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October 23, 2017

BY E-PORTAL

Ms. Carlotta Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: DOCKET NO. 20170179-GU - Petition for rate increase and approval of depreciation study by Florida City Gas.

Dear Ms. Stauffer:

Attached, for electronic filing, please find the testimony and exhibits of Florida City Gas's witness Mike Morley. (Document 2 of 14)

Sincerely,

A handwritten signature in blue ink that reads "Beth Keating".

Beth Keating
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MEK

ATTACHMENTS

cc:// PSC (20 Hard copies)

Office of Public Counsel (Kelly)

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Before the Florida Public Service Commission

Docket No. 20170179-GU: Petition for rate increase by Florida City Gas.

Prepared Direct Testimony of Michael J. Morley

Date of Filing: October 23, 2017

Q. Please state your name, position and business address.

A. My name is Michael J. Morley and I am Managing Director, Regulatory Accounting & Reporting and Strategic Planning of Southern Company Gas, formerly AGL Resources Inc. (“AGLR”). My business address is 10 Peachtree Place, Atlanta, Georgia 30309.

Q. Please describe your professional responsibilities.

A. I am responsible for the preparation and coordination of financial information for rate cases, for monthly and annual reporting requirements, and for long-term financial planning and analysis of Southern Company Gas’s regulated subsidiaries, including Florida City Gas (“FCG” or the “Company”). I am also responsible for directing and coordinating responses to various requests of state and federal regulatory agencies and for providing various analyses, regulatory interpretation, and consulting to senior management.

Q. What are your professional and educational qualifications?

A. I received a Bachelor of Business Administration with a major in accounting from the University of Georgia in 1991. Upon graduation I was employed by a regional public accounting firm in Atlanta. My experience with this firm included management of audit engagements, preparation of

1 individual and corporate tax returns, and accounting and financial
2 consulting work. In 1997, I was hired as Controller of a national marketing
3 company. My responsibilities included development and implementation
4 of an annual budget process and management financial reporting,
5 development and implementation of key accounting policies, and
6 management of the day-to-day accounting functions.

7
8 In 2000, I joined AGLR as Manager of Financial Accounting and was
9 promoted to Director of Financial Accounting in 2003. My responsibilities
10 included general ledger management, coordination with external auditors
11 and technical accounting research, and I was the primary accounting
12 contact for operational groups, including rates and regulatory, gas
13 operations, field operations, and corporate. In 2003, I joined the rates and
14 regulatory group to assist in rate case proceedings and began my current
15 position in 2013.

16
17 Q. Have you previously submitted testimony before the Florida Public Service
18 Commission ("FPSC") or any other regulatory commission?

19 A. While I have not submitted testimony before the FPSC, I have submitted
20 testimony before regulatory commissions in Georgia, New Jersey,
21 Tennessee, Illinois, and Virginia.

22
23 Q. Are you sponsoring any exhibits with your direct testimony?

24 A. Yes. Company Exhibit No. ____ MJM-1.
25

1 Q. Are you sponsoring any of the Minimum Filing Requirements (“MFRs”)
2 submitted by FCG?

3 A. Yes. I am sponsoring the MFRs listed in Exhibit No. MJM-1. To the best
4 of my knowledge and belief, the information contained in these MFRs is
5 true and correct.

6

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to present: (i) the financial and accounting
9 data to support the Company’s proposed annual revenue requirement; (ii)
10 an explanation of the Company’s decision to use a projected 2018 test
11 year for ratemaking purposes, and the budgeting and forecasting process
12 used for the test year; (iii) the determination of rate base and operating
13 income; (iv) the capital structure and cost of capital; (v) the regulatory
14 accounting and ratemaking for the Company’s Safety, Access and Facility
15 Enhancement program (“SAFE”); (vi) the assessment of the parent debt
16 adjustment to FCG’s income tax expense in determining revenue
17 requirement; and (vii) an explanation of the Company’s proposed interim
18 rate adjustment.

19

20 Furthermore, I am specifically responsible for much of the information
21 provided in the MFR Schedules A, B, C, D, F, and G, as indicated in
22 Exhibit MJM-1. In regards to the MFR E Schedules, witness Nikolich is
23 specifically responsible for the information provided, with the exception of
24 MFR E Schedule 6, which I am sponsoring and MFR E Schedule 3, which
25 witness Igwilo is sponsoring.

1 Q. Have there been any changes to FCG's corporate organization since the
2 2003 Rate Case?

3 A. Yes. In 2004, AGLR acquired NUI Corporation, which at the time was the
4 parent company of FCG. As of July 1, 2016, AGLR and FCG became part
5 of The Southern Company ("Southern") corporate organization upon the
6 closing of the acquisition of Southern Company Gas (then AGLR) by
7 Southern. Following the acquisition, AGLR changed its name to Southern
8 Company Gas.

9

10

I. REVENUE REQUIREMENT

11 Q. What is the revenue increase requested by FCG?

12 A. Using a projected test year ending December 31, 2018, the Company
13 requires a base rate increase of \$19.3 million. Of that amount, \$3.5
14 million is associated with moving the Company's current SAFE
15 investments into rate base and resetting the SAFE surcharge to \$0, as
16 contemplated by Order No. PSC-15-0390-TRF-GU. The additional \$15.8
17 million is necessary to allow FCG to earn a fair return on our investment
18 and a recommended return on equity of 11.25 percent. This rate increase
19 will allow FCG to fund the Company's future capital expenditures and
20 continue to provide safe and reliable services to our customers at a
21 reasonable rate.

22

23 Q. Why is FCG seeking rate relief at this time? Please elaborate on your
24 previous response.

25 A. FCG has an obligation to provide safe and reliable service to its customers

1 at reasonable cost. To provide safe and reliable service and meet
2 ongoing demands associated with growth and pipeline capacity
3 constraints on the system, FCG must be able to earn a fair rate of return
4 so that we can attract capital needed to support the necessary investment.
5 Our customers expect quality service and we must remain financially able
6 to provide that high level of service. FCG's current rates will not produce
7 sufficient revenues to allow the Company to adequately serve its
8 customers while maintaining its financial integrity. It has been 14
9 years since the Company filed a rate case. During this time, FCG has
10 invested more than \$340 million in infrastructure and general plant capital
11 to support customer growth, enhance customer service, comply with
12 increasing regulatory compliance requirements, and sustain the reliability
13 of our system. These substantial investments included the installation of
14 more than 400 miles of distribution mains and 55 miles of transmission
15 mains. Put simply, FCG has made significant capital improvements in this
16 14-year period. A revenue increase at this time will enable the Company
17 to continue to invest in the safety and reliability of its natural gas
18 distribution system, customer service enhancements, and the training and
19 development of its employees.

20

21 Q. What is FCG's rate of return if the Company does not get rate relief?

22 A. The Company is forecasting a rate of return of 3.10 percent, which is well
23 below both the current authorized return of 6.27 percent and FCG's
24 proposed rate of return of 6.32 percent.

25

1 Q. How did you derive the revenue deficiency for the December 31, 2018,
2 test year?

3 A. The derivation of the projected revenue deficiency is summarized in MFR
4 Schedule G-5. The 2018 revenue deficiency is determined by multiplying
5 the projected test year rate base by the proposed rate of return to arrive at
6 the operating income required. The difference between the operating
7 income required and the forecasted test year operating income results in
8 the operating income deficiency. The operating income deficiency is then
9 multiplied by the gross revenue conversion factor ("GRCF") to determine
10 the forecasted revenue deficiency.

11

12 Q. What is the GRCF proposed in this case?

13 A. The GRCF proposed in this case is 1.6434.

14

15

II. TEST YEAR

16 Q. What is the test year and projected test year in support of the Company's
17 case?

18 A. The Company's historic test year is the twelve months ended December
19 31, 2016, and the projected test year is the twelve months ending
20 December 31, 2018. In accordance with Rule 25-7.140, Florida
21 Administrative Code, Test Year Notification, FCG notified the FPSC that it
22 selected the twelve-month period ending December 31, 2018, as the
23 projected test year for FCG's petition to increase rates and charges.

24

25 Q. Please explain why you chose a 2018 projected test year?

1 A. FCG considers the year ending December 31, 2018, as an appropriate
2 test year since it coincides with FCG's annual budgeting process. The
3 2018 test year properly matches FCG's projected revenues with the
4 projected costs and investment required to provide service to customers
5 during the period following the effective date of the new base rates. The
6 Company believes that the requested test year is appropriate because it
7 will: 1) best reflect the economic conditions impacting the Company
8 during the first twelve-month period that the new rates will be in effect; and
9 2) provide the most accurate picture of revenues as compared with the
10 Company's cost to serve during the initial period new rates would be
11 placed in effect.

12

13 Q. How did FCG forecast the 2018 test year?

14 A. The primary basis for the Company's 2018 test year was the 2018 capital
15 and income statement budgets. The capital budget, which is further
16 supported by the testimony of Company witness Muller, was developed
17 during FCG's annual budgeting process. As witness Muller describes,
18 FCG utilizes a robust capital budget process that involves numerous
19 departments within the Company, as well as the shared service functions,
20 and is ultimately reviewed and approved by senior management. The
21 2018 revenues are supported by Company witness Nikolich, and I support
22 the Company's 2018 operating expenses.

23

24 Q. What was the process for forecasting the Company's operating expenses?

25 A. For purposes of the annual review of operations and maintenance

1 ("O&M") expenses, other than payroll and benefits, the Company
2 undertakes a bottoms-up, zero-based cost approach in the annual
3 budgeting process. This means that all costs are reviewed at a detail level
4 each year to determine if the same type and/or level of costs is required
5 for the upcoming budget year. The budgeting process requires leaders of
6 the utilities and the utility-related shared service providers to develop
7 these costs using estimated prior year actual costs as a baseline target.
8 Any increases to this baseline target must be supported and substantiated
9 by the budget leaders during a one- to two-day budget summit, wherein
10 the proposed costs by utility and shared service provider are reviewed by
11 all leaders for reasonableness and necessity. Costs allocated from
12 shared service providers are also reviewed by utility leaders and can be
13 challenged, as may be necessary. Consequently, all leaders have insight
14 and transparency into each other's budget to ensure consistency and
15 necessity across the entire organization. This level of budget scrutiny and
16 review has been in place for almost ten years and has allowed FCG to
17 maintain a reasonable cost structure that has, over time, remained
18 relatively flat when compared to the costs in our 2003 rate case.

19

20 Q. How are the budgets for payroll and benefits developed?

21 A. The payroll budget is based on filled positions and approved open
22 positions at a given point in time, which, in this case, is July 31, 2017.
23 Additional positions that are not currently in the Company's Human
24 Resources Management System must be approved by senior
25 management before becoming part of the final budget. The payroll budget

1 includes both base pay and incentive compensation. Most benefits,
2 including health and welfare costs and post-retirement benefits, including
3 pensions, are budgeted based on actuarial studies. The Company's total
4 compensation package and programs are supported in the testimony of
5 Company witness Garvie.

6

7 Q. Did the Company have an increase in costs in the 2018 budget over the
8 estimated 2017 actual expenses target?

9 A. Yes. FCG has included costs above the estimated 2017 O&M expense
10 target. These costs are to address the challenges associated with an
11 aging work force, which is further discussed in the testimony of Company
12 witness Bermudez, and to meet increased federal and state safety and
13 compliance requirements.

14

15 Q. How did the Company forecast depreciation expense?

16 A. The Company calculated the test year depreciation expense by applying
17 FCG's current depreciation rates to the average monthly balances of
18 plant-in-service. The development of the monthly balances of plant-in-
19 service is discussed later in my testimony.

20

21 Q. Is the Company proposing new depreciation rates in this proceeding?

22 A. Yes. The Company is proposing new depreciation rates effective August
23 1, 2018, which is the first day following the end date of July 31, 2018 used
24 for the Depreciation Study. The Depreciation Study, and the depreciation
25 rates proposed therein, are supported by the testimony of Company

1 witness Watson. The Company included in its MFRs full-year depreciation
2 expense for 2018 and adjusted for five months of depreciation expense
3 under new rates through a ratemaking adjustment included in MFR
4 Schedule G-2. The implementation of new depreciation rates from August
5 1 - December 31, 2018 results in a reduction of approximately \$1.1 million
6 in depreciation expense.

7

8 Q. How did the Company forecast taxes other than income?

9 A. The Company applied the applicable effective tax rates to the estimated
10 tax base. The effective tax rates were based on the statutory rate
11 currently in effect or historical data.

12

13 Q. What is the approval process for the final budget?

14 A. Once the approval and budget summit processes discussed above are
15 completed, the budgets of Southern Company Gas are compiled on a
16 segment basis. The Senior Vice President of Southern Utility Operations,
17 which includes FCG, and the Presidents of the four remaining utilities
18 review and approve their respective operating budgets, and the
19 distribution operations segment (total utility operations) is reviewed and
20 approved by the Executive Vice President of Distribution Operations. The
21 Distribution Operations budget is then reviewed by the CEO and CFO of
22 Southern Company Gas. The budget by segment is then presented to the
23 Board of Directors of Southern Company Gas for approval. The final step
24 is the presentation of the Southern Company Gas budget to the Board of
25 Directors of Southern for final approval.

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III. DETERMINATION OF RATE BASE

- Q. Please discuss the major elements of FCG's rate base.
- A. As detailed in MFR Schedule G-1, the major elements of rate base are utility plant-in-service, construction work-in-process ("CWIP") and the FPSC-approved acquisition adjustment. These amounts are reduced by accumulated provision for depreciation on utility plant and accumulated amortization on the acquisition adjustment. Finally, the Company has included an allowance for working capital.
- Q. How did FCG project the beginning and ending test year balances for utility plant and construction work in progress?
- A. The Company utilized June 30, 2017 actual utility plant balances, including CWIP, to which projected capital expenditures were added and projected retirements were subtracted. The projected capital expenditures were based on the Company's budgeted capital expenditures for July 1, 2017 – December 31, 2018. In most instances, the projected utility plant retirements were based on a four-year historical average. For most general plant accounts, retirements were specifically forecast based on historical experience and known and measurable events.
- The Company developed the test year level of CWIP based largely on the assumption that, other than large, known, non-recurring projects, the CWIP balance would remain consistent from June 30, 2017 through the end of the test year. Said differently, generally as any capital expenditure in CWIP is closed to plant, there will be an additional capital expenditure in

1 an equal amount that will be recorded to CWIP. As such, the appropriate
2 amount of CWIP to be included in rate base is approximately \$31,000,000.

3

4 Q. How did the Company project the test year balances for accumulated
5 provision for depreciation?

6 A. The Company started with the net of actual accumulated provision for
7 depreciation balances as of June 30, 2017. The projected provision for
8 depreciation expense was added and projected retirements and costs of
9 removal were subtracted from the net accumulated provision for
10 depreciation balances as of June 30, 2017. The projected provision for
11 depreciation expense was based on the Company's current depreciation
12 rates approved in FPSC Docket No. 20140051-GU. A ratemaking
13 adjustment was included to reflect FCG's proposal to implement new
14 depreciation rates effective August 1, 2018. The projected retirements
15 were based on the same methodology to estimate retirements from plant
16 in service, and removal costs were based on the July 1, 2017 – December
17 31, 2018 budget.

18

19 Q. How did FCG forecast the acquisition adjustment and associated
20 accumulated amortization?

21 A. As discussed in greater detail in the testimony of witness Kim, the
22 acquisition adjustment refers to the amount of the purchase premium
23 associated with the AGLR acquisition of NUI that was allocated to FCG
24 and which the FPSC allowed the Company to record as a positive
25 acquisition adjustment to be amortized over 30 years. For purposes of

1 forecasting the acquisition adjustment and associated accumulated
2 depreciation, the Company used the amount that was approved by the
3 FPSC in Docket No. 20060657-GU, and for the associated accumulated
4 amortization, the Company applied the annual amortization amount based
5 on the 30-year amortization period approved by the FPSC in that same
6 docket. Company witness Kim supports the permanence of the cost
7 savings associated with the acquisition adjustment.

8

9 Q. Please explain how the Company forecasted the allowance for working
10 capital.

11 A. The Company's allowance for working capital was developed based on
12 the 2018 balance sheet forecast. Forecast of balance sheet items was
13 based on the nature of the accounts and activities that drive the underlying
14 balances and results.

15

16 Q. Did the Company appropriately treat over/under recoveries associated with
17 non-base rate recovery mechanisms in the determination of the working
18 capital allowance?

19 A. Yes. Non-base rate recovery mechanisms, such as fuel costs and energy
20 conservation cost recovery, are projected to be over-recovered in 2018.
21 Consistent with FPSC guidelines, FCG left these over-recoveries in working
22 capital as a reduction to rate base. The area expansion program ("AEP")
23 and competitive rate adjustment ("CRA"), on the other hand, were both
24 projected to be under-recovered. The under-recovery was deducted from
25 working capital as an adjustment.

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Q. Have there been any changes in the determination of the working capital allowance from the Company's most recent Commission surveillance reports?

A. Yes. In the Company's 2018 working capital allowance, FCG is proposing similar accounting treatment to that approved for other utilities in Florida, whereby the component of the pension and other post-employment benefits ("OPEB") liabilities classified as other comprehensive income ("OCI") in the equity section of the balance sheet for generally accepted accounting principles ("GAAP") reporting purposes are reclassified as a regulatory asset and included in the pension and OPEB liability accounts.

Q. Did the Company have this same accounting treatment for pension and OPEB in its most recent rate case?

A. No. The Company's most recent rate case was filed in 2003 and an order was issued in 2004. Since that time Statement of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158"), now Accounting Standards Codification ("ASC") 715, was issued in 2006 and became effective in 2007. SFAS 158 requires that a company recognize in its financial statements the difference between the accumulated post-retirement benefits obligation ("ABO") and the plan assets through a charge to other OCI on the balance sheet. As it relates to regulated entities, this difference represents the future costs that will be recovered from customers through base rates.

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ASC 980 (formerly FAS 71) of GAAP provides a concept of regulatory assets through which regulated companies can defer costs when it is probable that future revenues will recover the costs through the rate-making process. The concept of deferral accounting has been used by the FPSC to allow regulated companies to defer costs due to events beyond their control and to seek recovery through rates at a later time. Establishing a regulatory asset for the OCI amounts and presenting it as a net offset to the pension and OPEB liabilities is appropriate for FCG, because the amounts in OCI represent future expenses that FCG will incur and recover from customers.

IV. DETERMINATION OF OPERATING INCOME

- Q. How did the Company determine the test year operating income?
- A. The Company based its test year operating income on the 2018 budget, which is considered the most reliable information to include for the test year. As discussed previously, the Company has a zero-based budgeting process, whereby annual budgets are built from the ground up as opposed to being based entirely on prior year costs and revenues. Revenues and expenses within the budget are reviewed by senior management and peers within the Company for reasonableness and consistency across the organization.
- Q. Did FCG include any adjustments to the test year budget in this proceeding?

1 A. Yes. The Company included the following adjustments to the test year
2 budget for operating income:

3 • Depreciation expense – FCG included a reduction to depreciation
4 expense effective August 1, 2018, which is the expected effective date
5 of new base rates and, therefore, the proposed effective date for new
6 depreciation rates. The depreciation rates used in the determination of
7 the depreciation expense from August 1, 2018 – December 31, 2018
8 are supported in the direct testimony of Company witness Dane
9 Watson.

10 • Storm reserve expense – As described in the direct testimony of
11 company witness Matthew Kim, the Company is proposing an annual
12 recovery of \$100,000 to implement a storm reserve.

13 • Rate case expenses – The Company has included \$300,000 in annual
14 expense for the amortization of \$1.2 million in rate case costs over a
15 four-year amortization period.

16 • Non-base rate recovery expenses – The Company eliminated costs
17 and revenues associated with non-base rate recovery mechanisms
18 and for expenses not allowed for recovery from customers.

19

20 Q. What federal income tax rate is the Company proposing in this case?

21 A. FCG is proposing a 35 percent tax rate for federal income taxes consistent
22 with the federal income tax rate used to record income taxes for FCG for
23 financial reporting purposes.

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V. COMMON PLANT ALLOCATIONS

Q. Did the Company include an allocation of common plant in its development of operating income and rate base?

A. Yes. The Company included an allocation of common plant on the books and records of FCG to account for plant that is utilized for purposes other than directly servicing the customers of FCG. The allocation includes an allocation to reduce rate base and operating expenses, and it relates primarily to employees of AGSC who provide services to FCG but also to AGSC affiliates other than FCG.

Q. Did FCG include an allocation of AGSC plant in the Company's rate base?

A. Yes. FCG included an allocation of plant assets, net of accumulated depreciation, on the books and records of AGSC to FCG's rate base. These plant assets are used and useful and are necessary to support FCG's operations and its ability to provide utility service to its customers. These assets are primarily information systems and related assets that would also be required by FCG if it were a stand-alone entity.

VI. CAPITAL STRUCTURE AND COST OF CAPITAL

Q. What capital structure has FCG maintained in the past?

A. Since the acquisition of FCG by Southern Company Gas, the Company has used a capital structure for debt and equity based on the consolidated capital structure of Southern Company Gas. The Company considers the consolidated capital structure of Southern Company Gas appropriate, since FCG does not issue its own debt or equity and obtains its short-term and

1 long-term financing needs through Southern Company Gas.

2

3 Q. What are the other components of the Company's capital structure?

4 A. In addition to short-term and long-term debt, the Company also includes
5 customer deposits, accumulated deferred income taxes ("ADIT") and
6 investment tax credits in FCG's total capital structure.

7

8 Q. How did the Company forecast the test year balance of customer deposits?

9 A. The Company used a three-year average for the test year estimate for
10 customer deposits. Additionally, the Company used a cost rate of 2.73
11 percent, which is the weighted average historical interest incurred based on
12 2 percent for residential customers and 3 percent for commercial customers.

13

14 Q. How did the Company forecast the test year balance of ADIT?

15 A. The Company used the same assumptions for plant additions, retirements
16 and cost of removal expenditures that were used in the development of
17 plant-in-service and accumulated depreciation. FCG calculated tax
18 depreciation based on federal and state tax regulations, and the Company
19 assumed the continuation of Florida Income Tax Code Section 220.13(1)(e),
20 Florida Statutes, which provides for a modified version of the Federal
21 Internal Revenue Code's provision for bonus depreciation. FCG also
22 incorporated changes in certain balance sheet accounts that have an impact
23 on current taxable income and deferred income taxes. Finally, FCG
24 included an allocated portion of property related ADIT from AGSC consistent
25 with the allocation of common plant and accumulated depreciation in rate

1 base.

2

3 Q. What is the Company's cost of capital for the projected test year?

4 A. As detailed in MFR Schedule G-3, the Company's proposed cost of capital is
5 6.32 percent. The 6.32 percent proposed cost of capital is based on a return
6 on equity of 11.25 percent, which is supported in the testimony of Company
7 witness Dr. Vander Weide, and a capital structure ratio of 46.90 percent
8 equity and 53.10 percent total debt, which is based on the forecasted 2018
9 Southern Company Gas balance sheet. This includes scheduled debt
10 retirements, expected debt issuances, estimated dividends paid to and
11 expected equity contributions from Southern. The proposed cost of capital
12 also includes short-term debt costs of 2.64 percent and long-term debt costs
13 of 4.66 percent.

14

15 Q. How did the Company determine the cost of short-term debt?

16 A. The estimated cost of short-term debt is based on Southern Company
17 Gas' projected short-term debt cost of its commercial paper program and
18 credit facility. The projected short-term debt cost includes the monthly
19 average of the forward curve for the 30-day London Inter-Bank Offering
20 Rate ("LIBOR") from September 2017-December 2018, plus the estimated
21 spread between LIBOR and the commercial paper rate and the estimated
22 costs associated with Southern Company Gas's credit facility and other
23 short-term debt related costs.

24 Q. How did the Company determine the cost of long-term debt?

25 A. The cost of long-term debt includes the cost of senior notes, medium-term

1 notes, and revenue bonds within the consolidated debt structure of
2 Southern Company Gas, excluding Northern Illinois Gas Company d/b/a
3 Nicor Gas Company (“Nicor”). The Company calculated the cost
4 projection using actual interest rates and monthly amortization of debt
5 costs, as well as forecasted debt issuances expected to be made during
6 the period July 1, 2017 – December 31, 2018.

7
8 Q. How did the Company determine the 6.41 percent short-term debt and 46.69
9 percent long-term debt components of the capital structure?

10 A. The Company used forecasted short-term and long term debt balances
11 through December 31, 2018, for Southern Company Gas, including Nicor.

12

13

VII. SAFE PROGRAM

14 Q. Please provide an explanation of the safety-related changes associated
15 with the SAFE Program.

16 A. By Order No. PSC-2015-0390-TRF-GU, the FPSC approved FCG’s
17 request to establish a ten-year Safety, Access, And Facility Enhancement
18 (SAFE) Program designed to facilitate the expeditious relocation of certain
19 existing gas facilities located in, or associated with, rear lot easements to
20 allow for more direct access to these facilities by FCG. As the FPSC
21 recognized in its SAFE Order, the existing location of these mains,
22 services and, in some cases, above-ground facilities, presents significant
23 operational risks and challenges for FCG and its customers. The SAFE
24 Program facilitates the relocation process by enabling FCG to recover
25 appropriate costs, along with a reasonable return, for the necessary main

1 relocations and associated new service lines, as well as costs associated
2 with any above-ground facilities, such as meters and regulator sets, that
3 may need to be replaced or relocated due to the main and service line
4 relocations.

5

6 Q. How has the Company included SAFE in this case?

7 A. Consistent with the FPSC's direction in its Order, we have included the
8 components of the SAFE program in this rate case. Because the
9 surcharge is cumulative, the FPSC's SAFE Order directs FCG to fold the
10 SAFE surcharge program into newly approved rate base in its next rate
11 case and reset the surcharge. Therefore, the Company has included
12 SAFE revenues in the revenue forecast supported by Company witness
13 Nikolich, and included SAFE plant and accumulated depreciation in rate
14 base. The Company also included depreciation on SAFE plant in service
15 and any deferred taxes in the computation of the Company's cost of
16 capital.

17

18 Q. What is the impact on the Company's requested revenue requirement
19 associated with the inclusion of facilities installed under the SAFE
20 program?

21 A. Incorporating the revenue requirement on the facilities installed under the
22 SAFE program has a \$3.5 million impact on the Company's request,
23 resulting in a total requested base rate revenue increase of \$19.3 million.
24 I note, however, that the \$3.5 million associated with SAFE should not be
25 considered additional revenue to the Company, as this is actually revenue

1 that the Company already receives through the SAFE surcharge. The
2 incorporation of the SAFE revenue requirement for the Company's rate
3 request simply reflects a revenue neutral transfer of the SAFE investments
4 to rate base and the associated reduction to \$0 of the SAFE surcharge.
5 Thus, while the transfer of the SAFE assets to rate base has a \$3.5 million
6 impact on our requested revenue requirement, the impact on actual
7 Company revenue, and our customers' bills, is a wash.

8

9

VIII. PARENT DEBT ADJUSTMENT

10 Q. What is the parent debt adjustment?

11 A. It is a regulatory adjustment to reduce the amount of income tax expense
12 to be included in rates, pursuant to Rule 25-14.004, Florida Administrative
13 Code.

14

15 Q. Please provide a brief overview of that rule.

16 A. The parent debt adjustment rule was adopted by the FPSC in 1983.
17 This rule applies in rate proceedings where: (1) a parent-subsidary
18 relationship exists; (2) the parent and subsidiary participate in filing a
19 consolidated tax return; and (3) funds provided by parent debt have been
20 invested in the equity of the regulated subsidiary. If all three factors are
21 present, the rule provides a formula for reducing the subsidiary utility's
22 income tax expense to reflect the tax effect of the parent debt that is
23 invested in the equity of the subsidiary.

24

25 Q. What is the basis for the rule's adjustment to income tax expense?

1 A. The premise is that parent debt has been invested in the equity of the
2 regulated subsidiary; thus, the income tax benefit of the interest deduction
3 for the debt should accrue to the regulated subsidiary.

4
5 Q. In calculating FCG's income tax expense for the historic test year, the
6 Company does not make a parent debt adjustment under Commission
7 Rule 25-14.004. Why was such an adjustment not made?

8 A. The rule does not require an adjustment in this case, because only two of
9 the three factors in the rule are met. FCG is a subsidiary of Southern
10 Company Gas, and it participates in filing a consolidated income tax
11 return; thus the first two factors are met. The third factor is, however, not
12 met because FCG is using the consolidated capital structure of its parent
13 company, Southern Company Gas, as the basis for FCG's capital
14 structure. Further, total dividends paid by the Company to Southern
15 Company Gas from 2006 – 2016 exceed the amount of equity
16 contributions Southern Company Gas has made to FCG. Therefore,
17 Southern Company Gas is not incurring debt to invest in the equity of
18 FCG.

19

20 **IX. Interim Revenue Requirement**

21 Q. Is FCG also requesting Interim Rate Relief at this time?

22 A. Yes. FCG is seeking Interim Rate Relief because, as of December 31,
23 2016, the Company is not earning a sufficient return on its investment to
24 allow shareholders the opportunity to earn a fair rate of return. Capital
25 investments have increased without significant offsetting customer or

1 revenue growth, and while FCG has taken prudent steps to control its
2 costs, expenses have also increased over the past five years, and,
3 consequently, have negatively impacted our earnings. Without rate relief,
4 the Company is expected to earn a return well below its allowable rate of
5 return. If that continues, this will hinder our ability to provide sufficient,
6 consistent reliable service to our customers. With the length of the rate
7 case process, interim rates will mitigate our negative earnings posture
8 through the pendency of the rate case and until final rates can be put in
9 place.

10

11 Q. How did you derive the interim revenue requirement?

12 A. The derivation of the revenue requirement for interim relief is summarized
13 in MFR Schedule F-7. In summary, the interim revenue requirement is
14 determined by multiplying the historic year ended December 31, 2016 rate
15 base by the required rate of return using the last authorized rate of return
16 (low-point authorized common equity rate) to arrive at the operating
17 income required. This required operating income is then compared to the
18 actual year ended December 31, 2016 operating income. Any deficiency
19 in operating income is then expanded using the revenue expansion factor
20 to arrive at the additional revenue required on an interim basis until final
21 rates can be reviewed and authorized. The required rate of return for
22 interim purposes is shown on MFR Schedule F-8. The interim rate base
23 for the historic year ended December 31, 2016 is shown on MFR
24 Schedule F-1.

25

1 We have made the appropriate net operating income adjustments in this
2 filing to reflect the findings in the Company's last rate case, including
3 elimination of PGA and conservation costs and revenues; common plant
4 allocations, and interest synchronization. We have reviewed the detail
5 transactions to determine if there were any items that belonged in a prior
6 period, or were out of period, and found no material items that would
7 require adjustments to the historic year net operating income schedules.
8 FCG is asking therefore that the FPSC allow it to collect appropriate
9 interim rates pending the effective date of the final order in this
10 proceeding. FCG understands that any approved interim increase will be
11 subject to refund with interest upon the outcome of these proceedings. As
12 such, FCG requests that the FPSC allow it to secure the requested
13 amount through corporate undertaking, in lieu of a bond. FCG, through its
14 parent Southern Company Gas, has sufficient liquidity, ownership equity,
15 profitability, and interest coverage to guarantee any potential refund as
16 reflected by our financial statements, which are incorporated in MFR
17 Schedule D-12.

18

19 Q. Please summarize your testimony.

20 A. We have proactively taken appropriate measures over the previous 14
21 years to avoid a rate case. We no longer have adequate revenues to
22 provide reliable service to our customers. As stated previously, the
23 Company has made significant investment in the facilities and
24 infrastructure of FCG, and as provided in the testimony of Company
25 witness Bermudez, the Company is undertaking initiatives over the next

1 one to two years that will allow FCG to continue to provide safe and
2 reliable service to its customers at reasonable rates.

3

4 While the acquisition of NUI by Southern Company Gas has provided
5 FCG with significant, ongoing cost savings and increased efficiencies,
6 FCG expects its O&M expense to increase over time. These increases
7 will be driven by federal and state compliance requirements and normal
8 inflationary pressures on the business. The combination of increased
9 investment in our system and operating in a rising cost environment
10 requires the need for rate relief for FCG at this time.

11

12 Q. Does this conclude your pre-filed direct testimony?

13 A. Yes, it does.

14

15

16

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SCHEDULE NO.	WITNESS	TITLE
A-1 p.1	M. J. MORLEY	MAGNITUDE OF CHANGE-PRESENT vs PRIOR RATE CASE
A-2 p.1	M. J. MORLEY	ANALYSIS OF PERMANENT RATE INCREASE REQUESTED
A-3 p.1	M. J. MORLEY	ANALYSIS OF JURISDICTIONAL RATE BASE
A-4 p.1	M. J. MORLEY	ANALYSIS OF JURISDICTIONAL N. O. I.
A-5 p.1	M. J. MORLEY	OVERALL RATE OF RETURN COMPARISON
A-6 p.1	M. J. MORLEY	FINANCIAL INDICATORS
B-1 p.1	M. J. MORLEY	BALANCE SHEET - ASSETS
B-1 p.2	M. J. MORLEY	BALANCE SHEET - LIABILITIES & CAPITALIZATION
B-2 p.1	M. J. MORLEY	ADJUSTED RATE BASE
B-3 p.1	M. J. MORLEY	RATE BASE ADJUSTMENTS
B-4 p.1	M. J. MORLEY	MONTHLY UTILITY PLANT BALANCES
B-5 p.1	M. J. MORLEY	COMMON PLANT ALLOCATED
B-5 p.2	M. J. MORLEY	COMMON PLANT ALLOCATED - DETAIL
B-5 p.3	M. J. MORLEY	COMMON PLANT ALLOCATED - DETAIL (CONT.)
B-6 p.1	M. J. MORLEY	ACQUISITION ADJUSTMENTS
B-6 p.2	M. J. MORLEY	ACQUISITION ADJUSTMENTS (CONT.)
B-7 p.1	M. J. MORLEY	PROPERTY HELD FOR FUTURE USE
B-7 p.2	M. J. MORLEY	PROPERTY HELD FOR FUTURE USE - DETAIL
B-8 p.1	M. J. MORLEY	CONSTRUCTION WORK IN PROGRESS
B-9 p.1	M. J. MORLEY	ACCUMULATED DEPRECIATION - MONTHLY BALANCES
B-10 p.1	M. J. MORLEY	ACCUMULATED AMORTIZATION - MONTHLY BALANCES
B-11 p.1	M. J. MORLEY	ALLOCATION OF DEPRECIATION RESERVE - COMMON PLANT
B-12 p.1	M. J. MORLEY	CUSTOMER ADVANCES FOR CONSTRUCTION
B-13 p.1	M. J. MORLEY	WORKING CAPITAL ALLOWANCE - ASSETS
B-13 p.2	M. J. MORLEY	WORKING CAPITAL ALLOWANCE - LIABILITIES
B-14 p.1	M. J. MORLEY	MISCELLANEOUS DEFERRED DEBITS
B-15 p.1	M. J. MORLEY	OTHER DEFERRED CREDITS
B-16 p.1	M. J. MORLEY	ADDITIONAL RATE BASE COMPONENTS
B-17 p.1	M. J. MORLEY	INVESTMENT TAX CREDITS - 3% AND 4% ITC DETAIL
B-17 p.2	M. J. MORLEY	INVESTMENT TAX CREDITS - 8% AND 10% ITC DETAIL
B-17 p.3	M. J. MORLEY	INVESTMENT TAX CREDITS - COMPANY POLICIES
B-17 p.4	M. J. MORLEY	INVESTMENT TAX CREDITS - SECTION 46(f) ELECTION
B-18 p.1	M. J. MORLEY	ACCUMULATED DEFERRED INCOME TAX - SUMMARY
B-18 p.2	M. J. MORLEY	ACCUMULATED DEFERRED INCOME TAX - STATE
B-18 p.3	M. J. MORLEY	ACCUMULATED DEFERRED INCOME TAX - STATE
C-1 p.1	M. J. MORLEY	ADJUSTED NET OPERATING INCOME
C-2 p.1	M. J. MORLEY	ADJUSTMENTS TO NET OPERATING INCOME
C-2 p.2	M. J. MORLEY	ADJUSTMENTS TO NET OPERATING INCOME - (CONT.)
C-3 p.1	M. J. MORLEY	OPERATING REVENUES BY MONTH
C-4 p.1	M. J. MORLEY	UNBILLED REVENUES
C-5 p.1	M. J. MORLEY	O & M EXPENSES BY MONTH
C-5 p.2	M. J. MORLEY	O & M EXPENSES BY MONTH - (CONT.)
C-6 p.1	M. J. MORLEY	ALLOCATION OF EXPENSES
C-7 p.1	M. J. MORLEY	CONSERVATION REVENUES AND EXPENSES
C-8 p.1	M. J. MORLEY	UNCOLLECTIBLE ACCOUNTS - GAS
C-8 p.2	M. J. MORLEY	UNCOLLECTIBLE ACCOUNTS - (CONT.)
C-8 p.3	M. J. MORLEY	UNCOLLECTIBLE ACCOUNTS - MERCHANDISE

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SCHEDULE NO.	WITNESS	TITLE
C-8 p.4	M. J. MORLEY	UNCOLLECTIBLE ACCOUNTS - (CONT.)
C-8 p.5	M. J. MORLEY	UNCOLLECTIBLE ACCOUNTS - MISCELLANEOUS
C-8 p.6	M. J. MORLEY	UNCOLLECTIBLE ACCOUNTS - (CONT.)
C-9 p.1	M. J. MORLEY	ADVERTISING EXPENSES
C-9 p.2	M. J. MORLEY	ADVERTISING EXPENSES - (CONT.)
C-10 p.1	M. J. MORLEY	CIVIC AND CHARITABLE CONTRIBUTIONS
C-11 p.1	M. J. MORLEY	INDUSTRY ASSOCIATION DUES
C-12 p.1	M. J. MORLEY	LOBBYING AND POLITICAL EXPENSES
C-13 p.1	M. J. MORLEY	RATE CASE EXPENSES
C-14 p.1	M. J. MORLEY	MISCELLANEOUS GENERAL EXPENSES
C-15 p.1	M. J. MORLEY	OUT OF PERIOD ADJUSTMENTS
C-16 p.1	M. J. MORLEY	GAIN/LOSS ON DISPOSITION OF PROPERTY
C-17 p.1	M. J. MORLEY	DEPRECIATION EXPENSE
C-18 p.1	M. J. MORLEY	AMORTIZATION/RECOVERY SCHEDULE
C-19 p.1	M. J. MORLEY	ALLOCATION OF DEPRECIATION/AMORTIZATION EXPENSE - COMMON PLANT
C-20 p.1	M. J. MORLEY	SUMMARY OF TOTAL INCOME TAX PROVISION
C-21 p.1	M. J. MORLEY	STATE AND FEDERAL INCOME TAX - CURRENT
C-22 p.1	M. J. MORLEY	INTEREST EXPENSE - INCOME TAX
C-23 p.1	M. J. MORLEY	BOOK / TAX DIFFERENCES - PERMANENT
C-24 p.1	M. J. MORLEY	DEFERRED INCOME TAX EXPENSE
C-25 p.1	M. J. MORLEY	DEFERRED INCOME TAX ADJUSTMENT
C-26 p.1	M. J. MORLEY	PARENT DEBT INFORMATION
C-27 p.1	M. J. MORLEY	INCOME TAX RETURNS
C-28 p.1	M. J. MORLEY	MISCELLANEOUS TAX INFORMATION
C-29 p.1	M. J. MORLEY	CONSOLIDATED RETURN
C-30 p.1 and 2	M. J. MORLEY	OTHER TAXES - DETAIL
C-31 p.1	M. J. MORLEY	OUTSIDE PROFESSIONAL SERVICES
C-32 p.1	M. J. MORLEY	AFFILIATED COMPANY TRANSACTIONS
C-33 p.1	M. J. MORLEY	WAGE & SALARY INCREASES COMPARED TO C.P.I.
C-34 p.1	M. J. MORLEY	O & M BENCHMARK COMPARISONS
C-35 p.1	M. J. MORLEY	O & M ADJUSTMENTS BY FUNCTION
C-36 p.1	M. J. MORLEY	BASE YEAR RECOVERABLE O & M EXPENSES BY FUNCTION
C-37 p.1	M. J. MORLEY	O & M COMPOUND MULTIPLIER
C-38 p.1	M. J. MORLEY	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.2	M. J. MORLEY	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.3	M. J. MORLEY	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.4	M. J. MORLEY	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.5	M. J. MORLEY	O & M BENCHMARK VARIANCE BY FUNCTION
D-1 p.1	M. J. MORLEY	COST OF CAPITAL - 13 MONTH AVERAGE
D-1 p.2	M. J. MORLEY	COST OF CAPITAL - HISTORICAL DATA
D-2 p.1	M. J. MORLEY	LONG TERM DEBT OUTSTANDING - DETAIL
D-2 p.2	M. J. MORLEY	LONG TERM DEBT - CALL PROVISIONS
D-3 p.1	M. J. MORLEY	SHORT TERM DEBT
D-4 p.1	M. J. MORLEY	PREFERRED STOCK
D-5 p.1	M. J. MORLEY	COMMON STOCK ISSUES
D-6 p.1	M. J. MORLEY	CUSTOMER DEPOSITS
D-7 p.1	M. J. MORLEY	SOURCES AND USES OF FUNDS
D-8 p.1	M. J. MORLEY	ISSUANCE OF SECURITIES

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SCHEDULE NO.	WITNESS	TITLE
D-9 p.1	M. J. MORLEY	SUBSIDIARY INVESTMENTS
D-10 p.1	M. J. MORLEY	RECONCILIATION OF AVERAGE CAPITAL STRUCTURE TO JURISDICTIONAL RATE BASE
D-11 p.1	M. J. MORLEY	FINANCIAL INDICATORS - COVERAGE RATIOS
D-11 p.2	M. J. MORLEY	FINANCIAL INDICATORS - PERCENTAGE OF CONSTRUCTION FUNDS INTERNALLY GENERATED
D-11 p.3	M. J. MORLEY	FINANCIAL INDICATORS - AFUDC AS A PERCENTAGE OF INCOME
D-12 p.1	M. J. MORLEY	APPLICANT'S MARKET DATA
E-6 p.1	M. J. MORLEY	DERIVATION OF RATE BASE
E-6 p.2	M. J. MORLEY	DERIVATION OF RATE BASE - (CONT.)
E-6 p.3	M. J. MORLEY	DERIVATION OF COST OF SERVICE
E-6 p.4	M. J. MORLEY	DERIVATION OF COST OF SERVICE (CONT.)
E-6 p.5	M. J. MORLEY	DERIVATION OF COST OF SERVICE (CONT.)
F-1 p.1	M. J. MORLEY	CALCULATION OF INTERIM RATE RELIEF - RATE OF RETURN
F-2 p.1	M. J. MORLEY	WORKING CAPITAL - ASSETS
F-2 p.2	M. J. MORLEY	WORKING CAPITAL - LIABILITIES
F-3 p.1	M. J. MORLEY	ADJUSTMENTS TO RATE BASE
F-4 p.1	M. J. MORLEY	NET OPERATING INCOME
F-5 p.1	M. J. MORLEY	ADJUSTMENTS TO NET OPERATING INCOME
F-5 p.2	M. J. MORLEY	ADJUSTMENTS TO NET OPERATING INCOME - (CONT.)
F-6 p.1	M. J. MORLEY	REVENUE EXPANSION FACTOR
F-7 p.1	M. J. MORLEY	REVENUE DEFICIENCY
F-8 p.1	M. J. MORLEY	AVERAGE COST OF CAPITAL
F-9 p.1	M. J. MORLEY	RECONCILIATION OF RATE BASE TO CAPITAL STRUCTURE (INTERIM)
G-1 p.1	M. J. MORLEY	RATE BASE, PROJECTED
G-1 p.2	M. J. MORLEY	WORKING CAPITAL, PROJECTED
G-1 p.3	M. J. MORLEY	WORKING CAPITAL, PROJECTED
G-1 p.4	M. J. MORLEY	RATE BASE ADJUSTMENTS, PROJEC
G-1 p.5	M. J. MORLEY	BALANCE SHEET, BASE YR + 1
G-1 p.6	M. J. MORLEY	BALANCE SHEET, BASE YR + 1
G-1 p.7	M. J. MORLEY	BALANCE SHEET, PROJECTED
G-1 p.8	M. J. MORLEY	BALANCE SHEET, PROJECTED
G-1 p.9	M. J. MORLEY	PLANT, BASE YEAR + 1
G-1 p.10	M. J. MORLEY	PLANT, PROJECTED
G-1 p.11	M. J. MORLEY	DEPRECIATION RESERVE, BASE + 1
G-1 p.12	M. J. MORLEY	DEPRECIATION RESERVE, PROJECTE
G-1 p.13	M. J. MORLEY	AMORTIZATION, RESERVE BASE + 1
G-1 p.14	M. J. MORLEY	AMORTIZATION, PROJECTED
G-1 p.15	M. J. MORLEY	COMMON PLANT, BASE + 1
G-1 p.16	M. J. MORLEY	COMMON PLANT-DETAIL, BASE + 1
G-1 p.17	M. J. MORLEY	COMMON PLANT-DETAIL, BASE + 1
G-1 p. 18	M. J. MORLEY	COMMON PLANT, PROJECTED
G-1 p.19	M. J. MORLEY	COMMON PLANT - DETAIL, PROJECTED
G-1 p.20	M. J. MORLEY	COMMON PLANT - DETAIL, PROJECTED
G-1 p.21	M. J. MORLEY	ACCUM DEPRECIATION COMMON PLANT, BASE + 1
G-1 p.22	M. J. MORLEY	ACCUM DEPRECIATION COMMON PLANT, PROJECTED
G-1 p.23	M. J. MORLEY	CWIP BUDGET, BASE + 1

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SCHEDULE NO.	WITNESS	TITLE
G-1 p.24	M. J. MORLEY	PLANT ADDITIONS, BASE + 1
G-1 p.25	M. J. MORLEY	PLANT RETIREMENTS, BASE + 1
G-1 p.26	M. J. MORLEY	CWIP BUDGET, PROJECTED
G-1 p.27	M. J. MORLEY	PLANT ADDITIONS, PROJECTED
G-1 p.28	M. J. MORLEY	PLANT RETIREMENTS, PROJECTED
G-2 p.1	M. J. MORLEY	NOI SUMMARY, BASE + 1 AND PROJECTED
G-2 p.2	M. J. MORLEY	NOI ADJUSTMENTS, PROJECTED
G-2 p.3	M. J. MORLEY	NOI ADJUSTMENTS, PROJECTED
G-2 p.4	M. J. MORLEY	INCOME STATEMENT, BASE + 1
G-2 p.5	M. J. MORLEY	INCOME STATEMENT, PROJECTED
G-2 p.12	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.13	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.14	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.15	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.16	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.17	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.18	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.19	M. J. MORLEY	PROJECTED O&M EXPENSES - TRENDS
G-2 p.20	M. J. MORLEY	INTENTIONALLY LEFT BLANK
G-2 p.21	M. J. MORLEY	INTENTIONALLY LEFT BLANK
G-2 p.22	M. J. MORLEY	INTENTIONALLY LEFT BLANK
G-2 p.23	M. J. MORLEY	DEPRECIATION EXPENSE, BASE + 1
G-2 p.24	M. J. MORLEY	AMORTIZATION, BASE + 1
G-2 p.25	M. J. MORLEY	DEPRECIATION EXPENSE-COMMON PLANT, BASE + 1
G-2 p.26	M. J. MORLEY	DEPRECIATION EXPENSE, PROJECTED
G-2 p.27	M. J. MORLEY	AMORTIZATION, PROJECTED
G-2 p.28	M. J. MORLEY	DEPRECIATION EXPENSE-COMMON PLANT, PROJECTED
G-2 p.29	M. J. MORLEY	INCOME TAX RECONCILIATION, BASE + 1
G-2 p.30	M. J. MORLEY	INCOME TAX CALC., BASE + 1
G-2 p.31	M. J. MORLEY	DEFERRED INCOME TAX EXPENSE, BASE + 1
G-2 p.32	M. J. MORLEY	INCOME TAX SUMMARY, PROJECTED
G-2 p.33	M. J. MORLEY	INCOME TAX CALCULATION, PROJECTED
G-2 p.34	M. J. MORLEY	DEFERRED INCOME TAX EXPENSE, PROJECTED
G-3 p. 1	M. J. MORLEY	COST OF CAPITAL, BASE + 1
G-3 p.2	M. J. MORLEY	COST OF CAPITAL, PROJECTED
G-3 p.3	M. J. MORLEY	LONG TERM DEBT OUTSTANDING, PROJECTED
G-3 p.4	M. J. MORLEY	SHORT TERM DEBT OUTSTANDING, PROJECTED
G-3 p.5	M. J. MORLEY	PREFERRED STOCK, PROJECTED
G-3 p.6	M. J. MORLEY	COMMON STOCK, PROJECTED
G-3 p.7	M. J. MORLEY	CUSTOMER DEPOSITS
G-3 p.8	M. J. MORLEY	STOCK/BOND ISSUES
G-3 p.9	M. J. MORLEY	FINANCIAL INDICATORS, PROJECTED
G-3 p.10	M. J. MORLEY	FINANCIAL INDICATORS, PROJECTED
G-3 p.11	M. J. MORLEY	FINANCIAL INDICATORS, PROJECTED
G-4 p.1	M. J. MORLEY	REVENUE EXPANSION FACTOR
G-5 p.1	M. J. MORLEY	REVENUE DEFICIENCY, PROJECTED
G-6 p.1	M. J. MORLEY	MAJOR ASSUMPTIONS, PROJECTED
G-6 p.2	M. J. MORLEY	MAJOR ASSUMPTIONS, PROJECTED

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<u>SCHEDULE NO.</u>	<u>WITNESS</u>	<u>TITLE</u>
G-6 p.3	M. J. MORLEY	MAJOR ASSUMPTIONS, PROJECTED
G-6 p.4	M. J. MORLEY	MAJOR ASSUMPTIONS, PROJECTED
G-6 p.5	M. J. MORLEY	MAJOR ASSUMPTIONS, PROJECTED
G-7 p.1	M. J. MORLEY	OTHER TAXES BASE YEAR + 1
G-7 p.2	M. J. MORLEY	OTHER TAXES PROJECTED YEAR