



April 4, 2023

**ELECTRONIC FILING**

Mr. Adam J. Teitzman, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket 20230023-GU, Petition for Rate Increase by Peoples Gas System, Inc.

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. in the above-referenced docket is the Direct Testimony of Helen J. Wesley and Exhibit No. HJW-1.

Thank you for your assistance in connection with this matter.

(Document 2 of 18)

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Jeffrey Wahlen', with a long horizontal flourish extending to the right.

J. Jeffrey Wahlen

cc: Charles J. Rehwinkel, Public Counsel  
Jon Moyle, FIPUG  
Major Thompson, OGC  
Ryan Sandy, OGC

JJW/ne  
Attachment



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  
HELEN J. WESLEY

**TABLE OF CONTENTS**  
**PREPARED DIRECT TESTIMONY AND EXHIBIT**  
**OF**  
**HELEN J. WESLEY**

POSITION, QUALIFICATIONS, PURPOSE..... 1

ABOUT PEOPLES..... 4

IMPORTANCE OF NATURAL GAS..... 16

PEOPLES' LAST GENERAL BASE RATE PROCEEDING..... 18

GROWTH..... 21

CHANGING ENERGY MARKETS..... 29

2023 TRANSACTION..... 35

INCREASE REQUEST AND STEPS TO AVOID SEEKING AN INCREASE..... 40

SUMMARY..... 47

EXHIBIT..... 49

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HELEN J. WESLEY

POSITION, QUALIFICATIONS, PURPOSE

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

**A.** My name is Helen J. Wesley. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Peoples Gas System, Inc. ("Peoples" or the "company") as its President and Chief Executive Officer ("CEO"). I am also President and CEO of the company's affiliates, SeaCoast Gas Transmission, LLC ("SeaCoast"), its subsidiary, TECO Partners, Inc. ("TPI"), and Peoples' parent company, TECO Gas Operations, Inc. SeaCoast is an intrastate natural gas transmission company and TPI performs marketing services for Peoples.

**Q.** Please describe your duties and responsibilities for Peoples.

**A.** I have overall responsibility and accountability for all aspects of Peoples. This includes: operational functions like safety and compliance, customer experience, operations,

1 construction and engineering, regulatory affairs, and supply  
2 chain management; and corporate functions like human  
3 resources, marketing and communications, information  
4 technology, finance and accounting, and legal. I am  
5 responsible for managing our organization in a fiscally  
6 responsible way that is accountable to our customers,  
7 regulators, shareholders, strategic suppliers, and financing  
8 partners. I lead the company so our customers across the state  
9 receive safe, reliable natural gas service, our team members  
10 enjoy a great quality of employment, and we contribute as a  
11 positive force in the communities we serve. I also ensure  
12 that Peoples is financially sound and complies with the  
13 numerous rules and regulations governing businesses  
14 generally, and local gas distribution companies specifically.

15  
16 **Q.** Please summarize your educational background and business  
17 experience.

18  
19 **A.** I earned a Bachelor of Commerce degree in Marketing from the  
20 University of Calgary, and a Master of Business  
21 Administration degree in International Business from Bentley  
22 University in Boston.

23  
24 I joined Peoples in 2020 as Chief Operating Officer, became  
25 President in 2021, and was named President and CEO effective

1 January 1, 2023. I have over 30 years of energy industry  
2 experience in Canada, the United States, Europe, the Middle  
3 East, and Africa, and have been leading large groups in  
4 complex organizations since 2010. My energy experience spans  
5 upstream and downstream oil and gas, commodity and specialty  
6 chemicals, and electric and gas utilities.

7  
8 I hold a Chartered Financial Analyst (CFA) designation and a  
9 Directors Designation from the Institute of Corporate  
10 Directors.

11  
12 **Q.** What are the purposes of your prepared direct testimony in  
13 this proceeding?

14  
15 **A.** My direct testimony: (1) describes Peoples, our approach to  
16 serving customers, and our core values; (2) explains the  
17 importance of natural gas to the State of Florida; (3)  
18 highlights how Peoples has evolved since its last general  
19 base rate proceeding and the factors influencing that  
20 evolution; and (4) summarizes our increase request, why we  
21 need it and what we have done to avoid filing this request.  
22 Along the way, I will introduce the other witnesses who filed  
23 prepared direct testimony on behalf of the company.

24  
25 **Q.** Have you prepared an exhibit to support your prepared direct

1 testimony?

2

3 **A.** Yes. Exhibit No. HJW-1, entitled "Exhibit of Helen J. Wesley,"  
4 was prepared under my direction and supervision and  
5 accompanies my prepared direct testimony. The contents of my  
6 exhibit were derived from the business records of the company  
7 and are true and correct to the best of my knowledge and  
8 belief. It consists of these four documents:

9

10 Document No. 1. List of Peoples' Witnesses and Purpose of  
11 their Direct Testimony

12 Document No. 2 Peoples Gas System, Inc. Service  
13 Territory Map

14 Document No. 3 Corporate Structure Diagram of Peoples  
15 Gas System, Inc., and its Affiliates

16 Document No. 4 Bill Comparisons at Proposed Rates

17

18 **ABOUT PEOPLES**

19 **Q.** Please describe Peoples.

20

21 **A.** Peoples was formed in 1895 and is the largest natural gas  
22 local distribution company ("LDC") in Florida. Through its 14  
23 service areas, the company safely and reliably serves  
24 approximately 470,000 residential, commercial, industrial,  
25 and electric power generation customers in 39 of Florida's 67

1 counties, including five major metropolitan areas.

2  
3 As of December 31, 2022, our system included approximately  
4 14,900 miles of gas mains. A map showing the reach of our gas  
5 distribution system is included in Exhibit HJW-1 as Document  
6 No. 2.

7  
8 At year-end 2022, we employed approximately 700 team members  
9 to serve our customers. Looking only at our employee headcount  
10 gives an incomplete view of the company because Peoples also  
11 uses outside contractors to serve its customers. I will  
12 explain this further in my direct testimony.

13  
14 Peoples is an indirect subsidiary of Emera Incorporated  
15 ("Emera"), a geographically diverse energy and services  
16 company headquartered in Halifax, Nova Scotia, Canada.  
17 Emera's strategic pillars of decarbonization,  
18 decentralization and digitalization provide a foundational  
19 framework as Peoples serves the changing energy needs of  
20 Floridians. Emera also indirectly owns our affiliate, Tampa  
21 Electric Company ("Tampa Electric"). A diagram showing how  
22 Peoples fits into the corporate structure of Emera is included  
23 as Document No. 3 in Exhibit HJW-1.

24  
25 Q. Please describe the company's customer base.



1 **A.** As of December 31, 2022, Peoples served approximately 470,000  
2 customers ranging from residential customers to small  
3 businesses to large hotels, hospitals, industrial users, and  
4 electricity generators. The distribution of customers across  
5 our rate classes at that time was 428,540 residential, 39,378  
6 commercial, and 53 industrial and power generation customers.  
7 I will discuss the growth of our system and customer base in  
8 more detail later in my direct testimony.

9

10 **Q.** Please describe Peoples' approach to serving customers.

11

12 **A.** Our goal is to serve customer demand for natural gas across  
13 the state in a safe, reliable, and sustainable way. Demand  
14 for natural gas - whether traditional, compressed natural gas  
15 ("CNG"), liquefied natural gas ("LNG"), or renewable natural  
16 gas ("RNG") - comes from all customer classes and requires  
17 the company to invest in distribution infrastructure to  
18 directly serve customers on normal days and during periods of  
19 peak demand during extreme weather events. Planning for the  
20 future and expanding and improving our distribution  
21 infrastructure and supporting systems are important aspects  
22 of how Peoples supports the evolving demands of our current  
23 and future customers.

24

25 We support our gas distribution infrastructure through active

1 procurement of physical and transportation capacity and  
2 complex long-term system planning and daily transactions to  
3 optimize supply throughout our system. We apply supply chain  
4 management practices, so the company obtains the goods and  
5 services it requires to provide safe and reliable service at  
6 the lowest reasonable cost and when needed. We operate  
7 continuously but think and plan for the long-term to meet the  
8 needs of our expanding residential and small commercial  
9 customer base, large volume electric generators, and other  
10 commercial and industrial customers.

11  
12 Peoples takes a long-term view of growth and system planning  
13 given the long life cycle of our assets and the magnitude of  
14 capital deployed to serve natural gas demand. Our goal is to  
15 execute our strategy through effective corporate systems and  
16 processes to manage safety and compliance, cyber security,  
17 regulatory processes, financial tracking and forecasting  
18 processes, treasury management, customer contact services,  
19 and human resources processes.

20  
21 As demand for natural gas grows, we must expand our physical  
22 system of pipelines, pressure and flow regulators, gate  
23 stations and meters, as well as the organizational  
24 infrastructure of people, systems, and processes to carry out  
25 that work safely, reliably, and efficiently. As we build to

1           serve growth, we in turn must enhance internal capabilities  
2           to support that growth in a safe, reliable, and efficient  
3           manner. We call this being "fit for growth."  
4

5   **Q.**    What are the company's core values?  
6

7   **A.**    Peoples' values include a commitment to safety, exceptional  
8           customer service, sustainability and environmental  
9           stewardship, fiscal responsibility, and supporting the  
10          communities we serve. We embrace innovation to continuously  
11          improve our systems, promote safety and reliability, and  
12          deliver exceptional customer experiences.  
13

14   **Q.**    Please describe Peoples' commitment to safety.  
15

16   **A.**    The safety of Peoples' team members, contractors, customers,  
17           and the public is paramount. Protecting our gas distribution  
18           system from damages caused by third parties during  
19           construction and from cyber-attack is vital. We focus on the  
20           safety of people and our pipeline in everything we do, and  
21           our efforts yield strong results. Our Pipeline Safety  
22           Management System ("SMS") continues to enhance the safety  
23           focus of our culture, processes, and technology on our goal  
24           of zero serious injuries. Peoples has been an industry leader  
25           in the pursuit of a SMS based on the American Petroleum

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Institute's Recommended Practice 1173.

The company's Occupational Safety and Health Administration ("OSHA") injury rate for team members and contractors is at an industry low. 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 also 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 Pipeline and Hazardous Materials Safety Administration ("PHMSA") compliance results.

The costs of safely operating the company's growing system and changing federal safety and security requirements continue to increase. So too have the costs of locating and moving our pipelines and infrastructure to facilitate construction activities in our growing state, and the related increased costs from damages to our system during third-party construction activities. The significant funding authorized in November 2021 through the federal Infrastructure Investment and Jobs Act will increase (1) construction activity on roads, bridges, broadband, and other infrastructure and (2) the demands on Peoples to locate and

1 relocate its facilities.

2  
3 Our focus on safety, our safety results, and the impact that  
4 changing safety requirements and growth have on our  
5 operations will be explained further in the prepared direct  
6 testimony of company witness Timothy O'Connor, Vice President  
7 of Operations, Sustainability and External Affairs.

8  
9 **Q.** Please describe the company's commitment to customer service.

10  
11 **A.** Peoples' commitment to providing exceptional customer service  
12 is a hallmark of the company. We have a record of outstanding  
13 customer service as reflected in consistent excellent  
14 rankings in national customer surveys.

15  
16 In 2022, the company ranked highest in the south midsize  
17 segment of the J.D. Power Gas Utility Residential Customer  
18 Satisfaction study for the 10<sup>th</sup> year in a row, and highest in  
19 the south segment of the Gas Utility Business Customer  
20 Satisfaction study for the fourth year in a row and sixth  
21 time since 2016.

22  
23 Peoples has led the nation in the J.D. Power residential study  
24 in eight of the past ten years and ranked highest in the  
25 nation in the business study in six of the past eight years.

1 Peoples was among the Most Trusted Utility in the nation for  
2 the ninth time in the 2022 Cogent/Escaient Syndicated Utility  
3 Trusted Brand & Customer Engagement Residential study. The  
4 same firm also named Peoples a Trusted Business Partner (two  
5 consecutive years), one of the easiest utilities in the nation  
6 with which to conduct business (fourth consecutive year), an  
7 Environmental Champion (eighth consecutive year), and a  
8 Customer Champion (ninth consecutive year).

9  
10 We believe these recognized and consistently high levels of  
11 customer satisfaction have been achieved by: (1) our  
12 customer-facing team members' dedication to customer service;  
13 (2) our customer contact center systems, processes, and  
14 people that result in high quality and efficient daily  
15 interactions; (3) our strong billing platform and processes;  
16 (4) our efforts to enable customers to interact with Peoples  
17 through many different communication channels; (5) helping  
18 customers manage their energy costs through our conservation  
19 programs, including the online home energy audit; (6) our  
20 commitment to lower emissions; and (7) our focus on safety,  
21 reliability, and service. Being a responsible corporate  
22 citizen and supporting the communities we serve are also  
23 important.

24  
25 Witness O'Connor will explain the efforts our operations team

1 members make in the field to support this exceptional service.  
2 Company witness Karen K. Sparkman, Vice President of Customer  
3 Experience, will explain the efforts our customer experience  
4 team makes to ensure that our customers can continue to  
5 communicate with the company how and when they want, which we  
6 believe is an important element of an exceptional customer  
7 experience.

8  
9 **Q.** How does the company view sustainability and environmental  
10 stewardship?

11  
12 **A.** Both are important to Peoples. Not only do our customers value  
13 sustainability and environmental stewardship but providing  
14 sustainable natural gas service is important to the future of  
15 Florida. Peoples also knows that it is simply the right thing  
16 to do.

17  
18 Peoples strives to provide natural gas in an environmentally  
19 friendly way through reduced emissions and minimizing the  
20 effect of any damages to our system. Our Cast Iron/Bare Steel  
21 Replacement ("CI/BSR") rider has reduced gas leaks, lowered  
22 carbon emissions, and enhanced the efficiency of the  
23 company's distribution system. The success of this program  
24 and other environmentally friendly operating initiatives such  
25 as our MobileGuard program will be explained in the prepared

1 direct testimony of witness O'Connor.

2  
3 Customer interest in sustainable and renewable energy  
4 continues to grow and has expanded beyond solar. To support  
5 Florida's clean energy future, our proposal in this case  
6 includes three innovative RNG projects that will deliver  
7 sustainable, carbon-negative, pipeline-quality gas made in  
8 Florida to customers in Florida. Projects like these reflect  
9 partnerships with farmers, counties, municipalities, and  
10 others to drive economic development, reduce methane  
11 emissions, and deliver Florida-sourced natural gas to  
12 customers.

13  
14 These projects can be considered carbon negative because they  
15 take natural gas that otherwise would have been emitted into  
16 the atmosphere and create clean natural gas that can be  
17 injected into Florida's pipeline system. With investment in  
18 RNG facilities, Florida can become a producer of natural gas,  
19 thereby reducing our reliance on imports from other states.  
20 Our efforts in this area are explained in the prepared direct  
21 testimony of company witness Lew Rutkin, Jr., Vice President  
22 of Gas Supply and Development. Witness Rutkin will also  
23 explain what Peoples is doing to support customers who want  
24 CNG and infrastructure to provide liquified natural gas  
25 ("LNG") as part of their energy solution to replace other



1 more expensive and more carbon intensive fuels.

2  
3 **Q.** How does fiscal responsibility fit into the way Peoples does  
4 business?

5  
6 **A.** Sound financial management and good business decision making  
7 are vitally important to Peoples. We work diligently to ensure  
8 that the goods and services we use to serve our customers are  
9 procured using good business practices and provide value to  
10 our customers. Our commitment to cost discipline is a primary  
11 reason that the cost profile for operating our business is  
12 reasonable and prudent. The business practices and controls  
13 we employ in this area are described in the prepared direct  
14 testimony of company witnesses Christian C. Richard, Vice  
15 President of Engineering, Construction & Technology, and  
16 Rachel B. Parsons, Vice President of Finance and Planning.  
17 Our other operating witnesses also discuss our success  
18 managing our cost profile.

19  
20 **Q.** How does Peoples support the communities it serves?

21  
22 **A.** Our team members work and live in the communities we serve,  
23 and it is important for Peoples to be a positive force in  
24 those communities. Peoples continues to deliver on its  
25 commitment to help its customers through challenges caused by

1 the COVID-19 pandemic, volatile economic conditions, and  
2 severe weather. During the COVID-19 pandemic, Peoples and its  
3 team members supported customers and offered payment  
4 assistance to over 6,000 residential and commercial  
5 customers. These support activities included: (1) extensive  
6 outreach efforts; (2) implementation of modified payment  
7 arrangement guidelines to provide greater flexibility to  
8 customers; (3) revised service disconnection/reconnection  
9 guidelines; and (4) personal call follow-ups with customers  
10 who had not reconnected service after three days to offer  
11 creative options for assistance.

12  
13 **Q.** How does Peoples help Florida during extreme weather events?

14  
15 **A.** Because most of its natural gas infrastructure is underground  
16 and less susceptible to storm damage, Peoples' natural gas  
17 service provides significant energy resiliency benefits to  
18 Florida during severe weather. During Hurricane Ian, only  
19 about 800 of the company's customers experienced service  
20 disruptions, even though some of the company's territories  
21 were in the hardest hit areas. When the electric grid is  
22 damaged during a storm, backup generation fueled by natural  
23 gas allows hospitals, nursing homes, residential communities,  
24 and other essential services to continue operations. The  
25 resiliency of the gas system allowed residential gas

1 customers to have hot water, the ability to cook, and the  
2 potential for backup electric generation.

3  
4 **IMPORTANCE OF NATURAL GAS**

5 **Q.** Are reliable and resilient local gas distribution companies  
6 ("LDCs") like Peoples important to Florida?

7  
8 **A.** Yes. LDCs like Peoples support the growth, business climate,  
9 and economic success of Florida both within and beyond Florida  
10 as our state competes in an increasingly global world. The  
11 cost competitiveness of natural gas relative to other sources  
12 of energy helps make Florida an attractive choice for  
13 individuals, families, and businesses.

14  
15 Residential customers continue to demand natural gas in new  
16 developments for cooking, home heating, heating water, and as  
17 a fuel supply for emergency electric backup generation.  
18 Natural gas is a familiar and expected energy choice to those  
19 migrating to Florida from other parts of the United States.  
20 As a de-carbonization measure, natural gas is becoming more  
21 popular with businesses that seek a competitively priced,  
22 lower carbon emissions energy source.

23  
24 Nationally, 76 percent of restaurants use natural gas and 90  
25 percent of restaurateurs using natural gas say losing the

1 ability to cook with an open flame would negatively impact  
2 the quality of the food they serve.

3  
4 Access to lower cost, reliable, and cleaner natural gas has  
5 become more critical for electric generators as they move to  
6 decarbonize by closing coal plants. Electric generators like  
7 JEA and Tampa Electric are investing hundreds of millions of  
8 dollars to convert their coal-fired generation facilities to  
9 natural gas.

10  
11 Natural gas has become an attractive option for marine  
12 shippers and cruise lines as they invest in LNG cruise ships  
13 to sustain their business economically and with a smaller  
14 environmental footprint. LNG-powered vessels generate up to  
15 20 percent less carbon emissions than oil or diesel, and  
16 virtually eliminate sulfur oxides emissions, reduce nitrogen  
17 oxides by about 85 percent, and particulate matter by 95 to  
18 100 percent. Using LNG will help the marine sector meet the  
19 International Marine Organization requirement to reduce  
20 sulphur emissions from ships by 80 percent beginning January  
21 1, 2020. Six LNG-powered cruise ships currently operate out  
22 of ports within our territory and five more are expected by  
23 2025. Peoples can supply the natural gas needed for LNG  
24 production in large volumes to these key locations.

1 Large industrial enterprises like cement plant operators and  
2 paving companies are switching to natural gas because of its  
3 reliability, affordability, and environmental benefits over  
4 alternative fuels.

5  
6 The growing demand for natural gas in Florida, including CNG,  
7 LNG, and RNG, and how Peoples is responding to that demand,  
8 are explained further by company witness Rutkin.

9  
10 **PEOPLES' LAST GENERAL BASE RATE PROCEEDING**

11 **Q.** When did the company last seek a general base rate increase?  
12

13 **A.** Peoples has only filed two base rate cases in the last 15  
14 years. Its most recent general base rate case was filed on  
15 June 8, 2020, in Docket No. 20200051-GU, and yielded the  
16 Stipulation and Settlement Agreement approved by the Florida  
17 Public Service Commission ("Commission") in Order No. PSC-  
18 2020-0485-FOF-GU, issued December 10, 2020, in Docket Nos.  
19 20200051-GU, 20200166-GU, and 20200178-GU ("2020 Agreement").  
20

21 The 2020 Agreement authorized the company to implement new  
22 base rates and charges and established a return on equity  
23 ("ROE") midpoint of 9.90 percent with a range of 8.90 percent  
24 to 11.00 percent effective January 1, 2021. The base revenue  
25 increase of \$58 million included \$23.6 million of revenue

1 requirements transferred from the CI/BSR rider. The 2020  
2 Agreement authorized Peoples to amortize \$34 million of  
3 depreciation reserve surplus as a credit to depreciation  
4 expense from 2020 through 2023. This mechanism is unique to  
5 Peoples and served customers well.

6  
7 **Q.** Has the 2020 Agreement been good for Peoples' customers?  
8

9 **A.** Yes. The 2020 Agreement benefited customers by creating three  
10 years of base rate stability and by providing a mechanism to  
11 efficiently give customers the benefit of a state income tax  
12 rate decrease and defer the effect of a state income tax rate  
13 increase during the term of the agreement. Furthermore, the  
14 depreciation credits effectively reduced the size of the base  
15 rate increase authorized in the 2020 Agreement, thereby  
16 mitigating the bill impact to customers during the settlement  
17 period. We understand that customers value rate stability and  
18 predictability and are pleased that the 2020 Agreement  
19 delivered both to them.  
20

21 **Q.** Has the 2020 Agreement been good for Peoples?  
22

23 **A.** Yes, but it has also presented challenges. The 2020 Agreement  
24 provided an equal measure of base rate stability and  
25 predictability to Peoples, but circumstances that were

1 unforeseen when we entered into the 2020 Agreement proved  
2 challenging to Peoples during its term. Although the  
3 depreciation credit helped the company manage these  
4 unforeseen circumstances, it has and will not be enough to  
5 offset unforeseen customer demand and higher expense levels.  
6 In addition, part of the rate increase in this request  
7 effectively results from the ending of the depreciation  
8 credits in the 2020 Agreement.

9  
10 **Q.** How did the company use the depreciation credit in the 2020  
11 Agreement to help manage through unforeseen economic  
12 conditions?

13  
14 **A.** Peoples used the credit in a manner consistent with the letter  
15 and the spirit of the 2020 Agreement. The company did not use  
16 the depreciation credit at all in 2021 and did not use it in  
17 2022 to elevate its earnings to the top of its authorized  
18 earnings range. Rather, the company used the credit in 2022  
19 to offset rate base growth, unexpected expense increases in  
20 other areas caused by general inflation, and interest rate  
21 increases. In 2023, the company will use the remainder of the  
22 credit amount for the same purposes. Unfortunately, the  
23 amount of the credit available in 2023 will not be enough to  
24 offset those higher costs, and the company expects to earn  
25 significantly below the bottom of its authorized earnings

1 range.

2

3 **Q.** What is the company's forecasted earned return on equity in  
4 2023 and 2024?

5

6 **A.** As explained further in the direct testimony of witness  
7 Parsons, the company expects to earn below eight percent on  
8 equity in 2023 and, without rate relief, about two percent on  
9 equity in 2024. Both projected earned returns are below a  
10 reasonable rate of return on equity.

11

12 **Q.** How has Peoples evolved as an organization since the 2020  
13 Agreement was approved, and why?

14

15 **A.** Since its last base rate proceeding in 2020, Peoples has  
16 evolved to meet changes and challenges caused by Florida's  
17 remarkable growth and changing energy markets. We also  
18 executed a "seamless to customers" asset transfer into a  
19 separate corporation effective January 1, 2023 ("2023  
20 Transaction").

21

22 **GROWTH**

23 **Q.** What impact has Florida's growth had on Peoples and its  
24 operations?

25



1 **A.** Florida's growth has been remarkable, especially over the  
2 past few years. The state's abundant natural resources,  
3 favorable tax system, balanced approach to regulation, and  
4 other thoughtful policy choices have helped make Florida one  
5 of the fastest-growing states in America. Florida is a  
6 national leader in new business formation and net population  
7 in-migration. While other states have experienced population  
8 declines, Florida's population is expected to be 22.6 million  
9 people in 2024, up 1 million since January 1, 2021. Peoples'  
10 witness Dr. Richard K. Harper, PhD., President of Economic  
11 Consulting Services, Inc., will discuss how Florida is  
12 growing and is projected to grow in his prepared direct  
13 testimony.

14  
15 **Q.** What does Florida's growth mean to Peoples?  
16

17 **A.** Florida's population growth means: more new home  
18 construction; more hotels, hospital, stores, and restaurants;  
19 new and expanded roads and other construction; and more gas-  
20 fired electricity generation. This growth leads to more  
21 demand for the product we distribute to our customers. As  
22 Florida grows, Peoples must: invest in new mains, laterals,  
23 service lines, and meters; hire team members to operate and  
24 maintain a growing system; and spend money building,  
25 upgrading, and moving the company's gas distribution

1 infrastructure to accommodate expanding Florida  
2 infrastructure.

3  
4 **Q.** Has Peoples expanded its systems to support Florida's growth?

5  
6 **A.** Peoples has grown with Florida and will continue to grow as  
7 Florida grows. From January 1, 2021, to December 31, 2022,  
8 Peoples added approximately 40,000 (10 percent increase) and  
9 approximately 1,500 (four percent increase) new residential  
10 and commercial customers, respectively. The company expects  
11 to add almost 28,000 new residential and approximately 1,200  
12 new commercial customers from January 2023 to December 2024.  
13 From January 2021 to December 2022, the company added  
14 approximately 1,200 miles of main and services (equivalent to  
15 driving from Panama City to Miami and back) and anticipates  
16 adding approximately 1,000 miles from January 2023 to  
17 December 2024. Residential sales for 2024, measured in  
18 therms, are expected to be up 12 percent over 2021 actuals.  
19 The investments required to support this remarkable expansion  
20 contribute to the company's need for rate relief as do the  
21 demands of changing energy markets.

22  
23 **Q.** Does Peoples expect Florida to continue to grow?

24  
25 **A.** Yes. Although our national economy may be showing signs of a

1 possible recession in 2023, we expect any recession to be  
2 relatively mild and not as pronounced in Florida as in other  
3 areas of the United States, especially in the thriving urban  
4 areas of Florida that we serve. Based on discussion with our  
5 witnesses, Harper, and Eric Fox, Director of Forecasting  
6 Solutions at Itron, and others knowledgeable about  
7 development, we expect growth in Florida to continue in 2023  
8 and 2024, but perhaps at a slightly lower rate than in 2021  
9 and 2022. By the end of 2024, we expect to serve approximately  
10 456,000 residential, 41,000 commercial, and 56 industrial and  
11 power generation customers, with throughput of almost 1.8  
12 billion therms. This outlook is explained further in the  
13 prepared direct testimony of witnesses Harper and Fox and is  
14 reflected in our 2023 and 2024 load forecast and financial  
15 forecasts.

16  
17 **Q.** How much does the company project to invest in capital  
18 projects from January 1, 2022 to December 31, 2024?

19  
20 **A.** Of the roughly one billion dollars, about \$600 million is for  
21 growth, \$400 million is for reliability, resiliency, and  
22 efficiency ("RRE"), and about \$80 million is for legacy pipe  
23 replacement.

24  
25 **Q.** How does the company identify the need to invest capital in

1           its system?

2

3   **A.**   Our capital spending is customer driven and arises in four  
4           areas.

5

6           First, a large portion of our capital spending is driven by  
7           residential and small commercial growth. Witness Fox supports  
8           the forecast for residential and small customers. The best  
9           time to install natural gas distribution facilities is as  
10          development occurs, not after, so we work closely with  
11          developers and government entities to be there before streets  
12          and parking lots have been paved and sidewalks have been  
13          built. This allows us to install our facilities at the lowest  
14          possible cost.

15

16          Second, our Gas Supply and Development team works with large  
17          commercial, industrial, and emerging technology companies to  
18          plan for and meet the demand in these market segments. In his  
19          testimony, witness Rutkin will explain how the company is  
20          investing in three RNG projects to bring sustainable, made-  
21          in-Florida, pipeline-quality RNG to customers in Florida. He  
22          will also explain how a planned pipeline expansion will  
23          enhance Florida's market presence in the LNG market and  
24          support marine transportation. These major projects are  
25          supported by revenue from customer-specific contracts, but

1           nevertheless contribute to the company's overall rate base  
2           growth.

3  
4           Third, the company has made and is making significant  
5           investments to improve the RRE of our systems. We identify  
6           opportunities to improve the RRE of our system in two ways.  
7           First, while maintaining and operating our system, our  
8           operations team becomes aware of facilities that need to be  
9           enhanced to maintain the safe and reliable operation of our  
10          system and takes steps to improve as necessary. Second, our  
11          system engineering team takes a longer view to identify RRE  
12          projects, but the ones they identify tend to be larger  
13          projects. Examples include: (1) the major projects for  
14          Jacksonville, Panama City and Southwest Florida approved in  
15          the 2020 Agreement; (2) the Dade City Connector; (3) our new  
16          Work and Asset Management System ("WAM"); and (4) the Tampa  
17          distribution system improvements included in this case.  
18          Witnesses O'Connor and Richard describe the RRE activities  
19          and projects in the operations and engineering areas,  
20          respectively, in their prepared direct testimonies.

21  
22          Finally, our capital investment is driven by the growth in  
23          the Florida economy and the resulting construction activity  
24          in the state. New buildings and roads, relocating or widening  
25          existing roads, and redevelopment of existing parcels of land

1 generally require Peoples to place its existing underground  
2 facilities in specified locations or, in many cases, to move  
3 them. The electric infrastructure undergrounding activity in  
4 Florida also impacts Peoples' work activity and resource  
5 requirements.

6  
7 Witness Richard will explain the processes the company uses  
8 to prioritize proposed projects, prepare budget estimates,  
9 develop capital budgets to construct projects, and the other  
10 controls in place to ensure that the goods and services the  
11 company purchases to build capital projects are procured and  
12 delivered on time and at the lowest total cost of ownership.

13  
14 **Q.** Has Peoples added Team Members as Florida has grown and  
15 Peoples' operations have expanded?

16  
17 **A.** Yes. Peoples employs team members and also contracts with  
18 outside service providers to serve its customers. Contractors  
19 have enabled the company to perform required activities in  
20 the face of challenging labor markets caused by COVID-19 and  
21 general economic conditions. Peoples monitors Team Member  
22 Headcount and contractor usage but focuses on and manages its  
23 overall operations and maintenance ("O&M") expense levels to  
24 efficiently provide safe and reliable service to its  
25 customers. The varying speeds at which Florida has grown in

1 different geographies and the changing demographics of  
2 Florida's labor force during the COVID-19 pandemic have added  
3 to the resourcing challenge and the necessity to have a more  
4 flexible contractor workforce.

5  
6 As of January 1, 2020, Peoples employed 623 team members and  
7 by December 31, 2022 that number grew to approximately 700.  
8 Peoples expects to employ approximately 775 and 850 as of  
9 December 31, 2023 and 2024, respectively, to meet growing  
10 customer demand and optimize reliance on contract labor.

11  
12 The need to increase our workforce is being driven by the  
13 expansion of our system in response to customer demand and  
14 our goal to ensure that we have enough permanent resources in  
15 place to provide safe and reliable gas service to our  
16 customers. This workforce optimization should also ultimately  
17 improve the cost effectiveness of our labor force, providing  
18 a benefit to customers.

19  
20 The increase in resources is also driven by the ongoing growth  
21 in construction activity in Florida, which creates an  
22 increase in the need for resources to locate utilities for  
23 third parties prior to their construction beginning.

24  
25 We are also preparing for the significant influence on

1 construction activity that we anticipate will result from the  
2 authorization of the Infrastructure Investment and Jobs Act,  
3 which will cause more utility locate demand and relocation of  
4 gas infrastructure.

5  
6 The efforts we have made to "right-size" our workforce and  
7 the positive effects those efforts have made on our customer  
8 experience are explained by company witnesses Donna L.  
9 Bluestone, Vice President of Human Resources, O'Connor, and  
10 Sparkman in their direct testimonies.

11  
12 **CHANGING ENERGY MARKETS**

13 **Q.** How have changes in the energy market influenced Peoples and  
14 its approach to the gas business?

15  
16 **A.** Peoples is a local gas distribution company, but its  
17 operations are influenced by weather, political activity, and  
18 economic factors around the world - all of which are beyond  
19 the company's control. Although natural gas prices recently  
20 have been more volatile, the abundant supply of domestic  
21 natural gas has reduced the cost of natural gas well below  
22 levels a decade ago and made the United States a major  
23 exporter of natural gas. Customer demand for natural gas is  
24 high in Florida because it is affordable, reliable, and safe,  
25 and while some states have attempted to restrict the use of



1 natural gas, policymakers in Florida have wisely preserved  
2 natural gas as a choice for consumers. Natural gas has also  
3 replaced coal as the primary fuel for generating electricity  
4 in the state.

5  
6 **Q.** Have other factors influenced Peoples' operations since its  
7 last base rate proceeding?

8  
9 **A.** Yes. We have also experienced unexpected increases in the  
10 cost of the goods and services we procure to provide service  
11 (i.e., inflation), labor market challenges, supply chain  
12 disruptions and higher than expected interest rates. Although  
13 the company has worked diligently to moderate the effects of  
14 these increases, the combined impact of growth and these  
15 factors is challenging the company's ability to continue to  
16 (1) safely and effectively operate and maintain its growing  
17 systems under current rates while (2) earning a fair rate of  
18 return on its investments to serve customers.

19  
20 **Q.** Does the company expect these factors to continue to influence  
21 its operations in the 2024 test year?

22  
23 **A.** Yes. In response to the economic distress caused by the COVID-  
24 19 pandemic, the Federal Reserve quickly and aggressively  
25 decreased its interest rates, but now is raising them to

1 combat inflation. These changes have impacted capital  
2 markets, long- and short-term borrowing costs, and the cost  
3 of common equity. Further interest rate increases by the  
4 Federal Reserve are expected.

5  
6 The impact of short- and long-term interest rate increases on  
7 the company's projected borrowing costs and the debt elements  
8 of our capital structure are explained in the prepared direct  
9 testimony of company witness Kenneth D. McOnie, Vice  
10 President Tax and Treasurer for Emera.

11  
12 Company witness Dylan W. D'Ascendis, Partner at ScottMadden  
13 Inc., discusses how market conditions have influenced the  
14 required rate of return on equity for public utilities like  
15 Peoples.

16  
17 The company is hopeful that the pace of inflation will  
18 moderate somewhat in 2023 and 2024; however, the higher costs  
19 the company paid in 2021 and 2022, and is expecting to pay in  
20 2023, are now reflected in the cost of capital additions. For  
21 example, during the last three years, Peoples has experienced  
22 a 117 percent increase in the cost of steel pipe. The  
23 significant increase (89 percent in one year) in interest  
24 rates is expected to persist in 2023 and 2024, according to  
25 many sources. The company does not expect the prices it pays

1 for goods and services in 2023 and 2024 to revert to 2020  
2 levels. The company's view of inflation is discussed further  
3 in the prepared direct testimony of witness Harper.

4  
5 Historically low unemployment levels continue to put upward  
6 pressure on employee compensation levels, forcing the company  
7 to rely more heavily on contract labor, which also reflects  
8 higher labor costs. The impact of the current and expected  
9 labor market on our operations will be discussed in the  
10 prepared direct testimony of witnesses Bluestone and  
11 O'Connor.

12  
13 The impact of, and outlook for, supply chain disruptions is  
14 explained in the prepared direct testimony of witnesses  
15 O'Connor and Richard. Witness Richard will also explain the  
16 work we are doing in the supply chain management area to  
17 moderate the impact of supply chain disruptions.

18  
19 **Q.** What other factors come into consideration for Peoples as it  
20 manages its operating and financial performance?

21  
22 **A.** All regulated utilities, including Peoples, must consider and  
23 balance the interests of many stakeholders as they manage the  
24 effects of a dynamic business environment. The company's  
25 financial witnesses describe the importance of maintaining

1 financial integrity and the company's cost of capital, which  
2 is influenced by market forces largely beyond the company's  
3 control. Peoples works with Emera to maintain good working  
4 relationships with credit rating agencies, lenders, and other  
5 financial market participants so its costs for debt and equity  
6 capital are reasonable and appropriate. In addition, the  
7 company optimizes its capital costs - both debt and equity -  
8 by maintaining consistent, credible, and stable earnings and  
9 cash flow performance over time. Doing so promotes  
10 predictability and confidence in Peoples for equity investors  
11 and lenders.

12  
13 As part of this process, Peoples has been thoughtful and  
14 deliberate about dealing with unanticipated factors such as:  
15 (1) significant increases in the costs of labor, goods, and  
16 services; (2) interest rate increases; and (3) supply chain  
17 challenges - all while providing safe and reliable service to  
18 customers and maintaining stable and predictable earnings  
19 levels. The company's commitment to defer base rate increases  
20 until January 1, 2024 has made dealing with these  
21 unanticipated factors a challenge, especially in 2023;  
22 however, through careful management and cost discipline, the  
23 company has developed plans for 2023 that balance these  
24 factors.

1 Q. How are these plans reflected in the company's 2023 financial  
2 forecast?

3

4 A. To ensure that we continue to provide safe and reliable gas  
5 service and maintain our earnings performance in 2023,  
6 Peoples is carefully managing its cost structure, including  
7 the timing of hiring new team members required to meet  
8 continued growth in customer demand. In 2023, we are absorbing  
9 significant increases to our labor costs so we can remain  
10 competitive in the market, but doing so has increased our O&M  
11 expenses. Consequently, we are planning to pursue our  
12 incremental Team Member hiring only in the fourth quarter of  
13 2023 to ensure we continue to have the resources required to  
14 support current customer growth. This approach will mitigate  
15 the impact of new hires on our cost structure but allow us to  
16 balance our need to provide safe and reliable service with  
17 our need for earnings performance.

18

19 We are managing other elements of our cost structure by  
20 limiting travel and entertainment expenses, discretionary  
21 training, consulting support, and other costs of doing  
22 business to levels that are only sustainable for short periods  
23 of time, especially in a challenging labor market. We are  
24 confident that we can manage through this period of adversity  
25 in 2023 but require recovery of higher O&M expense levels in

1 2024 to sustain our operations, attract and retain talented  
2 people, and maintain our high levels of customer  
3 satisfaction. We are fortunate to have a loyal and committed  
4 work force to help us manage through 2023 and into 2024.

5  
6 **2023 TRANSACTION**

7 **Q.** Please describe the 2023 Transaction.

8  
9 **A.** Peoples was purchased by TECO Energy, Inc. in 1997 and was  
10 merged into the TECO Energy family as an operating division  
11 of Tampa Electric. Since then, Peoples operated as a division  
12 of Tampa Electric, and was regulated by the Commission as a  
13 stand-alone entity. This original business structure was  
14 selected in part because: (1) holding Peoples' as a stand-  
15 alone entity would have triggered registration requirements  
16 with the Securities and Exchange Commission; (2) subjected  
17 TECO Energy to significant other corporate restrictions under  
18 the Public Utilities Holding Act of 1935 ("PUHCA"); and (3)  
19 Peoples was relatively small compared to Tampa Electric.

20  
21 Since then, two things have happened. First, the PUHCA was  
22 amended to eliminate the registration requirements and other  
23 restrictions, and second, Peoples has grown significantly  
24 with Florida. Consistent with how most utility companies are  
25 organized, Emera decided in 2022 that it was time to legally

1 separate its Florida electric and natural gas utilities to  
2 reflect their different business needs, geographic reach, and  
3 regulatory constructs. The natural gas assets, liabilities,  
4 and equity of the Peoples Gas System, a division of Tampa  
5 Electric Company were therefore transferred as part of a tax-  
6 free exchange to a new corporation named Peoples Gas System,  
7 Inc., effective January 1, 2023.

8  
9 **Q.** Does the Internal Revenue Code contain requirements for the  
10 transaction to be considered a non-taxable event for federal  
11 income tax purposes?

12  
13 **A.** Yes. While there are other requirements, the most significant  
14 is that Peoples must begin securing its own debt capital by  
15 borrowing from a lender other than Tampa Electric by December  
16 31, 2023. As part of the process, Peoples will begin issuing  
17 its own financial statements and obtain an independent credit  
18 rating. In doing so, Peoples' capital structure will reflect  
19 its business size and risk profile, and its debt financing  
20 costs will be based on market forces and its independent  
21 credit rating.

22  
23 **Q.** What impact will Peoples having its own credit rating have on  
24 the company's financing costs?

1 **A.** Peoples may experience higher financing costs in the short  
2 term, but this arrangement will ultimately have benefits for  
3 Peoples and its customers. In his direct testimony, witness  
4 McOnie will discuss the implications of the new financings on  
5 test year interest rates and the debt portions of the  
6 company's capital structure.

7  
8 **Q.** How will the 2023 Transaction impact the company?  
9

10 **A.** First, the transaction had no visible impact to our customers,  
11 and very little impact to employees. Except for changing the  
12 name of the company, the transaction did not involve changes  
13 to the company's tariff and the new entity, Peoples Gas  
14 System, Inc. adopted the tariff of the Peoples Gas System, a  
15 division of Tampa Electric on January 6, 2023.

16  
17 Customer bills are still being issued in the name of Peoples  
18 Gas. The company's customer service operation has remained  
19 the same and uses the same physical and mailing addresses,  
20 phone numbers, email addresses, and remote access pathways.  
21 The company's trucks, uniforms, and signs have not changed  
22 due to the transaction. Peoples will continue to provide the  
23 same high level of award-winning natural gas service to its  
24 customers.

25



1 Peoples franchise agreements and other large contracts have  
2 been amended for the new counterparty, Peoples Gas Systems,  
3 Inc., and inter-affiliate agreements have been similarly  
4 amended.

5  
6 Second, Peoples will continue to benefit from the provision  
7 of shared services from Tampa Electric, and to work  
8 collaboratively on managing our spending with outside  
9 contractors to receive high quality goods and services at  
10 competitive prices. For instance, we will continue to receive  
11 support from Tampa Electric's legal, information technology,  
12 and customer experience team members. Our shared billing  
13 platform and online systems enable high quality customer  
14 contact at a more affordable cost-to-quality ratio than  
15 Peoples Gas might be able to afford on its own. These kinds  
16 of shared service arrangements are valuable to Peoples'  
17 customers and will continue to be an integral part of how we  
18 deliver exceptional experiences to our customers.

19  
20 Third, the resulting structure will allow Peoples to manage  
21 the timing and quantum of market debt issuances and to  
22 optimize the level of short- and long-term debt solely at  
23 Peoples' discretion, enabling more flexibility to manage  
24 interest expense relative to the prior arrangement of  
25 borrowing through Tampa Electric. Moreover, as a separate

1 entity, Peoples will have the flexibility to manage its  
2 affairs to maintain the credit rating which best reflects its  
3 risk profile and associated cost of debt.

4  
5 Finally, the 2023 Transaction has not and will not have a  
6 material impact the company's O&M expense profile. Although  
7 our O&M expenses have increased since 2022, those increases  
8 were largely caused by inflation, labor market conditions,  
9 increasing compliance requirements, and the demands of  
10 operating and maintaining a larger system - not the 2023  
11 Transaction.

12  
13 **Q.** Was the 2023 Transaction prudent and how will it benefit the  
14 company's customers?

15  
16 **A.** Yes. The transaction was prudent and will benefit the  
17 company's customers.

18  
19 The resulting new structure provides a better platform for  
20 Peoples as it grows and changes with evolving natural gas  
21 markets. Peoples was relatively small in comparison to Tampa  
22 Electric when it was acquired in 1997. Since then, it has  
23 grown to serve more than half of the number of customers  
24 served by Tampa Electric and serves a geographic area that  
25 extends around Florida to include five major metropolitan

1 areas, not just the one served by Tampa Electric. Although  
2 the members of the Tampa Electric and Peoples Boards of  
3 Directors are currently essentially the same, the transaction  
4 enables Peoples, if it so chooses, to populate its board in  
5 the future with different board members. The transaction is  
6 a continuation of a long process of dedicating more resources  
7 to supporting the growing gas business in Florida.

8  
9 Our customers also benefit from the risk mitigation effect  
10 that placing the assets and liabilities of gas and electric  
11 operations in separate legal entities will provide. Tampa  
12 Electric and Peoples work diligently to be safe and avoid  
13 catastrophic accidents. However, events like the 2010 San  
14 Bruno explosion and the deadly 2020 Zogg Wildfire - on the  
15 gas and electric systems of Pacific Gas and Electric Company  
16 in California - show how accidents on one side of a dual  
17 system utility can threaten the other side. The new corporate  
18 structure and governance of Peoples, as Peoples Gas System,  
19 Inc., helps insulate Peoples' customers from the impact of  
20 events that may occur in the future at Tampa Electric, and  
21 vice versa.

22  
23 **INCREASE REQUEST AND STEPS TO AVOID SEEKING AN INCREASE**

24 **Q.** Please summarize the company's request for rate relief.  
25

1 **A.** Peoples seeks new base rates and charges to be effective with  
2 the first billing cycle in January 2024 based on a calendar  
3 year 2024 projected test year to generate an annual revenue  
4 requirement increase of approximately \$139.3 million, which  
5 includes approximately \$11.7 million of revenue that we are  
6 currently collecting through our CI/BSR rider, which we  
7 propose to roll into base rates as we did in our last general  
8 base rate proceeding in 2020. We are requesting a net increase  
9 of approximately \$127.6 million.

10  
11 Our proposed rates reflect a net rate base of approximately  
12 \$2.4 billion, a proposed return on equity of 11 percent, an  
13 equity ratio of 54.7 percent, and the projected revenues and  
14 expenses for our 2024 projected test year. These key elements  
15 are reasonable considering current and projected capital  
16 market conditions, labor markets, inflation, and customer  
17 demand, and that our proposed rates and charges are fair,  
18 just, and reasonable.

19  
20 **Q.** Which witnesses will be testifying on the key elements of the  
21 company's proposed revenue requirement?

22  
23 **A.** The prepared direct testimony of company witness McOnie, and  
24 witnesses D'Ascendis, and Fox support the equity ratio,  
25 return on equity, and load forecast components of our

1 proposal, respectively.

2

3 Witnesses Sparkman, O'Connor, Rutkin, Richard, and Bluestone  
4 support the level of test year rate base and O&M expenses in  
5 their areas.

6

7 Witness Dane A. Watson, Managing Partner in Alliance  
8 Consulting Group, will testify about our proposed  
9 depreciation rates and their impact on test year depreciation  
10 expense.

11

12 Witness Parsons presents and explains our revenue requirement  
13 calculation, including our 2024 revenue forecast, income and  
14 other taxes, and the proposed overall rate of return in her  
15 prepared direct testimony. She will also explain why 2024 is  
16 a reasonable test year for ratemaking and how our forecasting  
17 process yields a test-year budget that is appropriate for  
18 ratemaking purposes.

19

20 **Q.** Is the company proposing any cost of service methodology or  
21 major tariff changes as part of its petition?

22

23 **A.** We are not proposing significant cost of service methodology  
24 changes in this case. Witness Gregg Therrien, Vice President  
25 of Concentric Energy Advisors, performed a cost of service

1 study and will testify on the results of the cost of service  
2 model and how it was used to design our proposed customer  
3 rates. Our filing also includes proposed tariff wording  
4 changes and updated service charge levels, all of which will  
5 be explained by company witness Karen L. Bramley, Manager of  
6 Regulatory Affairs, in her direct testimony.

7  
8 **Q.** Why does the company need this level of rate relief?

9  
10 **A.** The major factors driving the need for our proposed rate  
11 increase are the growth in the Florida economy and a growing  
12 consumer interest in natural gas. They include strong  
13 customer and rate base growth, plus associated increases in  
14 depreciation expenses, property taxes and O&M expenses to  
15 operate the company's system safely and reliably that are  
16 outpacing the company's revenue growth. As a result of these  
17 factors, driven by external forces, and to provide the kind  
18 of service our customers expect as our customer base grows,  
19 the company projects to earn below the bottom of its approved  
20 ROE range in 2023 and earn approximately two percent ROE in  
21 2024 without rate relief.

22  
23 **Q.** What actions has Peoples taken to avoid making this rate  
24 increase request?

25

1 **A.** The growth Peoples has experienced not only impacts its  
2 capital spending but also requires more resources for  
3 customer service, operations, maintenance, compliance, and  
4 other activities. Peoples has worked diligently to avoid  
5 seeking a base rate increase and continues to pursue  
6 efficiencies to help it meet its customers' strong demand for  
7 natural gas service in the communities it serves. Here are  
8 some of the actions taken by Peoples to avoid seeking a base  
9 rate increase.

10  
11 First, Peoples voluntarily limited its ability to seek  
12 interim or permanent rate relief by agreeing to the "rate  
13 freeze" and "stay out" provisions in the 2020 Agreement.

14  
15 Second, Peoples has pursued cost savings, cost avoidance,  
16 efficiencies, and better performance throughout its  
17 operations by reorganizing and redeploying resources to  
18 deliberately seek and implement process improvements. The  
19 company's disciplined approach has yielded improvements in  
20 damage prevention and other safety metrics, talent  
21 acquisition, customer experience, and project management. The  
22 company's commitment to formal process improvement continues  
23 to provide cost avoidance and efficiency while meeting the  
24 needs of Peoples' growing system. As discussed by witness  
25 Parsons, our projected 2024 O&M expenses are below the

1 Commission's cost benchmark by \$7.4 million, notwithstanding  
2 these increases.

3  
4 Third, the company has invested in critical technology to  
5 manage its operations to provide efficiencies and  
6 opportunities to expand on those efficiencies. In its 2020  
7 general rate proceeding, Peoples explained its plans to  
8 implement a WAM system to manage more efficiently the many  
9 operational, engineering, and construction activities  
10 involved in serving customers. WAM will be operational in  
11 2023, and will begin to improve operating efficiencies and  
12 enhance customer service by automating functions that were  
13 previously performed manually. Peoples has also invested in  
14 more advanced call center technology, including an enhanced  
15 Interactive Voice Response ("IVR") System, to provide further  
16 improvements to meeting customer service levels through the  
17 company's call center. The pipeline safety improvements  
18 described earlier will help reduce carbon emissions and  
19 improve the efficiency of the company's distribution system.

20  
21 Fourth, as I previously mentioned, the 2020 Agreement  
22 contained a provision allowing Peoples to record depreciation  
23 expense credits totaling \$34 million during its term to keep  
24 rates stable and improve the ability to earn within its range  
25 of returns allowed in the Agreement. Peoples did not use the



1 depreciation credits in 2021, used \$14 million in 2022 to  
2 earn below its mid-point, and will use the remainder in 2023  
3 consistent with the letter and spirit of the 2020 Agreement.  
4 Despite the company's careful use of depreciation credits,  
5 Peoples expects to earn below the bottom of its authorized  
6 ROE range in 2023, the last year of the term of the 2020  
7 Agreement.

8  
9 **Q.** What impact will the requested base rate increase have on  
10 typical residential and small commercial customers' bills?

11  
12 **A.** Based on the company's current gas commodity price forecast  
13 and the company's proposed base rate increase, we expect the  
14 average residential and small commercial customer bill to  
15 increase about 17.3 and 14.4 percent, respectively, over the  
16 typical residential and small commercial bills in 2021  
17 arising from our 2020 rate case. Considering the average bills  
18 in effect in 2009 after our 2008 rate case, our proposed base  
19 rate increase in this case and current commodity forecast  
20 will result in a 29 and 35 percent increase for residential  
21 and small commercial customers, respectively, over 16 years,  
22 or a simple average of about 1.8 percent (residential) to 2.2  
23 percent (small commercial) a year. As shown in Document No.  
24 4 of exhibit HJW-1, these 29 and 35 percent cumulative bill  
25 increases from 2009 to 2024 compare favorably to Consumer

1 Price and Producer Price indices increases from 2009 to 2022.  
2 We understand that our customers do not like rate increases  
3 but believe the total proposed price our customers will pay,  
4 and our proposed base rates and charges are fair, just, and  
5 reasonable, and will continue to position gas service as a  
6 good alternative to other energy choices.

7  
8 **Q.** What is the company's outlook for 2025 and beyond?

9  
10 **A.** The company expects Florida and its service areas to continue  
11 to grow in 2025 and thereafter, and Peoples will need to  
12 continue investing and expanding its infrastructure, systems,  
13 and work force to meet that growth. We have several major  
14 projects on the drawing board or in progress that will be  
15 significant to our future operations, including moving into  
16 new corporate office space in 2025 at the end of the term of  
17 the company's existing lease. As this case proceeds, we will  
18 be open to creative regulatory tools to extend the life of  
19 the rates established in this case, such as base rate  
20 adjustments to recover the cost of specific rate base  
21 additions and extension of our existing depreciation credit  
22 mechanism.

23  
24 **SUMMARY**

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

1 **A.** Peoples is proud to serve the growing State of Florida and  
2 appreciates the opportunities and responsibilities it has as  
3 a regulated gas public utility. We are proud of the way we  
4 support the success of Florida and view this increase request  
5 as a means to continue providing safe, reliable, and award-  
6 winning natural gas distribution service to customers in  
7 Florida. The base rates and charges proposed in this case are  
8 fair, just, and reasonable and should be approved.

9

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

11

12 **A.** Yes.

13

14

15

16

17

18

19

20

21

22

23

24

25

PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20230023-GU  
WITNESS: WESLEY

EXHIBIT

OF

HELEN J. WESLEY

**Table of Contents**

<b>DOCUMENT NO.</b>	<b>TITLE</b>	<b>PAGE</b>
1	List of Peoples' Witnesses and Purposes of their Direct Testimony	51
2	Peoples Gas System, Inc. Service Territory Map	54
3	Corporate Structure Diagram of Peoples Gas System, Inc., and its Affiliates	55
4	Projected Impact of Proposed Base Rate Increase on Typical Residential Bills	56

**LIST OF PEOPLES' WITNESSES AND  
PURPOSES OF THEIR DIRECT TESTIMONY**

**Karen K. Sparkman**, Vice President of Customer Experience, will detail the customer experience improvements made to better serve Peoples' customers.

**Timothy O'Connor**, Vice President of Operations, Sustainability and External Affairs, will explain the operational improvements Peoples has made to improve safety, reliability, and customer service.

**Lew Rutkin, Jr.**, Vice President of Gas Supply and Development, will discuss the demand for natural gas in Florida, the need for certain expansion projects and associated capital investments to meet customer demand and the future of natural gas in Florida.

**Christian C. Richard**, Vice President of Engineering, Construction & Technology, will discuss the capital investment needed to meet customer demand.

**Donna L. Bluestone**, Vice President of Human Resources, will provide testimony related to compensation and benefits.

**Dr. Richard K. Harper, PhD.**, President of Economic Consulting Services Inc., will discuss the economic conditions in Florida and will provide information on the contributions of natural gas to the economy.

**Eric Fox**, Director of Forecasting Solutions at Itron, will provide testimony regarding billing determinants and the base revenue forecast.

**Dylan W. D'Ascendis**, Partner at ScottMadden Inc., will provide a recommendation regarding the Company's proposed Return on Equity to be used for ratemaking purposes.

**Kenneth D. McOnie**, Vice President Tax and Treasurer for Emera Inc., will provide testimony supporting the company's proposed debt offerings in 2023 and 2024, the resulting short- and long-term interest expense for the test year, and why the company's proposed equity ratio is needed for the financial integrity of the company.

**Dane A. Watson**, Managing Partner in Alliance Consulting Group, will provide testimony supporting the company's Updated Depreciation Study conducted from Peoples' gas depreciable assets based on actual historical data as of December 31, 2021 and the forecasted plant and reserve balances as of December 31, 2024, and (2) support and justify the recommended depreciation rates for the company's assets.

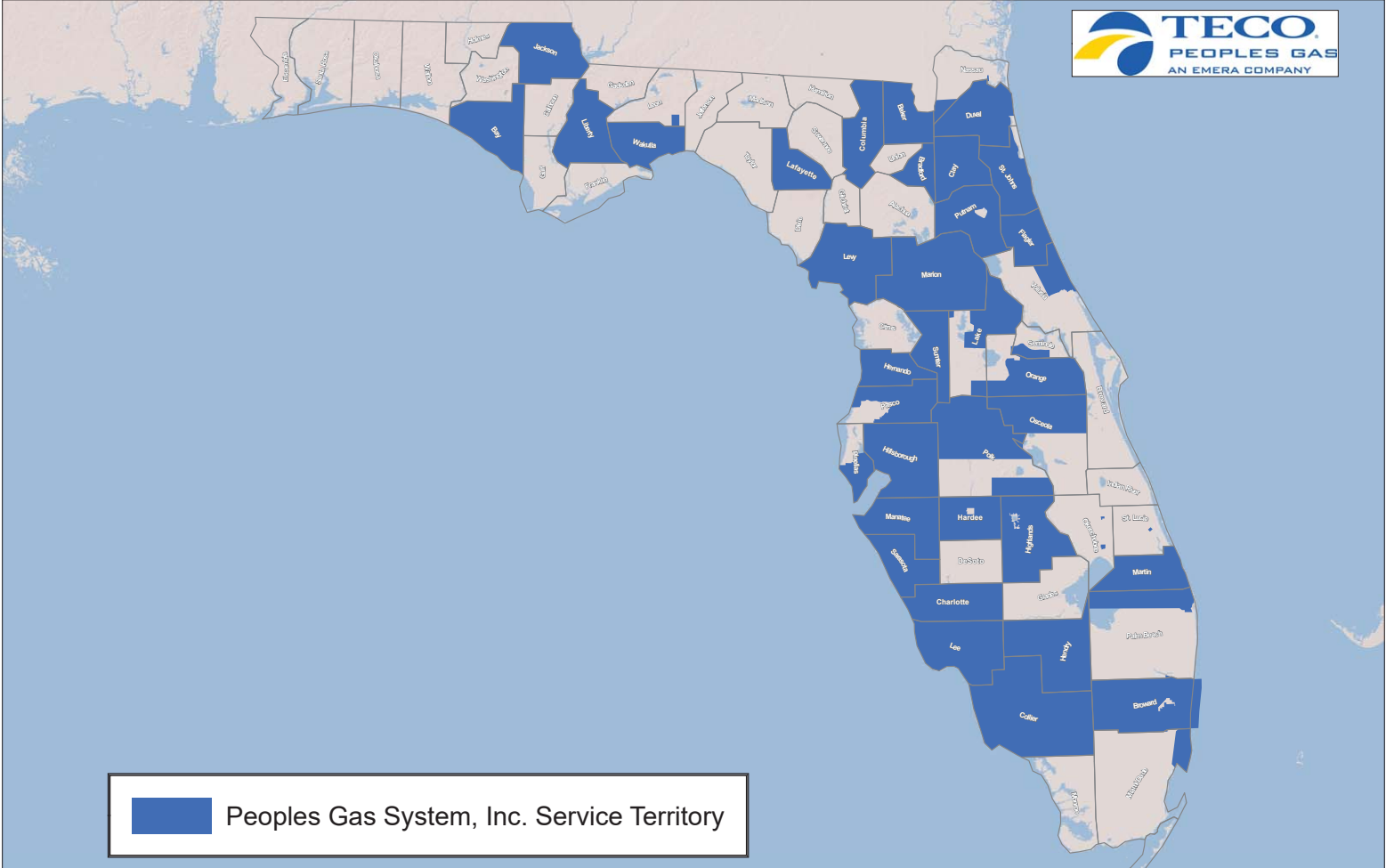
**Rachel B. Parsons**, Vice President of Finance and Planning, will provide testimony supporting the company's decision to use a projected 2024 test year for ratemaking purposes, the determination of the Company's proposed annual revenue requirement, the cost of capital and associated financial topics.

**Gregg Therrien**, Vice President of Concentric Energy Advisors, will provide testimony regarding the cost of service study and appropriate rate design.

**Karen L. Bramley**, Manager of Regulatory Affairs, will present the revised tariff sheets reflecting the requested rate adjustments and other tariff modifications for which Peoples seeks the Commission's approval.

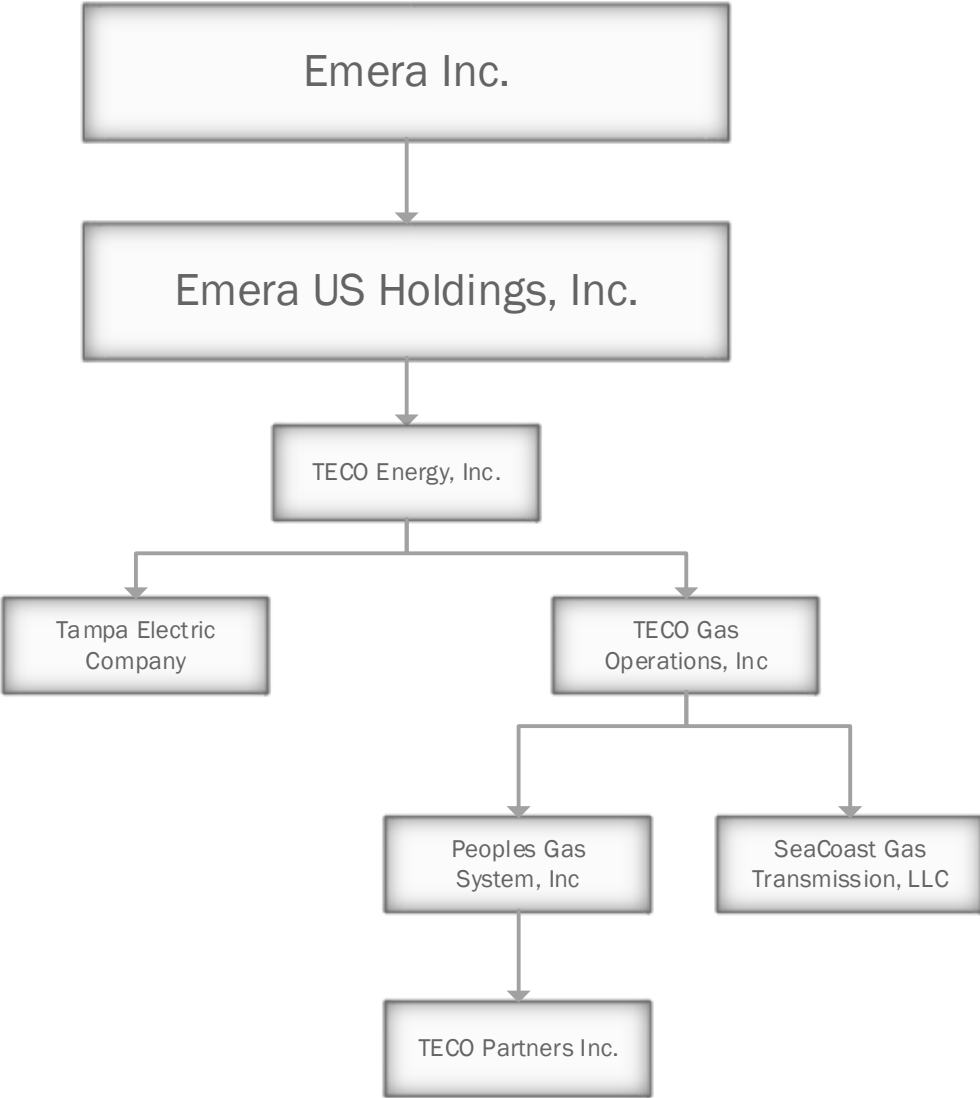


# Areas Served By Peoples Gas

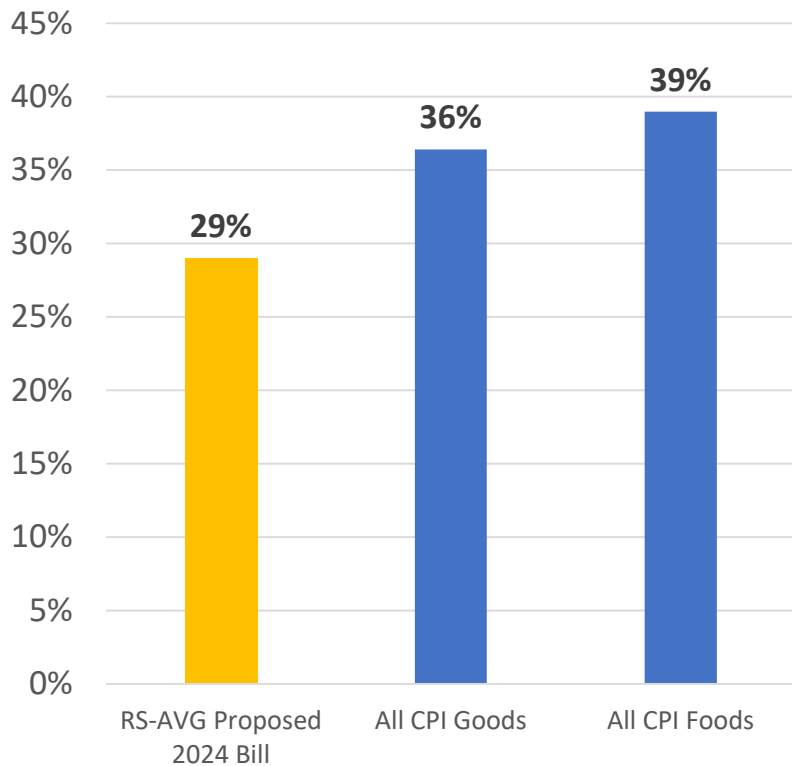


PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20230023-GU  
EXHIBIT NO. HJW-1  
WITNESS: WESLEY  
DOCUMENT NO. 2  
PAGE 1 OF 1  
FILED: 04/04/2023

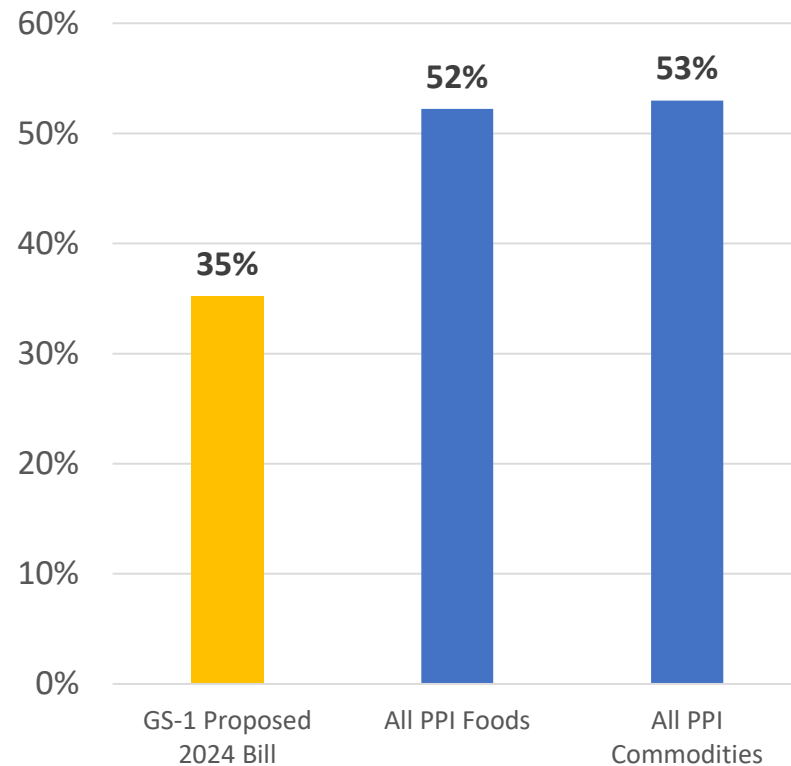
**Corporate Structure Diagram of  
Peoples Gas System, Inc.,  
and its Affiliates**



**\*Comparison of Proposed Bill Impacts to Consumer Price Indices**



**\*\*Comparison of Proposed Bill Impacts to Producer Price Indices**



\*Residential metrics retrieved from BLS Consumer Price Indexes (CPI) for 2009 through 2022.  
 \*\*Commercial metrics retrieved from BLS Producer Price Indexes (PPI) for 2009 through 2022.  
 Proposed bill impacts are calculated from our 2009 bills compared to our proposed 2024 bills.