

FLORIDA PUBLIC SERVICE COMMISSION

Item 4

VOTE SHEET

January 14, 2020

FILED 1/14/2020
DOCUMENT NO. 00286-2020
FPSC - COMMISSION CLERK

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

Issue 1: Is Sebring's projected test period for the 12-months ending December 31, 2020 appropriate?

Recommendation: Yes. With the adjustments recommended by staff in the following issues, the 2020 test year is appropriate.

APPROVED

Issue 2: Are Sebring's forecasts of customer growth and terms by rate class appropriate?

Recommendation: Yes. Staff recommends that Sebring's forecasts of customer growth and terms by rate class for the 2020 projected test year, as contained in Document No. 10856-2019, revised Minimum Filing Requirements (MFRs) Schedule G-2, as revised on November 12, 2019, Pages 8 and 8.5 of 31, are appropriate.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

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

(Continued from previous page)

Issue 3: Are Sebring's estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate?

Recommendation: Yes. Sebring's estimated revenues from sales of gas by rate class at present rates for the projected test year are appropriate.

APPROVED

Issue 4: Is the quality of service provided by Sebring adequate?

Recommendation: Yes. Sebring's quality of service is adequate.

APPROVED

Issue 5: What is the appropriate amount of capital additions to be included in base rates as utility Plant in Service?

Recommendation: Staff recommends capital additions totaling \$1,960,692 be included in rate base.

APPROVED

Issue 6: What is the appropriate amount of Plant in Service for the projected test year?

Recommendation: Based upon analysis of the information filed in this proceeding, staff recommends \$7,928,320 (13-month average) as the appropriate amount of Plant in Service for the projected test year.

APPROVED

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

(Continued from previous page)

Issue 7: What is the appropriate amount of Accumulated Depreciation for the projected test year?

Recommendation: Based upon analysis of the information filed in this proceeding, staff recommends \$3,041,557 (13-month average) as the appropriate amount of Accumulated Depreciation for the projected test year.

APPROVED

Issue 8: What is the appropriate amount of Working Capital Allowance for the projected test year?

Recommendation: The appropriate amount of Working Capital Allowance for the projected test year is \$147,518.

APPROVED

Issue 9: What is the appropriate amount of Rate Base for the projected test year?

Recommendation: The appropriate amount of Rate Base for the projected test year is \$5,021,353.

APPROVED

Issue 10: What is the appropriate capital structure for the projected test year ending December 31, 2020?

Recommendation: The appropriate projected test year capital structure consists of 34.64 percent common equity, 54.73 percent long-term debt, 0.75 percent short-term debt, 3.10 percent customer deposits, and 6.78 percent deferred income taxes. Regarding investor capital, this recommended capital structure consists of 38.43 percent common equity and 61.57 percent debt (60.73 percent long-term debt and 0.84 percent short-term debt).

APPROVED

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

(Continued from previous page)

Issue 11: What is the appropriate return on equity? *11.00*

Recommendation: The appropriate return on equity is ~~10.00~~ percent with a range of plus or minus 100 basis points.

APPROVED *as modified.*

Commission staff has administrative authority to make fallout adjustments

Issue 12: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates?

Recommendation: The appropriate weighted average cost of capital is 6.46 percent for the projected test year ending December 31, 2020.

APPROVED

Issue 13: Are Sebring's projected Total Operating Revenues for the projected test year appropriate?

Recommendation: Yes. Sebring's projected Total Operating Revenues for the 2020 projected test year are appropriate.

APPROVED

Issue 14: Should an adjustment be made to the number of employees in the projected test year?

Recommendation: Staff recommends no adjustment to the Company's proposed number of employees. Based on staff's recommendation in Issue 5 for approval of the expansion projects in Arcadia and Wauchula, there will be a significant increase in the territory that Sebring will be serving. Therefore, staff recommends approval of one new accounting position and two new field employees.

APPROVED

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

(Continued from previous page)

Issue 15: What is the appropriate amount of salaries and benefits to include in the projected test year?

Recommendation: The appropriate amount of salaries and benefits for the projected test year is \$513,255.

Issue 16: What is the appropriate amount of Rate Case Expense to include in the projected test year and what is the appropriate amortization period?

Recommendation: The appropriate amount of Rate Case Expense is \$151,295 to be amortized over four years. Therefore, the appropriate amount to be included in Rate Case Expense for the projected test year is \$37,824 ($\$151,295 / 4$).

Issue 17: What is the appropriate amount of O&M expenses for the projected test year?

Recommendation: The appropriate amount of O&M expenses for the projected test year is \$741,992.

Issue 18: What is the appropriate amount of Depreciation and Amortization Expense for the projected test year?

Recommendation: Based upon analysis of the information filed in this proceeding, staff recommends \$260,052 as the appropriate amount of Depreciation and Amortization Expense for the projected test year.

Vote Sheet

January 14, 2020

Item 4

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

(Continued from previous page)

Issue 19: What is the appropriate amount of Taxes Other Than Income (TOTI) for the projected test year?

Recommendation: The appropriate amount of projected test year TOTI is \$22,468.

Issue 20: What is the appropriate amount of deferred income tax expense for the projected test year?

Recommendation: The appropriate amount of annual income tax expense associated with the amortization of accumulated deferred income taxes for the projected test year ending December 31, 2020 is \$19,011.

Issue 21: What is the appropriate amount of Total Operating Expense for the projected test year?

Recommendation: The appropriate amount of Total Operating Expenses for the projected test year is \$1,041,548.

Issue 22: What is the appropriate amount of Net Operating Income for the projected test year?

Recommendation: The appropriate amount of Net Operating Income for the projected test year is \$144,652.

Vote Sheet

January 14, 2020

Item 4

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

(Continued from previous page)

Issue 23: What is the appropriate net operating income multiplier?

Recommendation: The appropriate net income multiplier is 1.3315, as shown on Schedule No. 5 of staff's memorandum dated January 2, 2020.

Issue 24: What is the appropriate annual operating revenue increase for the projected test year?

Recommendation: The appropriate annual operating revenue increase for the projected test year is \$239,647.

Issue 25: What is the appropriate cost of service methodology to use to allocate costs to the rate classes?

Recommendation: The appropriate cost of service methodology to be used in allocating costs to the various rate classes is reflected in the cost of service study contained in Attachment A of staff's memorandum dated January 2, 2020.

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

(Continued from previous page)

Issue 26: What are the appropriate customer charges?

Recommendation: The appropriate staff-recommended customer charges for each rate class are reflected in the table below. (Hampson, Coston)

Staff-recommended Customer Charges

Rate Class	Staff-recommended Customer Charges
Transportation Service 1 (TS-1)	\$12.00
Transportation Service 2 (TS-2)	\$20.00
Transportation Service 3 (TS-3)	\$70.00
Transportation Service 4 (TS-4)	\$225.00
Transportation Service 5 (TS-5)	\$1,000.00
Third Party Supplier (TPS)	\$3.50
Special Contracts	\$11,906.92

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

(Continued from previous page)

Issue 27: What are the appropriate per therm transportation charges?

Recommendation: The appropriate staff-recommended per therm transportation charges for each rate class are reflected in the table below. (Ward)

Staff-Recommended Transportation Charges

Rate Class	Staff Recommended Transportation Charges (dollar per therm)
TS-1	0.66965
TS-2	0.46843
TS-3	0.52481
TS-4	0.39922
TS-5	0.41589

Issue 28: What is the appropriate effective date for Sebring's revised rates and charges?

Recommendation: The revised rates and charges should become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges. Sebring should file revised tariffs to reflect the Commission-approved final rates and charges for administrative approval within five business days after the Commission's vote. Pursuant to Rule 25-22.0406(8), F.A.C., customers should be notified of the revised rates in their first bill containing the new rates. A copy of the notice should be submitted to staff for approval prior to its use.

Vote Sheet

January 14, 2020

Item 4

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

(Continued from previous page)

Issue 29: Should Sebring be required to notify the Commission, within 90 days after the date of the final order in this docket, that it has adjusted its books for all the applicable accounts as a result of the Commission's findings in this rate case?

Recommendation: Yes, Sebring should be required to notify the Commission, in writing, that it has adjusted its books in accordance with any Commission ordered adjustments. Sebring should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable accounts have been made to the Company's books and records. In the event the Company needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Final Agency Action)

Issue 30: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

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