FLORIDA PUBLIC SERVICE COMMISSION

Item 1

VOTE SHEET

FILED 11/9/2023
DOCUMENT NO. 06020-2023
FPSC - COMMISSION CLERK

November 9, 2023

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

Issue 1: Is PGS's projected test period of the twelve months ending December 31, 2024, appropriate?
Recommendation: Yes, PGS's projected test period of the twelve months ending December 31, 2024, is appropriate.

APPROVED

COMMISSIONERS ASSIGNED: **All Commissioners**

COMMISSIONERS' SIGNATURES

MAJORITY	DISSENTING

REMARKS/DISSENTING COMMENTS: Oral Modification, assigned DN 05980-2023, is attached.

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

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?
Approved Type 2 Stipulation: 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.

APPROVED

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?
Approved Type 2 Stipulation: 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.

APPROVED

Issue 4: Is the quality of service provided by PGS adequate?
Recommendation: Yes, the quality of service provided by PGS is adequate.

APPROVED

(Continued from previous page)

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?
Approved Type 2 Stipulation: Yes. The Commission shall 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 17) will match the period over which the project will generate revenues, that the costs of the project will be removed 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.

APPROVED

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?
Recommendation: No, vehicle retirements were not properly matched to the level of additional vehicles included in rate base. However, staff recommends no adjustments to net operating income or rate base because any corrective adjustment would be immaterial.

APPROVED

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?
Recommendation: Staff's recommended depreciation parameters and resulting depreciation rates for each plant account are shown in Table 7-2 of staff's memorandum dated October 31, 2023.

APPROVED

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

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?
Approved Type 2 Stipulation: Although the terms of the 2020 Agreement approved by the Commission in Order No. PSC-2020-0485-FOF-GU, suggests otherwise, the Company agrees with OPC that the depreciation rates that become effective on January 1, 2024 should be calculated using a depreciation study date of December 31, 2023.

APPROVED

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?
Recommendation: Based on the application of the depreciation parameters that staff recommends in Issue 7, the resulting imbalance is a surplus of $160.4 million.

APPROVED

Issue 10: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 9?
Recommendation: Staff recommends using the remaining life technique to correct the reserve imbalance identified in Issue 9.

APPROVED

(Continued from previous page)

Issue 11: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?
Approved Type 2 Stipulation: The implementation date should be January 1, 2024.

APPROVED

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?
Approved Type 2 Stipulation: 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.

APPROVED

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?
Recommendation: No. Staff recommends an additional $189,347, before gross-up, be removed from the Company's as-filed proposed revenue requirement to account for additional costs attributable to the operations of SGT. Staff also recommends the Commission direct PGS to file a comprehensive procedural review and associated cost study of the support it provides to SGT contemporaneously with its next base rate proceeding.

APPROVED

(Continued from previous page)

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?
Approved Type 2 Stipulation: Yes. The appropriate CI/BSR 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.

APPROVED

Issue 15: Should PGS's proposed Advanced Metering Infrastructure (AMI) Pilot be approved? If not, what adjustments should be made?
Recommendation: Yes. The AMI Pilot should be approved and staff recommends that PGS provide a final report with a summary of the findings to the Commission within 90 days of completion of the AMI Pilot. No adjustments are recommended.

APPROVED

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?
Approved Type 1 Stipulation: The New River RNG Project (interconnection) was planned and executed based on and in reliance on the Company's Rate Schedule RNGS and will be included above the line in the calculation of the Company's 2024 revenue requirement, with whether to use deferral accounting for the project as proposed by OPC to be decided under subsequent issues. Subject to the Commission's approval in this docket of the Company's new Renewable Natural Gas Interconnection Service tariff (RNGIS) to be effective January 1, 2024 as agreed to with OPC, the Company will close its RNGS tariff to new projects effective August 29, 2023, so New River and Brightmark will be the only two projects it undertakes under that rate schedule.

APPROVED

(Continued from previous page)

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?
Approved Type 1 Stipulation: The Brightmark RNG Project (bio conditioning and interconnection) was planned and executed based on and in reliance on the Company's Rate Schedule RNGS and will be included above the line in the calculation of the Company's 2024 revenue requirement, with whether to use deferral accounting for the project as proposed by OPC to be decided under subsequent issues. Subject to the Commission's approval in this docket of the Company's new Renewable Natural Gas Interconnection Service tariff (RNGIS) to be effective January 1, 2024 as agreed to with OPC, the Company will close its RNGS tariff to new projects effective August 29, 2023, so New River and Brightmark will be the only two projects it undertakes under that rate schedule.

APPROVED

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?
Approved Type 1 Stipulation: No. The Alliance Dairies RNG Project should be accounted for on an unregulated, below-the-line basis and the Company's proposed revenue requirement should be increased by approximately $220,000 to reflect the movement of this project below the line.

APPROVED

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?
Recommendation: Yes. PGS has properly reflected the cost saving benefits of $750,000 in reduced operation and maintenance (O&M) expenses to be gained from implementation of the WAM system in the projected test year. No further adjustments are recommended.

APPROVED

(Continued from previous page)

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?
Approved Type 1 Stipulation: 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.

APPROVED

Issue 21: What level of projected test year plant in service should be approved?
Recommendation: Based on the stipulation in Issue 18 and staff's recommendation in Issue 42, staff recommends that projected test year plant in service be reduced by $11,844,552. As such, the appropriate level of projected test year plant in service should be $3,296,475,850.

APPROVED

Issue 22: What level of projected test year plant accumulated depreciation and amortization should be approved?
Recommendation: Based on the stipulations in Issues 5 and 18 and staff's recommendation in Issues 7 and 50, projected test year accumulated depreciation and amortization should be decreased by $258,577. As such, the appropriate level of projected test year accumulated depreciation and amortization should be $922,567,707.

APPROVED

(Continued from previous page)

Issue 23: What level of projected test year Construction Work in Progress (CWIP) should be approved?
Recommendation: Based on staff's recommendation in Issue 49, projected test year CWIP should be increased by $2,125,283. As such, the appropriate level of projected test year CWIP is $26,434,732.

APPROVED

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?
Approved Type 2 Stipulation: 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.

APPROVED

Issue 25: What amount of projected test year unamortized rate case expense should be included in working capital?
Approved Type 1 Stipulation: None. The Company did not include unamortized rate case expense in working capital for the 2024 projected test year.

APPROVED

Issue 26: What level of projected test year working capital should be approved?
Approved Type 2 Stipulation: 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.

APPROVED

(Continued from previous page)

Issue 27: What level of projected test year rate base should be approved?
Recommendation: The appropriate level of projected test year rate base should be $2,357,327,760.

APPROVED

Issue 28: What amount of projected accumulated deferred taxes should be approved for the projected test year capital structure?
Recommendation: The amount of accumulated deferred taxes to be included in the projected test year capital structure should be $277,551,630.

APPROVED

Issue 29: What cost rate should be approved for the unamortized investment tax credits for the projected test year capital structure?
Recommendation: Due to the removal of the Alliance Dairies RNG project from rate base, PGS does not have any unamortized investment tax credits in the projected test year capital structure. However, the appropriate cost rate for unamortized investment tax credits for the projected test year capital structure should be 8.03 percent.

APPROVED

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

Issue 30: What amount and cost rate for customer deposits should be approved for the projected test year capital structure?
Approved Type 1 Stipulation: The amount of customer deposits for the 2024 projected test year is $27,528,000. 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.

APPROVED

Issue 31: What cost rate of short-term debt should be approved for the projected test year capital structure?
Recommendation: The appropriate cost rate short-term debt of the projected test year capital structure should be 4.85 percent.

APPROVED

Issue 32: What cost rate of long-term debt should be approved for the projected test year capital structure?
Recommendation: The appropriate cost rate of long-term debt for the projected test year capital structure is 5.54 percent.

APPROVED

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?
Recommendation: Yes, PGS has made the proper adjustments to remove all non-utility investments from the projected test year common equity balance and staff recommends no additional adjustments should be made.

APPROVED

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

Issue 34: What equity ratio should be approved for the projected test year capital structure?
Recommendation: An equity ratio of 54.7 percent based on investor sources is appropriate and should be approved for the projected test year capital structure.

APPROVED

Issue 35: What return on equity (ROE) should be approved for establishing PGS's projected test year revenue requirement?
Recommendation: The appropriate ROE for establishing PGS's projected test year revenue requirement is 10.15 percent with a range of plus or minus 100 basis points.

APPROVED

Issue 36: What capital structure and weighted average cost of capital should be approved for establishing PGS's projected test year revenue requirement?
Recommendation: A capital structure consisting of 54.7 percent common equity, 40.5 percent long-term debt, and 4.8 percent short-term debt as a percentage of investor sources should be approved for the 13-month average test year ending December 31, 2024. A weighted average cost of capital of 7.016 percent should be approved for establishing PGS's projected test year revenue requirement and setting rates in this proceeding.

APPROVED

(Continued from previous page)

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?
Approved Type 2 Stipulation: Yes, as shown on MFR Schedule G-2, pages 2-3.

APPROVED

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?
Recommendation: Although not completely removed in PGS's original filing, adjustments for non-utility activities are addressed by staff's recommendation in Issue 13 and the stipulation in Issue 44. As such, no further adjustments are necessary.

APPROVED

Issue 39: What amount of projected test year Uncollectible Accounts and Bad Debt should be included in the Revenue Expansion Factor?
Approved Type 1 Stipulation: 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.

APPROVED

(Continued from previous page)

Issue 40: What non-labor trend factors should be used for inflation and customer growth for the projected test year?
Approved Type 2 Stipulation: 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.

APPROVED

Issue 41: What amount of projected test year contractor and contract services cost should be approved?
Recommendation: Staff recommends that $20,827,232 in projected test year contractor and contract services cost should be approved. This amount reflects an adjustment of $206,000 associated with displaced outside services and approximately $3.9 million associated with Stipulated Issue 18.

APPROVED

Issue 42: What number of projected test year employees should be approved for ratemaking purposes?
Recommendation: The number of projected test year employees that should be approved for ratemaking purposes is 824. As such, projected test year salaries and benefits should be decreased by $1,283,841.

APPROVED

Issue 43: What amount of projected test year salaries and benefits, including incentive compensation, should be approved?
Recommendation: The amount of projected test year salaries and benefits, including incentive compensation, should be $74,642,638.

APPROVED

(Continued from previous page)

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?
Approved Type 1 Stipulation: 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 $500,000 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.

APPROVED

Issue 45: What amount of projected test year Economic Development Expense should be approved?
Approved Type 2 Stipulation: 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.

APPROVED

Issue 46: What amount of projected test year annual storm damage accrual and storm damage reserve cap should be approved?
Approved Type 1 Stipulation: The Company agrees to maintain its existing annual storm damage accrual of $380,000 and its existing storm reserve target of $3.8 million without prejudice to its ability to seek relief pursuant to Section 25-7.0143(1)(j), Florida Administrative Code.

APPROVED

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

Issue 59: If the Commission grants a revenue increase to PGS, how should the increase be allocated to the rate classes?
Approved Type 2 Stipulation: The increase shall 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.

APPROVED

Issue 60: What customer charges should be approved?
Recommendation: This is a fallout issue and will be decided at the December 5, 2023 Commission Conference.

Issue 61: What per therm distribution charges should be approved?
Recommendation: This is a fallout issue and will be decided at the December 5, 2023 Commission Conference.

Issue 62: What miscellaneous service charges should be approved?
Approved Type 2 Stipulation: The Commission shall 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.

APPROVED

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

Issue 63: Should the Commission approve PGS's revised annual residential rate reclassification review?
Approved Type 2 Stipulation: Yes. The proposed revisions are reasonable and shall be approved.

APPROVED

Issue 64: Should the Commission approve PGS's revision to the Residential and Commercial Generator rate design?
Approved Type 2 Stipulation: Yes. The proposed revisions are reasonable and shall be approved.

APPROVED

Issue 65: Should the Commission approve PGS's revised termination fee for the Natural Choice Transportation Program (Tariff Sheet No. 7.803-3)?
Approved Type 2 Stipulation: Yes. The proposed revisions are reasonable and shall be approved.

APPROVED

Issue 66: Should the Commission approve PGS's revised Individual Transportation Administration Fee (Tariff Sheet No. 7.805)?
Approved Type 2 Stipulation: No. The Company's existing Individual Transportation Fee should remain in effect.

APPROVED

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

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)?
Approved Type 2 Stipulation: Yes. The proposed revisions are reasonable and shall be approved.

APPROVED

Issue 68: Should the Commission approve PGS's non-rate related tariff modifications?
Approved Type 2 Stipulation: Yes. The proposed revisions are reasonable and shall be approved.

APPROVED

Issue 69: Should the Commission approve PGS's proposed tariffs reflecting the Commission-approved target revenues?
Recommendation: This is a fallout issue and will be decided at the December 5, 2023 Commission Conference. Within five business days of today's vote, the Company should be required to file a revised cost of service and tariffs to reflect the Commission-approved revenue increase.

Issue 70: What is the effective date for PGS's revised rates and charges?
Recommendation: This is a fallout issue and will be decided at the December 5, 2023 Commission Conference.

(Continued from previous page)

Issue 71: Should the Commission approve PGS's proposed long-term debt cost rate true-up mechanism?
Recommendation: Yes. The Commission should approve PGS's proposed long-term debt cost rate true-up mechanism.

APPROVED

Issue 72: What adjustments, if any, should be made to the projected test year related to the spin-off of PGS?
Recommendation: No adjustments should be made to the projected test year related to the spin-off of PGS.

APPROVED

Issue 73: **WITHDRAWN**

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?
Recommendation: Yes. PGS should 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.

APPROVED

Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.
Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.
Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

(Continued from previous page)

Issue 75: Should this docket be closed?
Recommendation: This docket should remain open for the Commission to determine the final rates at the December 5, 2023 Commission Conference.

APPROVED

FILED 11/7/2023
DOCUMENT NO. 05980-2023
FPSC - COMMISSION CLERK

Hiep Nguyen

From:	Asha Maharaj-Lucas
Sent:	Tuesday, November 7, 2023 7:59 AM
To:	Braulio Baez; Mark Futrell; Apryl Lynn; Keith Hetrick; Mary Anne Helton; Adam Teitzman; CLK - Agenda Staff; Commissioners & Staffs; Cindy Muir; Dylan Andrews; Amber Norris; Dale Buys; Mark Cicchetti; Curt Mouring; Bill McNulty; Laura King; Cissy Galloway; Phillip Ellis; Marissa Ramos; Donna Brown; Ryan Sandy; Major Thompson; Daniel Dose; Austin Watrous
Cc:	Kate Hamrick; Jacqueline Moore; Nancy Harrison
Subject:	Request for Approval to Make an Oral Modification - Item #1 - November 9, 2023 Special Agenda Conference - Docket No. 20230023-GU

Hello:

Please see the approval of the oral modification to Item 1 on the November 9, 2023, Special Agenda Conference - for docket no. 20230023-GU, below.

Thanks
Asha

From: Braulio Baez <BBaez@PSC.STATE.FL.US>
Sent: Monday, November 06, 2023 5:44 PM
To: Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>
Subject: FW: Request for Approval to Make an Oral Modification - Item #1 - November 9, 2023 Special Agenda Conference - Docket No. 20230023-GU

Approved

Sent from my T-Mobile 5G Device

-------- Original message --------
From: Andrew Maurey <AMaurey@PSC.STATE.FL.US>
Date: 11/6/23 5:08 PM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>, Mark Futrell <MFutrell@PSC.STATE.FL.US>
Cc: Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>, Kate Hamrick <KHamrick@psc.state.fl.us>, Mary Anne Helton <MHelton@PSC.STATE.FL.US>, Mark Cicchetti <MCICCHET@PSC.STATE.FL.US>, Tom Ballinger <TBalling@PSC.STATE.FL.US>, Elisabeth Draper <EDraper@PSC.STATE.FL.US>
Subject: Request for Approval to Make an Oral Modification - Item #1 - November 9, 2023 Special Agenda Conference - Docket No. 20230023-GU

Staff requests approval to make an oral modification to staff's post hearing recommendation in Docket Nos. 20220212-GU - Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.; 20220219-GU - Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.;

and 20230023-GU - Petition for rate increase by Peoples Gas System, Inc., currently scheduled for the November 9, 2023 Special Agenda Conference.

Staff's modification in Issue 51 is necessary to correct a formula error used to calculate a fallout payroll tax adjustment, which caused other formula errors within staff's work papers. This correction also modifies amounts in Issues 53, 54, 55, and 57, along with Attachments 3 and 5.

ISSUE 51, Page 139, Recommendation Statement

Based on the stipulation in Issue 18 and staff's recommendation in Issues 42 and 43, projected test year Taxes Other than Income (TOTI) should be decreased by $2,276,379 ~~$2,271,748~~. As such, the appropriate amount of TOTI for the projected test year should be $29,424,962 ~~$29,429,593~~.

ISSUE 51, Page 140, Analysis

A reduction to salaries and benefits in Issues 42 and 43, results in a corresponding reduction of $179,692 ~~$175,061~~ to payroll taxes. Therefore, staff recommends that TOTI be reduced by a total of $2,271,748. As such, the appropriate amount of TOTI for the projected test year should be $29,429,593.

ISSUE 51, Page 140, Conclusion

Based on the stipulation in Issue 18 and staff's recommendation in Issues 42 and 43, projected test year Taxes Other than Income (TOTI) should be decreased by $2,276,379 ~~$2,271,748~~. As such, the appropriate amount of TOTI for the projected test year should be $29,424,962 ~~$29,429,593~~.

ISSUE 53, Page 143, Recommendation Statement and Analysis

Based on the stipulation in Issue 18 and staff's recommendation in Issues 49, 50, 51, and 52, projected test year Income Tax Expense should be increased by $1,814,368 ~~$1,798,523~~. As such, the appropriate amount of Income Tax Expense for the projected test year, including current and deferred income taxes and interest synchronization, should be $4,907,543 ~~$4,891,698~~.

ISSUE 53, Page 144, Table 53-1

MFR Amount Requested	$3,093,175
Staff Fallout Adjustments:	
Parent Debt Adjustment	($129,476)
Interest Synchronization	22,684
Other Issues—Federal Income Tax	1,814,368 ~~1,491,852~~
Other Issues—State Income Tax	416,902 ~~413,464~~
Total Staff Adjustments	$1,814,368 ~~$1,798,523~~
Staff Adjusted Amount	$4,907,543 ~~$4,891,698~~

ISSUE 53, Page 144, Conclusion

Based on the stipulation in Issue 18 and staff's recommendation in Issues 49, 50, 51, and 52, projected test year Income Tax Expense should be increased by $1,814,368 ~~$1,798,523~~. As such, the appropriate amount of Income Tax Expense for the projected test year, including current and deferred income taxes and interest synchronization, should be $4,907,543 ~~$4,891,698~~.

ISSUE 54, Page 145, Recommendation Statement and Conclusion

The appropriate amount of projected test year Total Operating Expenses should be $262,238,021 ~~$262,284,692~~.

ISSUE 54, Page 145, Recommendation Statement and Conclusion

Based on staff's recommended adjustments to the projected test year amounts of O&M Expense, Depreciation and Amortization Expense, TOTI, and Income Tax Expense in Issues 49, 50, 51, and 53, respectively, the appropriate amount of projected test year Total Operating Expenses should be $262,238,021 ~~$262,284,692~~.

ISSUE 55, Page 146, Recommendation Statement, Analysis, and Conclusion

Based on the stipulation in Issue 18 and staff's recommendation in Issue 54, the appropriate amount of projected test year Net Operating Income should be $78,102,907 ~~$78,056,236~~.

ISSUE 57, Page 148, Recommendation Statement

The appropriate annual operating revenue increase for the projected test year should be $117,839,527 ~~$117,902,534~~.

ISSUE 57, Page 152, Fallout and Table 57-1

The appropriate annual operating revenue increase for the projected test year should be $117,839,527 ~~$117,902,534~~.

Operating Revenue Increase	$117,839,527 ~~$117,902,534~~
CI/BSR Revenue	(11,156,958)
Incremental Revenue Increase	$106,682,569 ~~$106,745,576~~

ISSUE 57, Page 152, Conclusion

The appropriate annual operating revenue increase for the projected test year should be $117,839,527 ~~$117,902,534~~.

ATTACHMENT 3, Page 2 of 2

COMPARATIVE NET OPERATING INCOME

PEOPLES GAS SYSTEMS
DOCKET NO. 20230023-GU
PTY 12/31/24

ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED
	AMORTIZATION EXP. - OTHER	$1,000,000		
	TOTAL AMORTIZATION EXP. - OTHER	$1,000,000	$0	$1,000,000
	TAXES OTHER THAN INCOME	$32,748,644		

	TOTI Corresponding to Fuel Revenues		(1,043,800)		
	2024 CI/BS Rider		(3,504)		
18	Removal of Alliance RNG Project				
51	Fallout Adj. - Payroll Tax				
51	Property Tax Correction				
	TOTAL TAXES OTHER THAN INCOME	$32,748,644	($1,047,304)	$31,701,341	
	INCOME TAX EXPENSE				
	Income Taxes	($16,432,949)			
	Income Taxes - Deferred	22,489,825			
	Taxes Corresponding to Test Year Adjustments		(3,289,038)		
	Interest Synchronization		325,338		
52	Fallout Adj. - Parent Debt				
53	Fallout Adj. - Interest Synchronization				
53	Fallout Adj. - Federal Income Taxes				
53	Fallout Adj. - State Income Taxes				
	TOTAL INCOME TAXES	$6,056,876	($2,963,701)	$3,093,175	
	GAIN ON SALE OF PROPERTY	($495,917)			
	TOTAL GAIN ON SALE OF PROPERTY	($495,917)	$0	($495,917)	
	TOTAL OPERATING EXPENSES	$506,773,120	($233,043,341)	$273,729,779	(:
	NET OPERATING INCOME	($166,432,192)	$2,154,811	$72,337,240	

ATTACHMENT 5

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

PEOPLES GAS SYSTEMS — ATTACHMENT 5

DOCKET NO. 20230023-GU

PTY 12/31/24

		COMPANY ADJUSTED		STAFF RECOMMENDED
RATE BASE (AVERAGE)		$2,366,788,452		$2,357,327,760
RATE OF RETURN	X	7.42%	X	7.02%

REQUIRED NOI	$175,542,307	$165,389,334
ACHIEVED NOI	72,337,240	78,102,907 ~~78,056,236~~
NET REVENUE DEFICIENCY	$103,205,067	$87,286,427 ~~$87,333,098~~
REVENUE EXPANSION FACTOR	1.3500	1.3500
REVENUE DEFICIENCY	$139,330,211	$117,839,527 ~~$117,902,534~~
Cast Iron/Bare Steel Rider Revenues	(11,693,817)	(11,156,958)
INCREMENTAL REVENUE INCREASE	$127,636,394	$106,682,569 ~~$106,745,576~~

Amber Mitchell Norris
Division of Accounting and Finance
Florida Public Service Commission
AMNorris@PSC.STATE.FL.US
850-413-6984