BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION FOR LIMITED PROCEEDING TO INCLUDE RELIABILITY AND MODERNIZATION PROJECTS IN RATE BASE, BY FLORIDA PUBLIC UTILITIES COMPANY.

PROCEEDINGS: COMMISSION CONFERENCE AGENDA ITEM NO. 9

COMMISSIONERS PARTICIPATING: CHAIRMAN JULIE I. BROWN COMMISSIONER ART GRAHAM COMMISSIONER RONALD A. BRISÉ COMMISSIONER DONALD J. POLMANN COMMISSIONER GARY F. CLARK

DATE: Tuesday, December 12, 2017

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

REPORTED BY: ANDREA KOMARIDIS Court Reporter and Notary Public in and for the State of Florida at Large

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PROCEDINGS

CHAIRMAN BROWN: All right. Moving on to Item 9. Everybody is settled. All right.

Good morning, Ms. Buys.

MS. BUYS: Good morning, Commissioners. I'm Penelope Buys with Commission staff.

Item 9 addresses Docket No. 20170150-EI, Florida Public Utilities' Company's petition for limited proceeding to include modernization and storm-hardening projects in rate base.

FPUC requested to increase its total revenue requirement by approximately $1.8 million, which represents total capital expenditures of approximately $15.2 million associated with 17 projects.

Throughout the course of the docket, staff and the Office of Public Counsel issued multiple data requests regarding FPUC's petition. On November 28th, 2017, FPUC and OPC filed a joint motion requesting approval of a stipulation and settlement agreement which resolves issues in this case.

Per the agreement, FPUC would be authorized to increase rates and charges to generate approximately $1.5 million of annual revenues.
This revenue requirement represents the total
capital expenditures of approx- -- approximately
$13.5 million for 12 projects.

There have been 11 customer comments filed in
this docket, opposing the rate increase.

FPUC and OPC are present today to summarize
the agreement and to answer any questions you may
have.

CHAIRMAN BROWN: Thank --
MS. BUYS: Thank you.
CHAIRMAN BROWN: Thank you.
And I guess we'll start with Ms. Keating.
MS. KEATING: Thank you, Madam Chair. Good
morning, Chair, Commissioners. Beth Keating with
the Gunster Law Firm here today on behalf of FPUC.
First of all, I want to thank you for allowing
us to be here today to present this settlement --
settlement and stipulation for your consideration
and for allowing us to do so on an expedited basis.

And thank you to your staff, Commissioners,
for working with us over the past few months, for
really asking the tough questions and for helping
to bring clarity to this process.

I would also be remiss if I didn't thank our
partners in this agreement, J.R. Kelly and his team
at OPC. We've been appreciative of OPC's willingness to engage in constructive discussions with FPUC, which we believe have produced a fair result, and for further working with us to get this before you before the end of the year.

Commissioners, the settlement before you today has really had its genesis two years ago in the fuel docket. You may recall that, in 2015, FPUC sought approval to recover, through the Fuel Clause, the revenue requirement on a transmission interconnection facility with FPL that would enable FPUC to purchase power supplies from additional providers for its northeast division, which was going to expand its opportunities for competitive supply and was expected to reduce FPUC's fuel and power purchase costs beginning in 2018.

While the Commission approved FPUC's proposal, the Court ultimately determined that the Fuel Clause was not the appropriate vehicle for recovery of the revenue requirement on that capital asset.

The company, then, proposed a surcharge mechanism for purposes of recovering the revenue requirement on that FPL interconnect as well as several other facility improvement projects.

After productive and, quite frankly, very
candid discussions with OPC and your staff, the company, however, concluded that a rate case or a limited proceeding would be a less-controversial mechanism for seeking recovery of these types of capital projects, which brings us here today.

A key driver in the company's planning has been to avoid a full base-rate case until its next purchase power agreements are in place, which is -- would be 2020.

FPUC anticipates that this delay will enable the company to cushion the potentially-significant impact of a rate increase against expected offsetting fuel-charge reductions.

With this focus on customer impacts in mind, and recognizing that the optimal time frame for seeking a full base-rate increase would be just two short years into the future, the company elected to seek relief, on a more-limited basis, for a select group of key projects through this limited proceeding. The company sought limited relief, recognizing that the relief would simply delay, but not negate, the need for a full base-rate proceeding.

As this proceeding has evolved, the company
has responded to numerous data requests from your staff, as well as discovery from OPC. This was a productive process and opened a pathway for discussions with OPC regarding the potential for a mutually-beneficial resolution that would avoid further litigation.

Ultimately, those discussions were fruitful, as hoped, and resulted in the settlement and stipulation that's before you today. We think this is a good result by the company and its ratepayers, and it will provide the company with much-needed, albeit temporary, rate relief that will enable the company to delay a full base-rate case, while still allowing it to continue to pursue important capital projects that will further reinforce its system and enhance safety and reliability for its customers.

At the same time, customers will be assured that base rates will not be increased again until at least January 2020, unless an unexpected or potentially-catastrophic event impacts the company's revenues.

This settlement also contains additional beneficial provisions that address cost recovery through other mechanisms, as well as potential corporate tax changes and anticipated future tariff
filings.

You'll also note that some of these provisions in here are very similar to provisions that are in settlements that you've seen with other utilities over the past year.

And if I may, with your permission, Madam Chair, run through briefly some of the key provisions of settlement.

CHAIRMAN BROWN: Sure.

MS. KEATING: The key provision for FPUC is that it will be able to delay its next rate case because it will be authorized to increase its base rates and charges to generate an additional $1,558,050 of annual revenues for purposes of recovering the revenue requirement on the projects identified in Attachment 1 to the settlement. This rate increase would be effective with the first billing cycle in January 2018.

Now, to promote clarity with regard to the projects that are included on Attachment 1 to the settlement, as compared to the projects that were included in the company's petition, the parties have specifically agreed that just because a project was in the original petition, but is not included in the settlement, should not be construed
as a determination that any of those projects were imprudent or wouldn't be appropriate for recovery through the company's next base-rate proceeding.

In fact, there are several active projects that are not on the settlement list, but which the company intends to continue to pursue as projects and include in calculation of its revenue requirement in its next base-rate proceeding.

The company also will be allowed to seek recovery of costs through the recovery clause, but can't seek recovery of costs that it has traditionally and historically recovered through base rates.

It may also seek to recover costs associated with tropical systems named by the hurricane center as well as other catastrophic storm events causing damage to the company's system in an amount at least $1 million.

Our agreement contemplates a $4 cap on the monthly storm surcharge to be applied to bills and that the company would be allowed to recoup storm costs through the application of the storm charge up to restoration of a reserve of 1.5 million.

Now, this settlement applies to storm costs going forward from the point of the settlement.
This does not preclude the company from recovering storm costs associated with storm damage prior to the settlement such as damage associated with Matthew and Irma. But for those prior storm costs, the company would come in under the Commission's current rule as well as the provisions of its prior rate-case settlement.

The joint movants also agree and acknowledge that if the company is earning below its existing range and experiences an unanticipated and unforeseen event that is not otherwise addressed by the storm clause -- storm-recovery provisions, and that event has an adverse revenue impact of $800,000 -- and that could be through a loss of revenues or an increase in expenses, and can also be the result of a single event or a series of a -- contiguous, related events over a four-month period -- if that event occurs, then FPUC will be entitled to seek rate relief before the Commission.

The companies have also and -- the companies and OPC have also contemplated the possibility of tax reform. We've included provisions very similar to some other recent agreements that you have seen that contemplate that it would be revenue-neutral to the company, and that any tax relief would be
flowed back through the -- to the customers through a couple of different mechanisms.

Finally, FPUC will not be precluded from filing, and the Commission from approving, any new or revised tariff provisions or rate schedules requested by the company, provided that such tariff requests doesn't increase any existing base-rate component or any other charge imposed on customers during the term of the settlement, unless the application or charge or rate schedule is optional to FPUC's customers.

Commissioners, there are provisions here that help the company achieve its goal of delaying a full rate proceeding for two more years and the provisions that ensure FPUC's customers are protected during that two-year interim.

Is this settlement going to prevent FPUC from under-earning during the two-year interim? No, but that was never really the company's expectation. FPUC's goal in pursuing limited relief has merely been to achieve a level of relief sufficient to allow it to delay a rate case without impairing its ability to continue to pursue projects that will enhance the reliability and the safety of its system, which ultimately benefits its customers.
As such, Commissioners, this settlement is in the public interest. It's a good settlement for both the company and its customers. And we respectfully urge that you approve it.

Commissioners, we have several company representatives here, Mike Cassel, Cheryl Martin, Mark Cutshaw here to address any questions you may have. Otherwise, that concludes FPUC's comments.

CHAIRMAN BROWN: Thank you.

Ms. Christensen?

MS. CHRISTENSEN: Good morning, Commissioners.

Patti Christensen, along with J.R. Kelly, the Public Counsel, and Charles Rehwinkel, on behalf of the citizens, with the Office of Public Counsel. We would like to thank the Commission for the opportunity to address this settlement and stipulation that was entered into between FPUC and OPC.

First, as stated by FPUC's attorney, we have gone through many iterations of FPUC's request for cost recovery of its capital projects. However, we believe that an adjustment to base rates is the appropriate way to recover the capital cost of projects that are the basis for this agreement. This includes the interconnection project with
FPL's system that will allow FPUC more options to contract for purchase power.

When FPUC filed its petition for a limited proceeding to adjust base rates for these capital projects, OPC started our review of this request. After extensive review of the numerical data -- numerous data requests sent from FPUC, from staff, and discovery that we sent, OPC believes that this settlement and stipulation is a reasonable resolution of FPUC's request.

The settlement has a two-year base-rate-freeze provision before the company can seek to increase its base rates. The settlement and stipulation allows the company to continue to do capital projects that will increase the FPUC system reliability.

The settlement provides mechanism for storm cost recovery as well as a mechanism to address potential changes to the corporate taxes income changes -- in changes in rates.

And we believe that these provisions, along with the other provisions of the settlement and stipulation, benefit both FPUC and its customers.

We further believe that the stipulation, when taken its to-- -- taken in its totality is in the public
interest.

We thank you for the consideration of the stipulation and settlement on today's -- today on an expedited basis and respectfully request that you approve this settlement in its entirety.

And we are available to answer any questions you have for OPC. And we thank you for your time and consideration.

CHAIRMAN BROWN: Thank you, parties, for presenting that overview. And I think this is a very-straightforward settlement agreement. And it's as efficient as -- of a process that we have here today, as you can get. So, thank you for bringing those forth for our consideration.

Commissioner Polmann.

COMMISSIONER POLMANN: Thank you, Madam Chairman.

To Ms. Buys, you had mentioned customer comments. Could -- could you restate the number of comments that you received?

MS. BUYS: There was 11.

COMMISSIONER POLMANN: Okay. And what -- generally, what were the nature of those comments? Were they concerning rates or other --

MS. BUYS: Rates.
COMMISSIONER POLMANN: Okay. Thank you.

Ms. Keating, is the utility currently under-earning --

MS. KEATING: As of --

COMMISSIONER POLMANN: Or --

MS. KEATING: As of September surveillance report, yes.

COMMISSIONER POLMANN: Okay. Anyone can answer it, or I can look to staff, but how long has that been the circumstance in an under-earning posture?

MR. CASSEL: Commissioner, I -- I would answer that in this way: We were in for a rate case in 2014 and, at some point, around that time, it -- it was in a -- a fair earnings position.

COMMISSIONER POLMANN: Okay. Madam Chairman, I'll just leave it there. Thank you.

CHAIRMAN BROWN: Okay. Commission-- -- are there any other questions by Commissioners?

Seeing none, we are ripe for a motion.

Commissioner Brisé.

COMMISSIONER BRISÉ: Thank you, Madam Chair.

As we typically do with settlements, after reviewing them and looking at all the information, we find that it's in the public interest. And I
find that this settlement is in the public interest and is going to make sure the customer receives the service that they are paying for at rates that make sense, and that whatever development that needs to happen in the interim will continue to happen.

    So, with that, I move approval.

    CHAIRMAN BROWN: Thank you, Commissioner Brisé.

    Is there a second?

    COMMISSIONER GRAHAM: Second.

    CHAIRMAN BROWN: Is there any other discussion?

    Seeing none, all those in favor, say aye.

    (Chorus of ayes.)

    CHAIRMAN BROWN: Motion passes unanimously.

    Thank you.

    MS. KEATING: Thank you Commissioners.

    CHAIRMAN BROWN: Thank you.

    (Agenda item concluded.)
CERTIFICATE OF REPORTER

STATE OF FLORIDA )
COUNTY OF LEON )

I, ANDREA KOMARIDIS, 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 19th day of December, 2017.

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ANDREA KOMARIDIS
NOTARY PUBLIC

COMMISSION #GG060963
EXPIRES February 9, 2021