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October 3, 2022

VIA ELECTRONIC FILING

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

Re: Docket No. 20220069-GU
Florida City Gas – Rebuttal Testimony of Liz Fuentes

Dear Mr. Teitzman:

Enclosed for filing on behalf of Florida City Gas ("FCG") in the above-referenced docket is the **Rebuttal Testimony of FCG witness Liz Fuentes**, together with Exhibits LF-7 through LF-12.

A copy of this filing is being served in accordance with the attached certificate of service. If you or your staff have any question regarding this filing, please contact me at (561) 691-7144.

Respectfully submitted,

Christopher T. Wright
Authorized House Counsel No. 1007055

Enclosures

Cc: Ken Hoffman

CERTIFICATE OF SERVICE
20220069-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 3rd day of October 2022 to the following parties:

Walter Trierweiler, Esquire Matthew Jones, Esquire Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 wtrierwe@psc.state.fl.us majones@psc.state.fl.us ***For Commission Staff***	Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Gentry.richard@leg.state.fl.us wessling.mary@leg.state.fl.us ***For Office of Public Counsel***
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s/ Christopher T. Wright
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220069-GU

FLORIDA CITY GAS

REBUTTAL TESTIMONY OF

LIZ FUENTES

Topics: **Rate Case Expenses, Acquisition Adjustment, LNG Facility, and Revenue Requirement Adjustments Identified By FCG**

Filed: October 3, 2022

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Liz Fuentes. My business address is Florida Power & Light Company ("FPL"), 4200 West Flagler Street, Miami, Florida, 33134.

Q. Did you previously submit direct testimony in this proceeding?

A. Yes. On May 31, 2022, I submitted written direct testimony on behalf of Pivotal Utility Holdings, Inc. d/b/a Florida City Gas ("FCG" or the "Company"), together with Exhibits LF-1 through LF-6.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to certain claims and recommendations in the testimonies of Office of Public Counsel ("OPC") witness Schultz and Federal Executive Agencies ("FEA") witness Collins. Specifically, my rebuttal testimony will address these witnesses' proposed adjustments to FCG's rate case expenses, the AGL Resources, Inc. ("AGLR") acquisition adjustment, and the revenue requirements associated with the Liquified Natural Gas ("LNG") Facility. I will explain why each of these adjustments are not appropriate and should be rejected. In addition, I will present the recalculated base revenue increase for the 2023 Test Year to incorporate certain adjustments identified by FCG.

Q. Are you sponsoring or co-sponsoring any rebuttal exhibits in this case?

A. Yes. I am sponsoring the following exhibits with my rebuttal testimony:

- LF-7 – Revised Rate Case Expenses
- LF-8 – FCG Responses to OPC Discovery in Docket No. 20220069-GU

- LF-9 – OPC's Proposed Adjustments to Rate Base and Net Operating Income in Docket No. 20170179-GU
- LF-11 – 2023 Test Year Recalculated Revenue Requirements with RSAM
- LF-12 – 2023 Test Year Recalculated Revenue Requirements without RSAM

I also co-sponsor Exhibit LF-10 – FCG's Notice of Identified Adjustments filed August 16, 2022, with FCG witnesses DuBose and Howard.

Q. Before addressing the specific issues and recommendations raised by OPC and FEA, do you have any general observations and concerns regarding OPC's recommendations and adjustments?

A. Yes, I do. OPC witness Schultz ignores portions of prior FCG settlement agreements, to which OPC is a signatory, and is attempting to re-litigate items already approved by the Commission in prior dockets. In addition, his recommendations to limit recovery of certain costs included in FCG's 2023 Test Year are unsupported and contrary to traditional ratemaking.

II. <u>RATE CASE EXPENSES</u>

Q. What amount did FCG originally estimate for incremental rate case expenses associated with this case and how was it determined?

A. As reflected on Exhibit LF-7, FCG originally estimated $2.0 million of rate case expenses mainly for incremental rate case expenses associated with external witnesses, legal support, and affiliate support from FPL. This amount was estimated based on the expectation of a fully litigated rate case. The primary driver of a rate case expense is the amount of work involved to litigate the case. Obviously, no one can accurately predict with 100% certainty the amount of work that will be involved to fully litigate a rate case because the issues and opposition are specific and unique to each individual rate case. To provide a reasonable estimate of the amount of work involved in a litigated rate case, FCG referred to work and time involved in FPL's recent base rate proceeding in Docket No. 20210015-EI and compared the estimated rate case expenses to those proposed in FCG's most recent base rate case in Docket No. 20170179-GU and Peoples Gas System's most recent rate case in Docket No. 20200051-GU. These considerations provided a reasonable framework to estimate the work involved to fully litigate the 2022 rate case, which in turn drives the estimated rate case expense. However, it is important to remember the actual amount of work involved and the associated rate case expense is, in large part, a product of factors that are largely beyond the Company's control, including, but not limited to: the number of intervenors, the number of issues raised by intervenors and Commission Staff ("Staff"), whether any issues are stipulated or settled, the amount and types of discovery propounded by intervenors and Staff, extent of hearing preparation required, the amount of cross-examination and time required for hearings, and the number of issues to be briefed. In short, with the exception of the preparation of the initial filing, rate case expenses are largely beyond FCG's control.

Q. How did FCG develop the original estimate for services provided by FPL to support rate case activities for this docket?

A. The original estimate for affiliate support from FPL of $1.6 million was based on the same assumptions listed above as well as prior rate case experiences, including FPL's recent base rate proceeding in 2021. Each FPL employee expecting to provide support for the FCG rate case provided an estimate of their hours to be spent in direct support of this docket, which totaled approximately 14,000 hours. This bottom-up estimate was then multiplied by an average FPL employee payroll rate, including all applicable payroll related costs, to develop the cost estimate.

Q. Has FCG revised its estimated amount for services provided by FPL in support of this docket?

A. Yes. As reflected on Exhibit LF-7, FCG has reduced the estimated amount of hours of affiliate support from FPL for this proceeding to approximately 13,000 hours, resulting in a decrease in its original estimate of $1.6 million to $1.5 million. This decrease is mainly due to the amount of discovery and issues raised in this proceeding, but is offset by the need for an additional witness and support resources needed to respond to discovery and rebut intervenor testimony. The revised amount is based on actual costs as of August 31, 2022 of $1.0 million and estimated time and work involved for the remainder of the proceeding to support a fully litigated rate case.

Q. Starting on page 45 line 22, through page 46, line 8 of his testimony, OPC witness Schultz makes an assumption that FCG replaced external legal and temporary services in the prior rate case totaling $876,018 with services provided by FPL in this docket of $1,564,981, and states that the replacement costs are excessive. Do you agree with his assertion?

A. No, I do not. OPC witness Schultz is making an unsupported assumption. First, based on my review of FCG's prior rate case expense filed in Docket No. 20170179-GU, it is uncertain whether FCG forecasted any affiliate support in its rate case expenses. FCG clearly had affiliate support in its last rate case, including multiple Southern

Company witnesses. However, it is unclear whether the associated costs for such affiliate support were included in FCG's forecasted rate case expense and, if not, where such costs were recorded.

Second, FCG's rate case affiliate support in this proceeding was not simply a replacement of the external legal and temporary services forecasted in the prior rate case (Docket No. 20170179-GU), as suggested by OPC witness Schultz. Rather, as I explained above, the affiliate support for this proceeding was based on a bottom-up review of the individual time and work involved to support a fully litigated case based on prior rate case experiences.

Third, the level of affiliate support provided by FPL to FCG in this docket includes witnesses and their support teams, regulatory docket management, legal, and other support required for docket activities such as the preparation of testimony and Minimum Filing Requirements ("MFRs"), responding to discovery, and hearing preparation and attendance. As stated in FCG's response to OPC's Second Set of Interrogatories No. 137, which is reflected on page 1 of Exhibit LF-8, the use of affiliate support allows FCG to temporarily secure external staff for a periodic and intensive rate case effort and leverage the expertise of affiliate resources. By doing so, FCG avoids the need for permanent staff to meet periodic peak workload requirements associated base rate cases that would otherwise be included in FCG's base rate revenue requirements.

Q. Do you have any other concerns with OPC witness Schultz's recommendation to reduce the affiliate support included in FCG's rate case expenses?

A. Yes. Rule No. 25-6.1351, Cost Allocation and Affiliate Transactions, Florida Administrative Code ("F.A.C."), requires FPL to charge FCG for all support provided to FCG in order to avoid FPL's customers subsidizing FCG's customers. Thus, OPC witness Schultz's proposal to limit the amount of affiliate support from FPL recoverable in FCG's base rates, if accepted, would result in an implicit disallowance of prudently incurred costs.

Q. On page 45, lines 19 through 22 of his testimony, OPC witness Schultz asserts the cost of FCG's 2022 Depreciation Study is excessive and "could be because FCG asked the witness to manipulate the results to create new parameters to facilitate RSAM." Do you agree with his assertion?

A. No, I do not. First, FCG's original estimate for Outside Consultants: Depreciation Study reflected on MFR C-13 of $158 thousand is based on agreed upon contracted rates and the level of services needed to support all depreciation issues in this docket. It is not just for the preparation of FCG's 2022 Depreciation Study. The services contracted with FCG witness Allis include preparation of the study, preparation of direct and rebuttal testimony and exhibits, responding to and reviewing discovery, and hearing preparation and attendance. Second, FCG witness Allis is not testifying to the Company's four-year rate plan proposal which includes the adoption of RSAM discussed by FCG witness Campbell in his direct testimony. FCG witness Allis' support related to RSAM has been limited to the calculation of the Company's proposed RSAM-adjusted depreciation rates based on the Company's request to use alternative depreciation parameters as reflected on Exhibit LF-5(B) attached to my direct testimony, which he co-sponsors. Based on the above, the costs for the services provided by FCG witness Allis are not excessive as asserted by OPC witness Schultz and his suggestion that they are, should be rejected.

Q. Has FCG revised its estimated amount for services provided by FCG witness Allis in this docket?

A. Yes. The depreciation related issues raised and the amount of depreciation related discovery propounded in this proceeding have, as of the preparation of my rebuttal, been lower than originally anticipated. As a result, the estimated level of services required from FCG's depreciation consultant for the duration of this proceeding is expected to be lower than originally forecasted. Therefore, as reflected on Exhibit LF-7, FCG has reduced the estimated amount for Outside Services: Depreciation Study/Witness from $158 thousand to $107 thousand, based on $67 thousand of costs incurred through August 31, 2022, and $40 thousand for estimated support needed for the remainder of this proceeding to support a fully litigated rate case, including preparation of rebuttal testimony, and preparing for and attending the technical hearing.

Q. On page 21, lines 16 through 17 of his testimony, FEA witness Collins recommends limiting the recovery of rate case expense to the amount approved in the prior rate case adjusted for inflation. Do you agree with his recommendation?

A. No, I do not. Witness Collins's use of FCG's 2017 prior rate case expenses adjusted for inflation as a proxy is unsupported. The amount of rate case expenses in a particular docket is based on the evidence and support needed for the Company's request in that case. As described above, the amount of FCG's rate case expenses, as adjusted on

Exhibit LF-7, is based on services required to support a fully litigated rate case and the specific issues raised by Staff and intervenors to be addressed in this docket. Therefore, FEA witness Collins's recommendation should be rejected.

Q. Did OPC or FEA raise any concern with FCG's proposal to include unamortized rate case expenses in rate base?

A. No, they did not. Both OPC and FEA only took issue with the amount of unamortized rate case expenses to include in rate base.

Q. On page 47, lines 14 through 18 of his testimony, OPC witness Schultz asserts that the fact FCG's total actual rate case expenses increased from January through May 2022 and then decreased in June is an indicator that FCG's rate case expenses are excessive. Do you agree with his assertion?

A. No. FCG's rate case expenses fluctuate from month to month depending on the rate case activities being performed in any given month, such as the timing of when the filing takes place and responding to discovery served and issues raised by Staff and intervenors. Again, once the initial filing has been made, the actual rate case expense experienced each month is largely beyond FCG's control and, instead, is a product of the issues raised, discovery issued, and activities by intervenors and Staff.

As one would expect, FCG's rate case expenses from January 2022 through May 2022 increased each month as FCG was preparing and finalizing its rate case filing, which occurred on May 31, 2022. Therefore, May 2022 reflected higher costs when compared to other months during the January through June 2022 time frame due to the amount of time spent preparing, reviewing and finalizing testimony, exhibits, and MFRs.

Therefore, it is not concerning or an indicator of being excessive that rate case expenses increased from January through May 2022 and then decreased the following month.

Q. Has FCG revised the total amount of incremental rate case expenses?

A. Yes. As reflected on Exhibit LF-7, the revised total amount of estimated, incremental rate case expenses is $1.9 million, which is $0.1 million lower than the original estimate. FCG updated its estimated rate case expenses with actuals through August 31, 2022 of $1.1 million and recalculated its estimate for the period of September 2022 through January 2023, based on the services required to support the remaining activities for a fully litigated rate case. The revised amount includes $1.532 million for affiliate rate case support from FPL, $0.234 million for external witness and legal services, and $0.115 million for other miscellaneous docket related expenses. As a result, the annual amortization expense over FCG's requested four-year amortization period is $0.5 million and the unamortized 13-month average balance to be included in rate base in the 2023 Test Year is $1.6 million. This is a slight reduction in annual amortization of $28 thousand and rate base of $96 thousand for the 2023 Test Year as compared to FCG's original estimate. As discussed later in my testimony, the revised rate case expense amounts are reflected in the updated revenue requirement calculations for the 2023 Test Year on Exhibits LF-11 and LF-12.

III. ACQUISITION ADJUSTMENT

Q. Did FCG request Commission permission to establish an acquisition adjustment when it was acquired from Southern Company Gas in July 2018 and became a wholly-owned subsidiary of FPL?

A. No. FCG has not requested Commission approval of an acquisition adjustment related to the acquisition from Southern Company Gas in July 2018, nor has it included any associated acquisition adjustment in its 2023 Test Year. Rather, FCG carried over the actual amounts reflected on its balance sheet at the time of the acquisition from Southern Company Gas in July 2018, and did not recognize or record an acquisition adjustment resulting from this transaction. This carryover amount included FCG's existing positive acquisition adjustment and associated accumulated amortization related to Southern Company Gas's acquisition of AGLR from NUI Corporation in 2016 of $21.7 million, which was approved by Commission Order No. PSC-07-0913-PAA-GU in Docket No. 20060657-GU ("AGLR Order"). As a result, FCG's rate base remained unchanged when it was acquired from Southern Company Gas in 2018 and there was no need to request permission to establish an acquisition adjustment as a result of this transaction.

Q. Did FCG continue the amortization of the AGLR acquisition adjustment after it was acquired by Southern Company Gas in 2016?

A. Yes. Consistent with the AGLR Order, FCG continued the amortization of the existing AGLR acquisition adjustment after the acquisition by Southern Company Gas over a 30-year recovery period. The AGLR Order also required that the Commission review the permanence of the acquisition adjustment and related amortization in base rates in FCG's next base rate proceeding, which occurred in Docket No. 20170179-GU.

Q. Did FCG address the permanence of the AGLR acquisition adjustment and related amortization expense in Docket No. 20170179-GU?

A. Yes. FCG witnesses Bermudez and Kim presented testimony in Docket No. 20170179-GU supporting the continuation of the AGLR acquisition adjustment in rate base and its related amortization expense in net operating income.[1] As reflected in its 2018 Test Year in Docket No. 20170179-GU, FCG reflected a net acquisition adjustment of $11.8 million (MFR G-1, page 1, sum of lines 3 and 8) and amortization expense of $0.7 million (MFR G-2, page 26, line 32).

Q. Did OPC propose an adjustment to remove the AGLR acquisition adjustment or its related amortization expense in Docket No. 20170179-GU?

A. No, they did not. As reflected on pages 1 and 2 of Exhibit LF-9, OPC witness Willis proposed various adjustments to FCG's 2018 Test Year rate base in Docket No. 20170179-GU; however, OPC did not propose any rate base adjustments to remove the AGLR acquisition adjustment or its related accumulated amortization. In addition, as shown on pages 3 through 5 of Exhibit LF-9, OPC's proposed net operating income adjustments for the 2018 Test Year in Docket No. 20170179-GU explicitly did not include any adjustment to remove the amortization of the AGLR acquisition adjustment.

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[1] *See* Direct Testimony of Carolyn Bermudez filed on October 23, 2017 in Docket No. 20170179-GU, which is available at: http://www.psc.state.fl.us/library/filings/2017/09061-2017/09061-2017.pdf; *see also* Direct Testimony of Matthew Kim filed on October 23, 2017 in Docket No. 20170179-GU, which is available at: http://www.psc.state.fl.us/library/filings/2017/09050-2017/09050-2017.pdf; *see also* Rebuttal Testimony of Matthew Kim filed on February 16, 2018 in Docket No. 20170179-GU, which is available at: http://www.psc.state.fl.us/library/filings/2018/01408-2018/01408-2018.pdf.

Q. On pages 17 and 18 of his testimony, OPC witness Schultz states that the continued recovery of the AGLR acquisition adjustment was not approved in Docket No. 20170179-GU since the docket resulted in a settlement agreement. Do you agree with his assertion?

A. No, I do not. While Docket No. 20170179-GU resulted in a settlement agreement,[2] to which OPC is a signatory, it does not negate the fact that it was addressed in the referenced docket as required by the AGLR Order.

As reflected on pages 4 and 5 of Exhibit LF-8, which is part of Attachment No. 1 of FCG's response to OPC's Fifth Set of Interrogatories No. 159, FCG responded to Staff's First Data Request on Stipulation and Settlement No. 2 in Docket No. 20170179-GU ("Staff's 2017 Settlement Data Request") regarding FCG's intent for the continued recovery of the AGLR acquisition adjustment in base rates. While OPC witness Schultz refers to a limited portion of FCG's response to Staff's 2017 Settlement Data Request on pages 17 and 18 of his testimony, he fails to refer to subpart (c) where the Commission expressly asked, "does FCG believe that this Stipulation and Settlement Agreement fulfills its obligation to demonstrate to the Commission the prudence of the Acquisition Adjustment?" FCG's response was as follows:

> While the Stipulation and Settlement does not specifically address the Acquisition Adjustment, the Company provided the testimonies of Witnesses Kim and Bermudez in support of the continued prudence of the Acquisition Adjustment. To the extent that no intervenor party provided testimony recommending an adjustment to the unamortized amount associated with the Acquisition Adjustment, and the Settlement and Stipulation does not contain a specific adjustment to the remaining unamortized amount associated

[2] Order No. PSC-2018-0190-FOF-GU, Docket No. 20170179-GU (the "2018 Settlement Agreement")

> with the Acquisition Adjustment, FCG believes that a sufficient demonstration has been made as to the continued prudence of the Acquisition Adjustment.

Q. Did FCG include the AGLR acquisition adjustment and its related amortization expense in its 2023 Test Year?

A. Yes. FCG included the $21.7 million AGLR acquisition adjustment and related accumulated amortization of $13.5 million in rate base, and $0.7 million of amortization expense in net operating income in the 2023 Test Year. This treatment is consistent with the 2018 Settlement Agreement.

Q. On pages 18 through 20 of his testimony, OPC witness Schultz recommends the removal of the AGLR net acquisition adjustment and related amortization expense from the 2023 Test Year because, according to him, the Commission "has established a policy for the protection of customers that acquisition adjustments do not survive subsequent purchases of a utility's assets." Do you agree with his recommendations?

A. No, I do not. OPC witness Schultz refers to excerpts from two water and wastewater utility orders as the basis for excluding the AGLR acquisition adjustment in this proceeding; however, these references are taken out of context. The Commission's decisions in the referenced water and wastewater orders were based on the unique facts and circumstances specific to those dockets and nothing in either order suggests that the Commission's decisions would be considered "policy" for all utilities, including gas utilities. In addition, the utilities in the referenced dockets must comply with the requirements under Rule 25-30.0371, F.A.C., which is a rule specific to acquisition adjustments for water and wastewater utilities. There is not a comparable acquisition adjustment rule for gas utilities, nor is FCG aware of any Commission decisions that disallow continued recovery of acquisition adjustments after a subsequent acquisition for gas utilities. In fact, FCG's AGLR acquisition adjustment already survived a subsequent acquisition for ratemaking purposes. FCG was acquired by AGLR in 2004 and the positive AGLR acquisition adjustment was approved in the AGLR Order issued on November 13, 2007. Subsequently, on July 1, 2015, AGLR was acquired by Southern Company and FCG became a subsidiary of Southern Company Gas. Despite the subsequent acquisition by Southern Company Gas, the AGLR acquisition adjustment was continued and, pursuant to the AGLR Order, the permanence of the acquisition adjustment was addressed and resolved in FCG's most recent rate case in Docket No. 20170179-GU as explained above.

Q. Please explain why the net acquisition adjustment and related amortization should be included in the 2023 Test Year.

A. As stated previously, the permanence of the AGLR acquisition adjustment has already been addressed and resolved in FCG's most recent rate case in Docket No. 20170179-GU. In addition, the inclusion of the AGLR acquisition adjustment and related amortization in base rates is consistent with the treatment for any other regulatory asset or liability that FCG had on their books and records when it became a wholly-owned subsidiary of FPL. Therefore, there is no need to make adjustments to remove the AGLR acquisition adjustment and associated amortization from FCG's 2023 Test Year.

Q. On pages 52 and 53 of his testimony, OPC witness Schultz appears to question whether there will be a future potential merger or sale of FCG. Do you have a response?

A. Yes. OPC witness Schultz's concerns regarding a future merger or acquisition of FCG are unsupported speculations that are irrelevant to this proceeding. First, as OPC witness Schultz acknowledged on page 52, line 21 of his testimony, FCG has confirmed that there are no plans to merge FCG and FPL. Even if FCG and FPL were to legally merge, they would need to remain separate regulated, cost-based ratemaking entities and maintain separate regulated operations, books, and records. Second, as reflected in FCG's response to OPC's Third Set of Interrogatories No. 140, sponsored by FCG witnesses Howard and Campbell, which is reflected on page 2 of Exhibit LF-8, FCG has not forecasted any activity associated with a future potential merger or sale in its 2023 Test Year. Third, even if there is a merger or sale in the future, any impact to FCG's base rates would be addressed by FCG and this Commission in the applicable base rate proceeding. It would be inappropriate to incorporate the impacts of a future acquisition in this base rate proceeding where it is entirely unknown and pure speculation on the part of OPC witness Schultz that such a transaction will even occur at some unknown time in the future.

IV. LNG FACILITY

Q. On pages 21 and 22 of his testimony, OPC witness Schultz raises a concern as to why FCG's current base rates reflect costs and expenses associated with the LNG Facility when the unit is not yet in service. Do you have a response?

A. Yes, perhaps OPC witness Schultz is unaware that OPC agreed to this ratemaking treatment as part of FCG's 2018 Settlement Agreement. Section III of the 2018 Settlement Agreement, to which OPC is a signatory, contemplates the recovery of a portion of the costs and expenses associated with the LNG Facility prior to its in-service date. Specifically, it states the following:

> The Parties further agree that the Company shall be allowed to increase its base rates and charges in an amount sufficient to recover the additional revenue requirement of $3.8 million of the completed liquified natural gas ("LNG") facility described in Section IV of this 2018 Agreement by the end of 2019 or upon the in-service date of the LNG Facility, whichever is later.

This provision in the 2018 Settlement Agreement recognizes a portion of costs and expenses associated with the LNG Facility is currently included in FCG's base rates and FCG is allowed to implement a subsequent increase to its existing base rates in order to collect an <u>additional</u> $3.8 million in revenue requirements once the LNG Facility goes into service.

Moreover, as FCG explained in its response to OPC's Fifth Set of Interrogatories No. 172, which is reflected on pages 6 through 8 of Exhibit LF-8, the revenue requirement calculation for the LNG Facility that was provided to support the additional subsequent increase of $3.8 million upon the in-service date clearly identified that current rates approved by the 2018 Settlement Agreement included approximately $2.5 million in revenue requirements associated with the LNG Facility. More specifically, the revenue requirement calculation for the LNG Facility indicated: (1) the total estimated revenue requirement associated with the LNG Facility was $6.4 million (Exhibit LF-8, page 7, line 26); (2) the current base rates approved in the 2018 Settlement Agreement included revenue requirements of $2.5 million associated with the LNG Facility (Exhibit LF-8, page 8, line 26); and (3) the incremental additional revenue requirement to become effective on the in-service date of the LNG Facility is $3.8 million (Exhibit LF-8, page 7, line 26). The revenue requirement included in current base rate represents a return on $29.0 million of related rate base of $2.4 million (Exhibit LF-8, page 8, line 22) plus $0.2 million of operating expenses (Exhibit LF-8, page 8, sum of lines 23-25).

Q. On page 22, lines 6 through 8 of his testimony, OPC witness Schultz recommends that amounts collected from customers associated with the LNG Facility prior to when it goes into service should be "set aside in a regulatory liability and amortized back to ratepayers over the next five years." Do you agree with this recommendation?

A. No, I do not. As mentioned previously, FCG's current base rates include costs and expenses associated with the LNG Facility pursuant to the 2018 Settlement Agreement, which OPC agreed to. OPC witness Schultz's recommendation is in direct violation of the settlement agreement. Therefore, his recommendation should be rejected.

V. REVENUE REQUIREMENT ADJUSTMENTS IDENTIFIED BY FCG

Q. Has FCG identified adjustments that should be made to the revenue requirement calculations for the 2023 Test Year?

A. Yes. The identified adjustments to the calculation of revenue requirements for the 2023 Test Year are reflected in FCG's notice of identified adjustments filed on August 16, 2022, which is attached as Exhibit LF-10. In addition, FCG has identified three additional adjustments to the calculation of revenue requirements for the 2023 Test Year, which were identified after the notice of identified adjustments was filed. The adjustments are as follows:

1) Rate Case Expenses - As described earlier in my rebuttal testimony, FCG has decreased the amount of estimated, incremental rate case expenses from $2.0 million to $1.9 million and has included an adjustment to amortization expense and the related unamortized balance in its revised revenue requirement calculations.

2) Forecasted Billing Adjustments - As described in the testimony of FCG witness DuBose, FCG inadvertently included $16 thousand of forecasted billing adjustments to miscellaneous revenues, which should be removed for the 2023 Test Year.

3) Executive Incentive Compensation - As discussed in the rebuttal testimony of FCG witness Slattery, the forecasted amount of affiliate expenses from FPL in 2023 included $505 thousand of executive incentive compensation, which the Company is electing to remove in this proceeding consistent with FPL's incentive compensation methodology.

All of these adjustments, including the previously filed notice of identified adjustments, are included in Exhibits LF-11 and LF-12, which reflect revised revenue requirements for the 2023 Test Year and the impact of these adjustments on rate base, net operating income, and capital structure.

Q. Are there any other adjustments proposed by OPC witness Schultz to FCG's 2023 revenue requirement calculation or four-year rate plan that you would like to address?

A. Yes. In addition to the proposed adjustments on Exhibit HWS-2 that I have previously addressed, OPC witness Schultz has proposed several other adjustments to FCG's 2023 revenue requirement calculation. For the reasons discussed in the rebuttal testimonies of FCG witnesses Allis, Campbell, Howard, Nelson, and Slattery, the following adjustments proposed by OPC witness Schultz should be rejected and, therefore, have not been incorporated into FCG's recalculated 2023 base revenue increase on Exhibits LF-11 or LF-12:

- Removal of Advanced Metering Infrastructure Pilot Costs – Addressed in the rebuttal testimony of FCG witness Howard.
- Injuries and Damages Adjustment – Addressed in the rebuttal testimony of FCG witness Howard.
- Plant-In-Service Reductions – Addressed in the rebuttal testimonies of witnesses Howard and Campbell.
- Cash Working Capital Reductions – Addressed in the rebuttal testimony of FCG witness Campbell.
- Reduction of Storm Damage Reserve Accrual – Addressed in the rebuttal

testimony of FCG witness Howard.

- Impact of Parent Debt Adjustment – Addressed in the rebuttal testimony of FCG witness Campbell.
- Directors and Officers Liability Insurance Expense Adjustment – Addressed in the rebuttal testimony of FCG witness Campbell.
- Employee Payroll, SERP, Benefits and Incentive Compensation Adjustments – Addressed in the rebuttal testimony of FCG witness Slattery.
- Adjustments to 2022 Depreciation Study Rates – Addressed in the rebuttal testimony of FCG witness Allis.
- Capital Structure Adjustments – Addressed in the rebuttal testimonies of FCG witnesses Campbell and Nelson.
- Return on Equity Adjustment – Addressed in the rebuttal testimony of FCG witness Nelson.

In addition, OPC witness Schultz recommends the rejection of FCG's proposed RSAM, resulting in the rejection of FCG's four-year rate plan, which is addressed in the rebuttal testimony of FCG witness Campbell.

Q. How does FCG propose that the Commission use the adjustments reflected on Exhibit LF-11?

A. The Commission should include the effect of the adjustments in determining FCG's revenue requirements for the 2023 Test Year requested base revenue increase. The net impact of the adjustments identified result in a decrease to FCG's revenue requirements for the 2023 Test Year.

Q. What is the amount of FCG's recalculated base revenue increase for the 2023 Test Year?

A. As shown on Page 1 of Exhibit LF-11, the amount of FCG's recalculated base revenue increase for 2023 is $28.3 million and incremental revenue increase is $18.8 million. The recalculated amount is based on MFR G-5 with RSAM, which is consistent with FCG's four-year rate plan discussed by FCG witness Campbell, and includes all the identified adjustments discussed previously. Pages 2 through 3 of Exhibit LF-11 present the impact of each adjustment to rate base, NOI, and capital structure. The recalculated base revenue increase for 2023 is lower than the amount reflected on MFR G-5 with RSAM by approximately $0.7 million.

Q. Did FCG recalculate the alternative base revenue increase that would be required for the 2023 Test Year in the event the Commission does not approve FCG's proposed four-year rate plan?

A. Yes. As shown on Page 1 of Exhibit LF-12, the amount of FCG's recalculated alternative base revenue increase for 2023 is $31.3 million and incremental revenue increase is $21.5 million. The recalculated amount is based on MFR G-5 without RSAM, and includes all the identified adjustments discussed previously. Pages 2 through 3 of Exhibit LF-12 present the impact of each adjustment to rate base, NOI, and capital structure. The recalculated base revenue increase for 2023 is lower than the amount reflected on MFR G-5 without RSAM by approximately $0.7 million.

Q. How do FCG's recalculated incremental revenue requirements under FCG's proposed four-year plan compare to the recalculated incremental revenue requirements that would apply if the Commission does not approve the four-year plan?

A. FCG's recalculated incremental revenue requirements under the four-year plan remain about $2.7 million lower per year compared to the alternative incremental revenue requirements. Over four years, this amounts to roughly $10.8 million of lower revenue requirements, which does not account for any additional base revenue increases for the period of 2024 through 2026 that would result if the four-year plan is not approved, as discussed by FCG witness Campbell.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Florida City Gas
Revised 2022 Rate Case Expense Estimate

Line No.	Expense Type	As Filed 2022 Rate Case Expenses	Revised 2022 Rate Case Expenses	$ Difference	% Difference	Reasons for Change
1	**Outside Services:**					
2	Depreciation Study/Witness	$ 157,862	$ 107,000	$ (50,863)	-32.22%	Decrease due to lower than anticipated depreciation discovery and support required for depreciation issues
3	ROE Witness	60,000	60,000	-	0.00%	
4	Legal	150,000	67,040	(82,960)	-55.31%	Decrease due to lower level of services required than anticipated
5	**Total**	**$ 367,862**	**$ 234,040**	**$ (133,823)**	**-36.38%**	
6	**Affiliate Support Charged to FCG:**					
7	FPL	$ 1,564,981	$ 1,530,518	$ (34,463)	-2.20%	Decrease due to lower support required than originally anticipated (13,000 hours versus 14,000 hours), offset by additional witness and support for rebuttal
8	NEER	-	1,274	1,274	N/A	Payroll correction for employee that transferred from FPL to NextEra Energy Resources
9	**Total**	**$ 1,564,981**	**$ 1,531,792**	**$ (33,189)**	**-2.12%**	
10	**Other:**					
11	Travel/Hearing Expenses	$ 18,200	$ 53,387	$ 35,187	193.34%	Primarily due to an increase in travel days for the technical hearings than originally anticipated (2 days versus 6 days)
12	Temporary Services	-	7,862	7,862	N/A	Temporary employee transferred to affiliate support from FPL beginning in January 2022
13	Other (A)	40,073	53,755	13,682	34.14%	Primarily due to notifications for in-person service hearings, which wasn't originally anticipated
14	**Total**	**$ 58,273**	**$ 115,005**	**$ 56,732**	**97.36%**	
15	**Total Estimated Rate Case Expenses**	**$ 1,991,116**	**$ 1,880,836**	**$ (110,280)**	**-5.54%**	
16	**Annual Amortization**	**$ 497,779**	**$ 470,209**	**$ (27,570)**	**-5.54%**	
17	**13-Month Average**	**$ 1,742,227**	**$ 1,645,732**	**$ (96,495)**	**-5.54%**	

Notes:
(A) Includes customer notifications and printing costs.

Florida City Gas Company
Docket No. 20220069-GU
OPC's Second Set of Interrogatories
Interrogatory No. 137
Page 1 of 1

QUESTION:
Refer to testimony of Liz Fuentes, Pages 17 and 22. Please explain how rate case costs from FPL can exceed the direct charges for a full year from FPL.

RESPONSE:
The reference to Page 17 in FCG witness Fuentes's testimony refers to $1.6 million of affiliate support from FPL in the total amount of rate case expenses forecasted to be incurred as of December 31, 2022 for this docket. As reflected and described on MFR Schedule C-13, this forecasted amount includes witness, legal, and other support. The use of affiliate support by FPL allows FCG to secure outside temporary staff for an effort as time intensive as a rate case and leverage the expertise of FPL resources. By doing so, FCG avoids permanent staff to meet peak workload requirements that would otherwise be included in FCG's base rate revenue requirements. In addition, as described in the testimony of FCG witness Fuentes, the fact that FCG is requesting a four-year rate plan in this proceeding reduces the amount of rate case expenses FCG would otherwise incur for multiple, back-to-back proceedings.

The reference to Page 22 refers to $1.3 million of projected direct charges from FPL and other affiliates of FCG in the 2023 Test Year, which is based on historical charges to FCG for specific project support not related to rate case activities. It is not proper to compare rate case efforts to non-rate case projects as they require different levels of support and therefore, result in different levels of expenses incurred.

QUESTION:
Are there any costs included in the Company's request associated with the potential merger or sale of the Company? If so, please identify the costs and where they are reflected in the filing.

RESPONSE:
No.

QUESTION:
Refer to the response to OPC's Second Set of Interrogatories, No. 129. Was the approval of the acquisition adjustment specifically detailed in the settlement agreement in Order No. PSC-2018-0190-FOF-GU (Docket No. 20170179-GU)? If not, explain why the settlement can be viewed as approval for recovery.

RESPONSE:
No. Pursuant to Commission Order No. PSC-08-0623-PAA-GU, FCG was authorized to amortize a positive acquisition adjustment over a thirty-year period beginning November 2004. On October 23, 2017, FCG filed a petition in Docket No. 20170179-GU seeking Commission approval of a rate increase, depreciation study, and a request for interim rate relief. As part of that filing, FCG submitted Schedule MFR A-3 that clearly reflects the positive acquisition adjustment was included in the 2018 Test Year rate base. Please refer to Schedule MFR A-3, Page 1 in Docket 20170179-GU. Although FCG's current settlement agreement approved by Commission Order No. PSC-2018-0190-FOF-GU did not specifically address the acquisition adjustment, there is nothing in the settlement agreement to suggest that any portion of the acquisition adjustment included in the 2018 Test Year was disallowed or adjusted. In addition, please refer to Attachment No. 1 to this response for FCG's response to Staff's First Data Request No. 2, in Docket No. 20170179-GU (settlement data requests) regarding FCG's intent regarding the continued recovery of the acquisition adjustment in base rates.

<u>Acquisition Adjustment</u>

2. As part of its rate case filing, FCG requested continued approval of the 2007 Acquisition Adjustment that the Commission had approved on a provisional basis in Docket No. 060657-GU.

While the proposed Stipulation and Settlement Agreement reached by the parties asserts to be comprehensive to all issues outlined in the rate case filing, it does not directly address the Acquisition Adjustment and its continued prudence.

a. Is it the intention of the parties for the proposed Stipulation and Settlement Agreement to address the Acquisition Adjustment and its continued prudence?

b. As part of the proposed Stipulation and Settlement Agreement, have the parties agreed to stipulate their approval of the acquisition adjustment?

c. If yes, does FCG believe that this Stipulation and Settlement Agreement fulfills its obligation to demonstrate to the Commission the prudence of the Acquisition Adjustment?

<u>FCG Response:</u>

a. The Parties' have put forth a "black box" settlement, which, as noted, does not address the Acquisition Adjustment approved by the Commission in Docket No. 060657-GU. It can, however, be noted that the Settlement and Stipulation also does not include a specific adjustment to disallow any portion of the remaining unamortized amount associated with that Commission-approved Acquisition Adjustment.

b. Please see response to part a, above. The Parties further note that no intervenor party submitted testimony or exhibits recommending that any portion of the remaining unamortized amount associated with the Acquisition Adjustment be disallowed.

c. While the Stipulation and Settlement does not specifically address the Acquisition Adjustment, the Company provided the testimonies of Witnesses Kim and Bermudez in support of the continued prudence of the Acquisition Adjustment. To the extent that no intervenor party provided testimony recommending an adjustment to the unamortized amount associated with the Acquisition Adjustment, and the Settlement and Stipulation does not contain a specific adjustment to the remaining unamortized amount associated with the Acquisition Adjustment, FCG believes that a sufficient demonstration has been made as to the continued prudence of the Acquisition Adjustment.

Respondent: Carolyn Bermudez

Federal Income Tax Reform

3. Please provide the method, including the calculations and schedules (formulas intact), used to determine the projected tax savings of $4,584,338.

FCG Response:

Please see Attachment Staff DR Set 1 (1-3) for the details above.

Respondent: Mike Morley

Revenue Requirement

4. Please discuss how the two step increases will be allocated to the rate classes (e.g., across the board same percentage increase to all rate classes)

FCG Response:

The attached Schedule Staff DR 1-4 and electronic file "Schedule Staff DR 1-4.xlsx" present how the Company proposes allocate the two step increases. For the first step increase the Company proposes to allocate the $2,500,000 in the same manner as the initial $8,000,000 increase net of SAFE revenues was allocated to the RS-1, RS-100, RS-600, GS-1, GS-6k, GS-

QUESTION:
Refer to the response to OPC's Second Set of Interrogatories, No. 112, LNG Facility. Provide by year 2019-2021 and 2022 to date a net operating income summary of the revenue and associated costs that were approved and allowed in base rates (i.e. it should show revenue, depreciation, O&M expense, income taxes, etc. and net income).

RESPONSE:
Please refer to Attachment No. 1 to this response for the revenue requirement calculation of the LNG Facility provided during negotiation discussions for FCG's Stipulation and Settlement Agreement which was approved by the Commission in Order No. PSC-2018-0190-FOF-GU, Docket No. 20170179-GU.

FCG initially provided this calculation with different parameters in response to OPC's Third Production of Documents No. 82 in Docket No. 20170179-GU and subsequently updated the calculation with settlement parameters as shown in Attachment No. 1.

Florida City Gas
Docket No. 20220069-GU
OPC's Fifth Set of Interrogatories
Interrogatory No. 172
Attachment 1 of 1
Page 1 of 2

Florida City Gas
Docket No. 2017-0179
OPC POD 3-82

Line No.				
1	Proposed Return on Equity		4.64%	- MFG Schedule G-3, page 2 Column "Weighted Cost", Line 1
2	Proposed Return on Debt		1.93%	- MFG Schedule G-3, page 2 Column "Weighted Cost", Sum of Lines 2-4
3	**Total Return**		**6.57%**	
	Composite Tax Rate			
			100.00%	
4	State		5.50%	
5			94.50%	
6	Federal		21.00%	
7			19.85%	
8	Composite Tax Rate		25.35%	
9	**Equity Tax Gross UP**		**33.95%**	
10	Depreciation Rate-Book		2.00%	
11	Land	$	7,500,000	
12	Plant facilities	$	50,500,000	
13	Investment	$	58,000,000	
14	Property Tax Factor - Estimated		0.76%	

Line No.	**Revenue Requirement**								**Capital Spend/In Service**						
	Year	Average	Dec-18	Nov-18	Oct-18	Sep-18	Aug-18	Jul-18	Jun-18	May-18	Apr-18	Mar-18	Feb-18	Jan-18	Dec-17
15	Plant In Service	58,000,000	58,000,000	-	-	-	-	-	-	-	-	-	-	-	-
16	CWIP	-	-	53,166,667	48,333,333	43,500,000	38,666,667	33,833,333	29,000,000	24,166,667	19,333,333	14,500,000	9,666,667	4,833,333	-
17	Accumulated Depreciation	1,010,000													
18	Rate Base Impact	56,990,000	58,000,000	53,166,667	48,333,333	43,500,000	38,666,667	33,833,333	29,000,000	24,166,667	19,333,333	14,500,000	9,666,667	4,833,333	

Line No.					
19	Equity Return Requirement	$	2,644,336	- Line 15 x Line 1	
20	Debt Return Requirement		1,101,674	- Line 15 x Line 2	
21	Income Tax On Equity Return		897,739	Line 19/Line 9	
22	Return on Rate Base	$	4,643,749		
23	Salary Wages & Benefits & other O&M	$	273,994	- based off amount excluded by OPC in case, which was full year amount provided in ROG 131	
24	Property Tax		430,925		
25	Depreciation		1,010,000		
26	**Total Revenue Requirement**	**$**	**6,358,667**	**$ 3,828,493**	**- incremental impact**
27	**Depreciation**				
28	Average Depreciable Plant	$	58,000,000.00		
29	Proposed Book Depreciation Rate		2.00%		
30	Depreciation Expense - Full Month	$	1,010,000.00		
31	Depreciation Expense - Mid-Month	$	1,010,000.00		
32	**Property Taxes**				
33	2018 Estimated Property Taxes		1,900,000		
34	2018 Average Plant in Service		$429,446,193.00		
35	Accumulated Depreciation		$178,170,203.88		
36	Net Plant	$	251,275,989		
37	Property Tax Factor		0.76%		

Docket No. 20220069-GU
FCG Responses to OPC Discovery
in Docket No. 20220069-GU
Exhibit LF-8, Page 7 of 8

Florida City Gas
Docket No. 2017-0179
OPC POD 3-82

Line No.				
1	Proposed Return on Equity		4.64%	- MFG Schedule G-3, page 2 Column "Weighted Cost", Line 1
2	Proposed Return on Debt		1.93%	- MFG Schedule G-3, page 2 Column "Weighted Cost", Sum of Lines 2-4
3	**Total Return**		**6.57%**	
	Composite Tax Rate			
			100.00%	
4	State		5.50%	
5			94.50%	
6	Federal		21.00%	
7			19.85%	
8	Composite Tax Rate		25.35%	
9	**Equity Tax Gross UP**		**33.95%**	
10	Depreciation Rate-Book		2.00%	
11	Land	$	7,500,000	
12	Plant facilities	$	50,500,000	
13	Investment	$	58,000,000	
14	Property Tax Factor - Estimated		0.76%	

	Revenue Requirement								**Capital Spend/In Service**						
	Year	Average	Dec-18	Nov-18	Oct-18	Sep-18	Aug-18	Jul-18	Jun-18	May-18	Apr-18	Mar-18	Feb-18	Jan-18	Dec-17
15	Plant In Service	4,461,538	58,000,000	-	-	-	-	-	-	-	-	-	-	-	-
16	CWIP	24,538,462	-	53,166,667	48,333,333	43,500,000	38,666,667	33,833,333	29,000,000	24,166,667	19,333,333	14,500,000	9,666,667	4,833,333	-
17	Accumulated Depreciation														
18	Rate Base Impact	29,000,000	58,000,000	53,166,667	48,333,333	43,500,000	38,666,667	33,833,333	29,000,000	24,166,667	19,333,333	14,500,000	9,666,667	4,833,333	

19	Equity Return Requirement	$	1,345,600	- Line 15 x Line 1
20	Debt Return Requirement		560,599	- Line 15 x Line 2
21	Income Tax On Equity Return		456,824	Line 19/Line 9
22	Return on Rate Base	$	2,363,023	
23	Salary Wages & Benefits & other O&M	$	91,331	based on 1/3 of annualized amount - the case had employees for four months
24	Property Tax		33,736	
25	Depreciation		42,083	
26	**Total Revenue Requirement**	**$**	**2,530,174**	
27	**Depreciation**			
28	Average Depreciable Plant	$	4,208,333.33	
29	Proposed Book Depreciation Rate		2.00%	
30	Depreication Expense - Full Month	$	84,166.67	
31	Depreication Expense - Mid-Month	$	42,083.33	
32	**Property Taxes**			
33	2018 Estimated Property Taxes		1,900,000	
34	2018 Average Plant in Service	$	429,446,193	
35	Accumulated Depreciation	$	178,170,204	
36	Net Plant	$	251,275,989	
37	Property Tax Factor		0.76%	

REDACTED VERSION

Docket No. 20170179-GU
Average Rate Base
Exhibit MWW-2, Page 1 of 2

Schedule A

	Florida City Gas Average Rate Base December 31, 2018	Company as Filed	Company Tax Changes & Corrections (8-175.1 IND-G1-18)	OPC Adjustments	OPC Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Gas Plant In Service	$ 429,446,193		(5,019,813)	424,426,380
2	Common Allocated Plant	4,959,263	(187,644)		4,771,619
3	Construction Work In Progress	30,962,948		(24,538,461)	6,424,487
4	Accumulated Depreciation	(177,918,948)		1,163,792	(176,755,157)
5	Accum. Depr. - Common Alloc. Plant	(918,038)	33,360		(884,678)
6	Acquisition Adjustment	21,656,835			21,656,835
7	Accum. Amortization of Acq. Adj.	(9,865,892)			(9,865,892)
8	Working Capital Allowance	955,790	4,093,083	(3,159)	5,045,714
9	Total Rate Base	$ 299,278,151	$ 3,938,799	$ (28,397,642)	$ 274,819,309

REDACTED VERSION

Docket No. 20170179-GU
Adjustments to Average Rate Base
Exhibit MWW-2, Page 2 of 2

Florida City Gas OPC Rate Base Adjustments December 31, 2018 (a)	OPC Adjustments (b)	Adjustment Reference (c)
1 Gas Plant In Service		
a) Adjustment to remove the Company's capitalized long-term incentive plan	(558,275)	OPC ROG 7
b) Adjustment to remove LNG Plant	(3,884,615)	MFR's Page 183
c) Adjustment to remove LNG land	(576,923)	MFR's Page 183
Total Adjustment	(5,019,813)	
2 CWIP		
a) Adjustment to remove 13 month avg. balance of the LNG Plant	(24,538,461)	OPC ROG 154
Total Adjustment	(24,538,461)	
3 Accumulated Depreciation		
a) Adjust for half year of Dr. Garrett's depreciation adjustment	522,922	MWW Testimony
b) Adjust for half year for a complete year of new depreciation rates	640,870	MWW Testimony
Total Adjustment	1,163,792	
4 Working Capital Allowance		
a) Adjustment to remove 13 month avg. balance of the pension regulatory asset	(3,159)	OPC ROG 64
Total Adjustment	(3,159)	

REDACTED VERSION

Docket No. 20170179-GU
Income Statement
Exhibit MWW-3, Page 1 of 3

Schedule B

	Florida City Gas Income Statement December 31, 2018	Company as Filed	Company Tax Changes & Corrections (8-175.1 IND-G1-18)	OPC Adjustments	OPC Adjusted
	(a)	(b)	(c)	(d)	(e)
1	Operating Revenues	$ 53,847,331			$ 53,847,331
2	Operating Expenses:				
3	Operation & Maintenance Expences	$ 22,903,906		$ (1,402,380)	$ 21,501,526
4	Depreciation & Amortization Expense	16,603,266	(11,548)	(27,375)	16,564,343
5	Taxes Other Than Income	2,900,349		(2,354,958)	545,391
6	Income Taxes - Current	(479,567)	190,839	1,407,802	1,119,074
7	Income Taxes - Deferred	2,628,895	(1,712,256)	-	916,639
8	Total Operating Expenses	$ 44,556,849	$ (1,532,965)	$ (2,376,911)	$ 40,646,973
9	Net Operating Income	$ 9,290,482	$ 1,532,965	$ 2,376,911	$ 13,200,358

REDACTED VERSION

Docket No. 20170179-GU
Adjustments to Income Statement
Exhibit MWW-3, Page 2 of 3

Florida City Gas OPC Income Statement Adjustments December 31, 2018 (a)	OPC Adjustments (b)	Adjustment Reference (c)
1 Operation & Maintenance Expences:		
a) To remove the Company's long-term incentive plan	(324,528)	OPC ROG 7
b) To reduce storm accrual	(42,209)	MWW Testimony
c) To remove 15 proposed employees from 2018 test year	(803,543)	MWW Testimony
d) To remove three proposed LNG employees	(232,100)	Dismukes Testimony
Total Adjustment	(1,402,380)	
2 Depreciation & Amortization Expense		
a) Dr. Garrett's depreciation expense reduction	(1,045,843)	Garrett Testimony
b) To adjust depreciation expense to include a full year of the company proposed depreciation rates	(1,281,740)	MWW Testimony
c) To remove amortization of the pension regulatory asset	(27,375)	OPC ROG 64
Total Adjustment	(2,354,958)	
3 Taxes Other Than Income		
a) Payroll tax and benefit loading for incentive pay adj.	(58,577)	OPC ROG 7
b) Payroll tax and benefit loading for 15 employees	(145,040)	MWW Testimony
c) Payroll tax and benefit loading for 3 LNG employees	(41,894)	Dismukes Testimony
Total Adjustment	(245,511)	

REDACTED VERSION

Docket No. 20170179-GU
Adjustments to Income Statement
Exhibit MWW-3, Page 3 of 3

4 Income Taxes - Current	
a) Tax effect on the Storm Reserve Removed	14,845
b) Tax effect for Pension Regulatory Asset removed	9,628
c) Tax effect for depreciation expense	818,611
d) Tax effect for 18 employees	429,980
e) Tax effect on incentive pay adj.	134,738
Total Adjustment	1,407,802

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida City Gas	Docket No. 20220069-GU Served: August 16, 2022

FLORIDA CITY GAS
<u>NOTICE OF IDENTIFIED ADJUSTMENTS</u>

Florida City Gas ("FCG") hereby files this Notice of Identified Adjustments to advise the Florida Public Service Commission, its Staff, and intervenors of adjustments to certain information contained in its rate case filing that have been identified in this proceeding.

1. On May 31, 2022, FCG filed its Petition, Minimum Filing Requirements ("MFR"), direct testimony, and exhibits in support of FCG's proposed base rate increase and four-year rate plan. FCG also submitted certain MFRs that do not reflect the impact of the proposed Reserve Surplus Amortization Mechanism ("RSAM"), as well as a 2022 Depreciation Study, in the event the Commission does not accept FCG's proposed four-year rate plan with RSAM.

2. Since the May 31, 2022 filing date and during the course of discovery, FCG has identified adjustments to certain information contained in its rate case filing that affect the proposed revenue requirements for the 2023 Test Year. The adjustments identified by FCG and their impact on revenue requirements for the 2023 Test Year, both with and without RSAM, are reflected in Attachment 1 to this Notice. As reflected in Attachment 1, these adjustments, if made, would net to an approximate $160,163 decrease in FCG's requested incremental base revenue increase for the 2023 Test Year.

3. FCG will include all adjustments identified on Attachment 1 in an exhibit to be filed with rebuttal testimony, along with any other adjustments that may be identified between now and then, and will calculate the revenue requirement impact under FCG's four-year rate plan (*i.e.*, with RSAM) and without RSAM. Final rates determined by the Commission would include such adjustments as may be determined appropriate through this proceeding.

Respectfully submitted this 16th day of August 2022,

FLORIDA CITY GAS

By: _/s/ Christopher T. Wright_

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Attorneys for Florida City Gas

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 16th day of August 2022:

Walter Trierweiler, Esquire Matthew Jones, Esquire Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 wtrierwe@psc.state.fl.us majones@psc.state.fl.us ***For Commission Staff***	Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Gentry.richard@leg.state.fl.us wessling.mary@leg.state.fl.us ***For Office of Public Counsel***
Beth Keating Gunster, Yoakley & Stewart, P.A. 215 South Monroe St., Suite 601 Tallahassee, FL 32301 BKeating@gunster.com ***For Florida City Gas***	T. Jernigan/H. Buchanan/E. Payton/ R. Franjul/M. Duffy 139 Barnes Drive, Suite 1 Tyndall AFB FL 32403 thomas.jernigan.3@us.af.mil holly.buchanan.1@us.af.mil ebony.payton.ctr@us.af.mil rafael.franjul@us.af.mil ULFSC.Tyndall@us.af.mil Marcus.duffy.3@us.af.mil ***For Federal Executive Agencies***

s/ Christopher T. Wright
Christopher T. Wright
Fla. Auth. House Counsel No. 1007055

Attorney for Florida City Gas

ATTACHMENT 1

Attachment 1
Page 1 of 2

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
RECALCULATED REVENUE REQUIREMENTS

2023 TEST YEAR WITH RSAM

LINE NO.	DESCRIPTION	REFERENCE		2023 REVENUE REQUIREMENTS AS FILED[B]	IDENTIFIED ADJUSTMENTS[C]	2023 RECALCULATED REVENUE REQUIREMENTS
1						
2	ADJUSTED RATE BASE	Schedule G-1 p.1 (with RSAM)		$489,002,189	$0	$489,002,189
3						
4	REQUESTED RATE OF RETURN	Schedule G-3 p.2 (with RSAM)	x	7.09%	0.00%	7.09%
5						
6	NET OPERATING INCOME REQUIREMENTS	Line 2 x Line 4		34,688,400	0	34,688,400
7						
8	LESS: ADJUSTED NET OPERATING INCOME	Page 2		13,268,605	118,403	13,387,008
9						
10	NET OPERATING INCOME DEFICIENCY (EXCESS)	Line 6 - Line 8		21,419,795	(118,403)	21,301,392
11						
12	EARNED RATE OF RETURN	Line 8 / Line 2		2.71%	0.02%	2.74%
13						
14	EXPANSION FACTOR	Schedule G-4 (with RSAM)	x	1.35270	0.00000	1.35270
15						
16	REVENUE DEFICIENCY	Line 10 x Line 14		$28,974,556	($160,163)	$28,814,393
17						
18	LESS:					
19						
20	LNG REVENUE INCREASE			3,828,493	$0	$3,828,493
21						
22	TRANSFER OF SAFE INVESTMENTS			5,696,211	$0	$5,696,211
23						
24	INCREMENTAL REVENUE INCREASE	Line 16 - Line 20 - Line 22		$19,449,853	($160,163)	$19,289,690

2023 TEST YEAR WITHOUT RSAM

LINE NO.	DESCRIPTION	REFERENCE		2023 REVENUE REQUIREMENTS AS FILED[D]	IDENTIFIED ADJUSTMENTS[C]	2023 RECALCULATED REVENUE REQUIREMENTS
25						
26	ADJUSTED RATE BASE	Schedule G-1 p.1		$487,422,825	$0	$487,422,825
27						
28	REQUESTED RATE OF RETURN	Schedule G-3 p.2	x	7.09%	0.00%	7.09%
29						
30	NET OPERATING INCOME REQUIREMENTS	Line 26 x Line 28		34,574,871	0	34,574,871
31						
32	LESS: ADJUSTED NET OPERATING INCOME	Page 2		10,923,943	118,403	11,042,346
33						
34	NET OPERATING INCOME DEFICIENCY (EXCESS)	Line 30 - Line 32		23,650,928	(118,403)	23,532,526
35						
36	EARNED RATE OF RETURN	Line 32 / Line 26		2.24%	0.02%	2.27%
37						
38	EXPANSION FACTOR	Schedule G-4	x	1.35270	0.00000	1.35270
39						
40	REVENUE DEFICIENCY	Line 34 x Line 38		$31,992,611	($160,163)	$31,832,448
41						
42	LESS:					
43						
44	LNG REVENUE INCREASE			3,828,493	$0	$3,828,493
45						
46	TRANSFER OF SAFE INVESTMENTS			5,990,342	$0	$5,990,342
47						
48	INCREMENTAL REVENUE INCREASE	Line 40 - Line 44 - Line 46		$22,173,776	($160,163)	$22,013,613
49						
50						

51 NOTES:
52 (A) TOTALS MAY NOT ADD DUE TO ROUNDING
53 (B) REPRESENTS AS FILED REVENUE REQUIREMENTS PER FCG'S MFR SCHEDULE G-5 WITH RSAM.
54 (C) INCLUDES IMPACT OF FCG'S IDENTIFIED ADJUSTMENTS REFLECTED ON PAGE 2.
55 (D) REPRESENTS AS FILED REVENUE REQUIREMENTS PER FCG'S MFR SCHEDULE G-5.

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
RECALCULATED NET OPERATING INCOME

2023 TEST YEAR WITH RSAM

LINE NO.		2023 Filed NOI(A)	IDENTIFIED ADJUSTMENTS: LES Distribution Revenues(B)	IDENTIFIED ADJUSTMENTS: AMI Pilot(C)	Total NOI Adjustments	2023 Recalculated NOI(D)(E)
1	OPERATING REVENUES	$ 64,545,404	$ 155,495	$ -	$ 155,495	$ 64,700,899
2	REVENUE RELIEF	-	-	-	-	-
3	CHANGE IN UNBILLED REVENUES	40,041	-	-	-	40,041
4	TOTAL OPERATING REVENUES	64,585,444	155,495	-	155,495	64,740,940
5	OPERATING EXPENSES					
6	COST OF GAS	-	-	-	-	-
7	OPERATION & MAINTENANCE	25,980,967	-	(3,104)	(3,104)	25,977,862
8	DEPRECIATION & AMORTIZATION	17,316,572	-	-	-	17,316,572
9	GAINS/LOSSES FROM DISPOSITION OF UTILITY PLANT	-	-	-	-	-
10	TAXES OTHER THAN INCOME	6,386,610	-	-	-	6,386,610
11	SUBTOTAL OPERATING EXPENSES	49,684,149	-	(3,104)	(3,104)	49,681,044
12	INCOME TAXES					
13	INCOME TAXES FEDERAL	245,033	30,858	616	31,474	276,507
14	INCOME TAXES - STATE	(181,283)	8,552	171	8,723	(172,560)
15	INTEREST SYNCHRONIZATION	-	-	-	-	-
16	DEFERRED TAXES - FEDERAL	947,721	-	-	-	947,721
17	DEFERRED TAXES - STATE	621,219	-	-	-	621,219
18	INVESTMENT TAX CREDITS	-	-	-	-	-
19	SUBTOTAL INCOME TAX EXPENSE	1,632,691	39,410	787	40,197	1,672,888
20	TOTAL OPERATING EXPENSES	51,316,839	39,410	(2,318)	37,093	51,353,932
21	**OPERATING INCOME**	**$ 13,268,605**	**$ 116,085**	**$ 2,318**	**$ 118,403**	**$ 13,387,008**

2023 TEST YEAR WITHOUT RSAM

LINE NO.		2023 Filed NOI(F)	IDENTIFIED ADJUSTMENTS: LES Distribution Revenues(B)	IDENTIFIED ADJUSTMENTS: AMI Pilot(C)	Total NOI Adjustments	2023 Recalculated NOI(D)(E)
22	OPERATING REVENUES	$ 64,545,404	$ 155,495	$ -	$ 155,495	$ 64,700,899
23	REVENUE RELIEF	-	-	-	-	-
24	CHANGE IN UNBILLED REVENUES	40,041	-	-	-	40,041
25	TOTAL OPERATING REVENUES	64,585,444	155,495	-	155,495	64,740,940
26	OPERATING EXPENSES					
27	COST OF GAS	-	-	-	-	-
28	OPERATION & MAINTENANCE	25,980,967	-	(3,104)	(3,104)	25,977,863
29	DEPRECIATION & AMORTIZATION	20,501,181	-	-	-	20,501,181
30	GAINS/LOSSES FROM DISPOSITION OF UTILITY PLANT	-	-	-	-	-
31	TAXES OTHER THAN INCOME	6,386,610	-	-	-	6,386,610
32	SUBTOTAL OPERATING EXPENSES	52,868,759	-	(3,104)	(3,104)	52,865,655
33	INCOME TAXES					
34	INCOME TAXES FEDERAL	(382,371)	30,858	616	31,474	(350,897)
35	INCOME TAXES - STATE	(355,167)	8,552	171	8,723	(346,444)
36	INTEREST SYNCHRONIZATION	-	-	-	-	-
37	DEFERRED TAXES - FEDERAL	909,060	-	-	-	909,060
38	DEFERRED TAXES - STATE	621,219	-	-	-	621,219
39	INVESTMENT TAX CREDITS	-	-	-	-	-
40	SUBTOTAL INCOME TAX EXPENSE	792,742	39,410	787	40,197	832,939
41	TOTAL OPERATING EXPENSES	53,661,501	39,410	(2,318)	37,093	53,698,594
42	**OPERATING INCOME**	**$ 10,923,943**	**$ 116,085**	**$ 2,318**	**$ 118,403**	**$ 11,042,346**
43						
44						

45 NOTES:
46 (A) REPRESENTS AS FILED NET OPERATING INCOME PER FCG'S MFR G-2, p. 1 WITH RSAM.
47 (B) THE PRESENT REVENUE FORECAST ASSOCIATED WITH LOAD ENHANCEMENT SERVICE CUSTOMERS CONTAINED A FORMULA ERROR.
48 THEREFORE, OPERATING REVENUES IN THE 2023 TEST YEAR WERE UNDERSTATED.
49 (C) FCG INCORRECTLY FORECASTED THE AMOUNT OF O&M EXPENSE RELATED TO THE PROPOSED AMI PILOT FOR 1) ITS USE OF FPL'S METER
50 NETWORK IN THE AMI PILOT AND 2) ITRON SOFTWARE AND MANAGED SERVICE FEES. THEREFORE, O&M EXPENSE IN THE 2023 TEST YEAR
51 IS OVERSTATED.
52 (D) REPRESENTS RECALCULATED NOI REFLECTED ON PAGE 1.
53 (E) TOTALS MAY NOT ADD DUE TO ROUNDING.
54 (F) REPRESENTS AS FILED NET OPERATING INCOME PER FCG'S MFR SCHEDULE G-2, p. 1.

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
RECALCULATED REVENUE REQUIREMENTS WITH RSAM [A]

LINE NO.	DESCRIPTION	REFERENCE		2023 REVENUE REQUIREMENTS AS FILED[B]	IDENTIFIED ADJUSTMENTS[C]	2023 RECALCULATED REVENUE REQUIREMENTS
1						
2	ADJUSTED RATE BASE	Schedule G-1 p.1 (with RSAM)		$489,002,189	($96,495)	$488,905,694
3						
4	REQUESTED RATE OF RETURN	Schedule G-3 p.2 (with RSAM)	x	7.09%	0.00%	7.09%
5						
6	N.O.I. REQUIREMENTS	Line 2 x Line 4		34,688,400	(6,845)	34,681,555
7						
8	LESS: ADJUSTED N.O.I.	Page 2		13,268,605	503,807	13,772,412
9						
10	N.O.I. DEFICIENCY	Line 6 - Line 8		21,419,795	(510,652)	20,909,143
11						
12	EXPANSION FACTOR	Schedule G-4	x	1.3527	0.00000	1.3527
13						
14	REVENUE DEFICIENCY	Line 10 x Line 12		$28,974,556	($690,759)	$28,283,797
15						
16	LESS:					
17						
18	LNG REVENUE INCREASE			3,828,493	$0	$3,828,493
19						
20	TRANSFER OF SAFE INVESTMENTS			5,696,211	$0	$5,696,211
21						
22	INCREMENTAL REVENUE INCREASE	Line 14 - Line 18 - Line 20		$19,449,853	($690,759)	$18,759,094
23						
24						
25						
26	NOTES:					
27	(A) TOTALS MAY NOT ADD DUE TO ROUNDING					
28	(B) REPRESENTS AS FILED REVENUE REQUIREMENTS PER FCG'S MFR SCHEDULE G-5 WITH RSAM.					
29	(C) INCLUDES IMPACT OF FCG'S IDENTIFIED ADJUSTMENTS REFLECTED ON PAGES 2 AND 3.					

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
RECALCULATED RATE BASE AND NET OPERATING INCOME WITH RSAM [A]

2023 TEST YEAR RATE BASE

LINE NO.		2023 Filed Rate Base [B]	Revised Rate Case Expenses	2023 Revised Rate Base [C]
1	PLANT IN SERVICE	$ 643,079,704	$ -	$ 643,079,704
2	CONSTRUCTION WORK IN PROGRESS	28,192,440	-	28,192,440
3	ACQUISITION ADJUSTMENT	21,656,835	-	21,656,835
4	PLANT HELD FOR FUTURE USE	-	-	-
5	TOTAL	$ 692,928,979	$ -	$ 692,928,979
6	DEPRECIATION & AMORT RESERVE	221,380,711	-	221,380,711
7	NET PLANT IN SERVICE	471,548,268	-	471,548,268
8	WORKING CAPITAL	17,453,920	(96,495)	17,357,425
9	**RATE BASE**	**$ 489,002,189**	**$ (96,495)**	**$ 488,905,694**

2023 TEST YEAR NET OPERATING INCOME

LINE NO.		2023 Filed NOI [D]	NOTICE OF IDENTIFIED ADJUSTMENTS [E]: LES Distribution Revenues	AMI Pilot	Total NOIA	Revised Rate Case Expenses	Forecasted Billing Adjustments	Executive Incentive Compensation	Interest Synch Adj [F]	2023 Recalculated NOI [G]
10	OPERATING REVENUES	$ 64,545,404	$ 155,495	$ -	$ 155,495	$ -	$ (16,071)	$ -	$ -	$ 64,684,828
11	REVENUE RELIEF	-	-	-	-	-	-	-	-	-
12	CHANGE IN UNBILLED REVENUES	40,041	-	-	-	-	-	-	-	40,041
13	TOTAL OPERATING REVENUES	64,585,444	155,495	-	155,495	-	(16,071)	-	-	64,724,868
14	OPERATING EXPENSES									
15	COST OF GAS	-	-	-	-	-	-	-	-	-
16	OPERATION & MAINTENANCE	25,980,967	-	(3,104)	(3,104)	(27,570)	-	(505,222)	-	25,445,071
17	DEPRECIATION & AMORTIZATION	17,316,572	-	-	-	-	-	-	-	17,316,572
18	GAINS/LOSSES FROM DISPOSITION OF UTILITY PLANT	-	-	-	-	-	-	-	-	-
19	TAXES OTHER THAN INCOME	6,386,610	-	-	-	-	-	-	-	6,386,610
20	SUBTOTAL OPERATING EXPENSES	49,684,149	-	(3,104)	(3,104)	(27,570)	-	(505,222)	-	49,148,253
21	INCOME TAXES									
22	INCOME TAXES FEDERAL	245,033	30,858	616	31,474	5,471	(3,189)	100,261	-	379,051
23	INCOME TAXES - STATE	(181,283)	8,552	171	8,723	1,516	(884)	27,787	-	(144,140)
24	INTEREST SYNCHRONIZATION	-	-	-	-	-	-	-	353	353
25	DEFERRED TAXES - FEDERAL	947,721	-	-	-	-	-	-	-	947,721
26	DEFERRED TAXES - STATE	621,219	-	-	-	-	-	-	-	621,219
27	INVESTMENT TAX CREDITS	-	-	-	-	-	-	-	-	-
28	SUBTOTAL INCOME TAX EXPENSE	1,632,691	39,410	787	40,197	6,988	(4,073)	128,048	353	1,804,203
29	TOTAL OPERATING EXPENSES	51,316,839	39,410	(2,318)	37,093	(20,582)	(4,073)	(377,173)	353	50,952,456
30	**OPERATING INCOME**	**$ 13,268,605**	**$ 116,085**	**$ 2,318**	**$ 118,403**	**$ 20,582**	**$ (11,998)**	**$ 377,173**	**$ (353)**	**$ 13,772,412**
31										
32										

33 NOTES:
34 (A) TOTALS MAY NOT ADD DUE TO ROUNDING
35 (B) REPRESENTS AS FILED RATE BASE PER FCG'S MFR G-1 P.1 WITH RSAM
36 (C) REPRESENTS RATE BASE AS REFLECTED ON PAGE 1
37 (D) REPRESENTS AS FILED NET OPERATING INCOME PER FCG'S MFR G-2, P. 1 WITH RSAM.
38 (E) REPRESENTS NOI IDENTIFIED ADJUSTMENTS REFLECTED IN FCG'S NOTICE OF IDENTIFIED ADJUSTMENTS FILED ON AUGUST 16, 2022
39 (F) REPRESENTS INTEREST SYNCHRONIZATION ADJUSTMENTS RELATED TO THE RATE BASE ADJUSTMENT
40 (G) REPRESENTS RECALCULATED NOI REFLECTED ON PAGE 1

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
2023 RECALCULATED COST OF CAPITAL WITH RSAM [(A)]

PER MFR G-3, P. 2 WITH RSAM [(B)]

LINE NO.	CLASS OF CAPITAL	ADJUSTED	RATIO	COST RATE	WTD COC	CAPITAL COSTS
1	COMMON EQUITY	$ 257,028,751	52.56%	10.75%	5.65%	$ 27,630,591
2	LONG TERM DEBT	154,056,074	31.50%	4.28%	1.35%	6,598,015
3	SHORT TERM DEBT	20,207,781	4.13%	1.78%	0.07%	359,310
4	CUSTOMER DEPOSITS	3,800,033	0.78%	2.64%	0.02%	100,483
5	DEFERRED TAXES	53,909,550	11.02%	0.00%	0.00%	-
6	TAX CREDIT	-	0.00%	0.00%	0.00%	-
7	**TOTAL**	**$ 489,002,189**	**100.00%**		**7.09%**	**$ 34,688,400**

RECALCULATED 2023 TEST YEAR COST OF CAPITAL

LINE NO.	CLASS OF CAPITAL	ADJUSTED PER MFR G-3, P. 2	PRO-RATA IDENTIFIED ADJUSTMENTS	RECALC ADJUSTED	RATIO	COST RATE	RECALC WTD COC	RECALC CAPITAL COSTS	AS FILED CAPITAL COSTS	TAX INTEREST SYNCH ADJ
8	COMMON EQUITY	$ 257,028,751	$ (50,720)	$ 256,978,032	52.56%	10.75%	5.65%	$ 27,625,138	$ 27,630,591	-
9	LONG TERM DEBT	154,056,074	(30,400)	154,025,674	31.50%	4.28%	1.35%	6,596,713	6,598,015	330
10	SHORT TERM DEBT	20,207,781	(3,988)	20,203,793	4.13%	1.78%	0.07%	359,239	359,310	18
11	CUSTOMER DEPOSITS	3,800,033	(750)	3,799,283	0.78%	2.64%	0.02%	100,464	100,483	5
12	DEFERRED TAXES	53,909,550	(10,638)	53,898,912	11.02%	0.00%	0.00%	-	-	-
13	INVESTMENT TAX CREDITS	-	-	-	0.00%	0.00%	0.00%	-	-	-
14	**TOTAL**	**$ 489,002,189**	**$ (96,495)**	**$ 488,905,694**	**100.00%**		**7.09%**	**$ 34,681,555**	**$ 34,688,400**	**$ 353**
15										
16										

17 NOTES:
18 (A) TOTALS MAY NOT ADD DUE TO ROUNDING.
19 (B) REPRESENTS AS FILED 2023 WEIGHTED AVERAGE COST OF CAPITAL PER FCG'S MFR G-3, P. 2 WITH RSAM.

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
RECALCULATED REVENUE REQUIREMENTS WITHOUT RSAM [A]

LINE NO.	DESCRIPTION	REFERENCE		2023 REVENUE REQUIREMENTS AS FILED[B]	IDENTIFIED ADJUSTMENTS[C]	2023 RECALCULATED REVENUE REQUIREMENTS
1						
2	ADJUSTED RATE BASE	Schedule G-1 p.1		$487,422,825	($96,495)	$487,326,330
3						
4	REQUESTED RATE OF RETURN	Schedule G-3 p.2	x	7.09%	0.00%	7.09%
5						
6	N.O.I. REQUIREMENTS	Line 2 x Line 4		34,574,871	(6,845)	34,568,027
7						
8	LESS: ADJUSTED N.O.I.	Page 2		10,923,943	503,807	11,427,750
9						
10	N.O.I. DEFICIENCY	Line 6 - Line 8		23,650,928	(510,652)	23,140,276
11						
12	EXPANSION FACTOR	Schedule G-4	x	1.3527	0.00000	1.3527
13						
14	REVENUE DEFICIENCY	Line 10 x Line 12		$31,992,611	($690,759)	$31,301,852
15						
16	LESS:					
17						
18	LNG REVENUE INCREASE			3,828,493	$0	$3,828,493
19						
20	TRANSFER OF SAFE INVESTMENTS			5,990,342	$0	$5,990,342
21						
22	INCREMENTAL REVENUE INCREASE	Line 14 - Line 18 - Line 20		$22,173,776	($690,759)	$21,483,017
23						
24						
25						

26 NOTES:
27 (A) TOTALS MAY NOT ADD DUE TO ROUNDING
28 (B) REPRESENTS AS FILED REVENUE REQUIREMENTS PER FCG'S MFR SCHEDULE G-5 WITHOUT RSAM.
29 (C) INCLUDES IMPACT OF FCG'S IDENTIFIED ADJUSTMENTS REFLECTED ON PAGES 2 AND 3.

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
RECALCULATED RATE BASE AND NET OPERATING INCOME WITHOUT RSAM (A)

2023 TEST YEAR RATE BASE

LINE NO.		2023 Filed Rate Base (B)	Revised Rate Case Expenses	2023 Revised Rate Base (C)
1	PLANT IN SERVICE	$ 643,079,704	$ -	$ 643,079,704
2	CONSTRUCTION WORK IN PROGRESS	28,192,440	-	28,192,440
3	ACQUISITION ADJUSTMENT	21,656,835	-	21,656,835
4	PLANT HELD FOR FUTURE USE	-	-	-
5	TOTAL	$ 692,928,979	$ -	$ 692,928,979
6	DEPRECIATION & AMORT RESERVE	222,960,003	-	222,960,003
7	NET PLANT IN SERVICE	469,968,976	-	469,968,976
8	WORKING CAPITAL	17,453,849	(96,495)	17,357,354
9	**RATE BASE**	**$ 487,422,825**	**$ (96,495)**	**$ 487,326,330**

2023 TEST YEAR NET OPERATING INCOME

LINE NO.		2023 Filed NOI(D)	NOTICE OF IDENTIFIED ADJUSTMENTS (E): LES Distribution Revenues	AMI Pilot	Total NOIA	Revised Rate Case Expenses	Forecasted Billing Adjustments	Executive Incentive Compensation	Interest Synch Adj (F)	2023 Recalculated NOI(G)
10	OPERATING REVENUES	$ 64,545,404	$ 155,495	$ -	$ 155,495	$ -	$ (16,071)	$ -	$ -	$ 64,684,828
11	REVENUE RELIEF	-	-	-	-	-	-	-	-	-
12	CHANGE IN UNBILLED REVENUES	40,041	-	-	-	-	-	-	-	40,041
13	TOTAL OPERATING REVENUES	64,585,444	155,495	-	155,495	-	(16,071)	-	-	64,724,868
14	OPERATING EXPENSES									
15	COST OF GAS	-	-	-	-	-	-	-	-	-
16	OPERATION & MAINTENANCE	25,980,967	-	(3,104)	(3,104)	(27,570)	-	(505,222)	-	25,445,071
17	DEPRECIATION & AMORTIZATION	20,501,181	-	-	-	-	-	-	-	20,501,181
18	GAINS/LOSSES FROM DISPOSITION OF UTILITY PLANT	-	-	-	-	-	-	-	-	-
19	TAXES OTHER THAN INCOME	6,386,610	-	-	-	-	-	-	-	6,386,610
20	SUBTOTAL OPERATING EXPENSES	52,868,759	-	(3,104)	(3,104)	(27,570)	-	(505,222)	-	52,332,863
21	INCOME TAXES									
22	INCOME TAXES FEDERAL	(382,371)	30,858	616	31,474	5,471	(3,189)	100,261	-	(248,354)
23	INCOME TAXES - STATE	(355,167)	8,552	171	8,723	1,516	(884)	27,787	-	(318,024)
24	INTEREST SYNCHRONIZATION	-	-	-	-	-	-	-	353	353
25	DEFERRED TAXES - FEDERAL	909,060	-	-	-	-	-	-	-	909,060
26	DEFERRED TAXES - STATE	621,219	-	-	-	-	-	-	-	621,219
27	INVESTMENT TAX CREDITS	-	-	-	-	-	-	-	-	-
28	SUBTOTAL INCOME TAX EXPENSE	792,742	39,410	787	40,197	6,988	(4,073)	128,048	353	964,255
29	TOTAL OPERATING EXPENSES	53,661,501	39,410	(2,318)	37,093	(20,582)	(4,073)	(377,173)	353	53,297,118
30	**OPERATING INCOME**	**$ 10,923,943**	**$ 116,085**	**$ 2,318**	**$ 118,403**	**$ 20,582**	**$ (11,998)**	**$ 377,173**	**$ (353)**	**$ 11,427,750**

31
32
33 NOTES:
34 (A) TOTALS MAY NOT ADD DUE TO ROUNDING.
35 (B) REPRESENTS AS FILED RATE BASE PER FCG'S MFR G-1 P.1 WITHOUT RSAM.
36 (C) REPRESENTS RATE BASE AS REFLECTED ON PAGE 1.
37 (D) REPRESENTS AS FILED NET OPERATING INCOME PER FCG'S MFR G-2, P. 1 WITHOUT RSAM.
38 (E) REPRESENTS NOI IDENTIFIED ADJUSTMENTS REFLECTED IN FCG'S NOTICE OF IDENTIFIED ADJUSTMENTS FILED ON AUGUST 16, 2022.
39 (F) REPRESENTS INTEREST SYNCHRONIZATION ADJUSTMENTS RELATED TO THE RATE BASE ADJUSTMENTS.
40 (G) REPRESENTS RECALCULATED NOI REFLECTED ON PAGE 1.

DOCKET NO. 20220069-GU
FLORIDA CITY GAS
2023 RECALCULATED COST OF CAPITAL WITHOUT RSAM [(A)]

PER MFR G-3, P. 2 WITHOUT RSAM [(B)]

LINE NO.	CLASS OF CAPITAL	ADJUSTED	RATIO	COST RATE	WTD COC	CAPITAL COSTS
1	COMMON EQUITY	$ 256,187,448	52.56%	10.75%	5.65%	$ 27,540,151
2	LONG TERM DEBT	153,552,332	31.50%	4.28%	1.35%	6,576,441
3	SHORT TERM DEBT	20,141,146	4.13%	1.78%	0.07%	358,126
4	CUSTOMER DEPOSITS	3,787,595	0.78%	2.64%	0.02%	100,155
5	DEFERRED TAXES	53,754,304	11.03%	0.00%	0.00%	-
6	TAX CREDIT	-	0.00%	0.00%	0.00%	-
7	**TOTAL**	**$ 487,422,825**	**100.00%**		**7.09%**	**$ 34,574,871**

RECALCULATED 2023 TEST YEAR COST OF CAPITAL

LINE NO.	CLASS OF CAPITAL	ADJUSTED PER MFR G-3, P. 2	PRO-RATA IDENTIFIED ADJUSTMENTS	RECALC ADJUSTED	RATIO	COST RATE	RECALC WTD COC	RECALC CAPITAL COSTS	AS FILED CAPITAL COSTS	INTEREST SYNCH ADJ
8	COMMON EQUITY	$ 256,187,448	$ (50,717)	$ 256,136,730	52.56%	10.75%	5.65%	$ 27,534,699	$ 27,540,151	-
9	LONG TERM DEBT	153,552,332	(30,399)	153,521,933	31.50%	4.28%	1.35%	6,575,139	6,576,441	330
10	SHORT TERM DEBT	20,141,146	(3,987)	20,137,159	4.13%	1.78%	0.07%	358,055	358,126	18
11	CUSTOMER DEPOSITS	3,787,595	(750)	3,786,845	0.78%	2.64%	0.02%	100,135	100,155	5
12	DEFERRED TAXES	53,754,304	(10,642)	53,743,662	11.03%	0.00%	0.00%	-	-	-
13	INVESTMENT TAX CREDITS	-	-	-	0.00%	0.00%	0.00%	-	-	-
14	**TOTAL**	**$ 487,422,825**	**$ (96,495)**	**$ 487,326,330**	**100.00%**		**7.09%**	**$ 34,568,027**	**$ 34,574,871**	**$ 353**
15										
16										

17 NOTES:
18 (A) TOTALS MAY NOT ADD DUE TO ROUNDING.
19 (B) REPRESENTS AS FILED 2023 WEIGHTED AVERAGE COST OF CAPITAL PER FCG'S MFR G-3, P. 2 WITHOUT RSAM.