

STATE OF FLORIDA



CAPITAL CIRCLE OFFICE CENTER
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL 32399-0850

COMMISSIONERS:
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JIMMY PATRONIS

Public Service Commission

December 13, 2016

John MacIver
Rules Ombudsman in
The Executive Office of the Governor
John.maciver@eog.myflorida.com

SENT VIA E-MAIL

Re: Docket No. Docket No. 160121-GU; Rules 25-12.005, 25-12.008, 25-12.022, 25-12.027, 25-12.040, 25-12.085, and 25-6.0346, F.A.C.

Dear Mr. MacIver:

The Florida Public Service Commission proposed the above-listed rules at their regular agenda conference on December 6, 2016. Pursuant to Section 120.54(3)(b)2.b.(I), Florida Statutes, enclosed is a copy of the Florida Administrative Register (FAR) notice of the proposed rule(s), which was published in the December 12th edition of the FAR. Also enclosed is a copy of the statement of estimated regulatory costs (SERC). The SERC concluded that the proposed rule amendments will not have an adverse effect on small business. Pursuant to your instructions, we have filled out and included a copy of the OFARR rulemaking notification form.

If there are any questions with respect to this/these rules, please contact me at (850) 413-6082 or aharper@psc.state.fl.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Adria E. Harper".

Adria E. Harper
Senior Attorney

RECEIVED-FPSC
2016 DEC 13 PM 2:57
COMMISSION
CLERK

Enclosures

cc: Office of the Commission Clerk

Office of Fiscal Accountability and Regulatory Reform

Rulemaking Notification

(Executive Order 11-211 requires agencies must submit all rulemaking notices to OFARR at least 1 week prior to publication)

To: John MacIver, Director

Submitted By: [Adria E. Harper, Senior Attorney]
 [Florida Public Service Commission]
 [850-413-6082]

Re: Rulemaking Notification for:

Rule Number	Rule Title
25-6.0346	Quarterly Reports of Work Orders and Safety Compliance
25-12.005	Codes and Standards Adopted
25-12.008	New, Reconstructed or Converted Facilities
25-12.022	Requirements for Distribution System Valves
25-12.027	Welder Qualification
25-12.040	Leak Surveys, Procedures and Classification
25-12.085	Written Annual Reports Required

List EACH rule singly. Add lines as needed.

Date: [Date request sent to OFARR] N/A Date of anticipated publication: N/A

Does this rule qualify for Rules Ombudsman review in accordance with section 120.54(3)(b), F.S.?

Yes No

Please complete this form when submitting rulemaking notification to the Office of Fiscal Accountability and Regulatory Reform (OFARR) pursuant to Executive Order 11-211. **If any information or documents are missing, the notification will be returned without review. OFARR will indicate what is missing, and the completed notification must be resubmitted.**

1. Proposed Rulemaking Activity:

Notice of Development of Rulemaking – Attach the proposed Notice. If no text is available, give a detailed explanation of the rulemaking, including why it is necessary.

Notice of Proposed Rule – Attach the proposed Notice, “Is a SERC Required” Checklist, and SERC (if required), all materials incorporated by reference, and all forms referenced or required by the rule.

Notice of Emergency Rule – Attach the proposed Notice. Explain fully why emergency rulemaking is appropriate.

Notice of Change – Attach the proposed Notice. Be sure the text is coded correctly according to Rule 1B-30.003(5)(f), F.A.C. Explain why a change is required. Attach any correspondence from JAPC or the public. If no documents exist, summarize any public comment the agency has received or public hearings/workshops the agency has held.

Notice of Withdrawal – Attach the proposed Notice. Explain why it is necessary to withdraw the rulemaking. Include any JAPC correspondence.

Other – Attach the proposed Notice. Include detailed information about the rulemaking.

Notices should be coded according to Rule 1B-30.003(5)(f), F.A.C.

Office of Fiscal Accountability and Regulatory Reform
Rulemaking Notification

(Executive Order 11-211 requires agencies must submit all rulemaking notices to OFARR at least 1 week prior to publication)

2. Is this rulemaking included in the agency's Annual Regulatory Plan (ARP)? yes

3. For each rule:

If the rule decreases regulation, explain in detail how it alleviates unnecessary, disproportionate, or adverse effects to business. You should address all relevant considerations, including: restriction on entry into a profession; effect on availability of services to public; effect on job retention; restriction on employment seekers; imposition of burdensome costs; cost-effectiveness vs. economic impact of rule.

If the rule increases regulation, explain in detail what statute or statutes are being implemented and why the rule is necessary to implement the statutory language.

Rule Number	Detailed Explanation

List EACH rule singly. Add lines as needed.

4. Has the agency received any public comment about this rulemaking, since the last rulemaking notification? no

If yes, please summarize the comment and the agency's position regarding the comment (i.e. has made or intends to make changes based on the comment, disagrees with the comment, etc.) and attach any documents.

5. Has the agency received any lower cost regulatory alternatives (LCRA)? no

If yes, describe in detail what action the agency took in response to the LCRA.

6. Has the agency received any comment from JAPC, since the last rulemaking notification? no

If yes, please summarize the comment and attach any documents.

Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

RULE NO.: RULE TITLE:

25-6.0346 Quarterly Reports of Work Orders and Safety Compliance

PURPOSE AND EFFECT: The rule amendments update and clarify the rule regarding electric utilities' work order lists.

Docket No. 160121-GU

SUMMARY: The rule requires electric utilities to provide the Commission with work order lists containing certain information on construction and safety compliance.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the Agency.

The SERC examined the factors required by Section 120.541(2), FS, and concluded that the rule amendment will not have an adverse impact on economic growth, business competitiveness, or small business.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon the information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 350.127(2), 366.05(1), FS.

LAW IMPLEMENTED: 366.04(2)(f), 366.05(1), FS.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAR.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Adria Harper, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850)413-6082, aharper@psc.state.fl.us

THE FULL TEXT OF THE PROPOSED RULE IS:

25-6.0346 Quarterly Reports of Work Orders and Safety Compliance.

(1) Each investor-owned electric utility, rural electric cooperative and municipal electric utility shall provide a work order list report all completed electric work orders, relating to the construction and/or maintenance of transmission and distribution facilities, ~~whether that is~~ completed by the utility or one of its contractors, ~~at the end of each quarter of the year.~~ The report work order list shall contain the utility name, contact name, quarter and year, work order number, location of construction, county of construction, estimated costs, and brief description of the work (overhead and underground), and shall be sent via e-mail to electronically filed with the Electric-QTR-Reports@psc.state.fl.us Commission Clerk no later than the 30th working day after the last day of the reporting quarter, using Form PSC/ENG 157 (12/12), "PSC Quarterly Report of Completed Work Orders," which is available at <http://www.flrules.org/Gateway/reference.asp?No=Ref-02040>, ~~is an example work order list that may be completed and filed to meet the reporting requirement for this rule.~~ This form is incorporated into this rule by reference and may also be obtained from the Commission's Division of Administrative and Information Technology Services.

(2) No change.

Rulemaking Authority 350.127(2), 366.05(1) FS. Law Implemented 366.04(2)(f), (6), 366.05(1) FS. History--New 12-16-12, Amended _____

NAME OF PERSON ORIGINATING PROPOSED RULE: Rick Moses

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: December 6, 2016

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: Volume 42, Number 77, April 20, 2016.

Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

RULE NOS.:RULE TITLES:

- 25-12.005 Codes and Standards Adopted
- 25-12.008 New, Reconstructed or Converted Facilities
- 25-12.022 Requirements for Distribution System Valves
- 25-12.027 Welder Qualification
- 25-12.040 Leak Surveys, Procedures and Classification
- 25-12.085 Written Annual Reports Required

PURPOSE AND EFFECT: The rule amendments update and clarify electric and gas safety and reporting rules
Docket No. 160121-GU

SUMMARY: Rule 25-6.0436, F.A.C., was updated to clarify the types of information to be included quarterly work order lists and to require the information be sent directly to Commission staff via e-mail.

Rule 25-12.005, F.A.C. was amended to adopt the latest version of the federal standards that pertain to reporting requirements, safety standards, and drug and alcohol employee reporting standards and requirements for certain employees of gas pipeline operators and emergency response persons. Rule 25-12.008, F.A.C., was amended to adopt the latest federal standards and to clarify the visual inspection, testing and active corrosion procedures.

Rule 25-12.022, F.A.C., was amended to clarify the valves used to close off system sections in an emergency and provide clarification on the procedure for valve identification.

Rule 25-12.027, F.A.C., was amended to correct a scrivener's error in the current rule, to clarify the appropriate American Petroleum Institute standards for welder qualification, and to adopt the latest version of the federal standards.

Rule 25-12.040, F.A.C., was amended to provide clarification on leak detection surveys, inspections and monitoring.

Rule 25-12.085, F.A.C., was amended to incorporate the most recent versions of the appropriate federal forms and to delete a redundant section of the rule.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the Agency.

The SERC examined the factors required by Section 120.541(2), FS, and concluded that the rule amendment will not have an adverse impact on economic growth, business competitiveness, or small business.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon the information contained in the SERC.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 350.127(2), 368.03, 366.05(1), 368.05(2), FS.

LAW IMPLEMENTED: 366.04(2)(f), 366.05(1), 368.03, 368.05, 368.05(2), FS.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAR.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Adria Harper, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850)413-6082, aharper@psc.state.fl.us

THE FULL TEXT OF THE PROPOSED RULE IS:

25-12.005 Codes and Standards Adopted.

The Minimum Federal Safety Standards and reporting requirements for pipeline facilities and transportation of gas prescribed by the Pipeline and Hazardous Materials Safety Administration in 49 C.F.R. 191 and 192 (2016) (2011), are adopted and incorporated by reference as part of these rules. 49 C.F.R. 191 (2016) (2011) may be accessed at

[Dept. of State hyperlink] <http://www.flrules.org/Gateway/reference.asp?No=Ref-01534>, 49 C.F.R. 192 (2016) (2011) may be accessed at [Dept. of State hyperlink] <http://www.flrules.org/Gateway/reference.asp?No=Ref-01535>, 49 C.F.R. 199 (2016) (2011), "Drug and Alcohol Testing," is adopted and incorporated by reference to control drug use, by setting standards and requirements to apply to the testing and use of all emergency response personnel under the direct authority or control of a gas utility or pipeline operator, as well as all employees directly or indirectly employed by gas pipeline operators for the purpose of operation and maintenance and all employees directly or indirectly employed by intrastate gas distribution utilities for on-site construction of natural gas transporting pipeline facilities 49 C.F.R. 199 (2016) (2011) may be accessed at [Dept. of State hyperlink] <http://www.flrules.org/Gateway/reference.asp?No=Ref-01537>. Part 199 also is adopted to prescribe standards for use of employees who do not meet the requirements of the regulations.

Rulemaking Authority 368.03, 368.05(2), 350.127(2) FS. Law Implemented 368.03, 368.05 FS. History—New 11-14-70, Amended 9-24-71, 9-21-74, 10-7-75, 11-30-82, 10-2-84, Formerly 25-12.05, Amended 8-8-89, 1-7-92, 5-13-99, 4-26-01, 12-15-09, 10-11-12, _____.

25-12.008 New, Reconstructed or Converted Facilities.

(1) No change.

(2) No change.

(c) Have sufficient inspections performed of the pipeline to assure that it was constructed in accordance with standards applicable at the time of installation. Visual inspection of the underground facilities may will not be required if adequate construction and testing records have been maintained.

(d) No change.

(e) Establish the maximum allowable operating pressure no greater than the highest sustained operating pressure during the 5 years prior to conversion unless it was tested or uprated after July 1, 1970 in accordance with the Subparts J or K of 49 C.F.R. 192 (2016) (2011) as adopted in Rule 25-12.005, F.A.C.

(f) No change.

(g) Determine areas of active corrosion as required by Subpart I of 49 C.F.R. 192 (2016) (2011) and these rules. Required cathodic protection must be accomplished within 1 year after the date of conversion except that buried steel tubing must be protected prior to placing the system into operation.

Rulemaking Authority 350.127(2), 368.03, 368.05(2) FS. Law Implemented 368.03, 368.05(2) FS. History—New 11-14-70, Amended 9-21-74, 10-7-75, 10-2-84, Formerly 25-12.08, Amended 12-15-09, 10-11-12, _____.

25-12.022 Requirements for Distribution System Valves.

(1) No change.

(2) No change.

(a) No change.

(b) Size of area and population density between valves required to isolate the area and ~~as well as~~ the accessibility of the required valves.

(c) through (d) No change.

(e) The number and type of customers, such as hospitals, schools, commercial, and industrial loads, ~~etc.~~, that will be affected.

(3) Identification – Emergency or sSectionalizing and other critical valves shall be designated on appropriate records, drawings or maps used by the operator and shall be referenced to "permanent" aboveground structures or other field ties so the valves can be readily located. The centerline of the road or highway, property line, or right-of-way may be used as one of the referenced structures. The valve installation and all records showing these valves must be marked for prompt identification using any logical designating system. The valve marking must be accomplished using a durable tag or other equivalent means located as follows:

(a) No change.

(b) For buried valves or valves operated by a key wrench, the marking shall be legible and may be on any type of permanent material placed ~~appear~~ in a visible location ~~on the~~ inside of the curb box or standpipe where the cover will not abrade the marking. Marking the cover only is not acceptable.

(4) No change.

(a) through (c) No change.

(5) All the sectionalizing or emergency valves which may be necessary for the safe operation of the system must be inspected and maintenance performed to assure location, access and operating ability at intervals not exceeding 15 months but at least each calendar year.

Rulemaking Authority 368.05(2) FS. Law Implemented 368.05(2) FS. History—New 9-21-74, Amended 10-7-75, 10-2-84, Formerly 25-12.22, Amended 12-15-09.

25-12.027 Welder Qualification.

(1) No welder shall make any pipeline weld unless the welder has qualified in accordance with Section ~~63~~, or section 12 for automatic welding, of American Petroleum Institute Standard 1104, Welding of Pipelines and Related Facilities, ~~21st 20th~~ edition, ~~September 2013 October 2005~~ including ~~Errata/Addendum July 2007 and Errata 2 (2008)~~, incorporated by reference herein, or Appendix C of 49 C.F.R. 192 (2016) (2011) as adopted in Rule 25-12.005, F.A.C., within the preceding 15 months, but at least once each calendar year. A copy of API 1104 may be obtained from <http://www.api.org/Standards/>.

(2) No welder shall weld with a particular welding process unless the welder has engaged in welding with that process within the preceding six calendar months. A welder who has not engaged in welding with that process within the preceding six calendar months must requalify for that process as set forth in subsection (1) of this rule herein.

Rulemaking Authority 350.127(2), 368.03, 368.05(2) FS. Law Implemented 368.03, 368.05 FS. History—New 1-7-92, Amended 12-15-09, 10-11-12.

25-12.040 Leak Surveys, Procedures and Classification.

(1) Each operator shall perform periodic leakage surveys in accordance with the following schedule ~~as a~~ minimum:

(a) No change.

1. through 2. No change.

(b) A gas detector instrument survey to locate leaks throughout areas not included in subsection (a) above shall be conducted at intervals not exceeding ~~three (3)~~ calendar years at intervals not exceeding 39 months on bare metallic, galvanized steel, coated tubing pipelines, and ~~five (5)~~ calendar years at intervals not exceeding 63 months on the remaining pipeline system, or more frequently if experience indicates.

(2) No change.

(a) "Grade 1 Leak" – a leak of gas that represents an existing or probable hazard to persons or buildings. In order Prompt action to protect life and property, these leaks shall be repaired immediately and continuous action shall be taken until conditions are no longer hazardous is required.

(b) No change

1. through 4. No change

(c) No change.

(3) ~~The adequacy of A~~ All the repairs of leaks shall be checked by appropriate methods immediately after the repairs are completed. Where there is residual gas in the ground, a follow-up inspection using a gas detector instrument must be made as soon as the gas has had an opportunity to dissipate, but no later than one month for Grade 1 leaks and 6 months for Grade 2 leaks. The date and status of recheck shall be recorded on the leak repair records.

(4) If residual gas is detected on the follow-up inspection, continued monthly monitoring, not to exceed 45 days, and inspections shall be done until gas is no longer detected.

Rulemaking Authority 368.05(2) FS. Law Implemented 368.05(2) FS. History—New 9-21-74, Repromulgated 10-7-75, Amended 10-2-84, Formerly 25-12.40, Amended 1-7-92, 12-15-09.

25-12.085 Written Annual Reports Required.

(1) Each operator of a distribution system shall submit an annual report on Pipeline and Hazardous Materials Safety Administration Form PHMSA F. 7100.1-1 (2015) (12-05), entitled "Annual Report for Calendar Year 20 ____ Gas Distribution System," which is incorporated by reference into this rule and is available at [Department of State

hyperlink] for each distribution system. In the case of an operator who has more than one distribution system, a combined annual report must be submitted which includes all facilities operated within the State of Florida subject to the Commission's jurisdiction.

~~(2) Each operator of a distribution system shall, for facilities that operate at 20 percent or more of the specified minimum yield strength, or that are used to convey gas into or out of storage, submit an annual reports for those facilities on Pipeline and Hazardous Materials Safety Administration Form PHMSA F 7100.2-1 (12-05), entitled "Annual Report for Calendar Year 20___ Gas Transmission & Gathering Systems."~~

(2)(3) Each operator of a transmission system shall submit an annual report on Pipeline and Hazardous Materials Safety Administration Form PHMSA F 7100.2-1 (2014) (12-05), entitled "Annual Report for Calendar Year 20___ Natural and Other Gas Transmission and Gathering Pipeline Systems." which is incorporated by reference into this rule and is available at [Department of State hyperlink].

All the above reports must be submitted for the preceding calendar year so as to be received by the Commission no later than March 15th of each year.

Rulemaking Authority 350.127(2), 368.05(2) FS. Law Implemented 368.03, 368.05(2) FS. History—New 11-14-70, Amended 9-21-74, Repromulgated 10-7-75, Amended 10-2-84, Formerly 25-12.85, Amended 12-15-09,_____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Rick Moses

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: December 6, 2016

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: Volume 42, Number 77, April 20, 2016.

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 17, 2016
TO: Adria E. Harper, Senior Attorney, Office of the General Counsel
FROM: Clyde D. Rome, Public Utility Analyst II, Division of Economics *CDR*
RE: Statement of Estimated Regulatory Costs (SERC) for Recommended Revisions to Chapter 25-6 (Electric Service by Electric Public Utilities), and Chapter 25-12 (Safety of Gas Transportation by Pipeline), Florida Administrative Code (F.A.C.)

The purpose of this rulemaking initiative is to update, clarify, and streamline certain safety-related Commission rules applicable to gas and electric utilities. Specifically, staff is recommending the amendment of Rules 25-6.0346 (Quarterly Reports of Work Orders and Safety Compliance), 25-12.005 (Codes and Standards Adopted), 25-12.008 (New, Reconstructed or Converted Facilities), 25-12.022 (Requirements for Distribution System Valves), 25-12.027 (Welder Qualification), 25-12.040 (Leak Surveys, Procedures and Classification), and 25-12.085 (Written Annual Reports Required), F.A.C. As noted in the attached SERC, 51 gas utilities and 58 electric utilities would be affected by the recommended revisions.

The recommended amendments to Rule 25-6.0346, F.A.C., would specify that required quarterly work order lists be sent directly to staff, without requiring a specific form that must be used, as long as there is sufficient information provided. Proposed language has been added to the rule to clarify the types of information required to be provided. The recommended revisions to the rule also include a hyperlink to an existing Commission form which can be used as an example format that would meet the reporting requirements of the rule.

Revisions are recommended to Rules 25-12.005 and 25-12.008, F.A.C., to adopt the latest version of the federal standards 49 C.F.R. Parts 191, 192, and 199 that pertain to the regulation of natural gas. Adoption of the current federal codes is required under the certification agreement between the federal Department of Transportation – Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Commission pursuant to 49 U.S. Code Section 60105 (State pipeline safety program certifications).

The recommended changes to Rule 25-12.022, F.A.C., include the use of the word “emergency” in conjunction with the word “sectionalizing” in subsections (3) and (5) of the rule. The intent of the recommended modifications is to clarify those valves used to close off system sections in an emergency. Additional modifications to Rule 25-12.022, F.A.C. are recommended in paragraph (3)(b), which would provide clarification that valve identification must be marked on permanent material inside the valve box.

The recommended amendments to Rule 25-12.027, F.A.C., would correct a scrivener's error in the current rule and clarify the appropriate American Petroleum Institute standards for welder qualification. The rule also would be updated to adopt the latest version of the federal standard 49 C.F.R. Part 192 as it pertains to the regulation of natural gas.

The recommended revisions to paragraph 25-12.040(1)(b), F.A.C., would provide clarification regarding the intervals within which leak detection surveys are required. Additional modifications to Rule 25-12.040, F.A.C., include new subsection (4). Under current Commission rules, gas utilities are required to perform follow-up inspections of leak repairs no later than one month for Grade 1 leaks and no later than six months for Grade 2 leaks. New language included in subsection (4) would require that if residual gas is detected on the follow-up inspection, continued monthly monitoring and inspections shall be done until gas is no longer detected.

The recommended modifications to subsections (1) and (3) of Rule 25-12.085, F.A.C., would incorporate the most recent versions of the appropriate PHMSA forms. Subsection (2) of Rule 25-12.085, F.A.C., is recommended for deletion as redundant.

The attached SERC addresses the considerations required pursuant to Section 120.541, Florida Statutes (F.S.). No workshop was requested in conjunction with the recommended rule revisions. No regulatory alternatives were submitted pursuant to paragraph 120.541(1)(a), F.S. None of the impact/cost criteria established in paragraph 120.541(2)(a), F.S., will be exceeded as a result of the recommended revisions.

cc: (Draper, Daniel, Shafer, Moses, Cibula, SERC file)

Florida Public Service Commission
Statement of Estimated Regulatory Costs
Rules 25-12.005, .008, .022, .027, .040, .085; and 25-6.0346, F.A.C.

1. Will the proposed rule have an adverse impact on small business?
[120.541(1)(b), F.S.] (See Section E., below, for definition of small business.)

Yes

No

For clarification, please see comments in Sections A(3) and E(1), below.

2. Is the proposed rule likely to directly or indirectly increase regulatory costs in excess of \$200,000 in the aggregate in this state within 1 year after implementation of the rule? [120.541(1)(b), F.S.]

Yes

No

If the answer to either question above is "yes", a Statement of Estimated Regulatory Costs (SERC) must be prepared. The SERC shall include an economic analysis showing:

A. Whether the rule directly or indirectly:

- (1) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule?
[120.541(2)(a)1, F.S.]

Economic growth

Yes No

Private-sector job creation or employment

Yes No

Private-sector investment

Yes No

- (2) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule?
[120.541(2)(a)2, F.S.]

Business competitiveness (including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets)

Yes No

Productivity

Yes No

Innovation

Yes No

(3) Is likely to increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? [120.541(2)(a)3, F.S.]

Yes

No

Economic Analysis:

A summary of the key rule changes is included in the attached memorandum to counsel. Specific elements of the associated economic analysis are identified below in Sections B through F of this SERC.

49 U.S. Code Section 60105, State pipeline safety program certifications, sets forth the standards that state authorities administering safety standards and practices for intrastate pipeline facilities or intrastate pipeline transportation must comply with in required annual certifications submitted to the federal Secretary of Transportation (Secretary). The Secretary is empowered to monitor states' safety programs to ensure that programs comply with their certification. If the Secretary determines that a state authority is not enforcing applicable safety standards satisfactorily, the Secretary may reject a state's certification and take appropriate action to achieve adequate enforcement, including the assertion of federal jurisdiction.

A certification in effect under Section 60105 does not apply to federal safety standards adopted after the date of certification. Subsection (d) of Section 60105 requires states to adopt the standards and submit the appropriate information in an annual certification as required in Section 60105, subsection (a). In the current rulemaking initiative, the Commission is recommending revisions to Rules 25-12.005, 25-12.008, and 25-12.027, F.A.C., to adopt the latest version of the federal standards 49 C.F.R. Parts 191, 192, and 199 that pertain to the regulation of natural gas. Also, the Commission is recommending modifications to Rule 25-12.085, F.A.C., to incorporate the most recent versions of certain Pipeline and Hazardous Materials Safety Administration (PHMSA) forms. Recommended amendments to these Commission rules are not more restrictive than the changes to the related federal rules. Therefore, any economic impacts that might be incurred by affected entities would be a result of changes to federal rules promulgated under 49 C.F.R. Parts 191, 192, and 199 and not caused by staff's recommended changes to relevant Commission rules.

As discussed in Section D., below, other amendments to Commission rules being recommended at this time are not anticipated to result in significant additional transactional costs. Therefore, none of the rule impact/cost criteria established in paragraph 120.541(2)(a), F.S., will be exceeded as a result of the recommended rule revisions.

B. A good faith estimate of: [120.541(2)(b), F.S.]

(1) The number of individuals and entities likely to be required to comply with the rule.

Potentially affected entities include 51 natural gas utilities and 58 electric utilities. Utilities which come under the jurisdiction of the Commission in the future also would be required to comply.

(2) A general description of the types of individuals likely to be affected by the rule.

Florida's 51 natural gas utilities are comprised of 8 investor-owned utilities, 27 municipally-owned gas utilities, 4 special gas districts, 7 transmission entities, and 5 master meters. Florida's 58 electric utilities are comprised of 5 investor-owned utilities, 34 municipally-owned electric utilities, 16 rural electric cooperatives, and 3 independent wholesale power generation and distribution companies. Florida's 5 investor-owned electric utilities serve approximately 7.57 million customers. Florida's 8 investor-owned natural gas utilities serve approximately 535,000 customers.

[Sources: (1) Master Commission Directory, PSC - June 2016; (2) Facts and Figures of the Florida Utility Industry, PSC - March 2016]

C. A good faith estimate of: [120.541(2)(c), F.S.]

(1) The cost to the Commission to implement and enforce the rule.

None. To be done with the current workload and existing staff.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

(2) The cost to any other state and local government entity to implement and enforce the rule.

None. The rule will only affect the Commission.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

(3) Any anticipated effect on state or local revenues.

- None.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

D. A good faith estimate of the transactional costs likely to be incurred by individuals and entities (including local government entities) required to comply with the requirements of the rule. "Transactional costs" include filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule. [120.541(2)(d), F.S.]

- None. The rule will only affect the Commission.
- Minimal. Provide a brief explanation.
- Other. Provide an explanation for estimate and methodology used.

Any economic impacts that might be incurred by affected entities resulting from changes to federal rules promulgated under 49 C.F.R. Parts 191, 192, and 199 would not be caused by staff's recommended changes to Commission Rules 25-12.005, 25-12.008, and 25-12.027, F.A.C. Staff's recommended clarification and/or streamlining measures pertaining to Rules 25-6.0346, 25-12.022, 25-12.027, 25-12.040, and 25-12.085, F.A.C., are not anticipated to result in additional transactional costs. Other recommended rule changes which potentially might result in additional transactional costs are discussed below.

Additional recommended modifications to Rule 25-12.040, F.A.C., include new subsection (4). Under current Commission rules, gas utilities are required to perform follow-up inspections of leak repairs no later than one month for Grade 1 leaks and no later than six months for Grade 2 leaks. New language included in subsection (4) would require that if residual gas is detected on the follow-up inspection, continued monthly (not to exceed 45 days) monitoring and inspections shall be done until gas is no longer detected.

To identify potential additional transactional costs that might be incurred by gas utilities, staff sent a data request to the eight investor-owned gas utilities under the jurisdiction of the Commission. Utilities were asked to estimate the costs of performing a typical follow-up inspection and the number of additional

inspections that would be required to be performed in a typical year under the new rules. Two responses were received. Information included in respondents' comments is combined in the following discussion.

Respondents' estimates of the cost to perform an additional inspection ranged from approximately \$70 to \$308 on average, depending upon the degree to which there are impediments (e.g., overlying pavement) to accessing the repaired area for inspection. These estimates include labor costs for travel time and performing the residual gas recheck (1.75 – 3.5 hours) as well as the associated vehicle and equipment costs. Based on respondents' comments, staff believes that the large majority of the residual gas rechecks would fall in the lower half of the cost range and that complex re-inspections in areas where wall-to-wall overlying asphalt or concrete exists do not occur frequently. Respondents also indicated that the cost of a complex residual gas recheck can be mitigated if there are existing drill holes through the concrete or asphalt that were drilled during the initial repair and/or follow-up investigation.

Respondents also identified other costs that potentially might be associated with the need to perform additional inspections, such as: (a) updates to compliance tracking systems to trigger the prospective re-inspection interval, and (b) restoration work when a complex re-inspection necessitates drilling through overlying pavement. However, respondents stated that they did not believe these potential additional costs would be significant.

With regard to the possibility of additional re-inspections that might be required under the prospective rules, respondents indicated that based on current standard work practices, leak rechecks are performed whenever residual gas is present following a Grade 1 or Grade 2 leak repair. If upon recheck, residual gas continues to be present, additional rechecks are performed of the area where residual gas was present until such time as gas is no longer detected. One respondent stated that for all Grade 1 leaks repaired during a recent 12-month period, residual gas was detected in or around the area of repair in 1 percent of the cases. Leak rechecks were performed at these sites and in all cases, on the first recheck, no residual gas remained. The other respondent did not expect increased numbers of re-inspections for Grade 1 leaks as rechecks for these leaks currently are being performed on a monthly basis.

For Grade 2 leaks, staff notes that utilities potentially could be affected if conditions warranted performance of the leak rechecks in a more compressed time frame (i.e., monthly – not to exceed 45 days) rather than what currently would occur under normal industry practices pursuant to current Commission rules. In a hypothetical worst-case scenario, five additional follow-up inspections potentially might be necessary during a 12-month period for Grade 2 leaks; however, staff believes that such worst-case scenarios would be rare.

For Grade 2 leaks repaired during a recent 12-month period, respondents indicated that residual gas was detected in or around the area of repair in 7 to 8 percent of the cases. In many instances, it is common for no residual gas to be detected on the first recheck. In most other circumstances, it is anticipated that residual gas problems associated with Grade 2 leaks typically would be resolved

within approximately two leak rechecks after the initial required inspection. Therefore, based on respondents' comments, staff does not anticipate that the recommended changes to this rule would result in a significant increase in the number of follow-up inspections performed after leak repairs.

E. An analysis of the impact on small businesses, and small counties and small cities:
[120.541(2)(e), F.S.]

(1) "Small business" is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments.

No adverse impact on small business. [See clarification below.]

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

Based on a review of investor-owned electric and gas utility annual reports, it is estimated that two investor-owned gas utilities potentially might meet the definition of "small business" as defined in Section 288.703, F.S. However, as noted in Section D above, any economic impacts that might be incurred by affected entities resulting from changes to federal rules promulgated under 49 C.F.R. Parts 191, 192, and 199 would not be caused by staff's recommended changes to relevant Commission rules. Additional transactional costs, if any, that potentially might result from other recommended rule changes are discussed in Section D above.

(2) A "Small City" is defined by Section 120.52, F.S., as any municipality that has an unincarcerated population of 10,000 or less according to the most recent decennial census. A "small county" is defined by Section 120.52, F.S., as any county that has an unincarcerated population of 75,000 or less according to the most recent decennial census.

No impact on small cities or small counties.

Minimal. Provide a brief explanation.

Other. Provide an explanation for estimate and methodology used.

Based on a review of the "Florida Estimates of Population" published by the Bureau of Economic and Business Research (2015), it is estimated that 14

municipally-owned electric utilities and 18 municipally-owned gas utilities potentially might meet the definition of "small city" as defined in Section 120.52, F.S. However, as noted in Section D above, any economic impacts that might be incurred by affected entities resulting from changes to federal rules promulgated under 49 C.F.R. Parts 191, 192, and 199 would not be caused by staff's recommended changes to relevant Commission rules. Additional transactional costs, if any, that potentially might result from other recommended rule changes are discussed in Section D above.

F. Any additional information that the Commission determines may be useful.
[120.541(2)(f), F.S.]

None.

Additional Information:

G. A description of any regulatory alternatives submitted and a statement adopting the alternative or a statement of the reasons for rejecting the alternative in favor of the proposed rule. [120.541(2)(g), F.S.]

No regulatory alternatives were submitted.

A regulatory alternative was received from

Adopted in its entirety.

Rejected. Describe what alternative was rejected and provide a statement of the reason for rejecting that alternative.