

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-**

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**DATE:** March 21, 2024

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Souchik, D. Buys) *ALM*  
Division of Economics (Guffey, Hampson) *EJD*  
Office of the General Counsel (M. Thompson) *JSC*

**RE:** Docket No. 20240028-GU – Petition to implement long-term debt cost true-up mechanism, by Peoples Gas System, Inc.

**AGENDA:** 04/02/24 – Regular Agenda – Tariff Suspension – Participation is at the Commission’s discretion

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 04/02/24 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

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## Case Background

Peoples Gas System, Inc. (PGS or Company) is a wholly-owned subsidiary of TECO Gas Operations, Inc., which is a subsidiary of TECO Energy, Inc., which is a wholly-owned subsidiary of Emera United States Holdings, Inc., which is a wholly-owned subsidiary of Emera Incorporated. PGS owns and operates natural gas distribution facilities in Florida and provides service to 470,000 customers in 39 of Florida’s 67 counties. The Company’s current rates were approved in Docket No. 20230023-GU which included approval of the Long-Term Debt True-Up Mechanism (LTD True-Up Mechanism) to make adjustments to the cost rate of long-term debt without the need of a new rate case.<sup>1</sup>

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<sup>1</sup>Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No.20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*

On February 2, 2024, PGS filed a petition to implement the aforementioned LTD True-Up Mechanism. The LTD True-Up Mechanism would allow the Company to make a one-time adjustment to its projected cost of long-term debt for the projected test year ending December 31, 2024, to reflect the actual cost of PGS's inaugural long-term debt issuance.

In its petition, PGS requested Florida Public Service Commission (Commission) approval of a long-term debt cost rate increase from 5.54 percent to 5.64 percent, which would increase the weighted average cost of capital from 7.02 percent to 7.05 percent, and results in a base rate revenue requirement increase of \$874,085. The Company also requested Commission approval of the updated base rates and charges and associated tariffs, effective for the first billing cycle of June 2024. PGS also requested the Commission specify the amount of incremental revenue requirement from January 1, 2024, to the effective date of the Company's updated 2024 tariffs to be deferred by the Company for recovery through the Cast Iron/Bare Steel Replacement Rider for 2025 as approved in Order No. PSC-2023-0388-FOF-GU.<sup>2</sup>

During the review process, staff issued two data requests to PGS. The first data request was issued on February 13, 2024, and the Company's response was received on February 23, 2024.<sup>3</sup> The second data request was issued on February 29, 2024, and a response was received on March 11, 2024. Staff needs additional time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation. This is staff's recommendation to suspend the proposed tariffs. The Commission has jurisdiction of this matter pursuant to Sections 366.03, 366.04, 36.05 and 366.06 Florida Statutes (F.S.).

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<sup>2</sup>*Id.*

<sup>3</sup>Document No. 00892-2024

### **Discussion of Issues**

**Issue 1:** Should PGS's revised tariffs to implement the Long-Term Debt Cost Rate True-Up Mechanism be suspended?

**Recommendation:** Yes. Staff recommends that PGS's revised tariffs to implement the Long-Term Debt Cost Rate True-Up Mechanism be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation. (Souchik, Guffey)

**Staff Analysis:** Staff recommends that PGS's revised tariffs to implement the Long-Term Debt Cost Rate True-Up Mechanism be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the Company requesting such a change a reason or written statement of a 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 decision on PGS's proposed implementation of the Long-Term Debt Cost True-Up Mechanism and associated tariff revisions. (M. Thompson)

**Staff Analysis:** This docket should remain open pending the Commission's decision on PGS's proposed implementation of the Long-Term Debt Cost True-Up Mechanism and associated tariff revisions.