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March 26, 2024

VIA: ELECTRONIC FILING

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

Re: Docket No. 20230023-GU; Petition for Rate Increase by Peoples Gas System, Inc.

Docket No. 20220219-GU; Peoples Gas System's Petition for Rate Approval of 2022 Depreciation Study

Docket No. 20220212-GU; Peoples Gas System's Petition for Approval of Depreciation Rate and Subaccount for Renewable Natural Gas Facilities Leased to Others

Dear Mr. Teitzman:

Pursuant to this Commission's Order No. PSC-2023-0388-FOF-GU issued on December 27, 2023, please find attached a description of the changes and adjustments necessary to the company's books and records and Earnings Surveillance Reports.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'V. Ponder'.

Virginia Ponder

VLP/ne
Attachment

cc: All -parties



March 26, 2024

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman Commission Clerk
Florida Public Service Commission
2540 Shumard Oaks Boulevard
Tallahassee, Florida 32399-0865

Re: Docket No. 20230023-GU Peoples Gas System, Inc. Compliance Filing Pursuant to
Rate Case Order No.PSC-2023-0388-FOF-GU

Dear Mr. Teitzman:

On December 27, 2023, the Florida Public Service Commission("Commission") issued Order No. PSC-2023-0388-FOF-GU ("Rate Case Order") in Docket No. 20230023-GU approving a base rate increase, charges, and tariffs for Peoples Gas System, Inc. ("Peoples" or the "company"). Page 114 of the Rate Case Order provides:

that [Peoples] shall file, within 90 days after the issuance of this order, 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 our findings in this rate case.

In compliance with this requirement of the Rate Case Order, the following is a description of the changes and adjustments necessary to the company's books and records and Earnings Surveillance Reports ("ESR") as a result of the Commission's findings in the company's rate case.

I. Changes to Books and Records

The following changes to the company's books and records are necessary to reflect the Commission's findings in the Rate Case Order. The term "books and records" is meant to include annual reports, financial statements, general ledger, and accounting systems of the company.

1. Depreciation Expense Changes
The Rate Case Order requires the company to implement new depreciation rates starting January 1, 2024. This will affect the company's depreciation accruals and reserves starting January 2024.
2. Transfer of Cast Iron Bare Steel Replacement Rider (“CI/BSR”) Investments
The balance of plant-in-service, construction work in progress and related accumulated depreciation reserve associated with CI/BSR investments as of December 31, 2023, were appropriately transferred from clause recovery into base rates effective January 1, 2024, when base rates went into effect.
3. Removal of Renewable Natural Gas (“RNG”) Investment
The Alliance RNG Project related assets and accumulated depreciation will be classified as non-utility property and excluded from rate base beginning January 1, 2024. The Alliance RNG Project related revenues and expenses will be treated as non-utility and excluded from net operating income.
4. Rates Case Expenses
Deferred rate case expenses will be amortized over a three-year period beginning January 1, 2024.
5. Other Regulatory Assets and Expense Recognition
As contained in the company’s filing, certain regulatory assets and related annual expense recognition were included in the development of the 2024 test year revenue requirements and consistent treatment will be reflected in the company’s books and records. Changes include a reduction of the Transmission Integrity Management Program (“TIMP”) annual expense recognition and addition of the amortization of Tax Reform related regulatory assets beginning January 1, 2024.

As included in the company’s filing, the TIMP annual expense recognition will be reduced to \$998,571 beginning January 1, 2024. Also, as included in the company’s filing, the company’s approximate \$1.2 million Tax Reform related regulatory asset associated with the 2023 net operating impact will be amortized over a three-year period and the company’s approximate \$4.6 million Tax Reform related regulatory asset related to the deficient deferred taxes will be amortized over a five-year period with amortization for both beginning January 1, 2024.
6. Rates and Charges
Effective the first billing cycle in January 2024, the company's billing system was changed to reflect the final rates and charges approved in the Rate Case Order (“2024 Base Rates”).

The Rate Case Order also included approval of the use of a one-time, long-term debt cost true-up mechanism (“LTDC True-Up”) adjustment to the approved 2024 Base Rates to reflect the company’s actual cost for its inaugural long-term debt issuance in determining the projected test year revenue requirements. On February 2, 2024, consistent with the Final Rate Case Order, the company filed a petition seeking Commission approval to

implement the LTDC True-Up. The company also requested Commission approval of the updated base rates and charges and associated tariffs, effective for the first billing cycle of July 2024. Consistent with the Rate Case Order and the LTDC True-up petition, for the time period before the approved rates go into effect, the company will defer the rate impact of the updated revenue increase to its balance sheet for collection through the CI/BSR in 2025. Upon entry of a Commission final order approving new rates and charges, the company's billing system will be updated and changed to conform with rates and charges in that order.

7. SeaCoast Gas Transmission, LLC
The company will conduct and file a comprehensive procedural review and cost study of the support it provides to SeaCoast Gas Transmission, LLC contemporaneously with its next base rate proceeding.

II. Changes to Cost Recovery Clauses

The following changes to the company's cost recovery clauses are necessary to reflect the Commission's findings in the Rate Case Order.

1. Weighted Average Cost of Capital ("WACC")
Beginning January 2024, Peoples will calculate the return on investment for assets recovered through its cost recovery clauses using the WACC approved in the Rate Case Order. The rate of return on common equity used in the calculation of weighted cost of capital is 10.15 percent.
2. Depreciation Expense Changes
As described in Section I above, Peoples will implement new depreciation rates for its clause recoverable assets starting January 2024.
3. Transfer of CI/BSR Investment
As described in Section I above, Peoples will transfer the balance of plant-in-service, construction work in progress and related accumulated depreciation reserve associated with the CI/BSR investments as of December 31, 2023, from clause recovery to base rates effective January 1, 2024. Differences between the projected balances included in the Rate Case Order and the actual balances as of December 31, 2023, will be reflected in the company's normal CI/BSR annual true-up filing in September 2024.

III. Changes to Earnings Surveillance Report

The following changes to Peoples' ESRs are necessary to reflect the Commission's findings in the Rate Case Order. The company notes that the foregoing changes will be incorporated and reflected in its March 2024 ESR.

1. Return on Equity ("ROE") Change
The company's midpoint ROE will be changed to 10.15 percent, with a range of plus or minus 100 basis points.
2. Parent Debt Adjustment
An adjustment will be made to income tax expense to reflect the Rate Case Order parent debt adjustment of \$3,213,476.

Should you have any questions concerning this filing, please contact me at (813) 228-1155.

Respectfully submitted,



Jonathan DeVries
Vice President, Finance
Peoples Gas System, Inc.

cc: Jeffrey Wahlen
Major Thompson
Ryan Sandy
Austin Watrous
Daniel Dose
Chasity Vaughan
Danyel Sims
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