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January 7, 2025

VIA ELECTRONIC FILING

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

Re: Docket No. 20250000-OT [Undocketed]
Staff Rule Development Workshop Re: Rule 25-7.150, Florida Administrative Code (F.A.C.),
Natural Gas Facilities Relocation Cost Recovery Clause.

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. is the company's Post Workshop Comments submitted consistent with the rule development discussion at Staff's Workshop December 16, 2024.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'V. Ponder'.

Virginia Ponder

VLP/dh
Attachment

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Rule 25-7.150, Florida Administrative Code, Natural Gas Facilities Relocation Cost Recovery Clause

DOCKET NO. 20240000

FILED: January 7, 2025

**PEOPLES GAS SYSTEM, INC.'S
POST-WORKSHOP COMMENTS**

On November 19, 2024, the Florida Public Service Commission (“Commission”) issued a Notice of Rule Development Workshop (“Workshop”) addressing the proposed adoption of Rule 25-7.150, Florida Administrative Code- Natural Gas Facilities Relocation Cost Recovery Clause (“NGFRCRC” or the “NGFRCRC Rule”).¹ The Workshop was held on December 16, 2024. Peoples Gas System, Inc. (“Peoples” or the “company”) participated in the Workshop and submits the following Post-Workshop Comments. Exhibit A, attached hereto, includes the company’s proposed modifications in a strike-through version of the Rule.

I. *Introduction*

First, Peoples commends Staff on the draft NGFRCRC Rule and its helpful discussion at the December 16, 2024, Workshop.

Section 366.99, Florida Statutes, defines “facilities relocation” to mean “the physical moving, modification, or reconstruction of public utility facilities to accommodate the requirements imposed by an *authority*.”² (emphasis added) An authority provides the company

¹ See DN 09931-2024, filed on November 26, 2024, in Docket No. 20240000.

² Section 366.99,1(a), Florida Statutes defines “authority” to have the same meaning as in Section 337.401(1)(a), Florida Statutes. In turn, Section 337.401(1)(a), Florida Statutes, provides, in pertinent part: that the “department and local governmental entities, referred to in this section and in ss. 337.402-337.404 as the “authority,” that have jurisdiction and control of public roads or publicly owned rail corridors are authorized to prescribe and enforce reasonable rules or regulations with reference to the placing and maintaining across, on, or within the right-of-way limits of any road or publicly owned rail corridors under their respective jurisdictions any electric transmission, voice, telegraph, data, or other communications services lines or wireless facilities; pole lines; poles; railways; ditches; sewers; water, heat, or gas mains; pipelines; fences; gasoline tanks and pumps; or other structures ...”

with a relocation mandate due to a wide variety of work, including drainage improvements, road widening, signaling improvements, bridge construction, or other work being done by the authority that requires such relocation. Facilities relocations are ongoing activities and part of a utility's routine operations; however, relocation mandates place significant stress on a utility because they (a) are unpredictable in terms of scope and costs; (b) have significant variation in cycle time; and (c) are compulsory (the company must accommodate the authority). Every year, there are typically dozens of projects with costs ranging from as low as tens of thousands of dollars to approximately two million dollars. However, significant projects from the Florida Department of Transportation can exceed several million dollars.

As explained during the Workshop, authorities use different practices and procedures when communicating a required relocation to the company. While some authorities communicate well in advance of a relocation project deadline and provide project schedule details, other authorities provide more informal communications with a short period for the company to accommodate the imposed requirements. Utilities are often informed of projects just weeks or months in advance. Many mandatory relocation projects have short cycle times, frequently being initiated, designed, constructed, and finalized within a 12-month cycle. Since numerous relocation projects are completed within just a few months, an annual forecast by project is not practical. As a result of this unpredictability and inconsistency, facility relocation projects fall into two categories: (a) identified; and (b) anticipated. The company annually budgets identified projects by using project data provided by the relevant authority. For anticipated projects, the company creates a budget based on the Florida Department of Transportation's five-year plan, long-term forecasts, and the company's business knowledge.

Natural Gas utilities do not control the timing of notification, nor the nature of relocation projects imposed by an authority. The cost recovery provided through the NGFRCRC Rule for these non-discretionary relocations will allow natural gas local distribution companies to serve customers more effectively provided it encompasses the intrinsic attributes of the project lifecycle as described above.

II. *Information Required - Eligible Natural Gas Facilities Relocation Costs*

Paragraph (2) of the Rule sets out three pieces of “information” that a utility must submit in seeking approval that its “natural gas facilities relocation costs” are eligible for recovery via the NGFRCRC:

- (a) The mandate, statute, law, ordinance, or agreement requiring the facilities relocation;
- (b) A description of the scope of the facilities relocation to be undertaken per the requirements imposed by the authority; and
- (c) An estimate of the costs associated with the relocation of the natural gas facilities.

Paragraph 2(a), in common business practice, implicates at least two pieces of information (a) the underlying legal document (“Mandate”) that requires the company to “accommodate the requirements imposed by an authority”; and (b) the request or notice (“Notice”) of required relocation that comes from an authority to the company. These two pieces of information – the Mandate and the Notice - are distinct and non-contemporaneous. For example, a Franchise Agreement (Mandate) with a municipality may be in effect several months or years prior to a municipality providing Notice to Peoples of a facilities relocation that implicates the provisions of the Mandate.

In consideration of how relocations work in practice, the company proposes a modification to paragraph (2). This modification would require the submission of the authority’s Notice for a specific required relocation project as part of the information supporting the facility's relocation.

For anticipated projects, which are described in more detail in Section III below, the information required in paragraph (2) of the Rule will be submitted with the company's annual true-up filing.

III. *Projection Filing – Paragraph 3(c)*

Paragraph 3(c) of the Rule addresses the projection filing for the subsequent year and requires this filing to include “costs and revenue requirements for the subsequent year.”

Additionally, this filing must include:

identification of each of the utility's facilities relocation projects for which costs will be incurred during the subsequent year including a description of the work projected to be performed during such year, for each facilities relocation project approved by the Commission. (emphasis added).

As explained during the Workshop and as set out above, authorities use different practices and procedures when communicating a mandated relocation to the company that results in two categories of relocations: (a) identified; and (b) anticipated. The company contends that consideration of the common industry practice for mandated relocations is important and that it is appropriate for the projection filing to encompass both *identified* and *anticipated* projects. For *anticipated projects*, the company notes that while the projection petition would reflect the company's reasonable estimate for anticipated projects based on the utility's historical experience, business and industry knowledge, and the Florida Department of Transportation Five Year Work Program, it would lack the requirements in paragraph 2 (the mandate, the request, the description of the project scope). However, when an *anticipated* project is classified an identified project, this information would become available and would be provided during the following year's true-up filing.

IV. *Use of the Term “Program”*

The company notes that the term “program” appears in paragraph (3)(a), (3)(b), and (3)(c)

of the Rule and is not defined. Merriam-Webster’s Dictionary defines the term “program” to mean “a public notice” or “a plan or system under which action may be taken toward a goal.”³ Rule 25-6.030, Florida Administrative Code, Storm Protection Plan, defines the term “storm protection program” to mean, in pertinent part, a “category, type or group of related storm protection projects ...” Without a definition set forth in the Rule or an understanding of the intent of such term for purposes of the NGFRCRC, the company recommends using only the term “project” as reflected in the strike-through version attached hereto as this term “project” appropriately captures the activities governed by the Rule.

V. *Implementation of a Cap*

The company also suggests implementing a maximum or "Cap" for the NGFRCRC factor, akin to the method used in the Purchased Gas Adjustment Clause. This mechanism would enable monthly adjustments to the factor, both upward and downward monthly, within the established Cap.

VI. *A Mid-course Adjustment*

The company proposes including a “mid-course correction” should projected expenses exceed projected revenues by more than ten percent. Due to project unpredictability and variation in cycle times, projected and actual facilities relocation costs may vary over a 12-month period, making a mid-course adjustment a reasonable option in the NGFRCRC.

VII. *NGFRCRC – First Year Filings*

Section 366.99, Florida Statutes, became effective on July 1, 2024. Accordingly, the company considers that the first annual NGFRCRC would encompass facilities relocation projects as of July 1, 2024. Once the Rule is effective, the company believes it would be

³ “program” Merriam-Webster.com. 2024. <https://www.merriam-webster.com> (December 16, 2024).

appropriate for the utilities to file a petition under the NGFRCRC to recover costs by December 31, 2025, for those costs incurred since July 1, 2024.

WHEREFORE, Peoples Gas System, Inc. submits the foregoing Post-Workshop Comments to the proposed adoption to Rule 25-7.150, Florida Administrative Code.

DATED this 7th day of January 2025.

Respectfully submitted,



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ATTORNEYS FOR PEOPLES GAS SYSTEM, INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Post-Workshop Comments filed on behalf of Peoples Gas System, Inc., has been furnished by electronic mail on this 7th day of January 2025, to the following:

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ATTORNEY

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

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

9 (a) The mandate, statute, law, ordinance, or agreement requiring the facilities relocation
10 for identified relocation projects;

11 **(b) The request, or notification from the authority seeking the identified facilities**
12 **relocation project;**

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

15 **(d)(e)** An estimate of the costs associated with the relocation of the natural gas facilities.

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

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

 (b) Estimated True-Up for Current Year. The actual/estimated true-up of Natural Gas
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

1 Facilities Relocation cost recovery must include revenue requirements based on a comparison
2 of current year actual/estimated costs and the previously-filed projected costs and revenue
3 requirements for such current year for each eligible program and project ~~determined to be~~
4 ~~eligible by the Commission~~. The actual/estimated true-up must also include identification of
5 each of the utility's facilities relocation projects for which costs have been, will be, and are
6 projected to be ~~will be~~ incurred during the current year, including a description of the work
7 projected to be performed during such current year, for each facilities relocation project
8 approved by the Commission.

9 (c) Projected Costs for Subsequent Year. The projected Natural Gas Facilities Relocation cost
10 recovery must include costs and revenue requirements for the subsequent year for each project
11 ~~program~~ determined to be eligible by the Commission. The projection filing must ~~also include~~
12 ~~identification of each of the utility's facilities relocation projects for which costs will be~~
13 ~~incurred during the subsequent year~~ set forth each of the utility's identified and anticipated
14 facilities relocation projects for which costs will be incurred during the subsequent year,
15 including a description of the work projected to be performed during such year, for each
16 facilities relocation project approved by the Commission. The projected Natural Gas Facilities
17 Relocation cost recovery must include reasonable estimated costs and revenue requirements
18 for the subsequent year for anticipated projects determined to be eligible by the Commission.
19 Reasonable estimated costs for anticipated projects shall be based on the utility's documented
20 historical experience, business experience with anticipated projects, and the Florida
21 Department of Transportation Five Year Work Program.

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

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1 (e) Proposed Natural Gas Facilities Relocation Cost Recovery Factors. The utility must
2 provide the calculations of its proposed factors and effective 12-month billing period.

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

5 (5) Mid-Course Correction. A utility may request a mid-course correction if revised
6 projected expenses for the remainder of the period exceed projected revenues by more than ten
7 percent. To request a mid-course correction to the Natural Gas Facilities Relocation Cost
8 Recovery Factors, a utility shall file a petition for mid-course correction which shall contain
9 the following information: the estimated percentage of year-end over-recovery or under-
10 recovery calculated using the estimated End-of-Period Total Net True-up divided by the
11 current period's total actual and estimated project cost applicable to the period. The estimated
12 End-of-Period Total Net True-up consists of the difference between estimated and actual
13 prior-period net true-ups, plus the estimated current-period monthly over/under-recoveries,
14 plus the estimated current-period interest. The total actual and estimated project costs
15 applicable to the period consists of the best estimate of reprojected project costs for the period
16 using the current cost recovery factor.

17 (6) When filing a petition for mid-course correction to Natural Gas Facilities Relocation
18 Cost Recovery Factors, a utility shall file 10 copies of the petition with the Office of
19 Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and an
20 electronic copy with the Commission Clerk at Clerk@psc.state.fl.us. The Director of the
21 Division of Accounting and Finance shall be the designee of the Commission for purposes of
22 determining whether the utility has met the minimum filing requirements imposed by this rule.

23 ~~(7)(5)~~ Subaccounts. To ensure separation of costs subject to recovery through the clause,
24 the utility filing for cost recovery must maintain subaccounts for all items consistent with the
25 Uniform System of Accounts prescribed by this Commission pursuant to Rule 25-~~67~~.014,
F.A.C.

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1 (8)(6) Recovery of costs under this rule does not preclude a utility from proposing
2 inclusion of unrecovered natural gas facilities relocation costs in base rates in a subsequent
3 rate proceeding. Recovery of costs under this rule does not preclude inclusion of such costs in
4 base rates in a subsequent rate proceeding, provided that such costs are removed from the
5 NGFRCRC.

6 *Rulemaking Authority 366.99, FS. Law Implemented 366.99, FS. History—New* _____

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