

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for rate increase by Peoples Gas System	DOCKET NO.: 20200051-GU
In re: Petition for approval 2020 depreciation study by Peoples Gas System	DOCKET NO.: 20200166-GU
	FILED: September 28, 2020

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S  
PREHEARING STATEMENT**

The Florida Industrial Power Users Group (“FIPUG”), pursuant to the Order Establishing Procedure in this docket, No. PSC-2020-0198-PCO-GU, issued July 2, 2020, and the Revised Order Establishing Procedure, No. PSC-2020-0272-PCO-GU, issued July 30, 2020, hereby submits its Prehearing Statement.

**APPEARANCES:**

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1. **WITNESSES:** All witnesses listed by other parties.
2. **EXHIBITS:** All exhibits listed by other parties or produced in discovery.
3. **STATEMENT OF BASIC POSITION**

Peoples Gas System (“PGS”) seeks to increase its customers’ base rates by approximately 35% during an economic recession and declared national and state emergencies resulted from the COVID-19 pandemic. Simply put, now is not the time to

allow PGS to recover more than \$85 million dollars in base rates, to allow PGS to earn a return on equity (“ROE”) of 10.75%, particularly when the Federal Reserve Board has announced a targeted federal funds rate of 0% to .25%, to allow PGS to reduce the service lives of physical assets so that depreciation expense is unjustifiably accelerated, and to otherwise make it more expensive for PGS’ residential, commercial and industrial customers to use natural gas. Further, the Commission should take no action which promotes, encourages, or otherwise facilitates PGS’s entry into the Florida liquified natural gas market, a market in which robust competition already exists, and market that is not characterized by a natural monopoly, and a PGS venture that unnecessarily subjects PGS ratepayers to unwarranted and unnecessary risk.

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, 2021, appropriate?

FIPUG: The decision of PGS to use a fully-forecast future test year injects increased uncertainty into the case as compared the use of a historical test year. As will be acknowledged, projections are usually wrong.

**ISSUE 2:** Are PGS’s forecasts of customer and therms by rate class for the projected test year ending December 31, 2021 appropriate? If not, what adjustments should be made?

FIPUG: Adopt position of OPC.

**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: Adopt position of OPC.

**QUALITY OF SERVICE**

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

FIPUG: FIPUG plans to monitor or review the transcripts of the customer hearings and reserves the right to set forth its position after these service hearings.

### **DEPRECIATION STUDY**

**ISSUE 5:** Should the Commission establish an annual depreciation rate applicable to PGS's liquefied natural gas storage, renewable natural gas and compressor equipment assets?

FIPUG: No.

**ISSUE 6:** What are the appropriate depreciation parameters, resulting rates, reserve allocation, and amortization schedules?

FIPUG: FIPUG adopts the recommended adjustments as put forward by OPC.

**ISSUE 7:** What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

FIPUG: Adopt position of OPC.

### **RATE BASE**

**ISSUE 8:** Has PGS made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital?

FIPUG: No.

**ISSUE 9:** 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 10:** What is the appropriate level of CWIP to include in the projected test year?

FIPUG: Adopt position of OPC.

**ISSUE 11:** What is the appropriate level of Gas Plant Accumulated Depreciation and Amortization for the projected test year?

FIPUG: Adopt position of OPC.

**ISSUE 12:** What are the appropriate amounts of plant in service and accumulated depreciation to be included in the projected test year for PGS's Cast Iron/Bare Steel program?

FIPUG: Adopt position of OPC.

**ISSUE 13:** Is PGS's proposed LNG facility reasonable? If so, what is the appropriate amount for plant in service for PGS's proposed LNG facility?

FIPUG: Because the facility will not be completed in the test year, this question is not ripe for consideration in this rate case.

**ISSUE 14:** Is PGS's proposed Jacksonville expansion project reasonable? If so, what is the appropriate amount for plant in service for PGS's proposed Jacksonville expansion project?

FIPUG: Adopt position of OPC.

**ISSUE 15:** Is PGS's proposed Panama City expansion project reasonable? If so, what is the appropriate amount for plant in service for PGS's proposed Panama City expansion project?

FIPUG: Adopt position of OPC.

**ISSUE 16:** Is PGS's proposed Southwest Florida Expansion project reasonable? If so, what is the appropriate amount for plant in service for PGS's proposed Southwest Florida Expansion project?

FIPUG: Adopt position of OPC.

**ISSUE 17:** What is the appropriate level of plant in service for the projected test year?

FIPUG: Adopt position of OPC.

**ISSUE 18:** Have under recoveries and over recoveries related to the Purchased Gas Adjustment, Energy Conservation Cost Recovery, and Cast Iron/Bare Steel Rider been appropriately reflected in the Working Capital Allowance?

FIPUG: Adopt position of OPC.

**ISSUE 19:** What is the appropriate level of working capital for the projected test year?

FIPUG: No more than \$12,053,001.

**ISSUE 20:** What is the appropriate level of rate base for the projected test year?

FIPUG: No more than \$1,494,906,141.

### **COST OF CAPITAL**

**ISSUE 21:** What is the appropriate amount of accumulated deferred taxes to include in the projected test year capital structure?

FIPUG: Adopt position of OPC.

**ISSUE 22:** What is the appropriate amount and cost rate for short-term debt to include in the projected test year capital structure?

FIPUG: Adopt position of OPC.

**ISSUE 23:** What is the appropriate amount and cost rate for long-term debt to include in the projected test year capital structure?

FIPUG: Adopt position of OPC.

**ISSUE 24:** What is the appropriate authorized return on equity (ROE) to use in establishing PGS's projected test year revenue requirement?

FIPUG: 7.0%

**ISSUE 25:** Has PGS made the appropriate adjustments to remove all non-utility investments from the common equity balance?

FIPUG: Adopt position of OPC.

**ISSUE 26:** What is the appropriate weighted average cost of capital to use in establishing PGS's projected test year revenue requirement?

FIPUG: Adopt position of OPC.

**ISSUE 27:** Should a parent company debt adjustment be made per Rule 25-14.004, Florida Administrative Code, and if so, what is the amount of the adjustment?

FIPUG: Yes.

### **NET OPERATING INCOME**

**ISSUE 28:** Has PGS properly removed Purchased Gas Adjustment, Cast Iron/Bare Steel Rider and Energy Conservation Cost Recovery Revenues, Expenses, and Taxes-Other from the projected test year?

FIPUG: Adopt position of OPC.

**ISSUE 29:** What is the appropriate amount of miscellaneous revenues?

FIPUG: No position at this time.

**ISSUE 30:** Is PGS's projected Total Operating Revenues for the projected test year appropriate (fallout issue)?

FIPUG: No.

**ISSUE 31:** Has PGS made the appropriate adjustments to remove all non-utility activities from operation expenses, including depreciation and amortization expense?

FIPUG: No.

**ISSUE 32:** Should an adjustment be made to Bad Debt Expense and for Bad Debt in the Revenue Expansion Factor?

FIPUG: Adopt position of OPC.

**ISSUE 33:** Should the projected test year O&M expenses be adjusted to reflect changes to the non-labor trend factors for inflation and customer growth?

FIPUG: Adopt position of OPC.

**ISSUE 34:** Should an adjustment be made to the number of added positions in the projected test year?

FIPUG: Adopt position of OPC.

**ISSUE 35:** What is the appropriate amount of salaries and benefits to include in the projected test year?

FIPUG: The PGS claim for salaries and benefits is overstated given the current recessionary economic conditions and projected dire economic conditions.

**ISSUE 36:** Are there membership dues expense that should be adjusted in the projected test year?

FIPUG: Yes.

**ISSUE 37:** What is the appropriate amount for Miami LNG O&M storage expense in the projected test year?

OPC: No amount should be recognized in the projected test year for a number of reasons..

**ISSUE 38:** Are all costs related to PGS's provision of LNG services to end users properly allocated?

FIPUG: No.

**ISSUE 39:** What is the appropriate amount for LNG/RNG consulting expense in the projected test year?

FIPUG: No such expense should be recovered.

**ISSUE 40:** What is the appropriate amount of expense in the projected test year for additional economic development initiatives?

FIPUG: Adopt position of OPC.

**ISSUE 41:** What is the appropriate amount of expenses in the projected test year for additional advertising and marketing expense?

FIPUG: Adopt position of OPC.

**ISSUE 42:** What is the appropriate amount of projected test year TIMP Pipeline Reassessment and Risk Analysis expense and is reserve accounting treatment appropriate?

FIPUG: Adopt position of OPC.

**ISSUE 43:** Are there other projected test year operating expenses that should be adjusted, such as engineering services, engineering training, or others?

FIPUG: Adopt position of OPC.

**ISSUE 44:** Over what time period should operating costs associated with the implementation of a new Work Asset Management system be amortized and recovered?

FIPUG: Adopt position of OPC.

**ISSUE 45:** What is the appropriate amount of added expenses in the projected test year for other employee-related expense, such as operation employees' expenses and materials costs, additional A&G employee expenses, and increased allocations from Shared Services due to additional employees?

FIPUG: Adopt position of OPC.

**ISSUE 46:** What is the appropriate annual storm damage accrual and cap?

FIPUG: Adopt position of OPC.

**ISSUE 47:** What is the appropriate annual Manufactured Gas Plant environmental remediation amortization expense?

FIPUG: Adopt position of OPC.

**ISSUE 48:** Should an adjustment be made to Rate Case Expense for the projected test year and what is the appropriate amortization period?

FIPUG: Adopt position of OPC.

**ISSUE 49:** What is the appropriate amount of projected test year O&M expenses (fall-out issue)?

FIPUG: Adopt position of OPC.

**ISSUE 50:** What is the appropriate amount of depreciation expense to be removed in the projected test year for PGS's Cast Iron/Bare Steel program?

FIPUG: Adopt position of OPC.

**ISSUE 51:** What is the appropriate amount of Depreciation and Amortization Expense for the projected test year?

FIPUG: Adopt position of OPC.

**ISSUE 52:** What is the appropriate amount of projected test year Taxes Other than Income (fall-out issue)?

FIPUG: Adopt position of OPC.

**ISSUE 53:** What is the appropriate amount of projected test year Income Tax Expense (fall-out issue)?

FIPUG: Adopt position of OPC.

**ISSUE 54:** What is the appropriate amount of Total Operation Expenses for the projected test year (fall-out issue)?

FIPUG: Adopt position of OPC.

**ISSUE 55:** What is the appropriate amount of Net Operating Income for the projected test year (fall-out issue)?

FIPUG: Adopt position of OPC.



## REVENUE REQUIREMENTS

**ISSUE 56:** What is the appropriate revenue expansion factor and the appropriate net operating income multiplier (fall-out issue)?

FIPUG: Adopt position of OPC.

**ISSUE 57:** What is the appropriate annual operating revenue increase for the projected test year (fall-out issue)?

FIPUG: Adopt position at this time.

## COST OF SERVICE AND RATE DESIGN

**ISSUE 58:** Is PGS's proposed cost of service study appropriate?

FIPUG: No position at this time.

**ISSUE 59:** What are the appropriate customer charges?

FIPUG: No position at this time.

**ISSUE 60:** What is the appropriate class revenue allocation?

FIPUG: No position at this time.

**ISSUE 61:** What are the appropriate per therm distribution charges?

FIPUG: No position at this time.

**ISSUE 62:** What are the appropriate miscellaneous service charges (account opening charge, meter turn on charges, meter reconnection charges, trip charge/collection at customer premises, temporary meter turn off charge)?

FIPUG: No position at this time.

**ISSUE 63:** Is PGS's proposed revision to its Maximum Allowable Construction Cost from four to 10 times the estimated annual revenue reasonable?

FIPUG: No position at this time.

**ISSUE 64:** Are PGS's proposed revisions to its counties and communities tariff maps representative of the company's service territory?

FIPUG: No position at this time.

**ISSUE 65:** Is PGS's proposed new Virtual Pipeline Natural Gas Service (VPNGS) rate schedule appropriate?

FIPUG: No position at this time.

**ISSUE 66:** Are PGS's proposed revisions to its Renewable Natural Gas (RNG) rate schedule appropriate?

FIPUG: No position at this time.

**ISSUE 67:** Is PGS's proposal to remove its Natural Gas Vehicle Service-1 (NGVS-1) rate schedule appropriate?

FIPUG: No position at this time.

**ISSUE 68:** Are PGS's proposed revision to its Natural Gas Vehicle Service-2 (NGVS-2) rate schedule appropriate?

FIPUG: No position at this time.

**ISSUE 69:** Are PGS's proposed revisions to its Individual Transportation Service Rider (Rider ITS) appropriate?

FIPUG: No position at this time.

**ISSUE 70:** What is the appropriate effective date of PGS's revised rates and charges?

FIPUG: No position at this time.

#### **OTHER ISSUES**

**ISSUE 71:** Should PGS be required to notify the Commission within 90 days after the date of the final order in this docket, that it has adjusted its books and records for all applicable accounts as a result of the Commission's findings in this rate case?

FIPUG: Adopt position of OPC

**ISSUE 72:** Should this docket be closed?

FIPUG: Adopt position of OPC.

#### **PROPOSED ISSUES**

**ISSUE:** Should the Commission consider, and if so, should it approve, the capital additions proposed by the Company in rebuttal testimony and/or simultaneously filed discovery responses?

FIPUG: Adopt position of OPC.

Contested Issues:

OPC Proposed ISSUE: Are all costs related to PGS's provision of LNG services to end users properly allocated?

Reserve right to set forth position.

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None.

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

None.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which FIPUG cannot comply.

Dated this 28<sup>th</sup> day of September, 2020

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing Citizens' Prehearing Statement has been furnished by electronic mail on this 28<sup>th</sup> day of September, 2020, to the following:

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