

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: October 12, 2016
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Suzanne M. Ollila, Economic Analyst, Division of Economics *A.M.O.*
RE: Docket No. 160201-GU

Please place in the Docket file the attached:

Email dated October 6, 2016, wherein Peoples Gas confirms that there is an under-recovery in 2015 (paragraph 8 of the Petition).

Email dated October 7, 2016, and the accompanying attachment, wherein Peoples Gas provides an unsigned copy of the Petition, with the addition of the first two lines at the top of page 5, omitted in the original Petition.

RECEIVED-FPSC
2016 OCT 12 PM 4:25
COMMISSION
CLERK

Sue Ollila

From: Floyd, Kandi M. <KFloyd@tecoenergy.com>
Sent: Thursday, October 06, 2016 4:34 PM
To: Sue Ollila
Subject: RE: Docket 160201-GU - question

Hi Sue:

Yes, you are correct. The schedule is correct with an under-recovery of \$98,762 for 2015. I apologize for the error in the petition. Thanks.

From: Sue Ollila [mailto:SOLLILA@PSC.STATE.FL.US]
Sent: Thursday, October 06, 2016 1:02 PM
To: Floyd, Kandi M. <KFloyd@tecoenergy.com>
Subject: Docket 160201-GU - question

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Hi, Kandi,

Paragraph 8 of the Petition describes the final true-up amount for 2015 as an over-recovery of \$98,762. Schedule A, page 2, line 9, End of Period Total, shows the \$98,762 as an under-recovery. After working through the numbers, I believe Schedule A is correct and it is an under-recovery for 2015. Please confirm that the \$98,762 is an under-recovery for 2015. If you have any questions, please call or email.

Thank you,

Sue Ollila
Economic Analyst
Florida Public Service Commission
850-413-6540
sollila@psc.state.fl.us

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Sue Ollila

From: Floyd, Kandi M. <KFloyd@tecoenergy.com>
Sent: Friday, October 07, 2016 10:08 AM
To: Sue Ollila
Subject: Emailing - PGS - 2016 petition - Cast Iron Rider - 08302016 -.pdf
Attachments: PGS - 2016 petition - Cast Iron Rider - 08302016 -.pdf

Sue:
Attached is the CIBS petition but does not have Ansley's signature - however it identifies the 2 lines on the last page that were not included on the page when it was filed.

Thanks,
k

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2015 True-up,)
the Projected 2016 true-up and 2017)
Revenue Requirements and Surcharges)
associated with Cast Iron / Bare Steel)
Replacement Rider, by Peoples Gas)
System.)
_____)

Docket No.

Submitted for Filing:
9-1-2016

**PETITION OF PEOPLES GAS SYSTEM FOR APPROVAL OF 2015 TRUE-UP, THE
PROJECTED 2016 TRUE-UP AND 2017 REVENUE REQUIREMENTS AND SURCHARGES
ASSOCIATED WITH CAST IRON/BARE STEEL PIPE REPLACEMENT RIDER**

Peoples Gas System ("Peoples" or the "Company"), by its undersigned counsel, petitions the Commission for approval of (i) the 2015 true-up amount, (ii) the projected true-up amount for 2016, (iii) the Revenue Requirements to be recovered by the Company during the period January through December 2017, and (iv) the Surcharges to be collected from customers for such recovery, all as provided by the Company's Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), and in support of this petition states:

1. The name of the petitioner and the mailing address of its principal office are:

Peoples Gas System
P.O. Box 2562
Tampa, Florida 33601-2562

2. The names and mailing address of the persons authorized to receive notices and communications with respect to this petition are:

Ansley Watson, Jr.
Andrew M. Brown
Macfarlane Ferguson & McMullen
P. O. Box 1531
Tampa, Florida 33601-1531

Ms. Paula K. Brown
Regulatory Affairs
Peoples Gas System
P. O. Box 111
Tampa, Florida 33601-0111

Ms. Kandi M. Floyd
Manager – State Regulatory
Peoples Gas System
P. O. Box 2562
Tampa, Florida 33601-2562

3. The Commission has jurisdiction to entertain this petition pursuant to Sections 366.04(1), 366.05(1) and 366.06, *Florida Statutes*.

4. Peoples is a natural gas local distribution company providing sales and transportation delivery of natural gas throughout most of the State of Florida, and is a natural gas public utility subject to the Commission's statutory jurisdiction to establish rates and charges under Section 366.06.

BACKGROUND

5. By its Order No. PSC-12-0476-TRF-GU, issued on September 18, 2012, in Docket No. 110320-GU, the Commission approved Peoples' Rider CI/BSR, together with projected Revenue Requirements contemplated by the rider for recovery during 2013 and Surcharges through which to recover the projected Revenue Requirements.

6. Peoples' petition for approval of Rider CI/BSR contemplated annual capital expenditures of approximately \$8 million for the replacement of bare steel and cast iron infrastructure, but made clear that annual amount was only an estimate, and that the expenditures could be more or less during any year in which the program is in effect. In Peoples' last rate case, the Commission approved \$1 million in rate base for the 2009 projected test year for replacement of ageing infrastructure. As such, in continuing with its commitment to spend \$1 million annually for replacement activities, Peoples excludes the first \$1 million of its annual capital expenditures for replacement activities and those dollars will be included in rate base in a future rate case.

7. The rider, and the Commission's order approving it, contemplates the filing by Peoples in September of each year of a petition to establish revised Surcharges to be effective the following calendar year (in the case of this petition, calendar year 2017). The petitions are to contain an actual/estimated true-up showing seven months of actual and five months of projected costs and revenues for the calendar year in which the petition is filed, and a projection showing

12 months of projected rider Revenue Requirements for the 12-month period beginning January 1 following the filing of the petition. The order also requires a final true-up showing the actual replacement costs and actual Surcharge revenues for the most recent 12-month historical period from January 1 through December 31 that ends prior to the annual petition filing, including the final over- or under-recovery for the final true-up period.

7. This petition is the filing contemplated by the rider and the Commission's order approving it.¹ Revised Surcharges for the recovery by Peoples of revised Revenue Requirements as provided by Rider CI/BSR for calendar year 2015 were approved by the Commission's Order No. PSC-14-0682-TRF-GU, issued December 9, 2014. The Commission's Order No. PSC-15-0572-TRF-GU, issued December 18, 2015, approved the true-up for calendar year 2014, the estimated true-up for calendar year 2015, and revised Revenue Requirements and Surcharges for calendar year 2016.

8. By its Order No. PSC-16-0205-AS-GU, issued May 19, 2016, in Docket No. 150259-GU, the Commission approved a Settlement Agreement among Peoples, the Office of Public Counsel ("OPC") and the Commission's prosecutorial staff. Pursuant to the third ordering paragraph of that order,² the schedules accompanying this petition clearly identify the inclusion of

¹ The initial Commission order approving Rider CI/BSR indicated that Peoples had agreed to identify and report any O&M and depreciation expense savings in its annual surcharge petitions, beginning the second year. Peoples has been able to quantify the depreciation savings and those savings have accordingly been reflected as reductions in the expenses, however, due to relative infancy of the program no such reductions in O&M expense have yet been identified. Peoples has had a discussion with the Office of Public Counsel, and once O&M savings can be identified and quantified they will also be offset against the expenses attributable to the program.

² The third ordering paragraph of Order No. PSC-16-0205-AS-GU (*In re: Initiation of show cause proceedings against Peoples Gas System for apparent violations of Sections 368.01 - 05, F.S., and Chapter 25-12, F.A.C.*) reads as follows:

ORDERED that Peoples Gas Systems shall: (1) issue a one-time credit in the amount of \$2,000,000 to customers subject to its Cast Iron/Bare Steel Replacement Rider (Rider CI/BSR) to reflect O&M savings within Rider CI/BSR in the month following the approval of this Settlement Agreement; (2) clearly identify the inclusion of the \$2,000,000 one-time

the \$2 million one-time credit (booked by the Company in June 2016 pursuant to the Settlement Agreement) contemplated by the Settlement Agreement and the Commission's order approving it. PGS will also include, and clearly identify, schedules concurrently with the Company's 2017 petition for approval of its 2018 Rider CI/BSR surcharges to verify that the Company issued the one-time, non-recurring credit referenced above.

RELIEF REQUESTED

8. Peoples seeks the Commission's approval of the final true-up amount for the calendar year 2015 of \$98,762 over-recovery (including interest). The calculation of this amount is contained in Exhibit A attached to this petition.

9. Peoples also seeks approval of the projected true-up for calendar year 2016 and, as shown in Exhibit B to this petition, has re-projected that its actual expenditures for eligible replacements under Rider CI/BSR during 2016 will be \$12,385,955. This re-projected total does not include the first \$1 million in such expenditures. Exhibit B, Page 2 of 3, reflects on line 9 an "End of Period Total True-up" of \$189,693 overrecovery. The re-projected overrecovery is increased (see line 9a, Page 2 of 3 of Exhibit B) by the \$2 million one-time non-recurring credit to which Peoples agreed in the Settlement Agreement, as ordered by the Commission. Addition of the \$2,000,000 one-time credit results in an "Adjusted End of Period Total True-up" of \$2,189,693 (see Line 10 on Exhibit C page 1 of 2). This results in a reduction of the Surcharges for the recovery of program costs for calendar year 2017.

10. Exhibit C includes projected capital expenditures for the replacement of cast iron/bare steel infrastructure during calendar year 2017, and Exhibit D contains revised

credit in its 2016 Rider CI/BSR petition for approval of its 2017 Rider CI/BSR monthly surcharges; and (3) include, and clearly identify, schedules concurrently with the Company's 2017 petition for approval of its 2018 Rider CI/BSR surcharges to verify that it issued the one-time credit.

Surcharges to be collected from customers commencing with bills rendered for meter readings taken on and after January 1, 2017. The estimated true-up for 2016, an over-recovery of \$2,189,693, decreases the total amount to be collected through the revised Surcharges during 2017. Projected capital expenditures for replacements during 2017 are \$10,875,000 (not including the first \$1 million of such expenditures).

11. Fourth Revised Sheet No. 7.806 to Peoples' Natural Gas Tariff, Original Volume No. 3, setting forth the revised surcharges, accompanies the filing of this petition.

WHEREFORE, Peoples respectfully requests that the Commission enter its order:

- A. approving the final true-up for calendar year 2015, the calculation of which is contained in Exhibit A;
- B. approving the projected Revenue Requirements for 2017 (as calculated in Exhibit C, and as adjusted by the projected true-up for 2016 calculated in Exhibit B); and
- C. approving Peoples' billing of the recovery Surcharges for 2017 set forth in Exhibit D to this petition commencing with bills rendered for meter readings taken on and after January 1, 2017.

Respectfully submitted,

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