

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** August 29, 2024

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

**FROM:** Division of Economics (P. Kelley) *EJD*  
Division of Engineering (Ellis, King, Thompson) *TEB*  
Office of the General Counsel (Sparks, Farooqi) *AEH*

**RE:** Docket No. 20240071-GU – Petition for approval of safety, access, and facility enhancement program modifications, by Florida City Gas.

**AGENDA:** 09/10/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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## Case Background

On April 19, 2024, Florida City Gas (FCG or Utility) filed its petition requesting Commission approval of modification to its safety, access, and facility enhancement (SAFE) program and associated cost recovery mechanism. In 2015, the Commission approved the original SAFE program and associated cost recovery mechanism.<sup>1</sup> The purpose of the original SAFE program was to relocate certain existing gas facilities located in or associated with rear lot easements to the street front through a separate surcharge on the customers' bill. In the Order approving the SAFE program, the Commission found that the relocation of existing gas facilities was in the public interest to improve the safety of Florida's natural gas infrastructure. In Order No. PSC-

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<sup>1</sup> Order No. PSC-2015-0390-TRF-GU, issued September 15, 2015, in Docket No. 150116-GU, *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas.*

2015-0390-TRF-GU, the Commission required FCG to file an annual petition for a review and reset of the surcharge factors, true-up of any over or under recovery, and update the ad valorem rate, debt, and equity cost rates.<sup>2</sup> At the time of Commission approval, the total estimated SAFE investment from 2015 through 2025 was approximately \$105 million.<sup>3</sup>

During the Utility's 2022 rate case, the Commission approved a stipulation for the expansion of the SAFE program in Order No. PSC-2023-0177-FOF-GU.<sup>4</sup> The Commission further required FCG to propose a new investment/construction schedule and term for the SAFE program in its next applicable annual SAFE filing. Subsequently, the Utility proposed and the Commission approved a 10-year investment and construction schedule through 2035 for the SAFE program projects.<sup>5</sup> As of FCG's most recent true-up filing, the estimated total investment of the SAFE program was approximately \$102 million.<sup>6</sup>

In a recent assessment using its Distribution, Integrity, and Management Program (DIMP), the Utility identified additional risks that were not contemplated in its expanded program related to problematic pipe and equipment. Natural gas distribution pipeline operators, such as natural gas distribution companies are required by Department of Transportation to develop, write, and implement a distribution integrity management program with the following elements: knowledge, identify threats, evaluate and rank risks, identify and implement measures to address risks, measure performance, monitor results, and evaluate effectiveness, periodically evaluate and improve program; and report results.

While additional risks have been identified, the Utility stated the systems are safe. However, FCG would like to expeditiously address the identified risks and reduce any unnecessary risk to the public. The proposed modification to the SAFE program would include the replacement of the following types of facilities in which FCG has identified safety risks: (i) replacing of span pipe; (ii) burying shallow and exposed pipelines; and (iii) replacing of obsolete pipe and related facilities.

During the evaluation of the petition, staff issued two data requests. Responses from FCG were received on May 24 and August 1, 2024.<sup>7</sup> The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

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<sup>2</sup> See page 5 of Order No. PSC-2015-0390-TRF-GU.

<sup>3</sup> See page 3 of Order No. PSC-2015-0390-TRF-GU.

<sup>4</sup> Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023, in Docket No. 20220069-GU, *In re: Petition for rate increase by Florida City Gas*.

<sup>5</sup> Order No. PSC-2023-0345-TRF-GU, issued November 16, 2023, in Docket No. 20230097-GU, *In re: Petition for approval of safety, access, and facility enhancement program true-up and 2024 cost recovery factors, by Florida City Gas*.

<sup>6</sup> See page 1 of Attachment A to Document No. 05041-2023.

<sup>7</sup> Responses to Staff's First Data Request (Document No. 04172-2024), Responses to Staff's Second Data Request (Document No. 08145-2024).

## Discussion of Issues

**Issue 1:** Should the Commission approve FCG's proposed modifications to the Safety, Access, and Facility Enhancement program?

**Recommendation:** Yes, the Commission should approve FCG's proposed modifications to the SAFE program and its associated components to include: (i) replacing of span pipe; (ii) burying shallow and exposed pipelines; and (iii) replacing of obsolete pipe and related facilities. The proposed program modification should improve the safety of FCG's natural gas infrastructure and reduce risk to life and property, and is consistent with the Commission's prior Orders. (P. Kelley, Thompson)

### Staff Analysis:

#### Replacement of Problematic Pipe and Facilities

As mentioned in the case background, FCG states that during a recent risk assessment using its DIMP, it identified various types of problematic pipe and facilities that pose safety risks to its system. As such, FCG is requesting to address these risks on an expedited basis. The problematic pipe and facilities FCG intends to include for replacement under its SAFE program are previously unidentified bare steel mains, steel tubing, span pipe, shallow and exposed pipe, and other obsolete pipe and related facilities, all of which are currently included in Florida Public Utilities Company's (FPUC's) Gas Utility Access and Replacement Directive (GUARD) program. FCG is requesting to more closely align its SAFE program with FPUC's GUARD program, which was approved by the Commission in Docket No. 20230029-GU.<sup>8</sup>

Span pipes are segments of pipe that are susceptible to outside force damage and corrosion, as they are installed above grade and cross creeks, rivers, ditches, or highways. Shallow and exposed pipes are segments that are no longer safely buried due to erosion and other changes in the environment, and are similarly susceptible to outside force damage and corrosion. Obsolete pipe includes Aldyl-A, a type of first generation plastic pipe installed prior to 1982, previously unidentified bare steel pipe, steel tubing and orange pipe, which was approved for replacement in FCG's SAFE program by the Commission in Docket No. 20220069-GU.<sup>9</sup> Due to the evolution of piping materials, construction methods, and standards of related metering and regulating (M&R) facilities, obsolete pipe and related facilities may be at risk of third-party damage and failure.

FCG retained the same contractor retained by FPUC for its GUARD program, R.J. Ruiz and Associates, Inc., to conduct a review of its natural gas facilities. At the conclusion of the review, the contractor provided a risk assessment report identifying threats to FCG's system. The Utility used this report to identify the following projects: (i) three span pipe projects, consisting of the replacement of 82 span pipe segments in FCG's service area; (ii) three exposed pipe projects; and (iii) 17 projects related to obsolete pipe and related facilities.<sup>10</sup> FCG prioritized the facilities for replacement based on the highest risk of failure identified in the contractor's risk assessment

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<sup>8</sup>Order No. PSC-2023-0235A-PAA-GU, issued August 18, 2023, in Docket No. 20230029-GU, *In re: Petition for approval of gas utility access and replacement directive, by Florida Public Utilities Company*.

<sup>9</sup>Order No. PSC-2023-0177-FOF-GU.

<sup>10</sup>Document No. 04172-2024.

and the Utility's DIMP, as well as input from the Utility's subject matter experts. In response to staff's first data request, the Utility provided maps which depict the areas FCG projects facility replacements will take place.<sup>11</sup> FCG identified project areas located in Miami-Dade, Broward, and Brevard Counties.

FCG estimates that the span pipe projects will cost \$20 million, the exposed pipe projects will cost \$4.1 million, and the obsolete pipe and related facilities projects will cost \$25.7 million, for a total of \$49.8 million over the 2024 through 2035 SAFE program term. The estimated annual project expenditures range from approximately \$2.8 million to \$5 million, and are lowest in the first and last years of the program term.

Staff believes that FCG's request to modify its SAFE program to include the expedited replacement of problematic pipe and facilities is necessary to improve the safety of FCG's natural gas infrastructure, and to reduce risk to life and property. Staff believes inclusion of the proposed projects is also consistent with the Commission's approval of FPUC's GUARD program.

### **Projected Incremental SAFE Investments**

FCG estimated the incremental costs for the SAFE program modifications to be approximately \$49.8 million, as summarized in the table below:

**Table 1-1**  
**Projected 2025-2035 Incremental SAFE Costs**

<b>SAFE Project Type</b>	<b>Estimated Cost (\$ in millions)</b>
Problematic Mains	
Obsolete pipe replacement	\$25.7
Span pipe replacement	\$20.0
Exposed pipeline burials	\$4.1
<b>TOTAL (rounded)</b>	<b>\$49.8</b>

Source: Responses to Staff's Second Data Request, Document No. 08145-2024

The Utility believes that the currently approved 10-year term for the SAFE program is adequate to complete the projects described in this filing.<sup>12</sup> In response to staff's second data request, FCG provided a breakdown detailing the projected timeline of the projects. According to the Utility, the modifications to the SAFE program would be approximately \$49.8 million in incremental costs.<sup>13</sup>

In paragraph 13 of the petition, FCG states that it also proposes to continue to use the cost allocation methodology currently being utilized. Furthermore, the Utility is not proposing any modifications to the current surcharge in this petition. Instead, FCG would recalculate the SAFE surcharges for 2025 in its annual true-up filing. FCG states that if this petition is approved, it

<sup>11</sup> Attachment A to Responses to Staff's First Data Request, Document No. 04172-2024

<sup>12</sup> Response No. 3 to Staff's Second Data Request, Document No. 08145-2024.

<sup>13</sup> Attachment C to Responses to Staff's Second Data Request, Document No. 08145-2024.

would include the revenue requirement associated with the additional project categories in its annual true up filings, starting in September 2024. FCG stated that the surcharge would increase by no more than 10 percent of the program's current charge for 2025, based on the estimate provided by the contractor.<sup>14</sup> Staff believes that the proposed expenses are consistent with the approved 2015 SAFE cost allocation methodology and are reasonable.

### **Conclusion**

The Commission should approve FCG's proposed modifications to the SAFE program and its associated components to include: (i) replacing of span pipe; (ii) burying shallow and exposed pipelines; and (iii) replacing of obsolete pipe and related facilities. The proposed program modification should improve the safety of FCG's natural gas infrastructure and reduce risk to life and property, and is consistent with the Commission's prior Orders.

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<sup>14</sup> Response No. 5B to Staff's First Data Request, Document No. 04172-2024

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

**Recommendation:** Yes. If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Sparks, Farooqi)

**Staff Analysis:** If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.