

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida City
 Gas

DOCKET NO. 20170179-GU

DATED: MARCH 6, 2018

COMMISSION STAFF’S PREHEARING STATEMENT

Pursuant to the Order Establishing Procedure in this docket, Order No. PSC-2017-0427-PCO-GU, issued November 7, 2017 and PSC-2017-0461-PCO-GU, issued December 5, 2017, the Staff of the Florida Public Service Commission files its Prehearing Statement.

1. All Known Witnesses

Witness	Subject Matter	Issues #
Direct		
Rhonda L. Hicks	Customer complaints	7
Gabriela Leon	Staff Audit Report	14-57

2. All Known Exhibits

Witness	Exhibit #	Description
Direct		
Rhonda L. Hicks	RLH-1	Summary of Customer Complaints
Gabriela Leon	GL-1	Auditor's Report-Rate Case

3. Staff’s Statement of Basic Position

Staff’s positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff’s final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

4. Staff’s Position on the Issues

TEST PERIOD AND FORECASTING

ISSUE 1: Is FCG’s projected test period of the twelve months ending December 31, 2018, appropriate?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 2: Are FCG's forecasts of customer and therms by rate class for the projected test year ending December 31, 2018 appropriate? If not, what adjustments should be made?

POSITION: Staff takes no position pending evidence adduced at hearing

ISSUE 3: Are FCG'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?

POSITION: Staff takes no position pending evidence adduced at hearing.

CAPACITY NEEDS

ISSUE 4: Should FCG have firm transportation capacity available to any or all transportation customers?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 5: Are FCG's forecasts of design day load, by division, for sales and transportation customers appropriate? If not, what adjustments should be made?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 6: Are FCG's proposed measures to add firm capacity, including additional firm transportation service from FGT and construction and operation of an LNG facility, to its system reasonable?

POSITION: Staff takes no position pending evidence adduced at hearing.

QUALITY OF SERVICE

ISSUE 7: Is the quality of service provided by FCG adequate?

POSITION: Staff takes no position pending evidence adduced at hearing.

DEPRECIATION STUDY

ISSUE 8: Should the Commission establish an annual depreciation rate applicable to FCG's liquefied natural gas storage assets?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 9: What are the appropriate depreciation parameters (remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each distribution and general plant account?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 10: Based on the application of the depreciation parameters that the Commission has deemed appropriate to FCG's data, and a comparison of the theoretical reserves to the book reserves, what, if any, are the resulting imbalances?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 11: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 10?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 12: What, if any, are the appropriate capital recovery schedules?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 13: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

POSITION: Staff takes no position pending evidence adduced at hearing.

RATE BASE

ISSUE 14: What is the appropriate amount of plant and accumulated depreciation to include in the projected test year for FCG's SAFE program?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 15: What is the appropriate amount for plant in service for FCG's proposed LNG facility?

POSITION: Staff takes no position pending evidence adduced at hearing.

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

POSITION: Staff takes no position pending evidence adduced at hearing.

COMMISSION STAFF'S PREHEARING STATEMENT

DOCKET NO. 20170179-GU

PAGE 4

ISSUE 17: Has FCG made the appropriate adjustments to Common Plant Allocated and Accumulated Depreciation – Common Plant Allocated, to reflect corporate plant allocated to FCG from AGL Services Company (“AGSC”)?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 18: Has FCG made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 19: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 20: What is the appropriate level of CWIP to include in the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 21: What is the appropriate level of Gas Plant Accumulated Depreciation and Amortization for the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 22: Should an adjustment be made to the GCUA Regulatory Asset (offset of accelerated pension costs) authorized by Order No. PSC-07-0913-PAA-GU?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 23: Have under recoveries and over recoveries related to the Purchased Gas Adjustment, Energy Conservation Cost Recovery, and Area Expansion Plan been appropriately reflected in the Working Capital Allowance?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 24: What is the appropriate level of working capital for the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 25: What is the appropriate level of rate base for the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing

COST OF CAPITAL

ISSUE 26: What is the appropriate amount of accumulated deferred taxes to include in the projected test year capital structure?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 27: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 28: What is the appropriate amount and cost rate for short-term debt to include in the projected test year capital structure?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 29: What is the appropriate amount and cost rate for long-term debt to include in the projected test year capital structure?

POSITION: Staff takes no position pending evidence adduced at hearing.

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

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 31: Has FCG made the appropriate adjustments to remove all non-utility investments from the common equity balance?

POSITION: Staff takes no position pending evidence adduced at hearing.

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

POSITION: Staff takes no position pending evidence adduced at hearing.

NET OPERATING INCOME

ISSUE 33: Has FCG properly removed Purchased Gas Adjustment and Energy Conservation Cost Recovery Revenues, Expenses, and Taxes-Other from the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 34: What is the appropriate amount of miscellaneous revenues?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 35: Is FCG's projected Total Operating Revenues for the projected test year appropriate (fallout issue)?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 36: Has FCG made the appropriate adjustments to remove all non-utility activities from operation expenses, including depreciation and amortization expense?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 37: Should an adjustment be made to Uncollectible Accounts and for Bad Debt in the Revenue Expansion Factor?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 38: Should an adjustment be made to the number of employees in the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 39: What is the appropriate amount of salaries and benefits to include in the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 40: Should an adjustment be made to the amortization of the GCUA Regulatory Asset (offset of accelerated pension costs) authorized by Order No. PSC-07-0913-PAA-GU?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 41: What is the appropriate amount of pensions and post-retirement benefits expense to include in the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 42: Should the Commission allow FCG to establish a storm damage reserve?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 43: What is the appropriate annual storm damage accrual?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 44: Is a Parent Debt Adjustment pursuant to Rule 25-14.004, Florida Administrative Code, appropriate, and if so, what is the appropriate amount?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 45: 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?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 46: What is the appropriate amount of projected test year O&M expenses?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 47: Has FCG made the appropriate adjustments to Common Plant Allocated Depreciation and Amortization Expense to reflect corporate plant allocated to FCG from AGSC?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 48: What is the appropriate amount of depreciation expense to include in the projected test year for FCG's SAFE program?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 49: Should any adjustments be made to the amounts included in the projected test year for amortization expense associated with the acquisition adjustment?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 50: What is the appropriate amount of Depreciation and Amortization Expense for the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

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

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 52: What adjustments, if any, need to be made to the projected test year for the Tax Cuts and Jobs Act (G.L.C.164, §94) signed into law on December 22, 2017, with an effective date of January 1, 2018?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 53: What is the appropriate amount of projected test year Income Tax Expense (fall-out issue)?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 54: What is the appropriate amount of Total Operation Expenses for the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 55: What is the appropriate amount of Net Operating Income for the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

REVENUE REQUIREMENTS

ISSUE 56: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FCG?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 57: What is the appropriate annual operating revenue increase for the projected test year?

POSITION: Staff takes no position pending evidence adduced at hearing.

COST OF SERVICE AND RATE DESIGN

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

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 59: What is the appropriate class revenue allocation?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 60: Should FCG's proposal to replace its existing volumetric rate classes with three new residential and six new commercial rate classes be approved?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 61: What are the appropriate customer charges?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 62: What are the appropriate per therm distribution charges?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 63: What are the appropriate demand charges?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 64: What are the appropriate safety, access, and facility enhancement ("SAFE") surcharges?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 65: What are the appropriate miscellaneous service charges (connect charges, reconnection charges, returned check charges, change of account, bill collection in lieu of disconnection, temporary disconnection of service, and failed trip charge)?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 66: Is FCG's proposed revision to its customer deposit tariff appropriate?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 67: Is FCG's proposed revision to its right to suspend or discontinue service to a customer tariff appropriate?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 68: Should FCG's proposed revisions to its Transportation – Special Conditions tariff regarding the allocation and release of interstate capacity be approved?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 69: Should FCG's new Economic Development Gas Service ("EDGS") tariff be approved?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 70: Should FCG's proposal to revise the Area Expansion Program be approved?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 71: If FCG's proposal to eliminate the Flexible Gas Service ("FGS") tariff be approved?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 72: Should FCG's definition of incremental cost contained in the Contract Demand Service ("KDS") and Load Enhancement Service ("LES") tariffs be approved?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 73: What is the appropriate effective date for FCG's revised rates and charges?

POSITION: Staff takes no position pending evidence adduced at hearing.

OTHER ISSUES

ISSUE 74: Should any portion of the interim increase granted by Order No. PSC-2018-0011-PCO-GU be refunded to customers?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 75: Should FCG 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?

POSITION: Staff takes no position pending evidence adduced at hearing.

ISSUE 76: Should this docket be closed?

POSITION: Staff takes no position pending evidence adduced at hearing

5. **STIPULATED ISSUES:**

None at this time.

6. **PENDING MOTIONS:**

Staff has no pending motions at this time.

7. **PENDING CONFIDENTIALITY CLAIMS OR REQUESTS:**

Staff has no pending confidentiality requests at this time.

8. **OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT:**

Staff has no objections to witness qualifications.

9. **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:**

Staff has complied with all requirements of Order No. PSC-2017-0427-PCO-GU, issued November 7, 2017 and PSC-2017-0461-PCO-GU, issued December 5, 2017.

Respectfully submitted this 6th day of March, 2018.

/s/ Walter Trierweiler

WALTER TRIERWEILER

STAFF COUNSEL

FLORIDA PUBLIC SERVICE COMMISSION

Gerald L. Gunter Building

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399-0850

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida City
Gas.

DOCKET NO. 20170179-GU

DATED: MARCH 6, 2018

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that COMMISSION STAFF'S PREHEARING STATEMENT has been filed with the Office of Commission Clerk and served by electronic mail to Beth Keating, Esquire, Gunster Law Firm, 215 South Monroe Street, Ste. 601, Tallahassee, Florida 32301, bkeating@gunster.com , and that a true copy has been furnished to the following by electronic mail this 6th day of March, 2018:

Beth Keating, Esquire
Lila A. Jaber, Esquire
Gregory Munson, Esquire
Gunster Law Firm
215 South Monroe Street, Ste. 601
Tallahassee, FL 32301
bkeating@gunster.com
ljaber@gunster.com
gmunson@gunster.com

Andrew Unsicker
Lanny Zieman
Natliae Cepak
Ryan Moore
AFLOA/JACE-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403
Andrew.unsicker@us.af.mil
Lanny.zieman.1@us.af.mil
Natalie.cepak.2@us.af.mil
Ryan.moore.5@us.af.mil

J. R. Kelly, Esquire
Virginia Ponder, Esquire
Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, FL 32399
kelly.jr@leg.state.fl.us
ponder.virginia@leg.state.fl.us

Ms. Carolyn Bermudez
Florida City Gas
4045 NW 97th Avenue
Doral, FL 33178
cbermude@southernco.com

CERTIFICATE OF SERVICE.
DOCKET NO. 20170179-GU
PAGE 2

/s/ Walter Trierweiler

WALTER TRIERWEILER
Senior Attorney, Office of the General Counsel

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(850) 413-6199
wtrierwe@psc.state.fl.us