



FILED 4/4/2023
DOCUMENT NO. 02525-2023
FPSC - COMMISSION CLERK

Attorneys and Counselors at Law
123 South Calhoun Street
P.O. Box 391 32302
Tallahassee, FL 32301

P: (850) 224-9115
F: (850) 222-7560

ausley.com

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 Donna L. Bluestone and Exhibit No. DLB-1.

Thank you for your assistance in connection with this matter.

(Document 7 of 18)

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Jeffry Wahlen'.

J. Jeffry 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
DONNA L. BLUESTONE

FILED: 04/04/2023

TABLE OF CONTENTS
PREPARED DIRECT TESTIMONY AND EXHIBIT
OF
DONNA L. BLUESTONE

POSITION, QUALIFICATIONS, PURPOSE.....	1
HUMAN RESOURCES.....	4
ABOUT PEOPLES.....	7
TALENT MARKET CHALLENGES.....	12
COMPENSATION.....	14
HEALTH AND WELFARE BENEFITS.....	28
HEALTHCARE BENEFITS.....	30
PENSION AND RETIREMENT SAVINGS BENEFITS.....	34
2024 PROJECTED TEST YEAR PAYROLL COSTS.....	37
SUMMARY.....	47
EXHIBIT.....	49

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **DONNA L. BLUESTONE**

5
6 **POSITION, QUALIFICATIONS, PURPOSE**

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

9
10 **A.** My name is Donna L. Bluestone. My business address is 702
11 North Franklin Street, Tampa, Florida 33602. I am the
12 Vice President of Human Resources, and I am employed by
13 Peoples Gas System, Inc. ("Peoples" or the "company").

14
15 **Q.** Please describe your duties and responsibilities in that
16 position.

17
18 **A.** I am responsible for the leadership and strategic
19 direction of the Human Resources ("HR") functions for
20 Peoples. My duties include (1) talent acquisition; (2) HR
21 operations; and (3) leadership and organizational
22 development. I am also responsible for coordinating the
23 HR functions provided to Peoples by Tampa Electric Company
24 ("Tampa Electric") via shared services. These include HR
25 technology, compensation, payroll, and benefits.

1 Q. Please provide a brief outline of your educational
2 background and business experience.

3

4 A. I received a Bachelor of Science degree in Psychology from
5 Longwood College in Farmville, Virginia and a Master of
6 Business Administration from the University of Florida in
7 Gainesville, Florida.

8

9 I joined Peoples in September 2022 as the Vice President of
10 Human Resources. Prior to joining Peoples, I served as the
11 Vice President of HR and Shared Services for Bloomin'
12 Brands, Inc., where I was responsible for talent
13 acquisition, leadership development, and shared services.
14 I also provided strategic HR support to the Executive
15 Leadership team. My background includes other HR leadership
16 roles with varying level of responsibilities.

17

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

20

21 A. The purposes of my direct testimony are to: (1) explain the
22 company's team member compensation system; (2) show that
23 the company's proposed levels of operations and maintenance
24 ("O&M") expenses related to HR for the 2024 projected test
25 year are reasonable and prudent; and (3) demonstrate that

1 Peoples' payroll and benefits costs for the 2024 projected
2 test year are reasonable.

3

4 **Q.** Did you prepare any exhibits in support of your prepared
5 direct testimony?

6

7 **A.** Yes. Exhibit No. DLB-1 entitled "Exhibit of Donna L.
8 Bluestone" was prepared under my direction and supervision.
9 The contents of my exhibit were derived from the business
10 records of the company and are true and correct to the best
11 of my information and belief. It consists of nine documents,
12 as follows:

13

14 Document No. 1 List of Minimum Filing Requirement
15 Schedules Sponsored or Co-Sponsored by
16 Donna L. Bluestone.

17 Document No. 2 IBEW 108, IBEW 2072, UFCW, OPEIU
18 Historical Base Wage Adjustment (2020-
19 2022)

20 Document No. 3 Cost of Living and Cost of Labor Analysis

21 Document No. 4 Average Base Salary Compa-Ratio

22 Document No. 5 Salary Budget History 2019-2023

23 Document No. 6 Benefits Plan Summary (2023)

24 Document No. 7 Mercer BENCAL Study

25 Document No. 8 Mercer - Average Health Benefits Costs

1 Per Employee for 2011 - 2021

2 Document No. 9 Mercer - National Survey of Employer-
3 Sponsored Health Plans 2022

4
5 **HUMAN RESOURCES**

6 **Q.** Describe how the HR function has changed since 2020.

7
8 **A.** Until 2021, Peoples' HR function was fully supported by
9 Peoples' affiliate, Tampa Electric. In 2021, Peoples began
10 establishing its own HR team starting with the Business
11 Partner function as its foundation. In 2022, Peoples
12 continued to build the HR function and hired two HR
13 operations team members, four talent acquisition team
14 members and a manager who will focus on organizational
15 development.

16
17 **Q.** Why did Peoples establish its own dedicated HR function?

18
19 **A.** Peoples established its own dedicated HR team to support
20 the hiring and development of its team members to keep up
21 with significant customer growth and because Peoples'
22 service areas extend across Florida and well beyond Tampa
23 Electric's service area. Unlike Tampa Electric, whose
24 territory is limited to the Tampa Bay area, Peoples serves
25 customers in 39 of Florida's 67 counties. Having a dedicated

1 HR team that understands the gas market within Peoples'
2 diverse service areas is important so the company can
3 successfully attract the right candidates and strengthen
4 the company's internal pipeline of candidates. Peoples'
5 dedicated HR team also allows the company to better serve
6 team members in ongoing HR matters.

7
8 **Q.** Do any HR functions remain shared with Tampa Electric?
9

10 **A.** Yes. A few HR functions remain shared with Tampa Electric
11 due to the transactional nature of the service. These shared
12 functions include: (1) HR Technology and Systems; (2)
13 payroll; (3) benefits plan design and administration; and
14 (4) compensation design. Peoples pays a shared services
15 allocation to Tampa Electric for these functions. Company
16 witness Rachel B. Parsons addresses this shared service
17 allocation in her direct testimony.
18

19 **Q.** Please describe the value these dedicated HR functions
20 deliver to Peoples' team members and customers?
21

22 **A.** Peoples' dedicated HR function benefits customers by
23 recruiting team members with technical experience in the
24 natural gas industry from design and engineering to
25 construction and operational maintenance functions. These

1 experienced team members help the company safely and
2 reliably serve Peoples' customers. Additionally, the
3 company's attention to team member development through the
4 HR function mitigates turnover and employment transitions,
5 resulting in engaged team members and increased customer
6 satisfaction.

7
8 **Q.** What specific HR functions are dedicated to Peoples?

9
10 **A.** Peoples' dedicated HR function provides support to the
11 business in the areas of (1) talent acquisition; (2) HR
12 operations; and (3) leadership and organizational
13 development.

14
15 **Q.** What is the outlook for Peoples' HR needs in 2023 and 2024?

16
17 **A.** Peoples will continue to strengthen its HR function in 2023
18 and 2024 with a focus on: (1) reviewing internal processes
19 and systems to ensure they appropriately support the
20 company's growth; (2) assisting the company's team members
21 with career advancement goals; and (3) providing company
22 leaders with tools to keep Peoples' team members engaged.
23 To achieve these goals, Peoples has budgeted three
24 additional positions for 2023, which will increase the
25 company's existing HR headcount to twelve. For 2024, the HR

1 team does not project adding any new positions.

2

3 **ABOUT PEOPLES**

4 **Q.** How many team members are employed by Peoples?

5

6 **A.** As of December 31, 2022, Peoples employed 708 team members.

7

8 **Q.** Does Peoples have team members that are members of a
9 collective bargaining unit?

10

11 **A.** Yes. Approximately 13.1 percent, or 93 of Peoples' team
12 members are part of a collective bargaining unit. The
13 company has Collective Bargaining Agreements ("CBAs") with
14 four unions: (1) International Brotherhood of Electrical
15 Workers 108 ("IBEW"); (2) United Food and Commercial
16 Workers International Union Local 1625 ("UFCW"); (3)
17 International Brotherhood of Electrical Workers 2072
18 ("IBEW"); and (4) Office and Professional Employees
19 International Union ("OPEIU").

20

21 **Q.** What other team member categories does Peoples have beyond
22 those described above in the collective bargaining units?

23

24 **A.** Peoples also has exempt, non-exempt, part-time and co-op
25 student team members in addition to the company's "covered"

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

team members.

Q. What do "exempt" and "non-exempt" mean?

A. The terms "exempt" and "non-exempt" refer to a team member's status under the Fair Labor Standards Act. Exempt team members are not subject to certain requirements of wage and hour laws, such as provisions governing when overtime must be paid. There are additional wage and hour laws that are applicable to non-exempt team members that the company must follow for such employees.

Q. How many company team members are non-exempt?

A. As of December 31, 2022, 329 of the company's team members are non-covered, non-exempt, and are paid on an hourly basis.

Q. How many team members are exempt?

A. As of December 31, 2022, 286 of the company's team members are professionals, supervisors, managers, department directors, and officers who are non-covered, exempt, and are paid on a salaried basis.

1 Q. Please describe the company's commitment to its team
2 members.

3

4 A. Peoples' philosophy with respect to our team members is
5 based on the understanding that team members drive the
6 company's value to customers and the communities we serve.
7 It is essential for the company's team members to be focused
8 on meeting the needs of our current and future customers.

9

10 Peoples is committed to hiring and retaining skilled team
11 members who: (1) are dedicated to collaboration and
12 innovation; (2) can adapt to the company's changing
13 industry needs; and (3) embrace innovations that help the
14 company safely deliver clean, affordable, and reliable
15 energy. The company offers multiple programs to help retain
16 skilled team members beyond the compensation and benefits
17 package such as leadership development, tuition
18 reimbursement, and flexible work options for certain
19 positions. Additionally, apprentices are eligible to earn
20 up to 30 credit hours of college credit towards an associate
21 degree should they choose to do so.

22

23 Q. Does the company use surveys or other means to get feedback
24 from its team members?

25

1 **A.** Yes. The company conducts a team member engagement survey
2 every other year with a shorter "pulse" survey in the off
3 years. Both surveys allow the company to get feedback from
4 team members on many subjects, including satisfaction with
5 leadership, compensation, benefits, retention,
6 opportunities for growth, and communication. The company
7 benchmarks these survey results both internally and
8 externally. Additionally, the company uses town halls,
9 roadshows, and leadership meetings to collect feedback from
10 team members. These events are well attended and allow for
11 open two-way communication.

12
13 **Q.** What feedback did the company receive in the most recent
14 "pulse" survey?

15
16 **A.** The most recent pulse survey was conducted in October 2022
17 and had a participation rate of 84 percent. The results
18 indicate that team members are engaged and highlighted
19 categories where the company rated higher than other
20 companies in the industry including: (1) communications;
21 (2) teamwork and collaboration; and (3) career development.
22 The results also showed compensation as an area for
23 opportunity. The company scored lower in this area than
24 other companies in the industry and as compared to the
25 previous pulse survey results.

1 **Q.** What are Peoples' core principles in the way the company
2 conducts business?

3

4 **A.** Peoples' core principles, as articulated in its Code of
5 Conduct are:

6

7 1. Safety, health, and the environment;

8 2. Customers;

9 3. Integrity;

10 4. Respect and collaboration; and

11 5. Excellence.

12

13 **Q.** What leadership competencies does the company seek to
14 develop in its team members?

15

16 **A.** The company defines seven leadership competencies that
17 guide the behaviors of all team members and build upon
18 Peoples' Code of Conduct:

19

20 1. Speaks up on Safety, Health, and the Environment;

21 2. Takes Ownership and Acts with Integrity;

22 3. Drives Operational Excellence for Customers;

23 4. Builds Strong, Collaborative Relationships;

24 5. Develops People and Teams;

25 6. Cultivates Innovation and Embraces Change; and

1 7. Thinks Strategically and Exercises Sound Judgment.
2

3 **Q.** What are the objectives of Peoples' total compensation and
4 benefits programs?
5

6 **A.** Peoples believes that a fair and market-based compensation
7 and benefits package is critical to attract and retain
8 skilled and experienced team members. The company's total
9 compensation and benefits programs include: (1) base
10 salary; (2) short-term incentive; (3) long-term incentive
11 (where applicable); (4) pension/401k; (5) paid time off
12 programs; (6) Employee Common Share Purchase Plan; and (7)
13 medical, dental and vision insurance plans. Team members
14 are eligible to participate in the company's benefits
15 programs. Certain co-op/student and part-time team members
16 are the only exception for certain of the benefits programs.
17 I will discuss Peoples' compensation system in more detail
18 later in my direct testimony.
19

20 **TALENT MARKET CHALLENGES**

21 **Q.** Describe changes in Florida's labor market during 2021 and
22 2022, and how this impacted Peoples' talent acquisition.
23

24 **A.** During 2021 and 2022, Florida's labor market experienced a
25 very low unemployment rate and an influx of high-wage talent

1 moving into the state. This created a very challenging
2 environment. Candidates were seeking higher wages and more
3 flexible work arrangements which made it more difficult to
4 attract qualified workers for roles within the company.

5
6 This competitive environment led Peoples to target talent
7 outside the state of Florida and to selectively engage
8 contractors to meet the company's workforce needs. To
9 encourage candidates to consider the company's open
10 positions, Peoples needed to provide competitive
11 compensation and offer market-driven enticements, such as
12 a flexible work environment and/or monetary relocation
13 assistance, as appropriate. Additionally, the company
14 engaged contractors to help maintain the safety and
15 reliability of its system. Company witness Timothy O'Connor
16 further describes Peoples' need for contractors within Gas
17 Operations in his direct testimony.

18
19 **Q.** Is the company experiencing any other challenge that
20 impacts talent acquisition?

21
22 **A.** Yes. The company is currently focused on succession
23 planning to ensure Peoples has the right people in the right
24 roles long-term. Succession or resource planning is prudent
25 for the company as almost 32 percent of Peoples' team member

1 population is eligible to retire. Thus, the company must
2 proactively invest in replacing a significant number of
3 skilled team members in the near future. This process will
4 ensure the company does not experience a talent and industry
5 knowledge gap and can continue to provide safe and reliable
6 gas service to its customers.

7
8 **COMPENSATION**

9 **Q.** What is Peoples' overall compensation philosophy?

10
11 **A.** The company understands that a competitive pay program is
12 a critical component of a team member's total compensation.
13 To attract and retain skilled team members, the company
14 must have a reasonable and competitive compensation
15 program.

16
17 The company considers three factors to determine the
18 appropriate compensation for positions and team members:
19 (1) market evaluations; (2) base pay; and (3) total direct
20 compensation ("TDC").

21
22 **Q.** How are market evaluations conducted?

23
24 **A.** The company benchmarks positions against the national labor
25 market using data from the U.S. Mercer Benchmark database

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

and the Willis Tower Watson MMPS Survey. This data helps us determine the appropriate compensation range for the position.

Peoples, like many other companies, has two pay scales, one for all positions except engineering roles and a separate pay scale for all engineering positions. Having a separate range of salaries for positions that require a higher pay range allows Peoples to compete in the market.

Q. What is base compensation?

A. Base compensation (or base pay) is the pay team members regularly receive bi-weekly and is either paid as hourly wages or salary. Base compensation is used in determining a compensation ratio ("compa-ratio").

Q. What is compa-ratio?

A. Compa-ratio is a measurement of pay that compares a team member's base compensation to the median compensation for similar positions within the target market. For example, a compa-ratio of 100 percent or 1.0 would mean that a team member's base compensation was considered "at market" because it is the midpoint.

1 Q. What is total direct compensation or TDC?

2

3 A. Total direct compensation is the relationship between the
4 market and the total compensation package: (1) base pay
5 (which includes base pay plus commissions); (2) short-term
6 incentive plan ("STIP"); and (3) long-term incentive plan
7 ("LTIP"), where applicable.

8

9 Q. Please describe Peoples' general system for compensating
10 its team members?

11

12 A. Peoples compensates its team members with a combination of
13 direct compensation (base pay), and short-term and long-
14 term incentives. In addition, the company's benefits
15 include different types of health insurance plans and
16 retirement. I will explain each of these compensation and
17 benefits components later in my direct testimony.

18

19 Team members, whether hourly or salaried, are eligible to
20 participate in the company's STIP. Certain co-op/student
21 and part-time team members are the only exception.
22 Department directors and officers, in general, are also
23 eligible to participate in Peoples LTIP.

24

25 The company's compensation system uses a pay for

1 performance model to align Peoples' team members' behavior
2 with the company's strategy and to generate better
3 performance, which benefits Peoples' team members and
4 customers. The company keeps its compensation packages
5 competitive by making an appropriate portion of a team
6 member's total compensation "variable" or "at risk" through
7 incentive compensation programs that incentivize good
8 performance. Peoples' incentive compensation programs
9 encourage the company's team members to focus on Safety,
10 People, Customer Experience, Asset Management, and
11 Financial targets.

12
13 **Q.** Did the company recently shift to using national market
14 data as a way of evaluating its compensation?

15
16 **A.** Yes. In 2019, Peoples conducted a comprehensive
17 compensation study to refresh the company's compensation
18 structure and ensure the company was competitive. In 2021,
19 prompted by the study results, Peoples moved to using
20 national, rather than southeastern market data to evaluate
21 the company's compensation levels. By aligning with the
22 national market, the company is better able to provide a
23 fair, balanced and competitive compensation structure to
24 support effective hiring and retention efforts, which
25 benefits Peoples' customers.

1 When Peoples moved to the national market in 2021, the
2 company's compa-ratio for team members significantly
3 dropped. The company targeted a compa-ratio of 0.90 for
4 offering employment for new team members. As the labor
5 market became more challenging and recruitment and hiring
6 more difficult, the company decided it needed to target
7 closer to 0.95 and 1.0 for compa-ratio to compete for
8 talent.

9
10 **Q.** Do non-covered team members automatically get a base pay
11 increase each year?

12
13 **A.** No. Non-covered team members are eligible for an annual
14 merit increase based on the company's talent management
15 process which reviews team member performance annually.

16
17 **Q.** Are covered team members eligible for merit increases?

18
19 **A.** No. Team members covered by a CBA do not participate in the
20 company's annual merit process. The company negotiates with
21 each union during each contract cycle, and an annual base
22 wage adjustment is normally included in the final overall
23 agreement. Document No. 2 of my exhibit summarizes the base
24 wage adjustments for each union during the period 2020 to
25 2022 along with the agreed upon increases through 2024.

1 Q. Please explain Peoples' process for making merit pay
2 increases.

3

4 A. The company uses an annual merit review process. This
5 process is designed to provide team members an opportunity
6 to earn an increase in their base pay that recognizes
7 performance. This merit process is closely tied to the
8 talent management process which includes an annual team
9 member performance review. Each team member has a
10 performance coach who is typically his or her supervisor.
11 The performance coach provides day to day management and
12 oversees the performance review process.

13

14 A team member's overall annual performance rating directly
15 influences the percentage of their merit increase.
16 Following the year-end performance review, a team member's
17 performance coach recommends an appropriate merit
18 adjustment for each non-covered team member based on the
19 performance rating, TDC and defined budget. These
20 recommendations are approved by each area or department
21 leadership and final approval by the executive team.

22

23 Q. How is the compensation set for those team members that
24 participate in these collective bargaining units?

25

1 **A.** Compensation for team members who are covered under a CBA
2 is determined by the terms of the contract between the
3 company and the labor union, which governs the working
4 conditions. Specifically, the CBA addresses wage scales,
5 working hours, training, health and safety, overtime,
6 grievance mechanisms, and rights to participate in
7 workplace or company affairs. Most of the company's
8 "covered" team members are non-exempt, are paid by the hour,
9 and are eligible for overtime or shift differential pay.
10 The same market and benchmark comparable data is used during
11 the collective bargaining process to ensure alignment on
12 reasonable demands.

13

14 **Q.** What is the annual performance review process?

15

16 **A.** The annual performance review process involves the
17 evaluation of a team member's performance against
18 established goals by the performance coach. At the outset
19 of each year, team members establish goals with their
20 performance coach. The team member's designated goals are
21 aligned with the company's annual objectives set forth
22 within Peoples Balanced Scorecard ("BSC"). I will explain
23 the BSC later in my direct testimony.

24

25 The company evaluates a team member's performance against

1 established goals at least twice a year, once at mid-year
2 and again at the end of the year. Team members and
3 performance coaches also discuss leadership competencies
4 during the annual review process. A team member's overall
5 performance review is rated on a five-point scale:
6 Significantly Exceeds Expectations = 5; Exceeds Many
7 Expectations = 4; Fully Meets Expectations = 3; Meets Most
8 Expectations = 2; and Does Not Meet Expectations = 1.

9
10 **Q.** Please describe the company's short-term incentive plan, or
11 STIP.

12
13 **A.** The company's STIP is a variable compensation system based
14 on annual performance and is in addition to base pay. It is
15 an annual payment that is directly tied to organizational
16 and individual performance. The objectives for STIP are in
17 the areas of Safety, People, Customer, Asset Management,
18 and Financial and are tied to the BSC. The STIP payment is
19 calculated using four components:

- 20
21 1. Eligible Earnings (base pay, sales commission, and
22 overtime, if applicable).
- 23 2. Incentive Target Level (a pre-defined percentage based
24 on the job level and is standardized across the
25 organization).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

- 3. Balanced Scorecard Result Percentage Achieved (annual goals achieved for the organization).
- 4. Performance Multiplier (calculation to differentiate each eligible team member's level of performance).

The STIP links the company's success to financial incentives for Peoples' team members for achieving the company's annual goals and objectives. Team members who score higher on the annual performance review are entitled to a higher STIP as a percentage of base pay.

Q. How is the STIP applied to team members?

A. All eligible team members receive STIP payment based on company performance - the BSC and their individual performance multiplier. Team members that have underperformed and received positive discipline (the name of the company's discipline process) and/or a performance rating of "1 - Does Not Meet Expectations" are not eligible to receive a STIP payment.

Q. Please describe the Balanced Scorecard, or BSC.

A. The company develops its BSC annually to define the organization's goals. The BSC includes threshold, target,

1 and stretch goals across the five previously identified
2 categories: Safety, People, Customer, Asset Management, and
3 Financial Goals. The company compensates team members based
4 on how the company performs against the BSC goals, with a
5 range of payouts from 50 percent to 150 percent depending
6 on the achieved results. The BSC is a key component of the
7 STIP, linking the company's success to financial incentives
8 for the team members who achieve or exceed their annual
9 goals.

10
11 **Q.** Please describe the company's long-term incentive plan, or
12 LTIP.

13
14 **A.** The company's LTIP is a compensation and retention program
15 for team members in key leadership positions.

16
17 The LTIP encourages team members to focus on long-term value
18 for customers, and aligns the long-term incentive pay for
19 senior leaders with corporate and shareholder goals. This
20 kind of compensation is commonly offered by companies who
21 compete for leadership talent. The company's LTIP is an
22 important part of Peoples competitive total compensation
23 program for vice-presidents, directors and certain
24 grandfathered team members. Together with base pay and
25 STIP, the company's LTIP allows Peoples to attract and

1 retain skilled leaders.

2

3 LTIP is administered through the Emera Performance Share
4 Unit ("PSU") Plan. A PSU refers to a grant of a performance
5 share unit which has a value tied to the value of Emera
6 Inc.'s common stock. Each grant has a vesting performance
7 period of three calendar years. Each year, eligible team
8 members are awarded PSUs based on a percentage of base pay
9 (predetermined by position level). The annual vested PSU
10 payout is affected by the Emera share price and achievement
11 of pre-determined financial objectives. The LTIP aligns
12 leaders' long-term incentive pay with Emera's corporate
13 goals.

14

15 **Q.** What is Peoples' "target" for Total Direct Compensation, or
16 TDC?

17

18 **A.** The company structures its compensation program to be
19 aligned with the median (middle) of the market and assesses
20 its compensation programs against the market. Using the
21 market median is a compensation best practice and is better
22 than using the mean or average because the median is less
23 sensitive to outliers in the market data. Targeting the
24 median balances the company's desire to hire and retain
25 quality team members and to maintain reasonable customer

1 rates.

2

3 The company's compensation ranges allow us to set a team
4 member's salary within the applicable range based on the
5 team member's mastery of their role, critical skills, and
6 performance.

7

8 **Q.** What market challenges have impacted total direct
9 compensation since the company's last general base rate
10 proceeding?

11

12 **A.** As discussed earlier in my direct testimony, market
13 challenges during 2021 and 2022 required the company to
14 hire at a higher rate of compensation in order to be
15 competitive.

16

17 Since 2020, compensation across the state of Florida has
18 increased due to low unemployment, inflation, and increased
19 demand for talent in the Florida market. In January 2022,
20 the company conducted a cost of living and cost of labor
21 analysis which showed that the cost of living in the state
22 of Florida was higher than the national cost of living.
23 This study is reflected in Document No. 3 of my exhibit.

24

25 This study prompted Peoples to evaluate team members

1 compensation and the company found that many team members
2 were low in the range, at a compa-ratio of 0.80. Peoples
3 increased wages, where appropriate, to be competitive and
4 move compensation closer to the median TDC of 1.0.
5 Additionally, the study showed a significant cost of living
6 and cost of labor increases in the Miami, Ft. Myers,
7 Jupiter, and Ft. Lauderdale areas. Thus, the company
8 decided to add a premium to wages in these markets to stay
9 competitive and reduce attrition.

10
11 **Q.** Describe the tools the company uses to align TDC with the
12 market.

13
14 **A.** To align TDC with the market, the company first benchmarks
15 positions against the labor market using data from the U.S.
16 Mercer Benchmark database and the Willis Tower Watson MMPS
17 Survey. This determines the appropriate compensation range
18 for specific positions. TDC, as previously explained,
19 comprises base salary (or base pay), STIP, and LTIP. All
20 three elements are important to ensure the company's team
21 members receive competitive compensation and that the
22 company attracts and retains talented people. Peoples then
23 calculates the TDC and measure it against the market to
24 determine where the team members' compensation falls. This
25 is a standard HR practice that looks at the placement of an

1 individual's salary within a defined compensation range.

2

3 **Q.** How does Peoples' compa-ratio compare to the market?

4

5 **A.** The company's team members were at an average 0.97 compa-
6 ratio in January 2023.

7

8 **Q.** What evidence do you have to support this statement?

9

10 **A.** Document No. 4 of my exhibit shows the company's average
11 base salary compa-ratio since 2021 for both engineering and
12 non-engineering team members. The compa-ratio for non-
13 engineering team members dropped in 2022 to 0.92 from a
14 1.05 compa-ratio in 2021 as the company transitioned to the
15 national market compensation analysis. In 2022, the company
16 made compensation adjustments to assist with moving the
17 compa-ratio for non-engineering roles closer to the 1.0
18 compa-ratio.

19

20 **Q.** Do you have any analyses showing how Peoples' salary levels
21 compare to the market over time?

22

23 **A.** Yes. Document No. 5 of my exhibit shows the company's
24 average salary increases compared to the market since 2019.
25 This document shows that Peoples' budgeted salary increases

1 are aligned with market data from 2019 to 2021. Peoples'
2 budgeted increases for 2022 and 2023 are a percent higher
3 than the market salary data. This reflects the company's
4 need to adjust current team members' compa-ratios to retain
5 skilled talent following the 2021 shift to national market
6 data. The company decided to make this adjustment over a
7 two-year period.

8
9 **Q.** Are the company's compensation systems and levels for 2024
10 reasonable?

11
12 **A.** Yes. The company benchmarks its total compensation against
13 applicable markets using relevant and competitive
14 benchmarks for compensation.

15
16 **HEALTH AND WELFARE BENEFITS**

17 **Q.** Please describe the company's health and welfare benefits
18 package.

19
20 **A.** As described above, Peoples benefits are administered as a
21 shared service through Tampa Electric. The benefit plans
22 are held at the parent company (TECO Energy, Inc.) level.
23 For the purposes of this direct testimony regarding
24 benefits, references to the "company" include this
25 structure. The company's benefits package is designed to

1 maintain a competitive position within the market to
2 attract and retain competent and qualified team members.
3 These comprehensive benefits include consumer driven health
4 plans, pharmacy plans, team member family assistance plans,
5 dental and vision plans, flexible benefits plans
6 (Healthcare FSA, Dependent Care FSA and Transportation and
7 Parking FSA), life insurance (basic, supplemental, spousal
8 and child), disability insurance (short-term and long-
9 term), long-term care insurance, and group retirement
10 plans. Document No. 6 of my exhibit includes a more detailed
11 description of these plans.

12
13 **Q.** How does Peoples manage the design and cost of its benefit
14 programs?

15
16 **A.** Peoples uses the Mercer Benefits Valuation Analysis
17 (BENVAL) study. The BENVAL study is a nationally recognized
18 and accepted actuarial tool that compares the relative
19 value of a company's overall benefit plan and its various
20 components with other companies' plans contained within the
21 Benefits Data Source - United States database. The most
22 recent group used for the comparison included 25 utility
23 companies in addition to Peoples.

24
25 BEBVAL uses consistent actuarial methods applied to a fixed

1 population to determine a relative value index for each
2 plan component. As a result, the differences in value among
3 employer plans are exclusively a function of differences in
4 the plan provisions.

5
6 The BENVAl study includes a relative value index score for
7 each company's benefit plan components. The index score is
8 calculated by analyzing and determining the value of each
9 company's benefit plan component and then dividing each
10 company's value by the average benefit plan value for each
11 component among all the companies in the benchmark group.
12 A relative index of 100 represents an average company value.

13
14 The company's BENVAl index score for each benefit plan
15 component is shown in Document No. 7 of my exhibit. The
16 company's index score is slightly above the market for
17 retirement, medical, dental, and short-term and long-term
18 disability. These components of the company's benefit plan
19 allow it to be competitive in the marketplace and attract
20 skilled team members.

21
22 **HEALTHCARE BENEFITS**

23 **Q.** How does the company evaluate the design and cost of its
24 health care programs?

25

1 **A.** The company operates its health plans with appropriate due
2 diligence. The company retained Mercer Health Benefits, who
3 uses underwriting techniques, based on actuarial
4 guidelines, to project future plan costs for the self-
5 funded plans. The key factor in projecting future results
6 is the prior experience of the group. The process of
7 forecasting past claims experience into the future
8 considers plan designs, member demographics, trends and
9 group credibility. These processes are widely accepted
10 within the insurance market as the standard to establishing
11 budget and premium levels that are appropriate to cover
12 future risks.

13
14 **Q.** What factors are influencing healthcare costs in the United
15 States?

16
17 **A.** The main factors influencing medical costs in the U.S. are
18 inflation, increased use of services (primarily due to
19 population aging and the overall deterioration of the
20 health of U.S. citizens), and advances in
21 technology/treatment protocols causing a rise in the
22 frequency and cost level of high costs claimants. The cost
23 drivers for prescription drugs are similar, with specialty
24 drugs representing a disproportionately higher percentage of
25 the cost increase than non-specialty drugs.

1 Q. How does the company's healthcare plan compare to industry
2 standards?

3

4 A. Document No. 8 of my exhibit, entitled "Mercer - Average
5 Annual Health Benefit Cost Per Employee 2011-2021"
6 demonstrates that Peoples' costs during this period are
7 lower than industry experience, except in 2018 and 2021.
8 During 2018 and 2021, the company's costs were slightly
9 higher, 0.3 percent and 0.5 percent, respectively. These
10 increases were due to more claims and more high-cost claims
11 in comparison to the other years.

12

13 Peoples' healthcare plan is similar to the company's peer
14 group in that both medical plans are consumer driven plans
15 and require that a deductible be met before the plan begins
16 to payout.

17

18 Overall, the company's healthcare plan is aligned with the
19 median based on this most recent BENCAL from Mercer.

20

21 Q. What specific actions has Peoples taken to ensure its
22 healthcare costs are reasonable?

23

24 A. The company, in partnership with industry experts such as
25 Mercer, Blue Cross Blue Shield ("BCBS") and others, has

1 implemented the below initiatives to ensure its healthcare
2 cost are reasonable.

- 3
- 4 1. A customized, comprehensive, best-in-market clinical
5 care management program;
- 6 2. Directing members to efficient, in-network, high
7 quality doctors and hospitals;
- 8 3. Improved member engagement via industry leading
9 techniques, member-centric concierge services and
10 clinical oversight;
- 11 4. Purchased stop-loss coverage through a coalition which
12 includes: (a) the opportunity to participate in
13 profit-sharing agreements; (b) multi-year rate cap and
14 no new laser provision; (c) enhanced policy
15 agreements; (d) pricing discounts; (e) cost control
16 and avoidance through complex case clinical oversight;
- 17 5. Implemented wellness initiatives; and
- 18 6. Implemented a pharmacy program that includes
19 utilization oversight.

20

21 **Q.** How does Peoples' gross healthcare costs per team member
22 for 2021 and 2022 compare to the average national healthcare
23 costs for those years?

24

25 **A.** For 2021 and 2022, Peoples' healthcare cost was \$14,312 and

1 \$10,663 per team member, respectfully. As shown in Document
2 No. 9 of my exhibit, the average national healthcare cost
3 per team member for 2021 was \$16,506, and for 2022 was
4 \$17,107.

5
6 **PENSION AND RETIREMENT SAVINGS BENEFITS**

7 **Q.** Please describe the pension and retirement savings plans
8 offered by the company.

9
10 **A.** Peoples is a participating employer in the following
11 retirement plans:

- 12
13 1. TECO Energy Group Retirement Plan (a qualified defined
14 benefit pension plan);
15 2. TECO Energy Group Retirement Savings Plan (a qualified
16 defined contribution 401(k) plan);
17 3. TECO Energy Group Benefit Restoration Plan (a non-
18 qualified defined benefit pension plan for applicable
19 employees); and
20 4. TECO Energy Group Postretirement Health and Welfare
21 Plan (a retiree medical plan).

22
23 **Q.** How does the company evaluate these plans for
24 reasonableness?

25

1 **A.** The company uses an independent consultant, Mercer, to
2 provide actuarial assumptions and methods used for the
3 pension valuation. These are reasonable both individually
4 and in aggregate.

5
6 **Q.** Is it common to use an independent actuarial firm to compute
7 pension and post-retirement benefit costs?

8
9 **A.** Yes. Based on the benefits provided and team member
10 demographics, an actuary for a defined benefit plan
11 estimates the value of employer obligations. The
12 calculation of liabilities considered several complex
13 variables including expected future compensation increases,
14 asset returns, rates of retirement, disability, death, and
15 other reasons for termination. Actuaries use historical
16 data and future expectations to make assumptions for these
17 variables. Actuaries for defined benefit plans also ensure
18 the employer is following laws and regulations regarding
19 pension plans. This includes the timely certification of
20 minimum contributions and the funded status under the
21 Employee Retirement Income Security Act of 1974 ("ERISA").
22 As there are extensive variables and regulations to
23 consider, it is common and often necessary for companies to
24 engage actuarial firms to compute pension and post-
25 retirement benefit costs.

1 Q. Do the actuarial assumptions and methods provide a
2 reasonable basis for determining the level of pension costs
3 to be included in the company's operating cost?
4

5 A. Yes, the actuarial assumptions used for the pension
6 valuation are reasonable both individually and in the
7 aggregate. The actuarial assumptions and methods are
8 reasonable and consistent with Financial Accounting
9 Standards Board standards and industry practice and provide
10 a reasonable basis for determining the level of pension
11 cost included in Peoples cost of service studies. The
12 company's pension costs are reflected in FERC Account 926
13 on MFR Schedule G-2, page 18.
14

15 Q. How does the company's pension plan and retirement savings
16 plan compare to industry standards?
17

18 A. The BENVAl study, Document No. 7 of my exhibit, shows
19 Peoples' retirement savings plans and pension plans are
20 above the median plan compared to the company's peer group,
21 which includes a total of 25 utilities. This position is a
22 result of providing higher total employer contributions
23 through both the Defined Contribution and Defined Benefit
24 plans. Only 11 of the 25 utilities provide an active Defined
25 Benefit Plan (including Peoples).

1 Together the company's total employer contribution of about
2 14 percent (Defined Contribution and Defined Benefit
3 combined) is higher when compared to the peer group median
4 of about 9 percent and the general market at 7 percent.
5 Peoples believes these contribution levels are reasonable
6 to maintain its status as a competitive employer and support
7 long-term development of team members.

8
9 **2024 PROJECTED TEST YEAR PAYROLL COSTS**

10 **Q.** Has Peoples' added team members since 2020?

11
12 **A.** Yes. Peoples has added 85 team members since December 2020,
13 with 84 team members joining the company in 2022. The
14 majority of the additional headcount went to support the
15 company's system and customer growth, with 23 new team
16 members joining the Engineering, Construction and
17 Technology ("Engineering") team and 32 joining Gas
18 Operations, Sustainability and External Affairs
19 ("Operations") team.

20
21 **Q.** How did the company project its human resource needs in
22 2023 and 2024?

23
24 **A.** Peoples determined the need for additional human resources
25 by evaluating factors including customer growth, expansion

1 of the company's distribution system, introduction of new
2 technologies, changing expectations of Peoples customers
3 and skills needed for the company's business requirements
4 and practices.

5
6 **Q.** What is Peoples' projected headcount for 2023 and 2024?

7
8 **A.** The company projects to add 90 team members in 2023, and
9 approximately 64 team members in 2024. The projected O&M
10 expense impact from adding team members in 2022 and 2023 is
11 shown on MFR Schedule G-2, pages 19c - 19e.

12
13 The total headcount numbers provided above incorporate a
14 budgeted 5.0 percent vacancy allowance for Field Operations
15 and Pipeline Safety and Operations Support. Including the
16 overall budgeted vacancy allowances for Operations and
17 Pipeline Safety and Operations Support, the net headcount
18 is expected to be 777 and 840 at the end of 2023 and 2024,
19 respectively.

20
21 **Q.** Why are the number of team members increasing in 2023 and
22 2024?

23
24 **A.** The increase is a result of the company strengthening its
25 workforce to operate the company's growing system safely

1 and reliably. The majority of new team members will be
2 joining Operations or Engineering. For calendar year 2023,
3 Operations projects to add 38 new team members and in 2024,
4 33 additions are expected. Many of these additions will
5 start as apprentices and be trained with the required skills
6 to operate the company's system. The Engineering team
7 projects to add 25 new team members in 2023 and 8 in 2024.
8 The company also anticipates hiring 6 additional team
9 members in Pipeline Safety and Operations Support across
10 both 2023 and 2024.

11
12 **Q.** Is the company projecting to reduce its use of outside
13 services in 2024?

14
15 **A.** Yes. Some of the anticipated additional hires in Gas
16 Operations are planned to replace the use of external
17 contractors (outside services). For 2024, the company
18 anticipates a decrease in the company's use of outside
19 services/contractors as described by company witness
20 O'Connor in his direct testimony.

21
22 **Q.** Is the company increasing its number of team members in
23 2023 and 2024 for other reasons?

24
25 **A.** Yes. The increase in the number of team members employed by

1 Peoples is driven by the work requirements. Additionally,
2 as discussed above, the company recently had to rely on
3 contractors due to hiring challenges. Thus, the increase in
4 team members reflects the company's efforts to rebalance
5 Peoples' headcount and reduce contractor reliance.

6
7 The company wants to ensure it has the right resources,
8 with the right skills, in the right positions to ensure the
9 company provides safe, reliable affordable natural gas
10 service. Company witnesses Christian C. Richard and
11 O'Connor discuss the need for hiring skilled team members
12 in their direct testimony.

13
14 **Q.** What actions has Peoples taken since its last general base
15 rate proceeding in 2020 to manage team member headcount?
16

17 **A.** Staffing levels and headcount budgets are one area of
18 constant scrutiny given the significant contribution of
19 payroll and benefits to the company's overall costs. As
20 noted by company witness Helen j. Wesley in her direct
21 testimony, Peoples monitors team member Headcount and
22 contractor usage but focuses on and manages its overall O&M
23 expense levels to efficiently provide safe and reliable
24 service to its customers.
25

1 With this in mind, department leaders must justify the need
2 for a new position or to fill a vacancy when one occurs. To
3 ensure the company's continued focus on managing staffing
4 levels, officer approval is required for headcount
5 replacements or additions.

6
7 As previously discussed, since the last general base rate
8 proceeding, the company has relied on contract labor for
9 some tasks that Peoples would prefer to handle using the
10 company's own team members. This shift to contract labor
11 was mostly because of the labor market and the company's
12 inability to hire and train team members fast enough to
13 keep up with the increase in work. Peoples' strategy for
14 2023 and 2024 is to transition contract work to company
15 team members to reduce expenses as described by company
16 witness O'Connor.

17
18 **Q.** What is the projected gross average total compensation per
19 active team member for 2024 as compared to 2020?

20
21 **A.** Peoples' 2024 budgeted gross average total compensation per
22 active team member is \$99,153 as compared to \$84,723 in
23 2020. This represents a compound average growth rate
24 ("CAGR") of 4.0 percent since 2020. These increases are
25 reasonable based on the market comparisons previously

1 described in my direct testimony.

2

3 **Q.** What is the projected gross average compensation, benefits,
4 and payroll tax cost per team member for 2024 as compared
5 to 2020?

6

7 **A.** The projected gross average compensation, benefits, and
8 payroll tax cost per team member for 2024 is \$125,948 as
9 compared to \$109,965 in 2020. This represents a CAGR of 3.5
10 percent since 2020. This increase is related to the labor
11 market challenges and the company's shift to the national
12 market as a way of measuring compensation, as discussed
13 earlier in my direct testimony. These increases are
14 reasonable based on the market comparisons previously
15 described in my direct testimony.

16

17 **Q.** What level of merit increases is the company projecting for
18 2023 and 2024?

19

20 **A.** As shown on MFR Schedule G-2, pages 12-19, the company has
21 budgeted 5.0 percent for merit increases for 2023 and 2024.

22

23 **Q.** What is the amount of O&M expenses for FERC Account 920:
24 Administrative & General Salaries for 2024 and how does it
25 compare to the 2022 historic base year?

1 **A.** The total O&M expenses for FERC Account 920 for 2024 is
2 \$22.7 million, which is \$5.6 million higher than 2022.
3 Approximately \$1.1 million of this increase is
4 administrative salaries that were budgeted on a trended
5 basis using the 5.0 percent merit increase. About \$3.2
6 million of this increase is not trended labor cost
7 consisting of headcount additions for 2023 and 2024, as
8 shown on MFR Schedule G-2, page 19e. This not trended labor
9 cost is addressed by witnesses O'Connor, Rutkin, Parsons,
10 and Richard. The remaining portion, or \$1.4 million, of the
11 increase is related to STIP.

12
13 **Q.** What is the company's projected STIP cost for 2024 and how
14 does that amount compare to the 2022 historic base year?

15
16 **A.** Peoples projected STIP costs for 2024 is \$8.1 million, which
17 is shown as a not trended item on MFR Schedule G-2, page
18 19b. This increase of \$1.4 million is due to the projected
19 increase of headcount in 2023 and 2024.

20
21 **Q.** What is the company's projected LTIP cost for the 2024
22 projected test year as compared to the 2022 historic base
23 year?

24
25 **A.** The company's projected LTIP expenses for the 2024

1 projected test year is approximately \$2.3 million. This
2 compares to the 2022 historical base of \$1.5 million. This
3 represents a 56 percent increase in expense. This increase
4 is caused by added positions at the director level and above
5 that are eligible for LTIP.

6
7 **Q.** Are the 2024 projected amounts for LTIP and STIP reasonable?

8
9 **A.** Yes. Based on the projected increase in headcount these
10 amounts are reasonable.

11
12 **Q.** Is the 2024 projected amount of base compensation
13 reasonable?

14
15 **A.** Yes. As previously indicated, company's team members were
16 at an average 0.97 compa-ratio in January 2023, which
17 implies that the company is paying just below the market
18 median. The company increased the base compensation by a
19 reasonable 5 percent. Thus the 2024 projected amount of
20 base compensation for 2024 is reasonable.

21
22 **Q.** What level of payroll cost increases for covered team
23 members were included in projected payroll costs for 2024?

24
25 **A.** The company used the negotiated increases included in the

1 current CBA to calculate payroll increases for covered team
2 members. These negotiated increases are reflected in
3 Document No. 2 of my exhibit.
4

5 **Q.** What is the company's gross benefits cost for the 2024
6 projected test year as compared to 2022?
7

8 **A.** Peoples' total gross benefits cost for 2024 is projected to
9 be approximately \$20.1 million, as compared to
10 approximately \$16.7 million in 2022. The \$3.4 million
11 increase is primarily due to projected headcount additions.
12 Peoples' overall ability to control benefit costs has
13 contributed to total Administrative & General costs in the
14 2022 historic base year falling below the benchmark, as
15 outlined in MFR Schedule C-34: O&M Benchmark Comparison by
16 Function.
17

18 **Q.** How do the gross benefits costs compare with the amounts
19 the company has included in O&M FERC Account 926 Pension
20 and Benefits?
21

22 **A.** Peoples' pension and benefits costs in O&M FERC Account 926
23 are projected to be approximately \$12.3 million in 2024 as
24 compared to \$10.2 million in 2022. A portion of benefits
25 costs are capitalized with labor or are clause recoverable;

1 therefore, the amount in FERC Account 926 is lower than the
2 gross benefits costs.

3

4 **Q.** What is the company's projected healthcare cost for the
5 2024 projected test year?

6

7 **A.** The company's projected 2024 budgeted healthcare costs is
8 \$11.3 million.

9

10 **Q.** What is the appropriate amount of pensions and post-
11 retirement benefits expense to include in the 2024
12 projected test year?

13

14 **A.** The total retirement expense for pension in the 2024
15 projected test year is approximately \$700,000. The post-
16 retirement benefits in the 2024 projected test year is
17 approximately \$900,000. These projected expenses are
18 included within the "Other Not Trended" portion of FERC
19 Account 926 on MFR Schedule G-2, page 18.

20

21 **Q.** What is the appropriate amount of salaries and benefits to
22 include in base rate O&M expense for the 2024 projected
23 test year?

24

25 **A.** Peoples' projected total compensation and benefits for the

1 2024 projected test year (including total payroll on page
2 19a, FERC Account 926 on 18a and STIP on page 19b) is \$77.2
3 million as shown on MFR Schedule G-2, pages 18a - 19b.
4

5 **Q.** Are the company's total compensation and benefits costs for
6 2024 reasonable?
7

8 **A.** Yes. As noted above, the company benchmarks its total
9 compensation and benefits against applicable markets using
10 relevant utility benchmarks for both compensation and
11 benefits and those costs come in at the median of the
12 market. The company also has salaries that are at the median
13 of the market and in support of Peoples compensation
14 philosophy that attracts, retains, develops and
15 incentivizes talent. In addition, Peoples monitors its pay
16 practices to ensure they conform with policy guidelines.
17

18 **SUMMARY**

19 **Q.** Please summarize your prepared direct testimony.
20

21 **A.** Peoples' total compensation package is reasonable and
22 benefits customers by ensuring the company attracts and
23 retains skilled, talented, and customer-focused team
24 members that can safely and reliably serve the company's
25 customers. Peoples' pay program is structured to be at the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

market median and is based on total direct compensation. The company's O&M expenses related to Human Resources in the company's 2024 projected test year are reasonable and prudent. Additionally, the company's benefits and retirement programs are reasonable and competitive and allow the company to retain and attract high quality team members who are committed to safely and reliably serving Peoples' customers.

Q. Does this conclude your prepared direct testimony?

A. Yes.

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

EXHIBIT

OF

DONNA L. BLUESTONE

Table of Contents

DOCUMENT NO.	TITLE	PAGE
1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Donna L. Bluestone.	51
2	IBEW and OPEIU Historical Base Wage Adjustment (2020-2022)	52
3	Cost of Living and Cost of Labor Analysis	53
4	Average Base Salary Compa-Ratio	54
5	Salary Budget History 2019-2023	56
6	Benefits Plan Summary (2023)	57
7	Mercer BENVAl Study	59
8	Mercer - Average Health Benefits Costs Per Employee for 2011 - 2021	60
9	Mercer - National Survey of Employer-Sponsored Health Plans 2022	61

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

**List of Minimum Filing Requirements
Sponsored or Co-Sponsored by Donna L. Bluestone**

MFR Schedule	Page No.	MFR Title
C-38	P. 4	O & M Benchmark Variance By Function
G-2	P. 17	Projected Test Year - Calculation Of Admin. And General Expenses
G-2	P. 18a	Projected Test Year - Calculation Of Admin. And General Expenses (Cont.)
G-2	P. 19a	Projected Test Year - Total Expenses
G-2	P. 19b	Projected Test Year - Total Expenses
G-2	P. 19e	Projected Test Year - Total Expenses
G-6	P. 1-9	Projected Test Year - Major Assumptions

Union	2020	2021	2022	2023	2024
IBEW (International Brotherhood of Electrical Workers) 108 Sarasota	3% for all classifications	3% for all classifications	7% for all classifications, except Apprentices. Apprentice, Level 1: 22% increase Apprentice, Level 2: 15% increase Apprentice, Level 3: 10% increase	3% for all classifications	3% for all classifications
UFCW Local 1625 (United Food and Commercial Workers International Union) Orlando	2% for all classifications	2% for all classifications	1. Apprentice, Level 1: 15% increase Apprentice, Level 2: 14% increase Apprentice, Level 3: 10% increase 2. Utility Technician: 8% increase 3. Senior Utility Technician: 8% increase 4. Utility Coordinator: 15% 5. Corrosion Apprentice: 8% increase 6. Corrosion Technician: 10% increase 7. Senior Corrosion Technician: 14% increase	3% for all classifications	3% for all classifications
IBEW 2072 (International Brotherhood of Electrical Workers) Lakeland, Daytona, Eustis	2% for all classifications	2% for all classifications	3% for all classifications	Tentatively agreed upon increases range from 5.25% - 13.81%. 1. Apprentice: 7.75% - 13.81% increase 2. Utility Technician: 5.25% - 5.47% increase 3. Senior Utility Technician: 6.07% - 6.08% increase 4. Utility Coordinator: 7.30% - 12.99% 5. Corrosion Apprentice: 6.07% - 6.09% increase 6. Corrosion Technician: 7.27% - 9.84% increase 7. Senior Corrosion Technician: 8.16% - 8.17% increase	Tentatively agreed upon 3% increase
OPEIU (Office and Professional Employees International Union) TEC & Peoples Gas	3.25% for all classifications	3% for all classifications	2.75% for all classifications	2.75% for all classifications	To be negotiated in next CBA effective 1/1/2024 - 12/31/2027

52

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

Cost of Living & Cost of Labor

Cost of Living			
United States	Florida State	Miami	Tampa
\$100,000	\$102,832	\$133,276	\$102,567
Compared to US	2.83%	33.28%	2.57%
	Compared to Florida State	29.61%	-0.26%
		Compared to Miami	-23.04%

Cost of Labor			
United States	Florida State	Miami	Tampa
\$100,000	\$96,612	\$101,218	\$97,033
Compared to US	-3.39%	1.22%	-2.97%
	Compared to Florida State	4.77%	0.44%
		Compared to Miami	-4.13%

Data as of: 1/1/2022
 Copyright © 2022 ERI Economic Research Institute, Inc.

PEOPLES GAS SYSTEM, INC.
 DOCKET NO. 20230023-GU
 EXHIBIT NO. DLB-1
 WITNESS: BLUESTONE
 DOCUMENT NO. 3
 PAGE 1 OF 1
 FILED: 04/04/2023

Average Base Salary Compa-Ratio for Engineering and Non-Engineering

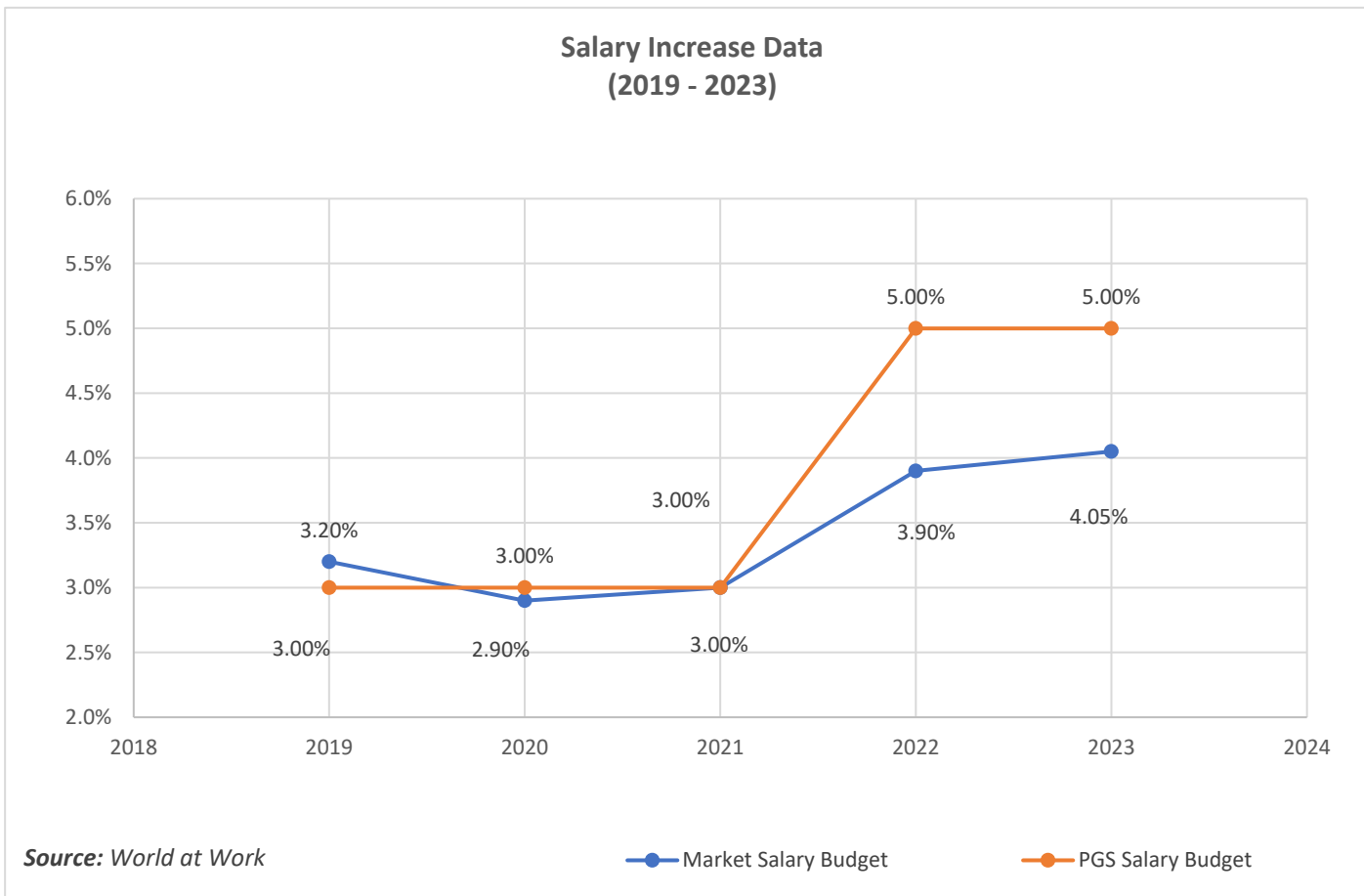


Average Base Salary Compa-Ratio Exempt, NonCovered/NonExempt



55

PGS Average Salary Increase Compared to Market






TECO Peoples Gas Benefits Summary

Benefit:	Vendor:	Description:
<p>Medical Plan</p> <p>BCBSFL HSA & HRA Plans (active team members)</p> <p>BCBSFL PPO & PPO Plus Plans (Pre-65 retirees)</p>	BCBSFL	<p>TECO Peoples Gas offers two consumer-driven health plans to eligible active team members and their dependents.</p> <p>Consumerism encourages members to be aware of the cost of services as both plans exclude co-payments. Members are responsible for the plan deductible and co- insurance for most services until the plan out-of-pocket maximum is met.</p> <p>Members have the option to use in or out-of-network providers, however, the plan is designed to cover less if a member goes out-of- network. Both medical plans cover preventive services at 100% (in-network) to encourage wellness and a proactive approach to staying healthy. Telemedicine is a convenient service included in both plan options which allows members to call or video conference with a doctor as a lower cost alternative to an office visit. The plans include coverage for behavioral and mental health as well as dedicated clinical support for high-risk medical conditions.</p> <p>Pre-65 retirees: TECO Energy Group Post-retirement Health and Welfare Plan (a retiree medical plan)</p>
<p>Medical Plan</p> <p>Aetna Medicare Advantage Plan (post-65 retirees)</p>	Aetna	<p>TECO Peoples Gas offers a Medicare Advantage Plan for Medicare-eligible retirees. If a retiree is enrolled in a BCBSFL medical plan, they are automatically enrolled in the Aetna Medicare Advantage Plan once they become eligible for Medicare (either by reaching age 65 or due to a disability), the Aetna Medicare Advantage Plan will become the primary healthcare coverage.</p> <p>Post-65 retirees (retired on or after 7/1/2001): TECO Energy Group Post-retirement Health and Welfare Plan (a retiree medical plan)</p>
Employee Assistance Program	Lifeworks	<p>The EAP is a confidential assessment, counselling, and referral program offered to all TECO Peoples Gas team members and their eligible dependents free of charge. It is designed to address a broad range of difficult issues that typically effect a person's ability to do their job if he or she does not get help. The program is available 24 hours a day, 7 days a week.</p>
Pharmacy Plan	Express Scripts	<p>TECO Peoples Gas team members and their eligible dependents are automatically enrolled in the pharmacy plan when they choose to enroll in one of the company- sponsored medical plan options. The pharmacy plan allows members the choice to purchase medications at retail pharmacies or use the Express Scripts home delivery (mail order) service. The plan has programs built in, such as the generics preferred program and the preferred drug step therapy program which guides members to use lower-cost medications. In addition, the plan requires prior authorizations to ensure certain medications are prescribed accordingly.</p>

Dental Plan	Aetna, Inc.	TECO Peoples Gas team members can choose between two dental plan options with the Company paying most of the cost. The Preferred Provider (PPO) dental plan option allows members the flexibility to go in or out of network with the plan covering more for in-network care. The Exclusive Provide Plan (EPP) is an in-network benefit only. Members must use in-network dental providers, or the plan will not pay. Both plans cover preventive services to encourage wellness and a proactive approach to staying healthy.
Flexible Benefits Plan	Chard Snyder	TECO Peoples Gas team members are offered three types of Flexible Spending Accounts (FSA); Healthcare FSA, Dependent Care FSA and Transportation and Parking FSA. These FSAs allow team members to pay for IRS approved healthcare, work-related dependent care, and transportation and parking expenses with tax-free dollars.
Life Insurance Plan	Lincoln Financial	TECO Peoples Gas provides a basic life insurance policy and a basic AD&D policy automatically paid in full by the Company for all active full-time and part-time active team members. In addition, TECO Peoples Gas team members can purchase supplemental life insurance and accidental death and dismemberment coverage at a group rate cost. Spouse and dependent child life insurance coverage is also available.
Long Term Care Insurance Program	UNUM	TECO Peoples Gas provides a basic long-term care (LTC) policy to all eligible team members at no cost. In addition, TECO Peoples Gas team members can purchase supplemental LTC directly through UNUM at group rate cost.
Vision Coverage	VSP Vision	TECO Peoples Gas team members can purchase a vision plan at a group rate cost.
Group Retirement Plan	Conduent (Pension Services)	The retirement plan is designed to provide a lifetime retirement income at no cost for eligible TECO Peoples Gas team members. TECO Energy Retirement Plan (defined benefit pension plan)
Group Retirement Savings Plan	Empower	TECO Peoples Gas provides team members with a fixed and performance match program towards a 401K retirement plan. TECO Energy Group Retirement Plan (a qualified defined contribution 401k plan)
Retirement - Restoration Benefit Plan	Tampa Electric – internal (Retirement /Payroll Department)	The Restoration Benefit plan is an excess plan for grades 11 and above. It is a nonqualified plan that follows the same formula as the qualified pension but is not subject to IRS qualified plan compensation limits. It is offset by the qualified pension benefit, so it essentially “restores” any pension amount that is “lost” in the qualified plan formula due to the IRS limits. The nonqualified plan is administered internally by Tampa Electric by the Retirement and Payroll department.
Teladoc	Teladoc	TECO Peoples Gas team members can access US board-certified doctors to resolve many medical issues via phone or online video 24/7/365

Benefit Valuation Analysis Summary of Results

TECO Peoples Gas benefits are:

-  Above market median
-  Aligned with market
-  Below market median

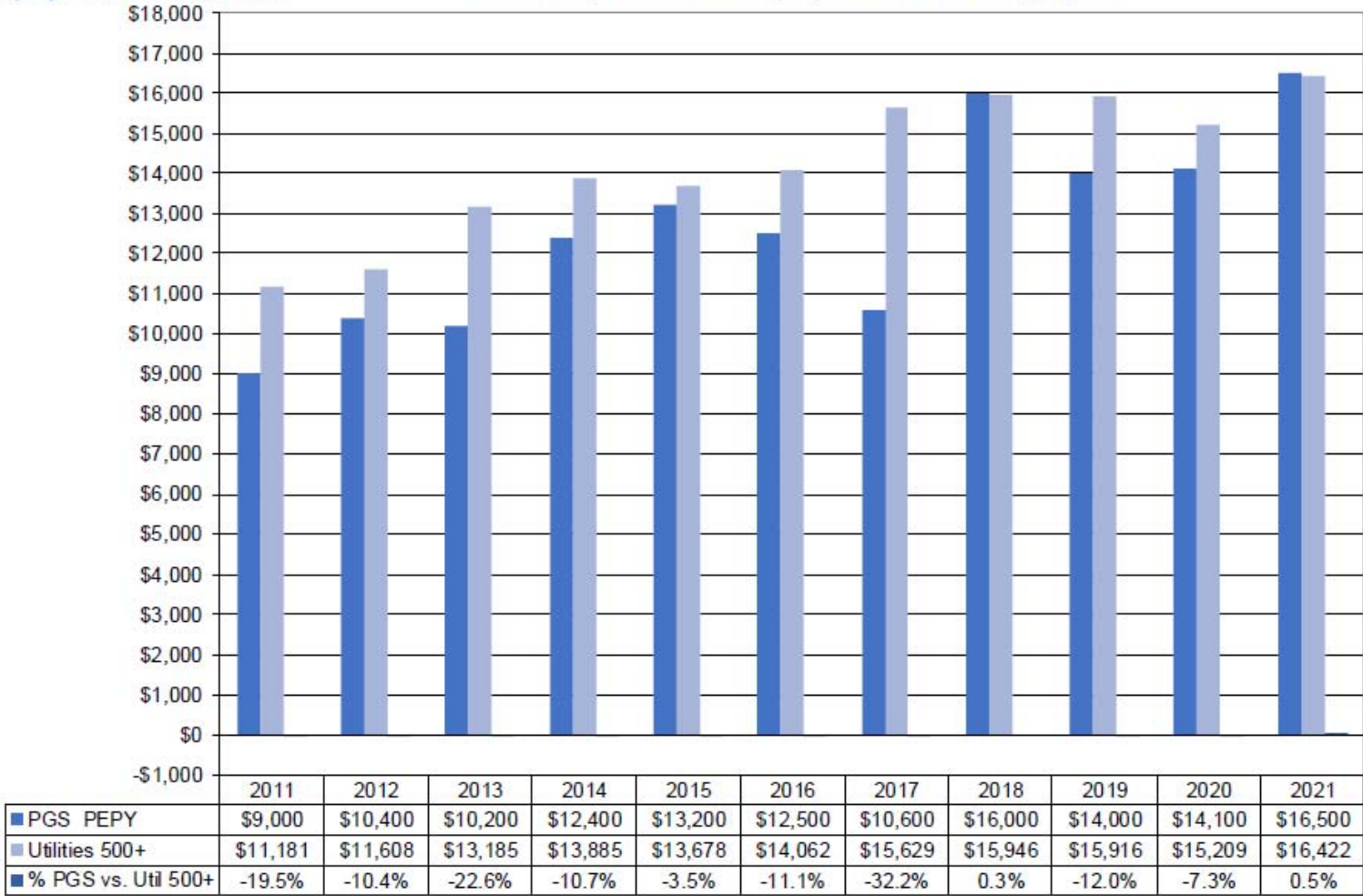
Benefit	Peer* Position	Market* Position
Retirement	Rank = 9 th Index = 110 	Rank = 56 th Index = 196 
Medical	Rank = 14 th Index = 100 	Rank = 185 th Index = 106 
Dental	Rank = 7 th Index = 146 	Rank = 72 nd Index = 137 
Paid Leave	Rank = 18 th Index = 96 	Rank = 309 th Index = 97 
Life Insurance	Rank = 14 th Index = 79 	Rank = 260 th Index = 100 
Short-Term Disability	Rank = 3 rd Index = 113 	Rank = 63 rd Index = 121 
Long-Term Disability	Rank = 2 nd Index = 141 	Rank = 34 th Index = 141 

59

*25 utility companies are in the custom peer group; 545 are in the general (for profit) peer group.

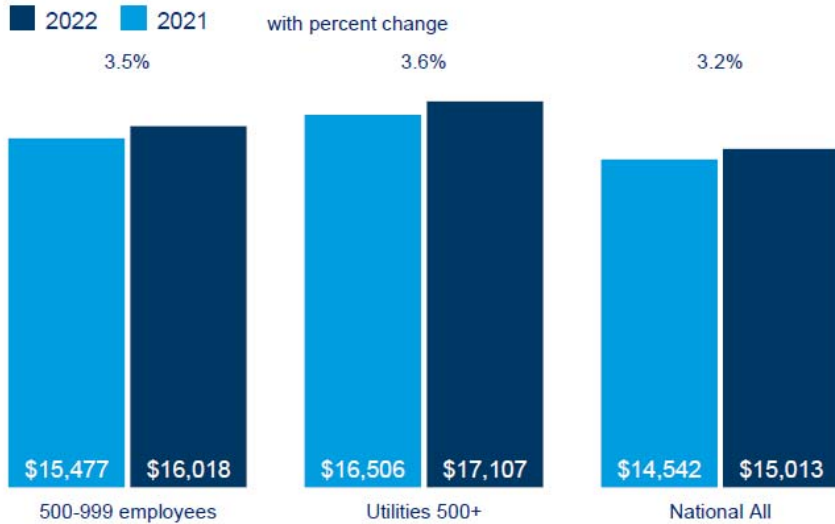


**Average Annual Health Benefit Cost Per Employee 2011 - 2021
All Surveyed Utilities Employers with 500+ Employees**



National Survey of Employer-Sponsored Health Plans 2022
 Health program overview
 total health benefit cost

Avg. total health benefits cost per employee



Total health benefit cost includes medical, pharmacy, dental, vision and hearing benefits



2023 expected cost increase



*Changes to plan design or health plan vendor

Copyright © 2023 Mercer Health & Benefits LLC. All rights reserved.

4