

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: March 15, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Draper, Kummer)
Office of the General Counsel (Brown)

RE: Docket No. 120036-GU – Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

AGENDA: 03/27/12 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 04/02/12 (60-Day Suspension Date)
10/02/12 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\120036.RCM.DOC

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Case Background

On February 3, 2012, Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation (Companies) filed a petition for approval of new programs to enable the recovery of costs associated with the replacement of cast iron and bare steel distribution mains and services in a timely manner. The federal Department of Transportation has been encouraging replacement of these facilities due to safety concerns. The Companies request approval of a Gas Reliability Infrastructure Program (GRIP) surcharge which would allow recovery of the revenue requirements associated with replacement of such facilities, including a return on the investment in new facilities, depreciation expense, customer and

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general public notification expenses and ad valorem taxes. Costs to remove the existing eligible distribution mains and services would not be recoverable under the GRIP program.

The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05 and 366.06, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the proposed tariffs associate with the proposed GRIP program be suspended?

Recommendation: Yes. (Kummer, Brown)

Staff Analysis: Section 366.06(3), F.S., provides that the Commission may suspend operation of a proposed tariff if it provides a reason or written statement of good cause to withhold its consent within 60 days of the filing of the petition. While replacement of aging pipelines is sound strategy, the concept of a cost recovery mechanism, outside of base rates, warrants careful review and analysis to ensure that the mechanism is appropriate and necessary. Staff therefore recommends that the proposed tariffs be suspended to allow further review.

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Issue 2: Should this docket be closed

Recommendation: No. The docket should remain open to allow further review and a subsequent recommendation on final action by the Commission. (Brown)

Staff Analysis: The docket should remain open to allow further review and a subsequent recommendation on final action by the Commission.