

State of Florida



# Public Service Commission

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COMMISSION CLERK

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

**DATE:** January 11, 2012

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economic Regulation (Kummer, Higgins, Mouring, Slemkewicz, Trueblood)

Office of the General Counsel (Brown)

Division of Safety, Reliability & Consumer Assistance (Black, Moses)

**RE:** Docket No. 110320-GU – Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System.

**AGENDA:** 01/24/12 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 02/14/12 (60-Day Suspension Date)  
08/14/12 (8-Month Effective Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\110320.RCM.DOC

### Case Background

Peoples Gas System (PGS) filed a petition requesting approval of a Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR) to recover the cost of accelerating the replacement of cast iron and bare steel distribution lines on its system. Utilities have been urged by the U.S. Department of Transportation to replace these older facilities as a safety measure. The Commission approved \$1 million dollars for replacement of these facilities in PGS' last rate case.<sup>1</sup> PGS believes that amount is insufficient to replace all of its targeted pipes in a timely

<sup>1</sup> Docket No. 080318-GU, in Re: Petition for a Rate Increase by Peoples Gas System.

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manner. This petition requests approval of an annually adjusted recovery factor to capture the cost of replacement of cast iron and bare steel pipes over a 10 year period.

The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05 and 366.06, Florida Statutes (F.S.).

**Discussion of Issues**

**Issue 1:** Should PGS's petition for approval of a Cast Iron/Bare Steel Pipe Replacement Rider be suspended?

**Recommendation:** Yes. (Kummer, Brown)

**Staff Analysis:** Section 366.06(3), F.S., provides that the Commission may suspend operation of a proposed tariff if it provides a reason or written statement of good cause to withhold its consent within 60 days of the filing of the petition. While replacement of aging pipelines is sound strategy, previously, such replacement costs were included in base rates. The concept of a cost recovery mechanism, outside of base rates merits careful review and analysis to ensure that the mechanism is appropriate and necessary. Staff therefore recommends that the proposed tariffs be suspended to allow further review.

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**Issue 2:** Should this docket be closed?

**Recommendation:** No. The docket should remain open to allow further review and a subsequent recommendation on final action by the Commission. (Brown)

**Staff Analysis:** The docket should remain open to allow further review and a subsequent recommendation on final action by the Commission.