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: September 25, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Pope, Barrett) EJD
Division of Accounting and Finance (Gatlin, Vogel) MAC
Office of the General Counsel (Thompson, Crawford) JSC

RE: Docket No. 20250057-GU – Petition for approval of tariff modification for equipment financing, by Florida Public Utilities Company.

AGENDA: 10/07/25 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 12/04/25 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On April 4, 2025, Florida Public Utilities Company - Gas (FPUC or the Company) filed a petition for approval of a tariff modification (petition) seeking Commission approval of a tariff modification to offer term financing to customers for gas conversion, compression, or renewable natural gas (RNG) equipment and appliances owned and maintained by the customer. The filing includes First Revised Tariff Sheet 6.153 and Original Tariff Sheet 6.154.

In its petition, FPUC stated that the proposed modification has two primary purposes: (1) to assist customers in converting to natural gas by making upfront equipment costs more affordable, especially where those costs might otherwise be prohibitive, and (2) to maintain tariff consistency by aligning FPUC's tariff with Florida City Gas (FCG), which has implemented similar provisions.[1] The Company clarified that the program would initially focus on residential water heaters, but is broad enough to cover other gas conversion, compression, and RNG equipment in the future.[2] FPUC further explained that financing charges would appear as a separate line item on customer bills, that all expenses and revenues would be treated "above the line,"[3] and that participation would be limited to property owners. For all finance program participants, the Company intends to place a UCC-1 lien[4] recorded to secure repayment in the event of transfer of ownership.

The financing arrangement would be based upon an agreement the utility and the customer would enter into to finance the installed equipment cost, plus a finance charge, which would be reflected as a line item entry on the customer's bill until equipment and related installation is paid off. With this tariff offering, FPUC asserts it will be able to help customers facilitate the cost of equipment conversions to natural gas.

FPUC further sets forth that it and FCG are affiliate companies of Chesapeake Utilities, Inc., and that FCG has a similar provision in its tariff, last revised in 2021, to help customers manage the cost of converting appliances to natural gas.[5] The petition included a version of FPUC's First Revised Tariff Sheet 6.153 and Original Tariff Sheet 6.154 which was identical to FCG's tariff. FPUC indicated that revising its tariff sheets to include this equipment financing option will promote the alignment of the two companies' services.

However, in response to discussions between Company and staff, FPUC submitted revised language in the proposed tariff sheets on August 20, 2025. While the original version stated that FPUC would be "providing" the equipment, the revised proposed tariff sheets clarify that FPUC intends to offer customers equipment financing rather than the direct sale of equipment. This revised version of the tariff for which the Company is requesting Commission approval appears in Attachment A.

Initially, FPUC states that its planned implementation of the proposed tariff will be to offer financing for water heaters for residential customers under the conversion category of the tariff. Although compression and RNG equipment are also equipment categories in the proposed tariff revision, the utility asserts it intends to consider equipment financing for these types of

[1] Order No. PSC-2021-0040-TRF-GU, Florida City Gas Tariff, First Revised Sheet No. 26, paragraph 19 (effective December 1, 2023).
[2] Document No. 03470-2025, Response to Staff's First Data Request, No. 2.a.
[3] Expenses included in a utility's revenue requirement are generally referred to as being "above the line." Expenses disallowed by the regulator are generally referred to as being "below the line."
[4] A Uniform Commercial Code (UCC) lien is a public notice filed by a lender that a business's assets serve as collateral for a loan. UCC filings allow creditors to reserve their rights to a debtor's assets if they default on a secured loan. This filing, typically made with the state's Secretary of State, gives the lender a first-position claim to the specified assets and serves as a public record for other potential creditors.
[5] Order No. PSC-2021-0040-TRF-GU, issued January 25, 2021, in Docket No. 20200216-GU, *In re: Request for approval of tariff to accommodate receipt and transportation of renewable natural gas from customers, by Florida City Gas.*

equipment on a case-by-case basis. FPUC states that it has not fully investigated or developed preliminary equipment financing agreements for equipment types other than for water heaters.[6]

FPUC asserts that the equipment financing program will be available for both electric-to-gas conversions and gas-to-gas efficiency upgrades. Pre-established pricing for financed equipment would reflect any reductions for rebate amounts the equipment would qualify for under FPUC's Natural Gas Conservation Cost Recovery Clause (NGCCRC) programs. However, the Company clarified that any cost above the pre-established price will be the customer's responsibility.[7]

FPUC states that it will develop an approved third-party vendor list, wherein its customers will have the option to select contractors to provide the equipment and perform the installation work. The Company states that vendors will be independent third parties without affiliation to FPUC or Chesapeake Utilities, installation will be performed by licensed contractors, and customers will select among qualified providers.[8]

In order to qualify for equipment financing, FPUC maintains that its customers would have to demonstrate twelve months of good standing to enroll.[9] Additionally, in order to participate in its finance program, customers would be required to own the property at the service address receiving service from FPUC.

FPUC asserts that it will secure repayment of all financed equipment costs by filing a UCC-1 lien on the property, and states that the UCC-1 lien would be transferable to a new owner, if the original participant moves before the balance is paid in full. FPUC contends that all expenses and revenues associated with the equipment financing program will be treated "above the line" for regulatory purposes. The Company asserts that nonpayment of equipment financing charges will not result in service disconnection, and any associated bad debt expense will be recorded and recovered through the program rather than the general body of ratepayers.[10] When the equipment financing balance is paid in full, the lien will be removed.

FPUC provided a sample customer water heater financing agreement, a mock-up bill inclusive of the proposed finance charge, and a hypothetical example of finance calculations and payments based on a 60-month amortization schedule.[11] FPUC also provided sample accounting entries showing payment amount to third-party contractors, application of NGCCRC rebates, transaction fees (liens and administrative fees), and recognition of financing income.[12]

The Company projects up to 100 participants in its financing program in the first year, with approximately 80 percent of participants seeking gas-to-gas equipment efficiency upgrades and

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[6] Document No. 03470-2025, Response to Staff's First Data Request, No. 2.a. Examples of potential future financed equipment include compressors, dispenser pumps, filtration storage units, and digesters.
[7] Document No. 03470-2025, Response to Staff's First Data Request, No. 2.d.
[8] Document No. 08076-2025, Response to Staff's Third Data Request, Nos. 6.a., 6.b., and 6.c.
[9] Document No. 08076-2025, Response to Staff's Third Data Request, No. 1.b.
[10] The Company asserts that a program-specific bad-debt reserve will be funded based on the Company's historical uncollectible rate, with any unrecovered balance applied to the reserve and credited back if amounts are later recovered under the lien. Document No. 09279-2025, Response to Staff's Fourth Data Request, Nos. 3. a.– b.
[11] Document No. 04992-2025, Response to Staff's Second Data Request, No. 1.
[12] Document No. 04992-2025, Response to Staff's Second Data Request, No. 1.

the remainder seeking electric-to-gas conversions. For reference, in 2023 FPUC recorded 212 gas-to-gas and 129 electric-to-gas tankless water heater conversions, while in 2024 it recorded 239 gas-to-gas and 77 electric-to-gas conversions. The Company states that its projection of 100 participants is informed by FCG's experience since implementing a similar tariff provision in late 2023. For reference, FCG provided financing for 138 gas-to-gas upgrades in 2024 and 23 electric-to-gas conversions.

During the review process, staff issued four data requests to FPUC and held two teleconferences with the Company to discuss the filing and related issues. By Order No. PSC-2025-0168-PCO-GU, issued May 27, 2025, the Commission suspended the proposed tariff revisions.

The Commission has jurisdiction over this matter pursuant to Section 366.04, and 366.052, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve FPUC's proposed First Revised Tariff Sheet 6.153 and Original Tariff Sheet 6.154, as revised on August 20, 2025, that would allow customers to enter into agreements with FPUC for term financing of equipment classified as gas conversion (inclusive of appliances), compression, or RNG equipment?

Recommendation: The Commission should approve FPUC's revised tariff sheets (First Revised Tariff Sheet 6.153 and Original Tariff Sheet 6.154, as revised on August 20, 2025, attached) regarding the provision of financing for gas conversion (inclusive of appliances), compression, or RNG equipment to be owned and maintained by the customer, but with the following conditions designed to protect the general body of ratepayers:

(1) FPUC should be required to file copies of equipment finance agreement forms, including updates, in this docket prior to implementation of financing for each category of equipment, until the rate schedules and tariffs across all Chesapeake-affiliated gas utilities operating in Florida are consolidated in a future rate proceeding; and

(2) FPUC should be required to file annual reports in this docket, by March 1 of 2026 and 2027 for the prior year's financing activities, providing: (a) participation metrics by category; (b) financial performance (all program revenues and costs, including equipment installation costs, cost-of-capital amounts, bad-debt costs, transaction costs, and other cost categories); (c) defaults and lien activity; (d) rebate utilization; and (e) vendor information. The report should be organized by equipment type, with separate subsections if the program expands beyond water heaters. (Pope, Barrett, Gatlin, Thompson)

Staff Analysis:

Key Considerations

Statutory Considerations and Precedence of Utility Equipment Financing

The Commission has jurisdiction over this matter under Section 366.04, F.S., which provides the Commission authority to regulate natural gas utilities. Section 366.05(2), F.S., further requires that any utility that "sells appliances or other merchandise shall keep separate and individual accounts for the sale and profit from such sales." A sale is defined by Section 672.106(1), F.S., as "the passing of title from the seller to a buyer for a price." FPUC asserts that, because the company would never have custody of or title to the equipment, it would not qualify as a sale. Rather, FPUC states that the proposed tariff in this docket would allow for financing of the customer's purchase of an appliance from a third-party vendor as opposed to the utility making a sale to the customer, which exempts FPUC's proposal from the purview of Statute 366.05(2), F.S.

The Commission has previously approved limited forms of equipment financing by regulated utilities. Examples include Peoples Gas System, Inc.'s natural gas vehicle compressor financing program for fleet operators,[13] Florida Power & Light Company's (FPL) Supplemental Power Services Tariff for backup generators,[14] and the HVAC On-Bill Option[15] approved for FPL customers. FCG has maintained an equipment financing tariff similar to the proposed tariff in this docket since the late 1990s and amended it as recently as 2020.[16] Staff believes the existence of these precedents provides a regulatory basis for considering FPUC's request, and recommends approval of FPUC's proposal as consistent with prior Commission decisions.

Compression and RNG Equipment Financing

Although the proposed tariff seeks approval to offer financing for gas conversion, compression, or RNG equipment, FPUC plans to focus its implementation of this tariff to facilitate financing of water heaters.[17] The Company states that a wide variety of equipment could fall under the compression and RNG equipment categories, but it currently lacks the detailed information about financing terms, options, or offerings for these categories. FPUC characterizes these categories as a possible "future expansion" for which it would develop such details at a later time, after it had reviewed equipment and installation costs, and developed financing terms accordingly.[18] FPUC has indicated that the financing terms for compression and RNG equipment will differ somewhat compared to conversion equipment, and acknowledged that a case-by-case review would be necessary before it would enter into an agreement for compression or RNG equipment financing.[19]

The Company's immediate focus for the tariff is centered on tankless water heaters for residential customers under the conversion category of the tariff. FPUC provided estimates of participation for tankless water heaters, but no category-specific data or analysis for the compression and RNG equipment categories.[20]

Non-participant Safeguards

In its program design, FPUC built in safeguards to limit imposing an undue risk to its general body of ratepayers. First, the utility set forth that only customers in good standing would be eligible to participate in the equipment loan program.[21] Second, the utility stated it will establish a UCC-1 lien on the property to secure the financed amount. Third, the financial agreement includes a cost component for bad-debt reserve that will be funded based on the Company's historical uncollectible rate, with recoveries credited back if amounts are later collected under the lien. Likewise, the utility plans to include in its program fee its transactions costs to cover administration and lien placement. Staff believes these utility safeguards reduce the risk that the program would result in a shift of finance program costs to non-participants.

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[13] Order No. 25626, issued January 22, 1992, in Docket No. 910942-EG, *In Re: Petition for approval of its natural gas vehicle program of Peoples Gas System, Inc.*
[14] Order No. PSC-2019-0220-TRF-EI, issued June 3, 2019, in Docket No. 20190034-EI, *in re: Petition for approval of optional supplemental power services pilot program and rider, by Florida Power & Light Company.*
[15] *See* Docket No. 20240012-EI, *Commission review of numeric conservation goals (Florida Power & Light Company).*
[16] *See* Order No. PSC-2021-0040-TRF-GU.
[17] Document No. 03470-2025, Response to Staff's First Data Request, No. 1.a.
[18] Document No. 03470-2025, Response to Staff's First Data Request, No. 1.b.
[19] Document No. 03470-2025, Response to Staff's First Data Request, Nos. 1.a. and 2.a.
[20] Document No. 03470-2025, Response to Staff's First Data Request, Nos. 4.a. and 4.b.
[21] Document No. 08076-2025, Response to Staff's Third Data Request, No. 1.b.

Section 366.05(2), F.S., which requires separate accounting for sale of appliances or merchandise, also prohibits the Commission from taking any profit or loss related to those sales into account. Although FPUC maintains that this tariff does not allow for sale of equipment as contemplated by Section 366.05(2), F.S., FPUC has agreed that it can establish separate subaccounts for the finance activities that will allow the Commission to review the finance program in future rate case proceedings.[22]

According to FPUC, all financing-related revenues and expenses would be treated "above the line."[23] The Company represents that its role is limited to providing financing at the Company's overall cost of capital. The appliance and installation costs would not be recorded to "plant in service" because the utility would not hold title to any asset. However, accounts receivable and a provision for bad debt would be included in working capital, thus included in rate base at the time of the next rate proceeding.[24]

Staff notes that the equipment financing program as proposed involves uneven flows of revenues and expenses over time. FPUC must pay the plumbing vendors the full price of equipment installations at the time of installation, and the Company would receive funds from program participants based on cost amortization over a period of years. Thus, intergenerational inequities at some level can be expected, but if rates charged for financing are set to recover all related costs, the program would be fully cost compensatory over time.

Recommended Reporting Requirements

As discussed above, FPUC's stated intention upon approval is to offer financing primarily for water heater conversions. While the proposed revised tariff includes the option to finance its customers compression and RNG equipment, the Company has no financing terms, options, offerings, or customer agreements for either compression or RNG equipment at this time. Due to this current lack of information, staff believes FPUC should be required to submit, for staff review, copies of equipment finance agreement forms (detailing terms, conditions, and including updates when they arise) in this docket prior to implementing the provision of financing arrangements for each category of equipment.

In order to provide oversight of the proposed financing program and its impact to both participants and FPUC's general body of ratepayers, staff also believes FPUC should adhere to a post-approval reporting requirement as relates to this proposed tariff. Specifically, FPUC should be required to submit in this docket equipment financing annual reports, by March 1 of 2026 and 2027 for the prior year's financing activities, that provide the following: (a) participation information for each equipment category (appliance-specific), (b) financial performance based on separated accounting detail (all program revenues and costs, including equipment installation costs, cost of capital, bad debt costs, transaction costs, and any/all other cost categories, all maintained in separate subaccounts), (c) defaults and lien activity metrics, (d) rebate participation and dollar amounts, and (e) vendor participation details. The annual report should be organized by equipment type, with separate subsections if the utility's financing program expands beyond water heaters.

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[22] Document No. 08076-2025, Response to Staff's Third Data Request, No. 2.e.
[23] Document No. 03470-2025, Response to Staff's First Data Request, No. 1.f.
[24] Document No. 04992-2025, Response to Staff's Second Data Request, No. 1.

In the event that FPUC's parent company, Chesapeake LLC, seeks Commission approval to consolidate the rates and tariffs of its Florida natural gas divisions, staff believes the Commission would have an opportunity to evaluate the merits of further alignment of the Florida divisions' tariffs into a single tariff based, in part, upon the results and details provided in the equipment financing annual reports.

Conclusion

Staff believes the Commission should approve FPUC's proposed revised tariff sheets (First Revised Tariff Sheet 6.153 and Original Tariff Sheet 6.154, as revised on August 20, 2025, attached) regarding the provision of financing for gas conversion (inclusive of appliances), compression, or RNG equipment to be owned and maintained by the customer, but with the following conditions designed to protect the general body of ratepayers:

(1) FPUC should be required to file copies of equipment finance agreement forms, including updates, in this docket prior to implementation of financing for each category of equipment, until the rate schedules and tariffs across all Chesapeake-affiliated gas utilities operating in Florida are consolidated in a future rate proceeding; and

(2) FPUC should be required to file annual reports, by March 1 of 2026 and 2027 for the prior year's financing activities, providing: (a) participation metrics by category; (b) financial performance (all program revenues and costs, including equipment installation costs, cost-of-capital amounts, bad-debt costs, transaction costs, and other cost categories); (c) defaults and lien activity; (d) rebate utilization; and (e) vendor information. The report should be organized by equipment type, with separate subsections if the program expands beyond water heaters.

Staff believes these utility safeguards reduce the risk that the program would result in a shift of finance program costs to non-participants.

Issue 2: Should this docket be closed?

Recommendation: No. If a protest is filed by a substantially affected person within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be placed into monitoring status upon the issuance of a consummating order so that the utility can file its reports in this docket. Once the monitoring reports have been filed, staff should have administrative authority to remove the docket from monitoring status and close it or request the Commission reopen the docket for further proceedings as deemed necessary at that time. (Thompson)

Staff Analysis: No. If a protest is filed by a substantially affected person within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be placed into monitoring status upon the issuance of a consummating order so that the utility can file its reports in this docket. Once the monitoring reports have been filed, staff should have administrative authority to remove the docket from monitoring status and close it or request the Commission reopen the docket for further proceedings as deemed necessary at that time.

RULES AND REGULATIONS - CONTINUED

a. The AEP Charge shall not be billed to any Customer premise that activates Gas service from an AEP extension of facilities subsequent to the end of the completed build out period following the in-service date of an AEP extension of facilities.

b. Revenues from the AEP Charge shall be credited against the Company's distribution main plant account, except that the Company shall retain, as a return on its capital investment, a portion of such revenues equal to its allowed cost of capital.

4. Service Extensions from Existing Mains:
The Company shall extend service facilities connecting a Customer premise to an existing Main, where the Company's capital investment to install the service does not exceed the MACC. Where the service extension capital investment exceeds the MACC, the Customer shall pay to the Company a non-refundable amount equal to the difference between the MACC and the estimated capital cost of the service extension.

5. Temporary Service:
In the case of temporary service for short-term use, Company may require Customer to pay all costs of making the service connection and removing the material after service has been discontinued, or to pay a fixed amount in advance to cover such expense; provided, however, that Customer shall be credited with reasonable salvage realized by Company when service is terminated.

6. Relocation of Distribution Facilities:
When alterations or additions to structures or improvements on premises to which Company provides service necessitate the relocation of Company's distribution facilities, or when such relocation is requested by Customer for any reason, Customer may be required to reimburse Company for all or any part of the costs incurred by Company in the performance of such relocation.

7. Ownership of Property:
The Company shall own, operate, and maintain all service pipes, regulators, vents, Meters, Meter connections, valves, and other apparatus from Company Mains to the outlet side of the Meter and shall have a perpetual right of ingress and egress thereto.

8. Equipment Financing:
If requested by Customer, and the Company agrees to provide financing for the necessary gas conversion, compression, or RNG equipment to be owned and maintained by the Customer, an agreement as to terms and conditions governing

RULES AND REGULATIONS - CONTINUED

Equipment Financing Continued

recovery of the financed costs for such equipment from the Customer may be entered into and the initial contract term of gas service shall at a minimum be the same as the period of recovery stated in the agreement. A finance cost recovery charge will be listed as a separate line item on the customer's bill to collect cost incurred; including carrying cost at the company's overall approved cost of capital, in providing such conversion to natural gas. At such time as the Company has recovered its installation cost, the finance charge will be removed from the customer's bill.