

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 6, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: William B. McNulty, Economist Supervisor, Division of Economics *wbm*

RE: Docket No. 20170179-GU - Petition for rate increase by Florida City Gas

Please place the attached email dated October 5, 2017 from Devlin Higgins, FPSC Public Utility Analyst, to Mike Morley, Managing Director, Regulatory Accounting and Planning - Southern Company Gas, in the docket file (Docket No. 20170179-GU). Thank you.

RECEIVED-FPSC
2017 OCT -6 AM 9:44
COMMISSION
CLERK

Bill McNulty

From: Devlin Higgins
Sent: Thursday, October 05, 2017 4:08 PM
To: 'Morley, Mike'
Cc: Bill McNulty
Subject: RE: Florida City Gas Depreciation Study and Rate Implementation

Good afternoon, Mr. Morley:

I appreciate your taking the time and effort to memorialize our discussion of October 3 regarding Florida City Gas' effective date of its depreciation rates in conjunction with its rate case. The approach you have identified in your email in general is the option we discussed on the phone. To the fourth bullet point below, a commensurate adjustment to accumulated depreciation would also be needed. Given the Company's current position in terms of its preparations of its depreciation study and rate filing, the discussed option would appear to be one that would add minimal expense and preparation time to the rate case.

I should note that the option we discussed does not appear to comport with Rule 25-7.045(4)(d), F.A.C. Any mismatch between the end of the depreciation study period and the effective date of the depreciation rates is contrary to the rule. If the Company chooses to pursue this option, you may want to discuss with the Company's legal counsel whether to pursue a rule waiver.

I should also note that other options exist, including ones which would allow the Company to comport with the referenced rule. Staff is aware that some such options may have obvious time and expense implications as relates to the Company's rate case. It is the Company's decision as to which approach it should take in this case. As you know, staff's position will ultimately be decided post-hearing, based on the hearing evidence and parties' briefs.

Devlin Higgins
Public Utility Analyst
Division of Economics
Florida Public Service Commission
DHIGGINS@PSC.STATE.FL.US
Voice: 850.413.6433
Fax: 850.413.6434

From: Morley, Mike [<mailto:mmorley@southernco.com>]
Sent: Thursday, October 05, 2017 8:41 AM
To: Devlin Higgins
Subject: Florida City Gas Depreciation Study and Rate Implementation

Mr. Higgins – thank you for taking the time to discuss the approach we should take regarding the implementation of depreciation rates that we will propose in our rate case filing this month. Following is a summary of our discussion and how we will reflect the new rates in our MFRs and proposed revenue requirement:

- Our study will be as of December 31, 2018
- We will propose to implement rates August 1, 2018, which is the expected date of new base rates
- We will include in our MFRs for the 2018 test year income statement depreciation expense at our current depreciation rates
- We will include a ratemaking adjustment to reflect the change in depreciation rates effective August 1, 2018 – this will be done by adjusting expense for the difference between depreciation expense using current rates vs new rates for the period August 1, 2018 – December 31, 2018

Again, thank you for your assistance in helping us work through this topic, and if the above summary is not consistent with what we discussed, or if you have any further questions, please feel free to contact me.

Thanks!

Mike Morley

Managing Director, Regulatory Accounting and Planning

404.584.4263 office

404.427.6806 mobile

mmorley@southernco.com

