

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

FILED: August 10, 2023

FLORIDA INDUSTRIAL POWER USERS GROUP'S PRE-HEARING STATEMENT

The Florida Industrial Power Users Group (FIPUG), by and through undersigned counsel, pursuant to Florida Public Service Commission (Commission) Order Establishing Procedure PSC-2023-0128-PCO-GU issued April 12, 2023, provide this Prehearing Statement.

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1. WITNESSES:

FIPUG does not intend, at this time, to call witnesses, but reserves the right to call and question witnesses identified by other parties as permitted.

2. EXHIBITS:

FIPUG does not intend to introduce exhibits at this time, but reserves the right to use and introduce exhibits at hearing as permitted.

3. STATEMENT OF BASIC POSITION

The Petitioner, Peoples Gas System, Inc. (PGS), must provide sufficient competent, substantial evidence and legally carry its burden of proof for its request to increase customers' rates by nearly 40%. Specifically, PGS's must provide the Commission with sound reasoning and purpose for expenditures for which the company asks the Commission to increase customers' base rates by approximately \$125 million dollars. The Commission must approve as fair, just, and reasonable every dollar PGS seeks for its new, higher rates. The Commission, after consideration of the evidence, should make adjustments or disallow numerous proposed expenditures to significantly reduce the PGS rate request for all customer groups, including large commercial and industrial customers, many of whom are FIPUG members. Among other items, changes to the PGS proposed requested return on equity, capital structure, and rate design are in order and should be adopted by the Commission.

4. **STATEMENT OF FACTUAL ISSUES AND POSITIONS**

TEST PERIOD AND FORECASTING

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

FIPUG: Adopt position of OPC.

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?

FIPUG: No.

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?

FIPUG: No.

QUALITY OF SERVICE

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

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

ISSUE 8: 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?

FIPUG: Adopt position of OPC.

ISSUE 9: 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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

RATE BASE

ISSUE 12: 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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

ISSUE 17: 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?

FIPUG: Adopt position of OPC.

ISSUE 18: 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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

COST OF CAPITAL

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 33: 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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Less than 10%.

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

FIPUG: Adopt position of OPC.

NET OPERATING INCOME

ISSUE 37: 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?

FIPUG: Adopt position of OPC.

ISSUE 38: 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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 42: What number of projected test year employees should be approved?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

REVENUE REQUIREMENTS

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

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

COST OF SERVICE AND RATE DESIGN

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

FIPUG: Yes, after appropriate adjustments are made to the cost of service study.

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

FIPUG: Any revenue increase should be allocated in a manner fair and equitable to all customer classes, including large commercial and industrial customers of PGS.

ISSUE 60: What customer charges should be approved?

FIPUG: Customer charges of PGS should be reduced.

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

FIPUG: Adopt position of OPC.

- ISSUE 62:** What miscellaneous service charges should be approved?
- FIPUG:** Miscellaneous service charges should be reduced.
- ISSUE 63:** Should the Commission approve PGS's revised annual residential rate reclassification review?
- FIPUG:** Adopt position of OPC.
- ISSUE 64:** Should the Commission approve PGS's revision to the Residential and Commercial Generator rate design?
- FIPUG:** No.
- ISSUE 65:** Should the Commission approve PGS's revised termination fee for the Natural Choice Transportation Program (Tariff Sheet No. 7.803-3)?
- FIPUG:** Adopt position of OPC.
- ISSUE 66:** Should the Commission approve PGS's revised Individual Transportation Administration Fee (Tariff Sheet No. 7.805)?
- FIPUG:** Adopt position of OPC.
- 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)?
- FIPUG:** Adopt position of OPC.
- ISSUE 68:** Should the Commission approve PGS's non-rate related tariff modifications?
- FIPUG:** No position at this time.
- ISSUE 69:** Should the Commission approve PGS's proposed tariffs reflecting the Commission-approved target revenues?
- FIPUG:** Adopt position of OPC.
- ISSUE 70:** What is the effective date for PGS's revised rates and charges?
- FIPUG:** Adopt position of OPC.
- OTHER ISSUES**
- ISSUE 71:** Should the Commission approve PGS's proposed long-term debt cost rate true- up mechanism?

FIPUG: Adopt position of OPC.

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

FIPUG: Adopt position of OPC.

ISSUE 73: Should the Commission approve PGS's proposal for addressing a change in tax law?

FIPUG: Adopt position of OPC.

ISSUE 74: 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?

FIPUG: Adopt position of OPC.

ISSUE 75: Should this docket be closed?

FIPUG: Yes.

5. **STIPULATED ISSUES**

None at this time.

6. **PENDING MOTIONS**

FIPUG has no pending motions at this time.

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

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

8. **OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT**

FIPUG does not object 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**

FIPUG does not intend to seek 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 FIPUG cannot comply.

Respectfully submitted,

/s/ Jon C. Moyle

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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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