

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Knoblauch, Ramos) *TB*
Division of Economics (Hampson, Coston) *JGH*
Office of the General Counsel (Trierweiler, Jones) *TLT*

RE: Docket No. 20220069-GU – Petition for rate increase by Florida City Gas.

AGENDA: 07/07/22 – Regular Agenda – Tariff Suspension – Participation is at the Commission’s discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 7/30/2022 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On May 31, 2022, Florida City Gas (FCG or Company) filed a petition seeking the Florida Public Service Commission’s (Commission) approval of a rate increase and associated depreciation rates. FCG is a natural gas local distribution company providing sales and transportation of natural gas, and is a public utility subject to this Commission’s regulatory jurisdiction under Section 366.02, Florida Statutes (F.S.). As a subsidiary of Florida Power & Light Company, FCG currently serves approximately 116,000 residential, commercial, and industrial natural gas customers in Miami-Dade, Broward, St. Lucie, Indian River, Brevard, Palm Beach, Hendry, and Martin counties.

FCG requested an increase of \$29.0 million in additional annual revenues. Of that amount, \$5.7 million is associated with the reclassification of the Company's Safety, Access, and Facility Enhancement program revenues from surcharge to base rates and \$3.8 million is related to the revenue requirements for the previously approved Liquefied Natural Gas Facility. Additionally, the remaining \$19.4 million is necessary, according to FCG, for the Company to earn a fair return on its investment and to adopt the requested reserve surplus amortization mechanism. FCG based its request on a 13-month average rate base of \$489 million for the projected test year ending December 31, 2023. The requested overall rate of return is 7.09 percent based on a midpoint of 10.75 percent return on equity.

This recommendation addresses the suspension of FCG's proposed final rates and charges. FCG did not request interim rate relief in this proceeding.

The Company's last rate case was filed on October 23, 2017, and was resolved by the Commission's approval of a settlement agreement in 2018.¹ The Commission-approved settlement agreement allowed FCG to generate an additional \$11.5 million in revenues for the projected test year ended December 31, 2018. The settlement agreement also authorized a return on equity of 10.19 percent.

Pursuant to Sections 366.06(2) and (4), F.S., FCG requested to proceed this rate case using the Commission's hearing process. Accordingly, in compliance with Section 366.06(2), F.S., an administrative hearing has been scheduled for December 12-16, 2022. The Commission has jurisdiction over this request under Section 366.06, F.S.

¹Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018, in Docket No. 20170179-GU, *In re: Petition for rate increase by Florida City Gas*.

Discussion of Issues

Issue 1: Should the request for a permanent increase in rates and charges be suspended for FCG?

Recommendation: Yes. Staff recommends that the requested permanent increase in rates and charges be suspended for FCG. (Hampson)

Staff Analysis: Staff recommends that the requested permanent increase in rates and charges be suspended for FCG to allow staff and the parties time to analyze the case and for the Commission to conduct the hearing.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change, a reason, or written statement of a good cause for doing so with 60 days. Staff believes that the reasons previously stated are good cause consistent with the requirements of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's final resolution of the Company's requested rate increase. (Trierweiler)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.