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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20230023-GU

Petition for rate increase by Peoples
Gas Systems, Inc.

_____/_____
DOCKET NO. 20220219-GU

Petition for approval of 2022 depreciation
study by Peoples Gas Systems, Inc.

_____/_____
DOCKET NO. 20220212-GU

Petition for approval of depreciation rate
and subaccount for renewable natural gas
facilities leased to others by Peoples
Gas Systems, Inc.

PROCEEDINGS: SPECIAL AGENDA CONFERENCE

COMMISSIONERS
PARTICIPATING: CHAIRMAN ANDREW GILES FAY
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Thursday, November 9, 2023

TIME: Commenced: 10:30 a.m.
Concluded: 10:51 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN FAY: All right. If everyone would
3 grab their seats.

4 All right. We will now call the November 9th
5 Special Agenda Conference to order.

6 Ms. Norris, you want to introduce the item?

7 MS. NORRIS: Yes, sir. Good morning. Amber
8 Norris with Commission staff.

9 Today's Special Agenda is to address the
10 petition filed on April 4th, 2023, by Peoples Gas
11 Systems, seeking Commission approval of a base rate
12 increase. This recommendation also addresses
13 additional dockets related to depreciation.

14 PGS is a natural gas local distribution
15 company providing sales and transportation delivery
16 of natural gas. As a wholly-owned subsidiary of
17 TECO Gas Operations, Incorporated, PGS currently
18 serves approximately 470,000 residential,
19 commercial, industrial and electric power
20 generation customers in 39 counties. The last
21 approved rate case for PGS was filed in 2020 and
22 was resolved by the Commission's approval of a
23 settlement agreement.

24 PGS stated that the key drivers for this
25 proposed rate increase were growth in rate base as

1 the company keeps pace with growing customer
2 demand, as well as statewide growth and
3 construction resulting in higher depreciation
4 expense. Also contributing to increasing costs to
5 operate our changing pipeline safety and security
6 regulations, higher inflation, and changes to the
7 company's cost of capital associated with financial
8 marks.

9 Two in-person and four virtual service
10 hearings were held in June and July of this year.
11 An administrative hearing was held from September
12 12th through 15th. At that hearing, the Commission
13 approved several stipulated issues as noted in
14 staff's recommendation.

15 Staff has prepared a suggested voting block
16 chart to address all the remaining revenue
17 requirement issues in this docket. The order
18 includes taking a block of net operating issues out
19 of order, as well as Issues 71 and 72.

20 The subsequent rate issues, Issues 60, 61, 69
21 and 70, will be brought before the Commission at
22 the December 5th, 2023 Special Agenda.

23 An oral modification was approved to correct
24 the calculation of a payroll tax adjustment and
25 subsequent fallout adjustments. The oral

1 modification been placed in the docket file.

2 This is a post-hearing decision with
3 participation limited to Commissioners and staff.

4 Staff is available for any questions.

5 CHAIRMAN FAY: Okay. Great. Thank you, Ms.
6 Norris.

7 All right. Commissioners, we have the
8 recommendation on this docket before us, rate case
9 before us. We can start, if there are any
10 questions, or if you would like to make any
11 comments in general about the rate case itself
12 before we go into the different voting blocks at
13 this time.

14 Commissioner La Rosa, you are recognized.

15 COMMISSIONER LA ROSA: Thank you, Chairman.

16 I will just start with just saying this,
17 because you created the opportunity, that this was
18 obviously a very balanced -- I shouldn't say
19 obviously, but this was a very balanced case in
20 front of us. I think staff did a very good job of
21 laying things out. I think there was a lot of
22 detail where detail was necessary, and it was very
23 helpful to me as we went through our overview and
24 processing of the case, so I certainly thank you,
25 staff, for your hard work in putting all of this

1 together, and I think the detail -- there is a lot
2 of good detail within this.

3 CHAIRMAN FAY: Great. Well said. Yeah, I am
4 involved in rate school with NARUC, and I always
5 think of some of these things when I see them in
6 our actual rule dockets, and I agree with
7 Commissioner La Rosa, a lot of these components
8 were done very well by staff in the recommendation.

9 So any other Commissioners with comments?
10 Showing none, then, what we will do is we will lay
11 out some specific blocks for items to vote on, and
12 we will take those up as it relates to the
13 recommendation.

14 Commissioners, if we do have -- I know it's a
15 very thorough recommendation, but if we do have
16 items that potentially would be impacted through
17 fallout, where we change a number on something, we
18 will just make sure that that's reflected in the
19 record and allow staff to make the appropriate
20 changes through that fallout. So with that said,
21 we provide you the authority to do that, but there
22 might be specifics, if changed, that we can go
23 over, and if we need to go back and adjust
24 something in a vote, please let me know so we can
25 do so. Otherwise, we would start with the test

1 period and forecasting components.

2 Commissioners, the item -- Item 2 and 3 were
3 stipulations, so we would be voting on item --
4 Issue 1 specifically for the projected test year.
5 So if -- I know we've had time to review this. Do
6 you have any of questions or comments, or I am
7 happy to take up a motion on Item 1 -- or Issue 1,
8 I should say. Excuse me.

9 COMMISSIONER CLARK: Move to approve the
10 projected test period, Mr. Chairman.

11 COMMISSIONER GRAHAM: Second.

12 CHAIRMAN FAY: Okay. We have a motion and
13 seconds to approve the staff recommendation on the
14 test year on Issue 1.

15 All that approve say aye.

16 (Chorus of ayes.)

17 CHAIRMAN FAY: Okay. Show Issue 1 passes
18 unanimously.

19 All right. Next we will move to quality of
20 service. That is Issue No. 4. We will take up any
21 questions or comments on that issue.

22 Showing none, we will take up a motion on
23 Issue 4.

24 COMMISSIONER CLARK: Move to approve Issue No.
25 4, Mr. Chairman.

1 COMMISSIONER GRAHAM: Second.

2 CHAIRMAN FAY: Okay. We have a motion and a
3 second.

4 All that approve say aye.

5 (Chorus of ayes.)

6 CHAIRMAN FAY: Okay. Show Issue No. 4, under
7 quality of service, passes unanimously.

8 Okay. Now we are going to move to some bigger
9 blocks, Commissioners, so we will move to the
10 depreciation study component. We have Issues 5, 8
11 and 11 have been approved through Type 2
12 stipulations. We will take up 6, 7, 9 and 10 under
13 the depreciation study.

14 So showing those issues under depreciation
15 study, are there any questions or comments,
16 Commissioner Clark? Nope. I saw your light on.
17 Sorry, go ahead.

18 COMMISSIONER CLARK: I am sorry.

19 CHAIRMAN FAY: Okay. Good.

20 Showing no questions or comments, we will take
21 up a motion on Issues 5 -- excuse me, 6, 7, 9 and
22 10.

23 COMMISSIONER CLARK: Move to approve, Mr.
24 Chairman.

25 COMMISSIONER GRAHAM: Second.

1 CHAIRMAN FAY: Okay. Have a motion and a
2 second for approval of Issues 6, 7, 9 and 10.

3 All that approve say aye.

4 (Chorus of ayes.)

5 CHAIRMAN FAY: Okay. Show those passed
6 unanimously.

7 All right. Commissioners, we will next move
8 to the net operating income, which also will
9 include Issues 72. This would include Issues 38,
10 41, 42, 43 and then 47 and then 49 through 55. So
11 this is a large chunk here, Commissioners. If
12 there is any questions you have on any specific
13 issues, we will make sure we have staff -- the
14 right staff in place.

15 Showing no questions or comments on this --
16 Commissioner La Rosa, you are recognized.

17 COMMISSIONER LA ROSA: Thank you, Chairman.

18 I -- yeah, like you said, it is a bigger
19 block. I just will say this, specific Issue 72,
20 which we call the spinoff, but truly what's kind of
21 before us is that the company has the ability to do
22 what it is, and I would say this is probably more
23 of a reorganization. And outside our authority to
24 necessarily make any adjustments for it, personally
25 I do believe that they have the right to do this.

1 I just want to make sure that that's noted. I know
2 that was -- it's documented, but I certainly wanted
3 to make sure I said that verbally.

4 CHAIRMAN FAY: Okay. Great. Thank you,
5 Commissioner La Rosa.

6 All right. Commissioners, any other questions
7 or comments on these items?

8 Okay. Showing none, I will take up a motion
9 on net operating income and Issue 72.

10 COMMISSIONER CLARK: Move to approve, Mr.
11 Chairman.

12 COMMISSIONER GRAHAM: Second.

13 CHAIRMAN FAY: Okay. We have a motion and a
14 second.

15 All that approve say aye.

16 (Chorus of ayes.)

17 CHAIRMAN FAY: Okay. Show the issues under
18 net operating income and Issue 72 passed consistent
19 with staff's recommendation.

20 All right. Next we will move to rate base,
21 which will include Items No. 13 and -- excuse me,
22 13, 15, 19, 21, 22, 23 and 27. The others have
23 been approved as either Type 1 or Type 2
24 stipulations.

25 With that, Commissioners, we will take up any

1 questions or comments related to the rate base
2 component to the recommendation.

3 Okay. Showing none, we will take up a motion
4 on rate base.

5 COMMISSIONER CLARK: Move to approve, Mr.
6 Chairman.

7 COMMISSIONER GRAHAM: Second.

8 CHAIRMAN FAY: Okay. We have a motion and a
9 second.

10 All that approve say aye.

11 (Chorus of ayes.)

12 CHAIRMAN FAY: Okay. Show the issues under
13 rate base approved unanimously. That will be 13,
14 15, 19, 21 through 23 and 27.

15 All right. Next we will move to cost of
16 capital, which will also take up Issue 71 within
17 this grouping, the long-term debt true-up
18 mechanism. So we will take up basically Issues 28
19 through 36, other than Issue 30, which was approved
20 by a Type 1 stipulation.

21 So, Commissioners, I will take up any
22 questions or comments on this item.

23 Commissioner Clark, you are recognized.

24 COMMISSIONER CLARK: I would just make the
25 observation, Mr. Chairman, that this particular

1 section is one that I probably focus and spend as
2 much time on as any of the items, especially
3 looking at the equity ratios and return on equity.
4 And I appreciate the consensus of the group, and
5 how they worked to get to a recommendation, staff
6 particularly, how they worked to get to the
7 recommendation they did, and looking at all of the
8 different potential funding mechanisms, different
9 cost mechanisms that were presented and the
10 different ways to calculate equity. I appreciate
11 the job that staff did, and I think that the 10.15
12 recommendation was an accurate and good number to
13 come back with, Mr. Chairman.

14 So with that, I would move to approve the
15 outstanding issues on cost of capital.

16 CHAIRMAN FAY: Okay. Any other questions or
17 comments on that item?

18 Commissioner La Rosa.

19 COMMISSIONER LA ROSA: Thank you, Chairman.

20 And I will second the thoughts and comments by
21 Commissioner Clark. I know on the ROE side, there
22 is a lot of balance to ultimately get there, and I
23 was one direction and then another direction, but I
24 think the staff did a good job of laying that out,
25 and it is well documented.

1 On Issue 71, on the long-term debt true-up
2 mechanism, just one thing to mention is that I
3 think the way the company presented this was maybe
4 a little bit different and maybe outside the box, a
5 little bit creative than maybe the way we've seen
6 things done before, and I just think that that
7 should be pointed out.

8 CHAIRMAN FAY: Okay. Great. Thank you.

9 Any other comments? Yes, Commissioner
10 Passidomo. And Commissioner Clark, we will address
11 your motion. I am not --

12 COMMISSIONER CLARK: Oh, no problem.

13 CHAIRMAN FAY: -- ignoring it. I just want to
14 make sure we give everybody an opportunity.

15 COMMISSIONER PASSIDOMO: Thank you.

16 Yeah, and I agree. This is a really important
17 block, as well as Issue 35, and we go into
18 adjustment, I appreciate Commissioner Clark's
19 comments on it.

20 I have one question for Mr. Buys, as regarding
21 Issue 71. I agree with Commissioner La Rosa as
22 well. I think it's a creative move by the company.
23 I just want to -- like, if we could kind of
24 understand for, you know, if -- for customers too,
25 because we want to have some sort of understanding

1 of -- because this is a forecasted long-term debt
2 cost rate, we are not going to know the actual cost
3 until after this proceeding is concluded. And so
4 if you could kind of explain how this process works
5 and what sort of affect it may have on customers
6 once we get that number finalized.

7 MR. BUYS: Yes, Commissioner.

8 In the company's filing, PGS, as they
9 presented, they are spinning off from Tampa
10 Electric, and they are now going to issue their own
11 debt. They have not done that as of today. I
12 believe they plan to do that by the end of this
13 year.

14 Their current rate that is in the weighted
15 average of cost of capital for the long-term debt
16 is 5.54 percent. Upon issuance of their initial
17 debt offering, they will know what their actual
18 debt cost is. And the long-term debt true-up
19 mechanism allows them to petition the Commission
20 for a limited proceeding within 120 days of that
21 initial offering. They will come back in and make
22 any adjustments necessary to the weighted average
23 cost of capital, which will then be flowed through
24 into the revenue requirement, and the rates will be
25 adjusted accordingly, if it's above -- if the

1 change is above \$500,000. If not, they will defer
2 that to the next time that they will set base
3 rates.

4 And the impact would not be that significant.
5 I did a rough calculation, and I think maybe a 10
6 point -- a 10-basis-point change in that cost of
7 debt might move the weighted average cost of
8 capital about two basis points. So it would be a
9 small increase, or decrease. If they get a lower
10 rate, it could go down as well.

11 COMMISSIONER PASSIDOMO: Okay. It's important
12 to know it might not have as big or significant on
13 bill impact, and that's obviously really important,
14 so thank you, Mr. Buys.

15 CHAIRMAN FAY: Great. Thank you, Commissioner
16 Passidomo.

17 Any other questions or comments?

18 I will just add, Mr. Buys, I know that it's a
19 team effort, but when I looked at the ROE analysis
20 provided in the recommendation, I just -- I thought
21 the thoroughness and the specificity to the numbers
22 and how we got to that final number was done really
23 well, and so I appreciate you and your team for
24 working so hard on that and getting it right. And
25 I am fully confident the number that we landed on,

1 and they are based on the analysis.

2 So with that, Commissioners, seeing no other
3 questions or comments on the cost of capital in the
4 Issue 71 block, I will entertain a motion.

5 COMMISSIONER CLARK: We have a motion.

6 CHAIRMAN FAY: We have a motion. It's been
7 seconded.

8 COMMISSIONER GRAHAM: I seconded.

9 CHAIRMAN FAY: We did allow further
10 discussion, so we will accept that motion and its
11 seconds from Commissioner Clark and Commissioner
12 Graham.

13 All that approve say aye.

14 (Chorus of ayes.)

15 CHAIRMAN FAY: Okay. Showing Commissioner La
16 Rosa, showing it passed unanimously. Thank you.

17 All right. Next move to the revenue
18 requirement.

19 Issue 56 is approved Type 1 stipulation, so we
20 will be taking up Issue 57 under the revenue
21 requirement.

22 Commissioners, any questions for Ms. Norris,
23 or comments on the revenue requirement -- excuse
24 me, the annual operating revenue increase?

25 Showing none, we will take up a motion on the

1 revenue requirement.

2 COMMISSIONER CLARK: Move to approve the
3 revenue requirement, Mr. Chairman.

4 COMMISSIONER GRAHAM: Second.

5 CHAIRMAN FAY: Okay. We have a motion and a
6 second.

7 All that prove say aye.

8 (Chorus of ayes.)

9 CHAIRMAN FAY: Okay. Show Issue 57 passed
10 unanimously based on staff's recommendation.

11 All right. Next we are going to move to cost
12 of service and rate design.

13 Commissioners, under these items, we have a
14 number of Type 2 stipulations and then other
15 fallout issues that will come from the other
16 decisions that we've made. And so we will take up
17 the fallout issues at a later date, on the December
18 5th Agenda on the Type 2 stipulations. Those have
19 already been voted on. So we do not need to take
20 action on Items 58 through 70, from my
21 interpretation. Staff, is a correct?

22 MS. HELTON: Yes.

23 CHAIRMAN FAY: Okay. All right. Next, then,
24 we will move to the other issues that are left. So
25 we have Issues 74 and 75. So Commission-ordered

1 adjustments is Issue 74, and the doc -- closing the
2 docket is Issue 75.

3 Do we have any questions or comments for staff
4 on those two?

5 Okay. Showing none --

6 MS. HELTON: Mr. Chairman --

7 CHAIRMAN FAY: Yes.

8 MS. HELTON: -- if we could wait on closing
9 the docket until after the December 5th Agenda
10 vote, that might be better.

11 CHAIRMAN FAY: Okay. I thought the
12 recommendation spoke to that, that that's what we
13 will --

14 MS. HELTON: I could be wrong, then.

15 CHAIRMAN FAY: Well, let's -- let's -- pardon
16 me. Let's verify it. So the --

17 MS. HELTON: Yeah, I think staff
18 recommendation is for it to remain open. Okay.

19 CHAIRMAN FAY: To remain open until December
20 5th, yeah. Perfect.

21 Okay. Commissioners, we will take up that,
22 Items 74 and 75, based on staff's recommendation,
23 so we will take a motion.

24 COMMISSIONER CLARK: Move to approve staff
25 recommendation on Items 74 and 75, Mr. Chairman.

1 COMMISSIONER GRAHAM: Second.

2 CHAIRMAN FAY: Okay. We have a motion and
3 second.

4 All that approve say aye.

5 (Chorus of ayes.)

6 CHAIRMAN FAY: Okay. Show those, the Items 74
7 and 75 passed unanimously.

8 All right. Commissioners, I believe we
9 addressed all issues. Let me make sure.

10 Ms. Norris, do we have anything else we need
11 do address in this docket?

12 MS. NORRIS: Not to my knowledge. I will look
13 to Mr. Thompson. I believe that's everything.
14 Thank you.

15 CHAIRMAN FAY: Okay. Great.

16 And then because there weren't specific
17 changes in this, we don't require any
18 administrative authority other -- beyond --

19 MS. NORRIS: Correct.

20 CHAIRMAN FAY: -- you verifying the numbers?
21 Okay.

22 MS. NORRIS: Yes.

23 CHAIRMAN FAY: All right. With that,
24 Commissioners, then that will conclude the Special
25 Agenda. We will reconvene at 11:00 o'clock, which

1 is about nine minutes from now, to begin Internal
2 Affairs.

3 Thank you.

4 (Proceedings concluded.)

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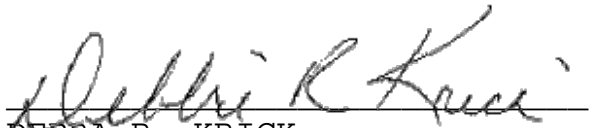
STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
stenographically reported the said proceedings; that the
same has been transcribed under my direct supervision;
and that this transcript constitutes a true
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,
employee, attorney or counsel of any of the parties, nor
am I a relative or employee of any of the parties'
attorney or counsel connected with the action, nor am I
financially interested in the action.

DATED this 27th day of November, 2023.


DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024