BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas System.	**))**	**DOCKET NO. 20200051-GU FILED: JULY 16, 2020**

CONFIDENTIAL

PEOPLES GAS SYSTEM'S

ANSWERS TO SECOND SET OF INTERROGATORIES (NOS. 76 - 113)

OF

OFFICE OF PUBLIC COUNSEL

Peoples Gas files this its Answers to Interrogatories (Nos. 76 - 113) propounded and served on June 16, 2020 by the Office of Public Counsel.

79. Please provide People's forecasted growth rates for the following factors over the longest period available, and provide the source for such forecasts, as well as the time period for such forecasts, and the source of the information:

a. Total load

b. Total customers

c. Total revenue

d. Net income

e. Rate base

A. See the electronic confidential document response detailing the forecasted growth rates and posted to Peoples' External SharePoint Site.

This site, including any attachment(s) hereto, is intended for use only by the authorized addressee(s) and may contain legally privileged and/or confidential information. If you are not the authorized participant, then you are hereby notified that any dissemination, distribution, or copying of confidential the information on this site and/or any attachment(s) hereto is strictly prohibited.

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Upon execution of the non-disclosure agreement, Peoples will provide the confidential responses for interrogatories and production of documents served as the date on the agreement.

See confidential documents provided in the PGS's Confidential Discovery Responses folder on the External SharePoint site.

(S. Hillary)

PEOPLES GAS SYSTEM
FORECASTED GROWTH RATES
OPC INTERROGATORY NO. 79

Year	A1. Residential Load [1] [2]	A2. Commercial Load [1] [2]	A3. Industrial Load [1] [2]	B. Total Customers [1] [3]	C. Total Revenue	D. Net Income	E. Rate Base
Source:	2020 Strat Plan Model						
2020	4.4%	2.7%	-9.6%	3.9%	5.3%	0.6%	24.4%
2021	7.9%	3.5%	25.1%	4.3%	14.1%	40.3%	22.3%
2022	3.2%	1.3%	1.8%	3.6%	4.7%	4.2%	14.0%
2023	3.0%	1.2%	1.8%	3.0%	9.7%	25.5%	9.5%
2024	2.9%	1.1%	1.9%	3.0%	3.5%	3.0%	7.5%
2025	2.8%	1.1%	1.9%	3.0%	6.0%	14.9%	7.6%

[1] Excluding Off-system Sales.
[2] Includes therms related to acquisition of Leesburg customers but excludes Big Bend Lateral therms.
[3] Forecasted customers are based on an average, not year end.

109. Please provide all workpapers, calculations and supporting documentation for each of the cost categories shown in Exhibit SPH-1, Document 5, or state where in the filing or in the responses to interrogatories such workpapers, calculations and supporting documentation can be found.

A. See the electronic confidential document response posted to Peoples' External SharePoint Site.

This site, including any attachment(s) hereto, is intended for use only by the authorized addressee(s) and may contain legally privileged and/or confidential information. If you are not the authorized participant, then you are hereby notified that any dissemination, distribution, or copying of confidential the information on this site and/or any attachment(s) hereto is strictly prohibited.

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(S. Hillary)

Peoples Gas System
Other Not Trended O&M (Excluding Payroll) by FERC Account
"Other Not Trended" on MFR Schedule G-2, pages 10 - 19

	FERC Account	Item	2019 O&M (*From MFR G-2 Pages 10-19*)	2020 O&M	2021 O&M	Support/ Narrative Included in Testimony (Note: See file G2 10-19 MFR Masterfile_3.3.2019 provided under response to OPC 1st Set, POD 36)
1	**413 Total**	CNG Station O&M	$ 914,674	$ 1,011,238	$ 1,033,485	This includes CNG station O&M expenses budgeted based on contract terms with third parties providing CNG station O&M services. O&M increase in 2020 is directly related to CNG station growth. In 2020 a new CNG station is being added, therefore the increase over 2019. In 2021 the growth is attributable to inflation.
2	**841 Total**	Miami LNG Storage O&M	-	-	25,000	Estimated O&M cost related to planned new LNG Storage facility going into service during 2021.
3	870	Engineering Services - PHMSA PE requirement	-	-	300,000	Additional PE's needed to meet PHMSA recommendation to eliminate the exemption for Professional Engineers to sign-off on designs and construction drawings. Not all of this cost will be capitalizable.
4	870	Engineering Training	-	-	50,000	Engineer training - Gas Design, system modeling, Load estimating, system over pressurization, flow equations and piping hydraulics, regulator sizing.
5	**870 Total**		-	-	350,000	
6	874	Transmission Records Improvement Project	-	-	300,000	Utilize a contractor to scan and research all transmission pipeline records. Scanning will allow us to digitally organize the data for permanent storage. Researching records by pipeline segment will be a first step toward the requirement for Maximum Allowable Operating Pressure (MAOP) reconfirmation contemplated in the PHMSA Mega Rule. The results of this research will then be used to identify data gaps and develop plans to field verify any missing data.
7	874	Standards Improvement Project	-	-	350,000	The Construction Standards are utilized by PGS, as well as for the work we do on joint owned pipelines (Fernandina Beach 12) and pipelines we operate and maintain for others (JEA Greenland and Hecksher Drive 24"). These standards have been maintained, but are I need of a major re-write and update to match the format of our other standards. We will identifying significant issues that need to be addressed with the majority of the actual work will entail updating the Construction Standards and any associated documents, policies, procedures and guidelines. We have a quote for $350,000 for a consultant to help complete this work.
8	**874 Total**		-	-	650,000	
9	880	Added Operations Employee Expenses and Materials	-	-	163,200	With payroll additions there are additional employee related expenses for travel, equipment, uniforms and other incidental expenses. These costs are estimated to be $163,200 in 2021. This includes travel expenses to training and other service centers in the territory, computers, uniforms, etc…
10	880	New Locate Ticket Management System Annual Fee	-	-	150,000	the Company is planning to purchase a new locate ticket management system to enhance Peoples' ability to manage, analyze and respond to over 500,000 locate requests received per year. The annual licensing fee of $150,000. The benefits are a more robust ability and functionality to manage, analyze and respond to request to mark/identify pipeline facilities. This will provide a more responsive, manageable and interactive ticket management system that will help reduce the impact to public safety as a result of excavation damage and minimize the interruptions of gas service to PGS' customers, resulting from pipeline damages. Amount was derived from current licensing fees for similar software.

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11	**880 Total**		-	-	313,200	
12	**887 Total**	TIMP - Pipeline Reassessments and Risk Analysis	112,961	292,500	2,107,400	As discussed by company witness Wall, the pipeline integrity compliance costs can vary from year-to-year depending on which pipelines are due for assessment and inspection. Contractors are heavily relied upon to complete these compliance requirements. In 2021, several reassessments are scheduled to be completed on several pipelines totaling approximately $1.96 million. In addition, in 2021 the Company has budgeted approximately $0.15 for outside engineering assistance related to TIMP risk analysis assessments and plan updates. Projected spending by year is included in a separate sheet.
13	**892 Total**	DIMP Risk Analysis and Planning	40,126	157,500	52,500	Distribution Integrity Management Program ("DIMP") related activities associated with service lines is included in FERC account 892. From year-to-year the amount of outside service employed to perform the assessments can vary. In 2020, more risk analysis is being done with outside engineering consultants to provide greater alignment of the Company's pipeline integrity program with compliance requirements. The DIMP portion of the spending in 2020 is projected to be $157,500. In 2021 the budgeted amount of DIMP related charges decreases to $52,500.
14	903	CRMB Asset Usage Fee	2,093,744	2,232,127	2,391,866	The non-trended amounts reflect the projected depreciation expense allocated from Tampa Electric to Peoples as an O&M asset-usage fee. The budgeted increase in the asset-usage fee reflects budgeted functionality improvements to the CRMB system that result in additional depreciation expense at Tampa Electric, which in turn increases the asset-usage fees to Peoples. Peoples is not charged a return on the CRMB asset by Tampa Electric.
15	903	Additional Customer Communications			35,000	Continue to improve customer experience through additional customer research and segmentation.
16	**903 Total**		2,093,744	2,232,127	2,426,866	
17	**904 Total**	Bad Debt Expense	1,264,196	1,508,035	1,312,803	The 2021 bad debt expense of approximately $1.3 million was based on the four-year average write-off percentage. This approach is consistent with that used by in the Company's past base rate proceedings.

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From MFR G-2 Pages 10-19

(Note: See file G2 10-19 MFR Masterfile_3.3.2019 provided under response to OPC 1st Set, POD 36)

	FERC Account	Item	2019 O&M	2020 O&M	2021 O&M	Support/ Narrative Included in Testimony
18	**912 Total**	TECO Partners Contract	7,650,107	7,541,619	7,694,410	This account primarily reflects the cost of marketing services provided to Peoples by its affiliate TPI. The current contract between People and TPI went into effect in January 2008, which was prior to the Company's last base rate proceeding. The Other not trended amount reflects the actual and projected payment from Peoples to TPI for those services. Terms of the 2008 contract call for increases based on the CPI-U inflation index from the prior year. As previously mentioned, the contract also provides for incentives or penalties based on the level of new customer sign-ups achieved each year with a minimum of 12,000 new sign-ups per year. The 2019 amount of approximately $7.65 million reflects the approximate $0.25 million incentive being earned in 2019. Peoples does not include any incentive-payment or penalty in its 2021 income statement budget or revenue requirement calculation in this proceeding. Therefore, the approximate $7.7 million of 2021 budgeted TPI costs reflects the base amount per the contract only and the 2.2 percent CPI-U forecasted inflation rate.
19	**913 Total**	Additional Marketing to Promote Use and Benefits of Natural Gas	-	616,312	829,871	This is related to the Company's plan to increase its customer education and advertising spend. The increased marketing work is to promote the use of natural gas, improve customer retention and develop a more integrated approach to marketing Peoples' programs and services to current and potential customers.
20	**920 Total**	Short-term Employee Incentive Compensation	5,007,724	3,852,046	4,512,108	The Other not trended amount reflects the Company's short-term incentive-pay for all employees based on the Company's annual achievements against pre-established goals. These goals include measures for safety, employee development, customer service, operational performance and financial goals. The financial goals have a potential upside to the incentive-payout based on Peoples' net income performance over budget. In 2019, the net income goal was exceeded triggering additional incentive compensation to employees. The total 2019 short-term incentive compensation expense was approximately $5.0 million. The 2021 short-term incentive compensation budget of $4.5 million does not assume that the net income financial goal is exceeded. Therefore, a decrease is assumed from 2019 to the 2021 projected test year budget. Total compensation is discussed further in Company witness McQuaid's direct testimony.
21	921	Added A&G Employee Expenses	-	-	98,000	Estimated added employee expenses for additional preventive staffing in Pipeline Safety Compliance department.
22	921	Pipeline Safety Compliance Materials	-	-	35,000	Pipeline Safety Compliance department additional supplies estimate to increase damage prevention and quality assurance improvement efforts.
23	**921 Total**		-	-	133,000	
24	**922 Total**	Capitalized A&G	(8,000,000)	(8,000,000)	(8,000,000)	No change assumed in A&G capitalization
25	923	New Work Asset Management O&M Expense	-	-	811,166	This relates to O&M expenses for the implementation of a new work asset management system. During implementation certain costs are not capitalizable under software accounting rules prescribed by the Financial Accounting Standards Board.

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26	923	LNG/RNG Consulting Services	-	-	50,000	The Company also budgeted $0.05 million for outside consultants assisting with LNG and RNG development efforts.
27	**923 Total**		-	-	861,166	
28	**924 Total**	Storm Costs Recognized	3,479,131	57,500	380,000	The Company is proposing to increase the annual accrual for the storm reserve from $57,500 to $380,000. See Exhibit SPH-1, Document No. to witness Hillary's testimony.
29	925	Insurance Premiums and Fees	2,018,579	3,090,581	3,752,530	See response to Citizens IRR No. 60.
30	925	I&D Reserve Balance Adjustments	1,708,558	258,656	208,180	See response to OPC 1st Set, POD #38 for calculation. To determine the claims and related legal expenses in the 2021 budget, the Company prepared an analysis of the past five years' expense in I&D-related activity. Over this period, the dollar value of claims incurred and the reserve account levels have fluctuated significantly, so an average over the five-year period was determined. In 2019, the I&D reserve was adjusted resulting in an approximate $1.7 million expense recognition. The 2021 budgeted I&D-related reserve expense adjustments is approximately $0.2 million.
31	925	Additional Pipeline Safety Awareness Program Advertising	-	-	200,000	This increase would include new targeted advertising campaigns and education materials to industries and their associated contractors that have been identified as significant contributors to pipeline damages, bringing better awareness to requirements of calling for a locate request and safe digging practices.
32	925	Non-recurring Legal Expenses	900,000	-	-	In 2019, the company incurred approximately $0.9 million of I&D-related legal costs that were non-recurring.
33	**925 Total**		4,627,137	3,349,237	4,160,710	

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34	**926 Total**	Total Employee Pension and Benefits	10,115,798	10,361,383	10,538,280	See FERC 926 detail page provided in response to OPC 1st Set, Interrogatory No. 21, that also includes trended and non-trended benefits shown on MFR G-2, page 18. Although cost for the various benefits provided to employees can vary from year to year, the net expense in FERC account 926 is budgeted to increase from approximately $10.5 million in 2019 to $10.7 million and $10.9 million in 2020 and 2021, respectively. A portion of the gross benefits costs are capitalized with labor or are related to non-base rate recoverable labor activities such as conservation clause. Therefore, these are net amounts. The 2021 budgeted pension and other post-employment benefits expenses were provided by Mercer. The total 2019 pension expense was approximately $1.97 million and the Mercer projected expense for 2021 was also approximately $1.97 million. The Company has experienced significant volatility in its incurred medical costs. In 2007, the Company's medical and dental costs were approximately $4.0 million. As discussed in the testimony of witness McQuaid, the 2021 budgeted medical costs were approximately $7.9 million as compared to the total actual cost of $6.6 million in 2019. Also included in FERC account 926 is the Company's Long-Term Incentive Plan ("LTIP") costs. The Company's LTIP program is discussed further in the testimony of Witness McQuaid. The projected LTIP expense in 2021 is approximately $1.56 million as compared to $1.96 million in 2019. The LTIP cost and payout was higher in 2019 due to exceeding established targets. The 2021 budget does not assume the targets are exceeded.
35	**928 Total**	Rate Case Expense	-	-	552,333	This account includes the amortization of rate case expenses. As reflected in MFR Schedule C-13, the Company has included approximately $0.55 million in annual expense related to the amortization of $1.65 million in rate case expenses over a proposed three-year amortization period. As shown on MFR Schedule C-13, the $1.65 million total estimated cost reflects less than a 1.56 percent annual change over the approximate $1.40 million of actual rate case costs incurred in the Company's prior base rate proceeding.
36	930.2	Non-CRB Portion of Asset Usage Fee	1,076,933	1,104,929	1,392,713	This account primarily contains intercompany charges for shared services from TSI and Tampa Electric. The Other non-trended amount reflects asset-usage fees from Tampa Electric for IT and telecommunication assets other than the CRMB system, which is included in FERC account 903.

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			From MFR G-2 Pages 10-19			(Note: See file G2 10-19 MFR Masterfile_3.3.2019 provided under response to OPC 1st Set, POD 36)
	FERC Account	**Item**	**2019 O&M**	**2020 O&M**	**2021 O&M**	**Support/ Narrative Included in Testimony**
37	930.2	Information Technology Expense	-	-	607,242	As discussed on pages 25 and 26 of witness Sean Hillary's testimony , in accordance with the TECO Energy Cost Allocation Manual ("CAM") (see Citizens POD #5), PGS receives certain shared services from Tampa Electric that include Information Technology ("IT"). Headcount is the cost causative driver for assessing shared services related to IT. Due to increasing headcount at PGS, the allocation of IT costs for services provided to PGS by Tampa Electric are budgeted to increase from 16.94% in 2019 to 19.56% in 2021. In addition to increased percentage of total costs, due the Tampa Electric IT department is adding 10 positions focusing on Enterprise Wide software systems.
38	930.2	Human Resources Expense	-	-	246,994	In accordance with the CAM, PGS receives charges for costs related to shared services provided by Tampa Electric for Human Resources. Headcount is the cost causative driver for assessing shared services related to Human Resources. Due to increasing headcount at PGS, the allocation of Benefits Administration support costs provided to PGS by Tampa Electric will be increasing from 15.65% in 2019 to 17.89% in 2021. In addition, the allocation of Employee Relations support costs provided to PGS by Tampa Electric will be increasing from 19.21% in 2019 to 22.75% in 2021. In addition, due to growth in both companies the Benefits Administration group was budgeted to add 2 team members in 2021 and the Employee Relations group was budgeted to add 1 team member.
39	930.2	MMM (Modified Massachusetts Methodology) Corporate Overhead Allocation	-	-	179,512	Peoples MMM corporate overhead allocation percentage was budgeted to increase from 14.34% in 2019 to 14.86% in 2021. The increase reflects the relative growth at PGS in revenues, net income and operating assets. The increase in the allocation was determined in accordance with the CAM. As discussed on page 27 of the witness Sean Hillary's testimony, the total MMM allocation in the Company's 2021 test year is $3.65 million compared to $3.93 million in the prior rate case preceding for test year 2009.
40	930.2	Other Shared Services Expenses	-	-	65,652	In accordance with the CAM, PGS receives charges for costs related to shared services provided by Tampa Electric for Administrative Services and Corporate Communications. Headcount is the cost causative driver for assessing shared services related to Administrative Services. Corporate Communications assessments are based on a combination of headcount and a higher percentage of one team member's time focused on PGS communications. Due to increasing headcount at PGS, the allocation of Administrative Services support costs provided to PGS by Tampa Electric will be increasing from 20.13% in 2019 to 23.00% in 2021. In addition, the allocation of Corporate Communications support costs provided to PGS by Tampa Electric will be increasing from 24.40% in 2019 to 28.32% in 2021.

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41	930.2	Economic Development Initiatives	-	-	415,802	Other 2021 increases in FERC account 930.2 are related to the Company's proposed increased economic-development initiatives of $0.4 million. The goal of these strategically designed initiatives are to better support the metropolitan and rural areas we serve and improve the quality of life in our communities through a strategic focus on economic growth. The Company provides service in 39 counties, including nine out of the ten most populated counties in Florida, and with additional economic-development funding is well positioned to promote and support additional economic growth and jobs across the state. All expenditures included in the forecast meet the requirements of the economic development Rule 25.7.042 (F.A.C.).
42	930.2	Corporate Security Expense	-	-	29,200	Increase in costs to secure employees safety.
43	**930.2 Total**		1,076,933	1,104,929	2,937,114	
44	**Grand Total**		28,382,530	24,084,425	32,870,247	