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April 12, 2023

VIA ELECTRONIC FILING

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

Re: Petition for Approval of 2022 Depreciation Study, by Peoples Gas System, Inc.
Dkt. No. 20220219

Dear Mr. Teitzman:

Attached for filing in the above-styled matter is Peoples Gas System, Inc.'s answers to Staff's First Data Request (Nos. 1-17), served by electronic mail on March 13, 2023.

Thank you for your assistance in connection with this matter.

Sincerely,

Malcolm N. Means

Malcolm N. Means

MNM/ne
Attachment
cc: All parties of record.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing answers to Staff's first Data Request (Nos. 1-17), filed on behalf of Peoples Gas System, Inc., has been furnished by electronic mail on this 12th day of April 2023 to the following:

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ATTORNEY

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20220219-GU
STAFF'S FIRST DATA REQUEST
REQUEST NO. 1
BATES PAGE(S): 1-2
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1. Please explain why, in its 2022 Study, PGS is projecting depreciation activities through 12/31/2024, instead of 12/31/2023, given that the latter would match (i) the proposed implementation date of the 2022 Study, and (ii) the proposed change in the customer's rates in the anticipated PGS rate case which has 2024 as the test year per the Company's Test Year Notification dated 02/03/2023.

A. Peoples' Gas System, Inc. ("Peoples" or "the company") resolved its last rate case through a Commission-approved stipulation and settlement agreement (the "2020 Settlement"). *See* Order No. PSC-2020-0485-FOF-GU, issued in Docket No. 202000166-GU. Paragraph 4 of the 2020 Settlement required Peoples' to submit a depreciation study "no more than one year nor less than 90 days before the filing of its next general rate proceeding…" *See* Bates Stamped Page 16 of Order No. PSC-2020-0485-FOF-GU. Peoples' complied with this requirement by filing a depreciation study on December 28, 2022. *See* DN 12294-2022.

Paragraph 4 of the 2020 Agreement also requires, however, the depreciation study period to "match the test year in the company's MFRs." The company accordingly updated the depreciation study (the "Updated Study") to reflect actual plant in service, retirements, and accumulated depreciation balances as of December 31, 2022 and a revised forecast for 2023 and 2024 as reflected in the MFRs filed in the company's current base rate case docket (Docket No. 20230023). This update was necessary to align the plant and accumulated depreciation balances in the depreciation study with the 2024 test year rate base. The difference between the 2024 projected test year depreciation expense included in the company's MFRs and the 2024 depreciation expense calculated using the rates in the December 28 filing is approximately $60,000, which is small compared to the company's total proposed 2024 depreciation and amortization expense of $91.2 million.

The company's Updated Study was included in the Exhibit to the Direct Testimony of Dane Watson in the company's current base rate case docket. *See DN 02530-2023, filed April 4, 2023, in Docket No. 20230023. The company also filed the Updated Study in this docket on April 4th. See 02538-2023.*

Given that these data requests were served on the company before the Updated Study was filed, and given that they reference the original December 28th study, the company will provide a response to each data request based on the original study and then explain whether that answer would change based on the Updated Study.

With respect to the projection through 12/31/2024, the company believes that this projection is necessary to comply with the 2020 Agreement. As stated above, the 2020 Agreement states that “the depreciation study period shall match the test year in the company’s MFRs”. The company’s MFRs reflect a projected test year ending 12/31/2024. Therefore, the company’s interpretation of the 2020 Agreement terms was to include the test year through the date indicated on the MFRs of 12/31/2024 in the depreciation study period.

2. Referring to Bates Stamped Page (BSP) 13 of 180, please explain why the historical data ends at December 2021, rather than a later month such as June 2022, which was used in preparing the 2022 Study.

A. In performing depreciation studies, Mr. Watson uses a calendar year convention for life and net salvage analysis. Having consistency between the two databases follows principles in authoritative treatises such as Depreciation Systems by Drs. F.K. Wolf and W.C. Fitch, (pages 287-288). If Mr. Watson had used data through June 2022, then retirements for half a year would be compared against full-year data in prior periods 1982-2021.

In performing the Updated Study filed on April 4, 2023, there was insufficient time to complete all the life and net salvage evaluations to allow the company to prepare its base rate case filing. Thus, activity through year-end 2021 was utilized.

3. Please provide January 2022 through December 2024 actual/projected monthly plant additions for each depreciable account.

A. Please see Peoples' electronic attachment in MS Excel format containing data for December 28th study and the Updated Study.

"BS#5_DR3_PGS Dec_28_2022_Dep Study_Plant_Additions.xlsx" and "BS#6_DR3_PGS_Updated_Dep Study_Plant Additions.xlsx".

4. Please refer to BSPs 115 through 149. Why does each BSP's title reference Retirements, etc. for the period 1982-2018, when the table presented on the BSP includes data from 1982 through 2021?

A. The title on the referenced pages is incorrect. The period 1982-2018 was from the company's prior filing. The referenced pages should have used the period 1982-2021 in the header. The Updated Study filed on April 4, 2023, has corrected this.

5. Referring to BSPs 162-164 and 174-176 of the 2022 Study, please provide the preliminary 2022, 2023 and 2024 Annual Depreciation Status Reports (ADSRs) in electronic format (MS Excel version) with formulas intact and unlocked to comport with Rule 25-7.045(4)(a) and (6), F.A.C.

A. See Peoples' electronic attachment in MS Excel format containing ADSRs included in the December 28, 2022, Study and the Updated Study

"BS#9_DR5_PGS_Dec282022_ASR_2022-2024.xlsx" and
"BS#10_DR5_ PGS Updated_Study_ASR_2022-2024.xlsx"

6. The following questions pertain to Account 37600 – Mains Steel:

a. Referring to BSP 174 of the 2022 Study, please explain how the actual/projected 2022 depreciation accrual, in the amount of negative $4,593,577, was derived.

b. Referring to BSP 175 of the 2022 Study, please explain how the projected 2022 depreciation accrual, in the amount of $294,374, was derived.

c. Referring to BSP 176 of the 2022 Study, please explain how the projected 2022 depreciation accrual, in the amount of $19, 958,760, was derived.

A. a. See Peoples' electronic attachment in MS Excel format containing Depreciation Calculations included in the December 28th study and the Updated Study

BS#12_DR6_6.a-c._PGS_Dec282022_Dep_Study_Depreciation_Accrual_calculation.xlsx and BS#13_DR6_6.a-c._PGS_Updated_Dep_Study_Depreciation_Accrual_calculation.sxlsx

b. See Peoples' response to Staff's 1st Data Request No.6(a). Although the question in DR 6(b) references the amount of $294,374 on BSP 175 that is the depreciation amount for account 336.00 – Renewable Natural Gas, the company has assumed in its response that the question should have referenced $865,773, which is the amount of depreciation expense for account 376.00 – Mains Steel on BSP 175.

c. See Peoples' response to Staff's 1st Data Request No. 6(a).

7. Please refer to the 2024 ADSR, BSP 176 of the 2022 Study, column "Adj/Xfers," and respond to the questions below:

a. Please explain why PGS projected that, in 2024, Accounts 37402 through 38700 (except Account 37600) will incur certain negative adjustments and/or transfers of reserve, and Account 37600 will incur positive adjustments and/or transfers of reserve.

b. Please explain the nature and cause for each of the estimated Adj/Xfers of reserve.

c. Please identify the destination account(s) to which the reserve will be transferred, if applicable, for each of the afore-discussed Adj/Xfers.

d. For each of the aforementioned Adj/Xfers amounts, please explain why there is no corresponding Adj/Xfers amount recorded on the plant side (BSP 164).

A. a. See Peoples' response to Staff's 1st Data Request No. 8(a). The reserve adjustment shown reflects the $34 million amortization of excess depreciation reserve addressed on page 3 of PSC Order No. PSC-2020-0485-FOF-GU, issued 12/10/2020. Mr. Watson recommends allocating that amount proportionately across the distribution account group based on the excess theoretical depreciation reserve at the 12/31/2024 study date.

b. Since the reserve adjustment was originally booked into account 376.00 – Mains Steel in 2022 and 2023, the adjustments to the reserve in the Adj/Xfers column in the 2024 ADSR on BSP 176 relate to achieving Mr. Watson's recommended allocation as discussed in Peoples' response to Staff's 1st Data Request No. 8(a).

c. The destination account for each transfer amount is shown in the attached file in Peoples' response to Staff's 1st Data Request No.8(a).

d. No adjustment is made to the plant because the adjustments only relate to the $34 million excess depreciation reserve addressed on page 3 of PSC Order No. PSC-2020-0485-FOF-GU, issued 12/10/2020.

8. Note 1 in the 2024 ADSR (BPS 176) reads:

The $34 million Amortization of Excess Depreciation Reserve was allocated over Distribution Plant based on the excess Theoretical Reserve as of 12/31/2024. Prior to the transfer the full $34 million was all recorded in account 37600 - Mains Steel.

a. In the 2024 ADSR, it appears that Account 37600 is the only account that received (positive adjustment/transfer) the reserve adjustment/transfer, in the amount of $26,018,49. Please explain where the remainder of the $34 million excess reserve was allocated.

b. Please clarify whether the $34 million excess depreciation reserve discussed in Note 1 is the $34 million of the theoretical excess depreciation reserve addressed on page 3 of PSC Order No. PSC-2020-0485-FOF-GU, issued 12/10/2020.

A. a. Using the 2020 Settlement approved depreciation rates there was a total excess theoretical depreciation reserve of $269 million, with $260.6 million being in the distribution function. Given the magnitude of the difference in the distribution function, Mr. Watson recommended that the $34 million be allocated across the distribution function reserve difference at the 12/31/2024 study date. See Peoples' response to Staff's 1st Data Request No. 12(h) for further explanation of how the $34 million was allocated across the distribution function in the December 28th study and what was reflected on the 2024 ADSR (BSP 176).

In the Updated Study filed on April 4, 2023, the 2024 ADSR reflects the year-end 2024 reserve balance before Mr. Watson's proposed allocation of the $34 million across the distribution function and is consistent with the year-end 2024 reserve balances reflected on MFR Schedule G-1, page 12, that are also before the proposed allocation of the $34 million. Mr. Watson's proposed allocation of the $34 million across the distribution function in the Updated Study has been included as an electronic attachment in MS Excel file format (BS#17_DR8_Reserve_allocation), which is the same information shown in the updated "Reserve Allocation" Tab (referred to in response to Staff's 1st Data Request No. 12, below) that was filed with the Updated Study on April 4, 2023. The year-end 2024 book reserve balance in column F of the Peoples' electronic attachment in MS

Excel format containing (BS#17_DR8_Reserve_allocation) reflects the year-end reserve balances shown on the updated 2024 ADSR. If the Commission approves Mr. Watson's proposed allocation of the $34 million across the distribution function, the company will make the approved transfers on the effective date as approved by the Commission. The proposed allocation of the $34 million across the distribution function does not affect the amount of the company's projected rate base in the 2024 test year.

b. Yes, the $34 million excess reserve depreciation is the same amount addressed on page 3 of PSC Order No. PSC-2020-0485-FOF-GU, issued 12/10/2020.

9. Please refer to the PSC Order No. PSC-2020-0485-FOF-GU, page 15, for the questions below:

a. Please identify how the $34 million of the theoretical excess depreciation reserve was amortized each year from 2020 through 2023.

b. Please identify the in-service date of PGS's Dade City Connector Project.

c. Please identify the in-service date of PGS's Work and Asset Management Project.

A. a. See Peoples' electronic attachment in MS Excel format containing "BS#19_DR9_Depreciation_Credit"

b. The in-service date of Peoples' Dade City Connector Project is forecasted to be 11/30/2023.

c. The in-service date of Peoples' Work and Asset Management Project is forecasted to be 5/13/2023.

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10. The following questions pertain to Accounts 37600 – Main Steel, 37602 - Main Plastic, 38000 - Services Steel, and 38002 - Services Plastic:

a. Please extend the actual/estimated data and/or calculation for the retirements, gross salvage (NS), and cost of removal (COR) from 2021 to 2024 for BSP 121, 122, 125 and 126 of the 2022 Study.

b. Please provide each account's retirement rate for the respective period 2017-2020 and 2021-2024.

c. Please identify the dollar amounts of each account's cast iron and bare steel pipe (CI/BS)-related retirement.

d. Please provide each account's annual percentage of the CI/BS-related retirement over the account's total retirement for years 2017-2024.

e. BSP 14 of the 2022 Study notes that PGS estimates that the majority of the CI/BS pipe will be removed from its system by the end of 2022. Please explain how this will affect each account's retirement, COR, and NS for 2023 and going forward.

A. a. See Peoples' electronic attachment in MS Excel format containing response "BS#21_DR10a_RET_NS_COR.xls"

b. See Peoples' electronic attachment in MS Excel format containing response "BS#22_DR10b-d_Retirements.xlsx".

c. See Peoples' electronic attachment in MS Excel format containing response "BS#22_DR10b-d_Retirements.xlsx".

d. See Peoples' electronic attachment in MS Excel format containing response "BS#22_DR10b-d_Retirements.xlsx".

e. As stated on BSP 14 of the December 2022 Study, Peoples' estimates that the majority of the cast iron and bare steel pipe will be removed from its system by the end of 2022, with the replacement of obsolete plastic pipe continuing under the rider through 2028. As a result of less replacement of cast iron and bare steel going forward, the dollar amount of retirements, COR and negative Net Salvage for 376.00 - Mains Steel and 380.00 - Services Steel is expected to decline for 2023 and forward. As a result of focusing on the replacement of problematic plastic pipe starting in 2023, the dollar amount of retirements, COR and negative Net Salvage for 376.02 - Mains Plastic and 380.02 - Services Plastic is expected to increase going forward until completion of replacing the problematic plastic pipe.

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Please refer to "FINAL_2022 Depr Study Plant and Reserves Forecast 2024.xlsx" (2022 Study.xlsx) contained in the CD that PGS filed in this docket on February 7, 2023, for the following questions:

11. Account 39100 − Office Furniture

Referring to Tab "Theoretical Reserve" of 2022 Study.xlsx, rows 767:783, please explain why an Average Service Life (ASL) of 15 years, instead of the Company proposed 17 years per Tab "Proposed Rates," Cell N50, was used in calculating the Average Remaining Life (ARL) for this account. Please provide the necessary corrections, if any.

A. Staff is correct that a 17-year life should have been used for that account. A correction for the December 28th study is being provided in this response. See_electronic attachment_in MS Excel format containing "BS#24_DR11_correction_December_study xlsx".

In the Updated Study filed April 4, 2023, this issue has not been corrected. A correction for the Updated Study is being provided in this response see Peoples' electronic attachment in MS Excel format containing BS#25_DR11_correction_Updated_Study.xlsx".The Updated Study proposed rate for account 391.00 is 6.3%. The corrected rate for account 391.00 included in file 1st DR No. 11 correction Updated Study.xlsx is 5.0%. Using the monthly plant balances for account 391.00 on MFR Schedule G-1, page 10 filed on April 4, 2023, the corrected 2024 test year depreciation expense for account 391.00 is $108,500, which is a decrease of $28,210 from the $136,709 as shown on the Updated Study 2024 ADSR and on MFR Schedule G-2, page 23.

12. Please refer to Tab “Reserve Allocation” of 2022 Study.xlsx, column L, for the questions below:

a. Referring to column “Allocation of Dpen Credit”, please clarify whether the $34 million (Cell L35) allocated depreciation credit is the $34 million of the theoretical excess depreciation reserve addressed on page 3 of Order No. PSC-2020-0485-FOF-GU (the Order).

b. If your response to Question 12(a) is affirmative, please explain why PGS allocated the $34 million in 2024 (as of December 2024 per Cell A5), instead of within the period of 2020-2023 as prescribed in the Order, pages 3 and 15.

c. If your response to Question 12(a) is negative, please explain in detail how the negative $34 million Distribution Subtotal of “Dpen Credit” was derived.

d. It appears that PGS allocated negative $34 million “Dpen Credit” to each of the distribution accounts in proportion to the account’s theoretical depreciation reserve imbalance. Please provide the rationale for doing so.

e. Please explain why PGS utilized the “Dpen Credit”-adjusted reserve, instead of the original estimate of the Book Reserve as of 12/31/2024, in deriving the Company’s proposed remaining life depreciation rate for each distribution account for the instant Depreciation Study.

f. In column S, “Reserve Transfers,” of Tab “Plant & Reserve,” PGS reported zero dollar reserve transfers. Please explain why PGS did not perform the reserve transfer here instead of the “Allocation of Dpen Credit” in Tab “Reserve Allocation.”

g. Please refer to Tab “Reserve Allocation.” Cell J22 shows that Account 37600 – Main Steel has a Theoretical Reserve Deficit, in the amount of $40,286,627. However, Note 1 of PGS’s 2024 ADSR (BSP 176 of the 2022 Study) indicates that Account 37600 has excess Theoretical Reserve, in the amount of $34 million. Please provide explanation and reconciliation, if necessary.

h. Please refer to Tab “Reserve Allocation.” Cell L22 shows an “Allocation of Depreciation Credit” to Account 37600, in the amount of negative $7,981,508.90. PGS’s 2024 ADSR (BSP 176 of the 2022

Study) shows a reserve Adj/Xfers for Account 37600, in the amount of $26,018,491. Please explain the relationship, if any, between these two reserve allocation/adjustment/transfer projected to be incurred in 2024 for Account 37600.

A. a. Yes, the $34 million (Cell L35) allocated depreciation credit is the $34 million amortization of the excess depreciation reserve addressed on page 3 of Order No. PSC-2020-0485-FOF-GU.

b. The Order did not prescribe the reserve account(s) to debit when amortizing the $34 million of excess depreciation reserve through a credit to depreciation expense. To record the $34 million amortization of the depreciation reserve surplus during the period 2020-2023, the company debited account 376.00 Mains Steel during 2022 and budgeted to do so in 2023 as well for the remainder of the $34 million. As noted in Peoples' response to Staff's 1st Data Request No. 8(a), as part of the Depreciation Study filing, Mr. Watson proposes to proportionately allocate the $34 million across the distribution function using each distribution account's theoretical excess reserve balance at the 12/31/2024 study date.

c. Not applicable.

d. The rationale for allocating the $34 million across the distribution function theoretical reserve imbalance is to proportionately spread it across the distribution accounts where excess reserve is projected to be instead of leaving it all applied to account 376.00 – Mains Steel. See Peoples' response to Staff's 1st Data Request No. 8(a).

e. The original book reserve shown in the Reserve Allocation tab in the December 28 Study does not make an adjustment to exclude the $34 million in excess reserve. As discussed in Peoples' response to Staff's 1st Data Request No. 7 and Data Request No. 8(a), Mr. Watson recommends that the $34 million be allocated across all accounts in the distribution function. That is why the original estimate was not used.

f. The transfer could have been shown as propounded in the question. Mr. Watson believed that the presentation needed no additional explanation. Since the format was derived in the development of the draft depreciation accrual rates, no additional reserve adjustment was considered.

g. The company's intent of Note 1 in 2024 ADSR (BSP 176 of the 2022 Study) was to explain that the $34 million Amortization of Excess Depreciation Reserve was all reflected in account 37600 – Mains Steel in 2022 and 2023 prior to the allocation over distribution plant based on the excess Theoretical Reserve as of 12/31/2024.

As noted in Peoples' response to Staff's 1st Data Request No. 8(a), the 2024 ADSR in the Updated Study reflects year-end 2024 reserve balances before Mr. Watson's proposed allocation of the $34 million across the distribution function. In_the file_BS#17_DR8_Reserve _allocation provided in Peoples' response to Staff's 1st Data Request No. 8(a), which is the Tab "Reserve Allocation" in the Updated Study, the reserve balances shown in column F labeled "Book Reserve" also reflect the reserve balances as of 12/31/2024 before Mr. Watson's proposed allocation across the distribution function and are consistent with the reserve balances in the 2024 ADSR included in the Updated Study.

h. In the December 28th Study, the "Reserve Allocation" Tab column F labeled "Book Reserve" reflected the reserve balances assuming the amortization of the $34 million of excess depreciation reserve had not been debited to account 376.00 over 2022 and 2023. The adjustment can be seen in cell F22 that resulted in a reserve balance of $254,428,827.05 (sum of $220,428,827.05 and $34,000,000). This reserve balance was then used to calculate the difference between the Theoretical Reserve. As discussed in Peoples' response to Staff's 1st Data Request No. 12(d), the difference or imbalance was then used to proportionately allocate the $34 million across the distribution function. The $7,981,508.90 calculated in cell L22 was the proposed allocation of the $34 million to account 376.00 based on the imbalance in column J. In the 2024 ADSR (BSP 176 of the December 28 study) the $26,018,491 of reserve Adj/Xfers for Account 376.00 reflected the difference between the $34 million of debits applied to account 376.00 reserve over 2022 and 2023 and the proposed amount of $7,981,508.90.

In the updated file provided supporting the Updated Study filed April 4, 2023, the "Reserve Allocation" Tab cell F22 was not adjusted for the $34 million debited to account 376.00 over 2022 and 2023, and reflects the unadjusted roll forward balance as of 12/31/2024. The allocation of the $34 million is then calculated in column L using the imbalance between the unadjusted reserve balances in column F and the Theoretical Reserve in column H. Also, as noted in response to DR 8(a), the 2024 ADSR included in the Updated Study is before Mr. Watson's proposed allocation of the $34 million across the distribution function and the reserve balances are consistent with the reserve balances shown in column F of the updated "Reserve Allocation" Tab in the electronic file supporting the Updated Study

13. Please refer to Tabs "Reserve Allocation" and "Rate Computation" of 2022 Study.xlsx. In Tab "Reserve Allocation," Account 33601 RNG Leased-15 Years is grouped within PGS's Total Depreciable Plant; in Tab "Rate Computation," however, this account is not included in the Total Depreciable Plant. Please clarify whether Account 33601 is a depreciable plant in the context of PGS's rate base determination.

A. At present this account does not exist as part of the company's depreciable plant and approved depreciation rates. The company filed a separate petition in December 2022 to add account 336.01 and requested a proposed rate for that account. The requested account 336.01 assets will go in service in 2023, and the company will include it as depreciable plant in rate base after the December 2022 petition is reviewed and approved by the Commission. The Updated Study and MFRs provided in the company's April 4, 2023 rate case filing assume that the requested account 336.01 and proposed depreciation rate will be approved and be included as depreciable plant in the context of Peoples' rate base determination.

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14. Referring to the 2022 Study, BPS 176, and the 2022 Study.xlsx, Tab "Plant & Reserve," please explain each of the differences shown in Table 1 below, and provide the necessary reconciliations, if any.

Table 1: Discrepancies in PGS's Projected Accumulated Reserve Amounts

		2022 Study.xlsx	2022 Study	
		Tab Plant & Reserve	BSP 176	
		Accumulated Reserve	Accumulated Reserve	
		12/31/2024	2024 End of Year	Difference
		($)	($)	($)
Account No.	Account Description	(1)	(2)	(3) = (2) - (1)
	Distribution Plant			
37402	Land Rights	1,138,086	1,138,086	-
37500	Structures & Improvements	9,096,875	9,096,875	-
37600	Mains Steel	246,447,318	248,942,163	(2,494,845)
37602	Mains Plastic	199,913,997	201,946,603	(2,032,606)
37700	Compressor Equipment	1,898,193	1,898,193	-
37800	Meas & Reg Station Eqp Gen	6,337,845	6,405,323	(67,478)
37900	Meas & Reg Station Eqp City	20,351,711	20,586,002	(234,291)
38000	Services Steel	44,141,119	44,343,273	(202,154)
38002	Services Plastic	211,103,408	213,610,129	(2,506,721)
38100	Meters	45,367,267	45,059,560	307,707
38200	Meter Installations	35,892,252	36,446,253	(554,001)
38300	House Regulators	9,175,076	9,217,201	(42,125)
38400	House Regulator Installs	15,630,869	15,821,020	(190,151)
38500	Meas & Reg Station Eqp Ind	7,348,669	7,333,619	15,050
38600	Other Property Cust Premise	-	-	-
38700	Other Equipment	5,750,484	5,737,260	13,224
	Transportation Plant			
39201	Vehicles up to 1/2 Tons	7,892,657	8,614,887	(722,230)
39202	Vehicles from 1/2 - 1 Tons	9,585,953	9,868,019	(282,066)
39204	Trailers & Other	959,273	936,242	23,031
39205	Vehicles over 1 Ton	1,621,376	1,577,679	43,697
	General Plant			
30100	Organization Costs			
30200	Franchise & Consents			
30300	Misc Intangible Plant	815,325	815,325	-
30301	Custom Intangible Plant	37,645,300	37,645,300	-
39000	Structures & Improvements	46,032	11,331	34,701
39100	Office Furniture	1,216,982	1,224,623	(7,641)
39101	Computer Equipment	4,061,127	3,846,553	214,574
39102	Office Equipment	1,063,289	1,052,815	10,474
39300	Stores Equipment	646	647	(1)
39400	Tools, Shop & Garage Equip	4,857,238	4,786,108	71,130
39401	CNC Station Equipment	960,755	51,421	909,334
39500	Laboratory Equipment	-	-	-
39600	Power Operated Equipment	2,196,109	2,218,835	(22,726)
39700	Communication Equipment	3,014,137	3,014,137	-
39800	Miscellaneous Equipment	243,950	240,906	3,044
	Gathering & LNG Plant			
33600	RNG Plant	595,141	595,141	-
33601	RNG Plant Leased - 15 Years	5,493,888	5,537,318	(43,430)
36400	LNG Plant	78,821	80,336	(1,515)

A. The Accumulated Reserve balances in the column labeled 2022 Study.xlsx, Tab "Plant & Reserve" reflects the December 28 study roll forward to 12/31/2024 using current approved depreciation rates. The

Accumulated Reserve balances in the column labeled 2022 Study, BSP 176 reflects the roll forward to 12/31/2024 using the proposed new depreciation rates being in effect on 1/1/2024, which is indicated at the bottom of BSP 176 in Note 2. In addition, the difference in account 39401 is also due to account 39401 - CNG Station Equipment being shown on two lines in the ADSR on BSP 176 whereas account 39401 is in one line in the Plant & Reserve tab in 2022 Study.xlsx.

In the Updated Study the “Plant & Reserve” tab, the 12/31/2024 Accumulated Reserve balances reflect the roll forward using current approved depreciation rates and are after Mr. Watson’s proposed allocation of the $34 million as explained in Peoples’ response to Staff’s 1st Data Request No. 12(h). The Accumulated Reserve balances shown in the updated 2024 ADSR included with the Updated Study reflect the roll forward to 12/31/2024 using the proposed new depreciation rates being in effect on 1/1/2024, which is indicated in Note 2, however, it is before Mr. Watson’s proposed allocation of the $34 million as explained in DR No. 12(h).

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15. Please refer to BSPs 162-164 and 174-176 for the question below regarding the accounts that are used to book plant asset "CNC Station Equipment":

a. Referring to the preliminary 2024 ADSR, BSP 176, please explain the differences between the two accounts shown in Table 2 below:

Table 2: Accounts for CNG Station Equipment

Account	Depr Description	Plant 2023 BOP	Plant 2024 BOP	Reserve 2023 BOP	Reserve 2024 BOP	2024 Proposed Depr Rate
10400	39401 - CNG Station Equipment	2,527,001	2,527,001	783,733	910,083	5.0%
39401	39401 - CNG Station Equipment	748,791	748,791	13,232	51,421	5.1%

Source: 2022 Study, BSPs 164 and 176

b. It appears that, beginning in 2022, PGS includes two accounts (as reflected in Table 2 above) for booking the plant asset "CNC Station Equipment." Please identify the Commission order, if any, with which the current depreciation rate is prescribed for Account 10400 – 39401- CNC Station Equipment.

c. Please explain why Account 10400 – 39401- CNC Station Equipment is not included in the following portions of the 2022 Study:

Proposed accrual rates BSP 17
Determination of lives and NS BSPs 34 - 107
Depreciation rate calculations BSP 109
Appendixes A - E BSPs 108 - 151
Summary results BSPs 177 - 180

d. Please explain how the proposed depreciation rate of 5.0 percent, as reflected in Table 2, was determined.

A. a. Account 394.01 is a sub-account for both FERC account 101, Gas Plant in Service, and FERC account 104, Gas Plant Leased to Others. The company tracks the plant and reserve amounts separately for FERC account 101 and 104 but using the same approved depreciation rate for account 394.01. In the December 28th Study filing, BSP 176, the company mistakenly left the 2024 Proposed Depreciation Rate for account 104 sub-account 394.01 at the current approved 5.0% rate instead of updating it for the correct proposed rate of 5.1%. In the Updated Study filed April 4, 2023, this correction has been made to the 2024 ADSR and both lines for account 394.01 reflect the proposed 5.1% depreciation rate.

b. In the prior Depreciation Study in Docket No. 20200051-GU, the company combined accounts 394.01 and 104.00 as one account. Please reference page 155 of 166, or BSP 197.

		Plant
		2021
Account	Depr Description	BOP
10400	39401 - CNG	3,003,236
39401	39401 - CNG Station Equipment	13,155,027
	Total	16,158,263

The 2020 Settlement used a plant amount of $16,158,263 for account 394.01, which includes the amount in sub-account 394.01 under FERC Account 104, Gas plant leased to others.

c. As stated above, the plant and depreciation related to sub-account 394.01 used for FERC Account 104.00 is included in account 394.01 and is reflected as such on Proposed accrual rates BSP 17, Determination of lives and NS BSPs 34 - 107, Depreciation rate calculations BSP 109, Appendixes A – E BSPs 108 – 151 and Summary results BSPs 177 – 180.

d. See above response to DR 15(a). The 5.0 percent rate indicated on BSP 176 was an error and has been corrected in the Updated Study.

Note: Peoples' presumes that Staff intended to refer to CNG, rather than CNC.

16. Referring to BSPs 162-164 and 174-176, please provide explanations for Account 11501 – PGS Acq Adj.

A. The acquisition adjustment is the difference between the net book cost (original cost less accumulated depreciation) and the actual purchase price of several system acquisitions during the period 1990-1997. The gas plant acquisition adjustment of $5,031,897 that is presented in account 114.00 on BSP 161 was fully amortized in 2021. On the referenced forecasted ADSR pages, the fully amortized gas plant acquisition adjustment balance was shown in account 115.01, Peoples' Acq Adj (FERC account 115 - Accumulated provision for amortization of gas plant acquisition adjustments). The fully amortized balance should have been indicated as being in account 114.00 (FERC account 114 – Gas plant acquisition adjustments).

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17. Please refer to BSPs 162-164 and 174-176 for the question below regarding Account 39002 that is used to book plant asset “Structures & Improvements Leasehold”:

a. When was this account established? Please identify the associated Commission Order that established this account and approved the depreciation rate, if relevant.

b. Will the plant and reserve amounts booked in this account be used in determining the customer’s rates in the anticipated PGS rate case? Please explain your response.

A. a. Structures and Improvements in account 390.02 was combined with account 390.00 in the 2020 Depreciation Study and the Commission approved 2020 Settlement, with a current approved depreciation rate of 2.4%. Within FERC Account 390 Structures and Improvements, the company’s fixed asset system has continued to separately track in account 390.02 the Structure and Improvements related to its one leased operation building used in the Highlands service area and is using the Commission approved depreciation rate for Structures and Improvements of 2.4%. The company plans to transfer the Highlands assets tracked in 390.02 in its fixed asset accounting system into account 390.00 in the near future.

b**.** Yes. On MFR Schedule G-1, page 10 and page 14 (filed on April 4, 2023) the plant and reserve balance of account 390.02 has been shown separately and is included in the 2024 test year rate base calculation. As shown on the 2024 ADSR included in the December 28th study and in the Updated Study, the proposed 2024 depreciation rate for Structures and Improvements is the same 4.1% for both account 390.00 and 390.02.