GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

November 3, 2023

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

[New Filing]- Petition for Approval of Limited Variance from area extension program (AEP) tariff by Florida Public Utilities Company.

Dear Mr. Teitzman:

Attached for electronic filing, please find the Florida Public Utilities Company's Petition for Approval of a Limited Variance from it Area Extension Program ("AEP").

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Limited Variance from area extension program (AEP) tariff by Florida Public Utilities Company.	)))))	Docket No.: Filed: November 3, 2023

PETITION FOR APPROVAL OF LIMITED VARIANCE FROM AREA EXTENSION PROGRAM (AEP) TARIFF BY FLORIDA PUBLIC UTILITIES COMPANY

Pursuant to Rule 28-104.002, Florida Administrative Code, Florida Public Utilities Company ("FPUC" or "Company"), by and through its undersigned counsel, hereby files this Petition seeking approval from the Florida Public Service Commission ("Commission") for a limited variance or waiver from its area extension program ("AEP") tariff to allow FPUC to incorporate certain expenses into its estimated investment costs. Specifically, FPUC asks that it be allowed to include expenses related to acquiring and converting facilities related to mains, services, and "behind the meter" facilities into the estimated investment costs for the AEP calculation for these communities and to charge the AEP based on a volumetric (per therm) basis, as opposed to a fixed amount. Approval will allow FPUC to utilize its existing AEP program to acquire two existing Community Gas System ("CGS") that currently deliver propane, which can then be readily converted to provide natural gas service, to residential customers in the City of Newberry. This will accelerate FPUC's ability to deploy affordable and reliable natural gas service to customers in Newberry.

In support of this request, the Company hereby states:

1. FPUC is a natural gas local distribution company ("LDC") providing sales and transportation delivery of natural gas in parts of Florida and is a public utility subject to the Commission's

regulatory jurisdiction under Chapter 366, Florida Statutes. Its principal business address is:

Florida Public Utilities Company, Inc.
208 Wildlight Ave.
Yulee, FL 32097

2. The name and mailing address of the persons authorized to receive notices are:

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Matt Everngam
Director – Regulatory Affairs
208 Wildlight Ave,
Yulee, FL 32097
meverngam@chpk.com

3. The Commission has broad jurisdiction, including jurisdiction to grant the relief requested herein, under Sections 366.04, 366.05, and 366.06, Florida Statutes, pursuant to which the Commission is authorized to establish rates and charges for public utilities, and in doing so, to consider, among other things, whether the rules, regulations and practices of the utility are fair and reasonable. The Company is unaware of any material facts in dispute in this regard. This is a Petition representing an initial request to the Commission, which is the affected agency located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

4. The Company is unaware of any material facts in dispute at this time, but the proceeding may involve disputed issues of material fact. The Company's request set forth herein does not involve reversal or modification of a Commission decision or proposed agency action. This is a Petition representing an initial request to the Commission, which is the affected agency located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

I. BACKGROUND

5. Extensions to serve customers are typically recovered directly from the customer for whom the extension is made if the cost of such extension exceeds a certain cost/benefit calculation known as the Maximum Allowable Construction Cost ("MACC"), which is set forth in Rule 25-7.054(3), Florida Administrative Code.[1] If the cost of the extension exceeds the MACC, then the Rule contemplates that the utility will require that the customer pay a non-interest bearing advance to cover the differential between the MACC and the project costs, which is referred to as the "Contribution In Aid of Construction" or CIAC.

6. In 1994, to promote economic development and to provide a more practical tool to expand service to unserved/underserved areas, FPUC put forward an alternative approach that it believed would facilitate extensions that would have otherwise been in doubt were traditional CIAC required. At that time, FPUC proposed: (1) that it be allowed to adjust its calculation of the MACC to four times the annual revenues to be derived from the facilities; and (2) that it be allowed to implement an alternative program that could be used to facilitate certain extensions that might not otherwise be made. The Commission approved FPUC's AEP by Order No. PSC-95-0162-FOF-GU, issued February 7, 1995, in Docket No.941291-GU.

7. Under its current AEP tariff, FPUC would determine an estimated investment cost to serve the customer or area. In developing these costs, the Company would develop estimates of the costs for the construction of facilities that are needed to serve the

[1] While the Rule provides that MACC calculation is four (4) time the estimated annual gas revenue associated with the extended facilities, FPUC has received Commission approval for a tariffed MACC of six (6) times the estimated revenue. See Order No. PSC-2021-0148-TRF-GU, issued April 22, 2021, in Docket No. 20200214-GU.

customer or area. These costs would then be used to determine the cost difference from the MACC. This difference of which would become the AEP Recovery Amount to be allocated and charged to customers of the extension over the course of no longer than 72 billing months. The AEP would then be charged as a fixed fee to customers served by the project over the course of AEP period. By this Petition, the Company seeks to modify, on a limited basis, the costs included, as well as the way the AEP is applied to customer's bills. As explained below, this limited variance will still accomplish the underlying purposes of the Company's AEP program, but will do so in a way better suited to the unique situation presented by two communities in Newberry.

II. AEP FOR NEWBERRY CGS COMMUNITIES

8. In Commission Order No. PSC-2023-0212-PAA-GU, the Commission approved a Firm Transportation Service Agreement between FPUC and Peninsula Pipeline Company. The agreement will facilitate the buildout of a natural gas pipeline that will be used by FPUC to bring natural gas service to the City of Newberry in Alachua County, FL. The project will be used by FPUC to provide natural gas service to residential, commercial, and industrial customers in the City.
9. Since the City does not currently have natural gas service, residential customers have utilized fuels such as propane to meet their energy needs. To facilitate delivery of these fuels, propane companies in the City developed CGS's many years ago in some residential communities. Crescent Propane, an affiliate of FPUC, operates two such CGS's in the City of Newberry. These CGS's are located in the communities of Newberry Newtown and Newberry Oaks and currently serve 380 active residential

customers. These CGS's operate in a manner similar to a natural gas system by delivering propane gas directly to a customer's home through an underground pipeline system. With some conversion work to these CGS facilities, these systems can be utilized to deliver natural gas to customers.

10. The Company's first request is to be able to include the expenses related to the acquisition and conversion of the two CGS's and related facilities into the calculation of the investment costs for the AEP charge for these two Communities. To convert the mains and services of these CGSs, FPUC will first prepare the system for conversion by sectionalizing the CGS's systems. Sectionalizing the system will consist of installing valves to cut off a portion of the system from the rest of the system. Temporary tanks of propane will then be installed on the customer premises for customers that are on that portion of the system. Once sectionalized, the process will consist of flushing the sectionalized portion of the system and purging it of propane, a leak survey is then conducted, and then natural gas will be introduced to the mains. Once the conversion for a section is completed, compressed natural gas (CNG) will be used to supply that section with natural gas, and conversion work will proceed to the next section of the CGS until the system in entirely converted. The estimated total expense to convert the mains and services for the two Communities is $219,900.

11. Additionally, FPUC wishes to include expenses in its AEP calculation related to behind-the-meter conversions in customer homes currently using propane. These conversions will include the changing of propane hookups to common household appliances to facilitate the delivery of natural gas. The decision to include these expenses in the AEP calculation is to help facilitate customer conversion to switch fuel sources. If an individual customer

were to incur the costs for converting their appliances all at once, some may be unlikely to convert, as it may present too large of a one-time expense for lower income customers. FPUC estimates that on average it will cost $1,509 per customer in these two Communities for a total estimated cost of $573,548. To determine an estimate of these expenses, FPUC utilized its internal resources to provide an accurate estimate. Other subsidiaries of FPUC's parent Chesapeake Utilities Corporation that operate in other states have engaged in similar CGS conversions in order to provide natural gas to communities, most notably in Delaware and Maryland.

12. FPUC and Crescent Propane have come to an agreement to sell the CGS's existing mains, services, meters, and other facilities at fair market value to FPUC. To determine the market price, the Company utilized a third party to conduct an independent assessment of these systems. The consultant determined that the market value of the CGS's is $629,607. The Company estimates that building a replacement system with conversion costs would cost about $2,075,615. Moreover, if the Company were to construct a new natural gas distribution system in each of these communities, it would be building duplicative infrastructure alongside these systems that are already installed. The new construction would also be built at a more expensive price due to the cost of materials and the installation procedures and requirements for infrastructure construction in an existing, established community.

13. Furthermore, FPUC believes the negotiated price is a fair price for the facilities in question. It does not exceed the market for such facilities and was reached through arms-length negotiations. It would also be unreasonable to expect to pay book value for the facilities, simply because Crescent Propane is an affiliate under the Chesapeake

Utilities Corporation umbrella. Were Crescent Propane not an affiliate, it would certainly expect to sell its facilities at a fair market price. Ultimately, acquiring these systems is the best course to provide gas to these communities and at a cost savings to customers. Thus, acquiring the systems at fair market price and converting them provides the largest overall benefit to customers.

14. FPUC also requests that it be allowed, in this limited instance, the ability to depart from its AEP tariff in order to utilize a per therm charge for the Newberry AEP. A per therm charge would help provide an immediate savings to more customers and help facilitate their switch from propane to natural gas. If a customer in these communities were to be charged a fixed AEP, they may be less likely to switch due to the cost impact, and only the customers with highest gas usage would initially see a savings. A volumetric AEP charge will allow more customers in these communities to see an immediate benefit to their bill. A volumetric based AEP charge is not uncommon and is used by other gas utilities in the State of Florida.

15. Overall, FPUC has calculated a fixed, AEP charge of $33.06 for customers in these Communities, which when divided by the projected gas usage of 11.7 therms, becomes a volumetric charge of $2.83 per therm.

16. The MACC component of the surcharge was calculated using six times the estimated annual revenue. This calculation considered a projected volume of 11.7/dth per household per month for 380 customers. The projected volume is based on the average actual usage data of current active propane gas usage in these communities and converted to natural gas therms. The total MACC for the Communities is $932,514. The total estimated capital investment is calculated based on the cost of approach main from the Peninsula project to

the Communities, and the cost paid to acquire the existing CGS's mains, services, meters, and other facilities at market cost. This capital investment is estimated to be $869,607. The estimated conversions expenses to convert the existing mains, services, and behind the meter customer appliances for natural gas delivery is estimated to be $793,448. With the Cost of Capital, the total estimated capital investment costs and conversion expenses combined is $1,837,144. The difference between the MACC against the total capital investment, expenses, and the cost of capital to be earned is $904,630 that would need to be recovered via the AEP surcharge from these Communities. Spread out over 72 months to the current 380 active customers is $33.06 per month or $2.83 per therm. Based upon an analysis of actual customer bills on these CGS systems, FPUC expects that around 56% of current CGS customers will see an initial savings from their propane gas bills. Of the customers that will have a reduced bill during the AEP period, the total annual savings in these Communities is estimated to be $15,443, at an average savings of $72 per customer. At the end of AEP period, based on the current data, almost all of the current active customers will have a reduced energy bill with an annual projected savings of $173,941 per year to these Communities, at an annual average savings of $467 per customer.

17. FPUC is currently in process of implementing a new customer billing system. The anticipated launch of the system would take place in August of 2024. Introducing the change of a volumetric based AEP to our billing system during that period of implementation will not be feasible. FPUC contemplates that it would begin the process of converting the system and charging customers a standard bill starting in May 2024. Once the system goes live in August 2024, the AEP and the AEP billing period would

begin. During customer outreach, FPUC will work with customers in order to help them understand the billing process.

WHEREFORE, Florida Public Utilities Company respectfully requests a limited variance from its AEP tariff to allow it to include certain costs related to acquisition and conversion of two CGS communities into the AEP calculation and charge the AEP on a volumetric basis.

RESPECTFULLY SUBMITTED this 3rd day of November 2023.

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Attorneys for Florida Public Utilities Company

CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing Petition has been served upon the following by Electronic Mail (redacted only) this 3rd day of November, 2023:

Walter Trierweiler, Public Counsel
Office of Public Counsel
c/o the Florida Legislature
111 West Madison Street, Rm 812
Tallahassee, FL 32399-1400
trierweiler.walt@leg.state.fl.us

Keith Hetrick, General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399
khetrick@psc.state.fl.us

By: Beth Keating

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Attorneys for Florida Public Utilties Company, Inc.