

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-**

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**DATE:** September 19, 2024

**TO:** Office of Commission Clerk (Teitzman)

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

**RE:** Docket No. 20240133-GU – Petition for approval of 2023 true-up, projected 2024 true-up, and 2025 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System, Inc.

**AGENDA:** 10/01/24 – Regular Agenda – Tariff Suspension – Participation is at the Commission’s Discretion

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 10/29/24 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

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## Case Background

On August 30, 2024, Peoples Gas System, Inc. (Peoples or utility) filed a petition for approval of the 2023 true-up, projected 2024 true-up, and 2025 revenue requirements and surcharges associated with its cast iron/bare steel (CI/BS) pipe replacement rider. The rider was originally approved by 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.<sup>1</sup> As established by the 2012 Order, Peoples would roll replaced infrastructure into rate base during a rate case, and the CI/BS surcharge would be “reset to zero”.<sup>2</sup> The surcharge is set to terminate when all applicable CI/BS pipes have been replaced and included in rate base. During the 2023

<sup>1</sup> 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.*

<sup>2</sup> Order No. PSC-12-0476-TRF-GU, page 3.

Peoples rate case, CI/BS investments as of December 31, 2023, were moved into rate base pursuant to Order No. PSC-2023-0388-FOF-GU.<sup>3</sup>

In the 2023 rate case order, the Commission approved the Long Term Debt Cost Rate True-Up Mechanism (LTDR true-up mechanism), which allowed Peoples to make a one-time adjustment to its forecasted long-term debt cost rate after its inaugural debt issuance. The LTDR true-up mechanism and the associated incremental base rate revenue increase was approved in Order No. PSC-2024-0170-TRF-GU.<sup>4</sup> As part of the Order, the utility was required to include the actual incremental amount for recovery in the subject docket (2024 CI/BS Rider).

Currently, Peoples has an active petition pending before the Commission for an expansion of the CI/BS rider in Docket No. 20240107-GU. In that docket, Peoples has proposed to rename the CI/BS rider to the Safety of Facilities and Infrastructure Replacement Rider (SAFIR) and expand the categories of eligible replacements under the rider. If the SAFIR program is approved, projected capital expenditures would increase for 2025.

The utility in the instant petition stated that if the Commission approves Peoples' SAFIR petition before November 30, 2024, the utility will seek approval of the revenue requirement and surcharge for CI/BS replacement, PPP replacement, and SAFIR modifications. If the petition remains pending on November 30, 2024, Peoples will seek approval of the revenue requirement and surcharge for CI/BS and PPP replacement only. Peoples' current surcharges were approved in Order No. PSC-2023-0363-TRF-GU.<sup>5</sup>

This is staff's recommendation to suspend the proposed tariffs. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

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<sup>3</sup> Order No. PSC-2023-0388-TRF-GU, issued December 27, 2023, in Docket No. 20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*

<sup>4</sup> Order No. PSC-2024-0170-TRF-GU, issued May 23, 2024, in Docket No. 20240028-GU, *In re: Petition to implement long-term debt cost true-up mechanism, by Peoples Gas System, Inc.*

<sup>5</sup> Order No. PSC-2023-0363-TRF-GU, issued November 29, 2023, in Docket No. 20230098-GU, *In re: Petition for approval of 2022 true-up, projected 2023 true-up, and 2024 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System, Inc.*

### Discussion of Issues

**Issue 1:** Should the Commission suspend Peoples' proposed revised CI/BS rates and associated tariff for the period January through December 2025?

**Recommendation:** Yes. Staff recommends that Peoples' proposed revised CI/BS rates and associated tariff for the period January through December 2025 be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff proposals. (Ward)

**Staff Analysis:** Staff recommends that Peoples' proposed revised CI/BS rates and associated tariff for the period January through December 2025 be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff proposal.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change a reason or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is a good cause consistent with the requirements of Section 366.06(3), F.S.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. This docket should remain open pending the Commission's decision on the proposed tariffs. (Sandy)

**Staff Analysis:** This docket should remain open pending the Commission's decision on the proposed tariffs.