

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate increase by Florida
Public Utilities Company.

DOCKET NO. 140025-EI
ORDER NO. PSC-14-0517-S-EI
ISSUED: September 29, 2014

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR
EDUARDO E. BALBIS
JULIE I. BROWN

ORDER APPROVING STIPULATION AND SETTLEMENT AGREEMENT

BY THE COMMISSION:

Background

On April 28, 2014, Florida Public Utilities Company (FPUC) filed its petition for an increase in base rates and request for an interim rate increase. Order No. PSC-14-0372-PCO-EI, issued on July 17, 2014, as amended by Order No. PSC-14-0377-PCO-EI, issued on July 18, 2014, suspended FPUC's proposed rates and granted interim rate relief. Order No. PSC-14-0179-FOF-EI, issued on April 18, 2014, acknowledged Office of the Public Counsel's (OPC) intervention in this docket.

Order No. PSC-14-0194-PCO-EI, issued on May 1, 2014, set a Prehearing Conference for September 4, 2014 and final hearing for September 15-18, 2014. On August 29, 2014, the parties filed a Joint Motion for Approval of Stipulation and Settlement (Settlement) requesting that the motion be heard as the first order of business at the final hearing. In light of this request, the Prehearing Conference was held on September 4, 2014, with consideration of all substantive issues continued until September 16, 2014, the day after our scheduled vote on the Settlement. Having voted to approve the Settlement on September 15, 2014, a continuation of the Prehearing on September 16th was rendered moot.

We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.041, 366.05, 366.06, 366.07, 366.076, 366.8255, 366.93, and Sections 120.57(2) and (4), F.S., and Rules 28-106.301 and 28.106.302, Florida Administrative Code (F.A.C.).

Ruling

Having reviewed the Settlement and the pleadings, and heard argument of counsel, we find that the Settlement is in the best interests of FPUC's ratepayers and hereby approve it. All parties to this case have signed the Settlement and all have asserted that, when taken as a whole, this Settlement is in the ratepayers' best interests, meets the need for reliable electric service and price stability in a balanced manner, and establishes fair, just and reasonable rates. OPC, the

entity statutorily charged with representing people of the state of Florida in proceedings before us, negotiated this Settlement and is fully satisfied that the terms of the Settlement protect ratepayers' interests and equitably resolve all issues in the case. We agree and find the Settlement to be in the public interest.

The Settlement covers a minimum term of 26 months, commencing on the first billing cycle in November, 2014 through the last billing cycle in December, 2016. During this period FPUC's annual revenue requirements will be increased by approximately \$3.75 million, a reduction of \$2.02 million from the revenue increase of \$5.77 million requested in FPUC's Minimum Filing Requirements (MFRs).

The Settlement establishes a return on equity of 10.25%, with a range of 9.25% to 11.25%, which shall be used for all regulatory purposes. The agreed upon capital structure is FPUC's actual capital structure with a pro rata share of parent company debt and equity. FPUC had requested a return on equity of 11.25% and a 58% equity/debt ratio.

The Settlement allows FPUC to establish a general liability claim regulatory asset in the amount of \$250,000 amortized over 5 years. A general liability reserve for self-insurance of \$25,000 per year with a cap of \$250,000, with any credit balance used to offset working capital in rate base, is also established which shall be augmented with any excess from the general liability claim amortization amounts upon the expiration of that regulatory asset. FPUC requested that a tax asset be established to recognize accumulated deferred income taxes associated with Chesapeake Utility Corporation's acquisition of FPUC in 2009 in the amount of \$353,307 with annual amortization of \$13,589 over 26 years. The Settlement authorizes FPUC to create the tax asset in the amount of \$208,220 with annual amortization of \$9,876 over 26 years starting in November, 2009.

With regard to storm accrual, the Settlement suspends the accrual of \$121,620 per year for 2 years and diverts that money to expediting tree trimming cycles (\$182,430) and undergrounding feasibility studies (\$60,810) which cover both the Northeast and Northwest Divisions. With regard to named storms by the National Hurricane Center, the Settlement allows FPUC to petition the Commission to seek cost recovery for storm-related costs which exceed its storm reserve as well as replenishment of the reserve. The Settlement also contains a list of reliability improvement projects in both of its divisions (Exhibit A) totaling \$10.6 million which FPUC will use all reasonable and prudent efforts to complete. While the Settlement does not require that FPUC construct each of the projects listed in Exhibit A, FPUC represented that it does intend to construct these projects unless another unlisted project can more efficiently meet the same identified reliability needs. The Settlement also creates an economic development program and tariff which includes discounts up to 5 years for qualifying customers in the GS, GSD, and GSLD-1 rate classes as requested by FPUC in its MFRs.

Paragraph XIX of the Settlement states that the rates contained in Exhibit B to the Settlement reflect the same cost of service and rate design methodologies proposed by FPUC in its MFRs. OPC takes no position on the issues of rates and rate design discussed in Paragraph XIX of the Settlement other than that the rates should be designed in such a manner as to

produce the agreed upon annual rate increase of \$3.75 million. Having reviewed FPUC's proposed cost of service and rate design methodologies, we find them to be consistent with its prior rate cases and Commission practice and approve the rates as stated in Exhibit B.

Finally, Paragraph XVI of the Settlement requests that FPUC's petition, MFRs, the pre-filed testimony and exhibits of all witnesses and the Settlement be entered into the record upon approval of the Settlement. The parties also have agreed that the Comprehensive Exhibit List prepared by our staff, as well as all of the exhibits listed thereon, be admitted into evidence. We find these requests to be reasonable and admit these items into evidence.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Joint Motion of Florida Public Utilities Company and the Office of Public Counsel for Approval of the Stipulation and Settlement is hereby granted and that the Stipulation and Settlement dated August 29, 2014, Document No. 04856-14, is hereby approved and incorporated herein by reference. It is further

ORDERED that the rates contained in Exhibit B to the Stipulation and Settlement Agreement, and the tariffs contained in Exhibit 72 on the Comprehensive Exhibit List, are hereby approved effective on the first billing cycle in November, 2014. It is further

ORDERED that this docket shall be closed if no appeal is timely filed.

By ORDER of the Florida Public Service Commission this 29th day of September, 2014.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.