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August 19, 2022

Hernando County
Board of County Commissioners

BY US MAIL

Honorable John Allocco, Chair
Board of Commissioners of Hernando County
20 Main St.
Brooksville, FL 34601

Re: Docket No. 20220067-GU: 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.

Dear Chair Allocco:

Attached, please find a copy of the Synopsis (w/o referenced attachments) of the above-referenced case before the Florida Public Service Commission, which will address the Petition for Approval of Rate Adjustment, Depreciation Study, Consolidated Rates and Rate Structure Under Florida Public Utilities Company. The full Synopsis, including all attachments, is available at the following web address, along with other pertinent information:

[Synopsis-of-Rate-Request-1.pdf \(fpuc.com\)](#)

The pre-filed, written testimony and exhibits of the witnesses supporting the Company's request, including the 2023 Depreciation Study, are available on the Florida Public Service Commission's website, along with the Minimum Filing Requirement schedules, at the following address:

<http://www.psc.state.fl.us/ClerkOffice/DocketFiling?docket=20220067> .

Sincerely,

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

Enclosure



DOCKET NO. 20220067-GU

Synopsis of Rate Request

I. Company Overview

Florida Public Utilities Company (FPUC or Company) FPUC was originally incorporated in 1924. Its official name became Florida Public Utilities Company in 1927. On October 28, 2009, FPUC was acquired by Chesapeake Utilities Corporation ("CUC"), a Delaware corporation. CUC also operates the Florida Division of Chesapeake Utilities Corporation ("CFG"), a natural gas utility in Florida, as well as unregulated energy businesses, including propane distribution operations and a propane wholesale marketing subsidiary. With the acquisition of FPUC in 2009, CUC expanded its energy presence throughout the State of Florida. On August 6, 2010, FPUC acquired Indiantown Gas Company ("Indiantown") and with it, approximately 700 additional customers. On June 11, 2013, the City Commission of the City of Fort Meade voted to sell the City's natural gas system to FPUC. The purchase agreement for the sale of the system to FPUC was approved subsequently by the City at its October 8, 2013, City Commission meeting.

CUC began as the Dover Gas Light Company, which was formed in 1859. CUC was later incorporated in the State of Delaware as "Chesapeake Utilities Corporation" in 1947. CUC's Natural Gas Transmission subsidiaries are Eastern Shore Natural Gas Company, regulated by the FERC, and Peninsula Pipeline Company, Inc., regulated by the Florida Commission. CUC's unregulated energy businesses include its propane distribution operations and its propane wholesale marketing subsidiary, as well as Marlin Gas Services, which provides virtual pipeline services. Its corporate headquarters are located at 500 Energy Lane, Dover, Delaware 19904.

II. Request for Rate Increase/ Summary

On May 24, 2022, for the first time in over ten years, the Company filed a request for a rate increase with the Florida Public Service Commission ("Commission") asking for a

permanent increase in rates, as well as an interim increase in rates pending the Commission's decision in this case. The Commission is the agency, under Florida law¹, charged with setting and regulating the rates, fees, and services of Florida utilities and will review the Company's request. The Docket Number assigned by the Commission for this proceeding is Docket No. 20220067-GU.

The Company is asking that the Commission allow the Company to increase its rates and charges to the extent necessary to generate additional gross annual revenues in the amount of \$24 million, which will enable the Company to continue to provide safe, reliable natural gas service at a level the customers have come to expect, and to approve the Company's depreciation study also submitted herewith in support of the Company's requested increase. The requested increase will provide FPUC with a reasonable opportunity to earn a fair rate of return of 6.43 percent on the Company's plant and property used to serve its customers and an 11.25 percent midpoint rate of return on FPUC's common equity. The Company's request for interim relief seeks permission to implement a temporary increase in an amount necessary to generate additional revenues in the amount of \$7,129,255 for the interim period before permanent rates and charges go into effect in accordance with the Commission's final determinations in this proceeding.

The Commission will utilize a "test year" for purposes of setting rates for FPUC. The Company has used a projected test year of January 1, 2023 through December 31, 2023 for purposes of presenting its case, and believes this time period best represents actual conditions in effect at the time new rates will go into effect, as compared with other prior periods. The Company's jurisdictional 13-month average rate base for the test year period is projected to be \$454.9 million. Without the requested rate increase, the jurisdictional net operating income for the Company in the same period is projected to be \$11.4 million. The projected rate of return is, consequently, projected to be 2.51 percent, while the return on common equity is projected to be 2.57 percent in the test year. As such, FPUC asks that the Commission allow the Company an overall rate of return of 6.43 percent, including a mid-point ROE of 11.25 percent. The resulting revenue deficiency is \$24 million.

The Company is also seeking to include the existing Gas Reliability Infrastructure Program ("GRIP") distribution facility installations in rate base, consistent with the

¹ Chapter 366, Florida Statutes.

Commission's prior decision on the Company's GRIP program. When the additional revenue requirement of \$19.8 million associated with GRIP is included, as contemplated by Commission order and as further discussed herein, this results in a total revenue increase request of \$43.8 million. It should, however, be noted that moving the GRIP investments into rate base is ultimately bill neutral for FPUC's customers, as well as revenue neutral to the Company, because FPUC is also proposing to make a corresponding adjustment to reduce the current GRIP surcharge.

III. Interim Request

FPUC is also asked for an interim increase in its retail rates and charges in an amount necessary to generate additional revenues in the amount of \$7.13 million, which, by company, amounted to \$4,852,243, \$2,281,056, \$31,095, and \$35,138, for FPUC, Chesapeake, Indiantown, and Ft. Meade, respectively. This proposed interim increase would be effective during the interim period while the case is processed and before permanent rates and charges go into effect in accordance with the Commission's final determinations in this proceeding. The requested amount is based upon actual data derived from the preceding or "historic" test year with an ending date of December 31, 2021. For that period, the Company's annual revenue deficiency is \$7,542,362 based upon a historic test year rate base of \$434,446,383. The Commission approved interim rate relief of \$7,680,264 at its August 2, 2022, Agenda Conference, which, by company, amounts to an interim increase of \$5,284,334, \$2,329,697, \$31,095, and \$35,138 for FPUC, Chesapeake, Indiantown, and Ft. Meade, respectively. Any interim increase will be placed into effect subject to refund, with interest, if at the conclusion of this proceeding, the Commission determines that some or all of the increase was not justified.

IV. Reasons for Request - Key Factors

As further set forth in the testimony and exhibits of FPUC's witnesses, there are four key drivers for FPUC's request in this proceeding: (1) significant capital investments to expand service to new customers, and underserved areas of the state; (2) significant technology investments to upgrade the reliability of the Company's internal network, its billing and communications systems, and to address cyber security measures, as well as protect customer information; (3) significant investments tied to enhancing safety for the Company and its

customers, as well as investment necessary to respond to changes in facility compliance requirements; and (4) historically high inflation, which is notable in areas such as increased insurance premiums, cost of materials, and labor.

In order to continue to provide, in the face of these challenges, “reasonably sufficient, adequate, and efficient service,” as required by Section 366.03, Florida Statutes, FPUC must be able to not only recover its cost to serve, but also attract capital at reasonable rates and offer a fair return for its investors. Without a rate increase, FPUC will be unable to provide the level of service required by statute and will also be unable to meet its obligations to its investors. Thus, FPUC is asking that this Commission allow the Company to increase its rates and charges enough to provide a total increase in annual revenues of \$24.1 million.

Since its last rate case, FPUC has grown, both through acquisition and organically, and expanded gas service to areas of the state that previously had no access to natural gas.

Without the requested revenue increase, FPUC, on a consolidated basis, projects that its overall rate of return will fall to 2.51 percent. As such, FPUC’s ability to continue to provide safe and consistently reliable service at the level to which our customers expect and deserve will be jeopardized. Moreover, the ability of Chesapeake Utilities Corporation to attract capital on behalf of FPUC at reasonable rates may be impaired, resulting in potentially even higher rates.

To produce the requested permanent revenue increase, the Company has also filed revised tariff schedules which include the requested rate increases. The adjustments to the various rates and charges, and the changes made to the different rate classes, are based upon a cost of service study, which was then used to allocate costs across the Company’s different rate classes. While revisions vary from rate class to rate class, a typical residential customer on FPUC would see a total bill increase of \$12.12/month or 23.71 percent, CFG would be \$9.11/month or 14 percent, Fort Meade \$8.34/month or 19 percent, and Indiantown \$4.85/month or 12 percent, including GRIP and gas costs (PGA). A comparison of the present and proposed rates is attached to this Synopsis as Appendix A, along with a copy of the Executive Summary submitted with the Company’s filing at the Commission.

V. Additional Requests

In addition to the requested rate increase, the Company is also seeking Commission approval to take several additional items and actions, including:

- 1) Approval of the Company's Depreciation Study;
- 2) Authorization to retain the unamortized amount of the acquisition adjustment, which amounts to an annual revenue requirement of approximately \$2.6 million for FPUC and \$45 thousand for Indiantown.
- 3) Authorization to make certain changes to its tariffs to include the consolidation of rates and rate structure across the Florida platform, reflecting the unification of Florida LDCs under FPUC. Additionally, the Company seeks approval of several additional changes to customer charges, including changes to the application of the Service Connection Charge, Service Reconnection Charge, and Bill Collection with Service Disconnect Charge;
- 4) Authorization to revise its Area Extension Plan (AEP) to reduce confusion regarding the calculation of the surcharge and to promote a more administratively efficient means of administering the program and surcharge;
- 5) Authorization to add a Bill Collection with Service Disconnect Charge and Late Payment Charge for customers of the former Florida Division of Chesapeake Utilities Corporation and Indiantown business units. These charges are currently applicable to the Company's FPUC and Ft. Meade service area customers. Additionally, FPUC seeks approval to add a Failed Trip Charge, Temporary Disconnection Charge, and Bill Collection with Service Disconnect Charge to the former Indiantown Division. The customers of FPUC and Ft. Meade Division would see the addition of a Bill Collection with Service Disconnect Charge, which is a new proposed charge for all of FPUC;
- 6) Authorization to move recovery of bad debt expense associated with function applicable to the various cost recovery clauses out of base rates for future recovery through the respective clause mechanisms.;
- 7) Authorization to implement a base rate adjustment to the Company's Non-Fuel Energy Charges and Transportation Service Charges to recover or refund base expenses that result from potential state or federal governmental mandated tax increase or decrease;

- 8) Authorization to establish an environmental surcharge, similar to the mechanism originally approved for the Florida Division of Chesapeake Utilities Corporation (CFG) in Docket No. 20090125-GU for the purposes of addressing the future expected remediation costs with the status of remediation efforts, and expenses to be reviewed in the Company's next rate case.
- 9) Authorization for additional tariff changes for transportation requirements and other issues to further reflect a consolidated entity;
- 10) Authorization to increase its annual accrual to the storm reserve from \$6 thousand to \$10 thousand;
- 11) Authorization to incur costs to establish a "Safety Town" training facility in Debary, Florida. This contemplated facility will enable the Company to provide training programs for employees and first responders.

VI. Rate Making Process

The Company has filed detailed accounting and financial schedules, based upon the projected and historic test years, which are called Minimum Filing Requirements or "MFRs". The Company has also filed a formal Petition making its request to the Commission, along with written, pre-filed testimony and exhibits of its witnesses, who explain and support the Company's analysis of rate base, capital structure, achieved and required net operating income, adjustments to expenses and rate base, tariff changes, including quality of service, and other pertinent issues.

The Commission will address the Company's request through a full hearing process. This process will include customer service hearings to receive testimony from the Company's customers regarding the Company's quality of service and other matters pertinent to the Company's requested rate increase.

Key issues in the case are likely to include:

1. What is the appropriate test year for setting base rates?
2. What is FPUCs test year rate base for the consolidated utility?
3. What is FPUC's cost of capital for the consolidated utility?
4. What is FPUC's test year net operating income for the consolidated utility?

5. Is FPUC's cost of service methodology appropriate?
6. Is the proposed consolidation and restructuring of rate classes appropriate for the consolidated utility?
7. What are the appropriate rates for each customer class?

Specific issues will be identified in a prehearing order issued by the Commissioner assigned as Prehearing Officer for the case.

Upon completion of the customer service hearings and the formal hearing (scheduled for October 25-28, 2022, in Tallahassee), the Commission's professional staff will prepare a recommendation based upon the evidence presented addressing what rate relief, if any, is appropriate for the Company. The Commission's staff is composed of attorneys, engineers, accountants, rate and finance analysts, and consumer affairs specialists. The Commission will review and take action on their staff's recommendation and thereafter, an Order addressing the Company's request will be issued. Three Commissioners have been assigned to decide this case. They will base their decisions on all issues in the case upon the evidence that is received.

In addition to the Commission's professional staff, the Office of Public Counsel has intervened in this docket and will be analyzing the documents and testimony submitted by the Company, as well as any additional information produced through the formal discovery process or as a result of the audit that will be conducted by the Commission's audit staff. The Office of Public Counsel may be contacted at: Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, FL 32399-1400.

The PSC will conduct customer service hearings virtually and in-person to receive comments from customers regarding the Company's quality of service and request for a base rate increase. The dates and locations of those service hearings are as follows:

Virtual Service Hearings:

Tuesday, August 30, 2022
6:00 p.m. EST
Spanish Interpreter Available
Tallahassee, FL

Wednesday, August 31, 2022
10:00 a.m. and 2:00 p.m. EST
Tallahassee, FL

In-Person Service Hearings:

Tuesday, September 20, 2022
4:00 p.m. EST
West Palm Beach Solid Waste Authority
7501 N Jog Road
West Palm Beach, FL 33412

Wednesday, September 21, 2022
6:00 p.m. EST
Winter Haven Garden Center

715 3rd Street NW
Winter Haven, FL 33882

If you would like to testify before the PSC by phone at one of the virtual customer service hearings, you must sign up by emailing the PSC at **speakersignup@psc.state.fl.us** or by calling **1-850-413-7080**. You will need to provide your name, address, and the date and time of the hearing you want to participate. Once you sign up, either by email or by phone, you will be provided further instructions on how to participate, including the call-in number.

Please note these hearings will begin as scheduled and will continue until all witnesses have been heard. All persons who wish to present testimony at the in-person hearings are urged to appear at the beginning of the hearings since a hearing may be adjourned early if no witnesses are present to testify. In accordance with the Americans with Disabilities Act, persons needing accommodations to participate should contact the Office of Commission Clerk no later than five days prior to the hearing in which you plan to participate at by contacting the PSC 1-850-413-5770. Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service at 1-800-955-8771.

Currently, the schedule for this proceeding is as follows:

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| (1) FPUC's testimony and exhibits | May 24, 2022 (complete) |
| (2) Intervener's testimony and exhibits | August 24, 2022 |
| (3) Service Hearings | August 30-31, 2022 &
September 20-21, 2022 |
| (4) Commission Staff's testimony and exhibits | August 26, 2022 |
| (5) Rebuttal testimony and exhibits | September 14, 2022 |
| (6) Prehearing Statements | September 30, 2022 |
| (7) Discovery deadline | October 12, 2022 |
| (8) Prehearing Conference | October 13, 2022 |
| (9) Hearing | October 25-28, 2022 |
| (10) Briefs | November 28, 2022 |

Information regarding the Company's requested rate increase including, detail of the Company's MFRs, and a synopsis of the case can be reviewed from the Company's website at: www.fpuc.com or from the Florida Public Service Commission's website at: www.psc.state.fl.us/ClerkOffice/DocketDetail?docket=20220067

Any written customer comments regarding the Company's service or the proposed rate increase should include the docket number assigned to this case, Docket No. 20220067-GU, and should be addressed to:

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Florida Public Service Commission's email at clerk@psc.state.fl.us, or the Commission's website available at:

<http://floridapsc.com/about/contact/form.aspx>. If you wish to contact the Florida Public Service Commission regarding complaints about service, you may call the Commission's Office of Consumer Assistance and Outreach at the following toll-free number: **1-800-342-3552**.