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STATE OF FLORIDA



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Public Service Commission

August 24, 2018

Peoples Gas Company
Andrew Brown
Ansley Watson Jr.
Macfarlane Law Firm
P.O. Box 1531
Tampa, FL 33601

**STAFF'S SECOND DATA REQUEST
VIA EMAIL**
ab@macfar.com
aw@mcfar.com

RE: Docket No. 20180044-GU – Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017 for Peoples Gas System.

Dear: Mr. Brown and Watson;

By this letter, the Commission staff requests that Peoples Gas Company (PGC) provide responses to the following data requests.

- Please explain the rationale for changing from the currently approved depreciation rates and components to the proposed rates shown in Table 1.

Act No.	Description	Current Rate - Effective 2016 - 2018						Company Proposed - Effective 1/1/2019						Difference	
		Curve Type	Ave. Service Life (yrs)	Ave. Remaining Life (yrs)	Reserve Ratio Approved (%)	Depreciation Rate (%)	Annual Depreciation Expense (\$)	Curve Type	Ave. Service Life (yrs)	Ave. Remaining Life (yrs)	Reserve Ratio OPC (%)	Depreciation Rate (%)	Annual Depreciation Expense (\$)	Change in Depreciation Expense (\$)	Change in Ave. Service Life (yrs)
37600	Mains Steel	R2	55	41	48.16	2.2	8,476,978	R2	55	41	66.28	1.8	6,935,709	(1,541,269)	0
37602	Mains Plastic	R3	45	34	42.75	2.4	9,631,440	R2	75	65	33.00	1.4	5,618,340	(4,013,100)	30
38000	Service Steel	R0.5	45	31	84.71	3.7	1,715,925	R0.5	50	36	106.03	2.6	1,205,785	(510,140)	5
38002	Service Plastic	R3	40	28	62.07	3.3	8,167,666	R1.5	55	45	52.88	2.3	5,692,616	(2,475,050)	15
38100	Meters	L1	16	10.8	31.17	5.9	3,718,933	R1	21	15.2	26.09	4.5	2,836,474	(882,459)	5
38200	Meter Installations	R4	27	15.3	51.87	4.5	2,212,883	R0.5	43	35	22.14	2.8	1,376,905	(835,978)	16
Total:												(10,257,996)			

Source of data: Joint Motion Seeking Commission Approval of Settlement Agreement filed 8/8/2018, Attachment 1, Exhibit B, pages 1 and 3.

- Referring to Table 1 above, please provide the reason that warrants the change from the approved Reserve Ratio for Account 37600.

STAFF’S SECOND DATA REQUEST

DOCKET NO. 20180044-GU

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5. As shown in Table 2 below, the average service lives (ASLs) of five of the six accounts for which PGS is seeking a change in depreciation rates at this time are considerably longer than the current Commission-approved ASLs. Also, most of the proposed ASLs are at the high end or exceed the range of the industry averages.
 - a. Please explain why it is appropriate to substantially change depreciation rates in 2019 as proposed in the Settlement Agreement without the benefit of a supporting depreciation study.
 - b. Please explain whether the proposed changes in depreciation components and rates are, or are not, consistent with the Commission’s practice of gradualism as relates to changing depreciation rates per Order No. PSC-10-0153-FOF-EI.

Table 2. Comparison of Depreciation Components with Industry Range

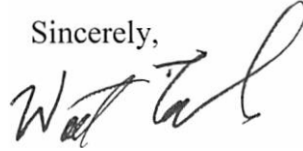
Act No.	Description	Current Rate Effective 2016 - 2018		Company Proposed Effective 1/1/2019		Change in Ave. Service Life (yrs)	Comparison	
		Curve Type	Ave. Service Life (yrs)	Curve Type	Ave. Service Life (yrs)		Approved Ave. Service Life for Florida's gas utilities	
							Arithmetic Mean (yrs)	Range (yrs)
37600	Mains Steel	R2	55	R2	55	0	48.0	40 - 55
37602	Mains Plastic	R3	45	R2	75	30	46.0	40 - 55
38000	Service Steel	R0.5	45	R0.5	50	5	46.2	40 - 53
38002	Service Plastic	R3	40	R1.5	55	15	44.2	40 - 54
38100	Meters	L1	16	R1	21	5	22.8	20 - 28
38200	Meter Installations	R4	27	R0.5	43	16	34.2	27 - 40

Source of data: Order No. PSC-14-0698-PAA-GU, issued December 18, 2014, in Docket No. 140016-GU, In re: 2014 depreciation study by Florida Public Utilities Company; Order No. PSC-17-0066-AS-GU, Issued February 28, 2017, in Docket No. 160159-GU, In re: Petition for approval of settlement agreement pertaining to Peoples Gas System's 2016 depreciation study, environmental reserve account, problematic plastic pipe replacement, and authorized ROE; Order No. PSC-16-0574-PAA-GU, issued December 19, 2016, in Docket No. 160174-GU, In re: Request for approval of 2016 depreciation study by Sebring Gas System, Inc.; Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018, in Docket No. 20170179-GU, In re: Petition for rate increase by Florida City Gas, and Order No. PSC-2018-0368-PAA-GU, issued July 25, 2018, in Docket No. 20170265-GU, In re: Application for approval of new depreciation rates effective January 1, 2018, by St. Joe Natural Gas Company, Inc.

6. PGS’s proposed changes in depreciation components and rates will result in \$10.3 million dollar decrease in depreciation expense annually throughout the period of the Settlement Agreement. Please explain how PGS’s customers would benefit from the proposed changes in depreciation components/rates and the resulting annual depreciation expense reduction of \$10.3 million.
7. What is PGS’s expected return on equity for 2019 both with and without the proposed change in depreciation rates?

Please file all responses electronically no later than August 31, 2018 from Commission's website at www.florida.psc.com, by selecting the Clerk's Office tab and Electronic Filing Web Form. Please feel free to call me at (850) 413-6584 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Walt Trierweiler". The signature is fluid and cursive, with the first name "Walt" being more prominent than the last name "Trierweiler".

Walt Trierweiler
Senior Attorney- General Counsel

WLT/lms

cc: Office of Commission Clerk
Moyle Law Firm
Office of the Public Counsel