

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida City
Gas.

DOCKET NO. 20220069-GU

FILED: December 6, 2022

**FEDERAL EXECUTIVE AGENCIES' NOTICE OF SERVICE OF ERRATA TO THE
TESTIMONY AND EXHIBITS OF WITNESS CHRISTOPHER C. WALTERS**

Federal Executive Agencies hereby give notice of service of the attached Errata Sheet and Errata Exhibits to the Direct Testimony of Christopher C. Walters, originally filed on August 26, 2022.

Respectfully Submitted,

By: /s/ Marcus Duffy

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Attorney for Federal Executive Agencies

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CERTIFICATE OF SERVICE
Docket No. 20220069-GU

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail this 6th day of December, 2022 to the following:

Florida Public Service Commission Office of the General Counsel Matthew Jones Walter Trierweiler 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850 majones@psc.state.fl.us wtrierwe@psc.state.fl.us	Gunster Law Firm Beth Keating 215 South Monroe St., Suite 601 Tallahassee, FL 32301 (850) 521-1706 bkeating@gunster.com
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/s/ Rafael A. Franjul
Rafael A. Franjul
Paralegal for FEA

ERRATA SHEET

WITNESS: Christopher C. Walters

The following table contains the corrected errata in his direct testimony.

<u>Page</u>	<u>Line</u>	<u>Original</u>	<u>Revision</u>																																
43	23	beta is 0.58 and 0.59, respectively.	beta is 0.70 and 0.70, respectively.																																
49	14-16	The last set of three results presented are based on the proxy group's current S&P Global Market Intelligence beta of 0.58. The results of the CAPM based on these inputs range from 6.71% to 8.82%.	The last set of three results presented are based on the proxy group's current S&P Global Market Intelligence beta of 0.70. The results of the CAPM based on these inputs range from 7.34% to 9.80%.																																
50	1	<p style="text-align: center;">TABLE CCW-11</p> <p style="text-align: center;"><u>CAPM Results Summary</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Description</u></th> <th style="text-align: center;"><u>Current VL Beta</u></th> <th style="text-align: center;"><u>Historical VL Beta</u></th> <th style="text-align: center;"><u>Current MI Beta</u></th> </tr> </thead> <tbody> <tr> <td>D&P Normalized Method</td> <td style="text-align: center;">8.08%</td> <td style="text-align: center;">7.56%</td> <td style="text-align: center;">6.71%</td> </tr> <tr> <td>Risk Premium Method</td> <td style="text-align: center;">10.55%</td> <td style="text-align: center;">9.78%</td> <td style="text-align: center;">8.53%</td> </tr> <tr> <td>FERC DCF</td> <td style="text-align: center;">10.97%</td> <td style="text-align: center;">10.15%</td> <td style="text-align: center;">8.82%</td> </tr> </tbody> </table>	<u>Description</u>	<u>Current VL Beta</u>	<u>Historical VL Beta</u>	<u>Current MI Beta</u>	D&P Normalized Method	8.08%	7.56%	6.71%	Risk Premium Method	10.55%	9.78%	8.53%	FERC DCF	10.97%	10.15%	8.82%	<p style="text-align: center;">TABLE CCW-11</p> <p style="text-align: center;"><u>CAPM Results Summary</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Description</u></th> <th style="text-align: center;"><u>Current VL Beta</u></th> <th style="text-align: center;"><u>Historical VL Beta</u></th> <th style="text-align: center;"><u>Current MI Beta</u></th> </tr> </thead> <tbody> <tr> <td>D&P Normalized Method</td> <td style="text-align: center;">8.08%</td> <td style="text-align: center;">7.56%</td> <td style="text-align: center;">7.34%</td> </tr> <tr> <td>Risk Premium Method</td> <td style="text-align: center;">10.55%</td> <td style="text-align: center;">9.78%</td> <td style="text-align: center;">9.45%</td> </tr> <tr> <td>FERC DCF</td> <td style="text-align: center;">10.97%</td> <td style="text-align: center;">10.15%</td> <td style="text-align: center;">9.80%</td> </tr> </tbody> </table>	<u>Description</u>	<u>Current VL Beta</u>	<u>Historical VL Beta</u>	<u>Current MI Beta</u>	D&P Normalized Method	8.08%	7.56%	7.34%	Risk Premium Method	10.55%	9.78%	9.45%	FERC DCF	10.97%	10.15%	9.80%
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50	5	The average of my CAPM results is approximately 9.02%, while the median is 8.82%.	The average of my CAPM results is approximately 9.30%, while the median is 9.78%.																																
		In addition to the above table, please see the attached Errata Exhibit CCW-15, page 1 and Errata Exhibit CCW-16, page 1 which reflect the revisions described above.																																	

Florida City Gas

Beta

<u>Line</u>	<u>Company</u>	<u>Beta</u> ¹	S&P Global Market Intelligence <u>Beta</u> ²
1	Atmos Energy Corporation	0.80	0.68
2	New Jersey Resources Corporation	0.95	0.72
3	NiSource Inc.	0.85	0.73
4	Northwest Natural Holding Company	0.80	0.65
5	ONE Gas, Inc.	0.80	0.71
6	Spire Inc.	0.80	0.69
7	Average	0.83	0.70
8	Median	0.80	0.70
9	Historical Beta ³	0.74	

Source:

¹ *The Value Line Investment Survey*,
May 27, 2022.

² S&P Global Market Intelligence, betas for the period 7/8/2017 - 7/8/2022.

³ Exhibit CCW-15, page 2.

Florida City Gas

CAPM Return

<u>Line</u>	<u>Description</u>	Duff & Phelps	Risk Premium ³	Average
		Normalized ²	Derived	FERC
		<u>MRP</u>	<u>MRP</u>	S&P 500 DCF ⁴
		(1)	(2)	<u>MRP</u>
				(3)
Current Beta				
1	Risk-Free Rate ^{1,2}	3.50%	3.80%	3.80%
2	Market Risk Premium	5.50%	8.10%	8.60%
3	Beta ⁵	0.83	0.83	0.83
4	CAPM	8.08%	10.55%	10.97%
Historical Beta				
5	Risk-Free Rate ^{1,2}	3.50%	3.80%	3.80%
6	Market Risk Premium	5.50%	8.10%	8.60%
7	Beta ⁵	0.74	0.74	0.74
8	CAPM	7.56%	9.78%	10.15%
Current S&P Global Market Intelligence Beta				
9	Risk-Free Rate ^{1,2}	3.50%	3.80%	3.80%
10	Market Risk Premium	5.50%	8.10%	8.60%
11	Beta ⁵	0.70	0.70	0.70
12	CAPM	7.34%	9.45%	9.80%

Sources:

- ¹ *Kroll Increases U.S. Normalized Risk-Free Rate from 3.0% to 3.5%, but Spot 20-Year U.S. Treasury Yield Preferred When Higher.* June 16, 2022.
The Current 13-Wk Average 20-Yr Treasury Yield is 3.32%, Kroll Risk-Free Rate used in study.
- ² *Blue Chip Financial Forecasts*, July 1, 2022 at 2.
- ³ *Kroll 2022 SBBI Yearbook*, page 207.
- ⁴ Exhibit CCW-16, page 2.
- ⁵ Exhibit CCW-15, page 1.