

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas
System, Inc.

DOCKET NO.: 20250035-GU

FILED: November 25, 2025

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel (“OPC”), pursuant to Florida Public Service Commission (“Commission”) Order Establishing Procedure (“OEP”), Order No. PSC-2025-0366-PCO-GU, issued October 2, 2025, and Order No. PSC-2025-0428-PCO-GU, issued November 20, 2025, hereby submit this prehearing statement.

APPEARANCES:

Walt Trierweiler
Public Counsel

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Attorneys for the Citizens of the State of Florida

1. WITNESSES:

The OPC will offer the expert testimony of William Dunkel.

2. EXHIBITS

Witness	Proffered By:	Exhibit No.	Description	Issue Numbers
William Dunkel	Dunkel	WWD-1	Qualifications	All

William Dunkel	Staff	WWD-2	Staff ROG 24 – New Depr. Outside Rate Case Effects Earnings	All
William Dunkel	FCG	WWD-3	ROR & Tax Effect – Prior Case Order	All
William Dunkel	FCG	WWD-4	2021 Annual Report	All
William Dunkel	FCG	WWD-5	OPC ROG 17,18, & 19 Variances	All
William Dunkel	FCG	WWD-6	OPC No. 16 – NARUC not say 1%	All
William Dunkel	FCG/PSC	WWD-7	Net Salvage Analysis & Customer No.	All
William Dunkel	PSC	WWD-8	From FPUC Order	All
William Dunkel	FCG	WWD-9	OPC ROG 23 Plastic Accessible	All
William Dunkel	PSC	WWD-10	Peoples Net Salvage	All
William Dunkel	FCG	WWD-11	Reserve Surplus – as filed by FCG	All
William Dunkel	FCG	WWD-12	Surplus – Adjust Service Plastic & Mains Steel	All
William Dunkel	FCG	WWD-13	New Depr. Effective When Prices Changed	All

3. **STATEMENT OF BASIC POSITION:**

This is the incredible expanding and shrinking depreciation reserve case that never should have been filed. It only exists to facilitate the attempted creation of surplus theoretical depreciation reserve balance for improper purposes – to enhance shareholder profits at the expense of customers. This attempt should be rejected.

The Commission is faced with a request for a determination on depreciation parameters, rates and costs that is unnecessary, unfair, and at best premature by two years. Even though a new depreciation study does not have to be filed until May 31, 2027, FCG has made a hurried filing that it dubbed a “depreciation study” in an effort to capitalize on the \$27 million theoretical depreciation surplus that it originally (and ultimately unsuccessfully) conjured up. After scrutiny by Commission Staff, this theoretical depreciation reserve shriveled up to \$3.6 million in the initial Staff report filed on August 12, 2025. FCG then conceded its claimed reserve surplus should have been no more than

\$22 million after more scrutiny. The company then filed a correction on the day before the OPC testimony was due, further shrinking the claimed surplus to \$19.2 million. The Staff calculated a surplus of no more than \$6.9 million in testimony filed on October 12, 2025.

With regard to FCG's revised request, and as an analogy, assume a bank owner took \$10,000 out of a customer's retirement account and put that money in his or her pocket. Of course that is improper, but it is a good analogy to what FCG is proposing in this case. In this case, FCG is proposing to take \$19.2 million out of the depreciation reserve and credit that amount to the income statement to bolster shareholder earnings. FCG admits that any reserve surplus is the result of "over payment of depreciation expense" by the "ratepayers." FCG's proposal would gift that ratepayers' overpayment to the shareholders instead of returning it to ratepayers.

Removing \$19.2 million from the depreciation reserve in this case would create a \$19.2 million lower depreciation reserve and increase the Net Rate Base by \$19.2 million in the coming rate case. FCG says it expects "to file its next base rate case within the next year." The increase in Net Rate Base means that, if allowed and after the upcoming rate case, the ratepayers will pay a rate of return approximately \$1.2 million per year higher than they would if the \$19.2 million is not taken out of the depreciation reserve in this case. This additional \$1.2 million annual earnings benefit would be in addition to the windfall shareholders would receive from taking \$19.2 million out of the ratepayer-provided depreciation surplus. Such an outcome would be unjust and unreasonable.

In support of its request, FCG claims that the earnings levels presented in FCG's "most recent twelve months ended June 2025 earnings surveillance report and its pro-forma 2024 year-end report" should be considered as supporting the FCG proposal. At the same time they deny that "that a consideration of its earnings should be part of the Commission's standard review and processing of depreciation studies or that it is part of their request in this case. In any event the earnings numbers which have been claimed by FCG including and the assumptions and allocations which underly them, have not been thoroughly reviewed by Staff or OPC because this is a depreciation case. Any required detailed review can only be done in the time and number of discovery requests in a rate case. In fact FCG's level of earnings is not a subject matter of this case. The issues in the OEP do not contemplate such an inquiry.

It is obvious that the original target of the filing is the seizure of putative depreciation reserve surplus for the earnings-enhancement benefit of the shareholders. FCG desires to create or sustain a surplus through changing, without justification, logic, or evidence, certain parameters that have the effect of boosting the coveted surplus balance. While unjustified and illogical, the proposed

adjustments to the parameters have the heavy odor of, as OPC expert William Dunkel notes, an appearance of a “conflict of interest.” Such an appearance exists because the company has an obvious, undisguisable goal of creating a surplus through the massaging of the parameters – especially the negative net salvage values – to generate shareholder earnings enhancement. Put another way, the filing has all the hallmarks of providing an opportunity for FCG to first create, and then skim, customer-provided funds to the benefit of shareholders. If FCG is allowed to siphon away the surplus funds, the result would be that FCG customers’ costs and bills will increase. The evidence in this case is overwhelming that there is no basis, accounting standard, or public policy weighing in favor of changing depreciation parameters, rates or costs at this time. FCG has failed to meet its burden to support its requested increase in customer costs. The OPC urges that any changes to these elements of revenue requirements coincide with the next rate case so that customers are treated fairly.

The OPC recommends this case be closed and the current depreciation rates remain in effect. Under the five-year filing requirement, a new depreciation study does not have to be filed until May 31, 2027. The OPC recommends that a new, correct, depreciation study be filed as part of the rate case which is coming within a year. The OPC recommends that the new depreciation study include the statistical analysis of the life data. Any reserve surplus identified in the new depreciation study should be used to benefit the ratepayers, since any depreciation reserve surplus is the result of over payment of depreciation expense by the ratepayers.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS:

ISSUE 1: Should currently prescribed depreciation rates for Florida City Gas be revised?

OPC Position: No. The information provided by FCG is inadequate to support a change in depreciation parameters, rates, or costs at this time. Furthermore, the company’s petition supporting the creation of a surplus for the purpose of amortizing credits to income to boost earnings is inconsistent with the principles underlying the establishment of depreciation rates; is premature; lacks a valid justification to change depreciation parameters, rates, and costs; and would improperly transfer overcollections from customers of revenues associated with depreciation expense to the benefit of shareholders. Additionally, Rule 25-7.045, Florida

Administrative Code, does not allow the Commission to take action to create a reserve imbalance for the purpose of adjusting achieved earnings. (Dunkel)

ISSUE 2: Based on FCG's 2025 Depreciation Study, what are the appropriate depreciation parameters (e.g., service lives, remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each depreciable plant account?

OPC Position: The record is inadequate to determine the correct depreciation parameters for FCG. FCG did not file a complete study as required by Rule 25-7.045, F.A.C. This deficiency deprives the commission and customers of the ability to perform statistical analyses of the life and net salvage data, including any new data generated since 2020. Additionally, FCG utilized biased selection of parameters, primarily associated with negative net salvage values, that had the effect of creating a surplus which the company seeks to use to boost shareholder earnings. Additionally, Rule 25-7.045, F.A.C., does not allow the Commission to take action to create a reserve imbalance for the purpose of adjusting achieved earnings. The Commission should reject the filing and the Commission order that in the upcoming rate case, FCG should file a new depreciation study which includes the statistical analyses for life and salvage factors which include the actual data after the year 2020. (Dunkel)

ISSUE 3: Based on the application of the depreciation parameters that the Commission has deemed appropriate to FCG's data, and the comparison of the theoretical reserves to the book reserves, what, if any, are the resulting imbalances?

OPC Position: Since FCG did not produce a complete study as required by Rule 25-7.045, F.A.C., there is insufficient information to determine the correct parameters and thus no basis to determine any imbalance that may result. Additionally, Rule 25-7.045, F.A.C., does not allow the Commission to take action to create a reserve

imbalance for the purpose of adjusting achieved earnings. The Commission should direct that a new, correct, depreciation study be filed as part of the coming rate case. By then FCG will have had more time to assemble more accurate data and perform the statistical analyses. A new depreciation study does not have to be filed until May 31, 2027. (Dunkel)

ISSUE 4: What, if any, corrective depreciation reserve measures should be taken with respect to any imbalances identified in Issue 3?

OPC Position: Since FCG did not produce a complete study as required by Rule 25-7.045, F.A.C., there is not enough information to determine the correct parameters and thus not enough information to determine a resulting imbalance. The data that was provided by FCG is incomplete and contains unexplained and material variances between the FCG “study” data and there booked and audited data. Additionally, Rule 25-7.045, F.A.C., does not allow the Commission to take action to create a reserve imbalance for the purpose of adjusting achieved earnings. The Commission should direct that a new correct and complete depreciation study be filed as part of the upcoming rate case. By then FCG will have had more time to assemble more accurate data and perform the necessary statistical analyses. A new depreciation study does not have to be filed until May 31, 2027. To the extent that the Commission nevertheless orders adjustments to depreciation parameters and rates, any imbalance identified in this case should be addressed in the remaining life calculations using remaining life technique. Likewise, if the Commission adjusts depreciation parameters and rates over the objection of the OPC, any reserve transfers (which are not justified as FCG has proposed them) should not be undertaken in a manner that would artificially increase depreciation costs. (Dunkel)

ISSUE 5: What should be the implementation date for revised depreciation rates and amortization schedules?

OPC Position: There should be no new implementation of revised depreciation rates and amortization schedules. Instead of attempting to implement FCG’s attempted “study,” the Commission should direct that a new, correct, depreciation study be filed as part of the coming rate case. By then FCG will have had more time to assemble more accurate data and perform the statistical analyses. A new depreciation study does not have to be filed until May 31, 2027. (Dunkel)

ISSUE 6: Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITS) be revised to reflect the approved depreciation rates and amortization schedules?

OPC Position: Since FCG did not file a complete depreciation study as required by Rule 25-7.045, F.A.C., there is no lawful basis to change depreciation rates and amortization schedules and thus this issue is moot.

ISSUE 7: Should this docket be closed?

OPC Position: Yes.

5. STIPULATED ISSUES

The OPC is not aware of any issues that can be stipulated at this time.

6. PENDING MOTIONS

The OPC is not aware of any formal motions to be disposed of at this time.

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

There are no pending requests or claims for confidentiality filed by OPC.

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

OPC has no objections to the qualification of any witnesses as an expert in the field in which they pre-filed testimony as of the present date.

9. **SEQUESTRATION OF WITNESSES**

OPC does not request the sequestration of any witnesses at this time.

10. **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE**

OPC is unaware of any aspect of the Order Establishing Procedure in this docket with which it cannot comply.

Respectfully submitted,

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CERTIFICATE OF SERVICE
DOCKET NO. 20250035

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 25th day of November, 2025, to the following:

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