

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: October 21, 2021

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Forrest, Coston) *JFH*
Office of the General Counsel (Osborn, Crawford) *JSC*

RE: Docket No. 20210149-GU – Petition for approval of safety, access, and facility enhancement program true-up and 2022 cost recovery factors, by Florida City Gas.

AGENDA: 11/02/21 – Regular Agenda - Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-month effective date: 5/1/22

SPECIAL INSTRUCTIONS: None

Case Background

On September 1, 2021 Florida City Gas (FCG or utility) filed a petition for approval of its safety, access, and facility enhancement program (SAFE) true-up and 2022 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. 150116-GU, *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas.*

The Commission ordered 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 is a 10-year program that was effective in 2015 and should finish in 2025. The utility's annual progress in the SAFE program is shown in Attachment A to the recommendation. The current 2021 SAFE factors were approved by Order No. PSC-2020-0456-TRF-GU (2020 order).² The proposed 2022 SAFE factors are shown in Attachment B to the recommendation on Tariff Sheet No. 79.

During the review process of the petition, staff issued one data request and responses were received on October 6, 2021. In its filing, the utility waived the 60-day suspension deadline pursuant to Section 366.06(3), Florida Statutes (F.S.). The Commission has jurisdiction over the matter pursuant to Sections 366.03, 366.04, 366.05, 366.06, and Chapter 368, F.S.

² Order No. PSC-2020-0456-TRF-GU, issued November 23, 2020, in Docket No. 20200204-GU, *In re: Petition for approval of the safety, access, and facility enhancement program true-up and 2021 cost recovery factors, by Florida City Gas.*

Discussion of Issues

Issue 1: Should the Commission approve FCG's proposed SAFE tariff for the period January through December 2022?

Recommendation: Yes. The Commission should approve FCG's proposed SAFE tariff for the period January through December 2022. (Forrest)

Staff Analysis: Under the SAFE program, FCG will relocate or replace 254.3 miles of mains and 11,443 associated service lines from rear property easements to the street over a 10-year period, ending in 2025. The utility began its mains and services replacements at the end of 2015. The surcharges have been in effect since January 2016. During 2021, the utility has replaced 26 miles of mains and 1,105 services as shown in Attachment A to the petition.

True-ups by Year

As required by the 2015 order, the utility's calculations for the 2022 revenue requirement and SAFE factors include a final true-up for 2020, an estimated/actual true-up for 2021, and projected costs for 2022.

Final True-up for 2020

FCG stated that the revenues collected for 2020 were \$1,449,091, compared to a revenue requirement of \$1,589,766, resulting in an under-recovery of \$140,674. Adding the 2019 final over-recovery of \$211,530 and the \$140,674 under-recovery of 2020, including interest, results in a final 2020 over-recovery of \$82,915.³

Actual/Estimated 2021 True-up

FCG provided actual revenues for January through June and forecast revenues for July through December 2021, totaling \$2,588,062, as compared to a projected revenue requirement of \$3,182,760, resulting in an under-recovery of \$594,699. Adding the 2020 over-recovery of \$82,915 to the 2021 under-recovery of \$594,699, the resulting total 2021 true-up, including interest, is an under-recovery of \$520,582.

Projected 2022 Costs

The utility's projected investment for 2022 is \$39,273,733 for its seven projects in Miami-Dade and Brevard counties. This is an approximate increase of \$10 million from 2021 in the annual SAFE investment as contemplated in the 2015 order. The revenue requirement, which includes a return on investment, depreciation, and taxes is \$4,148,112. The return on investment calculation includes federal income taxes, regulatory assessment fees, and bad debt. After adding the 2021 under-recovery of \$520,582, the total revenue requirement is \$4,668,694. Table 1-1 displays the projected 2022 revenue requirement calculation.

³The calculation also includes a December 2019 true-up credit of \$1,857 booked in January 2020 minus a December 2020 true-up of \$8,758 booked in January 2021.

Table 1-1
2022 Revenue Requirements Calculation

2022 Projected Investment	\$39,273,733
Return on Investment	\$2,580,536
Depreciation Expense	940,762
Property Tax Expense	626,814
2022 Revenue Requirement	\$4,148,112
Plus 2021 Under-recovery	\$520,582
Total 2022 Revenue Requirement	\$4,668,694

Source: Attachment C of the petition

Proposed 2022 SAFE Factors

The SAFE factors are fixed monthly charges. FCG's cost allocation methodology was approved in the 2015 order and was used in the instant filing. The approved methodology allocates the current cost of a 2-inch pipe to all customers on a per customer basis and allocates the incremental cost of replacing a 4-inch pipe to customers who use over 6,000 therms per year. For customers who require 4-inch pipes, the cost allocation takes into account that the minimum pipe is insufficient to serve their demand and, thus, allocates an incremental per foot cost in addition to the all-customer cost. The resulting allocation factors are applied to the 2022 total revenue requirement to develop the monthly SAFE factors.

The proposed fixed monthly SAFE factor is \$3.17 for customers using less than 6,000 therms per year (current factor is \$1.84). The proposed monthly SAFE factor for customers using more than 6,000 therms per year is \$6.39 (current factor is \$3.43).

Conclusion

Staff has reviewed FCG's filing and supporting documentation and believes that the calculations of the 2022 SAFE factors are consistent with the methodology approved in the 2015 order and are reasonable and accurate. Staff recommends approval of the utility's proposed SAFE tariff for the period January through December 2022.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should remain closed upon the issuance of a consummating order. (Osborn, Crawford)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should remain closed upon the issuance of a consummating order.

Table 1
Florida City Gas's SAFE Program Progress

Year*	Main Replacements		Service Replacements	
	Replaced Main (miles)	Total Miles Remaining	Replaced Services (number)	Total Remaining Services
2014	0.0	254.3	0	11,443
2015	0.0	254.3	49	11,394
2016	17.1	237.2	1,433	9,961
2017	37.5	199.7	1,551	8,410
2018	27.6	172.1	1,634	6,776
2019	37.8	134.3	1,183	5,593
2020	25.5	108.8	1,186	4,407
2021	26.0	82.8	1,105	3,302
2022	29.4	53.4	1,355	1,947
2023	17.8	35.6	649	1,298
2024	17.8	17.8	649	649
2025	17.8	0.0	0	0

Source: Attachment A of the petition for Docket No. 20210149-GU.

*Actuals 2014-July 2021. Projections August 2021-2025.

Florida City Gas
 FPSC Natural Gas Tariff
 Volume No. 10

Third-Fourth Revised Sheet No. 79
 Cancels Third-Second Revised Sheet No. 79

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
 (Continued)

- i. all Customers regarding the implementation of the SAFE Program and the approved surcharge factors;
 - ii. the immediately affected Customers where the eligible infrastructure is being replaced; and
 - iii. the general public through publications (newspapers) covering the geographic areas of the eligible infrastructure replacement activities;
- 4. Ad valorem taxes; and
 - 5. Federal and state income taxes.

The Company is utilizing a surcharge mechanism in order to recover the costs associated with the SAFE Program. The Company has developed the revenue requirement for the SAFE Program using the same methodology approved in its most recent rate case. The SAFE revenue requirement will be allocated to each Customer class (Rate Schedule) using allocation factors established by the Florida Public Service Commission for the SAFE Program. The per Customer SAFE surcharge is calculated by dividing the revenue requirement allocated to each Customer class by the number of Customers in the class.

The cost recovery factors including tax multiplier for the twelve-month period from January 1, 2021-2022 through December 31, 2021-2022 are:

<u>Rate Class</u>	<u>Rates Per Customer</u>
Rate Schedule RS-1	\$1,843.17
Rate Schedule RS-100	\$1,843.17
Rate Schedule RS-600	\$1,843.17
Rate Schedule GS-1	\$1,843.17
Rate Schedule GS-6K	\$3,436.39
Rate Schedule GS-25K	\$3,436.39
Rate Schedule GS-120K	\$3,436.39
Rate Schedule GS-1,250K	\$3,436.39
Rate Schedule GS-11M	\$3,436.39
Rate Schedule GS-25M	\$3,436.39
Rate Schedule GL	\$1,843.17
Rate Schedule RSG	N/A
Rate Schedule CSG	N/A

Issued by: Kurt Howard
 General Manager, Florida City Gas

Effective: January 1, 2021