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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.—

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

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

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

49 a. 7.5 percent in 2018;

50 b. 10 percent in 2019;

51 c. 12.5 percent in 2020; and

52 d. 15 percent in 2021 and thereafter.

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

58 4. A prohibition against the recovery by a utility of the

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59 costs of natural gas extracted from the state by means of any
60 well stimulation treatment, including hydraulic fracturing, acid
61 fracturing, and matrix acidizing.

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

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

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

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

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

87 (c) Provide the net present value savings for each gas

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88 reserve project entered into by any affiliate or subsidiary of a
89 parent company.

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

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

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