

PEOPLES GAS SYSTEM
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 080318-GU

**In Re: Petition for rate increase
by Peoples Gas System**

**Submitted for Filing:
August 11, 2008**

**DIRECT TESTIMONY
AND EXHIBIT OF:**

**DONNA W. HOBKIRK
On Behalf of Peoples Gas System**

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Donna W. Hobkirk and my business address is 702 N.
3 Franklin Street, Tampa, Florida 33602.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Peoples Gas System ("Peoples" or the "Company") as
6 Manager, Plant Accounting, a position I have held with the Company
7 since December 2000.

8 **Q. PLEASE PROVIDE A BRIEF OUTLINE OF YOUR**
9 **EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.**

10 A. I graduated from the University of South Florida in 1993 with a Bachelor
11 of Arts degree in Accounting. I began my career with Tampa Electric
12 Company in 1981, and worked in a number of different positions and
13 departments before being transferred to Peoples' plant accounting
14 department in 1998.

15 **Q. AS MANAGER, PLANT ACCOUNTING, WHAT IS THE NATURE**
16 **OF YOUR DUTIES AND RESPONSIBILITIES?**

17 A. I am responsible for Plant Accounting's financial reporting, rate setting
18 and regulatory requirements. This includes, but is not limited to,
19 maintaining the Project, Construction & Retirement Work In Progress
20 (CWIP & RWIP) and Fixed Asset Management System (IntelliPlant), and
21 coordinating and monitoring plant accounting's monthly close. I am also
22 responsible for performing service life studies to ensure Company
23 depreciation rates conform to the mortality characteristics of plant assets.

24 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

25 A. The purpose of my testimony is to present and support certain schedules of

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1 the Minimum Filing Requirements ("MFRs") identified as Exhibit
2 ___(PGS-1) containing information on Peoples' utility plant for the 2007
3 historic base year, and other MFR schedules pertaining to projected utility
4 plant for 2008 and 2009, the projected test year.

5 **Q. HAVE YOU PREPARED OR CAUSED TO BE PREPARED ANY**
6 **EXHIBITS TO BE INTRODUCED IN THIS PROCEEDING?**

7 A. Yes. The MFR schedules listed in Exhibit___(DWH-1) were prepared by
8 me or under my supervision. Each schedule contains a general
9 explanation of what is called for and shown on the schedule.

10 **Q. FROM WHAT SOURCES DID YOU OBTAIN THE**
11 **INFORMATION SHOWN ON THE MFR SCHEDULES**
12 **PERTAINING TO THE 2007 HISTORIC BASE YEAR?**

13 A. The information shown on Schedules B-4, B-7, B-8, B-9, B-10 and B-12
14 was taken from the books and records of the Company, which are
15 maintained in accordance with Generally Accepted Accounting Principles.
16 Information shown on Schedules B-4, B-9 and B-10 required allocations
17 of the values of certain common plant properties to be made between
18 utility, or regulated, property and non-utility, or non-regulated property.
19 The non-utility portion of these assets was then excluded from the
20 Company's rate base for ratemaking purposes. The allocations are shown
21 on Schedules B-5 and B-11.

22 **Q. HOW WERE THE ALLOCATIONS BETWEEN UTILITY AND**
23 **NON-UTILITY ASSETS MADE?**

24 A. Accounts 374 (Land), 375 (Structures and Improvements-Distribution)
25 and 390 (Structures and Improvements-General) were allocated based on

1 the square footage percentage of non-utilized property. Accounts 303.01
2 (Customized Software) and 391.01 (Computer Equipment) are dependent
3 upon, and were allocated based on, a combination of invoice count,
4 number of transactions, number of bills and number of assets processed
5 related to non-utility.

6 **Q. DO THE ALLOCATIONS OF ASSETS PORTRAYED ON**
7 **SCHEDULE B-5 REQUIRE CORRESPONDING ALLOCATIONS**
8 **OF ANY EXPENSES BETWEEN UTILITY AND NON-UTILITY?**

9 A. Yes, the allocations of various items of common plant between utility and
10 non-utility require corresponding allocations of the depreciation expense
11 associated with the plant items, and the associated depreciation reserve
12 balances, between utility and non-utility expense. The non-utility expense
13 is then excluded for ratemaking purposes. Those allocations are shown on
14 MFR Schedule C-19.

15 **Q. WHAT ADJUSTMENTS, IF ANY, ARE INCLUDED ON THE**
16 **HISTORIC BASE YEAR SCHEDULES YOU HAVE IDENTIFIED?**

17 A. Utility property for Account 303.01 (Customized Software) and Account
18 391.01 (Computer Equipment) have been adjusted by .5% and .1%,
19 respectively due to usage of assets related to non-utility transactions.
20 Account 374 (Land & Land Rights) and Accounts 375 & 390 (Structures
21 & Improvements) have been adjusted 8%, 1.8% and 57.2%, respectively
22 for non-use of utility property. The corresponding reserve and expense for
23 these accounts have been adjusted as well.

24 **Q. HOW IS THE DEPRECIATION EXPENSE FOR PEOPLES'**
25 **DEPRECIABLE PROPERTY DETERMINED?**

1 A. Depreciation expense is calculated based on average monthly plant in
2 service and using depreciation rates ordered by the Commission as a result
3 of Peoples' last depreciation study in Docket No. 060496-GU.

4 **Q. WHAT IMPACT DID THE DEPRECIATION RATES ORDERED**
5 **BY THE COMMISSION IN THAT DOCKET HAVE ON THE**
6 **COMPANY'S DEPRECIATION EXPENSE?**

7 A. As a result of the Commission's Order No. PSC-07-0125-PAA-GU,
8 Peoples' depreciation expense was increased by approximately \$2 million
9 per year.

10 **Q. WHAT IS SHOWN ON SCHEDULE G-1, PAGES 9 THROUGH 22,**
11 **RELATING TO 2008, OR THE HISTORIC BASE YEAR PLUS 1,**
12 **AND 2009, THE PROJECTED TEST YEAR?**

13 A. These schedules represent a roll forward of the historic base year ending
14 balances and incorporate projected capital expenditures and retirements
15 for years 2008 and 2009. For both 2008 and the projected test year,
16 projected retirements were based on actual historical trends, adjusted for
17 known or reasonably foreseeable events.

18 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

19 A. As Peoples' Manager, Plant Accounting, the MFR schedules which were
20 prepared by me or under my supervision contain information on Peoples'
21 utility plant for the historic base year of 2007, 2008 and the 2009 projected
22 test year. Those schedules also exclude from rate base the non-utility
23 portion of items of plant which are used for both utility and non-utility
24 purposes, and make corresponding allocations of the depreciation expense
25 and depreciation reserves associated with such common plant items

1 between utility and non-utility. The non-utility portion has been excluded
2 for ratemaking purposes.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A. Yes, it does.**

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**MFR SCHEDULES SPONSORED BY
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DONNA W. HOBKIRK**

<u>MFR Schedule No. (page)</u>	<u>Title</u>
B-4	Monthly Utility Plant Balances Historic Base Year – 13 Months
B-5	Allocation of Common Plant
B-5	Detail of Common Plant
B-7	Property Held for Future Use - 13 Month Average
B-7	Property Held for Future Use - Details
B-8	Construction Work in Progress
B-9	Depreciation Reserve Balances
B-10	Amortization/Recovery Reserve Balances
B-11	Allocation of Depreciation/Amort. Reserve – Common Plant
B-12	Customer Advances for Construction
B-16	Additional Rate Base Components
C-16	Gains and Losses on Disposition of Plant or Property
C-17	Monthly Depreciation Expense for Historic Base Year – 12 Months
C-18	Amort./Recovery Schedule for Historic Base Year – 12 Months
C-19	Allocation of Depreciation/Amort. Expense – Common Plant
G-1 (9)	Historic Base Year + 1 – 13-Month Average Utility Plant
G-1 (10)	Projected Test Year – 13-Month Average Utility Plant
G-1 (11)	Historic Base Year + 1 – Depreciation Reserve Balances
G-1 (12)	Projected Test Year – Depreciation Reserve Balances
G-1 (13)	Historic Base Year + 1 – Amortization Reserve Balances
G-1 (14)	Projected Test Year – Amortization Reserve Balances
G-1 (15)	Historic Base Year + 1 – Allocation of Common Plant
G-1 (16a – 16d)	Historic Base Year + 1 - Allocation of Common Plant – Detail
G-1 (17)	Historic Base Year + 1 – Allocation of Common Plant – Detail
G-1 (18)	Projected Test Year – Allocation of Common Plant
G-1 (19a – 19d)	Projected Test Year – Allocation of Common Plant – Detail
G-1 (20)	Projected Test Year – Allocation of Common Plant – Detail
G-1 (21)	Historic Base Year + 1 – Alloc. of Deprec./Amort. Reserve – Common Plant

**MFR SCHEDULES SPONSORED
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(continued)**

<u>MFR Schedule No. (page)</u>	<u>Title</u>
G-1 (22)	Projected Test Year - Alloc. of Deprec./Amort. Reserve - Common Plant
G-1 (25)	Historic Base Year + 1 - Monthly Plant Retirements
G-1 (28)	Projected Test Year - Monthly Plant Retirements
G-2 (20)	Historic Base Year + 1 - Depreciation/Amortization Expense
G-2 (21)	Historic Base Year + 1 - Amortization Expense Detail
G-2 (22)	Historic Base Year + 1 - Allocation of Deprec./Amort. Expense
G-2 (23)	Projected Test Year - Depreciation/Amortization Expense
G-2 (24)	Projected Test Year - Amortization Expense Detail
G-2 (25)	Projected Test Year - Allocation of Deprec./Amort. Expense
G-6	Projected Test Year - Major Assumptions
I-4	Vehicle Allocation