BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Petition for Rate Increase by Peoples Gas System, Inc.	DOCKET NO. 20230023-GU
Peoples Gas System's Petition for Rate Approval of 2022 Depreciation Study	DOCKET NO. 20220219-GU
Peoples Gas System's Petition for Approval of Depreciation Rate and Subaccount for Renewable Natural Gas Facilities Leased to Others	DOCKET NO. 20220212-GU FILED: August 10, 2023

PEOPLES GAS SYSTEM, INC.'S
PREHEARING STATEMENT

Pursuant to Order No. PSC-2023-0128-PCO-GU, issued April 12, 2023, Peoples Gas System, Inc. ("Peoples," "PGS," or the "company") submits the following prehearing statement:

A. APPEARANCES:

J. JEFFRY WAHLEN
MALCOLM N. MEANS
VIRGINIA PONDER
Ausley McMullen
Post Office Box 391
Tallahassee, Florida 32302
On behalf of Peoples Gas System, Inc.

B. WITNESSES:

Witness	Subject Matter	Issues
Helen J. Wesley (Direct and Rebuttal)	Direct Testimony: Describes Peoples and its core values. Explains the importance of natural gas to the State of Florida. Highlights important forces impacting Peoples and its operating environment since our last general base rate proceeding. Describes 2023 Transaction that transferred gas assets used by the Peoples Gas division of Tampa Electric Company to Peoples Gas System, Inc. ("2023 Transaction"). Summarizes Peoples' increase request, why it is necessary and steps the company took to avoid making it. Introduces the other witnesses who filed prepared direct testimony on behalf of the company. Rebuttal Testimony: Responds to OPC's criticisms of the 2023 Transaction and provides customer rate, typical bill, and customer complaint data for Peoples and two other Florida LDCs.	4, 42, 47, 49, 60, 61, 72
Karen K. Sparkman (Direct Only)	Describes the company's award-winning approach to Customer Experience and details improvements made to better serve Peoples' customers.	4
Timothy O'Connor (Direct and Rebuttal)	Direct: Provides an overview of the company's gas operations; explains the projected capital and O&M requirements for the continued safe and reliable operations of the company's system in the 2024 test year; and describes the company's emerging sustainable operations and external affairs activities. Rebuttal: Responds to OPC's criticisms on forecasted staffing levels by presenting details of workload increases and contractor cost reductions.	15, 19, 21, 27, 41, 42, 45, 49
Lew Rutkin, Jr. (Direct Only)	Describes the evolving energy landscape and competitive market for natural gas within Florida; provides an overview of how the company meets demand; summarizes three strategic expansion projects; explains how the company responds to increased and diverse demands for natural gas service; discusses the company's efforts to provide cleaner energy options; describes certain proposed tariff changes; and describes organizational changes within the business development group.	16, 17, 18, 21, 27, 41, 42, 49, 67

Christian C. Richard (Direct and Rebuttal)	Direct: Provides an overview of the company's capital planning processes; capital execution including engineering, design, and construction; planned technology investments; CIBS legacy pipe; and discusses supply chain management and organization changes. Rebuttal: Responds to OPC's criticisms of forecasted levels of capital spending and construction and engineering staffing levels.	19, 21, 23, 27, 41, 42, 49
Donna L. Bluestone (Direct and Rebuttal)	Direct: Explains the company's philosophy towards compensation and benefits; describes the company's total compensation policy; describes the company's employment growth; and shows that the company's compensation and benefits in the 2024 projected test year is competitive and reasonable. Rebuttal: Responds to OPC's criticisms of the company's forecasted staffing levels and trended payroll expenses.	42, 43, 49
Richard K. Harper, PhD (Direct Only)	Describes past and future growth trends in Florida; describes the economic and environmental benefits of natural gas use to the State of Florida for residential, commercial, and industrial customers.	40
Eric Fox (Direct Only)	Supports the 2024 test-year residential and small commercial sales forecast for the company.	2, 3
Dylan W. D'Ascendis (Direct and Rebuttal)	Direct: Presents evidence on, and a recommendation regarding, Peoples' return on common equity and capital structure to be used for ratemaking purposes. Rebuttal: Provides updated ROE analysis and responds to ROE proposed by OPC witness Garrett.	35
Kenneth D. McOnie (Direct and Rebuttal)	Direct: Describes the budget process used to develop the forecasted cost of the company's short-term and long-term debt for test year, and the impact of the 2023 Transaction on the company's borrowing costs. Rebuttal: Responds to OPC's criticisms of the financing element of the 2023 and proposed equity ratio.	31, 32, 34
Dane A. Watson (Direct and Rebuttal)	Direct: Presents and describes the company's depreciation study; the forecasted plant and reserve balances as of December 31, 2024; and supports the recommended depreciation rates for the company's assets. Rebuttal: Provides updated deprecation study and responds to OPC's proposals to life parameters for five asset classes.	5, 7, 9, 10, 11, 22, 50

Rachel B. Parsons (Direct and Rebuttal)	Direct: Supports the company's 2024 projected test year; the calculation and adjustments used in determining the company's test year net operating income, rate base, cost of capital, and revenue; the calculation of the test year revenue deficiency; explains the primary cost drivers since Peoples' last base rate case that necessitate a base rate increase; explains the company's budget process used to develop the financial projections for the test year. Describes provisions from the 2020 Stipulation and Settlement Agreement in the company's last general rate case and discusses proposals to continue abiding by those provisions. Discusses the 40-year high inflationary environment experienced since Peoples' last rate case and supports the inflation forecast used in the budget process and for computing the Commission's O&M benchmark. Discusses affiliate transactions. Explains Peoples' proposed true-up mechanism incorporating the company's actual cost of its inaugural long-term debt issuances into a one-time true-up of its approved revenue requirements and base rates through a limited proceeding. Rebuttal: Presents revised 2024 revenue requirement increase, addresses the accounting and ratemaking proposals in OPC witness Kollen's testimony, and offers evidence on five issues raised by OPC through discovery.	1, 3, 5, 6, 8, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 36, 37, 38, 39, 40, 41, 43, 44, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 71, 72, 73, 74
Gregg Therrien (Direct Only)	Supports Peoples' proposed Allocated Cost of Service model and rate design.	58, 58, 59, 60, 61, 63, 64, 69
Karen L. Bramley (Direct Only)	Presents and supports tariff modifications including changes to the company's miscellaneous service charges, rate schedules, and non-rate related language within the company's tariff.	62, 63, 64, 65, 66, 67, 68, 70
Luke A. Buzard (Rebuttal Only)	Discusses proposed regulatory treatment of two tariffed and one non-tariffed RNG Projects	16, 17, 18, 33, 38

C. EXHIBITS:

Witness	Proffered By	Exhibit No.	Description	Issue #
Helen J. Wesley	PGS	HJW-1	1. List of Witnesses 2. MFRs Sponsored 3. Peoples System Map 4. Corporate Structure Diagram 5. Projected Impact of Proposed Increase on Typical Residential Bills	4, 49, 60, 61, 72

Witness	Proffered By	Exhibit No.	Description	Issue #
Helen J. Wesley	PGS	HJW-2	1. FPSC Complaint Comparison 2. Proposed Rate and Bill Comparisons	60, 61
Karen K. Sparkman	PGS	KKS-1	1. MFRs Sponsored 2. JD Power Study Highlights 3. TECO Peoples Gas Awards	4
Timothy O'Connor	PGS	TO-1	MFRs Sponsored	15, 19, 21, 27, 41, 42, 45, 49
Timothy O'Connor	PGS	TO-2	Labor and Outside Services O&M Compared to Headcount and Workload by Service Area	41, 42
Lew Rutkin, Jr.	PGS	LR-1	1. MFRs Sponsored 2. RNG Materials	16, 17, 18, 21, 27, 41, 42, 49, 67
Christian C. Richard	PGS	CCR-1	MFRs Sponsored	19, 21, 23, 27, 41, 42, 49
Christian C. Richard	PGS	CCR-2	Five-Year Capital Spending – Budget Versus Actual	21
Donna L. Bluestone	PGS	DLB-1	1. MFRs Sponsored 2. Union Base Wage Adjustments (2020-22) 3. Cost of Living and Cost of Labor Analysis 4. Average Base Salary Compa-Ratio 5. Salary Budget History 2019-2023 6. Benefits Plan Summary (2023) 7. Mercer BENVAL Study 8. Mercer – Average Health Benefits Costs 9. Mercer – National Health Plan Survey	41, 42, 43, 49
Donna L. Bluestone	PGS	DLB-2	CPI Compared to PGSI Non-Union Wage Increases, 2019 to 2024	43
Richard K. Harper, PhD	PGS	RKH-1	1. Curriculum Vitae 2. Endnotes to Testimony 3. Population Growth in Florida by Decade 1970-2059 4. Non-Farm Payroll, Florida and Nation 5. Annual GDP Growth, Florida and Nation 6. All Transactions House Price Index 7. Produce Price Index, Residential Construction Inputs 8. Measures of Inflation	40

Witness	Proffered By	Exhibit No.	Description	Issue #
			9. Cumulative Increase in Household Costs 10. Cumulative Increases in Business Costs 11. Cumulative Increase in PGS Business Costs 12. Typology for Homebuyer Net Migration 13-20 Total Population Indexed to 2020 for Different Areas of Florida	
Eric Fox	PGS	EF-1	Itron Report	2, 3
Dylan W. D'Ascendis	PGS	DWD-1	1. Summary of Common Equity Cost Rate 2. Financial Profile of the Gas Utility Proxy Group 3. Application of the Discounted Cash Flow Model 4. Application of the Risk Premium Model 5. Application of the Capital Asset Pricing Model 6. Basis of Selection for the Non-Price Regulated Companies Comparable in Total Risk to the Gas Utility Proxy Group 7. Application of Cost of Common Equity Models to the Non-Price Regulated Proxy Group 8. Derivation of the Flotation Cost Adjustment to the Cost of Common Equity 9. Derivation of the Indicated Size Premium for Peoples Gas Relative to the Gas Utility Proxy Group 10. Comparison of Projected Capital Expenditures Relative to Net Plant 11. Fama & French – Figure 2 12. Referenced Endnotes for the Prepared Direct Testimony of Dylan W. D'Ascendis	35
Kenneth D. McOnie	PGS	KDM-1	1. MFRS Sponsored 2. Historic Secured Overnight Financing Rate 2021 to 2023 3. Forecasted U.S. Treasury Rates 4. U.S. Treasury Rates 2020 to 2022 5. Thirty Year History of U.S. Treasury Rates and Averages	31, 32, 34
Kenneth D. McOnie	PGS	KDM-2	Historical Investor Sources Equity Ratio (1998 to 2022)	34

Witness	Proffered By	Exhibit No.	Description	Issue #
Dane A. Watson	PGS	DAW-1	1. Testimony Experience 2. Peoples Depreciation Study Schedules 1-3 – Summary of Results	5, 7, 9, 10, 11, 22, 50
Dane A. Watson	PGS	DAW-2	1. Endnotes to Testimony 2. Revised July 2023 Depreciation Study 3. Calculation of Proposed Depreciation Rates using year-end 2023 Study Date	5, 7, 9, 10, 11, 22, 50
Rachel B. Parsons	PGS	RBP-1	1. MFRs Sponsored 2. CI/BSR Revenue Requirement Transferred to Base Rates 3. Base Revenue Summary 4. O&M Expense Summary 5. 2023/2024 Capital Budget 6. Storm Reserve Analysis 7. Calculation of IRC Required Deferred Income Tax Adjustment 8. 2024 Test Year Reconciliation of Capital Structure to Rate Base 9. 2020 Stipulation	1, 3, 5, 6, 8, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 36, 37, 38, 39, 40, 41, 43, 44, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 71, 72, 73, 74
Rachel B. Parsons	PGS	RPB-2	1. Revised Revenue Requirement 2. Account 921 Average Increase 3. Historical Storm Costs in 2024 Dollars 4. RNG Revenue Requirement and Cost Recovery 5. Capital Expenditure Analysis 6. December 31, 2023 Depreciation Study Impact 7. Revision to Seacoast Overhead Allocation	5, 6, 7, 9, 10, 11, 13, 16, 17, 21, 22, 42, 46, 50, 57

Witness	Proffered By	Exhibit No.	Description	Issue #
			8. Vehicle Retirement Impact on NOI and Rate Base 9. Discovery Responses and Other Documents	
Gregg Therrien	PGS	GT-1	1. MFRs Sponsored 2. Workpaper Supporting Roll-in of CI/BSR	58, 58, 59, 60, 61, 63, 64, 69
Karen L. Bramley	PGS	KLB-1	MFRs Sponsored	62, 63, 64, 65, 66, 67, 68, 70
Luke A. Buzard	PGS	LAB-1	1. Peoples' Current RNG Tariff 2. Order No. PSC-2017-0497-TFR-GU 3. 202 Proposed Changes to Original RNG Tariff 4. Excerpt from 202 Rate Case Pre-hearing Order 5. Excerpts from Order No. PSC-2020-0485-FOF-GU (2020 Agreement Approval) 6. New River and Brightmark Assets by Tariff Category 7. Alliance Dairies CPVRR Analysis and EA Break Even Analysis	16, 17, 18, 33, 38

D. STATEMENT OF BASIC POSITION

These consolidated dockets address three petitions filed by Peoples: (1) a petition for approval of depreciation rates and subaccount for renewable natural gas facilities leased to others [Docket No. 20220212-GU]; (2) a petition for approval of a new depreciation study [Docket No. 2022029-GU]; and a Petition for Rate Increase [Docket No. 20230023-GU]. These dockets were consolidated by the Order Establishing Procedure ("OEP"), Order No. PSC-2023-0128-PCO-GU, issued April 12, 2023.

Introduction

Peoples proudly continues to support the growth and economic vitality of Florida by providing safe, reliable, and clean natural gas to Floridians while evolving with changing energy markets and maintaining exceptional customer service. However, strong customer demand, the impacts of inflation, and higher costs of capital have significantly impacted the company's operations. Peoples requests that the Florida Public Service Commission ("FPSC" or "Commission") approve an increase to its base rates and charges effective with the first billing cycle in January

2024 that will generate a net annual revenue increase of $124,938,058, exclusive of $11,647,804 of Cast Iron/Bare Steel Rider revenues the company proposes to recover through base rates.

Safety, Reliability, and Customer Service

Peoples record of safety, reliability, and exceptional customer service is not in dispute. In 2022, the company ranked highest in the *south* midsize segment of the J.D. Power Gas Utility Residential Customer Satisfaction study for the 10th year in a row, and highest in the south segment of the Gas Utility Business Customer Satisfaction study for the fourth year in a row and sixth time since 2016. Peoples has led the *nation* in the J.D. Power residential study in eight of the past ten years and ranked highest in the nation in the business study in six of the last eight years. Peoples was among the Most Trusted Utility for the ninth time in the 2022 Cogent/Escalent Syndicated Utility Trusted Brand & Customer Engagement residential study. Escalent also named Peoples a Trusted Business Partner (two consecutive years), one of the easiest utilities in the nation with which to conduct business (four consecutive years), an Environmental Champion (eighth consecutive year), and a Customer Champion (ninth consecutive year).

Only two customers participated in the six customer service hearings held by the Commission, and neither of those customers complained about Peoples' quality of service. Peoples' customer complaint history with the FPSC compares favorably to the other natural gas local distribution companies in Florida. Peoples has the lowest level of complaints per thousand customers by far.

The Issues

The Parties have identified 75 specific issues to be decided in this case, but four general areas have drawn the most attention: (1) recoverability of recurring interest expense associated with the 2023 Transaction that moved the Peoples Gas Systems assets from Tampa Electric Company into a separate corporation, Peoples Gas System, Inc.; (2) the company's proposed level of operations and maintenance expenses in 2024; (3) the company's proposed depreciation rates; and (4) whether the assets, revenues, and expenses associated with the company's three proposed renewable natural gas ("RNG") projects should be included "above the line" in the calculation of new base rates, or "below the line" as an unregulated activity.

2023 Transaction

The 2023 Transaction is prudent, and benefits customers by legally separating the business of Peoples Gas System from the business operations of Tampa Electric. This gives Peoples a business structure commonly used and will allow the company to develop its own board of directors, create and execute its own financing plans based on its needs and credit profile, and to better focus its attention on its customers and operations across Florida. The transaction has had no visible impact on customers; it did not involve changes to the company's tariff, customer service operations, physical and mailing addresses, phone numbers, email addresses, or remote access pathways; Peoples and its customers continue to benefit from the provision of shared services by Tampa Electric Company. The resulting structure will enable Peoples to manage the timing and quantum of market debt issuances and to optimize the level of short-term and long-term debt based solely on Peoples' needs and the market's evaluation of Peoples' business profile.

The resulting new structure will provide a better platform for Peoples as it grows and changes with evolving energy markets and reflects the reality that Peoples provides gas service across the state while Tampa Electric provides electric service in the Tampa Bay area only. The new audit and rating agency costs Peoples will incur are modest and of a type commonly incurred by utilities that borrow money in public and private markets. Although the 2023 Transaction will increase Peoples' level of interest expense in the test year, Peoples will be paying the market price for debt based on its business profile, the cost of which regulated utilities routinely recover through base rates. Its proposed long-term debt true-up mechanism is fair, will ensure that the actual cost rates for long-term debt will be reflected in base rates, and will protect all parties from an over or under recovery of actual long-term debt costs.

The company has not quantified any short-term cost savings from the transaction; however, it expects the 2023 Transaction to facilitate more efficient operations and significant risk mitigation, both of which will benefit customers in the long run. Although the consumer parties have criticized the transaction, Tampa Electric and Peoples have successfully separated the electric and gas assets of Tampa Electric into two separate corporations before either the electric or gas operations of Tampa Electric suffers a catastrophic accident (e.g., hurricane) that would impair the operations of the other, because by then it would be too late.

<u>Operations and Maintenance ("O&M") Expenses</u>

Peoples proposed level of test year O&M expenses is reasonable and should be approved. Using the Commission's O&M benchmark multiplier, the company's 2024 O&M Benchmark is $158.4 million; its proposed 2024 test year O&M expenses are $151.0 million, $7.4 million below the benchmark.

The company's proposed O&M Expense levels reflects addition of 90 and 64 employees in 2023 and 2024, respectively, a reduction of outside contractor usage, and other operations and maintenance expenses that will enable Peoples to continue providing safe, reliable, and exceptional customer service in a service area that is growing the way all of Florida is growing – rapidly and more than expected.

OPC's proposals to reduce the company's proposed O&M expenses are not reasonable and fail to recognize that the growth in Florida and Peoples' service area has significantly increased the level of work to be performed by People and its team members. The company added 22,000 customers per year between 2020 and 2022 and projects to add 51,000 customers between the end of 2022 and the end of 2024. This growth means more work and more work requires more people. The company experienced a total increase in service, compliance, locate, and meter reading work orders of 5 percent from 2021 to 2022 and projects a five-year compound annual growth rate in those orders of 4 percent over the period 2020 to 2024. *See* Exhibit TO-2, page 14 of 14.

The trend for Peoples' Labor and Outside Services O&M expenses shows that Peoples is becoming more efficient. Although the company expects its operations employee count to grow at a compound annual rate ("CAGR") of five percent from 2020 to 2024, its CAGR for total O&M expenses (including outside service costs) over the same period is zero. Likewise, the company projects that its total annual work orders for service, compliance, locates, and meter reading will grow at a compound annual rate of four percent from 2020 (6.2 million) to 2024 (7.5 million), while its O&M expense per work order will only grow at a 1 percent annual rate.

Peoples' proposed employee head count increases, and overall level of O&M expenses are reasonable and prudent and should be approved.

<u>Depreciation Rates and Expense</u>

Peoples filed a depreciation study as required in its last rate case settlement on December 28, 2022. On July 20, 2023, Peoples submitted with the rebuttal testimony of its depreciation witness an updated depreciation study that addresses issues identified during discovery. The Office of Public Counsel ("OPC") recommends depreciation rates that reflect lives longer than those proposed by Peoples for five asset classes (five life parameter changes) and to lower the company's depreciation expense by amortizing the company's hypothetical depreciation reserve surplus over ten years rather than over the remaining lives of the company's assets. Peoples has shown that its proposed lives are reasonable for developing depreciation rates and that the longer lives proposed by OPC are not reasonable. OPC's proposed amortization of the hypothetical reserve surplus is inconsistent with the way the Commission has traditionally set depreciation rates but may be within the Commission's discretion.

<u>Renewable Natural Gas</u>

RNG is a natural by-product of above-ground decomposing waste, and contrasts with traditional natural gas that was formed underground from decomposing materials over a long period of time. RNG projects: capture methane from landfills, livestock farms, food waste, and wastewater treatment facilities; remove the harmful constituents; condition the biomethane gas to pipeline quality specifications; and inject it into a pipeline system for consumption by natural gas customers. RNG is unique as a fuel source because it simultaneously reduces greenhouse gas emissions from both methane and carbon dioxide on a net basis.

Peoples proposes to recover the net cost of three RNG projects (approximately $62 million of capital relative to approximately $2.4 billion of rate base) through its base rates and charges: New River, Brightmark, and Alliance Dairies. The first two projects were developed based on and in reliance on the RNG tariff approved and modified by the Commission in 2017 and 2020, respectively. The Alliance Dairies project is a unique and innovative project that will use the revenues from the sale of environmental attributes to completely offset the revenue requirement created by placing the project assets in service. In fact, the company's proposed

2024 revenue requirement is approximately $220,000 lower with the Alliance Dairies project above-the-line than it would be without the project.

All three RNG projects advance the renewable energy policy reflected in Section 366.91 and 366.92, Florida Statues. They reduce reliance on traditional natural gas, promote fuel diversity, create jobs in Florida (as opposed to Texas or Louisiana), increase local property tax bases, and create the only source of natural gas from Florida. The three RNG projects provide demonstrable benefits to Peoples' customers and the communities Peoples serves. The Commission should approve all three projects for recovery through base rates on a regulated, above-the-line basis.

<u>Conclusion</u>

Peoples' proposed 2024 test year is reasonable for ratemaking purposes and reflects the anticipated operations of the company during the first year when its new rates are expected to be in effect. The company's proposed levels of rate base, O&M expenses, depreciation, interest, income taxes, taxes other than income taxes, and other expenses are reasonable and prudent and should be approved. The company's proposed return on equity (11 percent), equity ratio (54.7 percent investor sources), capital structure and associated costs rates reflect the capital structure needed to support the company's growing rate base, reflect market cost rates, are reasonable and should also be approved. Peoples' proposed base rates and charges (and the resulting typical bills) are based on a reasonable cost of service study; were developed using traditional rate design principles; and compare favorably with the Florida Public Utility Company and Florida City Gas rates recently approved by the Commission, even before any adjustments to the company's proposed revenue requirement. Peoples respectfully requests that the Commission find that its proposed base rates and charges and related tariff changes are fair, just, and reasonable and approve them to be effective with the first billing cycle in January 2024.

E. STATEMENT OF ISSUES AND POSITIONS

TEST PERIOD AND FORECASTING

ISSUE 1: Is PGS's projected test period of the twelve months ending December 31, 2024, appropriate?

PGS: Yes. The twelve-month period ending December 31, 2024, as reflected in PGS' MFRs, is the most appropriate test period because it is representative of PGS' future operations. Furthermore, PGS requests an increase in rates effective January 1, 2024. That year is accordingly the most appropriate year to evaluate the company's projected revenue requirements to ensure that proposed revenues and revenue requirements match for 2024. (Parsons)

ISSUE 2: Should the Commission approve PGS's forecasts of customers and therms by rate class for the projected test year ending December 31, 2024? If not, what adjustments should be made?

PGS: Yes. The company used linear regression models for both customer counts and average use for the test year. These models are both theoretically and statistically strong as measured by model coefficient and overall model fit statistics. The chosen modeling framework has been adopted by numerous utilities in the United States and Canada for forecasting. (Fox)

ISSUE 3: Are PGS's estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate? If not, what adjustments should be made?

PGS: Yes. Residential and small commercial customer and sales forecasts were used to estimate the 2024 test year revenues at current rates. These forecasts were prepared using theoretically and statistically strong models that have been adopted by numerous utilities in the United States and Canada for forecasting. (Fox, Parsons)

QUALITY OF SERVICE

ISSUE 4: Is the quality of service provided by PGS adequate?

PGS: Yes. PGS has delivered on its commitment to exceptional customer service as evidenced by the company's J.D. Power customer satisfaction scores. The Commission held 6 customer service hearings, with 4 held virtually and 2 held in person. Two individuals appeared and no one expressed a negative view of PGS' quality of service. (Sparkman, Wesley)

DEPRECIATION STUDY

ISSUE 5: Should PGS's request to establish a new subaccount and annual depreciation rate applicable to its renewable natural gas (RNG) plant leased to others for 15 years be approved, and, if so, what depreciation rate and implementation date should be approved?

PGS: Yes. The Commission should approve a new subaccount under Account 104 (Gas Plant Leased to Others) to be denominated "Account 336.01 – RNG Plant Leased – 15 Years" and a depreciation rate of 6.7 percent for that subaccount effective January 1, 2023. The proposed new depreciation rate will ensure that the cost recovery period for the Brightmark RNG project (Issue 14) will match the period over which the project will generate revenues, that the costs of the project will be recovered by the time the customer takes ownership of the RNG plant assets at the end of the contract term and will prevent the company from experiencing a gain or loss on the sale of the assets at the end of the contract term. The new subaccount will facilitate application of the new depreciation rate. (Watson, Parsons)

ISSUE 6: Are vehicle retirements, including salvage, properly matched with the prudent level of additional vehicles included in rate base? If not, what adjustments should be made?

PGS: Yes. No adjustment should be made. The company did not properly match vehicle retirements in its filing for account 392.01 with associated forecasted additions in years 2023 and 2024. In Witness O'Connor's Late Filed Exhibit 15 and Document No. 9 to Witness Parsons' rebuttal testimony Exhibit RBP-2, the company identified $1,706,817 and $1,571,627 of retirements in account 392.01 that should have been reflected in 2023 and 2024, respectively. As shown on MFR Schedule G-1, pages 23 and 26, lines 29 on both, the company did properly reflect $84,798 and $121,995 of salvage for 2023 and 2024 in its filing, respectively. Although the company did not reflect the identified retirements in its filing, no adjustment to the company's Net Operating Income ("NOI") and Rate Base should be made. Vehicle depreciation expense is not included in depreciation and amortization expense in determining the company's NOI as it charged through a transportation cost allocation to O&M and capital expenditures. In the company's budgeting process, the increase in the 2024 vehicle depreciation expense related to additional vehicles was not factored into the development of the 2024 detailed O&M budget. Regarding rate base impacts, adding the retirements to 2023 and 2024 would equally reduce the plant in service and accumulated depreciation. Therefore, the 2024 test year rate base amount would not be directly impacted by adding the retirements to account 392.01. Rate base would slightly increase for the 13-month average reduction in accumulated depreciation due to lower vehicle depreciation expense that would have resulted from the retirements being reflected. Due to the rate base impact being minor, the company does not propose an increase to the requested revenue requirement. (Parsons)

ISSUE 7: What depreciation parameters (remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each distribution and general plant account should be approved?

PGS: The appropriate depreciation parameters and rates are those set forth in the depreciation study submitted as Exhibit DAW-2 to the rebuttal testimony of Dane Watson. The Commission should reject the five life parameter changes proposed by OPC. (Watson)

ISSUE 8: In establishing the projected test year's depreciation expense, should the approved depreciation rates be calculated using a depreciation study date of December 31, 2023 or December 31, 2024?

PGS: To comply with the terms of the 2020 Agreement approved by the Commission in in Order No. PSC-2020-0485-FOF-GU, the appropriate depreciation study date should be December 31, 2024. On page 16 of the 2020 Agreement, item (d) states "the depreciation study period shall match the test year *in the company's MFRs* [emphasis added]." Included in the header of the company's MFRs filed for this rate case proceeding are the following dates: Projected Test Year: 12/31/2024, Historic Base Year +1: 12/31/2024 and Historic Base Year Data: 12/31/2022. Therefore, to comply with the terms of the 2020 Agreement as written on page 16, item (d), the depreciation study period should match the Projected Test Year date of 12/31/2024 in the company's MFRs rather than match the Historic Base Year +1 date of 12/31/2023 in the company's MFRs. (Parsons)

ISSUE 9: Based on the application of the depreciation parameters to PGS's data that the Commission has adopted, and a comparison of the theoretical reserves to the book reserves, what, if any, are the resulting imbalances?

PGS: The appropriate theoretical reserve imbalance is a surplus of $153.6 million as of December 31, 2024 based on the recommended life and net salvage parameters as reflected in Exhibit DAW-2. (Watson)

ISSUE 10: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 9?

PGS: The surplus should be amortized over the use remaining life of the assets. (Watson, Parsons)

ISSUE 11: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

PGS: The implementation date should be January 1, 2024 except for the rate approved in issue 5. (Parsons, Watson)

RATE BASE

ISSUE 12: Has PGS made the proper adjustments to remove all non-utility activities from the projected test year Plant in Service, Accumulated Depreciation, and Working Capital? If not, what adjustments should be made?

PGS: Yes. All required adjustments to remove non-utility items have been included in the 2024 projected test year, as shown on MFR Schedule G-1, page 4. (Parsons)

ISSUE 13: Has PGS made the proper adjustments to remove all costs attributable to the operations of Seacoast Gas Transmission (SGT)? If not, what adjustments should be made?

PGS: Not in its initial filing. However, in rebuttal testimony of Witness Parsons, the company has proposed an adjustment to its calculation of corporate overhead costs to SGT from PGS that would increase the allocation by $189,347, which is set forth in Exhibit RBP-2, Document No. 7. This adjustment is being proposed to revise the Modified Massachusetts Method ("MMM") used for determining the overhead allocation to include directly charged payroll and benefit costs from the company and Tampa Electric. With no employees at SGT, the company has concluded an adjustment to the MMM calculation was appropriate to fairly allocate PGS overhead costs to SGT. The proposed adjustment. (Parsons)

ISSUE 14: Has PGS made the proper adjustments to reflect Cast Iron/Bare Steel Rider (CI/BSR) investments as of December 31, 2023, in rate base? If not, what adjustments should be made?

PGS: Yes. The appropriate CI/BS Rider investment amounts as of December 31, 2023 to be transferred into rate base are $91,733,660 for plant in service, $2,808,776 for Construction Work in Progress and $1,273,990 for accumulated depreciation, as shown on Exhibit No. RBP-1, Document No. 2, lines 2-4. (Parsons)

ISSUE 15: Should PGS's proposed Advanced Metering Infrastructure (AMI) Pilot be approved? If not, what adjustments should be made?

PGS: Yes. The proposed AMI Pilot is prudent and should be included in rate base and Net Operating Income. The company's MFR reflect $2.2 million for capital expenditures and $100,000 of O&M expenses associated with the pilot and should be approved. (O'Connor, Parsons)

ISSUE 16: Should the New River RNG project be included in rate base, and if so, are the revenues under Service Agreement pursuant to the RNG Service Tariff adequate to cover the revenue requirements of the project? If not, what adjustments should be made?

PGS: Yes. The New River RNG Project was planned and executed based on and in reliance on the company's Rate Schedule RNGS and should be included above the line in the calculation of the company's revenue requirement in this case. The fixed monthly service charge being paid by the customer was set to recover the revenue requirement associated with the project over its life, so no adjustment should be made. (Rutkin, Buzard, Parsons)

ISSUE 17: Should the Brightmark RNG project be included in rate base, and if so, are the revenues under Service Agreement pursuant to the RNG Service Tariff adequate to cover the revenue requirements of the project? If not, what adjustments should be made?

PGS: Yes. The Brightmark RNG Project was planned and executed based on and in reliance on the company's Rate Schedule RNGS and should be included above the line in the calculation of the company's revenue requirement in this case. The fixed monthly service charge being paid by the customer was set to recover the revenue requirement associated with the project over its life, so no adjustment should be made. (Rutkin, Buzard, Parsons)

ISSUE 18: Should the Alliance Dairies RNG project be included in rate base, and if so, are the terms and conditions of the Biogas Incentives Agreement adequate to protect ratepayers and cover the revenue requirements of the project? If not, what adjustments should be made?

PGS: Yes. The net revenue requirement of the Alliance Dairies project in 2024 decreases the company's revenue requirement increase request by $220,000. The estimated CPVRR for the project is favorable by approximately $4 million. The terms and conditions of the Biogas Incentives Agreement are adequate to protect ratepayers. No adjustments should be made. (Rutkin, Buzard)

ISSUE 19: Has PGS properly reflected in the projected test year the cost saving benefits to be gained from implementation of the Work and Asset Management (WAM) system? If not, what adjustments should be made?

PGS: Yes, PGS properly reflected no cost savings benefits associated with WAM in the projected test year. PGS will not fully implement the WAM system until later this year, and PGS expects that its team members will still be developing proficiency with the system, collecting, and utilizing data, and integrating WAM into operations over the course of 2024 and 2025. PGS accordingly does not expect any material cost savings associated with WAM to materialize until the third year of WAM operation. (O'Connor, Richard, Parsons)

ISSUE 20: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

PGS: No. As shown on MFR Schedule B-6, page 1, as of December 31, 2022, the company has fully amortized the $5,031,897 of acquisition adjustments and the related net rate base amount is $0. No new acquisition adjustment was forecasted through the 2024 test year and the related amount in the 2024 test year rate base is also $0. (Parsons)

ISSUE 21: What level of projected test year plant in service should be approved?

PGS: The appropriate projected test year plant in service is $3,309,849,121 as shown on MFR Schedule G-1, page 1, line 1. The Commission should reject OPC's proposed adjustment to forecasted 2024 plant in service. (Parsons, Richard, Rutkin, O'Connor)

ISSUE 22: What level of projected test year plant accumulated depreciation and amortization should be approved?

PGS: The appropriate projected test year accumulated depreciation and amortization is $923,177,993. This amount reflects the $922,826,284 shown on MFR Schedule G-1, page 1, line 7, and the company's proposed net adjustment to increase accumulated depreciation by $351,708 (see Witness Parsons rebuttal testimony, Excel workpapers supporting Exhibit RBP-2, Document No. 1, tab "Rate Base"). The $351,708 net adjustment to increase accumulated depreciation is related to the following items: (i) corrections made to the depreciation study calculations and proposed rates included in Exhibit DAW-2, Document No. 2 to Witness Watson's rebuttal testimony ($16,996 decrease), (ii) correction to the Alliance RNG project accounts and related depreciation ($22,656 increase), correction to the New River RNG project accounts and related depreciation ($101,319 decrease), and revision to Brightmark RNG Project pipeline extension account and related depreciation ($447,369 increase). (Watson, Parsons)

ISSUE 23: What level of projected test year Construction Work in Progress (CWIP) should be approved?

PGS: The appropriate projected test year CWIP is $24,309,448 as shown on MFR Schedule G-1, page 1, line 2. (Parsons, Richard)

ISSUE 24: Has PGS made the proper adjustments to the Working Capital Allowance to reflect under recoveries and over recoveries in the projected test year related to the Purchased Gas Adjustment, Energy Conservation Cost Recovery, and CI/BSR? If not, what adjustments should be made?

PGS: Yes. The company has made the proper adjustments to the Working Capital Allowance to reflect under recoveries and over recoveries in the projected test year related to the Purchased Gas Adjustment, Energy Conservation Cost Recovery, and CI/BSR as shown in MFR Schedule G-1, pages 2 and 3. (Parsons)

ISSUE 25: What amount of projected test year unamortized rate case expense should be included in working capital?

PGS: The appropriate projected test year unamortized rate case expense is $3,247,810 as shown on MFR Schedule C-13. (Parsons)

ISSUE 26: What level of projected test year working capital should be approved?

PGS: The appropriate amount of projected test year working capital is a negative $28,047,011 as shown on MFR Schedule G-1, page 1, line 11. (Parsons)

ISSUE 27: What level of projected test year rate base should be approved?

PGS: The appropriate amount of projected test year rate base is $2,366,436,744. This amount reflects the $2,366,788,452 of adjusted rate base shown on MFR Schedule G-1, page 1, less the $351,708 adjustment included in Issue 22 to increase accumulated depreciation and amortization. (Parsons, Richard, O'Connor, Rutkin)

COST OF CAPITAL

ISSUE 28: What amount of projected accumulated deferred taxes should be approved for the projected test year capital structure?

PGS: The amount of accumulated deferred taxes to be included in the capital structure for the projected test year is $280,134,687. This amount reflects two adjustments to the $280,240,209 shown on MFR Schedule G-3, page 2. The first adjustment ($63,888 decrease) is related to the changes in depreciation expense that are also impacting accumulated depreciation and amortization in Issue 22. This decrease in accumulated deferred taxes is offset by adjustments to increase investor sources of capital. The second adjustment is for the decrease in rate base in Issue 27 allocated pro rata over all sources ($41,635 decrease). (Parsons)

ISSUE 29: What cost rate should be approved for the unamortized investment tax credits for the projected test year capital structure?

PGS: The cost rate of the unamortized investment tax credits to include in the projected test year capital structure is 8.49 percent, as shown on MFR Schedule G-3, page 2, line 6. (Parsons)

ISSUE 30: What amount and cost rate for customer deposits should be approved for the projected test year capital structure?

PGS: The cost rate of the customer deposits to include in the projected test year capital structure is 2.53 percent, as shown on MFR Schedule G-3, page 2, line 4. (Parsons)

ISSUE 31: What cost rate of short-term debt should be approved for the projected test year capital structure?

PGS: The appropriate amount of short-term debt for the projected test year is $99,659,737 and the cost rate is 4.85 percent. The $99.7 million amount reflects the $99,671,451 of short-term debt on MFR G-3, page 2, adjusted for the decrease in rate base in Issue 27 allocated pro rata over all sources ($14,812 decrease) and increased for pro rata allocation over investor sources of offset for change in accumulated deferred income taxes in Issue 28 ($3,097 increase). The 4.85 percent cost rate is shown on MFR G-3, page 4. OPC's proposal to disallow the company's incremental short-term interest expense associated with the 2023 Transaction should be rejected. (Parsons, McOnie)

ISSUE 32: What cost rate of long-term debt should be approved for the projected test year capital structure?

PGS: The appropriate amount of long-term debt for the projected test year is $832,087,724 and the cost rate is 5.54 percent. This amount reflects the company's forecasted long-term interest expense on a stand-alone basis based on its credit quality. The amount reflects the $832,185,531 of long-term debt on MFR G-3, page 2, adjusted for the decrease in rate base in Issue 27 allocated pro rata over all sources ($123,668 decrease) and increased for pro rata allocation over investor sources of offset for change in accumulated deferred income taxes in Issue 28 ($25,681 increase). The 5.54 percent cost rate is shown on MFR G-3, page 3. OPC's proposal to disallow the company's incremental long-term interest expense associated with the 2023 Transaction should be rejected. (Parsons, McOnie)

ISSUE 33: Has PGS made the proper adjustments to remove all non-utility investments from the projected test year common equity balance? If not, what adjustments should be made?

PGS: Yes. PGS has made the proper adjustments to remove all non-utility investments from the projected test year common equity balance as shown on MFR G-3, page 2 and Exhibit RBP-1, Document No. 9 to witness Parsons direct testimony. The Commission should reject OPC's proposed adjustment to remove its Three RNG Projects from its regulated revenue requirement. (Parsons, Buzard)

ISSUE 34: What equity ratio should be approved for the projected test year capital structure?

PGS: The appropriate equity ratio for the projected test year capital structure is 54.7 percent (investor sources). OPC's proposed equity ratio would not be sufficient to maintain the company's financial integrity, is far below actual levels since 1998, and should be rejected. (McOnie)

ISSUE 35: What return on equity (ROE) should be approved for establishing PGS's projected test year revenue requirement?

PGS: The appropriate authorized return on equity (ROE) for the projected test year is a midpoint of 11 percent with a range of plus or minus 100 basis points. OPC's proposed rate of return on equity is not reasonable and should be rejected. (D'Ascendis)

ISSUE 36: What capital structure and weighted average cost of capital should be approved for establishing PGS's projected test year revenue requirement?

PGS: The appropriate capital structure and average cost of capital is shown in the below table. The resulting average cost of capital is 7.42 percent. (Parsons)

	Jurisdictional Capital MFR G-3, p.2	ADIT Adj.	Rate Base Adj.	Jurisdictional Adjusted Capital	Capital Ratio	Cost Rate	Weighted Cost
Long Term Debt	832,185,531	25,861	(123,668)	832,087,724	35.16%	5.54%	1.95%
Short Term Debt	99,671,451	3,097	(14,812)	99,659,737	4.21%	4.85%	0.20%
Customer Deposits	27,528,183	-	(4,091)	27,524,092	1.16%	2.53%	0.03%
Deferred Taxes	280,240,209	(63,888)	(41,635)	280,134,687	11.84%	0.00%	0.00%
Tax Credit - Weighted	3,156,892	-	(469)	3,156,422	0.13%	8.49%	0.01%
Common Equity	1,124,006,187	34,929	(167,034)	1,123,874,082	47.49%	11.00%	5.22%
Total Capital	2,366,788,452	-	(351,708)	2,366,436,744	100.00%		7.42%

NET OPERATING INCOME

ISSUE 37: Has PGS made the proper adjustments to remove the Purchased Gas Adjustment, Natural Gas Conservation Cost Recovery Clause, and CI/BSR Revenues and Expenses from the projected test year? If not, what adjustments should be made?

PGS: Yes, as shown on MFR Schedule G-2, pages 2-3. (Parsons)

ISSUE 38: Has PGS made the proper adjustments to remove all non-utility activities from projected test year operating expenses, including depreciation and amortization expense? If not, what adjustments should be made?

PGS: Yes. The appropriate adjustments to remove all non-utility activities from operation expenses has been made, as shown on MFR Schedule G-2, pages 2-3. The Commission should reject OPC's proposed adjustment to remove its Three RNG Projects from its regulated revenue requirement. (Parsons, Buzard)

ISSUE 39: What amount of projected test year Uncollectible Accounts and Bad Debt should be included in the Revenue Expansion Factor?

PGS: The Bad Debt Expense is $1,611,232, as shown on MFR Schedule G-2, page 19b, line 7, and the bad debt rate of 0.2805 percent was incorporated into the Revenue Expansion Factor, as shown on MFR Schedule G-4. (Parsons)

ISSUE 40: What non-labor trend factors should be used for inflation and customer growth for the projected test year?

PGS: The appropriate non-labor trend factor for inflation is 2.80 percent and 2.20 percent for 2023 and 2024, respectively. The appropriate non-labor trend factor for customer growth is 3.81 percent and 3.23 percent for 2023 and 2024, respectively. (Parsons, Harper)

ISSUE 41: What amount of projected test year contractor and contract services cost should be approved?

PGS: The appropriate amount of projected test year contractor and contract services cost should be $24,989,844. This amount reflects a total of $25,179,844 included in PGS' filing less an adjustment of $190,000 for the decrease in the projected test year standalone audit fees based. (O'Connor, Richard, Rutkin, Parsons)

ISSUE 42: What number of projected test year employees should be approved?

PGS: The company has proven the need for each of its proposed additional employees and how those proposed additions moderate the need for outside contractor services in the test year, so OPC's staffing adjustments should be rejected. The appropriate number of projected 2024 test year employees should be an average of 837 after vacancy allowances. The 837 average count includes the following by month: January to February – 830, March to May – 834, May to December – 840. The 837 average employees in 2024 reflects the additional 90 and 64 employees shown on MFR Schedule G-2, pages 19c-19e. (Wesley, O'Connor, Richard, Rutkin, Bluestone, Parsons)

ISSUE 43: What amount of projected test year salaries and benefits, including incentive compensation, should be approved?

PGS: The company has demonstrated that its total compensation approach to setting employee compensation (which includes short-term and long-term incentive compensation for some employees) is targeted at the market median, reflects reasonable payroll escalation factors, and should be approved. The appropriate amount of projected test year salaries is \$56,858,043 as shown on MFR Schedule G-2, page 19a, line 26. The appropriate amount of projected test year short-term incentive compensation included in FERC account 920 is \$8,050,000 as shown on MFR Schedule G-2, page 19b, line 9. The appropriate amount of projected test year employee pension and benefits included in FERC account 926 is \$12,264,867 as shown on MFR Schedule G-2, page 18a, line 6. (Bluestone, Parsons)

ISSUE 44: Has PGS made the proper adjustments to remove lobbying, charitable contributions, sponsorships, and institutional and image advertising from the projected test year? If not, what adjustments should be made?

PGS: Not in its original filing; however, as reflected in Witness Parsons' rebuttal testimony, the company has agreed to make an adjustment to the projected test year O&M expense of \$439,337 to remove lobbying, charitable contributions, sponsorships, and institutional and image advertising. These adjustments arise from Commission Staff Audit findings, agreed upon reductions during a review of these items by Office of Public Counsel, and PGS self-disclosed reductions related to review of these items. (Parsons)

ISSUE 45: What amount of projected test year Economic Development Expense should be approved?

PGS: The appropriate amount of added Economic Development expense in the 2024 test year is \$265,498. This amount reflects the \$367,920 stated in the direct testimony of Witness O'Connor, pages 60-61 less a reduction of \$102,422 for the adjustments described in issue 44 related to economic development. (O'Connor)

ISSUE 46: What amount of projected test year annual storm damage accrual and storm damage reserve cap should be approved?

PGS: The company's proposed accrual and cap are reasonable based on experience, so OPC's proposal should be rejected. The appropriate amount of annual storm expense accrual is \$500,000 and the appropriate cap is \$5,000,000. (Parsons)

ISSUE 47: What adjustments, if any, should be made to projected test year expenses being incurred by, or charged to, PGS related to merger & acquisition development or pursuit activity?

PGS: None. The company's proposed 2024 test year O&M expenses do not include merger or acquisition related costs. (Wesley, Parsons)

ISSUE 48: What amount of projected test year Rate Case Expense should be approved? What amortization period should be used?

PGS: The appropriate rate case expense is $3,247,810 and amortization period is three years as shown on MFR Schedule C-13. (Parsons)

ISSUE 49: What amount of projected test year O&M expenses should be approved?

PGS: Peoples has demonstrated that its proposed 2024 O&M expense levels are reasonable and necessary for it to continue providing safe and reliable gas service in the rapidly growing areas it serves. OPC's broad-brush proposals to reduce the company's O&M expenses should be rejected. The appropriate amount of projected test year adjusted O&M expenses is $149,938,294. This reflects the $150,817,212 of adjusted O&M expenses on MFR Schedule G-2, page 1, line 5 less the following adjustments that are discussed in the rebuttal testimony of Witness Parsons: (i) reduction of $439,337 discussed in Issue 44, (ii) reduction of $189,347 for increased overhead cost allocation to SGT discussed in Issue 13, and (iii) reduction of $190,000 for the decrease in standalone audit fees discussed in Issue 41. (Wesley, O'Connor, Richard, Rutkin, Bluestone, Parsons)

ISSUE 50: What amount of projected test year Depreciation and Amortization Expense should be approved?

PGS: The appropriate amount of Depreciation and Amortization Expense for the 2024 projected test year used for calculating NOI is $87,866,040. This reflects the original amount of $87,613,968 on MFR Schedule G-2, page 1, line 6 (after regulatory adjustments and excludes vehicle depreciation expense that is charged through a transportation cost allocation to O&M and capital expenditures) adjusted for the following items included in Witness Parsons rebuttal testimony: (i) $33,728 reduction (excludes $2,564 reduction in vehicle depreciation expense) to reflect Witness Watson's depreciation study revisions included in his Exhibit No. DAW-2, Document No. 2 to his rebuttal testimony, (ii) correction to the Alliance RNG project accounts and related depreciation expense ($15,798 increase), (iii) correction to the New River RNG project accounts and related depreciation expense ($51,505 decrease), and (iv) revision to Brightmark RNG Project pipeline extension account and related depreciation expense ($321,507 increase). (Watson, Parsons)

ISSUE 51: What amount of projected test year Taxes Other than Income should be approved?

PGS: The appropriate amount of projected 2024 test year Taxes Other than Income is $29,963,341. This amount reflects the $31,701,341 shown on MFR Schedule G-2, page 1, less the $2,008,000 reduction to projected test year property tax expense included in Witness Parsons rebuttal testimony. (Parsons)

ISSUE 52: What amount of Parent Debt Adjustment is required by Rule 25-14.004, Florida Administrative Code?

PGS: Emera U.S. Holding Inc. (EUSHI) is the ultimate parent company used for purposes of calculating a parent debt adjustment as provided for in Rule 25-14.004. Peoples has included a parent company debt adjustment of $3,084,000, as shown on MFR Schedule C-26. (Parsons)

ISSUE 53: What amount of projected test year Income Tax Expense should be approved?

PGS: The appropriate amount of projected 2024 test year Income Tax Expense is $3,760,977. This reflects the net test year Income Tax Expense of $3,093,175 shown on MFR Schedule G-2, page 1, lines 10-13 plus an increase of $667,802, which is the income tax offset related to the $2,634,845 pre-tax decrease in Total Operating Expenses discussed in Issue 54. (Parsons)

ISSUE 54: What amount of projected test year Total Operating Expenses should be approved?

PGS: The appropriate amount of Total Operating Expenses for the projected 2024 test year is $271,762,735. This reflects the $273,729,779 amount shown on MFR Schedule G-2, page 1, line 16, less the total pretax operating expense adjustments included in Witness Parsons' rebuttal testimony Exhibit RBP-2, Document No.1 of $2,634,845, which is offset by the associated increase in test year Income Tax Expense of $667,802. The net adjustment is a decrease in Total Operating Expenses of $1,967,044 from the $273,729,779 shown on MFR Schedule G-2, page 1, line 16. (Parsons)

ISSUE 55: What amount of projected test year Net Operating Income should be approved?

PGS: The appropriate amount of Net Operating Income in the projected test year is $74,304,284. This reflects the $72,337,240 shown on MFR Schedule G-2, page 1, line 17 plus the $1,967,044 decrease in Total Operating Expenses in Issue 54. (Parsons)

REVENUE REQUIREMENTS

ISSUE 56: What revenue expansion factor and net operating income multiplier should be approved for the projected test year?

PGS: The appropriate revenue expansion factor in this case is 74.0723 percent and the net operating income multiplier proposed in this case is 1.3500, as shown on MFR Schedule G-4, page 1. (Parsons)

ISSUE 57: What annual operating revenue increase should be approved for the projected test year?

PGS: The appropriate operating revenue increase for the projected test year is $136,585,862, which includes the transfer of $11,647,804 of CI/BSR revenue requirements to base rates. This is a net decrease of approximately $2.7 million from the $139,271,846 Revenue Deficiency shown on MFR Schedule G-5. See the table below for calculations. (Parsons)

DESCRIPTION	MFR G-5 Amount	Adjustments	Adjusted Amount
ADJUSTED RATE BASE	$2,366,788,452	($351,708)	$2,366,436,744
REQUESTED RATE OF RETURN	7.42%		7.42%
N.O.I. REQUIREMENTS	175,501,571		175,478,997
LESS: ADJUSTED N.O.I.	72,337,240	1,967,044	74,304,284
N.O.I. DEFICIENCY	$103,164,331		$101,174,713
EXPANSION FACTOR	1.3500		1.3500
REVENUE DEFICIENCY	$139,271,846		$136,585,862

COST OF SERVICE AND RATE DESIGN

ISSUE 58: Should the Commission approve PGS's proposed cost of service study?

PGS: Yes. The Company's cost of service study appropriately reflects cost causation, and each allocation factor is consistent with the factors that drive the underlying costs of providing service to customers. (Therrien)

ISSUE 59: If the Commission grants a revenue increase to PGS, how should the increase be allocated to the rate classes?

PGS: The increase should be allocated to the rate classes to achieve an equalized rate of return for the Residential and Commercial rate classes and as shown for the company's proposed increase and rates on Document Nos. 6, 9, 10, 11, and 12 of Exhibit No. GT-1. (Therrien)

ISSUE 60: What customer charges should be approved?

PGS: The Commission should approve the customer charges shown in redline format on MFR E-9. They are fair, just, and reasonable. (Therrien, Wesley)

ISSUE 61: What per therm distribution charges should be approved?

PGS: The Commission should approve the per therm distribution charges shown in redline format on MFR E-9. They are fair, just, and reasonable. (Therrien, Wesley)

ISSUE 62: What miscellaneous service charges should be approved?

PGS: The Commission should approve the company's proposed miscellaneous service charges as shown on Document No. 3 of Exhibit No. KLB-1. They are fair, just, and reasonable. (Bramley)

ISSUE 63: Should the Commission approve PGS's revised annual residential rate reclassification review?

PGS: Yes. The proposed revisions are reasonable and should be approved. (Therrien, Bramley)

ISSUE 64: Should the Commission approve PGS's revision to the Residential and Commercial Generator rate design?

PGS: Yes. The proposed revisions are reasonable and should be approved. (Therrien, Bramley)

ISSUE 65: Should the Commission approve PGS's revised termination fee for the Natural Choice Transportation Program (Tariff Sheet No. 7.803-3)?

PGS: Yes. The proposed revised termination fee is reasonable and should be approved. (Bramley)

ISSUE 66: Should the Commission approve PGS's revised Individual Transportation Administration Fee (Tariff Sheet No. 7.805)?

PGS: Yes. The proposed revised fee is reasonable and should be approved. (Bramley)

ISSUE 67: Should the Commission approve PGS's new Minimum Volume Commitment provision (Tariff Sheet No. 5.601) and associated Agreement (Tariff Sheet Nos. 8.126-8.126-11)?

PGS: Yes. The proposed new provision is reasonable and should be approved. (Rutkin, Bramley)

ISSUE 68: Should the Commission approve PGS's non-rate related tariff modifications?

PGS: Yes. The proposed revisions are reasonable and should be approved. (Bramley)

ISSUE 69: Should the Commission approve PGS's proposed tariffs reflecting the Commission-approved target revenues?

PGS: Yes. **(**Therrien)

ISSUE 70: What is the effective date for PGS's revised rates and charges?

PGS: The revised base rates and charges approved in this case should be effective with the first billing cycle in January 2024. (Bramley)

OTHER ISSUES

ISSUE 71: Should the Commission approve PGS's proposed long-term debt cost rate true up mechanism?

PGS: Ye. The proposed mechanism is appropriate under the circumstances and fairly protects the general body of ratepayers. (Parsons)

ISSUE 72: What adjustments, if any, should be made to the projected test year related to the spin-off of PGS?

PGS: None. The 2023 Transaction adopted a commonly used business structure for Peoples and is prudent. It will sequester risks and allow Peoples to focus on providing safe and reliable gas service to customers and meet the growing demand for gas in Florida. The type of recurring incremental costs (audit fees, credit rating agency fees, interest expense) are the kind of expenses routinely incurred by regulated utilities and recovered through base rates. The level of projected short-term and long-term interest expense reflect the company's forecasted, market-based borrowing costs on a stand-alone basis [Insert to come] (Wesley, Parsons)

ISSUE 73: Should the Commission approve PGS's proposal for addressing a change in tax law?

PGS: Yes. The proposed mechanism is fair and balanced and has been used successfully to efficiently adjust base rates to reflect state and federal income tax rate changes. (Parsons)

ISSUE 74: Should PGS be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

PGS: Yes. Peoples does not object to a requirement like this. (Parsons)

ISSUE 75: Should this docket be closed? (Legal)

PGS: Yes. This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired. (Legal)

F. STIPULATED ISSUES

PGS: None at this time, but Peoples will work with the parties to stipulate issues where possible.

G. PENDING MOTIONS

PGS: None at this time.

H. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

The following requests for confidential classification ("RCC") and motions for temporary protective orders ("MTPO") have been filed and are pending:

Date Filed	Type	Subject Matter
5/16/2023	MTPO	OPC's 4th IRR & 4th POD
5/22/2023	MTPO	OPC's 5th POD
6/05/2023	RCC	Staff's 2nd IRR (Nos. 19, 22)
6/06/2023	MTPO	OPC'S 8th IRR
6/07/2023	MTPO	OPC's 8th POD
6/08/2023	MTPO	OPC's 10th IRR
6/14/2023	MTPO	OPC.s 9th POD
6/14/2023	MTPO	Late Filed Exhibits

6/16/2023	RCC	Staff's 3rd IRR/3rd POD (multiple)
6/20/2023	MTPO	OPC's 1st POD (No. 29)
6/29/2023	RCC	Direct Testimony/Exhibits Lane Kollen
7/05/2023	RCC	OPC's 4th POD (No. 77)
7/05/2023	MTPO	OPC's 10th POD
7/06/2023	RCC	Deposition Transcripts/Exhibits Wesley and Panel
7/07/2023	RCC	Deposition Transcripts/Exhibits Wesley and Panel *Amended RCC*
7/11/2023	RCC	Staff's 3rd IRR (No. 67)
7/11/2023	RCC	Deposition Transcript/Exhibits Lew Rutkin, Jr.
7/11/2023	RCC	Deposition Transcript/ Exhibits Timothy O'Connor
7/12/2023	RCC	Staff's June 5, 2023 Request for OPC discovery
7/18/2023	RCC	Deposition Transcript/Exhibits Christian Richard
7/20/2023	RCC	Rebuttal Exhibits Rachel Parsons and Luke Buzard
7/24/2023	RCC	OPC's 10th POD (No. 98)
7/25/2023	RCC	Staff's Supplemental 3rd POD (No. 11)
8/01/2023	RCC	Staff's 7th IRR (Nos. 128-129)
8/08/2023	RCC	Staff's 7th POD (No. 27)

I. OBJECTIONS TO A WITNESS'S QUALIFICATIONS

PGS: None.

J. REQUEST FOR SEQUESTRATION OF WITNESSES

PGS does not request the sequestration of witnesses.

K. COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

PGS: Peoples has complied with all requirements of the Order Establishing Procedure No. PSC-2023-0128-PCO-GU.

DATED this 10th day of August, 2023.

Respectfully submitted,

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____

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement, filed on behalf of Peoples Gas System Inc., has been served by electronic mail on this 10th day of August, 2023 to the following:

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