

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: November 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) *GP*
Office of the General Counsel (Brownless) *JSC*

RE: Docket No. 20240137-GU – Petition for approval of GUARD cost recovery factors, by Florida Public Utilities Company.

AGENDA: 12/03/24 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/03/25 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On September 3, 2024, Florida Public Utilities Company (FPUC or Company) filed a petition for approval of its Gas Utility Access and Replacement Directive (GUARD program) cost recovery factors for January through December 2025. The petition includes the direct testimony and Exhibits SKL-1 and SKL-2 of Stacey K. Laster providing the calculations of the proposed factors and Second Revised Sheet No. 7.403.

In Order No. PSC-2023-0235-PAA-GU (GUARD Order), the Commission approved FPUC's 10-year GUARD program consisting of two components: (1) replacement of problematic pipes and facilities and (2) relocation of mains and service lines located in rear easement and other difficult to access areas to the front lot easements.¹ As established in the GUARD Order, FPUC is able to

¹ Order No. PSC-2023-0235-PAA-GU, issued August 15, 2023, amended by 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.*

recover the revenue requirements of expedited programs to replace problematic pipes and facilities and to relocate certain facilities in rear easements and other difficult to access areas in order to enhance the safety of portions of FPUC's natural gas distribution system through a monthly surcharge on customers' bills. The GUARD Order further established the methodology for annually setting the GUARD surcharge to recover the costs of the program.

The methodology to calculate the GUARD program surcharges is the same that was approved for FPUC's concluded Gas Replacement and Infrastructure Program (GRIP).² The GUARD cost recovery procedure requires an annual filing with three components, similar as those approved in the 2012 GRIP Order:

1. A final true-up showing the actual replacement costs, actual surcharge revenues, and over- or under-recovery amount for the 12-month historical period from January 1 through December 31 of the year prior to FPUC's annual GUARD petition.
2. An actual/estimated true-up showing seven months of actual and five months of projected replacement costs, surcharge revenues, and over- or under-recovery amount.
3. A revenue requirement projection showing 12 months of projected GUARD revenue requirement for the period beginning January 1 following FPUC's annual GUARD petition filing.

In the GUARD Order, the Commission directed FPUC to file its annual GUARD program petition to revise the surcharge on or before September 1 of each year, to implement the revised surcharge effective January 1 through December 31 of the following year.

The Commission further ordered FPUC to: (1) include all calculations to show a final true-up, actual-estimated true-up, projected year investments, and associated revenue requirements, and the calculations of the GUARD factors by rate class; (2) provide a report including the location, date, description, and associated costs of all replacement projects completed and all projects scheduled for the following year; and (3) include any remaining GRIP over- or under-recovery in the 2024 GUARD cost recovery. FPUC has complied with the GUARD Order directives stated above.

Included in this recommendation are Attachment A - a list of GUARD projects for 2023-2025 Actual/Forecast; Attachment B - Second Revised Sheet No. 7.403 legislative version; and Attachment C - Second Revised Sheet No. 7.403 clean version.

During the review process, staff issued a data request to FPUC on September 23, 2024, for which the responses were received on October 8, 2024. In Order No. PSC-2024-0440-PCO-GU, the Commission suspended the proposed tariffs. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

² Order No. PSC-2012-0490-TRF, issued September 24, 2021, in Docket No. 20120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.*

Discussion of Issues

Issue 1: Should the Commission approve FPUC's 2025 Gas Utility Access and Replacement Directive (GUARD) cost recovery factors and associated Second Revised Sheet No. 7.403 for the period January to December 2025?

Recommendation: Yes. The Commission should approve FPUC's 2025 GUARD cost recovery factors and associated Second Revised Sheet No. 7.403, included in Attachment B to this recommendation, to be effective for the first billing cycle of January through the last billing cycle of December 2025. The GUARD surcharge would allow FPUC to replace problematic pipes and facilities and relocate certain facilities located in rear easements to the front easements, and recover the project costs on an expedited basis. (Guffey)

Staff Analysis: The GUARD program is driven by risks identified under FPUC's Distribution Integrity Management Program (DIMP) and risk assessments performed by an independent contractor.³ As stated by witness Laster, the GUARD projects are based upon the assessment of an independent contractor. Projects in high consequence areas and those of high risk continue to be a priority. The prioritized projects for 2024 and 2025 are included in Attachment A to this recommendation. Attachment A indicates that FPUC currently has six projects in-progress which will relocate 30.7 miles of pipes from rear lots to the street front in Palm Beach and Seminole counties for an estimated investment cost of \$18.7M during the third and fourth quarters of 2024. Additional five projects are scheduled for the fourth quarter of 2024, for an estimated investment cost of \$3.9M which includes replacing 10.77 miles of obsolete/Aldyl-A, rear-to-front, shallow, span, and under building pipes, and replacing 176 services. For 2025, 18 projects which include replacing obsolete/Aldyl-A pipes, span pipes, and relocation of pipes from rear lot easements to the front lot easements for 36.19 miles and 2,203 services in Palm Beach, Seminole, and Volusia counties are listed for an estimated investment cost of \$25M.

FPUC's True-Ups by Year

FPUC's calculation for the 2025 GUARD revenue requirement and surcharges includes a final true-up for 2023, an actual/estimated true-up for 2024, and projected costs for 2025. In its 2022 rate case, FPUC was authorized to recover \$19.8M of annual bare steel replacement expenses in base rates.⁴ Therefore, the \$19.8M recovered from base rates is excluded from the GUARD true-up calculations for 2022 and 2023.

Final 2023 GUARD True-Up

Company witness Laster states that the January through December 2023 true-up resulted in an over-recovery of \$571,835, inclusive of interest and remaining true-up of the concluded GRIP. As shown in Schedule C-1 of the petition, the 2022 ending balance was an over-recovery of \$315,465. Combined with the 2023 over-recovery of \$248,063, and monthly interest of \$8,307 associated with any over- and under-recoveries results in a final 2023 over-recovery of \$571,835.

³ Pursuant to Chapter 49, Section 192.1005 Code of Federal Regulations (2023), a gas distribution operator must develop and implement an integrity management program that includes a written integrity management plan.

⁴ Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.*

Actual/Estimated 2024 GUARD True-Up

The January through December 2023 GUARD investment and associated revenue requirement amounts are shown on Exhibit SKL-1, page 2 of 6. In 2023, the actual beginning balance was an over-recovery of \$571,835. The 2024 actual (January through July) and forecasted (August through December) GUARD true-up is an under-recovery of \$1,257,430 (inclusive of interest), resulting in an under-recovery of \$685,595. As shown in Table 1-1 below, the under-recovery is being applied to the 2025 GUARD revenue requirement, resulting in a higher revenue requirement to be recovered from customers in 2025.

Projected 2025 GUARD Revenue Requirement

For 2025, FPUC plans to invest \$25,000,205 (\$16,167,834 for mains and \$8,832,371 for services), resulting in a total projected 2025 investment of \$75,739,119 (including the year-end 2024 investment). The GUARD program revenue requirement includes a return on investment, depreciation expense, extending customer-owned fuel lines (to connect to meters which require to be relocated due to safety issues), customer notification expense, and property taxes. All expenses are dependent upon the level of investment costs. After adding the 2024 under-recovery true-up amount of \$685,595, the 2025 GUARD revenue requirement to be recovered through the proposed surcharges is \$7,013,251.

**Table 1-1
 2025 GUARD Revenue Requirement Calculation**

2025 Projected Investment	\$75,739,119
2025 Return on Investment	\$4,325,414
Depreciation Expense	\$1,023,258
Fuel Line Expense	8,400
Property/Ad Valorem Tax Expense	\$928,584
Customer Notification Expense	<u>\$42,000</u>
2025 GUARD Revenue Requirement	\$6,327,656
Plus 2024 Under-Recovery	\$685,595
2025 Total Revenue Requirement	\$7,013,251

Source: Witness Laster’s Testimony Exhibit SKL-1, Schedule C-2, Page 4 of 7.

Proposed GUARD Surcharges

As approved in the GUARD Order, the total 2025 revenue requirement is allocated to the rate classes using the same methodology used for the allocation of mains and services in the cost of service study used in the Company’s most recent rate case. The respective percentages were multiplied by the 2025 revenue requirements and divided by each rate class’s projected therm sales to provide the GUARD surcharge for each rate class. This methodology was originally established by the 2012 Order approving FPUC’s GRIP program.

In 2024, the monthly bill impact was \$0.65 for a residential customer using 20 therms per month or \$7.80 per year. The proposed 2025 GUARD surcharge for FPUC’s residential customers who use 20 therms a month (240 therms annually) on the Residential Service tariff (RES-2) would pay \$0.11116 per therm compared to the 2024 GUARD surcharge of \$0.03263 per therm. The

monthly bill impact for 2025 would be \$2.22 for a residential customer using 20 therms per month or \$26.64 per year. The proposed GUARD surcharges are shown in Attachment B, in Second Revised Sheet No. 7.403.

Conclusion

The Commission should approve FPUC's 2025 GUARD cost recovery factors and associated Second Revised Sheet No. 7.403, included in Attachment B to this recommendation, to be effective for the first billing cycle of January through the last billing cycle of December 2025. The GUARD surcharge would allow FPUC to replace problematic pipes and facilities and relocate certain facilities located in rear easements to the front easements, and recover the project costs on an expedited basis.

Issue 2: Should this docket be closed?

Recommendation: Yes. If a protest is filed within 21 days of the issuance of the order, the tariffs 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. (Brownless)

Staff Analysis: If a protest is filed within 21 days of the issuance of the order, the tariffs 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.

GUARD Projects 2023-2025 Actual/Forecast											Exhibit
											Florida Public Utilities Company
											Stacey K. Laster (SKL-2)
											Page 1 of 1
Project Name	Location City/Town	Location County	Program Category	Program Sub-Category	Construction	Construction	Project Status	Actual/Forecasted	Actual/Forecasted	Actual/Forecasted	Actual/Forecasted
					Estimate	Estimate		Investment Cost	Footages	Miles	Services
Start Qtr	Completed Qtr										
Industrial Drive - Station			Problematic	Station	2023 - Q4	2023 - Q4	Completed	\$ 542,406.52			
Lake Park - North	Lake Park	Palm Beach	Accessibility	Rear-to-Front	2023 - Q2	2024 - Q1	Completed	\$ 5,085,540.33	43,996	8.33	298
Indiantown - North Ph.1	Indiantown	Martin	Problematic	Obsolete/Aldyl-A	2023 - Q3	2024 - Q1	Completed	\$ 3,336,411.51	27,905	5.29	340
Lake Park - South	Lake Park	Palm Beach	Accessibility	Rear-to-Front	2023 - Q3	2024 - Q1	Completed	\$ 1,728,971.80	19,144	3.63	70
Turnpike and Belvedere	West Palm Beach	Palm Beach	Problematic	Span	2023 - Q3	2024 - Q1	Completed	\$ 736,291.39	2,532	0.48	-
Turnpike and Jog	West Palm Beach	Palm Beach	Problematic	Span	2023 - Q3	2024 - Q1	Completed	\$ 675,570.55	1,167	0.22	-
Mercer Ave	West Palm Beach	Palm Beach	Problematic	Span	2023 - Q4	2024 - Q1	Completed	\$ 316,899.82	670	0.13	-
Winter Springs Ph.1	Winter Springs	Seminole	Accessibility	Rear-to-Front	2023 - Q2	2024 - Q2	Completed	\$ 1,647,219.68	19,952	3.78	216
Indiantown - South - Ph.3	Indiantown	Martin	Problematic	Obsolete/Aldyl-A	2023 - Q4	2024 - Q2	Completed	\$ 3,128,738.12	28,166	5.33	241
Indiantown - North Ph.2	Indiantown	Martin	Problematic	Obsolete/Aldyl-A	2024 - Q1	2024 - Q2	Completed	\$ 1,508,049.31	15,950	3.02	98
Forest Hill Villages	West Palm Beach	Palm Beach	Accessibility	Rear-to-Front	2023 - Q4	2024 - Q3	In-Progress	\$ 5,707,811.43	36,054	6.83	439
Sanford Ph.1	Sanford	Seminole	Accessibility	Rear-to-Front	2024 - Q1	2024 - Q3	In-Progress	\$ 746,233.57	9,080	1.72	105
Seacrest West	Boynton Beach	Palm Beach	Accessibility	Rear-to-Front	2024 - Q2	2024 - Q3	In-Progress	\$ 2,266,012.00	25,263	4.78	143
Grammercy Park	Riviera Beach	Palm Beach	Accessibility	Rear-to-Front	2024 - Q1	2024 - Q4	In-Progress	\$ 2,660,600.00	26,130	4.95	205
Park Manor	Riviera Beach	Palm Beach	Accessibility	Rear-to-Front	2024 - Q2	2024 - Q4	In-Progress	\$ 4,212,216.00	43,096	8.16	268
Winter Springs Ph.2	Winter Springs	Seminole	Accessibility	Rear-to-Front	2024 - Q2	2024 - Q4	In-Progress	\$ 3,177,020.00	22,479	4.26	358
Le Chalet	Boynton Beach	Palm Beach	Problematic	Obsolete/Aldyl-A	2024 - Q3	2024 - Q4	Future Project	\$ 1,272,535.00	11,805	2.24	111
Seacrest East	Boynton Beach	Palm Beach	Accessibility	Rear-to-Front	2024 - Q3	2024 - Q4	Future Project	\$ 1,346,140.00	19,534	3.70	58
Sanford Airport	Sanford	Seminole	Problematic	Shallow	2024 - Q3	2024 - Q4	Future Project	\$ 1,021,350.00	20,500	3.88	7
American Superior	Winter Haven	Polk	Problematic	Span	2024 - Q3	2024 - Q4	Future Project	\$ 230,500.00	4,700	0.89	-
Caribbean Distillers	Lake Alfred	Polk	Problematic	Under Building	2024 - Q4	2024 - Q4	Future Project	\$ 68,750.00	300	0.06	-
Edgecliff Estates	Lantana	Palm Beach	Accessibility	Rear-to-Front	2024 - Q4	2025 - Q3	Future Project	\$ 1,993,839.00	7,927	1.50	177
Lantana Lee Estates	Lantana	Palm Beach	Accessibility	Rear Easement	Qtr 1 - 2025	Qtr 2 - 2025	Future Project	\$ 1,935,698	11,327	2.15	257
Monroe Heights	Riviera Beach	Palm Beach	Accessibility	Rear Easement	Qtr 1 - 2025	Qtr 2 - 2025	Future Project	\$ 1,636,112	15,944	3.02	83
Sanford San Lanta	Sanford	Seminole	Accessibility	Rear Easement	Qtr 1 - 2025	Qtr 2 - 2025	Future Project	\$ 799,190	13,243	2.51	40
900 S. Ocean Blvd. - BR	Boca Raton	Palm Beach	Problematic	Obsolete/Aldyl-A	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 140,000	995	0.19	6
Cherry Lane Townhomes	West Palm Beach	Palm Beach	Problematic	Obsolete/Aldyl-A	Qtr 2 - 2025	Qtr 4 - 2025	Future Project	\$ 726,688	3,690	0.70	92
Southside	West Palm Beach	Palm Beach	Accessibility	Rear Easement	Qtr 2 - 2025	Qtr 4 - 2025	Future Project	\$ 3,188,004	25,189	4.77	279
Whispering Palms	Lake Worth Beach	Palm Beach	Accessibility	Rear Easement	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 1,961,663	18,695	3.54	68
302 Lake Shore Dr - Lake Park	Lake Park	Palm Beach	Problematic	Span	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 218,110	400	0.08	-
Jungle Rd - Temple St	New Smyrna Beach	Volusia	Problematic	Span	Qtr 2 - 2025	Qtr 3 - 2025	Future Project	\$ 300,000	218	0.04	-
Woodlands	Palm Springs	Palm Beach	Problematic	Obsolete/Aldyl-A	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 1,298,661	6,535	1.24	195
Edgewater - Meadow Lake	Edgewater	Volusia	Problematic	Obsolete/Steel Tubing	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 406,873	5,000	-	40
Federal Gardens	Riviera Beach	Palm Beach	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 1,129,113	7,787	1.47	119
Heights	Riviera Beach	Palm Beach	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 2,307,135	19,755	3.74	144
Pickwick Park	Greenacres	Palm Beach	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 967,142	10,285	1.95	30
Highlands-Elgin Dr	Winter Springs	Seminole	Accessibility	Rear Easement	Qtr 3 - 2025	Qtr 4 - 2025	Future Project	\$ 1,502,238	15,460	2.93	217
Edgecliff - 2025	Lantana	Palm Beach	Accessibility	Rear Easement	Qtr 4 - 2024	Qtr 3 - 2025	Future Project	\$ 4,413,467	23,781	4.50	530
NE 32nd Street	Boca Raton	Palm Beach	Accessibility	Rear Easement	Qtr 4 - 2025	Qtr 4 - 2025	Future Project	\$ 1,670,112	16,815	3.18	103
N. Shore Dr at C-17 WPB	West Palm Beach	Palm Beach	Problematic	Span	Qtr 4 - 2025	Qtr 4 - 2025	Future Project	\$ 400,000	967	0.18	-
								\$ 68,409,311.53	582,436	109.36	5,337

Florida Public Utilities Company
FPSC Tariff
No. 7.403
Original Volume No. 2

~~First-Second~~ Revised Sheet
Replaces ~~Original-First~~ Sheet No. 7.403

GAS UTILITY ACCESS AND REPLACEMENT DIRECTIVE (GUARD)

Applicability:

The bill for Regulated Gas Sales Service or Transportation Service, as applicable, supplied to a Customer in any Billing Period shall be adjusted as follows:

The GUARD factors for the period from the first billing cycle for January ~~2024-2025~~ through the last billing cycle for December ~~2024-2025~~ are as follows:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
RES-1 and REST-1	\$0.0588717916
RES-2 and REST-2	\$0.0326311116
RES-3 and REST-3	\$0.0155704864
RES-SG and SGT	\$0.0452313610
GS-1 and GTS-1	\$0.0265406642
GS-2 and GTS-2	\$0.0182405544
GS-3 and GTS-3	\$0.0168605140
GS-4 and GTS4	\$0.0162105069
GS-5 and GTS-5	\$0.0145104247
GS-6 and GTS-6	\$0.0135604119
GS-7 and GTS-7	\$0.0124903767
GS-8A and GTS-8A	\$0.0155904150
GS-8B and GTS-8B	\$0.0155904150
GS-8C and GTS-8C	\$0.0155904150
GS-8D and GTS-8D	\$0.0155904150
COM-INT and COM-INNT	\$0.0071002144
COM-NGV and COM-NGVT	\$0.0116103810
COM-OL and COM-OLT	\$0.0209208779
COM-SG and COM-SGT	\$0.0501016219

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. 7.403
Replaces First Sheet No. 7.403

GAS UTILITY ACCESS AND REPLACEMENT DIRECTIVE (GUARD)

Applicability:

The bill for Regulated Gas Sales Service or Transportation Service, as applicable, supplied to a Customer in any Billing Period shall be adjusted as follows:

The GUARD factors for the period from the first billing cycle for January 2025 through the last billing cycle for December 2025 are as follows:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
RES-1 and REST-1	\$0.17916
RES-2 and REST-2	\$0.11116
RES-3 and REST-3	\$0.04864
RES-SG and SGT	\$0.13610
GS-1 and GTS-1	\$0.06642
GS-2 and GTS-2	\$0.05544
GS-3 and GTS-3	\$0.05140
GS-4 and GTS-4	\$0.05069
GS-5 and GTS-5	\$0.04247
GS-6 and GTS-6	\$0.04119
GS-7 and GTS-7	\$0.03767
GS-8A and GTS-8A	\$0.04150
GS-8B and GTS-8B	\$0.04150
GS-8C and GTS-8C	\$0.04150
GS-8D and GTS-8D	\$0.04150
COM-INT and COM-INNT	\$0.02144
COM-NGV and COM-NGVT	\$0.03810
COM-OL and COM-OLT	\$0.08779
COM-SG and COM-SGT	\$0.16219

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

Effective: