

**PEOPLES GAS SYSTEM**  
**BEFORE THE**  
**FLORIDA PUBLIC SERVICE COMMISSION**

**Docket No. 080318-GU**

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

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

**DIRECT TESTIMONY OF:**

**BRUCE NARZISSENFELD**  
**On Behalf of Peoples Gas System**

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1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. My testimony addresses Peoples' capital expenditures for 2008 and the  
3 2009 projected test year, and how those projections were developed.

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

6 A. Yes. I am sponsoring, and prepared or caused to be prepared, the  
7 following schedules of the minimum filing requirements ("MFRs")  
8 Composite Exhibit \_\_ (PGS-1) required by Rule 25-7.039, *Florida*  
9 *Administrative Code*:

10 -- Schedule G-1, page 23, which consists of the Company's 2008  
11 construction budget;

12 -- Schedule G-1, page 24, listing monthly plant additions for 2008;

13 -- Schedule G-1, page 26, consisting of the Company's 2009 construction  
14 budget; and

15 -- Schedule G-1, page 27, showing monthly plant additions for 2009.

16 Q. PLEASE EXPLAIN HOW PEOPLES DETERMINES ITS ANNUAL  
17 CAPITAL EXPENDITURE BUDGET.

18 A. To determine its annual capital budget Peoples quantifies two categories,  
19 normal expenditures and major projects. Normal expenditures are those  
20 recurring costs required to provide service to new customers as well as  
21 routine costs associated with the replacement and/or relocation of existing  
22 facilities and equipment. Major projects generally represent expansions  
23 with costs in excess of \$500,000. In quantifying its annual capital budget  
24 for normal expenditures, Peoples details all existing revenue-producing  
25 projects having activity in the current year. This information is used in the

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1 establishment of capital expenditures by budget category to be incurred  
2 the next fiscal year. Information obtained from this analysis aids in the  
3 forecast of new customers and is used to calculate blanket expenditures  
4 such as meter sets and service lines. In addition, main expansion within a  
5 development, city, or into new areas will be projected. Maintenance  
6 capital is forecasted by budget category and consists of known projects  
7 and an average amount based on historical experience.

8 **Q. WHAT ARE THE COMPANY'S PROJECTED CAPITAL**  
9 **EXPENDITURES FOR 2008?**

10 A. Capital expenditures for 2008 are projected to be \$62 million. Of this  
11 amount, \$39 million is projected to be spent to construct revenue  
12 producing facilities to serve new customers or to accommodate increased  
13 use by existing customers. This includes construction of mains and  
14 services, together with installation of metering and pressure regulation  
15 stations, control equipment, corrosion prevention systems and other  
16 appurtenances. Another \$15 million of the total capital expenditures  
17 forecasted for 2008 is for investment in the replacement or removal of  
18 mains and services, improvements to the distribution systems and  
19 relocations and replacements to accommodate municipal, state and federal  
20 road construction. Capital expenditures of this nature are required  
21 annually to assure adequate and efficient service for Peoples' customers  
22 and to assure compliance with this Commission's rules. The remaining \$8  
23 million is forecasted to be required for improvements to structures,  
24 replacement of vehicles, office equipment and communication systems,  
25 and other tools and equipment.

1 **Q. PLEASE QUANTIFY THE COMPANY'S PROJECTED CAPITAL**  
2 **EXPENDITURES FOR 2009.**

3 A. Our planned expenditures for 2009 total \$60 million of which \$42 million  
4 is for facilities to serve new customers or accommodate increased use by  
5 existing customers. In addition, we plan to spend \$13 million for  
6 replacement or removal of mains and services, improvement of the  
7 distribution systems, and relocations and replacements to accommodate  
8 municipal, state and federal road construction. The remaining \$5 million  
9 is forecasted to be required for improvements to structures, replacement of  
10 vehicles, office equipment and communication systems, and other tools  
11 and equipment.

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

13 A. Yes, it does.  
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