

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

FILED 4/3/2018
DOCUMENT NO. 02685-2018
FPSC - COMMISSION CLERK

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In the Matter of:

DOCKET NO. 20170179-GU

PETITION FOR RATE INCREASE BY FLORIDA CITY GAS.

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VOLUME 1
PAGES 1 through 41

PROCEEDINGS: HEARING
COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN

DATE: Monday, March 26, 2018

TIME: Commenced: 2:10 P.M.
Concluded: 2:51 P.M.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

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

1 APPEARANCES:

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4 Street, Suite 601, Tallahassee, Florida 32301-1839,
5 appearing on behalf of Florida City Gas

6 J.R. KELLY, PUBLIC COUNSEL; VIRGINIA PONDER,
7 PATRICIA CHRISTENSEN, and STEPHANIE A. MORSE, ESQUIRES,
8 Office of Public Counsel, c/o the Florida Legislature,
9 111 W. Madison Street, Room 812, Tallahassee, Florida
10 32399-1400, appearing on behalf of the Citizens of the
11 State of Florida.

12 THOMAS A. JERNIGAN, NATALIE A CEPAK, ANDREW
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14 Agencies, AFCED/JA-ULFSC, 139 Barnes Drive, Suite 1,
15 Tyndall Air Force Base, Florida 32403, appearing on
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18 JANJIC, and MARGO A. DUVAL, ESQUIRES, FPSC General
19 Counsel's Office, 2540 Shumard Oak Boulevard,
20 Tallahassee, Florida 32399-0850, appearing on behalf of
21 the Florida Public Service Commission Staff.

22 KEITH HETRICK, GENERAL COUNSEL; MARY ANNE
23 HELTON, DEPUTY GENERAL COUNSEL; Florida Public Service
24 Commission, 2540 Shumard Oak Boulevard, Tallahassee,
25 Florida 32399-0850, Advisor to the Commission.

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I N D E X
WITNESSES

NAME:	PAGE
CAROLYN BERMUDEZ, GREGORY BECKER, MICHAEL MORLEY	
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EXHIBITS

NUMBER:		ID	ADMITTED
1	Comprehensive exhibit list	7	7
2-121	As identified on the comprehensive list	7	37

1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: Okay. Let the record show
3 it is 10 after 2:00. It is Monday, March 26th, and
4 we are here for the Florida City Gas rate case
5 stipulation, 20170179-GU. We will convene this
6 hearing.

7 And, staff, if I could get you to read the
8 notice, please.

9 MR. TRIERWEILER: By notice issued March 9
10 2018, this time and place was set for this hearing
11 in Docket Number 20170179. The purpose of this
12 hearing is set out in the notice.

13 CHAIRMAN GRAHAM: Okay. Let's take
14 appearances.

15 MS. KEATING: Good afternoon, Mr. Chairman,
16 Commissioners. Beth Keating, Greg Munson and Lila
17 Jaber here with the Gunster law firm on behalf of
18 Florida City Gas.

19 MS. CEPAK: Good afternoon, Chairman and
20 Commissioners. Captain Natalie Cepak on behalf of
21 Federal Executive Agencies.

22 MS. PONDER: Good afternoon, Commissioners.
23 Virginia Ponder, along with Patty Christensen and
24 J.R. Kelly, the Public Counsel, on behalf of Office
25 of Public Counsel.

1 MR. TRIERWEILER: Good afternoon,
2 Commissioners. On behalf of the Public Service
3 Commission, I am Walt Trierweiler. Also
4 represented by Danijela Janjic, Margo DuVal and
5 Jennifer Crawford.

6 MS. HELTON: And Mary Anne Helton here as your
7 advisor. I would also like to make an appearance
8 to your General Counsel, Keith Hetrick.

9 CHAIRMAN GRAHAM: Okay. Welcome all.
10 Let's start with preliminary matters.

11 MR. TRIERWEILER: On March 12th, 2018, the
12 parties filed a joint motion for the approval of a
13 stipulation and settlement agreement referred to as
14 the SSA that resolves all issues identified in this
15 proceeding. This has been marked on the
16 comprehensive exhibit list as Exhibit No. 107. The
17 new tariffs have been marked as Exhibit 121. On
18 March 16, 2018, a corrected Exhibit C to the SSA
19 was filed replacing the original exhibit.

20 Carolyn Bermudez, Mike Morley and Gregory
21 Becker will be appearing as witnesses on behalf of
22 City Gas as a panel to answer any of the questions
23 that the Commission may have.

24 COMMISSIONER BROWN: Thank you,
25 Mr. Trierweiler.

1 Let's go to marking the exhibits.

2 MR. TRIERWEILER: The admissibility of the
3 comprehensive exhibit list has been placed before
4 you, has been stipulated by the parties. Staff
5 requests that the list itself be marked as Exhibit
6 No. 1.

7 COMMISSIONER BROWN: We will go ahead and do
8 that.

9 (Whereupon, Exhibit No. 1 was marked for
10 identification.)

11 MR. TRIERWEILER: At this time, staff would
12 request that Exhibit No. 1 be entered into the
13 record, and that all exhibits be marked as
14 identified therein.

15 COMMISSIONER BROWN: All right. Thank you.
16 Seeing no objection, we will go ahead and enter
17 into the record Exhibit 1, and mark all other
18 exhibits as identified therein.

19 (Whereupon, Exhibit No. 1 was received into
20 the record.)

21 (Whereupon, Exhibit Nos. 2-121 were marked for
22 identification.)

23 MR. TRIERWEILER: There are no further
24 preliminary matters.

25 COMMISSIONER BROWN: Thank you.

1 Let us get to the current status of this
2 proceeding, please.

3 MR. TRIERWEILER: We are here today to discuss
4 the stipulation and settlement agreement between
5 Florida City Gas, the Office of Public Counsel and
6 the Federal Executive Agencies regarding the rate
7 case, including the matters concerning the Tax Cuts
8 and Job Act of 2017, the TCJA.

9 COMMISSIONER BROWN: Thank you so much.
10 We will begin today with opening statements.
11 Each party will have eight minutes, and we will
12 start with City Gas, followed by OPC or FEA,
13 whichever order you prefer. Please feel free not
14 to use all the minutes if you so choose, but we
15 will go ahead starting with Ms. Keating.

16 MS. KEATING: Thank you, Commissioner. We
17 will be very conscious of the time.

18 If I could, I could like to start by
19 introducing Ms. Carolyn Bermudez. She is the
20 Vice-President of Operations and General Manager
21 for Florida City Gas. She would like to make a few
22 opening comments, and then I will follow with the
23 company's opening statement.

24 COMMISSIONER BROWN: Certainly.

25 MS. BERMUDEZ: Good afternoon, Commissioners.

1 I want to thank Mr. Kelly and his team at the
2 Office of Public Counsel, as well as the Federal
3 Executive Agencies, for working with us to
4 negotiate the settlement that is before you today.

5 I would also like to express our appreciation
6 to the Commission staff for their review of the
7 settlement, and for facilitating our presentation
8 of it for your consideration.

9 The settlement you see is a product of lengthy
10 and very detailed negotiations. It took place in
11 tandem with our regular process of our rate case.
12 We believe this settlement represents a fair
13 compromise of all the positions of the parties.
14 Most importantly, though, we think it results in
15 maximum benefits to our customers.

16 As you know, it has been 14 years since we
17 filed our last rate case. We have worked hard
18 since then to control costs, which is critical
19 because as demand for energy continues to grow, our
20 customers deserve natural gas service they can
21 depend on at a reasonable cost.

22 After 14 years, however, our rates are no
23 longer sufficient to allow us to make the necessary
24 investments to ensure that we are able to continue
25 to provide clean, safe, reliable and affordable

1 service to our customers, which is why we filed the
2 petition that initiated this case.

3 Over the course of this case, we've produced
4 thousands of documents and discovery responses, in
5 addition to the prefiled direct and rebuttal case.

6 The Public Counsel's office and FEA and your
7 staff also worked hard to develop a complete record
8 for your considerations.

9 As you heard testimony from our customers
10 Miami-Dade, Port St. Lucie and Brevard, over the
11 past few months we have seized every opportunity to
12 engage in discussions with the OPC and FEA
13 regarding the differing perspectives and possible
14 opportunities for compromise. Those discussions
15 led to the in-depth, good faith negotiations, and
16 ultimately produced the agreement before you today,
17 for which we -- we are very appreciative.

18 As Ms. Keating will further describe, the
19 settlement addresses key areas of concern for the
20 company while providing important benefits for our
21 customers, including the flow-through of income tax
22 reduction benefits, the extended period of rate
23 stability, and significant reduction in rate
24 increase originally proposed.

25 A key standout element of the settlement that

1 addresses one of the most serious concerns and
2 there is the inclusion of the cost to build a
3 liquefied natural gas facility. This new LNG
4 facility, the first of its kind in Florida utility,
5 will ensure we can continue to provide reliable and
6 affordable natural gas service to our customers
7 with an eye toward meeting the demands of the
8 customers in the future.

9 Right now, on those peak demands days in
10 Florida, we would not be able to supply gas to
11 everyone that needs it. The construction of an LNG
12 facility is the most cost-effective that allows us
13 to meet the peak demand of our existing customers
14 while also allowing to us release some of the
15 pipeline reserve capacity that we currently hold,
16 which should result in a cost reduction to our
17 sales customers.

18 Commissioners, I am proud of the work our
19 dedicated employees at Florida City Gas do on a
20 day-to-day basis to provide safe and reliable
21 natural gas service for our customers, and I am
22 especially proud of the work our team has done to
23 bring us to this point where we can come before you
24 with this settlement today.

25 I, along with Mike Morley and Greg Becker,

1 will be available to answer any questions you have.
2 Again, I say thank you for your favorable
3 considerations.

4 MS. KEATING: Commissioners, the agreement
5 before you has several critical components.

6 First, the agreement prevents the company from
7 seeking an increase in base rates that would be
8 effective before June 1, 2022, four years from now,
9 except in certain limited circumstances. This
10 assures FCG's customers that the company's
11 remarkable record of rate stability continues
12 following this rate case.

13 Second, the agreement quantifies the benefit
14 of the Tax Reform Act on the company, which is
15 reflected as a reduction to the test year over \$4
16 million. It also recognizes that more work needs
17 to be done as it relates to protected and
18 unprotected deferred taxes. It establishes an
19 initial timeline for addressing those issues, and
20 provides that Florida City Gas will calculate and
21 include the impact of the new tax rate in its
22 true-up and calculation of the new SAFE surcharge
23 for 2019.

24 Third, the agreement addresses Florida City
25 Gas' significant concerns around capacity and

1 system performance by contemplating that the LNG
2 facility that was proposed will be recoverable
3 through the company's base rates in its entirety.
4 This will be accomplished through a stepped rate
5 process that contemplates that 3.5 million will be
6 included in the initial proposed increase occurring
7 on June 1st, 2018, followed by two subsequent
8 increases taking place on June 1 and December 1,
9 2019, or the in-service date of the facility,
10 whichever is later.

11 The LNG facility provides a creative, highly
12 economical and reliable capacity solution with
13 significantly less rate impact than other available
14 options.

15 In conjunction with the LNG facility, and
16 recognizing the intent to purchase 20,000
17 dekatherms of remaining capacity on FGT, the
18 agreement supports implementation of the company's
19 revised transportation tariff, which will avoid the
20 cost impact of this additional capacity on the
21 company's PGA.

22 Next, the parties have agreed that FCG should
23 be allowed to increase its rates and charges to
24 generate an additional revenue of three point -- of
25 11.5 million in revenues, which includes the

1 transfer of the SAFE surcharge into base rates, to
2 be followed thereafter by the stepped increases
3 that are associated with the LNG facility.

4 For residential customers in the RS-1 class,
5 this agreement reduces the proposed rate increase
6 from 11.9 percent to 8.4 percent; which, again,
7 given that this will be the company's first rate
8 increase in almost 14 years, is pretty remarkable.

9 The agreement also includes other provisions
10 similar to those as you have seen in other
11 agreements, such as those addressing clause
12 recovery, equity ratio, storm reserve, tariffs, the
13 company's depreciation rates and rate case expense,
14 which, although they are familiar, and no less
15 important.

16 We believe this agreement represents a good
17 compromise among the parties. It promotes rate
18 stability and regulatory certainty for both the
19 company and its customers.

20 Taken as a whole, Florida City Gas and the
21 consumer parties agree that this agreement is in
22 the public interest and should be approved without
23 modification.

24 We have a panel of experts here, as
25 Ms. Bermudez mentioned, to answer your questions at

1 the appropriate time.

2 And once your questions have been addressed,
3 Commissioners, we believe this agreement will be
4 ripe for a bench decision, at which point we
5 respectfully ask that you approve it.

6 Thank you.

7 COMMISSIONER BROWN: Thank you, Ms. Keating.
8 Ms. Ponder.

9 MS. PONDER: Yes. Thank you, Commissioners.
10 First, we would like to thank Florida City Gas
11 for its cooperation and diligence in working
12 together to reach a settlement of this matter. The
13 provisions of this agreement represent a reasonable
14 compromise of the parties' positions following a
15 lengthy discovery period, and sometimes difficult
16 negotiations.

17 We believe the stipulation and settlement
18 agreement in its entirety is in the public interest
19 and is in the best interest of the customers and
20 the company, given the facts, circumstances and
21 posture of this case.

22 We thank you for your consideration of this
23 agreement today, and respectfully request you
24 approve the settlement in its entirety.

25 We are available to answer any questions you

1 may have of OPC.

2 COMMISSIONER BROWN: Thank you.

3 FEA.

4 MS. CEPAK: Yes, ma'am. In the interest of
5 time, ditto. They've already said everything I was
6 going to say. And FEA requests that you approve
7 the settlement without any modifications.

8 COMMISSIONER BROWN: Thank you.

9 I would like to note, just for the record,
10 that this commission had several service hearings
11 throughout the territory of City Gas, and it is
12 notable that there were -- there was very little
13 customer participation, but at this time, time has
14 been set aside to take public testimony from
15 customers of City Gas. Are there any customers
16 that are here today, in Tallahassee, that would
17 like today's the Commission? Now is your chance to
18 speak.

19 Seeing none, if there aren't any, then we are
20 going -- Commissioner Polmann, you have a comment?

21 COMMISSIONER POLMANN: I have questions.

22 COMMISSIONER BROWN: I heard that -- I heard
23 we will get to that. Just going through the script
24 here.

25 If there aren't any, we are going to go ahead

1 to swearing in the witnesses that are on the panel.

2 If you could, City Gas, Ms. Keating, if you
3 could have your witnesses come up to the bench over
4 here, we will go ahead and swear them in there.

5 While you are getting situated, before I swear
6 you in, could you all state your name, starting
7 with Carolyn Bermudez.

8 THE WITNESS: (MS. BERMUDEZ) Carolyn
9 Bermudez, Vice-President of Operations and General
10 Manager.

11 COMMISSIONER BROWN: Thank you.

12 THE WITNESS: (MR. BECKER) Gregory Becker,
13 Director of Capacity Planning for Florida City Gas.

14 THE WITNESS: (MR. MORLEY) Michael Morley,
15 Director of Regulatory Accounting and Reporting for
16 Florida City Gas.

17 COMMISSIONER BROWN: Thank you.

18 And now that you are comfortable, can you
19 please stand with me and raise your right hand?

20 Whereupon,

21 CAROLYN BERMUDEZ
22 GREGORY BECKER
23 MICHAEL MORLEY

24 were called as a witness, having been first duly sworn
25 to speak the truth, the whole truth, and nothing but the
truth, was examined and testified as follows:

1 COMMISSIONER BROWN: Thank you. Please be
2 seated.

3 All right. Now is the time for commissioners
4 to ask questions. And I notice Commissioner
5 Polmann has a few questions over here, so we will
6 start with him.

7 Commissioner Polmann.

8 COMMISSIONER POLMANN: Thank you, Madam
9 Chairman.

10 I had many questions surrounding the LNG
11 facility and its relationship to other aspects of
12 your petition, but I think I have narrowed a lot of
13 that given the settlement and your answers to staff
14 data requests. So let me see if I can be brief, or
15 briefer than I otherwise would have.

16 If we look in the settlement document on page
17 five. If you could turn to that, please. And I am
18 going to be looking there, and I am also going to
19 be looking in your responses to staff's first data
20 request also related to the LNG. But we will start
21 on page five, if you have that.

22 The LNG facility section indicates the parties
23 agree that you will be authorized to construct the
24 LNG facility -- or makes reference to testimonies
25 of Becker and Russell facility of certain capacity,

1 and then listed items discussed in the testimonies.
2 The last phrase there, paren four, it says, other
3 related specification. And I take that in the
4 context of that sentence to be other related
5 specifications as if it's discussed in those
6 testimonies.

7 If you could read that sentence and refresh
8 your reading -- recollection there in the
9 settlement. And maybe this is a question for Mr.
10 Becker. Can you tell me if other related
11 specifications is actually within the testimony
12 that's in the record? Or what does that phrase
13 mean?

14 THE WITNESS: (MR. BECKER) The other related
15 specifications would be the necessary equipment to
16 physically connect the new LNG facility to Florida
17 City Gas' distribution system.

18 COMMISSIONER POLMANN: Okay. So generally
19 speaking, it's items one, two and three, plus other
20 things that would be necessary, related and
21 appropriate?

22 THE WITNESS: (MR. BECKER) That's correct,
23 Commissioner.

24 COMMISSIONER POLMANN: Okay. Let's look at
25 your response to staff's first data request in the

1 appendix. And this is going to be on page four.
2 It's questions -- page four and five, question five
3 and six, I believe. And again, it's labeled the
4 LNG facility. It's Tab 3 -- well, it's my Tab 3.
5 I don't know -- do you folks have a copy of that?
6 Okay.

7 So if -- under question five, this is a
8 question regarding the intended use, and the
9 question is fairly narrowly framed as to -- and
10 also in question six, the form is very similar.

11 These questions are fairly narrowly framed as
12 to alternative fuel for transportation, and then
13 for wholesale sales. And it concerns your
14 intention as to how you are going to use the
15 facility.

16 Your answer is also fairly narrowly framed
17 that you have no intention to use the facility to
18 sell LNG as a transportation fuel, or for wholesale
19 sales, and that you are building this to address
20 capacity issues. And again, makes a reference to
21 testimony of Mr. -- Mr. Becker.

22 So then my question is, from the utility's --
23 is it the utility's intent -- and we will come
24 black to that word -- but is it the utility's
25 intent that City Gas will use the facility only for

1 the benefit of its ratepayers?

2 THE WITNESS: (MS. BERMUDEZ) Commissioner
3 Polmann, yes, that is the -- our intent. This
4 facility will be used for its ratepayers, and used
5 as a peaking facility to provide fuel into our
6 distribution system.

7 COMMISSIONER POLMANN: Okay. Could you
8 clarify -- did I hear you say current intent?

9 THE WITNESS: (MS. BERMUDEZ) Well, it is our
10 intent. Not current. It is our only intent.

11 COMMISSIONER POLMANN: Okay, because that
12 was -- that's an important aspect of -- of my -- my
13 follow-up question, is, you know, questions have
14 been asked about your current business model, and
15 not necessarily in those words, but it's been asked
16 about you making wholesale sales, or transportation
17 sales, and so forth. And if that were to occur, we
18 would be looking for assurances that the utility's
19 ratepayers would receive a benefit if you had
20 generated any other revenue, because the ratepayers
21 are funding the facility through this proceeding,
22 so that if your -- if your current business model
23 were to change, and if there was a future
24 circumstance at any point to generate revenue
25 outside of your current business model, we would be

1 looking for assurances that the customers, in fact,
2 would receive a benefit from any outside sales.

3 So here today, I am -- I am trying to receive
4 those assurances, because in Section 5 in the
5 agreement, that's not spoken to at all, and so
6 staff was trying to get to that in the data
7 requests. And the language to me, it doesn't give
8 me sufficient comfort, because the word intention,
9 it doesn't carry enough weight. You know, I -- I
10 can deal with that in certain ways, and I may well
11 do that in a motion here in a minute, but I -- I am
12 trying to discuss that.

13 I mean, I heard what you said. And I will --
14 I think I may just leave it there and see how the
15 Chairman, if she has follow-up or -- that's all I
16 have for the moment. I will come back to it if I
17 need to.

18 COMMISSIONER BROWN: Commissioner Polmann,
19 would you like to continue with questions? But I
20 will follow up on that.

21 COMMISSIONER POLMANN: That's really the only
22 point of focus that I have, is on that issue.

23 COMMISSIONER BROWN: I think that is an extent
24 line of questions, and I would like to hear from
25 the company on that with regard to any changes that

1 could occur with regard to the LNG facility.

2 MS. KEATING: Commissioner, would it be all
3 right if I respond to that?

4 COMMISSIONER BROWN: I am fine with that, even
5 though you are technically not sworn in.

6 MS. KEATING: Well, from the perspective of
7 the case presented, though, that's -- that's the
8 only position I was coming from, is from the
9 perspective of the case presented.

10 COMMISSIONER BROWN: Mary Anne, is that okay?
11 I mean, we just want to know.

12 MS. HELTON: Well, I think it might be
13 appropriate to have Ms. Keating answer, and then if
14 we still want to -- if you still want to ask the
15 witness the question, then I think it would be
16 appropriate to do that.

17 COMMISSIONER BROWN: Sounds good.

18 Ms. Keating.

19 MS. KEATING: Thank you. Thank you,
20 Commissioner Brown.

21 From the context of the case presented by the
22 company, the LNG facility was only presented as a
23 peaking unit. There was -- it was not contemplated
24 that there would be LNG sales, and so that is the
25 same context that the settlement was negotiated

1 around, was an LNG facility that contemplated only
2 being used as a peaking facility, and not for LNG
3 sales.

4 So I think, from a legal perspective, in terms
5 of what the settlement contemplated and what this
6 record that we are putting before you today
7 includes, it would certainly require that the
8 company come back before you with a request for
9 permission to do any sort of retail sales of LNG
10 outside the context of how this -- this facility
11 has been presented to you today.

12 COMMISSIONER BROWN: Thank you. I think that
13 does answer your question, Commissioner Polmann.
14 Any follow-up?

15 COMMISSIONER POLMANN: Madam Chairman, what I
16 am trying to make sure, for the benefit of the
17 record, is that we have adequate assurances from a
18 legal perspective. And I am simply not -- I am not
19 certain of exactly how to do that, and we may want
20 to take a break and then be advised by our counsel
21 to just make sure that we've -- we've got
22 everything we need --

23 COMMISSIONER BROWN: Okay.

24 COMMISSIONER POLMANN: -- either in the
25 transcript, or if that -- if there is some words

1 that need to be in an order, or something. I don't
2 know. I simply don't know.

3 COMMISSIONER BROWN: All right. I don't think
4 we necessarily need to take a break, but I will
5 turn to our legal to verify some of the concerns --

6 COMMISSIONER POLMANN: I mean, it may be
7 something -- I am sorry, go ahead.

8 COMMISSIONER BROWN: -- since there were some
9 concerns that were raised about his assurances
10 based on the record before us today.

11 MS. HELTON: I think that we could say in the
12 order that City Gas has represented to the
13 Commission that if they make a change in their
14 business plan beyond that which was presented,
15 and -- and with respect to the settlement, and with
16 respect to their filing, that they would come and
17 seek approval from the Commission for any change.
18 And I would be comforted by that language being in
19 the order, and I think that should be sufficient.

20 COMMISSIONER BROWN: Ms. Keating, are you okay
21 with that language?

22 MS. KEATING: Certainly.

23 COMMISSIONER BROWN: And the Intervenors?

24 MS. PONDER: I have no objection.

25 MS. CEPAK: No objection, ma'am.

1 COMMISSIONER BROWN: All right. I think that
2 accomplishes that.

3 COMMISSIONER POLMANN: Ms. Helton, is that
4 something that should be in a motion, or does this
5 discussion cover that?

6 MS. HELTON: I think that's a good question,
7 but I think that this discussion should cover that,
8 and should give the staff the latitude to reflect
9 the discussion here today because it seems to me
10 that all of you are agreeing to that.

11 COMMISSIONER BROWN: Yep. Sounds good to me.

12 COMMISSIONER POLMANN: Thank you.

13 COMMISSIONER BROWN: All right. Thank you.

14 Commissioner Polmann, any -- any other
15 questions?

16 COMMISSIONER POLMANN: No, ma'am. That was
17 really my -- my only issue.

18 COMMISSIONER BROWN: All right. I do have a
19 few questions. And since we are staying on the LNG
20 plan -- and I want to commend and applaud City Gas
21 and the intervenors for proposing such an
22 innovative concept for meeting capacity need, so
23 thank you for coming go forth with it.

24 I just wanted to understand the step process,
25 and why City Gas and the intervenors are choosing

1 to do that rather than just putting the full
2 revenue requirement into rate base when the plant
3 is on-line.

4 THE WITNESS: (MS. BERMUDEZ) The reason for
5 the step process is to acknowledge when the LNG
6 facility will be in service, which, for the first
7 step process, will be June 1st. So that was the
8 initiating of that first step, was June 1st, when
9 the LNG facility will be placed in service. So
10 it -- it would not be ready right now for base
11 rates.

12 COMMISSIONER BROWN: So my understanding,
13 based on the filing then, would then the second
14 revenue requirement -- is that -- so 1.3 million
15 would go in as of -- and that's separate from the
16 1.3 million for December 1st, 2019? That's not
17 tied to the LNG facility?

18 THE WITNESS: (MS. BERMUDEZ) It is tied to the
19 LNG facility. It's just a two step process. The
20 first step being the 2.5, which will occur June 1st
21 if the LNG facility is in service. So that would
22 be the first step. The second step is December.

23 COMMISSIONER BROWN: Why is it a two-step?
24 Why wouldn't you put the full amount?

25 THE WITNESS: That is the settlement we agree

1 with OPC and FEA. That was part of our settlement
2 discussion.

3 COMMISSIONER BROWN: It seems odd to me. I
4 mean, it's not an exorbitant amount based on the
5 dollars that we are talking about, so I just don't
6 understand it.

7 Ms. Keating?

8 MS. KEATING: If I may. Part of that is
9 associated when -- with when the facility is
10 anticipated to go into service. So really, it may
11 be that it's only two steps, that being the first
12 initial step on June 1, 2018, and then the
13 in-service date of the facility.

14 So the more determinative, I guess, term, I
15 would say, is when the LNG facility goes into
16 service, because that's when the other step
17 increases would go into effect. But as far as the
18 breakdown of the dates, that's as much about trying
19 to spread that out a little bit --

20 COMMISSIONER BROWN: Okay.

21 MS. KEATING: -- for the rate increases, and
22 not have the full impact be in one increment.

23 COMMISSIONER BROWN: Sounds good.

24 Ms. Jaber.

25 MS. JABER: Commissioner Brown, Ms. Keating

1 obviously, of course, is correct. But the answer
2 to all of it is it's give and take with the
3 settlement. I mean, the -- the complete answer to
4 your question is in the give and take of the
5 different terms of the settlement, the step
6 increase became critical -- a critical component in
7 what we could live with and work with, versus
8 revenues that were coming in at other periods of
9 time.

10 COMMISSIONER BROWN: Got it. Thank you.

11 Again, I think it's a great venture that the
12 company is pursuing to meet the capacity and demand
13 needs over time, so that's great.

14 With regard to the SAFE Program, there is a
15 provision in there under paragraph two, the
16 calculation about the earned revenue requirement
17 with the 21 percent federal tax rate to -- and I
18 know it's in our data requests somewhere, but could
19 you go over what the projected SAFE earned revenue
20 requirement will be with that tax -- with the
21 21 percent tax?

22 THE WITNESS: (MR. MORLEY) Commissioner Brown,
23 are you asking what -- what we expect the --

24 COMMISSIONER BROWN: Yes.

25 THE WITNESS: (MR. MORLEY) -- the revenue --

1 COMMISSIONER BROWN: So what it is
2 currently --

3 THE WITNESS: (MR. MORLEY okay.

4 COMMISSIONER BROWN: -- and what it is
5 projected to be with the 21 percent.

6 THE WITNESS: (MR. MORLEY) So what the -- the
7 SAFE revenues that we have currently in our case is
8 3.5 million. What we expect that to be with the
9 21 percent rate, we -- we did not do a separate
10 calculation for that, but it is part of the overall
11 reduction in the income taxes that we've flowed
12 through to the customers as part of the settlement.

13 COMMISSIONER BROWN: Okay. Again, this is --
14 I mean, it's 14 years since the company has come in
15 for a rate case, and it's somewhat modest based on
16 the request and the evidence that's before us, but
17 there are specifics that I just have a question on.
18 With regard to the newly formed hurricane storm
19 reserve fund, did you have any damage during
20 Hurricane Irma, or during the 2017 season or 2016
21 season?

22 THE WITNESS: (MS. BERMUDEZ) Yes.

23 COMMISSIONER BROWN: I mean, serving
24 underground, so --

25 THE WITNESS: (MS. BERMUDEZ) Yes,

1 Commissioner Brown, we had damages during both
2 storms.

3 COMMISSIONER BROWN: Can you quantify it?

4 THE WITNESS: (MS. BERMUDEZ) I don't -- I
5 don't recall the exact amount, but we had -- it was
6 substantial damage. I think there were a couple
7 hundred thousand on both storms. I don't know the
8 exact amount.

9 COMMISSIONER BROWN: Can you go over, like,
10 what type of typical -- and we are going to have a
11 hurricane workshop over the next month, or the
12 following month, to go over that, and I don't know
13 if you will be participating in that. But, I mean,
14 everything is underground, so I am just curious
15 what type of damage a utility like Florida City Gas
16 would have.

17 THE WITNESS: (MS. BERMUDEZ) Yes,
18 Commissioner. The type of damage we tend to have
19 seen with hurricanes, it's -- number one, the pipe
20 that's underground, we have pipe that's been
21 underground for a number of years, and the roots
22 from trees tend to wrap around those pipes, so when
23 the trees go down, it pulls the pipes up, and that
24 creates a lot of leaks that we have to deal with.

25 We also have above ground structures. Our

1 stations, sometimes we have debris, or we have
2 items come down on top of our stations. We have
3 our meters that are also above ground. And
4 depending on the type of the storm, if you take a
5 storm back where, when we had Andrew, we saw
6 significant damage. When those homes are damaged,
7 it actually damaged the meters, as well as the
8 riser connected to the home.

9 So our above ground facilities -- and we faced
10 damage there, be but we also faced damage with the
11 below ground facility because of the uproot of
12 trees.

13 COMMISSIONER BROWN: That makes sense.

14 And currently, you don't have any storm
15 reserve fund.

16 THE WITNESS: (MS. BERMUDEZ) That's correct,
17 we do not.

18 COMMISSIONER BROWN: How have you been meeting
19 those needs? Just through your existing revenue
20 requirements?

21 THE WITNESS: (MS. BERMUDEZ) Yes. Well,
22 currently, when we have faced the last two storms,
23 we've had a storm in '18 as well as -- I mean, in
24 '17, as well as '16, both of those storms had a
25 significant financial impact on our earnings

1 because we did not have a reserve to offset those
2 expenses.

3 COMMISSIONER BROWN: I think living in
4 Florida, as you a utility, it's prudent to have
5 that type of reserve. I just was surprised that
6 the utility didn't have some amount. I didn't know
7 what amount that would be appropriate, but seeming
8 that the all of the intervenors are acceptable --
9 accepting it as prudent, that's convincing.

10 Let's talk about the Elderly Energy Assistance
11 Fund. Can you talk to us a little bit about the
12 creation of this concept, and how it -- how it will
13 be implemented, the need? I mean, I know the
14 location of your jurisdiction. I am just curious
15 how it arose.

16 THE WITNESS: (MS. BERMUDEZ) Well, how we
17 came to this, we had are seeking a rate increase,
18 but we also know that we have customers in our
19 service territory that are living on fixed income
20 and need some assistance, and we tend not to
21 qualify -- our customers don't tend to qualify a
22 lot for LIHEAP, so we wanted to create a fund to
23 assist our elderly customers with any need for
24 reimbursements to pay the bill -- to assist them
25 with paying there bills. So we created this fund

1 in order to assist those customers, and these will
2 be funds that will be used for their natural gas
3 bills only. So it would be specific to our
4 customers on our system for our bills, where we
5 will be able to provide them some sort of credit
6 assistance.

7 This fund will be completely funded by our
8 shareholders. This is not one that we are coming
9 to the Commission for rate recovery on.

10 COMMISSIONER BROWN: It's a very benevolent
11 endeavor.

12 And just the last question. Again, these are
13 all clarifying questions, so I appreciate your
14 feedback here.

15 All right. Looking at Exhibit B on the --
16 attached to the settlement agreement, which kind of
17 goes over the rate design revenue comparisons. And
18 it's very -- it's a very interesting sheet. It --
19 it shows the current rates, the original filed
20 proposal, the increase requested, the adjustments
21 for tax law changes, and then the settlement
22 proposal. So it was really helpful looking at
23 that, and really kind of, in a granular fashion,
24 what impact this is having to customers.

25 And I noticed the -- with the tax law changes,

1 there is savings that are spread across the board,
2 except potentially for RS-100. It seems that that
3 is the only class that was not adjusted downward
4 after the tax law changes were implemented based on
5 the settlement agreement.

6 Could anybody here speak to that, the reason
7 for that, that that class was the only class
8 singled out? Obviously, it's the biggest class of
9 revenue.

10 THE WITNESS: (MS. BERMUDEZ) Just to make
11 sure that I am following your question,
12 Commissioner Brown. You are talking about RS-100,
13 the second line?

14 COMMISSIONER BROWN: Yes.

15 THE WITNESS: (MS. BERMUDEZ) So on --

16 COMMISSIONER BROWN: Third column from the --
17 if you look at the third column, too, from the end,
18 compare that to the adjustment for the tax law
19 changes.

20 THE WITNESS: (MS. BERMUDEZ) The tax law
21 changes in this -- for this particular class, if I
22 am looking at it correctly here, and I just want to
23 make sure I am getting it correct. I am showing
24 8.4 percent increase on your original file. And
25 then with the tax law, I am showing 7.1 percent,

1 so --

2 COMMISSIONER BROWN: That's right.

3 THE WITNESS: (MS. BERMUDEZ) -- it actually
4 went down a little bit. What did not change is in
5 the settlement --

6 COMMISSIONER BROWN: Right.

7 THE WITNESS: (MS. BERMUDEZ) -- that was the
8 settlement piece of it did not change, but the
9 overall impact for the residential group did change
10 it. We did see a reduction in the RS-1, but for
11 that particular class, it did not change, you are
12 correct, in the settlement, but they did get the
13 benefit of the tax law.

14 COMMISSIONER BROWN: I mean, I get it's a
15 negotiated component. Although, it is the greatest
16 amount. And it's the only one that didn't really
17 adjust downward even after the tax law changes. So
18 I was just curious if you had anything to offer on
19 that, but that will be fine.

20 Commissioner Polmann, any other questions?

21 COMMISSIONER POLMANN: No.

22 COMMISSIONER BROWN: No.

23 All right. That will conclude questions of
24 the witnesses at this time. Thank you for your
25 time.

1 And we are going to go to, I believe, the
2 exhibits at this juncture.

3 MR. TRIERWEILER: To complete the record,
4 staff requests that the settlement agreement and
5 all other exhibits that have been identified on the
6 comprehensive exhibit list be moved into the record
7 as Exhibit 2 through 121.

8 COMMISSIONER BROWN: All right. We will go
9 ahead, seeing no objection, and enter into the
10 record Exhibits 2 through 121 into the record.

11 (Whereupon, Exhibit Nos. 2-121 were received
12 into evidence.)

13 COMMISSIONER BROWN: Thank you.

14 All right. Would you like your witnesses
15 excused? They are walking out anyway.

16 MS. KEATING: Yes, Commissioner, we would very
17 much.

18 COMMISSIONER BROWN: You had it easy here.
19 They are excused.

20 (Witnesses excused.)

21 COMMISSIONER BROWN: All right. So are there
22 any other matters to address before we get to
23 our -- the bench here from staff?

24 MR. TRIERWEILER: Staff has none.

25 COMMISSIONER BROWN: From the parties?

1 MS. KEATING: No thank you, Commissioner.

2 MS. CEPAK: No, ma'am.

3 COMMISSIONER BROWN: OPC?

4 MS. PONDER: No.

5 COMMISSIONER BROWN: All right. It's just you
6 and I, Commissioner Polmann.

7 COMMISSIONER POLMANN: Madam Chairman, I am
8 going to agree with the parties' statement, that
9 this agreement provides regulatory certainty with
10 regard to rates, and avoids the unnecessary rate
11 case expense and extended rate case.

12 As the parties assert, I am satisfied that the
13 rates and charges are fair, just and reasonable, as
14 we see in the settlement.

15 It does provide a four-year planning period
16 certainty, which has many benefits to the
17 customers, to the company, and to the parties and
18 their interests.

19 The ROE is consistent with our industry review
20 and the brackets that we often establish, we find
21 it in the midrange, in a range that's acceptable to
22 us.

23 The settlement appears to represent a
24 reasonable compromise, as we've talked about here
25 today, compromise among the parties, and it's clear

1 that they've put forth a tremendous amount of
2 effort, for which we are appreciative and very much
3 a fruitful negotiation.

4 I support the parties' assertion that approval
5 of this 2018 agreement is, in fact, in the public
6 interest of both the company and its customers,
7 consistent with Commission policy on settlements
8 where, on balance, we -- I believe we can find this
9 agreement to be in the public interest.

10 COMMISSIONER BROWN: Thank you. And so that
11 is a motion?

12 COMMISSIONER POLMANN: Well, let me move
13 approval of this settlement agreement, recognizing
14 and taking account of the discussion we had
15 regarding the LNG facility, its intended purpose,
16 and any revenue that's generated from that, as we
17 discussed with counsel and with the concurrence of
18 parties. Madam Chairman, that's my motion.

19 COMMISSIONER BROWN: Thank you. And I fully
20 support it, and I will second it.

21 I think that -- I agree with everything that
22 you said, the settlement agreement covers a variety
23 of complex issues. Obviously, not an easy task for
24 all the parties to come together over time, I mean,
25 this is 14 years coming, and there is obviously a

1 need here.

2 Tax reform changes are incorporated here,
3 which exempt the utility from coming back here
4 during a separate docket. It's going to avoid a
5 lot of additional litigation costs that could
6 otherwise occur.

7 Additionally, with the hurricane reserve fund,
8 I think that he is going to help the utility get on
9 solid ground for future potential storms, and also
10 the ROE.

11 So with all that, I would second the motion.

12 All those in favor, say aye.

13 (Chorus of ayes.)

14 COMMISSIONER BROWN: All right. The motion
15 passes, and I will close the record at this time.

16 And just want to say on the record, pardon
17 Chairman Graham, he had exigent circumstances that
18 required him to be absent for the vote, but with
19 that being said, we are all adjourned here. Thank
20 you.

21 MS. KEATING: Thank you, Commissioners.

22 (Whereupon, the proceedings were concluded at
23 2:51 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
stenographically reported the said proceedings; that the
same has been transcribed under my direct supervision;
and that this transcript constitutes a true
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,
employee, attorney or counsel of any of the parties, nor
am I a relative or employee of any of the parties'
attorney or counsel connected with the action, nor am I
financially interested in the action.

DATED this 3rd day of April, 2018.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020