

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 160159-GU

PETITION FOR APPROVAL OF
SETTLEMENT AGREEMENT
PERTAINING TO PEOPLES GAS
SYSTEM'S 2016 DEPRECIATION
STUDY, ENVIRONMENTAL RESERVE
ACCOUNT, PROBLEMATIC PLASTIC
PIPE REPLACEMENT, AND
AUTHORIZED ROE.

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PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS
COMMISSIONER DONALD J. POLMANN

DATE: Tuesday, February 7, 2017

TIME: Commenced at 11:00 a.m.
Concluded at 11:35 a.m.

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

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

1 APPEARANCES:

2 ANSLEY WATSON and ANDREW BROWN, ESQUIRES,
3 Macfarlane Law Firm, P.O. Box 1531, Tampa, Florida,
4 33601-1531, appearing on behalf of Peoples Gas System.

5 J.R. KELLY, PUBLIC COUNSEL; CHARLES REHWINKEL,
6 DEPUTY PUBLIC COUNSEL; and STEPHANIE A. MORSE, ESQUIRE,
7 Office of Public Counsel, c/o the Florida Legislature,
8 111 W. Madison Street, Room 812, Tallahassee, Florida
9 32399-1400, appearing on behalf of the Citizens of the
10 State of Florida.

11 WALTER TRIERWEILER, ESQUIRE, FPSC General
12 Counsel's Office, 2540 Shumard Oak Boulevard,
13 Tallahassee, Florida 32399-0850, appearing on behalf of
14 the Florida Public Service Commission staff.

15 KEITH HETRICK, GENERAL COUNSEL, and MARY ANNE
16 HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service
17 Commission, 2540 Shumard Oak Boulevard, Tallahassee,
18 Florida 32399-0850, appearing as advisors to the
19 Commission.

I N D E X

WITNESSES

NAME :

PAGE NO.

*** No witnesses appeared ***

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EXHIBITS

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NUMBER:		ID.	ADMTD.
1	Comprehensive Exhibit List	8	8
2 - 12	As identified on Comprehensive Exhibit List	8	8

P R O C E E D I N G S

1
2 **CHAIRMAN BROWN:** All righty. I'd like to
3 welcome you all to this Peoples Gas proceeding. I'd
4 like -- and we're calling this hearing to order. The
5 time is 11:00. Today is Tuesday, February 7th, 2017.
6 And with that, staff, can you please read the notice.

7 **MR. TRIERWEILER:** By notice issued on
8 January 17, 2017, by the Commission Clerk, this time and
9 place has been set for a hearing in Docket 160159-GU.
10 The purpose of the hearing is set forth more fully in
11 the notice.

12 **CHAIRMAN BROWN:** Thank you. And at this time,
13 we'll take appearances, starting with Peoples Gas. And
14 my understanding also is that Ansley Watson is on the
15 telephone. But we'll begin with you, Mr. Brown.

16 **MR. BROWN:** Yes. Andy Brown at Macfarlane
17 Ferguson. Ansley Watson is on the phone. With me today
18 from Peoples are: Carlos Aldazabal, who is the managing
19 director of regulatory affairs; Rick Wall, who is the
20 director of operations; Chris Kozinski (phonetic), who
21 is a senior environmental specialist; and Kandi Floyd,
22 the manager of regulatory affairs.

23 **CHAIRMAN BROWN:** Thank you, Mr. Brown.

24 Hi, Mr. Watson. Are you on there?

25 **MR. WATSON:** I'm on. The first time I've done

1 this in 46 years of coming there.

2 **CHAIRMAN BROWN:** Forty-six years. Wow. Well,
3 thank you for being with us today.

4 **MR. WATSON:** Thank you.

5 **CHAIRMAN BROWN:** Office of Public Counsel.

6 **MS. MORSE:** Good morning. I'm Stephanie Morse
7 with the Office of Public Counsel. With me is Charles
8 Rehwinkel, the Deputy Public Counsel; also the Public
9 Counsel, J.R. Kelly; and Denise Vandiver, who is our
10 CPA.

11 **CHAIRMAN BROWN:** Thank you.

12 Commission.

13 **MR. TRIERWEILER:** Good morning. I'm Walt
14 Trierweiler, Commission staff counsel.

15 **MS. HELTON:** Mary Anne Helton. I'm here as
16 your advisor today. I'd also like to make an appearance
17 for your General Counsel, Keith Hetrick.

18 **CHAIRMAN BROWN:** Thank you.

19 Mr. Trierweiler, are there any preliminary
20 matters to address?

21 **MR. TRIERWEILER:** Yes, Madam Chair, there are.
22 The staff will note the following: The parties have
23 entered into a joint stipulation agreement. The parties
24 are not going to call live witness testimony; however,
25 they do wish to present brief opening statements.

1 **CHAIRMAN BROWN:** Okay. We'll do that in just
2 a moment, if you want to continue.

3 **MR. TRIERWEILER:** The parties have waived the
4 submission of briefs. The parties request submission of
5 their motion to approve the joint settlement agreement
6 intended to resolve all of the matters within this
7 docket to a bench decision. It is staff's understanding
8 that this hearing process satisfies the provisions in
9 paragraph H on page 12 of the settlement agreement.

10 There will be no live witness testimony at
11 this hearing. Commission staff wishes to present a
12 verbal overview of the settlement agreement. The
13 parties have stipulated to the admissibility of all
14 exhibits on the Comprehensive Exhibit List.

15 **CHAIRMAN BROWN:** Okay. Well, we're going to
16 go to the exhibit list first, before we get into the
17 overview of the settlement agreement, as well as the
18 opening statements. So let's move to exhibits, sir.

19 **MR. TRIERWEILER:** Staff has compiled a
20 stipulated Comprehensive Exhibit List containing 12
21 exhibits. The list has been provided to the parties,
22 the Commissioners, and the court reporter. This list is
23 marked as the first hearing exhibit, and the other
24 exhibits should be marked as set forth on the list.
25 Staff will request that the Comprehensive Exhibit List,

1 marked as Exhibit No. 1, be entered into the record.

2 **CHAIRMAN BROWN:** We'll go ahead and actually
3 move all exhibits, 1 through 12, into the record since
4 they are all stipulated.

5 Seeing no objections. Thank you.

6 (Exhibits 1 through 12 marked for
7 identification and admitted into the record.)

8 And now let's move on to opening statements.
9 The signatories to the settlement agreement each have
10 six minutes. And with that, I will turn to Peoples Gas,
11 Mr. Brown.

12 **MR. BROWN:** Chairman, members of the
13 Commission, this really may be a once-in-a-decade
14 opportunity for the Commission's approval of what is
15 essentially a win-win situation both for Peoples Gas and
16 its customers. And I'd like to take just a few minutes
17 to kind of outline how we got to this agreement.

18 This docket was initiated by Peoples' 2016
19 depreciation study, which, as filed, would have reduced
20 the company's depreciation expense by about \$8.5 million
21 for 2016. Peoples knew it would be filing this study
22 during this time because the Commission's rule requires
23 such a study to be filed by gas utilities at least every
24 five years, and 2016 was Peoples' year to be filing such
25 a study.

1 As the time for filing approached, Peoples
2 expected that the depreciation rates for a substantial
3 portion of the assets comprising its distribution system
4 would need to be reduced and would result in a reduction
5 of annual expense. This settlement agreement would
6 reduce depreciation expenses by a little more than
7 \$16.1 million rather than the 8.5 million in Peoples'
8 original filing.

9 The expectation of reduced depreciation
10 expense presented the company with an opportunity to
11 address a second issue, which was a problem with respect
12 to the growing regulatory asset of its environmental
13 reserve related to the assessment, remediation, and
14 cleanup of old manufactured gas plant, or MGP sites.
15 This reserve was last addressed in 1998 when an annual
16 amortization amount of \$640,000 per year was authorized.
17 While -- that amount was probably adequate at that time
18 when most of the expense was related to assessment of
19 the problems rather than remediation and cleanup of the
20 sites for which Peoples was primarily responsible under
21 state and federal environmental laws. That situation
22 began to change several years ago, and at that time the
23 expenses for the actual cleanup and subsequent
24 monitoring became more significant and the reserve
25 deficiency began to grow substantially. By the end of

1 2016, the reserve deficiency was slightly over
2 \$21 million, and at that time the company's accountants
3 had really -- before that time, for the past several
4 years, questioned how the company was going to be made
5 whole for the amounts already spent and the expenses to
6 come in the future.

7 As a result of that, Peoples has been in
8 discussions with the Office of Public Counsel on this
9 issue for the past couple of years. The anticipated
10 reduction of depreciation expense presented an
11 opportunity to increase the amortization of the
12 environmental reserve without the need to file a full
13 rate case.

14 A third issue addressed by this settlement
15 agreement relates to Peoples' replacement of cast iron
16 and bare steel pipe. The Commission approved Peoples'
17 Cast Iron/Bare Steel Replacement Program in
18 September 2012 to increase the safety of the Peoples
19 distribution system, as urged by the U.S. Secretary of
20 Transportation and the Pipeline Safety and Hazardous
21 Materials Administration, or PHMSA.

22 Peoples began the accelerated replacement of
23 cast iron and bare steel in 2013. Costs of this
24 accelerated replacement are recovered through a
25 surcharge that's established every year, with a true-up

1 for the inevitable variances in projected costs and
2 projected recoveries. In the fifth year of the program,
3 it costs a typical residential consumer about 46 cents
4 per month.

5 At the same time, there were discussions
6 regarding a reduction in depreciation expense and an
7 increase in the amortization of environmental expenses.
8 Peoples had been readying a petition seeking Commission
9 authority to include various types of problematic
10 plastic pipe as eligible replacements under the cast
11 iron/bare steel replacement rider so that potentially
12 unsafe infrastructure could also be replaced as
13 recommended for several years by PHMSA advisories.

14 The settlement agreement between Peoples and
15 the Office of Public Counsel before you today for which
16 both Peoples and the OPC seek your approval is the
17 culmination of discussions between the parties on the
18 three subjects that we've -- I've just referenced, as
19 well as a fourth subject, which is a reduction in the
20 bottom of the currently authorized range of Peoples'
21 return on equity that was set in the company's last full
22 rate case. And that number at the time of that rate
23 case, the bottom number was 9.75 percent. Under this
24 agreement, it will now be 9.25 percent. That reduction
25 will be in effect from the time you approve this

1 settlement agreement until the earlier of either the
2 effective date of base rates established in Peoples'
3 next general base rate proceeding, which Peoples will
4 not file before December 31 of 2020, unless the return
5 on equity as reported in a future quarterly earnings
6 surveillance report is below 9.25 percent or
7 December 31, 2020. And the settlement agreement
8 provides that Peoples cannot use the accrual or
9 amortization of the MGP expense to drive its achieved
10 return on equity below the bottom of the authorized
11 range in effect at the time of the accrual or
12 amortization.

13 It is unusual to be able to address issues
14 this diverse in a docket initially involving only one of
15 the issues, but we hope you will find that the approval
16 of the settlement agreement before you today is in the
17 public interest and in the interest of Peoples and its
18 customers. Its approval will result in a substantial
19 reduction in the company's annual depreciation expense,
20 a more realistic amortization of the expenses associated
21 with the cleanup of old MGP sites, and the accelerated
22 replacement of portions of the company's distribution
23 system comprised of plastic pipe that PHMSA has
24 determined should be replaced to protect the public.
25 All of this, without the considerable additional time

1 and expense that would be associated with a contested
2 proceeding on even one of these issues, let alone all
3 four.

4 As I said at the outset, this opportunity, an
5 opportunity of this type presents itself maybe once a
6 decade. We would urge the Commission to approve this
7 settlement agreement as being in the public interest and
8 in the interest of Peoples Gas System and its customers.
9 Thank you.

10 **CHAIRMAN BROWN:** Thank you, Mr. Brown.

11 Ms. Morse or Mr. Rehwinkel.

12 **MS. MORSE:** Thank you. Good morning, Madam
13 Chair and Commissioners.

14 OPC conducted a careful review of PGS's
15 depreciation study. We retained a depreciation expert,
16 who thoroughly analyzed the data and provided us with
17 recommendations concerning depreciation elements such as
18 service lives as compared to PGS's historical data and
19 compared to national infrastructure performance data.

20 During the course of this docket, as
21 mentioned, we concluded that it would be in the public
22 interest to address certain environmental cleanup and
23 public safety concerns, while also appropriately
24 addressing the depreciation issues raised in the initial
25 petition.

1 As you know, PGS has been involved in a
2 multi-year Commission-approved project to replace cast
3 iron/bare -- and bare steel pipe within its network due
4 to safety concerns and federal guidelines concerning the
5 safe operation of gas utilities.

6 Additionally, the federal Pipeline and
7 Hazardous Materials Safety Administration issued a
8 number of advisory bulletins concerning certain types of
9 problematic plastic pipe manufactured prior to 1983 as
10 subject to replacement due to its susceptibility to
11 brittle, light cracking.

12 Also, PGS has been recording a very large and
13 increasing reserve for incurred and expected
14 manufactured gas site cleanup costs that loomed as a
15 potential rate case-driving cost element.

16 We realized, as we worked through the
17 depreciation issues, that the pace of capital recovery
18 could be moderated to be within a range between our
19 expert's proposal and the utility's proposal in such a
20 way as to achieve a significant safety goal and
21 facilitate a material environmental cleanup
22 responsibility that this Commission has recognized is a
23 customer responsibility, and to do so in a manner
24 consistent with the existing earnings, framework, and
25 rate structure.

1 In short, we believe the settlement results in
2 an appropriate balance of public safety needs and the
3 costs this agency has deemed to be recoverable from the
4 customer. For these reasons, OPC believes that the
5 settlement agreement is in the public interest. We urge
6 your approval and are available to answer questions.
7 Thank you.

8 **CHAIRMAN BROWN:** Thank you, Ms. Morse.

9 At this time, staff will provide a brief
10 overview of the settlement agreement for the
11 Commissioners.

12 **MS. WU:** Good morning, Madam Chairman and
13 Commissioners.

14 **CHAIRMAN BROWN:** Ms. Wu, could you just speak
15 up a little bit louder, please?

16 **MS. WU:** Sure.

17 **CHAIRMAN BROWN:** Thank you.

18 **MS. WU:** As the counsels of Peoples Gas System
19 and the Office of Public Counsel just introduced, the
20 settlement agreement stems from the company's 2016
21 depreciation study filed pursuant to Rule 25-7.045. On
22 December 15th last year, the parties reached a
23 settlement agreement to resolve all the matters and
24 issues concerning the company's 2016 depreciation study
25 and to address issues in three other areas.

1 First, with respect to depreciation, the
2 settlement agreement, if approved, would result in a
3 reduction in 2016 depreciation expense of \$16.1 million,
4 which brings the existing overall expense of
5 \$59.7 million down to \$43.6 million as reflected on page
6 13 of Exhibit C attached to the settlement agreement.

7 It also results in a reduction in depreciation
8 expense included in the company's cast iron/bare steel
9 replacement rider surcharges. The Commission-approved
10 2017 surcharges will not be revised through the annual
11 True-Up Mechanism of the rider. The 2017 expense
12 reduction will be included in 2018 surcharges, not will
13 (verbatim) be subject to Commission's approval.

14 Second, Peoples Gas System has environmental
15 remediation liability associated with old manufactured
16 gas plants, MGP. The company was approved a reserve
17 accounting treatment to recover the related cost, but
18 the authorized annual accrual amount has not been
19 revisited since 1998. The MGP expense has increased
20 because the company's responsibilities have evolved from
21 assessment/monitoring to cleanup and monitoring.

22 The current estimated total MGP expense of
23 \$55 million would require approximately 85 years to
24 achieve full cost recovery with the existing authorized
25 accrual rate.

1 To address this issue, the settlement
2 agreement proposed four items: A, amortization of
3 \$21 million current reserve balance deficiency over two
4 years beginning in 2016.

5 B, amortization of at least \$32 million,
6 including the aforementioned \$21 million of prudently
7 incurred current and future MGP environmental liability
8 over the period 2016 to 2020.

9 C, accrual of additional reasonably and
10 prudently incurred MGP environmental expense over the
11 years 2016 to 2020. The amount above \$55 million is
12 subject to being contested by the Office of Public
13 Counsel.

14 D, the accrual amortization of MGP expense
15 would not be used by the company to drive the achieved
16 ROE below the bottom of its authorized range.

17 Third, there are hundreds of miles of
18 problematic plastic pipe, PPP, installed in the
19 company's distribution system. The PPP was manufactured
20 before the early '80s and has significant safety
21 concerns. Also, in certain areas the PPP is
22 interspersed with or connected to the cast iron/bare
23 steel pipe that is being replaced now through a
24 Commission-approved program. To address this issue, the
25 settlement agreement proposes three items: A, to

1 include PPP replacement as eligible replacement for cost
2 recovery until 2028.

3 B, to initiate PPP replacement while feasible
4 to benefit ratepayers, with cast iron/bare steel pipe
5 replacement still being the priority until 2022.

6 C, to revise the tariff, new plastic pipe
7 materials identified as obsolete and potential safety
8 threats to operation and the general public are
9 considered eligible replacement.

10 The settlement agreement also proposes to
11 reduce the bottom of the company's authorized earning
12 rate from 9.75 percent to 9.25 percent, and to keep this
13 bottom in effect until early of the effective date of
14 new base rates established in a rate base proceeding
15 resulting from the company's earnings falling below
16 9.25 percent prior -- prior to the last day of 2020, or
17 the last day of 2020, and at that time the bottom will
18 return to 9.75 percent.

19 The settlement agreement also states that the
20 company will not file a request for a general base rate
21 proceeding before December 31st, 2020, unless its
22 earnings fall below 9.25 percent. And with that, staff
23 concludes its overview of the settlement agreement.

24 **CHAIRMAN BROWN:** Thank you, Ms. Wu, for that
25 overview. I know a lot of time and energy has gone into

1 the preparation of the settlement agreement and -- along
2 with staff's review of it. And I do want to thank the
3 parties at the onset here for working together, as
4 counsel described, on a diverse array of issues that are
5 included in the settlement agreement. I think it really
6 encapsulated a lot of issues that are outstanding. So
7 with that, I want to thank the parties to come -- that
8 are coming before us today with this for our
9 consideration.

10 Commissioners, we are at the question point.
11 And I will open the floor up to you all for any
12 questions, starting with Commissioner Polmann.

13 **COMMISSIONER POLMANN:** Thank you, Madam
14 Chairman.

15 I do understand that this item addresses
16 hundreds of miles of pipe, and I will describe that as,
17 in my words, being closest to the customer and being of
18 significant importance to safety, as has been described.
19 And as a result, if I may, I'd like to offer a few
20 comments --

21 **CHAIRMAN BROWN:** Sure.

22 **COMMISSIONER POLMANN:** -- in regard to
23 monitoring activities and reporting, which, at the
24 pleasure of my colleagues, could lead to some
25 discussion. It is not my intention to suggest any

1 changes in the settlement language per se, but our
2 discussion may concern the Commission's final order.

3 I trust everyone agrees, as we've heard, that
4 natural gas pipeline safety, especially in the
5 distribution system, is extremely important. As part of
6 the settlement which we're asked to approve, we see
7 continued and expanded work in the replacement of
8 infrastructure that is needed for overall safety of the
9 system and its customers.

10 My understanding is that the Commission
11 routinely receives information from the company in the
12 annual cast iron/bare steel replacement rider to verify
13 the investments that were approved by the Commission;
14 that the replacement is taking place in an efficient and
15 effective manner; some monitoring activities that we've
16 heard about; construction projects; notification
17 sampling to verify the work; and fulfilling the data
18 requests that we've made.

19 Further, it's my understanding from staff, the
20 company's annual filing on the Cast Iron and Bare Steel
21 Replacement Program also includes important information
22 regarding the amount and the location of the pipes that
23 have been replaced.

24 I appreciate the company's efforts in this
25 regard, and I strongly encourage that the company

1 continue to work with our staff in a consistent and
2 cooperative manner. I believe this is of utmost
3 importance, and I'm optimistic in this regard.

4 Again, I have no interest in changing any of
5 the language. My hope is that other utilities will
6 follow suit and continue to cooperate and simply respond
7 to the data requests that we make and provide the
8 information that I believe is simply critical for us to
9 do our job, answer to the monitoring activities
10 specifically in regard to the public health and safety.
11 In the gas system, that's of paramount importance to the
12 public interest across Florida.

13 Thank you, Madam Chairman. I appreciate the
14 opportunity to comment.

15 **CHAIRMAN BROWN:** Thank you, Commissioner
16 Polmann. I agree with all of your comments too.

17 Commissioners, I do have a couple of
18 questions, but I want to defer to you all if you have
19 any questions.

20 All right. Seeing none, Peoples, I looked at
21 the data request that staff sent you regarding the time
22 frame for the pipeline replacement and when that's going
23 to occur and how many miles Peoples anticipates will be
24 replaced each year, and I just need more clarification
25 on that.

1 **MR. BROWN:** I think I'll have Rick Wall
2 address that. He's more well versed in that than I am.

3 **CHAIRMAN BROWN:** Okay. Good morning,
4 Mr. Wall.

5 **MR. WALL:** Good morning.

6 **CHAIRMAN BROWN:** So time frame and miles to
7 replace each year.

8 **MR. WALL:** Yes. First, I'd like to just
9 respond to the safety comments, and safety is Peoples
10 Gas's utmost concern in its operations every single day.
11 We strive to ensure that we have the highest standards
12 of safety across our distribution and transmission
13 systems within the state.

14 As it relates to the cast iron/bare steel,
15 today we're replacing approximately 48 miles a year.
16 That's over the defined 10-year program.

17 As it relates to the Aldyl-A pipe, or the PPP
18 that we're speaking about here today, that is also
19 targeted to be 48 miles a year. We're going to begin
20 this summer. We've already identified a target area in
21 the Orlando area based on our DIMP program, which
22 identifies risk factors.

23 **CHAIRMAN BROWN:** Uh-huh.

24 **MR. WALL:** And it has a clear criteria that
25 identifies that that is the best subject area to start

1 in. We expect to do somewhere between 25 and 30 miles
2 here in 2017, beginning in midsummer and ending at the
3 end of the year. And then beginning in '18, we will
4 move right up to the 48-miles-a-year schedule as well
5 with the PPE material.

6 **CHAIRMAN BROWN:** I appreciate that. That is
7 very clear. And you're going to continue to update the
8 Commission on what -- what frequency basis?

9 **MR. WALL:** We have an ongoing program where
10 we're constantly in communication with Mr. Moses' field
11 inspection team, and we file regular reports as far as
12 our pipeline replacement. Kandi Floyd can speak to that
13 specifically through the surveillance program.

14 **CHAIRMAN BROWN:** Okay. Yeah.

15 **MR. BROWN:** In addition, there are quarterly
16 report filings that will contain that information in the
17 future as it becomes available.

18 **CHAIRMAN BROWN:** Okay. Thank you.

19 When did PHMSA include that requirement for
20 plastic pipes in its advisory?

21 **MR. WALL:** PHMSA started producing alerts
22 related to this particular material back in the late
23 1990s and has continued to report. There have been
24 several major pipeline incidents, I think three to date
25 here both in the United States and in Puerto Rico, that

1 have been part of the process.

2 The pipe material actually was originally
3 built or more manufactured in the early 1960s and has
4 gone through six generations. But the most problematic
5 components of that pipe are in the first 30 years, or up
6 to 1983.

7 **CHAIRMAN BROWN:** Thank you. And I commend you
8 for bringing this before us in this global settlement
9 agreement here with other issues too. I think it's an
10 important program and I'm very supportive of it. So
11 thank you.

12 But Public -- I do want to turn to Public
13 Counsel. I love asking you this question during --
14 whenever a settlement agreement is before us, and if you
15 could highlight to us some of the customer protections
16 you see in this settlement agreement and -- go ahead.
17 Other than the low end of the ROE.

18 **MR. REHWINKEL:** Charles Rehwinkel with Public
19 Counsel.

20 The customer benefits that we see in this
21 agreement are, paramount, safety. And I think Exhibit
22 12 is a -- it talks about the Aldyl-A pipe and some of
23 the issues that the brittle and cracking pipe have
24 caused. That's a fundamental concern of ours. That was
25 a concern of ours when we were involved in the

1 settlement relating to the inspection process earlier in
2 2016.

3 Mr. Brown is correct that for the last two
4 years, maybe even a little longer, Peoples has come to
5 us and has been keeping us posted on the manufactured
6 gas issues that, to us, were looming as a large,
7 multimillion dollar cost driver that could end up
8 pushing Peoples into a rate case.

9 We felt like the opportunity was unique to
10 give the customers an opportunity to take care of costs
11 that would -- this Commission has a long history of
12 precedent to say these are costs that the customers are
13 responsible for that can be taken care of with the
14 existing cost structure and with the existing earnings
15 framework that this Commission has established. So it
16 was a unique opportunity to take care of things that
17 would allow the customers' bills to stay in the realm of
18 where they are today and keep these liabilities from
19 visiting on future customers down the road in enormous
20 magnitude.

21 So we think that, in addition to the bottom of
22 the range being moved down, it helps ensure us that
23 Peoples will not have to file a rate case and will be
24 able to absorb these costs without causing the
25 customers' rates to increase. And the cast iron/bare

1 steel rider, the impacts that we see there with adding
2 the Aldyl-A pipe and the other types of problematic pipe
3 in there will not put enormous pressure on the
4 customers' bills and will, coming back full circle,
5 provide safety for the customers. And so we feel like
6 it is an excellent opportunity to take care of all these
7 issues.

8 **CHAIRMAN BROWN:** Thank you, Mr. Rehwinkel. I
9 appreciate that explanation. So just to be clear, are
10 customer rates changing at all?

11 **MR. REHWINKEL:** Madam Chairman, there are
12 no -- nothing in this agreement calls for customer rates
13 to change. The -- as we go forward in the riders,
14 Peoples will be -- the riders could change in a
15 relatively minor way as we go forward, as they finish
16 their bare steel program and they ramp up their plastic
17 pipe replacement program. There's only so much that you
18 can replace, is our understanding, in any given year.
19 There's only so many crews that are out there, and
20 they're going to be optimizing the replacement to take
21 out as much of the problematic pipe as possible and also
22 keep rates relatively where they are because they are in
23 a competitive business in the gas supply world.

24 So we feel comfortable that they're not
25 changing this year. In the future, there may be changes

1 up or down, but we'll see. But nothing in the agreement
2 calls for changes in the customer rates.

3 **CHAIRMAN BROWN:** Thank you. I appreciate your
4 response.

5 Commissioners, any questions or comments
6 before I call for a vote?

7 Seeing none, at this time, I'd -- we're ready
8 for a motion.

9 Commissioner Brisé.

10 **COMMISSIONER BRISÉ:** Thank you, Madam Chair.
11 After, you know, hearing the comments and reviewing the
12 record, I think that the settlement that is before us is
13 in the public interest. It recognizes the balance
14 between the cost and the impact on consumers, as well as
15 managing what needs to happen with the replacement of
16 pipes, addressing public safety concerns, as well as
17 managing the environmental cleanup aspect of this as
18 well. So with that, Madam Chair, I move the acceptance
19 of the settlement.

20 **CHAIRMAN BROWN:** Thank you.

21 **COMMISSIONER PATRONIS:** Second.

22 **CHAIRMAN BROWN:** Okay. Any further
23 discussion? Commissioner Polmann?

24 **COMMISSIONER POLMANN:** No.

25 **CHAIRMAN BROWN:** Okay. Seeing none, all those

1 in favor of the settlement -- of the motion, signify by
2 saying aye.

3 (Vote taken.)

4 All right. It passes unanimously.

5 At this time, I would like, if we can, to get
6 a motion to close the docket pending the filing time for
7 an appeal.

8 **COMMISSIONER GRAHAM:** Move to close the
9 docket.

10 **COMMISSIONER PATRONIS:** Second.

11 **CHAIRMAN BROWN:** All those in favor, say aye.

12 (Vote taken.)

13 All right. Thank you.

14 Staff, are there any other matters to address?

15 **MR. TRIERWEILER:** No, Madam Chair, there are
16 not. Staff will note that this resolves all matters
17 within this docket. Staff will also note that the final
18 order will be issued no later than February 27, 2017.

19 **CHAIRMAN BROWN:** Thank you. Seeing no
20 additional -- yes, Mr. Rehwinkel.

21 **MR. REHWINKEL:** Madam Chairman, I want to
22 thank Peoples for working with us the way they have, but
23 I really want to thank your staff. We brought this to
24 them. We interrupted the schedule that they had in
25 place.

1 **CHAIRMAN BROWN:** Uh-huh, you sure did.

2 (Laughter.)

3 **MR. REHWINKEL:** And they worked -- but I want
4 to say that they worked, they bent over backwards, they
5 facilitated making this work for the customers' benefit,
6 and we really appreciate that. I want to thank all of
7 them.

8 **CHAIRMAN BROWN:** Yes, they did, I agree with
9 you, as well as the Prehearing Officer on this docket.

10 **MR. REHWINKEL:** Thank you.

11 **CHAIRMAN BROWN:** And with that, if there are
12 no other additional comments -- seeing none, this
13 meeting is adjourned. This hearing is adjourned.
14 Sorry.

15 (Hearing adjourned at 11:35 a.m.)

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

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

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

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

18 DATED THIS 20th day of February, 2017.

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