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STATE OF FLORIDA



KEITH C. HETRICK
GENERAL COUNSEL
(850) 413-6199

Public Service Commission

February 2, 2023

Jeff Wahlen, Esq.
Malcolm Means, Esq.
Ausley Law Firm
123 S. Calhoun Street
Tallahassee, FL 32301
Jwahlen@ausley.com
Mmeans@ausley.com

STAFF'S FIRST DATA REQUEST

via e-mail

Re: 20220212-GU - Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others by Peoples Gas System.

Dear Sirs:

By this letter, the Commission staff requests that Peoples Gas Systems (PGS) provide responses to the following data requests:

1. Please refer to Paragraph 7 of the Petition. Explain how the proposed subaccount (Account 336.01 – RNG Plant Leased – 15 Years) comports with all aspects of Rule 25-7.046(2)(a), F.A.C., as appears in this paragraph.
2. Rule 25-7.045, F.A.C., (the Rule) provides two methods of determining depreciation lives, including the remaining life rate and the whole life rate techniques. The proposed depreciation rate per the PGS petition does not comport with either definition. However, in the section of the rule identifying the elements of required depreciation studies, Rule 25-7.045 (5)(i), F.A.C., states that utilities may submit “additional studies or methods” for consideration by the Commission other than the two techniques. If applicable, please explain how the proposed depreciation rate for the proposed subaccount referenced in the instant petition is reflective of “additional studies or methods.” Please describe the additional study or method in full.
3. Please provide responses to the following in the context of PGS’s instant petition:
 - a. Please define the phrase “RNG plant” used in Paragraph 9.
 - b. Please explain the differences among the following three underlined phrases, and clarify which of them is pertaining to the plant assets to be booked to the Company’s petitioned depreciation subaccount:

- i. Renewable Natural Gas (RNG) facilities (used in the title and the introduction paragraph of the instant petition);
 - ii. RNG plant (used in Paragraph 9 of the instant petition); and
 - iii. RNG equipment (used in front of Paragraph 17 and in Paragraph 23 of the instant petition).
 - c. Explain how such RNG plant is the same as, and different from, the plant identified in PGS's tariff, First Revised Sheet No. 7.404.
4. Please refer to Paragraph 17 of PGS's instant petition and the Company's 2022 Depreciation Study filed on 12/28/2022 (2022 Study), pages 102-104 of 180, for the following questions:
 - a. PGS provided information pertaining to the pro forma plant addition for Account 336.00 – RNG Plant:

PGS is constructing one of the first renewable natural gas (“RNG”) facilities in the nation. [...] The estimated project cost is \$8.6 million to be in service at the end of 2024.”

Please list all the asset items that will be booked in Account 336.00 – RNG Plant.
 - b. PGS provided information pertaining to the pro forma plant addition for Account 336.01 – RNG Plant Leased – 15 Years:

The Company plans to enter in a 15 year lease with a third party for this RNG facilities. [...] The plant balance at December 31, 2024 is projected to be \$43.4 million.

Please list all the asset items that will be booked in Account 336.01.
 - c. Please discuss the relationship, if any, between PGS's self-constructed RNG facilities referenced in Question 4.a. and the RNG Plant Leased – 15 Years discussed in the current petition and referenced in Question 4.b.
5. Please refer to PGS's 2022 Study. In Appendix B - Depreciation Expense Comparison of this Study, the Company projected the annual depreciation expense at PGS's proposed depreciation rate of 6.7 percent for Account 336.01 – RNG Plant Leased – 15 Years to be:

\$2,909,806 as of 12/31/2024.

In Appendix F-1 Summary of Depreciation Plant 2019 - 2024 of the Study, the Company projected the plant balances associated with Account 336.01 – RNG Plant Leased – 15 Years to be:

\$0 as of 1/1/2023,
\$43,429,943 as of 12/31/2023, and
\$43,429,943 as of 12/31/2024.

In Appendix B F-2 Summary of Depreciation Reserve 2019 - 2024 of the Study, the Company projected the depreciation reserves associated with Account 336.01 – RNG Plant Leased – 15 Years to be:

\$0 as of 1/1/2023,
\$2,627,512 as of 12/31/2023, and
\$5,537,318 as of 12/31/2024.

- a. Are these amounts solely associated with the Brightmark Project?
 - b. Assuming PGS's instant petition is granted by the Commission, will the aforementioned projected amounts of plant, reserve and depreciation expense of Account 336.01 be used to determine rate base and net operating income in PGS's next rate case proceeding? Please explain your response.
6. Please refer to PGS's 2022 Study. In Appendix B - Depreciation Expense Comparison of this Study, the Company projected the annual depreciation expense at PGS's proposed depreciation rate of 6.7 percent for Account 336.01 – RNG Plant Leased – 15 Years to be:
- a. Please identify the respective commencement date and in-service date of the Brightmark Project.
 - b. Please identify the major components (plant assets) of the Project with the associated service lives per the manufacture of each.
 - c. Please identify and explain any and all transfer of risk (financial, operational, technological, regulatory), if any, to the general body of ratepayers that may result from the agreements PGS has entered into with Brightmark Sobek RNG LLC.
7. Please refer to Paragraph 20 and provide a copy of the lease agreements referenced in this paragraph.
8. Paragraph 21.a. of the instant petition notes:

Peoples will extend its gas service facilities to receive, compress, and transport RNG produced at Larson Dairy to an interstate pipeline. Peoples will also provide transportation service to Brightmark to deliver gas to the interstate pipeline.

- a. Please identify the Brightmark Project-related pipelines which are, or will be, built by PGS.

- b. Please specify which of the following account(s) will be used to book the plant assets discussed in Question 7.a. and explain your response:

Account 376.00 – Main Steel
Account 376.02 – Main Plastic
Account 380.00 – Services Steel,
Account 380.02 – Service Plastic, and
Account 366.01 – RNG Plant Leased – 15 Years

9. Referring to Paragraph 21.b. of the instant petition:

- a. Please confirm that the “anerobic digesters” referenced in the paragraph are actually the anaerobic digesters.
- b. If Larson Dairy Farm is an existing customer of PGS, please identify the service (tariffed and otherwise) and related facilities.
- c. Of the amount of natural gas resulting from the Brightmark Project, please identify the respective percentage for that which will be used by Larson Dairy Farm, and that which will be delivered to the interstate pipeline.

10. Paragraph 21.d. of the instant petition states:

Brightmark will pay Peoples a combination of monthly payments designed to recover Peoples’ investment in the line extension and biogas collection and conditioning equipment, plus a reasonable return, as contemplated by Peoples’ RNG Tariff.

- a. Please elaborate on the phrase “a combination of monthly payments.”
- b. Please clarify whether the line extension is included in the RNG plant that PGS is purchasing from Brightmark and then leasing back to Brightmark for a 15 year period as stated in Paragraph 21.c. of the instant petition. If not, please identify the projected/actual cost of the line extension and the cost recovery plan for the same.
- c. Please explain the relationship between the cost recovery through the aforementioned monthly payments and the accumulative depreciation of the petitioned Account 366.01.
- d. Referring back to PGS’s response to Question 5.b., if it is affirmative, please explain whether, and how, the aforementioned monthly payments will be used to fully offset the Account 366.01-related base rate amounts paid by the general body of PGS’s customers.

11. Paragraph 21.f. of the instant petition states:

At the end of the 15-year lease term, Brightmark is obligated to purchase the leased RNG plant from Peoples for \$1 and is responsible for any costs related to dismantling, decommissioning, and removing the leased RNG plant.

Please clarify whether the line extension stated in Paragraph 21.d. of the petition is included in the aforementioned \$1 RNG plant buy-back.

12. Referring to Paragraph 22 of the instant petition:

- a. Please identify the amount of “PGS’s entire investment” referenced in this paragraph.
- b. Please explain the “enhanced resiliency” resulting from the Brightmark Project that will be received by the general body of PGS’s ratepayers.
- c. Please explain the “economic benefits” resulting from the Brightmark Project that will be received by the general body of PGS’s ratepayers.
- d. Would the benefits listed in this paragraph also accrue to PGS’s general body of ratepayers if Brightmark simply retained ownership and operation of the facility it has built? Please explain.
- e. Please explain the advantages to Brightmark of the lease-based contract.

13. Referring to Footnote 8 on page 6 of the petition:

- a. Please identify all the Brightmark project-included assets which are not owned by PGS, if any.
- b. Will the “buildings and building improvements” be booked to the petitioned Account 366.01, or the existing Account 390.02 – Structures & Improvements Leases? Please explain.
- c. Please elaborate on the “owners costs” in the context of the instant petition.
- d. Please explain how the Brightmark Project-related “installed project costs” will be recovered.
- e. Please identify the costs (2023 dollars) of each of the functions listed in the footnote associated with the RNG facilities installed.
- f. Please provide the annual costs (revenue requirement) of the facilities assuming a 15-year life for the biogas collection and conditioning equipment.
- g. Please provide the annual costs (revenue requirement) of the facilities assuming the expected life of the plant assets, and identify such lives.

14. Please refer to Paragraph 22 and Footnote 8 for the questions below:

- a. Is it correct that PGS owns the Brightmark Project, but Brightmark is the responsible party for the construction, the associated risk, the operation and maintenance, the investment, and the investment return of the Project? Please explain your response.
- b. What will be the role of PGS's general body of ratepayers in terms of the cost-recovery of the Brightmark Project?

15. Rule 25-7.045, F.A.C., (the Rule) provides two methods of determining depreciation lives, including the remaining life rate and the whole life rate. The proposed depreciation rate per PGS petition does not comport with either definition. However, Rule 25-7.045 (4)(i), F.A.C., states that utilities may submit additional studies or methods for consideration by the Commission. If applicable, please explain how the proposed depreciation rate for the proposed subaccount in the instant proceeding is reflective of "additional studies or methods". Please describe the additional study or method in full.

16. Please provide a drawing to depict the interconnections among the plant assets referenced in Paragraphs 20, 21, and Footnote 8 of the instant petition. In this drawing, please depict all assets, including, but not limited to, the pipelines PGS will extend, the anaerobic digesters, the biogas upgrade facilities, the facilities to collect and condition biogas at Larson Dairy, the RNG plant, and the interstate pipeline. For each of the key components of the drawing, please clearly identify the entity (PGS, Brightmark, or third party) by which that component is built and is owned (within and after the 15-year term of the "series of agreements with Brightmark" discussed in Paragraph 20 of the petition), respectively.

Please file all responses electronically no later than Friday, March 3, 2023, from the Commission's website at www.floridapsc.com, by selecting the Clerk's Office tab and Electronic Filing Web Form. Please feel free to call me at (850) 413-6846 if you have any questions.

Sincerely,

/s/ Daniel Dose

Daniel Dose

Office of the General Counsel

DD/crv

cc: Office of Commission Clerk