



GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's E-Mail Address: bkeating@gunster.com

February 19, 2021

VIA E-PORTAL

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

Re: Docket No. 20200039-GU - Petition For Approval of Temporary Storm Cost Recovery Surcharge to Recover Incremental Storm Restoration Costs associated with Hurricane Michael by St. Joe Natural Gas Company, Inc.

Dear Mr. Teitzman:

Attached for electronic filing in the referenced docket, please find St. Joe Natural Gas Company's Request for Approval of Final Cost Recovery Amount and Surcharge.

Thank you for your assistance with this filing. As always, please do not hesitate to contact me if you have any questions whatsoever.

Sincerely,

s/Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK

cc:// Office of the General Counsel (Stiller)
Office of Public Counsel (Fall-Fry)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of a Temporary Storm Cost Recovery Surcharge to Recover Incremental Storm Restoration Costs associated with Hurricane Michael by St. Joe Natural Gas Company, Inc.

DOCKET NO. 20200039-GU

DATED: February 19, 2021

REQUEST OF ST. JOE NATURAL GAS COMPANY FOR APPROVAL OF FINAL COST RECOVERY AMOUNT AND SURCHARGE

St. Joe Natural Gas Company, Inc., (herein “SJNG” or “Company”), by and through its undersigned counsel, hereby files this Request for Approval of Final Cost Recovery Amount and Surcharge, pursuant to Sections 366.041 and 366.06, Florida Statutes (“F.S.”), and in accordance with Order No. PSC-2020-0117-PCO-GU, requesting that the Florida Public Service Commission (“Commission”) approve the Company’s final storm cost recovery amount associated with Hurricane Michael of \$402,720. In further support of this request, the Company provides the following.

I. BACKGROUND

1) Prior to Hurricane Michael, SJNG served a total of approximately 3,049 residential and commercial customers in its largely coastal service area. However, on October 10, 2018, the eye of Hurricane Michael targeted the heart of SJNG’s service area, Mexico Beach and Port St. Joe, resulting in significant damage to SJNG’s natural gas distribution system, along with the catastrophic damage to the homes and businesses of the Company’s customers. In the wake of Hurricane Michael, SJNG shut off gas across its distribution system given the amount of damage incurred.

2) Hurricane Michael made landfall on October 10, 2018, as a Category 5 Hurricane - unprecedented for the Florida Panhandle. The storm made landfall east of Panama City near

Mexico Beach with wind speeds in excess of 160 mph. Michael's intense eyewall caused major structural damage in the Florida Panhandle, including to SJNG's facilities serving Mexico Beach and Port St. Joe. Hurricane Michael was the strongest storm to ever make landfall in the Florida Panhandle and the fourth strongest to make landfall in the continental U.S. based on wind speed. As a result, portions of SJNG's distribution system sustained significant damage.

3) In spite of the damage sustained, SJNG required the assistance of limited outside resources. In addition to the work of its own employees, SJNG utilized three (3) outside contractors: RAW assisted with cutting and capping damaged mains and services; BTC resources re-installed mains and services; and Florida City Gas assisted with the relighting of restored customers.

4) For the initial two (2) weeks following the storm, the Company had no cell phone, electric, or internet service. As communications services became available, the Company maintained regular contact with state and local authorities, including the Governor's office, the county's Emergency Operations Center ("EOC") and the Sheriff's office. The Company's customer communications were accomplished via phone and internet, primarily Facebook, as service became available. Communications were otherwise handled through direct, in-person communications with SJNG's customers.

5) Through the extraordinary efforts of its employees and regular contract crews, the Company was able to rebuild most of the damaged portions of its system and restored service to 80% of its customers. At this point, now more than two years following the storm, the accounts to which service has not been restored either no longer have a premise to which service can be restored, or the premise remains vacant and the customer of record has not requested that service

be restored. SJNG continues to work with customers to restore service as their homes and businesses are repaired.

6) In light of the significant damage to the Company's system, the Company filed its Petition initiating this Docket on January 24, 2020. Therein, the Company requested recovery of \$381,512 in storm costs, which included \$60,500 in projected costs. The Office of Public Counsel filed its notice of intervention on February 28, 2020. Thereafter, by Order PSC-2020-0117-PCO-GU, issued April 20, 2020, the Commission authorized an interim surcharge for each of the Company's rate classes, which went into effect May 1, 2020. Since that time, the Company's request for recovery has been audited by the Commission staff's audit team, and the Company has responded to numerous data requests. The Company has also undertaken the remaining work associated with storm restoration, which is now complete in terms of direct, incremental storm-related costs. To be clear, however, the SJNG system, like the area it serves, has - by no means - been restored to pre-Hurricane Michael levels, but it is nonetheless able to provide safe, efficient natural gas service for the remaining customers it serves.

II. FINALIZED COSTS AND ADJUSTMENTS

7) This request for approval of final costs is based on an actual amount of \$402,720 in direct, incremental, storm-related costs through January 2021. It reflects several adjustments from the Company's initial January 24, 2020 request, namely actual, finalized costs for the work completed after the Company's initial filing in the amount of \$102,597, as compared to the originally projected amount of \$60,500, as well as other adjustments to reduce third party expense in Account 906 by \$20,888. The \$20,888 in adjustments includes a reduction of \$16,596 associated with McNeil Water Heaters, consistent with Commission staff's audit. The additional \$4,292 reduction is associated with the further exclusion of additional invoices and expense, as reflected

on Exhibit A.¹ Changes associated with costs incurred after the initial filing are tied to three main areas: 1) a reduction in the actual costs associated with mains to reflect the remaining service life of mains replaced; 2) exclusion of costs associated with replacement of canal crossing signs; and 3) an increase to reflect replaced services, meters, and regulators, as well as meter installations. Other finalized expenses in Accounts 384 and 906 were relatively consistent with the Company's initial projections. The finalized capital expenditures indicated cover removal, replacement and retirement of storm-damaged facilities, excluding the normal cost for the removal, retirement and replacement.

8) As of the end of January 2021, the Company has recovered \$52,756.15 through the interim surcharge mechanism.

III. RECOVERY AMOUNT AND TIMING

9) SJNG's rate base (\$3,024,656), cost of capital (5.44%) and authorized return on equity (mid-point 11%) were last established by the Commission in Order No. PSC-2008-0436-PAA-GU, issued July 8, 2008. By Order No. PSC-2016-0297-PAA-GU, issued July 27, 2016, the Commission authorized the Company to restructure its rates to reallocate an annual revenue deficiency of \$285,011 associated with the loss of its one industrial customer, Arizona Chemical Company.

10) As of the twelve months ended November 2020, the Company's achieved rate of return was negative 6.54%, and its net operating income was negative \$197,524.

A. Costs

11) As noted in previous filings, SJNG does not currently have a storm reserve. Thus, the Company seeks recovery of the full actual \$402,720 associated with its recovery from Hurricane

¹ The Company will provide any additional invoices supporting the \$6,007.64 not reflected in the Company's October 20, 2020 response to staff promptly, if staff prefers.

Michael. In calculating this amount, the Company has, as noted, utilized the ICCA methodology, consistent with the Commission's proposed Rule 25-7.0143, Florida Administrative Code, which is consistent with existing Rule 25-6.0143, Florida Administrative Code.

12) The basis for the costs that compose the \$402,720 amount are set forth in greater detail in Exhibit B to this Request, which is a revised and updated version of Exhibit B to the original, January 2020 Petition. Calculation of the final amounts has been made consistent with the ICCA and the Company's methodology of determining incremental amounts as set forth in its January 2020 Petition.

13) SJNG is the second smallest, privately-owned distribution system in the state; as such, restoration of service for its customers over 100% of its system has been an overwhelming undertaking and full restoration of its entire system remains ongoing. Consequently, the Company's total incurred Operations and Maintenance expense is 23.51% higher than the pre-storm, 3-year average, which is a significant increase for a company of SJNG's size to absorb. As noted, Exhibit B provides a breakdown of the storm-related expenses by account. Expense accounts unrelated to the storm are not included in the calculation and are included as shaded items on the Exhibit only for demonstrative purposes.

B. Surcharge Mechanism

14) In accordance with Order No. PSC-2020-0117-PCO-GU, the Company is currently collecting an interim temporary surcharge based upon the Company's original request for recovery of \$381,512 over 48 months in equal amounts of approximately \$7,948 per month, based on a May 1, 2020, effective date. The interim Temporary Storm Cost Recovery Surcharge factors, which were calculated consistent with the methodology used to calculate the Company's Conservation Cost Recovery factors, are as follows:

<u>RATE CLASS:</u>	<u>RATE/ \$ per Therm</u>
RS-1	\$0.21038
RS-2	\$0.12684
RS-3	\$0.09689
GS-1	\$0.08345
GS-2	\$0.04014
GS-4/RS-4	\$0.02125

Based upon the above set factors, SJNG originally anticipated it would recover its requested recovery amount by June 2024, whereafter the Company further proposed that any over-recovery variance between the surcharge amounts collected and the approved amount of incremental storm costs incurred, be applied as an over-recovery to the Company’s Conservation Cost Recovery Clause True Up projections filed in 2024 for the 2025 factors in order to flow any such over-recovery of storm costs back to customers through reduced conservation factors.

15) Given that the Company’s revised, final amount is only slightly higher than the Company’s initial request, the Company proposes that, rather than recalculate the surcharges set forth above, that the Company instead be allowed to maintain the current, approved surcharge factors for an additional 2 – 3 months to recover the requested amount. Given the relatively short amount of additional time necessary to collect the revised amount, the Company continues to propose that any over-recovery be applied to the Company’s Conservation Cost Recovery Clause True Up projections filed in 2024 for the 2025 factors in order to flow any such over-recovery of storm costs back to customers through reduced conservation factors. The Company respectfully suggests that this approach would minimize customer confusion that could be associated with increasing the factors, and also reduce noticing costs for the Company.

IV. REQUEST FOR RELIEF

16) The Company requests that the Commission approve for recovery SJNG's incremental storm costs in the amount of \$402,720, and that recovery be allowed under the current, established monthly per therm surcharges applied for a period not to exceed 51 months.

17) The Company respectfully requests that the Commission consider St. Joe Natural Gas Company's request as a Proposed Agency Action as allowed and for the purposes contemplated by Section 120.80(13)(b), Florida Statutes.

RESPECTFULLY SUBMITTED this 19th day of February, 2021.

s/Beth Keating
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Attorneys for St. Joe Natural Gas Company, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 19th day of February, 2021.

Shaw Stiller, Senior Attorney Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 sstiller@psc.state.fl.us	Mireille Fall-Fry, Esquire Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Fall-fry.mireille@leg.state.fl.us
--	--

By: s/Beth Keating
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

EXHIBIT A

**Supplemental
Invoices**

		\$109,061.56	Invoices Provided October 20, 2020
\$500.76		\$500.76	RAMSEY'S PRINTING & OFFICE
\$338.15		\$338.15	PIGGLY WIGGLY
\$10.07		\$10.07	ST JOE NATURAL GAS-PETTY
\$4,139.94	REMOVE	\$4,139.94	ST JOE HARDWARE
	\$948.00	\$948.00	J.V. GANDER DISTRIBUTORS
	\$299.00	\$299.00	PROPANE A/R
		\$16,595.67	KEITH MCNEILL PLUMBING INC.¹
\$600.00		\$600.00	CAROLYN ANN SIMS
\$353.94		\$353.94	BANK OF AMERICA
\$64.78		\$64.78	MR. STUART SHOAF
	(\$4,300.00)	(\$4,300.00)	Cost of Removal of Mains by BTC
	\$5,419.13	\$5,419.13	Natural Gas A/R
	\$433.67	\$433.67	Natural Gas A/R
	\$1,087.98	\$1,087.98	Natural Gas A/R
	\$109.44	\$109.44	Natural Gas A/R
	\$272.18	\$272.18	Natural Gas A/R
	\$65.45	\$65.45	Natural Gas A/R
	(\$43.60)	(\$43.60)	Natural Gas A/R
\$6,007.64	\$4,291.25	\$135,956.12	
		(\$16,596.00)	McNeil Water Heaters/Audit Exception 1
			Adjusted Staff Audit balance
		\$119,360.12	(Third Party Expenses)
		<u>(4,291.25)</u>	
		\$115,068.87	(Adjusted Third Party Expense)

¹ See subsequent removal as audit exception.

EXHIBIT B

Rev 2/9/21

ST JOE NATURAL GAS COMPANY, INC.
O&M EXPENSES - ST JOE GAS

	A Storm Var		B Post Storm Oct '18 - Sep 19	C Pre Storm 3 Yr Avg (16-17-18)
			Oct '18 - Sep 19	3 Yr Avg (16-17-18)
B-OPERATIONS				
870 · Operation Supervision & Enginee	\$10,918		\$118,197	\$107,278
871 · Distribution Load Dispatching	\$9,655		\$48,027	\$38,372
874 · Mains & Services Expenses	\$4,370		\$34,733	\$30,363
874.1 · Mains & Serv. Exp - Line Locate	\$7,322		\$40,708	\$33,386
875 · M&R Station - General (LT 3 yr avg)			\$7,787	\$8,767
876 · M&R Station - Industrial	\$88		\$4,711	\$4,623
877 · M&R Station - City Gate (LT 3 yr avg)			\$7,133	\$7,830
878 · M&R System	\$22,799		\$70,544	\$47,745
879 · Customer Installation Expenses	\$38,478		\$104,127	\$65,649
880 · Other Expenses	\$10,372		\$47,895	\$37,523
881 · Rents			\$8,971	\$8,988
Total B-OPERATIONS	\$104,002	21.10%	\$492,832	\$390,525
C-MAINTENANCE				
886 · Maint. - Structure (LT 3 yr avg)			\$4,877	\$8,830
887 · Maint. - Mains	\$6,759		\$14,342	\$7,583
889 · Maint. - M&R - General (District & Farm Tap Stations)	\$4,761		\$7,544	\$2,783
890 · Maint. - M&R - Industrial	\$28		\$201	\$173
891 · Maint. - M&R City Gate	\$218		\$624	\$407
892 · Maint. - Services	\$3,012		\$16,412	\$13,401
894 · Maint. - Other Equipment	\$7,577		\$25,192	\$17,615
Total C-MAINTENANCE	\$22,354	32.31%	\$69,194	\$50,792
D-CUSTOMER ACCOUNTS				
902 · Meter Reading Expenses			\$5,799	\$6,328
903 · Cust. Records & Coll. Expenses	\$16,609		\$137,137	\$120,529
904 · Uncollectible Accounts			\$1,314	\$9,031
906 · Direct 3rd Party Expense	\$135,956		\$135,956	\$0
908 · Customer Assist. & Conservation			\$129,847	\$164,864
Total D-CUSTOMER ACCOUNTS	\$152,565	37.21%	\$410,053	\$300,752
E-SALES EXPENSE				
			\$2,118	\$3,863
F-ADMIN & GENERAL				
920 · Admin. & General Salaries	\$314		\$91,226	\$90,912
921 · Office Supplies & Expenses	\$6,526		\$27,245	\$20,719
923 · Outside Services Employed (LT 3 yr avg)			\$10,182	\$38,641
924 · Property Insurance			\$42,248	\$42,101
926 · Employee Pensions & Benefits	\$23,711		\$120,631	\$96,919
928 · Regulatory Commission Expenses			\$36,651	\$36,061
930 · Misc. General Expense	\$11,298		\$55,427	\$44,129
932 · Maintenance of General Plant	\$242		\$9,517	\$9,275
Total F-ADMIN & GENERAL	\$42,091	10.71%	\$393,127	\$378,756

Operations	\$104,002		\$492,832
Maintenance	\$22,354		\$69,194
3rd Party Direct Expenses	\$152,565		\$410,053
Admin & General	\$42,091		\$393,127
TOTAL Above 3 Yr O&M Expenses	\$321,012	23.51%	\$1,365,204

REMAINING EXPENSES TO BE PAID

		1/31/2021		
1 376 - Mains	\$20,000	376	\$3,594	
2 376 - Canal Crossing Signs	\$1,500			
3 380 - Service	\$12,500	380	\$56,118	
4 381 - Meters		381	\$5,216	
5 382 - Meter Installations		382	\$3,475	
6 383 - Regulatore		383	\$7,210	
7 384 - Regulator Install Fitzpatrick Station	\$2,000	384	\$2,149	
8 384 - Regulator - M&R #1	\$250			
9 906 - 354 RBI Housing Rental Expense -	\$5,250	906	\$5,250	
10 906 - Projected Legal Costs	\$19,000	906	\$19,584	Legal thru 1/28/21
TOTAL ESTIMATE TO BE DONE	\$60,500		\$102,597	Actual Incremental Cost

GROSS TO RECOVER **\$381,512**

Original Filing Recovery	\$381,512
906 · Direct 3rd Party Expense	(\$16,596) Less McNeil Water heaters
906 · Direct 3rd Party Expense	(\$4,292) Less Other Adjustments
Less Original \$60,500	(\$60,500)
Add Actual Incremental Cost	\$102,597
Actual Total Incremental Storm Expense	\$402,720

	Original Filed	Storm Retire	Svc Life	Remain Life	Depr Rate	Less Depr Taken	Dec-18 Remain Value
376 - MAINS-SIGNS-FENCE	\$23,500	\$6,534	40	22	3.20%	\$2,940	\$3,594
380 - SERVICES	\$12,500	\$89,789	40	25	2.90%	\$33,671	\$56,118
381 - METERS/ERT		\$13,041	25	10	3.80%	\$7,825	\$5,216
382 - METER INSTALL		\$9,267	40	15	3.00%	\$5,792	\$3,475
383 - REGULATORS	\$250	\$16,638	30	13	3.10%	\$9,428	\$7,210
384 - Regulator Install		\$3,737	40	23	3.50%	\$1,588	\$2,149
906 - FCG Housing	\$5,250						\$5,250
906 - Legal Fees	\$19,000						\$19,584
	\$60,500	\$139,007				\$61,245	\$102,597