

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 21, 2021

TO: Office of Commission Clerk (Teitzman)

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

RE: Docket No. 20210150-GU – Joint petition for approval to implement gas reliability infrastructure program (GRIP) cost recovery factors for January 2022 through December 2022 by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade and the Florida Division of Chesapeake Utilities Corporation.

AGENDA: 11/02/21 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-Month Effective Date: 04/30/22

SPECIAL INSTRUCTIONS: None

Case Background

On September 1, 2021, Florida Public Utilities Company (FPUC), Florida Public Utilities Company-Fort Meade (Fort Meade), and Florida Division of Chesapeake Utilities Corporation d/b/a Central Florida Gas (Chesapeake), collectively the companies, filed a joint petition for approval of their gas reliability infrastructure program (GRIP or program) cost recovery factors for the period January through December 2022. The GRIP for FPUC and Chesapeake was first approved in Order No. PSC-12-0490-TRF-GU (2012 Order) to recover the cost of accelerating the replacement of cast iron and bare steel distribution mains and services, including a return on

investment, through a surcharge on customers' bills.¹ Fort Meade's GRIP was originally approved in Order No. PSC-15-0578-TRF-GU, and allowed Fort Meade to file its annual petition for GRIP factors concurrently with FPUC and Chesapeake.² The current GRIP charges for January through December 2021 were approved in Order No. PSC-2020-0510-TRF-GU.³

During the evaluation of the petition, staff issued a data request to the companies, for which responses were received on September 29, 2021. At the October 12, 2021 Agenda Conference, the joint petition was suspended to allow staff a sufficient opportunity to gather and evaluate all pertinent information related to the tariff proposals in order to present the Commission with an informed recommendation.

Attachment A to this recommendation includes tables showing pipe replacement progress for each of the companies. Attachment B contains the proposed tariff sheets for each of the companies. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, 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.*

² Order No. PSC-15-0578-TRF-GU, issued December 21, 2015, in Docket No. 20150191-GU, *In re: Joint petition for approval to implement gas reliability infrastructure program (GRIP) for Florida Public Utilities Company-Fort Meade and for approval of GRIP cost recovery factors by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade and the Florida Division of Chesapeake Utilities Corporation.*

³ Order No. PSC-2020-0510-TRF-GU, issued December 21, 2020, in Docket No. 20200207-GU, *In re: Joint petition for approval of GRIP cost recovery factors for January 2021 through December 2021, by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

Discussion of Issues

Issue 1: Should the Commission approve FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2022?

Recommendation: Yes, the Commission should approve FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2022. (Hampson)

Staff Analysis: The GRIP surcharges have been in place since January 2013 for FPUC and Chesapeake, while Fort Meade's surcharges were first implemented in January 2017. In response to staff's data request, FPUC stated that during 2021, replacement projects were completed in Palm Beach, West Palm Beach, and Lantana. For 2021, Chesapeake completed replacement projects in Winter Haven, Haines City, and Plant City. The companies stated that they prioritize the potential replacement projects focusing on areas of high consequence and areas more susceptible to corrosion.

Fort Meade completed its replacement program in 2019 and Chesapeake completed its replacement program in 2021. As contemplated in the 2012 Order, FPUC will complete its remaining replacement projects in Palm Beach, West Palm Beach, Boynton Beach, Delray Beach, and Lake Worth by July 2022.⁴ Attachment A provides an update of mains and services replaced and replacement forecasts.

FPUC's True-ups by Year

FPUC's calculation for the 2022 GRIP revenue requirement and surcharges includes a final true-up for 2020, an actual/estimated true-up for 2021, and projected costs for 2022. In its 2008 rate case, FPUC was authorized to recover \$747,727 of annual bare steel replacement expenses in base rates.⁵ Therefore, the \$747,727 recovered from base rates is excluded from the GRIP surcharge calculation.

Final True-up for 2020

FPUC stated that the revenues collected through the GRIP surcharges for 2020 were \$9,369,115, compared to a revenue requirement of \$11,020,034, resulting in an under-recovery of \$1,650,921. Therefore, the 2019 over-recovery of \$1,965,077, the 2020 under-recovery of \$1,650,921, and interest of \$11,962 associated with any over- and under-recoveries results in a final 2020 over-recovery of \$326,118.

Actual/Estimated 2021 True-ups

FPUC provided actual revenues for January through July 2021 and estimated revenues for August through December 2021, totaling \$10,637,538, compared to an actual/estimated revenue requirement for 2021 of \$12,747,807, resulting in an under-recovery of \$2,110,269. Therefore,

⁴ Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, 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.*

⁵ Order No. PSC-09-0375-PAA-GU, issued May 27, 2009, in Docket No. 20080366-GU, *In re: Petition for rate increase by Florida Public Utilities Company.*

the 2020 over-recovery of \$326,118, the 2021 under-recovery of \$2,110,269, and interest of \$112 results in a total 2021 under-recovery of \$1,784,263.

Projected 2022 Costs

FPUC expects capital expenditures of \$5,294,520 for the replacement of cast iron/bare steel infrastructure in 2022. This compares with final 2020 expenditures of \$18,862,373 and actual/estimated 2021 expenditures of \$21,618,655. The return on investment (which includes federal income taxes, regulatory assessment fees, and bad debt), depreciation expense, and property tax and customer notification expense associated with that investment are \$14,949,687. Subtracting the revenue requirement for bare steel replacement included in base rates results in a 2022 revenue requirement of \$14,201,960. After including the total 2021 under-recovery of \$1,784,263, the 2022 revenue requirement is \$15,986,222. Table 1-1 shows FPUC’s 2022 revenue requirement calculation.

**Table 1-1
 FPUC 2022 Revenue Requirement Calculation**

2022 Projected Expenditures	\$5,294,520
Return on Investment	\$9,267,172
Depreciation Expense	3,043,810
Property Tax and Customer Notice Expense	<u>2,638,705</u>
2022 Revenue Requirement	\$14,949,687
Less Revenue Requirement in Base Rates	<u>-747,727</u>
2022 GRIP Revenue Requirement	\$14,201,960
Plus 2021 Under-recovery	<u>+1,784,263</u>
2022 Total Revenue Requirement	\$15,986,222

Source: Witness Craig Testimony Schedules C-2, Page 4, and D-1, Page 5

Chesapeake’s True-ups by Year

Chesapeake’s calculation for the 2022 GRIP revenue requirement and surcharges includes a final true-up for 2020, an actual/estimated true-up for 2021, and projected costs for 2022. Chesapeake does not have a replacement recovery amount embedded in base rates.

Final True-up for 2020

Chesapeake stated that the revenues collected for 2020 were \$3,089,373, compared to a revenue requirement of \$3,970,339, resulting in an under-recovery of \$880,966. The 2019 over-recovery of \$599,886, 2020 under-recovery of \$880,966 and \$2,804 for interest associated with any over- and under-recoveries results in a final 2020 under-recovery of \$278,276.

Actual/Estimated 2021 True-up

Chesapeake provided actual GRIP revenues for January through July 2021 and estimated revenues for August through December 2021, totaling \$4,218,111, compared to an actual/estimated revenue requirement of \$4,097,241, resulting in an over-recovery of \$120,870. The 2020 under-recovery of \$278,276, 2021 over-recovery of \$120,870, and interest of \$97 associated with any over- and under-recoveries results in a total 2021 under-recovery of \$157,503.

Projected 2022 Costs

Chesapeake projects zero capital expenditures for the replacement of cast iron/bare steel infrastructure in 2022, as the company completed the replacement program in 2021. Therefore, the 2022 GRIP factors are designed to only collect the remaining 2021 under-recovery of \$157,503, and the revenue requirement of \$4,074,608 associated with the 2021 year-end total investment. Table 1-2 shows Chesapeake’s 2022 revenue requirement calculation.

**Table 1-2
 Chesapeake 2022 Revenue Requirement Calculation**

2022 Projected Expenditures	\$0
Return on Investment	\$2,466,896
Depreciation Expense	873,132
Property Tax Expense	<u>734,580</u>
2022 Revenue Requirement	\$4,074,608
Plus 2021 Under-recovery	<u>+157,503</u>
2022 Total Revenue Requirement	\$4,232,110

Source: Witness Craig Testimony Schedules C-2, Page 10, and D-1, Page 11

Fort Meade’s True-ups by Year

Fort Meade started its replacement program in 2016 and first implemented GRIP surcharges in January 2020. Unlike FPUC and Chesapeake, only bare steel services (and no mains) require replacement in Fort Meade.

Final True-up for 2020

Fort Meade stated that the revenues collected for 2020 were \$31,904, compared to a revenue requirement of \$25,486, resulting in an over-recovery of \$6,418. Adding the 2019 over-recovery of \$1,972, the 2020 over-recovery of \$6,418, and \$37 for interest associated with any over- and under-recoveries, the final 2020 over-recovery is \$8,427.

Actual/Estimated 2021 True-up

Fort Meade provided actual GRIP revenues for January through July 2021 and estimated revenues for August through December 2021 totaling \$21,743, compared to an actual/estimated revenue requirement of \$24,363, resulting in an under-recovery of \$2,620. Adding the 2020 over-recovery of \$8,427, the 2021 under-recovery of \$2,620, and interest of \$2 associated with any over- and under-recoveries, the resulting total 2021 true-up is an over-recovery of \$5,808.

Projected 2022 Costs

Fort Meade projects zero capital expenditures for the replacement of cast iron/bare steel infrastructure in 2022. Therefore, the 2022 GRIP factors are designed to only collect the remaining 2021 over-recovery of \$5,808 and the revenue requirement of \$23,918 associated with the 2021 year-end total investment. Table 1-3 shows Fort Meade’s 2022 revenue requirement calculation.

Table 1-3
Fort Meade 2022 Revenue Requirement Calculation

2022 Projected Expenditures	\$0
Return on Investment	\$13,766
Depreciation Expense	5,592
Property Tax Expense	<u>4,560</u>
2022 Revenue Requirement	\$23,918
Less 2021 Over-recovery	<u>-5,808</u>
2022 Total Revenue Requirement	\$ 18,109

Source: Witness Craig Testimony Schedules C-2, Page 16, and D-1, Page 17

Proposed Surcharges for FPUC, Chesapeake, and Fort Meade

As established in the 2012 order approving the GRIP program, the total 2022 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 utilities' most recent rate case. The respective percentages were multiplied by the 2022 revenue requirements and divided by each rate class' projected therm sales to provide the GRIP surcharge for each rate class.

The proposed 2022 GRIP surcharge for FPUC's residential customers on the Residential Service (RS) schedule is \$0.31642 per therm (compared to the current surcharge of \$0.22417 per therm). The monthly bill impact is \$6.33 for a residential customer using 20 therms per month. The proposed FPUC GRIP surcharges are shown in Attachment B, Tariff Sheet No. 7.907.

The proposed 2022 GRIP surcharge for Chesapeake's residential customers on the FTS-1 schedule is \$0.11405 per therm (compared to the current surcharge of \$0.11567). The monthly bill impact is \$2.28 for a residential customer using 20 therms per month. The proposed Chesapeake GRIP surcharges are shown in Attachment B, Tariff Sheet Nos. 7.907 and 7.910.

The proposed 2022 GRIP surcharge for Fort Meade's residential customers on the RS schedule is \$0.15245 per therm (compared to the current surcharge of \$0.16325). The monthly bill impact is \$3.05 for a residential customer using 20 therms per month. The proposed Fort Meade GRIP surcharges are shown on Tariff Sheet No. 7.906 in Attachment B.

Conclusion

Staff believes the calculation of the 2022 GRIP surcharge revenue requirements and the proposed GRIP surcharges for FPUC, Chesapeake, and Fort Meade are reasonable and accurate. Staff recommends that the Commission should approve FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2022.

Date: October 21, 2021

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 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. (Sandy)

Staff Analysis: If Issue 1 is approved and 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.

ATTACHMENT 1

Table 1
 FPUC Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced		Remaining	Remaining	Total	Replaced		Remaining	Remaining	Total
	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End		Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	
	Cast Iron	Bare Steel	Year-End	Year-End	Remaining	Cast Iron	Bare Steel	Year-End	Year-End	Remaining
Jul-12			0.9	197.10	198.00			0	7980	7980
2012		6.00	0.9	191.10	192.00		91	0	7889	7889
2013	0.6	26.40	0.3	164.70	165.00		2071	0	5818	5818
2014		38.00	0.3	126.70	127.00		1275	0	4543	4543
2015		30.00	0.3	96.70	97.00		605	0	3938	3938
2016		22.50	0.3	74.20	74.50		555	0	3383	3383
2017		10.30	0.3	63.90	64.20		335	0	3048	3048
2018		6.80	0.3	57.10	57.40		98	0	2950	2950
2019	0.3	4.10	0	53.00	53.00		224	0	2726	2726
2020		19.00	0	34.00	34.00		330	0	2396	2396
2021		18.00	0	16.00	16.00		900	0	1496	1496
2022		16.00	0	0.00	0.00		1496	0	0	0

Table 2
 Chesapeake Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced		Remaining	Remaining	Total	Replaced		Remaining	Remaining	Total
	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End		Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	
	Cast Iron	Bare Steel	Year-End	Year-End	Remaining	Cast Iron	Bare Steel	Year-End	Year-End	Remaining
Jul-12			0	152.00	152.00			0	762	762
2012		5.00	0	147.00	147.00		34	0	728	728
2013		3.00	0	144.00	144.00		139	0	589	589
2014		19.00	0	125.00	125.00		47	0	542	542
2015		34.00	0	91.00	91.00		284	0	258	258
2016		25.10	0	65.90	65.90		-81	0	339	339 **
2017		22.80	0	43.10	43.10		18	0	321	321
2018		19.80	0	23.30	23.30		91	0	230	230
2019		28.00	0	17.30	17.30		99	0	131	131
2020		11.10	0	6.20	6.20		34	0	97	97
2021		6.20	0	0.00	0.00		97	0	0	0
2022		0.00	0	0.00	0.00		0	0	0	0

** A total of 111 YTD bare steel services were replaced in 2016. Plus a correction to increase total services remaining by 192 (4th Qtr of 2016). The net equals -81.

Table 3
 Fort Meade Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced		Remaining	Remaining	Total	Replaced		Remaining	Remaining	Total
	Cast Iron	Steel	Cast Iron at Year-End	Steel at Year-End		Cast Iron	Steel	Cast Iron at Year-End	Steel at Year-End	
	Cast Iron	Steel	Year-End	Year-End	Remaining	Cast Iron	Steel	Year-End	Year-End	Remaining
Jan-16			0	0	0			0	250	250
2016		0	0	0	0		29	0	221	221
2017		0	0	0	0		111	0	110	110
2018		0	0	0	0		20	0	90	90
2019		0	0	0	0		90	0	0	0

Florida Public Utilities Company and Florida Division of Chesapeake Utilities
FPSC Tariff ~~—Second First~~ Revised Sheet
No. 7.906
Original Volume No. 1 Cancels ~~Original-First Revised~~ Sheet No. 7.906

All Companies
GAS RELIABILITY INFRASTRUCTURE PROGRAM

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 GRIP factors for the period from the first billing cycle for January 202~~1~~² through the last billing cycle for December 202~~1~~² are as follows:

INDIANTOWN:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
TS-1	Not applicable
TS-2	Not applicable
TS-3	Not applicable
TS-4	Not applicable
NGVTS	Not applicable

FT. MEADE:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
RS	\$0.46325 <u>15245</u>
GS-1	\$0.019590 <u>1456</u>
GS-2	\$0.019590 <u>1456</u>
GSTS-1	\$0.019590 <u>1456</u>
GSTS-2	\$0.019590 <u>1456</u>
LVS	\$0.00000
LVTS	\$0.00000
IS	\$0.00000
ITS	\$0.00000
GLS	\$0.00000
GLSTS	\$0.00000
NGV	\$0.00000
NGVTS	\$0.00000

Issued by: Jeffry Householder, Chief Executive Officer Effective: ~~JAN 01 2021~~
Florida Public Utilities Company and Chesapeake Utilities Corporation

Florida Public Utilities Company and Florida Division of Chesapeake Utilities
 FPSC Tariff ~~First~~ Second Revised Sheet
 No. 7.907
 Original Volume No. 1 Cancels ~~Original~~ First Revised Sheet No. 7.907

All Companies
GAS RELIABILITY INFRASTRUCTURE PROGRAM – CONTINUED

FLORIDA PUBLIC UTILITIES:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
RS	\$0. 224173 <u>1642</u>
GS-1	\$0. 151802 <u>2966</u>
GS-2	\$0. 151802 <u>2966</u>
GSTS-1	\$0. 151802 <u>2966</u>
GSTS-2	\$0. 151802 <u>2966</u>
LVS	\$0. 102211 <u>6008</u>
LVTS	\$0. 102211 <u>6008</u>
IS	\$0. 061140 <u>9536</u>
ITS	\$0. 061140 <u>9536</u>
GLS	\$0. 800461 <u>.14051</u>
GLSTS	\$0. 800461 <u>.14051</u>
NGV	\$0. 151802 <u>2966</u>
NGVTS	\$0. 151802 <u>2966</u>

CENTRAL FLORIDA GAS:

<u>Rate Schedule</u>	<u>Rates per Therm</u>
FTS-A	\$0. 744437 <u>1307</u>
FTS-B	\$0. 216672 <u>1508</u>
FTS-1	\$0. 115671 <u>1405</u>
FTS-2	\$0. 137911 <u>5536</u>
FTS-2.1	\$0. 146241 <u>5932</u>
FTS-3	\$0. 060570 <u>5948</u>
FTS-3.1	\$0. 074690 <u>7553</u>
FTS-4	\$0. 079040 <u>8381</u>
FTS-5	\$0. 093680 <u>8987</u>
FTS-6	\$0. 063870 <u>5768</u>
FTS-7	\$0. 078960 <u>7716</u>
FTS-8	\$0. 084720 <u>8318</u>
FTS-9	\$0. 179791 <u>2900</u>
FTS-10	\$0. 107890 <u>7393</u>
FTS-11 FTS-NGV _____	\$0. 143660 <u>5328</u>
FTS-12	\$0. 033260 <u>3708</u>
FTS- 13 <u>NGV</u>	N/A \$0. 05329

Definitions:

The Company has prioritized the potential replacement projects focusing initially on areas of high consequence and areas more susceptible to corrosion. The GRIP Program minimizes impact to Customers, but at the same time, allows the Company to accelerate its replacement

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 Florida Public Utilities Company and Chesapeake Utilities Corporation

Florida Public Utilities Company and Florida Division of Chesapeake Utilities
FPSC Tariff ~~First~~ Second Revised Sheet
No. 7.910
Original Volume No. 1 Cancels ~~Original~~ First Revised Sheet No. 7.910

CFG
GAS INFRASTRUCTURE REPLACEMENT PROGRAM (GRIP) - FIXED

Applicability:

All CFG Customers, receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A (Fixed), FTS-B (Fixed), FTS-1 (Fixed), FTS-2 (Fixed), FTS-2.1 (Fixed), FTS-3 (Fixed), and FTS-3.1 (Fixed).

The Transportation Charge for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all Meters read for the period January 1, 2024~~2~~ through December 31, 2024~~2~~ for each rate classification are as follows:

<u>Rate Schedule</u>	<u>Dollars per Bill</u>
FTS-A (Fixed)	\$4.41 50
FTS-B (Fixed)	\$2.24 28
FTS-1 (Fixed)	\$1.70 69
FTS-2 (Fixed)	\$7.94 8.17
FTS-2.1 (Fixed)	\$16.26 58
FTS-3 (Fixed)	\$17.66 18.01
FTS-3.1 (Fixed)	\$42.92 43.36

Definitions

The Company has prioritized the potential replacement projects focusing initially on areas of high consequence and areas more susceptible to corrosion. The GRIP Program minimizes impact to Customers, but at the same time, allows the Company to accelerate its replacement Program-eligible infrastructure. Costs incurred to remove the existing eligible distribution Mains and Service Lines are not recoverable under the GRIP Program.

The Eligible Infrastructure Replacement includes the following:

1. Company plant investment that
 - a. Do not increase revenues by directly connecting new Customer to the plant asset,
 - b. is in service and used and useful in providing utility service, and
 - c. was not included in the Company's rate base for purposed of determining the Company's base rates in its most recent general base rate proceeding.
2. Mains and Service Lines, as replacements for existing cast iron, wrought iron and bare steel facilities, and regulation station and other pipeline system components, the installation of which is required as a consequence of the replacement of the aforesaid facilities.

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Florida Public Utilities Company and Chesapeake Utilities Corporation