

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2020 true-up, projected 2021 true-up, and 2022 revenue requirements and surcharges associated with cast iron/bare steel replacement rider, by Peoples Gas System.

DOCKET NO. 20210148-GU
ORDER NO. PSC-2021-0429-TRF-GU
ISSUED: November 19, 2021

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
ANDREW GILES FAY
MIKE LA ROSA
GABRIELLA PASSIDOMO

ORDER APPROVING TARIFF

BY THE COMMISSION:

Background

On September 1, 2021, Peoples Gas System (Peoples or utility) filed a petition for approval of its final 2020 true-up, projected 2021 true-up, and 2022 revenue requirement and surcharges associated with the cast iron/bare steel replacement rider (CI/BSR Rider or rider). The rider was originally approved in Order No. PSC-12-0476-TRF-GU (2012 order) to recover the cost of accelerating the replacement of cast iron and bare steel pipes through a surcharge on customers' bills.¹ In the 2012 order, we found that "replacement of these types of pipelines is in the public interest to improve the safety of Florida's natural gas infrastructure, and reduce the possibility of loss of life and destruction of property should an incident occur." Peoples' current surcharges were approved in Order No. PSC-2020-0507-TRF-GU (2020 order).² In the 2020 order, we also approved applying the rider surcharges to the Interruptible Service rate classes who had previously been excluded.

In Order No. PSC-17-0066-AS-GU, we approved a comprehensive settlement agreement between PGS and the Office of Public Counsel (OPC).³ The settlement agreement, in part, added

¹ Order No. PSC-12-0476-TRF-GU, issued September 18, 2012, in Docket No. 20110320-GU, *In re: Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System.*

² Order No. PSC-2020-0507-TRF-GU, issued December 18, 2020, in Docket No. 20200206-GU, *In re: Petition for approval of 2019 true-up, projected 2020 true-up; and 2021 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System.*

³ Order No. PSC-17-0066-AS-GU, issued February 28, 2017, in Docket No. 20160159-GU, *In re: Petition for approval of settlement agreement pertaining to Peoples Gas System's 2016 depreciation study, environmental reserve account, problematic plastic pipe replacement, and authorized ROE.*

problematic plastic pipe (PPP) installed in the company's distribution system to eligible replacements under the rider. PPP was manufactured before 1983 and has significant safety concerns. In certain areas, the PPP is interspersed with, or connected to, the cast iron/bare steel pipe that is being replaced under the rider. As provided for in the settlement agreement, PPP replacements are included in the calculation of the 2022 rider surcharges.

In its petition, Peoples waived the 60-day file-and-suspend provision of Section 366.06(3), Florida Statutes (F.S.). We have jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

Decision

The CI/BSR Rider charges have been in effect since January 2013. Rider PPP charges have been in effect since 2017. In 2021, Peoples' cast iron and bare steel replacement activity focused in the areas of Miami, Tampa, St. Petersburg, Orlando, Eustis, Jacksonville, Daytona, Avon Park, and Ocala. In 2022, Peoples states it will focus on replacement projects in Miami, Tampa, St. Petersburg, Orlando, Eustis, Jacksonville, Daytona, Avon Park, and Ocala. The projected completion date for the CI/BSR replacement program is 2022 for mains and services. The replacement of PPP is expected to continue until 2028.

In Peoples' 2020 rate case, we approved a settlement agreement between Peoples and the parties to the docket.⁴ As part of this agreement, \$23.6 million of the 2021 CI/BSR revenue requirement related to Peoples' Rider CI/BSR investments made through December 31, 2020 (\$200.7 million) was moved from recovery through the CI/BSR Rider to recovery through base rates, effective January 1, 2021. The agreement also required Peoples to record the difference between the actual December 31, 2020 Rider CI/BSR net book value and the \$200.7 million as an adjustment to the January 1, 2021 Rider CI/BSR net book value. This adjustment is a reduction of \$2.2 million (\$198.5 million - \$200.7 million) and is reflected in the 2021 calculations.

Attachment A to this order contains tables which display the replacement progress and forecasts for CI/BSR Rider (Table 2) and for PPP (Table 3). Additionally, Peoples provided Table 1 which consolidates actual and projected CI/BSR and PPP miles replaced investment and revenue requirements for each year of the replacement program.

True-ups by Year

Peoples' calculation for the 2022 revenue requirement and surcharges includes a final true-up for 2020, an actual/estimated true-up for 2021, and projected costs for 2022. Pursuant to the 2012 order, the capital expenditures for 2017 through 2019 exclude the first \$1 million of facility replacements each year because that amount is included in rate base. Peoples has included depreciation expense savings as discussed in the 2012 order; however, the utility has not identified any operations and maintenance savings.

⁴ Order No. PSC-2020-0485-FOF-GU, issued December 10, 2020, in Docket No. 20200051-GU, *In re: Petition for rate increase by Peoples Gas System*.

Final True-up for 2020

Exhibit A of the petition shows that the revenues collected for 2020 were \$17,991,960 compared to a revenue requirement of \$19,175,814, resulting in an under-recovery of \$1,183,854. The final 2019 under-recovery of \$3,382,549, 2020 under-recovery of \$1,183,854, and interest associated with any over- and under-recoveries, results in a final 2020 under-recovery of \$4,581,212.

Actual/Estimated 2021 True-up

In Exhibit B of the petition, Peoples provided actual revenues for January through July and forecast revenues for August through December of 2021, totaling \$5,501,540, compared to an actual/estimated revenue requirement of \$1,263,467, resulting in an over-recovery of \$4,238,073. The final 2020 under-recovery of \$4,581,212, 2021 over-recovery of \$4,238,073, and interest associated with any over- and under-recoveries, results in a total 2021 under-recovery of \$344,870.

Projected 2022 Costs

Exhibit C of the petition shows Peoples projects investment or capital expenditures of \$27,291,015 for the replacement of cast iron/bare steel infrastructure and PPP in 2022. As shown in Table 1 of Attachment A of this order, this consists of the CI/BSR infrastructure investment of \$6,866,249 and the PPP investment of \$20,424,766. The return on investment (which includes federal income taxes, regulatory assessment fees, and bad debt), depreciation expense (less savings), and property tax expense associated with that investment are \$5,051,475. After adding the total 2021 under-recovery of \$344,870, the total 2022 revenue requirement is \$5,396,345. Table 1 below displays the 2022 revenue requirement calculation.

Table 1
2022 Revenue Requirement

2022 Projected Expenditures	\$27,291,015
Return on Investment	\$3,848,242
Depreciation Expense (less savings)	\$653,667
Property Tax Expense	<u>\$549,565</u>
2022 Revenue Requirement	\$5,051,475
Plus 2021 Under-recovery	<u>\$344,870</u>
Total 2022 Revenue Requirement	\$5,396,345

Source: Page 1 of 3 in Exhibit C in petition (Docket No. 20210148-GU)

Proposed Surcharges

As established in the 2012 order, the total 2022 revenue requirement is allocated to rate classes using the same methodology that was used for the allocation of mains and services in the cost of service study used in Peoples' most recent rate case. After calculating the percentage of total plant costs attributed to each rate class, the respective percentages were multiplied by the 2022 revenue requirement resulting in the revenue requirement by rate class. Dividing each rate class's revenue requirement by projected therm sales provides the rider surcharge for each rate class.

The proposed 2022 rider surcharge for residential customers is \$.02014 per therm (compared to the current surcharge of \$.02188). The 2022 monthly bill impact will be \$.40 for a residential customer who uses 20 therms. The proposed tariff page provided in the petition is Attachment B to this order.

Conclusion

We reviewed Peoples' filings and supporting documentation and find that the calculations are consistent with the methodology approved in the 2012 order and are reasonable and accurate. Therefore, we hereby approve Peoples' proposed 2022 Rider CI/BSR surcharges to be effective for the period January through December 2022.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Peoples Gas System's proposed CI/BSR Rider surcharges for the period January through December 2022 are hereby approved.

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 19th day of November, 2021.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 10, 2021.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Table 1
Peoples' CI/BSR Replacement Program Progress

	CI/BS Miles Replaced	PPP Miles Replaced	CI/BS Investment	PPP Investment	CI/BS Revenue Requirement	PPP Revenue Requirement
2017	51		\$17,588,366	\$2,915,802	\$6,868,302	\$74,021
2018	62	56	\$27,035,678	\$15,890,424	\$8,510,823	\$848,201
2019	52	42	\$35,821,371	\$17,425,589	\$11,075,229	\$2,706,161
2020	55	43	\$32,317,184	\$11,115,571	\$14,817,804	\$4,358,010
2021 (projected)	34	50	\$22,276,649	\$15,615,604	\$1,424,567	\$(161,100)
2022	7	50	\$6,866,249	\$20,424,766	\$3,141,854	\$1,909,621
2023		50		\$18,167,124	\$3,596,461	\$3,969,687
2024		50		\$18,621,303	\$3,561,044	\$5,921,914
2025		50		\$19,086,835	\$3,512,324	\$7,897,652
2026		45		\$17,766,986	\$3,463,181	\$9,820,999
2027		45		\$18,047,796	\$3,414,026	\$11,661,302
2028		24		\$14,276,750	\$3,364,870	\$13,330,589

Source: Response to staff's first data request.

Table 0
Peoples' CI/BSR Replacement Progress

Year	Main Replacements					Service Replacements	
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining of CI/BS Mains	Replaced Number of Bare Steel Services	Total Number of Remaining Bare Steel Services
2012			100	354	454		14,978
2013	13	38	87	316	403	907	14,071
2014	2	18	85	298	383	7,964	6,107
2015	26	60	59	238	297	1,019	5,088
2016	15	35	44	203	247	1,050	6,963
2017	15	36	29	178	207	1,135	4,279
2018	10	52	18	126	144	1,970	2,309
2019	8	44	10	83	93	649	1,660
2020	4	51	6	35	41	423	1237
2021	4	30	2	5	7	800	437
2022	2	5	0	0	0	437	0

Source: Response to staff's first data request.

Table 3
Peoples PPP Replacement Program Progress

	PPP (miles)	Total Remaining PPP Mains (miles)	Replaced Number of PPP Services	Total Number of Remaining PPP Services
2016	0	551	0	-
2017	**	509	1,396	26,841
2018	56	461	3,941	24,741
2019	42	418	2,349	20,420
2020	43	370	2,046	18,374
2021	51	319	Not Yet Determined**	-
2022	55	264	Not Yet Determined**	-
2023	50	214	Not Yet Determined**	-
2024	50	164	Not Yet Determined**	-
2025	50	114	Not Yet Determined**	-
2026	45	69	Not Yet Determined**	-
2027	45	24	Not Yet Determined**	-
2028	24	0	Not Yet Determined**	-

Source: Response to staff's first data request.

Peoples Gas System
 a Division of Tampa Electric Company
 7.806
 Original Volume No. 3

~~Tenth~~^{Eleventh} Revised Sheet No. 7.806
 Cancels ~~Ninth~~^{Tenth} Revised Sheet No. 7.806

**CAST IRON/BARE STEEL REPLACEMENT RIDER
 RIDER CI/BSR**

The monthly bill for Gas Service in any Billing Period shall be increased by the CI/BSR Surcharge determined in accordance with this Rider. CI/BSR Surcharges approved by the Commission for bills rendered for meter readings taken on or after January 1, ~~2021~~²⁰²², are as follows with respect to Customers receiving Gas Service under the following rate schedules:

Rate Schedule	CI/BSR Surcharge
Residential/Residential Standby Generator / Residential Gas Heat Pump Service	\$ 0.02188-02014 per therm
Small General Service	\$ 0.01706-01207 per therm
General Service – 1/ Commercial Standby Generator Service / Commercial Gas Heat Pump Service	\$ 0.00872-00736 per therm
General Service – 2	\$ 0.00840-00708 per therm
General Service – 3	\$ 0.00756-00724 per therm
General Service – 4	\$ 0.00489-00574 per therm
General Service – 5	\$ 0.00205-00369 per therm
Commercial Street Lighting	\$ 0.01414-00666 per therm
Natural Gas Vehicle Service	\$ 0.02011 per therm
Wholesale	\$ 0.00641-00509 per therm
Small Interruptible Service	\$ 0.00081-00311 per therm
Interruptible Service	\$ 0.00022-00072 per therm
Interruptible Service – Large Volume	\$ 0.00001-00000 per therm

The CI/BSR Surcharges set forth above shall remain in effect until changed pursuant to an order of the Commission.

CI/BSR Surcharges shall be determined in accordance with the provisions of this Rider set forth below.

Definitions

For purposes of this Rider:

"Eligible Replacements" means the following Company plant investments that (i) do not increase revenues by directly connecting new customers to the plant asset, (ii) are in service and used and useful in providing utility service and (iii) were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding:

Mains and service lines, as replacements for existing materials recognized/identified by the Pipeline Safety and Hazardous Materials Administration as being obsolete and that present a potential safety threat to operations and the general public, including cast iron, wrought iron, bare steel, and specific polyethylene/plastic facilities, and regulators and other pipeline system components the installation of which is required as a consequence of the replacement of the aforesaid facilities.

"CI/BSR Revenues" means the revenues produced through CI/BSR Surcharges, exclusive of revenues from all other rates and charges.

Issued By: T. J. Szelistowski, President
 Issued On: ~~December 4, 2020~~

Effective: ~~January 1, 2021~~