

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: September 19, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (P. Kelley) *ETD*
Office of the General Counsel (Dose) *JSC*

RE: Docket No. 20240134-GU – Petition for approval of safety, access, and facility enhancement program true-up and 2025 cost recovery factors, by Florida City Gas.

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

Case Background

On August 30, 2024, Florida City Gas (FCG or utility) filed a petition for approval of its safety, access, and facility enhancement (SAFE) program true-up and 2025 cost recovery factors. The SAFE program was originally approved by the Commission 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, the Commission 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.

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.*

In the 2015 Order, the Commission 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. The current 2024 SAFE factors were approved by Order No. PSC-2023-0345-TRF-GU (2023 Order).²

During the utility's 2022 rate case, the Commission approved a stipulation for the expansion of the SAFE program in Order No. PSC-2023-0177-FOF-GU.³ The parties agreed and the Commission found that the continuation of the SAFE program beyond its 2025 expiration date and the relocation of an additional approximately 150 miles of mains and services was reasonable.⁴

In Order No. PSC-2023-0177-FOF-GU, the Commission further approved a stipulation for the replacement of approximately 160 miles of "orange pipe."⁵ 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. The parties agreed and the Commission ordered that FCG should expedite the replacement of 160 miles of orange pipe through the SAFE program to address this safety risk in a timely manner.

On April 19, 2024 FCG filed a petition to modify its SAFE program to include replacing of span pipes, burying shallow and exposed pipeline, and replacing of obsolete pipe and related facilities. At the September 10 2024 Agenda Conference, the Commission approved FCG's SAFE modification. The total estimated cost for the program modifications is \$49.8 million over a ten year period.⁶ The additional program modifications are included in this proceeding for recalculation of the SAFE surcharges.

This is staff's recommendation to suspend the proposed tariffs. The Commission has jurisdiction over the matter pursuant to Sections 366.04, 366.041, 366.05, and 366.06, Florida Statutes (F.S.).

² Order No. PSC-2023-0345-TRF-GU, issued November 16, 2023, in Docket No. 20230097-GU, *In re: Petition for approval of safety, access, and facility enhancement program true-up and 2024 cost recovery factors, by Florida City Gas.*

³ 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.*

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

⁵ See page 72, Section X, C. of Order No. PSC-2023-0177-FOF-GU.

⁶ See attachment B, of Document No. 04172-2024 titled "Responses to Staff's First Data Request

Discussion of Issues

Issue 1: Should the Commission suspend FCG's proposed revised SAFE tariffs for the period of January through December 2025?

Recommendation: Yes. Staff recommends that FCG's proposed revised SAFE tariffs for the period of 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. (P. Kelley)

Staff Analysis: Staff recommends that FCG's proposed revised SAFE tariffs 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. Staff issued a data request to FCG on September 17, 2024, for which responses are currently pending.

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 requirement of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission decision on the proposed revised tariffs. (Dose)

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