

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: November 17, 2020

TO: Office of Commission Clerk (Teitzman)

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

RE: Docket No. 20200207-GU – Joint petition for approval of GRIP cost recovery factors for January 2021 through December 2021, by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 12/01/20 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8-Month Effective Date: 04/03/21 (60 day suspension date waived by the utility)

SPECIAL INSTRUCTIONS: None

Case Background

On September 3, 2020, Florida Public Utilities Company (FPUC), Florida Public Utilities Company-Fort Meade (Fort Meade), and Florida Division of Chesapeake Utilities Corporation (Chesapeake), collectively the companies, filed a joint petition for approval of their gas reliability infrastructure program (GRIP or program) cost recovery factors for the period January through December 2021. The GRIP for FPUC and Chesapeake was first approved in Order No. PSC-12-0490-TRF-GU (2012 order) to recover the cost of accelerating the replacement of cast iron and bare steel distribution mains and services, including a return on investment, through a

surcharge on customers' bills.¹ Fort Meade's GRIP was originally approved in Order No. PSC-15-0578-TRF-GU, and allowed Fort Meade to file its annual petition for GRIP factors concurrently with FPUC and Chesapeake.² The current GRIP charges for January through December 2020 were approved in Order No. PSC-2019-0502-TRF-GU.³

In a September 17, 2020 email, the companies waived the 60-day file and suspend provision of Section 366.06(3), Florida Statutes (F.S.). On October 21, 2020, staff issued a data request to the companies, for which the companies filed responses on October 30, 2020. The proposed tariff sheets are contained in Attachment B (FPUC), Attachment C (Chesapeake), and Attachment D (Fort Meade). The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, in Docket No. 20120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.*

² Order No. PSC-15-0578-TRF-GU, issued December 21, 2015, in Docket No. 20150191-GU, *In re: Joint petition for approval to implement gas reliability infrastructure program (GRIP) for Florida Public Utilities Company-Fort Meade and for approval of GRIP cost recovery factors by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and the Florida Division of Chesapeake Utilities Corporation.*

³ Order No. PSC-2019-0502-TRF-GU, issued November 25, 2019, in Docket No. 20190173-GU, *In re: Joint petition for approval of GRIP cost recovery factors, by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

Discussion of Issues

Issue 1: Should the Commission approve FPUC's, Fort Meade's, and Chesapeake's proposed GRIP surcharges for the period January through December 2021?

Recommendation: Yes, the Commission should approve FPUC's, Fort Meade's, and Chesapeake's proposed GRIP surcharges for the period January through December 2021. (Ward)

Staff Analysis: The GRIP surcharges have been in place since January 2013 for FPUC and Chesapeake, while Fort Meade's surcharges were first implemented in January 2017. In response to staff's data request, the companies stated that replacement projects in Lake Worth, West Palm Beach, Palm Beach, Winter Haven, and Lake Wales were completed in 2020. Additional replacement projects in Lake Worth, Palm Beach, West Palm Beach, Lantana, Lake Alfred, Haines City, and Plant City were projected to continue into 2021. Attachment A provides an update of mains and services replaced and replacement forecasts. The companies stated that they prioritize the potential replacement projects focusing on areas of high consequence and areas more susceptible to corrosion.

FPUC's True-ups by Year

FPUC's calculation for the 2021 GRIP revenue requirement and surcharges includes a final true-up for 2019, an actual/estimated true-up for 2020, and projected costs for 2021. FPUC was authorized to recover \$747,727 of annual GRIP expenses in base rates; therefore, the \$747,727 is excluded from the GRIP surcharge calculation.

Final True-up for 2019

FPUC stated that the revenues collected through the GRIP surcharges for 2019 were \$9,210,533, compared to a revenue requirement of \$9,820,941, resulting in an under-recovery of \$610,408. The 2018 over-recovery of \$2,616,870, the 2019 under-recovery of \$610,408, and interest of \$59,250 associated with any over- and under-recoveries results in a final 2019 over-recovery of \$2,065,712.

Actual/Estimated 2020 True-ups

FPUC provided actual revenues for January through July 2020 and estimated revenues for August through December 2020, totaling \$9,184,211, compared to an actual/estimated revenue requirement for 2020 of \$10,931,270, resulting in an under-recovery of \$1,747,059. The 2019 over-recovery of \$2,065,712, the 2020 under-recovery of \$1,747,059, and interest of \$12,577 results in a total 2020 over-recovery of \$331,231.

Projected 2021 Costs

FPUC expects capital expenditures of \$17,750,000 for the replacement of cast iron/bare steel infrastructure in 2021. The return on investment (which includes federal income taxes, regulatory assessment fees, and bad debt), depreciation expense, and property tax and customer notification expense associated with that investment is \$11,695,318. Subtracting the revenue requirement for bare steel replacement included in base rates results in a 2021 revenue requirement of \$10,947,591. After subtracting the total 2020 over-recovery of \$331,231, the 2021 revenue requirement is \$10,616,361. Table 1-1 shows FPUC's 2021 revenue requirement calculation.

**Table 1-1
 FPUC 2021 Revenue Requirement Calculation**

2021 Projected Expenditures	\$17,750,000
Return on Investment	\$7,317,570
Depreciation Expense	2,398,413
Property Tax and Customer Notice Expense	<u>1,979,335</u>
2021 Revenue Requirement	\$11,695,318
Less Revenue Requirement in Base Rates	<u>747,727</u>
2021 GRIP Revenue Requirement	\$10,947,591
Less 2020 Over-recovery	<u>331,231</u>
2021 Total Revenue Requirement	\$10,616,361

Source: Schedule C-2, page 4 of 18 in petition (Docket No. 20200207-GU).

Chesapeake’s True-ups by Year

Chesapeake’s calculation for the 2021 GRIP revenue requirement and surcharges includes a final true-up for 2019, an actual/estimated true-up for 2020, and projected costs for 2021. Chesapeake does not have a replacement recovery amount embedded in base rates.

Final True-up for 2019

Chesapeake stated that the revenues collected for 2019 were \$4,099,554, compared to a revenue requirement of \$3,703,085, resulting in an over-recovery of \$396,469. The 2018 over-recovery of \$192,146, 2019 over-recovery of \$396,469, and interest of \$11,270 associated with any over- and under-recoveries results in a final 2019 over-recovery of \$599,885.

Actual/Estimated 2020 True-up

Chesapeake provided actual GRIP revenues for January through July 2020 and estimated revenues for August through December 2020, totaling \$3,053,757, compared to an actual/estimated revenue requirement of \$3,951,203, resulting in an under-recovery of \$897,446. The 2019 over-recovery of \$599,885, 2020 under-recovery of \$897,446, and interest of \$2,807 associated with any over- and under-recoveries results in a total 2020 under-recovery of \$294,754.

Projected 2021 Costs

Chesapeake projects capital expenditures of \$250,000 for the replacement of cast iron/bare steel infrastructure in 2021. Chesapeake has almost completed its infrastructure replacement project, two years ahead of the originally scheduled completion date of 2022, with only one replacement project in Plant City scheduled for 2021. The return on investment (calculated on the total GRIP investment installed to date), depreciation expense, and property tax and customer notification expense to be recovered in 2021 totals \$3,843,929. After adding the total 2020 under-recovery of \$294,754, the total 2021 revenue requirement is \$4,138,683. Table 1-2 shows Chesapeake’s 2021 revenue requirement calculation.

**Table 1-2
 Chesapeake 2021 Revenue Requirement Calculation**

2021 Projected Expenditures	\$250,000
Return on Investment	\$2,380,672
Depreciation Expense	779,113
Property Tax and Customer Notice Expense	684,144
2021 Revenue Requirement	\$3,843,929
Plus 2020 Under-recovery	294,754
2021 Total Revenue Requirement	\$4,138,683

Source: Schedule C-2, page 10 of 18 in petition (Docket No. 20200207-GU).

Fort Meade’s True-ups by Year

Fort Meade started its replacement program in 2016 and first implemented GRIP surcharges in January 2017. Unlike FPUC and Chesapeake, only bare steel services (and no mains) require replacement in Fort Meade. Fort Meade’s replacement program was completed in 2019.

Final True-up for 2019

Fort Meade stated that the revenues collected for 2019 were \$29,923, compared to a revenue requirement of \$24,087, resulting in an over-recovery of \$5,836. Adding the 2018 under-recovery of \$3,693, the 2019 over-recovery of \$5,836, and \$29 for interest associated with any over- and under-recoveries, the final 2019 over-recovery is \$2,113.

Actual/Estimated 2020 True-up

Fort Meade provided actual GRIP revenues for January through July 2020 and estimated revenues for August through December 2020 totaling \$29,315, compared to an actual/estimated revenue requirement of \$25,474, resulting in an over-recovery of \$3,841. Adding the 2019 over-recovery of \$2,113, the 2020 over-recovery of \$3,841, and interest of \$33 associated with any over- and under-recoveries, the resulting total 2020 true-up is an over-recovery of \$5,987.

Projected 2021 Costs

Fort Meade projects capital expenditures of \$0 for the replacement of cast iron/bare steel infrastructure in 2021, as the replacement program was completed in 2019. Therefore, the 2021 GRIP factors are designed to only recover the remaining 2020 over-recovery of \$5,987 and the revenue requirement of \$25,474 associated with the 2020 year-end total investment (\$25,474 - \$5,987 = \$19,487).

Proposed Surcharges for FPUC, Chesapeake, and Fort Meade

As established in the 2012 order approving the GRIP program, the total 2021 revenue requirement is allocated to the rate classes using the same methodology used for the allocation of mains and services in the cost of service study used in the utilities’ most recent rate case. The respective percentages were multiplied by the 2021 revenue requirements and divided by each rate class’ projected therm sales to provide the GRIP surcharge for each rate class.

The proposed 2021 GRIP surcharge for FPUC's residential customers on the Residential Service (RS) schedule is \$0.22417 per therm (compared to the current surcharge of \$0.22312 per therm). The monthly bill impact is \$4.48 for a residential customer using 20 therms per month. The proposed FPUC tariff page is shown in Attachment B.

The proposed 2021 GRIP surcharge for Chesapeake's residential customers on the FTS-1 schedule is \$0.11567 per therm (compared to the current surcharge of \$0.10585). The monthly bill impact is \$2.31 for a residential customer using 20 therms per month. The proposed Chesapeake tariff pages are contained in Attachment C.

The proposed 2021 GRIP surcharge for Fort Meade's residential customers on the RS schedule is \$0.16325 per therm (compared to the current surcharge of \$0.24865). The monthly bill impact is \$3.27 for a residential customer using 20 therms per month. The proposed Fort Meade tariff page is shown in Attachment D.

Conclusion

Staff believes the calculation of the 2021 GRIP surcharge revenue requirement and the proposed GRIP surcharges for FPUC, Chesapeake, and Fort Meade are reasonable and accurate. Staff recommends approval of FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2021.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs 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. (Osborn, Crawford)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs 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.

Table 1
FPUC Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced	Replaced	Remaining	Remaining	Total	Replaced	Replaced	Remaining	Remaining	Total
	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End		Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	
Jul-12			0.9	197.10	198.00			0	7980	7980
2012		6.00	0.9	191.10	192.00		91	0	7889	7889
2013	0.6	26.40	0.3	164.70	165.00		2071	0	5818	5818
2014		38.00	0.3	126.70	127.00		1275	0	4543	4543
2015		30.00	0.3	96.70	97.00		605	0	3938	3938
2016		22.50	0.3	74.20	74.50		555	0	3383	3383
2017		10.30	0.3	63.90	64.20		335	0	3048	3048
2018		6.80	0.3	57.10	57.40		98	0	2950	2950
2019	0.3	4.10	0	53.00	53.00		475	0	2475	2475
2020		18.00	0	35.00	35.00		550	0	1925	1925
2021		18.00	0	17.00	17.00		900	0	1025	1025
2022		17.00	0	0.00	0.00		1025	0	0	0

Table 2
Chesapeake Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced	Replaced	Remaining	Remaining	Total	Replaced	Replaced	Remaining	Remaining	Total
	Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End		Cast Iron	Bare Steel	Cast Iron at Year-End	Bare Steel at Year-End	
Jul-12			0	152.00	152.00			0	762	762
2012		5.00	0	147.00	147.00		34	0	728	728
2013		3.00	0	144.00	144.00		139	0	589	589
2014		19.00	0	125.00	125.00		47	0	542	542
2015		34.00	0	91.00	91.00		284	0	258	258
2016		25.10	0	65.90	65.90		-81	0	339	339 **
2017		22.80	0	43.10	43.10		18	0	321	321
2018		19.80	0	23.30	23.30		91	0	230	230
2019		28.00	0	17.30	17.30		99	0	131	131 ***
2020		15.70	0	1.60	1.60		50	0	81	81
2021		1.60	0	0.00	0.00		81	0	0	0
2022		0.00	0	0.00	0.00		0	0	0	0

** A total of 111 YTD bare steel services were replaced in 2016. Plus a correction to increase total services remaining by 192 (4th Qtr of 2016). The net equals -81.

***A total of 28 miles YTD of bare steel mains were replaced in 2019. Offset by a reconciliation to total mains remaining of 22 (2nd Qtr of 2019). The net equals a 6 mile mains reduction.

Table 3
Fort Meade Pipe Replacement Program Progress

Year	Mains (Miles)					Number of Services				
	Replaced	Replaced	Remaining	Remaining	Total	Replaced	Replaced	Remaining	Remaining	Total
	Cast Iron	Steel	Cast Iron at Year-End	Steel at Year-End		Cast Iron	Steel	Cast Iron at Year-End	Steel at Year-End	
Jan-16			0	0	0			0	250	250
2016		0	0	0	0		29	0	221	221
2017		0	0	0	0		111	0	110	110
2018		0	0	0	0		20	0	90	90
2019		0	0	0	0		90	0	0	0

Florida Public Utilities Company
 F.P.S.C. Gas Tariff
 No. 35.4
 Third Revised Volume No. 1
 Sheet No. 35.4

~~Fourteenth-Fifteenth~~ Revised Sheet
 Cancels ~~Thirteenth-Fourteenth~~ Revised

BILLING ADJUSTMENTS

(Continued from Sheet No. 35.3)

Gas Reliability Infrastructure Program (GRIP)

Applicability

The bill for gas or transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The GRIP factors for the period from the first billing cycle for January 2020₁ through the last billing cycle for December 202₁ are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule RS	\$0.2231222417
Schedule GS-1	\$0.44188-15180
Rate Schedule GS-2	\$0.44188-15180
Rate Schedule GSTS-1	\$0.4418815180
Rate Schedule GSTS-2	\$0.4418815180
Rate Schedule LVS	\$0.0926910221
Schedule LVTS	\$0.0926910221
Schedule IS	\$0.0586406114
Schedule ITS	\$0.0586406114
Schedule GLS	\$0.4928880046
Rate Schedule GLSTS	\$0.4928880046
Rate Schedule NGV	\$0.44188-15180
Rate Schedule NGVTS	\$0.4418815180

Issued by: Kevin Webber Jeffrey Householder, President & CEO
 Effective: JAN 01 2020

Florida Division of Chesapeake Utilities Corporation ~~Eighth-Ninth~~ Revised Sheet No. 105.1
 Original Volume No. 4 Cancels ~~Seventh-Eighth~~ Sheet No. 105.1

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Rate Schedule MRA

7. GAS REPLACEMENT INFRASTRUCTURE PROGRAM (GRIP):

Applicability:

All Customers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, FTS-12, and FTS-13.

The Usage Rate for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all meters read for the period January 1, 2020 through December 31, 2020 for each rate classification are as follows:

<u>Rate Schedule</u>	<u>Classification of Service</u>	<u>Rate per therm</u>
FTS A	< 130 therms	\$0.5863474443
FTS-B	> 130 therms up to 250 therms	\$0.1792321667
FTS-1	> 0 up to 500 therms	\$0.1058511567
FTS-2	> 500 therms up to 1,000 therms	\$0.1196913791
FTS-2.1	> 1,000 therms up to 2,500 therms	\$0.1181814624
FTS-3	> 2,500 therms up to 5,000 therms	\$0.0493606057
FTS-3.1	> 5,000 therms up to 10,000 therms	\$0.0590007469
FTS-4	> 10,000 therms up to 25,000- therms	\$0.0663207904
FTS-5	> 25,000 therms up to 50,000 therms	\$0.0741109368
FTS-6	> 50,000 therms up to 100,000 therms	\$0.0524606387
FTS-7	> 100,000 therms up to 200,000 therms	\$0.0704307896
FTS-8	> 200,000 therms up to 400,000 therms	\$0.0689808472
FTS-9	> 400,000 therms up to 700,000 therms	\$0.1457517979
FTS-10	> 700,000 therms up to 1,000,000 therms	\$0.08765107899
FTS-11	> 1,000,000 therms up to 2,500,000	\$0.0958114366
FTS-12	> 2,500,000 therms up to 12,500,000	\$0.0297003326
FTS-13	> 12,500,000 therms	N/A

(Continued to Sheet No. 105.2)

Issued by: ~~Michael P. Masters~~ Jeffrey Householder, President
 Effective: JAN-01-2020
 Chesapeake Utilities Corporation

Florida Public Utilities Company-Fort Meade
 F.P.S.C. Gas Tariff
 Original Volume No. 1

~~Third~~^{Fourth} Revised Sheet No. 64
 Cancels ~~Second~~^{Third} Revised Sheet No. 64

BILLING ADJUSTMENTS

Gas Reliability Infrastructure Program (GRIP)

Applicability

The bill for gas or transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The GRIP factors for the period from the first billing cycle for January 2020 through the last billing cycle for December 2020 are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule RS	\$0.24865-16325
Rate Schedule GS-1	\$0.07705-01959
Rate Schedule GS-2	\$0.07705-01959
Rate Schedule GSTS-1	\$0.07705-01959
Rate Schedule GSTS-2	\$0.07705-01959
Rate Schedule LVS	\$0.00000
Rate Schedule LVTS	\$0.00000
Rate Schedule IS	\$0.00000
Rate Schedule ITS	\$0.00000
Rate Schedule GLS	\$0.00000
Rate Schedule GLSTS	\$0.00000
Rate Schedule NGV	\$0.00000
Rate Schedule NGVTS	\$0.00000

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Issued by: Jeffrey Householder, President & CEO

Effective: JAN-01-2018

Chesapeake Utilities Corporation