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May 24, 2022

BY E-FILING

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

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 Mr. Teitzman:

Attached, for electronic filing, please find the Testimony and Exhibits KIL-1 and KIL-2 of Kira Lake.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

(Document 15 of 27)

Sincerely,

Beth Keating

Beth Keating
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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.

Prepared Direct Testimony of Kira Lake

Date of Filing: May 24, 2022

Q. Please state your name and business address.

A. My name is Kira Lake. My business address is 450 S. Charles Richard Beall Blvd. DeBary, FL 32713.

Q. By whom are you employed and what is your position?

A. I am currently employed by Chesapeake Utilities Corporation ("CUC") as the Director of Growth & Retention.

Q. Please describe your educational background and professional experience.

A. I graduated from Embry-Riddle Aeronautical University in 2003 with a Bachelor of Science degree in Air Traffic Management, and in 2007 with a Master of Business Administration degree. From 2007 through 2019, I worked for CUC's Florida business units in various management roles within Energy Conservation, Energy Logistics, Financial Analysis and Growth and Retention departments.[1] As noted, I am currently the Director of Growth and Retention for all of CUC's business units.

Q. In your current role, what are your responsibilities?

A. My current responsibilities include directing the activities of the Company's Sales & Energy Conservation departments, to grow and retain customers in Florida,

[1] To be clear, I joined Florida Public Utilities Company just prior to its acquisition by CUC and have remained with the Company ever since.

Delaware and Maryland while supporting business, economic development and community relations. In my role, I collaborate with the Company's Operations, Customer Care, Marketing & Communications and Construction Services department's to prioritize growth initiatives, provide strategic direction and develop the internal infrastructure needed to align market-facing functions with the Company's growth objectives.

Q. How will you refer to the Company?

A. For purposes of clarity and ease of reference, I'd like to explain how I will refer to the various Florida business entities under the Chesapeake Utilities Corporation umbrella. When referring to the Florida local distribution company ("LDC") business units as a whole; i.e., Florida Public Utilities Company (Natural Gas Division), Florida Public Utilities Company-Fort Meade, Florida Public Utilities Company-Indiantown Division, and the Florida Division of Chesapeake Utilities Corporation d/b/a Central Florida Gas, I will refer to these entities jointly as "FPUC" or "the Company".

When referring to Chesapeake Utilities Corporation, the parent company, I will refer to it as the "CUC."

Q. What is the purpose of your testimony?

A. I will describe FPUC's growth since the acquisition by CUC. I will then describe the changes the Company seeks to make to its Area Extension Program ("AEP"), the Company's proposed addition of a Minimum Use Agreement, and discuss an over under adjustment in the growth and retention area.

Q. Have you ever testified before the Florida Public Service Commission ("FPSC")?

A. Yes, I have submitted pre-filed testimony for the Company's Energy Conservation and Purchased Gas Adjustment filings in Dockets Nos. 20160002, 20160004, 20210002 and 20210004.

Q. Do you have any exhibits to which you will refer in your testimony?

A. Yes, Exhibit KIL-1 will show the Company's customer growth since 2010.

Q. Are you sponsoring any Minimum Filing Requirements in this case?

A. Yes. Attached as Exhibit KIL-2 is a list of MFRs that I co-sponsored.

Background

Q. Please provide a general overview of Chesapeake Utilities Corporation's natural gas distribution operations in Florida.

A. As described in greater detail by Company witness Hancock, CUC's natural gas distribution companies in Florida own and operate approximately 3,043 miles of natural gas distribution mains, currently serving approximately 92,000 residential, commercial and industrial customers throughout the state. Since 2010, the Company has experienced an average of 2.68% growth annually (see Exhibit KIL-1).

Q. Outside of acquisitions, has the Company experienced additional growth?

A. Yes. The Company has experienced significant organic growth through both the expansion of natural gas distribution services into unserved and underserved areas, as well as acquisitions.

Q. Would you please elaborate on the organic growth?

A. Since the Company's last rate proceeding in 2008, it has expanded into Nassau and Alachua Counties, as well as Escambia County. The Company has been successful in establishing service to many new geographic areas of the state by finding large commercial and/or industrial accounts and extending distribution lines to provide service.

In addition, FPUC has experienced higher than the national average growth in their existing footprints. For example, from 2010 to 2020, the annual consumption of natural gas in the United States has increased by approximately 26.51%. In Florida, for that same period, the annual consumption has increased approximately 36.25%. *(eia.gov/dnav/ng/ng_cons_sum_dcu_SFL_a.htm – Natural Gas Consumption by End Use).* The increase in natural gas consumption for FPUC over the same period is approximately 33.06%, which is 6.55% higher than the U.S. average.

While consumption has increased, Florida's population growth has also far exceeded the national average, fueling growth and expansions for the Company. For example, between 2010 and 2020, the average population growth across the U.S. was approximately 7.4% while the growth rate for Florida during that same period nearly doubled the national average at 14.6%. *(www.brennancenter.org. State Redistricting Profile: Florida. Oct 8, 2021, Yurij Rudenski & Chris Leverton).*

According to state population forecasts, Florida can anticipate an increase of more than 309,000 people per year, or 849 people per day, which equates to a population projection of approximately 23.1 million residents by 2025. (*http://edr.state.fl.us/Content/conferences/population/demographicsummary.pdf; Demographic Estimating Conference Executive Summary, December 13, 2021).*

Similarly, the Florida Chamber of Commerce estimates Florida's population to be between 24.4 and 25.4 million residents by 2030, also supporting an increase of over 300,000 people per year. (*thefloridascorecard.org; Florida Chamber of Commerce Scorecard*).

Q. **Do the Companies have a strategic approach outlined in preparation for this anticipated growth?**

A. Yes, we do. The Company uses a multi-layered approach, which includes identifying potential areas for customer growth, engaging with economic development councils, Chambers of Commerce, residential building associations and other local organizations to assess potential for natural gas service and transforming business processes and systems to support anticipated growth. In addition, dollars have been earmarked to continuously improve website and mobile functionality of our online customer service tools including an updated user interface to meet customer service-related needs, American with Disabilities Act improvements for users with accessibility requirements, and yearly upgrades and site testing to maintain the highest level of accessibility for our customers. This will be discussed in more detail in Company witness Parmer's testimony.

Area Extension Program ("AEP")

Q. Describe the Company's current AEP and how it is used.

A. Given that the AEP is a variation on the cost recovery model for extensions to serve new customers, I will start by providing some background on how extensions to serve customers are typically made.

Traditionally the Company, like other regulated gas utilities, extends facilities to provide service in accordance with Rule 25-7.054 of the Florida Administrative Code, which requires that extensions be made at no cost to the customer when the capital investment necessary to extend the Company's facilities to provide service is equal to or less than the Maximum Allowable Construction Cost ("MACC"). Under the rule, the MACC equates to four times the estimated annual gas revenue to be derived from the facilities less the cost of gas. The underlying purpose of this requirement is to ensure that extensions are made to serve to new customers with no upfront cost to the customer, as long as the anticipated revenue obtained through service to the new customer will provide the utility with a reasonable opportunity to recoup its initial capital investment in the new facilities within a reasonable amount of time. CUC's Florida LDCs have received approval from the Commission over the years to apply a more customer-friendly calculation of the MACC that is six (6) times the estimated annual gas revenue to be derived from the facilities less the cost of gas. The most recent approved increase of the MACC was for FPUC by PSC-2021-0148-TRF-GU, issued in Docket No. 20200214-GU. In instances, however, where the required investment cost exceeds the MACC, the customer is required to pay an advance, or Contribution in Aid of Construction ("CIAC"), for the difference that exceeds the MACC.

The AEP program is another way to recover construction costs that are in excess of the estimated six-year base revenues for an extension project. The AEP is a Commission-approved tariffed program designed to provide the Company with an optional method to recover the capital investment that exceeds the MACC for extensions of natural gas service to new customers in a discrete geographic area. The AEP tariff provides for the determination of a monthly charge applicable to all natural gas customers located in the geographic area over an amortization period of up to 10 years. The AEP charge is applied as a fixed dollar amount and is calculated by a formula based on the amount of investment required and the projected gas sales and resulting revenues collected from customers in the AEP area. Across its Florida LDCs, the Company currently has 49 active AEP projects.

Q. Explain how the Company seeks to modify its existing AEP.

A. FPUC's AEP program has been in effect since January 17, 1995, in accordance with Order No. PSC-1995-0162-FOF-GU, issued in Docket No. 941291-GU. CFG's program has been in place for a similar length of time. Over the years, both programs have evolved. Most recently, in the Companies' tariff consolidation proceeding, Docket No. 20200214-GU, the AEP programs were consolidated and unified under the FPUC version of the program. Since then, the Companies have determined that the following additional changes would be beneficial to the program:

1. The AEP Recovery Amount should be divided by the number of customer premises projected to be served at the end of the completed build out date of the extension.
2. The Amortization Period should apply individually to each premise and not exceed seventy-two (72) Billing Months. The proposed period matches the Company's MACC calculation period. In the event a premise becomes inactive, the Amortization Period should be suspended until the premise is reactivated.

3. The "Recalculated AEP Surcharge" will be eliminated. Since the Company is collecting a fixed AEP surcharge applicable to each customer premise to which service is implemented over the six years following the in-service date of the extension facilities, the Company is more assured of recovering its costs for the extension and therefore, the recalculation of the AEP Surcharge is no longer necessary.

The Company believes that these changes will result in less confusion to the customer concerning the AEP surcharge rate and reduce inquiries from customers for such, as well as allow for more straightforward administration of the AEP surcharge by the Company. The Company will continue to calculate the AEP rate based on the number of projected premises located on the extension facilities. This will continue to result in a fixed (monthly) AEP recover charge to the applicable customers and therefore, assure cost recovery for the extension by the Company. In addition, the revenues from the AEP surcharge will continue to be credited against the Company's distribution main plant account, except the Company will retain its return on the capital investment equal to its allowed cost of capital that will be established in the rate proceeding. The AEP Surcharge is found on Original Sheet No. 6.152 of the proposed Tariff.

Q. What is the Company proposing in relation to the existing AEP projects?

A. If the FPSC approves the Company's requested rate increase, the Company expects to be receiving higher revenues over the life of the existing AEP projects than was initially anticipated when the existing surcharges were developed. As a result, the Company is proposing to discontinue the current AEP surcharges when new rates go into effect for existing projects. If approved, the Company will transfer all un-recovered excess construction costs from the current AEP program as of 12/31/22 to the applicable capital plant construction account. This is similar to the approach approved in FPUC's prior rate case in Order PSC-09-0375-PAA-GU when the Commission permitted the remaining costs associated with existing AEPs to be included within rate base.

Q. Describe why the Company seeks to modify its tariff language to include an optional minimum use agreement?

A. The Company continues to experience growth and is often presented with opportunities to serve new customers through the extension of facilities. While the Company looks forward to bringing natural gas to new customers, the Company is also aware that it must ensure that its general body of ratepayers are protected and that it is not left with unnecessary stranded investment. In that regard, the Company has determined that adding an additional tool to the Extension Policy toolkit would enhance the financial reliability of extension provided under its existing Extension Policy; that being, a minimum "take" commitment, which the Company believes could reduce or mitigate the potential for issues around customer usage, upon which the MACC and CIAC deposit are calculated. The tariff modification for which the Company now seeks approval would provide the Company with the option to require a non-residential customer, that will need a facility extension to receive service, to commit to receive service at a defined minimum level and to pay for such minimum level of service, even if the customer does not use the defined minimum amount in a given year; i.e., a "take or pay" provision. This option would be available in the event that the Company determines that the cost to serve analysis and the customer's service requirements demonstrate that a minimum service commitment is prudent and would only be considered for non-residential customers.

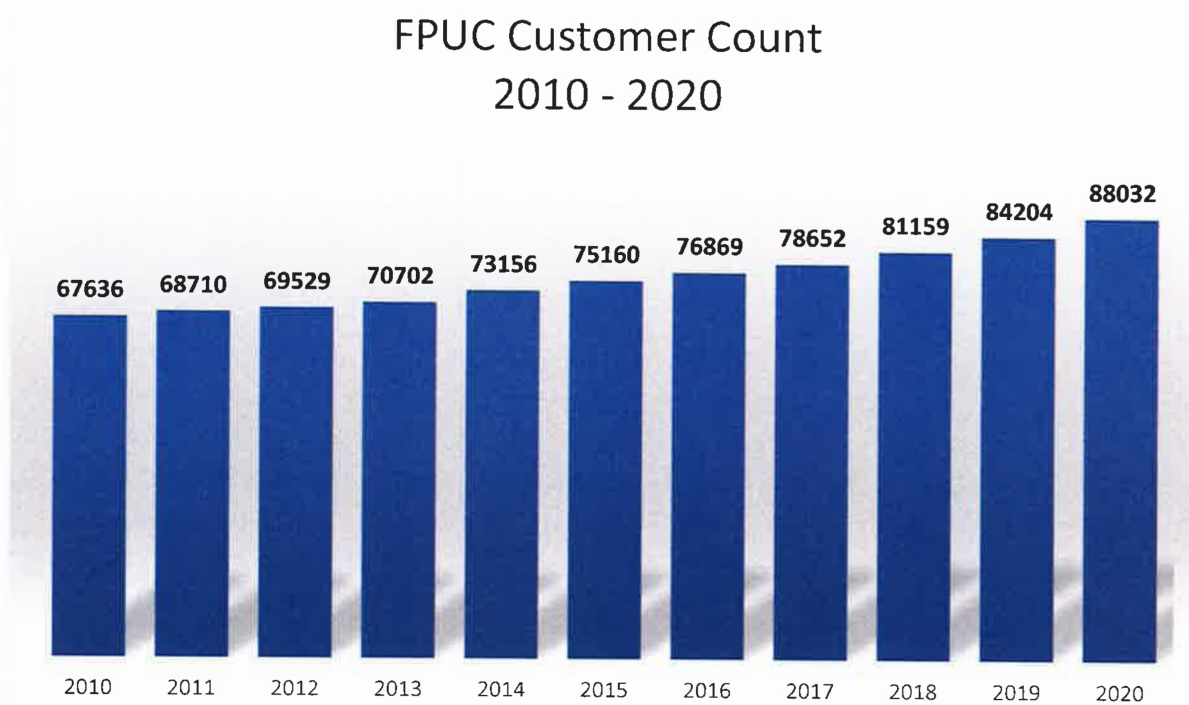
The Company submits as the required revised tariff sheets (in legislative and clean formats) in Schedule E-9 reflecting the incorporation of additional language providing the Company with the option to include a minimum usage commitment. The proposed revisions are in the public interest and will facilitate expansion of service to new customers, while protecting existing ratepayers on the Company's system.

Q. Could you please explain the adjustments to account 920 of Schedule G-2 19f as it relates to the business developer manage and inside sales rep?

A. Consistent with the growth the state has experienced, as well workforce aging, we have found it necessary to increase staff to meet the anticipated ongoing demand.

Q. Does this conclude your testimony?

A. Yes.


FPUC Customer Count
2010 - 2020
67636
68710
69529
70702
73156
75160
76869
78652
81159
84204
88032
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020

SCHEDULE	TITLE	Witness
	PROJECTED TEST YEAR	
G2-19 a to d	Projected Test Year - Calculation of Operation and Main Expense Supplement	M. Cassel, J. Bennett, M. Galtman, V. Gadgil, M. Napier, K. Parmer, N. Russell, K. Lake, D. Rudloff, B. Hancock
G2-19e	Projection Basis Factor	M. Napier / M. Galtman
G2-19f	Over and Under Adjustments	M. Cassel, J. Bennett, M. Galtman, V. Gadgil, M. Napier, K. Parmer, N. Russell, K. Lake, D. Rudloff, B. Hancock