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May 17, 2023

VIA E-PORTAL

Mr. Adam Teitzman, Clerk
Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

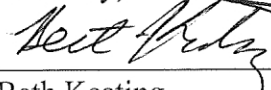
Re: Docket No. 20230029 – GU: Petition for approval of gas utility access and replacement directive, by Florida Public Utilities Company.

Dear Mr. Teitzman:

Attached for filing, please find Florida Public Utilities Company's Responses to Staff's Second Data Requests issued in the above-referenced docket on May 3, 2023.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,



Beth Keating
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MEK

CC: (Office of Public Counsel)
(Office of General Counsel – Dose)

Florida Public Utilities Company's Responses to Staff's Second Data Requests

- 1. Please provide a copy of Florida Public Utilities Company's (FPUC) three most recent Distribution Integrity Management Programs (DIMP).**

Company Response

Attached are the Company's three most recent DIMP as Exhibit 1.A - FPU DIMP Plan 2022, Exhibit 1.B - FPU DIMP Plan 2021, and Exhibit 1.C - FPU DIMP Plan 2020.

- 2. Has FPUC identified any other states that have approved a program similar to GUARD? If yes, please provide any relevant information.**

Company Response

Yes. All three states where Chesapeake Utilities Corporation's natural gas distribution subsidiaries operate have approved, either by statute or by Commission approval, similar programs that aim to accomplish the same goals as GUARD: to improve the overall safety and reliability of the system. Overall, a program like the one proposed by the Company is commonplace in a multitude of States.

Florida¹ – The Commission approved Florida City Gas' Safety, Access, and Facility Enhancement (SAFE) program in Docket No. 20150116-GU. The SAFE program focused on improving Florida City Gas's system by relocating mains and services in rear easements.

Delaware² – Approved in the State's statutes, Delaware has implemented a Distribution System Improvement Charge (DSIC). The program' is to allow Utilities to recover the cost of eligible investments. Per 26 DE Code § 315, the following types of activities are eligible under the DSIC program:

"1. Replace or renew electric and natural gas distribution facilities serving existing customers that have reached their useful service life, are worn out, are in deteriorated condition, or which negatively impact the quality and reliability of service to the customer if not replaced or renewed; or

2. Extend or modify distribution facilities to eliminate conditions which negatively impact the quality and reliability of service to the customer; or

3. Relocate existing distribution facilities as a result of governmental actions that are not reimbursed, including but not limited to relocations of mains, lines and services, located in highway rights of way as required by the Department of Transportation; or

¹Order No. PSC-2015-0390-TRF-GU, issued September 15, 2015, in Docket No. 20150116-GU, approving FCG's SAFE program, effective January 1, 2016.

² <https://delcode.delaware.gov/title26/c001/sc03/index.html>

4. Place in service new or additional distribution facilities, plant or equipment required to meet changes in state or federal service quality standards, rules or regulations.”

Maryland³ – Approved in the State’s statutes, Maryland has implemented the Strategic Infrastructure and Development and Enhance (STRIDE) program. The overall goal of the program is to allow Utilities to recover costs for projects that improve public safety or infrastructure reliability. Per MD Pub Util Code § 4-210, the following types of activities are eligible under the STRIDE program,

“(3) "Eligible infrastructure replacement" means a replacement or an improvement in an existing infrastructure of a gas company that:

(i) is made on or after June 1, 2013;

(ii) is designed to improve public safety or infrastructure reliability;

(iii) does not increase the revenue of a gas company by connecting an improvement directly to new customers;

(iv) reduces or has the potential to reduce greenhouse gas emissions through a reduction in natural gas system leaks; and

(v) is not included in the current rate base of the gas company as determined in the gas company's most recent base rate proceeding.”

Several states that do not include Chesapeake Utilities Corporation natural gas distribution service territories have approved either by statute or utility commission order similar infrastructure replacement programs that aim to accomplish the same goals as GUARD. A few examples include the following:

Pennsylvania⁴ – Approved in the State’s statutes, Pennsylvania has implemented the Distribution System and Improvement Charge (DSIC). The overall goal of the program is to allow Utilities the recovery of costs to improve or replace eligible property in order to maintain adequate, efficient, safe, reliable and reasonable services. Per 66 PA Cons Stat § 1353,

“a utility may petition the commission, or the commission, after notice and hearing, may approve the establishment of a distribution system improvement charge to provide for the timely recovery of the reasonable and prudent costs incurred to repair, improve or replace eligible property in order to ensure and maintain adequate, efficient, safe, reliable and reasonable service.”

Nebraska⁵ – Approved by the Nebraska Public Utilities Commission, The Commission approved the System Safety and Integrity Rider (“SSIR”) for Black Hills Energy. The rider

³ <https://mgaleg.maryland.gov/mgaweb/legislation/details/sb0008?ys=2013RS&search=True>

⁴ <https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0011..HTM>

⁵ Nebraska Public Service Commission Application No. NG-112.1

allows Black Hill Energy to recover revenue requirement related to eligible safety and integrity costs for the following types of qualifying projects,

- “i. Projects to comply with Code of Federal Regulations (“CFR”) Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart O (Gas Transmission Pipeline Integrity Management), including Projects in accordance with the Company’s transmission integrity management program (“TIMP”) and Projects in accordance with State enforcement of Subpart O and the Company’s TIMP;”*
- ii. Projects to comply with CFR Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart P (Gas Distribution Pipeline Integrity Management), including Projects in accordance with the Company’s distribution integrity management program (“DIMP”) and Projects in accordance with State enforcement of Subpart P and the Company’s DIMP;”*
- iii. Projects to comply with final rules and regulations of the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (“PHMSA”) that become effective on or after the filing date of the application requesting approval of the SSIR;”*
- iv. Facility relocation projects with a per-Project total cost of \$20,000 or more, exclusive of all costs that have been, are being, or will be reimbursed otherwise, that are required due to construction or improvement of a highway, road, street, public way or other public work by or on behalf of the United States, the State of Nebraska, a political subdivision of the State of Nebraska or another entity having the power of eminent domain; and”*
- v. Projects to ensure gas is available, delivered and measured for our customers in all situations. In some cases, these projects will not replace any existing infrastructure, and are required to maintain minimum pressure requirements on our distribution system to prevent loss of customers on a winter peak day. These projects include “Obsolete Infrastructure Projects”, with examples such as Charts, Meter Install, Odorizer, and Valve projects.”*

Georgia – The Georgia Public Service Commission has approved several programs for Atlanta Gas and Light, including the following:

- 1) The Strategic Infrastructure Development and Enhancement (STRIDE) program and Integrated System Reinforcement Program (“i-SRP”) Plan,⁶ which “adds both needed pipeline capacity and supply alternatives to reinforce pressures in key growth areas”.
- 2) The Integrated Capacity Development (“i-CDP”) Plan⁷ which includes a System Reinforcement Rider (“SSR”) to provide recovery of mutli-year projects associated with large pressure improvement and system reliability projects, while lower-pressure, shorter-duration pressure improvement activity are presented within the Annual Georgia Rate Adjustment Mechanism (“GRAM”).

⁶ Georgia PSC Parent Docket No. 29950

⁷ Georgia PSC Parent Docket No. 43820

- 3) The Integrated Vintage Plastic Replacement (“i-VPR”)⁸Program which allows Atlanta Gas and Light to create a safer and more reliable system by replacing vintage plastic pipelines.

Virginia – Approved in the State’s statutes, Virginia has implemented the Steps to Advance Virginia’s Energy (“SAVE”) plan for Utilities. The overall goal of the program is to allow Utilities to recover costs for certain eligible projects. Per VA Code 56-603, Chapter 26, eligible projects are defined as the ones that:

“(i) enhance safety or reliability by reducing system integrity risks associated with customer outages, corrosion, equipment failures, material failures, or natural forces;

(ii) do not increase revenues by directly connecting the infrastructure replacement to new customers;

(iii) reduce or have the potential to reduce greenhouse gas emissions;

(iv) are commenced on or after January 1, 2010; and

(v) are not included in the natural gas utility's rate base in its most recent rate case using the cost of service methodology set forth in § 56-235.2, or the natural gas utility's rate base included in the rate base schedules filed with a performance-based regulation plan authorized by § 56-235.6, if the plan did not include the rate base. "Eligible infrastructure replacement" includes natural gas utility facility replacement projects that are identified as a result of an enhanced leak detection and repair program.”

3. Please refer to FPUC’s response to Staff’s First Data Request, No. 15.

- a. Explain the basis for the statement regarding “increased risk of disruption due to third party damage.” Has FPUC seen an increase in third party damage in recent years?**

Company Response

In recent years the Company has seen a steady increase in excavation damage to its distribution facilities, which represents one of the highest risks to the distribution facilities. However, the specific reason for the statement in FPUC’s response to Staff’s First Data Request, No. 15 is enhanced risks of damage and disruption associated with facilities that cross waterways to serve islands or peninsulas, and the difficulties of repairing those same facilities when they are damaged.

⁸ Georgia PSC Parent Docket No. 37318

- b. Explain the benefits to the general body of ratepayers of paying through a surcharge to improve the reliability for a specific community on an island or peninsula.**

Company Response

Using the GUARD mechanism will allow the Company to economically complete these projects in a more efficient, planned timeframe, which will ensure these projects are not unnecessarily delayed due to other reliability projects and reduces the need for the Company to incur the additional cost of a rate case or limited proceeding to recoup its investment. The benefit to the general body of ratepayers is two-fold: 1) proactive solutions are generally less expensive than recovery and restoration of service following a breach; and 2) a facility breach in one portion of the system can impact gas pressure and delivery to other locations. Moreover, the customers being served at these island and peninsular locations are already customers of the utility and may have paid Contributions in Aid of Construction (“CIAC”) due for the extension of facilities to serve them. The risk of third-party damage and reliability issues that the Company seeks to mitigate is to existing facilities; as such, charging only the customers located at these island and peninsular locations would be contrary to regulatory philosophy on cost assignment as the customers are not the “cost causers.”

- 4. Please refer to Florida Public Utilities Company’s response to Staff’s First Data Request, No. 11(a). Is it possible for FPUC to quantify the estimated savings associated with implementing the GUARD program now as opposed to later? If so, please provide the estimated savings. If not, please explain.**

Company Response

Providing an analysis of market conditions and estimated cost savings dependent on when the program is implemented is not possible as there are too many unknown variables to consider, but it is common practice that multi-year construction contracts include inflation adjustments each year. Outside of such contracted inflation adjustments, the Company believes that from a macro-economic perspective, construction inputs such as materials, labor, and land will continually increase in cost over time. This is due to a variety of factors outside of the Company’s control such as the global economy, interest rates, inflation, and a multitude of other factors that may influence costs.

Delaying the implementation of GUARD to a later time will most likely result in higher costs for the same projects, and in turn higher costs for customers.

FPUC will always consider cost saving measures where possible and use best practices, such as coordinating with other utilities, the municipalities, and sharing restoration costs with other utilities and contractors.

- 5. Please refer to FPUC's response to Staff's First Data Request, No. 18(a). Please identify the communities that are at higher risk for reliability issues than others, and identify the factors that led to this determination for each.**

Company Response

Communities that are at higher risk for reliability issues include, but are not limited to: Boca Raton, Palm Beach Shores, Singer Island, South Palm Beach, Manalapan, New Smyrna Beach, Edgewater, Deerfield Beach, and Hypoluxo Island. Some of these communities are at higher risk for reliability issues because of their location on islands and peninsulas and associated single feed, and low-pressure issues. Others are at risk because they are at the end of a single-feed distribution line.

A severe storm, unusually high cold weather demand, third-party damage, or other events that would cause a power outage could lead to a service disruption to these communities. Long-term emergency supply or repairing a facility at one of these locations will pose significant challenges.

- 6. Please refer to FPUC's response to Staff's First Data Request, No. 18(a). The utility states that many customers in these areas, including residential and commercial, use natural gas to fuel generators to be used in case of emergencies. Please state the total number of residential and commercial customers who currently take service under the standby generator tariff and approximately what percent of those customers live in communities that FPUC has identified as potentially vulnerable in response to Staff's First Data Request No. 15.**

Company Response

As of April 2023, the total number of residential and commercial customers under the standby generator tariff are 905 and 314, respectively. However, there are an unknown number of residential and commercial customers on other tariff rates that also have natural gas generators that are in the communities mentioned in the Company response to Question 5. Also, residential and commercial customers that do not have natural gas generators but are in communities that are at the end of a single-fed distribution line are at risk of loss of service in the event of a severe storm, unusually high cold weather demand, third party damage, or other events that would cause a power outage.

- 7. Please refer to FPUC's response to Staff's First Data Request, No. 18(b). Please explain how FPUC typically addresses reliability projects. As part of this response, please explain if the same can be done for the reliability projects proposed under the GUARD program.**

Company Response

Generally, reliability projects are evaluated and prioritized based upon: urgency/need; number of customers potentially impacted; the economic feasibility of undertaking a particular project

within a given timeframe; and as resources allow. The Company also has processes in place to provide short-term emergency supply to communities and intake points.

The reliability projects proposed under the GUARD program are similarly evaluated, prioritized, planned, and executed. The difference is that these proposed projects increase the reliability to select communities on islands and peninsulas that also often experience instances of low pressure. Should emergency work be needed to supplement the gas in these select communities, customers at these locations may experience service loss. These reliability projects aim to prevent such a circumstance from arising in the future.

- a. If the reliability portion of the GUARD program is not approved, please explain how FPUC would be impacted and indicate how reliability issues in the proposed communities would be addressed in the future.**

Company Response

The overall system, including the portions of it that serve these communities, is safe and reliable. The reliability projects in GUARD are being proposed in order to ensure the communities are protected against possible future service disruptions as they are only served by a single source feed and are susceptible to low-pressure events. As a result of an outage, customers in these communities could experience service loss for an extended period of time. If the reliability portion of the GUARD program is not approved, FPUC would continue to monitor these areas and take precautions to provide short-term emergency supply, and follow the same process described in the Company Response to Question 7.

- 8. Please refer to Exhibit DR 4. For the projects that are not identified by location (i.e., “Access Rear Easement – Project 4,” “Span Pipe Project 4,” “Obsolete Facility Project 1,” etc.), does this mean that FPUC has not yet identified the locations for these projects? If so, please identify when FPUC will know the locations for these projects. If not, please explain.**

Company Response

No, the Company has identified the locations for specific work to be done, but hasn't assigned those particular areas to specific project numbers or schedule. The projects identified in Exhibit DR 4 demonstrate approximate scoping and time schedule.

- 9. Referring to the response in Staff's First Data Request, No. 24, is it correct that the tariff sheets included with the February 21, 2023 petition have been provided for informational purposes only and the September 2023 petition will include the tariffs that would be effective January 2024 (assuming Commission approval of the proposed GUARD program)?**

Company Response

Yes, if the GUARD program is approved, the true-up process to take place in September 2023 will update the tariff sheets to incorporate the updated rates effective January 2024.

- 10. Referring to the response in Staff's First Data Request, No. 27, page 21 of 21, the calculations show a projected average monthly cost of \$35,284 for the GS-8 rate class in 2032. For the GS-7 rate class, the projected average monthly cost is \$9,611. Does FPUC believe those are reasonable customer impacts?**

Company Response

This Cost of Service allocation percentage was approved in the most recent rate case and represents each rate class's share of the overall system costs. GUARD is estimated to be composed of 80% mains, 14% services, and 6% M&R equipment. The estimated cost impact for each rate class was determined based on the 2023 rate class's gas usage and Cost of Service allocation.

Based on the total amounts billed to the GS-8 (A-D) rate class and the GS-7 rate class in March 2023 of \$1,083,729 and \$692,800 respectively, the projected 2032 GUARD impact equates to a 17% and 26% increase respectively after 10 years of the program. This is equivalent to a 1.58% and 2.34% annual growth rate respectively without considering an increase in the number of customers in these rate classes or the volume. By implementing a programmatic plan like GUARD now rather than a later date, the Company believes that the financial impact to the customers will be lower than having to complete emergency repairs or replacements.