GUNSTER

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August 11, 2020

E-PORTAL

Mr. Adam J. Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Talllahassee, FL 32399-0850

Re: **{New Filing}** – Joint Petition for Approval of Regulatory Assets to Record Costs Incurred Due to Covid-19 by Florida Public Utilities Company (Electric and Gas Divisions) and the Florida Division of Chesapeake Utilities Corporation

Dear Mr. Teitzman:

Attached for filing, please find the Joint Petition for Approval of Regulatory Assets to Record Costs Incurred Due to Covid-19 by Florida Public Utilities Company (Electric and Gas Divisions) and the Florida Division of Chesapeake Utilities Corporation.

As always, thank you for your assistance with this filing. Please do not hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

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Enclosures

cc:// Keith Hetrick, General Counsel (PSC)
J.R. Kelly, Public Counsel (OPC)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA PUBLIC UTILITIES COMPANY AND THE FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION'S JOINT PETITION FOR APPROVAL OF REGULATORY ASSETS TO RECORD COSTS INCURRED DUE TO COVID-19.	) DOCKET NO.))) FILED: August 11, 2020)

JOINT PETITION FOR APPROVAL OF REGULATORY ASSETS

Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, and Florida Public Utilities Company – Fort Meade, Florida Public Utilities Company – Electric Division (jointly, "FPUC"), as well as the Florida Division of Chesapeake Utilities Corporation ("CFG") (herein, all FPUC divisions and CHPK, jointly, "Companies"), by and through undersigned counsel, hereby petition the Florida Public Service Commission ("Commission") for approval to establish regulatory assets for each entity for the recording and preservation of safety-related costs, incremental bad debt expense and incremental operating expenses related to COVID-19 ("COVID Costs"). In support of this Joint Petition, the Companies states as follows:

1. The name, address, and telephone number of the Petitioner are:

   Florida Public Utilities Company/Florida Division of Chesapeake Utilities Corporation
   208 Wildlight Avenue,
   Yulee, Florida 32097
   (561) 252-0250

2. Florida Public Utilities Company is a public utility providing both electric and natural gas service through its various operation divisions and, as such, is subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes. The Florida Division of Chesapeake Utilities Corporation is likewise subject to the Commission's jurisdiction under Chapter 366,

Florida Statutes, as a natural gas distribution company providing service in Florida. Each of the entities identified herein is a division or subsidiary of Chesapeake Utilities Corporation, a Delaware corporation.

3. All notices, pleadings and correspondence required to be served on the Companies should be directed to:

Beth Keating, Esq.
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Michael Cassel
AVP Regulatory & Governmental Affairs
Florida Public Utilities Company
208 Wildlight Avenue
Yulee, Florida 32097
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4. The Commission is vested with jurisdiction in this matter in accordance with Sections 366.04, 366.05, and 366.06, Florida Statutes, pursuant to which the Commission is authorized to establish rates and charges for public utilities, including the relief requested herein.

5. The Companies are unaware of any material facts in dispute at this time, but the proceeding may involve disputed issues of material fact. The Companies request set forth herein does not involve reversal or modification of a Commission decision or proposed agency action. This is a Petition representing an initial request to the Commission, which is the affected agency located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

Introduction

6. As the Commission is well-aware, the impact of the Novel Coronavirus Disease 2019, or COVID-19, since its outbreak in late 2019, has been prolonged and devastating. Due to the fact that it is an extremely contagious virus and potentially deadly for many individuals, nations around the world, including the U.S., have taken steps to be consistent with international guidelines for global pandemics in an effort to stem the tide of the virus.

7. Here in Florida, Governor Ron DeSantis declared a public health emergency related to the outbreak of the COVID-19 coronavirus on March 1, 2020.[1] Thereafter, on March 9, the Governor declared a state of emergency and directed that the State's Emergency Management Plan be implemented.[2] On March 16, 2020, President Donald Trump and the Centers for Disease Control ("CDC") advised individuals to adopt social distancing measures and to avoid gatherings of more than 10 people in an effort to mitigate the spread of COVID-19 for a period of 15 days. That guidance was later extended to apply through the end of April 2020. Over this same period, Governor DeSantis has issued additional Executive Orders pertaining to the protection of Florida's citizens and efforts to mitigate the spread of COVID-19, including, on April 1, 2020, Executive Order No. 20-91, declaring the implementation of "Safer at Home" requirements, whereby it was recommended that Florida's most at-risk citizens stay at home and take all precautions to avoid exposure to the COVID-19 virus, and all others were advised to limit their movements and personal interactions outside their home to only those necessary to obtain or provide essential services or essential activities. More recently, on May 8, 2020, Governor DeSantis issued Executive Order number 20-114, extending the state of emergency declaration an additional 60 days.

8. The economy of the state, as well as the nation as a whole, has been adversely impacted as a result of the necessity to adhere to social distancing guidelines and other precautionary measures designed to slow the spread of the virus. According to the U.S. Bureau of Labor Statistics, Florida's unemployment rate has tripled from 4.4% in March of 2020 to 13.8% in April of 2020. The preliminary estimate of June's unemployment rate is 10.4%. These numbers reflect that consistent with the CDC's guidance and the Governor's Executive Orders, businesses not considered essential have either been closed or have implemented limited operations.

[1] Executive Order No. 20-51.
[2] Executive Order 20-52.

9. In light of the profound economic impact of this pandemic, the Companies announced on March 16, 2020, that customer late fees and disconnections would be suspended temporarily – a proactive approach taken by many utilities across the state and the country.

10. Consistent with the direction of Chesapeake's CEO and Chesapeake's corporate Pandemic Response Plan, the Companies responded quickly to the first indications that COVID-19 was spreading from other countries. The Companies took extraordinary measures including enabling as many employees as possible to work from home, cancelling all business travel, stopping movement of employees between offices, postponing face to face meetings and events, instituting health reporting protocols, providing paid time off to employees that become infected or exposed to COVID-19 and could not work, providing needed personal protective equipment ("PPE") to employees, and implementing social distancing practices. While the Companies were able to get a vast majority of their employees to work from home, the Companies' field operations teams were still required to perform essential services. As such, the Companies provided each such employee with social distancing and health protection training, as well as necessary PPE and disinfectant supplies.

11. The Companies' proactive response to COVID-19, as well as the economic impacts of the virus, is expected to result in increased safety-related costs and a significant delay and an overall shortfall in customer bill payments. Consequently, the Companies anticipate their bad debt expense attributable to COVID-19 will increase over the coming months. In addition to the increase in bad debt expense, the Companies expect to experience a decrease in revenues attributable to the suspension of customer disconnects for non-payment and the suspension of charging late fees that would have coincided with those disconnects beginning March 16, 2020.

12. As noted in Gulf Power Company's similar request filed May 22, 2020, a number of other utility commissions, including the District of Columbia, have issued orders related to cost recovery that either allow for the deferral of bad debt, the creation of a regulatory asset, or the tracking of costs in connection with COVID-19.

Safety Costs Attributable to COVID-19

13. Based on the recommendations provided by the CDC, Department of Health ("DOH"), and other agencies, the Companies have incurred additional costs associated with the actions to preserve the health and safety of its employees, contractors, and customers. These actions include, but are not limited to, the following: (1) the testing for COVID-19 and antibodies for some at-risk employees; (2) the purchase of PPE such as masks, shields, gloves, and garments; (3) the purchase of other equipment, materials and supplies to protect employees and customers health and safety; (4) the purchase of additional cleaning and sanitation supplies; and (5) other miscellaneous safety-related expenses incurred during the pandemic.

14. The Companies are tracking all COVID-19 related safety costs directly. Given the evolving nature of the nationwide and state-level COVID-19 response, the Companies' total COVID-19 related safety costs remain subject to change. In addition, because the Companies supply essential services (as defined by the Department of Homeland Security), many of its employees are forced into harm's way to perform their jobs. As stated in a March 28, 2020, communication from the Cybersecurity & Infrastructure Security Agency (CISA) of the Department of Homeland Security:

> Promoting the ability of such [critical infrastructure] workers to continue to work during periods of community restriction, access management, social distancing, or closure orders/directives is crucial to community resilience …

To encourage and assist these workers as they maintain part of the state's critical infrastructure, the Companies have found it necessary to compensate these employees for this excessive and previously unforeseen risk. Therefore, the Companies have incurred additional expense for this "hazard pay" as they have increased the salaries of these "front line" employees by a proportional percentage.

Bad Debt Expense Attributable to COVID-19

15. The Companies have seen an increase in arrearages as a result of the COVID-19 pandemic. The Companies anticipate that the increase in arrearages and the worsening of the economy will ultimately lead to higher than normal bad debt expense. As of June 2020, the Companies aged accounts receivable of 61 days and greater are approximately 243%, or $1.2M higher than normal levels.

16. The Companies anticipate that the COVID-19 related bad debt expense will continue to increase as the levels of write-offs for uncollectible accounts increases. Paragraph 18 below details the calculations employed by the Companies in assessing the financial impact of COVID-19 bad debt expense.

Proposed Recording of Regulatory Asset

17. While the full scope of the virus-related financial impacts remains to be seen, the Companies respectfully request permission to employ deferral accounting at this time because of the significant and increasing nature of the Companies' incremental COVID-19 related costs. Therefore, the Companies request approval for the establishment of a regulatory asset to record and preserve their COVID-19 related costs and expected losses (including bad debt expense and uncollected late fee revenues).

18. The Companies are requesting regulatory asset treatment for COVID-19 related bad debt expenses to be calculated in the following manner:

A) Determine the average bad debt expense for each Company for the previous three years;

B) Subtract the average bad debt expense, as calculated in 18A above, from the corresponding month(s) in 2020. For example, the bad debt expense for April 2020 would be the total bad debt expense for that month less the three-year average of the bad expenses from April 2017, April 2018, and April 2019.

19. The Companies propose to calculate uncollected customer late fees in the following manner:

A) Determine the monthly average of the sum of the customer late fees for each Company for the previous three years;

B) Because customer late fees have been suspended during the crisis, there will be no late fees to compare to in the current year; therefore, the customer late fees will be equal to the monthly average as calculated in 19A above for each month suspended.

20. The Companies propose to offset the incremental COVID-19 safety-related costs and the additional bad debt expense with any expense savings that are recognized due to the curtailment of normal business activities related to the pandemic

21. The Companies are proposing to use the date of March 9, 2020, the effective date of the State of Emergency order, as the beginning date for the calculation of its incremental COVID-19 Costs. The Companies propose to record the regulatory asset in FERC Account 182.3 (Other Regulatory Assets), and credit the appropriate FERC accounts associated with the expenses, such as FERC Account 904 (Uncollectible Accounts), for bad debt expense and other operating expense accounts for COVID-19 related safety costs.

22. The Companies acknowledge that the Commission's approval of deferred accounting treatment for these costs does not constitute approval of the recovery of these deferred costs.

Rather, recovery of the costs would be subject to review when the Companies' base rates are next reset.

WHEREFORE, the Companies respectfully request that the Commission enter an order granting this Joint Petition and allowing the Companies to establish regulatory assets for the recording and preservation of the COVID-19 Costs and granting any other relief as may be deemed appropriate.

Respectfully submitted this August 11, 2020.

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Attorneys for Florida Public Utilities Company

Exhibit A
Breakdown of Costs among FPU Companies
(Through June 2020)

Company	Estimated COVID-19 Costs
Florida Public Utilities Company - Natural Gas	$246,000
Florida Public Utilities Company – Indiantown Division	$1,700
Florida Public Utilities Company – Fort Meade Division	$1,000
Florida Division of Chesapeake Utilities Corporation	$56,400
Florida Public Utilities Company – Electric Division	$122,900
Total	**$428,000**