

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

January 3, 2025

BY ELECTRONIC FILING

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20250000-OT [Undocketed] – STAFF RULE DEVELOPMENT - RULE 25-7.150, FLORIDA ADMINISTRATIVE CODE (F.A.C.), NATURAL GAS FACILITIES RELOCATION COST RECOVERY CLAUSE – POST WORKSHOP COMMENTS

Dear Mr. Teitzman:

Attached for electronic filing, on behalf of Florida Public Utilities Company and Florida City Gas, please find the attached Joint Post Workshop Comments submitted consistent with the rule development discussion at Staff's Workshop of December 16, 2024.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Cc: (service list)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: RULE 25-7.150, FLORIDA ADMINISTRATIVE CODE (F.A.C.), NATURAL GAS FACILITIES RELOCATION COST RECOVERY CLAUSE	DOCKET NO. 20250000-OT Filed: January 3, 2025
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POST WORKSHOP JOINT COMMENTS OF FLORIDA PUBLIC UTILITIES
COMPANY AND FLORIDA CITY GAS

Florida City Gas (“FCG”) and Florida Public Utilities Company (“FPUC”)(jointly herein, “Companies”) hereby submit these post workshop comments regarding proposed Rule 25-7.150, Florida Administrative Code (herein, the “Rule”). The Companies appreciate the opportunity to further address the draft Rule proposed to implement Section 366.99, Florida Statutes. While the Companies commend Commission Staff for this initial draft, there are certain components of the underlying statute that the Companies suggest should be more specifically reflected in the rule, as well as clarifications that should be considered. As such, in addition to these comments, the Companies are submitting the attached revised draft of the Rule for consideration.

The Companies joint comments can be summarized as: 1) seeking to clarify that costs associated with relocation projects that are consistent with Section 366.99, Florida Statutes, and undertaken after the effective date of the statute, but prior to the effective date of the rule, are eligible for cost recovery; 2) aligning the proposed rule to focus on the Commission’s review of the prudence of incurred relocation costs and reasonableness of projected costs; and 3) acknowledging that recovery should include the appropriate return on investment and depreciation expense. In addition, the Companies suggest a clarification to address the practicality of how utilities are typically notified of these relocation projects. The Companies also suggest the rule referenced

regarding the Uniform System of Accounts be changed from the electric version to the applicable natural gas rule.

I. Effective Date

The Companies propose additional language for paragraph (3)(a) of the draft rule, which would clarify that costs associated with projects undertaken after the effective date of the statute are eligible for cost recovery. This is consistent with the statute itself, which provides at Section (2) that a utility’s petition should include “actual natural gas facilities relocation costs for the prior calendar year” and that a “utility’s decision to proceed with implementing a plan before filing” will not be considered imprudent. It is also consistent with the Legislature’s directive that a rule be adopted to implement the statute “as soon as practicable” after the July 1, 2024, effective date.

II. Approval of Cost Recovery

As currently drafted, the Rule could be interpreted to require a Commission determination that projects are eligible for cost recovery under the statute before seeking recovery of the costs associated with such a project, which could also be construed to mean costs associated with a relocation project undertaken before approval are not eligible for recovery. That is not, however, consistent with the underlying statute, which provides that prudently incurred and reasonably projected “natural gas relocation costs,” as defined in Section 366.99 (6), F.S., are recoverable, unless otherwise recovered in a utility’s base rates. As set forth in Section 366.99 (9), F.S., the Commission’s review is limited to the prudence of costs already incurred and the reasonableness of projected costs, as opposed to the prudence or reasonableness of project. Focus on the costs is appropriate given that the projects themselves are undertaken at the direction of governmental authorities.

Moreover, the lead time provided to a utility in many, if not most, instances, would not allow a utility to seek a Commission determination that costs are eligible for recovery before costs have actually been incurred. The more likely scenario, and the corresponding impact on filings for this clause, is that a utility will be required to undertake a variety of projects on a rolling basis throughout the year, which will

necessitate that information regarding new projects - and their associated costs - will need to be provided with each filing (Final True-Up, Actual-Estimated, and Projection) to support the inclusion of new costs, both incurred and projected. The Companies therefore offer suggested changes to more clearly align with the language and intent of the underlying statute.

III. Clarification of “Costs”

The current draft of the Rule simply states that a utility must provide information on the “costs” associated with a relocation project. The term “costs” is not defined in the Rule. The statute, however, clearly contemplates that depreciation and a return on capital expenditures associated with these types of projects may be included in the calculation of the cost recovery factors. Practically speaking, capital expenditures are typical for these types of projects, because buried pipe that is being removed for a relocation project is not suitable for reinstallation at a new location. Therefore, the Companies suggest that language be included in the Rule similar to that found in subsection (5) of the statute and noted in the attached, revised version of the Rule at paragraph (2)(c).

IV. Minor Clarifications

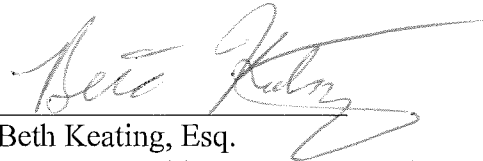
The Companies suggest that the rule referenced in paragraph (5) of the Rule be changed from Rule 25-6.014 to Rule 25-7.014, F.A.C.

In addition, the Companies note that often directions regarding new relocation projects are sent by agency and local government personnel to the Companies in a relatively informal fashion, and typically by email. As such, the Companies suggest inclusion of language defining the word “mandate” to include specific direction from state and local authorities to the utility regarding relocation of facilities, pursuant to underlying authority, regardless of the way the direction is communicated.

Finally, the Companies have included a suggested provision addressing mid-course corrections consistent with comments made at the workshop.

Again, the Companies appreciate this opportunity to address the draft Rule and look forward to further productive discussions in this regard.

RESPECTFULLY SUBMITTED this 3rd of January 2025.

A handwritten signature in cursive script, appearing to read "Beth Keating", written in black ink. The signature is positioned above a horizontal line that separates it from the printed contact information below.

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

*Attorneys for Florida City Gas and
Florida Public Utilities Company.*

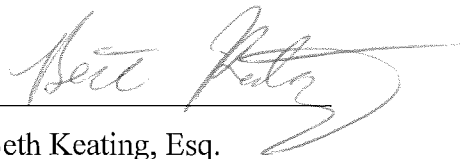
CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 3rd day of January, 2025:

Walt Trierweiler, Public Counsel, Office of Public Counsel
c/o the Florida Legislature
111 West Madison Street, Rm 812
Tallahassee, FL 32399-1400
trierweiler.walt@leg.state.fl.us

Virginia Ponder, Esquire
Ausley Law Firm
P.O. Box 391
Tallahassee, FL 32302
vponder@ausley.com

Susan Sapoznikoff
Samantha Cibula
Jon Rubottom
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399
ssapozni@psc.state.fl.us
scibula@psc.state.fl.us
jrubotto@psc.state.fl.us

By: 
Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

*Attorneys for Florida City Gas and Florida
Public Utilities Company*

1 **25-7.150 Natural Gas Facilities Relocation Cost Recovery Clause.**

2 (1) A utility may file a petition for recovery of natural gas facilities relocation costs through the annual
3 natural gas facilities relocation cost recovery clause (NGFRCRC). The petition seeking such cost recovery
4 must be supported by testimony that provides details of the facilities relocation activities and associated
5 costs.

6 (2) ~~To be eligible for recovery through As part of the NGFRCRC or a separate proceeding, a utility must~~
7 ~~submit the following information regarding seek approval that “natural gas facilities relocation costs” for~~
8 ~~which recovery is requested are eligible for recovery through the NGFRCRC by providing the following~~
9 ~~information:~~

10 (a) The mandate, statute, law, ordinance, or agreement requiring the facilities relocation. For purposes of
11 this rule, a “mandate” shall include specific direction from a state or local governmental body to the utility
12 requiring action under an existing statute, law, ordinance or agreement, regardless of the form in which it
13 is delivered;

14 (b) A description of the scope of the facilities relocation to be undertaken per the requirements imposed by
15 the authority; and

16 (c) An estimate of the total costs associated with the relocation of the natural gas facilities, identification of
17 any costs already incurred, and, where appropriate, the calculation of the return on investment using the
18 equity and debt components of the weighted average cost of capital from the utility’s most recent rate case,
19 as well as depreciation expense.

20 (3) Each year, pursuant to the order establishing procedure in the annual NGFRCRC, a utility must submit
21 the following:

22 (a) Final True-Up for Previous Year. The final true-up of natural gas facilities relocation cost recovery for
23 a prior year must include revenue requirements based on a comparison of actual costs for the prior year and
24 previously filed projected costs and revenue requirements for such prior year for each program and project
25 determined to be eligible by the Commission. The final true-up must also include identification of each of
26 the utility’s facilities relocation projects for which costs were incurred and deemed eligible for recovery

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1 during the prior year, including a description of the work actually performed during such prior year, for
2 each facilities relocation project approved by the Commission. In its initial filing for cost recovery
3 following implementation of this rule, a utility may include a request for recovery of costs associated with
4 eligible projects undertaken since the effective date of Section 366.99, Florida Statutes, along with the
5 information required by paragraph (2) for any such project.

6 (b) Estimated True-Up for Current Year. The actual/estimated true-up of Natural Gas Facilities Relocation
7 cost recovery must include revenue requirements based on a comparison of current year actual/estimated
8 costs and the previously-filed projected costs and revenue requirements for such current year for each
9 eligible program and project determined to be eligible by the Commission. The actual/estimated true-up
10 must also include identification of each of the utility's facilities relocation projects for which costs have
11 been and will be incurred during the current year, including a description of the work projected to be
12 performed during such current year, for each facilities relocation project for which cost recovery is
13 requested, approved by the Commission.

14 (c) Projected Costs for Subsequent Year. A utility must submit The its projected Natural Gas Facilities
15 Relocation cost recovery must include costs and revenue requirements for the subsequent year, along with
16 the information required by paragraph (2) for any relocation project for which cost recovery is being
17 requested for the first time, for each program determined to be eligible by the Commission. The projection
18 filing must also identify include identification of each of the utility's ongoing, eligible facilities relocation
19 projects for which additional costs will be incurred during the subsequent year including a description of
20 the work projected to be performed during such year, for each facilities relocation project approved by the
21 Commission.

22 (d) True-Up of Variances. The utility must report observed true-up variances, including sales forecasting
23 variances, changes in the utility's prices of services and/or equipment, and changes in the scope of work
24 relative to the estimates provided pursuant to paragraphs (2)(b) and (2)(c). The utility must also provide
25 explanations for variances regarding the facilities relocation.

26 (e) Proposed Natural Gas Facilities Relocation Cost Recovery Factors. The utility must provide the

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1 calculations of its proposed factors and effective 12-month billing period.

2 (4) Natural gas facilities relocation cost recovery clause true-up amounts will be afforded deferred
3 accounting treatment at the 30-day commercial paper rate.

4 (5) Subaccounts. To ensure separation of costs subject to recovery through the clause, the utility filing for
5 cost recovery must maintain subaccounts for all items consistent with the Uniform System of Accounts
6 prescribed by this Commission pursuant to Rule 25-~~67~~.014, F.A.C.

7 (6) In the event that the absolute value of any over-recovery or under-recovery is 25 percent or greater, the
8 utility shall promptly notify the Commission by letter delivered to the Commission Clerk. At the utility's
9 discretion, the notification of a 25 percent or greater estimated over-recovery or under-recovery may include
10 a petition for mid-course correction to the NGFRCRC cost recovery factors. This section in no way
11 precludes a utility from requesting a mid-course correction prior to reaching the 25 percent threshold
12 requiring Commission notification.

13 ~~(67)~~ Recovery of costs under this rule does not preclude a utility from proposing inclusion of unrecovered
14 natural gas facilities relocation costs in base rates in a subsequent rate proceeding. Recovery of costs under
15 this rule does not preclude inclusion of such costs in base rates in a subsequent rate proceeding, provided
16 that such costs are removed from the NGFRCRC.

17 Rulemaking Authority 366.99, FS. Law Implemented 366.99, FS. History--New _____.