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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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.	DOCKET NO. 20220067-GU FILED: September 30, 2022

PRE-HEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel ("OPC"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2022-0222-PCO-GU, issued June 17, 2022, and the First Order Modifying Order Establishing Procedure and Granting in Part and Denying in Part Motion to Modify Key Activity Dates, Order No. PSC-2022-0270-PCO-GU, issued July 8, 2022, and Second Order Revising Order Establishing Procedure and Order Granting in Part and Denying in Part Motion for Extension of Time, Order No. PSC-2022-0323-PCO-GU, issued September 12, 2022, hereby submit this Prehearing Statement.

APPEARANCES:

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On behalf of the Citizens of the State of Florida

1. WITNESSES:

Witness	Subject Matter	Issue #
David J. Garrett	Depreciation Study, Depreciation Cost Rates, Cost of Capital	All issues- specifically 5-8, 16-17, 23, 25-32, 34, 45, 51-56
Ralph C. Smith	Accounting Adjustments, Revenue Requirements	All issues- specifically 1-4, 10, 15-18, 21-32, 34-36C, 38, 41-45, 51-56

2. EXHIBITS:

Witness	Proffered by	Exhibit No.	Description	Issue #
Direct				
David J. Garrett	OPC	DJG-1	Curriculum Vitae	All
David Garrett	OPC	DJG-2	Proxy Group Summary	25-32, 55-56
David Garrett	OPC	DJG-3	DCF Stock Prices	25-32, 55-56
	OPC	DJG-4	DCF Dividend Yields	25-32, 55-56
David Garrett	OPC	DJG-5	DCF Terminal	25-32, 55-56
David Garrett	OPC	DJG-6	DCF Final Results	25-32, 55-56
David Garrett	OPC	DJG-7	CAPM Risk-Free Rate	25-32, 55-56
David Garrett	OPC	DJG-8	CAPM Betas	25-32, 55-56
David Garrett	OPC	DJG-9	CAPM Implied Equity Risk Premium Calculation	25-32, 55-56
David Garrett	OPC	DJG-10	CAPM Equity Risk Premium Results	25-32, 55-56
David Garrett	OPC	DJG-11	CAPM Final Results	25-32, 55-56
David Garrett	OPC	DJG-12	Cost of Equity Summary	25-32, 55-56
David Garrett	OPC	DJG-13	Utility Awarded Returns vs. Market Cost of Equity	25-32, 55-56
David Garrett	OPC	DJG-14	Proxy Group Debt Ratios	25-32, 55-56
David Garrett	OPC	DJG-15	Competitive Industry Debt Rations	25-32, 55-56
David Garrett	OPC	DJG-16	Hamada Model	25-32, 55-56
David Garrett	OPC	DJG-17	Final Awarded Rate of Return Development	25-32, 55-56
David Garrett	OPC	DJG-18	Summary Accrual Adjustment	25-32, 55-56
David Garrett	OPC	DJG-19	Depreciation Parameter Comparison	25-32, 55-56
David Garrett	OPC	DJG-20	Detailed Rate Comparison	25-32, 55-56
David Garrett	OPC	DJG-21	Depreciation Rate Development	25-32, 55-56
David Garrett	OPC	DJG-22	Account 380 Curve Fitting Example	25-32, 55-56
David Garrett	OPC	DJG-23	Appendices A-E	25-32, 55-56
David Garrett	OPC	DJG-S-18	Summary Accrual Adjustment	25-32, 55-56
David Garrett	OPC	DJG-S-20	Detailed Rate Comparison	25-32, 55-56
David Garrett	OPC	DJG-S-21	Depreciation Rate Development	25-32, 55-56
Ralph Smith	OPC	RCS-1	Qualifications Appendix	All Issues

Ralph Smith	OPC	RCS-2	Revenue Requirement and Adjustment Schedules for Projected 2023 Test Year.	All Issues
Ralph Smith	OPC	RCS-2R	Revised Revenue Requirement and Adjustment Schedules for Projected 2023 Test Year	All Issues
Ralph Smith	OPC	RCS-3	Changes to Amounts Mentioned in the Direct Testimony of Ralph C. Smith	All Issues

3. <u>STATEMENT OF BASIC POSITION</u>

FPUC is not entitled to have its rates established on a midpoint return on equity ("ROE") greater than 9.5%. FPUC demonstrated an entitlement to an annual base rate increase of no more than $7.88 million, which is significantly less than FPUC's requested increase in base rates of $24.06 million dollars, based on an excessive ROE of 11.25%.

Florida Public Utility Company ("FPUC") seeks to increase its customers' base rates during these challenging economic times marked by high inflation and the real threat of an economic recession. FPUC's request for a midpoint return on equity ("ROE") of 11.25% is excessive and should be reduced, as should be FPUC's requested increase in base rates of nearly $24.06 million dollars.

OPC has evaluated FPUC's Petition, testimony, the Minimum Filing Requirements ("MFRs"), discovery responses and testimonies filed in this proceeding. OPC has engaged multiple expert witnesses to conduct an extensive and thorough review: David Garrett - Depreciation and Depreciation Rates, and Cost of Capital issues; and Ralph Smith, C.P.A., Accounting Adjustments and Revenue Requirement. OPC has identified four principal areas for adjustment: Depreciation and Depreciation Rates; Revenues; Capital Structure; and Return on Equity.

<u>Depreciation and Dismantlement</u>

FPUC's Witness Lee proposed depreciation parameters that includes several accounts with underestimated service lives. Assuming that the Commission adopts OPC witness Garrett's service lives for the depreciation study, the sum of the adjustments results in a reduction to FPUC's 2023 revenue request by $2.205 million for new lower depreciation rates.

Return on Equity (ROE)

David Garrett has evaluated FPUC's requested ROE in light of current market conditions. FPUC's requested 11.25% ROE with its requested 55% equity ratio, is excessive under current market conditions. Mr. Garrett applied the Discount Cash Flow (DCF) method checked by the Capital Asset Pricing Model (CAPM) method with a proposed capital structure of 51.4% equity and using FPUC's proxy group, and determined that the appropriate ROE for FPUC is 9.25%.

Other Issues

FPUC has the burden of proof in this matter in all respects. Based on OPC's witness Smith's review of FPUC MFRs and the extensive discovery, he recommends additional adjustments to FPUC's request. Specifically, he recommends eliminating the acquisition adjustment from the FPUC merger. Witness Smith also recommends reductions for Director & Officers Liability Insurance expense, rate case expense, tax-related costs, Incentive Compensation and other benefits, a Parent Company Debt Adjustment and disallowance of others costs.

Conclusion

FPUC has not demonstrated that it is entitled to any more than a $7.88 million revenue increase, exclusive of the GRIP revenue requirement transfer into base rates. This is means that FPUC has asked for $16.8 million in excessive revenue requirements.

TEST PERIOD AND FORECASTING

ISSUE 1: Is FPUC's projected test period of the twelve months ending December 31, 2023, appropriate?

OPC: Yes, with appropriate adjustments. (Smith)

ISSUE 2: Are FPUC's forecasts of customer and therms by rate class for the projected test year ending December 31, 2023, appropriate? If not, what adjustments should be made?

OPC: Yes, with appropriate adjustments. (Smith)

ISSUE 3: Are FPUC'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?

OPC: Yes, with appropriate adjustments. (Smith)

QUALITY OF SERVICE

ISSUE 4: Is the quality of service provided by FPUC adequate?

OPC: The multiple customer comments filed in the docket urge the Commission not to seek a rate increase at this time due to the extremely challenging times. No comments raised specific concerns regarding their service aside from affordability.

DEPRECIATION STUDY

ISSUE 5: Based on FPUC's 2023 Depreciation Study, what are the appropriate depreciation parameters (e.g. service life, remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rate for each distribution and general plant account?

OPC: The depreciation parameters and resulting depreciation rates are as shown in OPC witness Garrett's direct and supplemental testimonies and exhibits. (Garrett)

ISSUE 6: Based on the application of the depreciation parameters that the Commission has deemed appropriate, and a comparison of the theoretical reserves to the book reserves, what, are the resulting imbalances, if any?

OPC: The depreciation parameters and resulting depreciation rates are as shown in OPC witness Garrett's direct and supplemental testimonies and exhibits. (Garrett)

ISSUE 7: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 6?

OPC: Any imbalances identified by adoption of the depreciation parameters and resulting depreciation rates shown in OPC Witness Garrett's direct and supplemental testimonies and exhibits should be allocated over the service life of the assets using the parameters included in OPC witness Garrett's direct and supplemental testimonies and exhibits. (Garrett)

ISSUE 8: What should be the implementation date for revised depreciation rates, and amortization schedules?

OPC: The depreciation parameters and resulting depreciation rates are as shown in OPC witness Garrett's direct and supplemental testimonies and exhibits and should be implemented upon approval of the Commission. (Garrett)

RATE BASE

ISSUE 9: Has FPUC made the appropriate adjustments to reflect GRIP investments as of December 31, 2022, in rate base?

OPC: FPUC will have outstanding GRIP costs as of December 31, 2022, subject to true-up in 2023 factors.

ISSUE 10: Is FPUC's adjustment to move existing Area Extension Program (AEP) projects into rate base appropriate? If so, what additional adjustments, if any, should be made?

OPC: The Accumulated Depreciation related to the AEP was understated and should have included a projected adjustment in the credit amount of $85,698. FPUC's Accumulated Depreciation should be increased by $85,698 to reflect this correction. (Smith)

ISSUE 11: What is the appropriate amount of existing environmental costs, if any, that should be removed from rate base and recovered through the Company's proposed environmental cost recovery surcharge mechanism?

OPC: The existing environmental costs should be recovered in base rates, not through an environmental cost recovery surcharge mechanism. Moreover, FPUC has the burden of demonstrating that its environmental costs are properly recorded on its books and records and reflected in the MFRs. OPC is not proposing an adjustment prior to hearing, but may propose an adjustment based on evidence adduced at hearing.

ISSUE 12: Is FPUC's proposed Safety Town project reasonable? If so, what is the appropriate amount for plant-in-service for the project?

OPC: FPUC has the burden of demonstrating that its proposed Safety Town project costs are reasonable, properly recorded on its books and records, and reflected in the MFRs. OPC is not proposing an adjustment prior to hearing, but may propose an adjustment based on evidence adduced at hearing.

ISSUE 13: Do FPUC's adjustments to Florida Common and Corporate Common plant and accumulated depreciation allocated appropriately reflect allocations among FPUC's gas division, FPUC's electric division, and non-regulated operations? If not, what additional adjustments, if any, should be made?

OPC: FPUC has the burden of demonstrating that it's Florida Common and Corporate Common plant and accumulated depreciation costs are allocated appropriately, properly recorded on its books and records, and reflected in the MFRs. OPC is not proposing an adjustment prior to hearing, but may propose an adjustment based on evidence adduced at hearing.

ISSUE 14: Has FPUC made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital?

OPC: FPUC has the burden of demonstrating that all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital have been appropriately removed, properly recorded on its books and records, and reflected in the MFRs. OPC is not proposing an adjustment prior to hearing, but may propose an adjustment based on evidence adduced at hearing.

ISSUE 15: What is the appropriate level of Miscellaneous Intangible Plant for the projected test year?

OPC: FPUC need to continue amortizing balances related to rights granted for Wayside and Deland South natural gas stations until fully amortize. To correct this error, a true-up amortization entry lower its projected average rate base by $85,839. (Smith)

ISSUE 16: What is the appropriate level of plant in service for the projected test year? (Fallout Issue)

OPC: The appropriate level of plant in service for the projected test year should reflect all OPC adjustments. (Smith, Garrett)

ISSUE 17: What is the appropriate level of accumulated depreciation for the projected test year? (Fallout issue)

OPC: The appropriate level of accumulated depreciation for the projected test year should reflect all OPC adjustments. (Smith, Garrett)

ISSUE 18: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

OPC: Yes, there should be an adjustment. The FPUC acquisition adjustment should not be included in rate base, and the related amortization expense should not be allowed to be included in 2023 test year operating expenses. (Smith)

ISSUE 19: What is the appropriate level of Construction Work in Progress (CWIP) to include in the projected test year?

OPC: FPUC has the burden of demonstrating that its CWIP is appropriate, properly recorded on its books and records, and reflected in the MFRs. OPC is not proposing an adjustment prior to hearing, but may propose an adjustment based on evidence adduced at hearing.

ISSUE 20: Have under recoveries and over recoveries related to the Purchased Gas Adjustment and Energy Conservation Cost Recovery been appropriately reflected in the Working Capital Allowance?

OPC: FPUC has the burden of demonstrating that it's under recoveries and over recoveries related to the Purchased Gas Adjustment and Energy Conservation Cost Recovery have been appropriately reflected in the Working Capital Allowance, properly recorded on its books and records, and reflected in the MFRs. OPC is not proposing an adjustment prior to hearing, but may propose an adjustment based on evidence adduced at hearing.

ISSUE 21: Should an adjustment be made to remove unamortized rate case expense from working capital?

OPC: Yes, an adjustment should be made. The unamortized rate case expense should be adjusted to remove $159,169 to correct for error, and $1,713,787 to remove FPUC's updated remaining amount for the unamortized balance of rate case expense from the working capital, thereby reducing rate base by $1,871,956. (Smith)

ISSUE 22: Should an adjustment be made to remove a portion of prepaid Directors and Officers ("D&O") Liability Insurance from working capital?

OPC: Yes, an adjustment should be made. Due the nature of D&O Liability Insurance protecting shareholders from harmful Board of Director decisions, one half of D&O Liability Insurance should be removed from working capital (sharing costs between shareholders and ratepayers) which reduces projected 2023 test year rate base by $18,049. (Smith)

ISSUE 23: What is the appropriate level of working capital for the projected test year?

OPC: The appropriate level of working capital for the projected test year should reflect all OPC adjustments. (Smith, Garrett)

ISSUE 24: What is the appropriate level of rate base for the projected test year?

OPC: The appropriate level of rate base for the projected test year should reflect all OPC adjustments. (Smith, Garrett)

COST OF CAPITAL

ISSUE 25: What is the appropriate amount and cost rate for short-term debt to include in the projected test year capital structure?

OPC: The appropriate cost rate for short-term debt is 3.28%. The amount and cost rate are shown on Exhibit RCS-2R, Schedule D. (Smith, Garrett)

ISSUE 26: What is the appropriate amount and cost rate for long-term debt to include in the projected test year capital structure?

OPC: The appropriate cost rate for long-term debt is 3.48%. The amount and cost rate are shown on Exhibit RCS-2R, Schedule D. (Smith, Garrett)

ISSUE 27: What is the appropriate amount and cost rate for customer deposits to include in the projected test year capital structure?

OPC: The appropriate customer deposits amount is $10,312,975 and the appropriate cost rate is 2.37%. The amount and cost rate are shown on Exhibit RCS-2R, Schedule D. (Smith, Garrett)

ISSUE 28: What is the appropriate amount of accumulated deferred taxes to include in the projected test year capital structure?

OPC: The appropriate accumulated deferred taxes amount is $40,317,168. The amount and cost rate are shown on Exhibit RCS-2R, Schedule D. (Smith, Garrett)

ISSUE 29: What is the appropriate equity ratio to use in the capital structure for ratemaking purposes?

OPC: The equity ratio is 50.99% equity as shown on Exhibit RCS-2R, Schedule D. (Smith, Garrett)

ISSUE 30: What is the appropriate authorized return on equity (ROE) to use in establishing FPUC's projected test year revenue requirement?

OPC: The appropriate ROE is 9.25%. FPUC's requested 11.25% ROE and a 55.1% equity ratio is extravagant and excessive under current market conditions. Awarded ROEs have remained lower than 10% since before 2015 and the market already accounts for flotation costs which is not an out-of-pocket costs. After applying the Discount Cash Flow (DCF) method checked by the Capital Asset Pricing Model (CAPM) with a proposed capital structure of 51.4% equity and also applying the electric proxy groups, the appropriate ROE for FPUC is 9.25% to gradually bring the ROE in-line with FPUC's market based cost of equity. (Garrett) The appropriate reconciliation of rate base and capital structure is shown on Exhibit RCS-2R, Schedule D. (Smith, Garrett)

ISSUE 31: What is the appropriate method to reconcile average capital structure to average jurisdictional rate base?

OPC: The appropriate equity ratio is 51.4% equity for the 2023 projected test year. FPUC's requested 55.1 % equity ratio request in this case puts an unnecessary cost burden on FPUC's ratepayer and should be rejected. The FPUC proxy group average equity ratio is 52% for 2022. Rather than utilizing FPUC's proposed hypothetical capital structure of 55.1% equity, OPC recommends using a more rational, hypothetical capital structure of 51.4% equity. Applying 51.4% equity, gradually moves FPUC's equity ratio more in-line with its proxy group and reduces cost to ratepayers. In the context of the total capital structure for ratemaking purposes, the equity ratio is 50.99% as shown on Exhibit RCS-2, Schedule D. (Smith, Garrett) The appropriate reconciliation of rate base and capital structure is shown on Exhibit RCS-2R, Schedule D. (Smith, Garrett)

ISSUE 32: What is the appropriate weighted average cost of capital to use in establishing FPUC's projected test year revenue requirement?

OPC: The weighted average cost of capital of 5.20% as shown on Exhibit RCS-2R, Schedule D. Pursuant to the standards set forth in <u>Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia</u>, 262 U.S. 679 (1923) ("Bluefield') and <u>Federal Power Commission v. Hope Natural Gas Co</u>., 320 U.S. 591 (1944) ("Hope") that financial integrity should be sufficient to attract capital on reasonable terms under a variety of market and economic conditions. Under OPC's gradual approach of moving toward market expected ROEs should allow for FPUC to maintain financial integrity. OPC's recommends capital structure of 9.25% equity return with a 51.4% common equity structure with a 5.20% overall rate of return. (Smith, Garrett)

NET OPERATING INCOME

ISSUE 33: Has FPUC properly removed Purchased Gas Adjustment and Natural Gas Conservation Cost Recovery Revenues, Area Extension Plan Revenues, Expenses, and Taxes Other than Income from the projected test year?

OPC: No. FPUC has the burden of demonstrating that it appropriately removed Purchased Gas Adjustment and Natural Gas Conservation Cost Recovery Revenues, Area Extension Plan Revenues, Expenses, and Taxes Other than Income from the projected test year.

ISSUE 34: Has FPUC made the appropriate adjustments to remove all non-utility activities from operation expenses, including depreciation and amortization expense?

OPC: No. Based on OPC's recommend depreciation rates, depreciation expense should be reduced by $2.205 million. Further, the amortization expense for the Acquisition adjustment for FPUC should be removed since FPUC has not demonstrated that costs saving have been maintained. Thus, $1,139,750 should be removed related to amortization expense in the 2023 test year. (Smith, Garrett)

ISSUE 35: Should an adjustment be made to the number of employees in the projected test year?

OPC: Yes. FPUC has the burden of demonstrating the need for any additional employees in the 2023 project test year, particularly if there is any potential for a merger in near future years. (Smith)

ISSUE 36: What is the appropriate amount of salaries and benefits to include in the projected test year?

OPC: The appropriate amount of salaries and benefits in the 2023 projected test year should be adjusted consistent with OPC's recommended adjustments of $1.090 million for incentive compensation, $1.376 million for executive/management stock-based compensation, and $1,762 for Supplemental Executive Retirement. (Smith)

OPC: ISSUE 36A: Should an adjustment be made to remove a portion of incentive compensation expense from projected test year cost of service?

OPC: Yes. In the 2023 projected test year, incentive compensation should be adjusted by $1,090,101. Incentive compensation should reflect the removal of 50% of incentive compensation which shareholders are the primary beneficiary of achieving goals related to corporate earning per share and consolidated return on equity. (Smith)

OPC: ISSUE 36B: Should an adjustment be made to remove stock-based compensation expense from projected test year cost of service?

OPC: Yes. In the 2023 projected test year, executive/management stock-based compensation should be adjusted by $1.376 million. This executive/management stock-based compensation should be removed because ratepayers should not be required to pay for performance of the Company (or parent company's) stock price. (Smith)

OPC: ISSUE 36C: Should an adjustment be made to remove Supplemental Executive Retirement Program ("SERP") expense from projected test year cost of service?

OPC: Yes. In the 2023 projected test year, Supplemental Executive Retirement Program ("SERP") should be adjusted by $1,762. This SERP should be removed because ratepayers should not be required to pay for compensation to select executive in excess of the retirement limits allowed by the IRS. (Smith)

ISSUE 37: What is the appropriate amount of pensions and post-retirement benefits expense to include in the projected test year?

OPC: FPUC has the burden of demonstrating that the amount of pensions and post-retirement benefits expense to include in the projected test year are appropriate.

ISSUE 38: Should an adjustment be made to remove a portion of Directors and Officers Liability ("D&O") insurance expense from projected test year cost of service?

OPC: Yes, an adjustment to remove $85,528 for Directors and Officers Liability ("D&O") insurance expense from projected test year cost of service. Due the nature of D&O Liability Insurance protecting shareholders from harmful Board of Director decisions, one half of D&O Liability Insurance should be removed from working capital (sharing costs between shareholders and ratepayers). (Smith)

ISSUE 39: Should the projected test year O&M expenses be adjusted to reflect changes to the non-labor trend factors for inflation and customer growth?

OPC: FPUC has the burden of demonstrating that the changes to the non-labor trend factors for inflation and customer growth included in the projected test year O&M expenses are appropriate.

ISSUE 40: What is the appropriate annual storm damage accrual and cap?

OPC: FPUC has the burden of demonstrating that the annual storm damage accrual and cap included in the projected test year O&M expenses are appropriate.

ISSUE 41: Is a Parent Debt Adjustment pursuant to Rule 25-14.004, Florida Administrative Code, appropriate, and if so, what is the appropriate amount?

OPC: Yes, a Parent Debt Adjustment is appropriate. The adjustment reduces federal income tax expense by $679,973. (Smith)

ISSUE 42: Should an adjustment be made to Regulatory Commission Expense for Rate Case Expense for the projected test year, and what is the appropriate amortization period?

OPC: The rate case expense should be no more that estimated provided in FPUC witness Cassel testimony of $3,427,574 million, amortized over five-years. The projected test year should include no more than $685,515 in the projected 2023 test year for rate case expense. (Smith)

ISSUE 43: Should an adjustment be made to Uncollectible Accounts and for Bad Debt in the Revenue Expansion Factor?

OPC: FPUC has the burden of demonstrating that the amount of Uncollectible Accounts and Bad Debt in the Revenue Expansion Factor included in the projected test year are appropriate.

ISSUE 44: Should an adjustment be made to reduce rental expense from the projected test year?

OPC: Yes, the rental expense should be reduced by $78,249 in the projected 2023 test year to reflect a reduction for rental space that is no longer leased. (Smith)

ISSUE 45: What is the appropriate amount of projected test year O&M expenses? (Fallout Issue)

OPC: The amount of projected test year O&M expense should reflect all OPC's recommended adjustments. (Smith, Garrett)

ISSUE 46: Do FPUC's adjustments to Florida Common and Corporate Common depreciation and amortization expense allocated appropriately reflect allocations among FPUC's gas division, FPUC's electric division, and non-regulated operations? If not, what additional adjustments, if any, should be made?

OPC: FPUC has the burden of demonstrating that the amount of Florida Common and Corporate Common depreciation and amortization expense allocated appropriately reflect allocations among FPUC's gas division, FPUC's electric division, and non-regulated operations included in the projected test year are appropriate. These amount should reflect all applicable OPC adjustments.

ISSUE 47: What is the appropriate amount of depreciation expense to include in the projected test year for FPUC's GRIP program?

OPC: FPUC has the burden of demonstrating that the amount of depreciation expense included in the projected test year for FPUC's GRIP program are appropriate.

ISSUE 48: What is the appropriate amount of Depreciation and Amortization Expense for the projected test year? (Fallout Issue)

OPC: FPUC has the burden of demonstrating that the amount of Depreciation and Amortization Expense included in the projected test year are appropriate. These amounts should reflect all applicable OPC adjustments.

ISSUE 49: What adjustments, if any, are appropriate to account for interest synchronization?

OPC: The federal income tax expense should be reduced by $134,104 for an interest synchronization adjustment. (Smith)

ISSUE 50: Should any adjustments be made to the amounts included in the projected test year for amortization expense associated with the acquisition adjustment?

OPC: Yes, the acquisition adjustment amortization expense of $1,139,750 should not be allowed to be included in 2023 test year operating expenses related to the FPUC merger acquisition adjustment. FPUC has failed to demonstrate the synergy from the merger are still occurring. (Smith)

ISSUE 51: What is the appropriate amount of projected test year Taxes Other than Income?

OPC: FPUC has the burden of demonstrating that the amount of projected test year Taxes Other than Income is appropriate. These amounts should reflect all applicable OPC adjustments. (Smith, Garrett)

ISSUE 52: What is the appropriate amount of projected test year Income Tax Expense (Fallout Issue)

OPC: FPUC has the burden of demonstrating that the amount of projected test year Income Tax Expense is appropriate. These amounts should reflect all applicable OPC adjustments. (Smith, Garett)

ISSUE 53: What is the appropriate amount of Total Operation Expenses for the projected test year? (Fallout Issue)

OPC: FPUC has the burden of demonstrating that the amount of Total Operation Expenses for the projected test year is appropriate. These amounts should reflect all applicable OPC adjustments. (Smith, Garrett)

ISSUE 54: What is the appropriate amount of Net Operating Income for the projected test year? (Fallout Issue)

OPC: FPUC has the burden of demonstrating that the amount of Net Operating Income for the projected test year is appropriate. These amount should reflect all applicable OPC adjustments. (Smith, Garrett)

REVENUE REQUIREMENTS

ISSUE 55: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPUC?

OPC: FPUC has the burden of demonstrating that the amount of the revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPUC is appropriate. These amounts should reflect all applicable OPC adjustments. (Smith, Garrett)

ISSUE 56: What is the appropriate annual operating revenue increase for the projected test year? (Fallout Issue)

OPC: FPUC has the burden of demonstrating that the amount of annual operating revenue increase for the projected test year is appropriate. These amounts should reflect all applicable OPC adjustments. (Smith, Garrett)

COST OF SERVICE AND RATE DESIGN

ISSUE 57: Should FPUC's proposal to consolidate its cost of service for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown be approved?

OPC: Yes, assuming the proposed consolidation of its cost of service is non-discriminatory and consistent with OPC's recommendation on the other issues in this docket.

ISSUE 58: Is FPUC's proposed cost of service study appropriate?

OPC: Yes, assuming the proposed cost of service study is non-discriminatory and consistent with OPC's recommendation on the other issues in this docket.

ISSUE 59: Are FPUC's proposed consolidated residential and commercial rate classes appropriate?

OPC: Yes, assuming the proposed consolidated residential and commercial rate classes are non-discriminatory and consistent with OPC's recommendation on the other issues in this docket.

ISSUE 60: Are FPUC's proposed customer charges for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown appropriate?

OPC: Yes, assuming the proposed customer charges for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown are non-discriminatory and consistent with OPC's recommendation on the other issues in this docket.

ISSUE 61: Are FPUC's proposed per therm distribution charges for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown appropriate?

OPC: Yes, assuming the proposed per therm distribution charges for Florida Public Utilities Company, CFG, Fort Meade, and Indiantown are non-discriminatory and consistent with OPC's recommendation on the other issues in this docket.

ISSUE 62: Are FPUC's proposed consolidated miscellaneous service charges appropriate?

OPC: Yes, assuming the consolidated miscellaneous service charges are non-discriminatory and consistent with OPC's recommendation on the other issues in this docket.

ISSUE 63: Is FPUC's proposal to modify its existing AEP appropriate?

OPC: Yes, assuming the modification is non-discriminatory and consistent with OPC's recommendation on the other issues in this docket.

ISSUE 64: Is FPUC's proposed Environmental Cost Recovery Surcharge an appropriate mechanism to recover environmental remediation costs related to FPUC's former manufactured gas plant sites?

OPC: No. The Commission should provide for recovery of any environmental costs through base rates.

ISSUE 65: Are FPUC's non-rate related tariff changes appropriate?

OPC: Yes, assuming the tariffs are non-discriminatory and consistent with OPC's recommendations on the other issues in this docket.

ISSUE 66: What is the appropriate effective date of FPUC's revised rates and charges?

OPC: The effective date of FPUC's revised rates and charges should allow for time for implementation promptly after the Commission's final order in this matter.

OTHER ISSUES

ISSUE 67: Should the Commission approve a rate adjustment mechanism in the event State or Federal income tax rates change in the future?

OPC: No. The Commission should require the Company to file a limited proceeding for any future tax changes.

ISSUE 68: Should FPUC's proposal to modify its Extension of Facilities tariff to provide the Company with the option of requiring a Minimum Volume Commitment from non-residential customers be approved?

OPC: Yes, assuming it is non-discriminatory.

ISSUE 69: Should any portion of the interim increases granted be refunded to the customers?

OPC: Yes, if the Commission approves final rates that are less than the amount allowed to be collected as interim rates.

ISSUE 70: Should FPUC 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?

OPC: Yes, the Commission should require FPUC 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 71: Should this docket be closed?

OPC: Yes, after the time for appeal has past.

E. STIPULATED ISSUES:

None at this time.

F. PENDING MOTIONS:

None.

G. REQUESTS FOR CONFIDENTIALITY:

OPC have no pending requests for claims for confidentiality.

H. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

OPC has no objections to any witness' qualifications as an expert in this proceeding.

I. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Orders Establishing Procedure with which the Office of Public Counsel cannot comply.

Respectfully submitted,

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Public Counsel

/s/ Patricia A. Christensen
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CERTIFICATE OF SERVICE
DOCKET NO. 20220067-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 30th day of September, 2022, to the following:

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