

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 20, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) *JGH*
Office of the General Counsel (Dose, Crawford) *JSC*

RE: Docket No. 20220154-GU – Joint petition for approval of swing service rider rates for January through December 2023, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 11/01/22 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/1/23 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On September 1, 2022, Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation d/b/a Central Florida Gas (jointly, Companies) filed a petition for approval of revised swing service rider rates and associated tariffs for the period January through December 2023. FPUC is a local natural gas distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes (F.S.). FPUC is a wholly-owned subsidiary of Chesapeake Utilities Corporation, which is headquartered in Dover, Delaware. Chesapeake is also an LDC subject to the Commission's jurisdiction under Chapter 366, F.S., and is an operating division of Chesapeake Utilities Corporation.

The Commission first approved the Companies' swing service rider tariff in Order No. PSC-16-0422-TRF-GU (swing service order) and the initial swing service rider rates were in effect for the period March through December 2017.¹ As required in the swing service order, the Companies submitted the instant petition with revised 2023 swing service rider rates for Commission approval by September 1, 2022. The January through December 2022 swing service rider rates were approved in Order No. PSC-2021-0417-TRF-GU.² The swing service rider is a cents per therm charge that is included in the monthly gas bill of transportation customers.

In the pending rate case Docket No. 20220067-GU,³ the Companies proposed to consolidate the current 54 rate classes across the four natural gas utilities into 16 rate classes. If the Commission approves the consolidated rate classes in the rate case docket, the Companies would need to allocate the swing service rider costs⁴ to the appropriate revised rate classes and recalculate the swing service rider rates. If the Commission denies the Companies' proposal to consolidate the rate classes, the 2023 swing service rider rates as approved in this docket would stay in effect.

On September 15, 2022, the Companies waived their 60-day file and suspend provision of Section 366.06(3), F.S., via an e-mail, which has been placed in the docket file. During the evaluation of the petition, staff issued a data request to the Companies for which responses were received on October 6, 2022. The updated swing service rider rates and associated revised tariff sheets are shown in Attachment A to the recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-16-0422-TRF-GU, issued October 3, 2016, in Docket No. 160085-GU, *In re: Joint petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

² Order No. PSC-2021-0417-TRF-GU, issued November 8, 2021, Docket No. 20210147-GU, *In re: Joint petition for approval of swing service rider rates for January through December 2022, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.* This order denied the 2022 swing service rider rates and gave the Companies the option to file revised rates and charges for administrative approval by staff that reflect the Commission vote. On November 3, 2021, the Companies filed updated tariff sheets in accordance with the Commission's decision. See Document No. 12529-2021.

³ Docket No. 20220067-GU: *Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company-Fort Meade, and Florida Public Utilities Company-Indiantown Division.*

⁴ Total costs recovered through the swing service rider rates are at issue in this docket and not subject to change in the rate case docket.

Discussion of Issues

Issue 1: Should the Commission approve the Companies' proposed swing service rider rates and tariffs for the period January through December 2023?

Recommendation: Yes. The Commission should approve the Companies' proposed swing service rider rates and tariffs for the period January through December 2023. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order.

If the Commission approves the Companies' proposal to consolidate the rate classes in rate case Docket No. 20220067-GU, within 10 business days after the Commission vote in the rate case docket, the Companies should recalculate the swing service rider rates for the consolidated rate classes. The revised swing service rider rates should be submitted for staff's administrative approval and should be effective concurrent with any revised Commission-approved base rates in the rate case docket. If the Commission denies the Companies' proposal to consolidate the rate classes, the swing service rider rates as approved in this docket should stay in effect for the period January through December 2023. (Guffey)

Staff Analysis: The Companies incur intrastate capacity costs when they transport natural gas on intrastate pipelines (i.e., pipelines operating within Florida only). The Companies have two types of natural gas customers: sales and transportation. Sales customers are primarily residential and small commercial customers that purchase natural gas from an LDC and receive allocations of intrastate capacity costs through the Purchased Gas Adjustment (PGA)⁵ charge. Of the joint petitioners in the instant docket, only Florida Public Utilities Company and Florida Public Utilities Company – Fort Meade have sales customers. Transportation customers receive natural gas from third party marketers, also known as shippers⁶ and, therefore, do not pay the PGA charge to the LDC. The swing service rider allows the Companies to also recover allocations of intrastate capacity costs from transportation customers.

Updated 2023 Swing Service Rider Rates

The updated 2023 swing service rider rates were calculated based on the same methodology approved in the 2016 swing service order. As stated in paragraph 9 of the Companies' instant petition, the total intrastate capacity costs for the period July 2021 through June 2022 are \$26,231,749. The total intrastate capacity costs reflect payments by the Companies to intrastate pipelines for the transportation of natural gas, pursuant to Commission-approved transportation agreements. In addition, the intrastate capacity costs include payments associated with a software tool to manage customer usage and assist in determining the gas supply and capacity needs for the Companies, legal and consulting fees, and subscription fees to obtain market data and gas daily pricing.⁷

⁵ The PGA charge is set by the Commission in the annual PGA cost recovery clause proceeding.

⁶ The Commission does not regulate the shippers or their charges for the gas commodity.

⁷ See direct testimony of Robert Waruszewski, page 5, lines 13-21, filed on September 1, 2022, Document No. 05938-2022, in Docket No. 20220154-GU.

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Of these costs, \$6,455,937 will be billed directly to certain large special contract customers. The remaining costs of \$19,775,812 are allocated between sales and transportation customers and will be recovered during the period January 1, 2023 through December 31, 2023.

The Companies used actual therm usage data for the period July 2021 through June 2022 to allocate the intrastate capacity costs. Based on the usage data, the appropriate split for allocating the cost is 71.16 percent or \$14,072,343 to transportation customers and 28.84 percent or \$5,703,469 to sales customers. The transportation customers' share of \$14,072,343 is further allocated to the various transportation rate schedules in proportion with each rate schedule's share of the Companies' total throughput. The sales customers' share of the cost of \$5,703,469 is embedded in the PGA.

To calculate the swing service rider rates, the transportation customers' share of the cost is allocated to each rate schedule and is divided by the rate schedule's number of therms. The swing service rider charge is billed directly to the customers. The swing service revenues the Companies are projected to receive in 2023 total \$14,072,343.

Credit to the PGA

The total intrastate capacity costs are embedded in the PGA with the projected 2023 swing service rider revenues incorporated as a credit in the calculation of the 2023 PGA. The amount credited to the 2023 PGA is \$14,072,343 plus \$6,455,937 received from special contract customers, for a total of \$20,528,280.⁸

COVID-19 Regulatory Asset Settlement Agreement

The Companies, in their 2023 swing service rider calculation, included additional costs in accordance with the COVID-19 Regulatory Asset Settlement Agreement (Agreement) approved in Order No. PSC-2021-0266-S-PU.⁹ This Agreement allows FPUC's natural gas utilities and electric division to recover in 2022 and 2023, a total of \$2,085,759 of incremental expenses for costs incurred due to COVID-19. Of this amount, \$731,639 (\$365,820 annually) is attributable to natural gas customers, while the remainder (\$1,354,120) is attributable to FPUC's electric division.¹⁰ Using the same allocation methodology in the calculation of the swing service rider, 71.16 percent, or \$520,630 (\$260,315 annually), will be allocated to the transportation customers and 28.84 percent, or \$211,010 (\$105,505 annually) will be allocated to sales customers and recovered through the PGA. The proposed swing service rider rates include both the intrastate capacity costs and the COVID-19 costs approved in the Agreement.

⁸ See direct testimony of witness Robert Waruszewski on behalf of FPUC, filed on August 5, 2022, Document No. 05268-2022, in Docket No. 20220003-GU, Exhibit No. RCW-2, Schedule E-1, line 8 on Page 1 of 6 and direct testimony of Robert Waruszewski, page 6 lines 9-12, filed on September 1, 2022, Document No. 05938-2022, in Docket No. 20220154-GU.

⁹ Order No. PSC-2021-0266-S-PU, issued July 22, 2021 and Order No. PSC-2021-0266-S-PU Amendatory Order No. PSC-2021-0266A-S-PU, issued August 26, 2021, in Docket No. 20200194-PU, *In re: Petition for approval of regulatory assets to record costs incurred due to COVID-19, by Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, Florida Public Utilities Company - Fort Meade, Florida Division of Chesapeake Utilities Corporation.*

¹⁰ Exhibit A in Document No. 07608-2021, filed July 8, 2021, in Docket No. 20200194-PU.

Date: October 20, 2022

Conclusion

Based on its review of the information provided in the petition and in response to staff's data requests, staff recommends that the Companies' proposed swing service rider is reasonable. Staff reviewed the total projected intrastate capacity costs and verified that the costs included are appropriate. The Commission should approve the proposed swing service rider rates for the period January through December 2023. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order.

If the Commission approves the Companies' proposal to consolidate the rate classes in rate case Docket No. 20220067-GU, within 10 business days after the Commission vote in the rate case docket, the Companies should recalculate the swing service rider rates for the consolidated rate classes. The revised swing service rider rates should be submitted for staff's administrative approval and should be effective concurrent with any revised Commission-approved base rates in the rate case docket. If the Commission denies the Companies' proposal to consolidate the rate classes, the swing service rider rates as approved in this docket should stay in effect for the period January through December 2023.

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 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. (Dose, Crawford)

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

Florida Public Utilities Company and Florida Division of Chesapeake Utilities

FPSC Tariff

~~Second~~Third Revised Sheet No.

7.913

Original Volume No. 1

Cancels ~~First~~Second Revised Sheet No. 7.913

All Companies
SWING SERVICE RIDER

Applicability:

The bill for Transportation Service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2023~~2~~ through the last billing cycle for December 2023~~2~~ are as follows:

INDIANTOWN:

<u>Rate Schedule</u>	<u>Rates Per Therm</u>
TS-1	\$0. 1554 <u>1573</u>
TS-2	\$0. 1639 <u>1446</u>
TS-3	\$0. 1176 <u>1847</u>
TS-4	\$0.0000

FT. MEADE:

<u>Rate Schedule</u>	<u>Rates Per Therm</u>
GSTS-1	\$0. 1903 <u>2103</u>

FLORIDA PUBLIC UTILITIES:

<u>Rate Schedule</u>	<u>Rates Per Therm</u>
GSTS-1	\$0. 1650 <u>1731</u>
GSTS-2	\$0. 1642 <u>1670</u>
LVTS	\$0. 1581 <u>1574</u>

Issued by: Jeffrey Householder, Chief Executive Officer
Florida Public Utilities Company and Chesapeake Utilities Corporation

Effective: ~~January 1, 2022~~

Florida Public Utilities Company and Florida Division of Chesapeake Utilities

FPSC Tariff

~~Second-Third~~ Revised Sheet No.

7.914

Original Volume No. 1

Cancels ~~First-Second~~ Revised Sheet No. 7.914

All Companies

SWING SERVICE RIDER – CONTINUED

CENTRAL FLORIDA GAS:

<u>Rate Schedule</u>	<u>Rates Per Therm</u>
FTS-A	\$0.16361787
FTS-B	\$0.16331791
FTS-1	\$0.17421943
FTS-2	\$0.19382052
FTS-2.1	\$0.17951916
FTS-3	\$0.15721578
FTS-3.1	\$0.14631589
FTS-4	\$0.15841646
FTS-5	\$0.15711588
FTS-6	\$0.15231592
FTS-7	\$0.15941557
FTS-8	\$0.15581525
FTS-9	\$0.15361491
FTS-10	\$0.14921681
FTS-11	\$0.14391523
FTS-12	\$0.14891499

Rate Schedule (Fixed) Rates Per Bill

FTS-A	\$1.40395421
FTS-B	\$2.47907258
FTS-1	\$3.766841955
FTS-2	\$8.48809914
FTS-2.1	\$27.379592142
FTS-3	\$35.20253386
FTS-3.1	\$92.58531005976

Definitions

This surcharge allocates a fair portion of Upstream Capacity Costs and expenses associated with the provision of Swing Service to transportation Customers in accordance with FPSC approval.

Issued by: Jeffrey Householder, Chief Executive Officer
 Florida Public Utilities Company and Chesapeake Utilities Corporation

Effective: January 1, 2022