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December 8, 2022

VIA ELECTRONIC FILING

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

RE: Undocketed; Peoples Gas System

Dear Mr. Teitzman:

The purpose of this letter is to notify the Commission about the implications of the Inflation Reduction Act of 2022 (“IRA”) to Peoples Gas System (“PGS” or the “company”) under its 2020 Settlement Agreement. As explained below, PGS does not believe that it is required to take any action to address the federal tax aspects of the IRA.

The IRA was signed into law on August 16, 2022. Among other things, the IRA increased the investment tax credit (“ITC”) applicable to certain renewable energy projects from 26 percent to 30 percent of the cost of the asset and extended the production tax credit (“PTC”) in section 45 of the Internal Revenue Code to electricity generated by solar energy facilities and other renewable energy facilities. The PTC is a tax credit that reduces income tax expense, the amount of which is based on the amount of energy produced by qualifying assets and is available for facilities placed into service on or after January 1, 2022. The higher ITC percentage (30%) and PTC in the IRA applies to qualified facilities for which construction began before January 1, 2025.

The IRA did not change the statutory federal corporate income tax rate but did create a 15 percent alternative minimum tax effective in 2023 that is not applicable to PGS because the worldwide adjusted financial statement income of Emera, Inc. is not expected to average over \$1 billion USD for 2021, 2022, and 2023.

PGS is currently operating under the Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-2020-0485-FOF-GU, issued December 10, 2020, in Docket Nos. 20200051, 20200166, and 20200178 (“2020 Agreement”). Paragraph 8 of the 2020

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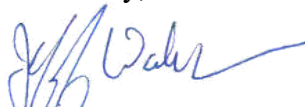
Agreement specifies the actions to be taken if Tax Reform¹ becomes effective during the term of the agreement. Subparagraphs 8(b) and (c) state:

(b) If Tax Reform is enacted before the Company's next general base rate proceeding, the Company will quantify the impact of Tax Reform on its Florida retail jurisdictional net operating income thereby neutralizing the FPSC adjusted net operating income of the Tax Reform to a net zero. The Company's forecasted earnings surveillance report for the calendar year that includes the period in which Tax Reform is effective will be the basis for determination of the impact of Tax Reform.

(c) If Tax Reform involves a tax rate decrease, the impacts of Tax Reform on base revenue requirements will be flowed back to retail customers within 120 days of when the Tax Reform becomes law, through a one-time adjustment to base rates upon a thorough review of the effects of the Tax Reform on base revenue requirements consistent with subparagraph 9(a). This adjustment shall be accomplished through a uniform percentage decrease to all base rates and charges for all customer classes. Any effects of Tax Reform involving a tax rate decrease on retail revenue requirements from the Effective Date through the date of the one-time base rate adjustment shall be flowed back to customers through the CI/BSR on the same basis as used in any base rate adjustment.

The IRA did not include a statutory federal income tax rate change applicable to PGS. The company's 2022 forecasted earnings surveillance report as filed on April 1, 2022, did not include renewable energy facilities going into service in 2022 that would be eligible for the higher ITC or PTC. Accordingly, the company is not required under the 2020 Agreement to adjust base rates prospectively to reflect Tax Reform or to flow back the benefit of Tax Reform to customers through the CI/BSR.

Sincerely,



J. Jeffrey Wahlen

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¹ The 2020 Agreement defines "Tax Reform" as "changes in the rate of taxation of corporate income- increases or decreases – by federal or state taxing authorities."

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cc: Mark Futrell (Deputy Executive Director/Technical)
Andrew Maurey (Director, Division of Accounting & Finance)
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Jon Moyle (FIPUG)