

  
MACFARLANE FERGUSON & MCMULLEN

ATTORNEYS & COUNSELORS AT LAW EST. 1884

One Tampa City Center, Suite 2000  
201 N. Franklin Street  
P.O. Box 1531 (33601)  
Tampa, FL 33602  
813.273.4200 Fax: 813.273.4396

[WWW.MFMLEGAL.COM](http://WWW.MFMLEGAL.COM)  
EMAIL: [INFO@MFMLEGAL.COM](mailto:INFO@MFMLEGAL.COM)

625 Court Street, Suite 200  
P.O. Box 1669 (33757)  
Clearwater, FL 33756  
727.441.8966 Fax: 727.442.8470

In Reply Refer to:  
Tampa  
[ab@macfar.com](mailto:ab@macfar.com)

May 16, 2019

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

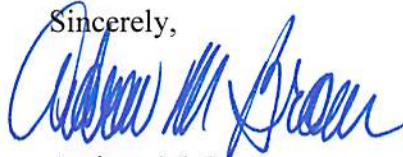
**Re: In re: Petition of Peoples Gas System for Authority to Accrue AFUDC  
Docket No.: 20190091-GU**

Dear Mr. Teitzman:

Attached for electronic filing with the Commission on behalf of Peoples Gas System, please find Peoples' Amended Petition referenced above.

We appreciate your usual assistance.

Sincerely,



Andrew M. Brown

AB/plb  
Attachment

cc: Ms. Paula K. Brown  
Ms. Kandi M. Floyd  
Ansley Watson, Jr., Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Peoples Gas System )  
for Authority to Accrue AFUDC )  
\_\_\_\_\_ )

DOCKET NO. 20190091-GU

FILED: May 16, 2019

**AMENDED PETITION OF PEOPLES GAS SYSTEM  
FOR AUTHORITY TO ACCRUE AFUDC**

Peoples Gas System ("Peoples" or "the company"), pursuant to Rule 25-7.0141, and 25-22.036, Florida Administrative Code ("FAC") petitions the Florida Public Service Commission ("the Commission") for authority to accrue an allowance for funds used during construction ("AFUDC"), and for expedited treatment of this petition and in support thereof, says:

1. The persons to whom all notices and other documents should be sent in connection with this docket are:

Andrew M. Brown  
[ab@macfar.com](mailto:ab@macfar.com)  
Ansley Watson, Jr.  
[aw@macfar.com](mailto:aw@macfar.com)  
Macfarlane Ferguson & McMullen  
Post Office Box 1531  
Tampa, Florida 33601-1531  
(813) 273-4209  
(813) 273-4396 (fax)

Paula K. Brown  
[regdept@tecoenergy.com](mailto:regdept@tecoenergy.com)  
Manager, Regulatory Coordination  
Tampa Electric Company  
Post Office Box 111  
Tampa, FL 33601  
(813) 228-1444  
(813) 228-1770 (fax)

Kandi M. Floyd  
[kfloyd@tecoenergy.com](mailto:kfloyd@tecoenergy.com)  
Director, Regulatory Affairs  
Peoples Gas System  
Post Office Box 111  
Tampa, FL 33601  
(813) 228-4668  
(813) 228-1770 (fax)

2. Peoples is a natural gas local distribution company providing sales and transportation delivery of natural gas throughout most of the state of Florida and is a public utility

subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes. The company's principal offices are located at 702 N. Franklin Street, Tampa, FL 33602.

3. Peoples intends to develop three expansion projects to meet increasing customer demand, improve reliability and provide long-term flexibility within its system. Each of these projects is discussed below in greater detail.

#### **Jacksonville Expansion Project**

4. Jacksonville is one of Peoples' largest divisions and has one of the highest economic growth rates in Florida. Jacksonville is experiencing strong natural gas demand growth with an increase in residential and commercial customers, industrial demand, and opportunities for the expansion of liquefied natural gas ("LNG") facilities. Existing Peoples gas infrastructure in the Jacksonville area is approaching its capacity limits, and new Peoples gas infrastructure investments are required to meet the increased near-term demand.

The Jacksonville Expansion project consists of three components: (a) an uprate of the southern portion of the existing 12-inch steel Fernandina Beach Pipeline that would allow natural gas to flow north to south from the Callahan Pipeline interconnect towards Jacksonville; (b) construction of a new 16-inch steel pipeline originating on the uprated Fernandina Beach 12-inch steel pipeline near the intersection of Pecan Park Road and Main Street and terminating at the existing 24-inch steel pipeline on Hecksher Drive near the Port of Jacksonville to allow increased natural gas flow north to south; and (c) a new compressor station near Peoples' Baldwin gate station that would allow gas being transported on Southern Natural Gas Company's ("SONAT's")

South Georgia Lateral to flow more efficiently into Jacksonville. Peoples' comprehensive plan to increase capacity into the area includes both the Jacksonville Expansion project and subscribing to new transportation capacity on the Callahan Pipeline, a new 25-mile 16-inch steel pipeline in Nassau County that will be jointly owned by Peninsula Pipeline Company, Inc. and Peoples' affiliate SeaCoast Gas Transmission, LLC. Coupled with capacity on SONAT's Cypress pipeline, this incremental capacity on the Callahan Pipeline will enable Peoples to meet current and future natural gas demand in the Jacksonville area.

The Jacksonville Expansion project is expected to cost approximately \$59 million and be in service by December 2020. The Jacksonville Expansion project combined with the added capacity from the Callahan Pipeline is the most efficient way for Peoples to meet near term and long-term demand, increase system reliability and support future economic growth in the Jacksonville area.

#### **Southwest Florida Expansion**

5. The Fort Myers/Naples region continues to have one of the highest population growth rates in Florida. Peoples' existing distribution system in this area requires expansion to meet demand and to maintain overall system reliability. The Southwest Florida Expansion project involves the construction of 71 miles of 8-inch steel main to expand Peoples' Fort Myers system. This system expansion will provide gas to the communities of Ava Maria, Immokalee, Rural Lands West and surrounding areas. Because the Fort Myers division receives gas off a single feed from Florida Gas Transmission's ("FGT's") interstate pipeline system, this project includes the buildout of a system feed that will bolster the Fort Myers distribution system by adding increased reliability

downstream of the FGT system. The Southwest Florida Expansion is expected to cost approximately \$47 million and be placed in service in phases as gas service can be delivered to new customers, with final completion by December 2020. This project is the most cost-effective solution to meet current and near-term growth in the company's Fort Myers division.

### **Panama Express**

6. Peoples' Panama City division, with approximately 16,000 customers, is principally fed by a single FGT 8-inch steel pipeline (the "Panama City Lateral"). A second existing FGT-owned 18-inch line (the "18-Inch Lateral") serves Peoples' customers in the area near the Panama City Airport but is not interconnected with the remaining Peoples' Panama City division infrastructure. Reliance on the Panama City Lateral has created situations in which customers on Peoples' distribution system are vulnerable to supply disruptions. In May 2018, FGT halted gas delivery on the Panama City Lateral for one week during required federal pipeline safety inspections. During that week, FGT was forced to supply natural gas to Peoples' firm customers via compressed natural gas and liquefied natural gas trailers. In addition to risk of supply disruptions, Peoples' existing forecast gas demand in the division exceeds the transportation capacity held by Peoples on the Panama City Lateral, and FGT has no incremental capacity available on that lateral.

Peoples' Panama Express project would mitigate FGT capacity constraints on the Panama City Lateral by providing another feed into Panama City off the 18-inch Lateral, increase system reliability by having a secondary feed to Panama City, provide for additional natural gas pressure and support future growth in this area. Peoples would construct two new gate stations and build 19 miles of 8-inch steel pipeline that would connect Peoples' Panama City division to both the FGT Panama City Lateral and the 18-inch Lateral.

This project is expected to cost approximately \$30 million and be in-service by December 2020. It is the most cost-effective solution to meet current and near-term growth in the Panama City area.

**REQUEST FOR AUTHORITY TO ACCRUE AFUDC**

7. In accordance with Rule 25-7.0141, Florida Administrative Code, Peoples requests permission to capitalize interest and financing cost on the construction of the project facilities described above and in support thereof, states as follows:

- a. The projects (including all construction costs and estimated accrued interest and financing costs) represent an estimated total cost of \$136 million, which is approximately 8% of Peoples' total natural gas distribution plant in service (Account 101) and Account 106 (Completed Construction not Classified) as of January 1, 2019. The project cost and estimated AFUDC are further described by specific project in Exhibit A attached to this petition. This amount is material and significant to Peoples. Exhibit B to this petition provides the basis for the proposed AFUDC rate calculation using data obtained from Peoples' December 2018 Surveillance Report and contains Schedule A (capital structure, cost rates and weighted average cost of capital that are the basis of the AFUDC rate), Schedule B (capital structure adjustments), and Schedule C (calculation of the discounted monthly AFUDC rate), each prepared in accordance with FAC Rule 25-6.0141. Peoples request the effective date for the AFUDC rate is the first day of the month following the end of the 12 month period used to establish the rate, which is January 1, 2019. Exhibit C, calculated in accordance with FAC Rule 25-6.0141,

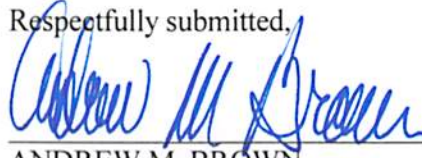
demonstrates that each proposed project individually exceeds 0.5 percent of the sum of the balances in Accounts 101 and 106 as of January 1, 2019;

- b. Federal income tax considerations require capitalization of interest on projects of this size. Peoples' taxable income would increase in the year of construction if Peoples is not allowed to capitalize interest for book purposes;
- c. The projects would be removed from rate base while under construction, resulting in a better match of rate base with associated income and expenses. Construction on each project is expected to take in excess of a year to complete, with each project beginning in 2019; and
- d. The interest cost and equity requirements associated with financing each project is material. The Commission's approval of this request to accrue AFUDC on these large capital projects, and subsequently, future large projects, would ensure consistency in treatment provided to other Florida utilities under FAC Rules 25-6.0141 and 25-30.116.

WHEREFORE, Peoples requests that the Commission expedite the processing of this petition and authorize the accrual of AFUDC by the company as set forth in the body of the Petition.

DATED this 16<sup>th</sup> day of May 2019.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Andrew M. Brown", is written over a horizontal line.

ANDREW M. BROWN  
ANSLEY WATSON, JR.  
Macfarlane, Ferguson & McMullen  
Post Office Box 1531  
Tampa, FL 33601-1531  
(813) 273-4209

ATTORNEYS FOR PEOPLES GAS SYSTEM



**EXHIBIT "A"**

**PEOPLES GAS SYSTEM  
ESTIMATED AFUDC BY PROJECT**

## EXHIBIT A

### ESTIMATED AFUDC BY PROJECT

<b>Project</b>	<b>In-Service Date</b>	<b>Total Capex (\$ millions)</b>	<b>Total AFUDC (\$ millions)</b>
Jacksonville Expansion	12/31/2020	\$ 59	\$ 2
Southwest Florida Expansion	12/31/2020	47	1
Panama City Express Expansion	12/31/2020	30	1
	<b>Grand Total</b>	<b>\$ 136</b>	<b>\$ 4</b>

**EXHIBIT "B"**

**PEOPLES GAS SYSTEM  
BASIS FOR THE REQUESTED AFUDC RATE**

**EXHIBIT B  
(SCHEDULE A)**

**PEOPLES GAS SYSTEM  
BASIS FOR THE REQUESTED AFUDC RATE  
DECEMBER 2018  
(In \$ Thousands)**

Page 1 of 1

<u>CAPITAL COMPONENTS</u>	<u>ADJUSTED AVERAGE BALANCE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$ 240,802	27.93%	4.45%	1.24%
SHORT TERM DEBT	42,319	4.91%	2.42%	0.12%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
RESIDENTIAL DEPOSITS	6,509	0.75%	2.00%	0.02%
COMMERCIAL DEPOSITS	20,011	2.32%	3.00%	0.07%
INACTIVE DEPOSITS	134	0.02%	0.00%	0.00%
COMMON EQUITY	362,630	42.06%	10.75%	4.52%
DEFERRED INCOME TAX	189,723	22.01%	0.00%	-
INVESTMENT TAX CREDITS	<u>0</u>	<u>0.00%</u>	0.00%	<u>-</u>
<b>TOTAL</b>	<b>\$ 862,127</b>	<b>100.00%</b>		<b>5.97%</b>
			<b>Debt Ratio</b>	<b>24.29%</b>
			<b>Equity Ratio</b>	<b>75.71%</b>

**EXHIBIT B**  
**(SCHEDULE B)**

**PEOPLES GAS SYSTEM**  
**BASIS FOR REQUESTED AFUDC RATE**  
**DECEMBER 2018**  
**(In \$ Thousands)**

Page 1 of 2

<u>CAPITAL COMPONENTS</u>	<u>PER BOOKS</u>	<u>COMMISSION ADJUSTMENTS*</u>	<u>ADJUSTED AVERAGE BALANCE</u>
LONG TERM DEBT	\$ 276,545	\$ (35,743)	\$ 240,802
SHORT TERM DEBT	48,240	(5,921)	42,319
DEPOSITS	26,654	-	26,654
COMMON EQUITY	415,247	(52,617)	362,630
DEFERRED INCOME TAX	190,436	(713)	189,723
INVESTMENT TAX CREDITS	-	-	-
<b>TOTAL</b>	<b>\$ 957,122</b>	<b>\$ (94,995)</b>	<b>\$ 862,127</b>

\* FOR ADJUSTMENT DETAILS, SEE SCHEDULE 2 OF DECEMBER SURVEILLANCE REPORT.

**EXHIBIT B  
(SCHEDULE B)**

**PEOPLES GAS SYSTEM AVERAGE RATE BASE DECEMBER 2018  
(In \$ Thousands)**

Page 2 of 2

**SCHEDULE 2  
2018 SURVEILLANCE REPORT**

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(11)
	Plant in Service	Plant Acquisition Adjustment	Accumulated Depreciation & Amortization	Customer Advances for Construction	Net Plant in Service	Property Held for Future Use	Construction Work in Progress	Net Utility Plant	Working Capital	Total Rate Base
<b>PER BOOKS</b>	<u>1,677,398</u>	<u>5,032</u>	<u>738,675</u>	<u>10,055</u>	<u>933,698</u>	<u>1,940</u>	<u>29,448</u>	<u>965,084</u>	<u>(7,962)</u>	<u>957,122</u>
<b>FPSC ADJUSTMENTS:</b>										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec / Pay, - Assoc Companies									-	-
Merchandise Inventory									-	-
Other Accounts Receivable									(3,437)	(3,437)
Non-Utility Allocation	(480)		(145)		(335)			(335)		(335)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin City expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,502)	(1,502)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									1,189	1,189
Remove Unrec. Conservation Costs									(2,935)	(2,935)
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(2,780)	(2,780)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,701)		(246)			(246)		(246)
Remove Derivative (FAS 133)									-	-
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (C BSR)	(75,106)		(3,911)		(71,196)		(10,410)	(81,606)		(81,606)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,285)	(1,285)
<b>TOTAL FPSC ADJUSTMENTS</b>	<u>(75,587)</u>	<u>(2,947)</u>	<u>(6,757)</u>	<u>-</u>	<u>(71,777)</u>	<u>(1,940)</u>	<u>(10,525)</u>	<u>(84,242)</u>	<u>(10,753)</u>	<u>(94,995)</u>
<b>FPSC ADJUSTED</b>	<u>1,601,809</u>	<u>2,085</u>	<u>731,918</u>	<u>10,055</u>	<u>861,921</u>	<u>-</u>	<u>18,921</u>	<u>880,842</u>	<u>(18,715)</u>	<u>862,127</u>
<b>FLEX RATE REVENUES</b>										
<b>ADJUSTED FOR</b>										
<b>FLEX RATE REVENUES</b>	<u>1,601,809</u>	<u>2,085</u>	<u>731,918</u>	<u>10,055</u>	<u>861,921</u>	<u>-</u>	<u>18,921</u>	<u>880,842</u>	<u>(18,715)</u>	<u>862,127</u>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>										
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>PRO FORMA ADJUSTED</b>	<u>1,601,809</u>	<u>2,085</u>	<u>731,918</u>	<u>10,055</u>	<u>861,921</u>	<u>-</u>	<u>18,921</u>	<u>880,842</u>	<u>(18,715)</u>	<u>862,127</u>

**EXHIBIT B**

**(SCHEDULE C)**

**PEOPLES GAS SYSTEM  
METHODOLOGY FOR MONTHLY COMPOUNDING  
OF THE AFUDC RATE  
DECEMBER 2018**

Page 1 of 1

**AFUDC COMPOUNDING**

$((1+R/12)^{(1/12)})-1 =$	<b>APPROVED RATE</b>
$((1+R/12)^{(1/12)})-1 =$	5.97%
$((1+R/12)^{(1/12)}) =$	1.0597000
$(1+R/12) =$	1.0048438
$(R/12) =$	0.0048438

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC</u>	<u>CUMULATIVE AFUDC</u>
JAN	1.00000000	0.0048438	0.0048438
FEB	1.00484385	0.0048673	0.0097112
MAR	1.00971116	0.0048909	0.0146020
APR	1.01460205	0.0049146	0.0195166
MAY	1.01951662	0.0049384	0.0244550
JUN	1.02445501	0.0049623	0.0294173
JUL	1.02941731	0.0049863	0.0344037
AUG	1.03440365	0.0050105	0.0394141
SEP	1.03941415	0.0050348	0.0444489
OCT	1.04444891	0.0050592	0.0495081
NOV	1.04950806	0.0050837	0.0545917
DEC	1.05459172	0.0051083	0.0597000

**EXHIBIT "C"**

**PEOPLES GAS SYSTEM**

**PROJECT AFUDC ELIGIBILITY THRESHOLD USING F.A.C. 25-6.014**



## EXHIBIT C

### PROJECT AFUDC ELIGIBILITY THRESHOLD USING F.A.C. 25-6.0141

#### Florida Administrative Cost 25-6.0141

Projects that involve gross additions to plant in excess of 0.5 percent of the sum of the total balance in Account 101 – Electric Plant in Service, and Account 106, Completed Construction not Classified, at the time the project commences and

- a. Are expected to be completed in excess of one year after commencement of construction, or
- b. Were originally expected to be completed in one year or less and are suspended for six months or more, or are not ready for service after one year.

#### PGS balances as of January 31, 2019

101 - Utility Plant in Service	\$ 1,574,185,211
106 - Completed Construction not Classified	\$ 187,836,789
Sum of total balance	\$ 1,762,022,000

Multiplied by 0.5 percent	0.5%
Eligible projects in excess of amount	\$ 8,810,110

#### CAPEX By Project (\$ millions)

Jacksonville Expansion	\$ 59
Southwest Florida Expansion	47
Panama City Express Expansion	30
Total CAPEX	\$ 136