

Table of Contents  
 Commission Conference Agenda  
 May 7, 2024

1**	<b>Consent Agenda</b> .....	1
2**	<b>Docket No. 20240001-EI</b> – Fuel and purchased power cost recovery clause with generating performance incentive factor (DEF). .....	2
3**	<b>Docket No. 20240001-EI</b> – Fuel and purchased power cost recovery clause with generating performance incentive factor (TECO). .....	3
4**	<b>Docket No. 20240028-GU</b> – Petition to implement long-term debt cost true-up mechanism, by Peoples Gas System, Inc. ....	4
5**PAA	<b>Docket No. 20240035-GU</b> – Petition for approval of change in rate used to capitalize allowance for funds used during construction from 6.00% to 7.08%, effective January 1, 2024, by Peoples Gas System, Inc. ....	6
6**PAA	<b>Docket No. 20240006-WS</b> – Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. ....	7
7	<b>Docket No. 20240026-EI</b> – Petition for rate increase by Tampa Electric Company. ....	8
8	<b>Docket No. 20240025-EI</b> – Petition for rate increase by Duke Energy Florida, LLC. ....	9
9**PAA	<b>Docket No. 20240031-GU</b> – Petition for approval of transportation service agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc. ....	10
10**PAA	<b>Docket No. 20240038-GU</b> – Petition for approval of Amendment No. 1 to transportation service agreement between Peninsula Pipeline Company, Inc. and Florida Public Utilities Company. ....	11

# Item 1

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-**

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**DATE:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Office of Industry Development and Market Analysis (Day, Fogleman)<sup>CH</sup>  
Office of the General Counsel (Imig, Farooqi)

**RE:** Application for Certificate of Authority to Provide Telecommunications Service<sup>AEH</sup>

**AGENDA:** 5/7/2024 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

**SPECIAL INSTRUCTIONS:** None

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Please place the following Applications for Certificates of Authority to Provide Telecommunications Service on the consent agenda for approval.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>CERT. NO.</u>
20240045-TX	Frontier Tampa Bay FL Fiber 1 LLC	8992
20240059-TX	Uniti Fiber GulfCo LLC	8993

The Commission is vested with jurisdiction in this matter pursuant to Section 364.335, Florida Statutes. Pursuant to Section 364.336, Florida Statutes, certificate holders must pay a minimum annual Regulatory Assessment Fee if the certificate is active during any portion of the calendar year. A Regulatory Assessment Fee Return Notice will be mailed each December to the entities listed above for payment by January 30.

# Item 2

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-**

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**DATE:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Higgins, G. Kelley, Zaslow) *ALM*  
Division of Economics (Hampson, P. Kelley) *EJD*  
Office of the General Counsel (Brownless, Sandy) *JSC*

**RE:** Docket No. 20240001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

**AGENDA:** 05/07/24 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Passidomo

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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## Case Background

On April 8, 2024, Duke Energy Florida, LLC (DEF or Company), filed for revision of its currently effective 2024 fuel cost recovery factors (MCC Petition).<sup>1</sup> DEF's currently effective fuel factors were approved last year at the November 1, 2023 final hearing.<sup>2</sup> Underlying the approval of DEF's 2024 fuel factors was the Florida Public Service Commission's (Commission) review of the Company's projected 2024 fuel- and capacity-related costs. These costs are recovered through fuel and capacity cost recovery factors that are set/reset annually in this docket.

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<sup>1</sup>Document No. 01668-2024.

<sup>2</sup>Order No. PSC-2023-0343-FOF-EI, issued November 16, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

***Mid-Course Corrections***

Mid-course corrections are used by the Commission between annual clause hearings whenever costs deviate from revenue by a significant margin. Under Rule 25-6.0424, Florida Administrative Code (F.A.C.), which is commonly referred to as the “mid-course correction rule,” a utility must notify the Commission whenever it expects to experience an under- or over-recovery of certain service costs greater than 10 percent. The notification of a 10 percent cost-to-revenue variance shall include a petition for mid-course correction to the fuel cost recovery or capacity cost recovery factors, or shall include an explanation of why a mid-course correction is not practical. The mid-course correction rule and its codified procedures are further discussed throughout this recommendation.

***DEF’s Petition***

In its MCC Petition, the Company currently estimates a net \$233,496,431 million reduction in fuel-related costs for the 2024 period relative to its previous estimate. DEF is proposing to use June 2024 through May 2025 forecasted sales in determining its proposed mid-course fuel factors. If approved, this proposal will have the effect of reducing fuel cost recovery factors for the remainder of this year as well as 2025. The mid-course correction amount and rate methodology are further discussed in Issue 1.

The Company is requesting that its revised fuel cost recovery factors and associated tariff become effective beginning with the first billing cycle of June 2024. The proposed effective date are further discussed in both Issues 1 and 2.

The Commission is vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

## Discussion of Issues

**Issue 1:** Should the Commission modify DEF's currently authorized fuel cost recovery factors for the purpose of incorporating its projected 2024 fuel cost reduction?

**Recommendation:** Yes. Staff recommends the Commission authorize adjustments to DEF's fuel cost recovery factors for the purpose of incorporating the Company's currently projected 2024 fuel cost reduction. Accordingly, DEF's 2024 fuel cost recovery factors should be reduced by \$233,496,431. (G. Kelley, Zaslow, Higgins)

**Staff Analysis:** DEF participated in the Commission's most-recent fuel hearing which took place on November 1, 2023. The fuel order stemming from this proceeding set forth the Company's fuel and capacity cost recovery factors effective with the first billing cycle of January 2024.<sup>3</sup> Following the issuance of the fuel order, the Company has subsequently updated its 2024 fuel cost projection. DEF now projects its 2024 fuel-related costs to be approximately \$233 million (net) lower than estimated in September 2023.<sup>4</sup> This reduction is primarily due to lower assumed prices for natural gas. The main factors influencing the decline in actual and projected natural gas prices in 2024 are elevated quantities of natural gas in storage and milder weather compared to previous years.<sup>5</sup>

### **DEF Fuel and Purchased Power Mid-Course Correction**

DEF filed for a mid-course correction of its fuel charges on April 8, 2024.<sup>6</sup> The Company's MCC Petition and supporting documentation satisfies the filing requirements of Rule 25-6.0424(1)(b), F.A.C.

The Company developed its proposed mid-course correction factors using twelve months of forecasted sales data, or from June 2024 through May 2025. The factors proposed in this proceeding are currently contemplated to be charged for seven months in 2024. As is typical procedure, later this year newly developed 12-month-applicable factors will be proposed for authorization to begin with the first billing cycle of January 2025.

### **Actual Period-Ending 2023 Fuel Cost Recovery Position**

Through its February 27, 2023, amended mid-course correction filing, DEF initially projected a period-specific 2023 over-recovery of fuel costs in the amount of \$710,224,788.<sup>7</sup> By its revised actual/estimated filing and in compliance with Order No. PSC-2023-0112-PCO-EI, the projected period-specific 2023 over-recovery of fuel costs was amended by \$119,078,499. This resulted in a projected period-specific 2023 over-recovery of \$829,303,287 and a total true-up under-recovery of (\$554,889,752).<sup>8</sup> However, the Company under-recovered (i.e., "less period over-

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<sup>3</sup>*Id.*

<sup>4</sup>Document No. 05083-2023.

<sup>5</sup><https://www.eia.gov/outlooks/steo/archives/apr24.pdf>

<sup>6</sup>Document No. 01668-2024.

<sup>7</sup>Document No. 01366-2023.

<sup>8</sup>Document No. 05083-2023. Further, staff notes the Company's estimated end-of-period 2023 under-recovery in the amount of (\$554,889,752) is embedded in current rates per Order No. PSC-2023-0343-FOF-EI. This amount constitutes the remainder of the approximate (\$1.4 billion) net under-recovery of 2022 fuel costs ordered to be

recovery”) this amount by (\$19,202,150) as its actual fuel cost recovery position at the end of 2023 is an under-recovery of (\$574,091,902).<sup>9</sup> This approximate (\$19.2) million difference is proposed for inclusion in rates through the instant proceeding.

Decreased pricing for natural gas is the primary driver of the approximate \$829 million period over-recovery of 2023 fuel costs discussed above. More specifically, the Company estimated an annual delivered natural gas cost of \$8.07 per million British thermal unit (MMBtu) in its first fuel cost projection of 2023.<sup>10</sup> However, as indicated in the Company’s December 2023 A-Schedule, DEF’s average 2023 cost of natural gas was \$4.16 per MMBtu, representing a difference of 48.5 percent.<sup>11</sup> Natural gas-fired generation comprised approximately 85.5 percent of DEF’s generation mix in 2023.<sup>12</sup>

### ***Projected 2024 Fuel Cost Recovery Position***

DEF’s 2024 fuel-related revenue requirement has decreased substantially since the filing of its last cost projection in September 2023.<sup>13</sup> More specifically, the results of this updated estimate are a reduction in DEF’s estimated 2024 fuel-related costs in the amount of \$252,698,582. As mentioned above, the 2023 remaining period-specific under-recovery of (\$19,202,150) is proposed for collection through new 2024 rates. Thus, the proposed net or decremental amount for inclusion into 2024 rates is \$233,496,431.<sup>14</sup>

The primary factor driving the change in projected 2024 fuel costs is lower assumed pricing for natural gas. More specifically, the underlying market-based natural gas price data used for the 2024 fuel cost projection was sourced on August 11, 2023.<sup>15</sup> This underlying data was used to produce an estimated average delivered 2024 natural gas cost of approximately \$5.19 per MMBtu.<sup>16</sup> However, indicated in its MCC Petition, DEF now estimates its average cost of natural gas in 2024 will be \$3.99 per MMBtu, representing a decrease of 23.1 percent.<sup>17</sup> The updated cost estimate was based on natural gas futures/prices sourced on March 12, 2024, or roughly seven months later than the previous estimate used to set current rates.<sup>18</sup> Natural gas-fired generation is projected to comprise approximately 81.3 percent of DEF’s generation mix in 2024.<sup>19</sup>

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collected in 2023 and 2024. *See* Order No. PSC-2023-0122-PCO-EI, issued March 24, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

<sup>9</sup>Document No. 01573-2024.

<sup>10</sup>Document No. 05978-2022.

<sup>11</sup>Document No. 00236-2024.

<sup>12</sup>*Id.*

<sup>13</sup>Document No. 05083-2023.

<sup>14</sup>Document No. 01668-2024.

<sup>15</sup>Document No. 05083-2023.

<sup>16</sup>*Id.*

<sup>17</sup>Document No. 01668-2024.

<sup>18</sup>*Id.*

<sup>19</sup>*Id.*

### **Recovery Period and Interest Premium**

As proposed, the accounting period for the 2024-applicable portion of the over-recovery is seven months, or beginning June 2024 and ending December 2024.<sup>20</sup> Jurisdictional sales from June 2024 through May 2025 in the amount of 40,548,317 (meter) megawatt-hours were used to develop the mid-course correction factors proposed for approval in this proceeding.

DEF utilized the 30-day AA Financial Commercial Paper Rate published by the U.S. Federal Reserve to determine its actual 2023 and 2024 (January and February) interest amounts.<sup>21</sup> The projected 2024 monthly interest rate was assumed for all forward months by using/holding constant the actual February 2024 interest rate of 0.442 percent (monthly).

### **Mid-Course Correction Percentage**

Following the methodology prescribed in Rule 25-6.0424(1)(a), F.A.C., the mid-course percentage is equal to the estimated end-of-period total net true-up, including interest, divided by the current period's total actual and estimated jurisdictional fuel revenue applicable to period, or  $\$233,496,431 / \$1,509,155,533$ .<sup>22</sup> This calculation results in a mid-course correction level of approximately 15.5 percent at December 31, 2024.

### **Fuel Factor**

DEF's currently-approved annual levelized fuel factor beginning with the first January 2024 billing cycle is 5.239 cents per kilowatt-hour (kWh).<sup>23</sup> The Company is requesting to decrease its currently approved 2024 annual levelized fuel factor beginning June 2024 to 4.663 cents per kWh, a decrease of approximately 11.0 percent.<sup>24</sup>

### **Bill Impacts**

In Table 1-1 below, the bill impact of the mid-course correction on a residential customer using 1,000 kWh of electricity a month is shown. Following Table 1-1, staff discusses the impacts of the mid-course correction on non-residential customers.

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<sup>20</sup>*Id.*

<sup>21</sup>Document No. 01787-2024.

<sup>22</sup>Document No. 01668-2024, Schedule E1-B.

<sup>23</sup>Order No. PSC-2023-0343-FOF-EI.

<sup>24</sup>Document No. 01668-2024.

**Table 1-1  
 Duke Energy Florida, LLC  
 Monthly Residential Billing Detail for the First 1,000 kWh**

<b>Invoice Component</b>	<b>Currently Approved Charges May 2024 (\$)</b>	<b>Proposed Charges Beginning June 2024 (\$)</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Base Charge	\$81.19	\$81.19	\$0.00	0.0%
Fuel Charge	49.47	43.72	(5.75)	(11.6%)
Capacity Charge	9.46	9.46	0.00	0.0%
Conservation Charge	3.30	3.30	0.00	0.0%
Environmental Charge	0.46	0.46	0.00	0.0%
Storm Protection Plan Charge	5.10	5.10	0.00	0.0%
Storm Restoration Surcharge	5.09	5.09	0.00	0.0%
Asset Securitization Charge	<u>2.36</u>	<u>2.36</u>	<u>0.00</u>	0.0%
Gross Receipts Tax	<u>4.15</u>	<u>4.00</u>	<u>(0.15)</u>	(3.6%)
<b>Total</b>	<u>\$160.58</u>	<u>\$154.68</u>	<u>(\$5.90)</u>	(3.7%)

Source: Document No. 01668-2024.

DEF’s currently approved total residential charge for the first 1,000 kWh of usage for May 2024 is \$160.58. If the Company’s mid-course correction is approved, then the current total residential charge for the first 1,000 kWh of usage beginning in June will be \$154.68, a decrease of 3.7 percent. For non-residential customers, DEF reported that bill decreases based on average levels of usage for small-size commercial customers would be 3.6 percent, 4.5 percent for medium-size commercial customers, 4.8 percent for large-size commercial customers, and 7.0 percent for industrial customers.<sup>25</sup>

***Optional Period***

Staff investigated the effect on monthly bills of shortening the period proposed for developing rates from 12 to 7 months. For rate-setting purposes, the total base over-recovery is the same under the 7-month and 12-month scenarios; however, the impact of the 7-month scenario can be characterized as a greater reduction in the monthly fuel charge over a shorter period of time.

Table 1-2 below shows the bill impact to a residential customer using 1,000 kWh of electricity a month associated with this optional period scenario described in this section of the recommendation.

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<sup>25</sup>Document No. 01787-2024.

**Table 1-2  
 Duke Energy Florida, LLC  
 Optional Monthly Residential Billing Detail for the First 1,000 kWh**

<b>Invoice Component</b>	<b>Currently Approved Charges May 2024 (\$)</b>	<b>Optional Charges Beginning June 2024 (\$)</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Base Charge	\$81.19	\$81.19	\$0.00	0.0%
Fuel Charge	49.47	39.86	(9.61)	(19.4%)
Capacity Charge	9.46	9.46	0.00	0.0%
Conservation Charge	3.30	3.30	0.00	0.0%
Environmental Charge	0.46	0.46	0.00	0.0%
Storm Protection Plan Charge	5.10	5.10	0.00	0.0%
Storm Restoration Surcharge	5.09	5.09	0.00	0.0%
Asset Securitization Charge	<u>2.36</u>	<u>2.36</u>	<u>0.00</u>	0.0%
Gross Receipts Tax	<u>4.15</u>	<u>3.90</u>	<u>(0.25)</u>	(6.0%)
<b>Total</b>	<u>\$160.58</u>	<u>\$150.72</u>	<u>(\$9.86)</u>	(6.1%)

Source: Document No. 01787-2024.

DEF’s proposed fuel charge decrease results in a residential charge for the first 1,000 kWh of energy sales of 4.372 cents per kWh. This factor produces a corresponding monthly fuel charge of \$43.72. With respect to the optional period scenario, the associated residential factor would be 3.986 cents per kWh.<sup>26</sup> This would result in a fuel charge of \$39.86 for the first 1,000 kWh of energy usage. The estimated decrease in the monthly first-tier residential fuel charge under this scenario is approximately \$9.61 (opposed to the as-filed proposal of \$5.75), or going from \$43.72 to \$39.86. In percentage terms, the total bill decrease would be approximately 6.1 percent under the optional period scenario.

For non-residential customers, based on average levels of usage and specific rate schedules, DEF reported that bill decreases for small-size commercial customers would be 5.8 percent, 7.2 percent for medium-size commercial customers, 7.6 percent for large-size commercial customers, and 11.3 percent for industrial customers.<sup>27</sup>

The hypothetical tariff associated with this optional period scenario was provided in response to Staff’s First Data Request (Response No. 10).<sup>28</sup> However, the tariff was not included as an attachment to this recommendation.

**Summary**

DEF’s MCC Petition indicates a need for its fuel cost recovery factors to be revised. More specifically, the Company’s underlying 2024 projected fuel-related revenue requirement has

<sup>26</sup>Id.

<sup>27</sup>Id.

<sup>28</sup>Id.

been reduced by \$252,698,582. Additionally, the Company proposes to incorporate its 2023 period-specific final under-recovery of (\$19,202,150) into the current period. Thus, DEF's current fuel cost recovery factors should be reduced by \$233,496,431. Sales from June 2024 through May 2025 should be used to develop the revised/mid-course correction fuel factors. The revised fuel cost recovery factors associated with staff's recommendation are shown on Appendix A.

**Conclusion**

Staff recommends the Commission authorize adjustments to DEF's fuel cost recovery factors for the purpose of incorporating the Company's currently projected 2024 net fuel cost reduction. Accordingly, DEF's 2024 fuel cost recovery factors should be reduced by \$233,496,431.

**Issue 2:** If approved by the Commission, what is the appropriate effective date for DEF's revised fuel cost recovery factors?

**Recommendation:** The fuel cost recovery factors, as shown on Appendix A, should become effective with the first billing cycle of June 2024. (P. Kelley, Hampson, Brownless, Sandy)

**Staff Analysis:** Over the last 20 years in the Fuel Clause docket, the Commission has considered the effective date of rates and charges of revised fuel cost factors on a case-by-case basis. The Commission has approved rate decreases to be effective less than 30 days after the date of the Commission vote because the rate decrease was in the customers' best interest to be implemented as soon as possible.<sup>29</sup> In its MCC Petition, DEF proposes to decrease its 2024 fuel factors beginning with the first billing cycle of June 2024.

In response to Staff's First Data Request, DEF indicated that it would provide a message on June customer bills that will include a link to the Company's website explaining the proposed rate decrease.<sup>30</sup> Further, on April 8, 2024, an email notification was sent to large account customers explaining the proposal. A press release was also issued by the Company on that same day informing its customers and general public of the potential adjustments related to the mid-course correction proposal.<sup>31</sup>

### **Conclusion**

Staff recommends that the fuel cost recovery factors, as shown on Appendix A, become effective with the first billing cycle of June 2024.

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<sup>29</sup>Order No. PSC-2024-0091-PCO-EI, issued April 10, 2024, in Docket No. 20240001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

<sup>30</sup>Document No. 01787-2024.

<sup>31</sup>*Id.*

**Issue 3:** Should this docket be closed?

**Recommendation:** No. The 20240001-EI docket is an on-going proceeding and should remain open. (Brownless, Sandy)

**Staff Analysis:** The fuel docket is an on-going proceeding and should remain open.



SECTION NO. VI  
 ONE HUNDRED AND ~~FOURTH~~<sup>FIFTH</sup> REVISED SHEET NO. 6.105  
 CANCELS ONE HUNDRED AND ~~THIRD~~<sup>FOURTH</sup> REVISED SHEET

NO. 6.105

RATE SCHEDULE BA-1  
 BILLING ADJUSTMENTS

Applicable:

To the Rate Per Month provision in each of the Company's filed rate schedules which reference the billing adjustments set forth below.

COST RECOVERY FACTORS									
Rate Schedule/Metering Level	ECCR <sup>(2)</sup>		CCR <sup>(3)</sup>		ECRC <sup>(4)</sup>		SPPCRC <sup>(5)</sup>		SCRS <sup>(7)</sup>
	¢/ kWh	\$/ kW	¢/ kWh	\$/ kW	¢/ kWh	¢/ kWh	¢/ kWh	\$/ kW	¢/ kWh
RS-1, RST-1, RSL-1, RSL-2 (Sec.) < 1000 > 1000	0.330	-	0.946	-	0.046	0.236	0.510	-	0.509
GS-1, GST-1 Secondary	0.290	-	0.816	-	0.044	0.204	0.494	-	0.443
Primary	0.287	-	0.808	-	0.044	0.202	0.489	-	0.439
Transmission	0.284	-	0.800	-	0.043	0.200	0.484	-	0.434
GS-2 (Sec.)	0.227	-	0.597	-	0.042	0.141	0.231	-	0.221
GSD-1, GSDT-1, SS-1*									
Secondary	-	0.93	-	2.53	0.043	0.176	-	1.34	0.329
Primary	-	0.92	-	2.50	0.043	0.174	-	1.31	0.326
Transmission	-	0.91	-	2.48	0.042	0.172	-	0.25	0.322
CS-2, CST-2, CS-3, CST-3, SS-3*									
Secondary	-	0.79	-	2.05	0.041	0.120	-	2.11	0.329
Primary	-	0.78	-	2.03	0.041	0.119	-	2.09	0.326
Transmission	-	0.77	-	2.01	0.040	0.118	-	2.07	0.322
IS-2, IST-2, SS-2*									
Secondary	-	0.76	-	1.99	0.041	0.143	-	1.02	0.161
Primary	-	0.75	-	1.97	0.041	0.142	-	0.83	0.159
Transmission	-	0.74	-	1.95	0.040	0.140	-	0.19	0.158
LS-1 (Sec.)	0.117	-	0.237	-	0.037	0.056	0.373	-	0.422
*SS-1, SS-2, SS-3 Monthly									
Secondary	-	0.090	-	0.244	-	-	-	0.119	-
Primary	-	0.089	-	0.242	-	-	-	0.118	-
Transmission	-	0.088	-	0.239	-	-	-	0.117	-
Daily									
Secondary	-	0.043	-	0.116	-	-	-	0.057	-
Primary	-	0.043	-	0.115	-	-	-	0.056	-
Transmission	-	0.042	-	0.114	-	-	-	0.056	-
GSLM-1, GSLM-2	See appropriate General Service rate schedule								

Fuel Cost Recovery <sup>(1)</sup>				
Rate Schedule/Metering Level	Levelized	On-Peak	Off-Peak	Super-Off-Peak
	¢/ kWh	¢/ kWh	¢/ kWh	¢/ kWh
RS-1 Only < 1,000	4,9474.372	N/A	N/A	N/A
RS-1 Only > 1,000	8,0175.442	N/A	N/A	N/A
LS-1 Only Secondary	4,8904.343	N/A	N/A	N/A
All Other Rate Schedules Secondary	5,2474.670	6,7085.968	5,2944.703	3,7283.325
All Other Rate Schedules Primary	5,4064.623	6,8295.808	5,2244.655	3,6003.292
All Other Rate Schedules Transmission	5,1424.577	6,6745.849	5,1794.609	3,6843.259

(Continued on Page No. 2)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy – FL

EFFECTIVE: ~~March 1, 2024~~ June 1, 2024

# Item 3

FILED 4/25/2024  
DOCUMENT NO. 02361-2024  
FPSC - COMMISSION CLERK

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:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Higgins, Zaslów, G. Kelley) *ALM*  
Division of Economics (Hampson, P. Kelley) *EJD*  
Office of the General Counsel (Brownless, Sandy) *JSC*

**RE:** Docket No. 20240001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

**AGENDA:** 05/07/24 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Passidomo

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

### Case Background

On April 2, 2024, Tampa Electric Company (TECO or Company), filed for revision of its currently effective 2024 fuel cost recovery factors (MCC Petition).<sup>1</sup> TECO's currently effective fuel factors were approved last year at the November 1, 2023 final hearing.<sup>2</sup> Underlying the approval of TECO's 2024 fuel factors was the Florida Public Service Commission's (Commission) review of the Company's projected 2024 fuel- and capacity-related costs. These costs are recovered through fuel and capacity cost recovery factors that are set/reset annually in this docket.

<sup>1</sup>Document No. 01529-2024.

<sup>2</sup>Order No. PSC-2023-0343-FOF-EI, issued November 16, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

***Mid-Course Corrections***

Mid-course corrections are used by the Commission between annual clause hearings whenever costs deviate from revenue by a significant margin. Under Rule 25-6.0424, Florida Administrative Code (F.A.C.), which is commonly referred to as the “mid-course correction rule,” a utility must notify the Commission whenever it expects to experience an under- or over-recovery of certain service costs greater than 10 percent. The notification of a 10 percent cost-to-revenue variance shall include a petition for mid-course correction to the fuel cost recovery or capacity cost recovery factors, or shall include an explanation of why a mid-course correction is not practical. The mid-course correction rule and its codified procedures are further discussed throughout this recommendation.

***TECO’s Petition***

In its MCC Petition, the Company currently estimates a net \$137,918,831 million reduction in fuel-related costs for the 2024 period relative to its previous estimate. TECO is proposing to use June 2024 through May 2025 forecasted sales in determining its proposed mid-course fuel factors. If approved, this proposal will have the effect of reducing fuel cost recovery factors for the remainder of this year, as well as 2025. The mid-course correction amount and rate methodology are further discussed in Issue 1.

The Company is requesting that its revised fuel cost recovery factors and associated tariff become effective beginning with the first billing cycle of June 2024. The proposed effective date is further discussed in both Issues 1 and 2.

The Commission is vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

## Discussion of Issues

**Issue 1:** Should the Commission modify TECO's currently authorized fuel cost recovery factors for the purpose of incorporating its projected 2024 fuel cost reduction?

**Recommendation:** Yes. Staff recommends the Commission authorize adjustments to TECO's fuel cost recovery factors for the purpose of incorporating the Company's currently projected 2024 fuel cost reduction. Accordingly, TECO's currently authorized 2024 fuel cost recovery factors should be reduced by \$137,918,831. (Zaslow, G. Kelley, Higgins)

**Staff Analysis:** TECO participated in the Commission's most-recent fuel hearing which took place on November 1, 2023. The fuel order stemming from this proceeding set forth the Company's fuel and capacity cost recovery factors effective with the first billing cycle of January 2024.<sup>3</sup> Following the issuance of the fuel order, the Company has subsequently updated its 2024 fuel cost projection. TECO now projects its 2024 fuel-related costs to be approximately \$138 million (net) lower than estimated in August 2023.<sup>4</sup> This reduction is primarily due to lower assumed prices for natural gas. The main factors influencing the decline in actual and projected natural gas prices in 2024 are elevated quantities of natural gas in storage and milder weather compared to previous years.<sup>5</sup>

### **TECO Fuel and Purchased Power Mid-Course Correction**

TECO filed for a mid-course correction of its fuel charges on April 2, 2024.<sup>6</sup> The Company's MCC Petition and supporting documentation satisfies the filing requirements of Rule 25-6.0424(1)(b), F.A.C.

The Company developed its proposed mid-course correction factors using twelve months of forecasted sales data, or June 2024 through May 2025. The factors proposed in this proceeding are currently contemplated to be charged for seven months in 2024. As is typical procedure, later this year newly developed 12-month-applicable factors will be proposed for authorization to begin with the first billing cycle of January 2025.

### **Actual Period-Ending 2023 Fuel Cost Recovery Position**

Through its February 8, 2023, amended mid-course correction filing, TECO initially projected a period-specific 2023 over-recovery of fuel costs in the amount of \$157,006,362.<sup>7</sup> By its actual/estimated filing and in compliance with Order No. PSC-2023-0107-PCO-EI, the projected period-specific 2023 over-recovery of fuel costs was amended by \$183,160,125. This resulted in a projected period-specific 2023 over-recovery of \$340,166,487 and a total true-up under-recovery of (\$112,834,024).<sup>8</sup> However, the Company over-recovered this amount by

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<sup>3</sup>*Id.*

<sup>4</sup>Document No. 04814-2023.

<sup>5</sup><https://www.eia.gov/outlooks/steo/archives/apr24.pdf>

<sup>6</sup>Document No. 01529-2024.

<sup>7</sup>Document No. 01008-2023.

<sup>8</sup>Document No. 04317-2023. Further, staff notes the Company's estimated end-of-period 2023 total under-recovery in the amount of (\$112,834,024) is embedded in current rates per Order No. PSC-2023-0343-FOF-EI. This amount constitutes the remainder of the approximate (\$518 million) net under-recovery of 2022 fuel costs ordered to be collected in 2023 and 2024 and is net of TECO's 2023 mid-course true-up amount of (\$64,989,253). *See* Order No.

\$30,397,837 as its actual fuel cost recovery position at the end of 2023 is an under-recovery of (\$82,436,187).<sup>9</sup> This approximate \$30.4 million difference is proposed for inclusion in rates through the instant proceeding.

Decreased pricing for natural gas is the primary driver of the approximate \$340 million over-recovery of 2023 fuel costs discussed above. More specifically, the Company estimated an annual delivered natural gas cost of \$7.49 per million British thermal unit (MMBtu) in its first fuel cost projection of 2023.<sup>10</sup> However, as indicated in the Company's December 2023 A-Schedule, TECO's average 2023 cost of natural gas was \$3.94 per MMBtu, representing a difference of 47.4 percent.<sup>11</sup> Natural gas-fired generation comprised approximately 87.7 percent of TECO's generation mix in 2023.<sup>12</sup>

### **Projected 2024 Fuel Cost Recovery Position**

TECO's 2024 fuel-related revenue requirement has decreased substantially since the filing of its last cost projection in August 2023.<sup>13</sup> More specifically, the results of this updated estimate are a reduction in TECO's estimated 2024 fuel-related costs in the amount of \$107,520,994. As mentioned above, the remaining amount of the 2023 over-recovery proposed for refund through new 2024 rates is \$30,397,837. Thus, the proposed net or decremental amount for inclusion into 2024 rates is \$137,918,831.<sup>14</sup>

The primary factor driving the change in projected 2024 fuel costs is lower assumed pricing for natural gas. More specifically, the underlying market-based natural gas price data used for the 2024 fuel cost projection was sourced on June 23, 2023.<sup>15</sup> This underlying data was used to produce an estimated average 2024 delivered natural gas cost of approximately \$4.94 per MMBtu.<sup>16</sup> However, as indicated in its MCC Petition, TECO now estimates its average cost of natural gas in 2024 will be \$3.97 per MMBtu, representing a decrease of 19.6 percent.<sup>17</sup> The updated cost estimate was based on the average natural gas futures/price over a five-day period ending March 7, 2024, or roughly eight months later than the previous estimate used to set current rates.<sup>18</sup> Natural gas-fired generation is projected to comprise approximately 87.0 percent of TECO's generation mix in 2024.<sup>19</sup>

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PSC-2023-0107-PCO-EI, issued March 23, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

<sup>9</sup>Document No. 01582-2024.

<sup>10</sup>Document No. 05966-2023.

<sup>11</sup>Document No. 00322-2024.

<sup>12</sup>*Id.*

<sup>13</sup>Document No. 04814-2023.

<sup>14</sup>Document No. 01529-2024.

<sup>15</sup>Hearing Exhibit No. 70, entered in Docket No. 20230001-EI.

<sup>16</sup>Document No. 04814-2023.

<sup>17</sup>Document No. 01529-2024.

<sup>18</sup>Document No. 01648-2024.

<sup>19</sup>Document No. 01529-2024.

### **Recovery Period and Interest Premium**

As proposed, the accounting period for 2024-applicable portion of the over-recovery is seven months, or beginning June 2024 and ending December 2024.<sup>20</sup> Jurisdictional sales from June 2024 through May 2025 in the amount of 20,292,165 (meter) megawatt-hours were used to develop the mid-course correction factors proposed for approval in this proceeding.<sup>21</sup>

TECO utilized the 30-day AA Financial Commercial Paper Rate published by the U.S. Federal Reserve to determine its actual 2023 and 2024 (January and February) interest amounts.<sup>22</sup> The projected 2024 interest rate was developed via in-house modeling that produced a rate of 0.391 percent (2024 monthly average).<sup>23</sup>

### **Mid-Course Correction Percentage**

Following the methodology prescribed in Rule 25-6.0424(1)(a), F.A.C., the mid-course percentage is equal to the estimated end-of-period total net true-up, including interest, divided by the current period's total actual and estimated jurisdictional fuel revenue applicable to period, or  $\$137,918,831 / \$648,701,011$ .<sup>24</sup> This calculation results in a mid-course correction level of approximately 21.3 percent at December 31, 2024.

### **Fuel Factor**

TECO's currently approved annual levelized fuel factor beginning with the first January 2024 billing cycle is 3.837 cents per kilowatt-hour (kWh).<sup>25</sup> The Company is requesting to decrease its currently-approved 2024 annual levelized fuel factor beginning June 2024 to 3.157 cents per kWh, a decrease of approximately 17.7 percent.<sup>26</sup>

### **Bill Impacts**

In Table 1-1 below, the bill impact of the mid-course correction on a residential customer using 1,000 kWh of electricity a month is shown. Following Table 1-1, staff discusses the impacts of the mid-course correction on non-residential customers.

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<sup>20</sup>*Id.*

<sup>21</sup>*Id.*

<sup>22</sup>Document No. 01687-2024, and The Federal Reserve System (U.S. Federal Reserve) published Commercial Paper Rates which can be located via the following link: <https://www.federalreserve.gov/releases/cp/>

<sup>23</sup>Document Nos. 01529-2024 and 01687-2024.

<sup>24</sup>Document No. 01529-2024, Schedule E2.

<sup>25</sup>Order No. PSC-2023-0343-FOF-EI.

<sup>26</sup>Document No. 01529-2024.

**Table 1-1  
 Tampa Electric Company  
 Monthly Residential Billing Detail for the First 1,000 kWh**

Invoice Component	Currently Approved Charges May 2024 (\$)	Proposed Charges Beginning June 2024 (\$)	Difference (\$)	Difference (%)
Base Charge	\$87.80	\$87.80	\$0.00	0.0%
Fuel Charge	35.36	28.50	(6.86)	(19.4%)
Conservation Charge	2.15	2.15	0.00	0.0%
Capacity Charge	0.62	0.62	0.00	0.0%
Environmental Charge	0.89	0.89	0.00	0.0%
Storm Protection Plan Charge	6.58	6.58	0.00	0.0%
Clean Energy Transition Mechanism	4.30	4.30	0.00	0.0%
Storm Restoration Charge	<u>2.19</u>	<u>2.19</u>	<u>0.00</u>	0.0%
Gross Receipts Tax	<u>3.59</u>	<u>3.41</u>	<u>(0.18)</u>	(5.0%)
<b>Total</b>	<u>\$143.48</u>	<u>\$136.44</u>	<u>(\$7.04)</u>	(4.9%)

Source: Document No. 01529-2024.

TECO’s currently approved total residential charge for the first 1,000 kWh of usage for May 2024 is \$143.48.<sup>27</sup> If the Company’s mid-course correction is approved, then the current total residential charge for the first 1,000 kWh of usage beginning in June will be \$136.44, a decrease of 4.9 percent. For non-residential rate classes, TECO reported that bill decreases based on average levels of usage for General Service customers would range from approximately 4.4 to 4.9 percent, and for General Service Demand customers, decreases would range from approximately 8.1 to 11.4 percent.<sup>28</sup> TECO’s proposed tariff sheet is shown on Appendix A to this recommendation.

***Optional Period***

Staff investigated the effect on monthly bills of shortening the period proposed for developing rates from 12 to 7 months. For rate-setting purposes, the total base over-recovery is the same under the 7-month and 12-month scenarios; however, the impact of the 7-month scenario can be characterized as a greater reduction in the monthly fuel charge for a shorter period of time.

Table 1-2 below shows the bill impact to a residential customer using 1,000 kWh of electricity a month associated with the optional period scenario described in this section of the recommendation.

<sup>27</sup>Order No. PSC-2023-0343-FOF-EI.

<sup>28</sup>Document No. 01648-2024.

**Table 1-2  
 Tampa Electric Company  
 Optional Monthly Residential Billing Detail for the First 1,000 kWh**

<b>Invoice Component</b>	<b>Currently Approved Charges May 2024 (\$)</b>	<b>Optional Charges Beginning June 2024 (\$)</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Base Charge	\$87.80	\$87.80	\$0.00	0.0%
Fuel Charge	35.36	24.10	(11.26)	(31.8%)
Conservation Charge	2.15	2.15	0.00	0.0%
Capacity Charge	0.62	0.62	0.00	0.0%
Environmental Charge	0.89	0.89	0.00	0.0%
Storm Protection Plan Charge	6.58	6.58	0.00	0.0%
Clean Energy Transition Mechanism	4.30	4.30	0.00	0.0%
Storm Restoration Charge	<u>2.19</u>	<u>2.19</u>	<u>0.00</u>	0.0%
Gross Receipts Tax	<u>3.59</u>	<u>3.30</u>	<u>(0.29)</u>	(8.1%)
<b>Total</b>	<b><u>\$143.48</u></b>	<b><u>\$131.93</u></b>	<b><u>(\$11.55)</u></b>	<b>(8.0%)</b>

Source: Document No. 01648-2024.

TECO’s proposed fuel charge decrease results in a residential fuel charge, i.e., residential charge for the first 1,000 kWh of energy sales, of 2.850 cents per kWh. This factor produces a corresponding monthly fuel charge of \$28.50. With respect to the optional period scenario, the associated residential factor would be 2.410 cents per kWh.<sup>29</sup> This would result in a fuel charge of \$24.10 for the first 1,000 kWh of energy usage. The estimated decrease in the monthly first-tier residential fuel charge under this scenario is approximately \$11.26 (opposed to the as-filed proposal of \$6.86), or going from \$35.36 to \$24.10. In percentage terms, the total bill decrease would be approximately 8.0 percent under the optional period scenario.

For non-residential customers, based on average levels of usage and specific rate schedules, TECO reported that bill decreases for General Service customers would range from approximately 6.9 to 7.8 percent, and for General Service demand customers, decreases would range from approximately 12.8 to 18.0 percent.<sup>30</sup>

The hypothetical tariff associated with the optional period scenario was provided in response to Staff’s First Data Request, No. 11.<sup>31</sup> However, the tariff was not included as an attachment to this recommendation.

<sup>29</sup>Document No. 01648-2024.

<sup>30</sup>*Id.*

<sup>31</sup>*Id.*

**Summary**

TECO's MCC Petition indicates a need for its fuel cost recovery factors to be revised. More specifically, the Company's underlying 2024 projected fuel-related revenue requirement has been reduced by \$107,520,994. Additionally, the Company proposes to incorporate its 2023 period-specific final over-recovery of \$30,397,837 into the current period. Thus, TECO's current fuel cost recovery factors should be reduced by \$137,918,831. Sales from June 2024 through May 2025 should be used to develop the revised/mid-course correction fuel factors. The revised fuel cost recovery factors associated with staff's recommendation are shown on Appendix A.

**Conclusion**

Staff recommends the Commission authorize adjustments to TECO's fuel cost recovery factors for the purpose of incorporating the Company's currently projected net 2024 fuel cost reduction. Accordingly, TECO's currently authorized 2024 fuel cost recovery factors should be reduced by \$137,918,831.

**Issue 2:** If approved by the Commission, what is the appropriate effective date for TECO's revised fuel cost recovery factors?

**Recommendation:** The fuel cost recovery factors, as shown on Appendix A, should become effective with the first billing cycle of June 2024. (P. Kelley, Hampson, Brownless, Sandy)

**Staff Analysis:** Over the last 20 years in the Fuel Clause docket, the Commission has considered the effective date of rates and charges of revised fuel cost factors on a case-by-case basis. The Commission has approved rate decreases to be effective less than 30 days after the date of the Commission vote because the rate decrease was in the customers' best interest to be implemented as soon as possible.<sup>32</sup> In its MCC Petition, TECO proposes to decrease its 2024 fuel factors beginning with the first billing cycle of June 2024.

In response to Staff's First Data Request, TECO stated that it would - contingent on Commission approval - include a message on May customer bills explaining that the Company's proposed rate decrease is set to begin in June billing cycle.<sup>33</sup> Following the Commission's determination on this matter, TECO will update its bill notices informing customers of the forthcoming rate changes. The Company has also engaged in several other outreach efforts regarding the potential bill impacts of the proceeding. Specifically, TECO issued a press release on April 2, 2024, informing its customers of the potential adjustments related to the mid-course correction through the Company's online media center. The Company also separately contacted numerous large account customers via telephone, voicemail, and email to inform them of the proposal and the potential impact.<sup>34</sup>

## Conclusion

Staff recommends that the fuel cost recovery factors, as shown on Appendix A, become effective with the first billing cycle of June 2024.

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<sup>32</sup>Order No. PSC-2024-0091-PCO-EI, issued April 10, 2024, in Docket No. 20240001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

<sup>33</sup>Document No. 01648-2024.

<sup>34</sup>*Id.*

**Issue 3:** Should this docket be closed?

**Recommendation:** No. The 20240001-EI docket is an on-going proceeding and should remain open. (Brownless, Sandy)

**Staff Analysis:** The fuel docket is an on-going proceeding and should remain open.



EIGHTY-~~EIGHTHSEVENTH~~ REVISED SHEET NO. 6.020  
 CANCELS EIGHTY-~~SEVENTHIXTH~~ REVISED SHEET NO. 6.020

**ADDITIONAL BILLING CHARGES**

**TOTAL FUEL AND PURCHASED POWER COST RECOVERY CLAUSE:** The total fuel and purchased power cost recovery factor shall be applied to each kilowatt-hour delivered, and shall be computed in accordance with the formula prescribed by the Florida Public Service Commission. The following fuel recovery factors by rate schedule have been approved by the Commission:

RECOVERY PERIOD  
 (~~January-June~~ 2024 through December 2024)

Rate Schedules	¢/kWh Fuel			¢/kWh Capacity	¢/kWh Environmental
	Standard	Peak	Off-Peak		
RS (up to 1,000 kWh)	<del>2.8503-536</del>			0.062	0.089
RS (over 1,000 kWh)	<del>3.8504-536</del>			0.062	0.089
RSVP-1 (P <sub>1</sub> )	<del>3.1573-843</del>			0.062	0.089
(P <sub>2</sub> )	<del>3.1573-843</del>			0.062	0.089
(P <sub>3</sub> )	<del>3.1573-843</del>			0.062	0.089
(P <sub>4</sub> )	<del>3.1573-843</del>			0.062	0.089
GS, GST	<del>3.1573-843</del>	<del>3.3234-045</del>	<del>3.0873-757</del>	0.054	0.084
CS	<del>3.1573-843</del>			0.054	0.084
LS-1, LS-2	<del>3.1273-806</del>			0.012	0.060
GSD Optional					
Secondary	<del>3.1573-843</del>			0.048	0.081
Primary	<del>3.1253-805</del>			0.048	0.080
Subtransmission	<del>3.0943-766</del>			0.047	0.080

Rate Schedules	¢/kWh Fuel			\$/kW Capacity	¢/kWh Environmental
	Standard	Peak	Off-Peak		
GSD, GSDT, SBD, SBDT					
Secondary	<del>3.1573-843</del>	<del>3.3234-045</del>	<del>3.0873-757</del>	0.20	0.081
Primary	<del>3.1253-805</del>	<del>3.2904-005</del>	<del>3.0563-719</del>	0.20	0.080
Subtransmission	<del>3.0943-766</del>	<del>3.2573-964</del>	<del>3.0253-682</del>	0.20	0.080
GSLDPR, GSLDTPR	<del>3.1253-805</del>	<del>3.2904-005</del>	<del>3.0563-719</del>	0.17	0.071
SBLDPR, SBLDTPR	<del>3.1253-805</del>	<del>3.2904-005</del>	<del>3.0563-719</del>	0.17	0.071
GSLDSU, GSLDTSU	<del>3.0943-766</del>	<del>3.2573-964</del>	<del>3.0253-682</del>	0.19	0.074
SBLDSU, SBLDTSU	<del>3.0943-766</del>	<del>3.2573-964</del>	<del>3.0253-682</del>	0.19	0.074

Continued to Sheet No. 6.021

ISSUED BY: A. D. Collins, President

DATE EFFECTIVE: ~~January 1, 2024~~

# Item 4

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:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Souchik, Andrews, D. Buys, Vogel) *ALM*  
Division of Economics (Guffey, Hampson) *EJD*  
Office of the General Counsel (Thompson) *JSC*

**RE:** Docket No. 20240028-GU – Petition to implement long-term debt cost true-up mechanism, by Peoples Gas System, Inc.

**AGENDA:** 05/07/24 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Fay

**CRITICAL DATES:** 10/02/24 (8-Month Effective Date)

**SPECIAL INSTRUCTIONS:** None

### Case Background

Peoples Gas System, Inc. (PGS or Company) is a wholly-owned subsidiary of TECO Gas Operations, Inc., which is a subsidiary of TECO Energy, Inc., which is a wholly-owned subsidiary of Emera United States Holdings, Inc., which is a wholly-owned subsidiary of Emera Incorporated. PGS owns and operates natural gas distribution facilities in Florida and provides service to 470,000 customers in 39 of Florida's 67 counties. On January 1, 2023, PGS ceased to be a division of Tampa Electric Company and was spun-off into its own entity. As a new entity, PGS ceased obtaining long-term debt capital from its affiliate, Tampa Electric Company, and issued its own debt on December 19, 2023. The Company's current rates were approved by Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023 (2023 Rate Case Order), which

included approval of the Long-Term Debt Cost Rate True-Up Mechanism (LTDR True-Up Mechanism).<sup>1</sup>

On February 2, 2024, PGS filed its petition to implement the aforementioned LTDR True-Up Mechanism. The LTDR True-Up Mechanism allows the Company to make a one-time adjustment to its estimated cost of long-term debt for the projected test year ending December 31, 2024, to reflect the actual embedded cost of PGS's inaugural long-term debt issuance in its revenue requirement and rates.<sup>2</sup>

In its petition, PGS is seeking approval of an increase of the long-term debt cost rate from 5.54 percent to 5.64 percent, which would increase the weighted average cost of capital from 7.02 percent to 7.05 percent, and thereby increase the incremental base rate revenue increase approved in the 2023 Rate Case Order by \$874,085. The Company also requested Commission approval of the updated base rates and charges and associated tariffs, effective for the first billing cycle of June 2024. PGS also requested the Commission specify the amount of incremental revenue requirement from January 1, 2024, to the effective date of the Company's updated 2024 tariffs to be deferred by the Company for recovery through the Cast Iron/Bare Steel Replacement Rider for 2025 as approved in the 2023 Rate Case Order.

During the review process, staff issued two data requests to PGS. The first data request was issued on February 13, 2024, and the Company's response was received on February 23, 2024.<sup>3</sup> The second data request was issued on February 29, 2024, and a response was received on March 11, 2024.<sup>4</sup> In Order No. PSC-2024-0090-PCO-GU, the Commission suspended the proposed tariffs.<sup>5</sup> The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, 366.06, and 366.076, Florida Statutes (F.S.)

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<sup>1</sup>Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*

<sup>2</sup>Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*, p. 107-109.

<sup>3</sup>Document No. 00892-2024

<sup>4</sup>Document No. 01103-2024

<sup>5</sup>Order No. PSC-2024-0090-PCO-GU, issued April 8, 2024, in Docket No. 20240028-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*

## Discussion of Issues

**Issue 1:** Should the Commission approve PGS's request to increase the cost rate for long-term debt from 5.54 percent to 5.64 percent for the test year ending December 31, 2024?

**Recommendation:** Yes. The Commission should approve an increase in the cost rate for long-term debt from 5.54 percent to 5.64 percent for the test year ending December 31, 2024. (Souchik)

**Staff Analysis:** The LTDR True-Up Mechanism was approved by the Commission in the 2023 Rate Case Order and allows PGS to make a one-time adjustment to the Company's forecasted long-term debt cost rate after its inaugural long-term debt issuance.<sup>6</sup> In the 2023 Rate Case Order, the Commission approved a long-term debt cost rate of 5.54 percent.<sup>7</sup> PGS completed its inaugural long-term debt issuance on December 19, 2023, by issuing a total of \$925 million of long-term debt in the following amounts and maturities: \$350 million at five years, \$350 million at ten years, and \$225 million at thirty years. The embedded cost rate of the three debt issuances, including debt issuing expense, is 5.64 percent.<sup>8</sup> Staff reviewed the Company's calculation of 5.64 percent for the embedded cost of long-term debt in Exhibit One attached to its petition and verified its accuracy. PGS used the same methodology to calculate the actual long-term debt cost rate of 5.64 percent that was approved by the Commission in the 2023 Rate Case Order.

In early 2023, PGS forecasted to issue approximately \$825 million of long-term debt on September 30, 2023, and expected approximately \$910 million of intercompany debt to be outstanding at the time the intercompany loan with Tampa Electric Company was paid off.<sup>9</sup> Ultimately, PGS issued \$100 million more than forecasted based on the amount of intercompany debt outstanding at the time of the Company's inaugural long-term debt issuance (December 19, 2023). In response to staff's second data request, PGS explained that the purpose for the additional \$100 million was to satisfy the combined intercompany long-term and short-term debt outstanding of \$956 million.<sup>10</sup> After staff's review of PGS's implementation of the LTDR True-Up Mechanism, staff believes the Company complied with the Commission's 2023 Rate Case Order, and therefore, staff recommends the Commission approve PGS's request to increase its cost rate for long-term debt from 5.54 percent to 5.64 percent for the test year ending December 31, 2024.

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<sup>6</sup>Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*, p. 107-110.

<sup>7</sup>*Id.* at p. 45-51.

<sup>8</sup>Document No. 00534-2024, p. 11.

<sup>9</sup>Document No. 00534-2024, p. 3.

<sup>10</sup>Document No. 01103-2024

**Issue 2:** Should the Commission approve PGS's request to increase the weighted average cost of capital from 7.02 percent to 7.05 percent for the test year ending December 31, 2024?

**Recommendation:** Yes. The Commission should approve an increase in the weighted average cost of capital from 7.02 percent to 7.05 percent for the test year ending December 31, 2024. (Souchik)

**Staff Analysis:** By updating the forecasted long-term debt cost rate of 5.54 percent with the actual cost rate of 5.64 percent, and making no other changes to PGS's capital structure approved by the Commission in the 2023 Rate Case Order, the weighted average cost of capital increased from 7.02 percent to 7.05 percent. The balance of long-term debt in the updated capital structure is unchanged from the balance of \$830,722,209 approved by the Commission in the 2023 Rate Case Order. Staff reviewed the Company's revised capital structure in Exhibit Two attached to its petition and verified it's calculated correctly pursuant to the 2023 Rate Case Order.<sup>11</sup> Therefore, staff recommends the Commission approve PGS's request to increase the weighted average cost of capital from 7.02 percent to 7.05 percent for the test year ending December 31, 2024.

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<sup>11</sup>Document No. 00534-2024, p. 13.

**Issue 3:** Should the Commission approve PGS's request to increase the incremental base rate revenue requirement approved in the 2023 Rate Case Order from \$117,839,527 to \$118,713,612 for the test year ending December 31, 2024?

**Recommendation:** Yes. The Commission should approve an increase in the incremental base rate revenue requirement approved in the 2023 Rate Case Order from \$117,839,527 to \$118,713,612 for the test year ending December 31, 2024. (Andrews, Souchik)

**Staff Analysis:** In the 2023 Rate Case Order, the Commission approved PGS's incremental base rate revenue requirement of \$117,839,527 based on an overall rate of return of 7.02 percent.<sup>12</sup> Updating the 7.02 percent overall rate of return to 7.05 percent, the incremental revenue requirement increased to \$118,713,612.<sup>13</sup> This equates to an increase of \$874,085 or 0.74 percent. Staff reviewed PGS's updated incremental base rate revenue increase calculations in Exhibit Three attached to its petition and verified it was calculated correctly pursuant to the 2023 Rate Case Order.<sup>14</sup> Therefore, staff recommends the Commission approve an increase in the amount of the incremental base rate revenue requirement from \$117,839,527 to \$118,713,612 for the test year ending December 31, 2024.

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<sup>12</sup>Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*, Attachment 5, p. 121.

<sup>13</sup>The overall rate of return is synonymous with the average weighted average cost of capital.

<sup>14</sup>Document No. 00534-2024, p. 15.

**Issue 4:** Should the Commission approve PGS's request to update its base rates, charges, and tariffs reflected in Attachment A attached to this recommendation, with an effective date of July 1, 2024?

**Recommendation:** Yes. If the Commission approves Issue 3, PGS's request to update its base rates, charges, and tariffs reflected in Attachment A to this recommendation, should go into effect with the first billing cycle in July 1, 2024. (Guffey)

**Staff Analysis:** As discussed in Issue 3, PGS requested to increase the incremental base rate revenue increase from \$117,839,527 to \$118,713,612 for the test year ending December 31, 2024, which results in an increase of \$874,085. PGS allocated this amount to the monthly customer charge and distribution charge in all its rate classes as shown in Exhibit Four of the petition. A residential customer in the RS-2 rate schedule, using 14 therms per month would see a bill increase of \$0.06, from \$29.27 to \$29.33, excluding clause factors and taxes.

In response to staff's second data request, PGS stated that it intends to notify its customers of the rate changes at least 30 days prior to their effective date, via bill inserts, email notification for electronic bill customers and the PGS website.<sup>15</sup> Staff has reviewed the proposed customer notice, which was provided in response to staff's second data request.

PGS requested that the proposed tariffs be effective with the first billing cycle in June 2024 or soon thereafter. Staff has reviewed the proposed tariffs, calculations of the revised base rate charges and PGS's responses to data requests and recommends that they be approved and be effective with the first billing cycle in July 2024.

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<sup>15</sup>Response No. 10 in Staff's Second Data Request, Document No. 01103-2024.

Date: April 25, 2024

**Issue 5:** Should the Commission approve PGS's request to defer recovery of the incremental revenue requirement for the six-month period from January 1, 2024, through June 30, 2024, through the Cast Iron/Bare Steel Replacement Rider for 2025?

**Recommendation:** Yes. Pursuant to the 2023 Rate Case Order, the Commission should approve PGS's request to defer recovery of the incremental revenue increase for the six-month period from January 1, 2024, through June 30, 2024, to the Cast Iron/Bare Steel Replacement Rider for 2025. The Company should include the actual incremental amount for recovery in the 2024 Cast Iron/Bare Steel Replacement Rider docket. (Souchik)

**Staff Analysis:** In the 2023 Rate Case Order, the Commission approved PGS's proposal that for the time period between when the new approved base rates went into effect (January 1, 2024) and the implementation date of the LTDR True-Up Mechanism adjusted base rates (first billing cycle of July 2024), the Company will defer the rate impact of the LTDR True-Up Mechanism to its balance sheet for refund or collection through the Cast Iron/Bare Steel Replacement (CI/BSR) Rider in the subsequent year if the amount of the LTDR True-Up Mechanism is greater than \$500,000. As discussed in Issue 3, the impact of the LTDR True-Up Mechanism on the incremental revenue increase is \$874,085. Therefore, the recovery of the incremental revenue requirement for the six-month period from January 1, 2024, through June 30, 2024, should be recovered through the CI/BSR Rider for 2025. Therefore, staff recommends the Commission approve PGS's request to defer recovery of the incremental revenue increase for the six-month period from January 1, 2024, through June 30, 2024, to the CI/BSR Rider for 2025. The Company should include the actual incremental amount for recovery in the 2024 CI/BSR Rider docket.

**Issue 6:** Should this docket be closed?

**Recommendation:** Yes. If Issues 1 through 5 are approved and a protest is filed within 21 days of the issuance 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 be closed upon the issuance of a consummating order. (M. Thompson)

**Staff Analysis:** Yes. If Issues 1 through 5 are approved and a protest is filed within 21 days of the issuance 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 be closed upon the issuance of a consummating order.

Peoples Gas System, Inc.  
Original Volume No. 3

~~Thirteenth~~ Revised Sheet No. 7.201  
Cancels ~~Twelfth~~ Revised Sheet No. 7.201

**RESIDENTIAL SERVICE  
Rate Schedule RS**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas Service for residential purposes in individually metered residences and separately metered apartments. Also, for Gas used in commonly owned facilities of condominium associations, cooperative apartments, and homeowners associations, (excluding any premise at which the only Gas-consuming appliance or equipment is a standby electric generator), subject to the following criteria:

1. 100% of the Gas is used exclusively for the co-owner's benefit.
2. None of the Gas is used in any endeavor which sells or rents a commodity or provides service for a fee.
3. Each Point of Delivery will be separately metered and billed.
4. A responsible legal entity is established as the Customer to whom the Company can render its bills for said services.
5. RS-GHP refers to any Residential Customer utilizing a gas heat pump ("GHP") for heating and cooling.

Customers receiving service under this schedule will be classified for billing purposes according to annual usage as follows:

<u>Billing Class</u>	<u>Annual Consumption</u>
RS-1	0 – 99 Therms
RS-2	100 – 249 Therms
RS-3	250 – 1,999 Therms
RS-GHP	All Therms

**Monthly Rate:**

<u>Billing Class</u>	<u>Customer Charge</u>
RS-1	<del>\$19.10</del> <del>49.06</del> per month
RS-2	<del>\$24.41</del> <del>24.36</del> per month
RS-3	<del>\$31.54</del> <del>31.48</del> per month
RS-GHP	<del>\$31.54</del> <del>31.47</del> per month

Distribution Charge: \$0.~~351653~~~~5006~~ per Therm for RS-1, RS-2, and RS-3  
\$0.~~123951~~~~2374~~ per Therm for RS-GHP

Minimum Bill: The Customer charge.

**Issued By:** Helen J. Wesley, President & CEO  
~~2024~~January 1, 2024

**Effective Date:** July 1,

Peoples Gas System, Inc.  
Original Volume No. 3

~~Eleventh Tenth~~ Revised Sheet No. 7.301  
Cancels ~~Tenth Ninth~~ Revised Sheet No. 7.301

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**SMALL GENERAL SERVICE  
Rate Schedule SGS**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any non-residential Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using 0 through 1,999 Therms per year or less. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS.

**Monthly Rate:**

	Customer Charge:	<del>\$43.0742-98</del> per month
	Distribution Charge:	<del>\$0.4928649496</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. When the Customer receives transportation service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth of Sheet No. 7.101-5.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

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Original Volume No. 3

~~Eleventh Tenth~~ Revised Sheet No. 7.302  
Cancels ~~Tenth Ninth~~ Revised Sheet No. 7.302

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**GENERAL SERVICE - 1**  
**Rate Schedule GS-1**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using 2,000 through 9,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS.

**Monthly Rate:**

	Customer Charge:	<del>\$66.0565.94</del> per month
	Distribution Charge:	<del>\$0.4642346334</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

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**Issued By:** Helen J. Wesley, President & CEO  
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Original Volume No. 3

~~Eleventh Tenth~~ Revised Sheet No. 7.303  
Cancels ~~Tenth Ninth~~ Revised Sheet No. 7.303

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**GENERAL SERVICE - 2**  
**Rate Schedule GS-2**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using 10,000 through 49,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS.

**Monthly Rate:**

	Customer Charge:	<del>\$123.47</del> <del>123.22</del> per month
	Distribution Charge:	<del>\$0.39723</del> <del>39646</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

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~~Ninth Eighth~~ Revised Sheet No. 7.303-2  
Cancels ~~Eighth Seventh~~ Revised Sheet No. 7.303-2

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**GENERAL SERVICE - 3  
Rate Schedule GS-3**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using 50,000 through 249,000 Therms per year or RNG delivered into Company's system by any Customer delivering 50,000 through 249,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS and may be eligible for transportation service under Rider ITS.

**Monthly Rate:**

Customer Charge:	\$ <del>502.52</del> <del>501.48</del> per month
Distribution Charge:	\$0. <del>33980</del> <del>33914</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. Except in the case of Therms of RNG delivered into the Company's system, the rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

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~~Ninth Eighth~~ Revised Sheet No. 7.303-4  
Cancels ~~Eighth Seventh~~ Revised Sheet No. 7.303-4

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**GENERAL SERVICE - 4  
Rate Schedule GS-4**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using 250,000 through 499,999 Therms per year or RNG delivered into Company's system by any Customer delivering 250,000 through 499,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider NCTS or Rider ITS.

**Monthly Rate:**

Customer Charge:	<del>\$952.39950.43</del> per month
Distribution Charge:	<del>\$0.2632326274</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. Except in the case of Therms of RNG delivered into the Company's system, the rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

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**Issued By:** Helen J. Wesley, President & CEO  
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Original Volume No. 3

~~Thirteenth Twelfth~~ Revised Sheet No. 7.304  
Cancels ~~Twelfth Eleventh~~ Revised Sheet No. 7.304

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**GENERAL SERVICE - 5**  
**Rate Schedule GS-5**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Customer (except a Customer whose only Gas-consuming appliance or equipment is a standby electric generator) using a minimum of 500,000 Therms per year or more at one billing location or RNG delivered into Company's system by any Customer delivering a minimum of 500,000 Therms per year or more at one billing location.

A Customer eligible for service under this rate schedule is eligible for transportation service under either Rider NCTS or Rider ITS.

**Monthly Rate:**

	Customer Charge:	<del>\$2,101.00</del> <del>2,096.67</del> per month
	Distribution Charge:	\$0. <del>17898</del> <del>17862</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under either the Company's Rider NCTS or Rider ITS. Company's Purchased Gas Adjustment Clause shall not apply to bills for Therms of RNG delivered into Company's system.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. Except in the case of Therms of RNG delivered into the Company's system, the rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

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Original Volume No. 3

~~Tenth Ninth~~ Revised Sheet No. 7.306  
Cancels ~~Ninth Eighth~~ Revised Sheet No. 7.306

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**COMMERCIAL STREET LIGHTING SERVICE  
Rate Schedule CSLS**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered for use in commercial street lighting devices for public or private use in common areas around subdivisions, complexes, streets, highways or roadway lighting. To qualify for this rate, Customer must have at least ten (10) Gas street lights or a total of forty (40) individual mantles installed and separately metered from other gas-using equipment. A Customer eligible for service under this rate schedule is eligible for transportation service under the Company's Rider NCTS.

**Monthly Rate:**

Distribution Charge: \$~~0.4068040600~~ per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under Rider NCTS.

**Special Conditions:**

1. When the Customer receives service under the Company's Natural Choice Transportation Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
2. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2.
3. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
4. The rates set forth above shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.
5. Service under this schedule shall be subject to the Rules and Regulations set forth in this Tariff.
6. Service under this schedule will require one street light to be metered per account. The metered volume multiplied by the number of lights will equal total Therm usage per month.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

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~~Sixth Fifth~~ Revised Sheet No. 7.402-1  
Cancels ~~Fifth Fourth~~ Revised Sheet No. 7.402-1

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**RESIDENTIAL STANDBY GENERATOR SERVICE  
Rate Schedule RS-SG**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Customer otherwise eligible to receive Gas Service under Rate Schedule RS whose only Gas-consuming appliance or equipment is a standby electric generator.

**Monthly Rate:**

Customer Charge:	<del>\$31,5431.47</del>
Distribution Charge:	<del>\$0.2823728184</del> per Therm
Minimum Monthly Bill:	The Customer charge

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1.

**Special Conditions:**

1. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2 and will apply to each Therm delivered to Customer during a Billing Period.
2. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5 and will apply to each Therm delivered to Customer during a Billing Period.
3. The rates set forth in this Tariff shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.101-5 and will apply to each Therm delivered to Customer during a Billing Period.
4. Subject to Special Condition 5 below, a Customer receiving Gas Service under this schedule shall remain obligated to remain on this schedule for 12 months. This 12-month requirement shall be renewed at the end of each 12-month period unless customer terminates Gas Service at the end of any 12-month period.
5. If Customer installs an additional Gas appliance at the premise at which service is provided hereunder, then Customer will be transferred to the otherwise applicable rate schedule.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

**Effective Date:** July 1,

Peoples Gas System, Inc.  
Original Volume No. 3

~~Seventh Sixth~~ Revised Sheet No. 7.403  
Cancels ~~Sixth Fifth~~ Revised Sheet No. 7.403

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**COMMERCIAL STANDBY GENERATOR SERVICE  
Rate Schedule CS-SG**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Customer eligible to receive Gas Service under Rate Schedule SGS, GS-1, GS-2, GS-3, GS-4 or GS-5 whose only Gas-consuming appliance or equipment is a standby electric generator.

**Monthly Rate:**

	Customer Charge:	<del>\$52.6452-54</del>
	Distribution Charge:	<del>\$0.2823728484</del> per Therm
	Minimum Monthly Bill:	The Customer charge

1. The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set for the on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider NCTS.

**Special Conditions:**

1. When the Customer receives transportation service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3
2. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.101-2 and will apply to each Therm delivered to Customer during a Billing Period.
3. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.4 and will apply to each Therm delivered to Customer during a Billing Period.
4. The rates set forth in this Tariff shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.101-5 and will apply to each Therm delivered to Customer during a Billing Period.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

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Peoples Gas System, Inc.  
Original Volume No. 3

~~Fourth~~ **Fifth** Revised Sheet No. 7.405  
Cancels ~~Third~~ Revised Sheet No. 7.405

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**COMMERCIAL GAS HEAT PUMP SERVICE  
RATE SCHEDULE CS-GHP**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Gas delivered to any Commercial Customer utilizing a Gas Heat Pump for heating and cooling.

**Monthly Rate:**

Customer Charge: ~~\$52.64~~ **52.54** per month  
Distribution Charge: ~~\$0.26323~~ **26274** per Therm  
Minimum Bill: The Customer charge

**Special Conditions:**

1. The gas provided for GHP would be separately metered and would appear separately on Customer bills.
2. The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless the customer receives transportation service under the Company's Rider NCTS.
3. The rates set forth above shall be subject to the operation of the Energy Conservation Cost Recovery Adjustment Clause set forth in Sheet No. 7.101-2.
4. When the Customer receives service under the Company's Natural Choice Transportation Service Rider (Rider NCTS), the rates set forth above shall be subject to the operation of the Company's Swing Service Charge set forth on Sheet No. 7.101-3.
5. The rates set forth under this schedule shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.101-5.
6. A contract for an initial term of one year may be required as a condition precedent to service under this schedule, unless an extension of facilities is involved, in which case the term of the contract shall be the term required under the agreement for the facilities extension.
7. The rates set forth in this schedule shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

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Original Volume No. 3

~~Twelfth~~ ~~Eleventh~~ Revised Sheet No. 7.501  
Cancels ~~Eleventh~~ ~~Tenth~~ Revised Sheet No. 7.501

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**WHOLESALE SERVICE - FIRM  
Rate Schedule WHS**

**Availability:**

For other Gas distribution or electric utility companies throughout service areas of the Company.

**Applicability:**

Service under this schedule will only be rendered when the Company has sufficient Gas and interstate pipeline capacity to meet all its other needs during the term of the sale under this schedule. Firm Gas Service for other Gas utility's residential or commercial resale or for use by an electric utility for its own consumption. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider ITS.

**Monthly Rate:**

Customer Charge:	<del>\$665.24</del> <del>663.86</del> per month
Distribution Charge:	<del>\$0.219782</del> <del>1935</del> per Therm
Minimum Bill:	The Customer charge

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider ITS.

**Special Conditions:**

1. An executed contract for a period of at least one year is required as a condition precedent to service hereunder.
2. The rates set forth above shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.
3. If any facilities other than metering and regulating equipment are required to render service under this schedule, the Customer shall pay for these facilities prior to the commencement of service.
4. Service under this schedule shall be subject to the Rules and Regulations set forth in this Tariff.
5. The rates set forth above shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.101-5.
6. The rates set forth under this schedule shall be subject to the operation of the Cast Iron Bare Steel Replacement Rider Surcharge set forth on Sheet Nos. 7.806 through 7.806-3.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024~~ ~~January 1, 2024~~

**Effective Date:** July 1,

Peoples Gas System, Inc.  
Original Volume No. 3

~~Twelfth~~ ~~Eleventh~~ Revised Sheet No. 7.601  
Cancels ~~Eleventh~~ ~~Tenth~~ Revised Sheet No. 7.601

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**SMALL INTERRUPTIBLE SERVICE  
Rate Schedule SIS**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Interruptible Service for non-residential commercial or industrial service under this schedule is subject to interruption or curtailment at the sole discretion of the Company at any time and is available to Customers using 1,000,000 through 3,999,999 Therms per year. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider ITS.

Service will be provided by the Company based on available pipeline capacity and the Customer delivering suitable Gas into the Company's distribution system.

**Monthly Rate:**

	Customer Charge:	<del>\$2,440.80</del> <del>2,435.76</del> per month
	Distribution Charge:	\$0. <del>1007410054</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider ITS.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. A service agreement accepted by the Company is a condition precedent for service under this schedule. The term of the agreement shall be set forth therein but shall not be less than one year.
2. If the Customer's requirements for Gas change, the Customer shall notify the Company so that the daily and annual quantities in the service agreement may be changed. If the Customer's usage indicates that the amounts set forth in the then existing agreement are not applicable, the Company may require that the daily and annual estimates be changed to reflect the existing conditions.
3. The rates set forth above shall be subject to the operation of the Company's Competitive Rate Adjustment Clause set forth on Sheet No. 7.101-5.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

**Effective Date:** July 1,

Peoples Gas System, Inc.  
Original Volume No. 3

~~Eleventh Tenth~~ Revised Sheet No. 7.603  
Cancels ~~Tenth Ninth~~ Revised Sheet No. 7.603

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**INTERRUPTIBLE SERVICE  
Rate Schedule IS**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Interruptible Gas for non-residential commercial or industrial use. Service under this schedule is subject to interruption or curtailment at the sole discretion of the Company at any time and is available to Customers using 4,000,000 through 49,999,999 Therms per year (see Special Condition 7). A Customer eligible for service pursuant to this rate schedule is also eligible for transportation service under Rider ITS.

Service will be provided by the Company based on available pipeline capacity and the Customer delivering suitable Gas into the Company's distribution system.

**Monthly Rate:**

	Customer Charge:	<del>\$2,823.66</del> <del>2,817.84</del> per month
	Distribution Charge:	<del>\$0.0521905209</del> per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under the Company's Rider ITS.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. A service agreement accepted by the Company is a condition precedent for service under this schedule. The term of the agreement shall be set forth therein but shall not be less than one year.
2. If the Customer's requirements for Gas change, the Customer shall notify the Company so that the daily and annual quantities in the service agreement may be changed. If the Customer's usage indicates that the amounts set forth in the then existing agreement are not applicable, the Company may require that the daily and annual estimates be changed to reflect the existing conditions.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

**Effective Date:** July 1,

Peoples Gas System, Inc.  
Original Volume No. 3

~~Tenth Ninth~~ Revised Sheet No. 7.605  
Cancels ~~Ninth Eighth~~ Revised Sheet No. 7.605

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**INTERRUPTIBLE SERVICE - LARGE VOLUME  
Rate Schedule ISLV**

**Availability:**

Throughout the service areas of the Company.

**Applicability:**

Interruptible Gas for non-residential commercial or industrial use. Service under this schedule is subject to interruption or curtailment at the sole discretion of the Company at any time and is available to Customers using 50,000,000 Therms per year or more. A Customer eligible for service pursuant to this rate schedule is eligible for transportation service under Rider ITS.

Service will be provided by the Company based on available pipeline capacity and the Customer delivering suitable Gas into the Company's distribution system.

**Monthly Rate:**

Customer Charge: ~~\$3,110.82~~ ~~3,104.40~~ per month

Distribution Charge: ~~\$0.013540~~ ~~1354~~ per Therm

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101-1, unless Customer receives transportation service under Company's Rider ITS.

Minimum Bill: The Customer charge.

**Special Conditions:**

1. A service agreement accepted by the Company is a condition precedent for service under this schedule. The term of the agreement shall be set forth therein but not less than one year.
2. If the Customer's requirement for Gas change, the Customer shall notify the Company so that the daily and annual quantities in the service agreement may be changed. If the Customer's usage indicates that the amounts set forth in the then existing agreement are not applicable, the Company may require that the daily and annual estimates be changed to reflect the existing conditions.

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**Issued By:** Helen J. Wesley, President & CEO  
~~2024 January 1, 2024~~

**Effective Date:** July 1,

# Item 5

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:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Ferrer, D. Buys) *ALM*  
Office of the General Counsel (M. Thompson) *JSC*

**RE:** Docket No. 20240035-GU – Petition for approval of change in rate used to capitalize allowance for funds used during construction from 6.00% to 7.08%, effective January 1, 2024, by Peoples Gas System, Inc.

**AGENDA:** 05/07/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

## Case Background

Peoples Gas System, Inc. (PGS or Company) current Allowance for Funds Used During Construction (AFUDC) rate of 6.00 percent was approved by Order No. PSC-2021-0170-PAA-GU, issued May 14, 2021.<sup>1</sup> On February 16, 2024, PGS filed a petition for approval to change its AFUDC rate from 6.00 percent to 7.08 percent, effective January 1, 2024. As required by Rule 25-7.0141(5), Florida Administrative Code (F.A.C.), PGS filed with its petition Schedules A, B, and C identifying the capital structure, capital structure adjustments, and the methodology used to calculate the monthly AFUDC rate. The Commission has jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

<sup>1</sup>Order No. PSC-2021-0170-PAA-GU, issued May 14, 2021, in Docket No. 20210040-GU, *In re: Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 5.97% to 6.00%, effective 1/1/21, by Peoples Gas System.*

## Discussion of Issues

**Issue 1:** Should the Commission approve PGS's request to change its AFUDC rate from 6.00 percent to 7.08 percent?

**Recommendation:** Yes. The appropriate AFUDC rate for PGS is 7.08 percent based on a 13-month average capital structure for the period ended December 31, 2023. (Ferrer)

**Staff Analysis:** PGS requested an increase in its AFUDC rate from 6.00 percent to 7.08 percent. Rule 25-7.0141(3), F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

(3) The applicable AFUDC rate will be determined as follows:

(a) The most recent 13-month average embedded cost of capital, except as noted below, must be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the Company's last rate case.

(b) The cost rates for the components in the capital structure will be the midpoint of the last allowed return on common equity, the most recent 13-month average cost of short-term debt and customer deposits and a zero cost rate for deferred taxes and all investment tax credits. The cost of long-term debt and preferred stock will be based on end of period cost. The annual percentage rate will be calculated to two decimal places.

In support of its requested AFUDC rate of 6.00 percent, PGS provided its calculations and capital structure in Schedules A and B attached to its request. Staff reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-7.0141(3), F.A.C. The requested increase in the AFUDC rate is due to an increase of 27 basis points in the weighted cost of long-term debt, an increase of 57 basis points in the weighted cost of short-term debt, and an increase of 26 basis points in the weighted cost of common equity, offset by a 2 basis point decrease in the weighted cost of customer deposits. PGS's cost rate for short-term debt increased from 1.16 percent in 2020 to 5.84 percent in 2023. Over the same period, PGS's cost rate for long-term debt increased from 4.69 percent to 5.68 percent. The debt cost rate increases were primarily due to market conditions and the Federal Open Market Committee raising interest rates. In its calculation, the Company appropriately used the mid-point return on equity of 10.15 percent, which was approved by Order No. PSC-2023-0388-FOF-GU.<sup>2</sup>

Based on its review, staff believes that the requested increase in the AFUDC rate from 6.00 percent to 7.08 percent is appropriate, consistent with Rule 25-7.0141, F.A.C., and recommends it be approved.

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<sup>2</sup>Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*

**Issue 2:** What is the appropriate monthly compounding rate to achieve PGS's requested annual AFUDC of 7.08 percent?

**Recommendation:** The appropriate compounding rate to achieve an annual AFUDC rate of 7.08 percent is 0.005717. (Ferrer)

**Staff Analysis:** PGS requested a monthly compounding rate of 0.005717 to achieve an annual AFUDC rate of 7.08 percent. In support of the requested monthly compounding rate of 0.005717, the Company provided its calculations in Schedule C attached to its request. Rule 25-7.0141(4)(a), F.A.C., provides the following formula for discounting the annual AFUDC rate to reflect monthly compounding.

$$M = [(1 + A/100)^{1/12} - 1] \times 100$$

Where: M = discounted monthly AFUDC rate

A = annual AFUDC rate

The rule also requires that the monthly compounding rate be calculated to six decimal places.

Staff reviewed the Company's calculation and determined it was derived in accordance with Rule 25-7.0141(4), F.A.C., as presented in Attachment 2. Therefore, staff recommends that a monthly compounding AFUDC rate of 0.005717 be approved.

Date: April 25, 2024

**Issue 3:** Should the Commission approve PGS's requested effective date of January 1, 2024, for implementing the AFUDC rate?

**Recommendation:** Yes. The AFUDC rate should be effective January 1, 2024, for all purposes. (Ferrer)

**Staff Analysis:** PGS's requested AFUDC rate was calculated using the most recent 13-month average capital structure for the period ended December 31, 2023. Rule 25-7.0141(6), F.A.C., provides that:

No utility may charge or change its AFUDC rate without prior Commission approval. The new AFUDC rate will be effective the month following the end of the 12-month period used to establish that rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission.

The Company's requested effective date of January 1, 2024, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore, should be approved.

**Issue 4:** Should this docket be closed?

**Recommendation:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (M. Thompson)

**Staff Analysis:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

**PEOPLES GAS SYSTEM, INC.**  
**CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE**  
**as of December 31, 2023**

<b>STAFF RECOMMENDED</b>				
<u>CAPITAL COMPONENTS</u>	<u>JURISDICTIONAL AVERAGE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
COMMON EQUITY	\$942,550,797	47.40%	10.15%	4.81%
LONG-TERM DEBT	\$543,872,462	27.35%	5.68%	1.55%
SHORT-TERM DEBT	\$236,704,341	11.89%	5.84%*	0.69%
CUSTOMER DEPOSITS	\$28,387,477	1.43%	2.41%*	0.03%
DEFERRED INCOME TAXES	\$237,186,904	11.93%	0.00%	
<b>TOTAL</b>	<b>\$1,988,701,981</b>	<b>100.00%</b>		<b>7.08%</b>

\* 13-MONTH AVERAGE

**PEOPLES GAS SYSTEM, INC.  
METHODOLOGY FOR MONTHLY COMPOUNDING AFUDC RATE  
as of December 31, 2023**

**STAFF RECOMMENDED**

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC RATE</u>	<u>CUMULATIVE AFUDC RATE</u>
1	1.000000	0.005717	0.005717
2	1.005717	0.005749	0.011466
3	1.011466	0.005782	0.017249
4	1.017249	0.005815	0.023064
5	1.023064	0.005849	0.028913
6	1.028913	0.005882	0.034795
7	1.034795	0.005916	0.040710
8	1.040710	0.005950	0.046660
9	1.046660	0.005984	0.052643
10	1.052643	0.006018	0.058661
11	1.058661	0.006052	0.064713
12	1.064713	0.006087	<b>0.070800</b>

**Annual Rate (R) = 0.0708**

**Monthly Rate =  $((1+R)^{(1/12)})-1 = 0.005717$**

# Item 6

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:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (McGowan, D. Buys, Ferrer) *ALM*  
Office of the General Counsel (Dose) *JSC*

**RE:** Docket No. 20240006-WS – Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

**AGENDA:** 05/07/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Fay

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

### Case Background

Section 367.081(4)(f), Florida Statutes (F.S.), authorizes the Commission to establish, not less than once each year, a leverage formula to calculate a reasonable range of returns on equity (ROE) for water and wastewater (WAW) utilities. The original version of the current leverage formula methodology was established in Order No. PSC-2001-2514-FOF-WS.<sup>1</sup> On October 23, 2008, the Commission held a formal hearing in Docket No. 20080006-WS to allow interested parties to provide testimony regarding the validity of the leverage formula.<sup>2</sup> Based on the record

<sup>1</sup>Order No. PSC-2001-2514-FOF-WS, issued December 24, 2001, in Docket No. 20010006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity of water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

<sup>2</sup>At the May 20, 2008, Commission Conference, upon request of the Office of Public Counsel, the Commission voted to set the establishment of the appropriate leverage formula directly for hearing.

in that proceeding, the Commission approved the 2008 leverage formula in Order No. PSC-2008-0846-FOF-WS.<sup>3</sup> In that order, the Commission reaffirmed the methodology that was previously approved in Order No. PSC-2001-2514-FOF-WS.<sup>4</sup>

From 2012 through 2017, the Commission found that the range of returns on equity derived from the annual leverage formulas were not optimal for determining the appropriate authorized ROE for WAW utilities due to Federal Reserve monetary policies that resulted in historically low interest rates. Consequently, the Commission decided it was reasonable to continue using the range of returns on equity of 8.74 percent to 11.16 percent from the 2011 leverage formula approved by Order No. PSC-2011-0287-PAA-WS until 2018.<sup>5</sup>

On November 8, 2017, Commission staff held a workshop to solicit input from interested persons regarding potential changes to the current leverage formula methodology. The only stakeholders that filed comments in the docket were the Office of Public Counsel (OPC) and Utilities, Inc. of Florida (UIF). OPC also filed post-workshop comments on January 31, 2018. On June 26, 2018, the Commission approved the current leverage formula by Order No. PSC-2018-0327-PAA-WS.<sup>6</sup> The June 2018 Order approving the current leverage formula provided necessary and timely updates to the leverage formula methodology.

Section 367.081(4)(f), F.S., authorizes the Commission to establish a range of returns for setting the authorized ROE for WAW utilities. However, use of the leverage formula by the utilities is discretionary and a utility can file cost of equity testimony in lieu of using the leverage formula. The Commission may set an ROE for WAW utilities based on record evidence in any proceeding. If a utility files cost of equity testimony, the Commission will determine the appropriate ROE based on the evidentiary record in that proceeding.

The Commission has jurisdiction pursuant to Section 367.081, F.S.

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<sup>3</sup>Order No. PSC-2008-0846-FOF-WS, issued December 31, 2008, in Docket No. 20080006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

<sup>4</sup>Order No. PSC-2001-2514-FOF-WS, issued December 24, 2001, in Docket No. 20010006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

<sup>5</sup>Order No. PSC-2011-0287-PAA-WS, issued July 5, 2011, in Docket No. 20110006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

<sup>6</sup>Order No. PSC-2018-0327-PAA-WS, issued June 26, 2018, in Docket No. 20180006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

## Discussion of Issues

**Issue 1:** What is the appropriate range of returns on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.?

**Recommendation:** The appropriate range of returns on common equity is 8.66 percent at 100 percent equity to 11.24 percent at 40 percent equity. This range was determined using the leverage formula methodology approved in Order No. PSC-2018-0327-PAA-WS using a proxy group comprised of natural gas and WAW utilities and updated financial data. Accordingly, the following leverage formula should be used until the leverage formula is addressed again in 2025:

$$\text{ROE} = 6.94 + (1.719 \div \text{Equity Ratio})$$

Where the Equity Ratio = Common Equity  $\div$  (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

Range: 8.66% at 100% equity to 11.24% at 40% equity

The Commission should cap returns on common equity at 11.24 percent for all WAW utilities with equity ratios less than 40 percent. Imposing a cap serves to discourage imprudent financial risk. This cap is consistent with the methodology approved in Order No. PSC-2018-0327-PAA-WS. (McGowan)

**Staff Analysis:** Section 367.081(4)(f), F.S., authorizes the Commission to establish a leverage formula to calculate a reasonable range of returns on common equity for WAW utilities. The Commission must establish this leverage formula not less than once a year. For administrative efficiency, the leverage formula is used to determine the appropriate return on equity for an average Florida WAW utility. However, use of the leverage formula by utilities is discretionary and a utility can file cost of equity testimony in lieu of using the leverage formula. As is the case with other regulated companies under the Commission's jurisdiction, the Commission has discretion in the determination of the appropriate ROE based on the evidentiary record in a proceeding. If one or more parties in a rate case or limited proceeding file testimony in lieu of using the leverage formula, the Commission will determine the appropriate ROE based on the evidentiary record in that proceeding.

### Methodology

In the instant docket, staff updated the current leverage formula using the most recent financial data applied to the methodology approved in Order No. PSC-2001-2514-FOF-WS, reaffirmed in Order No. PSC-2008-0846-FOF-WS and modified in Order No. PSC-2018-0327-PAA-WS. The methodology uses ROEs derived from widely accepted financial models applied to an index of natural gas and WAW companies that have actively traded stock and forecasted financial data. To establish the proxy group, staff selected five natural gas companies and six WAW companies that derive at least 50 percent of their total revenue from regulated operations and have a Standard and Poor's (S&P) credit rating. These selected companies have market power and are influenced significantly by economic regulation and have an average S&P bond rating of 'A'.

Consistent with the approved methodology, staff used a market capitalization weighted average for: (1) the Discounted Cash Flow model results, (2) the Beta values in the Capital Asset Pricing Model, and (3) the equity ratio of the proxy group.

### ***Assumed Cost of Debt***

Staff used a projected yield on Corporate Baa bonds to estimate the bond yield of an average Florida WAW utility in the calculation of the weighted average cost of capital of the proxy group. A projected yield is used because required returns are forward looking and based on projections.

Consistent with the methodology approved in Order No. PSC-2018-0327-PAA-WS, staff used the average of the projected Corporate Baa rated bond yield of 5.825 percent for the upcoming four quarters as published in the April 1, 2024 Blue Chip Financial Forecast (Blue Chip). Staff then added the 120-month historical average spread of 0.117 between the Baa and A Corporate Utility Bond yields to the projected Corporate Baa rated bond yield of 5.825 percent to estimate a projected Baa3 rated utility bond yield of 5.94 percent.

Staff added a 50 basis point adjustment for small-company risk and a 50 basis point adjustment for a private placement premium to the projected Baa3 rated utility bond yield of 5.94 percent to reflect the risk for a typical Florida WAW utility, which resulted in a projected assumed debt cost rate of 6.94 percent.

$$5.825\% + 0.117\% + 0.50\% + 0.50\% = 6.94\%$$

### ***Estimated Cost of Equity***

The current leverage formula relies on two ROE models described below. Staff adjusted the results of these models to reflect differences in risk and debt cost between the proxy group and the average Florida WAW utility. Both of the ROE models include an adjustment of approximately four percent for flotation costs. The ROE models are as follows:

A multistage Discounted Cash Flow (DCF) model applied to an index of natural gas and WAW utilities that have publicly traded stock and are followed by Value Line. This DCF model is an annually compounded model and uses prospective dividend growth rates as published by Value Line.

A Capital Asset Pricing Model (CAPM) that relies on a market return for companies followed by Value Line, the average projected yield on the U.S. Treasury's 30-year bonds as of April 1, 2024, published by Blue Chip, and the weighted average beta for the index of natural gas and WAW utilities. The market return for the CAPM was calculated using a quarterly DCF model with stock prices as of April 8, 2024. Consistent with the Commission's approved methodology since 2001, the CAPM result was adjusted upward by 20 basis points to reflect flotation cost of approximately four percent.

Consistent with Order No. PSC-2018-0327-PAA-WS, staff averaged the results of the DCF and CAPM models and adjusted the result of 9.04 percent as follows:

A bond yield differential of 47 basis points was added to reflect the difference in yields between an A/A2 rated bond, which is the median bond rating for the combined utility index, and a BBB-/Baa3 rated bond. Florida WAW utilities are assumed to be comparable to companies with the lowest investment grade bond rating, which is Baa3. This adjustment compensates for the difference between the credit quality of 'A' rated debt and the assumed lower credit quality of a typical Florida WAW utility.

A private placement premium of 50 basis points is added to reflect the difference in yields on publicly traded debt and privately placed debt, which is illiquid. Investors require a premium for the lack of liquidity of privately placed debt.

A small-utility risk premium of 50 basis points is added because the average Florida WAW utility is too small to qualify for privately placed debt and smaller companies are considered by investors to be more risky than larger companies.

After the above adjustments, the resulting cost of equity estimate of 10.51 percent is included in the weighted average capital structure of the proxy group to derive the leverage formula. The derivation resulted in an adjustment of 73 basis points to reflect an estimated required return of 11.24 percent at an equity ratio of 40 percent. Table 1-1 shows the components that comprise the upper range of the leverage formula.

**Table 1-1  
Adjusted Return on Equity**

DCF Model	7.91%
CAPM	10.17%
Average	9.04%
Bond Yield Differential	0.47%
Private Placement Premium	0.50%
Small-Utility Risk Premium	0.50%
Adjusted ROE Average	10.51%
Adj. To Reflect Required Equity Return at a 40% Equity Ratio	0.73%
Upper Range of ROE	11.24%

Source: Staff Worksheets

### **Leverage Formula**

The updated leverage formula is:  $ROE = 6.94\% + (1.719 \div \text{Equity Ratio})$

The resulting range of returns is 8.66 percent at 100 percent equity to 11.24 percent at 40 percent equity.

Using the most recent financial data in the leverage formula increases the lower end of the current allowed ROE range by 20 basis points and increases the upper end of the range by 57 basis points. Overall, the spread between the range of returns on equity based on the updated leverage formula is 258 basis points (8.66 percent to 11.24 percent). In comparison, the range of

returns on equity for the current leverage formula from 2023 is 221 basis points (8.46 percent to 10.67 percent).

In developing the updated leverage formula, staff acknowledges that the leverage formula depends on four basic assumptions:

- 1) Business risk is similar for all WAW utilities;
- 2) The cost of equity is an exponential function of the equity ratio but a linear function of the debt to equity ratio over the relevant range;
- 3) The marginal weighted average cost of investor capital is constant over the equity ratio range of 40 percent to 100 percent; and
- 4) The debt cost rate at an assumed Moody's Baa3 bond rating, plus a 50 basis point private placement premium and a 50 basis point small-utility risk premium, represents the average marginal cost of debt to an average Florida WAW utility over an equity ratio range of 40 percent to 100 percent.

For these reasons, the leverage formula is assumed to be appropriate for the average Florida WAW utility.

Based on the aforementioned, staff believes the revised leverage formula methodology applied to a proxy group of natural gas and WAW utilities with updated financial data based on market-capitalization weighted averages produces a reasonable range of ROEs for WAW utilities and reflects current financial markets. As such, staff recommends the following leverage formula be used until a new leverage formula is determined in 2025:

$$\text{ROE} = 6.94\% + (1.719 \div \text{Equity Ratio})$$

Where the Equity Ratio = Common Equity  $\div$  (Common Equity + Preferred Equity + Long-Term and Short-Term Debt).

The appropriate range of returns on equity is 8.66% at 100% equity to 11.24% at 40% equity.

Additionally, staff recommends that the Commission cap returns on common equity at 11.24 percent for all WAW utilities with equity ratios less than 40 percent. Staff recommends a cap to discourage imprudent financial risk. This cap is consistent with the methodology in Order No. PSC-2018-0327-PAA-WS.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant. (Dose)

**Staff Analysis:** Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant.

**SUMMARY OF RESULTS**  
**2024 Water and Wastewater Leverage Formula**

	<u>Currently In Effect</u>	<u>Updated Results</u>
(1) DCF ROE for Proxy Group	7.07%	7.91%
(2) CAPM ROE for Proxy Group	<u>10.58%</u>	<u>10.17%</u>
AVERAGE	8.83%	9.04%
Bond Yield Differential	0.48%	0.47%
Private Placement Premium	0.50%	0.50%
Small-Utility Risk Premium	0.50%	0.50%
Adjustment to Reflect Required Equity Return at a 40% Equity Ratio	<u>0.36%</u>	<u>0.73%</u>
Cost of Equity for Average Florida WAW Utility at 40% Equity Ratio	<u>10.67%</u>	<u>11.24%</u>

2023 Leverage Formula (Currently in Effect)

Return on Common Equity = 7.00% + (1.468 ÷ Equity Ratio)

Range of Returns on Equity = 8.46% to 10.67%

2024 Leverage Formula (Updated Results)

Return on Common Equity = 6.94% + (1.719 ÷ Equity Ratio)

Range of Returns on Equity = 8.66% to 11.24%

**Marginal Cost of Investor Capital  
Average Water and Wastewater Utility**

<u>Capital Component</u>	<u>Ratio</u>	<u>Marginal Cost Rate</u>	<u>Weighted Marginal Cost Rate</u>
Common Equity	48.15%	10.51%	5.06%
Total Debt	<u>51.85%</u>	6.94%*	<u>3.60%</u>
	<u>100.00%</u>		<u>8.66%</u>

A 40% equity ratio is the floor for calculating the required return on common equity.  
 The return on equity at a 40% equity ratio:  $6.94\% + (1.719 \div 0.40) = 11.24\%$

**Marginal Cost of Investor Capital  
Average Water and Wastewater Utility at 40% Equity Ratio**

<u>Capital Component</u>	<u>Ratio</u>	<u>Marginal Cost Rate</u>	<u>Weighted Marginal Cost Rate</u>
Common Equity	40.00%	11.24%	4.50%
Total Debt	<u>60.00%</u>	6.94%*	<u>4.16%</u>
	<u>100.00%</u>		<u>8.66%</u>

Where: Equity Ratio = Common Equity ÷ (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

\*Assumed Baa3 rate for April 2024 plus a 50 basis point private placement premium and a 50 basis point small-utility risk premium.

Sources:

Value Line Selection and Opinion  
 Company 10-K Filings

**Discounted Cash Flow Model Results**  
**February 26, 2024 – March 28, 2024**

<u>COMPANY</u>	<u>STOCK PRICE</u>			<u>DCF Results</u>	<u>Weight</u>	<u>DCF</u>
	<u>High</u>	<u>Low</u>	<u>Avg.</u>			<u>Weighted Results</u>
Atmos Energy Corporation	119.05	111.02	115.04	8.13%	22.48%	1.83%
NiSource, Inc.	27.72	25.59	26.65	8.71%	13.86%	1.21%
Northwest Natural Holding	38.43	35.40	36.92	8.35%	1.70%	0.14%
ONE Gas, Inc.	64.68	57.96	61.32	7.94%	4.58%	0.36%
Spire, Inc.	61.68	57.94	59.81	8.56%	4.31%	0.37%
American States Water	74.40	69.98	72.19	7.37%	3.40%	0.25%
American Water Works	122.41	116.38	119.40	7.57%	29.80%	2.26%
Essential Utilities, Inc.	37.13	33.94	35.54	7.72%	12.94%	1.00%
California Water Services	48.56	44.93	46.75	7.08%	3.40%	0.24%
Middlesex Water	53.31	48.59	50.95	8.50%	1.18%	0.10%
SJW Group	58.47	54.39	56.43	6.71%	2.35%	0.16%
<b>Average Weighted DCF Result:</b>						<b><u>7.91%</u></b>

The ROE of 7.91% represents the expected cost of equity required to match the average stock price, less four percent for flotation costs, with the present value of expected cash flows.

Sources:

Stock prices obtained from Yahoo Finance for the period February 26, 2024 through March 28, 2024.

Natural Gas company dividends, earnings, and ROE obtained from Value Line Ratings & Reports issued February 23, 2024.

Water and Wastewater company dividends, earnings, and ROE obtained from Value Line Ratings & Reports issued April 5, 2024.

**Capital Asset Pricing Model Cost of Equity for  
Water and Wastewater Industry**

CAPM analysis formula

$$K = RF + \text{Beta} (MR - RF) + 0.20\%$$

$$K = \text{Investor's required rate of return}$$

$$RF = \text{Risk-free rate}$$

(April 2024 Blue Chip forecast for 30-year U.S. Treasury Bond Yield)

<u>3Q 2024</u>	<u>4Q 2024</u>	<u>1Q 2025</u>	<u>2Q 2025</u>	<u>3Q 2025</u>
4.20%	4.20%	4.10%	4.10%	4.00%

$$\text{Average} = 4.12\%$$

$$\text{Beta} = \text{Measure of industry-specific risk (market cap weighted average for the proxy group of natural gas and WAW utilities)}$$

$$MR = \text{Market Return (Value Line Investment Analyzer Web Browser)}$$

$$10.17\% = 4.12\% + 0.896 (10.65\% - 4.12\%) + 0.20\%$$

Note:

Staff calculated the market return using a quarterly DCF model for a large number of dividend paying stocks followed by Value Line. As of April 9, 2024, the result was 10.65%. The market return is adjusted to reflect a flotation cost of three percent. Staff added 20 basis points to the CAPM result to reflect an assumed flotation cost of approximately two percent.

**Bond Yield for Water and Wastewater Industry**

<u>Credit Rating</u>	<u>(A)</u>	<u>Spread</u>	<u>(A-)</u>	<u>Spread</u>	<u>(BBB+)</u>	<u>Spread</u>	<u>(BBB)</u>	<u>Spread</u>	<u>(BBB-)</u>
		0.117		0.117		0.117		0.117	

120-Month Avg. Spread: 0.117%

Total Equity Bond

Yield Differential: 0.117% x 4 = 0.468%

	<u>2Q 2024</u>	<u>3Q 2024</u>	<u>4Q 2024</u>	<u>1Q 2025</u>
Forecast Corporate Baa Bond	5.90%	5.80%	5.80%	5.80%

Average Forecasted Corporate

Baa Bond Rate: 5.825%

**Assumed Bond Yield for Baa3 Utilities: 0.117% + 5.825% = 5.942%**

	<u>Currently</u>	<u>Updated</u>
	<u>In Effect</u>	<u>Results</u>
Private Placement Premium	0.50%	0.50%
Small-Utility Risk Premium	0.50%	0.50%
Assumed Bond Yield for Baa3 Utilities	<u>6.00%</u>	<u>5.94%</u>
Assumed Bond Yield for Florida WAW Utilities	<u>7.00%</u>	<u>6.94%</u>

Sources:

Value Line Selection and Opinion for the 120-Month Avg. Spread  
 Blue Chip Financial Forecast issued April 1, 2024

**2024 Leverage Formula Proxy Group**

<u>Company</u>	<u>S&amp;P Bond Rating</u>	<u>Regulated Revenue</u>	<u>V/L Market Capital (in millions)</u>	<u>Equity Ratio</u>	<u>Equity Ratio (Weighted)</u>	<u>Value Line Beta</u>	<u>Value Line Beta (Weighted)</u>
Atmos Energy Corporation	A-	95.89%	\$17,200	61.20%	13.76%	0.85	0.1911
NiSource, Inc.	BBB+	67.80%	10,600	41.77%	5.79%	0.90	0.1247
Northwest Natural Holding	A+	92.63%	1,300	43.52%	0.74%	0.85	0.0144
One Gas, Inc.	A-	98.92%	3,500	47.56%	2.18%	0.85	0.0389
Spire, Inc.	A-	92.15%	3,300	38.47%	1.66%	0.85	0.0367
American States Water	A	72.77%	2,600	46.05%	1.56%	0.70	0.0238
American Water Works	A	92.16%	22,800	44.20%	13.17%	0.95	0.2831
Essential Utilities, Inc.	A	86.40%	9,900	45.53%	5.89%	1.00	0.1294
Cal. Water Serv. Group	A+	97.67%	2,600	53.70%	1.82%	0.75	0.0255
Middlesex Water	A	92.32%	900	50.74%	0.60%	0.75	0.0088
SJW Group	<u>A-</u>	<u>97.27%</u>	<u>1,800</u>	<u>41.38%</u>	<u>0.97%</u>	<u>0.85</u>	<u>0.0200</u>
<b>Average</b>	<b>A</b>	<b>89.63%</b>	<b>\$6,955</b>	<b>46.74%</b>	<b>48.15%</b>	<b>0.845</b>	<b>0.896</b>

# Item 7

FILED 4/25/2024  
DOCUMENT NO. 02371-2024  
FPSC - COMMISSION CLERK

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:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Engineering (P. Buys, King, Ramos) *TB*  
Division of Economics (Hampson) *CH*  
Office of the General Counsel (Sparks, Harper, Marquez) *ACH*

**RE:** Docket No. 20240026-EI – Petition for rate increase by Tampa Electric Company.

**AGENDA:** 05/07/24 – Regular Agenda – Tariff Suspension - Participation is at the discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Clark

**CRITICAL DATES:** 06/03/2024 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

### Case Background

On April 2, 2024, Tampa Electric Company (TECO or Company) filed its petition for a permanent rate increase. TECO provides electric service to approximately 844,000 customers in Hillsborough and portions of Polk, Pasco, and Pinellas counties.

TECO has requested a \$297 million increase in its general base rates and charges, effective January 1, 2025. In addition, the Company requested incremental rate increases in the amounts of \$100 million, effective January 1, 2026, and \$72 million, effective January 1, 2027. TECO requested that it also be allowed a return on common equity (ROE) of 11.5 percent.

The Company based its requests on a projected test period of January 1, 2025, through December 31, 2025. TECO did not request interim rate relief.

TECO's last base rate hearing was in 2021. In that case, the Commission approved a settlement, which allowed a total base rate increase of approximately \$233 million, including \$123 million in 2022, \$90 million generation base rate adjustment (GBRA) in 2023, and \$21 million GBRA in 2024.<sup>1</sup>

On February 26, 2024, the Commission acknowledged the Office of Public Counsel's Notice of Intervention in this proceeding.<sup>2</sup> On April 23, 2024, the Commission also acknowledged the Intervention of the following parties: Florida Industrial Power Users Group, Federal Executive Agencies, Florida Retail Federation, Florida Rising, League of United Latin American Citizens of Florida, and Sierra Club.<sup>3</sup> Additionally, on April 24, 2024, Americans for Affordable Clean Energy, Inc., Circle K Stores, Inc., RaceTrac, Inc., and Wawa, Inc. petitioned the Commission to intervene in this proceeding.<sup>4</sup> This recommendation addresses the suspension of the requested permanent rate increase and all associated tariff revisions. The Commission has jurisdiction over this matter pursuant to Section 366.06, Florida Statutes (F.S.).

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<sup>1</sup> Order No. PSC-2021-0423-S-EI, issued November 10, 2021, in Docket No. 20210034-EI, *In re: Petition for rate increase by Tampa Electric Company*.

<sup>2</sup> Order No. PSC-2024-0048-PCO-EI, issued February 26, 2024, in Docket No. 20240026-EI, *In re: Petition for rate increase by Tampa Electric Company*.

<sup>3</sup> Order Nos. PSC-2024-0121-PCO-EI, PSC-2024-0122-PCO-EI, PSC-2024-0123-PCO-EI, PSC-2024-0124-PCO-EI, and PSC-2024-0125-PCO-EI, issued April 23, 2024, in Docket No. 20240026-EI, *In re: Petition for rate increase by Tampa Electric Company*.

<sup>4</sup> See Document No. 02357-2024.

### **Discussion of Issues**

**Issue 1:** Should Tampa Electric Company's proposed tariffs to implement the request for a permanent increase in rates and charges be suspended?

**Recommendation:** Yes. Staff recommends that TECO's proposed tariffs be suspended to allow staff and the parties time to analyze the request and for the Commission to conduct an administrative hearing. (Hampson, P. Buys)

**Staff Analysis:** Pursuant to Section 366.06(3), F.S. the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change, a reason, or written statement of good cause for doing so within 60 days. Staff recommends that allowing staff and the parties time to analyze the request and for the Commission to conduct an administrative hearing is a good cause consistent with the requirement of Section 366.06(3), F.S.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. This docket should remain open to process the Company's revenue increase request. (Sparks)

**Staff Analysis:** This docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase.

# Item 8

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-**

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**DATE:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (Smith II, Hampson) *EJD*  
Office of the General Counsel (Stiller, Thompson) *JSC*

**RE:** Docket No. 20240025-EI – Petition for rate increase by Duke Energy Florida, LLC.

**AGENDA:** 5/7/24 – Regular Agenda – Tariff Suspension – Participation is at the discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Passidomo

**CRITICAL DATES:** 06/03/24 (60-day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

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## Case Background

This proceeding commenced on April 2, 2024, with the filing of a petition for a permanent rate increase by Duke Energy Florida, LLC (DEF or Company).<sup>1</sup> The Company is engaged in business as a public utility providing electric service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to the jurisdiction of the Commission. DEF provides electric service to approximately two million retail customers in Pinellas, Pasco, Orange, Osceola, and Seminole Counties.

DEF has requested an increase in its retail rates and charges to generate \$593 million in additional gross annual revenue, effective January 1, 2025, \$98 million, effective January 1, 2026, and \$129 million, effective January 1, 2027. DEF asserts that the combined increases will allow the Company to earn a return on equity of 11.15 percent. The Company based its requests on projected test years ending December 31, 2025, December 31, 2026, and December 31, 2027. DEF stated that these test

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<sup>1</sup> Document No. 01442-2024

years are the appropriate periods to be utilized because they best represent expected future operations in the period immediately after any new base rates go into effect. In total, the Company is requesting an \$820 million base rate increase. DEF did not request any interim rate relief.

In DEF's most recent base rate proceeding in Docket No. 20210016-EI, the Commission approved a settlement agreement which authorized a revenue increase of \$67 million effective January 1, 2022, a revenue increase of \$49 million effective January 1, 2023, and a further revenue increase of \$79 million effective January 1, 2024.<sup>2</sup> The settlement agreement established base rates through the last billing cycle in December 2024.

On February 16, 2024, the Commission acknowledged the Office of Public Counsel's notice of intervention in this proceeding.<sup>3</sup> On April 19, 2024, Florida Rising, Inc.; League of United Latin American Citizens of Florida; Florida Industrial Power Users Group; Florida Retail Federation; and Sierra Club were granted intervention.<sup>4</sup> On April 24, 2024, White Springs Agricultural Chemicals, Inc. (White Springs) and Nucor Steel Florida, Inc., were granted intervention.<sup>5</sup> On April 23, 2024, Southern Alliance for Clean Energy filed its Petition to Intervene.<sup>6</sup> On April 24, 2024, Americans for Affordable Clean Energy, Inc.; Circle K Stores, Inc.; RaceTrac Inc.; and Wawa, Inc. filed a collective Petition to Intervene.<sup>7</sup> A hearing has been scheduled for August 12-16, 2024. August 19-23, 2024, have also been reserved, if necessary.<sup>8</sup>

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction over this matter pursuant to Sections 366.06(2) and (4), F.S.

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<sup>2</sup> Order No. PSC-2021-0202-AS-EI, issued June 9, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including base rate increases, by Duke Energy Florida, Inc.*

<sup>3</sup> Order No. PSC-2024-0041-PCO-EI, issued February 16, 2024, in Docket No. 20240025-EI, *In re: Petition for rate increase by Duke Energy Florida, Inc.*

<sup>4</sup> Order Nos. PSC-2024-0106-PCO-EI, PSC-2024-0107-PCO-EI, PSC-2024-0108-PCO-EI, and PSC-2024-0109-PCO-EI, issued April 19, 2024, in Docket No. 20240025-EI, *In re: Petition for rate increase by Duke Energy Florida, Inc.*

<sup>5</sup> Order Nos. PSC-2024-0129-PCO-EI and PSC-2024-0130-PCO-EI, issued April 24, 2024, in Docket No. 20240025-EI, *In re: Petition for rate increase by Duke Energy Florida, Inc.*

<sup>6</sup> Document No. 02257-2024

<sup>7</sup> Document No. 02346-2024

<sup>8</sup> Order No. PSC-2024-0092-PCO-EI, issued April 11, 2024, in Docket No. 20240025-EI, *In re: Petition for rate increase by Duke Energy Florida, Inc.*

## Discussion of Issues

**Issue 1:** Should Duke Energy Florida, LLC's (DEF) request for a \$593 million permanent rate increase effective January 1, 2025; a \$98 million permanent rate increase effective January 1, 2026, a \$129 million permanent rate increase effective January 1, 2027; and the associated tariff revisions be suspended pending a final decision in this docket?

**Recommendation:** Yes. DEF's requested \$593 million permanent rate increase effective January 1, 2025; \$98 million permanent rate increase effective January 1, 2026; \$129 million permanent rate increase effective January 1, 2027; and associated tariff revisions should be suspended pending a final decision in this docket. (Smith II)

**Staff Analysis:** DEF filed its petition, testimony, and minimum filing requirements on April 2, 2024. The Company has requested an increase in its retail rates and charges to generate \$593 million in additional gross annual revenue, effective January 1, 2025. DEF has also requested an increase in its retail rates and charges to generate \$98 million in additional gross annual revenue, effective January 1, 2026. Further, DEF has requested an increase in retail rates and charges to generate \$129 million in additional gross annual revenue, effective January 1, 2027.

Historically, the Commission has suspended requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. Suspension of a requested rate increase is authorized by Section 366.06(3), F.S., which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Staff recommends that the Commission suspend the requested permanent rate schedules to allow staff and any intervenors sufficient time to adequately analyze the case and for the Commission to conduct an administrative hearing. Staff believes this is good cause consistent with the requirement of Section 366.06(3), F.S.

Date: April

**Issue 2:** Should this docket be closed?

**Recommendation:** No, this docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase. (Stiller, Thompson)

**Staff Analysis:** This docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase.

# Item 9

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-**

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**DATE:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (McClelland, Hampson) *EJD*  
Office of the General Counsel (Brownless) *JSC*

**RE:** Docket No. 20240031-GU – Petition for approval of transportation service agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.

**AGENDA:** 05/11/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Passidomo

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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### Case Background

On February 7, 2024, Peninsula Pipeline Company, Inc. (Peninsula) filed a petition for approval of a firm transportation service agreement between Peninsula and Florida Public Utilities Company (FPUC) for Plant City and Lake Mattie system expansions. The completion of the Plant City and Lake Mattie system expansions are intended to enhance delivery of natural gas to FPUC's natural gas systems in the service territory in Hillsborough and Polk County. FPUC is a local distribution company subject to the regulatory jurisdiction of the Commission pursuant to

Chapter 366, Florida Statutes (F.S.) Peninsula operates as an intrastate natural gas transmission company as defined by Section 368.103(4), F.S.<sup>1</sup>

Peninsula provides gas transportation service only; it does not engage in the sale of natural gas to customers. By Order No. PSC-07-1012-TRF-GP (2007 Order), Peninsula received approval of an intrastate gas pipeline tariff that allows it to construct and operate intrastate pipeline facilities and to actively pursue agreements with natural gas customers.<sup>2</sup> Pursuant to the 2007 Order, Peninsula is allowed to enter into gas transmission agreements that meet certain criteria without prior Commission approval.<sup>3</sup> However, Peninsula is requesting Commission approval of this proposed agreement as it does not fit any of the enumerated criteria.<sup>4</sup> Additionally, Peninsula and FPUC (collectively “the parties”) are subsidiaries of Chesapeake Utility Corporation, and agreements between affiliated companies must be approved by the Commission pursuant to Section 368.105, F.S., and the 2007 Order.

The proposed agreements would be effective for 20 years after its date of execution, and extended on a year-to-year basis after this initial term, unless either party chooses to terminate via written notice submitted 90 days prior to the expiration of the current term. Either party may request modification of the rates or terms of the agreement, to be made effective in the next renewed term, no less than 120 days before the expiration of the current term. However, the parties acknowledge that any amendments to the proposed agreements would require further Commission approval.

The parties assert that Peninsula would recover the pipeline and district regulator construction costs through the monthly reservation charge to FPUC as shown in Exhibit A to the proposed agreements. The monthly reservation charge is designed to recover costs such as, but not limited to, engineering, permitting, materials, and installation costs associated with pipeline and related facilities, ongoing maintenance including Pipeline and Hazardous Materials Safety Administration compliance, safety requirements, property taxes, gas control, and Peninsula’s return on investment.

FPUC would recover its payments to Peninsula through the Purchased Gas Adjustment (PGA) and swing service mechanisms. The PGA allows FPUC to periodically adjust the price of natural gas supplied to its customers to reflect the actual cost of gas purchased and delivered on behalf of the customers. The swing service rider allows FPUC to recover intrastate capacity costs from their transportation customers and is a cents per therm charge that is included in the monthly customer gas bill of transportation customers. While FPUC would incur costs associated with this service expansion, new load added to the system would help spread the costs over a larger customer base.

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<sup>1</sup> Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 20050584-GP, *In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.*

<sup>2</sup> Order No. PSC-07-1012-TRF-GP, issued December 21, 2007, in Docket No. 070570-GP, *In re: Petition for approval of natural gas transmission pipeline tariff by Peninsula Pipeline Company, Inc.*

<sup>3</sup> Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Vol. 1, Original Sheet No. 11, Section 3.

<sup>4</sup> Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Vol. 1, Original Sheet No. 12, Section 4.

Pursuant to the proposed agreements (Attachments A and B to this recommendation), Peninsula would construct, own, and operate new natural gas pipelines and acquire from FPUC existing assets to allow them to more adequately provide service to Plant City and Lake Mattie. Maps of the proposed projects are included in Attachment C to this recommendation.

During the evaluation of the petition, staff issued two data requests to the parties for which responses were received on April 2<sup>5</sup> and 8, 2024.<sup>6</sup> Staff and the parties held a phone conference on April 17, 2024, to ask further questions and discuss the proposed agreement. On April 18, 2024, the parties filed a revised transportation service agreement related to the Lake Mattie project and revised Exhibit A to the transportation service agreement, as well as a revised map for the Lake Mattie project. On April 22, 2024, the parties filed a second revised Exhibit A to correct an error in a confidential number contained in Exhibit A filed on April 18, 2024. The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S.

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<sup>5</sup> Joint Responses to Staff's First Data Request, Document No. 01541-2024

<sup>6</sup> Joint Responses to Staff's Second Data Request, Document No. 01690-2024

## Discussion of Issues

**Issue 1:** Should the Commission approve the proposed Plant City transportation service agreement and expansion project?

**Recommendation:** Yes, the Commission should approve the Plant City transportation service agreement between Peninsula and FPUC, dated January 30, 2024, included as Attachment A to the recommendation. The proposed agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed agreement benefits FPUC's current and potential future customers by extending to new delivery points that would permit FPUC to serve both existing residents and planned developments. (McClelland, Hampson)

### **Staff Analysis:**

#### **Proposed Plant City Expansion Project**

The parties have entered into the proposed firm transportation service agreement to enable FPUC to increase capacity to meet current and future demand needs in Plant City.

The petition states that the proposed Plant City expansion project would consist of approximately 2.4 miles of 4-inch coated steel pipeline, three new delivery points, a new interconnect with Florida Gas Transmission (FGT), and Peninsula's acquisition of assets from FPUC. The acquired assets from FPUC consist of about 1,700 feet of 4-inch coated steel pipeline located near the planned interconnect with FGT. This project is expected to be completed by the end of 2024.

The parties explain in paragraph 12 of the petition that the Plant City expansion would begin with the acquisition of about 1,700 feet of 4-inch coated steel pipeline from FPUC, which Peninsula would interconnect with FGT using a newly constructed gate station. From the acquired assets, Peninsula would build three extensions leading to three new delivery points, for a total of approximately 12,225 feet.

#### **Anticipated System Benefits**

The parties assert the proposed Plant City transportation service agreement and expansion project would help FPUC serve current demand, as well as meet demands of projected growth. Future developments are planned along both Sam Allen Road and Wilder Road, both of which are proposed to receive natural gas access per the expansion outlined in the petition. The project is expected to provide an additional 5,000 dekatherms of natural gas capacity per day.

#### **Negotiated Monthly Reservation Payments to Peninsula**

In paragraph 23 of the petition, the parties assert that the negotiated monthly reservation charge listed in Attachment A is consistent with market rates, within the guidelines of Section 368.105(3)(b), F.S. The costs to Peninsula associated with constructing the expansion would be recovered through use of the monthly reservation charge. Peninsula would purchase the assets from FPUC for their net book value of \$174,008.97. FPUC customers would pay for their use of these assets through this monthly reservation charge alone, which was calculated using an engineering estimate placing the assets at a lower value of \$147,000.<sup>7</sup> The assets discussed above

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<sup>7</sup> Joint responses to Staff's Second Data Request, Document No. 01690-2024.

Date: April 25, 2024

were not included in FPUC's rate base during the latest rate case proceeding in 2022; therefore, FPUC's general body of ratepayers are currently not paying for those assets. Therefore, staff recommends that the parties' initial firm transportation agreement is appropriate as proposed.

### **Conclusion**

Based on the petition and the parties' responses to staff's data request, staff recommends that the Commission should approve the proposed firm transportation service agreement associated with the Plant City project between Peninsula and FPUC, dated January 30, 2024, included as Attachment A to the recommendation. The firm transportation service agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed agreement benefits FPUC's current and potential future customers by extending to new delivery points that would permit FPUC to serve both existing residents and planned developments.

**Issue 2:** Should the Commission approve the proposed Lake Mattie transportation service agreement and expansion project?

**Recommendation:** Yes, the Commission should approve the Lake Mattie transportation service agreement between Peninsula and FPUC, dated April 18, 2024, including the second revised Exhibit A, included as Attachment B to the recommendation. The proposed agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed agreement would benefit FPUC’s current and potential future customers by interconnecting the Lake Mattie system with the Florida Southeast Connection pipeline, and ensuring FPUC would be able to meet the demands of projected future growth. (McClelland, Hampson)

**Staff Analysis:**

**Proposed Transportation Service Agreement for Lake Mattie**

The parties have entered into the proposed firm transportation service agreement to enhance FPUC’s diversity of gas supply to Polk County. The parties state that FPUC’s current service would be strengthened by introducing multiple sources of gas from interstate pipelines in the area. Paragraph 20 of the petition states that, “Through working with the Economic Development Council of Haines City, FPUC projects significant new demand consisting of a mix of customer demand over the next 10 years in Haines City that FPUC’s system in the area is not currently capable of serving without additional access to interstate capacity provided by this project.”

**Proposed Lake Mattie Expansion Project**

Peninsula proposes construction of 13.8 miles of 4-inch coated steel pipeline, an interconnect with the Florida Southeast Connection pipeline, three district regulator stations, and the acquisition of assets from FPUC, as discussed below. Peninsula explained that all phases of the project are expected to be completed by the third quarter of 2025.

The parties explain in paragraph 17 of the petition that the expansion would first begin by acquiring certain assets from FPUC. Peninsula would acquire a city gate and 1.2 miles of 4-inch steel pipe from FPUC at book value. Peninsula would construct a new district regulator system at the end of the acquired assets. This acquisition is necessary for Peninsula to upgrade the systems to be able to handle a greater volume.

The second phase of the expansion would begin with Peninsula building an extension of 4.5 miles of new 4-inch coated steel, and building a new interconnect with the existing Lake Mattie system. At the end of the extension, Peninsula would build a new district regulator system.

The final phase of the expansion would begin with Peninsula building an interconnect with the Florida Southeast Connection pipeline, and 4.5 miles of 4-inch coated steel which would connect to an existing district regulator that interconnects with the existing Lake Mattie system.

**Anticipated System Benefits**

The parties assert that this expansion project is beneficial to FPUC’s customers. The planned expansions are intended to enhance the diversity of gas supply, as well as provide additional gas to meet projected future growth. The Lake Mattie project is expected to supply an additional

Date: April 25, 2024

8,700 dekatherms of capacity per day, which would enable FPUC to meet its current and future customer demand.

### **Negotiated Monthly Reservation Payments to Peninsula**

In paragraph 23 of the petition, the parties assert that the negotiated monthly reservation charge shown in Attachment B to the petition is consistent with market rates, within the guidelines of Section 368.105(3)(b), F.S. The costs to Peninsula associated with constructing the expansion would be recovered through use of the monthly reservation charge. Peninsula would purchase the assets from FPUC for their net book value of \$276,126.15. FPUC customers would pay for their use of these assets through this monthly reservation charge alone, which was calculated using the net book value.

### **Revised Monthly Reservation Payments to Peninsula**

Staff conducted a phone conference with the parties to clarify the parties' responses provided to staff's second data request. Through discussion with staff, the parties clarified that the assets discussed above are currently in FPUC's rate base and would remain until the next rate proceeding, at which point the assets would be removed from rate base to reflect the asset transfer. The parties filed an amended agreement<sup>8</sup> and amended Exhibit A to remove the net book value purchase price from the calculation of the reservation charge and avoid the recovery of these assets through base rates as well as the PGA and swing service rider. Staff has reviewed the amended Exhibit A and agrees with the parties that the revisions to the agreement are appropriate.

### **Conclusion**

Based on the petition and the parties' responses to staff's data request, staff recommends that the Commission should approve the proposed firm transportation service agreement associated with the Lake Mattie project between Peninsula and FPUC, dated April 18, 2024, including the second revised Exhibit A, included as Attachment B to the recommendation. The firm transportation service agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed agreement would benefit FPUC's current and potential future customers by interconnecting the Lake Mattie system with the Florida Southeast Connection pipeline, and ensuring FPUC would be able to meet the demands of projected future growth.

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<sup>8</sup> Document No. 02041-2024

**Issue 3:** Should this docket be closed?

**Recommendation:** If no protest is filed by a person whose substantial interest is affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Brownless)

**Staff Analysis:** If no protest is filed by a person whose substantial interest is affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

PENINSULA PIPELINE COMPANY, INC.  
FIRM TRANSPORTATION SERVICE AGREEMENT

**THIS AGREEMENT** is entered into this January 30, 2024, by and between Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called "Company" or "PPC"), and the Florida Public Utilities Company, a corporation of the State of Florida (herein called "Shipper" or "FPUC"). PPC and FPUC are sometimes referred to herein individually as a "Party" and collectively as "Parties."

**WITNESSETH**

**WHEREAS**, Shipper desires to obtain Firm Transportation Service ("FTS") from Company;  
and

**WHEREAS**, Company desires to provide FTS to Shipper, in accordance with the terms hereof; and

**WHEREAS**, Shipper desires Company to construct a project that will allow Shipper to serve customers within its service area with natural gas service and Company is willing to construct the project and points of delivery; and

**WHEREAS**, Company intends to construct the desired project, called the Plant City Expansion Project ("Project"), in Polk County, Florida. As specified in Exhibit A attached hereto, the Project will include extending a steel pipeline to a new gate station interconnect with Florida Gas Transmission ("FGT") pipeline, and additional steel pipeline extensions with three new points to the Shipper's local distribution system.

**NOW THEREFORE**, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

**ARTICLE I**  
**DEFINITION**

Unless otherwise defined in this Agreement, all definitions for terms used herein have the same meaning as provided in Company's Tariff (as hereinafter defined).

"In-Service Date" for the Project means the date that Company has commenced commercial operations, that construction has been completed, and that the Project has been inspected and tested as required by applicable law.

**ARTICLE II**  
**QUANTITY & UNAUTHORIZED USE**

2.1 The Maximum Daily Transportation Quantity ("MDTQ") and the Maximum Hourly Transportation Percentage ("MHTP") shall be set forth on Exhibit A attached hereto. The applicable MDTQ shall be the largest daily quantity of Gas, expressed in Dekatherms, which Company is obligated to transport on a firm basis and make available for delivery for the account of Shipper under this Agreement on any one Gas Day.

2.2 If, on any Day, the Shipper utilizes transportation quantities, as measured at the Point(s) of Delivery, in excess of the established MDTQ, as shown on Exhibit A, such unauthorized use of transportation quantities (per Dekatherm) shall be billed at a rate of 2.0 times the rate to be charged for each Dekatherm of the MDTQ as set forth on Exhibit A of this Agreement.

**ARTICLE III**  
**FIRM TRANSPORTATION SERVICE RESERVATION CHARGE**

3.1 The Monthly Reservation Charge for Firm Transportation Service provided under this Agreement shall be as set forth in Exhibit A of this Agreement and shall be charged to the Shipper beginning on the In-Service Date and shall thereafter be assessed in accordance with the terms and conditions set forth herein.

3.2 The Parties agree to execute and administratively file with the Florida Public Service Commission (the "Commission") an affidavit, in the form provided in Company's Tariff to comply with the provisions of the Natural Gas Transmission Pipeline Intrastate Regulatory Act.

3.3 If, at any time after the Execution Date (as herein defined) and throughout the term of this Agreement, the Company is required by any Governmental Authority (as that term is defined in Section 9.10) asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional tax charges (including, without limitation, income taxes and property taxes) with regard to the service provided by Company under this Agreement, then Shipper's Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action, subject to Commission approval of the amendment. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company shall no longer be required to continue to provide the service contemplated in this Agreement should an action of a Governmental Authority result in a situation where Company otherwise would be required to provide transportation service at rates that are not just and reasonable, and in such event the Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

3.4 If, at any time after the Execution Date (as herein defined) and throughout the term of this Agreement, the Company is required by any Governmental Authority (as that term is defined in Section 9.10) asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional capital expenditures with regard to the service provided by Company under this Agreement, other than any capital expenditures required to provide transportation services to any other customer on the pipeline system serving Shipper's facility, but including, without limitation, mandated relocations of Company's pipeline facilities serving Shipper's facility and costs to comply with any changes in pipeline safety regulations, then Shipper's Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action, subject to Commission approval of the amendment. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company shall no longer be required to continue to provide the service contemplated in this Agreement should an action of a Governmental Authority result in a situation where Company otherwise would be required to provide transportation service at rates that are not just and reasonable, and in such event the Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

**ARTICLE IV**  
**TERM AND TERMINATION**

4.1 Subject to all other provisions, conditions, and limitations hereof, this Agreement shall be effective upon its date of execution by both Parties (the "Execution Date") and shall continue in full force for an initial period of twenty (20) years from the In-Service Date ("Initial Term"). After the Initial Term, the Agreement shall be extended on a year-to-year basis (each a "Renewed Term" and, all Renewed Terms together with the Initial Term, the "Current Term"), unless either Party gives written notice of termination to the other Party, not less than (90) days prior to the expiration of the Current Term. This Agreement may only be terminated earlier in accordance with the provisions of this Agreement and the Parties' respective rights under applicable law.

4.2 No less than 120 days before the expiration of the Current Term, either Party may request the opportunity to negotiate a modification of the rates or terms of this Agreement to be effective with the subsequent Renewed Term. Neither Party is obligated to, but may, agree to any mutually acceptable modification to the Agreement for the subsequent Renewed Term. In the event the Parties reach agreement for a modification to the Agreement for the subsequent Renewed Term, such agreed upon modification ("Agreement Modification") shall be set forth in writing and signed by both Parties prior to the expiration of the Current Term.

4.3 Any portion of this Agreement necessary to resolve monthly balancing and operational controls under this Agreement, pursuant to the Rules and Regulations of Company's Tariff, shall survive the expiration or termination of this Agreement until such time as such monthly balancing and operational controls have been resolved.

4.4 In the event Shipper fails to pay for the service provided under this Agreement or otherwise fails to meet Company's standards for creditworthiness set forth in Section C of the Rules and Regulations of the Company's Tariff or otherwise violates the Rules and Regulations

of Company's Tariff, or defaults on this Agreement, Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

**ARTICLE V**  
**COMPANY'S TARIFF PROVISIONS**

5.1 Company's Tariff approved by the Commission, including any amendments thereto approved by the Commission during the term of this Agreement ("Company's Tariff"), is hereby incorporated into this Agreement and made a part hereof for all purposes. In the event of any conflict between Company's Tariff and the specific provisions of this Agreement, the latter shall prevail, in the absence of a Commission Order to the contrary.

**ARTICLE VI**  
**REGULATORY AUTHORIZATIONS AND APPROVALS**

6.1 Company's obligation to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization to provide Firm Transportation Service for Shipper in accordance with the Rules and Regulations of Company's Tariff.

**ARTICLE VII**  
**DELIVERY POINT(S) AND POINT(S) OF DELIVERY**

7.1 The Delivery Point(s) for all Gas delivered for the account of Shipper into Company's pipeline system under this Agreement, shall be as set forth on Exhibit A attached hereto.

7.2 The Point(s) of Delivery shall be as set forth on Exhibit A attached hereto.

7.3 Shipper shall cause Transporter to deliver to Company at the Delivery Point(s) on the Transporter's system, the quantities of Gas to be transported by Company hereunder. Company shall have no obligation for transportation of Shipper's Gas prior to receipt of such Gas from the Transporter at the Delivery Point(s), nor shall Company have any obligation to obtain capacity on Transporter for Shipper or on Shipper's behalf. The Company shall deliver such quantities of Gas received from the Transporter at the Delivery Point(s) for Shipper's account to Company's Point(s) of Delivery identified on Exhibit A.

**ARTICLE VIII**  
**SCHEDULING AND BALANCING**

8.1 Shipper shall be responsible for nominating quantities of Gas to be delivered by the Transporter to the Delivery Point(s) and delivered by Company to the Point(s) of Delivery. Shipper shall promptly provide notice to Company of all such nominations. Imbalances

between quantities (i) scheduled at the Delivery Point(s) and the Point(s) of Delivery, and (ii) actually delivered by the Transporter and/or Company hereunder, shall be resolved in accordance with the applicable provisions of Company's Tariff, as such provisions, and any amendments to such provisions, are approved by the Commission.

8.2 The Parties hereto recognize the desirability of maintaining a uniform rate of flow of Gas to Shipper's facilities over each Gas Day throughout each Gas Month. Therefore, Company agrees to receive from the Transporter for Shipper's account at the Delivery Point(s) and deliver to the Point(s) of Delivery up to the MDTQ as described in Exhibit A, subject to any restrictions imposed by the Transporter and to the provisions of Article IX of this Agreement, and Shipper agrees to use reasonable efforts to regulate its deliveries from Company's pipeline system at a daily rate of flow not to exceed the applicable MDTQ for the Gas Month in question, subject to any additional restrictions imposed by the Transporter or by Company pursuant to Company's Tariff.

**ARTICLE IX**  
**MISCELLANEOUS PROVISIONS**

9.1 Notices and Other Communications. Any notice, request, demand, statement, or payment provided for in this Agreement, unless otherwise specified, shall be sent to the Parties hereto at the following addresses:

Company: Peninsula Pipeline Company, Inc.  
500 Energy Lane, Suite 200  
Dover, Delaware 19901  
Attention: Contracts

Shipper: Florida Public Utilities Company  
208 Wildlight Avenue  
Yulee, Florida 32097  
Attention: Contracts

9.2 Headings. All article headings, section headings and subheadings in this Agreement are inserted only for the convenience of the Parties in identification of the provisions hereof and shall not affect any construction or interpretation of this Agreement.

9.3 Entire Agreement. This Agreement, including the Exhibit attached hereto, sets forth the full and complete understanding of the Parties as of the Execution Date, and it supersedes any and all prior negotiations, agreements and understandings with respect to the subject matter hereof. No Party shall be bound by any other obligations, conditions, or representations with respect to the subject matter of this Agreement.

9.4 Amendments. Neither this Agreement nor any of the terms hereof may be

terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the Party against which enforcement of the termination, amendment, supplement, waiver or modification shall be sought. A change in (a) the place to which notices pursuant to this Agreement must be sent or (b) the individual designated as the Contact Person pursuant to Section 9.1 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 9.1 of this Agreement. Further, the Parties expressly acknowledge that the limitations on amendments to this Agreement set forth in this section shall not apply to or otherwise limit the effectiveness of amendments that are or may be necessary to comply with the requirements of, or are otherwise approved by, the Commission or its successor agency or authority.

9.5 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided, however, that if such severability materially changes the economic benefits of this Agreement to either Party, the Parties shall negotiate in good faith an equitable adjustment in the provisions of this Agreement.

9.6 Waiver. No waiver of any of the provisions of this Agreement shall be deemed to be, nor shall it constitute, a waiver of any other provision whether similar or not. No single waiver shall constitute a continuing waiver, unless otherwise specifically identified as such in writing. No waiver shall be binding unless executed in writing by the Party making the waiver.

9.7 Attorneys' Fees and Costs. In the event of any litigation between the Parties arising out of or relating to this Agreement, the prevailing Party shall be entitled to recover all costs incurred and reasonable attorneys' fees, including attorneys' fees in all investigations, trials, bankruptcies, and appeals.

9.8 Independent Parties. Company and Shipper shall perform hereunder as independent parties. Neither Company nor Shipper is in any way or for any purpose, by virtue of this Agreement or otherwise, a partner, joint venturer, agent, employer or employee of the other. Nothing in this Agreement shall be for the benefit of any third person for any purpose, including, without limitation, the establishing of any type of duty, standard of care or liability with respect to any third person.

9.9 Assignment and Transfer. No assignment of this Agreement by either Party may be made without the prior written approval of the other Party (which approval shall not be unreasonably withheld) and unless the assigning or transferring Party's assignee or transferee shall expressly assume, in writing, the duties and obligations under this Agreement of the assigning or transferring Party. Upon such assignment or transfer, as well as assumption of the duties and obligations, the assigning or transferring Party shall furnish or cause to be furnished to the other Party a true and correct copy of such assignment or transfer and the assumption of duties and obligations.

9.10 Governmental Authorizations; Compliance with Law. This Agreement shall be

subject to all valid applicable state, local and federal laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over this Agreement and the transportation of Gas hereunder. Company and Shipper shall comply at all times with all applicable federal, state, municipal, and other laws, ordinances and regulations. Company and/or Shipper will furnish any information or execute any documents required by any duly constituted federal or state regulatory authority in connection with the performance of this Agreement. Each Party shall proceed with diligence to file any necessary applications with any Governmental Authorities for any authorizations necessary to carry out its obligations under this Agreement. In the event this Agreement or any provisions herein shall be found contrary to or in conflict with any applicable law, order, directive, rule or regulation, the latter shall be deemed to control, but nothing in this Agreement shall prevent either Party from contesting the validity of any such law, order, directive, rule, or regulation, nor shall anything in this Agreement be construed to require either Party to waive its respective rights to assert the lack of jurisdiction of any governmental agency other than the Commission, over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 9.10, Company shall continue to transport and Shipper shall continue to take Gas pursuant to the terms of this Agreement. In the event any law, order, directive, rule, or regulation shall prevent either Party from performing hereunder, then neither Party shall have any obligation to the other during the period that performance under the Agreement is precluded. If, however, any Governmental Authority's modification to this Agreement or any other order issued, action taken, interpretation rendered, or rule implemented, will have a material adverse effect on the rights and obligations of the Parties, including, but not limited to, the relative economic position of, and risks to, the Parties as reflected in this Agreement, then, subject to the provisions of Sections 3.3 and 3.4 of this Agreement, the Parties shall use reasonable efforts to agree upon replacement terms that are consistent with the relevant order or directive, and that maintain the relative economic position of, and risks to, the Parties as reflected in this Agreement as of the Execution Date. As used herein, "Governmental Authority" shall mean any United States federal, state, local, municipal or other government; any governmental, regulatory or administrative agency, court, commission or other authority lawfully exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; and any court or governmental tribunal.

- (i) If any Governmental Authority asserting jurisdiction over the pipeline facility contemplated in this Agreement, issues an order, ruling, decision or regulation not covered by Section 3.3 or 3.4 of this Agreement (including denial of necessary permits or amendments to existing permits) related to the operation, maintenance, location, or safety and integrity compliance, including any new or revised enforceable regulatory classification of the pipeline facility, as applicable, which is not reasonably foreseeable as of the Execution Date and which results in a materially adverse effect on either Party's rights and benefits under this Agreement, each Party shall use commercially reasonable efforts and shall cooperate with the other Party to pursue all necessary permits, approvals and authorizations, if any, of such applicable Governmental Authority, and to amend the terms and conditions of this Agreement, in each case as may be reasonably required in order that provision of firm transportation service under this Agreement shall continue; provided that neither Party shall be required to take any action pursuant to this Section which is reasonably

likely to have a materially adverse effect on such Party's rights and benefits under this Agreement.

(ii) If the Parties are unable or unwilling to reach agreement pursuant to this Section 9.10, Company shall have the right to terminate this Agreement, without any further obligations to Shipper, upon one hundred twenty (120) days' prior written notice to Shipper.

9.11 Applicable Law and Venue. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida, without regard for conflict of laws provisions. The venue for any action, at law or in equity, commenced by either Party against the other and arising out of or in connection with this Agreement shall be in a court of the State of Florida having jurisdiction.

9.12 Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original instrument as against any Party who has signed it.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives.

COMPANY  
Peninsula Pipeline Company, Inc.

By: Marissa Stipa

Marissa Stipa

Title: Director

Date: 01/31/2024

SHIPPER  
Florida Public Utilities Company

By: Bill Hancock

Bill Hancock

Title: Assistant Vice President

Date: 01/31/2024

**EXHIBIT A TO**  
**FIRM TRANSPORTATION SERVICE AGREEMENT**  
**BETWEEN**  
**PENINSULA PIPELINE COMPANY, INC. AND**  
**FLORIDA PUBLIC UTILITIES COMPANY**

**DATED**

January 30, 2024

Description of Transporter Delivery Point(s)

1. Florida Gas Transmission- Plant City Gate Station

Description of Point(s) of Delivery

1. At or near North Park Road
2. At or near Maryland Road
3. At or near Wilder Road

**Total MDTQ (Dekatherms): Dt/Day** [REDACTED]

MHTP: [REDACTED]

**Total Monthly Reservation Charge:** [REDACTED]

This charge is subject to adjustment pursuant to the terms of this Agreement.

Unauthorized Use Rate (In addition to Monthly Reservation Charge): [REDACTED] Each Day of Unauthorized Use

PENINSULA PIPELINE COMPANY, INC.  
FIRM TRANSPORTATION SERVICE AGREEMENT

**THIS AGREEMENT** is entered into this April 18, 2024, by and between Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called "Company" or "PPC"), and Florida Public Utilities Company, a corporation of the State of Florida (herein called "Shipper" or "FPUC"). PPC and FPUC are sometimes referred to herein individually as a "Party" and collectively as "Parties."

**WITNESSETH**

**WHEREAS**, Shipper desires to obtain Firm Transportation Service ("FTS") from Company;  
and

**WHEREAS**, Company desires to provide FTS to Shipper, in accordance with the terms hereof; and

**WHEREAS**, Shipper desires Company to construct a project that will allow Shipper to serve customers within its service area with natural gas service, and Company is willing to construct the project and points of delivery; and

**WHEREAS**, Company intends to construct the desired project, called the Lake Mattie Expansion Project ("Project"), in Polk County, Florida. As specified in Exhibit A attached hereto, the Project will include extending steel pipelines to a new interconnect with the Florida Southeast Connection pipeline ("FSC"), a gate station interconnect with Florida Gas Transmission ("FGT"), and three district regulator stations to the Shipper's local distribution system.

**NOW THEREFORE**, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

**ARTICLE I**  
**DEFINITION**

Unless otherwise defined in this Agreement, all definitions for terms used herein have the same meaning as provided in Company's Tariff (as hereinafter defined).

"In-Service Date" for the Project means the date that Company has commenced commercial operations, that construction has been completed, and that the Project has been inspected and tested as required by applicable law.

**ARTICLE II**  
**QUANTITY & UNAUTHORIZED USE**

2.1 The Maximum Daily Transportation Quantity ("MDTQ") and the Maximum Hourly Transportation Percentage ("MHTP") shall be set forth on Exhibit A attached hereto. The applicable MDTQ shall be the largest daily quantity of Gas, expressed in Dekatherms, which Company is obligated to transport on a firm basis and make available for delivery for the account of Shipper under this Agreement on any one Gas Day.

2.2 If, on any Day, the Shipper utilizes transportation quantities, as measured at the Point(s) of Delivery, in excess of the established MDTQ, as shown on Exhibit A, such unauthorized use of transportation quantities (per Dekatherm) shall be billed at a rate of 2.0 times the rate to be charged for each Dekatherm of the MDTQ as set forth on Exhibit A of this Agreement.

**ARTICLE III**  
**FIRM TRANSPORTATION SERVICE RESERVATION CHARGE**

3.1 The Monthly Reservation Charge for Firm Transportation Service provided under this Agreement shall be as set forth in Exhibit A of this Agreement and shall be charged to the Shipper beginning on the In-Service Date and shall thereafter be assessed in accordance with the terms and conditions set forth herein.

3.2 The Parties agree to execute and administratively file with the Florida Public Service Commission (the "Commission") an affidavit, in the form provided in Company's Tariff, to comply with the provisions of the Natural Gas Transmission Pipeline Intrastate Regulatory Act.

3.3 If, at any time after the Execution Date (as herein defined) and throughout the term of this Agreement, the Company is required by any Governmental Authority (as that term is defined in Section 9.10) asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional tax charges (including, without limitation, income taxes and property taxes) with regard to the service provided by Company under this Agreement, then Shipper's Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action, subject to Commission approval of the amendment. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company shall no longer be required to continue to provide the service contemplated in this Agreement should an action of a Governmental Authority result in a situation where Company otherwise would be required to provide transportation service at rates that are not just and reasonable, and in such event the Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

3.4 If, at any time after the Execution Date (as herein defined) and throughout the term of this Agreement, the Company is required by any Governmental Authority (as that term is defined in Section 9.10) asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional capital expenditures with regard to the service provided by Company under this Agreement, other than any capital expenditures required to provide transportation services to any other customer on the pipeline system serving Shipper's facility, but including, without limitation, mandated relocations of Company's pipeline facilities serving Shipper's facility and costs to comply with any changes in pipeline safety regulations, then Shipper's Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action, subject to Commission approval of the amendment. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company shall no longer be required to continue to provide the service contemplated in this Agreement should an action of a Governmental Authority result in a situation where Company otherwise would be required to provide transportation service at rates that are not just and reasonable, and in such event the Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

#### **ARTICLE IV** **TERM AND TERMINATION**

4.1 Subject to all other provisions, conditions, and limitations hereof, this Agreement shall be effective upon its date of execution by both Parties (the "Execution Date") and shall continue in full force for an initial period of twenty (20) years from the In-Service Date ("Initial Term"). After the Initial Term, the Agreement shall be extended on a year-to-year basis (each a "Renewed Term" and, all Renewed Terms together with the Initial Term, the "Current Term"), unless either Party gives written notice of termination to the other Party, not less than (90) days prior to the expiration of the Current Term. This Agreement may only be terminated earlier in accordance with the provisions of this Agreement and the Parties' respective rights under applicable law.

4.2 No less than 120 days before the expiration of the Current Term, either Party may request the opportunity to negotiate a modification of the rates or terms of this Agreement to be effective with the subsequent Renewed Term. Neither Party is obligated to, but may, agree to any mutually acceptable modification to the Agreement for the subsequent Renewed Term. In the event the Parties reach agreement for a modification to the Agreement for the subsequent Renewed Term, such agreed upon modification ("Agreement Modification") shall be set forth in writing and signed by both Parties prior to the expiration of the Current Term.

4.3 Any portion of this Agreement necessary to resolve monthly balancing and operational controls under this Agreement, pursuant to the Rules and Regulations of Company's Tariff, shall survive the expiration or termination of this Agreement until such time as such monthly balancing and operational controls have been resolved.

4.4 In the event Shipper fails to pay for the service provided under this Agreement or otherwise fails to meet Company's standards for creditworthiness set forth in Section C of the Rules and Regulations of the Company's Tariff or otherwise violates the Rules and Regulations

of Company's Tariff, or defaults on this Agreement, Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

4.5 If at any time after the Execution Date and throughout the term of this Agreement, the Florida Public Service Commission approves revised customer rates for Shipper that reflect the removal of the existing assets included in the Project from Shipper's rate base, then Company may request the opportunity to negotiate a modification of the rates or terms of this Agreement, and the Parties shall negotiate in good faith a modification to the Agreement.

**ARTICLE V**  
**COMPANY'S TARIFF PROVISIONS**

5.1 Company's Tariff approved by the Commission, including any amendments thereto approved by the Commission during the term of this Agreement ("Company's Tariff"), is hereby incorporated into this Agreement and made a part hereof for all purposes. In the event of any conflict between Company's Tariff and the specific provisions of this Agreement, the latter shall prevail, in the absence of a Commission Order to the contrary.

**ARTICLE VI**  
**REGULATORY AUTHORIZATIONS AND APPROVALS**

6.1 Company's obligation to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization to provide Firm Transportation Service for Shipper in accordance with the Rules and Regulations of Company's Tariff.

**ARTICLE VII**  
**DELIVERY POINT(S) AND POINT(S) OF DELIVERY**

7.1 The Delivery Point(s) for all Gas delivered for the account of Shipper into Company's pipeline system under this Agreement, shall be as set forth on Exhibit A attached hereto.

7.2 The Point(s) of Delivery shall be as set forth on Exhibit A attached hereto.

7.3 Shipper shall cause Transporter to deliver to Company at the Delivery Point(s) on the Transporter's system, the quantities of Gas to be transported by Company hereunder. Company shall have no obligation for transportation of Shipper's Gas prior to receipt of such Gas from the Transporter at the Delivery Point(s), nor shall Company have any obligation to obtain capacity on Transporter for Shipper or on Shipper's behalf. The Company shall deliver such quantities of Gas received from the Transporter at the Delivery Point(s) for Shipper's account to Company's Point(s) of Delivery identified on Exhibit A.

**ARTICLE VIII**  
**SCHEDULING AND BALANCING**

8.1 Shipper shall be responsible for nominating quantities of Gas to be delivered by the Transporter to the Delivery Point(s) and delivered by Company to the Point(s) of Delivery. Shipper shall promptly provide notice to Company of all such nominations. Imbalances between quantities (i) scheduled at the Delivery Point(s) and the Point(s) of Delivery, and (ii) actually delivered by the Transporter and/or Company hereunder, shall be resolved in accordance with the applicable provisions of Company's Tariff, as such provisions, and any amendments to such provisions, are approved by the Commission.

8.2 The Parties recognize the desirability of maintaining a uniform rate of flow of Gas to Shipper's facilities over each Gas Day throughout each Gas Month. Therefore, Company agrees to receive from the Transporter for Shipper's account at the Delivery Point(s) and deliver to the Point(s) of Delivery up to the MDTQ as described in Exhibit A, subject to any restrictions imposed by the Transporter and to the provisions of Article IX of this Agreement, and Shipper agrees to use reasonable efforts to regulate its deliveries from Company's pipeline system at a daily rate of flow not to exceed the applicable MDTQ for the Gas Month in question, subject to any additional restrictions imposed by the Transporter or by Company pursuant to Company's Tariff.

**ARTICLE IX**  
**MISCELLANEOUS PROVISIONS**

9.1 Notices and Other Communications. Any notice, request, demand, statement, or payment provided for in this Agreement, unless otherwise specified, shall be sent to the parties hereto at the following addresses:

Company:	Peninsula Pipeline Company, Inc. 500 Energy Lane, Suite 200 Dover, Delaware 19901 Attention: Contracts
Shipper:	Florida Public Utilities Company 208 Wildlight Avenue Yulee, Florida 32097 Attention: Contracts

9.2 Headings. All article headings, section headings and subheadings in this Agreement are inserted only for the convenience of the parties in identification of the provisions hereof and shall not affect any construction or interpretation of this Agreement.

9.3 Entire Agreement. This Agreement, including the Exhibit attached hereto, sets forth

the full and complete understanding of the parties as of the Execution Date, and it supersedes any and all prior negotiations, agreements and understandings with respect to the subject matter hereof. No Party shall be bound by any other obligations, conditions, or representations with respect to the subject matter of this Agreement.

9.4 Amendments. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the Party against which enforcement of the termination, amendment, supplement, waiver or modification shall be sought. A change in the place to which notices pursuant to this Agreement must be sent pursuant to Section 9.1 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 9.1 of this Agreement. Further, the Parties expressly acknowledge that the limitations on amendments to this Agreement set forth in this section shall not apply to or otherwise limit the effectiveness of amendments that are or may be necessary to comply with the requirements of, or are otherwise approved by, the Commission or its successor agency or authority.

9.5 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided, however, that if such severability materially changes the economic benefits of this Agreement to either Party, the Parties shall negotiate in good faith an equitable adjustment in the provisions of this Agreement.

9.6 Waiver. No waiver of any of the provisions of this Agreement shall be deemed to be, nor shall it constitute, a waiver of any other provision whether similar or not. No single waiver shall constitute a continuing waiver, unless otherwise specifically identified as such in writing. No waiver shall be binding unless executed in writing by the Party making the waiver.

9.7 Attorneys' Fees and Costs. In the event of any litigation between the Parties arising out of or relating to this Agreement, the prevailing Party shall be entitled to recover all costs incurred and reasonable attorneys' fees, including attorneys' fees in all investigations, trials, bankruptcies, and appeals.

9.8 Independent Parties. Company and Shipper shall perform hereunder as independent parties. Neither Company nor Shipper is in any way or for any purpose, by virtue of this Agreement or otherwise, a partner, joint venturer, agent, employer or employee of the other. Nothing in this Agreement shall be for the benefit of any third person for any purpose, including, without limitation, the establishing of any type of duty, standard of care or liability with respect to any third person.

9.9 Assignment and Transfer. No assignment of this Agreement by either Party may be made without the prior written approval of the other Party (which approval shall not be unreasonably withheld) and unless the assigning or transferring Party's assignee or transferee shall expressly assume, in writing, the duties and obligations under this Agreement of the assigning or transferring Party. Upon such assignment or transfer, as well as assumption of the duties and

obligations, the assigning or transferring Party shall furnish or cause to be furnished to the other Party a true and correct copy of such assignment or transfer and the assumption of duties and obligations.

9.10 Governmental Authorizations; Compliance with Law. This Agreement shall be subject to all valid applicable state, local and federal laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over this Agreement and the transportation of Gas hereunder. Company and Shipper shall comply at all times with all applicable federal, state, municipal, and other laws, ordinances and regulations. Company and/or Shipper will furnish any information or execute any documents required by any duly constituted federal or state regulatory authority in connection with the performance of this Agreement. Each Party shall proceed with diligence to file any necessary applications with any Governmental Authorities for any authorizations necessary to carry out its obligations under this Agreement. In the event this Agreement or any provisions herein shall be found contrary to or in conflict with any applicable law, order, directive, rule or regulation, the latter shall be deemed to control, but nothing in this Agreement shall prevent either Party from contesting the validity of any such law, order, directive, rule, or regulation, nor shall anything in this Agreement be construed to require either Party to waive its respective rights to assert the lack of jurisdiction of any governmental agency other than the Commission, over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 9.10, Company shall continue to transport and Shipper shall continue to take Gas pursuant to the terms of this Agreement. In the event any law, order, directive, rule, or regulation shall prevent either Party from performing hereunder, then neither Party shall have any obligation to the other during the period that performance under the Agreement is precluded. If, however, any Governmental Authority's modification to this Agreement or any other order issued, action taken, interpretation rendered, or rule implemented, will have a material adverse effect on the rights and obligations of the Parties, including, but not limited to, the relative economic position of, and risks to, the Parties as reflected in this Agreement, then, subject to the provisions of Sections 3.3 and 3.4 of this Agreement, the Parties shall use reasonable efforts to agree upon replacement terms that are consistent with the relevant order or directive, and that maintain the relative economic position of, and risks to, the Parties as reflected in this Agreement as of the Execution Date. As used herein, "Governmental Authority" shall mean any United States federal, state, local, municipal or other government; any governmental, regulatory or administrative agency, court, commission or other authority lawfully exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; and any court or governmental tribunal.

- (i) If any Governmental Authority asserting jurisdiction over the pipeline facility contemplated in this Agreement, issues an order, ruling, decision or regulation not covered by Section 3.3 or 3.4 of this Agreement (including denial of necessary permits or amendments to existing permits) related to the operation, maintenance, location, or safety and integrity compliance, including any new or revised enforceable regulatory classification of the pipeline facility, as applicable, which is not reasonably foreseeable as of the Execution Date and which results in a materially adverse effect on either Party's rights and benefits under this Agreement, each Party shall use

commercially reasonable efforts and shall cooperate with the other Party to pursue all necessary permits, approvals and authorizations, if any, of such applicable Governmental Authority, and to amend the terms and conditions of this Agreement, in each case as may be reasonably required in order that provision of firm transportation service under this Agreement shall continue; provided that neither Party shall be required to take any action pursuant to this Section which is reasonably likely to have a materially adverse effect on such Party's rights and benefits under this Agreement.

(ii) If the Parties are unable or unwilling to reach agreement pursuant to this Section 9.10, Company shall have the right to terminate this Agreement, without any further obligations to Shipper, upon one hundred twenty (120) days' prior written notice to Shipper.

9.11 Applicable Law and Venue. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida, without regard for conflict of laws provisions. The venue for any action, at law or in equity, commenced by either party against the other and arising out of or in connection with this Agreement shall be in a court of the State of Florida having jurisdiction.

9.12 Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original instrument as against any Party who has signed it.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives.

COMPANY  
Peninsula Pipeline Company, Inc.

By: Bill Hancock

Bill Hancock

Title: Assistant Vice President

Date: 04/18/2024

SHIPPER  
Florida Public Utilities Company

By: Jeffrey S. Sylvester

Jeffrey S. Sylvester

Title: President and Chief Operating Officer

Date: 04/18/2024

**EXHIBIT A TO**  
**FIRM TRANSPORTATION SERVICE AGREEMENT**  
**BETWEEN**  
**PENINSULA PIPELINE COMPANY, INC. AND**  
**FLORIDA PUBLIC UTILITIES COMPANY**  
**DATED**  
April 18, 2024

Description of Transporter Delivery Point(s)

1. Interconnect with Florida Gas Transmission at or near Lake Mattie Road
2. Interconnect with Florida Southeast Connection pipeline at or near East Hinson Avenue

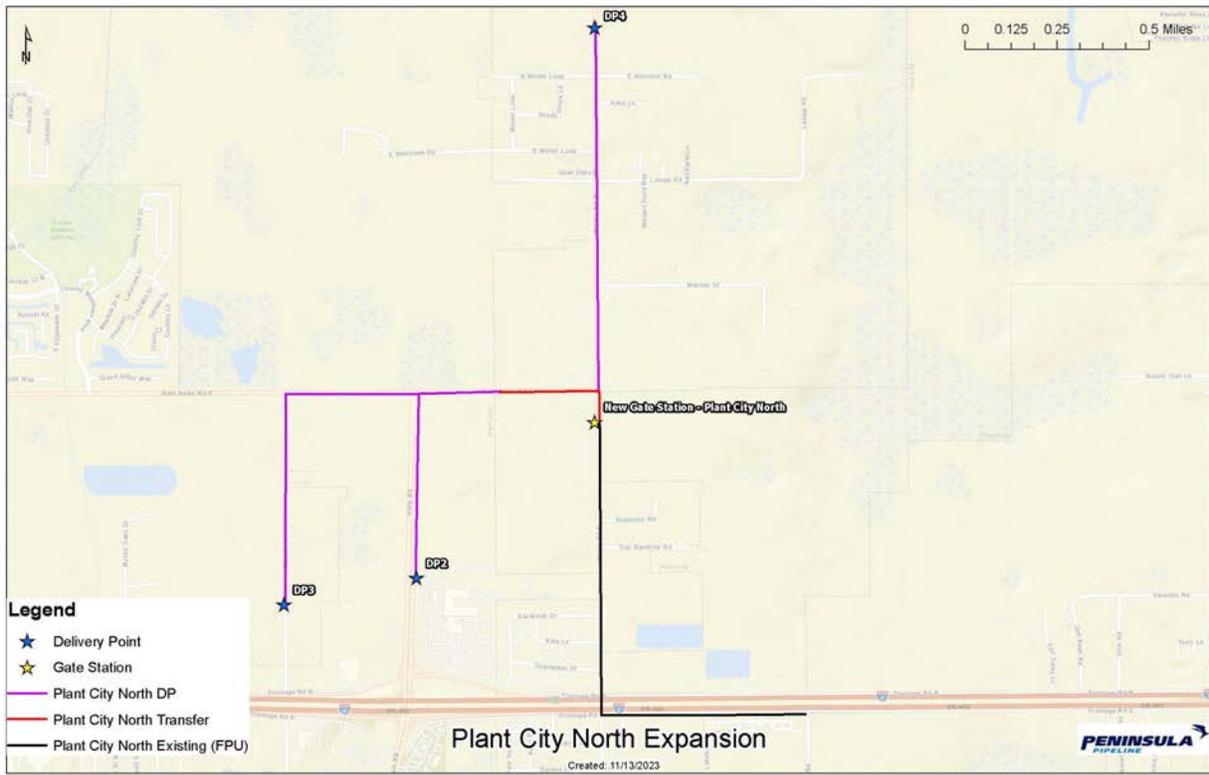
Description of Point(s) of Delivery

1. At or near SR 557 and Buena Vista Drive
2. At or near Lake Mattie Road and SR 559
3. At or near Lake Tracy and US 17

**Total MDTQ (Dekatherms): Dt/Day:** [REDACTED]  
**MHTP:** [REDACTED]

**Total Monthly Reservation Charge:** \$ [REDACTED] (\$ [REDACTED]/Dekatherm)  
This charge is subject to adjustment pursuant to the terms of this Agreement.

Unauthorized Use Rate (In addition to Monthly Reservation Charge): [REDACTED]/Each Day of Unauthorized Use





# Item 10

FILED 4/25/2024  
DOCUMENT NO. 02376-2024  
FPSC - COMMISSION CLERK

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:** April 25, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (P. Kelley) *EJD*  
Office of the General Counsel (Stiller) *JSC*

**RE:** Docket No. 20240038-GU – Petition for approval of Amendment No. 1 to transportation service agreement between Peninsula Pipeline Company, Inc. and Florida Public Utilities Company.

**AGENDA:** 05/07/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Fay

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

### Case Background

On February 29, 2024, Peninsula Pipeline Company, Inc. (Peninsula) filed a petition seeking approval of amendment No. 1 to firm transportation service agreement (amendment) between Peninsula and Florida Public Utilities Company (FPUC). The purpose of the amendment is to increase supply capability and enhance reliability in St. Cloud, Florida. Peninsula operates as an intrastate natural gas transmission company as defined by Section 368.103(4), Florida Statutes (F.S.).<sup>1</sup> FPUC is a local distribution company subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S. FPUC provides natural gas service to residential, commercial, and industrial customers in Osceola County, and receives deliveries of natural gas

<sup>1</sup> Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 050584-GP, *In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.*

to serve these customers over interstate transmission pipelines owned by Florida Gas Transmission Company, LLC (FGT).

Peninsula provides gas transportation service only; it does not engage in the sale of natural gas to customers. By Order No. PSC-07-1012-TRF-GP (2007 Order), Peninsula received approval of an intrastate gas pipeline tariff that allows it to construct and operate intrastate pipeline facilities and to actively pursue agreements with natural gas customers.<sup>2</sup> Pursuant to the 2007 Order, Peninsula is allowed to enter into gas transmission agreements that meet certain criteria without prior Commission approval.<sup>3</sup> However, Peninsula is requesting Commission approval of the proposed amendment as it does not fit any of the enumerated criteria.<sup>4</sup> Additionally, Peninsula and FPUC (collectively “the parties”) are subsidiaries of Chesapeake Utility Corporation, and agreements between affiliated companies must be approved by the Commission pursuant to Section 368.105, F.S., and the 2007 Order.

In Order No. PSC-2022-0351-PAA-GU, the Commission approved a firm transportation service agreement between Peninsula and FPUC (2022 agreement).<sup>5</sup> The 2022 agreement was needed in order to allow FPUC to serve Osceola County by transporting natural gas from an existing city gate interconnection with FGT. The parties explained that amendment No. 1 reflects the expected new growth in the St. Cloud area, therefore, they jointly developed the proposed plan to bring additional natural gas capacity into the area.

FPUC has proposed to recover its payments to Peninsula through the Purchased Gas Adjustment (PGA) and swing service rider mechanisms.<sup>6</sup> The PGA allows FPUC to periodically adjust the price of natural gas supplied to its customer to reflect the actual cost of gas purchased and delivered on behalf of the customers. The swing service rider allows FPUC to recover intrastate capacity costs from their transportation customers and is a cents per therm charge that is included in the monthly customer gas bill of transportation customers. While FPUC would incur costs associated with these service expansions, new load added to the system should help spread the costs over a larger customer base.

Pursuant to the proposed amendment (Attachment A to this recommendation), Peninsula would construct, own, and operate two new natural gas pipelines and a new interconnect with FGT’s system. The proposed project would enable FPUC to better serve St. Cloud and future potential gas customers in Osceola County. Maps of the proposed projects are included in Attachment B to this recommendation.

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<sup>2</sup> Order No. PSC-07-1012-TRF-GP, issued December 21, 2007, in Docket No. 20070570-GP, *In re: Petition for approval of natural gas transmission pipeline tariff by Peninsula Pipeline Company, Inc.*

<sup>3</sup> Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Sheet No. 11, Section 3.

<sup>4</sup> Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Sheet No. 12, Section 4.

<sup>5</sup> Order No. PSC-2022-0351-PAA-GU, issued October 11, 2022, in Docket No. 20220123-GU, *In re: Petition for approval of transportation service agreement to reflect expansion of St. Cloud by Florida Public Utilities Company and Peninsula Pipeline Company, Inc.*

<sup>6</sup> Joint Responses to Staff’s First Data Request, Document No. 01544-2024, Response No. 7.

Docket No. 20240038-GU

Date: April 25, 2024

During the evaluation of the petition, staff issued two data requests to the parties for which responses were received on April 2<sup>7</sup> and 16, 2024.<sup>8</sup> The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S.

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<sup>7</sup> Joint Responses to Staff's First Data Request, Document No. 01544-2024.

<sup>8</sup> Joint Responses to Staff's Second Data Request, Document No. 01904-2024.

## Discussion of Issues

**Issue 1:** Should the Commission approve the proposed amendment No. 1 to the firm transportation service agreement dated February 26, 2024, between FPUC and Peninsula?

**Recommendation:** Yes, the Commission should approve the proposed amendment No. 1 to the firm transportation service agreement dated February 26, 2024, between FPUC and Peninsula. The proposed amendment to the firm transportation service agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed amendment to the firm transportation service agreement benefits FPUC's current and potential future customers by having an additional source of gas for the growing areas in Osceola County. (P. Kelley)

### **Staff Analysis:**

#### **Proposed Amendment to the Transportation Service Agreement for St. Cloud**

The parties have entered into the proposed firm transportation service agreement to enable FPUC to reinforce its St. Cloud distribution system and meet expected increased natural gas demand in Osceola County. The parties argue that the proposed amendment has the added benefit of providing FPUC with an additional sources of gas (via the Peninsula pipelines) and building a new interconnection with the FGT pipeline.

In response to staff's second data request, the parties stated that they had a desire to amend the 2022 agreement to extend the term of the agreement.<sup>9</sup> In the original 2022 agreement, the 20-year term begins on the "In-Service Date." The amendment adds an additional term "Segment In-Service Dates" to the agreement. These dates are tied to the commencement of commercial operations of each new segment. The parties explained that, in effect, the amendment would extend the original 20-year term by the difference between the original in-service date and the last segment in-service date.

Pursuant to the 2022 agreement, after the expiration of the initial term, the agreement and proposed amendment shall be extended on a year-to-year basis, unless either party gives no less than 90 days of written notification of termination. If either party desires to negotiate modifications to the rates or terms of this agreement, they may do so no less than 120 days prior to expiration of the current active term, subject to Commission approval of the amendment.

#### **Proposed St. Cloud Expansion Project**

The parties provided a map of the proposed project, which is appended to this recommendation as Attachment B. As described in paragraph 12 of the petition, part one the south expansion would begin with Peninsula constructing a new interconnect with FGT, labeled on the project map as "New St. Cloud FGT Tap." Peninsula would then construct 9.18 miles of 6-inch coated steel pipeline traveling along Canoe Creek Road and concluding at an existing pipeline along Hickory Tree Road. Part one of the south expansion is shown on the project map as the longer blue line.

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<sup>9</sup> Joint Responses to Staff's Second Data Request, Document No. 01904-2024

Part two of the south expansion project, as depicted by the short blue line, would start near the intersection of Canoe Creek Road and Nolte Road. Peninsula would construct approximately 0.67 miles of 6-inch coated steel pipeline following the right of way on Canoe Creek Road, and would terminating at the area of planned new development, Green Island Ranch. The parties explained in the petition that this development will consist of approximately 14,000 new homes.

The proposed north expansion project would begin from the previously discussed New St. Cloud FGT Tap. From this location, Peninsula would build approximately 3.09 miles of 6-inch coated steel pipeline following north along Hickory Tree and Narcoossee Road and terminating at a planned new development, Center Lake Branch. The parties explained in the petition that this development will consist of approximately 3,900 new homes.

In response to staff's first data request, the parties stated that FPUC did not issue Formal Request for Proposals to other entities.<sup>10</sup> FPUC explained that in previous discussions and requests with FGT for other projects, FGT has declined to bid on projects related to constructing, owning, and operating laterals such as the proposed expansion project in this petition, which are not a focus of FGT's expansion activities.

### **Anticipated System Benefits**

In paragraph 10 of the petition, the parties expressed that this new project builds upon the original Peninsula pipeline system in order to reinforce portions of FPUC's system. The parties further explained that the amendment reflects the construction of additional facilities necessary for FPUC to expand its service to serve new growth in the St. Cloud area. The parties further explained in paragraph 12 of the petition that the proposed project would reinforce FPUC's St. Cloud distribution system with an additional source of interstate gas with the potential to provide natural gas service to future customers in Osceola County. In addition to the expected growth in residential customers discussed above, FPUC also expects approximately 44 commercial customers and one industrial customer to take natural gas service.<sup>11</sup>

### **Option for Second Phase of Construction**

In paragraph 14 of the petition, the parties discuss an option for a second phase of construction that can be built off the extensions of the initial project. FPUC anticipates additional growth in the St. Cloud area that would likely require additional pipeline capacity. The proposed optional phase will ensure that, within a timely manner, FPUC is able to request that Peninsula build the necessary pipeline facilities in the event of new growth. The rates for the optional second phase are based on current estimates, but would only be applicable within the defined time frame. If the optional second phase does materialize, the parties stated that they would negotiate new rates and file for approval of a new amendment.

### **Negotiated Monthly Reservation Payments to Peninsula**

In paragraph 17 of the petition, the parties expressed that the negotiated monthly reservation charge contained in the proposed amendment is consistent with market rates, because the rates are substantially the same as rates set forth in similar agreements as required by Section 368.105(3)(b), F.S. The parties explained that Peninsula would recover the pipeline construction

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<sup>10</sup> Joint Responses to Staff's First Data Request, Document No. 01544-2024, Response No. 9.

<sup>11</sup> Joint Responses to Staff's First Data Request, Document No. 01544-2024, Response No. 10.

Date: April 25, 2024

costs through the monthly reservation charge to FPUC, as shown in Exhibit B to the proposed amendment. The monthly reservation charge is designed to recover costs such as, but not limited to, engineering, permitting, materials, and installation costs associated with the pipeline and related facilities, ongoing maintenance including Pipeline and Hazardous Materials Safety Administration compliance, safety requirements, property taxes, gas control, and Peninsula's return on investment.

### **Conclusion**

Based on the petition and the parties' responses to staff's data request, staff recommends that the Commission should approve the proposed amendment No. 1 to the firm transportation service agreement dated February 26, 2024, between FPUC and Peninsula. The firm transportation service agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed firm transportation service agreement benefits FPUC's current and potential future customers by having an additional source of gas for the growing areas in Osceola County.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If no protest is filed by a person whose substantial interest are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order (Stiller)

**Staff Analysis:** If no protest is filed by a person whose substantial interest are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

ATTACHMENT A

Transportation Service Agreement Amendment – St.  
Cloud

FIRST AMENDMENT TO  
FIRM TRANSPORTATION SERVICE AGREEMENT

This First Amendment to Firm Transportation Service Agreement (“Amendment No. 1”) is made and entered into this 26 day of February, 2024, by and between Florida Public Utilities Company, a corporation of the state of Florida (herein called (“Shipper”) and Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called “Company” and jointly with Shipper called “Parties”) to amend certain provisions of the Firm Transportation Service Agreement dated June 20, 2022 between Company and Shipper.

WITNESSETH

**WHEREAS**, Company and Shipper are parties to that certain Firm Transportation Service Agreement entered into on June 20, 2022, and approved by the Florida Public Service Commission (“FPSC”) in Docket No. 20220123-GU (the “Agreement”), pursuant to which Company provides Shipper with firm transportation in Osceola County, Florida; and

**WHEREAS**, the Parties desire to amend the Agreement to extend the term of the Agreement, to add Monthly Reservation Charges for three (3) new Points of Delivery, to be constructed by Company (“Project”) in two separate phases. As specified in the Exhibit B, Segment I (a) of the Project will enable natural gas service to two (2) additional points of delivery and Segment I (b) will consist of an additional steel pipeline extension .

**NOW THEREFORE**, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Agreement.
2. Article I of the Agreement is hereby amended to by adding new definitions as follows:

“Phase Notification” means the notification from the Shipper to begin construction of additional routes; and

“Segment In-Service Date” means the date that Company has commenced commercial operations of the specified Segment of the Project, that construction has been completed on the specified Segment and that the Segment has been inspected and tested as required by applicable law.

Notice of Segment In Service Date - Company will use Commercially Reasonable Efforts to notify Shipper in writing in advance of the date on which each segment is expected to be in service. Company shall confirm the actual Segment In-Service Date to

Shipper in writing no later than five (5) days after such date.

3. Article III Section 3.1 of the Agreement is hereby amended by replacing it with the following:

The Monthly Reservation Charge for Firm Transportation Service provided under this Agreement shall be as set forth in Exhibit B of this Agreement and shall be charged to the Shipper beginning on the Segment In-Service Date and shall thereafter be assessed in accordance with the terms and conditions set forth herein.

4. Article IV of the Agreement is further amended by adding Section 4.5. in its entirety and replacing it with the following:

Shipper has twelve (12) months from the final Segment In-Service Date of Phase I to notify the Company to begin construction of any of the Phase II additional Points of Delivery or Delivery Points as described in Exhibit B at the rates and terms set forth herein. If the Shipper notifies the Company after twelve (12) months, the Company may request the opportunity to negotiate a modification of the rates or terms of this Agreement to be effective for the remainder of the Current Term, and the parties shall negotiate such modification in good faith. Any such new rate will be implemented pending regulatory approval, and Exhibit A or B updated accordingly, on the In-Service Date of the additional Points of Delivery or Delivery Points. Notwithstanding the above, and regardless of whether notification occurs within twelve (12) months, if there is a material impact on project costs including but not limited to interest rates, materials, ROW, or labor after the notification and before the commencement of permitting, such as a material change in the construction fee or the cost of steel, the Company may also request the opportunity to negotiate a modification of the rates or terms of this Agreement to be effective for the remainder of the Current Term, and the parties shall negotiate such modification in good faith. The Parties hereto acknowledge that any amendments to this Agreement shall be filed with the Florida Public Service Commission for approval.

5. By this Amendment No. 1, Exhibit B is added to the Agreement.

6. The Parties agree to execute and file with the Commission a petition for approval of this Amendment No. 1 within thirty (30) days of execution by both Parties.

7. Except as modified by this Amendment No. 1, the Agreement shall remain unchanged and shall remain in full force and effect, including original Exhibit A.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives.

COMPANY  
Peninsula Pipeline Company, Inc.

SHIPPER  
Florida Public Utilities Company

By: William Hancock

By: Jeffrey Sylvester

William Hancock

Jeffrey S. Sylvester

Title: Assistant Vice President

Title: President and Chief Operating Officer

Date: 02/27/2024

Date: 02/27/2024

**EXHIBIT B TO**  
**AMENDMENT No. 1 TO FIRM TRANSPORTATION SERVICE AGREEMENT**  
**BETWEEN**  
**PENINSULA PIPELINE COMPANY, INC.**  
**AND**  
**FLORIDA PUBLIC UTILITIES COMPANY**  
**DATED**  
**February 26, 2024**

**Phase I Construction**

Description of Transporter Delivery Point(s)

1. Segment I (a) A new Florida Gas Transmission gate  
at or near Hickory Tree Road and Jan Land Boulevard [REDACTED]
  
2. Interconnect with the existing PPC pipeline at or near Canoe Creek Road and Nolte  
Road

Description of Point(s) of Delivery

Phase I Pipeline Segments Monthly Reservation Charges:

1. Segment I (b) - At or near South Narcoosee Road and Ralph Miller Road [REDACTED]
2. Segment I (c) - At or near Canoe Creek Road and Sullivan Drive [REDACTED]

**Phase I Total Monthly Reservation Charge:** [REDACTED]

**Phase II Construction**

Description of Transporter Delivery Point(s)

Segment II (a) A new interconnect with Florida Gas Transmission  
and existing PPC pipeline at or near TBD [REDACTED]

Phase II Description of Point(s) of Delivery

Segment II (b) A three mile extension At or near TBD [REDACTED]

**Phase II Total Monthly Reservation Charge** [REDACTED]

Phase I and Phase II Total Monthly Reservation Charge [REDACTED]

**Total MDTQ (Dekatherms):** [REDACTED] Dt/Day

**MHTP:** [REDACTED]

This charge is subject to adjustment pursuant to the terms of this Agreement and is additive to the Initial Monthly Reservation Charge<sup>1</sup>

Unauthorized Use Rate (In addition to Monthly Reservation Charge): /Each Day  
Unauthorized Use

<sup>1</sup> The Parties to this Agreement acknowledge and recognize that the facilities to be installed represent an extension of existing facilities currently used by the Company to provide service to Shipper in Osceola County. The pricing hereunder does not otherwise duplicate charges for service from the existing interconnection "Delivery Point" (renamed "Point of Delivery" herein) with the existing Twin Lakes/St. Cloud Pipeline located at the intersection of Hickory Tree Road and Nolte Road owned and operated by Peninsula Pipeline Company, Inc. approved as part of the original Agreement in Docket No. 20220123-GU.

ATTACHMENT B

Project Map

