

**BEFORE THE**

**FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 20230023-GU**

**IN RE: PETITION FOR RATE INCREASE**

**BY PEOPLES GAS SYSTEM, INC.**

**PREPARED DIRECT TESTIMONY AND EXHIBIT**

**OF**

**TIMOTHY O’CONNOR**

**TABLE OF CONTENTS**

**PREPARED DIRECT TESTIMONY AND EXHIBIT**

**OF**

**TIMOTHY O’CONNOR**

[POSITION, QUALIFICATIONS, AND PURPOSE 1](#_Toc130987118)

[GAS OPERATIONS 5](#_Toc130987119)

[SAFETY OPERATIONS 20](#_Toc130987120)

[EXTERNAL FORCES AND THE EVOLUTION OF GAS OPERATIONS 25](#_Toc130987121)

[GROWTH OF FLORIDA 25](#_Toc130987122)

[CHALLENGING LABOR MARKETS 32](#_Toc130987123)

[Recruitment, Training and Retention 33](#_Toc130987124)

[Competitive Compensation 34](#_Toc130987125)

[Use of Contractors 35](#_Toc130987126)

[SAFETY COMPLIANCE 36](#_Toc130987127)

[DAMAGE PREVENTION 41](#_Toc130987128)

[SUSTAINABILITY OPPORTUNITIES 44](#_Toc130987129)

[GAS OPERATIONS CAPITAL PROJECTS 45](#_Toc130987130)

[OPERATIONS AND MAINTENANCE EXPENSES 50](#_Toc130987131)

[OTHER TOPICS: 53](#_Toc130987132)

[Work and Asset Management 53](#_Toc130987133)

[Advanced Metering Infrastructure 57](#_Toc130987134)

[Economic Development Expenses 60](#_Toc130987135)

[MFR Schedules 61](#_Toc130987136)

[SUMMARY 63](#_Toc130987137)

[EXHIBIT 65](#_Toc130987138)

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**PREPARED DIRECT TESTIMONY**

**OF**

**TIMOTHY O’CONNOR**

POSITION, QUALIFICATIONS, AND PURPOSE

**Q.** Please state your name, address, occupation, and employer.

**A.** My name is Timothy O’Connor. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Peoples Gas System, Inc. (“Peoples” or the “company”) as Vice President, Operations, Sustainability and External Affairs.

**Q.** Please describe your duties and responsibilities in that position.

**A.** I am responsible for all aspects of utility operations (“Gas Operations”) for Peoples, which consists of the following areas: gas operations, sustainable operations, business operations support (“BOSS”), technical training, and external affairs. I lead the team of people who operate and maintain our transmission and distribution assets across the company’s 14 service areas. My duties include overseeing the preparation of my area’s capital and operating budgets and planning and directing the company’s operations and maintenance activities to promote the delivery of safe, efficient, and reliable natural gas services to our customers. My duties also include overseeing the newest form of sustainable energy in Florida, which is renewable natural gas (“RNG”). Gas Operations’ staffing includes technicians and other functional roles dedicated to customer service, distribution maintenance, meter reading, locating, compliance, and leak surveying, among other responsibilities. I work closely with our Pipeline Safety and Engineering and Construction teams. I am responsible for the safety, training, and evaluation of our Operations team members and external affairs team members.

**Q.** Please summarize your educational background and business experience.

**A.** I earned Bachelor of Science degrees in Finance and Economics from New York University and a Master of Business Administration degree from Fordham University.

I began my career in the energy industry in 2006 when I joined Emera Maine (formerly Bangor Hydro-Electric Company), and thereafter held numerous positions of increasing responsibility in Accounting, Strategy Development, and Business Development with other subsidiaries of Emera Incorporated (“Emera”).

I joined Peoples in November 2016 as Vice President of Business Development, became the Director of Operations in January 2021, and assumed my current role in January 2022.

**Q.** What are the purposes of your prepared direct testimony in this proceeding?

**A.** The purposes of my direct testimony are to:

(1) describe the functions of the company’s Gas Operations and the factors influencing that part of the business.

(2) describe our Pipeline Safety team and compliance activities.

(3) explain what Peoples is doing to improve and evolve Gas Operations with changing conditions.

(4) detail how the company invests capital in Gas Operations to promote safe, efficient, and reliable service to our customers.

(5) demonstrate that the company’s proposed levels of operations and maintenance (“O&M”) expenses for Gas Operations and Pipeline Safety for the 2024 projected test year are reasonable and prudent.

(6) summarize the company’s activities and plans to promote sustainability.

I will also explain the company’s plans for a Work and Asset Management (“WAM”) platform, our proposals to begin an Advanced Metering Infrastructure (“AMI”) pilot, and to recover economic development expenses in accordance with Florida Administrative Code (“FAC”) Rule 25-7.042, and I will present information supporting MFR schedule Nos. I-1, I-2, and I-3.

**Q.** Did you prepare an exhibit to support your prepared direct testimony?

**A.** Yes. Exhibit No. TO-1, entitled “Exhibit of Timothy O’Connor”, was prepared under my direction and supervision, and accompanies my prepared direct testimony. My exhibit consists of these four documents entitled:

Document No. 1 List of Minimum Filing Requirements (“MFR”) Sponsored or Co-Sponsored by Timothy O’Connor

Document No. 2 Map of Peoples’ Operations Service Areas

Document No. 3 Reliability, Resiliency, and Efficiency (“RRE”) Project’s Actual and Projected Capital Expenditures by Type

Document No. 4 Customer Growth by Service Area

The contents of my exhibit were derived from the business records of the company and are true and correct to the best of my information and belief.

**GAS OPERATIONS**

**Q.** Please describe the company’s Gas Operations and the basic operating functions performed.

**A.** Peoples currently serves over 470,000 customers in 39 counties across Florida. The company’s Gas Operations team serves customers in three territories (North, Central and South) divided into 14 service areas. A map showing these territories and service areas is included as Document No. 2 of my exhibit.

Gas Operations has four basic operating functions: (1) customer service; (2) distribution maintenance; (3) damage prevention and emergency response; and (4) compliance. Safety considerations permeate all functions the company performs and will be discussed later in my direct testimony.

**Q.** What customer service functions does Gas Operations perform?

**A.** The company’s commitment to exceptional customer service is second only to its commitment to safety. Members of Gas Operations perform all customer service field activities, including installing new meters, meter changeouts, meter reading, meter investigations, account turn-ons, account turn-offs, dunning disconnects, dunning reconnects, and meter and other trouble investigations. Our field personnel often interact personally with our customers as our field activities require us to interact with home and business owners. Although electric utilities are increasingly digital and remote, our gas field activities require our technicians to be on-site to serve our customers. Peoples is proud to do this and value this opportunity to interact directly with our customers.

**Q.** Please explain the distribution maintenance activities performed by Gas Operations.

**A.** Gas Operations is responsible for the safe and efficient operation and maintenance of the company’s gas distribution system, which consists of gas mains, laterals, and service lines, and equipment such as meters, regulators, and pressure monitoring equipment. Gas Operations performs routine pipeline and meter maintenance, and monitors and maintains system integrity. Activities include: leak repair, equipment replacement, cathodic protection, valve maintenance, valve relocation related to road construction, regulator and meter replacement on large volume meter installations, cleaning and painting above ground facilities, adjusting pipe clearances for construction by others, and various other items.

**Q.** What damage prevention and gas emergency response functions are performed by Gas Operations?

**A.** Peoples’ transmission and distribution systems operate and serve customers across the major metropolitan areas of Florida and are buried in rights-of-way, easements, and private property. The significant amount of new commercial and residential development in Florida involves equally significant excavation activity to build and expand roads and other infrastructure. Gas Operations is responsible for locating our system infrastructure related to this excavation activity. For 2022, this represented a significant volume of “locates” of over 600,000 tickets submitted through the Sunshine State One Call 811 System (“Sunshine 811 System”). Gas Operations is also responsible for emergency response due to damages to our pipeline system caused by excavation activities, regardless of whether the company was called through the Sunshine 811 System beforehand or not. For 2022, this represented nearly 1,800 damages requiring emergency response. Both the volume of locates and emergency responses are significant non-discretionary work requirements for our team. Later in my direct testimony, I will demonstrate the considerable efforts Peoples has made to reduce the number of damaged facilities and to improve public safety surrounding damage prevention activities.

**Q.** What pipeline safety compliance activities are performed by the Gas Operations team?

**A.** Peoples is subject to pipeline safety regulations promulgated by the federal government and the State of Florida. The most significant compliance requirements are contained in regulations adopted by the Transportation Administration and the Pipeline and Hazardous Materials Safety Administration (“PHMSA”). These compliance requirements for local distribution companies (”LDCs”) transporting natural gas include regulations on integrity management, incident management and communications, engineering design, operator qualifications, pipeline inspections and testing, records retention, and others.

The Gas Operations team performs many activities to comply with these federal and state requirements including leak and atmospheric corrosion surveys, continuing surveillance surveys, cathodic protection, odorant tests, and regulator, valve, and meter inspections. These activities also require significant records management. The Gas Operations team members perform hundreds of thousands of compliance inspection schedules annually.

**Q.** What work is performed by the Gas Operations Technical Training team?

**A.** The Gas Operations Technical Training (“Technical Training”) team is responsible for providing apprentices and experienced utility technicians with PHMSA required operator qualification (“OQ”) training and testing, which ensures that Gas Operations team members are competent to perform specific natural gas-related tasks. The frequency of required task-level training depends on the complexity and associated hazards of the task and ranges from annually to triennially. The instruction provided by the Technical Training team addresses the 52 covered tasks needed so technicians can comply with operator qualifications associated with their job duties. In addition to the covered tasks, there are 68 tasks not covered by the Apprentice program but are administered by the OQ coordinators for our teams.

Peoples uses our company-run training center, a simulated community with a fully functional natural gas system called GasWorX, and a standardized training program with classroom instruction and field experience to train all apprentices.

New hires begin as apprentices and progress through six levels of classroom and field study to attain operator qualifications. This career development program is a talent attraction tool for new team members to learn and develop critical skills and contribute to the safe and reliable operation of our system. Training a team member so he or she can respond to all gas system operational needs (i.e., be “on-call”), takes a minimum of approximately 18 months.

Training our team members does not stop when they achieve operator status. Our Gas Operations team members undergo routine, periodic training to reinforce our safe work practices, and learn about how to use new technology and comply with new safety and damage prevention requirements.

The Technical Training team currently consists of one manager, two supervisors and six trainers.

**Q.** How does the BOSS team support the activities of Gas Operations and the company?

**A.** The BOSS team supports Gas Operations and serves as the interface with our Customer Experience team that is shared with Tampa Electric. The responsibilities of the BOSS team are to manage the Gas Operations requirements resulting from our customer service, billing, and credit and collections activities. This includes meter reading, meter management, collections, customer follow-ups, service dispatching, data analytics and reporting, and other operational controls. Through the BOSS team, Peoples is able to standardize Operations’ practices across all 14 service areas and effectively interface with Customer Experience.

The company also has a Centralized Dispatch team that is included within the BOSS team. This team is responsible for the scheduling, planning, and dispatching of service work to all 14 service areas. This centralized function benefits customers by providing a dedicated focus to the customer, consistent dispatch and processing of work assignments, and knowledge of each customer’s usage and activities.

The BOSS team currently consists of one manager, two supervisors, 10 dispatchers and four customer specialists.

**Q.** What are the responsibilities of the Sustainable Operations team in Gas Operations?

**A.** The Sustainable Operations team in Gas Operations supports our existing and planned RNG facilities as part of Peoples’ overall operations. RNG is an emerging, important business segment and represents a different operational profile than our conventional pipeline system. The company utilizes contractors to design, construct, and operate these facilities. The Sustainable Operations team is responsible for managing these outside resources to meet our safety, compliance, maintenance, and operational requirements for these sustainable assets. The team is also responsible for coordinating with Peoples’ gas supply and business development, engineering and construction, safety, and other teams. The company anticipates three RNG facilities will be online and operational in 2023. Although Peoples’ obligations and commitments are different for each project and with each counterparty, we have responsibilities to ensure the gas quality meets appropriate pipeline standards and that the RNG facility and pipeline equipment are operating appropriately.

The Sustainable Operations group is a new team established in 2021 and consists of three team members.

**Q.** What functions does the company’s external affairs group perform?

**A.** The external affairs group is responsible for maintaining the company’s relationships with local governments, community groups, trade associations, and non-profits.The external affairs group reports to me and supports Gas Operations and other parts of the company by managing a wide range of relationships, opportunities, and issues.

As of 2023, the company has 119 franchise agreements with various cities, towns, and municipalities that are managed by this team. This team is also actively engaged with nearly 100 economic development organizations, chambers, non-profits, associations, and Boards of Directors in numerous counties and regions to support future growth across Florida. As the largest LDC in Florida, this team leads the company’s engagement in natural gas industry groups and associations such as the American Gas Association (“AGA”), the Southern Gas Association (“SGA”) and the Florida Natural Gas Association (“FNGA”) to facilitate industry and peer best practices and communications. Covering five defined regions of Florida (North Florida, Central Florida, Tampa Bay, Southwest Florida & Southeast Florida), this team maintains relationships with key stakeholders, political office holders, and customers. In storm situations, the external affairs team participates as members of the Emergency Operations Centers (“EOCs”), where they provide updates to and assist key stakeholders and communities with our team’s preparation and response to a significant event.

Lastly, the external affairs team educates and advocates for natural gas and our customers across the state. They are often the first in our organization to learn of emerging issues, opportunities, and challenges and to effectively communicate externally and internally to best position the company.

In 2021, the company moved resources from a shared service basis with Tampa Electric and formed a dedicated team for Peoples. Creating a dedicated and geographically diverse external affairs team focused on Peoples, its customers, and the communities it serves is part of the evolution of the company described by company witness Helen J. Wesley’s direct testimony.

**Q.** Please describe how many team members work in Gas Operations.

**A.** As of December 31, 2022, the Gas Operations Organization, including External Affairs, employed 401 team members. Peoples employs 100, 142, and 125 team members, respectively, in our North, Central, and South Territories which are split into 14 service areas. They provide gas service to approximately 138,000, 172,000, and 158,000 customers in those areas, respectively. The company’s Gas Operations organization employs nine team members in its Technical Training team, 16 in Business Operations Support, three in Sustainable Operations and six in External Affairs.

**Q.** Does Gas Operations use contractor resources to supplement the work done by employed team members?

**A.** Yes. Given our team’s obligation to safely operate our pipeline system and provide the aforementioned customer service, distribution maintenance, damage prevention and emergency response and compliance activities, contractors are used to supplement our internal resources. Our approach is dependent on workload volumes and needs, availability of contractors and cost. Later in my direct testimony, I will explain how the company uses contractors to support Gas Operations and how the recent challenging labor market conditions have influenced the company’s use of contractors in Gas Operations.

**Q.** How has Peoples performed in Gas Operations?

**A.** Peoples is proud of our record. Our team members provide safe, reliable, and affordable service to our customers each day and with industry-leading performance. Peoples’ witness Karen K. Sparkman will testify regarding Peoples’ leading customer service over the last decade, as exemplified by its J.D. Power top ranking for residential customer overall satisfaction in the South Midsize segment for the past 10 years. Our continual focus on serving our customers shows how well our Gas Operations team members are performing.

**Q.** How did Peoples perform in responding to the service areas impacted by Hurricane Ian?

**A.** Emergency Preparedness and Response is a key function of the utility to provide safe and reliable service through life safety, incident stabilization, and property conservation. In 2022, Hurricane Ian tested the organization’s capabilities when it made landfall on September 28th as a Category Four hurricane through Charlotte Harbor, on the line between Peoples’ Sarasota and Ft. Myers service areas.

The company’s response started well ahead of landfall. Starting five days before landfall, the company activated Incident Command and initiated checklists for preparedness and response. The company’s preparedness effort includes customer relationship management; safety management; system response and upstream supply; declaration of extraordinary circumstances; logistics, mutual aid disclosures; contractor preparedness; Peoples’ resource management; excavations; mobilization of support staff and Incident Management Teams; and site preparation of critical facilities and construction sites.

Per Peoples’ training and procedures, the company’s response started with assessments, mobilizing resources, and logistical support as soon as it was safe to begin those activities. Over the next two weeks, the Damage Assessment teams completed approximately 28,000 damage assessments and 10 bridge crossings, over 1,200 miles of main were evaluated with the MobileGuard Mobile Leak Survey, and approximately 90 emergency leaks were repaired while Logistics, Planning, and Finance teams worked to support the staff and operations.

Once the assessments and immediate repairs were completed, the company began demobilization.  During this extensive effort, there were zero at-fault accidents or injuries of Peoples’ team members and zero pipeline safety incidents. The system showed resiliency, and after the Incident Support team demobilized, the company’s efforts continued through the public awareness plan to support damage prevention, construction, and operations to continue to recover.

Consistent with the Peoples’ Pipeline Safety Management System and Emergency Preparedness Plan, the company completed an after-action review once normal operations were resumed. The company is actively incorporating lessons learned into the business to enhance an already robust emergency response capability. The incremental costs associated with Peoples' response to Hurricane Ian are shown in Document No. 7 of company witness Rachel B. Parsons’ direct testimony and exhibit.

**Q.** How did the Fort Myers system perform during and after Hurricane Ian?

**A.** Given that Hurricane Ian was a Category 4 hurricane, Peoples prepared for extensive damage to the area where the storm had the potential to impact our pipeline system. During such a storm, damage to buildings can rip our equipment out of place, uprooted trees can hit our pipelines, water and flooding can potentially immerse our infrastructure, and during recovery, electric power pole repair and other excavation can damage lines.

Hurricane Ian demonstrated the resilience of Peoples’ system. At the peak, the company had approximately 700 customers without service, but many were not at their residences or businesses. Within two weeks, the company had restored most customers who were able to receive service and, for some areas like Fort Myers Beach, our teams were ready to resume service once the local infrastructure was back in place. Furthermore, there were many customers who had home generation fueled by natural gas that were able to maintain hot water and cook food while they waited for the local electric companies to restore power.

**Q.** Given the increasing number of customers, compliance and customer service levels, does Peoples require additional team members to meet expected work requirements?

**A.** Yes. For all the areas of Gas Operations previously detailed, additional resources are required to meet future work requirements and to maintain safe and reliable operations to serve our customers. As shown on MFR schedule G-2, pages 19c-19e, this amounts to 38 additional positions in 2023 and 36 additional positions in 2024, many of which are replacements for vacant positions. As I will discuss later in my direct testimony, these new positions are needed to perform the incremental level of work activities driven by Florida’s remarkable growth, and to comply with increasingly stringent compliance requirements and evolving risks across pipeline safety, damage prevention and emergency management.

SAFETY OPERATIONS

**Q.** What role does safety play at Peoples?

**A.** The safety of Peoples’ team members, contractors, customers, and the public is paramount. The company seeks to set the standard for LDCs in Florida and beyond. As the largest gas utility in Florida, we seek to lead by example with safe and reliable operations and a sharp focus on customer service. Peoples expects its contractors to follow the company’s safety and customer service standards and devotes resources to ensure that they do.

Peoples’ goal is to prevent all serious injuries related to our business considering our customers, the public, our team members, and contractors. We pursue this goal by strict adherence to the industry standard Pipeline Safety Management System (“PSMS”) approach established by American Petroleum Institute's Recommend Practice 1173.

The PSMS has 10 key elements that define essential requirements for a complete safety program that are risk based and leadership driven. Peoples began implementation of PSMS in 2016 and continues to develop its systems, processes, and culture around PSMS, through a “Plan, Do, Check and Act” cycle. Implementing the PSMS involves a concerted team effort by our team members and outside service providers.

**Q.** Please describe the company’s Pipeline Safety team.

**A.** The company’s safety teams operate under the leadership of the company’s Vice President of Pipeline Safety and Regulatory Affairs. Pipeline Safety is included in my direct testimony because that team works seamlessly with Gas Operations, and I am personally familiar with the company’s safety programs and activities.

The Safety Operations team has two groups. The first focuses on environmental safety and compliance, contractor safety, and Occupational Safety and Health Administration (“OSHA”) workplace safety. The second focuses on damage prevention and public awareness, pipeline safety compliance, and emergency management.

**Q.** Please describe how many team members work in Safety Operations.

**A.** At the end of 2022, Safety Operations consisted of a total of 35 team members.

**Q.** What safety regulations impact how Peoples conducts business?

**A.** As an LDC, Peoples is subject to federal and state regulations to promote the safety and reliability of the transportation of natural gas for our customers.

The PHMSA, which is part of the United States Department of Transportation, develops and enforces regulations for the safe, reliable, and environmentally sound operation of America’s 2.6 million miles of gas pipeline and the nearly 1.0 million daily shipments of hazardous materials by land, sea, and air.

The Florida Public Service Commission (“Commission”) annually inspects Peoples’ compliance with the requirements under 49 C.F.R. § 191 and 192 and Chapter 25-12 of the Florida Administrative Code.

As an employer, Peoples is subject to workplace safety regulations imposed by OSHA, and environmental regulations enacted by federal and state environmental regulatory agencies.

The company understands that following applicable safety and other regulations is one of its fundamental obligations and works diligently to meet and exceed the compliance requirements under these laws.

**Q.** In general, how do these regulations and compliance requirements influence the company’s costs of doing business?

**A.** While complying with federal and state safety including damage prevention and other regulations which promote the safety of our customers and the public, these compliance requirements affect the company’s costs to construct assets and its level of O&M expenses.

Regulations may specify that the company install new pieces of equipment or design and construct facilities to a certain standard. On the O&M side, Peoples begins dedicating resources to federal and state compliance as soon as new rules or rule amendments are noticed for adoption. Peoples monitors rule development and amendment activity to assess their potential impacts on the company’s gas system and operations, and to provide input as appropriate so the costs and benefits of new rules and rule amendments to its customers are properly considered.

For example, a recent Rupture Mitigation Valve (“RMV”) Rule requires process improvements over the entire lifecycle of the pipeline. The RMV rule was issued April 4, 2022 and became effective October 5, 2022. It requires new capital assets (valves and telemetry) to be designed and installed for pipeline facilities fitting certain PHMSA criteria. The RMV rule also imposes requirements for construction standards and how valves and telemetry must be operated and maintained. This federal rule change is compelling Peoples to update its design and construction standards, operation and maintenance practices, gas control room procedures, testing protocols, and training programs.

Peoples considers this safety compliance work to be important and valuable in the pursuit of safety, but it does increase the costs the company incurs to construct, operate, and maintain its distribution system.

**Q.** How has Peoples performed in the safety area?

**A.** Peoples is proud of its safety record.

The company’s OSHA injury rate for team members and contractors is an industry low. Its OSHA incident rate declined from 1.22 in 2020 to 1.13 in 2022. Its avoidable vehicle incident rate declined from 2.26 in 2020 to 1.84 in 2022.

Peoples was awarded the Industry Leader Accident Prevention Award from the American Gas Association for a “DART” (days away, restricted, or transferred) incidence rate below the industry average in 2022.

Peoples received Gold Shovel Standard Certification for its use of underground damage prevention best practices and has required the same of its strategic partners. The company continues to have excellent PHMSA compliance results.

EXTERNAL FORCES AND THE EVOLUTION OF GAS OPERATIONS

**Q.** What external forces are significantly influencing the activities of Gas Operations?

**A.**  The major forces influencing the activities of Gas Operations are: (1) the remarkable population growth of Florida, (2) the challenging market dynamics for internal and external labor, (3) increasing safety compliance obligations, (4) increasing damage prevention activities, and (5) growing customer demand for, and opportunities to support, compressed natural gas (“CNG”), liquefied natural gas (“LNG”), and RNG customers.

GROWTH OF FLORIDA

**Q.** How does Peoples describe the recent growth of Florida?

**A.** As noted by witness Wesley and supported by company witness Dr. Richard K. Harper, Florida’s growth has been remarkable, especially over the past few years. Florida’s population growth means more new home construction; more hotels, hospitals, stores, and restaurants; new and expanded roads and other construction; and more gas-fired electricity generation. As Florida grows, Peoples must invest in new mains, laterals, service lines, and meters; hire team members to operate and maintain a growing system; and spend money building, upgrading, and moving the company’s gas distribution infrastructure to accommodate Florida’s growth and construction.

**Q.** What impact has the recent growth of Florida had on the company’s Gas Operations?

**A.** Florida’s growth is providing Peoples the opportunity to serve more customers and grow the size of the distribution system and resources we use to serve them. As our system expands, the company must increase the resources we spend on safety compliance and the different functions performed by Gas Operations. It also has increased the work that must be done to accommodate third-party construction activities such as new residential and commercial construction and road construction. Identifying the location of our gas infrastructure before building contractors, road contractors and landowners dig is an important and growing part of the work done in Gas Operations.

**Q.** Has Florida grown uniformly across Peoples’ service area?

**A.** No. The percentage of customer growth by service area as provided in Document No. 4 of my exhibit, showcases the remarkable growth of Florida. For 2021 and 2022 respectively, Jacksonville has grown 12.9 percent and 11.9 percent; Southwest Florida has grown 11.6 percent and 12.1 percent; and Sarasota has grown 8 percent and 8.4 percent. For those three service areas, the overall growth for 2018-2022 has been 57.9 percent, 53.7 percent, and 35.2 percent. These percentage increases underscore our higher growth areas. The company continues to see growth in other service areas, but not at the same levels as illustrated above. Dade-Broward, Tampa and Orlando represent three of our largest service areas. For 2021 and 2022 respectively, Dade Broward has grown 1.1 percent and 0.7 percent, Tampa has grown 3.1 percent and 2.7 percent, and Orlando has grown 2.6 percent and 2.1 percent. For those three service areas, the overall growth for 2018-2022 has been 3 percent, 12.9 percent, and 9.5 percent, respectively.

**Q.** Do you have data that reflects the impact of Florida’s growth on Gas Operations?

**A.** Since 2020, Gas Operations is experiencing an increased workload in all areas, which I have highlighted in key areas below:

(1) Customer growth has increased from 425,990 customers at the end of 2020 to 467,975 at the end of 2022 and is expected to be 496,812 by the end of 2024. This increase of 70,822 customers in this time frame drives higher customer service volumes to Gas Operations. Our teams have more customers to serve which can include new meter sets, meter reading, maintenance and investigations, leak responses, customer inquiries, meter compliance requirements and all activities required to serve our customers and operate the system safely and properly.

(2) In 2020, the company’s distribution system consisted of approximately 14,175 miles of mains. Those numbers increased to approximately 14,880 by the end of 2022 and are expected to grow to 15,494 by the end of 2024.

(3) Locate ticket requests have increased from approximately 535,000 at the end of 2020 to approximately 618,000 at the end of 2022 and are expected to exceed 700,000 by the end of 2024. This increase of over 50,000 tickets annually in this time frame drives higher locate activity in every service area. The Sunshine 811 System process requires Peoples to respond to locate tickets within two business days. Coupled with the remarkable business, roadway and construction growth in Florida, the volume of locate tickets is a significant resource driver to Peoples. Furthermore, the expected infrastructure investments for Florida related to the Inflation Reduction Act will add to this already high growth environment.

(4) Damages to the distribution system have increased from 1,500 at the end of 2020 to 1,800 at the end of 2022 and are expected to be 2,000 by the end of 2024. This increase of approximately 100 damages each year in this time frame drives higher emergency response activity in each service area. With our ever-expanding geographic service area to cover, responding to damages quickly is becoming more challenging without more resources. The emergency response time percentage under 60 minutes was 98.5 percent at the end of 2020, 98 percent at the end of 2021 and 98 percent at the end of 2022. The general industry standard is no less than 98.5 percent. The increase in damages, the greater mileage to cover per technician, and the impact of Florida’s population growth on traffic and roads is slowing our response times. Given where some team members live within a service area, it is sometimes physically impossible to safely travel to a damaged line in under 60 minutes. Lastly, given that a technician must be prepared for any situation in an emergency response scenario, only fully trained, operationally qualified team members are on-call and able to respond. In other words, a new apprentice will not have the adequate training necessary to respond to emergency scenarios and as a result are unable to immediately contribute to the growing emergency response resourcing need related to damages.

**Q.** How is Gas Operations responding to this growing level of work activity?

**A.** Due to our growing customer base and increased compliance, locate, emergency response and other operational needs, Gas Operations is increasing our trained workforce while selectively engaging contractors. Through this process, Peoples is also actively working to ensure we have qualified personnel available in locations to meet the 60 minutes response time.

Total headcount in Gas Operations at the end of 2022 was 395. For 2021 and 2022, total headcount was 360 and 395, respectively. For 2023 through 2024, the total headcount is expected to be 433 and 466, respectively. Including budgeted vacancy allowances of five percent, the net headcount reflected in the 2023 and 2024 budgets is expected to be 413 and 445, respectively. MFR schedule G-2, pages 19c-19e shows the position breakdown for 2023 and 2024 for these increases.

In 2023, 39 total new positions are planned, not including any vacancy assumption:

(1) 32 positions are planned for various field personnel – supervisors, utility technicians, line locators, apprentices, corrosion technicians and utility coordinators,

(2) six positions are planned for dispatchers and support specialists within the BOSS team, and

(3) one position is planned for an external affairs analyst.

For budgeting purposes, a five percent vacancy assumption was used on the total 39 positions planned, thereby reducing the total 2023 planned positions to a net of 37.

In 2024, 33 total new positions are planned, not including any vacancy assumption:

(1) 30 positions are planned for various field personnel – supervisors, utility technicians, line locators, apprentices, corrosion technicians and utility coordinators,

(2) Two positions are planned for technical trainers, and

(3) One position is planned for a damage prevention supervisor.

For budgeting purposes, a five percent vacancy assumption was used on the total 33 positions planned, thereby reducing the total 2024 planned positions to a net of 31.

CHALLENGING LABOR MARKETS

**Q.** Have you found it challenging to meet the internal and external labor needs for Gas Operations?

**A.** Yes. Since 2020, the labor market in Florida is more competitive, and as a result Peoples has experienced challenges in attracting and retaining qualified team members. In this more competitive labor environment, candidates are seeking higher wages, flexible work arrangements, rapid career promotion and other job opportunities that have made it more difficult to attract workers for field operations roles as well as other key roles within the company.

Although Florida is an attractive place to live and work, the gas industry employs fewer workers when compared to electric utilities in Florida, so the number of fully trained people available to work in the gas industry is not as large here as it is in other states. The company finds it difficult to recruit trained gas industry workers from northern states where gas loads and penetration are greater, because the prevailing wage rates where they are working are higher than our wage scales. These challenges are explained more fully by company witness Donna L. Bluestone in her direct testimony.

**Q.** What impact has the challenging labor market had on Gas Operations?

**A.** The challenging labor market has impacted Gas Operations by: (1) increasing activities aimed at recruitment, training, and retention, (2) regular review of our wage rates to determine their competitiveness, and (3) balancing our use and associated costs with contractors.

## Recruitment, Training and Retention

Total team members in Gas Operations have increased from 360 in 2021 to 395 in 2022, with planned additions of 38 in 2023 and 33 for 2024. These increases are necessary due to the growth of the pipeline system and our obligation to serve customers safely and reliably. The increases are also due to some reduction in the number of contractors by bringing some positions in house.

In addition to the impact of the challenging labor market related to hiring new team members, the development timeframe required to ensure new hires are sufficiently trained and obtain operator qualifications results in a lag before team members can fully participate in the required work. For example, a new apprentice with no prior gas utility experience cannot perform any tasks for a minimum of three months as they acquire operator qualifications. It takes a minimum of approximately 18 months for the same apprentice to acquire sufficient operator qualifications to perform on-call duties. What this means is that although Peoples is adding to our team members, the impact on the increasing workforce is not realized immediately and will lag for a period.

Lastly, the company has been challenged in its ability to retain team members over the long-term. Due to this competitive environment and the necessary onboarding and training requirements to ensure a proficient and skilled workforce, Peoples is experiencing higher turnover and attrition. While this is unfortunate, the company knows that it is a phenomenon affecting others in the utility sector as geographic migration for similar roles but at higher pay continues.

## Competitive Compensation

The starting hourly wage rate for an apprentice in Gas Operations was $16 in 2020 and has risen to $20 in 2022. Peoples anticipates needing to continue increasing wage rates in 2023 and 2024 to attract and retain qualified team members. Witness Bluestone’s direct testimony will provide more detail on labor rates and compensation.

## Use of Contractors

The company’s obligation to provide a safe and reliable natural gas distribution system is largely dependent upon non-discretionary job activities. Accordingly, Peoples must ensure the labor needs related to operations, compliance, safety, maintenance, customer service and emergency response activities do not go unmet. Peoples can secure the services of fully qualified gas technicians by contracting outside service providers. While these contractors are more costly on a per-hour basis, use of contractors allows the company to meet its immediate needs and to quickly adjust the size of its total work force, including both team members and contractors, to meet its operational, performance and geographic needs.

**Q.** What actions is Gas Operations taking to mitigate the impact of current labor market conditions?

**A.** Gas Operations collaborates with the company’s Human Resources group to hire team members to meet our needs. The actions taken to mitigate market conditions include: 1) providing market competitive wages and benefits to our team members, 2) increasing the volume of new apprentices through our GasWorx apprentice program for future workload needs, and 3) reducing the need for some contractors by increasing internal teams.

Witness Bluestone’s direct testimony details the company’s efforts to adjust wages and benefits to align with market conditions. To attract and retain new team members, the company must be competitive in the marketplace by offering a strong compensation package.

In 2022, the company worked diligently to recruit for our apprentice classes. The company recruited three new apprentice classes, the most completed in any year, and trained 38 new apprentices to meet our higher workload and to reduce the usage of contractors. This is not an immediate cost savings between internal and external costs due to the amount of time required to train new team members.

SAFETY COMPLIANCE

**Q.** Please describe how the company’s safety compliance requirements are increasing.

**A.** Recent PHMSA regulation changes include enhanced requirements in the categories of integrity management, management of change, rupture detection, valve installations, leak management, safety reporting requirements, environmental standards and procedures, and pipeline assessment requirements. Looking ahead, Peoples is facing changes from the PIPES 2020 Act, MegaRule RIN1, RIN2, and RIN3, and RMV Rule, and rulemaking is expected to arise from the 2024 PHMSA reauthorization. Company witness Christian C. Richard provides greater detail of these compliance requirements in his direct testimony.

**Q.** Why did the company add to the Pipeline Safety team in 2022?

**A.** In 2022, the company added 11 team members to Safety Operations for the following business reasons:

The company added six members (including a supervisor and manager) to its Damage Prevention team due to the rise in construction activity in the state and the resulting increase in locate tickets and damages. These new team members work in the field in different locations around the company’s service territory and dedicate their efforts to preventing underground pipeline damages

Peoples added one Emergency Management Manager, who is dedicated to planning our response to and responding to emergencies, including large customer outages and severe weather events. Improving the resiliency of utility infrastructure and promoting prompt response by utilities to severe weather events is becoming a more important public policy goal in Florida. Additionally, the expansion of our system results in the need for a position that focuses on emergency management.

As our capital program has expanded, so has the number of contractors employed and therefore the need for more safety supervision of those contractors. The company added three coordinators assigned geographically across the state to our Contractor Safety team. Peoples works with 150 contractor crews to meet the construction demands of its growing system. Our Contractor Safety team is responsible for collaborating with contractors and conducting field inspections to ensure compliance with safety programs and safe construction practices.

The company added a Compliance Analyst to the PHMSA/Commission Compliance team to manage the hundreds of thousands of compliance activities and the almost 30 compliance inspections which occur annually while pursuing process improvements in the compliance function.

**Q.** How is Peoples adding to the Safety Operations team in 2023?

**A.** The company is adding one additional team member to its Quality Assurance and Pipeline Safety Management team to accommodate pending regulatory requirements and safety risk mitigation efforts. This position is needed to support the growing regulatory workload (e.g., Management of Change) and the Corrective and Preventive Action Program (“CAPA”) we are developing.

**Q.** Does the company plan to add to the Safety Operations team in 2024?

**A.** Yes. The company plans to add five members to its Pipeline Safety team in 2024 for the following purposes:

(1) one additional team member to our occupational safety team to advance safety training across our growing internal and external workforce.

(2) one additional team member to the Pipeline Safety Compliance team to be the subject matter expert on existing and impending safety compliance regulations. This person is needed to ensure the company complies with the rapidly changing and increasingly complex pipeline safety regulations I previously described in my direct testimony. This highly technical position will advance safety of the system through compliance and participate in the design of our compliance systems to maximize efficiency, compliance, and safety.

(3) add two members to the Emergency Management team. With 14 service areas across the state and a growing customer base, these roles will enhance Peoples’ ability to plan for and respond to hurricanes and other emergency events across the state. Developing and executing drills and mock storm events is critical to prepare team members to properly prepare and respond to an emergency event. These mock events will be coordinated and executed with local and state municipal emergency services. Peoples needs to expand its team to properly coordinate and execute these activities.

(4) add one new team member to its environmental team. Peoples currently employs one dedicated environmental specialist who: (a) helps the company meet environmental permitting requirements, (b) coordinates environmental safety programs, and (c) responds to environmental near misses or incidents. By expanding our environmental team, the company will be positioned for the future to enhance environmental efforts in the areas of methane emission reduction, program management and environmental remediation.

DAMAGE PREVENTION

**Q.** Please describe the challenges and operational requirements of damage prevention and emergency response.

**A.** In response to excavation activities and locating requests through the Sunshine 811 System, the company responded to approximately 535,000 underground facility “locates” in 2020. This number grew to approximately 618,000 in 2022 and is expected to increase to more than 700,000 in 2024. These locate requests are made by third-party excavators and the company must respond within two business days. These locate requests require a technician or a contractor to confirm the location of our facilities and for those locates that are in the vicinity of our distribution pipeline system, physically mark the gas lines, with yellow paint or flags, to help prevent excavators from damaging an underground pipeline.

It is important to emphasize the impact of the volume of locates on our business. The approximate 618,000 locate requests in 2022 represents a monthly average of around 51,500 locate requests. Given the two-business day response requirement, this volume can represent 20-30 locate tickets per day for our locators or technicians.

Peoples suffered approximately 1,500, 1,700 and 1,800 underground facility damages by third parties in 2020, 2021, and 2022, respectively. Of the damages in 2022, approximately 80 percent were caused by the excavator that either failed to call the Sunshine 811 System call center to request a ticket or did not adhere to damage prevention requirements defined in Chapter 556 as required by law.

Emphasis on the volume of damages is important as the approximately 1,800 damages in 2022 represents about five damages per business day. Damages are not scheduled or planned. When a damage occurs, our team must stop work to respond to the damage. The company does not staff positions to be on standby for possible damages. Our teams must be ready to respond as needed.

These locate and damage prevention activities are a priority and responsibility of Peoples’ Operations and Pipeline Safety teams, and ensuring adequate resources exist to perform these duties is an essential responsibility to the communities of Florida. Appropriate rates to support these costs are beneficial to customers in the interest of public safety, liability, and reliability of gas service.

**Q.** What actions has the company taken to reduce underground damages by third parties?

**A.** Peoples has implemented numerous damage prevention initiatives to mitigate the risks associated with damages to our pipeline system. These initiatives started in 2021 and include: (1)re-organized Gas Operations supervisors and team members to be dedicated to locate and gas emergency response activities for areas with high volumes of locate tickets, (2) initially piloted, then expanded broadly, process improvement efforts led by an external process consultant, (3) expanded the number of Pipeline Safety Damage Prevention team members dedicated to the field and proactive intervention with third-party contractors to prevent damages, (4) obtained certification as a Gold Shovel Gas Operator and required Peoples’ contractors to obtain this certification, ensuring we are following damage prevention best practices, and (5) focused efforts on engaging with leadership of high-risk excavators who use mechanized equipment that can damage underground natural gas pipeline with serious consequences.

Peoples also continues to work with state and local jurisdictions on strengthening enforcement activities to deter future excavation violations. Based on available data, improved communication, education, and enforcement could drive greater utilization of the Sunshine 811 System. By reducing excavation activities that are not preceded by a locate call, the company can better prevent damages.

**Q.** Have these five initiatives increased costs for Peoples and why are they good for customers?

**A.** Yes. These initiatives have increased O&M and capital costs. These cost increases were incurred as a result of staffing requirements to properly respond to the increasing ticket volume. These cost increases are prudent and in the best interest of customers as they enhance public safety, lower methane emissions with every prevented damage, reduce liability for Peoples, and prevent costly and disruptive customer outages.

SUSTAINABILITY OPPORTUNITIES

**Q.** What opportunities does Peoples see to support CNG, LNG, and RNG in Florida?

**A.** Peoples sees growing opportunities in all three areas. Company witness Lew Rutkin, Jr. describes these growing opportunities, and what Peoples is doing to support customers who seek them, in his prepared direct testimony.

**Q.** How have the activities of the Gas Operations area been affected by the work witness Rutkin and his team have been doing in the CNG, LNG, and RNG areas?

**A.** As discussed earlier in my direct testimony, the company has added three members in the Gas Operations area to operate the facilities used to support the three RNG facilities discussed by witness Rutkin in his direct testimony. In support of the RNG facilities, Sustainable Operations evaluates, procures, and manages contractors to perform O&M services and other obligations.

GAS OPERATIONS CAPITAL PROJECTS

**Q.** What kinds of potential capital projects are identified by Gas Operations?

**A.** Most potential capital projects identified by Gas Operations serve to promote the reliability, resiliency, and efficiency (“RRE”) of our gas distribution system. Through the course of operating our distribution systems, members of our Gas Operations team become aware of facilities that need to be replaced (beyond the replacement of Cast Iron/Bare Steel or Problematic Plastic Pipe), improved or relocated to maintain the safe and reliable operation of the system. We work with the company’s engineering, construction, and technology team on larger capital projects with longer planning and implementation schedules. Projects also include pipeline installations to loop our system to ensure no significant customer base is dependent on only one feed of gas. As previously discussed, with the significant volume of damaged facilities Peoples experiences, ensuring reliable and looped systems provides for the ability to respond more safely to a damaged facility. Witness Richard describes the process for identifying, evaluating, budgeting, and implementing major RRE projects in his direct testimony.

**Q.** What dollar value of RRE projects were identified as needed by Gas Operations for 2022 to 2024?

**A.** Gas Operations identified the need for a total of approximately $144.5 million of RRE projects for that period. Of that total, approximately $43.5 million was spent in 2022, and approximately $37 million and $64 million are projected to be spent in 2023 and 2024, respectively. A schedule showing the actual and projected capital expenditures by type for these three years is included as Document No. 3 of my exhibit.

The process the company uses to plan, budget and construct capital projects is explained by witness Richard in his direct testimony. The actual and projected spending amounts shown for 2022, 2023, and 2024 for Gas Operations RRE projects reflect projects that are needed, have been or will be constructed, are prudent and should be included in rate base for the 2024 projected test year.

**Q.** What categories of projects are included in the RRE project totals for 2022, 2023 and 2024?

**A.** The categories of projects included in those amounts include cathodic protection, distribution system improvements, improvements to property, main replacements, meters and regulators, non-construction, service line replacements, technology projects and transportation vehicles. The work associated with each of these categories is explained below.

Cathodic Protection - replacement, retirement, or addition of cathodic protection on existing gas mains and services. The company spent $3.3 million in 2022 and projects to spend $2.5 million and $2.6 million in 2023 and 2024, respectively.

Distribution System Improvements - replacement, retirement, or addition of gas mains related to the enhancement of the gas distribution system’s reliability. The company spent $5.4 million in 2022 and projects to spend $3.0 million and $3.5 million in 2023 and 2024, respectively.

Improvements to Property - permanent alteration, repair, or addition to a property that enhances its value, increases its useful life, or allows for new use. $2.4 million was spent in 2022 with $3.0 million and $12.1 million projected to be spent in 2023 and 2024, respectively. For 2022, our Miami service area building required improvements to renew permits with the city. For 2024, the company projects $1.1 million for improvements to our GasWorx facility and $8.0 million for a new or large renovation for our Orlando office. General building repairs and costs were $1.9 million in 2022 and are projected to be $3.0 million and $3.0 million in 2023 and 2024, respectively.

Main Replacements - replacement or retirement of short sections of existing gas mains in an emergency or unplanned event where there is not time to plan, design, permit, or schedule the work. The company spent $17.6 million in 2022 with $15.0 million and $16.8 million projected to be spent in 2023 and 2024, respectively.

Meters and Regulators – replacement, retirement, or addition of metering and regulation equipment to maintain reliability, accurate gas monitoring and compliance with applicable requirements. The company spent $0 in 2022 and projects $0 for 2023. The company projects to spend $7.8 million in 2024. Due to the continued shortage of small commercial meters, the company is unable to complete periodic change outs (“PCOs”) for 2022 and 2023. Peoples is expecting meter supply to become available by 2024 and have reflected the costs of working through any backlog and the 2024 scheduled PCOs.

Non-Construction – tools, tooling, machinery, or equipment used to install or maintain company assets, power equipment and tools, gauges, instruments, devices, or systems used to inspect, test, calibrate, or measure parameters. The company spent $1.4 million in 2022 and projects to spend $1.5 million and $2.1 million in 2023 and 2024, respectively.

Service Line Replacements - replacement of a portion or entire service lines of existing gas services in an emergency or unplanned event where there is not time to plan, design, permit, and schedule the work. The company spent $7.6 million in 2022 and projects to spend $6.8 million and $7.7 million in 2023 and 2024, respectively.

Technology Projects – primarily purchase of computers, printers, and related equipment. The company spent approximately $500,000 in 2022 and projects to spend approximately $600,000 and $400,000 in 2023 and 2024, respectively.

Transportation Vehicles - purchase of vehicles. The company spent $5.2 million in 2022 and projects to spend $4.8 million and $8.3 million in 2023 and 2024, respectively. Capital totals in 2022 and 2023 reflect lower average annual amounts due to ongoing market constraints that have slowed the company’s ability to source new vehicles.

OPERATIONS AND MAINTENANCE EXPENSES

**Q.** What is the amount of O&M expenses by functional FERC account incurred in 2022 that you are supporting?

**A.** In 2022, the company recorded a total of $36.9 million in FERC Accounts 413, 871, 874, 878, 879, 880, 881, 886, 887, 892, 893, 894 and 902. The amount for each account is shown on MFR schedule G-2, pages 12a-19a.

**Q.** What is the projected O&M expenses for these FERC accounts in 2023 and 2024?

**A.** The totals in 2023 and 2024 are $37.6 million and $42.5 million, respectively. The distribution of these amounts is also shown on MFR schedule G-2, pages 12a-19a.

**Q.** Why is the total projected amount of 2024 O&M expenses for these FERC accounts higher than the actual amount in 2022?

**A.** The total in 2024 is $5.6 million higher than in 2022. $2.0 million of this increase is related to labor costs that were budgeted on a trended basis as described in the direct testimony of witness Bluestone. $1.9 million of this increase are other costs that were budgeted on a trended basis as described in the direct testimony of witness Parsons. The remainder of the increase consists of $3.5 million of payroll not trended costs reflected on MFR schedule G-2, pages 19c-19e that is offset by other not trended costs with a $1.8 million decrease.

**Q.** Why are payroll not trended costs increasing $3.5 million from 2022 to 2024?

**A.** Payroll not trended costs are increasing due to the position increases reflected on MFR schedule G-2, page 19c-19e for these respective FERC accounts, to meet the needs discussed earlier in my direct testimony.

**Q.** Why are not trended other costs decreasing $1.8 million from 2022 to 2024?

**A.** Due to the company’s financial challenges in 2023 described in the direct testimony of witness Wesley, Peoples reduced contractor costs in FERC Account 874 by eliminating contractors for locators, leak surveys and other activities. This is not a sustainable solution in the long-term and will be addressed through the continued balancing of internal resources and contractors. In Account 413, the O&M expenses related to leased CNG stations decreased approximately $355,000 from 2022 to 2024 due to a customer exercising purchase options on two stations in 2022. In addition, as discussed in the direct testimony of witnesses Richard and Parsons, the company is proposing to decrease its annual expense for Transmission Integrity Management Program costs in FERC Account 887 by approximately $439,000.

**Q.** Is the total amount of projected 2024 O&M expenses for the FERC accounts you are supporting reasonable?

**A.** Yes. The total projected O&M expenses for 2024 for Gas Operations represents the costs to safely operate our gas distribution system in service of our customers and the public, meet all compliance requirements, protect the public and our system from outside damages and equip our team members with appropriate training and development to perform their duties.

**Q.** Besides the O&M expense in the FERC accounts you have supported above, is there any other O&M expense item you would like to discuss?

**A.** Yes. The company included O&M expense related to the Alliance RNG project in FERC Account 930.2. The company projected that this project would be in-service in February 2023 and commence operations at that time. The other not trended expenses in 2023 of $3.2 million and in 2024 of $4.0 million reflected on MFR schedule G-2, page 19b, represent the expected costs to operate the facility. Costs included are the outside services cost for O&M services, property taxes, royalties on revenues and other costs related to operating the facility. As described in the direct testimony of witness Rutkin, the Alliance RNG facility will deliver environmental, economic, and reliability benefits to our customers and to Florida.

OTHER TOPICS:

## Work and Asset Management

**Q.** Please provide a brief description of the WAM system Peoples is implementing.

**A.** As discussed in further detail in witness Richard’s direct testimony, the WAM system isa central technology platform used by most utilities to track all aspects of an asset’s life including planning, design, construction, use and retirement and provide for safe operations. WAM is intended to enable better work planning and execution, centralized management of assets, enhanced customer service and system safety. The WAM system will result in efficiency improvements, enable growth, and reduce risk.

**Q.** How will implementation of WAM change the way of work in Gas and Safety Operations?

**A.** WAMwill change the way in which each team member in these areas performs work. The company currently uses multiple systems to schedule, dispatch, complete, and report on all activities performed by the operations department. WAM will consolidate these activities into a single platform. Although the actual compliance, maintenance, customer service, and emergency response activities will not change, WAM will change how these activities are managed. Individual field operations team members will complete WAM training and be required to manage all work through WAM. Ultimately, WAM will provide opportunities for increased efficiency and productivity, however, as is usually the case when new systems are introduced, it will take time to fully implement and realize the benefits of WAM. Implementing a central work and asset management system will improve the efficiency of the Gas Operations team members and streamline their functions. Currently, Operations team members must use the following systems in conducting their work: (1) Inspection Manager for compliance activities; (2) PragmaCad for service and emergency orders; (3) ad-hoc work tracking for distribution services; (4) a Leak Management System (LMS) to track leak remediation; and (5) Irthnet, a state-operated ticket system for locate response. The consolidation of these work orders into one system over time will create ease of training, ease of use, and efficiency of resource management.

**Q.** How will WAM impact field personnel in Gas Operations?

**A.** Field personnel in Gas Operations will experience significant changes in the way in which they perform their duties. I have provided the summary below to detail key changes:

(1) Each team member will utilize an iPad to manage and complete all daily work requirements. Each vehicle has been outfitted to accommodate an iPad for optimal use.

(2) WAM is a single platform replacing numerous legacy systems so a field technician will immediately recognize a more streamlined work management experience. Rather than logging on to multiple systems for all types of job duties, field technicians will log only into WAM and see all that they need for each day.

(3) New technicians will experience an easier learning curve by only learning the WAM system and not the multiple legacy systems.

(4) WAM will be an interactive system with work orders mapped and locations highlighted in map view for ease of use. All activity will be electronic and will eliminate paper records.

(5) With this single platform, scheduling and planning of work orders will be improved.

(6) A technician’s time will be recorded through WAM as jobs are completed.

**Q.** What impact will WAM have on Gas and Safety Operations O&M expenses in the 2024 projected test year and thereafter?

**A.** Implementing a new system as expansive as WAM takes time because it will result in significant changes to how team members carry out their work. In the short-term, there will likely be disruptions, errors and other challenges as team members adapt to the new system. However, this system will provide an opportunity for mid-term and long-term efficiency gains to offset the volume of work the Gas Operations team continues to experience. Central WAM systems, like the one Peoples is implementing, are industry standard for gas utilities.

**Q.** Is the level of Gas Operations and Pipeline Safety O&M expenses in the 2024 projected test year reasonable?

**A.** Yes. The O&M associated with the Pipeline Safety team is reasonable as it supports the effectiveness of our PSMS which in turn ensures the safety of the pipeline, our team members, our customers, contractors, and the public. Peoples has been thoughtful and pointed in expanding these teams as system expansion, customer growth, compliance requirements and damage prevention challenges have all placed pressure on our existing resources. It is essential to authorize the proposed resources in the 2024 Test Year for the Pipeline Safety team for Peoples to deliver continued excellent safety performance and mitigate the potential for an event that could severely impact the communities we serve.

## Advanced Metering Infrastructure

**Q.** Does Peoples propose to begin using AMI?

**A.** Yes. As part of its request in this case, the company seeks approval to begin an AMI pilot program in the 2024 projected test year (“AMI Pilot”). AMI systems provide granular usage information to utilities and customers. An AMI system has three major components: (1) smart meters (and associated communication modules); (2) a communication network; and (3) AMI back-office information technology (IT) systems to manage the two-way communications enabled by AMI. To date, only a small number of gas utilities have deployed AMI technology, but AMI is widely used across the electric utility industry.

**Q.** Describe Peoples’ proposed AMI Pilot.

**A.** Peoples’ proposed AMI Pilot is a research and development pilot to support the evaluation of system-wide deployment of AMI infrastructure in a future case. The purpose of the AMI Pilot is intended to test and gain information and data on the deployment, use, benefits, and cost savings associated with AMI two-way communications. As part of the AMI Pilot, Peoples will also test and gather data on (1) the corrosion resistance and life of new smart meters and associated assemblies and (2) the ability of Peoples’ back-office system to support and utilize the full potential of two-way communication smart meters. The AMI Pilot is proposed as a one-year roll-out (i.e., installation) of the meters and a subsequent three-year evaluation period in which the performance of the meters and their correlative benefits will be assessed.

**Q.** How many meters will be included in the AMI Pilot and what are the intended benefits?

**A.** Peoples intends to replace 5,000 meters in Hillsborough County. This replacement effort will provide a sufficient sample size to assess the functionalities and benefits of the meters without undue burden or cost to our system and customers. In Hillsborough County, Peoples serves approximately 70,000 customers, of which the 5,000 meters in the AMI Pilot represents seven percent.

An added rationale for conducting the AMI Pilot in our Tampa service area is the potential to connect to existing Tampa Electric technology infrastructure. Tampa Electric already uses AMI technology and Peoples is evaluating opportunities to access their existing network to support our pilot.

The AMI Pilot will allow Peoples the opportunity to assess technology that provides automated remote meter reading, both on an hourly and daily basis. This technology is used widely within the electric industry and uses digital technology to improve utility service. Specifically, the AMI Pilot should allow for the evaluation of cost reduction, remote leak and outage detection, potential remote disconnection, improvements related to billing accuracy, and the opportunity to enhance the customer experience with individual energy data and usage information.

**Q.** What are the total capital and O&M costs for the AMI Pilot in the 2024 projected test year?

**A.** For the 2024 projected test year, Peoples has included $2.2 million in capital expenditures and approximately $100,000 in O&M expenditures for the AMI Pilot.

## Economic Development Expenses

**Q**. What amount of economic development expenses was spent by the company in 2022?

**A.** The economic development expense spent by Peoples in 2022 was $321,612.

**Q.** What level of economic development expense is Peoples asking the Commission to approve for the company based on its 2024 projected test year?

**A.** The company has budgeted $367,920 of economic development expense in the 2024 projected test year.

**Q.** What economic development activities will the company perform at this level of spending?

**A.** It is well understood that utilities are critical to economic development throughout Florida. Natural gas provides affordable, reliable, and safe energy that supports economic development for customers and businesses. The increased expenditures related to economic development, which are recoverable pursuant to Rule 25-7.042 F.A.C, enhance and support many facets of economic development in the major metropolitan and rural areas served by the company. We support the economic vitality of Florida through funding these economic development activities that improve the quality of life for all Floridians, including support to small and minority-owned businesses, attracting new jobs and businesses to Florida, and promoting Florida’s goods and services.

**Q.** Why is this level of economic development expense in the 2024 projected test year reasonable and prudent?

**A.** Gas utilities like Peoples are vital to Florida’s economic development activities. We can construct the energy infrastructure needed to attract new businesses to Florida and to help existing businesses expand. The company’s proposed level of spending for economic development activities will allow Peoples to work with local governments and economic development organizations to promote business growth in Florida. The amount proposed by Peoples in the 2024 projected test year complies with the F.A.C. Rule, is reasonable and should be approved.

MFR Schedules

**Q.** Please describe the MFR I schedules you are sponsoring.

**A.** I am sponsoring MFR schedules I-1, I-2, and I-3. Each schedule is described below:

MFR schedule I-1 requires the listing of interruptions in service affecting the lesser of 10 percent of customers, or 500 or more customer meters, in a service area. As indicated on the schedule, there have been two interruptions that meet this requirement. In the first instance, 505 customers were interrupted for approximately 72 hours due to damage by a third-party contractor. In the second instance, 823 customers were interrupted for approximately 48 hours due to Hurricane Ian. Both outages were caused by forces beyond the company’s control, and the company restored service in a reasonable time given the circumstances.

MFR schedule I-2 requires a summary of notices Peoples has received from the Commission with respect to rule violations during the period since the last general base rate proceeding in 2020, but not to exceed five years. As shown on the schedule between January 1, 2020, and December 31, 2022, Peoples received eight such notices representing 14 violations.

MFR schedule I-3 requires a listing of meters with a rated capacity of: (1) 250 cubic feet / hour (“cfh”) or less which are not included in an approved statistical sampling plan;(2) between 251 cfh and 2500 cfh; and (3) over 2500 cfh that have not been tested for accuracy within 120 months of the 2022 historic base year-end.

In 2022, the company did not perform testing for a portion of the meters required due to limitations on meter supply. Meter supply of these sizes is limited throughout the United States. LDCs across the country are experiencing this impact. The company has actively engaged the Commission to provide updates on 2022 meter levels still to be tested as well as 2023 meter testing. The Gas Operations Capital Projects section of my direct testimony includes more information on this item.

SUMMARY

**Q.** Please summarize your prepared direct testimony.

**A.** At Peoples, the delivery of safe, reliable, affordable natural gas is at the core of what we do and who we are. The safety of our distribution system for our customers and the public is our top priority and always will be. Peoples strives to provide the best possible customer experience while meeting every obligation to operate a compliant, efficient pipeline system. Natural gas remains in high demand as an energy option to homeowners and businesses and Peoples seeks to ensure adequate rates to allow for this demand to be met. As a gas distribution company, our technicians are often the friendly face that physically interacts with our customers for new service or maintenance. Our technicians are the professionals who respond to a damaged line or leak call. Our technicians and our teams enjoy this aspect of our business where we can listen and learn from our customers while seeking to provide the best service possible. Peoples does all of this while continually seeking improvements and efficiency to deliver our service while ensuring that the company’s proposed levels of O&M expenses for Gas Operations and Pipeline Safety for the 2024 projected test year are reasonable and prudent. As Florida continues to grow, Gas Operations is privileged to support Florida’s growth and serve our new and current customers in a prudent and cost-effective manner.

**Q.** Does this conclude your prepared direct testimony?

**A.** Yes.

# EXHIBIT

**OF**

**TIMOTHY O’CONNOR**

**Table of Contents**

|  |  |  |
| --- | --- | --- |
| **DOCUMENT NO.** | **TITLE** | **PAGE** |
| 1 | List of Minimum Filing Requirements Sponsored or Co-Sponsored by Timothy O’Connor | 67 |
| 2 | Map of Peoples’ Operations Service Areas | 69 |
| 3 | Reliability, Resiliency, and Efficiency (“RRE”) Project’s Actual and Projected Capital Expenditures by Type | 70 |
| 4 | Customer Growth by Service Area | 71 |

**List of Minimum Filing Requirements**

**Co-Sponsored by Timothy O’Connor**

| **MFR schedule** | **Page No.** | **MFR Title** |
| --- | --- | --- |
| C-38 | P. 1 | OUTSIDE PROFESSIONAL SERVICES |
| C-38 | P. 2 | OUTSIDE PROFESSIONAL SERVICES |
| C-38 | P. 4 | O & M BENCHMARK VARIANCE BY FUNCTION |
| C-38 | P. 5 | O & M BENCHMARK VARIANCE BY FUNCTION |
| G-1 | P. 23 | Historic Base Year + 1 - Construction Budget |
| G-1 | P. 26 | Projected Test Year - Construction Budget |
| G-2 | P. 12a | Projected Test Year - Calculation Of Maintenance Expense |
| G-2 | P. 12b | Projected Test Year - Calculation Of Maintenance Expenses |
| G-2 | P. 12c | Projected Test Year - Calculation Of Maintenance Expenses |
| G-2 | P. 13 | Projected Test Year - Calculation Of Maintenance Expenses (Cont.) |
| G-2 | P. 14 | Projected Test Year - Calculation Of Customer Account Expenses |
| G-2 | P. 17 | Projected Test Year - Calculation Of Admin. And General Expenses |
| G-2 | P. 18a | Projected Test Year - Calculation Of Admin. And General Expenses (Cont.) |
| G-2 | P. 19a | Projected Test Year - Total Expenses |
| G-2 | P. 19c | Projected Test Year - Total Expenses |
| G-2 | P. 19d | Projected Test Year - Total Expenses |
| G-2 | P. 19e | Projected Test Year - Total Expenses |
| G-6 | P. 1-9 | Projected Test Year - Major Assumptions |
| I-1 | P. 1 | Customer Service – Interruptions – Services Affection 500 Or More Division Meters |
| I-2 | P. 1 | Notification Of Commission Rule Violations – Summary |
| I-3 | P. 1 - 14 | Meter Testing – Periodic Testing – Meters With Rated Capacity Of 250cfh Or Less |