

Hiep Nguyen

From: Asha Maharaj-Lucas
Sent: Tuesday, November 7, 2023 7:59 AM
To: Braulio Baez; Mark Futrell; Apryl Lynn; Keith Hetrick; Mary Anne Helton; Adam Teitzman; CLK - Agenda Staff; Commissioners & Staffs; Cindy Muir; Dylan Andrews; Amber Norris; Dale Buys; Mark Cicchetti; Curt Mouring; Bill McNulty; Laura King; Cissy Galloway; Phillip Ellis; Marissa Ramos; Donna Brown; Ryan Sandy; Major Thompson; Daniel Dose; Austin Watrous
Cc: Kate Hamrick; Jacqueline Moore; Nancy Harrison
Subject: Request for Approval to Make an Oral Modification - Item #1 - November 9, 2023 Special Agenda Conference - Docket No. 20230023-GU

Hello:

Please see the approval of the oral modification to Item 1 on the November 9, 2023, Special Agenda Conference - for docket no. 20230023-GU, below.

Thanks
Asha

From: Braulio Baez <BBaez@PSC.STATE.FL.US>
Sent: Monday, November 06, 2023 5:44 PM
To: Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>
Subject: FW: Request for Approval to Make an Oral Modification - Item #1 - November 9, 2023 Special Agenda Conference - Docket No. 20230023-GU

Approved

Sent from my T-Mobile 5G Device

----- Original message -----

From: Andrew Maurey <AMaurey@PSC.STATE.FL.US>
Date: 11/6/23 5:08 PM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>, Mark Futrell <MFutrell@PSC.STATE.FL.US>
Cc: Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>, Kate Hamrick <KHamrick@psc.state.fl.us>, Mary Anne Helton <MHelton@PSC.STATE.FL.US>, Mark Cicchetti <MCICCHET@PSC.STATE.FL.US>, Tom Ballinger <TBallinger@PSC.STATE.FL.US>, Elisabeth Draper <EDraper@PSC.STATE.FL.US>
Subject: Request for Approval to Make an Oral Modification - Item #1 - November 9, 2023 Special Agenda Conference - Docket No. 20230023-GU

Staff requests approval to make an oral modification to staff's post hearing recommendation in Docket Nos. 20220212-GU - Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.; 20220219-GU - Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.;

and 20230023-GU - Petition for rate increase by Peoples Gas System, Inc., currently scheduled for the November 9, 2023 Special Agenda Conference.

Staff's modification in Issue 51 is necessary to correct a formula error used to calculate a fallout payroll tax adjustment, which caused other formula errors within staff's work papers. This correction also modifies amounts in Issues 53, 54, 55, and 57, along with Attachments 3 and 5.

ISSUE 51, Page 139, Recommendation Statement

Based on the stipulation in Issue 18 and staff's recommendation in Issues 42 and 43, projected test year Taxes Other than Income (TOTI) should be decreased by ~~\$2,276,379~~ ~~\$2,271,748~~. As such, the appropriate amount of TOTI for the projected test year should be ~~\$29,424,962~~ ~~\$29,429,593~~.

ISSUE 51, Page 140, Analysis

A reduction to salaries and benefits in Issues 42 and 43, results in a corresponding reduction of ~~\$179,692~~ ~~\$175,061~~ to payroll taxes. Therefore, staff recommends that TOTI be reduced by a total of \$2,271,748. As such, the appropriate amount of TOTI for the projected test year should be \$29,429,593.

ISSUE 51, Page 140, Conclusion

Based on the stipulation in Issue 18 and staff's recommendation in Issues 42 and 43, projected test year Taxes Other than Income (TOTI) should be decreased by ~~\$2,276,379~~ ~~\$2,271,748~~. As such, the appropriate amount of TOTI for the projected test year should be ~~\$29,424,962~~ ~~\$29,429,593~~.

ISSUE 53, Page 143, Recommendation Statement and Analysis

Based on the stipulation in Issue 18 and staff's recommendation in Issues 49, 50, 51, and 52, projected test year Income Tax Expense should be increased by ~~\$1,814,368~~ ~~\$1,798,523~~. As such, the appropriate amount of Income Tax Expense for the projected test year, including current and deferred income taxes and interest synchronization, should be ~~\$4,907,543~~ ~~\$4,891,698~~.

ISSUE 53, Page 144, Table 53-1

MFR Amount Requested	\$3,093,175
Staff Fallout Adjustments:	
Parent Debt Adjustment	(\$129,476)
Interest Synchronization	22,684
Other Issues—Federal Income Tax	1,814,368
	1,491,852
Other Issues—State Income Tax	416,902
	413,464
Total Staff Adjustments	\$1,814,368
	\$1,798,523
Staff Adjusted Amount	\$4,907,543
	\$4,891,698

ISSUE 53, Page 144, Conclusion

Based on the stipulation in Issue 18 and staff's recommendation in Issues 49, 50, 51, and 52, projected test year Income Tax Expense should be increased by ~~\$1,814,368~~ ~~\$1,798,523~~. As such, the appropriate amount of Income Tax Expense for the projected test year, including current and deferred income taxes and interest synchronization, should be ~~\$4,907,543~~ ~~\$4,891,698~~.

ISSUE 54, Page 145, Recommendation Statement and Conclusion

The appropriate amount of projected test year Total Operating Expenses

should be ~~\$262,238,021~~ ~~\$262,284,692~~.

ISSUE 54, Page 145, Recommendation Statement and Conclusion

Based on staff’s recommended adjustments to the projected test year amounts of O&M Expense, Depreciation and Amortization Expense, TOTI, and Income Tax Expense in Issues 49, 50, 51, and 53, respectively, the appropriate amount of projected test year Total Operating Expenses should be ~~\$262,238,021~~ ~~\$262,284,692~~.

ISSUE 55, Page 146, Recommendation Statement, Analysis, and Conclusion

Based on the stipulation in Issue 18 and staff’s recommendation in Issue 54, the appropriate amount of projected test year Net Operating Income should be ~~\$78,102,907~~ ~~\$78,056,236~~.

ISSUE 57, Page 148, Recommendation Statement

The appropriate annual operating revenue increase for the projected test year should be ~~\$117,839,527~~ ~~\$117,902,534~~.

ISSUE 57, Page 152, Fallout and Table 57-1

The appropriate annual operating revenue increase for the projected test year should be ~~\$117,839,527~~ ~~\$117,902,534~~.

Operating Revenue Increase	\$117,839,527 \$117,902,534
CI/BSR Revenue	(11,156,958)
Incremental Revenue Increase	\$106,682,569 \$106,745,576

ISSUE 57, Page 152, Conclusion

The appropriate annual operating revenue increase for the projected test year should be ~~\$117,839,527~~ ~~\$117,902,534~~.

ATTACHMENT 3, Page 2 of 2

COMPARATIVE NET OPERATING INCOME

PEOPLES GAS SYSTEMS
DOCKET NO. 20230023-GU
PTY 12/31/24

ATTACHMENT 3
Page 2 of 2

ISSUE NO.	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
AMORTIZATION EXP. - OTHER	\$1,000,000				
TOTAL AMORTIZATION EXP. - OTHER	\$1,000,000	\$0	\$1,000,000	\$0	\$1,000,000
TAXES OTHER THAN INCOME	\$32,748,644				
TOTI Corresponding to Fuel Revenues		(1,043,800)			
2024 CI/BS Rider		(3,504)			
18 Removal of Alliance RNG Project				(88,687)	
51 Fallout Adj. - Payroll Tax				(179,692)	
51 Property Tax Correction				(175,061)	
				(2,008,000)	
TOTAL TAXES OTHER THAN INCOME	\$32,748,644	(\$1,047,304)	\$31,701,341	(\$2,276,379)	\$29,424,962
				(\$2,271,748)	\$29,429,593
INCOME TAX EXPENSE					
Income Taxes	(\$16,432,949)				
Income Taxes - Deferred	22,489,825				
Taxes Corresponding to Test Year Adjustments		(3,289,038)			
Interest Synchronization		325,338			
52 Fallout Adj. - Parent Debt				(129,476)	
53 Fallout Adj. - Interest Synchronization				22,684	
53 Fallout Adj. - Federal Income Taxes				1,504,258	
53 Fallout Adj. - State Income Taxes				416,902	
				413,464	
TOTAL INCOME TAXES	\$6,056,876	(\$2,963,701)	\$3,093,175	\$1,814,368	\$4,907,543
				\$1,798,523	\$4,891,698

GAIN ON SALE OF PROPERTY			(\$495,917)		
TOTAL GAIN ON SALE OF PROPERTY			(\$495,917)	\$0	(\$495,917)
TOTAL OPERATING EXPENSES	\$506,773,120	(\$233,043,341)	\$273,729,779	(\$11,491,758)	\$262,238,021
NET OPERATING INCOME	(\$166,432,192)	\$2,154,811	\$72,337,240	\$5,765,666	\$78,102,907

ATTACHMENT 5

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

PEOPLES GAS SYSTEMS
DOCKET NO. 20230023-GU
PTY 12/31/24

ATTACHMENT 5

	COMPANY ADJUSTED	STAFF RECOMMENDED
RATE BASE (AVERAGE)	\$2,366,788,452	\$2,357,327,760
RATE OF RETURN	X <u>7.42%</u> X	X <u>7.02%</u> X
REQUIRED NOI	<u>\$175,542,307</u>	<u>\$165,389,334</u>
ACHIEVED NOI	<u>72,337,240</u>	<u>78,102,907</u> <u>78,056,236</u>
NET REVENUE DEFICIENCY	\$103,205,067	\$87,286,427 \$87,333,098
REVENUE EXPANSION FACTOR	1.3500	1.3500
REVENUE DEFICIENCY	<u>\$139,330,211</u>	<u>\$117,839,527</u> <u>\$117,902,534</u>
Cast Iron/Bare Steel Rider Revenues	(11,693,817)	(11,156,958)
INCREMENTAL REVENUE INCREASE	<u>\$127,636,394</u>	<u>\$106,682,569</u> <u>\$106,745,576</u>

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