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FPUC's Revised Responses to Staff's First Set of Interrogatories Nos. 2, 5, & 8

Interrogatory No. 2 (a-k)

INTERROGATORIES

2. Please refer to FPUC's responses to Citizen's First Request for PODs, No. 6, attachment "OPC POD 6 Item 1. Exhibit PSL-2_(FPUC-Rate 0027632-0027699)(15675842.1).xlsx" (Exhibit PSL-2 Workbook).
    a. Referring to Tab Sch. D, Cell H48, please explain how the 5.0 percent whole life rate was derived for Account 399 Miscellaneous Tangible, given that the current, as well as the proposed, amortization period for the account is 5 years as presented on row 49 of Tab A.
    b. Referring to Tab Sch. G 2018 of the Exhibit PSL-2 Workbook, please provide an explanation for each of the following:
        i. Total plant transfer does not net to zero (Cell G48, negative $26,976). Why?
        ii. Total reserve transfer does not net to zero (Cell R48, negative $25,995). Why?
    c. Referring to Tab Sch. G 2019 of Exhibit PSL-2 Workbook, please provide an explanation for each of the following:
        i. Total plant transfer net to zero (Cell G48, negative $477,881). Why?
        ii. Total reserve transfer net to zero (Cell R48, negative $410,253). Why?

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d. Referring to Tab Sch. G 2020 of the Exhibit PSL-2 Workbook, please provide an explanation for each of the following:

    i. Why is the total amount of retirement shown on the plant site (Cell D48, negative $9,572,118) different from the total amount of retirement shown on the reserve site (Cell N48, negative $6, 026, 955)?

    ii. Total plant transfer does not net to zero (Cell G48, $49,796). Why?

    iii. Total reserve transfer does not net to zero (Cell R48, $16,604). Why?

e. Referring to Tab Sch. G 2021 of the Exhibit PSL-2 Workbook, rows 52 through 56:

    i. Please define each of the following row headings with necessary explanation: CF, FC, FT, FI, and FN.

    ii. Please explain how the dollar amounts shown in cells B52:H56 were derived.

f. Referring to Tab Sch. M of the Exhibit PSL-2 Workbook, column I "CORRECTION TO PLANT" for Account 3802 Services Others:

    i. Please explain why the corresponding plant amounts need to be corrected for several of the years.

    ii. Please explain the nature and cause for these errors that FPUC discovered.

    iii. Some of the corrections are for very early years, e.g., 1940 – 1960. Please explain how FPUC determined the correct plant amount for those years.

g. Referring to Tab Sch. M of the Exhibit PSL-2 Workbook, column J "CORRECTION TO RETIREMENTS" for Account 3810 Meters:

   i. Please explain the nature and cause for the corrections listed in this column.
   ii. Please explain what FPUC based its corrected amount of retirement for each of the affected years, especially for those early years such as 1968.

h. Referring to Tab Sch. M of the Exhibit PSL-2 Workbook, column K "TRANSPORTATION ADJ:"
   i. Please explain what is mean by "Transportation ADJ" and what is recorded in this column.
   ii. Please explain the nature and cause for the correction listed for Accounts 3940 Tools, Shop & Garage Equip. and 3960 Power Operated Equip., respectively.

i. Referring to Tab Sch. M of Exhibit PSL-2 Workbook, column L "COR W/O RET ADJ:"
   i. Please explain what is meant by "COR W/O RET ADJ" and what is recorded in this column.
   ii. Please explain the nature and cause for the corrections listed for Accounts 3750, 3762, 3780, 3790, and 3801.

j. Referring to Tab Sch. M of the Exhibit PSL-2 Workbook, column M "FC GP RECLASS AND RET:"

   i. Please specify and explain this column heading "FC GP RECLASS AND RET."

   ii. Please explain the nature and cause for the corrections listed in Accounts 3900, 3910, 3912, 3913 and 3980.

k. Referring to Tab Sch. N of the Exhibit PSL-2 Workbook:

   i. Please define with corresponding explanation each of following: FN Adj.; CFG Adj.; FC Adj.; FI Adj.; and FT Adj.

   ii. The footnote on page 1 of Exhibit PSL-2 indicates that "[a]djustments shown on Sch. N relate to cost of removal reclassifications, salvage recorded to plant rather than reserve, late retirements, and reclassifications." Please explain what is meant by "salvage recorded to plant rather than reserve?"

   iii. Is it correct that all the adjustment amounts appearing in Sch. N are listed separately for each division rather than consolidated? If not, please explain.

   iv. As shown on row 3, Sch. N presents the "Prior Period Adjustments Included in Projected Reserves 2022 Balances." Are there any prior period plant adjustments included in FPUC's projected 2022 plant balances? If so, please explain why there is no corresponding schedule provided.

Revised Company Response:

a. Tab Sch. D, Cell H48, should be shown as 20% with a life/amortization period of 5 years.

b.i. Total plant transfers do not net to zero because they occurred with affiliates outside of the Natural Gas Division. Transaction details are stated below.

- Account 3921: FN (Florida Public Utilities – Natural Gas Division) corrected the asset value by $79 for a 2012 Ford Explorer, Vehicle #635, previously transferred out to corporate.
- Account 3922: FN corrected the asset value by $1,060 for a 2009 Chevy Silverado, Vehicle #191, that was previously transferred out to the Electric division; and CFG (Florida Division of Chesapeake Utilities Corporation (Central Florida Gas)) also transferred out a 2008 Chevy Silverado, Vehicle #328, to the Electric division valued at $25,995.

b.ii. The total reserve transfer does not net to zero because it occurred with affiliates outside of the Natural Gas Division. This is the associated Reserve for the transferred 2008 Chevy Silverado detailed above in response to question 2.b.i. above.

c.i. Total transfers do not net to zero because they occurred with affiliates outside of the Natural Gas Division. Transaction details are stated below.

- Account 3761: CFG sold and transferred out 13,061 feet of 10" High pressure Steel Mains for $521,272 to an affiliate, Peninsula Pipeline Company, Inc. ("PPC"), for the Auburndale project in Polk County. Order No. PSC-2019-0356-PAA-GU, issued August 23, 2019, in Docket No. 20190128-GU, approved this affiliate transaction.
- Account 3922: Chesapeake Utilities Corporation (CUC) sold Peninsula Energy Services Company, Inc. (PESCO) and transferred in a 2018 Ford Explorer to FPUC-Common valued at $43,391.

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c.ii. Total transfers do not net to zero because they occurred with affiliates outside of the Natural Gas Division. These are the associated reserves for the transactions detailed above in response to question 2.c.i.

d.i. Total retirements reflected on the 2020 Plant in Service schedule do not equal the Retirements on the 2020 Reserve schedule because land is not depreciated. The company sold land on Water Tower Road valued at $3,545,163 and properly reported the transaction solely on the Plant Schedule.

d.ii. Total transfers do not net to zero because they occurred with affiliates outside of the Natural Gas Division.

- Acct 3914: CUC sold PESCO, an unregulated affiliate, and redistributed PESCO's portion of the budgeting and forecasting software to all remaining business units (regulated and unregulated) still utilizing the software. FN and CFG each received a transfer of $13,328 from PESCO.
- Acct 3970 - CUC sold PESCO, an unregulated affiliate, and redistributed PESCO's portion of the Cisco Phone System to all remaining business units (regulated and unregulated) still utilizing the phone system. CFG received a transfer of $23,138 from PESCO.

d.iii. Total transfers do not net to zero because they occurred with affiliates outside of the Natural Gas Division. These are the associated reserves for the transactions detailed above in response to question 2.d.ii. above.

e.i. These are internal abbreviations for Florida based companies. CF refers to the Florida Division of Chesapeake Utilities Corporation (Central Florida Gas); FC refers to Florida Common; FT refers to Florida Public Utilities Company-Fort Meade; FI refers to Florida Public Utilities Company-Indiantown Division; and FN refers to Florida Public Utilities Company-Natural Gas Division.

e.ii. The amounts shown on rows 52-60 are not part of the filing. These hardcoded balances were used as check figures during the compilation of the depreciation study and were not updated after corrections were made. During review, we found some balances were reported under the incorrect heading or were off due to rounding. These errors were corrected to arrive at the balances utilized in the study. Relevant changes to the filing are detailed on Sch. G 20XX (applicable year) Notes and Revised Sch. M of Exhibit PSL-2 Workbook.

f.i. Schedule M depicted assets by vintage year with cumulative negative asset values in cells D416-D418 and D431-D434. Because these vintages reported more assets retired than placed in service, the First-In, First-Out (FIFO) method was utilized to clear up the negative asset values.
f.ii. These errors are most likely were caused by clerical errors.

f.iii. The Company utilizes the FIFO method when the install year of an asset being retired or replaced is not known.

g.i. The company reviewed records for meters retired in the same year of install. Meters retirements totaling $3,850 and $130 in 2019 and 2021, respectively, were determined to have the incorrect vintage years reported.

g.ii. Records from operation revealed the correct year of install for the $3,850 retirement originally recorded in vintage year 2019 was 2014. For the $130 retirement originally reported in 2021, the FIFO method was utilized to record this retirement in 1968 since the correct vintage year was unknown.

h.i. “TRANSPORTATION ADJ” refers to adjustments made for entries mistakenly recorded in the company’s transportation accounts that should have been recorded in Accounts 3940 and 3960.

h.ii. These adjustments reclassify entries found to be miscoded during a review of transportation accounts. Specifically, a forklift and three generators were mistakenly recorded in transportation account 3922 during 2021 and 2019, respectively. The forklift totaling $18,988 was reclassified to account 3960 and the three generators totaling $9,737 were reclassified to Account 3940. The ($3,200) adjustment in Account 3960 was mistakenly classified as a transportation adjustment. This adjustment reverses a retirement that was booked in error and should have been placed under the adjustment heading "Correction to Retirements".

i.i. "COR W/O RET ADJ" refers to adjustments made for Cost of Removal entries recorded without a corresponding retirement entry.

i.ii. The company reviewed all Cost of Removal entries recorded without a corresponding retirement entry. These adjustments record missing retirements.

- Account 3750: In 2020, CFG missed a retirement of an enclosed porch totaling $11,239. An adjustment is reflected in the 2022 schedule to account for the missed retirement.
- Account 3762: In 2020, FT missed retirements of steel mains totaling $604 and $362. An adjustment totaling $966 is reflected in the 2022 schedule to account for the missed retirements.

- Account 3780: In 2021, FN missed a retirement totaling $6,851. A review of the account also revealed an additional $27,403.80 associated with other missed retirements since acquisition. These adjustments are reflected in the 2022 schedule to account for all missed retirements.
- Account 3790: In 2019, FN missed retirements totaling $61,471 and CFG missed retirements totaling $33,184. An adjustment totaling $94,655 is reflected in the 2022 schedule to account for the missed retirements.
- Account 3801: In 2020 and 2021, FT missed retirements of services totaling $410 and $4,370, respectively. An adjustment totaling $4,780 is reflected in the 2022 schedule to account for the missed retirements.

j.i. "FC GP RECLASS AND RET" refers to adjustments for Florida Common's general plant assets that were reclassified or retired.

j.ii. The Company performed a detailed review of Florida Common's general plant assets that were being amortized. These adjustments reclassify FC's assets to the correct FERC accounts.

- Account 3900: See response to Account 3912 below.
- Account 3910: $7,784 for Satellite phones were reclassified out to Account 3970; $16,477 for Defibrillators were reclassified out to Account 3980, $445,631 for Office Furniture were reclassified out to Account 3913, and $681 for a conference room television was reclassified in from Account 3913.
- Account 3912: $5,894 for sound proofing conference room ceilings were reclassified out to Account 3900, $650 for conference room chalk boards were reclassified out to Account 3913, and $77,495 for IT setup was reclassified in from Account 3913.
- Account 3913: See responses to Accounts 3910 and 3912 above.
- Account 3980: See response to Account 3910 above.

k.i. These are internal abbreviations for company specific adjustments added to the 2022 Reserve Schedule. FN Adj. refers to Florida Public Utilities Company-Natural Gas Division adjustments; CFG Adj. refers to Central Florida Gas adjustments; FC Adj. refers to Florida Common adjustments; FI Adj. refers to Florida Public Utilities Company-Indiantown Division adjustments; and FT Adj. refers to Florida Public Utilities Company-Fort Meade adjustments.

k.ii. There were a few instances where the gross salvage on retiring vehicles were recorded as a reduction to additions in Plant Account 1010 rather than properly recorded to Reserve Account 1080. These instances have been corrected.

k.iii. No, the adjustments are shown on a divisional and a consolidated level. Sch. N presents the consolidated total for all adjustments and all prior years under Column AC.

k.iv. Yes, prior period plant adjustments are included in FPUC's projected 2022 plant balances. These adjustments are shown at the consolidated level by vintage years on Revised Sch. M, under columns I through N.

Respondent: Pat Lee

Interrogatory No. 5

5. Please refer to Tab Sch. A of the Exhibit PSL-2 Workbook for the questions below:
   a. Referring to Cells C18 and C23, is it correct that the total amount of the GRIP-related plant investment is $195,873,149 as of 1/1/2023? If not, please provide the correct amount.
   b. Please explain how the $19,755,931 of the GRIP-related plant investment discussed in Questions (4.a. and b.) is related to the correct amount of the GRIP-related plant discussed in Question (5.a.).
   c. Referring to Cells D18 and D23, is it correct that the total amount of GRIP-related reserve (accumulated depreciation) is $21,172,827 as of 1/1/2023? If not, please provide the correct amount.
   d. Please explain how the GRIP-related reserve discussed in Question (4.c.) is related to the correct amount of the GRIP-related reserve discussed in Question

Revised Company Response:

a. No, the total amount of GRIP-related plant investment is $195,899,859. This amount includes $146,906,028 for plastic mains in Account 376G and $48,993,831 for plastic services in Accounts 380G. The variance is due to deducting an adjustment of $13,356 from Account 376G, when it should have been added back to the Plant balance to properly reflect the reclassification of the retirement from Account 376G to Account 3762.

b. See response to 4a above. A GRIP-related Plant in Service reconciliation is shown below for Sch. A of the Revised Exhibit PSL-2 Workbook and MFR Schedule G-1 page 9.

Plant in Service Reconciliation: MFR Schedule G-1 to Revised Exhibit PSL-2 Workbook

Description	Amount
GRIP-related Plant in Service at December 2021	$186,401,922
Total GRIP-related Additions for Year 2022	$9,484,581
Sch. G-1 Reconciled GRIP-related Plant in Service at December 2022	$195,886,503
Revised GRIP-related Retirement adjustments included in the Sch. A Balance (Revised Exhibit PSL-2 Workbook Sch. M)	$13,356
Revised Sch. A Reconciled GRIP-related Plant in Service at December 2022	$195,899,859

c. No, the total amount of GRIP-related reserve is $21,186,391. This amount includes $17,733,587 for plastic mains in Account 376G and $3,452,804 for plastic services in Account 380G. The $13,564 variance is caused by the corrections made to Account 376G that is discussed in response 5a. above. Changes to the reported amounts are due to correcting hardcoded accruals to Sch. G 2022. Accruals should have been linked to the supporting calculation schedule, Sch. J.

d. Question 4c asks for the accumulated depreciation at the end of the test year which is 2023. The study was done as of 12/31/2022. The 2022 balance in the filing is $20,479,771 ($24,642,381-depreciation expense of $4,162,610). The filing did not include the two adjustments shown in the reconciliation below. The 2022 variance between Sch. A of the Revised Exhibit PSL-2 Workbook and MFR Schedule G-1 page 11 is caused by the reclassification of GRIP-related COR from Accounts 376G and 380G to the respective steel accounts, Accounts 3762 – Mains Steel and 3802 Services – Steels and corrections made to Account 376G that is discussed in response 5a. and 5c. above.

Interrogatory No. 5, cont.

GRIP-Related Reserve Reconciliation: MFR Schedule G-1 to Exhibit PSL-2 Workbook

Description	Amount
GRIP-related Reserve at December 2021	$16,320,023
Total GRIP-related Accruals for Year 2022	$4,095,546
Pre-adjusted GRIP-related Reserve at December 2022	$20,415,569
2021 GRIP-related COR adjustments included in the balances of Sch. G-1 and Sch. A (Exhibit PSL-2 Workbook Sch. N Cell G19)	$64,205
Sch. G-1 Reconciled GRIP-related Reserve at December 2022	$20,479,774
Additional GRIP-related COR adjustments included in Sch. A balance for the period 2018-2021 (Exhibit PSL-2 Workbook Sch. N All Remaining GRIP adjustments)	$693,053
Additional accruals due to $13,356 plant adjustment correction (Discussed in 5a)	$211
Additional accruals due to correcting hardcoded accrual on Sch. G 2022	$13,353
Revised Sch. A Reconciled GRIP-related Reserve at December 2022	$21,186,391

Respondent: Pat Lee

Interrogatory No. 8

8. Please refer to FPUC witness Lee's Direct Testimony, Exhibit PSL-2, Page 22 and 62 of 93. The second paragraph on page 22 in the Account 392.2 – Light Trucks & Vans section states, "The net salvage realized during the 2018-2022 period is projected to average 22 percent." Page 63 shows an adjusted 5 Year Total net salvage of 17.85 percent. Please explain this difference.

Revised Company Response:

The net salvage shown on page 22 of 93 of FPUC witness Lee's Direct Testimony, Exhibit PSL-2, should be 16.75 percent, the same as shown on revised page 63 of 93. Additional adjustments were made to include a missed retirement and correct the salvage adjustment reported.

Respondent: Pat Lee

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.	DOCKET NO. 20220067-GU FILED: September 12, 2022

DECLARATION

I hereby certify and affirm that I sponsored the Company's REVISED responses to the COMMISSION STAFF'S FIRST SET OF INTERROGATORIES (Nos. 2, 5, and 8) in Docket No. 20220067-GU. The responses are true and correct to the best of my knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory responses identified above, and that the facts stated therein are true.

Pat Lee, Declarant

Dated: 9/10/2022