

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: April 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Andrews, Norris) *ALM*
Division of Economics (Hampson) *JGH*
Office of the General Counsel (Sandy, Thompson) *JSC*

RE: Docket No. 20220212-GU – Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.

Docket No. 20220219-GU – Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.

Docket No. 20230023-GU – Petition for rate increase by Peoples Gas System, Inc.

AGENDA: 05/02/23 – Regular Agenda – Participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Passidomo

CRITICAL DATES: 6/03/2023 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On April 4, 2023, Peoples Gas System, Inc. (PGS or Company) filed a petition in Docket No. 20230023-GU seeking the Florida Public Service Commission's (Commission) approval of a rate increase and associated depreciation rates. PGS is a natural gas local distribution company providing sales and transportation delivery of natural gas, and is a public utility subject to the Commission's regulatory jurisdiction under Section 366.02, Florida Statutes (F.S.). As a wholly

owned subsidiary of TECO Gas Operations, Inc., PGS currently serves approximately 470,000 residential, commercial, industrial, and electric power generation customers in 39 counties.

PGS requested an increase of approximately \$139.3 million in base rates. Of that amount, about \$11.7 million is associated with revenue requirements transferred from the Cast Iron/Base Steel Replacement Rider (CI/BSR). The remaining \$127.6 million is necessary, according to PGS, for the Company to earn a fair return on its investment. PGS based its request on a 13-month average rate base of \$2.4 billion for the projected test year ending December 31, 2024. The requested overall rate of return is 7.42 percent based on a mid-point return on equity of 11.00 percent.

On December 15, 2022, PGS filed a petition in Docket No. 20220212-GU (RNG Depreciation Docket) seeking approval of a new depreciation rate and subaccount for renewable natural gas facilities leased to others. On December 28, 2022, PGS filed a petition seeking approval of the Company's 2022 Depreciation Study in Docket No. 20220219-GU (Depreciation Study Docket). On April 4, 2023, PGS filed a motion seeking to consolidate the RNG Depreciation Docket, the Depreciation Study Docket, and the rate proceeding in Docket No. 20230023-GU. By Order No. PSC-2023-0128-PCO-GU, issued April 12, 2023, the three dockets were consolidated.

This recommendation addresses the suspension of PGS's proposed final rates and charges. PGS did not request interim rate relief in this proceeding.

The Company's last rate case, in Docket No. 20200051-GU, was resolved by the Commission's approval of a settlement agreement (2020 Agreement).¹ The Commission-approved 2020 Agreement allowed PGS to generate an additional \$58 million in revenues for the projected test year ended December 31, 2021. The 2020 Agreement also authorized a return on equity of 9.90 percent. The 2020 Agreement will expire on December 31, 2023.

Pursuant to Sections 366.06(2) and (4), F.S., PGS requested this rate case be considered using the Commission's hearing process. Accordingly, in compliance with Section 366.06(2), F.S., an administrative hearing has been scheduled for August 29 through September 1, 2023. The Commission has jurisdiction over this request under Section 366.06, F.S.

¹Order No. PSC-2020-0485-FOF-GU, issued December 10, 2020, in Docket No. 20200051- GU, *In re: Petition for rate increase by Peoples Gas System*.

Discussion of Issues

Issue 1: Should PGS's proposed tariffs to implement the request for a permanent increase in rates and charges be suspended?

Recommendation: Yes. Staff recommends that PGS's proposed tariffs to implement the requested permanent increase in rates and charges be suspended. (Hampson)

Staff Analysis: Staff recommends that PGS's proposed tariffs be suspended to allow staff and the parties time to analyze the case and for the Commission to conduct an administrative hearing.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change, a reason, or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is a good cause consistent with the requirement of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's final resolution of the Company's requested rate increase. (Sandy, Thompson)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.