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Public Service Commission

July 17, 2019

Beth Keating
Gunster Law Firm
215 South Monroe St., Ste. 601
Tallahassee, FL 32301
bkeating@gunster.com

STAFF'S THIRD DATA REQUEST
via e-mail

RE: Docket No. 20190083-GU – Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

Dear Ms. Keating:

By this letter, the Commission staff requests that Sebring Gas System, Inc. (Sebring or utility) provide responses to the following data requests:

COST OF CAPITAL

Questions 1. through 5., please refer to the Direct Testimony of Mr. Russell Melendy.

1. On page 14, lines 12 through 19, Mr. Melendy states that the Commission has consistently recognized a slightly higher return on equity for smaller investor-owned natural gas utilities in previous cases. Please identify the Commission Order numbers and/or docket numbers for the rate cases to which Mr. Melendy refers.
2. On page 15, lines 11 through 12, Mr. Melendy indicates that Sebring Gas' net operating income and cost of capital in prior years was overstated.
 - a. Please clarify if Mr. Melendy is referring to the utility's Federal Tax filings, the utility's financial statements, or the utility's prior rate case and annual reports filed with the Commission.
 - b. Please quantify the amount by which the net operating income and cost of capital were overstated in these prior years.

3. On page 15, lines 21 through 24, Mr. Melendy states that the Deferred Federal and State Income Taxes will reverse in future years.
 - a. Please describe the timing of when the Deferred Taxes will reverse and the amount of the reversal per year.
 - b. Please provide a schedule or excel worksheet demonstrating the reversal of the Deferred Taxes in future years.
4. On page 16, lines 3 through 7, Mr. Melendy states that the utility believes it should be allowed to recover a Deferred Income Tax liability of \$342,671 through an increase of the return on Common Equity.
 - a. Please identify, by year, the actual annual amount of the Deferred Tax Liability the utility will owe to the IRS and the State of Florida.
 - b. Please explain why the utility has not accounted for the Deferred Tax Liability in its calculations for deferred income tax expense on Schedule G-2, for the HBY+1 and the Projected Test Year and instead requested an additional 100 basis points in the return on common equity.
5. On page 18, lines 11 through 16, Mr. Melendy states the utility expects to pay a 6.00 percent cost rate on its short-term debt in the projected test year. Please provide documentation demonstrating the actual short-term debt cost rate as of 12/31/18 and the projected short-term debt cost rate as of 12/31/19.

DEFERRED INCOME TAXES

6. Please provide all work papers, including Excel Spreadsheets with formulas intact, used to calculate the utility's deferred income taxes. Please include a list of all sources that generated the deferred income taxes and the accelerated depreciation method used for tax purposes.

Please file all responses electronically no later than Tuesday, August 6, 2019, through the Commission's website at www.floridapsc.com, by selecting the Clerk's Office tab and Electronic Filing Web Form. Please feel free to call me at (850) 413-6076 if you have any questions.

Sincerely,

/s/ Margo A. DuVal

Margo A. DuVal
Senior Attorney

Ms. Beth Keating

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MAD/cf

cc: Office of Commission Clerk
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