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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 150191-GU

JOINT PETITION FOR APPROVAL TO
IMPLEMENT GAS RELIABILITY
INFRASTRUCTURE PROGRAM (GRIP)
FOR FLORIDA PUBLIC UTILITIES
COMPANY-FORT MEADE AND FOR
APPROVAL OF GRIP COST RECOVERY
FACTORS BY FLORIDA PUBLIC
UTILITIES COMPANY, FLORIDA
PUBLIC UTILITIES COMPANY-FORT
MEADE AND THE FLORIDA DIVISION
OF CHESAPEAKE UTILITIES
CORPORATION.

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 15

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JULIE I. BROWN
COMMISSIONER JIMMY PATRONIS

DATE: Thursday, December 3, 2015

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** Okay. It looks like we are
3 flipping over to 15.

4 **MS. DRAPER:** Good afternoon, Commissioners.
5 Elisabeth --

6 **CHAIRMAN GRAHAM:** Hold on. Hold on. I
7 appreciate your enthusiasm.

8 Okay. Thanks.

9 **MS. DRAPER:** Good afternoon, Commissioners.
10 Elisabeth Draper for staff.

11 Item 15 is Fort Meade's request to implement a
12 new gas reliability infrastructure or GRIP program and
13 FPUC's and Chesapeake's annual petition for approval of
14 its 2016 GRIP surcharge to replace cast iron and bare
15 steel pipe.

16 As a little background, FPUC purchased the
17 City of Fort Meade's gas distribution system in December
18 2013. Since then, FPUC found during a maintenance
19 survey about 250 steel tubing services. Fort Meade is
20 seeking to replace those steel services over
21 approximately two years for a GRIP program consistent
22 with the GRIP programs the Commission has approved for
23 FPUC, Chesapeake, and Peoples Gas. Fort Meade plans to
24 start the replacement work in 2016 and file a petition
25 by September 2016 to implement 2017 GRIP surcharges.

1 With respect to FPUC and Chesapeake annual
2 surcharge factors, staff has reviewed the petition and
3 supporting documentation and recommends approval of the
4 2016 GRIP surcharges.

5 OPC and the company are here to make a few
6 comments.

7 **CHAIRMAN GRAHAM:** Thank you.

8 Ms. Christensen, I'm not used to seeing you
9 three days in a row.

10 **MS. CHRISTENSEN:** I'm not used to being here
11 three days in a row either.

12 **CHAIRMAN GRAHAM:** Let me start with the
13 utility and get back to you.

14 **MS. CHRISTENSEN:** Yes.

15 **CHAIRMAN GRAHAM:** Sorry. Please.

16 **MS. KEATING:** Good afternoon, Mr. Chairman,
17 Commissioners. Beth Keating with the Gunster firm here
18 today for FPUC and Chesapeake. With me today is
19 Mr. Mike Cassel. He's the Director of Regulatory
20 Affairs for the companies. We're here in support of the
21 staff's recommendation, and we'd just ask to have an
22 opportunity to respond to any comments that the Office
23 of Public Counsel may have.

24 **CHAIRMAN GRAHAM:** Okay. Ms. Christensen.

25 **MS. CHRISTENSEN:** Good afternoon,

1 Commissioners, for the third day in a row. I'm here
2 with Denise Vandiver from the Office of Public Counsel.
3 We are here to address the GRIP initiative for Fort
4 Meade, FPUC, and Chesapeake. And generally we are in
5 support of the safety purpose of the gas reliability
6 infrastructure programs, the GRIP program, and we
7 support these initiatives, but we want to ensure that
8 only the appropriate costs are included in the GRIP cost
9 recovery factor. I will discuss the concerns with Fort
10 Meade and our recommendations, and then Ms. Vandiver
11 will discuss the specific accounting issues that we had
12 discovered with FPUC and as they relate to Chesapeake,
13 and then I will address what our request is going
14 forward.

15 Essentially our concern with the Fort Meade
16 request for initiating a GRIP program starting in 2016
17 is that when the utility was sold to the company, they
18 entered into a contract with the City that stated that
19 they would not implement any non-fuel-related new
20 charges prior to October 2016. And we believe that
21 allowing them to incur costs and then defer them for
22 later recovery would be in violation of the spirit of
23 this agreement, and so we believe that, you know, if
24 they're going to put this program into place, which we
25 would agree needs to take place, that they need to do it

1 in such a way that it would not violate incurring
2 non-fuel-related costs before October 2016.

3 And as I said before, Ms. Vandiver is going to
4 discuss accounting issues which she had discovered in
5 reviewing the staff audit related to FPUC and how they
6 relate to Chesapeake.

7 **CHAIRMAN GRAHAM:** Let's do these piece by
8 piece. Ms. Keating, would you like to address the first
9 issue?

10 **MS. KEATING:** Certainly. Thank you,
11 Mr. Chairman. With regard to the purchase agreement for
12 the City -- the system we purchased from the City of
13 Fort Meade, the company specifically amended its
14 petition in this docket when it discovered that issue to
15 request that a surcharge not be implemented for this
16 year and that it only be implemented after the date
17 that's in the purchase agreement. We have complied with
18 the specific language of the purchase agreement. And
19 the discussion about the spirit of the agreement really
20 has no place in the context of interpreting a contract.

21 That being said, if it's the Commission will
22 that the company delay implementation of the project for
23 Fort Meade after October of 2016, that's certainly
24 something that the company, you know, would do at the
25 Commission's direction. We don't necessarily think it's

1 the most prudent approach however. This is an older
2 system, we do know that there are suspect materials in
3 the ground there, and we think the best approach is to
4 move forward making sure that the customers in Fort
5 Meade are being served by a safe system and a safe
6 system that's on par with the rest of the company's
7 systems. We just ask the opportunity to move forward.

8 **CHAIRMAN GRAHAM:** Ms. Christensen.

9 **MS. CHRISTENSEN:** I think to the extent
10 that -- if their proposal meets with the spirit and the
11 letter of the contract that they signed, then by all
12 means it should be approved. But I think the -- we have
13 not seen that language in the contract, and I think it's
14 a little bit premature for the Commission to go ahead
15 and approve incurring those costs if they may violate
16 the spirit of the agreement. It may be appropriate to
17 do a short delay and take a look at that language and
18 bring the item back to the Commission because at this
19 point I don't believe that there's any -- although they
20 want to start in 2016, a month delay or so would not, I
21 don't think, be detrimental and would allow us to see
22 if, in fact, there is any, as the company is reporting
23 today, if this is, in fact, within the spirit of the
24 contract. But based on what the recommendation was
25 saying, it seems that it would not be.

1 So that would be my suggestion because I do
2 believe that if they've signed a contract and it's not
3 allowed in the contract, then that should -- the spirit
4 of that contract should be enforced and, you know, that
5 the GRIP program should be implemented to meet the
6 spirit of their agreement.

7 **CHAIRMAN GRAHAM:** Ms. Keating.

8 **MS. KEATING:** Mr. Chairman, if the Commission
9 would like, I'll be happy to read the specific provision
10 from the contract.

11 **CHAIRMAN GRAHAM:** That's okay.

12 Ms. Vandiver.

13 **MS. VANDIVER:** Yes, Commissioners. Thank you.
14 I would like to just address real quickly and reiterate
15 that we certainly do support the safety initiative that
16 this pipeline replacement program is resolving. But
17 when we reviewed the staff audit of FPUC for the 2014
18 expenses, we found approximately 7.5 percent of the
19 total expenditures to be for in-house labor and
20 overhead. And we're very concerned whether these are
21 incremental costs that should be -- the GRIP program was
22 meant to recover incremental costs to replace these
23 pipelines. And if these -- if labor and overhead is
24 already included in base rates, we don't believe it
25 should be included in the surcharge.

1 Some of the overhead charges that we saw were
2 things like memberships and training programs. These
3 are things that would normally be in base rates. There
4 was travel, there was cell phone usage, vehicle
5 maintenance, memberships, all sorts of things, and we
6 just don't believe that this has been fully vetted as
7 incremental cost. And we believe the same thing for
8 Fort Meade. We don't know what Fort Meade included in
9 base rates, but they would have the same issue when it's
10 time to look at their surcharge and whether those costs
11 are included in their base rates.

12 We're very concerned about double recovery
13 through the GRIP surcharge, and we believe that that
14 needs to be investigated further.

15 **MS. CHRISTENSEN:** Ms. Vandiver has spoken to
16 our specific concerns. What we would request from the
17 Commission is that the GRIP program is treated similarly
18 to the fuel docket, and we would just ask similar to the
19 fuel docket that these costs remain subject to true-up
20 next year and that the Commission does not find a
21 prudence finding on this year's costs that were being
22 incurred and allow us to keep this docket open and
23 conduct further discovery. And we would also ask that
24 staff follow up on these concerns so that we can have
25 additional information that, if necessary, we can bring

1 forth to the Commission when next year's GRIP program
2 comes before you. And we're not asking for an
3 adjustment this year because we don't think we fully
4 have vetted a number, and we want to make sure that if
5 we do bring a recommendation, then we're fully -- that
6 if we are asking for a recommendation that's for costs
7 that we have, through discovery, determined are being
8 recovered through base rates, and we don't think we've
9 had sufficient time to fully vet that. And that's what
10 we're essentially asking for is to have the docket
11 remain open and allow us to do that for this year's cost
12 and then looking forward to next year's cost. And
13 that's our request regarding FPUC and Chesapeake, and we
14 would also ask that regarding the Fort Meade.

15 **CHAIRMAN GRAHAM:** Thank you.

16 Ms. Keating, do you want to add anything to
17 that?

18 **MS. KEATING:** Just briefly. As you know, as
19 we've proposed this program, we've always sort of
20 approached it very similar to the other cost recovery
21 clauses, and that to the extent costs continue to flow
22 through the surcharges for this program, that we would,
23 you know, expect and anticipate that they would continue
24 to be reviewed and audited. So we don't take issue with
25 the request to continue to review these costs.

1 **CHAIRMAN GRAHAM:** Okay. Commissioners,
2 questions, concerns, thoughts, motions.

3 Commissioner Edgar.

4 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.
5 Could I ask our legal staff to give us some thoughts on
6 OPC's request? It's a little unusual.

7 **MS. HELTON:** First I have a confession. I'm
8 not really familiar with the GRIP program, so let me put
9 that out there for y'all.

10 When you -- when we're looking at Issue 1 of
11 the staff's recommendation, it does look like there's
12 contemplated a true-up process and it does look like --
13 or it sounds like Ms. Keating agrees with staff's
14 ability and OPC's ability to continue to look at the
15 cost issues that Ms. Christensen and Ms. Vandiver have
16 raised today. So because there is already contemplated
17 a true-up process associated with the GRIP program and
18 because Ms. Keating has agreed to looking at these costs
19 for FPUC in the coming year, I'm comfortable with that
20 approach.

21 **CHAIRMAN GRAHAM:** Commissioner Edgar.

22 **COMMISSIONER EDGAR:** And when you say "that
23 approach," would that mean -- would that then include
24 leaving the docket open or closing it, which was the
25 staff recommendation, I believe?

1 **MS. HELTON:** I guess that's where I'm not
2 really familiar. Typically when we have true-up type
3 processes we do that in the clause dockets and we have a
4 continuing docket that's given the same docket number
5 each year just differentiated by year. I'm not sure why
6 or what the philosophy is behind closing this docket,
7 but it might be cleaner and probably would be cleaner to
8 keep the docket open on a going-forward basis until this
9 program has ended. I'm not sure -- but there's probably
10 other people in the room that know more about that than
11 me.

12 **CHAIRMAN GRAHAM:** Those people would be?

13 **MS. HELTON:** Ms. Draper for one.

14 **COMMISSIONER EDGAR:** I recognize that the
15 staff recommendation is to close the docket, which is a
16 little different than what you're saying. So I'm -- I'd
17 like to be a little clearer on the thinking and the
18 process.

19 **CHAIRMAN GRAHAM:** Ms. Draper.

20 **MS. DRAPER:** What we typically have been doing
21 with those GRIP programs is open a new docket each year.
22 So unlike the fuel clause that is the same docket number
23 that's ongoing, these have been handled a new docket
24 each year. So that's the difference.

25 I believe to do an audit like for -- or

1 further review the audit, the docket does not have to be
2 open, unless legal tells me otherwise. But even if we
3 close the docket, the charges will be trued up in next
4 year's docket, so I'm not sure that prevents OPC from
5 further looking at the numbers.

6 **MS. CHRISTENSEN:** Just briefly to respond, and
7 that's how the process has been handled in the past.
8 It's not the ongoing close the docket at the end of the
9 year and open another one at the beginning of the next
10 year so that there's a smooth transition.

11 My understanding is we've been reopening the
12 docket once the petition to approve the GRIP is filed,
13 so that might not be till October or August or September
14 or October of the following year. So there's a lot of
15 time in which we would like to be doing discovery and
16 maybe resolving this issue prior to the next time they
17 would actually be filing their petition, and that's why
18 we're requesting to leave this docket open. It gives us
19 a vehicle in which to do discovery, and then we could
20 request that any discovery conducted in this docket be
21 moved to next year's docket when it's open.

22 And that's just, I guess, the way that the
23 dockets have been fashioned. Because if the docket gets
24 closed, then we have -- would not have the ability to do
25 discovery and be able to vet the issue for next year or

1 we'd have a much reduced time frame in which to do
2 discovery. So that was the reasoning behind our request
3 to leave the docket open. Thank you.

4 **COMMISSIONER EDGAR:** Thank you. Ms. Keating.

5 **MS. KEATING:** The company is amenable to
6 whichever process the Commission deems most appropriate.
7 We're amenable to a rollover docket similar to the fuel
8 clause, just recognizing that this program will
9 eventually end.

10 **COMMISSIONER EDGAR:** Right. Then,
11 Mr. Chairman, I would, for Item 15 that we've just been
12 discussing, move approval of the staff recommendation on
13 Issues 1 and 2, with the understanding that there will
14 be a true-up, but on Issue 3 that we choose to leave the
15 docket open for ongoing discussions between the parties
16 and our staff.

17 **CHAIRMAN GRAHAM:** Okay.

18 **COMMISSIONER PATRONIS:** Second.

19 **CHAIRMAN GRAHAM:** We have a motion on the
20 floor that's been moved and seconded. Any further
21 discussion? Seeing none, all in favor, say aye.

22 (Vote taken.)

23 Any opposed? By your action, you've approved
24 that motion. Thank you very much.

25 (Agenda item concluded.)

1 STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
2 COUNTY OF LEON)

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 10th day of December, 2015.

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LINDA BOLES, CRR, RPR
FPSC Official Hearings Reporter
(850) 413-6734