

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 24, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (McClelland, Hampson) *EDD*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20240135-GU – Petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 11/05/24 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/02/25 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On September 3, 2024, Florida Public Utilities Company (FPUC or utility) filed a petition for approval of revised swing service rider rates and associated tariffs for the period January through December 2025. The swing service rider is a cents per therm charge that is included in the monthly gas bill of transportation customers, who purchase gas from third party marketers, and therefore do not pay the Purchased Gas Adjustment (PGA) charge.¹ FPUC is a local natural gas distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes (F.S.).

The Commission first approved FPUC's swing service rider tariff by Order No. PSC-16-0422-TRF-GU (2016 Order) and the initial swing service rider rates were in effect for the period

¹ The PGA charge is set by the Commission in the annual PGA cost recovery clause proceeding.

March through December 2017.² The swing service rider requires FPUC to file an annual petition to recalculate the swing service rider rates based on the utility's actual interstate capacity costs and the most recent 12 months of usage data. Furthermore, the swing service order requires FPUC to incorporate the calculated revenues from the swing service rider as a credit to the PGA proceeding for the concurrent year. The January through December 2024 swing service rider rates were approved in Order No. PSC-2023-0358-TRF-GU.³ The proposed modifications to the swing service rider rate schedule are indicated on Attachment A, with the proposed 2025 swing service rider tariffs on Attachment B.

By Order No. PSC-2024-0454-PCO-GU, issued October 17, 2024, the Commission suspended the proposed swing service rider tariffs for further review by staff. During evaluation of the petition, staff issued a data request to the utility for which responses were received October 3, 2024. This is staff's recommendation to approve the proposed 2025 swing service rider rates and associated tariffs. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.041, 366.05, and 366.06, F.S.

² Order No. PSC-16-0422-TRF-GU, issued October 3, 2016, in Docket No. 160085-GU, *In re: Joint petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

³ Order No. PSC-2023-0358-TRF-GU, issued November 28, 2023, Docket No. 20230096-GU, *In re: Petition for approval of swing service rider rates for January through December 2024, by Florida Public Utilities Company.*

Discussion of Issues

Issue 1: Should the Commission approve the utility’s proposed swing service rider rates and associated tariffs for the period January through December 2025?

Recommendation: Yes, the Commission should approve the proposed swing service rider rates in Attachment B for the period January through December 2025. FPUC’s proposed swing service rider reflects the updated cost of swing service for transportation customers. Staff reviewed the total projected intrastate capacity costs and verified that the costs included are appropriate. Furthermore, the methodology for calculating the swing service rider rates is consistent with the 2016 Order. (McClelland)

Staff Analysis: The utility incurs intrastate capacity costs when it transports natural gas on intrastate pipelines (i.e., pipelines operating within Florida only). The utility has two types of natural gas customers: sales and transportation. Sales customers are primarily residential and small commercial customers that purchase natural gas from an LDC and receive allocations of intrastate capacity costs through the PGA charge. Transportation customers receive natural gas from third party marketers, known as shippers and, therefore, do not pay the PGA charge to the LDC.⁴ The swing service rider allows FPUC to recover allocations of intrastate capacity costs from transportation customers.

Updated 2025 Swing Service Rider Rates

The updated 2025 swing service rider rates were calculated based on the same methodology approved in the 2016 Order. As stated in paragraph 7 of FPUC’s petition, the total intrastate capacity costs for the period July 2023 through June 2024 are \$30,003,382, compared to \$31,941,095 for the period July 2022 through June 2023. The total intrastate capacity costs reflect payments by FPUC to intrastate pipelines for the transportation of natural gas, pursuant to Commission-approved transportation agreements.

In response to staff’s first data request, FPUC clarified some costs included in the intrastate pipeline cost total, in Schedule D of the petition. Upon staff’s review, there appeared to be significant changes to some costs, which FPUC clarified were due to a change in the methods of organizing and classifying costs, and not a material change in costs themselves.⁵ In previous years, the company had listed individual pipeline contracts on Schedule D. However, the 2025 filing combined all contracts under one line item, labeled “Peninsula Pipeline.” FPUC stated this was done for confidentiality purposes.⁶ FPUC further stated there was a year-over-year increase of \$1,518,270 to overall Peninsula Pipeline costs due to new projects becoming operational.⁷ FPUC’s other intrastate capacity costs include payments associated with legal and consulting fees, software to manage forecasting, usage tracking, and market tracking.

In 2016, the initial order approving the swing service rider excluded Interruptible (COM-INTT) and Natural Gas Vehicle (COM-NGVT) transportation service because of the nature of their

⁴ The Commission does not regulate the shippers or their charges for the gas commodity.

⁵ FPUC’s Responses to Staff’s First Data Requests, No. 6a.

⁶ FPUC’s Responses to Staff’s First Data Requests, No. 6a.

⁷ FPUC’s Responses to Staff’s First Data Requests, No. 6b.

services. The utility explained, in its responses to staff's first data request, that COM-INTT and COM-NGVT transportation customers were wrongly included in the 2024 swing service rider due to a change of personnel.⁸ FPUC states they collected \$150,891 from COM-INTT customers and \$15,076 from COM-NGVT customers via the swing service rider. FPUC has refunded the affected customers and has corrected the 2025 swing service rider to remove the COM-INTT and COM-NGVT customer classes.⁹

Of the intrastate pipeline costs, \$7,367,169 will be billed directly to certain large special contract customers. The remaining costs of \$22,636,213 will be recovered during the period January 1, 2025 through December 31, 2025.

The utility used actual therm usage data for the period July 2023 through June 2024 to allocate the intrastate capacity costs. Based on the usage data, staff agrees that the appropriate split for allocating the cost is 69.96 percent or \$15,837,062 to transportation customers and 30.04 percent or \$6,799,151 to sales customers, as demonstrated on page 4 of FPUC's petition. The transportation customers' share of \$15,837,062 is further allocated to the various transportation rate schedules in proportion with each rate schedule's share of the utility's total throughput. The sales customers' share of the cost of \$6,799,151 is embedded in the PGA.

To calculate the swing service rider rates, the transportation customers' share of the cost is allocated to each transportation customer class and then divided by the customer class' number of therms. The swing service revenues the utility has projected to receive in 2025 totals to \$15,837,062.

Credit to the PGA

The total intrastate capacity costs are embedded in the PGA with the projected 2025 swing service rider revenues incorporated as a credit in the calculation of the 2025 PGA. The amount credited to the 2025 PGA is \$15,837,062 plus \$7,367,169 received from special contract customers, for a total of \$23,204,231.¹⁰

Conclusion

After reviewing the information provided in the petition and in response to staff's data request, staff recommends that the Commission should approve the proposed swing service rider rates in Attachment B for the period January through December 2025. FPUC's proposed swing service rider reflects the updated cost of swing service for transportation customers. Staff reviewed the total projected intrastate capacity costs and verified that the costs included are appropriate. Furthermore, the methodology for calculating the swing service rider rates is consistent with the 2016 Order.

⁸ FPUC's Responses to Staff's First Data Requests, No. 4a.

⁹ FPUC's Responses to Staff's First Data Requests, No. 4d.

¹⁰ See direct testimony of witness Stacey K. Laster on behalf of FPUC, filed on August 6, 2024, Document No. 08262-2024, in Docket No. 20240003-GU, Exhibit SKL-1, Schedule E-1, line 8 on page 1, and the direct testimony of Stacey K. Laster, page 3, line 21, through page 4, line 7, included in the petition.

Date: October 24, 2024

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff 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 closed upon the issuance of a consummating order. (Sandy)

Staff Analysis: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff 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 closed upon the issuance of a consummating order.

Florida Public Utilities Company
FPSC Tariff
Original Volume No. 2

~~Second~~First Revised Sheet No. 7.407
Cancels ~~First~~Original Sheet No. 7.407

SWING SERVICE RIDER

Applicability:

The bill for Transportation Service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for each Company Operating Unit for the period of January 202~~5~~4 through the last billing cycle for December 202~~5~~4 are as follows:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
REST-1	\$0.19522041
REST-2	\$0.20002185
REST-3	\$0.23212328
GTS-1	\$0.17381371
GTS-2	\$0.17801804
GTS-3	\$0.1773796
GTS-4	\$0.1783801
GTS-5	\$0.176849
GTS-6	\$0.1661714
GTS-7	\$0.16945
GTS-8A	\$0.1568693
GTS-8B	\$0.1571714
GTS-8C	\$0.163448
GTS-8D	\$0.163956
COM-INTT	\$0.1662
COM-NGVT	\$0.1646
COM-OLT	\$0.1367

Definitions

This surcharge allocates a fair portion of Upstream Capacity Costs and expenses associated with the provision of Swing Service to transportation Customers in accordance with FPSC approval.

Issued by: Jeffrey Sylvester, Chief Operating Officer
Florida Public Utilities Company

Effective: ~~January 1, 2024~~

Florida Public Utilities Company
FPSC Tariff
Original Volume No. 2

Second Revised Sheet No. 7.407
Cancels First Sheet No. 7.407

SWING SERVICE RIDER

Applicability:

The bill for Transportation Service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for each Company Operating Unit for the period of January 2025 through the last billing cycle for December 2025 are as follows:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
REST-1	\$0.1952
REST-2	\$0.2000
REST-3	\$0.2321
GTS-1	\$0.1738
GTS-2	\$0.1780
GTS-3	\$0.1773
GTS-4	\$0.1783
GTS-5	\$0.1768
GTS-6	\$0.1661
GTS-7	\$0.1694
GTS-8A	\$0.1568
GTS-8B	\$0.1571
GTS-8C	\$0.1634
GTS-8D	\$0.1639
COM-OLT	\$0.1367

Definitions

This surcharge allocates a fair portion of Upstream Capacity Costs and expenses associated with the provision of Swing Service to transportation Customers in accordance with FPSC approval.

Issued by: Jeffrey Sylvester, Chief Operating Officer
Florida Public Utilities Company

Effective: