ending with the third quarter is 2.23 percent. This number was calculated as follows.

GDPDEF Index for the fiscal year ended 10/30/24	125.501
GDPDEF Index for the fiscal year ended 10/30/23	122.768
Difference	2.733
Divided by 10/30/2023 GDPDEF Index	<u>122.768</u>
2025 Price Index	2.23%

Issue 3: How should water and wastewater utilities be informed of the indexing requirements?

Recommendation: After the expiration of the Proposed Agency Action (PAA) protest period, the Division of Accounting and Finance should send each regulated water and wastewater utility a copy of the PAA Order establishing the index containing the information presented in Attachment 1. A cover letter from the Director of the Division of Accounting and Finance should be included with the order (Attachment 2). The entire package should also be made available on the Commission's website. (York)

Staff Analysis: Staff recommends that the package presented in Attachment 1 be sent to every regulated water and wastewater utility after the expiration of the PAA protest period, along with a copy of the PAA Order once final. The entire package should also be made available on the Commission's website

In an effort to increase the number of water and wastewater utilities taking advantage of the annual price index and pass-through programs, staff is recommending that the attached cover letter (Attachment 2) from the Director of the Division of Accounting and Finance be included with the PAA Order in order to explain the purpose of the index and pass-through applications and to communicate that Commission staff is available to assist them.

Issue 4: Should this docket be closed?

Recommendation: No. Upon expiration of the 14-day protest period, if a timely protest is not received, the decision should become final and effective upon the issuance of a Consummating Order. Any party filing a protest should be required to prefile testimony with the protest. However, this docket should remain open through the end of the year and be closed upon the establishment of the new docket in January 2025. (Dose)

Staff Analysis: Rule 25-22.029(1), F.A.C., contains an exception to the procedural requirements set forth in Uniform Rule 28-106.111, F.A.C., providing that “[t]he time for requesting a Section 120.569 or 120.57 hearing shall be 14 days from issuance of the notice for PAA orders establishing a price index pursuant to Section 367.081(4)(a), F.S.” Staff therefore recommends that the Commission require any protest to the PAA Order in this docket be filed within 14 days of the issuance of the PAA Order, and that any party filing the protest should be required to prefile testimony with the protest. Upon expiration of the protest period, if a timely protest is not received, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open through the end of the year and be closed upon the establishment of the new docket in January 2025.

FLORIDA PUBLIC SERVICE COMMISSION
 PRICE INDEX APPLICATION
 APPLICABLE TEST YEAR _____

Department of Environmental Protection Public Water System ID NO. _____
 Department of Environmental Protection Wastewater Treatment Plant ID NO. _____

	WATER	WASTEWATER
Operation & Maintenance Expenses ¹	\$ _____	\$ _____
LESS:		
(a) Pass-through Items:		
(1) Purchased Power	_____	_____
(2) Purchased Water	_____	_____
(3) Purchased Wastewater Treatment	_____	_____
(4) Sludge Removal	_____	_____
(5) Other ²	_____	_____
(b) Rate Case Expense Included in Expenses	_____	_____
(c) Adjustments to Operation & Maintenance Expenses from last rate case, if applicable: ³		
(1) _____	_____	_____
(2) _____	_____	_____
Costs to be Indexed	\$ _____	\$ _____
Multiply by Annual Commission-Approved Price Index	<u>2.23%</u>	<u>2.23%</u>
Total Indexed Costs	\$ _____	\$ _____
Add Change in Pass-Through Items: ⁴		
(1) _____	_____	_____
(2) _____	_____	_____
Divide Index and Pass-Through Sum by Expansion Factor for Regulatory Assessment Fees	<u>.955</u>	<u>.955</u>
Increase in Revenue	_____	_____
Divide by Applicable Test Year Revenue ⁵	\$ _____	\$ _____
Percentage Increase in Rates	_____ %	_____ %
	=====	=====

FOOTNOTES APPEAR ON THE FOLLOWING PAGE

PAGE 1 FOOTNOTES

¹This amount must match last year's annual report.

²Other expense items may include increases in required Department of Environmental Protection testing, ad valorem taxes, permit fees charged by the Department of Environmental Protection or a local government authority, National Pollutant Discharge Elimination System fees, and regulatory assessment fees. These items should not be currently embedded in the utility's rates.

³This may include adjustments that follow a methodology referenced in the Order from a utility's last rate case (i.e. averaged bad debt expense or excessive unaccounted for water percentage applied to chemicals expense).

⁴This may include an increase in purchased power, purchased water, purchased wastewater treatment, sludge hauling, required Department of Environmental Protection testing, ad valorem taxes, and permit fees charged by the Department of Environmental Protection or a local government authority providing that those increases have been incurred within the 12-month period prior to the submission of the pass-through application. Pass-through National Pollutant Discharge Elimination System fees and increases in regulatory assessment fees are eligible as pass-through costs but not subject to the twelve month rule. All pass-through items require invoices. See Rule 25-30.425, F.A.C. for more information.

⁵If rates changed after January 1 of the applicable test year, the book revenues must be adjusted to show the changes and an explanation of the calculation should be attached to this form. See Annualized Revenue Worksheet for instructions and a sample format.

ANNUALIZED REVENUE WORKSHEET

Have the rates charged for customer services changed since January 1, of the applicable test year?

- () If no, the utility should use actual revenues. This form may be disregarded.
- () If yes, the utility must annualize its revenues. Read the remainder of this form.

Annualizing calculates the revenues the utility would have earned based upon the previous year's customer consumption at the most current rates in effect. To complete this calculation, the utility will need consumption data for the previous year to apply to the existing rate schedule. Below is a sample format which may be used.

CALCULATION OF ANNUALIZED REVENUES*
 Consumption Data for Applicable Test Year

	Number of Bill/Gal. Sold	X	Current Rates	Annualized Revenues
Residential Service:				
Bills:				
5/8"x3/4" meters	_____		_____	_____
1" meters	_____		_____	_____
1 2" meters	_____		_____	_____
2" meters	_____		_____	_____
Gallons Sold	_____		_____	_____

General Service:				
Bills:				
5/8"x3/4" meters	_____		_____	_____
1" meters	_____		_____	_____
1 2" meters	_____		_____	_____
2" meters	_____		_____	_____
3" meters	_____		_____	_____
4" meters	_____		_____	_____
6" meters	_____		_____	_____
Gallons Sold	_____		_____	_____

Total Annualized Revenues for the Applicable Test Year \$ _____

*Annualized revenues must be calculated separately if the utility consists of both a water system and a wastewater system. This form is designed specifically for utilities using a base facility charge rate structure. If annualized revenues must be calculated and further assistance is needed, contact the Commission Staff at (850) 413-6900.

AFFIRMATION

I, _____, hereby affirm that the figures and calculations upon which the change in rates is based are accurate and that the change will not cause _____ to exceed the range of its last authorized rate of return on equity, which is _____.
(name of utility)

I, the undersigned/officer of the above-named utility, have read the foregoing and declare that, to the best of my knowledge and belief, the information contained in this application is true and correct.

This affirmation is made pursuant to my request for a price index and/or pass-through rate increase, in conformance with Section 367.081(4), Florida Statutes.

Further, I am aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

Signature: _____
Title: _____
Telephone Number: _____
Fax Number: _____

Sworn to and subscribed before me this _____ day of _____, 20__.

My Commission expires:

(SEAL)

Notary Public
State of Florida

STATEMENT OF QUALITY OF SERVICE

Pursuant to paragraphs 25-30.420(2)(h) and (i), Florida Administrative Code,

(name of utility)

[] does not have any active written complaints, corrective orders, consent orders, or outstanding citations with the Department of Environmental Protection (DEP) or the County Health Departments.

[] does have the attached active written complaint(s), corrective order(s), consent order(s), or outstanding citation(s) with the DEP or the County Health Department(s). The attachment(s) includes the specific system(s) involved with DEP permit number and the nature of the active complaint, corrective order, consent order, or outstanding citation.

This statement is intended such that the Florida Public Service Commission can make a determination of quality of service pursuant to Section 367.081(4)(a), Florida Statutes, and Rule 25-30.420(4)(a), Florida Administrative Code.

Name: _____
Title: _____
Telephone Number: _____
Fax Number: _____
Date: _____

Exception

_____ hereby waives the right to implement
(name of utility)
a pass-through rate increase within 45 days of filing, as provided by Section 367.081(4)(b),
Florida Statutes, in order that the pass-through and index rate increase may both be implemented
together 60 days after the official filing date of this notice of intention.

Signature: _____

Title: _____

(To be used if an index and pass-through rate increase are requested jointly.)

NOTICE TO CUSTOMERS

Pursuant to Section 367.081(4)(a), Florida Statutes, water and wastewater utilities are permitted to adjust the rates and charges to its customers without those customers bearing the additional expense of a public hearing. These adjustments in rates would depend on increases or decreases in non-controllable expenses subject to inflationary pressures such as chemicals, and other general operation and maintenance costs.

On _____, _____ filed its notice of
(date) (name of utility)
intention with the Florida Public Service Commission to increase water and wastewater rates in _____ County pursuant to this Statute. The filing is subject to review by the Commission Staff for accuracy and completeness. Water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected for service rendered on or after _____.

NOTICE TO CUSTOMERS

Pursuant to Section 367.081(4)(b), Florida Statutes, water and wastewater utilities are permitted to pass through, without a public hearing, a change in rates resulting from: an increase or decrease in rates charged for utility services received from a governmental agency or another regulated utility and which services were redistributed by the utility to its customers; an increase or decrease in the rates that it is charged for electric power, the amount of ad valorem taxes assessed against its used and useful property, the fees charged by the Department of Environmental Protection in connection with the National Pollutant Discharge Elimination System Program, or the regulatory assessment fees imposed upon it by the Commission; costs incurred for water quality or wastewater quality testing required by the Department of Environmental Protection; the fees charged for wastewater bio solids disposal; costs incurred for any tank inspection required by the Department of Environmental Protection or a local governmental authority; treatment plant and water distribution system operator license fees required by the Department of Environmental Protection or a local governmental authority; water or wastewater operating permit fees charged by the Department of Environmental Protection or a local governmental authority; and consumptive or water use permit fees charged by a water management district.

On _____, _____ filed its notice of
(date) (name of utility)
intention with the Florida Public Service Commission to increase water and wastewater rates in _____ County pursuant to this Statute. The filing is subject to review by the Commission Staff for accuracy and completeness. Water rates will increase by approximately _____% and wastewater rates by _____%. These rates should be reflected on your bill for service rendered on or after _____.
(date)

If you should have any questions, please contact your local utility office. Be sure to have account number handy for quick reference.

COMMISSIONERS:
MIKE LA ROSA, CHAIRMAN
ART GRAHAM
GARY F. CLARK
ANDREW GILES FAY
GABRIELLA PASSIDOMO

STATE OF FLORIDA



DIVISION OF
ACCOUNTING AND FINANCE
ANDREW L. MAUREY
DIRECTOR
(850) 413-6900

Public Service Commission

Month Day, 2025

All Florida Public Service Commission
Regulated Water & Wastewater Utilities

Re: Docket No. 20240005-WS - 2025 Price Index

Dear Utility Owner:

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes (F.S.), and Rule 25-30.420, Florida Administrative Code (F.A.C.), the Commission has established a price increase or decrease index for major categories of operating costs. This process allows water and wastewater utilities to adjust rates based on current specific expenses without applying for a rate case. The intent of this rule is to ensure that inflationary pressures are not detrimental to utility owners, and that any possible deflationary pressures are not adverse to customers. By keeping up with index and pass-through adjustments, utility operations can be maintained at a level sufficient to ensure quality of service for the customers.

Pursuant to Rule 25-30.420(1)(a), F.A.C., all operation and maintenance expenses shall be indexed with the exception of:

- a) Pass-through items pursuant to Section 367.081(4)(b), F.S.;
- b) Any amortization of rate case expense; and
- c) Disallowances or adjustments made in an applicant's most recent rate proceeding.

Please note that all sludge removal expense should now be removed from operation and maintenance expenses for the purpose of indexing. Incremental increases in this category of expense may now be recovered using a pass-through request.

All Florida Public Service Commission
Regulated Water & Wastewater Utilities
Page 2
Month Day, 2025

Upon the filing of a request for an index and/or pass-through increase, staff will review the application and modify existing rates accordingly. If for no other reason than to keep up with escalating costs, utilities throughout Florida should file for this rate relief on an annual basis. Utilities may apply for a 2025 Price Index anytime between April 1, 2025, through March 31, 2026 by mail or by emailing Applications@psc.state.fl.us. The attached package will answer questions regarding what the index and pass-through rate adjustments are, how to apply for an adjustment, and what needs to be filed in order to meet the filing requirements. For your convenience, the Commission-approved Price Index is reflected on Form PSC 1022, attached. While the increase for any given year may be minor, (see chart below), the long-run effect of keeping current with rising costs can be substantial.

Year	Annual Commission Approved Index	Year	Annual Commission Approved Index
2000	1.36%	2013	1.63%
2001	2.50%	2014	1.41%
2002	2.33%	2015	1.57%
2003	1.31%	2016	1.29%
2004	1.60%	2017	1.51%
2005	2.17%	2018	1.76%
2006	2.74%	2019	2.36%
2007	3.09%	2020	1.79%
2008	2.39%	2021	1.17%
2009	2.55%	2022	4.53%
2010	0.56%	2023	7.07%
2011	1.18%	2024	3.24%
2012	2.41%	2025	2.23%

Please be aware that pursuant to Section 837.06, F.S., whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree. Our staff is available at (850) 413-6900 should you need assistance with your filing. If you have any questions, please do not hesitate to call.

Moreover, additional rate relief mechanisms are available to water and wastewater utilities as alternatives to full rate cases. Water and wastewater utilities whose total gross annual operating revenues are \$335,000 or less for water service or \$335,000 or less for wastewater service, or \$670,000 or less on a combined basis, may petition the Commission for staff assistance in alternative rate setting. Please refer to Rule 25-30.456, F.A.C., for additional details.

All Florida Public Service Commission
Regulated Water & Wastewater Utilities
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Furthermore, water utilities whose total gross annual operating revenues are \$335,000 or less and wastewater utilities whose total gross annual operating revenues are \$335,000 or less may file an application for a limited alternative rate increase of up to 20 percent applied to metered or flat recurring rates of all classes of service. Please refer to Rule 25-30.457, F.A.C., for additional details.

Finally, the Commission reminds water and wastewater utilities that the Utility Reserve Fund exists to help address concerns over deferred maintenance of critical infrastructure and delays in necessary repairs. The availability of the reserve funds may allow a utility to avoid or defer the need for a future rate case, the expenses of which are ultimately borne by customers. Please refer to Rule 25-30.444, F.A.C., for additional details.

Sincerely,

Andrew L. Maurey
Director

Enclosures

Item 5

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Thompson, Davis, Ellis, King, Sanchez, Wooten) *TB*
Office of the General Counsel (Imig, Harper, Rubottom) *AEH*
Division of Accounting & Finance (Cicchetti) *ALM*

RE: Docket No. 20240012-EG – Commission review of numeric conservation goals (Florida Power & Light Company).

AGENDA: 12/03/24 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 01/01/25 – Pursuant to section 366.82(6), F.S., the Commission must review conservation goals at least every five years. New conservation goals must be set by January 1, 2025.

SPECIAL INSTRUCTIONS: None

Background

Pursuant to the Florida Energy Efficiency and Conservation Act (FEECA),¹ the Commission must adopt appropriate goals to increase the efficiency of energy consumption, reduce and control the growth rates of electric consumption and weather-sensitive peak demand, increase the conservation of expensive resources, and encourage development of demand-side renewable energy resources.

¹ Sections 366.80 through 366.85, and 403.519, Florida Statutes (F.S.), are known collectively as the Florida Energy Efficiency and Conservation Act (FEECA).

The Commission implements FEECA for electric utilities through Rule 25-17.0021, Florida Administrative Code (F.A.C.) Pursuant to that rule, the Commission establishes annual kilowatt (KW) and kilowatt-hour (KWh) goals for Residential and Commercial/Industrial customer classes.² The goals are based on (1) an assessment of the technical potential of available conservation and efficiency measures, and (2) an estimate of the total cost-effective KW and KWh savings reasonably achievable through demand-side management (DSM) programs in each utility's service area over a ten-year period.³ The goals are annual targets for conservation, with KW goals relating to seasonal—summer and winter—demand savings, and annual KWh goals relating to annual energy savings. Pursuant to section 366.82(6), F.S., the Commission must review the goals of each utility subject to FEECA at least every five years. Goals were last established for Florida Power & Light Company (FPL) in 2019 by Order No. PSC-2019-0509-FOF-EG.⁴ Therefore, new goals must be established for FPL by January 1, 2025.

On January 5, 2024, this docket was established to review and adopt conservation goals for FPL. By the Order Consolidating Dockets and Establishing Procedure, Order No. PSC-2024-0022-PCO-EG, issued January 23, 2024, the dockets were consolidated for purposes of hearing, a tentative list of issues was set forth, and controlling dates were established. On April 2, 2024, FPL filed its petition for approval of numeric conservation goals, along with supporting testimony and exhibits.⁵ At an informal meeting between parties and Commission staff on June 27, 2024, additional issues were identified, and the final issue list was set for hearing by the Prehearing Order, Order No. PSC-2024-0293-PHO-EG, issued August 2, 2024. On August 5, 2024, joint stipulations were filed that fully resolved all disputed issues, as set forth on pages 3-4 of Attachment A.⁶

² Rule 25-17.0021(1), F.A.C.

³ *Id.* The Commission amended Rule 25-17.0021, F.A.C., after the 2019 goalsetting proceeding to streamline its FEECA process by requiring utilities to file goals based upon potential conservation programs. This allows the Commission to analyze the utilities' proposed energy (KWh) and demand (KW) savings alongside the potential programs they plan to implement, giving the Commission better information as to the appropriateness of the goals. Thus, although a utility's conservation plans and the underlying programs and measures to implement those plans are not approved at the same time as its goals, each utility must include in its filing sufficient information to support the appropriateness of its proposed goals.

⁴ Order No. PSC-2019-0509-FOF-EG, issued November 26, 2019, in Docket No. 20190015-EG, *In re: Commission review of numeric conservation goals* (Florida Power & Light Company); Docket No. 20190016-EG, *In re: Commission review of numeric conservation goals* (Gulf Power Company); Docket No. 20190017-EG, *In re: Commission review of numeric conservation goals* (Florida Public Utilities Company); Docket No. 20190018-EG, *In re: Commission review of numeric conservation goals* (Duke Energy Florida, LLC); Docket No. 20190019-EG, *In re: Commission review of numeric conservation goals* (Orlando Utilities Commission); Docket No. 20190029-EG, *In re: Commission review of numeric conservation goals* (JEA); and Docket No. 20190021-EG, *In re: Commission review of numeric conservation goals* (Tampa Electric Company).

⁵ Document No. 01562-2024, filed April 2,

⁶ Document No. 08228-2024, filed August 5, 2024, in Docket No. 20240012-EG, *In re: Commission review of numeric conservation goals* (Florida Power & Light Company), Amended Stipulations of FPL, FEL, SACE, and Walmart.

Pursuant to Notice, and in accordance with Rule 28-106.209, F.A.C., the Commission held an evidentiary hearing on August 8, 2024, at which it considered whether to accept the stipulations. By a bench vote, the Commission approved stipulations on Issues 1-9 and 11-14 and, with respect to Issue 10, allowed FPL to file a post-hearing brief.

This recommendation addresses the remaining Issue 10, which deals with FPL's proposed heating, ventilation, and air conditioning (HVAC) on-bill tariff option ("HVAC On-Bill"), an expansion to the company's existing On Call[®] DSM program ("On Call[®]"). Specifically, Issue 10 states:

Is FPL's proposed HVAC On-Bill option for its existing Residential On-Call program with its associated HVAC Services Agreement (proposed Tariff sheets 9.858 through 9.866) a regulated activity within the jurisdiction of the Commission? If not, should the savings associated with FPL's HVAC On-Bill option and HVAC Services Agreement be removed from its conservation goals?

The ultimate issue to be determined is whether the estimated savings associated with FPL's proposed HVAC On-Bill option should be counted toward establishing FPL's conservation goals. If the HVAC On-Bill option is not within the Commission's jurisdiction, the associated savings should be removed from FPL's proposed goals.

As a fallout to the Commission's decision on Issue 10, Issue 12, which deals with what goals should be established for FPL, must be revisited. The Commission has jurisdiction over this matter pursuant to sections 366.80 through 366.82, F.S.

Undisputed Facts in the Record

Existing HVAC Programs for FPL Customers

FPL currently offers several DSM programs for residential customers as part of its FEECA plan. For example, FPL offers a "Residential HVAC Program" that provides customers a rebate for installing a high-efficiency HVAC system. (EXH 152)⁷ FPL customers can also participate in the "Residential Load Management (On Call[®])" program ("On Call[®]"), a demand response program that provides participating customers with bill credits in exchange for granting FPL the right to periodically control customer-owned HVAC, water heating, and pool pump appliances. (TR 120-21; EXH 152⁸) Additionally, FPL's unregulated affiliate company, FPL Energy Services ("FPLES"), offers HVAC financing options to customers inside and outside FPL's service territory. For example, FPLES offers a traditional HVAC financing arrangement under which ownership would transfer to the customer upon installation of the HVAC unit. (EXH 154, MPN E289) FPLES also offers a "Stress Free AC" program, an HVAC leasing option under which FPLES retains ownership of the HVAC unit and provides ongoing maintenance services for the unit. (EXH 154, MPN E289; EXH 228, MPN E4149-51)

⁷ FPL's Response to Staff's 4th Set of Interrogatories, No. 86, Attachment 1, p. 4.

⁸ FPL's Response to Staff's 4th Set of Interrogatories, No. 86, Attachment 1, p. 10.

FPL's Proposed HVAC On-Bill Option

In Issue 10, FPL is requesting the Commission include in its conservation goals the estimated savings associated with the HVAC On-Bill option, a new DSM measure proposed by FPL as an expansion of its existing On Call[®] program. The proposed HVAC On-Bill option⁹ would allow customers to acquire a new HVAC unit through a separate tariff agreement and, after making all payments required by the agreement, to take ownership of the unit. (TR 121) FPL would offer participating customers the option of a 10-, 12-, or 15-year term, dependent on the life of the particular HVAC's warranty. (EXH 151, MPN E149) Under the HVAC On-Bill option, FPL would own and maintain the HVAC unit for the duration of the term, and the monthly charge would cover the capital cost of the HVAC equipment plus all maintenance and repairs of the unit for the duration of the agreement. Additionally, participating customers would be required to remain subject to FPL's On Call[®] load management program for the duration of the HVAC On-Bill term—a minimum of 10 years. (EXH 156¹⁰)

What is unique about FPL's proposed HVAC On-Bill option compared to its other HVAC financing and service offerings discussed above is that the On-Bill option would combine into a single DSM measure two distinct activities: (1) the provision of a new HVAC unit (installation, maintenance, title transfer, etc.); and (2) the provision of load management services (HVAC load control device, management, and load control credits). (FPL BR 11) Participating customers would receive a new HVAC unit as well as the load management equipment. Also unlike FPL's other DSM programs, HVAC On-Bill option does not require that the new HVAC unit replace an older, less efficient unit, nor does it require that the new unit exceed minimum appliance efficiency standards. (EXH 154, MPN E238¹¹)

As proposed, the HVAC On-Bill option would require a participating customer to make levelized, monthly payments over the term of the 10-15 year agreement that cover three main categories of projected program costs:

1. Capital Cost: HVAC and load control equipment and installation, information technology and billing system architecture;
2. Operations and Maintenance Expense: ongoing maintenance and labor, information technology support, customer service and billing support; and
3. Load Management Credit: reduction in the total cost to be collected in exchange for the right to control the HVAC units during peak periods.

(FPL BR 14)

The capital costs would include a return on FPL's investment through a return on unrecovered investment using the Commission-approved weighted average cost of capital and a return of

⁹ Residential HVAC On-Bill participants would be subject to three distinct tariffs: the Residential On Call[®] tariff associated with the On Call[®] program (8.217-8.218), the Optional HVAC Services Agreement (9.858-9.866), and the Optional HVAC Services Rider (8.220-8.221). *See* (EXH 156, FPL's Response to Staff's 1st Request for Production of Documents, No. 1)

¹⁰ HVAC Services Agreement, para. 9.

¹¹ FPL's Response to Staff's 6th Set of Interrogatories, No. 95d. ("Customers are required to install a unit that *meets, at a minimum, current federal efficiency standards...*") (emphasis added).

capital through depreciation expense. (EXH 151, MPN E151) FPL estimates that for a minimum efficiency HVAC unit costing FPL \$8,000, a participant would pay a total of approximately \$19,400, or 240% of the unit's original cost, over the term of their HVAC On-Bill agreement. (EXH 154, MPN E290)

All costs associated with the HVAC On-Bill option, including those identified above, would initially be recovered from the general body of ratepayers through the Energy Conservation Cost Recovery ("ECCR") clause. (FPL BR 14; TR 122) The program revenues received from participating customers would also flow through the ECCR clause in order to offset the program expense. (EXH 151, MPN E151) The HVAC On-Bill option is designed so that the monthly payments received from a participant would eventually cover all costs of that agreement and fully reimburse the general body of ratepayers. Even if the agreement is terminated early, the participant would be required to pay a "Termination Fee" that includes the unrecovered capital costs and any advance payment of monthly load management credits. (EXH 156¹²; EXH 151, MPN E154) However, FPL clarified that in the event of any under- or over-recovery of program expenses associated with a single participant's agreement, "FPL will adjust pricing for new program participants" to help ensure that under-recovered costs are recovered from program participants and not from the general body of ratepayers." (EXH 154, MPN E237-38)

The HVAC On-Bill agreement provides that FPL would retain title and ownership of the HVAC unit during the term of the agreement until a participant elects to take title to the HVAC unit from FPL after making all the payments required by the agreement. (EXH 156¹³; EXH 151, MPN E154) The participant could also pursue a "Customer Purchase Option" in the case of early termination, under which they would take title from FPL upon payment of the Termination Fee. (EXH 156¹⁴) FPL expects that the majority of HVAC On-Bill agreements would result in transfer of title and ownership to the HVAC unit from FPL to the customer once the service agreement terms are completed. (EXH 228, MPN E4218)

¹² HVAC Services Agreement, para. 13(a).

¹³ HVAC Services Agreement, para. 13(d).

¹⁴ HVAC Services Agreement, para. 13(e).

Discussion of Issues

Issue 10: Is FPL’s proposed HVAC On-Bill option for its existing Residential On-Call program with its associated HVAC Services Agreement (proposed Tariff sheets 9.858 through 9.866) a regulated activity within the jurisdiction of the Commission? If not, should the savings associated with FPL’s HVAC On-Bill option and HVAC Services Agreement be removed from its conservation goals?

Recommendation: No, FPL’s proposed HVAC On-Bill option is not within the jurisdiction of the Commission because it appears to include the sale of HVAC units as defined by Florida law. Additionally, the program would consider profit and loss from such sales in rates charged to customers, and appears to mix non-jurisdictional appliance sales with jurisdictional FEECA investments for ratemaking purposes, which Chapter 366, F.S., appears not to allow. Further, staff recommends that the proposed stipulation offered by FPL does not answer the question at issue. As such, staff recommends that the Commission not approve the proposed stipulation language, and recommends that the savings associated with the HVAC On-Bill option and HVAC Services Agreement be removed from FPL’s conservation goals. (Rubottom, Thompson)

Staff Analysis:

Summary of Staff’s Analysis

While staff agrees with the parties to the extent that FPL’s proposed HVAC On-Bill option would allow customers to access new HVAC equipment in a way that passes the Commission’s cost-effectiveness tests, staff disagrees that the measure should be included in FPL’s proposed DSM goals for the following reasons, which are discussed more fully below:

- Section 672.106(1), F.S., defines a “sale” as “the passing of title from the seller to the buyer for a price.” FPL’s provision of a new HVAC unit under the HVAC On-Bill option appears to meet that definition because FPL would transfer title to the HVAC unit from FPL to the participating customer in exchange for fulfillment of all payment obligations.
- Section 366.05(2), F.S., provides that “[n]o profit or loss shall be taken into consideration by the commission from the sale of [appliances] in arriving at any rate to be charged for service by any public utility.” The HVAC On-Bill option appears to consider profit or loss from the sale of HVAC units in rates charged for service, because both the participants and the general body of ratepayers would pay (1) a return on equity on the capital cost of the HVAC units; and (2) any potential under- or over-recovery of the original cost of units from prior agreements.
- Florida law requires the Commission to ensure that a utility’s ratepayers do not subsidize non-jurisdictional activity. See Sections 366.04(1), 366.05(9), 366.093(1), F.S. The Commission has long considered the sale of appliances to be a non-utility activity, describing it as “non-jurisdictional” or “non-utility investment.” Thus, the HVAC On-Bill’s mixing of non-jurisdictional HVAC sales

with jurisdictional FEECA load control investments appears to be contrary to Florida law and Commission practice.

For these reasons, as discussed in more detail below, staff recommends the Commission find that the HVAC On-Bill option is not within the jurisdiction of the Commission and remove the savings associated with the HVAC On-Bill option from FPL's conservation goals.

Preliminary Matters

Prior to addressing the substance of the HVAC On-Bill option and the merits of FPL's argument, there are several preliminary matters raised by FPL that relate to the procedural posture of the case.

Due Process

FPL suggests in its post-hearing brief, although it did not do so at the hearing, that due process concerns are raised by the fact that the Commission asked it to file a post-hearing brief to support its position on Issue 10 when all other parties have stipulated the issue. FPL states that staff did not file testimony or take a position on the issue, and that FPL "must try to anticipate and preemptively address a staff recommendation . . . that will be issued after FPL files its post-hearing brief." (FPL BR 8) (emphasis in original)

Staff submits that the Commission's action did not raise any due process concerns for the following reasons:

- The circumstances of this case are no different from any other case before the Commission. Because the utility bears the burden of proof, the substance of staff's recommendation depends upon the evidence and arguments the utility presents to the Commission. Staff is not required to take a position on the issues in order to make a recommendation to the Commission once all evidence has been collected and reviewed.
- As the Florida Supreme Court has stated, "[t]he fundamental requirements of due process are satisfied by reasonable notice and a reasonable opportunity to be heard." *Citizens v. Fla. Pub. Serv. Comm'n*, 146 So. 3d 1143, 1154 (Fla. 2014) (quoting *Fla. Pub. Serv. Comm'n v. Triple "A" Enters., Inc.*, 387 So. 2d 940, 943 (Fla. 1980)). Far from being denied due process, the Commission afforded FPL an additional opportunity to be heard and meet its burden of proof by filing a post-hearing brief in support of its position.
- Issue 10 was identified and added to the preliminary issue list on June 27, 2024, at the informal meeting between FPL, Commission staff, and other parties, and staff conducted extensive discovery on the issue. Moreover, at the hearing, the Commission extracted Issue 10 from the other, stipulated issues so FPL could have an additional opportunity to address those concerns.

Because FPL was given reasonable notice and an opportunity to be heard, and has not been prejudiced in any way, the Commission did not err when it asked FPL to file a brief on Issue 10

before it received staff's recommendation. As such, there is no due process concern with how the Commission chose to address Issue 10.

Appropriate Standard of Review

FPL also asks the Commission to consider its position on Issue 10 as part of a comprehensive "settlement" of its goalsetting case, in light of the fact that it reached stipulations on all issues with the intervening parties. (FPL BR 4) FPL requests the Commission to apply the standard of review applicable to rate case settlements and consider whether the agreement, taken as a whole, is in the "public interest." *Id.* (citing *Floridians Against Increased Rates v. Clark*, 371 So. 3d 905, 910 (Fla. 2023)).

Staff disagrees with FPL's conclusion that the Commission is precluded from considering and deciding Issue 10 separately and distinctly from other stipulated issues already approved by the Commission. The Commission's practice is to treat a stipulation as a proposed resolution of a distinct issue in a case, and a proposed settlement agreement as resolving the case as a whole.

Additionally, at the hearing, rather than taking one vote to approve the parties' agreement as a whole, as it would have done with a settlement agreement, the Commission voted to resolve distinct issues, approving the stipulated positions on Issues 1-9 and 11-14 but not Issue 10. (TR 20) At that time, FPL did not refer to the stipulations as a "settlement,"¹⁵ and it did not oppose staff's recommendation to allow parties to file post-hearing briefs on Issue 10.¹⁶

Because the parties filed stipulations rather than a settlement agreement, and because the Commission explicitly treated Issue 10 as separate and distinct from the other stipulated issues, staff recommends that the Commission make factual and legal findings as necessary to resolve Issue 10.

The Proposed Stipulation on Issue 10 Does Not Answer the Question at Issue

Because the question of whether FPL's proposed conservation goals are appropriate depends in part on whether FPL's potential programs are within the Commission's jurisdiction, Issue 10 asks whether FPL's HVAC On-Bill option is an activity within the jurisdiction of the Commission. However, the proposed stipulation on Issue 10 does not answer that question. The parties' stipulation on Issue 10 states:

The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed HVAC On-Bill option expands the existing On Call® load-management program to allow greater customer access to new energy-saving HVAC equipment in a way that also passes the RIM cost effectiveness test, and should be included in FPL's proposed DSM Goals.

¹⁵ Although FPL states that "the nature of the stipulations reflecting a 'settlement' on all issues . . . was confirmed by FEL's counsel at the hearing," (FPL BR 4), FEL's counsel did not use the term "settlement." *See* (TR 24)

¹⁶ FPL's representative stated "We would appreciate the opportunity to file a legal brief on (Issue 10) and give that to [the Commission] to consider." (TR 18)

While this language includes proposed findings of fact relevant to determining whether the HVAC On-Bill option would be effective in furthering the objectives of FEECA, it does not address whether the DSM measure is within the jurisdiction of the Commission.¹⁷ Therefore, because the stipulation does not answer the question at issue, staff recommends that the Commission not approve the proposed stipulation language.

Nevertheless, FPL presented arguments in its post-hearing brief that addressed Issue 10. Therefore, this recommendation will provide staff's analysis and recommendation on the merits of Issue 10, addressing as necessary the evidence and arguments presented by FPL.

Staff's Analysis

Pursuant to section 366.82(2), F.S., the Commission must evaluate whether the goals requested by FPL are appropriate. Issue 10 addresses whether the HVAC On-Bill option is within the jurisdiction of the Commission as required by FEECA, and, as a fall out question, whether the estimated savings associated with the program are appropriate to include in FPL's conservation goals.

1. Defining the Proposed Activity: The HVAC On-Bill Option Includes the Sale of HVAC Units.

In order to determine whether the HVAC On-Bill option is within the Commission's jurisdiction, the Commission must examine the nature of the activity involved in the measure, not merely FPL's characterization of the activity. *See, e.g., Florida Power & Light Co. v. Albert Litter Studios, Inc.*, 896 So. 2d 891, 893 (Fla. 1st DCA 2005) (stating that "it is the nature of the relief sought, not the language of the complaint, that ultimately determines which tribunal has jurisdiction over the claim").

FPL's proposed HVAC On-Bill option would combine into a single DSM measure two distinct categories of activity: (1) the provision of a new HVAC unit (installation, maintenance, title transfer, etc.); and (2) load management services (HVAC load control device, management, and load control credits).¹⁸ (FPL BR at 11) There is no question that the load control aspect of HVAC On-Bill is within the Commission's jurisdiction, as it is explicitly authorized under FEECA and is in fact already available to customers through FPL's existing On Call[®] program. *See* Section 366.82(7), F.S.; (EXH 228, MPN E4133) However, the HVAC-related aspect of the measure is, as characterized by FPL, "innovative" for a utility conservation plan under FEECA. (TR 121; EXH 228, MPN E4134¹⁹)

¹⁷ *See* Section 366.82(7), F.S. (providing that DSM measures included in a utility's FEECA plan must be both "within the jurisdiction of the [C]ommission" and "likely to be effective") (emphasis added).

¹⁸ The HVAC transaction between FPL and participating customers would be governed by the Optional HVAC Services Agreement (9.858-9.866), and the load management service involved in the HVAC On-Bill option would be governed by the Residential On Call[®] tariff, (8.217-8.218), associated with the existing On Call[®] program and by the Optional HVAC Services Rider (8.220-8.221). *See* (EXH 156, FPL's Response to Staff's 1st Request for Production of Documents, No. 1).

¹⁹ Transcript – Deposition of John Floyd, July 12, 2024, at p. 8 (stating that the provision of a new HVAC unit and maintenance services is "new" and is "not something that FPL has done before as a DSM program").

Staff's understanding of the legal nature of the HVAC services offered under the HVAC On-Bill option differs from that of FPL, leading to opposite conclusions on the question of whether the program is within the Commission's jurisdiction.

Section 672.106(1), F.S., defines the term "sale" as "the passing of title from the seller to the buyer for a price."²⁰ The HVAC On-Bill option agreement provides that:

- The participating customer would pay FPL an agreed-upon monthly price for the term of the agreement. (TR 121; EXH 156²¹)
- Upon payment of all obligations required by the agreement, a participant would have the right to take title to the HVAC unit from FPL. (EXH 151, MPN E154; EXH 156²²)

Put simply, the HVAC On-Bill tariff allows the participant to take title to the HVAC unit upon making all required payments. Therefore, because the transaction includes FPL passing the HVAC unit title to customers in exchange for a price, the transaction appears to meet the definition of a "sale" under section 672.106(1), F.S.

In discovery, FPL agreed that if a participant exercises the "Customer Purchase Option" under the HVAC Services Agreement, "title to the HVAC unit passes from FPL to the participant in exchange for . . . the 'purchase option price.'" (EXH 154, MPN E284²³) Thus, FPL seemingly agreed with staff that under certain scenarios, its conduct pursuant to the HVAC Services Agreement meets the definition of a "sale" as defined by section 366.05(2), F.S.

However, FPL suggests in its post-hearing brief that its provision of HVAC units is not a sale because title to the HVAC unit would not pass to the participant at the time the HVAC unit is delivered. (FPL BR 18) FPL relies upon section 672.401(2), F.S., which provides that "[u]nless otherwise explicitly agreed title passes to the buyer at the time and place at which the seller completes her or his performance with reference to the physical delivery of the goods." Staff disagrees that the mere separation in time of the distinct acts of HVAC installation and title transfer render the transaction not a sale. Section 672.401(1), F.S., specifies that "*under a contract for sale*, . . . title to goods passes from the seller to the buyer in any manner and on any conditions explicitly agreed on by the parties." (emphasis added) Thus, the timing of title transfer

²⁰ Chapters 670-680, F.S., codify Florida's version of the Uniform Commercial Code ("UCC"). Although FPL argues that the UCC does not apply to activities regulated by the Commission, (FPL BR 18), Chapter 672, F.S., expressly provides that it applies to "transactions in goods," irrespective of what agency or governmental body might have power to regulate the transaction or the parties involved. Section 672.102, F.S.

²¹ HVAC Services Agreement, paras. 2.-6.

²² HVAC Services Agreement, para. 13.

²³ FPL's Response to Staff's 6th Set of Interrogatories, No. 105. Staff's interrogatory asked: "If a participant exercises the "Customer Purchase Option" under section 13(e) of the service agreement, is the effect that title to the HVAC passes from FPL to the participant in exchange for the 'purchase option price?' Why, or why not?" FPL's response stated: "Yes, if the participant exercised section 13(e) of the service agreement, the effect is that title to the HVAC unit passes from FPL to the participant in exchange for what is defined as the 'purchase option price'."

within a contract does not appear to have any bearing on the existence or validity of a contract for sale. In other words, a transaction is *still a sale* when the contract provides that seller reserves title to the goods until certain conditions are met by the buyer. *See, e.g., Suburbia Fed. Sav. and Loan Ass'n v. Bel-Air Conditioning Co.*, 385 So. 2d 1151, 1152-53 (Fla. 4th DCA 1980) (construing a “contract for the sale of air conditioning equipment” and holding that a provision conditioning title transfer upon seller’s “payment of the entire purchase price” created a “security interest” under Florida law). The inclusion of contract provisions requiring that customer payments must occur prior to FPL passing the HVAC title to the customer appear to be nothing more than a condition precedent within the underlying contract for sale under Florida law.

FPL also offers a variation on the above argument, suggesting that there is no sale under the HVAC On-Bill option because title to the HVAC unit would not transfer until “the end of the contract term,” after the participant had fulfilled all obligations under the agreement. (FPL BR 19) FPL states that the participant’s option to take title to the HVAC “is a future option” that is “not operative until the expiration, assignment, or early termination of the agreement.” (FPL BR 20) However, the provisions in the HVAC On-Bill agreement itself would obligate FPL to transfer the title upon certain conditions. Thus, the agreement between FPL and the participant remains intact from start to finish, and does not “expire” until after FPL discharges its duties thereunder by transferring the HVAC title to the participant.

Finally, FPL argues that under Generally Accepted Accounting Principles (“GAAP”), the HVAC On-Bill option is a “service contract,” rather than a sale or a lease, because FPL would “use and maintain the asset to deliver service to the customer while retaining control of that asset.” (FPL BR 20) However, FPL’s argument does not refute the fact that under the HVAC On-Bill option’s “Optional HVAC Services Agreement” tariff, title to the HVAC unit would eventually pass to the participating customer in exchange for a price. *See* (EXH 156)²⁴ Therefore, even if the agreement is considered a service contract under GAAP, the transaction still appears to include the sale of HVAC units under Florida law.

2. Section 366.05(2), F.S., and the HVAC On-Bill Option

Florida law requires that if a public utility engaged in providing ordinary public utility services also engages in the sale of appliances or other merchandise, certain restrictions apply. Section 366.05(2), F.S., provides:

Every public utility, as defined in s. 366.02, which in addition to the production, transmission, delivery or furnishing of heat, light, or power also sells appliances or other merchandise shall keep separate and individual accounts for the sale and profit deriving from such sales. *No profit or loss shall be taken into consideration by the commission from the sale of such items in arriving at any rate to be charged for service by any public utility.* (emphasis added)

²⁴ HVAC Services Agreement. Additionally, FPL witness Floyd indicated that the control over the HVAC unit was a function of the load control aspect of the HVAC On-Bill option rather than the HVAC transaction, stating that FPL’s unregulated affiliate, FPLES, has a financing arrangement structured similarly to the Optional HVAC Services Agreement in that it involves utility ownership of the HVAC unit during the term, but the FPLES program is “characterized as a lease [rather than a service contract] because FPL does not have the load management control capabilities.” (EXH 228, MPN E4149-51)

As the Commission has previously stated, section 366.05(2), F.S., does not ban the sale of appliances by public utilities, but rather, “instructs public utilities which also sell appliances on the proper and separate accounting for such sales.” Order No. 24570-EI, issued May 22, 1991.²⁵

There is no question that FPL is a public utility as defined by section 366.02(8), F.S., that supplies electric power to the public in Florida. As discussed above, FPL’s conduct under the HVAC On-Bill option appears to include a “sale” as defined by Section 672.106(1), F.S. As such, if any of the rates FPL proposes to charge customers under the program would take into consideration any profit or loss from the sale of HVAC units, section 366.05(2), F.S., would appear to prohibit the HVAC On-Bill option.

In utility regulation, a return on equity is the amount collected above all costs and thus is, in essence, the utility’s “profit.” Additionally, if FPL recovers more or less than the original cost of an HVAC unit, that over- or under- recovery would constitute profit or loss, respectively.

Under the HVAC On-Bill option, FPL would recover a rate of return, including a return on equity, from both the participant, through the monthly program service charge, and from the general body of ratepayers, through the ECCR clause charge. (TR 122; EXH 151, MPN E151²⁶; EXH 154, MPN E290²⁷; EXH 228, MPN E4161-63, E4187²⁸) Additionally, FPL would recover any potential over- or under-recovery on an individual HVAC On-Bill agreement by “*adjust[ing] pricing for new program participants,*” and would collect the adjusted payments in both participant charges and ECCR charges. (TR 122; EXH 154, MPN E237-38) In other words, under the HVAC On-Bill option as proposed, FPL would calculate four separate customer charges that would account for profit and loss from the sale of HVAC units: (1) the monthly payments of each participant would include a return on equity on their HVAC unit; (2) the ECCR charge collected from the general body of ratepayers would include a return on equity on all HVAC units; (3) the monthly payments of future participants would be adjusted for over- or under-recovery from prior agreements; and (4) ECCR charges of the future general body of ratepayers would account for over- or under-recovery from prior agreements. As such, the plain language of section 366.05(2), F.S., appears to prohibit the HVAC On-Bill option.

FPL suggests that even if the HVAC On-Bill option includes a “sale,” it does not implicate section 366.05(2), F.S., because “there is no profit or loss to recognize *when ownership transfers* to the participant since all costs will be recovered from the participant *during the term of the agreement.*” (FPL BR 21) (emphasis added) Staff disagrees. FPL’s argument hinges on the notion that there is no recognized profit and loss throughout the course of the agreement. Yet, as discussed above, the revenue requirement collected from both the general body of ratepayers and from participants during the course of the agreement would recover more than the original cost

²⁵ Order No. 24570-EI, issued May 22, 1991, in Docket No. 900314-EI, *In re: Investigation of the Appropriateness of Appliance Sales by Investor-Owned Utilities.*

²⁶ Stating that the revenue requirement will include a “return on the unrecovered investment using the [Commission]-approved weighted average cost of capital (WACC)”.

²⁷ Stating that the revenue requirement for the HVAC units will include a “rate of return on the recovery of the capital cost [that] will be set at FPL’s Commission-approved midpoint return on equity for the ECCR clause.”

²⁸ Transcript – Deposition of John Floyd, July 12, 2024, at pp. 37, 61.

of the HVAC unit, including a return (profit) on the capital cost of the HVAC unit as well as any potential over- or under-recovery from past participants, as discussed above. FPL's argument does not nullify the fact that, as proposed by FPL, the program accounts for profit and loss in rates charged to customers.

FPL also argues that the HVAC On-Bill option is similar to other, Commission-approved utility programs that provide equipment to customers and recovers the capital costs through rates. (FPL BR 22-23) However, each of FPL's examples involve equipment that is directly used in the production or delivery of electricity or natural gas and thus appears to be expressly allowable under section 366.05(2), F.S.²⁹ Section 366.05(2), F.S., provides that its restrictions on accounting for profit and loss on appliance sales apply to a utility that "*in addition to the production, transmission, delivery or furnishing of heat, light, or power, also sells appliances or other merchandise.*" (emphasis added) Thus, by its own terms, the statute appears not to apply to the type of equipment involved in the Commission-approved utility programs identified by FPL. By contrast, the HVAC units at issue in the HVAC On-Bill option do not serve to produce or supply energy, and thus do not fall into the category of equipment section 366.05(2), F.S., appears to expressly allow.

3. FEECA In Relation to Other Provisions of Chapter 366, F.S.

FPL argues that because the HVAC On-Bill option is proposed as a FEECA program, "there is no need to look beyond FEECA" to consider section 366.05(2), F.S., or the broader context of Chapter 366. (FPL BR 6, 17-18) FPL argues that "DSM measures and programs that satisfy the requirements of FEECA are, and logically must be, regulated utility activities," and that "if the Commission finds a DSM measure or program is appropriate under FEECA, it becomes a regulated activity under the Commission's jurisdiction upon its approval." (FPL BR 9) Staff disagrees.

It is a well-established principle of statutory construction and interpretation that related statutes should be interpreted together, as though they were one law.³⁰ As the Florida Supreme Court has stated, "the doctrine of *in pari materia* requires that statutes relating to the same subject or object be construed together to harmonize the statutes and to give effect to the Legislature's intent."

²⁹ Florida City Gas ("FCG") offers an "equipment financing" tariff for gas conversion, compression, or renewable natural gas equipment to be owned by the customer with the costs, including overall cost of capital, being recovered in customer's monthly rates; FCG also offers a "Renewable Natural Gas Services" tariff that provides various equipment to biogas-producing customers "for the purpose of conditioning and upgrading [the customer's] biogas to Renewable Natural Gas ("RNG") such that the RNG can be utilized onsite by [the customer] and/or to be delivered into [FCG's] distribution system." See Florida City Gas, FPSC Natural Gas Tariff, Vol. 11, Tariff Sheet Nos., 26, 74.1-74.3, available at <https://www.floridacitygas.com/wp-content/uploads/FCG%20Master%20Copy%202024%20-%20v03122024.pdf>. FPL's existing Optional Supplemental Power Services ("OSPS") tariff offering allows "residential customers [to] have the option of receiving an FPL-owned backup generator in exchange for making monthly payments designed to fully recover the costs incurred." (FPL BR 22); see also Order No. PSC-2019-0220-TRF-EI, issued June 3, 2019, in Docket No. 20190034-EI, *In re: Petition for approval of optional supplemental power services pilot program and rider, by Florida Power & Light Company*.

³⁰ See, e.g., Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 252 (2012).

Sierra Club v. Brown, 243 So. 3d 903, 911 n.8 (Fla. 2018). Therefore, FEECA cannot be interpreted in isolation from the rest of Chapter 366, F.S.

The HVAC On-Bill option appears to conflict with not only section 366.05(2), as discussed above, but also other provisions of Chapter 366, F.S. In fact, section 366.05(2), F.S., is just one of several provisions in Chapter 366, F.S., emphasizing that a utility's ratepayers should not be required to subsidize non-jurisdictional activity. For example, the Commission is granted the power to "require such reports or other data necessary to ensure that a utility's ratepayers do not subsidize nonutility activities." Section 366.05(9), F.S.; *see also* Section 366.093(1), F.S. (requiring that the Commission shall have access to "such records necessary to ensure that a utility's ratepayers do not subsidize nonutility activities"). Additionally, the Commission may deny a utility's request to issue or sell a security if the security is for "nonutility purposes," and the Commission is required to deny the issuance or sale of a security if the utility's "ability to provide reasonable service at reasonable rates is jeopardized." Section 366.04(1), F.S.

FPL argues that the HVAC On-Bill is authorized by FEECA because the distinct activities of HVAC-related services and load control are "inextricably intertwined as a single service offering." (FPL BR 11) Staff disagrees that the act of "bundling" certain distinct, non-jurisdictional services with jurisdictional services somehow makes the otherwise distinct, non-jurisdictional services jurisdictional.

Although load control is clearly jurisdictional under FEECA, the Commission has long considered the sale of appliances to be a non-utility activity, describing it as "non-jurisdictional" or "non-utility investment," and removing such investments from common equity in utility base rate cases. *See* Order No. PSC-99-1047-PAA-EI, issued May 24, 1999, in Docket Nos. 990250-EI and 990244-EI³¹; Order No. 5688, issued April 2, 1973, in Docket No. 72344-GU³²; Order No. 23573, issued Oct. 3, 1990, in Docket No. 891345-EI.³³ Additionally, Florida law does not appear to grant the Commission power to regulate non-jurisdictional activity merely because a utility and a customer agree to bundle it together with a jurisdictional activity. *See United Tel. Co. of Fla. v. Pub. Serv. Comm'n*, 496 So. 2d 116, 118 (Fla. 1986) (stating that "[p]arties to a contract . . . can never confer jurisdiction"). In light of the broader context of Chapter 366, F.S., the doctrine of *in pari materia* suggests that the jurisdictional activity of load control be separated from the non-utility activity of HVAC sales for purposes of Commission jurisdiction and ratemaking. If the two activities are by design "inextricably intertwined" into one program,

³¹ Order No. PSC-99-1047-PAA-EI, issued May 24, 1999, in Docket Nos. 990250-EI and 990244-EI, *In re: Gulf Power Company*. (removing from equity "non-utility investment consist[ing] primarily of receivables arising from the sale of appliances to customers").

³² Order No. 5688, issued April 2, 1973, in Docket No. 72344-GU, *In Re: Petition of South Florida Natural Gas Company for Authority to Increase Its Rates and Charges*. (finding the sale of appliances to be "non-jurisdictional to this Commission, and, therefore, the expenses connected therewith should be allocated to non-utility").

³³ Order No. 23573, issued Oct. 3, 1990, in Docket No. 891345-EI, *In re: Petition of Gulf Power Company for an increase in its rates and charges*. (stating that "we [the Commission] believe all non-utility investment should be removed directly from equity when reconciling the capital structure to rate base unless the utility can show, through competent evidence, that to do otherwise would result in a more equitable determination of the cost of capital for regulatory purposes").

as FPL characterizes the HVAC On-Bill option, then the provisions of Chapter 366, F.S., cited above appear to require the Commission, at a minimum, to ensure that ratepayers are not required to subsidize the non-utility activity through their rates. *See* Sections 366.05(2), (9), 366.093(1), F.S.

FPL also argues that the HVAC On-Bill option is within the jurisdiction of the Commission under Chapter 366, F.S., because it involves the generation of electricity, claiming that “the HVAC On-Bill option specifically involves the generation of electricity, as both the load control and avoided cost benefits from this program are factored into FPL’s integrated resource plan.” (FPL BR 12) However, staff disagrees for two reasons. First, staff suggests that an HVAC unit *consumes* energy rather than generates it. Second, while Florida law specifically considers conservation activity an *alternative to or avoidance of generation* for resource planning purposes, there is no persuasive basis for concluding that conservation activity falls under the category of “generation” for purposes of determining the Commission’s jurisdiction. *See* Section 403.519, F.S.³⁴

It is staff’s view that Florida law requires the Commission to consider FEECA as part of Chapter 366, F.S., and not as an isolated exception to it. The broader context of Chapter 366, F.S., taken as a whole, appears to prohibit utilities from mixing jurisdictional activity, such as FEECA conservation investments, with non-jurisdictional investments such as appliance sales, for ratemaking purposes. As proposed, the HVAC On-Bill option appears to conflict with this statutory directive.

4. Conclusion

As discussed above, staff’s view is that FPL’s proposed HVAC On-Bill option is not within the jurisdiction of the Commission because it appears to include the sale of HVAC units as defined by Florida law and would consider profit and loss from such sales in rates charged to customers. It is also staff’s view that FEECA does not override the rest of Chapter 366, F.S. Thus, Florida law appears to not allow non-jurisdictional appliance sales to be bundled with jurisdictional FEECA investments for ratemaking purposes. As such, staff recommends that the Commission find the HVAC On-Bill option is not a regulated activity within the jurisdiction of the Commission, and that the estimated savings associated with the measure be removed from FPL’s conservation goals.

³⁴ “The [C]ommission shall also expressly consider the conservation measures taken by or reasonably available to the applicant or its members which might *mitigate the need* for the proposed plant and other matters within its jurisdiction which it deems relevant.” Section 403.519(3), F.S. (emphasis added).

Issue 12: What residential and commercial/industrial summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2025-2034?

Recommendation: If the Commission approves staff’s recommendation on Issue 10, then the Commission should approve conservation goals for FPL as shown in Table 12-1. However, if the Commission does not approve staff’s recommendation on Issue 10, no further decision is necessary on Issue 12 due to the stipulated goals already approved by the Commission at the hearing.

Staff Analysis: If the Commission approves staff’s recommendation on Issue 10, then the Commission should approve conservation goals for FPL as shown in Table 12-1. In doing so, the Commission would modify the goals approved for FPL by bench vote at the August 8, 2024, hearing to remove the savings associated with FPL’s HVAC On-Bill option and HVAC Services Agreement in accordance with the decision on Issue 10. However, if the Commission does not approve staff’s recommendation on Issue 10, no further decision is necessary on Issue 12 due to the stipulated goals already approved by the Commission at the hearing, shown in Table 12-2.

Table 12-1
FPL’s Annual Residential Conservation Goals Without HVAC On-Bill

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Summer (MW)	29.22	28.99	28.81	28.61	28.49	29.01	28.94	28.88	28.84	28.81	288.60
Winter (MW)	20.64	20.75	20.87	20.97	21.10	21.41	21.54	21.68	21.81	21.95	212.72
Annual (GWh)	51.68	50.82	50.07	48.94	48.37	49.20	48.78	48.42	48.12	47.86	492.26

Source: EXH 5, MPN C1-155; DN 08228-2024.³⁵

Table 12-2
FPL’s Annual Residential Conservation Goals With HVAC On-Bill

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Summer (MW)	29.82	30.00	30.32	30.27	30.32	31.02	31.15	31.32	31.52	31.76	307.50
Winter (MW)	21.79	22.66	23.74	24.12	24.57	25.22	25.74	26.30	26.89	27.53	248.54
Annual (GWh)	51.68	50.82	50.07	48.94	48.37	49.20	48.78	48.42	48.12	47.86	492.26

Source: DN 08228-2024.

³⁵ Document No. 08228-2024, filed August 5, 2024, in Docket No. 20240012-EG, *In re: Commission review of numeric conservation goals (Florida Power & Light Company)*, Amended Stipulations of FPL, FEL, SACE, and Walmart, p. 4.

Issue 14: Should this docket be closed?

Recommendation: Yes. If no party files a timely request for rehearing or an appeal, the docket should be closed. Within 90 days of issuance of the final order, FPL should file a demand-side management plan designed to meet the Utility's approved conservation goals.

Staff Analysis: If no party files a timely request for rehearing or an appeal, the docket should be closed. Within 90 days of issuance of the final order, FPL should file a demand-side management plan designed to meet the Utility's approved conservation goals. *See* Section 366.82(7), F.S.; Rule 25-17.0021(4), F.A.C.

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FPSC - COMMISSION CLERK



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August 5, 2024

VIA ELECTRONIC FILING

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

**Re: Docket No. 20240012-EG – In re: In re: Commission Review of Numeric
Conservation Goals (Florida Power & Light Company)
Amended Stipulations of FPL, FEL, SACE, and Walmart**

Dear Mr. Teitzman:

Enclosed for filing are Amended Stipulations among Florida Power & Light Company, Florida Rising, Environmental Confederation of Southwest Florida, League of United Latin American Citizens, the Southern Alliance for Clean Energy, Inc., and Walmart Inc. These Amended Stipulations supersede and replace the stipulations filed on August 1, 2024 [DN 08162-2024]. Upon approval by the Florida Public Service Commission, the enclosed Amended Stipulations will fully resolve the Parties' respective issues in the above-referenced docket.

If you or your staff have any question regarding this filing, please contact me at (561) 304-5662.

Respectfully submitted,

/s/ William P. Cox

William P. Cox

Enclosures

cc: Certificate of Service

Florida Power & Light Company
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 5th day of August 2024:

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By: s/ William P. Cox
William P. Cox

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission Review of Numeric
Conservation Goals (Florida Power & Light
Company)

Docket No: 20240012-EG

AMENDED STIPULATIONS

Florida Power & Light Company (“FPL” or the “Company”), Florida Rising, Environmental Confederation of Southwest Florida, and League of United Latin American Citizens (collectively, “FEL”), and the Southern Alliance for Clean Energy, Inc. (“SACE”) (hereinafter referred to individually as “Party” or collectively as “Parties”) hereby agree to submit for approval by the Florida Public Service Commission (“Commission”) the following amended stipulations to fully resolve the Parties’ respective issues in Docket No. 20240012-EG on the following terms and conditions:

1. The Parties stipulate to having all pre-filed testimony and exhibits filed in this docket entered into the record, specifically the following:
 - a. The Direct Testimony of FPL witnesses John N. Floyd, along with Exhibits JNF-1 through JNF-5, as corrected by July 12, 2024 Errata of John N. Floyd;
 - b. The Direct Testimony of FPL witnesses Andrew W. Whitley, along with Exhibits AWW-1 through AWW-17, as corrected by July 12, 2024 Errata of Andrew W. Whitley ;
 - c. The Rebuttal Testimony of FPL witnesses John N. Floyd, along with Exhibits JN-6 and JNF-7;

- d. The Rebuttal Testimony of FPL witnesses Andrew W. Whitley, along with Exhibits AWW-18 through AWW-21, as corrected by July 12, 2024 Second Errata of Andrew W. Whitley; and
 - e. The Direct Testimony of FEL witness MacKenzie Marcelin, along with Exhibits MM-1 through MM-15, MM-20, and MM-25 through MM-30.
2. The Parties agree to waive cross-examination of all witnesses in Docket No. 20240012-EG and, upon Commission approval, have no objection witnesses being excused from appearing at the hearing.
3. The Parties stipulate to having the following exhibits identified on Staff's Comprehensive Exhibit List entered into the record for Docket No. 20240012-EG: 1-27, 88-102, 107, 112-117, 140-145, 149-165, and 225-228.
4. The Parties stipulate and agree that FPL proposed DSM Goals for the ten-year period of 2025-2034 shall be modified as follows:
 - a. The annual participation level in FPL's proposed low-income program shall be increased from 11,000-12,031 to 17,000 for 2025-2029 and to 18,000 for 2030-2034; provided, however, the Parties agree that FPL's DSM Goals docket and associated participation levels shall be reassessed and reset in the next DSM Goals docket to be filed in 2029.
 - b. The programs included in FPL's DSM portfolio will not be capped or discontinued if the sector-level goals are achieved.
5. The Parties stipulate and agree that the modifications set forth in Paragraph 4 above are a reasonable compromise of competing positions set forth in the testimony and exhibits submitted by the FPL and FEL witnesses.
6. Subject to the modification of FPL's proposed DSM goals as set forth in Paragraph 4 above, the Parties stipulate to the following positions on each of the Issues set forth in Prehearing Order:

- Issue 1: The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed DSM Goals, as modified herein, are based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems.
- Issue 2: The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed DSM Goals, as modified herein, are based on savings reasonably achievable through demand-side management programs over a ten-year period.
- Issue 3: The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed DSM Goals, as modified herein, adequately reflect the costs and benefits to customers participating.
- Issue 4: The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed DSM Goals, as modified herein, adequately reflect the costs and benefits to the general body of rate payers as a whole, including utility incentives and participant contributions.
- Issue 5: The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed DSM Goals, as modified herein, adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand side renewable energy systems.
- Issue 6: The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed DSM Goals, as modified herein, adequately reflect the costs imposed by state and federal regulations on the emissions of greenhouse gases.
- Issue 7: The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed DSM Goals, as modified herein, appropriately reflect consideration of free riders.
- Issue 8a: The Parties stipulate and agree that, for purposes of FPL only, and for purposes of this specific docket only, this is not the appropriate proceeding to reset the Commercial and Industrial Load Control (CILC) and Commercial Demand Response (CDR) credits for FPL's commercial and industrial demand response programs. The current CILC and CDR credits were set in FPL's 2021 Rate Case Settlement Agreement, which was approved by the Commission in Order Nos. PSC-2021-0446-S-EI, PSC-2021-0446A-S-EI and PSC-2024-0078-FOF-EI. Paragraph 4(e) of the FPL 2021 Base Rate Case Settlement provides, in pertinent part, that the CILC and CDR credits are to be reset in a general base rate proceeding.

- Issue 8b: The Parties stipulate and agree that, for purposes of FPL only, Issue 8b is not applicable. The appropriate demand credits for FPL’s CILC and CDR programs in this proceeding are the credits approved by the Commission in Order Nos. PSC-2021-0446-S-EI, PSC-2021-0446A-S-EI and PSC- 2024-0078-FOF-EI.
- Issue 9: The Parties stipulate and agree that the record supports a Commission finding that the savings associated with FPL’s proposed Residential Low Income Renter Pilot program are known and measurable and should be included in FPL’s proposed DSM Goals.
- Issue 10: The Parties stipulate and agree that the record supports a Commission finding that FPL’s proposed HVAC On-Bill option expands the existing On Call[®] load-management program to allow greater customer access to new energy-saving HVAC equipment in a way that also passes the RIM cost-effectiveness test, and should be included in FPL’s proposed DSM Goals.
- Issue 11: As set forth in Paragraph 4(b) above, the Parties stipulate and agree that the participation for FPL’s non- RIM Test passing programs will not be capped once sector-level goals are achieved.
- Issue 12: The Parties stipulate and agree that to reflect the modifications agreed to in Paragraph 4 above, FPL’s proposed DSM Goals shall be 455MW Summer demand, 337 MW Winter demand, and 1,011 GWh energy reduction for the period 2025 through 2034.

PROPOSED											
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Cumulative
Summer MW											
Residential	29.82	30.00	30.32	30.27	30.32	31.02	31.15	31.32	31.52	31.76	307.50
Commercial/Industrial	16.24	16.26	16.28	13.89	13.94	14.00	14.05	14.11	14.17	14.23	147.17
Total ¹	46.06	46.26	46.60	44.16	44.27	45.01	45.20	45.43	45.69	45.99	454.68
Winter MW											
Residential	21.79	22.66	23.74	24.12	24.57	25.22	25.74	26.30	26.89	27.53	248.54
Commercial/Industrial	9.65	9.68	9.71	8.28	8.33	8.38	8.43	8.48	8.54	8.59	88.06
Total ¹	31.44	32.34	33.45	32.39	32.89	33.60	34.17	34.78	35.43	36.12	336.60
Annual GWh											
Residential	51.68	50.82	50.07	48.94	48.37	49.20	48.78	48.42	48.12	47.86	492.26
Commercial/Industrial	48.40	49.13	49.87	50.60	51.37	52.15	52.95	53.76	54.58	55.42	518.24
Total ¹	100.08	99.95	99.94	99.55	99.74	101.36	101.73	102.18	102.70	103.28	1,010.50

¹. Totals may not add due to rounding.

- Issue 13: The Parties stipulate and agree that the record supports a Commission finding that no additional goals should be established for demand-side renewable energy systems.
- Issue 14: The Parties stipulate and agree that approval of the stipulations set forth herein will fully resolve the issues and positions of all Parties to this docket

and, therefore, this docket should be closed upon the issuance of an Order approving these stipulations.

7. The Parties stipulate and agree that FPL's proposed DSM goals, as modified herein, include both RIM- and TRC-passing programs and will deliver meaningful energy-efficiency savings options to all customers including owners, renters, and low-income customers, and should be approved.
8. The Parties stipulate and agree that FPL's proposed DSM Goals, as modified herein, is a reasonable approach to meet the requirements of Section 366.82, Florida Statutes, and Rules 25-17.0021 and 25-17.008, Florida Administrative Code, and will establish DSM Goals at a reasonable and appropriate level for the period 2025 through 2034 and should be approved.
9. The Parties stipulate and agree that the stipulations and positions set forth herein are limited and apply only to FPL's proposed DSM Goals in Docket No. 20240012-EG, and in no way impact or limit any of the positions that Parties may take in any other current or future proceedings before the Commission, including, but not limited to, any other DSM Goals dockets currently pending before the Commission. Further, no Party agrees, concedes, or waives any position with respect to any of the issues identified in the Prehearing Order.
10. The Parties stipulate and agree that these stipulations fully resolve their respective issues in this proceeding and request that they be approved by the Commission.


In Witness Whereof, Walmart evidence its acceptance and agreement with Paragraphs 1-5, Issue 1-8b and 11-14 in Paragraph 6, and Paragraphs 7-10 of the stipulations by signature of its counsel, and takes no position on Issues 9 and 10 in Paragraph 6 of the stipulations.

Walmart Inc.

By: _____
Stephanie U. Eaton
Florida Bar No. 165610
SPILMAN THOMAS & BATTLE, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
Counsel for Walmart Inc.

In Witness Whereof, FPL, FEL, and SACE evidence their acceptance and agreement with all provisions of these stipulations by their signature.

Florida Power & Light Company

By: 

John T. Burnett
Vice President and General Counsel
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420

*Florida Rising, Environmental Confederation of Southwest Florida,
and League of United Latin American Citizens*

By: _____
Bradley Marshall/Jordan Luebkemann
Earthjustice
111 S. Martin Luther King Jr. Blvd.
Tallahassee FL 32301

Southern Alliance for Clean Energy, Inc.

By: _____
William C. Garner
Law Office of William C. Garner, PLLC
3425 Bannerman Rd. Unit 105, No. 414
Tallahassee FL 32312

In Witness Whereof, FPL, FEL, and SACE evidence their acceptance and agreement with all provisions of these stipulations by their signature.

Florida Power & Light Company

By: _____
John T. Burnett
Vice President and General Counsel
Florida Power & Light Company
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Juno Beach, FL 33408-0420

***Florida Rising, Environmental Confederation of Southwest Florida,
and League of United Latin American Citizens***

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William C. Garner
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In Witness Whereof, Walmart evidences its acceptance and agreement with Paragraphs 1-5, Issue 1-8b and 11-14 in Paragraph 6, and Paragraphs 7-10 of the stipulations by signature of its counsel, and takes no position on Issues 9 and 10 in Paragraph 6 of the stipulations.

Walmart Inc.

By: 
Stephanie U. Eaton
Florida Bar No. 165610
SPILMAN THOMAS & BATTLE, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
Counsel for Walmart Inc.

Item 6

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward, Hampson) *CPD*
Division of Accounting and Finance (D. Buys, Souchik) *ALM*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20240133-GU – Petition for approval of 2023 true-up, projected 2024 true-up, and 2025 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System, Inc.

AGENDA: 12/03/24 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 04/30/25 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On August 30, 2024, Peoples Gas System, Inc. (Peoples or utility) filed a petition for approval of its final 2023 true-up, projected 2024 true-up, and 2025 revenue requirement and surcharges associated with the cast iron/bare steel replacement rider (CI/BSR Rider or rider). The rider was originally approved by Order No. PSC-12-0476-TRF-GU (2012 Order) to recover the cost of accelerating the replacement of cast iron and bare steel pipes through a surcharge on customers' bills.¹ In the 2012 Order, the Commission found that, "replacement of these types of pipelines is in the public interest to improve the safety of Florida's natural gas infrastructure, and reduce the

¹ Order No. PSC-12-0476-TRF-GU, issued September 18, 2012, in Docket No. 20110320-GU, *In re: Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System.*

possibility of loss of life and destruction of property should an incident occur.” Peoples’ current surcharges were approved by Order No. PSC-2023-0363-TRF-GU.²

In Order No. PSC-17-0066-AS-GU, the Commission approved a comprehensive settlement agreement between Peoples and the Office of Public Counsel.³ The settlement agreement, in part, added problematic plastic pipe (PPP) installed in the company's distribution system to eligible replacements under the rider beginning in 2017 and continuing through 2028. PPP was manufactured before 1983 and has significant safety concerns. In certain areas, the PPP is interspersed with, or connected to, the cast iron/bare steel pipe that is being replaced under the rider. As provided for in the settlement agreement, PPP replacements are included in the calculation of the 2024 rider surcharges.

In December 2023, the Commission approved Peoples’ petition for rate increase, which contained two provisions that would impact the CI/BSR Rider.⁴ First, Peoples moved its CI/BSR investments as of December 31, 2023, into rate base, as required by the 2012 Order approving the rider.⁵ This provision had the effect of resetting the CI/BSR Rider rates to zero.

Second, the Commission approved Peoples’ request for the Long Term Debt Cost Rate (LTDR) true-up mechanism. The LTDR true-up mechanism allowed Peoples to make a one-time adjustment to the estimated cost of long-term debt for the projected test year ending December 31, 2024.⁶ The purpose of the LTDR true-up mechanism was to reflect the actual embedded costs of the utility’s inaugural long-term debt issuance in its revenue requirement and rates.⁷ This provision was a result of Peoples being spun off from Tampa Electric Company, because Peoples no longer obtains long-term debt capital from Tampa Electric Company and instead issues its own debt as a separate entity.

The Commission further ordered that if the impact to the incremental revenue requirement was greater than \$500,000 for the period between the implementation of the base rate increase and the implementation of the LTDR true-up mechanism, then the incremental revenue requirement would be recovered through the CI/BSR rider for 2025.⁸ The Commission approved the incremental revenue requirement of \$874,085 associated with the LTDR true-up mechanism in May 2024.⁹ The total amount associated with the LTDR true-up mechanism to be recovered through the 2025 CI/BSR rider is \$476,034, as shown in Exhibit B to the petition, page 2 of 4, line No. 9a.

² Order No. PSC-2023-0363-TRF-GU, issued November 29, 2023, in Docket No. 20230098-GU, *In re: Petition for approval of 2022 true-up, projected 2023 true-up, and 2024 revenue requirements and surcharges associated with cast iron/bare steel replacement rider, by Peoples Gas System.*

³ Order No. PSC-17-0066-AS-GU, issued February 28, 2017, in Docket No. 20160159-GU, *In re: Petition for approval of settlement agreement pertaining to Peoples Gas System’s 2016 depreciation study, environmental reserve account, problematic plastic pipe replacement, and authorized ROE.*

⁴ Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*

⁵ See page 3 of Order No. PSC-12-0476-TRF-GU.

⁶ See pages 107-109 of Order No. PSC-2023-0388-FOF-GU.

⁷ *Id.*

⁸ See page 108 of Order No. PSC-2023-0388-FOF-GU.

⁹ Order No. PSC-2024-0170-TRF-GU, issued May 23, 2024, in Docket No. 20240028-GU, *In re: Petition to implement long-term debt cost true-up mechanism, by Peoples Gas System, Inc.*

Currently, Peoples has an active petition for an expansion of the CI/BSR rider in Docket No. 20240107-GU.¹⁰ Peoples has proposed to rename the CI/BSR rider to the Safety of Facilities and Infrastructure Replacement Rider (SAFIR) and expand the categories of eligible replacements under the rider. If the SAFIR program is approved, projected capital expenditures would increase for 2025. In paragraph 16 of the instant petition, Peoples stated that if the SAFIR petition remains pending on November 30, 2024, the utility would not seek approval of the revenue requirement and surcharge for the SAFIR modifications in the subject docket. Staff is still in the process of reviewing the SAFIR petition; therefore, the SAFIR modifications were not considered as part of this recommendation.

During the evaluation of the petition, staff issued a data request to the utility, for which responses were received on October 7 and October 9, 2024. By Order No. PSC-2024-0453-PCO-GU, issued October 17, 2024, the petition was suspended to allow staff a sufficient opportunity to gather and evaluate all pertinent information related to the tariff proposals in order to present the Commission with an informed recommendation.

Attachment A to this recommendation contains Table 1, which consolidates actual and projected CI/BSR and PPP miles, replaced investment, and revenue requirements for each year of the replacement program.¹¹ Additionally, Peoples provided tables that display the replacement progress and forecasts for the CI/BSR Rider (Table 2) and for PPP (Table 3).¹² Attachment B contains the proposed tariff. The Commission has jurisdiction over this matter pursuant to Section 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

¹⁰ *In re: Petition for approval of modifications to cast iron/bare steel pipe replacement rider, by Peoples Gas System, Inc.*

¹¹ DN 09444-2024, response No. 8.

¹² *Id.*

Discussion of Issues

Issue 1: Should the Commission approve Peoples' proposed CI/BSR Rider surcharges for the period January through December 2025?

Recommendation: Yes, the Commission should approve Peoples' proposed CI/BSR Rider surcharges to be effective for the first billing cycle of January through the last billing cycle of December 2025. Staff has reviewed Peoples' filings and supporting documentation and believes that the calculations are consistent with the methodology approved in the 2012 Order and are reasonable and accurate. (Ward)

Staff Analysis: The CI/BSR Rider charges have been in effect since January 2013 and were projected to be in effect for 10 years with replacement projects completed by the end of 2022. In response to staff's first data request, Peoples stated that the COVID-19 pandemic environment greatly contributed to replacement efforts going beyond the 10-year period.¹³ Contributing factors include construction contractor labor shortages, consulting firm availability, supply chain challenges, and extensive permitting challenges. Peoples stated that it expects to have 8.11 miles of CI/BSR replacement remaining entering 2025.

In 2024, Peoples' cast iron/bare steel and PPP replacement activity focused in the areas of Miami, Tampa, St. Pete, Orlando, Eustis, Jacksonville, Lakeland, Daytona, Avon Park, and Ocala. In 2025, Peoples states it will focus on replacement projects in Miami, Tampa, St. Pete, Orlando, Eustis, Jacksonville, Lakeland, Daytona, Jupiter, Panama City, and Ocala. A detailed description of the projects, including their address, has been provided in response to staff's first data request.¹⁴

True-ups by Year

Peoples' calculation for the 2025 revenue requirement and surcharges includes a final true-up for 2023, an actual/estimated true-up for 2024, and projected costs for 2025. Pursuant to the 2012 Order, the capital expenditures for 2024 and 2025 exclude the first \$1 million of facility replacements each year because that amount is included in rate base. Peoples has included depreciation expense savings as discussed in the 2012 Order; however, the utility has not identified any operations and maintenance savings.

Final True-up for 2023

Exhibit A of the petition shows that the revenues collected for 2023 were \$8,215,491 compared to a revenue requirement of \$7,531,346, resulting in an over-recovery of \$684,145. The final 2022 under-recovery of \$787,888, 2023 over-recovery of \$684,145, and interest associated with any over- and under-recoveries, results in a final 2023 under-recovery of \$102,499.

Actual/Estimated 2024 True-up

In Exhibit B of the petition, Peoples provided actual revenues for January through July and forecast revenues for August through December of 2024, totaling \$883,056, compared to an actual/estimated revenue requirement of \$576,693, resulting in an over-recovery of \$306,363.

¹³ DN 09444-2024, response No. 4.

¹⁴ *Id.*

The final 2023 under-recovery of \$102,499, 2024 over-recovery of \$306,363, 2024 LTDR true-up mechanism adjustment of \$476,034, and interest associated with any over- and under-recoveries, results in a total 2024 under-recovery of \$276,028.

Projected 2025 Costs

Exhibit C, page 2 of 4, of the petition shows Peoples’ project investments of \$32,120,344 for the replacement of cast iron/bare steel infrastructure and PPP in 2025, excluding the \$1 million adjustment to rate base. The return on investment, depreciation expense (less savings), and property tax expense associated with that investment are \$3,402,010. After adding the total 2024 under-recovery of \$276,028, the total 2025 revenue requirement is \$3,678,038. Table 1-1 displays the 2025 revenue requirement calculation. In response to staff’s first data request, Peoples provided updated investment and revenue requirement projections for CI/BSR and PPP which is contained in Table 1 of Attachment A.

**Table 1-1
 2025 CI/BSR Rider Revenue Requirement**

2025 Projected Expenditures	\$32,120,344
Return on Investment	\$2,767,833
Depreciation Expense (less savings)	\$405,346
Property Tax Expense	<u>\$228,830</u>
2025 Revenue Requirement	\$3,402,010
Plus 2024 Under-recovery	<u>\$276,028</u>
Total 2025 Revenue Requirement	\$3,678,038

Source: Page 2 of 4 in Exhibit C in petition (Docket No. 20240133-GU).

Proposed Surcharges

As established in the 2012 Order, the total 2025 revenue requirement is allocated to rate classes using the same methodology that was used for the allocation of mains and services in the cost of service study used in Peoples’ most recent approved rate case. After calculating the percentage of total plant costs attributed to each rate class, the respective percentages were multiplied by the 2025 revenue requirement resulting in the revenue requirement by rate class. Dividing each rate class’s revenue requirement by projected therm sales provides the rider surcharge for each rate class.

If the Commission approves this recommendation, the proposed 2025 rider surcharge for residential customers would be \$0.01391 per therm (compared to the current surcharge of \$0.00322). The 2025 monthly bill impact would be \$0.28 for a residential customer who uses 20 therms.

Conclusion

Staff recommends that the Commission should approve Peoples’ proposed CI/BSR Rider surcharges to be effective for the first billing cycle of January through the last billing cycle of December 2025. Staff has reviewed Peoples’ filings and supporting documentation and believes that the calculations are consistent with the methodology approved in the 2012 Order and are reasonable and accurate.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Sandy)

Staff Analysis: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

**Table 1
 Peoples' CI/BSR Replacement Program Progress**

Year	CI/BS Miles Replaced	PPP Miles Replaced	CI/BS Investment ^a	PPP Investment ^b	CI/BS Revenue Requirement	PPP Revenue Requirement
2017	51	-	\$17,588,366	\$308,227	\$6,868,302	\$74,021
2018	62	56	\$27,035,678	\$18,113,104	\$8,510,823	\$848,201
2019	52	42	\$35,821,371	\$15,349,847	\$11,075,229	\$2,706,161
2020	55	43	\$32,317,184	\$9,209,668	\$14,817,804	\$4,358,010
2021	14	38	\$23,726,642	\$21,051,938	\$1,347,321	\$(160,452)
2022	10.4	29	\$13,079,280	\$6,109,870	\$3,154,597	\$1,921,940
2023	2.3	44	\$5,815,954	\$26,827,191	\$3,927,032	\$3,604,313
2024*	5	31	\$4,698,860	\$14,646,431	\$217,946 ^c	\$366,776 ^c
2025*	5	65	\$2,906,616	\$29,213,728	\$760,428	\$2,721,026
2026*	2	75	\$1,104,945	\$32,951,727	\$1,043,083	\$6,227,488
2027*	1 ^c	90	\$874,752	\$35,028,300	\$1,151,720	\$10,103,281
2028*	1	54	\$1,081,100 ^d	\$20,139,383 ^d	\$1,246,217	\$13,341,632

*Projected

^a CI/BS Investment includes removal of initial \$1M through 2025.

^b PPP Investment includes removal of initial \$1M each year starting in 2026.

^c 5-year construction moratoriums in effect in the City of Miami preventing completion before 2027.

^d 2028 investment includes rollover costs to occur in 2029.

^e Revenue requirement based on current year investment only as investment for prior years rolled into rate base pursuant to the 2023 Rate Case.

**Table 2
 Peoples' CI/BSR Replacement Progress**

Year	Main Replacements					Service Line Replacements	
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining of CI/BS Mains	Number of Bare Steel Service Lines Replaced	Number of Remaining Bare Steel Service Lines
2012	-	-	100	354	454	-	14,978
2013	13	38	87	316	403	907	14,071
2014	2	15	85	298	383	7,964	6,107
2015	26	60	59	238	297	1,019	5,088
2016	15	35	44	203	247	1,050	6,963
2017	15	36	29	178	207	1,135	4,279
2018	10	52	18	126	144	1,970	2,309
2019	8	44	10	83 ^a	93	649	1,660
2020	4	51	6	35 ^a	41	423	1,237
2021	3.5	10.5	2	24	26	191	998
2022	1.3	9.1	0.9	14.6 ^a	15.5	74	941
2023	0.3	2.0	0.6	12.4 ^a	12.4	40	931
2024*	<0	5	0.5	8.6 ^a	8.11	63	799

*Projected

^a Additional miles of pipe added after reclassification of pipe type.

Table 3
Peoples' PPP Replacement Program Progress

Year	Replaced PPP (Miles)	Total Remaining PPP Mains (Miles)	Replaced Number of PPP Service Lines	Total Number of Remaining PPP Service Lines
2016	-	551	-	28,237
2017	-	509	1,396	26,841
2018	56	461	3,941	24,741
2019	42	418	2,349	20,420
2020	43	370	1,702	18,718
2021	38	337	882	17,683
2022	29	306	837	17,229
2023	44	281 ^a	883	16,346 ^b
2024*	31	284 ^b	500	b
2025*	65	219	b	b
2026*	75	144	b	b
2027*	90	54	b	b
2028*	54	-	b	b

*Projected

^aAdditional service lines reclassified during the year.

^bThis will be determined during the replacement year.

Peoples Gas System, Inc.
Original Volume No. 3

~~Fourteenth-Fifteenth~~ Revised Sheet No. 7.806
Cancels ~~Thirteenth-Fourteenth~~ Revised Sheet No. 7.806

**CAST IRON/BARE STEEL REPLACEMENT RIDER
RIDER CI/BSR**

The monthly bill for Gas Service in any Billing Period shall be increased by the CI/BSR Surcharge determined in accordance with this Rider. CI/BSR Surcharges approved by the Commission for bills rendered for meter readings taken on or after January 1, ~~2024~~2025, are as follows with respect to Customers receiving Gas Service under the following rate schedules:

<u>Rate Schedule</u>	<u>CI/BSR Surcharge</u>
Residential/Residential Standby Generator /	
Residential Gas Heat Pump Service	\$ 0.003220 <u>0.01391</u> per therm
Small General Service	\$ 0.001740 <u>0.00818</u> per therm
General Service – 1/ Commercial Standby Generator Service /	
Commercial Gas Heat Pump Service	\$ 0.001440 <u>0.00516</u> per therm
General Service – 2	\$ 0.001480 <u>0.00477</u> per therm
General Service – 3	\$ 0.001490 <u>0.00468</u> per therm
General Service – 4	\$ 0.001290 <u>0.00333</u> per therm
General Service – 5	\$ 0.000590 <u>0.00228</u> per therm
Commercial Street Lighting	\$ 0.001040 <u>0.00364</u> per therm
Wholesale	\$ 0.000840 <u>0.00269</u> per therm
Small Interruptible Service	\$ 0.000590 <u>0.00127</u> per therm
Interruptible Service	\$ 0.000430 <u>0.00030</u> per therm
Interruptible Service – Large Volume	\$ 0.00000 per therm

The CI/BSR Surcharges set forth above shall remain in effect until changed pursuant to an order of the Commission.

CI/BSR Surcharges shall be determined in accordance with the provisions of this Rider set forth below.

Definitions

For purposes of this Rider:

"Eligible Replacements" means the following Company plant investments that (i) do not increase revenues by directly connecting new customers to the plant asset, (ii) are in service and used and useful in providing utility service and (iii) were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding:

Mains and service lines, as replacements for existing materials recognized/identified by the Pipeline Safety and Hazardous Materials Administration as being obsolete and that present a potential safety threat to operations and the general public, including cast iron, wrought iron, bare steel, and specific polyethylene/plastic facilities, and regulators and other pipeline system components the installation of which is required as a consequence of the replacement of the aforesaid facilities.

"CI/BSR Revenues" means the revenues produced through CI/BSR Surcharges, exclusive of revenues from all other rates and charges.

Issued By: Helen J. Wesley, President & CEO

Effective: January 1, ~~2024~~2025

Item 7

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (P. Kelley) *EDD*
Office of the General Counsel (Dose) *JSC*

RE: Docket No. 20240134-GU – Petition for approval of safety, access, and facility enhancement program true-up and 2025 cost recovery factors, by Florida City Gas.

AGENDA: 12/03/24 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 04/30/25 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On August 30, 2024, Florida City Gas (FCG or utility) filed a petition for approval of its safety, access, and facility enhancement (SAFE) program true-up and 2025 cost recovery factors. The SAFE program was originally approved by the Commission in Order No. PSC-15-0390-TRF-GU (2015 Order) to recover the cost of relocating on an expedited basis certain existing gas mains and associated facilities from rear lot easements to the street front.¹ In the 2015 Order, the Commission found that the relocation of mains and services to the street front provides for more direct access to the facilities and will enhance the level of service provided to all customers through improved safety and reliability. The Commission ordered FCG to relocate or replace 254.3 miles of mains and 11,443 associated service lines from rear property easements to the street over a 10-year period.

¹ Order No. PSC-15-0390-TRF-GU, issued September 15, 2015, in Docket No. 20150116-GU, *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas.*

In the 2015 Order, the Commission also required the utility to file an annual petition to review and reset the SAFE factors to true-up any prior over- or under-recovery and to set the surcharge for the coming year. The SAFE program was originally approved as a 10-year program and was planned to finish in 2025.

During the utility's 2022 rate case, the Commission approved a stipulation for the expansion of the SAFE program.² The parties agreed that the continuation of the SAFE program beyond its original 2025 expiration date and the relocation of an additional approximately 150 miles of mains and 13,874 services was reasonable.³ The Commission further approved a stipulation for the replacement of approximately 160 miles and 8,059 associated services of "orange pipe," through the SAFE program.⁴

In October 2024, the Commission approved FCG's petition to modify the SAFE program to include replacing span pipes, burying shallow and exposed pipeline, and replacing obsolete pipe and related facilities.⁵ The total estimated cost for the program modifications is \$49.8 million over a 10-year period.⁶ As described in paragraphs 10 and 11 of the instant petition, FCG prepared two versions of its annual SAFE true-up, one including the SAFE modifications and one without any modifications. As a result of the Commission's approval of the SAFE program modifications in Docket No. 20240071-GU, staff has relied upon Attachments A-2, B-2, C-2, and D-2 to the instant petition for its analysis of the proposed SAFE program rates.

By Order No. PSC-2024-0451-PCO-GU, issued October 16, 2024, the Commission suspended the proposed tariffs to allow staff sufficient time to analyze the utility's filing, pursuant to Section 366.06(3), Florida Statutes (F.S.). Commission staff issued its first data request to FCG on September 17, 2024, for which FCG provided a response on October 1, 2023.

FCG's annual progress in the SAFE program is shown in Attachment A to the recommendation. The proposed 2025 SAFE factors are shown in Attachment B to the recommendation on Seventh Revised Sheet No. 79. The Commission has jurisdiction over the matter pursuant to Sections 366.04, 366.041, 366.05, and 366.06, F.S.

² Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023, in Docket No. 20220069-GU, *In re: Petition for rate increase by Florida City Gas*.

³ See page 72, Section X, B. of Order No. PSC-2023-0177-FOF-GU.

⁴ See page 72, Section X, C. of Order No. PSC-2023-0177-FOF-GU.

⁵ Order No. PSC-2024-0438-PAA-GU, issued October 2, 2024, in Docket No. 20240071-GU, *In re: Petition for approval of safety, access, and facility enhancement program modifications, by Florida City Gas*.

⁶ See Attachment B to Document No. 04172-2024.

Discussion of Issues

Issue 1: Should the Commission approve FCG's proposed SAFE tariffs for the period January through December 2025?

Recommendation: Yes. The Commission should approve FCG's proposed SAFE tariff for the period January through December 2025. After reviewing FCG's filings and supporting documentation, the calculations of the 2025 SAFE factors appear consistent with the methodology approved in the 2015 Order and are reasonable and accurate. (P. Kelley)

Staff Analysis: As required by the 2015 Order, the utility's calculations for the 2025 revenue requirement and SAFE factors include a final true-up for 2023, an estimated/actual true-up for 2024, and projected costs for 2025. During 2024, the utility replaced 28.5 miles of mains and 1,283 services.⁷

Final True-ups for 2023

FCG stated that the revenues collected for 2023 were \$694,998, compared to a revenue requirement of \$2,436,443 resulting in an under-recovery \$1,741,445. Adding the 2022 final under-recovery of \$37,236 and the \$1,741,445 under-recovery of 2023, including interest, results in a final 2023 under-recovery of \$1,842,805.⁸

Actual/Estimated 2024 True-up

FCG provided actual revenues for January through June and forecasted revenues for July through December 2024, totaling \$4,695,456 as compared to a projected revenue requirement of \$3,733,272, resulting in an over-recovery of \$962,183. Adding the 2023 under-recovery of \$1,852,753 to the 2024 over-recovery of \$962,183, the resulting total 2024 true-up, including interest, is an under-recovery of \$973,939.

Projected 2025 Costs

The utility's projected investment for 2025 is \$61,149,679 for its projects located in Miami-Dade and Brevard counties. The revenue requirement, which includes a return on investment, depreciation, and taxes is \$6,538,096. The return on investment calculation includes federal income taxes, regulatory assessment fees, and bad debt. After adding the 2024 over-recovery of \$973,939, the total 2025 revenue requirement is \$7,512,034. Table 1-1 displays the projected 2025 SAFE program revenue requirement calculation.

⁷ See page 1 of Attachment A to Document No. 08785-2024.

⁸ The calculation also includes a December 2022 true-up of \$26,525 booked in January 2023.

Table 1-1
2025 SAFE Program Revenue Requirements Calculation

2025 Projected Investment	\$61,149,679
Return on Investment	\$4,611,042
Depreciation Expense	\$1,043,316
Property Tax Expense	<u>\$883,738</u>
2025 Revenue Requirement	\$6,538,096
Plus 2024 Under-recovery	<u>\$973,939</u>
Total 2025 Revenue Requirement	\$7,512,034

Source: Page 5 of Attachment C of the petition.

Proposed 2025 SAFE Factors

The SAFE factors are fixed monthly charges. FCG's cost allocation methodology was approved in the 2015 Order and was used in the instant filing. The approved methodology allocates the current cost of a 2-inch pipe to all customers on a per customer basis and allocates the incremental cost of replacing a 4-inch pipe to customers who use over 6,000 therms per year. For customers who require 4-inch pipes, the cost takes into account that the minimum pipe is insufficient to serve their demand, and therefore, allocates an incremental per foot cost in addition to the all-customer cost. The resulting allocation factors are applied to the 2025 total revenue requirement to develop the monthly SAFE factors.

The proposed fixed monthly SAFE factor is \$4.66 for customers using less than 6,000 therms per year (current factor is \$3.17). The proposed fixed monthly SAFE factor for customers using more than 6,000 therms per year is \$7.77 (current factor is \$5.44).

Conclusion

The Commission should approve FCG's proposed SAFE tariff for the period January through December 2025. After reviewing FCG's filings and supporting documentation, the calculations of the 2025 SAFE factors appear consistent with the methodology approved in the 2015 order and are reasonable and accurate.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Dose)

Staff Analysis: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

ATTACHMENT A
 Florida City Gas
 SAFE Program
 Actual and Forecasted Replacements

Year	SAFE Replacements						Orange Pipe Replacements					
	Replaced (miles)	Remaining at Year End (miles)	Total Miles Remaining	Replaced Services (No.)	Remaining Services at year end	Total Remaining Services	Replaced (miles)	Remaining at Year End (miles)	Total Miles Remaining	Replaced Services (No.)	Remaining Services at year end	Total Remaining Services
2014	-	254.3	254.3	-	11,443	11,443	-	-	-	-	-	-
2015	-	254.3	254.3	49	11,394	11,394	-	-	-	-	-	-
2016	17.1	237.2	237.2	1,433	9,961	9,961	-	-	-	-	-	-
2017	37.5	199.7	199.7	1,551	8,410	8,410	-	-	-	-	-	-
2018	27.6	172.1	172.1	1,634	6,776	6,776	-	-	-	-	-	-
2019	37.8	134.3	134.3	1,183	5,593	5,593	-	-	-	-	-	-
2020	25.5	108.8	108.8	1,186	4,407	4,407	-	-	-	-	-	-
2021	26.0	82.8	82.8	1,105	3,302	3,302	-	-	-	-	-	-
2022	29.0	53.8	53.8	830	2,472	2,472	-	-	-	-	-	-
2023	23.7	30.1	30.1	1,189	1,283	1,283	-	160.0 ^(a)	160.0 ^(a)	-	8,059	8,059
2024	28.5	1.6	1.6	1,283	-	-	7.7	152.3	152.3	383	7,676	7,676
2025	20.0	131.6 ^(b)	131.6 ^(b)	1,014	12,860	12,860	18.2	134.1	134.1	1,040	6,636	6,636
2026	14.5	117.1	117.1	1,441	11,419	11,419	17.2	116.9	116.9	850	5,786	5,786
2027	14.5	102.6	102.6	1,441	9,978	9,978	17.2	99.7	99.7	850	4,936	4,936
2028	14.0	88.6	88.6	1,395	8,583	8,583	16.2	83.5	83.5	787	4,149	4,149
2029	12.5	76.1	76.1	1,256	7,327	7,327	16.5	67.0	67.0	830	3,319	3,319
2030	12.0	64.1	64.1	1,110	6,217	6,217	16.5	50.5	50.5	830	2,489	2,489
2031	11.5	52.6	52.6	1,064	5,153	5,153	16.5	34.0	34.0	830	1,659	1,659
2032	10.0	42.6	42.6	950	4,203	4,203	17.5	16.5	16.5	874	785	785
2033	10.5	32.1	32.1	980	3,223	3,223	16.5	-	-	785	-	-
2034	16.5	15.6	15.6	1,678	1,545	1,545	-	-	-	-	-	-
2035	15.6	-	-	1,545	0	0	-	-	-	-	-	-

Notes:

^(a) The expansion of the SAFE program to include the capital investments necessary for the expedited replacement of approximately 160 miles of orange pipe installed before 1990 was approved by Commission Order No. PSC-2023-0177-FOF-GU.

^(b) The continuation of the SAFE program beyond its 2025 expiration date and inclusion of an additional approximately 150 miles of mains and services was approved by Commission Order No. PSC-2023-0177-FOF-GU.

^(c) The future-dated items herein are provided for estimation purposes only and do not constitute the actual allocation for the respective year. The actual figures shall be adjusted accordingly in accordance with applicable regulations and standards with each annual filing.

Florida City Gas
FPSC Natural Gas Tariff
Volume No. 11

Fifth Revised Sheet No. 78
Cancels Third Revised Sheet No. 78

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM

Applicable to all Customers served under the Rate Schedules shown in the table below except for those Customers receiving a discount under the AFD Rider.

Through its SAFE Program, the Company has identified the potential replacement projects focusing initially on area of limited access/pipe overbuilds, early vintage polymer pipeline, obsolete, span, shallow, exposed pipe and risk assessment for Rear Lot Mains and Services considering:

- i. The pipe material;
- ii. Leak incident rates;
- iii. Age of pipeline;
- iv. Pressure under which the pipeline is operating. The

Eligible Infrastructure Replacement includes the following:

Company investment in mains and service lines, as replacements for existing Rear Lot Facilities, early vintage polymer pipelines, obsolete, span, shallow, exposed pipe and regulatory station and other distribution system components, the installation of which is required as a consequence of the replacement of the aforesaid facilities that:

- i. do not increase revenues by directly connecting new Customers to the plant asset;
- ii. are in service and used and useful in providing utility service; and
- iii. that were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding.

The Company is recovering its revenue requirement on the actual investment amounts. The revenue requirements are inclusive of:

1. Return on investment as calculated using the following:
 - a.) Equity balance from the most recent year-end surveillance report and the ROE and equity ratio cap from the most recent rate case;
 - b.) Debt and customer deposit components from the Company's most recent year-end surveillance report; and
 - c.) Accumulated deferred income tax balance from the Company's most recent year-end surveillance report as adjusted, if applicable, consistent with the normalization rules of the Internal Revenue Code.
2. Depreciation expense (calculated using the currently approved depreciation rates);
3. Customer and general public notification expenses associated with the SAFE Program incurred for:

Florida City Gas
 FPSC Natural Gas Tariff
 Volume No. 11

Sixth Seventh Revised Sheet No. 79
 Cancels Fifth Sixth Revised Sheet No. 79

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
 (Continued)

- i. all Customers regarding the implementation of the SAFE Program and the approved surcharge factors;
 - ii. the immediately affected Customers where the eligible infrastructure is being replaced; and
 - iii. the general public through publications (newspapers) covering the geographic areas of the eligible infrastructure replacement activities;
- 4. Ad valorem taxes; and
 - 5. Federal and state income taxes.

The Company is utilizing a surcharge mechanism in order to recover the costs associated with the SAFE Program. The Company has developed the revenue requirement for the SAFE Program using the same methodology approved in its most recent rate case. The SAFE revenue requirement will be allocated to each Customer class (Rate Schedule) using allocation factors established by the Florida Public Service Commission for the SAFE Program. The per Customer SAFE surcharge is calculated by dividing the revenue requirement allocated to each Customer class by the number of Customers in the class.

The cost recovery factors including tax multiplier for the twelve-month period from January 1, 2024 through December 31, 2024 are:

<u>Rate Class</u>	<u>Rates Per Customer</u>
Rate Schedule RS-1	\$3.17 \$4.66
Rate Schedule RS-100	\$3.17 \$4.66
Rate Schedule RS-600	\$3.17 \$4.66
Rate Schedule GS-1	\$3.17 \$4.66
Rate Schedule GS-6K	\$3.17 \$4.66
Rate Schedule GS-25K	\$5.44 \$7.77
Rate Schedule GS-120K	\$5.44 \$7.77
Rate Schedule GS-1,250K	\$5.44 \$7.77
Rate Schedule GS-11M	\$5.44 \$7.77
Rate Schedule GS-25M	\$5.44 \$7.77
Rate Schedule GL	\$3.17 \$4.66

Item 8

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) *GP*
Office of the General Counsel (Brownless) *JSC*

RE: Docket No. 20240137-GU – Petition for approval of GUARD cost recovery factors, by Florida Public Utilities Company.

AGENDA: 12/03/24 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/03/25 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On September 3, 2024, Florida Public Utilities Company (FPUC or Company) filed a petition for approval of its Gas Utility Access and Replacement Directive (GUARD program) cost recovery factors for January through December 2025. The petition includes the direct testimony and Exhibits SKL-1 and SKL-2 of Stacey K. Laster providing the calculations of the proposed factors and Second Revised Sheet No. 7.403.

In Order No. PSC-2023-0235-PAA-GU (GUARD Order), the Commission approved FPUC's 10-year GUARD program consisting of two components: (1) replacement of problematic pipes and facilities and (2) relocation of mains and service lines located in rear easement and other difficult to access areas to the front lot easements.¹ As established in the GUARD Order, FPUC is able to

¹ Order No. PSC-2023-0235-PAA-GU, issued August 15, 2023, amended by Order No. PSC-2023-0235A-PAA-GU, issued August 18, 2023, in Docket No. 20230029-GU, *In re: Petition for approval of gas utility access and replacement directive, by Florida Public Utilities Company.*

recover the revenue requirements of expedited programs to replace problematic pipes and facilities and to relocate certain facilities in rear easements and other difficult to access areas in order to enhance the safety of portions of FPUC's natural gas distribution system through a monthly surcharge on customers' bills. The GUARD Order further established the methodology for annually setting the GUARD surcharge to recover the costs of the program.

The methodology to calculate the GUARD program surcharges is the same that was approved for FPUC's concluded Gas Replacement and Infrastructure Program (GRIP).² The GUARD cost recovery procedure requires an annual filing with three components, similar as those approved in the 2012 GRIP Order:

1. A final true-up showing the actual replacement costs, actual surcharge revenues, and over- or under-recovery amount for the 12-month historical period from January 1 through December 31 of the year prior to FPUC's annual GUARD petition.
2. An actual/estimated true-up showing seven months of actual and five months of projected replacement costs, surcharge revenues, and over- or under-recovery amount.
3. A revenue requirement projection showing 12 months of projected GUARD revenue requirement for the period beginning January 1 following FPUC's annual GUARD petition filing.

In the GUARD Order, the Commission directed FPUC to file its annual GUARD program petition to revise the surcharge on or before September 1 of each year, to implement the revised surcharge effective January 1 through December 31 of the following year.

The Commission further ordered FPUC to: (1) include all calculations to show a final true-up, actual-estimated true-up, projected year investments, and associated revenue requirements, and the calculations of the GUARD factors by rate class; (2) provide a report including the location, date, description, and associated costs of all replacement projects completed and all projects scheduled for the following year; and (3) include any remaining GRIP over- or under-recovery in the 2024 GUARD cost recovery. FPUC has complied with the GUARD Order directives stated above.

Included in this recommendation are Attachment A - a list of GUARD projects for 2023-2025 Actual/Forecast; Attachment B - Second Revised Sheet No. 7.403 legislative version; and Attachment C - Second Revised Sheet No. 7.403 clean version.

During the review process, staff issued a data request to FPUC on September 23, 2024, for which the responses were received on October 8, 2024. In Order No. PSC-2024-0440-PCO-GU, the Commission suspended the proposed tariffs. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

² Order No. PSC-2012-0490-TRF, issued September 24, 2021, in Docket No. 20120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.*

Discussion of Issues

Issue 1: Should the Commission approve FPUC's 2025 Gas Utility Access and Replacement Directive (GUARD) cost recovery factors and associated Second Revised Sheet No. 7.403 for the period January to December 2025?

Recommendation: Yes. The Commission should approve FPUC's 2025 GUARD cost recovery factors and associated Second Revised Sheet No. 7.403, included in Attachment B to this recommendation, to be effective for the first billing cycle of January through the last billing cycle of December 2025. The GUARD surcharge would allow FPUC to replace problematic pipes and facilities and relocate certain facilities located in rear easements to the front easements, and recover the project costs on an expedited basis. (Guffey)

Staff Analysis: The GUARD program is driven by risks identified under FPUC's Distribution Integrity Management Program (DIMP) and risk assessments performed by an independent contractor.³ As stated by witness Laster, the GUARD projects are based upon the assessment of an independent contractor. Projects in high consequence areas and those of high risk continue to be a priority. The prioritized projects for 2024 and 2025 are included in Attachment A to this recommendation. Attachment A indicates that FPUC currently has six projects in-progress which will relocate 30.7 miles of pipes from rear lots to the street front in Palm Beach and Seminole counties for an estimated investment cost of \$18.7M during the third and fourth quarters of 2024. Additional five projects are scheduled for the fourth quarter of 2024, for an estimated investment cost of \$3.9M which includes replacing 10.77 miles of obsolete/Aldyl-A, rear-to-front, shallow, span, and under building pipes, and replacing 176 services. For 2025, 18 projects which include replacing obsolete/Aldyl-A pipes, span pipes, and relocation of pipes from rear lot easements to the front lot easements for 36.19 miles and 2,203 services in Palm Beach, Seminole, and Volusia counties are listed for an estimated investment cost of \$25M.

FPUC's True-Ups by Year

FPUC's calculation for the 2025 GUARD revenue requirement and surcharges includes a final true-up for 2023, an actual/estimated true-up for 2024, and projected costs for 2025. In its 2022 rate case, FPUC was authorized to recover \$19.8M of annual bare steel replacement expenses in base rates.⁴ Therefore, the \$19.8M recovered from base rates is excluded from the GUARD true-up calculations for 2022 and 2023.

Final 2023 GUARD True-Up

Company witness Laster states that the January through December 2023 true-up resulted in an over-recovery of \$571,835, inclusive of interest and remaining true-up of the concluded GRIP. As shown in Schedule C-1 of the petition, the 2022 ending balance was an over-recovery of \$315,465. Combined with the 2023 over-recovery of \$248,063, and monthly interest of \$8,307 associated with any over- and under-recoveries results in a final 2023 over-recovery of \$571,835.

³ Pursuant to Chapter 49, Section 192.1005 Code of Federal Regulations (2023), a gas distribution operator must develop and implement an integrity management program that includes a written integrity management plan.

⁴ Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.*

Actual/Estimated 2024 GUARD True-Up

The January through December 2023 GUARD investment and associated revenue requirement amounts are shown on Exhibit SKL-1, page 2 of 6. In 2023, the actual beginning balance was an over-recovery of \$571,835. The 2024 actual (January through July) and forecasted (August through December) GUARD true-up is an under-recovery of \$1,257,430 (inclusive of interest), resulting in an under-recovery of \$685,595. As shown in Table 1-1 below, the under-recovery is being applied to the 2025 GUARD revenue requirement, resulting in a higher revenue requirement to be recovered from customers in 2025.

Projected 2025 GUARD Revenue Requirement

For 2025, FPUC plans to invest \$25,000,205 (\$16,167,834 for mains and \$8,832,371 for services), resulting in a total projected 2025 investment of \$75,739,119 (including the year-end 2024 investment). The GUARD program revenue requirement includes a return on investment, depreciation expense, extending customer-owned fuel lines (to connect to meters which require to be relocated due to safety issues), customer notification expense, and property taxes. All expenses are dependent upon the level of investment costs. After adding the 2024 under-recovery true-up amount of \$685,595, the 2025 GUARD revenue requirement to be recovered through the proposed surcharges is \$7,013,251.

**Table 1-1
 2025 GUARD Revenue Requirement Calculation**

2025 Projected Investment	\$75,739,119
2025 Return on Investment	\$4,325,414
Depreciation Expense	\$1,023,258
Fuel Line Expense	8,400
Property/Ad Valorem Tax Expense	\$928,584
Customer Notification Expense	<u>\$42,000</u>
2025 GUARD Revenue Requirement	\$6,327,656
Plus 2024 Under-Recovery	\$685,595
2025 Total Revenue Requirement	\$7,013,251

Source: Witness Laster’s Testimony Exhibit SKL-1, Schedule C-2, Page 4 of 7.

Proposed GUARD Surcharges

As approved in the GUARD Order, the total 2025 revenue requirement is allocated to the rate classes using the same methodology used for the allocation of mains and services in the cost of service study used in the Company’s most recent rate case. The respective percentages were multiplied by the 2025 revenue requirements and divided by each rate class’s projected therm sales to provide the GUARD surcharge for each rate class. This methodology was originally established by the 2012 Order approving FPUC’s GRIP program.

In 2024, the monthly bill impact was \$0.65 for a residential customer using 20 therms per month or \$7.80 per year. The proposed 2025 GUARD surcharge for FPUC’s residential customers who use 20 therms a month (240 therms annually) on the Residential Service tariff (RES-2) would pay \$0.11116 per therm compared to the 2024 GUARD surcharge of \$0.03263 per therm. The

monthly bill impact for 2025 would be \$2.22 for a residential customer using 20 therms per month or \$26.64 per year. The proposed GUARD surcharges are shown in Attachment B, in Second Revised Sheet No. 7.403.

Conclusion

The Commission should approve FPUC's 2025 GUARD cost recovery factors and associated Second Revised Sheet No. 7.403, included in Attachment B to this recommendation, to be effective for the first billing cycle of January through the last billing cycle of December 2025. The GUARD surcharge would allow FPUC to replace problematic pipes and facilities and relocate certain facilities located in rear easements to the front easements, and recover the project costs on an expedited basis.

Issue 2: Should this docket be closed?

Recommendation: Yes. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Brownless)

Staff Analysis: If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

GUARD Projects 2023-2025 Actual/Forecast											Exhibit
Project Name	Location City/Town	Location County	Program Category	Program Sub-Category	Construction Estimate Start Qtr	Construction Estimate Completed Qtr	Project Status	Investment Cost Actual/Forecasted	Footages Actual/Forecasted	Miles Actual/Forecasted	Services Actual/Forecasted
Industrial Drive - Station			Problematic	Station	2023 - Q4	2023 - Q4	Completed	\$ 542,406.52			
Lake Park - North	Lake Park	Palim Beach	Accessibility	Rear-to-Front	2023 - Q2	2024 - Q1	Completed	\$ 5,085,540.33	43,996	8.33	298
Indiantown - North Ph.1	Indiantown	Martin	Problematic	Obsolete/Aldy/A	2023 - Q3	2024 - Q1	Completed	\$ 3,336,411.51	27,905	5.29	340
Lake Park - South	Lake Park	Palim Beach	Accessibility	Rear-to-Front	2023 - Q3	2024 - Q1	Completed	\$ 1,728,971.80	19,144	3.63	70
Turnpike and Belvedere	West Palm Beach	Palim Beach	Problematic	Span	2023 - Q3	2024 - Q1	Completed	\$ 736,291.39	2,532	0.48	-
Turnpike and Jog	West Palm Beach	Palim Beach	Problematic	Span	2023 - Q3	2024 - Q1	Completed	\$ 675,570.55	1,167	0.22	-
Mercer Ave	West Palm Beach	Palim Beach	Problematic	Span	2023 - Q4	2024 - Q1	Completed	\$ 316,899.82	670	0.13	-
Winter Springs Ph.1	Winter Springs	Seminole	Accessibility	Rear-to-Front	2023 - Q2	2024 - Q2	Completed	\$ 1,647,219.68	19,952	3.78	216
Indiantown - South - Ph.3	Indiantown	Martin	Problematic	Obsolete/Aldy/A	2023 - Q4	2024 - Q2	Completed	\$ 3,128,738.12	28,166	5.33	241
Indiantown - North Ph.2	Indiantown	Martin	Problematic	Obsolete/Aldy/A	2024 - Q1	2024 - Q2	Completed	\$ 1,508,049.31	15,950	3.02	98
Forest Hill Villages	West Palm Beach	Palim Beach	Accessibility	Rear-to-Front	2023 - Q4	2024 - Q3	In-Progress	\$ 5,707,811.43	36,054	6.83	439
Sanford Ph.1	Sanford	Seminole	Accessibility	Rear-to-Front	2024 - Q1	2024 - Q3	In-Progress	\$ 746,233.57	9,080	1.72	105
Seacrest West	Boynton Beach	Palim Beach	Accessibility	Rear-to-Front	2024 - Q1	2024 - Q3	In-Progress	\$ 2,266,012.00	25,263	4.78	143
Grammercy Park	Riviera Beach	Palim Beach	Accessibility	Rear-to-Front	2024 - Q1	2024 - Q4	In-Progress	\$ 2,660,600.00	26,130	4.95	205
Park Manor	Riviera Beach	Palim Beach	Accessibility	Rear-to-Front	2024 - Q2	2024 - Q4	In-Progress	\$ 4,212,216.00	43,096	8.16	268
Winter Springs Ph.2	Winter Springs	Seminole	Accessibility	Rear-to-Front	2024 - Q2	2024 - Q4	In-Progress	\$ 3,177,020.00	22,479	4.26	358
Le Chalet	Boynton Beach	Palim Beach	Problematic	Obsolete/Aldy/A	2024 - Q3	2024 - Q4	Future Project	\$ 1,272,535.00	11,805	2.24	111
Seacrest East	Boynton Beach	Palim Beach	Accessibility	Rear-to-Front	2024 - Q3	2024 - Q4	Future Project	\$ 1,346,140.00	19,534	3.70	58
Sanford Airport	Sanford	Seminole	Problematic	Shallow	2024 - Q3	2024 - Q4	Future Project	\$ 1,021,350.00	20,500	3.88	7
American Superior	Winter Haven	Polk	Problematic	Span	2024 - Q3	2024 - Q4	Future Project	\$ 230,500.00	4,700	0.89	-
Caribbean Distillers	Lake Alfred	Polk	Problematic	Under Building	2024 - Q4	2024 - Q4	Future Project	\$ 68,750.00	300	0.06	-
Edgecliff Estates	Lantana	Palim Beach	Accessibility	Rear-to-Front	2024 - Q4	2025 - Q3	Future Project	\$ 1,993,839.00	7,927	1.50	177
Lantana Lee Estates	Lantana	Palim Beach	Accessibility	Rear Easement	Qtr 1 - 2025	Qtr 2 - 2025	Future Project	\$ 1,935,698	11,327	2.15	257
Monroe Heights	Riviera Beach	Palim Beach	Accessibility	Rear Easement	Qtr 1 - 2025	Qtr 2 - 2025	Future Project	\$ 1,636,112	15,944	3.02	83
Sanford San Lanta	Sanford	Seminole	Accessibility	Rear Easement	Qtr 1 - 2025	Qtr 2 - 2025	Future Project	\$ 799,190	13,243	2.51	40
900 S. Ocean Blvd. - BR	Boca Raton	Palim Beach	Problematic	Obsolete/Aldy/A	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 140,000	995	0.19	6
Cherry Lane Townhomes	West Palm Beach	Palim Beach	Problematic	Obsolete/Aldy/A	Qtr 2 - 2025	Qtr 4 - 2025	Future Project	\$ 726,688	3,690	0.70	92
Southside	West Palm Beach	Palim Beach	Accessibility	Rear Easement	Qtr 2 - 2025	Qtr 4 - 2025	Future Project	\$ 3,188,004	25,189	4.77	279
Whispering Palms	Lake Worth Beach	Palim Beach	Accessibility	Rear Easement	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 1,961,663	18,695	3.54	68
302 Lake Shore Dr - Lake Park	Lake Park	Palim Beach	Problematic	Span	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 218,110	400	0.08	-
Jungle Rd - Temple St	New Smyrna Beach	Volusia	Problematic	Span	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 300,000	218	0.04	-
Woodlands	Palim Springs	Palim Beach	Problematic	Obsolete/Aldy/A	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 1,298,661	6,535	1.24	195
Edgewater	Edgewater	Volusia	Problematic	Obsolete/Steel Tubing	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 406,873	5,000	-	40
Federal Gardens	Riviera Beach	Palim Beach	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 1,129,113	7,787	1.47	119
Heights	Riviera Beach	Palim Beach	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 2,307,135	19,755	3.74	144
Pickwick Park	Greenacres	Palim Beach	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 967,142	10,285	1.95	30
Highlands-Eigin Dr	Winter Springs	Seminole	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 1,502,238	15,460	2.93	217
Edgecliff - 2025	Lantana	Palim Beach	Accessibility	Rear Easement	Qtr 4 - 2024	Qtr 3 - 2025	Future Project	\$ 4,413,467	23,781	4.50	530
NE 32nd Street	Boca Raton	Palim Beach	Accessibility	Rear Easement	Qtr 4 - 2025	Qtr 4 - 2025	Future Project	\$ 1,670,112	16,815	3.18	103
N. Shore Dr at C-17 WPB	West Palm Beach	Palim Beach	Problematic	Span	Qtr 4 - 2025	Qtr 4 - 2025	Future Project	\$ 400,000	967	0.18	-
							\$ 66,409,311.53	582,436	109.36		5,337

Florida Public Utilities Company
FPSC Tariff
No. 7.403
Original Volume No. 2

~~First-Second~~ Revised Sheet
Replaces ~~Original-First~~ Sheet No. 7.403

GAS UTILITY ACCESS AND REPLACEMENT DIRECTIVE (GUARD)

Applicability:

The bill for Regulated Gas Sales Service or Transportation Service, as applicable, supplied to a Customer in any Billing Period shall be adjusted as follows:

The GUARD factors for the period from the first billing cycle for January 2024-2025 through the last billing cycle for December 2024-2025 are as follows:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
RES-1 and REST-1	\$0.0588717916
RES-2 and REST-2	\$0.0326311116
RES-3 and REST-3	\$0.0155704864
RES-SG and SGT	\$0.0452313610
GS-1 and GTS-1	\$0.0265406642
GS-2 and GTS-2	\$0.0182405544
GS-3 and GTS-3	\$0.0168605140
GS-4 and GTS4	\$0.0162105069
GS-5 and GTS-5	\$0.0145104247
GS-6 and GTS-6	\$0.0135604119
GS-7 and GTS-7	\$0.0124903767
GS-8A and GTS-8A	\$0.0155904150
GS-8B and GTS-8B	\$0.0155904150
GS-8C and GTS-8C	\$0.0155904150
GS-8D and GTS-8D	\$0.0155904150
COM-INT and COM-INTT	\$0.0071002144
COM-NGV and COM-NGVT	\$0.0116103810
COM-OL and COM-OLT	\$0.0209208779
COM-SG and COM-SGT	\$0.0501016219

Issued by: Jeffrey Sylvester, Chief Operating Officer
Florida Public Utilities Company

Effective: January 1, 2024

Florida Public Utilities Company
FPSC Tariff
Original Volume No. 2

Second Revised Sheet No. 7.403
Replaces First Sheet No. 7.403

GAS UTILITY ACCESS AND REPLACEMENT DIRECTIVE (GUARD)

Applicability:

The bill for Regulated Gas Sales Service or Transportation Service, as applicable, supplied to a Customer in any Billing Period shall be adjusted as follows:

The GUARD factors for the period from the first billing cycle for January 2025 through the last billing cycle for December 2025 are as follows:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
RES-1 and REST-1	\$0.17916
RES-2 and REST-2	\$0.11116
RES-3 and REST-3	\$0.04864
RES-SG and SGT	\$0.13610
GS-1 and GTS-1	\$0.06642
GS-2 and GTS-2	\$0.05544
GS-3 and GTS-3	\$0.05140
GS-4 and GTS-4	\$0.05069
GS-5 and GTS-5	\$0.04247
GS-6 and GTS-6	\$0.04119
GS-7 and GTS-7	\$0.03767
GS-8A and GTS-8A	\$0.04150
GS-8B and GTS-8B	\$0.04150
GS-8C and GTS-8C	\$0.04150
GS-8D and GTS-8D	\$0.04150
COM-INT and COM-INNT	\$0.02144
COM-NGV and COM-NGVT	\$0.03810
COM-OL and COM-OLT	\$0.08779
COM-SG and COM-SGT	\$0.16219

Issued by: Jeffrey Sylvester, Chief Operating Officer
Florida Public Utilities Company

Effective: