

**From:** [Hillary, Sean P.](#)  
**To:** [Rebecca Richards](#)  
**Cc:** [Hensley, Marianella](#); [Barbour, Rosemary J.](#)  
**Subject:** RE: TECO Gas Project - Depreciation Study  
**Date:** Sunday, October 23, 2022 12:42:29 PM  
**Attachments:** [jimage001.png](#)

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Rebecca... One other item we can answer on your open items list is depreciation credits used. The amount of projected depreciation credit used in 2022 is \$19,152,000. The amount of projected depreciation credit used in 2023 is \$14,848,000. Over 2022 and 2023 the allowed \$34.0 million of credit is assumed to be used. Thanks

Sean

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**From:** Hillary, Sean P.  
**Sent:** Saturday, October 22, 2022 6:50 PM  
**To:** [r-richards@alliancecog.net](mailto:r-richards@alliancecog.net)  
**Cc:** Hensley, Marianella <[MHensley@tecoenergy.com](mailto:MHensley@tecoenergy.com)>; Barbour, Rosemary J. <[RBarbour@tecoenergy.com](mailto:RBarbour@tecoenergy.com)>  
**Subject:** RE: TECO Gas Project - Depreciation Study

Rebecca... As a follow up to below, the Alliance project will not be subject to a lease agreement with an affiliate and the Alliance asset will use the RNG equipment depreciable life (currently approved at 30 years). Thanks

Sean

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**From:** Hillary, Sean P.  
**Sent:** Thursday, October 20, 2022 3:59 PM  
**To:** [r-richards@alliancecog.net](mailto:r-richards@alliancecog.net)  
**Cc:** Hensley, Marianella <[MHensley@tecoenergy.com](mailto:MHensley@tecoenergy.com)>; Barbour, Rosemary J. <[RBarbour@tecoenergy.com](mailto:RBarbour@tecoenergy.com)>  
**Subject:** FW: TECO Gas Project - Depreciation Study

**Importance:** High

Rebecca... Regarding the below on account 336, please see the below information. As noted below, whether the Alliance Dairy project is gas plant leased to others is subject to an internal structure decision that hasn't been made yet but is expected soon. As a result, only the Brightmark project is a definite lease of RNG equipment.

- Account 336 RNG Equipment – 3 Projects (New River, Chevron/Brightmark, and Alliance Dairy) Company to provide lease period details. Notes reference 15 year buyout option for Chevron, 24 year project for Alliance Dairy. Please provide lease period and total investment for each of the 3 projects. (Discussion with Patrick Monte, Travis Payne, Phil Beauchamp, Rosemary Barbour, and Sean per the interview notes)

**New River** – N/A. There is no PGS RNG equipment on this project now. Just a pipeline interconnect being built by PGS.

**Alliance Dairy** – *Still determining if lease structure with unregulated affiliate is going to be used* (otherwise a PGS asset not subject to a lease). Waiting for Emera level decision soon. Existing 24-year contract with Alliance Dairy is for use of manure and royalty fees, term can be extended 10 years if agreed to by both parties. Total investment amount in RNG equipment is approximately \$7 million.

**Brightmark** – 15-year term with full recovery of RNG equipment in 15-year period and equipment transferred to Brightmark at end of 15<sup>th</sup> year (see below). Responsibility for cost of removal is Brightmark's obligation. Total investment amount in RNG equipment is approximately \$34 million.

**Section 3. Term and Monthly Service Charge.**

(a) **Term** - The term of this Lease shall commence on the Effective Date and continue for a period of **fifteen (15) years** from the Commercial Operation Date (as defined in the MSAs) (the "Term"), unless terminated earlier in accordance with the terms hereof. Upon expiration of the Term, and provided no Lessee Event of Default has occurred and is continuing, Lessee shall have the obligation to purchase the Facility for \$1 and shall be responsible for any and all costs related to dismantling, decommissioning, and removing the Facility from the Land, to the extent required by the Ground Leases.

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**From:** Hensley, Marianella <[MHensley@tecoenergy.com](mailto:MHensley@tecoenergy.com)>  
**Sent:** Thursday, October 20, 2022 1:44 PM  
**To:** Hillary, Sean P. <[SPHillary@tecoenergy.com](mailto:SPHillary@tecoenergy.com)>; Barbour, Rosemary J. <[RBarbour@tecoenergy.com](mailto:RBarbour@tecoenergy.com)>  
**Subject:** FW: TECO Gas Project - Depreciation Study  
**Importance:** High

Hi Sean,

Based on our discussion today, see below email from Alliance (Rebecca Richards) the following information is needed ASAP to complete the Depreciation Study Analysis and be able to meet November deadline.

- Mary will send the SOP for 2022 and 2023 as a DRAFT
- Sean will contact Jeff Whalen for the new RNG rate for Brightmark
- Sean/Rosemary – Are you going to request the information below to the interviewers or you want me to do it ?

Mary

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**From:** Rebecca Richards <[r-richards@alliancecog.net](mailto:r-richards@alliancecog.net)>  
**Sent:** Wednesday, October 19, 2022 4:34 PM  
**To:** Hensley, Marianella <[MHensley@tecoenergy.com](mailto:MHensley@tecoenergy.com)>  
**Subject:** RE: TECO Gas Project

Outstanding information needed to finish life analysis for rate calculations:

- Account 377 Compressor Station Equipment – New investment. Company to provide manufacturer warranty information, estimated run times and expected operating life of the various equipment. (Mike Farmer was at interview and Rick Wall was supposed to call in, but

did not join)

- Account 336 RNG Equipment – 3 Projects (New River, Chevron/Brightmark, and Alliance Dairy) Company to provide lease period details. Notes reference 15 year buyout option for Chevron, 24 year project for Alliance Dairy. Please provide lease period and total investment for each of the 3 projects. (Discussion with Patrick Monte, Travis Payne, Phil Beauchamp, Rosemary Barbour, and Sean per the interview notes)

Here's a draft of what I put together for our deliverables with estimated timing (Dane is reviewing) – also, subject to change after you hear updated timing from your filing coordinator.

Deliverables	Notes	Timeline
<b>Finalize life analysis and selections</b>	Interviews complete, 2 outstanding follow up items needed from client (Account 377 and 336)	
<b>Prelim Accrual Rates at 12/31/24</b>	Currently, we have only received actual data as of 12/31/2021	Prelim rates requested by client 10/18/22
	Need Forecasted Plant and Reserve Balances through 12/31/2024	* Cannot complete until we have data through forecasted TY
	Need Adds and Retires for 2022, 2023, 2024	
	Need amount of depreciation expense credit for 2022 and 2023	
<b>Final/Revised Accrual Rates at 12/31/24</b>	After discussing results w/ Company and revising as needed	<b>11/10/2022</b>
<b>Draft Depreciation Report</b>		11/11/2022
<b>Final Depreciation Report</b>	After discussing results w/ Company and revising as needed	11/25/2022
<b>Draft Direct Testimony</b>		11/25/2022
<b>Final Direct Testimony</b>	After discussing results w/ Company and revising as needed	12/09/2022
<b>Workpapers</b>		12/09/2022

2022 Depr study must be filed at least 90 days prior to Rate Case  
PGS filing 2023 Rate Case

12/16/2022  
04/01/2023

**From:** Hensley, Marianella <[MHensley@tecoenergy.com](mailto:MHensley@tecoenergy.com)>

**Sent:** Wednesday, October 19, 2022 1:52 PM

**To:** Rebecca Richards <[rrichards@alliancecg.net](mailto:rrichards@alliancecg.net)>

**Subject:** RE: TECO Gas Project

Hi Rebecca,

Can I call you at 3:30 ?

Mary

**From:** Rebecca Richards <[rrichards@alliancecg.net](mailto:rrichards@alliancecg.net)>

**Sent:** Wednesday, October 19, 2022 1:17 PM

**To:** Hensley, Marianella <[MHensley@tecoenergy.com](mailto:MHensley@tecoenergy.com)>

**Subject:** TECO Gas Project

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Mary,

I am helping Karen and Dane with your depreciation study. I have a few outstanding items we need to follow up on (from interviews) and I need some clarification about the timing of your filing.

Can you please tell me when you have a few minutes today to discuss the depr study? You can call me any time.

Thank you.

**Rebecca Richards**

Senior Consultant, CDP  
Alliance Consulting Group  
[rrichards@alliancecg.net](mailto:rrichards@alliancecg.net)  
(214)473-6771 Ext. 17

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