Christopher T. Wright
Senior Attorney – Regulatory
Florida Power & Light Company
700 Universe Blvd
Juno Beach, FL 33408-0420
Phone: (561) 691-7144
E-mail: Christopher.Wright@fpl.com
Florida Authorized House Counsel;
Admitted in Pennsylvania

May 31, 2022

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: In re: Petition by Florida City Gas for Base Rate Increase
Docket No. 20220069-GU

Dear Mr. Teitzman:

Enclosed for filing on behalf of Florida City Gas ("FCG") in the above-referenced docket is FCG's Petition for Base Rate Increase, together with supporting testimonies, exhibits, and Minimum Filing Requirements. This filing includes the following documents:

1. Petition for Base Rate Increase
2. Direct Testimony of Kurt S. Howard and Exhibit KSH-1
3. Direct Testimony of Mark Campbell and Exhibits MC-1 through MC-6
4. Direct Testimony of Liz Fuentes and Exhibits LF-1 through LF-6
5. Direct Testimony of Tara DuBose and Exhibits TBD-1 through TBD-6
6. Direct Testimony of Jennifer Nelson and Exhibits JEN-1 through JEN-10
7. Direct Testimony of Ned Allis and Exhibits NWA-1 (2022 Depreciation Study) through NWA-5
8. Minimum Filing Requirements, Schedule A
9. Minimum Filing Requirements, Schedule B
10. Minimum Filing Requirements, Schedule C

11. Minimum Filing Requirements, Schedule D

12. Minimum Filing Requirements, Schedule E

13. Minimum Filing Requirements, Schedule G

14. Minimum Filing Requirements, Schedule H

15. Minimum Filing Requirements, Schedule I

FCG is not seeking interim rate relief and, therefore, is not providing Minimum Filing Requirements, Schedule F. Each of the above-referenced documents are being separately filed in this docket.

Please note that certain Minimum Filing Requirements contain confidential information and data, which has been redacted and will be provided with a Request for Confidential Classification filed under separate cover.

If you or your staff have any question regarding this filing, please contact me at (561) 691-7144.

Respectfully submitted,

Christopher T. Wright
Authorized House Counsel No. 1007055

Enclosed: [Document 4 of 15]

CERTIFICATE OF SERVICE
20220069-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 31st day of May 2022 to the following parties:

Ashley Weisenfeld Walt Trierweiler Florida Public Service Commission Office of the General Counsel 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850 aweisenf@psc.state.fl.us wtrierwe@psc.state.fl.us ***For Commission Staff***	Office of Public Counsel Richard Gentry Patricia A. Christensen c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Gentry.richard@leg.state.fl.us christensen.patty@leg.state.fl.us ***For Office of Public Counsel***

s/ Christopher T. Wright
Christopher T. Wright
Fla. Auth. House Counsel No. 1017875
Florida Power & Light Company
700 Universe Boulevard (JB/LAW)
Juno Beach, Florida 33408

Attorney for Florida City Gas

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220069-GU

FLORIDA CITY GAS

DIRECT TESTIMONY OF LIZ FUENTES

Topics: **2023 Test Year Revenue Requirement, 2022 Depreciation Study, Adjustments to 2023 Test Year, and Affiliate Transactions**

Filed: May 31, 2022

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Liz Fuentes. My business address is Florida Power & Light Company, 4200 West Flagler Street, Miami, Florida, 33134.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company ("FPL") as Senior Director, Regulatory Accounting.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for planning, guidance, and management of most regulatory accounting activities for FPL and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas ("FCG" or the "Company"). In this role, I ensure that financial books and records comply with multi-jurisdictional regulatory accounting requirements and regulations.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting. That same year, I was employed by FPL. During my tenure at the Company, I have held various accounting and regulatory positions of increasing responsibility with most of my career focused in regulatory accounting and the calculation of revenue requirements. Specifically, I have filed testimony or provided accounting support in multiple FPL retail base rate filings, clause filings, and other regulatory dockets filed at the Florida Public Service Commission ("FPSC" or the "Commission") as well as the Federal

Energy Regulatory Commission ("FERC"). My responsibilities have included the management of the accounting for FPL's cost recovery clauses and the preparation, review, and filing of FPL's monthly Earnings Surveillance Reports ("ESR") at the FPSC. I am a Certified Public Accountant ("CPA") licensed in the Commonwealth of Virginia and member of the American Institute of CPAs.

Q. Are you sponsoring or co-sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- LF-1 List of MFRs Sponsored or Co-Sponsored by Liz Fuentes
- LF-2 MFR G-5 for the 2023 Test Year
- LF-3 2023 SAFE Revenue Requirements Transferred to Base Rates
- LF-4 2023 ROE Calculation without Rate Relief
- LF-5(A) Impact to Depreciation Expense using 2022 Depreciation Study Rates for Base vs. Clause for 2023
- LF-6 ADIT Proration Adjustment to Capital Structure for 2023 Test Year

I am co-sponsoring the following exhibits:

- LF-5(B) Proposed Depreciation Company Adjustment for Base vs. Clause for 2023 using the RSAM Adjusted Depreciation Rates
- MC-6 Reserve Surplus Amortization Mechanism, filed with the testimony of FCG witness Campbell.

Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements ("MFRs") in this case?

A. Yes. Exhibit LF-1 lists the MFRs I am sponsoring and co-sponsoring.

Q. What Test Year is the Company using for its proposed base rate increase?

A. The Company is using a projected 2023 Test Year based on the 12-month period ending December 31, 2023. The MFRs reflect information and data requested for various years since FCG's last rate case, including the 2021 Historical Test Year, 2022 Prior Year, and 2023 Test Year.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the calculation of the revenue requirements and appropriateness of certain ratemaking adjustments FCG proposes in this proceeding for the 2023 Test Year. My testimony supports accounting and ratemaking practices that affect the determination of the appropriate rate base, working capital, rate of return, capital structure, and net operating income. In addition, I provide an overview of the results of FCG's depreciation study (the "2022 Depreciation Study"), which was conducted in accordance with the rules and requirements of the FPSC. The 2022 Depreciation Study has been prepared by FCG witness Allis of Gannett Fleming and is supported in his direct testimony in this docket. I also provide the Reserve Surplus Amortization Mechanism ("RSAM") adjusted depreciation rate impacts to depreciation expense that are discussed in more detail later in my testimony. Finally, I provide testimony and information on various affiliate transactions.

Q. Please summarize your testimony.

A. I sponsor and co-sponsor many MFRs and provide the calculation of net operating income, working capital, rate base, capital structure, and revenue requirements for the 2023 Test Year, including all FPSC and proposed Company adjustments. Based on these supporting calculations, and as further explained below, FCG is requesting an incremental base rate increase of $19.4 million for the 2023 Test Year.

In addition, I provide an overview of the 2022 Depreciation Study results prepared by FCG witness Allis and the impacts to the 2023 Test Year. As described in FCG witness Campbell's testimony, in this proceeding the Company is requesting the approval of a RSAM and my testimony presents the RSAM-adjusted depreciation rates that the Commission could approve in lieu of the depreciation rates presented in FCG witness Allis' 2022 Depreciation Study should the Commission allow FCG to implement the RSAM. The impact of these RSAM-adjusted depreciation rates is presented as a Company adjustment to depreciation expense and accumulated depreciation in the 2023 Test Year.

Finally, I provide an overview of the corporate support and services FCG has received and will continue to receive from its affiliates during the 2023 Test Year and describe the policies in place to ensure there is no subsidization of affiliate activities across the NextEra Energy, Inc. ("NEE") enterprise. As explained below, all costs associated with affiliate transactions are allocated and assigned to FCG using the same long-standing affiliate cost charging methods approved by this Commission for FPL.

II. 2023 TEST YEAR REVENUE REQUIREMENT

Q. What is the amount of FCG's requested total base rate increase for the 2023 Test Year?

A. As explained in the direct testimony of FCG witness Campbell, FCG is proposing a four-year rate plan that includes the adoption of the RSAM. Under the four-year proposal with the RSAM, FCG is requesting a total base revenue increase of $29.0 million based on a projected 2023 Test Year. As discussed later in my testimony, this amount reflects the Commission and Company proposed adjustments to the 2023 Test Year, and includes the impact of incorporating the RSAM-adjusted depreciation rates, the previously approved Liquefied Natural Gas ("LNG") Facility, and the reclassification of the Safety, Access, and Facility Enhancement ("SAFE") program investments from clause to base rates.

Q. Which MFRs directly support the 2023 Test Year revenue increase under the Company's proposed four-year rate plan?

A. Page 1 of Exhibit LF-2 identifies the MFRs that directly support the total 2023 Test Year revenue requirement increase of $29.0 million under FCG's proposed four-year rate plan with RSAM. Those MFRs include schedules that reflect the impact of the RSAM-adjusted depreciation rates discussed later in my testimony and support adjusted rate base of $489 million, adjusted net operating income of $13.3 million, and the calculation of the revenue expansion factor of 1.3527 used to derive the requested base revenue increase. Additionally, page

1 of Exhibit LF-2 identifies the MFR that supports the adjusted capital structure, the overall rate of return of 7.09%, and FCG's requested return on equity ("ROE") of 10.75% that is further discussed in the testimony of FCG witnesses Campbell and Nelson.

Q. Does FCG's total requested base revenue increase include the previously approved LNG Facility?

A. Yes, it does. As explained by FCG witness Howard, the previously approved LNG Facility[1] is projected to be placed in-service in March 2023 and, therefore, is included in the 2023 Test Year Per-Book forecast sponsored by FCG witness Campbell and included in the calculation of rate base and net operating income, as appropriate. As a result, the previously approved LNG Facility is included in FCG's requested $29.0 million total base revenue increase. However, the Commission has already approved a $3.8 million base revenue increase when the LNG Facility goes into service.[1] This $3.8 million revenue increase is factored into the incremental base revenue increase as described later in my testimony and reflected in FCG's proposed rate calculations as addressed by FCG witness DuBose in her testimony.

Q. Does FCG's requested total base revenue increase include the Commission's requirement to transfer SAFE program investments from clause recovery to base rates?

A. Yes, it does. Per Order No. PSC-15-0390-TRF-GU, Docket No. 150116-GU, investments in the SAFE program are required to be folded into any newly

[1] Order No. PSC-2018-0190-FOF-GU, Docket No. 20170179-GU (the "2018 Settlement Agreement").

approved rate base and the SAFE surcharge is to begin anew. In order to clearly reflect this requirement in its filing, FCG initially reflected all currently-approved and forecasted SAFE investments and associated operating expenses recoverable through the 2022 SAFE surcharge[2] in the 2023 Test Year forecast and then applied a Company adjustment, as discussed later in my testimony, to move the associated investment as of December 31, 2022, from clause recovery to base rates. As reflected on Exhibit LF-3, this results in the transfer of $5.7 million[3] of SAFE revenue requirements from clause recovery to base rates in the 2023 Test Year.[4] As a result, the $5.7 million of SAFE revenue requirements that were transferred from clause to base are included in FCG's requested $29.0 million total base revenue increase.

Q. Does FCG's requested total base revenue increase reflect amortization of unprotected Excess Accumulated Deferred Income Taxes ("EADIT") approved by the Commission in Order No. PSC-2018-0596-S-GU in Docket No. 20180154-GU?

A. No, it does not. As required by Commission Order No. PSC-2018-0596-S-GU, FCG's unprotected EADIT resulting from the Tax Cuts and Jobs Act of 2017 will be fully amortized as of December 31, 2022. Therefore, FCG has not included any unprotected EADIT amortization in the calculation of its total base revenue increase for the 2023 Test Year, resulting in an increase of $0.3 million

[2] See Order No. PSC-2021-0430-TRF-GU, Docket No. 20210149-GU (approving the projected SAFE revenues and factors for calendar year 2022).

[3] Calculated using FCG's proposed RSAM-adjusted depreciation rates and weighted average cost of capital, which includes a ROE of 10.75%.

[4] All forecasted SAFE investments beginning January 1, 2023, will continue to be recovered through the SAFE program subject to Commission review and approval in FCG's annual SAFE program filings.

in FCG's operating expenses in the 2023 Test Year. This increase in operating expense is included in FCG's requested $29.0 million total base revenue increase.

Q. What is the amount of FCG's requested incremental base revenue increase for the 2023 Test Year?

A. As reflected on page 1 of Exhibit LF-2, FCG is requesting an incremental base revenue increase of $19.4 million, which is calculated as follows:

Total Base Revenue Increase	$29.0
Less:	
LNG Revenue Increase	$3.8
Transfer of SAFE Investments	$5.7
Incremental Base Revenue Increase	$19.4[5]

Q. Please describe FCG's historical earned ROEs since its last rate case.

A. FCG has continually earned below its currently authorized ROE range of 9.19% to 11.19% in each December ESR since its last base rate case as shown below.

Year of December ESR	Earned ROE
2018	8.90%
2019	5.69%
2020	5.03%
2021	9.12%

Q. What would be FCG's ROE for the 2023 Test Year absent the requested base rate adjustment?

A. As shown on page 1 of Exhibit LF-4, FCG's 2023 Test Year ROE absent rate relief is projected to be 5.3%, which is well below the bottom end of the ROE range supported by FCG witnesses Campbell and Nelson, as well as FCG's

[5] Total does not add due to rounding.

current authorized ROE range. The resulting ROE includes the $3.8 million LNG revenue increase and excludes the transfer of SAFE investments from clause recovery to base rates in 2023. In addition, if the RSAM-adjusted depreciation rates are not approved, the ROE absent rate relief is projected to drop from 5.3% to 4.3% as shown on page 2 of Exhibit LF-4.

Q. Did you calculate an alternative 2023 revenue requirement if the Commission declines to adopt the RSAM?

A. Yes. As discussed by FCG witness Campbell, the RSAM is an essential component of FCG's four-year rate plan. The incremental revenue requirement of $19.4 million is based on the RSAM-adjusted depreciation rates discussed later in my testimony. If, however, the Commission declines to adopt FCG's four-year rate plan, the total base revenue increase would be $32.0 million which reflects the impact of the depreciation rates in FCG's 2022 Depreciation Study. As shown on page 2 of Exhibit LF-2, which is MFR G-5 without RSAM, the amount of FCG's alternative incremental base revenue increase without RSAM for the 2023 Test Year is $22.2 million.[6] Thus, FCG's incremental revenue requirement would increase by $2.7 million if the Commission declines to adopt FCG's proposed four-year rate plan with RSAM.

[6] Similar to the incremental base increase under FCG's four-year plan with RSAM, this alternative incremental base increase without RSAM factors in the previously approved $3.8 million of revenue associated with the LNG project and excludes the $5.7 million related to the revenue requirements associated with the SAFE program investments transferred from clause recovery to base rates in the 2023 Test Year, which were discussed previously in my testimony.

Q. Please describe how FCG calculated the alternative base rate increase for the 2023 Test Year without RSAM.

A. FCG's alternative revenue requirements without RSAM are premised on essentially the same data that was used to calculate the revenue increase for the 2023 Test Year reflected on MFR G-5 with RSAM. FCG replaced the proposed depreciation Company adjustments using RSAM-adjusted depreciation rates, and related income tax adjustments discussed later in my testimony with Company adjustments reflecting the impact of the depreciation rates resulting from the 2022 Depreciation Study.

III. 2022 DEPRECIATION STUDY

Q. Please summarize the impact of the 2022 Depreciation Study on FCG's 2023 Test Year.

A. FCG witness Allis of Gannett Fleming presents the results of the 2022 Depreciation Study. The 2022 Depreciation Study incorporates updated data since FCG's last depreciation study. The total increase in depreciation expense for the 2023 Test Year as a result of the 2022 Depreciation Study is $1.0 million. As discussed in further detail in the testimony of FCG witness Allis, the increase is primarily due to plant and reserve activity since the last depreciation study.

Q. What is the basis for the plant and reserve balances used in FCG's 2022 Depreciation Study?

A. The parameters utilized in the 2022 Depreciation Study are based in part on the statistical analyses of actual plant and reserve balance activity through December 31, 2021, which incorporate data through the most recent full year of historical data (*e.g.*, retirements, net salvage, and etc.) that was available at the time the study was prepared. The results of these parameter analyses were then applied to the forecasted gross plant balances through the end of 2022, which includes actual balances as of December 31, 2021, to determine the appropriate depreciation rates. I note that, as discussed by FCG witness Howard, the Company expects the LNG Facility to be placed into service in March 2023 and FCG will apply the current depreciation rate for plant account 364, LNG plant, approved by the Commission in the 2018 Settlement Agreement.

Q. Has the Company calculated the impact to depreciation expense using the new depreciation rates from the 2022 Depreciation Study on the 2023 Test Year?

A. Yes. The depreciation expense Company adjustment reflects the impact of the difference in the rates from the 2022 Depreciation Study as compared to the depreciation rates approved in Exhibit C of the 2018 Settlement Agreement. These current depreciation rates were used to prepare the forecast for the 2023 Test Year and are different from the rates resulting from the 2022 Depreciation Study. Accordingly, FCG has calculated the impact to the 2023 Test Year to reflect changes in base depreciation expense and accumulated depreciation based on the resulting depreciation rates in the 2022 Depreciation Study. The reconciliation of total Company depreciation expense included in FCG's 2023 Test Year forecast to the calculated expense based on the 2022 Depreciation Study are reflected on Exhibit LF-5(A).

Q. **Is the entire impact to depreciation expense associated with base rate investments?**

A. No. Because some of FCG's investments are recovered through its SAFE program surcharge, the impact to base rate revenue requirements for the 2023 Test Year must exclude the amount of depreciation related to clause-recovered investment and include only the depreciation for investments recovered through base rates. Exhibit LF-5(A) reflects the total depreciation expense increase using the 2022 Depreciation Study rates and delineates between base rates and clause recovery.

Q. **Please describe the RSAM-adjusted depreciation rates.**

A. As FCG witness Campbell discusses in detail in his direct testimony, FCG is proposing a four-year rate plan that includes the adoption of the RSAM. In order to facilitate this request, the Company requested FCG witness Allis to utilize alternative depreciation parameters that the Commission could approve in lieu of those presented in the 2022 Depreciation Study to enable the use of the RSAM and the Company's four-year rate plan. With the exception of the previously approved LNG Facility, the alternative depreciation parameters were based on the parameters used for similar assets from the Peoples Gas

System's ("PGS") most recent base rate case settlement approved by the Commission in Order No. PSC-2020-0485-FOF-GU, Docket Nos. 20200051-GU, 20200178-GU, and 20200166-GU. For purposes of the LNG Facility, FCG will apply its existing approved depreciation rate for the LNG Facility when it goes into service in March 2023. A summary of these alternative depreciation parameters is provided on pages 3 through 4 of Exhibit LF-5(B).

Q. Is FCG asking the Commission to ignore the 2022 Depreciation Study that FCG witness Allis prepared?

A. No. The 2022 Depreciation Study is sound, reasonable, accurate, and should be approved, along with the associated adjustments to base revenue requirements for 2023, if the Commission does not approve FCG's proposed four-year rate plan with RSAM. If, however, the Commission approves FCG's proposed four-year rate plan, then the RSAM adjusted depreciation rates that are necessary to support the RSAM and the four-year term should be approved in lieu of the 2022 Depreciation Study depreciation rates.

Q. Has FCG calculated Company adjustments to base depreciation expense using RSAM adjusted depreciation rates for the 2023 Test Year?

A. Yes. As reflected on page 1 of Exhibit LF-5(B), I provide the proposed depreciation Company adjustment using the RSAM-adjusted depreciation rates for base versus clause for 2023. The resulting decrease to base depreciation expense for the 2023 Test Year is $2.2 million and is included in the calculation of the 2023 revenue requirements discussed earlier in my testimony. This represents a significant revenue requirement reduction for the 2023 Test Year compared to the necessary revenue requirements in the event the RSAM is not approved as part of the Company's requested four-year rate plan.

IV. ADJUSTMENTS TO 2023 TEST YEAR

Q. Has FCG included Commission adjustments to rate base and net operating income necessary to properly reflect the 2023 Test Year for ratemaking purposes?

A. Yes. As required under prior Commission orders, FCG has reflected Commission adjustments to rate base and net operating income in the calculation of the 2023 Test Year revenue requirement calculation. These adjustments are detailed in MFRs G-1, page 4, and G-2, pages 2 through 3 and are the same Commission adjustments reflected in FCG's quarterly ESRs.

Q. Has FCG proposed any Company adjustments in its calculation of rate base and net operating income for the 2023 Test Year?

A. Yes. As previously discussed, FCG is proposing a depreciation Company adjustment to incorporate the impacts of implementing the RSAM-adjusted depreciation rates in the 2023 Test Year. Since this proposal changes the calculation of book depreciation and impacts the calculation of the Average Rate Assumption Method ("ARAM") used to amortize protected EADIT,[7] FCG proposes to adjust EADIT amortization in order to properly align total

[7] Under the Tax Cuts and Jobs Act of 2017, FCG is required to follow the Internal Revenue Service normalization requirements for EADIT attributable to the book and tax differences related to depreciation of public utility property as protected and employ the ARAM. The ARAM ensures that the amortization occurs no sooner than would occur as the book and tax differences turnaround.

depreciation expense and the turnaround of EADIT, which results in a decrease of EADIT amortization in the 2023 Test Year.

In addition to these depreciation and income tax related Company adjustments, FCG is proposing various other Company adjustments to its rate base and net operating income calculations for the 2023 Test Year.

Q. Could you please describe the other Company adjustments FCG is proposing in this proceeding?

A. Yes. In addition to the Company adjustment to depreciation previously discussed, FCG is proposing the following Company adjustments to the 2023 Test Year:

- Rate Case Expenses **-** Consistent with FCG's 2018 Settlement Agreement, FCG is requesting a four-year amortization period for estimated, incremental rate case expenses associated with this case totaling $2.0 million.[8] This amount includes $1.6 million for affiliate rate case support from FPL, $0.4 million for external consultant and legal services, and less than $0.1 million for other miscellaneous docket related expenses. In addition, FCG is requesting that the unamortized balance be included in rate base in the 2023 Test Year in order to avoid an implicit disallowance of reasonable and necessary costs. The fact that FCG is requesting a four-year rate plan in this proceeding reduces the amount of rate case expenses FCG would otherwise incur for

[8] Forecasted balance as of December 31, 2022.

multiple, back-to-back proceedings as further explained by FCG witness Campbell. Full recovery of necessary rate case expenses is appropriate but will not occur unless FCG is afforded the opportunity to earn a return on the unamortized balance of those expenses.

- <u>Outside Services for Clause Dockets</u> – FCG is currently billed approximately $45 thousand per year for affiliate clause recovery docket support from FPL and incurs approximately $15 thousand for outside legal services, which are currently charged to base rate expenses on FCG's books and records. FCG is requesting to transfer these outside service costs from base rates to each of the respective cost recovery clauses in order to align the support provided with the related cost recovery mechanism. This approach is consistent with the cost causation principle and will ensure that only the actual costs incurred, subject to true-up, are recovered from customers.
- <u>SAFE Program Investments</u> – As discussed earlier in my testimony and reflected on Exhibit LF-3, FCG has transferred all SAFE investments as of December 31, 2022 from clause recovery to base rates in the 2023 Test Year. Included in this adjustment is the transfer of $40.2 million of net plant in service, $0.9 million of construction work in progress, and $2.0 million of operating expenses. I note that the SAFE transfer is done prior to the calculation of the Company's depreciation adjustment discussed above.

Q. Has FCG incorporated any adjustments other than Commission or Company adjustments in its calculation of revenue requirements for the 2023 Test Year?

A. Yes. As reflected on MFR G-3, page 2 for their respective periods, FCG has incorporated an adjustment to decrease the amount of Accumulated Deferred Income Tax ("ADIT") included in the calculation of FCG's weighted average cost of capital.

Q. Why has FCG made this adjustment to ADIT?

A. As required under Treasury Regulations §1.167(1)-1(h)(6), ADIT that is treated as zero cost capital or a component of rate base in determining a utility's cost of service, must be calculated based on the same period as is used in determining the income tax expense utilized for ratemaking purposes. The Internal Revenue Code ("IRC") goes on to state that a utility may use either historical data or projected data in calculating these two amounts, but the periods used must be consistent. If the amounts are computed using projected data, in whole or in part, and the rates go into effect during the projected period, then the utility must use the formula provided in Treasury Regulations §1.167(1)-1(h)(6)(ii) to calculate the amount of ADIT to be included for ratemaking purposes. Because FCG is presenting a change in base rates at the beginning of the projected 2023 Test Year, the Company is required to comply with Treasury Regulations §1.167(1)-1(h)(6) in this proceeding.

Q. Please describe the required formula FCG must follow to adjust ADIT in the 2023 Test Year.

A. Treasury Regulations §1.167(1)-1(h)(6)(ii) contain a precise formula ("Proration Requirement") for computing the amount of depreciation-related ADIT to be treated as zero cost capital when a future test period is used. The Proration Requirement is as follows:

> The pro rata portion of any increase to be credited or decrease to be charged during a future period…shall be determined by multiplying any such increase or decrease by a fraction, the numerator of which is the number of days remaining in the period at the time such increase or decrease is to be accrued, and the denominator of which is the total number of days in the period.

Q. Please explain the calculation of the Proration Requirement and its impact to FCG's capital structure for the 2023 Test Year.

A. As reflected on Exhibit LF-6, the calculation of the Proration Requirement for ADIT for the 2023 Test Year begins with a prorated average balance of $698 thousand. FCG then compared the prorated average balance to the Per-Book 13-month average ADIT balance for 2023 of $744 thousand. The difference results in an adjustment to ADIT of $46 thousand for the 2023 Test Year, which is reflected as a decrease to ADIT on MFR G-3, page 2.

V. AFFILIATE TRANSACTIONS

Q. Do FCG's proposed revenue requirements for the 2023 Test Year include costs for services provided by affiliates?

A. Yes. Consistent with historic practice, FCG has included the affiliate services that are necessary to run and manage its business in the 2023 Test Year. These services allow FCG to efficiently lever talent and resources across the NEE enterprise, which include services and support for activities such as gas procurement, information technology, human resources, finance and accounting, legal support, and integrated supply chain.

Q. How are the costs for affiliate services provided by FPL charged to FCG?

A. All costs associated with affiliate services provided by FPL are charged to FCG pursuant to FPL's Cost Allocation Manual ("CAM"), a document required under Rule 25-6.1351, Florida Administrative Code ("F.A.C."), Cost Allocation and Affiliate Transactions. FPL's CAM largely follows the published guidelines recommended by the National Association of Regulatory Utility Commissioners and is consistent with FPL's approach over at least the last 10 years, including three base rate reviews. Consistent with FPL's CAM, costs associated with affiliate services provided by FPL to FCG are billed as either direct charges or as part of FPL's Corporate Services Charges ("CSC"). Direct charges are used whenever possible and practical and represent the fully loaded costs of resources used exclusively to provide services for the benefit of FCG. However, there is a significant portion of shared corporate support services which benefit the entire NEE organization, including FCG, and cannot be directly billed. These costs are billed through the CSC, and are allocated among all benefiting affiliates based on either: (a) a specific cost driver (*e.g.*, workstations or headcount), which has a direct relationship to the causation of the expense and the effect this activity has on the operations of the benefiting entity; or (b) the industry-accepted Massachusetts Formula for services that do not have a distinct cost driver.

Q. Does FCG receive charges from affiliates other than FPL?

A. Yes. FCG occasionally receives fully loaded direct charges primarily from NextEra Energy Resources, LLC, FPL Energy Services, LLC, and NextEra Energy Pipeline Services, LLC for various project support and services that are directly supported by the affiliate.

Q. What is the forecasted amount of direct charges from affiliates to FCG in the 2023 Test Year?

A. FCG has included $1.3 million of forecasted direct charges from FPL and other affiliates for various other projects and services in the 2023 Test Year. This amount is included in the total amount of operation and maintenance expenses in the calculation of revenue requirements and does not reflect any affiliate costs related to rate case expenses or costs that were transferred from base to clause as discussed above.

Q. What is the forecasted amount of CSC to be allocated from FPL to FCG in the 2023 Test Year?

A. FCG has included $1.7 million of forecasted CSC from FPL in the 2023 Test Year, which is included in the total amount of administrative and general expenses in the calculation of revenue requirements.

Q. Is FCG subject to any regulatory reporting requirements with respect to its affiliate transactions?

A. Yes. FCG complies with affiliate transaction reporting requirements, which are included in the Annual Report of Natural Gas Utilities filed in compliance with Rule No. 25-7.135, Annual Reports, F.A.C.

Q. Does this conclude your direct testimony?

A. Yes.

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
SOLE SPONSOR:	
A-2	Analysis of Permanent Rate Increase Requested
A-3	Analysis of Jurisdictional Rate Base
A-4	Analysis of Jurisdictional N.O.I.
B-1	Balance Sheet
B-2	Adjusted Rate Base
B-3	Rate Base Adjustments
B-4	Monthly Utility Plant Balances
B-5	Common Plant Allocated
B-6	Acquisition Adjustments
B-7	Property Held For Future Use
B-8	Construction Work In Progress
B-9	Accumulated Depreciation - Monthly Balances
B-10	Accumulated Amortization - Monthly Balances
B-11	Allocation of Depreciation/Amortization Reserve - Common Plant

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
B-12	Customer Advances For Construction
B-13	Working Capital Allowance
B-14	Miscellaneous Deferred Debits
B-15	Miscellaneous Deferred Credits
B-16	Additional Rate Base Components
B-17	Investment Tax Credits
B-18	Accumulated Deferred Income Tax
C-1	Adjusted Net Operating Income
C-2	Adjustments to Net Operating Income
C-3	Operating Revenues By Month
C-4	Unbilled Revenues
C-5	O & M Expenses By Month
C-6	Allocation of Expenses
C-7	Conservation Revenues and Expenses

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
C-10	Civic and Charitable Contributions
C-12	Lobbying and Political Expenses
C-13	Rate Case Expenses
C-14	Miscellaneous General Expenses
C-15	Out of Period Adjustments
C-16	Gain/Loss On Disposition of Property
C-17	Depreciation Expense
C-18	Amortization/Recovery Schedule
C-19	Allocation of Depr./Amort. Expense - Common Plant
C-20	Reconciliation of Total Income Tax Provision
C-21	State and Federal Income Tax - Current
C-22	Interest Expense - Income Tax
C-23	Book /Tax Differences - Permanent
C-24	Deferred Income Tax Expense

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
C-25	Deferred Income Tax Adjustment
C-26	Parent Debt Information
C-27	Income Tax Returns
C-28	Miscellaneous Tax Information
C-29	Consolidated Return
C-30	Other Taxes - Detail
C-32	Affiliated Company Transactions
C-35	O & M Benchmark By Function
C-36	Base Year Recoverable O & M Expenses By Function
D-1	Cost of Capital - 13 Month Average
D-7	Sources and Uses of Funds
D-9	Subsidiary Investments
D-10	Reconciliation of Average Capital Structure to Average Jurisdictional Rate Base
G1-1	Projected Test Year Rate Base

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
G1-4	Rate Base Adjustments
G2-1	Projected Test Year Net Operating Income - Summary
G2-2	Adjustments to Net Operating Income
G2-3	Adjustments to Net Operating Income (Cont.)
G2-26	Historic Base Year + 1 - Reconciliation of Total Income Tax Provision
G2-27	Historic Base Year + 1 - State and Federal Income Tax - Current
G2-28	Historic Base Year + 1 - Deferred Income Tax Expense
G2-29	Projected Test Year - Reconciliation of Total Income Tax Provision
G2-30	Projected Test Year - State and Federal Income Tax - Current
G2-31	Projected Test Year - Deferred Income Tax Expense
G4	Projected Test Year - Attrition Calculation of The Revenue Expansion Factor
G5	Projected Test Year - Attrition Calculation of Revenue Deficiency
CO-SPONSOR:	
A-1	Magnitude of Change-Present vs Prior Rate Case
A-5	Overall Rate of Return Comparison

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
C-8	Uncollectible Accounts
C-9	Advertising Expenses
C-11	Industry Association Dues
C-31	Outside Professional Services
C-34	O & M Benchmark Comparisons
C-38	O & M Benchmark Variance By Function
D-6	Customer Deposits
E-6	Derivation of Rate Base Derivation of Operating and Maintenance Expenses
G1-2	Projected Test Year Working Capital - Assets
G1-3	Projected Test Year Working Capital - Liabilities
G1-15	Historic Base Year + 1 - Allocation Of Common Plant
G1-16	Historic Base Year + 1 - Allocation Of Common Plant - Detail
G1-17	Historic Base Year + 1 - Allocation Of Common Plant - Detail (Cont.)
G1-18	Projected Test Year - Allocation Of Common Plant

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
G1-19	Projected Test Year - Allocation Of Common Plant - Detail
G1-20	Projected Test Year - Allocation Of Common Plant - Detail (Cont.)
G1-21	Historic Base Year + 1 - Alloc. Of Deprec./Amort. Reserve - Common Plant
G1-22	Projected Test Year - Alloc. of Deprec./Amort. - Common Plant
G2-4	Historic Base Year + 1 - Income Statement
G2-5	Projected Test Year - Income Statement
G2-12	Distribution Operation Expense
G2-13	Distribution Operation Expense (Cont.)
G2-14	Distribution Maintenance Expense
G2-15	Customer Accounts and Collection Expense
G2-16	Customer Accounts and Collection Expense (Cont.)
G2-17	Administrative and General Expense
G2-18	Administrative and General Expense (Cont.)
G2-19	Total O&M Expenses

Florida City Gas

MFRs SPONSORED OR CO-SPONSORED BY LIZ FUENTES

MFR	Title
G3-1	Historic Base Year + 1 - Cost of Capital
G3-2	Projected Test Year - Cost of Capital
G6	Projected Test Year - Attrition Calculation of Major Assumptions
G7	Other Taxes

Florida Public Service Commission

Company: Florida City Gas

Docket No.: 20220069-GU

Explanation: Provide the calculation of the revenue deficiency for the projected test year.

Type of Data Shown:
Projected Test Year: 12/31/23
Witness: Liz Fuentes

Line No.	Description	Source		Amount
1	ADJUSTED RATE BASE	Schedule G-1 p.1 (with RSAM)	$	489,002,189
2	REQUESTED RATE OF RETURN	Schedule G-3 p.2 (with RSAM)		7.09%
3	N.O.I. REQUIREMENTS	Line 1 x Line 2	$	34,688,400
4	LESS: ADJUSTED N.O.I. (A)	Schedule G-2 p.1 (with RSAM)	$	13,268,605
5	N.O.I. DEFICIENCY	Line 3 - Line 4	$	21,419,795
6	EXPANSION FACTOR	Schedule G-4		1.3527
7	REVENUE DEFICIENCY (B)	Line 5 x Line 6	$	28,974,556
8	LESS:			
9	LNG REVENUE INCREASE (C)		$	3,828,493
10	TRANSFER OF SAFE INVESTMENTS (D)		$	5,696,211
11	INCREMENTAL REVENUE INCREASE	Line 7 - Line 9 - Line 10	$	19,449,853

NOTES:
(A) Excludes annual amortization of unprotected excess accumulated deferred income taxes resulting from the Tax Cuts and Job Act of 2017 of $0.3 million. Per Order No. PSC-2018-0596-S-GU, Docket No. 20180154-GU, this amount will be fully amortized as of December 31, 2022.

(B) Represents the total base rate revenue increase requested by FCG in this proceeding, which includes revenue requirements associated with the previous Commission approved Liquified Natural Gas (“LNG”) project and transfer of Safety, Access, and Facility Enhancement (“SAFE”) program investments as of December 31, 2022 from clause recovery to base rates.

(C) Represents the base rate revenue increase approved by the Commission in Order No. PSC-2018-0190-FOF-GU, Docket No. 20170179-GU when FCG's Liquified Natural Gas (“LNG”) project goes into service, which is expected in March 2023.

(D) Represents the revenue requirements associated with SAFE investments as of December 31, 2022 currently being recovered through the SAFE cost recovery clause. FCG is required to transfer the recovery of these investments from the SAFE cost recovery clause to base rates per Order No. Per PSC-15-0390-TRF-GU, Docket No. 150116-GU.

Supporting Schedules: G-1 p.1 (with RSAM), G-2 p.1 (with RSAM), G-3 p.1 (with RSAM), G-4 Recap Schedules: A-1 (with RSAM), A-2 (with RSAM), H-1 p.5 (with RSAM)

Florida Public Service Commission

Company: Florida City Gas

Docket No.: 20220069-GU

Explanation: Provide the calculation of the revenue deficiency for the projected test year.

Type of Data Shown:
Projected Test Year: 12/31/23
Witness: Liz Fuentes

Line No.	Description	Source		Amount
1	ADJUSTED RATE BASE	Schedule G-1 p.1	$	487,422,825
2	REQUESTED RATE OF RETURN	Schedule G-3 p.2		7.09%
3	N.O.I. REQUIREMENTS	Line 1 x Line 2	$	34,574,871
4	LESS: ADJUSTED N.O.I. (A)	Schedule G-2 p.1	$	10,923,943
5	N.O.I. DEFICIENCY	Line 3 - Line 4	$	23,650,928
6	EXPANSION FACTOR	Schedule G-4		1.3527
7	REVENUE DEFICIENCY (B)	Line 5 x Line 6	$	31,992,611
8	LESS:			
9	LNG REVENUE INCREASE (C)		$	3,828,493
10	TRANSFER OF SAFE INVESTMENTS (D)		$	5,990,342
11	INCREMENTAL REVENUE INCREASE	Line 7 - Line 9 - Line 10	$	22,173,776

NOTES:
(A) Excludes annual amortization of unprotected excess accumulated deferred income taxes resulting from the Tax Cuts and Job Act of 2017 of $0.3 million. Per Order No. PSC-2018-0596-S-GU, Docket No. 20180154-GU, this amount will be fully amortized as of December 31, 2022.

(B) Represents the total base rate revenue increase requested by FCG in this proceeding, which includes revenue requirements associated with the previous Commission approved Liquified Natural Gas (“LNG”) project and transfer of Safety, Access, and Facility Enhancement (“SAFE”) program investments as of December 31, 2022 from clause recovery to base rates.

(C) Represents the base rate revenue increase approved by the Commission in Order No. PSC-2018-0190-FOF-GU, Docket No. 20170179-GU when FCG's Liquefied Natural Gas (“LNG”) project goes into service, which is expected in March 2023.

(D) Represents the revenue requirements associated with SAFE investments as of December 31, 2022 currently being recovered through the SAFE cost recovery clause. FCG is required to transfer the recovery of these investments from the SAFE cost recovery clause to base rates per Order No. Per PSC-15-0390-TRF-GU, Docket No. 150116-GU.

Supporting Schedules: G-1 p.1, G-2 p.1, G-3 p.1, G-4 Recap Schedules: A-1, A-2, H-1 p.5

FLORIDA CITY GAS
2023 SAFE REVENUE REQUIREMENTS TRANSFERRED TO BASE RATES

Line No.		With RSAM Source	With RSAM Revenue Requirements		Without RSAM Source	Without RSAM Revenue Requirements	
1	Plant-in-Service	Schedule G-1, p.4, Line 12, (with RSAM)	$ 42,702,544	(A)	Schedule G-1, p.4, Line 12	$ 42,702,544	(A)
2							
3	Accumulated Depreciation						
4	Current Approved Depreciation Rates	Schedule G-1, p.4, Line 15, (with RSAM)	$ (2,523,229)		Schedule G-1, p.4, Line 15	(2,523,229)	
5	Depreciation Company Adjustment		128,774	(B)		(22,804)	(C)
6	Total Accumulated Depreciation	Line 4 + Line 5	$ (2,394,455)		Line 4 + Line 5	$ (2,546,033)	
7							
8	Construction Work in Progress	Schedule G-1, p.4, Line 13, (with RSAM)	879,174	(A)	Schedule G-1, p.4, Line 13	879,174	(A)
9							
10	Rate Base	Line 1 + Line 6 + Line 8	$ 41,187,263		Line 1 + Line 6 + Line 8	$ 41,035,684	
11							
12	Weighted Average Cost of Capital	Schedule G-3 p.2 (with RSAM)	7.09%		Schedule G-3 p.2	7.09%	
13	Required Return (after-tax)	Line 10 x Line 12	$ 2,921,705		Line 10 x Line 12	$ 2,910,827	
14	Net Operating Income Multiplier (with Taxes)	Schedule G-4	1.3527		Schedule G-4	1.3527	
15	**Required Return Revenue Requirement**	Line 13 x Line 14	**$ 3,952,191**		Line 13 x Line 14	**$ 3,937,476**	
16							
17	Depreciation Expense						
18	Current Approved Depreciation Rates	Schedule G-2, p.2, Line 18 (with RSAM)	$ 1,189,568		Schedule G-2, p.2, Line 18	$ 1,189,568	
19	Depreciation Company Adjustment		(259,949)	(B)		45,870	(C)
20	Total Depreciation Expense	Line 18 + Line 19	$ 929,619		Line 18 + Line 19	$ 1,235,438	
21							
22	Taxes Other Than Income Taxes	Schedule G-2, p.3, Line 22 (with RSAM)	797,305	(D)	Schedule G-2, p.3, Line 22	797,305	(D)
23							
24	Total Operating Expenses	Line 20 + Line 22	$ 1,726,923		Line 20 + Line 22	$ 2,032,742	
25							
26	Net Operating Income Multiplier (without Taxes)		1.0099			1.0099	
27	**Operating Expense Revenue Requirements**	Line 24 x Line 26	**$ 1,744,020**		Line 24 x Line 26	**$ 2,052,866**	
28							
29	**Total Revenue Requirements**	Line 15 + Line 27	**$ 5,696,211**		Line 15 + Line 27	**$ 5,990,342**	
30							
31							
32							

33 **Notes:**

34 (A) Represents forecasted balance as of December 31, 2022.

35 (B) Represents the change in depreciation expense to reflect the application of RSAM-adjusted depreciation rates.

36 (C) Represents the change in depreciation expense to reflect the application of the depreciation rates from the 2022 Depreciation Study.

37 (D) Represents forecasted property taxes.

FLORIDA CITY GAS
2023 RETURN ON EQUITY CALCULATION WITHOUT RATE RELIEF
WITH RSAM [(A)]

Line No.		MFR Reference	2023 Test Year [(B)]	With LNG Revenue Increase [(C)]	With LNG Revenue Increase and No SAFE Transfer [(D)]
1	Adjusted Net Operating Income (NOI)	G-2 p.1 (with RSAM)	$ 13,268,605	$ 13,268,605	$ 13,268,605
2	Adjustments:				
3	Remove SAFE NOI Company Adjustment		-	-	2,771,040
4	Add LNG Revenue Increase (after-tax)		-	2,858,161	2,858,161
5	**Incremental Net Operating Income (Line 1 + Line 3 + Line 4)**		**$ 13,268,605**	**$ 16,126,767**	**$ 18,897,806**
6					
7	Adjusted Rate Base (RB)	G-1 p.1 (with RSAM)	$ 489,002,189	$ 489,002,189	$ 489,002,189
8	Adjustment: Remove SAFE RB Company Adjustment		-	-	41,187,263
9	**Revised Rate Base (Line 7 - Line 8)**		**$ 489,002,189**	**$ 489,002,189**	**$ 447,814,927**
10					
11	**Estimated Earned Rate of Return (Line 5 / Line 9)**		**2.71%**	**3.30%**	**4.22%**
12					
13	Adjusted Non-Equity Component of Weighted Average Cost of Capital	G-3 p.2 (with RSAM)	1.44%	1.44%	1.44%
14	**Earnings Available for Common (Line 11 - Line 13)**		**1.27%**	**1.85%**	**2.78%**
15					
16	Adjusted Common Equity Ratio	G-3 p.2 (with RSAM)	52.56%	52.56%	52.56%
17					
18	**Earned Return on Common Equity (Line 14 / Line 16)**		**2.42%**	**3.53%**	**5.28%**
19					
20					
21					
22					
23					
24					

25 **Notes:**

26 [(A)] Amounts reflected on this page include a depreciation company adjustment using RSAM-adjusted depreciation rates.

27 [(B)] Includes revenue requirements for the LNG project, however, does not include previously approved $3.8 million revenue increase when the LNG project goes in service in 2023. Also includes the transfer of SAFE investments as of December 31, 2022 from clause recovery to base rates.

28 [(C)] Includes revenue requirements for the LNG project and previously approved $3.8 million revenue increase when the LNG project goes in service in 2023. Also **includes** the transfer of SAFE investments as of December 31, 2022 from clause recovery to base rates.

29 [(D)] Includes revenue requirements for the LNG project and previously approved $3.8 million revenue increase when the LNG project goes into service in 2023 and **excludes** the transfer of SAFE investments as of December 31, 2022 from clause recovery to base rates.

FLORIDA CITY GAS
2023 RETURN ON EQUITY CALCULATION WITHOUT RATE RELIEF
WITHOUT RSAM [(A)]

Line No.		MFR Reference	2023 Test Year [(B)]	With LNG Revenue Increase [(C)]	With LNG Revenue Increase and No SAFE Transfer[(D)]
1	Adjusted Net Operating Income (NOI)	G-2 p.1	$ 10,923,943	$ 10,923,943	$ 10,923,943
2	Adjustments:				
3	Remove SAFE NOI Company Adjustment		-	-	2,760,722
4	Add LNG Revenue Increase (after-tax)		-	2,858,161	2,858,161
5	**Incremental Net Operating Income (Line 1 + Line 3 + Line 4)**		**$ 10,923,943**	**$ 13,782,105**	**$ 16,542,827**
6					
7	Adjusted Rate Base (RB)	G-1 p.1	$ 487,422,825	$ 487,422,825	$ 487,422,825
8	Adjustment: Remove SAFE RB Company Adjustment		-	-	41,035,684
9	**Revised Rate Base (Line 7 - Line 8)**		**$ 487,422,825**	**$ 487,422,825**	**$ 446,387,141**
10					
11	**Estimated Earned Rate of Return (Line 5 / Line 9)**		**2.24%**	**2.83%**	**3.71%**
12					
13	Adjusted Non-Equity Component of Weighted Average Cost of Capital	G-3 p.2	1.44%	1.44%	1.44%
14	**Earnings Available for Common (Line 11 - Line 13)**		**0.80%**	**1.38%**	**2.26%**
15					
16	Adjusted Common Equity Ratio	G-3 p.2	52.56%	52.56%	52.56%
17					
18	**Earned Return on Common Equity (Line 14 / Line 16)**		**1.52%**	**2.63%**	**4.30%**
19					
20					
21					
22					
23					
24					

25 **Notes:**

26 [(A)] Amounts reflected on this page include a depreciation company adjustment using depreciation rates resulting from the 2022 Depreciation Study.

27 [(B)] Includes revenue requirements for the LNG project, however, does not include previously approved $3.8 million revenue increase when the LNG project goes in service in 2023. Also includes the transfer of SAFE investments as of December 31, 2022 from clause recovery to base rates.

28 [(C)] Includes revenue requirements for the LNG project and previously approved $3.8 million revenue increase when the LNG project goes in service in 2023. Also **includes** the transfer of SAFE investments as of December 31, 2022 from clause recovery to base rates.

29 [(D)] Includes revenue requirements for the LNG project and previously approved $3.8 million revenue increase when the LNG project goes into service in 2023 and **excludes** the transfer of SAFE investments as of December 31, 2022 from clause recovery to base rates.

FLORIDA CITY GAS (WITHOUT RSAM)
IMPACTS TO DEPRECIATION EXPENSE USING 2022 DEPRECIATION STUDY DEPRECIATION RATES
BASE VS. CLAUSE FOR 2023 (A)
($000)

		Based on Current Approved Depreciation Rates				Based on 2022 Depreciation Study Rates				
Line No.	**Function**	**2023 Forecasted Depreciation Expense (1)**	**2023 Depreciation Expense Related to Clauses (2)**	**2023 Depreciation Expense Transfer to Base Co Adj (3)**	**2023 Forecasted Base Expense (1)+(2)+(3)=(4)**	**2023 Calculated Depreciation Expense (5)**	**2023 Depreciation Expense Related to Clauses (6)**	**2023 Depreciation Expense Transfer to Base Co Adj (7)**	**2023 Calculated Base Expense (5)+(6)+(7)=(8)**	**2023 Company Adjustment (8)-(4)=(9)**
1	Distribution	$ 13,684	$ -	$ -	$ 13,684	$ 14,845	$ -	$ -	$ 14,845	$ 1,161
2	SAFE Program	1,273	$ (1,273)	1,190	1,190	1,322	$ (1,322)	1,235	1,235	46
3	Total Distribution	$ 14,957	$ (1,273)	$ 1,190	$ 14,874	$ 16,167	$ (1,322)	$ 1,235	$ 16,081	$ 1,207
4										
5	General	$ 1,644	$ -	$ -	$ 1,644	$ 1,425	$ -	$ -	$ 1,425	$ (220)
6										
7	**Total**	**$ 16,602**	**$ (1,273)**	**$ 1,190**	**$ 16,518**	**$ 17,592**	**$ (1,322)**	**$ 1,235**	**$ 17,505**	**$ 987**
8			(B)	(C)		(D)	(D)	(D)	(D)	(E)

18 Notes:
19 (A) Excludes amounts related to acquisition adjustment, amortizable and nondepreciable property, and storage equipment.
20 (B) Represents forecasted depreciation expense associated with current approved and forecasted SAFE program investments through 2023 based on current approved depreciation rates. In addition, this amount is reflected as a Commission adjustment on MFR G-2, page 2.
21 (C) Represents the forecasted amount of depreciation expense in 2023 related to the SAFE investments transferred from clause to base as of December 31, 2022 based on current approved depreciation rates as described by FCG witness Fuentes in her direct testimony. In addition, this amount is reflected as a Company adjustment on MFR G-2, page 2.
22 (D) Calculated based on the depreciation rates included in FCG's 2022 Depreciation Study.
23 (E) Amount is reflected as a Company adjustment to depreciation expense on MFR G-2, page 2.

FLORIDA CITY GAS (WITHOUT RSAM)
CHANGE IN FORECASTED ACCUMULATED DEPRECIATION
RESULTING FROM THE APPLICATION OF THE DEPRECIATION RATES FROM THE 2022 DEPRECIATION STUDY
($000)

Line No.	Function	Ending Balance 12/31/2022	Ending Balance 1/31/2023	Ending Balance 2/28/2023	Ending Balance 3/31/2023	Ending Balance 4/30/2023	Ending Balance 5/31/2023	Ending Balance 6/30/2023	Ending Balance 7/31/2023	Ending Balance 8/31/2023	Ending Balance 9/30/2023	Ending Balance 10/31/2023	Ending Balance 11/30/2023	Ending Balance 12/31/2023	13-Month Average 2023
1	Distribution	$ -	$ (95)	$ (190)	$ (285)	$ (381)	$ (477)	$ (574)	$ (670)	$ (768)	$ (865)	$ (964)	$ (1,062)	$ (1,161)	$ (576)
2	SAFE Program	-	(4)	(7)	(11)	(15)	(19)	(23)	(27)	(30)	(34)	(38)	(42)	(46)	$ (23)
3	Total Distribution	-	(98)	(197)	(296)	(396)	(496)	(596)	(697)	(798)	(900)	(1,002)	(1,104)	(1,207)	(599)
4															
5	General	$ -	$ 18	$ 35	$ 53	$ 71	$ 89	$ 107	$ 126	$ 144	$ 163	$ 182	$ 201	$ 220	$ 108
6															
7	**TOTAL**	**$ -**	**$ (81)**	**$ (162)**	**$ (243)**	**$ (325)**	**$ (407)**	**$ (489)**	**$ (571)**	**$ (654)**	**$ (737)**	**$ (820)**	**$ (903)**	**$ (987)**	**$ (491)**
8															(A)
9															
10															
11															
12															
13															
14															
15															
16															
17															
18															
19															
20															
21															
22															
23															
24	Note:														
25	(A) Reflected on MFR G-1, page 4, for the 2023 Test Year as the rate base 2022 Depreciation Study Company adjustment.														

FLORIDA CITY GAS (WITH RSAM)
PROPOSED DEPRECIATION COMPANY ADJUSTMENT FOR BASE VS. CLAUSE FOR 2023 USING PROPOSED RSAM-ADJUSTED DEPRECIATION RATES[A]
($000)

		Based on Current Approved Depreciation Rates				Based on Proposed RSAM-Adjusted Depreciation Rates				
Line No.	Function	2023 Forecasted Depreciation Expense (1)	2023 Depreciation Expense Related to Clauses (2)	2023 Depreciation Expense Transfer to Base Co Adj (3)	2023 Forecasted Base Expense (1)+(2)+(3)=(4)	2023 Calculated Depreciation Expense (5)	2023 Depreciation Expense Related to Clauses (6)	2023 Depreciation Expense Transfer to Base Co Adj (7)	2023 Calculated Base Expense (5)+(6)+(7)=(8)	2023 Company Adjustment (8)-(4)=(9)
1	Distribution	$ 13,684	$ -	$ -	$ 13,684	$ 11,953	$ 0	$ -	$ 11,953	$ (1,731)
2	SAFE Program	1,273	$ (1,273)	1,190	1,190	990	$ (990)	930	930	$ (260)
3	Total Distribution	$ 14,957	$ (1,273)	$ 1,190	$ 14,874	$ 12,943	$ (990)	$ 930	$ 12,883	$ (1,991)
4										
5	General	$ 1,644	$ -	$ -	$ 1,644	$ 1,438	$ 0	$ -	$ 1,438	$ (207)
6										
7	**Total**	**$ 16,602**	**$ (1,273)**	**$ 1,190**	**$ 16,518**	**$ 14,381**	**$ (990)**	**$ 930**	**$ 14,321**	**$ (2,198)**
8			(B)	(C)		(D)	(D)	(D)	(D)	(E)
9										
10										
11										
12										
13										
14										
15										
16										
17										

18 Notes:
19 (A) Excludes amounts related to acquisition adjustment, amortizable and nondepreciable property, and storage equipment.
20 (B) Represents forecasted depreciation expense associated with current approved and forecasted SAFE program investments through 2023 based on current approved depreciation rates. In addition, this
21 amount is reflected as a Commission adjustment on MFR G-2 (with RSAM), page 2.
22 (C) Represents the forecasted amount of depreciation expense in 2023 related to the SAFE investments transferred from clause to base as of December 31, 2022 based on current approved depreciation rates
23 as described by FCG witness Fuentes in her direct testimony. In addition, this amount is reflected as a Company adjustment on MFR G-2 (with RSAM), page 2.
24 (D) Calculated based on the proposed RSAM-adjusted depreciation rates reflected on page 3 of this Exhibit.
25 (E) Amount is reflected as a Company adjustment to depreciation expense on MFR G-2 (with RSAM), page 2.

CHANGE IN FORECASTED ACCUMULATED DEPRECIATION
RESULTING FROM THE APPLICATION OF THE PROPOSED RSAM-ADJUSTED DEPRECIATION RATES
($000)

Line No.	Function	Ending Balance 12/31/2022	Ending Balance 1/31/2023	Ending Balance 2/28/2023	Ending Balance 3/31/2023	Ending Balance 4/30/2023	Ending Balance 5/31/2023	Ending Balance 6/30/2023	Ending Balance 7/31/2023	Ending Balance 8/31/2023	Ending Balance 9/30/2023	Ending Balance 10/31/2023	Ending Balance 11/30/2023	Ending Balance 12/31/2023	13-Month Average 2023
1	Distribution	$ -	$ 141	$ 282	$ 424	$ 566	$ 710	$ 854	$ 998	$ 1,143	$ 1,289	$ 1,436	$ 1,583	$ 1,731	$ 858
2	SAFE Program	-	21	42	63	85	106	128	150	172	194	216	238	260	$ 129
3	Total Distribution	-	161	324	487	651	816	982	1,148	1,315	1,483	1,652	1,821	1,991	987
4															
5	General	$ -	$ 16	$ 33	$ 50	$ 66	$ 83	$ 101	$ 118	$ 135	$ 153	$ 171	$ 189	$ 207	$ 102
6															
7	**TOTAL**	**$ -**	**$ 178**	**$ 357**	**$ 537**	**$ 718**	**$ 899**	**$ 1,082**	**$ 1,266**	**$ 1,451**	**$ 1,636**	**$ 1,822**	**$ 2,009**	**$ 2,198**	**$ 1,089**
8															(A)

24 Note:
25 (A) Reflected on MFR G-1 (with RSAM), page 4, for the 2023 Test Year as the rate base Depreciation Company adjustment.

SUMMARY OF PROBABLE RETIREMENT DATE, ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENTS, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUAL RATES RELATED TO GAS PLANT AS OF DECEMBER 31, 2022 BASED ON RSAM PARAMETERS

	DEPRECIABLE GROUP	PROBABLE RETIREMENT DATE	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST AS OF DECEMBER 31, 2022	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE	COMPOSITE REMAINING LIFE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)=(100%-(4))x(5)-(6)	(8)=(7)/(10)	(9)=(8)/(5)	(10)
	GAS PLANT									
	DISTRIBUTION PLANT									
1	375.00 STRUCTURES AND IMPROVEMENTS		33-L0	0	$ 209,627	$ (34,417)	$ 244,044	$ 7,872	3.76	31.00
2	376.10 MAINS - STEEL		65-R1.5	(50)	149,385,025	76,811,351	147,266,186	2,926,594	1.96	50.32
3	376.20 MAINS - PLASTIC		75-R2	(33)	192,615,831	54,566,030	201,613,026	3,060,307	1.59	65.88
4	378.00 MEASURING AND REGULATING STATION EQUIPMENT - GENERAL		40-R1.5	(10)	2,715,950	370,403	2,617,142	70,964	2.61	36.88
5	379.00 MEASURING AND REGULATING STATION EQUIPMENT - CITY GATE		50-R2.5	(10)	19,606,557	5,622,429	15,944,783	392,342	2.00	40.64
6	380.10 SERVICES - STEEL		52-R0.5	(125)	15,577,540	22,548,532	12,500,933	388,832	2.50	32.15
7	380.20 SERVICES - PLASTIC		55-R1.5	(68)	103,791,092	26,655,757	147,713,277	3,172,536	3.06	46.56
8	381.00 METERS		19-R2	3	21,907,441	2,351,641	18,898,576	1,520,400	6.94	12.43
9	381.10 METERS - ERT		19-R2	3	1,791,693	(767,208)	2,505,150	173,727	9.70	14.42
10	382.00 METER INSTALLATIONS		44-R1	(25)	5,818,611	(49,346)	7,322,610	209,517	3.60	34.95
11	382.10 METER INSTALLATIONS - ERT		44-R1	(25)	533,909	(1,328,400)	1,995,787	55,087	10.32	36.23
12	383.00 HOUSE REGULATORS		42-S1	0	7,565,636	1,885,273	5,680,363	171,716	2.27	33.08
13	384.00 HOUSE REGULATOR INSTALLATIONS		47-R1	(25)	2,122,289	109,448	2,543,413	72,815	3.43	34.93
14	385.00 INDUSTRIAL MEASURING AND REGULATING STATION EQUIPMENT		37-R3	(2)	3,725,563	2,269,526	1,530,549	86,034	2.31	17.79
15	387.00 OTHER EQUIPMENT		24-L2	0	1,961,519	398,885	1,562,634	86,573	4.41	18.05
16										
17	**TOTAL DISTRIBUTION PLANT**				**$ 529,328,283**	**$ 191,409,904**	**$ 569,938,473**	**$ 12,395,316**	**2.34**	
18										
19										
20										
21	390.00 STRUCTURES AND IMPROVEMENTS		25-L0	0	$ 9,127,408	$ 1,667,746	$ 7,459,663	$ 368,743	4.04	20.23
22	392.00 TRANSPORTATION EQUIPMENT		12-L2	4	303,332	102,172	189,027	40,564	13.37	4.66
23	392.10 TRANSPORTATION EQUIPMENT - AUTOS AND LIGHT TRUCKS		9-L2.5	11	1,723,037	1,098,401	435,103	103,843	6.03	4.19
24	392.20 TRANSPORTATION EQUIPMENT - SERVICE TRUCKS		10-L3	11	5,236,069	2,572,619	2,087,482	345,038	6.59	6.05
25	392.30 TRANSPORTATION EQUIPMENT - HEAVY TRUCKS		12-L2	4	776,644	355,716	389,862	59,703	7.69	6.53
26	394.10 NATURAL GAS VEHICLE EQUIPMENT		20-S4	0	1,564,203	941,298	622,906	46,141	2.95	13.50
27										
28	**TOTAL GENERAL PLANT**				**$ 18,730,694**	**$ 6,737,950**	**$ 11,184,043**	**$ 964,032**	**5.15**	
29										
30	**TOTAL DEPRECIABLE PLANT**				**$ 548,058,977**	**$ 198,147,854**	**$ 581,122,516**	**$ 13,359,348**	**2.44**	
31										
32										
33										
34	302.00 FRANCHISE AND CONSENTS				$ 241,490	$ 97,976				
35	303.00 MISCELLANEOUS INTANGIBLE PLANT					(116)				
36	303.02 COMPUTER SOFTWARE				11,395,602	1,730,483				
37	303.20 SOFTWARE AS A SERVICE - 20 YEARS				5,969,168	728,746				
38	374.00 LAND AND LAND RIGHTS				1,277,708	13,416				
39	374.10 LAND				72,441					
40	374.30 RIGHT-OF-WAY				11,132					
41	387.98 UNREGULATED MISC ASSETS				4,694	(3,139)				
42	389.00 LAND				2,225,561					
43	389.20 LAND RIGHTS				96,508					
44	391.00 OFFICE FURNITURE				761,398	295,150				
45	391.12 COMPUTER HARDWARE				258,582	140,799				
46	391.50 INDIVIDUAL EQUIPMENT				813,348	447,431				
47	394.00 TOOLS, SHOP AND GARAGE EQUIPMENT				992,183	210,024				
48	396.00 POWER OPERATED EQUIPMENT				269,770	93,191				
49	397.00 COMMUNICATION EQUIPMENT				702,382	272,389				
50	398.00 MISCELLANEOUS EQUIPMENT				224,542	(170,170)				
51										
52	**TOTAL NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED**				**$ 25,316,508**	**$ 3,856,181**				
53										
54	**TOTAL GAS PLANT**				**$ 573,375,484**	**$ 202,004,035**				

COMPARISON OF THEORETICAL RESERVE AND BOOK RESERVE FOR GAS PLANT AS OF DECEMBER 31, 2022
BASED ON RSAM PARAMETERS

		DEPRECIABLE GROUP (1)	ORIGINAL COST AS OF DECEMBER 31, 2022 (2)	BOOK DEPRECIATION RESERVE (3)	THEORETICAL RESERVE (4)	THEORETICAL RESERVE IMBALANCE (5)=(3)-(4)
		GAS PLANT				
		DISTRIBUTION PLANT				
1	375.00	STRUCTURES AND IMPROVEMENTS	$ 209,627	$ (34,417)	$ 12,713	$ (47,130)
2	376.10	MAINS - STEEL	149,385,025	76,811,351	50,425,111	26,386,240
3	376.20	MAINS - PLASTIC	192,615,831	54,566,030	31,706,539	22,859,491
4	378.00	MEASURING AND REGULATING STATION EQUIPMENT - GENERAL	2,715,950	370,403	232,924	137,479
5	379.00	MEASURING AND REGULATING STATION EQUIPMENT - CITY GATE	19,606,557	5,622,429	4,037,941	1,584,488
6	380.10	SERVICES - STEEL	15,577,540	22,548,532	13,411,613	9,136,919
7	380.20	SERVICES - PLASTIC	103,791,092	26,655,757	26,618,071	37,686
8	381.00	METERS	21,907,441	2,351,641	7,361,826	(5,010,185)
9	381.10	METERS - ERT	1,791,693	(767,208)	420,064	(1,187,272)
10	382.00	METER INSTALLATIONS	5,818,611	(49,346)	1,502,827	(1,552,173)
11	382.10	METER INSTALLATIONS - ERT	533,909	(1,328,400)	118,556	(1,446,956)
12	383.00	HOUSE REGULATORS	7,565,636	1,885,273	1,609,884	275,389
13	384.00	HOUSE REGULATOR INSTALLATIONS	2,122,289	109,448	679,299	(569,851)
14	385.00	INDUSTRIAL MEASURING AND REGULATING STATION EQUIPMENT	3,725,563	2,269,526	1,974,385	295,141
15	387.00	OTHER EQUIPMENT	1,961,519	398,885	484,939	(86,054)
16						
17		**TOTAL DISTRIBUTION PLANT**	**$ 529,328,283**	**$ 191,409,904**	**$ 140,596,692**	**$ 50,813,212**
18						
19						
20						
21	390.00	STRUCTURES AND IMPROVEMENTS	$ 9,127,408	$ 1,667,746	$ 1,739,872	$ (72,126)
22	392.00	TRANSPORTATION EQUIPMENT	303,332	102,172	178,104	(75,932)
23	392.10	TRANSPORTATION EQUIPMENT - AUTOS AND LIGHT TRUCKS	1,723,037	1,098,401	819,042	279,359
24	392.20	TRANSPORTATION EQUIPMENT - SERVICE TRUCKS	5,236,069	2,572,619	1,838,974	733,645
25	392.30	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	776,644	355,716	340,294	15,422
26	394.10	NATURAL GAS VEHICLE EQUIPMENT	1,564,203	941,298	508,366	432,932
27						
28		**TOTAL GENERAL PLANT**	**$ 18,730,694**	**$ 6,737,950**	**$ 5,424,652**	**$ 1,313,298**
29						
30		**TOTAL DEPRECIABLE PLANT**	**$ 548,058,977**	**$ 198,147,854**	**$ 146,021,344**	**$ 52,126,510**
31						
32						
33						
34	302.00	FRANCHISE AND CONSENTS	$ 241,490	$ 97,976		
35	303.00	MISCELLANEOUS INTANGIBLE PLANT		(116)		
36	303.02	COMPUTER SOFTWARE	11,395,602	1,730,483		
37	303.20	SOFTWARE AS A SERVICE - 20 YEARS	5,969,168	728,746		
38	374.00	LAND AND LAND RIGHTS	1,277,708	13,416		
39	374.10	LAND	72,441			
40	374.30	RIGHT-OF-WAY	11,132			
41	387.98	UNREGULATED MISC ASSETS	4,694	(3,139)		
42	389.00	LAND	2,225,561			
43	389.20	LAND RIGHTS	96,508			
44	391.00	OFFICE FURNITURE	761,398	295,150		
45	391.12	COMPUTER HARDWARE	258,582	140,799		
46	391.50	INDIVIDUAL EQUIPMENT	813,348	447,431		
47	394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	992,183	210,024		
48	396.00	POWER OPERATED EQUIPMENT	269,770	93,191		
49	397.00	COMMUNICATION EQUIPMENT	702,382	272,389		
50	398.00	MISCELLANEOUS EQUIPMENT	224,542	(170,170)		
51						
52		**TOTAL NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED**	**$ 25,316,508**	**$ 3,856,181**		
53						
54		**TOTAL GAS PLANT**	**$ 573,375,484**	**$ 202,004,035**		

FLORIDA CITY GAS
ADIT PRORATION ADJUSTMENT TO CAPITAL STRUCTURE
2023 TEST YEAR

Line No.	Month	(1) Per Book ADIT Activity Associated with Depreciation	(2) Accumulated Activity	(3) Days to Prorate	(4) Future Days in Test Period	(5) Prorated Monthly Activity (1)*(4)/Total (3)	(6) Prorated Accumulated Activity
1	Beg Balance - Dec 31, 2022						$ -
2							
3	Jan-23	$ 150,769	$ 150,769	31	335	$ 138,377	$ 138,377
4	Feb-23	147,535	298,304	28	307	124,091	262,468
5	Mar-23	131,722	430,026	31	276	99,603	362,072
6	Apr-23	116,494	546,520	30	246	78,514	440,586
7	May-23	113,763	660,283	31	215	67,011	507,597
8	Jun-23	111,190	771,473	30	185	56,357	563,953
9	Jul-23	108,634	880,107	31	154	45,835	609,788
10	Aug-23	106,082	986,190	31	123	35,748	645,536
11	Sep-23	103,511	1,089,700	30	93	26,374	671,910
12	Oct-23	100,879	1,190,579	31	62	17,136	689,046
13	Nov-23	98,198	1,288,778	30	32	8,609	697,655
14	Dec-23	95,524	1,384,302	31	1	262	697,917
15	Total	$ 1,384,302		365		$ 697,917	
16							
17							
18	13-Month Average		$ 744,387				
19							
20	**Adjustment to Decrease Per Book 13-Month Average ADIT to Prorated Balance**						$ (46,471)