BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas System, Inc.	DOCKET NO. 20230023-GU
In re: Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.	DOCKET NO. 20220219-GU
In re: Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.	DOCKET NO. 20220212-GU ORDER NO. PSC-2023-0273-PHO-GU ISSUED: August 28, 2023

PREHEARING ORDER

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on August 21, 2023, in Tallahassee, Florida, before Commissioner Gabriella Passidomo, as Prehearing Officer.

APPEARANCES:

J. JEFFRY WAHLEN, MALCOLM MEANS and VIRGINIA PONDER, ESQUIRES, Ausley Law Firm, Post Office Box 391, Tallahassee, Florida 32302
On behalf of Peoples Gas System, Inc. (PGS).

WALT TRIERWEILER, Public Counsel, CHARLES REHWINKEL, PATRICIA CHRISTENSEN, and MARY A. WESSLING, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399
On behalf of Office of Public Counsel (OPC).

JON C. MOYLE, JR. and KAREN A. PUTNAL, ESQUIRES, Moyle Law Firm, 118 North Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

MAJOR R. THOMPSON, RYAN P. SANDY, AUSTIN WATROUS, and DANIEL DOSE, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
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Florida Public Service Commission General Counsel.

I. CASE BACKGROUND

On February 3, 2023, pursuant to Rule 25-7.140, F.A.C., Peoples Gas System, Inc. (PGS or Utility) filed a Test Year Notification and Docket No. 20230023-GU was opened. PGS provides service to approximately 470,000 residential, commercial, industrial, and electric power generation customers across the state. PGS filed its Petition for Rate Increase (Rate Case Petition), minimum filing requirements (MFRs), and testimony on April 4, 2023. PGS filed its MFRs based on a projected test year from January 1, 2024 through December 31, 2024. In compliance with Section 366.06(2), Florida Statutes (F.S.), Order No. PSC-2023-0128-PCO-GU was issued on April 12, 2023, establishing controlling dates for this proceeding and scheduling an administrative hearing for these matters on August 29 – September 1, 2023. Order No. PSC-2023-0128-PCO-GU also consolidated Docket Nos. 20230023-GU, 20220219-GU, and 20220212-GU for purposes of the hearing,[1] with Docket No. 20230023-GU serving as the primary docket. **Due to Tropical Storm Idalia, the hearing has been rescheduled for September 12–15, 2023.**

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapters 120 and 366, F.S. This hearing will be governed by said Chapter and Chapters 25-7, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section

[1] Docket No. 20220212-GU, *In re: Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System;* Docket No. 20220219-GU, *In re: Petition for approval of 2022 depreciation study, by Peoples Gas System.*

366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

(1) When confidential information is used in the hearing that has not been filed as prefiled testimony or prefiled exhibits, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

(2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

Each witness whose name is preceded by a plus sign (+) will present direct and rebuttal testimony together. Each witness whose name is preceded by an asterisk (*) has been stipulated and excused. The testimony and exhibits of stipulated witnesses shall be introduced into the record in the order presented below.

Witness	Proffered By	Issues #
Direct		
+ Helen J. Wesley	PGS	4, 42, 47, 49, 60, 61, 72
* Karen K. Sparkman	PGS	4
+ Timothy O'Connor	PGS	15, 19, 21, 27, 41, 42, 45, 49
* Lew Rutkin, Jr.	PGS	16, 17, 18, 21, 27, 41, 42, 49, 67
+ Christian C. Richard	PGS	19, 21, 23, 27, 41, 42, 49
+ Donna L. Bluestone	PGS	42, 43, 49
* Richard K. Harper, PhD	PGS	40
* Eric Fox	PGS	2, 3
+ Dylan W. D'Ascendis	PGS	35
+ Kenneth D. McOnie	PGS	31, 32, 34
+ Dane A. Watson	PGS	5, 7, 9, 10, 11, 22, 50

Witness	Proffered By	Issues #
+ Rachel B. Parsons	PGS	1, 3, 5, 6, 8, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 36, 37, 38, 39, 40, 41, 43, 44, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 71, 72, 73, 74
* Gregg Therrien	PGS	58, 59, 60, 61, 63, 64, 69
* Karen L. Bramley	PGS	62, 63, 64, 65, 66, 67, 68, 70
Lane Kollen	OPC	6, 8-10, 15-19, 21-22, 27-34, 36, 41-43, 46-47, 49-55, 57, 71-72
David J. Garrett	OPC	6-11, 22, 34-36
* Donna D. Brown	STAFF	As Needed
* Angela L. Calhoun	STAFF	4
Rebuttal		
+ Helen J. Wesley	PGS	4, 42, 47, 49, 60, 61, 72
+ Timothy O'Connor	PGS	15, 19, 21, 27, 41, 42, 45, 49
+ Christian C. Richard	PGS	19, 21, 23, 27, 41, 42, 49
+ Donna L. Bluestone	PGS	42, 43, 49
+ Dylan W. D'Ascendis	PGS	35
+ Kenneth D. McOnie	PGS	31, 32, 34
+ Dane A. Watson	PGS	5, 7, 9, 10, 11, 22, 50
+ Rachel B. Parsons	PGS	1, 3, 5, 6, 8, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 36, 37, 38, 39, 40, 41, 43, 44, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 71, 72, 73, 74
* Luke A. Buzard	PGS	16, 17, 18, 33, 38

VII. BASIC POSITIONS

PGS: These consolidated dockets address three petitions filed by Peoples: (1) a petition for approval of depreciation rates and subaccount for renewable natural gas facilities leased to others [Docket No. 20220212-GU]; (2) a petition for approval of a new depreciation study [Docket No. 2022029-GU]; and a Petition for Rate Increase [Docket No. 20230023-GU]. These dockets were consolidated by the Order Establishing Procedure ("OEP"), Order No. PSC-2023-0128-PCO-GU, issued April 12, 2023.

Introduction

Peoples proudly continues to support the growth and economic vitality of Florida by providing safe, reliable, and clean natural gas to Floridians while evolving with changing energy markets and maintaining exceptional customer service. However, strong customer demand, the impacts of inflation, and higher costs of capital have significantly impacted the company's operations. Peoples requests that the Florida Public Service Commission ("FPSC" or "Commission") approve an increase to its base rates and charges effective with the first billing cycle in January 2024 that will generate a net annual revenue increase of $123,693,985, exclusive of $11,647,804 of Cast Iron/Bare Steel Rider revenues the company proposes to recover through base rates.

Safety, Reliability, and Customer Service

Peoples record of safety, reliability, and exceptional customer service is not in dispute. In 2022, the company ranked highest in the *south* midsize segment of the J.D. Power Gas Utility Residential Customer Satisfaction study for the 10th year in a row, and highest in the south segment of the Gas Utility Business Customer Satisfaction study for the fourth year in a row and sixth time since 2016. Peoples has led the *nation* in the J.D. Power residential study in eight of the past ten years and ranked highest in the nation in the business study in six of the last eight years. Peoples was among the Most Trusted Utility for the ninth time in the 2022 Cogent/Escalent Syndicated Utility Trusted Brand & Customer Engagement residential study. Escalent also named Peoples a Trusted Business Partner (two consecutive years), one of the easiest utilities in the nation with which to conduct business (four consecutive years), an Environmental Champion (eighth consecutive year), and a Customer Champion (ninth consecutive year).

Only two customers participated in the six customer service hearings held by the Commission, and neither of those customers complained about Peoples' quality of service. Peoples' customer complaint history with the FPSC compares favorably to the other natural gas local distribution companies in Florida. Peoples has the lowest level of complaints per thousand customers by far.

The Issues

The Parties have identified 75 specific issues to be decided in this case, but four general areas have drawn the most attention: (1) recoverability of recurring interest expense associated with the 2023 Transaction that moved the Peoples Gas Systems assets from Tampa Electric Company into a separate corporation, Peoples Gas System, Inc.; (2) the company's proposed level of operations and maintenance expenses in 2024; (3) the company's proposed depreciation rates; and (4) whether the assets, revenues, and expenses associated with the company's three proposed renewable natural gas ("RNG") projects should be included "above the line" in the calculation of new base rates, or "below the line" as an unregulated activity.

2023 Transaction

The 2023 Transaction is prudent, and benefits customers by legally separating the business of Peoples Gas System from the business operations of Tampa Electric. This gives Peoples a business structure commonly used and will allow the company to develop its own board of directors, create and execute its own financing plans based on its needs and credit profile, and to better focus its attention on its customers and operations across Florida. The transaction has had no visible impact on customers; it did not involve changes to the company's tariff, customer service operations, physical and mailing addresses, phone numbers, email addresses, or remote access pathways; Peoples and its customers continue to benefit from the provision of shared services by Tampa Electric Company. The resulting structure will enable Peoples to manage the timing and quantum of market debt issuances and to optimize the level of short-term and long-term debt based solely on Peoples' needs and the market's evaluation of Peoples' business profile.

The resulting new structure will provide a better platform for Peoples as it grows and changes with evolving energy markets and reflects the reality that Peoples provides gas service across the state while Tampa Electric provides electric service in the Tampa Bay area only. The new audit and rating agency costs Peoples will incur are modest and of a type commonly incurred by utilities that borrow money in public and private markets. Although the 2023 Transaction will increase Peoples' level of interest expense in the test year, Peoples will be paying the market price for debt based on its business profile, the cost of which regulated utilities routinely recover through base rates. Its proposed long-term debt true-up mechanism is fair, will ensure that the actual cost rates for long-term debt will be reflected in base rates, and will protect all parties from an over or under recovery of actual long-term debt costs.

The company has not quantified any short-term cost savings from the transaction; however, it expects the 2023 Transaction to facilitate more efficient operations and significant risk mitigation, both of which will benefit customers in the long run. Although the consumer parties have criticized the transaction, Tampa Electric and Peoples have successfully separated the electric and gas assets of Tampa Electric into two separate corporations before either the electric or gas operations of Tampa Electric suffers a catastrophic accident (e.g., hurricane) that would impair the operations of the other, because by then it would be too late.

Operations and Maintenance ("O&M") Expenses

Peoples proposed level of test year O&M expenses is reasonable and should be approved. Using the Commission's O&M benchmark multiplier, the company's 2024 O&M Benchmark is $158.4 million; its proposed 2024 test year O&M expenses are $151.0 million, $7.4 million below the benchmark.

The company's proposed O&M Expense levels reflects addition of 90 and 64 employees in 2023 and 2024, respectively, a reduction of outside contractor usage, and other operations and maintenance expenses that will enable Peoples to continue providing safe, reliable, and exceptional customer service in a service area that is growing the way all of Florida is growing – rapidly and more than expected.

OPC's proposals to reduce the company's proposed O&M expenses are not reasonable and fail to recognize that the growth in Florida and Peoples' service area has significantly increased the level of work to be performed by People and its team members. The company added 22,000 customers per year between 2020 and 2022 and projects to add 51,000 customers between the end of 2022 and the end of 2024. This growth means more work and more work requires more people. The company experienced a total increase in service, compliance, locate, and meter reading work orders of 5 percent from 2021 to 2022 and projects a five-year compound annual growth rate in those orders of 4 percent over the period 2020 to 2024. *See* Exhibit TO-2, page 14 of 14.

The trend for Peoples' Labor and Outside Services O&M expenses shows that Peoples is becoming more efficient. Although the company expects its operations employee count to grow at a compound annual rate ("CAGR") of five percent from 2020 to 2024, operations CAGR for total O&M expenses (including outside service costs) per employee over the same period is zero. Likewise, the company projects that its total annual work orders for service, compliance, locates, and meter reading will grow at a compound annual rate of four percent from 2020 (6.2 million) to 2024 (7.5 million), while its O&M expense per work order will only grow at a 1 percent annual rate.

Peoples' proposed employee head count increases, and overall level of O&M expenses are reasonable and prudent and should be approved.

Depreciation Rates and Expense

Peoples filed a depreciation study as required in its last rate case settlement on December 28, 2022. On July 20, 2023, Peoples submitted with the rebuttal testimony of its depreciation witness an updated depreciation study that addresses issues identified during discovery. The Office of Public Counsel ("OPC") recommends depreciation rates that reflect lives longer than those proposed by Peoples for five asset classes (five life parameter changes) and to lower the company's depreciation expense by amortizing the company's hypothetical depreciation reserve surplus over ten years rather than over the remaining lives of the company's assets. Peoples has shown that its proposed lives are reasonable for developing depreciation rates and that the longer lives proposed by OPC are not reasonable. OPC's proposed amortization of the hypothetical reserve surplus is inconsistent with the way the Commission has traditionally set depreciation rates but may be within the Commission's discretion.

Renewable Natural Gas

RNG is a natural by-product of above-ground decomposing waste, and contrasts with traditional natural gas that was formed underground from decomposing materials over a long period of time. RNG projects: capture methane from landfills, livestock farms, food waste, and wastewater treatment facilities; remove the harmful constituents; condition the biomethane gas to pipeline quality specifications; and inject it into a pipeline system for consumption by natural gas customers. RNG is unique as a fuel source because it simultaneously reduces greenhouse gas emissions from both methane and carbon dioxide on a net basis.

In its initial filing, Peoples proposed to recover the net cost of three RNG projects (approximately $62 million of capital relative to approximately $2.4 billion of rate base) through its base rates and charges: New River, Brightmark, and Alliance Dairies. The first two projects were developed based on and in reliance on the RNG tariff approved and modified by the Commission in 2017 and 2020, respectively. The Alliance Dairies project is a unique and innovative project that will use the revenues from the sale of environmental attributes to completely offset the revenue requirement created by placing the project assets in service. Peoples has changed its position on the Alliance Dairies project and now proposes to account for that project as an unregulated, below the line project (Issue 18)..

The remaining two RNG projects advance the renewable energy policy reflected in Section 366.91 and 366.92, Florida Statues. They reduce reliance on traditional natural gas, promote fuel diversity, create jobs in Florida (as opposed to Texas or Louisiana), increase local property tax bases, and create the only source of natural gas from Florida. The three RNG projects provide demonstrable benefits to Peoples' customers and the communities Peoples serves. In Issues 16 and 17, the company proposes to account for these projects above the line, to close its RNGS tariff for future projects, and to implement a new Renewable Natural Gas Interconnection Services (RNGIS) tariff.

Conclusion

Peoples' proposed 2024 test year is reasonable for ratemaking purposes and reflects the anticipated operations of the company during the first year when its new rates are expected to be in effect. The company's proposed levels of rate base, O&M expenses, depreciation, interest, income taxes, taxes other than income taxes, and other expenses are reasonable and prudent and should be approved. The company's proposed return on equity (11 percent), equity ratio (54.7 percent investor sources), capital structure and associated costs rates reflect the capital structure needed to support the company's growing rate base, reflect market cost rates, are reasonable and should also be approved. Peoples' proposed base rates and charges (and the resulting typical bills) are based on a reasonable cost of service study; were developed using traditional rate design principles; and compare favorably with the Florida Public Utility Company and Florida City Gas rates recently approved by the Commission, even before any adjustments to the company's proposed revenue requirement. Peoples respectfully requests that the Commission find that its proposed base rates and charges and related tariff changes are fair, just, and reasonable and approve them to be effective with the first billing cycle in January 2024.

OPC: The burden of proof in a Commission proceeding is always on a utility seeking a rate change, and upon other parties seeking to change established rates. *Fla. Power Corp. v. Cresse*, 413 So. 2d 1187, 1191 (Fla. 1982). Peoples Gas System, Inc. (PGS) has the burden to prove that every aspect of their requested rate increase is appropriate, and the Commission may only approve the parts of PGS's rate request which are fair, just, and reasonable. PGS's requested rate increase would translate to a 36% increase in base rates – the largest requested increase in PGS history. PGS's request grossly overstates the revenue requirement needed to provide safe and reliable service. OPC's experts, Lane Kollen and David Garrett, will testify in depth about the flawed and excessive nature of PGS's requested rate increase. OPC will also demonstrate deficiencies in the testimony and evidence presented by PGS's witnesses. In today's tough economic climate, PGS's customers are already under great financial pressure, so any increase will have a significant impact on them. Now, more than ever, the Commission must consider that impact when evaluating PGS's rate request. Ultimately, the Commission must hold PGS to its burden and only approve the portions of PGS's rate request which are fair, just, and reasonable.

FIPUG: 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.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

TEST PERIOD AND FORECASTING

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

PGS: Yes. The twelve-month period ending December 31, 2024, as reflected in PGS' MFRs, is the most appropriate test period because it is representative of PGS' future operations. Furthermore, PGS requests an increase in rates effective January 1, 2024. That year is accordingly the most appropriate year to evaluate the company's projected revenue requirements to ensure that proposed revenues and revenue requirements match for 2024. (Parsons)

OPC: No. However, if there are no imminent plans to merge the company with another and with appropriate adjustments, the proposed 2024 test year may be representative of the period of time in which rates will be in effect. PGS has failed to meet its burden of demonstrating the appropriateness of the test year since it has failed to adequately demonstrate that there will be no merger activities that will affect the appropriateness of the test year and the period for which rates will be in effect.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 2: Proposed Type 2 Stipulation; see Section X.

ISSUE 3: **Proposed Type 2 Stipulation; see Section X.**

QUALITY OF SERVICE

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

PGS: Yes. PGS has delivered on its commitment to exceptional customer service as evidenced by the company's J.D. Power customer satisfaction scores. The Commission held 6 customer service hearings, with 4 held virtually and 2 held in person. Two individuals appeared and no one expressed a negative view of PGS' quality of service. (Sparkman, Wesley)

OPC: The OPC reserves the right to update its position based on customer testimony.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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?**

PGS: Yes. The Commission should approve a new subaccount under Account 104 (Gas Plant Leased to Others) to be denominated "Account 336.01 – RNG Plant Leased – 15 Years" and a depreciation rate of 6.7 percent for that subaccount effective January 1, 2023. The proposed new depreciation rate will ensure that the cost recovery period for the Brightmark RNG project (Issue 17) will match the period over which the project will generate revenues, that the costs of the project will be recovered by the time the customer takes ownership of the RNG plant assets at the end of the contract term and will prevent the company from experiencing a gain or loss on the sale of the assets at the end of the contract term. The new subaccount will facilitate application of the new depreciation rate. (Watson, Parsons)

OPC: No. RNG service should not be provided on a regulated, above-the line basis. Accordingly, there is no need to establish a depreciation rate for assets related to the provision of RNG service.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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?**

PGS: No; however, no adjustment should be made. While the company did not properly match vehicle retirements with associated forecasted additions, adding the retirements to 2023 and 2024 have no impact as they would equally reduce the plant in service and accumulated depreciation. Therefore, the 2024 test year rate base amount would not be impacted by adding retirements. (Parsons)

OPC: No. The company has failed to reflect retirements associated with the replacement of older vehicles which has the effect of overstated rate base and depreciation expense over time. PGS's requested level of additional vehicles exceeds what PGS needs in order to provide safe and reliable service. Therefore, PGS has failed to demonstrate that vehicle retirements, including salvage, properly match a prudent level of additional vehicles in rate base. The Commission should only approve the additional vehicles for which PGS has satisfied their burden of proof. (Kollen and Garrett)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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?**

PGS: The appropriate depreciation parameters and rates are those set forth in the depreciation study submitted as Exhibit DAW-2 (Document No. 2) to the rebuttal testimony of Dane Watson. The Commission should reject the five life parameter changes proposed by OPC. (Watson)

OPC: The depreciation parameters and resulting depreciation rates are shown in OPC Witness Garrett's testimony and Exhibits DJG-18 and DJG-24 – DJG-26. (Garrett)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 8: **Proposed Type 2 Stipulation; see Section X.**

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?**

PGS: The appropriate theoretical reserve imbalance is a surplus of $160.4 million as of December 31, 2023 based on the recommended life and net salvage parameters as reflected in Exhibit DAW-2. (Watson)

OPC: Based on the primary OPC expert recommendation, the resulting reserve imbalance is a surplus of $221.024 million. For the other resulting imbalances based on different scenarios, see also OPC witness Garrett's exhibits DJG-22, DJG-23, DJG-27. (Garrett and Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The surplus should be amortized over the remaining life of the assets. (Watson, Parsons)

OPC: The reserve imbalances resulting as described in Issue 9 should be amortized over 10 years as explained in the testimony of OPC witnesses Garrett and Kollen. (Kollen and Garrett)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The implementation date should be January 1, 2024. (Parsons, Watson)

OPC: The depreciation parameters and resulting depreciation rates are as shown in OPC Witness Garrett's testimony and exhibits and should be implemented upon approval by the Commission, effective January 1, 2024. (Garrett)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

RATE BASE

ISSUE 12: **Proposed Type 2 Stipulation; see Section X.**

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?**

PGS: Yes. In rebuttal testimony of Witness Parsons, the company has proposed an adjustment to its calculation of corporate overhead costs to SGT from PGS that would increase the allocation by $189,347, which is set forth in Exhibit RBP-2, Document No. 7. This adjustment is being proposed to revise the Modified Massachusetts Method ("MMM") used for determining the overhead allocation to include directly charged payroll and benefit costs from the company and Tampa Electric. With no employees at SGT, the company has concluded an adjustment to the MMM calculation was appropriate to fairly allocate PGS overhead costs to SGT. (Parsons)

OPC: PGS has not demonstrated that all costs attributable to SGT have been removed from the projected test year. Stated another way, PGS has budgeted and forecast costs for recovery in rates that should have been allocated or attributed to SGT. Discovery is still pending on this issue. OPC continues to work with PGS to determine a resolution to this issue.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 14: **Proposed Type 2 Stipulation; see Section X.**

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

PGS: Yes. The proposed AMI Pilot is prudent and should be included in rate base and Net Operating Income. The company's MFR reflect $2.2 million for capital expenditures and $100,000 of O&M expenses associated with the pilot and should be approved. (O'Connor, Parsons)

OPC: No. PGS bears the burden of proof to demonstrate the prudence of the proposed AMI pilot. Any approval of an AMI pilot should not be a basis for approval of wholesale implementation of an AMI project, especially if circumstances underlying the rate case filing materially change. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 16: Proposed Type 1 Stipulation; see Section X.

ISSUE 17: Proposed Type 1 Stipulation; see Section X.

ISSUE 18: Proposed Type 1 Stipulation; see Section X.

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?

PGS: Yes, in its initial filing based on its 2024 forecast, PGS properly reflected no cost savings benefits associated with WAM in the projected test year; however, for ratemaking purposes in this case, the company proposes to reduce test year O&M expenses by $750,000 to give customers the O&M value benefits for the first two years of implementation (2024 and 2025) identified when the company decided to implement the WAM. (O'Connor, Richard, Parsons)

OPC: No. PGS has incurred $34.4 million in capital costs for the new WAM system, yet it claims that WAM will not result in any savings whatsoever from efficiencies in the test year. OPC expects that the operation of the WAM system, in conjunction with other potential near-term actions, will lead to operational efficiencies that are not captured in the Company's projection of employee additions or savings in the level of contract labor expense. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 20: Proposed Type 1 Stipulation; see Section X.

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

PGS: The appropriate projected test year plant in service is $3,298,318,785 which is a reduction of $11,530,336 from the $3,309,849,121 shown on MFR Schedule G-1, page 1, line 1 due to the removal of Alliance plant in service. The Commission should reject OPC's proposed adjustment to forecasted 2024 plant in service. (Parsons, Richard, Rutkin, O'Connor)

OPC: The Commission should approve no more than $3,274,834,064 of projected test year plant in service, unless circumstances underlying the rate case filing materially change. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate projected test year accumulated depreciation and amortization is $922,537,986. This amount reflects the $922,826,284 shown on MFR Schedule G-1, page 1, line 7, and the company's proposed net adjustment to decrease accumulated depreciation by $288,298. The $288,298 net adjustment to decrease accumulated depreciation is related to the following items: (i) updates to reflect the December 31, 2023 depreciation study date ($127,144 decrease) (ii) removal of the Alliance RNG project ($507,203 decrease), correction to the New River RNG project accounts and related depreciation ($101,319 decrease), and revision to Brightmark RNG Project pipeline extension account and related depreciation ($447,369 increase). (Watson, Parsons)

OPC: The Commission should approve $904,439,158 of projected test year accumulated depreciation and amortization, unless circumstances underlying the rate case filing materially change. (Kollen and Garrett)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate projected test year CWIP is $24,309,448 as shown on MFR Schedule G-1, page 1, line 2. (Parsons, Richard)

OPC: The level of CWIP to be approved may be dependent upon the resolution of Issue 21 and the ultimate decision on the level of plant-in-service as it is affected by the accuracy of the PGS's budget process. PGS has not adequately demonstrated that the level of CWIP is justified based on the deficiencies in the budgets for 2023 and 2024 that were prepared in 2022.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 24: Proposed Type 2 Stipulation; see Section X.

ISSUE 25: Proposed Type 1 Stipulation; see Section X.

ISSUE 26: Proposed Type 2 Stipulation; see Section X.

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

PGS: The appropriate amount of projected test year rate base is $2,355,546,414. This amount reflects the $2,366,788,452 of adjusted rate base shown on MFR Schedule G-1, page 1, and the $288,298 adjustment included in Issue 22 to decrease accumulated depreciation and amortization and the removal of the Alliance project plant in service of $11,530,336 in Issue 21. (Parsons, Richard, O'Connor, Rutkin)

OPC: The Commission should approve no more than $2,346,211,000 of projected test year rate base, unless circumstances underlying the rate case filing materially change. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

COST OF CAPITAL

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

PGS: The amount of accumulated deferred taxes to be included in the capital structure for the projected test year is $279,720,428. This amount reflects three adjustments to the $280,240,209 shown on MFR Schedule G-3, page 2. The first adjustment ($4,486 decrease) is related to the changes in depreciation expense that are also impacting accumulated depreciation and amortization in Issue 22. This decrease in accumulated deferred taxes is offset by adjustments to increase investor sources of capital. The second adjustment is to remove the deferred taxes associated with Alliance of $489,300. The third adjustment is for the decrease in rate base in Issue 27 allocated pro rata over all sources ($25,995 decrease). (Parsons)

OPC: The Commission should approve at least $286,705,000 in accumulated deferred taxes for the projected test year capital structure. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: Moving the Alliance Dairies RNG project below the line (Issue 18) means that there will be no unamortized ITC in the projected test year capital structure. (Parsons)

OPC: The Commission should approve a 6.73% cost rate for the unamortized investment tax credits in the projected test year. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 30: Proposed Type 1 Stipulation; see Section X.

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

PGS: The appropriate amount of short-term debt for the projected test year is $99,662,408 and the cost rate is 4.85 percent. The $99.7 million amount reflects the $99,671,451 of short-term debt on MFR G-3, page 2, adjusted for the decrease in rate base in Issue 27 ($9,262 decrease) and increased for pro rata allocation over investor sources of offset for change in accumulated deferred income taxes in Issue 28 ($219 increase). The 4.85 percent cost rate is shown on MFR G-3, page 4. OPC's proposal to disallow the company's incremental short-term interest expense associated with the 2023 Transaction should be rejected. (Parsons, McOnie)

OPC: The Commission should approve a 3.81% cost rate for short-term debt for the projected test year. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate amount of long-term debt for the projected test year is \$827,335,811 and the cost rate is 5.54 percent. This amount reflects the company's forecasted long-term interest expense on a stand-alone basis based on its credit quality. The amount reflects the \$832,185,531 of long-term debt on MFR G-3, page 2, adjusted for the decrease in rate base in Issue 27 (\$4,851,535 decrease) and increased for pro rata allocation over investor sources of offset for change in accumulated deferred income taxes in Issue 28 (\$1,815 increase). The 5.54 percent cost rate is shown on MFR G-3, page 3. OPC's proposal to disallow the company's incremental long-term interest expense associated with the 2023 Transaction should be rejected. (Parsons, McOnie)

OPC: The Commission should approve a 4.61% cost rate for long-term debt for the projected test year. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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?

PGS: Yes. PGS has made the proper adjustments to remove all non-utility investments from the projected test year common equity balance as shown on MFR G-3, page 2 and Exhibit RBP-1, Document No. 9 to witness Parsons direct testimony. (Parsons, Buzard)

OPC: No. The removal of the Alliance Dairies Project from rate base in resolution of Issue 18, should properly be reflected in a corresponding adjustment to equity ***after*** the establishment of the regulatory-authorized equity ratio. The OPC has agreed to the removal of the project and the revenue requirement impact calculated by the Company.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate equity ratio for the projected test year capital structure is 54.7 percent (investor sources). OPC's proposed equity ratio would not be sufficient to maintain the company's financial integrity, is far below actual levels since 1998, and should be rejected. (McOnie)

OPC: The Commission should approve a 49.26% equity ratio. (Garrett and Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate authorized return on equity (ROE) for the projected test year is a midpoint of 11 percent with a range of plus or minus 100 basis points. OPC's proposed rate of return on equity is not reasonable and should be rejected. (D'Ascendis)

OPC: The Commission should approve a 9.00% ROE. (Garrett)

FIPUG: Less than 10%.

STAFF: Staff has no position at this time.

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

PGS: The appropriate capital structure and average cost of capital is shown in the below table. The resulting average cost of capital is 7.41 percent. (Parsons)

Peoples Cost of Capital Adjusted to Reflect Changes in Accumulated Deferred Income Taxes and Rate Base

	Jurisdictional Capital MFR G-3, p.2	ADIT Adj.	Rate Base Adj.	Jurisdictional Adjusted Capital	Capital Ratio	Cost Rate	Weighted Cost
Long Term Debt	832,185,531	1,815	(3,573,787)	828,613,559	35.18%	5.54%	1.95%
Short Term Debt	99,671,451	219	143,775	99,815,445	4.24%	4.85%	0.21%
Customer Deposits	27,528,183	-	(2,558)	27,525,625	1.17%	2.53%	0.03%
Deferred Taxes	280,240,209	(4,486)	(515,295)	279,720,428	11.87%	0.00%	0.00%
Tax Credit - Weighted	3,156,892	-	(3,156,892)	-	0.00%	8.49%	0.00%
Common Equity	1,124,006,187	2,453	(4,137,281)	1,119,871,358	47.54%	11.00%	5.23%
Total Capital	2,366,788,452	-	(11,242,038)	2,355,546,414	100.00%		7.41%

OPC: The Commission should approve a weighted average cost of capital of 5.87% and the capital structure shown in the testimony of OPC's experts. (Garrett and Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

NET OPERATING INCOME

ISSUE 37: Proposed Type 2 Stipulation; see Section X.

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?

PGS: Yes. The appropriate adjustments to remove all non-utility activities from operation expenses has been made, as shown on MFR Schedule G-2, pages 2-3. The Commission should reject OPC's proposed adjustment to remove its Three RNG Projects from its regulated revenue requirement. (Parsons, Buzard)

OPC: No. The Commission should reflect an additional reduction in rate base related to the under-allocation of capitalized labor to Seacoast Gas Transmission (SGT) as discussed in Issue 13. Furthermore, the removal of the Alliance Dairies Project related to Issue 18, should be properly reflected.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 39: **Proposed Type 1 Stipulation; see Section X.**

ISSUE 40: **Proposed Type 2 Stipulation; see Section X.**

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

PGS: The appropriate amount of projected test year contractor and contract services cost should be $24,989,844. This amount reflects a total of $25,179,844 included in PGS' filing less an adjustment of $190,000 for the decrease in the projected test year standalone audit fees based. (O'Connor, Richard, Rutkin, Parsons)

OPC: The OPC does not recommend a reduction in the level of test year contractor and contract services cost compared to the as-filed amounts. Instead, the OPC concludes that the lack of reduction of such costs is a primary justification to recommend a lower number of employees in the projected test year. If, however, the Commission allows the number of employees to increase, there should be corresponding reductions in the costs of outside contractors and contract services. If other current assumptions about the test year and beyond contained in the filing materially change, the level of contractors and contract services should be reduced accordingly. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 42: **What number of projected test year employees should be approved for ratemaking purposes?**

PGS: The company has proven the need for each of its proposed additional employees and how those proposed additions moderate the need for outside contractor services in the test year, so OPC's staffing adjustments should be rejected. The appropriate number of projected 2024 test year employees should be an average of 837 after vacancy allowances. The 837 average count includes the following by month: January to February – 830, March to May – 834, May to December – 840. The 837 average employees in 2024 reflects the additional 90 and 64 employees shown on MFR Schedule G-2, pages 19c-19e. However, based on its position on Issues 16, 17, and 18, the company proposes to reduce projected 2024 operating expenses by $37,882 to reflect its updated plans to forgo cost recovery for one Business Development Manager for RNG. (Wesley, O'Connor, Richard, Rutkin, Bluestone, Parsons)

OPC: The Commission should find that the number of projected test year employees should remain at the 2022 level, and the Commission should reject the requested increases in employees and the related expenses, with limited exceptions where the increases in the related expenses are offset by reductions in allocations of shared services costs from Tampa Electric Company and in the instance of the new treasury analyst position. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The company has demonstrated that its total compensation approach to setting employee compensation (which includes short-term and long-term incentive compensation for some employees) is targeted at the market median, reflects reasonable payroll escalation factors, and should be approved. The appropriate amount of projected test year salaries is $56,832,906 which reflects the $56,858,043 was shown on MFR Schedule G-2, page 19a, line 26 reduced by $25,137 for the salary of one Business Development Manager for RNG discussed in Issue 42. The appropriate amount of projected test year short-term incentive compensation included in FERC account 920 is $8,046,556 which reflects the $8,050,000 as shown on MFR Schedule G-2, page 19b, line 9 reduced by $3,444 for the short-term incentive of one Business Development Manager for RNG discussed in Issue 42. The appropriate amount of projected test year employee pension and benefits included in FERC account 926 is $12,255,566 which reflects the $12,264,867 as shown on MFR Schedule G-2, page 18a, line 6 reduced by $9,301 for the benefits and loading of one Business Development Manager for RNG discussed in Issue 42. (Bluestone, Parsons)

OPC: By not approving the requested staffing increases, the Commission should reduce the payroll and payroll related projected test year costs by $9,762,000. By reducing the requested merit pay increases for employees, the Commission should reduce the payroll and payroll related projected test year costs by an additional $1,918,000. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 44: Proposed Type 1 Stipulation; see Section X.

ISSUE 45: **Proposed Type 2 Stipulation; see Section X.**

ISSUE 46: **Proposed Type 1 Stipulation; see Section X.**

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?**

PGS: None. The company's proposed 2024 test year O&M expenses do not include merger or acquisition related costs. (Wesley, Parsons)

OPC: Merger and acquisition related costs of all types, whether specifically allocated or indirectly incurred by PGS through allocations or charging of affiliate costs – even if not specifically identified as such – should not be allowed for recovery unless all associated merger & acquisition development(s) or activities are identified and disclosed to the Commission. PGS should be required to identify the direct and indirect costs associated with all such activities and affirmatively demonstrate that they are either being charged to customers in a cost-effective and prudent manner or that they are not being so charged to customers along with an explanation why such potential customer benefits are not being pursued. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 48: **Proposed Type 2 Stipulation; see Section X.**

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

PGS: Peoples has demonstrated that its proposed 2024 O&M expense levels are reasonable and necessary for it to continue providing safe and reliable gas service in the rapidly growing areas it serves. OPC's broad-brush proposals to reduce the company's O&M expenses should be rejected. The appropriate amount of projected test year adjusted O&M expenses is $144,856,712. This reflects the $150,817,212 of adjusted O&M expenses on MFR Schedule G-2, page 1, line 5 less the following adjustments that are discussed in the rebuttal testimony of Witness Parsons: (i) reduction of $500,000 discussed in Issue 44, (ii) reduction of $189,347 for increased overhead cost allocation to SGT discussed in Issue 13, (iii) reduction of $190,000 for the decrease in standalone audit fees discussed in Issue 41, (iv) reduction of $60,234 for updated treasury analyst costs, (v) reduction of $37,882 for removal of RNG BD Manager discussed in Issue 42, (vi) reduction of $750,000 for WAM costs discussed in Issue 19, (vii) reduction of $3,956,653 for removal of Alliance as discussed in Issue 18, (viii) reduction of $120,000 for storm reserve adjustment as discussed in Issue 46, and (ix) reduction of $156,384 for revised rate case expense amortization as discussed in Issue 48. (Wesley, O'Connor, Richard, Rutkin, Bluestone, Parsons)

OPC: The Commission should reduce the projected test year O&M Expenses by at least $46,595,000, unless circumstances underlying the rate case filing materially change. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate amount of Depreciation and Amortization Expense for the 2024 projected test year used for calculating NOI is $87,271,966. This reflects the original amount of $87,613,968 on MFR Schedule G-2, page 1, line 6 (after regulatory adjustments and excludes vehicle depreciation expense that is charged through a transportation cost allocation to O&M and capital expenditures) adjusted for the following items included in Witness Parsons rebuttal testimony: (i) $252,303 reduction to reflect the December 31, 2023 study date, (ii) removal of the Alliance RNG project accounts and related depreciation expense ($359,701 decrease), (iii) correction to the New River RNG project accounts and related depreciation expense ($51,505 decrease), and (iv) revision to Brightmark RNG Project pipeline extension account and related depreciation expense ($321,507 increase). (Watson, Parsons)

OPC: The Commission should reduce the projected test year Depreciation and Amortization Expense by at least $26,404,000, unless circumstances underlying the rate case filing materially change. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate amount of projected 2024 test year Taxes Other than Income is $29,604,654. This amount reflects the $31,701,341 shown on MFR Schedule G-2, page 1, less the $2,008,000 reduction to projected test year property tax expense included in Witness Parsons rebuttal testimony and removal of $88,687 of property tax expense related to the Alliance project. (Parsons)

OPC: The amount of Taxes Other than Income that should be approved is no more than $29,154,896. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: Emera Incorporated is the ultimate parent company used for purposes of calculating a parent debt adjustment as provided for in Rule 25-14.004. Based on its proposed equity ratio of 54.7 percent, the parent company debt adjustment should be $3,084,000, as shown on MFR Schedule C-26. The adjustment would be $2,762,000 based on the level of common equity recommended by OPC. (Parsons)

OPC: The Parent Debt Adjustment required by the rule is $2,762,000 based on the level of common equity recommended by the OPC. To the extent the Commission approves a greater amount of equity in the company's capital structure, there should be a concomitant increase in the adjustment. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate amount of projected 2024 test year Income Tax Expense is $3,770,671. This reflects the net test year Income Tax Expense of $3,093,175 shown on MFR Schedule G-2, page 1, lines 10-13 plus an increase of $677,496, which is the income tax offset related to the $2,673,097 pre-tax increase in NOI discussed in Issue 55. (Parsons)

OPC: This is a fallout issue. The OPC has not separately quantified the level of Income Tax Expense that would remain after consideration of its revenue requirement adjustments. The OPC adjustments are made on an incremental revenue requirement basis. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate amount of Total Operating Expenses for the projected 2024 test year is $266,008,087. This reflects the $273,729,779 amount shown on MFR Schedule G-2, page 1, line 16, less the total pre-tax operating expense adjustments of $8,399,189, which is offset by the associated increase in test year Income Tax Expense of $677,496. The net adjustment is a decrease in Total Operating Expenses of $7,721,692 from the $273,729,779 shown on MFR Schedule G-2, page 1, line 16. (Parsons)

OPC: This is a fallout issue. The OPC has not separately quantified the level of Total Operating Expenses that would remain after consideration of its revenue requirement adjustments. The OPC adjustments are made on an incremental revenue requirement basis. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The appropriate amount of Net Operating Income in the projected test year is $74,332,841. This reflects the $72,337,240 shown on MFR Schedule G-2, page 1, line 17 plus the $7,721,692 decrease in Total Operating Expenses in Issue 54 and the removal of $5,726,092 of Alliance project revenue. (Parsons)

OPC: This is a fallout issue. The OPC has not separately quantified the level of Net Operating Income that would remain after consideration of its revenue requirement adjustments. The OPC adjustments are made on an incremental revenue requirement basis. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

REVENUE REQUIREMENTS

ISSUE 56: **Proposed Type 1 Stipulation; see Section X.**

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

PGS: The appropriate operating revenue increase for the projected test year is $135,341,798, which includes the transfer of $11,647,804 of CI/BSR revenue requirements to base rates. This is a net decrease of approximately $3.9 million from the $139,271,846 Revenue Deficiency shown on MFR Schedule G-5. See the table below for calculations. (Parsons)

Description	MFR G-5 Amount	Adjustments	Adjusted Amount
ADJUSTED RATE BASE	$2,366,788,452	($11,242,038)	$2,355,546,414
REQUESTED RATE OF RETURN	7.42%		7.41%
N.O.I. REQUIREMENTS	175,501,571		174,586,018
LESS: ADJUSTED N.O.I.	72,337,240	1,995,601	74,332,841
N.O.I. DEFICIENCY	$103,164,331		$100,253,177
EXPANSION FACTOR	1.3500		1.3500
REVENUE DEFICIENCY	$139,271,846		$135,341,789

OPC: The Commission should approve a base revenue increase – including the transfer of Cast Iron/Bare Steel Rider revenues - of no more than $42,903,000, unless circumstances underlying the rate case filing materially change. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

COST OF SERVICE AND RATE DESIGN

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

PGS: Yes. The Company's cost of service study appropriately reflects cost causation, and each allocation factor is consistent with the factors that drive the underlying costs of providing service to customers. (Therrien)

OPC: No position.

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

STAFF: Staff has no position at this time.

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

PGS: The increase should be allocated to the rate classes to achieve an equalized rate of return for the Residential and Commercial rate classes and as shown for the company's proposed increase and rates on Document Nos. 6, 9, 10, 11, and 12 of Exhibit No. GT-1. (Therrien)

OPC: No position.

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.

STAFF: Staff has no position at this time.

ISSUE 60: What customer charges should be approved?

PGS: The Commission should approve the customer charges shown in redline format on MFR E-9. They are fair, just, and reasonable. (Therrien, Wesley)

OPC: No position.

FIPUG: Customer charges of PGS should be reduced.

STAFF: Staff has no position at this time.

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

PGS: The Commission should approve the per therm distribution charges shown in redline format on MFR E-9. They are fair, just, and reasonable. (Therrien, Wesley)

OPC: No position.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 62: **What miscellaneous service charges should be approved?**

PGS: The Commission should approve the company's proposed miscellaneous service charges as shown on Document No. 3 of Exhibit No. KLB-1. They are fair, just, and reasonable. (Bramley)

OPC: No position.

FIPUG: Miscellaneous service charges should be reduced.

STAFF: Staff has no position at this time.

ISSUE 63: **Should the Commission approve PGS's revised annual residential rate reclassification review?**

PGS: Yes. The proposed revisions are reasonable and should be approved. (Therrien, Bramley)

OPC: No position.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 64: **Should the Commission approve PGS's revision to the Residential and Commercial Generator rate design?**

PGS: Yes. The proposed revisions are reasonable and should be approved. (Therrien, Bramley)

OPC: No position.

FIPUG: No.

STAFF: Staff has no position at this time.

ISSUE 65: Should the Commission approve PGS's revised termination fee for the Natural Choice Transportation Program (Tariff Sheet No. 7.803-3)?

PGS: Yes. The proposed revised termination fee is reasonable and should be approved. (Bramley)

OPC: No position.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 66: Should the Commission approve PGS's revised Individual Transportation Administration Fee (Tariff Sheet No. 7.805)?

PGS: No. The company's existing Individual Transportation Administration Fee should remain in effect. (Bramley)

OPC: No position.

FIPUG: Adopt position of PGS.

STAFF: Staff has no position at this time.

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)?

PGS: Yes. The proposed new provision is reasonable and should be approved. (Rutkin, Bramley)

OPC: No position.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 68: Should the Commission approve PGS's non-rate related tariff modifications?

PGS: Yes. The proposed revisions are reasonable and should be approved. (Bramley)

OPC: No position.

FIPUG: No position at this time.

STAFF: Staff has no position at this time.

ISSUE 69: Should the Commission approve PGS's proposed tariffs reflecting the Commission-approved target revenues?

PGS: Yes. (Therrien)

OPC: No position.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: The revised base rates and charges approved in this case should be effective with the first billing cycle in January 2024. (Bramley)

OPC: The effective date of PGS' revised rates and charges should allow for time for implementation promptly after the Commission's final order in this matter.

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

OTHER ISSUES

ISSUE 71: Should the Commission approve PGS's proposed long-term debt cost rate true-up mechanism?

PGS: Yes. The proposed mechanism is appropriate under the circumstances and fairly protects the general body of ratepayers. (Parsons)

OPC: Based solely on the unique factual circumstance where an electric company has spun off its gas division in this case, and if the Commission deems the 2023

Transaction to be prudent in decision and execution, the OPC will not object to the one-time long-term debt cost rate true-up mechanism after the gas company's first debt issuance; however, the Commission should disallow the incremental interest expense and other financing costs of the 2023 Transaction. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

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

PGS: None. The 2023 Transaction adopted a commonly used business structure for Peoples and is prudent. It will sequester risks and allow Peoples to focus on providing safe and reliable gas service to customers and meet the growing demand for gas in Florida. The type of recurring incremental costs (audit fees, credit rating agency fees, interest expense) are the kind of expenses routinely incurred by regulated utilities and recovered through base rates. The level of projected short-term and long-term interest expense reflect the company's forecasted, market-based borrowing costs on a stand-alone basis. (Wesley, Parsons)

OPC: The Commission should disallow all costs associated with the discretionary 2023 Transaction and reduce the requested revenue requirement by at least $9,699,000. (Kollen)

FIPUG: Adopt position of OPC.

STAFF: Staff has no position at this time.

ISSUE 73: DROPPED

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?

PGS: Yes. Peoples does not object to this requirement. (Parsons)

OPC: Yes, the Commission should require PGS 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.

STAFF: Staff has no position at this time.

ISSUE 75: **Should this docket be closed?**

PGS: Yes. This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired. (Legal)

OPC: No.

FIPUG: Yes.

STAFF: Staff has no position at this time.

IX. EXHIBIT LIST

Witness	Proffered By	Exhibit	Description
Direct			
Helen J. Wesley	PGS	HJW-1	1. List of Witnesses 2. MFRs Sponsored 3. Peoples System Map 4. Corporate Structure Diagram 5. Projected Impact of Proposed Increase on Typical Residential Bills
Karen K. Sparkman	PGS	KKS-1	1. MFRs Sponsored 2. JD Power Study Highlights 3. TECO Peoples Gas Awards
Timothy O'Connor	PGS	TO-1	MFRs Sponsored
Lew Rutkin, Jr.	PGS	LR-1	1. MFRs Sponsored 2. RNG Materials
Christian C. Richard	PGS	CCR-1	MFRs Sponsored
Donna L. Bluestone	PGS	DLB-1	1. MFRs Sponsored 2. Union Base Wage Adjustments (2020-22)

Witness	Proffered By	Exhibit	Description
			3. Cost of Living and Cost of Labor Analysis 4. Average Base Salary Compa-Ratio 5. Salary Budget History 2019-2023 6. Benefits Plan Summary (2023) 7. Mercer BENVAL Study 8. Mercer – Average Health Benefits Costs 9. Mercer – National Health Plan Survey
Richard K. Harper, PhD	PGS	RKH-1	1. Curriculum Vitae 2. Endnotes to Testimony 3. Population Growth in Florida by Decade 1970-2059 4. Non-Farm Payroll, Florida and Nation 5. Annual GDP Growth, Florida and Nation 6. All Transactions House Price Index 7. Produce Price Index, Residential Construction Inputs 8. Measures of Inflation 9. Cumulative Increase in Household Costs 10. Cumulative Increases in Business Costs 11. Cumulative Increase in PGS Business Costs 12. Typology for Homebuyer Net Migration 13-20. Total Population Indexed to 2020 for Different Areas of Florida
Eric Fox	PGS	EF-1	Itron Report
Dylan W. D'Ascendis	PGS	DWD-1	1. Summary of Common Equity Cost Rate 2. Financial Profile of the Gas Utility Proxy Group 3. Application of the Discounted Cash Flow Model

Witness	Proffered By	Exhibit	Description
			4. Application of the Risk Premium Model 5. Application of the Capital Asset Pricing Model 6. Basis of Selection for the Non-Price Regulated Companies Comparable in Total Risk to the Gas Utility Proxy Group 7. Application of Cost of Common Equity Models to the Non-Price Regulated Proxy Group 8. Derivation of the Flotation Cost Adjustment to the Cost of Common Equity 9. Derivation of the Indicated Size Premium for Peoples Gas Relative to the Gas Utility Proxy Group 10. Comparison of Projected Capital Expenditures Relative to Net Plant 11. Fama & French – Figure 2 12. Referenced Endnotes for the Prepared Direct Testimony of Dylan W. D'Ascendis
Kenneth D. McOnie	PGS	KDM-1	1. MFRs Sponsored 2. Historic Secured Overnight Financing Rate 2021 to 2023 3. Forecasted U.S. Treasury Rates 4. U.S. Treasury Rates 2020 to 2022 5. Thirty Year History of U.S. Treasury Rates and Averages
Dane A. Watson	PGS	DAW-1	1. Testimony Experience 2. Peoples Depreciation Study Schedules 1-3 – Summary of Results
Rachel B. Parsons	PGS	RBP-1	1. MFRs Sponsored 2. CI/BSR Revenue Requirement Transferred to Base Rates 3. Base Revenue Summary 4. O&M Expense Summary 5. 2023/2024 Capital Budget 6. Storm Reserve Analysis

Witness	Proffered By	Exhibit	Description
			7. Calculation of IRC Required Deferred Income Tax Adjustment 8. 2024 Test Year Reconciliation of Capital Structure to Rate Base 9. 2020 Stipulation
Gregg Therrien	PGS	GT-1	1. MFRs Sponsored 2. Workpaper Supporting Roll-in of CI/BSR
Karen L. Bramley	PGS	KLB-1	MFRs Sponsored
Lane Kollen	OPC	LK-1	Resume of Lane Kollen
Lane Kollen	OPC	LK-2	PGS Response to OPC's First Request for Production, No. 46
Lane Kollen	OPC	LK-3	PGS Response to OPC's First Set of Interrogatories, No. 100
Lane Kollen	OPC	LK-4	PGS Response to OPC's First Set of Interrogatories, No. 97
Lane Kollen	OPC	LK-5	PGS Response to OPC's First Set of Interrogatories, No. 95
Lane Kollen	OPC	LK-6	PGS Response to OPC's Fifth Set of Interrogatories, No. 220
Lane Kollen	OPC	LK-7	PGS Response to OPC's Third Set of Interrogatories, No. 132
Lane Kollen	OPC	LK-8	PGS Response to OPC's First Set of Interrogatories, No. 81
Lane Kollen	OPC	LK-9	PGS Response to OPC's First Set of Interrogatories, No. 92
Lane Kollen	OPC	LK-10	PGS Response to OPC's First Set of Interrogatories, No. 82
Lane Kollen	OPC	LK-11	PGS Response to OPC's First Set of Interrogatories, No. 13
Lane Kollen	OPC	LK-12	PGS Response to OPC's Fourth Set of Interrogatories, No. 202

Witness	Proffered By	Exhibit	Description
Lane Kollen	OPC	LK-13	PGS Response to OPC's First Set of Interrogatories, No. 11
Lane Kollen	OPC	LK-14	PGS Response to OPC's First Set of Interrogatories, No. 21
Lane Kollen	OPC	LK-15	PGS Response to OPC's First Set of Interrogatories, No. 8
Lane Kollen	OPC	LK-16	PGS Response to OPC's Eighth Request for Production, No. 95
Lane Kollen	OPC	LK-17	PGS Response to OPC's Fourth Set of Interrogatories, No. 203
Lane Kollen	OPC	LK-18	PGS Response to OPC's Fourth Set of Interrogatories, Nos. 180 and 181
Lane Kollen	OPC	LK-19	PGS Response to OPC's First Set of Interrogatories, Nos. 7, 186, and 238
Lane Kollen	OPC	LK-20	PGS Response to OPC's First Set of Interrogatories, No. 18
Lane Kollen	OPC	LK-21	PGS Response to OPC's Fourth Set of Interrogatories, No. 185
Lane Kollen	OPC	LK-22	PGS Response to OPC's Fourth Set of Interrogatories, No. 198
Lane Kollen	OPC	LK-23	PGS Response to OPC's Fourth Set of Interrogatories, No. 199
Lane Kollen	OPC	LK-24	PGS Response to OPC's First Request for Production, No. 45 (Narrative and 1 Worksheet)
Lane Kollen	OPC	LK-25	PGS Response to OPC's Ninth Set of Interrogatories, No. 241
Lane Kollen	OPC	LK-26	PGS Response to OPC's Ninth Set of Interrogatories, No. 240
Lane Kollen	OPC	LK-27	PGS Response to Staff's First Data Request, No. 1
Lane Kollen	OPC	LK-28	PGS Response to OPC's First Set of Interrogatories, No. 99

Witness	Proffered By	Exhibit	Description
David Garrett	OPC	DJG-1	Curriculum Vitae
David Garrett	OPC	DJG-2	Rate of Return Recommendation
David Garrett	OPC	DJG-3	Proxy Group Summary
David Garrett	OPC	DJG-4	DCF Stock and Index
David Garrett	OPC	DJG-5	DCF Dividend Yields
David Garrett	OPC	DJG-6	DCF Terminal Growth Determinants
David Garrett	OPC	DJG-7	DCF Final Results
David Garrett	OPC	DJG-8	CAPM Risk-Free Rate
David Garrett	OPC	DJG-9	CAPM Beta Coefficient
David Garrett	OPC	DJG-10	CAPM Implied Equity Risk Premium
David Garrett	OPC	DJG-11	CAPM Equity Risk Premium Results
David Garrett	OPC	DJG-12	CAPM Final Results
David Garrett	OPC	DJG-13	Cost of Equity Summary
David Garrett	OPC	DJG-14	Market Cost of Equity vs. Awarded Returns
David Garrett	OPC	DJG-15	Proxy Group Debt Ratios
David Garrett	OPC	DJG-16	Competitive Industry Debt Ratios
David Garrett	OPC	DJG-17	Hamada Model ROE
David Garrett	OPC	DJG-18	Summary Depreciation Accrual Adjustment
David Garrett	OPC	DJG-19	Detail Rate Comparison – 2024 Study
David Garrett	OPC	DJG-20	Depreciation Rate Development – 2024 Study (Book Reserve)

Witness	Proffered By	Exhibit	Description
David Garrett	OPC	DJG-21	Depreciation Rate Development – 2024 Study (Theoretical Reserve)
David Garrett	OPC	DJG-22	Reserve Surplus Calculation – 2024 Study (Adjusted Parameters)
David Garrett	OPC	DJG-23	Reserve Surplus Calculation – 2024 Study (Unadjusted Parameters)
David Garrett	OPC	DJG-24	Depreciation Rate Development – 2023 Study (Book Reserve, Adjusted)
David Garrett	OPC	DJG-25	Depreciation Rate Development – 2023 Study (Theo. Reserve, Adjusted)
David Garrett	OPC	DJG-26	Depreciation Rate Development – 2023 Study (Unadjusted Parameters)
David Garrett	OPC	DJG-27	Reserve Surplus Calculation – 2023 Study (Adjusted Parameters)
David Garrett	OPC	DJG-28	Reserve Surplus Calculation – 2023 Study (Unadjusted Parameters)
David Garrett	OPC	DJG-29	Account 376 (Steel Mains) Iowa Curve Fitting
David Garrett	OPC	DJG-30	Account 376.02 (Plastic Mains) Iowa Curve Fitting
David Garrett	OPC	DJG-31	Account 379 (M&R Station Equip. – City Gate) Iowa Curve Fitting
David Garrett	OPC	DJG-32	Account 380.02 (Plastic Services) Iowa Curve Fitting
David Garrett	OPC	DJG-33	Account 382 (Meter Installations) Iowa Curve Fitting
David Garrett	OPC	DJG-34	Observed Life Tables from Depreciation Study for Adjusted Accounts
David Garrett	OPC	DJG-35	Computed Reserves – 2024 Study (With Adjusted Parameters)
David Garrett	OPC	DJG-36	Computed Reserves – 2024 Study (With Unadjusted Parameters)

Witness	Proffered By	Exhibit	Description
David Garrett	OPC	DJG-37	Remaining Life Development – 2024 Study
David Garrett	OPC	DJG-38	Computed Reserves – 2023 Study (With Adjusted Parameters)
David Garrett	OPC	DJG-39	Computed Reserves – 2023 Study (With Unadjusted Parameters)
David Garrett	OPC	DJG-40	Remaining Life Development – 2023 Study (Adjusted Parameters)
David Garrett	OPC	DJG-41	Remaining Life Development – 2023 Study (Unadjusted Parameters)
David Garrett	OPC	DJG-42	Appendices
Donna D. Brown	STAFF	DDB-1	Auditor’s Report
Angela L. Calhoun	STAFF	ALC-1	List of Service Complaints
Angela L. Calhoun	STAFF	ALC-2	List of Billing Complaints
Angela L. Calhoun	STAFF	ALC-3	List of Warm Transfers
Rebuttal			
Helen J. Wesley	PGS	HJW-2	1. FPSC Complaint Comparison 2. Proposed Rate and Bill Comparisons
Timothy O’Connor	PGS	TO-2	Labor and Outside Services O&M Compared to Headcount and Workload by Service Area
Christian C. Richard	PGS	CCR-2	Five-Year Capital Spending – Budget Versus Actual
Donna L. Bluestone	PGS	DLB-2	CPI Compared to PGSI Non-Union Wage Increases, 2019 to 2024
Dylan W. D’Ascendis	PGS	DWD-2	1. Updated Cost of Common Equity Results 2. Financial Profile of the Utility Proxy Group

Witness	Proffered By	Exhibit	Description
			3. Application of the Discount Cash Flow Model 4. Application of the Risk Premium Model 5. Application of the Capital Asset Pricing Model 6. Basis of Selection for the Non-Price Regulated Companies Comparable in Total Risk to the Utility Proxy Group 7. Application of the Cost of Common Equity Models to the Non-Price Regulated Proxy Group 8. Derivation of the Flotation Cost Adjustment to the Cost of Common Equity 9. Derivation of the Indicated Size Premium for Peoples Relative to the Utility Proxy Group 10. Comparison of Projected Capital Expenditures Relative to Net Plant 11. Relationship Between Investor Required Returns on the Market and Authorized ROEs for Electric and Gas Utilities, 1990-2022 12. Gross Domestic Product ("GDP") by Industry, 1947-2022 13. Evaluation of Implied Risk Premium Approach 14. Company Size and Volatility of Returns 15. Flotation Cost Illustration 16. Frequency Distribution of Observed Market Risk Premiums ("MRP"), 1926-2022 17. Referenced Endnotes for the Rebuttal Testimony of Dylan W. D'Ascendis
Kenneth D. McOnie	PGS	KDM-2	Historical Investor Sources Equity Ratio (1998 to 2022)

Witness	Proffered By	Exhibit	Description
Dane A. Watson	PGS	DAW-2	1. Endnotes to Testimony 2. Revised July 2023 Depreciation Study 3. Calculation of Proposed Depreciation Rates using year-end 2023 Study Date
Rachel B. Parsons	PGS	RPB-2	1. Revised Revenue Requirement 2. Account 921 Average Increase 3. Historical Storm Costs in 2024 Dollars 4. RNG Revenue Requirement and Cost Recovery 5. Capital Expenditure Analysis 6. December 31, 2023 Depreciation Study Impact 7. Revision to Seacoast Overhead Allocation 8. Vehicle Retirement Impact on NOI and Rate Base 9. Discovery Responses and Other Documents
Luke A. Buzard	PGS	LAB-1	1. Peoples' Current RNG Tariff 2. Order No. PSC-2017-0497-TFR-GU 3. 202 Proposed Changes to Original RNG Tariff 4. Excerpt from 202 Rate Case Pre-hearing Order 5. Excerpts from Order No. PSC-2020-0485-FOF-GU (2020 Agreement Approval) 6. New River and Brightmark Assets by Tariff Category 7. Alliance Dairies CPVRR Analysis and EA Break Even Analysis

The Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There are proposed Type 1 and Type 2 stipulations on several issues. A Type 1 stipulation occurs on an issue where the utility and intervenors agree on the resolution of the issue. A Type 2 stipulation[2] occurs on an issue when the utility and staff, or the utility and at least one party adversarial to the utility, agree on the resolution of the issue and the remaining parties (including staff if they do not join in the agreement) do not object to the Commission relying on the agreed language to resolve that issue in a final order. The proposed stipulations are as follows:

TEST PERIOD AND FORECASTING

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?

Type 2: Yes. The company used linear regression models for both customer counts and average use for the test year. These models are both theoretically and statistically strong as measured by model coefficient and overall model fit statistics. The chosen modeling framework has been adopted by numerous utilities in the United States and Canada for forecasting.

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?

Type 2: Yes. Residential and small commercial customer and sales forecasts were used to estimate the 2024 test year revenues at current rates. These forecasts were prepared using theoretically and statistically strong models that have been adopted by numerous utilities in the United States and Canada for forecasting.

DEPRECIATION STUDY

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?

Type 2: Although the terms of the 2020 Agreement approved by the Commission in Order No. PSC-2020-0485-FOF-GU, suggests otherwise, the company agrees with OPC that the depreciation rates that become effective on January 1, 2024 should be calculated using a depreciation study date of December 31, 2023.

[2] The Office of Public Counsel's (OPC's) position on each Type 2 stipulation is as follows:

> OPC takes no position on these issues, nor does it have the burden of proof related to them. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on these issues, either in this docket, in an order of the Commission or in a representation to a Court

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?

Type 2: Yes. All required adjustments to remove non-utility items have been included in the 2024 projected test year, as shown on MFR Schedule G-1, page 4.

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?

Type 2: Yes. The appropriate CI/BSR investment amounts as of December 31, 2023 to be transferred into rate base are $91,733,660 for plant in service, $2,808,776 for Construction Work in Progress and $1,273,990 for accumulated depreciation, as shown on Exhibit No. RBP-1, Document No. 2, lines 2-4.

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?

Type 1: The New River RNG Project (interconnection) was planned and executed based on and in reliance on the company's Rate Schedule RNGS and will be included above the line in the calculation of the company's 2024 revenue requirement, with whether to use deferral accounting for the project as proposed by OPC to be decided under subsequent issues. Subject to the Commission's approval in this docket of the company's new Renewable Natural Gas Interconnection Service tariff (RNGIS) to be effective January 1, 2024 as agreed to with OPC, the company will close its RNGS tariff to new projects effective August 29, 2023, so New River and Brightmark will be the only two projects it undertakes under that rate schedule.

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?

Type 1: The Brightmark RNG Project (bio conditioning and interconnection) was planned and executed based on and in reliance on the company's Rate Schedule RNGS and will be included above the line in the calculation of the company's 2024 revenue requirement, with whether to use deferral accounting for the project as proposed by OPC to be decided under subsequent issues. Subject to the Commission's approval in this docket of the company's new Renewable Natural Gas Interconnection Service tariff (RNGIS) to be effective January 1, 2024 as agreed to with OPC, the company will close its RNGS tariff to new projects effective August 29, 2023, so New River and Brightmark will be the only two projects it undertakes under that rate schedule.

<u>ISSUE 18</u>: 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?

Type 1: No. The Alliance Dairies RNG Project should be accounted for on an unregulated, below the line basis and the company's proposed revenue requirement should be increased by approximately $220,000 to reflect the movement of this project below the line.

<u>ISSUE 20</u>: Should any adjustments be made to the amounts included in the projected test year for acquisition adjustment and accumulated amortization of acquisition adjustment?

Type 1: No. As shown on MFR Schedule B-6, page 1, as of December 31, 2022, the company has fully amortized the $5,031,897 of acquisition adjustments and the related net rate base amount is $0.

<u>ISSUE 24</u>: 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?

Type 2: Yes. The company has 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 as shown in MFR Schedule G-1, pages 2 and 3.

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

Type 1: None. The company did not include unamortized rate case expense in working capital for the 2024 projected test year.

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

Type 2: The appropriate amount of projected test year working capital is a negative $28,047,011 as shown on MFR Schedule G-1, page 1, line 11.

COST OF CAPITAL

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

Type 1: The amount of customer deposits for the 2024 projected test year is $27,528,000. The cost rate of the customer deposits to include in the projected test year capital structure is 2.53 percent, as shown on MFR Schedule G-3, page 2, line 4.

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?

Type 2: Yes, as shown on MFR Schedule G-2, pages 2-3.

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

Type 1: The Bad Debt Expense is $1,611,232, as shown on MFR Schedule G-2, page 19b, line 7, and the bad debt rate of 0.2805 percent was incorporated into the Revenue Expansion Factor, as shown on MFR Schedule G-4.

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

Type 2: The appropriate non-labor trend factor for inflation is 2.80 percent and 2.20 percent for 2023 and 2024, respectively. The appropriate non-labor trend factor for customer growth is 3.81 percent and 3.23 percent for 2023 and 2024, respectively.

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?

Type 1: Not in its original filing; however, as reflected in Witness Parsons' rebuttal testimony, the company has agreed to make an adjustment to the projected test year O&M expense of $500,000 to remove lobbying, charitable contributions, sponsorships, and institutional and image advertising. These adjustments arise from Commission Staff Audit findings, agreed upon reductions during a review of these items by Office of Public Counsel, and PGS self-disclosed reductions related to review of these items.

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

Type 2: The appropriate amount of added Economic Development expense in the 2024 test year is $265,498. This amount reflects the $367,920 stated in the direct testimony of Witness O'Connor, pages 60-61 less a reduction of $102,422 for the adjustments described in Issue 44 related to economic development.

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

Type 1: The company agrees to maintain its existing annual storm damage accrual of $380,000 and its existing storm reserve target of $3.8 million without prejudice to its ability to seek relief pursuant to Section 25-7.0143(1)(j), Florida Administrative Code.

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

Type 2: The appropriate rate case expense is $2,778,647 and amortization period should be three years. This amount is a reduction from the $3,247,810 shown on MFR Schedule C-13.

REVENUE REQUIREMENTS

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

Type 1: The appropriate revenue expansion factor in this case is 74.0723 percent and the net operating income multiplier proposed in this case is 1.3500, as shown on MFR Schedule G-4, page 1.

XI. PENDING MOTIONS

On August 14, 2023, OPC filed a motion to provide a time certain for witness David Garrett to testify.

XII. PENDING CONFIDENTIALITY MATTERS

The following requests for confidential classification ("RCC") and combined requests for confidential classification and temporary protective order ("RCC/TPO") are currently pending:

Date Filed	Type	Subject Matter
3/03/2023	RCC	Staff's 1st Data Request (filed in Docket No. 20220212)
7/12/2023	RCC	Staff's June 5, 2023 Request for OPC discovery
8/08/2023	RCC/TPO	Staff's 7th POD (No. 27)
8/14/2023	RCC/TPO	Staff's 14th IRR (No. 174)
8/14/2023	RCC/TPO	Late Filed Exhibit Christian Richard
8/16/2023	RCC	OPC's 8th POD (No. 95)
8/16/2023	RCC/TPO	Deposition Transcript for Christian Richard (pages 29-30)
8/18/2023	RCC/TPO	Deposition Transcript for Lew Rutkin (page 16)
8/18/2023	RCC	OPC's 9th IRR (Nos. 96-97)
8/18/2023	RCC	OPC's 1st POD (No. 16), 1st IRR (No. 100), 10th IRR (Nos. 244-245)
8/21/2022	RCC/TPO	Second Supplemental Response to OPC's 4th IRRs (No. 209)
8/22/2022	RCC/TPO	Excel Workpapers Supporting Ex. RBP-2, Document No. 1

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 150 words, it must be reduced to no more than 150 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 50 pages and shall be filed at the same time.

XIV. RULINGS

On August 14, 2023, OPC filed a Motion to Provide a Time Certain for OPC Witness Garrett. Neither the utility nor FIPUG objected to the motion. At this time, a ruling on this motion has been reserved until the hearing.

On August 18, 2023, OPC filed a Motion and Notice of Intent to Seek Official Recognition. Neither the utility nor FIPUG objected to the Motion. OPC's motion is granted with the acknowledgement that this is non-precedential for any future dockets.

Opening statements, if any, shall not exceed ten minutes per party.

Witnesses will provide direct and rebuttal testimony, if any, at the same time.

Pursuant to the parties' agreement, Issue 73 is dropped.

It is therefore,

ORDERED by Commissioner Gabriella Passidomo, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Gabriella Passidomo, as Prehearing Officer, this 28th day of August, 2023.

Gabriella Passidomo
Commissioner and Prehearing Officer
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

MRT/RPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.