BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase by Peoples Gas System, Inc.	DOCKET NO. 20230023-GU
Petition for approval of 2022 depreciation study, by Peoples Gas System,	DOCKET NO. 20220219-GU
Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System.	DOCKET NO. 20220212-GU
	FILED: August 23, 2023

AMENDED PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel (OPC), pursuant to Florida Public Service Commission (Commission) Order Establishing Procedure PSC-2023-0128-PCO-GU issued April 12, 2023, hereby submit this Amended Prehearing Statement.

APPEARANCES:

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On behalf of the Citizens of the State of Florida

1. **WITNESSES**:

Witness	Subject Matter	Issue #
Lane Kollen	Revenue Requirement	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
David J. Garrett	Cost of Capital and Depreciation	6-11, 22, 34-36

2. **EXHIBITS:**

Witness	Proffered by	Exhibit No.	Description	Issue #
Direct				
Lane Kollen	OPC	LK-1	Resume of Lane Kollen	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-2	PGS Response to OPC's First Request for Production, No. 46	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-3	PGS Response to OPC's First Set of Interrogatories, No. 100	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-4	PGS Response to OPC's First Set of Interrogatories, No. 97	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57,

				71-72
Lane Kollen	OPC	LK-5	PGS Response to OPC’s First Set of Interrogatories, No. 95	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-6	PGS Response to OPC’s Fifth Set of Interrogatories, No. 220	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-7	PGS Response to OPC’s Third Set of Interrogatories, No. 132	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-8	PGS Response to OPC’s First Set of Interrogatories, No. 81	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-9	PGS Response to OPC’s First Set of Interrogatories, No. 92	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-10	PGS Response to OPC’s First	6, 8-10,

			Set of Interrogatories, No. 82	15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-11	PGS Response to OPC's First Set of Interrogatories, No. 13	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-12	PGS Response to OPC's Fourth Set of Interrogatories, No. 202	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-13	PGS Response to OPC's First Set of Interrogatories, No. 11	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-14	PGS Response to OPC's First Set of Interrogatories, No. 21	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-15	PGS Response to OPC's First Set of Interrogatories, No. 8	6, 8-10, 15-19, 21-22, 27-34,

				36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-16	PGS Response to OPC's Eighth Request for Production, No. 95	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-17	PGS Response to OPC's Fourth Set of Interrogatories, No. 203	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-18	PGS Response to OPC's Fourth Set of Interrogatories, Nos. 180 and 181	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-19	PGS Response to OPC's First Set of Interrogatories, Nos. 7, 186, and 238	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-20	PGS Response to OPC's First Set of Interrogatories, No. 18	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-

				55, 57, 71-72
Lane Kollen	OPC	LK-21	PGS Response to OPC’s Fourth Set of Interrogatories, No. 185	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-22	PGS Response to OPC’s Fourth Set of Interrogatories, No. 198	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-23	PGS Response to OPC’s Fourth Set of Interrogatories, No. 199	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-24	PGS Response to OPC’s First Request for Production, No. 45 (Narrative and 1 Worksheet)	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-25	PGS Response to OPC’s Ninth Set of Interrogatories, No. 241	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72

Lane Kollen	OPC	LK-26	PGS Response to OPC's Ninth Set of Interrogatories, No. 240	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-27	PGS Response to Staff's First Data Request, No. 1	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
Lane Kollen	OPC	LK-28	PGS Response to OPC's First Set of Interrogatories, No. 99	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
David Garrett	OPC	DJG-1	Curriculum Vitae	6-11, 22, 34-36
David Garrett	OPC	DJG-2	Rate of Return Recommendation	6-11, 22, 34-36
David Garrett	OPC	DJG-3	Proxy Group Summary	6-11, 22, 34-36
David Garrett	OPC	DJG-4	DCF Stock and Index	6-11, 22, 34-36
David Garrett	OPC	DJG-5	DCF Dividend Yields	6-11, 22, 34-36
David Garrett	OPC	DJG-6	DCF Terminal Growth Determinants	6-11, 22, 34-36
David Garrett	OPC	DJG-7	DCF Final Results	6-11, 22, 34-

				36
David Garrett	OPC	DJG-8	CAPM Risk-Free Rate	6-11, 22, 34-36
David Garrett	OPC	DJG-9	CAPM Beta Coefficient	6-11, 22, 34-36
David Garrett	OPC	DJG-10	CAPM Implied Equity Risk Premium	6-11, 22, 34-36
David Garrett	OPC	DJG-11	CAPM Equity Risk Premium Results	6-11, 22, 34-36
David Garrett	OPC	DJG-12	CAPM Final Results	6-11, 22, 34-36
David Garrett	OPC	DJG-13	Cost of Equity Summary	6-11, 22, 34-36
David Garrett	OPC	DJG-14	Market Cost of Equity vs. Awarded Returns	6-11, 22, 34-36
David Garrett	OPC	DJG-15	Proxy Group Debt Ratios	6-11, 22, 34-36
David Garrett	OPC	DJG-16	Competitive Industry Debt Ratios	6-11, 22, 34-36
David Garrett	OPC	DJG-17	Hamada Model ROE	6-11, 22, 34-36
David Garrett	OPC	DJG-18	Summary Depreciation Accrual Adjustment	6-11, 22, 34-36
David Garrett	OPC	DJG-19	Detail Rate Comparison – 2024 Study	6-11, 22, 34-36
David Garrett	OPC	DJG-20	Depreciation Rate Development – 2024 Study (Book Reserve)	6-11, 22, 34-36
David Garrett	OPC	DJG-21	Depreciation Rate Development – 2024 Study (Theoretical Reserve)	6-11, 22, 34-36
David Garrett	OPC	DJG-22	Reserve Surplus Calculation – 2024 Study (Adjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-23	Reserve Surplus Calculation –	6-11,

			2024 Study (Unadjusted Parameters)	22, 34-36
David Garrett	OPC	DJG-24	Depreciation Rate Development – 2023 Study (Book Reserve, Adjusted)	6-11, 22, 34-36
David Garrett	OPC	DJG-25	Depreciation Rate Development – 2023 Study (Theo. Reserve, Adjusted)	6-11, 22, 34-36
David Garrett	OPC	DJG-26	Depreciation Rate Development – 2023 Study (Unadjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-27	Reserve Surplus Calculation – 2023 Study (Adjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-28	Reserve Surplus Calculation – 2023 Study (Unadjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-29	Account 376 (Steel Mains) Iowa Curve Fitting	6-11, 22, 34-36
David Garrett	OPC	DJG-30	Account 376.02 (Plastic Mains) Iowa Curve Fitting	6-11, 22, 34-36
David Garrett	OPC	DJG-31	Account 379 (M&R Station Equip. – City Gate) Iowa Curve Fitting	6-11, 22, 34-36
David Garrett	OPC	DJG-32	Account 380.02 (Plastic Services) Iowa Curve Fitting	6-11, 22, 34-36
David Garrett	OPC	DJG-33	Account 382 (Meter Installations) Iowa Curve Fitting	6-11, 22, 34-36
David Garrett	OPC	DJG-34	Observed Life Tables from Depreciation Study for Adjusted Accounts	6-11, 22, 34-36
David Garrett	OPC	DJG-35	Computed Reserves – 2024 Study (With Adjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-36	Computed Reserves – 2024 Study (With Unadjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-37	Remaining Life Development – 2024 Study	6-11, 22, 34-36
David Garrett	OPC	DJG-38	Computed Reserves – 2023 Study (With Adjusted Parameters)	6-11, 22, 34-36

David Garrett	OPC	DJG-39	Computed Reserves – 2023 Study (With Unadjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-40	Remaining Life Development – 2023 Study (Adjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-41	Remaining Life Development – 2023 Study (Unadjusted Parameters)	6-11, 22, 34-36
David Garrett	OPC	DJG-42	Appendices	6-11, 22, 34-36

3. **STATEMENT OF BASIC POSITION**

The burden of proof in a Commission proceeding is always on a utility seeking a rate change, and upon other parties seeking to change established rates. *Fla. Power Corp. v. Cresse*, 413 So. 2d 1187, 1191 (Fla. 1982). Peoples Gas System, Inc. (PGS) has the burden to prove that every aspect of their requested rate increase is appropriate, and the Commission may only approve the parts of PGS's rate request which are fair, just, and reasonable. PGS's requested rate increase would translate to a 36% increase in base rates – the largest requested increase in PGS history. PGS's request grossly overstates the revenue requirement needed to provide safe and reliable service. OPC's experts, Lane Kollen and David Garrett, will testify in depth about the flawed and excessive nature of PGS's requested rate increase. OPC will also demonstrate deficiencies in the testimony and evidence presented by PGS's witnesses. In today's tough economic climate, PGS's customers are already under great financial pressure, so any increase will have a significant impact on them. Now, more than ever, the Commission must consider that impact when evaluating PGS's rate request. Ultimately, the Commission must hold PGS to its burden and only approve the portions of PGS's rate request which are fair, just, and reasonable.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

Note: As to all issues in which OPC has indicated below it is willing to facilitate a Type 2 stipulation, the OPC position on each Type 2 stipulation is as follows:

OPC takes no position on these issues, nor does it have the burden of proof related to them. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on these issues, either in this docket, in an order of the Commission or in a representation to a Court.

A Type 2 stipulation occurs on an issue when the utility and the staff, or the utility and at least one party adversarial to the utility, agree on the resolution of the issue and the remaining parties (including staff if they do not join in the agreement) do not object to the Commission relying on the agreed language to resolve that issue in a final order. *See Docket No. 20210010, Order No. PSC-2021-0290-PHO-EI,* at 17, fn. 5.

TEST PERIOD AND FORECASTING

ISSUE 1: Is PGS's projected test period of the twelve months ending December 31, 2024, appropriate?

OPC Position: No. However, if there are no imminent plans to merge the company with another and with appropriate adjustments, the proposed 2024 test year may be representative of the period of time in which rates will be in effect. PGS has failed to meet its burden of demonstrating the appropriateness of the test year since it has failed to adequately demonstrate that there will be no merger activities that will affect the appropriateness of the test year and the period for which rates will be in effect.

ISSUE 2: Should the Commission approve PGS's forecasts of customers and therms by rate class for the projected test year ending December 31, 2024? If not, what adjustments should be made?

OPC Position: OPC will facilitate a Type 2 stipulation.

ISSUE 3: Are PGS's estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate? If not, what adjustments should be made?

OPC Position: OPC will facilitate a Type 2 stipulation.

QUALITY OF SERVICE

ISSUE 4: Is the quality of service provided by PGS adequate?

OPC Position: The OPC reserves the right to update its position based on customer testimony.

DEPRECIATION STUDY

ISSUE 5: Should PGS's request to establish a new subaccount and annual depreciation rate applicable to its renewable natural gas (RNG) plant leased to others for 15 years be approved, and, if so, what depreciation rate and implementation date should be approved?

OPC Position: No. RNG service should not be provided on a regulated, above-the line basis. Accordingly, there is no need to establish a depreciation rate for assets related to the provision of RNG service.

ISSUE 6: Are vehicle retirements, including salvage, properly matched with the prudent level of additional vehicles included in rate base? If not, what adjustments should be made?

OPC Position: No. The company has failed to reflect retirements associated with the replacement of older vehicles which has the effect of overstated rate base and depreciation expense over time. PGS's requested level of additional vehicles exceeds what PGS needs in order to provide safe and reliable service. Therefore, PGS has failed to demonstrate that vehicle retirements, including salvage, properly match a prudent level of additional vehicles in rate base. The Commission should only approve the additional vehicles for which PGS has satisfied their burden of proof. (Kollen and Garrett)

ISSUE 7: What depreciation parameters (remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each distribution and general plant account should be approved?

OPC Position: The depreciation parameters and resulting depreciation rates are shown in OPC Witness Garrett's testimony and Exhibits DJG-18 and DJG-24 – DJG-26. (Garrett)

<u>ISSUE 8</u>: In establishing the projected test year's depreciation expense, should the approved depreciation rates be calculated using a depreciation study date of December 31, 2023 or December 31, 2024?

OPC Position: The OPC has stipulated with PGS on the date of December 31, 2023. The parties are in agreement that the resolution of this impact on the test year depreciation expense is a fallout issue.

<u>ISSUE 9</u>: Based on the application of the depreciation parameters to PGS's data that the Commission has adopted, and a comparison of the theoretical reserves to the book reserves, what, if any, are the resulting imbalances?

OPC Position: Based on the primary OPC expert recommendation, the resulting reserve imbalance is a surplus of $221.024 million. For the other resulting imbalances based on different scenarios, see also OPC witness Garrett's exhibits DJG-22, DJG-23, DJG-27. (Garrett and Kollen)

<u>ISSUE 10</u>: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 9?

OPC Position: The reserve imbalances resulting as described in Issue 9 should be amortized over 10 years as explained in the testimony of OPC witnesses Garrett and Kollen. (Kollen and Garrett)

<u>ISSUE 11</u>: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

OPC Position: The depreciation parameters and resulting depreciation rates are as shown in OPC Witness Garrett's testimony and exhibits and should be implemented upon approval by the Commission, effective January 1, 2024. (Garrett)

<u>RATE BASE</u>

<u>ISSUE 12</u>: Has PGS made the proper adjustments to remove all non-utility activities from the projected test year Plant in Service, Accumulated Depreciation, and Working Capital? If not, what adjustments should be made?

OPC Position: OPC will facilitate a Type 2 stipulation.

ISSUE 13: Has PGS made the proper adjustments to remove all costs attributable to the operations of Seacoast Gas Transmission (SGT)? If not, what adjustments should be made?

OPC Position: PGS has not demonstrated that all costs attributable to SGT have been removed from the projected test year. Stated another way, PGS has budgeted and forecast costs for recovery in rates that should have been allocated or attributed to SGT. Discovery is still pending on this issue. OPC continues to work with PGS to determine a resolution to this issue.

ISSUE 14: Has PGS made the proper adjustments to reflect Cast Iron/Bare Steel Rider (CI/BSR) investments as of December 31, 2023, in rate base? If not, what adjustments should be made?

OPC Position: OPC will facilitate a Type 2 stipulation.

ISSUE 15: Should PGS's proposed Advanced Metering Infrastructure (AMI) Pilot be approved? If not, what adjustments should be made?

OPC Position: No. PGS bears the burden of proof to demonstrate the prudence of the proposed AMI pilot. Any approval of an AMI pilot should not be a basis for approval of wholesale implementation of an AMI project, especially if circumstances underlying the rate case filing materially change. (Kollen)

ISSUE 16: Should the New River RNG project be included in rate base, and if so, are the revenues under Service Agreement pursuant to the RNG Service Tariff adequate to cover the revenue requirements of the project? If not, what adjustments should be made?

OPC Position: No. PGS has failed to satisfy its burden of proof that the New River RNG project should be included above-the-line in rate base. This project exposes the general body of customers to the risk of stranded costs and should be conducted below-the-line. Revenues in the test year are $144,104 short of covering the company-identified revenue requirement in the case. Additionally, PGS has not demonstrated that it is allocating all attributable costs of developing and conducting RNG operations to the projects that it proposes. The entire revenue requirement associated with this project should be removed from the 2024 revenue requirement. If the Commission nonetheless allows the project to stay as a regulated operation, the shortfall amounts identified in OPC witness Kollen's testimony and any additional undisclosed O&M under allocations should be offset with a revenue imputation accompanied by deferral accounting. Additionally, the Commission should require that the RNGS tariff be modified to include the following language: "Peoples Gas System, Inc.'s entry into an RNG

Service Agreement with a Customer and the provision of RNG services pursuant to the RNG rate schedule with that Customer will not cause any additional costs to the Company's other rate classes." This is consistent with the language the Commission required in the LNG tariff under similar circumstances. (Kollen) OPC reserves the right to further amend OPC's position on this issue in the event of an agreed-upon stipulation. OPC has tentatively reached a Type 1 Stipulation with PGS on the resolution of Issues 16-18, pending acceptance by the Commission.

<u>ISSUE 17</u>: Should the Brightmark RNG project be included in rate base, and if so, are the revenues under Service Agreement pursuant to the RNG Service Tariff adequate to cover the revenue requirements of the project? If not, what adjustments should be made?

OPC Position: No. PGS has failed to satisfy its burden of proof that the Brightmark RNG project should be included above-the-line in rate base. This project exposes the general body of customers to the risk of stranded costs and should be conducted below-the-line. Revenues in the test year are $1.389,322 short of covering the company-identified revenue requirement in the case. Additionally PGS has not demonstrated that it is allocating all attributable costs of developing and conducting RNG operations to the projects that it proposes. The entire revenue requirement associated with this project should be removed from the 2024 revenue requirement. If the Commission nonetheless allows the project to stay as a regulated operation, the shortfall amounts identified in OPC witness Kollen's testimony and any additional undisclosed O&M under allocations should be offset with a revenue imputation accompanied by deferral accounting. Additionally, the Commission should require that the RNGS tariff be modified to include the following language: "Peoples Gas System, Inc.'s entry into an RNG Service Agreement with a Customer and the provision of RNG services pursuant to the RNG rate schedule with that Customer will not cause any additional costs to the Company's other rate classes." This is consistent with the language the Commission required in the LNG tariff under similar circumstances. (Kollen) OPC reserves the right to further amend OPC's position on this issue in the event of an agreed-upon stipulation. OPC has tentatively reached a Type 1 Stipulation with PGS on the resolution of Issues 16-18, pending acceptance by the Commission.

<u>ISSUE 18</u>: Should the Alliance Dairies RNG project be included in rate base, and if so, are the terms and conditions of the Biogas Incentives Agreement adequate to protect ratepayers and cover the revenue requirements of the project? If not, what adjustments should be made?

OPC Position: No. PGS has failed to satisfy its burden of proof that the Alliance Dairies RNG project should be included above-the-line in rate base. Additionally, PGS has not demonstrated that it is allocating all attributable costs of developing and conducting RNG operations to the projects that it proposes. The entire revenue requirement associated with this project should be removed from the 2024 revenue requirement. Any additional undisclosed O&M under allocations should also be removed from the revenue requirement in this case. (Kollen) OPC reserves the right to further amend OPC's position on this issue in the event of an agreed-upon stipulation. OPC has tentatively reached a Type 1 Stipulation with PGS on the resolution of Issues 16-18, pending acceptance by the Commission.

ISSUE 19: Has PGS properly reflected in the projected test year the cost saving benefits to be gained from implementation of the Work and Asset Management (WAM) system? If not, what adjustments should be made?

OPC Position: No. PGS has incurred $34.4 million in capital costs for the new WAM system, yet it claims that WAM will not result in any savings whatsoever from efficiencies in the test year. OPC expects that the operation of the WAM system, in conjunction with other potential near-term actions, will lead to operational efficiencies that are not captured in the Company's projection of employee additions or savings in the level of contract labor expense. (Kollen)

ISSUE 20: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

OPC Position: OPC will enter into a Type 1 stipulation.

ISSUE 21: What level of projected test year plant in service should be approved?

OPC Position: The Commission should approve no more than $3,274,834,064 of projected test year plant in service, unless circumstances underlying the rate case filing materially change. (Kollen)

ISSUE 22: What level of projected test year plant accumulated depreciation and amortization should be approved?

OPC Position: The Commission should approve $904,439,158 of projected test year accumulated depreciation and amortization, unless circumstances underlying the rate case filing materially change. (Kollen and Garrett)

ISSUE 23: What level of projected test year Construction Work in Progress (CWIP) should be approved?

OPC Position: The level of CWIP to be approved may be dependent upon the resolution of Issue 21 and the ultimate decision on the level of plant-in-service as it is affected by the accuracy of the PGS's budget process. PGS has not adequately demonstrated that the level of CWIP is justified based on the deficiencies in the budgets for 2023 and 2024 that were prepared in 2022.

ISSUE 24: Has PGS made the proper adjustments to the Working Capital Allowance to reflect under recoveries and over recoveries in the projected test year related to the Purchased Gas Adjustment, Energy Conservation Cost Recovery, and CI/BSR? If not, what adjustments should be made?

OPC Position: OPC will facilitate a Type 2 stipulation.

ISSUE 25: What amount of projected test year unamortized rate case expense should be included in working capital?

OPC Position: OPC will enter into a Type 1 stipulation.

ISSUE 26: What level of projected test year working capital should be approved?

OPC Position: OPC will facilitate a Type 2 stipulation.

ISSUE 27: What level of projected test year rate base should be approved?

OPC Position: The Commission should approve no more than $2,346,211,000 of projected test year rate base, unless circumstances underlying the rate case filing materially change. (Kollen)

COST OF CAPITAL

ISSUE 28: What amount of projected accumulated deferred taxes should be approved for the projected test year capital structure?

OPC Position: The Commission should approve at least $286,705,000 in accumulated deferred taxes for the projected test year capital structure. (Kollen)

ISSUE 29: What cost rate should be approved for the unamortized investment tax credits for the projected test year capital structure?

OPC Position: The Commission should approve a 6.73% cost rate for the unamortized investment tax credits in the projected test year. (Kollen)

ISSUE 30: What amount and cost rate for customer deposits should be approved for the projected test year capital structure?

OPC Position: OPC will enter into a Type 1 stipulation.

<u>ISSUE 31</u>: What cost rate of short-term debt should be approved for the projected test year capital structure?

OPC Position: The Commission should approve a 3.81% cost rate for short-term debt for the projected test year. (Kollen)

<u>ISSUE 32</u>: What cost rate of long-term debt should be approved for the projected test year capital structure?

OPC Position: The Commission should approve a 4.61% cost rate for long-term debt for the projected test year. (Kollen)

<u>ISSUE 33</u>: Has PGS made the proper adjustments to remove all non-utility investments from the projected test year common equity balance? If not, what adjustments should be made?

OPC Position: No. The removal of the Alliance Dairies Project from rate base in resolution of Issue 18, should properly be reflected in a corresponding adjustment to equity ***after*** the establishment of the regulatory-authorized equity ratio. The OPC has agreed to the removal of the project and the revenue requirement impact calculated by the Company.

<u>ISSUE 34</u>: What equity ratio should be approved for the projected test year capital structure?

OPC Position: The Commission should approve a 49.26% equity ratio. (Garrett and Kollen)

<u>ISSUE 35</u>: What return on equity (ROE) should be approved for establishing PGS's projected test year revenue requirement?

OPC Position: The Commission should approve a 9.00% ROE. (Garrett)

<u>ISSUE 36</u>: What capital structure and weighted average cost of capital should be approved for establishing PGS's projected test year revenue requirement?

OPC Position: The Commission should approve a weighted average cost of capital of 5.87% and the capital structure shown in the testimony of OPC's experts. (Garrett and Kollen)

NET OPERATING INCOME

<u>ISSUE 37</u>: Has PGS made the proper adjustments to remove the Purchased Gas Adjustment, Natural Gas Conservation Cost Recovery Clause, and CI/BSR Revenues and Expenses from the projected test year? If not, what adjustments should be made?

OPC Position: OPC will facilitate a Type 2 stipulation.

<u>ISSUE 38</u>: Has PGS made the proper adjustments to remove all non-utility activities from projected test year operating expenses, including depreciation and amortization expense? If not, what adjustments should be made?

OPC Position: No. The Commission should reflect an additional reduction in rate base related to the under-allocation of capitalized labor to Seacoast Gas Transmission (SGT) as discussed in Issue 13. Furthermore, the removal of the Alliance Dairies Project related to Issue 18, should be properly reflected.

<u>ISSUE 39</u>: What amount of projected test year Uncollectible Accounts and Bad Debt should be included in the Revenue Expansion Factor?

OPC Position: OPC will enter into a Type 1 stipulation.

<u>ISSUE 40</u>: What non-labor trend factors should be used for inflation and customer growth for the projected test year?

OPC Position: OPC will facilitate a Type 2 stipulation.

<u>ISSUE 41</u>: What amount of projected test year contractor and contract services cost should be approved?

OPC Position: The OPC does not recommend a reduction in the level of test year contractor and contract services cost compared to the as-filed amounts. Instead, the OPC concludes that the lack of reduction of such costs is a primary justification to recommend a lower number of employees in the projected test year. If, however, the Commission allows the number of employees to increase, there should be corresponding reductions in the costs of outside contractors and contract services. If other current assumptions about the test year and beyond contained in the filing materially change, the level of contractors and contract services should be reduced accordingly. (Kollen)

<u>ISSUE 42</u>: What number of projected test year employees should be approved?

OPC Position: The Commission should find that the number of projected test year employees should remain at the 2022 level, and the Commission should reject the requested increases in employees and the related expenses, with limited exceptions where the increases in the related expenses are offset by reductions in allocations of shared services costs from Tampa Electric Company and in the instance of the new treasury analyst position. (Kollen)

ISSUE 43: What amount of projected test year salaries and benefits, including incentive compensation, should be approved?

OPC Position: By not approving the requested staffing increases, the Commission should reduce the payroll and payroll related projected test year costs by $9,762,000. By reducing the requested merit pay increases for employees, the Commission should reduce the payroll and payroll related projected test year costs by an additional $1,918,000. (Kollen)

ISSUE 44: Has PGS made the proper adjustments to remove lobbying, charitable contributions, sponsorships, and institutional and image advertising from the projected test year? If not, what adjustments should be made?

OPC Position: OPC will enter into a Type 1 stipulation.

ISSUE 45: What amount of projected test year Economic Development Expense should be approved?

OPC Position: OPC will facilitate a Type 2 stipulation.

ISSUE 46: What amount of projected test year annual storm damage accrual and storm damage reserve cap should be approved?

OPC Position: OPC will enter into a Type 1 stipulation.

ISSUE 47: What adjustments, if any, should be made to projected test year expenses being incurred by, or charged to, PGS related to merger & acquisition development or pursuit activity?

OPC Position: Merger and acquisition related costs of all types, whether specifically allocated or indirectly incurred by PGS through allocations or charging of affiliate costs – even if not specifically identified as such – should not be allowed for recovery unless all associated merger & acquisition development(s) or activities are identified and disclosed to the Commission. PGS should be required to identify the direct and indirect costs associated with all such activities and affirmatively demonstrate that they are either being charged to customers in a cost-effective and prudent manner or that they are not being so charged to customers along with an explanation why such potential customer benefits are not being pursued. (Kollen)

ISSUE 48: What amount of projected test year Rate Case Expense should be approved? What amortization period should be used?

OPC Position: OPC will facilitate a Type 2 stipulation.

ISSUE 49: What amount of projected test year O&M expenses should be approved?

OPC Position: The Commission should reduce the projected test year O&M Expenses by at least $46,595,000, unless circumstances underlying the rate case filing materially change. (Kollen)

ISSUE 50: What amount of projected test year Depreciation and Amortization Expense should be approved?

OPC Position: The Commission should reduce the projected test year Depreciation and Amortization Expense by at least $26,404,000, unless circumstances underlying the rate case filing materially change. (Kollen)

ISSUE 51: What amount of projected test year Taxes Other than Income should be approved?

OPC Position: The amount of Taxes Other than Income that should be approved is no more than $29,154,896. (Kollen)

ISSUE 52: What amount of Parent Debt Adjustment is required by Rule 25-14.004, Florida Administrative Code?

OPC Position: The Parent Debt Adjustment required by the rule is $2,762,000 based on the level of common equity recommended by the OPC. To the extent the Commission approves a greater amount of equity in the company's capital structure, there should be a concomitant increase in the adjustment. (Kollen)

ISSUE 53: What amount of projected test year Income Tax Expense should be approved?

OPC Position: This is a fallout issue. The OPC has not separately quantified the level of Income Tax Expense that would remain after consideration of its revenue requirement adjustments. The OPC adjustments are made on an incremental revenue requirement basis. (Kollen)

ISSUE 54: What amount of projected test year Total Operating Expenses should be approved?

OPC Position: This is a fallout issue. The OPC has not separately quantified the level of Total Operating Expenses that would remain after consideration of its revenue requirement adjustments. The OPC adjustments are made on an incremental revenue requirement basis. (Kollen)

ISSUE 55: What amount of projected test year Net Operating Income should be approved?

OPC Position: This is a fallout issue. The OPC has not separately quantified the level of Net Operating Income that would remain after consideration of its revenue requirement adjustments. The OPC adjustments are made on an incremental revenue requirement basis. (Kollen)

REVENUE REQUIREMENTS

ISSUE 56: What revenue expansion factor and net operating income multiplier should be approved for the projected test year?

OPC Position: OPC will enter into a Type 1 stipulation.

ISSUE 57: What annual operating revenue increase should be approved for the projected test year?

OPC Position: The Commission should approve a base revenue increase – including the transfer of Cast Iron/ Bare Steel Rider revenues - of no more than $42,903,000, unless circumstances underlying the rate case filing materially change. (Kollen)

COST OF SERVICE AND RATE DESIGN

ISSUE 58: Should the Commission approve PGS's proposed cost of service study?

OPC Position: No position.

ISSUE 59: If the Commission grants a revenue increase to PGS, how should the increase be allocated to the rate classes?

OPC Position: No position.

ISSUE 60: What customer charges should be approved?

OPC Position: No position.

ISSUE 61: What per therm distribution charges should be approved?

OPC Position: No position.

ISSUE 62: What miscellaneous service charges should be approved?

OPC Position: No position.

ISSUE 63: Should the Commission approve PGS's revised annual residential rate reclassification review?

OPC Position: No position.

ISSUE 64: Should the Commission approve PGS's revision to the Residential and Commercial Generator rate design?

OPC Position: No position.

ISSUE 65: Should the Commission approve PGS's revised termination fee for the Natural Choice Transportation Program (Tariff Sheet No. 7.803-3)?

OPC Position: No position.

ISSUE 66: Should the Commission approve PGS's revised Individual Transportation Administration Fee (Tariff Sheet No. 7.805)?

OPC Position: No position.

ISSUE 67: Should the Commission approve PGS's new Minimum Volume Commitment provision (Tariff Sheet No. 5.601) and associated Agreement (Tariff Sheet Nos. 8.126- 8.126-11)?

OPC Position: No position.

ISSUE 68: Should the Commission approve PGS's non-rate related tariff modifications?

OPC Position: No position.

<u>ISSUE 69</u>: Should the Commission approve PGS's proposed tariffs reflecting the Commission-approved target revenues?

OPC Position: No position.

<u>ISSUE 70</u>: What is the effective date for PGS's revised rates and charges?

OPC Position: The effective date of PGS' revised rates and charges should allow for time for implementation promptly after the Commission's final order in this matter.

<u>OTHER ISSUES</u>

<u>ISSUE 71</u>: Should the Commission approve PGS's proposed long-term debt cost rate true- up mechanism?

OPC Position: Based solely on the unique factual circumstance where an electric company has spun off its gas division in this case, and if the Commission deems the 2023 Transaction to be prudent in decision and execution, the OPC will not object to the one-time long-term debt cost rate true-up mechanism after the gas company's first debt issuance; however, the Commission should disallow the incremental interest expense and other financing costs of the 2023 Transaction. (Kollen)

<u>ISSUE 72</u>: What adjustments, if any, should be made to the projected test year related to the spin-off of PGS?

OPC Position: The Commission should disallow all costs associated with the discretionary 2023 Transaction and reduce the requested revenue requirement by at least $9,699,000. (Kollen)

<u>ISSUE 73</u>*:* *Issue Withdrawn.*

<u>ISSUE 74</u>: Should PGS be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

OPC Position: Yes, the Commission should require PGS to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case.

<u>ISSUE 75</u>: Should this docket be closed?

OPC Position: No.

5. STIPULATED ISSUES

None at this time.

6. PENDING MOTIONS

None at this time.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

OPC has no pending requests or claims for confidentiality at this time.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT

OPC has no objections to the qualification of any witnesses as an expert in the field which they pre-filed testimony as of the present date.

9. SEQUESTRATION OF WITNESSES

OPC does not request the sequestration of any witness at this time.

10. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

There are no requirements of the Order Establishing Procedure with which OPC cannot comply.

Respectfully submitted,

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CERTIFICATE OF SERVICE
DOCKET NO. 20230023-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 10th day of August 2023, to the following:

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