

By the Committee on Rules; and Senator Bean

595-04435-17

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1 A bill to be entitled
2 An act relating to utility investments in gas
3 reserves; amending s. 366.04, F.S.; revising the
4 jurisdiction of the Public Service Commission over
5 public utilities to include the approval of cost
6 recovery for certain gas reserve investments;
7 requiring the commission to adopt, by rule, standards
8 by which it will determine the prudence of such
9 investments; requiring each public utility to file
10 with the commission a comparison of all gas reserve
11 projects entered into on behalf of the utility and any
12 affiliate or subsidiary of the parent company as part
13 of its risk management plan; specifying the
14 requirements of the filing; requiring the use of a
15 third-party auditor for audits of associated
16 transactions for a gas reserve project; requiring a
17 public utility entering into a gas reserves project to
18 have a transportation path between the project and the
19 utility's service territory; specifying the accounting
20 of the costs of any new transportation in the economic
21 analysis of projects; providing an effective date.

22
23 Be It Enacted by the Legislature of the State of Florida:

24
25 Section 1. Present paragraphs (d), (e), and (f) of
26 subsection (2) of section 366.04, Florida Statutes, are
27 redesignated as paragraphs (e), (f), and (g), respectively, and
28 a new paragraph (d) is added to that subsection, to read:

29 366.04 Jurisdiction of commission.—

595-04435-17

20171238c1

30 (2) In the exercise of its jurisdiction, the commission
31 shall have power over electric utilities for the following
32 purposes:

33 (d) To approve cost recovery by adjustment clause for a
34 utility's prudent investments, including rate of return, and for
35 prudently incurred expenses associated with such investments, in
36 natural gas reserves if the utility has at least 65 percent
37 natural-gas-fueled generation. The commission shall adopt by
38 rule no later than December 31, 2017, standards by which it will
39 determine the prudence of such gas reserve investments. The
40 standards must include, at a minimum, all of the following:

41 1. A requirement that each natural gas reserve investment
42 be projected to generate savings for customers over the life of
43 the investment.

44 2. A requirement that the total volume of natural gas
45 produced from all of a utility's natural gas reserve investments
46 not exceed the following percentages of the utility's average
47 projected daily burn of natural gas:

48 a. 7.5 percent in 2018;

49 b. 10 percent in 2019;

50 c. 12.5 percent in 2020; and

51 d. 15 percent in 2021 and thereafter.

52 3. A requirement that each investment be made in natural
53 gas projects that have at least 50 percent of the wells within
54 the project classified as proved gas reserves and the remaining
55 wells within the project classified as probable gas reserves by
56 the Securities and Exchange Commission.

57 4. A prohibition against the recovery by a utility of the
58 costs of natural gas extracted from the state by means of any

595-04435-17

20171238c1

59 well stimulation treatment, including hydraulic fracturing, acid
60 fracturing, and matrix acidizing.

61 5. A prohibition against the recovery by a utility of the
62 costs of natural gas extracted from the waters of the state,
63 from the waters of the United States, or from international
64 waters.

65
66 No provision of this chapter shall be construed or applied to
67 impede, prevent, or prohibit any municipally owned electric
68 utility system from distributing at retail electrical energy
69 within its corporate limits, as such corporate limits exist on
70 July 1, 1974; however, existing territorial agreements shall not
71 be altered or abridged hereby.

72 Section 2. (1) Annually, each public utility shall file
73 with the Public Service Commission a detailed comparison of all
74 gas reserve projects entered into on behalf of the utility and
75 any affiliate or subsidiary of the utility's parent company as
76 part of its risk management plan. The information must be the
77 same for each gas reserve project entered into by any affiliate
78 or subsidiary which was used to support or justify the
79 appropriateness of each gas reserve project entered into during
80 the reporting period. The filing must:

81 (a) Show all material assumptions relied upon to support
82 each gas reserve project, including the capital investment
83 amount;

84 (b) Calculate the associated revenue requirement for each
85 gas reserve project; and

86 (c) Provide the net present value savings for each gas
87 reserve project entered into by any affiliate or subsidiary of a

595-04435-17

20171238c1

88 parent company.

89 (2) For any gas reserve project, the utility shall use an
90 independent third-party auditor in performing audits of the
91 associated transactions. Subaccounts that correspond on a one-
92 on-one basis with the oil and gas system of accounts shall be
93 established and used by the utility for each investment in a gas
94 reserve project.

95 (3) A public utility may enter into a gas reserves project
96 only if there is a transportation path available to deliver the
97 gas produced from that project to the public utility's service
98 territory. The costs of any new transportation needed to deliver
99 gas from a gas reserve project must be taken into consideration
100 when analyzing the economics of that project.

101 Section 3. This act shall take effect July 1, 2017.