



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)

November 12, 2020

**VIA E-PORTAL FILING**

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

**Re: Docket No. 20200237-PU**

In re: Amendment of Rules 25-6.0141, F.A.C., Allowance for Funds Used During Construction, and 25-30.116, F.A.C., Allowance for Funds Used During Construction, and Adoption of Rule 25-7.0141, F.A.C., Allowance for Funds Used During Construction and Proposed Amendment of Rule 25-6.0143, F.A.C., and Proposed Adoption of Rule 25-7.0143, F.A.C.

Dear Mr. Teitzman:

Attached for electronic filing with the Commission on behalf of Peoples Gas System, please find their Response to Staff's First Data Request Nos. 1-14 in the above case.

Your assistance in this matter is greatly appreciated.

Sincerely,

Andrew M. Brown

AB/plb  
Attachment

cc: Parties of Record  
Ms. Kandi M. Floyd  
Ms. Karen Bramley

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 1  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

1. Section (2)(a)l. states that projects that involve gross plant additions in excess of \$25,000 and are expected to be completed in excess of one year will be eligible for AFUDC. What is the potential financial impact to your utility and your customers for a newly qualifying project?
  - A. Under Docket No. 20190091-GU Peoples received approval from the Florida Public Service Commission ("Commission") to accrue AFUDC on projects that individually exceed 0.5 percent of the sum of the balances in Gas Plant in Service (Account 101) and Gas Completed Construction not Classified (Account 106) where the construction on the project is expected to take in excess of one year to complete. Setting the threshold for AFUDC eligibility at \$25,000 or greater will likely allow more projects to be eligible to accrue AFUDC, as demonstrated in the Company's response to Staff Data Requests No 2 and No 3. When an eligible project accrues AFUDC the project CWIP is removed from the Company's adjusted rate base. Upon the project going into service, the asset including accrued AFUDC, will be included in rate base as Gas Plant in Service and is recoverable through depreciation expense over the life of the asset.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 2  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 2.** What is your utility's incremental increase in the annual amount of AFUDC-eligible projects with the proposed \$25,000 threshold?
  - A.** The Company is unable to estimate the future amount of AFUDC eligible projects because it depends on the number of projects which exceed one year in duration to complete. If the proposed rule had been in place for all of 2020, the Company estimates the incremental increase in the amount of AFUDC eligible projects to be approximately \$20 million, using the proposed \$25,000 threshold.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 3  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 3.** What is your utility's incremental increase in the annual amount of accrued AFUDC with the proposed \$25,000 threshold?
  - A.** The Company is unable to estimate the future amount of accrued AFUDC because it depends on the number of active AFUDC eligible projects which exceed one year in duration to complete. If the proposed rule had been in place for all of 2020, the Company estimates the incremental increase in the amount of accrued AFUDC to be approximately \$1.2 million, using the proposed \$25,000 threshold.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 4  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 4.** Section (2)6. (f) states that the utility may file a petition prior to commencement of construction to seek approval to include an individual project in rate base. If your utility decides to file such a petition, what is the estimated cost?
  - A.** If a petition is requested, Peoples may incur incremental external legal and other administrative costs, which are not expected to be material.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 5  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 5.** Section (3)(a) states that the applicable AFUDC rate shall be determined using the most recent 13-month average embedded cost of capital. What is the estimated cost to determine the applicable AFUDC as stated above?
  - A.** Peoples currently accrues AFUDC as approved under Docket No. 20190091-GU and already performs this task. Therefore, the Company does not expect any incremental costs.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 6  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 6.** Section (2) 2. allows a utility to bundle multiple related projects together if the utility can demonstrate that the total cost with AFUDC will be less than the total cost of the unbundled projects without AFUDC.
- (a)** Under the proposed bundling with AFUDC, does the utility anticipate any financial impact to rate payers? Please explain.
  - (b)** What impact, if any, would bundling projects have on the utility's rate base? Please explain.
- A.**
- (a)** The Company has not determined if they have projects that qualify for bundling as provided for in Section (2)2. However, if there were projects which would be eligible for bundling as provided for in Section (2)2, then Peoples would expect an incremental positive financial impact to customers since the total cost, including AFUDC, of related projects that were bundled would be less than the total cost of the unbundled projects without AFUDC.
  - (b)** Since Section (2)2 stipulates that the total cost of the bundled projects with AFUDC must be less than the total cost of the unbundled projects without AFUDC, Peoples expects that there would be a lower rate base as a result of bundled projects being eligible for AFUDC.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 7  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 7.** Section (5) requires the utility to file Schedules A, B, and C with each petition for a change in AFUDC rate and Section (7) requires these schedules to be included with the December Rate of Return surveillance report to the Commission. Please state the estimated cost to complete and file Schedules A, B, and C as required in Sections (5) and (7).
  
- A.** Peoples currently accrues AFUDC as approved under Docket No. 20190091-GU and already performs this task. Therefore, the Company does not expect any incremental costs.



**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 8  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 8.** Is the proposed rule likely to increase any transactional costs (e.g.: filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule) to your utility, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? Please provide a good faith estimate of incremental annual costs.
- A.** No. The Company does not expect there will be an increase in any transactional costs in excess of \$1 million in the aggregate within 5 years after the implementation of the rule. The Company estimates no incremental annual costs.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 9  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 9.** Is the proposed rule likely to directly or indirectly result in incremental regulatory costs for your utility in excess of \$200,000 in the aggregate within 1 year after the implementation of this rule? Please explain.
- A.** No. The Company does not anticipate that compliance with these rule revisions would require any additional activities or personnel. Nor does the Company expect that the rule revisions will result in any direct or indirect incremental regulatory costs. While more projects may qualify for accrual of AFUDC under the proposed rule revision, the proposed revisions do not require any changes to the Company's existing processes for calculating and tracking accrual of AFUDC.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 10  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 10.** Is the proposed rule likely to have an adverse impact on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of this rule? Please explain.
- A.** No. Peoples does not expect that the proposed rule revisions are likely to have an adverse impact on economic growth, private-sector job creation or employment, or private-sector investment in excess of \$1 million in the aggregate within 5 years after implementation of the rule. The proposed rule revisions do not impose any new or different regulatory requirements on Peoples that will result in additional costs and are not likely to result in additional transactional costs that could impair economic growth or investment.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 11  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 11.** Will the proposed rule have an adverse impact on small business? (A small business is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments). Please explain.
- A.** No. Peoples does not expect that this proposed rule will have any adverse impact on small business.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 12  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 12.** Is the proposed rule likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule?
- A.** No. Peoples does not expect that the proposed rule revisions are likely to have an adverse impact on business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule. The proposed rule revisions do not impose any new or different regulatory requirements that will result in additional costs.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 13  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 13.** Does your utility anticipate any effect on state or local revenues from the AFUDC related projects? Please discuss.
- A.** No. Peoples does not anticipate any effect on state or local revenues from the AFUDC related projects. The proposed rule revisions will not result in any material changes to the type or number of projects that the Company undertakes. As a result, it is unlikely that state or local revenues will be affected.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20200237-PU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 14  
PAGE 1 OF 1  
FILED: NOVEMBER 12, 2020**

- 14.** Please provide any additional information related to draft Rule 25-7.0141, F.A.C., which the Commission may deem useful.
  - A.** The eligibility requirement that projects are expected to be completed in excess of one year after the commencement of construction will limit the projects which are eligible for AFUDC to those large projects where carrying costs are incurred over a one year period or longer.