

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of safety, access,
and facility enhancement program true-up and
2024 cost recovery factors, by Florida City
Gas.

DOCKET NO. 20230097-GU
ORDER NO. PSC-2023-0345-TRF-GU
ISSUED: November 16, 2023

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING SAFETY, ACCESS, AND FACILITY ENHANCEMENT (SAFE)
PROGRAM TRUE-UP AND 2024 COST RECOVERY FACTORS

BY THE COMMISSION:

Background

On August 31, 2023, Florida City Gas (FCG or utility) filed a petition for approval of its safety, access, and facility enhancement program (SAFE) true-up and 2024 cost recovery factors. We originally approved the SAFE program in Order No. PSC-15-0390-TRF-GU (2015 Order) to recover the cost of relocating on an expedited basis certain existing gas mains and associated facilities from rear lot easements to the street front.¹ In the 2015 Order, we found that the relocation of mains and services to the street front provides for more direct access to the facilities and will enhance the level of service provided to all customers through improved safety and reliability. The SAFE factor is a surcharge on customers' bills.

In the 2015 Order, we required the utility to file an annual petition, beginning in 2016, for review and resetting of the SAFE factors to true-up any prior over-or under-recovery and to set the surcharge for the coming year. The SAFE program was originally approved as a 10-year program and was planned to finish in 2025.

During the utility's 2022 rate case, we approved a stipulation for the expansion of the SAFE program in Order No. PSC-2023-0177-FOF-GU (Rate Case Order).² The parties agreed and we found that the continuation of the SAFE program beyond its original 2025 expiration

¹ Order No. PSC-15-0390-TRF-GU, issued September 15, 2015, in Docket No. 20150116-GU, *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas.*

² Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023, in Docket No. 20220069-GU, *In re: Petition for rate increase by Florida City Gas.*

date and the relocation of an additional approximately 150 miles of mains and 13,874 services was reasonable.³

In the Rate Case Order, we further approved a stipulation for the replacement of approximately 160 miles and 8,059 associated services of “orange pipe,” through the SAFE program.⁴ All parties to the rate case agreed that orange pipe is a specific plastic material that was used in the 1970s and 1980s that has been studied by the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration and shown through industry research to exhibit premature failure in the form of cracking.

In addition, as part of its rate case, FCG moved the SAFE investment and related expenses as of December 31, 2022, from clause recovery to base rates, in compliance with the 2015 Order.⁵ Specifically, the 2015 Order stated that “...if FCG files a base rate case prior to 2025, the then-current SAFE surcharge program would be folded into any newly approved rate base, and the surcharge would begin anew.”⁶ We approved FCG’s proposal to move the SAFE surcharge into base rates in the Rate Case Order.⁷ The rate case decision was effective May 1, 2023.

The current 2023 SAFE factors were approved by Order No. PSC-2022-0403-TRF-GU (2022 Order).⁸ The SAFE factors effective January 2023 were calculated based on the assumption that we would approve the request to roll SAFE investments into rate base in the rate case docket and therefore decreased compared to the 2022 SAFE factors. Since the rate case decision became effective May 1, 2023 (as opposed to January 2023), FCG did not collect the full SAFE revenue requirement in 2023, resulting in a 2023 under-recovery. The 2022 Order provided that if we had not made a decision in the 2022 rate case prior to the January 1, 2023 effective date, then any SAFE revenue requirement not collected in 2023 would be trued-up in the next SAFE filing. Accordingly, FCG has included the 2023 under-recovery with the proposed 2024 SAFE factors.

Finally, in the Rate Case Order we required FCG to propose a new investment/construction schedule and term for the SAFE program in its next applicable annual SAFE filing. Subsequently, FCG now proposes in this petition to extend the SAFE program for an additional 10-year period through 2035 for the replacement of orange pipe and relocation of rear lot mains and services to the street front. The utility proposes to begin the replacement of orange pipe in 2024 and continue through 2033. FCG also proposes to begin the relocation of mains and services in 2026 and continue through 2035.

³ See page 72, Section X, B. of Order No. PSC-2023-0177-FOF-GU.

⁴ See page 72, Section X, C. of Order No. PSC-2023-0177-FOF-GU.

⁵ Docket No. 20220069-EI, *In re: Petition for approval of rate increase and request for approval of depreciation rates*, filed May 31, 2022.

⁶ See page 4 of Order No. PSC-15-0390-TRF-GU.

⁷ See page 18 of Order No. PSC-2023-0177-FOF-GU.

⁸ Order No. PSC-2022-0403-TRF-GU, issued November 21, 2022, in Docket No. 20220153-GU, *In re: Petition for approval of safety, access, and facility enhancement program true-up and 2023 cost recovery factors, by Florida City Gas*.

In Order No. PSC-2023-0302-PCO-GU, we suspended the proposed tariffs to allow staff sufficient time to analyze the utility's filing, pursuant to Section 366.06(3), Florida Statute (F.S.). Our staff issued their first data request to FCG on September 13, 2023, for which FCG provided a response on September 19, 2023. Staff issued a second data request on September 22, 2023 for which responses were received September 28, 2023.

FCG's annual progress in the SAFE program is shown in Attachment A to this order. The proposed 2024 SAFE factors are shown in Attachment B on Tariff Sheet No. 79. We have jurisdiction over this matter pursuant to Sections 366.04, 366.041, 366.05, and 366.06, F.S.

Decision

Under the SAFE program originally approved in 2015, FCG was ordered to relocate or replace 254.3 miles of mains and 11,443 associated service lines from rear property easements to the street over a 10-year period, ending in 2025. The utility began its mains and services replacements at the end of 2015. The surcharges have been in effect since January 2016. During 2023, the utility has replaced 26 miles of mains and 1,399 services, as shown in Attachment B to the order.⁹

Proposed SAFE Timeline

FCG proposes a 10-year investment and construction schedule for the continuation and expansion of the SAFE program projects, as approved in the Rate Case Order. FCG stated in response to staff's data request that the 10-year schedule aligns similarly with the original approval for the 2015 SAFE program, which had a 10-year period.¹⁰ FCG also explained that delaying projects would prevent customers and communities from safe access to natural gas in the form of declining pipe integrity. FCG further stated that accelerating the respective 10-year timeline would have a negative impact on customers' billing and could potentially require FCG to engage additional outside resources.¹¹ We find that the proposed 10-year investment and construction schedule for the SAFE program projects is reasonable, based on FCG's provided arguments and our previous approval of similar timelines for investments made through a surcharge.¹² FCG shall be required to file a final true-up of the actual SAFE program costs at the end of the 10-year period, once all program costs are known.

Prioritization of SAFE Relocation and Replacement Projects

The utility stated that prioritization of the SAFE relocation and replacement projects was determined by FCG's risk assessment model, the Distribution, Integrity, and Management

⁹ DN 05438-2023, data response No. 1.

¹⁰ DN 05277-2023, data response No. 5.

¹¹ DN 05438-2023, data response No. 4.

¹² Order No. PSC-2023-0235-PAA-GU, issued August 15, 2023, in Docket No. 20230029-GU, *In re: Petition for approval of gas utility access and replacement directive, by Florida Public Utilities Company*. Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, in Docket No. 120036-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*. Order No. PSC-12-0476-TRF-GU, issued September 18, 2012, in Docket No. 110320-GU, *In re: Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System*.

Program (DIMP). Based on FCG's DIMP, the utility has prioritized future SAFE projects based on the location of the pipelines, material of the pipelines, leak incident rates, maintenance access complications, and customer encroachments.

True-ups by Year

As required by the 2015 Order, the utility's calculations for the 2024 revenue requirement and SAFE factors include a final true-up for 2022, and an estimated/actual true-up for 2023, and projected costs for 2024.

Final True-up for 2022

FCG stated that the revenues collected for 2022 were \$4,562,635, compared to a revenue requirement of \$4,305,208 resulting in an over-recovery of \$257,427. Adding the 2021 final under-recovery of \$326,212 and the \$257,427 over-recovery of 2022, including interest, results in a final 2022 under-recovery of \$35,929.¹³

Actual/Estimated 2023 True-up

FCG provided actual revenues for January through June and forecasted revenues for July through December 2023, totaling \$674,737 as compared to a projected revenue requirement of \$2,506,526, resulting in an under-recovery of \$1,831,789. Adding the 2022 under-recovery of \$35,929 to the 2023 under-recovery of \$1,831,789, the resulting total 2023 true-up, including interest, is an under-recovery of \$1,935,339.¹⁴

Projected 2024 Costs

The utility's projected investment for 2024 is \$29,851,712 for its projects located in Miami-Dade and Brevard County. The revenue requirement, which includes a return on investment, depreciation, and taxes is \$2,682,570. The return on investment calculation includes federal income taxes, regulatory assessment fees, and bad debt. After adding the 2023 under-recovery of \$1,935,339, the total 2024 revenue requirement is \$4,647,910. Table 1 displays the projected 2024 revenue requirement calculation.

Table 0
2024 Revenue Requirements Calculation

2024 Projected Investment	\$29,851,712
Return on Investment	\$1,861,231
Depreciation Expense	\$441,201
Property Tax Expense	<u>\$380,138</u>
2024 Revenue Requirement	\$2,682,570
Plus 2023 Under-recovery	<u>\$1,965,339</u>
Total 2024 Revenue Requirement	\$4,647,910

Source: Page 6 of Attachment D of the petition and Attachment 2 in response to Staff's First Data Request No. 1

¹³ The calculation also includes a December 2021 true-up of \$7,799 booked in January 2022. The petition shows \$37,226 as the final 2022 true-up as a result of a cell error, the correct number is \$35,929. The error does not impact the final rates.

¹⁴ The calculation also includes a December 2022 true-up of \$26,525 booked in January 2023.

Proposed 2024 SAFE Factors

The SAFE factors are fixed monthly charges. FCG's cost allocation methodology was approved in the 2015 Order and was used in the instant filing. The approved methodology allocates the current cost of a 2-inch pipe to all customers on a per customer basis and allocates the incremental cost of replacing a 4-inch pipe to customers who use over 6,000 therms per year. For customers who require 4-inch pipes, the cost takes into account that the minimum pipe is insufficient to serve their demand, and therefore, allocates an incremental per foot cost in addition to the all-customer cost. The resulting allocation factors are applied to the 2024 total revenue requirement to develop the monthly SAFE factors.

The proposed fixed monthly SAFE factor is \$3.17 for customers using less than 6,000 therms per year (current factor is \$0.44). The proposed fixed monthly SAFE factor for customers using more than 6,000 therms per year is \$5.44 (the current factor is \$0.98). We note that the current 2023 SAFE factors decreased from 2022 since we approved moving SAFE investments into rate base in the Rate Case Order, resulting in a lower SAFE factor.

Conclusion

We hereby approve FCG's proposed SAFE tariff for the period January through December 2024. After reviewing FCG's filings and supporting documentation, the calculations of the 2024 SAFE factors appear consistent with the methodology approved in the 2015 Order and are reasonable and accurate. Furthermore, we approve FCG's proposed 10-year SAFE investment and construction schedule. The proposed tariffs, provided in Attachment B to this order, shall be effective for the first billing cycle in January 2024 through the last billing cycle of December 2024.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida City Gas's proposed safety, access, and facility enhancement program tariff for the period January through December 2024 is approved. Furthermore, we approve FCG's proposed 10-year SAFE investment and construction schedule. The proposed tariffs, provided in Attachment B to this order, shall be effective for the first billing cycle in January 2024 through the last billing cycle of December 2024. It is further

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 16th day of November, 2023.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

MRT

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 7, 2023.

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.

Florida City Gas
 Docket No. 20220097-GU
 Staff's Second Set of Data Requests
 Request No. 1
 Attachment No. 1 of 1
 Tab 1 of 1

ATTACHMENT B
 Florida City Gas
 SAFE Program
 Actual and Forecasted Replacements

Year	SAFE Replacements						Orange Pipe Replacements					
	Replaced (miles)	Remaining at Year End (miles)	Total Miles Remaining	Replaced Services (No.)	Remaining Services at year end	Total Remaining Services	Replaced (miles)	Remaining at Year End (miles)	Total Miles Remaining	Replaced Services (No.)	Remaining Services at year end	Total Remaining Services
2014	-	254.3	254.3	-	11,443	11,443	-	-	-	-	-	-
2015	-	254.3	254.3	49	11,394	11,394	-	-	-	-	-	-
2016	17.1	237.2	237.2	1,433	9,961	9,961	-	-	-	-	-	-
2017	37.5	199.7	199.7	1,551	8,410	8,410	-	-	-	-	-	-
2018	27.6	172.1	172.1	1,634	6,776	6,776	-	-	-	-	-	-
2019	37.8	134.3	134.3	1,183	5,593	5,593	-	-	-	-	-	-
2020	25.5	108.8	108.8	1,186	4,407	4,407	-	-	-	-	-	-
2021	26.0	82.8	82.8	1,105	3,302	3,302	-	-	-	-	-	-
2022	29.0	53.8	53.8	830	2,472	2,472	-	-	-	-	-	-
2023	26.0	27.8	27.8	1,399	1,073	1,073	-	160.0 ^(a)	160.0 ^(a)	-	8,059	8,059
2024	27.8	0.0	0.0	1,073	-	-	10.0	150.0	150.0	1,431	6,628	6,628
2025	-	150.0 ^(b)	150.0 ^(b)	-	13,874	13,874	25.0	125.0	125.0	1,105	5,523	5,523
2026	14.5	135.5	135.5	1,341	12,533	12,533	15.0	110.0	110.0	663	4,861	4,861
2027	14.5	121.0	121.0	1,341	11,192	11,192	15.0	95.0	95.0	663	4,198	4,198
2028	14.0	107.0	107.0	1,295	9,897	9,897	15.0	80.0	80.0	663	3,535	3,535
2029	12.5	94.5	94.5	1,156	8,741	8,741	16.0	64.0	64.0	707	2,828	2,828
2030	12.0	82.5	82.5	1,110	7,631	7,631	16.0	48.0	48.0	707	2,121	2,121
2031	11.5	71.0	71.0	1,064	6,567	6,567	16.0	32.0	32.0	707	1,414	1,414
2032	10.0	61.0	61.0	925	5,642	5,642	16.5	15.5	15.5	729	685	685
2033	10.5	50.5	50.5	971	4,671	4,671	15.5	-	-	685	(0)	(0)
2034	25.5	25.0	25.0	2,359	2,312	2,312	-	-	-	-	-	-
2035	25.0	-	-	2,312	-	-	-	-	-	-	-	-

Notes:

^(a) The expansion of the SAFE program to include the capital investments necessary for the expedited replacement of approximately 160 miles of orange pipe installed before 1990 was approved by Commission Order No. PSC-2023-0177-FOF-GU.

^(b) The continuation of the SAFE program beyond its 2025 expiration date and inclusion of an additional approximately 150 miles of mains and services was approved by Commission Order No. PSC-2023-0177-FOF-GU.

^(c) The future-dated items herein are provided for estimation purposes only and do not constitute the actual allocation for the respective year. The actual figures shall be adjusted accordingly in accordance with applicable regulations and standards with each annual filing.

Florida City Gas
FPSC Natural Gas Tariff
Volume No. 10

~~Third~~ ~~Fourth~~ Revised Sheet No. 78
Cancels ~~Third~~ ~~Second~~ Revised Sheet No. 78

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM

Applicable to all Customers served under the Rate Schedules shown in the table below except for those Customers under RSG, CSG, NGV, KDS and special contract rates receiving a discount under the AFD-Rider.

Through its SAFE Program, the Company has identified the potential replacement projects focusing initially on area of limited access/pipe overbuilds, early vintage polymer pipeline and risk assessment for Rear Lot Mains and Services considering:

- i. The pipe material;
- ii. Leak incident rates;
- iii. Age of pipeline;
- iv. Pressure under which the pipeline is operating.

The Eligible Infrastructure Replacement includes the following:

Company investment in mains and service lines, as replacements for existing Rear Lot Facilities, early vintage polymer pipelines and regulatory station and other distribution system components, the installation of which is required as a consequence of the replacement of the aforesaid facilities 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. that 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.

The Company is recovering its revenue requirement on the actual investment amounts.
The revenue requirements are inclusive of:

1. Return on investment as calculated using the following:
 - a.) Equity balance from the most recent year-end surveillance report and the ROE and equity ratio cap from the most recent rate case;
 - b.) Debt and customer deposit components from the Company's most recent year-end surveillance report; and
 - c.) Accumulated deferred income tax balance from the Company's most recent year-end surveillance report as adjusted, if applicable, consistent with the normalization rules of the Internal Revenue Code.
2. Depreciation expense (calculated using the currently approved depreciation rates);
3. Customer and general public notification expenses associated with the SAFE Program incurred for:

Issued by: Kurt Howard
General Manager, Florida City Gas

Effective: ~~January 1, 2024~~

Florida City Gas
 FPSC Natural Gas Tariff
 Volume No. 10

~~Fifth~~ Sixth Revised Sheet No. 79
 Cancels ~~Fifth~~ Fourth Revised Sheet No. 79

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
 (Continued)

- i. all Customers regarding the implementation of the SAFE Program and the approved surcharge factors;
 - ii. the immediately affected Customers where the eligible infrastructure is being replaced; and
 - iii. the general public through publications (newspapers) covering the geographic areas of the eligible infrastructure replacement activities;
4. Ad valorem taxes; and
 5. Federal and state income taxes.

The Company is utilizing a surcharge mechanism in order to recover the costs associated with the SAFE Program. The Company has developed the revenue requirement for the SAFE Program using the same methodology approved in its most recent rate case. The SAFE revenue requirement will be allocated to each Customer class (Rate Schedule) using allocation factors established by the Florida Public Service Commission for the SAFE Program. The per Customer SAFE surcharge is calculated by dividing the revenue requirement allocated to each Customer class by the number of Customers in the class.

The cost recovery factors including tax multiplier for the twelve-month period from January 1, ~~2023~~2024 through December 31, ~~2023~~2024 are:

<u>Rate Class</u>	<u>Rates Per Customer</u>
Rate Schedule RS-1	\$0.443.17
Rate Schedule RS-100	\$0.443.17
Rate Schedule RS-600	\$0.443.17
Rate Schedule GS-1	\$0.443.17
Rate Schedule GS-6K	\$0.985.44
Rate Schedule GS-25K	\$0.985.44
Rate Schedule GS-120K	\$0.985.44
Rate Schedule GS-1,250K	\$0.985.44
Rate Schedule GS-11M	\$0.985.44
Rate Schedule GS-25M	\$0.985.44
Rate Schedule GL	\$0.443.17

Issued by: Kurt Howard
 General Manager, Florida City Gas

Effective: January 1, 2023

Florida City Gas
 FPSC Natural Gas Tariff
 Volume No. 10

Fourth-Fifth Revised Sheet No. 81
 Cancels Fourth-Third Revised Sheet No. 81

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
 (Continued)

Calculation of the SAFE Revenue Requirements and SAFE Surcharges

In determining the SAFE Revenue Requirements, the Commission shall consider only (a) the net original cost of Eligible Replacements (i.e., the original cost); (b) the applicable depreciation rates as determined and approved by the Commission based on the Company's most recent depreciation study; (c) the accumulated depreciation associated with the Eligible Replacements; (d) the current state and federal income and ad valorem taxes; and (e) the Company's weighted average cost of capital as calculated on Tariff Sheet No. 78.

The SAFE Revenue Requirements shall be calculated as follows:

Line	Description	Value	Source
1	Revenue Expansion Factor	1.36420 1.35270	As calculated in most recent base rate proceeding, using current tax rates
2	Ad Valorem Tax Rate	%	Effective Property Tax Rate for most recent 12 Months ended December 31
3	Mains	\$	Eligible Replacement Mains
4	Services	\$	Eligible Replacement Services
5	Regulators	\$	Eligible Replacement Regulators
6	Other	\$	Eligible Replacement Other
7	Gross Plant	\$	L3+L4+L5+L6
8	Accumulated Depreciation	\$	Previous Period Balance +L13
9	Construction Work In Progress	\$	Non-interest Bearing
10	Net Book Value	\$	L7-L8+L9
11	Average Net Book Value	\$	(L10 + Balance From Previous Period)/2
12	Return on Average Net Book Value	\$	L 11 X Company's calculated weighted average cost of capital
13	Depreciation Expense	\$	Lines 3,4,5 & 6 X applicable approved Depreciation Rates
14	Property Tax	\$	(L7-L8) X L 2
15	Customer and general public notification and other applicable expense	\$	O&M expense incurred as a result of eligible plant replacement
16	SAFE Revenue Requirement	\$	(L12+L13+L14+L15) X L 1

Issued by: Kurt Howard
 General Manager, Florida City Gas

Effective: January 1, 2023