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Public Service Commission

October 11, 2016

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COMMISSION
CLERK

Ms. Kandi M. Floyd
Manager – State Regulatory
Peoples Gas System
P.O. Box 111
Tampa, Florida 33601-0111

Re: Docket No. 160159-GU, Petition for approval of 2016 Depreciation Study by Peoples Gas System.

Ms. Floyd,

Staff has reviewed Peoples Gas System's response to Staff's First Data Request regarding the Company's 2016 Depreciation Study, and we have some follow-up questions. Please provide your responses to the attached questions by October 25, 2016, or earlier.

Should you have any questions, or need further information, please do not hesitate to contact Jenny Wu at (850) 413-7005.

Sincerely,

A handwritten signature in black ink, appearing to read "JW".

Jenny Wu
Economic Analyst

Attachment

cc: Office of Commission Clerk
Office of Public Counsel
Ms. P. Brown, Regulatory Affairs, Peoples Gas System
Mr. Ansley Watson, Jr. Attorney for Peoples Gas System

Staff's Second Data Request

1. Please refer to page 3 of Peoples Gas Systems' (PGS) 2016 Depreciation Study (2016 Study). PGS indicated that "[t]he 2016 study now indicates a total company reserve surplus of \$33,200,704" after changing the rate parameter of Account 37600 - Mains - Other Than Plastic. PGS then "proposes that this account shall carry the entire reserve surplus."
 - a. Please explain PGS' policy/philosophy with regard to reserve transfers when there is a significant amount of reserve surplus identified.
 - b. Please identify both the benefits and detriments, if any, of keeping the entire \$33 million surplus in Account 37600.
2. Please refer to PGS's response to Staff's First Data Request, No. 3. PGS identified 3 major projects included in the Company's 5-year forecast: CI/BSR projects, CNG projects, and East Jacksonville customer growth initiatives.
 - a. PGS indicated that the CI/BSR projects "would have an impact on plant additions for plastic mains/newer steel technology and retirements of CI/BS."
 - i) Please confirm whether it is correct that the major impact of the projects would be significant additions to Account 37602 - Main, Plastic and significant retirements to Account 37600 - Main, Other Than Plastics. Please also provide explanations to your response.
 - ii) Please reconcile this statement with the information the Company provided in its 2016 Depreciation Study, page 4, that "[t]here have been no major changes that will impact this account [37602 - Main, Plastic]."
 - b. PGS indicated that it included in its 5-year forecast "CNG Projects - approximately \$5M annually. These are for new additions only." Please briefly discuss the scope and length of the CNG projects.
 - c. PGS indicated that it included in its 5-year forecast "East Jacksonville customer growth initiatives - approximately \$40M over the next five years. These are for new additions only." Please identify the accounts which are significantly affected by this project.
3. Please refer to PGS' response to Staff's First Data Request, No. 10. Staff notes: (i) the 2016 study reflects a reserve surplus of \$33,200,704 after changing the rate parameter of Account 37600 - Mains - Other Than Plastic (p. 14 of PGS' 2016 Study); (ii) the Company preferred to resolve surpluses or deficiencies within 5 to 10 years (p. 24 of PGS' response); and (iii) in Florida the current gas industry average of the NS for Account 37600 is (31.4) percent with all companies, except PGS, having a NS equal to

or less than (30) percent (source: prior Commission orders). Give the above, has PGS considered to further decrease its proposed NS for Account 37600 to (45) or (40) percent? Please discuss your response.

4. Please refer to PGS' response to Staff's First Data Request, No. 18 a. PGS attributed the cause of negative \$94,189 gross salvage for Account 38002-Service Plastic incurred in 2014 to the timing associated with cost of removal and retirement postings. Negative \$94,189 gross salvage implies that when PGS sold a certain retired asset, instead of receiving \$94,189, the Company paid \$94,189. How is that possible? Please review your data and provide a further explanation.
5. Please refer to PGS' 2016 Depreciation Study, pages 16-17 and PGS' revised 2015 Annual Status Report, emailed to staff on August 26, 2016. It appears that PGS reported different amounts of the ending balance of Accumulated Depreciation on Dec. 31, 2015 for certain accounts as reflected in Table 1 below. Please explain these differences and provide a reconciliation.

Table 1: Comparison of the 2015 Ending Balance of Accumulated Depreciation

Acct. No	Description	2015 ASR	Dep. Study pp. 16-17	Difference
		Ending Balance 12/31/2015	Before Reserve Transfer 12/31/2015	
		(1)	(2)	(3) = (2) - (1)
37500	Structures & Improvements	7,928,741	7,923,869	(4,872)
37600	Mains Steel	218,020,297	218,019,006	(1,291)
37602	Mains Plastic	137,184,318	137,190,481	6,163
38000	Services Steel	51,484,453	51,480,764	(3,689)
38002	Services Plastic	134,479,130	134,483,517	4,387
39000	Structures & Improvements	10,886	21,023	10,137
39102	Office Equipment	289,367	288,940	(427)
39201	Vehicles up to 1/2 Tons	3,196,303	3,196,356	53
39202	Vehicles from 1/2 - 1 Tons	3,899,377	3,899,750	373
39400	Tools, Shop & Garage Equip	1,175,008	1,175,475	467
Total				11,302

6. Please refer to PGS' response to Staff's First Data Request No. 30 for the following questions.
 - a. Please elaborate on the Company's statement on page 51 that "the Electric Utility Guidance is applied to the gas utility for those General Plant Accounts 391, 394, 395, 397 and 398."
 - b. Please identify the approach PGS used for Accounts Nos. 391, 394, 395, 397 and 398 in its 2016 Study: the group depreciation method or treating these accounts as the amortizable accounts.

- c. Please explain how the SQ curve can appropriately reflect the characteristics and activities of the aforementioned accounts.