



July 20, 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 No. 20230023-GU; Petition for Rate Increase by Peoples Gas System, Inc.

Docket No. 20220219-GU; Peoples Gas System's Petition for Rate Approval of 2022 Depreciation Study

Docket No. 20220212-GU; Peoples Gas System's Petition for Approval of Depreciation Rate and Subaccount for Renewable Natural Gas Facilities Leased to Others

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. in the above-referenced docket is the Rebuttal Testimony of Christian C. Richard and Exhibit No. CCR-2.

Thank you for your assistance in connection with this matter.

Sincerely,

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

J. Jeffry Wahlen

JJW/ne

Attachment

cc: All parties of record



BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

REBUTTAL TESTIMONY AND EXHIBIT  
OF  
CHRISTIAN C. RICHARD

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **REBUTTAL TESTIMONY**

3   **OF**

4   **CHRISTIAN C. RICHARD**

5  
6   **Q.**   Please state your name, address, occupation and  
7           employer.

8  
9   **A.**   My name is Christian C. Richard. I am employed by  
10           Peoples Gas System, Inc. ("Peoples" or the "company") as  
11           its Vice President of Engineering, Construction and  
12           Technology ("ECT"). My business address is 702 North  
13           Franklin Street, Tampa, Florida 33602.

14  
15   **Q.**   Are you the same Christian C. Richard who filed direct  
16           testimony in this proceeding?

17  
18   **A.**   Yes, I am.

19  
20   **Q.**   What is the purpose of your rebuttal testimony?

21  
22   **A.**   The purpose of my rebuttal testimony is to address three  
23           issues raised by the Office of Public Counsel's ("OPC")  
24           witness Lane Kollen regarding capital spending, staffing  
25           for construction activities, and the company's new

1 supply chain management team.

2

3 **Q.** Have you prepared an exhibit supporting your rebuttal  
4 testimony?

5

6 **A.** Yes. Exhibit No. CCR-2, entitled "Rebuttal Exhibit of  
7 Christian C. Richard," was prepared under my direction  
8 and supervision and accompanies my rebuttal testimony.  
9 The contents of my rebuttal exhibit were derived from  
10 the business records of the company and are true and  
11 correct to the best of my knowledge and belief. My  
12 rebuttal exhibit consists of one document:

13

14 Document No. 1 Five-Year Capital Spending - Budget  
15 Versus Actual

16

17 **Q.** Please summarize your areas of disagreement with witness  
18 Kollen's testimony.

19

20 **A.** I disagree that the company's proposed revenue  
21 requirement should be reduced to reflect witness  
22 Kollen's suggested lower rate base in 2023 and 2024. I  
23 also disagree with his conclusions that the company does  
24 not need to hire employees to support construction  
25 activities and that the company created its supply chain

1 management team because of the 2023 Transaction.

2  
3 **Capital Spending**

4 **Q.** Do you agree that the company's 2024 revenue requirement  
5 should be reduced by \$3.9 million because the company  
6 cannot be expected to spend the money it has budgeted  
7 for capital projects in 2023 and 2024?

8  
9 **A.** No. Witness Kollen uses a five-year average calculation  
10 of the company's budgeted and actual capital spending to  
11 propose adjustments that reduce test year rate base,  
12 return on rate base, and depreciation expense. His  
13 approach to calculating his proposed adjustment fails to  
14 recognize the capital governance changes the company has  
15 made that have improved the capital budgeting process,  
16 capital spending controls, and substantially reduced the  
17 variances experienced between budgeted and actual  
18 capital additions. I will explain these improvements,  
19 and the resulting reduction in budget variances, in my  
20 rebuttal testimony. Although I do not address this issue  
21 in my rebuttal testimony, I also disagree with witness  
22 Kollen's recommendation because it is based in part on  
23 an improper variance calculation for 2022. This issue is  
24 explained in the rebuttal testimony of Peoples' witness  
25 Rachel B. Parsons.

1 Q. Has the company improved its capital governance and  
2 management processes and controls over the past five  
3 years?  
4

5 A. Yes. Peoples has made improvements to the capital  
6 governance and budgeting process for residential and  
7 commercial customer additions, including distribution  
8 blanket work and distribution funding projects less than  
9 \$1.5 million. The company has also made similar  
10 improvements for large capital projects, including  
11 distribution projects over \$1.5 million and all other  
12 projects related to growth; Reliability, Resiliency, and  
13 Efficiency ("RRE") projects; and projects qualifying for  
14 Allowance for Funds Used During Construction ("AFUDC").  
15

16 In 2021, Peoples built a new budgeting tool for  
17 distribution work (residential and commercial) that  
18 allows the company to improve its prediction of work by  
19 division. With the additional 51,000 customers the  
20 company projects it will add between 2022 and 2024, more  
21 accurate models to predict and forecast expected  
22 workload ensures better planning for contracted  
23 construction resources and less variance to budget.  
24

25 For the larger projects, which may include distribution

1 and transmission projects related to growth, RRE and/or  
2 AFUDC, Peoples revised, improved, and implemented new  
3 class estimation processes that include better defined  
4 stage gates and class estimates. Details, including  
5 definitions of class estimate processes are provided in  
6 my prepared direct testimony starting on page 10, line  
7 21. The company has also improved its project planning  
8 by engaging with construction contractors, safety  
9 professionals and with its new Supply Chain team early  
10 in a project to ensure Requests For Proposals ("RFPs")  
11 contain the best available information to reduce  
12 unknowns and risks, which lowers the risk of change  
13 order requests during construction. Peoples also  
14 changed and improved its contingency planning process  
15 and now plans for contingency on a line-by-line basis  
16 which allows for more accurate estimates based on the  
17 risk profile for each line item. For example, materials  
18 typically carry a different level of contingency  
19 compared to contracted labor. Materials contingency  
20 depends on general availability, supply chain  
21 constraints, market pricing volatility, ability to  
22 secure early pricing and inflation. Contracted labor  
23 contingency is based on scope definition, project  
24 unknowns, field conditions and other construction  
25 unknowns encountered during construction. Each requires

1 a risk and contingency analysis to ensure the proper  
2 level of contingency and planning to increase project  
3 budgeting and forecasting accuracy.

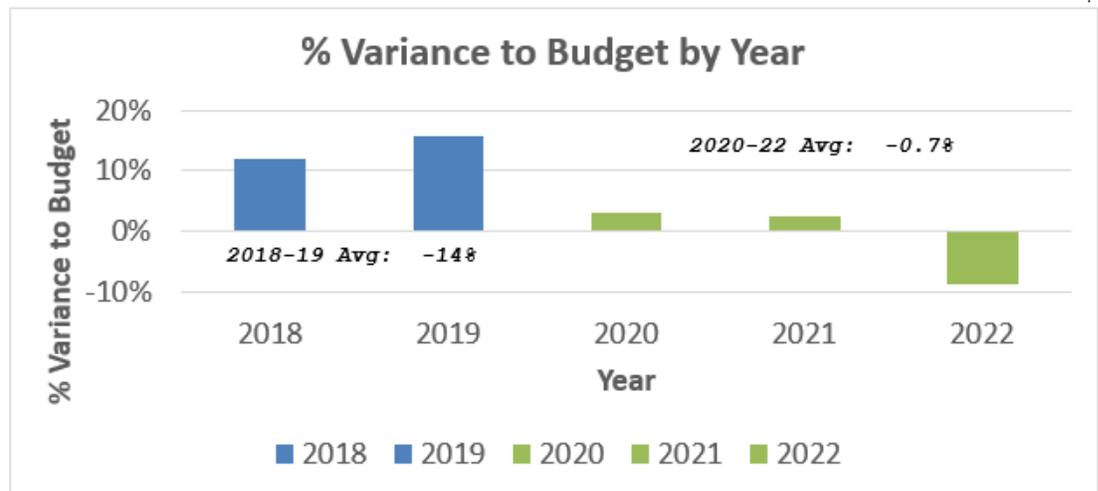
4  
5 The pandemic's impact on the global economy, including  
6 inflation, has also impacted project planning and  
7 budgeting. Some of Peoples' larger projects are planned  
8 months or years in advance. Inflation assumptions can  
9 impact a project's delivered cost. Project inflation  
10 assumptions are now updated more regularly using a  
11 standard assumption across the organization.

12  
13 These changes have made quantifiable improvements,  
14 evidenced by the year-over-year improvement in the  
15 variance between budget and actuals over the past five  
16 years.

17  
18 **Q.** How has the variance between budget and actuals changed  
19 over the past five years?

20  
21 **A.** Document No. 1 and the graph below illustrate the  
22 company's improvement in variance between budget and  
23 actuals beginning in 2020. The average variance to  
24 budget has improved from 14 percent in 2018 and 2019, to  
25 -0.7 percent between 2020 and 2022. Most of the

1 variance in 2022 (-8.8 percent) was driven by higher  
2 than projected growth in the number of residential and  
3 commercial customers. The budgeting tool improvements  
4 implemented in 2022 will enable further reductions in  
5 variance between budget and actuals.



14 **Q.** Are the Brightmark RNG and FGT to JEF projects expected  
15 to go into service as originally planned?

16

17 **A.** No. Both projects have been delayed, due to customer  
18 requirements and delays.

19

20 **Q.** If you exclude these two large projects, how is the  
21 company performing against its capital budget in 2023  
22 through May?

23

24 **A.** Total year-to-date capital spend as of the end of May  
25 2023, adjusted to exclude the Brightmark RNG and FGT-JEF

1 projects, is within 0.25 percent of budget. The year-  
2 to-date budget as of the end of May 2023 was \$157.9  
3 million with actuals of \$157.5 million or \$0.4 million  
4 (0.25 percent) below budget. This has been challenged  
5 with higher-than-expected growth in residential and  
6 commercial customer additions. Peoples anticipates  
7 adding 3,000 more customers compared to plan. The  
8 Florida economy and housing market continue to be  
9 robust. Witness Parsons will address the impact of  
10 those additional customers on the company's forecasted  
11 test year.

12  
13 **Q.** Do you believe that the company will spend its budgeted  
14 capital dollars in 2023 and 2024?

15  
16 **A.** Yes, when adjusted for the delay in the FGT to JEF  
17 project, Peoples is expected to meet its 2023 and 2024  
18 budgets. As of the end of May 2023, Peoples is  
19 forecasted to spend \$365 million versus a budget of \$397  
20 million. The \$32 million variance relates to the delay  
21 in the FGT to JEF project. Consequently, Peoples is  
22 projected to overspend in 2024 by the same amount. The  
23 project delay will push \$32 million from 2023 to 2024.  
24 This delay in the FGT to JEF project will not affect the  
25 company's projected revenue requirement.

Staffing for Construction

1  
2 **Q.** Do you agree with witness Kollen that the company is  
3 adequately staffed for continued growth in customers and  
4 related infrastructure?  
5

6 **A.** No. The Peoples natural gas system is growing in size  
7 and complexity and requires additional resources to  
8 ensure safe and reliable service. Peoples plans to hire  
9 41 employees in the ECT area in 2023 and 2024 and will  
10 go from 150 full-time equivalents in 2022 to 191 in  
11 2024. Of the 41 employees to be hired, 11 are  
12 replacements (vacancies at the end of December 2022) and  
13 30 are new. The 11 replacements are part of the ongoing  
14 employee vacancies created from promotions, retirements  
15 and attrition. Of the 30 new positions, five are Supply  
16 Chain (FERC Account "Admin and General Salaries"), four  
17 are Gas Control and Measurement and Regulation (FERC  
18 Account "Other Exp"), seven are in support of improved  
19 capital management, while the balance (14) are to  
20 support design, engineering and construction (FERC  
21 Account "Operations, Supervision and Engineering"). It  
22 is worth noting the majority of the costs associated  
23 with the new ECT positions are in support of Peoples'  
24 capital plan and are charged to capital.  
25

1 Q. Why are the five additional Supply Chain positions  
2 necessary?

3  
4 A. The business case and benefits to support a gas-specific  
5 supply chain team are well-documented in my prepared  
6 direct testimony. The five Peoples Supply Chain  
7 positions are supported by a reduction in allocations  
8 from Tampa Electric from \$839,000 in 2022 to \$382,000 in  
9 2024. This reduction of \$457,000 offsets most of the  
10 cost of the five Supply Chain additions. With this  
11 change, the Supply Chain function will include Peoples'  
12 specific resources to support its specific needs and  
13 requirements with some continued transactional support  
14 from Tampa Electric. The result will ensure greater  
15 capital and O&M efficiency and greater value for  
16 customers.

17  
18 Q. Why are the four new positions in Gas Control and  
19 Measurement and Regulation necessary?

20  
21 A. The four new positions in Gas Control and Measurement  
22 and Regulation ("M&R") are required to manage increased  
23 workload due to a growing and increasingly complex  
24 natural gas system. This growth and the increasing  
25 complexity are the result of adding new metering and

1 regulation sites and new gas quality equipment. To  
2 illustrate, between 2022 and year-to-date 2023, Peoples  
3 added the FGT to Big Bend pipeline and associated  
4 interconnects and valve sites; RNG injection and receipt  
5 points; and will be adding interconnects such as the  
6 Dade City Connector interconnects and more RNG injection  
7 and receipt points. This is in addition to the system  
8 expansion required to serve the 22,000 additional  
9 customers per year that Peoples added between 2020 and  
10 2022, and the additional 51,000 customers the company  
11 projects it will add between 2022 and 2024. As a result  
12 of this activity, the M&R team is now responsible for  
13 maintaining 4,318 existing asset points (pressure  
14 transmitters, temperature transmitters, regulators, flow  
15 control valves, gas chromatographs, filter separators,  
16 and meters) and the 810 new asset points added between  
17 2021 and 2023 to date.

18  
19 The M&R team also manages the new compliance  
20 requirements introduced by the Transportation Safety  
21 Administration ("TSA") related to cyber and physical  
22 security. These new requirements require the M&R team to  
23 track, manage and monitor over 800 specific types of  
24 equipment throughout the state (remote terminal units,  
25 programmable logic controllers, and cellular modems) and

1 ensure software is updated and secure. Additional asset  
2 points are expected in 2023 and 2024.

3  
4 The Gas Control team monitors pipeline distribution  
5 system operations, including monitoring for critical or  
6 abnormal conditions. Gas Control builds and maintains  
7 SCADA monitoring screens, monitors the asset points for  
8 alarms on a 24-hr basis via the SCADA system,  
9 troubleshoots, and dispatches the M&R team when  
10 required. Gas Control is a critical function that  
11 ensures safe and reliable operations of the Peoples  
12 natural gas system. As mentioned above, Peoples added  
13 810 asset points between 2021 and year to date 2023.  
14 These additional asset points require constant  
15 monitoring. The four new positions (two in Gas Control  
16 and two in M&R) will support the added complexity of the  
17 system and additional workload to ensure consistent,  
18 safe and reliable operations.

19

20 **Q.** Why are the seven positions in the Capital Management  
21 Group necessary?

22

23 **A.** The seven positions in the Capital Management Group will  
24 reinforce, monitor, and govern capital investment  
25 execution to ensure continued customer value. Use of a

1 capital management group is a common utility best  
2 practice but is not yet in place at Peoples. The new  
3 team will help find more efficiency and value in capital  
4 management, including formalizing the process and  
5 building an annual Integrated Resource Plan with a 10-  
6 year horizon, ensuring that plan is reflected in the 5-  
7 year Forecast and annual budgets. The team will also  
8 implement and continuously improve the capital  
9 governance process and work to ensure efficient capital  
10 execution, resource planning, execution monitoring and  
11 management. Driven by growth, Peoples' average annual  
12 capital budget has grown in recent years and this team  
13 will ensure that capital continues to be optimized to  
14 provide value to customers. The company's improved  
15 capital governance may also mitigate the need for future  
16 base rate increases by achieving greater efficiencies in  
17 capital investments.

18  
19 **Q.** Why are the other 11 support positions necessary?

20  
21 **A.** Of the remaining 14 new positions, 11 support increased  
22 workload related to residential and commercial customer  
23 growth throughout the state and RRE projects, including  
24 municipal improvement projects. There has been a  
25 particularly noticeable increase in Municipal

1 Improvement projects driven by the Inflation Reduction  
2 Act. Local and state governments are taking advantage  
3 of this funding to improve transportation  
4 infrastructure, which in turn requires Peoples to  
5 relocate some of its assets. Some areas of the state  
6 also have new, more strict permitting requirements.  
7 These new permitting requirements impact design and  
8 require more oversight, including more stringent  
9 restoration requirements after construction, additional  
10 asphalt work, and additional well pointing. The  
11 additional resources are not only targeted in areas with  
12 increased permitting requirements, they are also  
13 targeted in areas of the state with higher growth rates  
14 such as Jacksonville, Ocala, and Fort Myers where local  
15 design and construction oversight is performed. These  
16 areas of higher growth of residential and commercial  
17 customers typically also includes higher municipal  
18 improvement relocation projects. The positions required  
19 to support the increased workload includes four Gas  
20 Design Technicians, four Construction Inspectors, two  
21 administrative positions, and one Gas Design Supervisor.

22  
23 The remaining three new positions (of the 14) includes  
24 one GIS position, one engineer for large project  
25 engineering design and project management and one

1 position to support system modelling for new gas  
2 infrastructure and reliability of existing  
3 infrastructure.

4  
5 The one GIS position is required to help manage  
6 increased workload driven by growth and increased locate  
7 tickets as described in Witness Timothy O'Connor's  
8 testimony. The new position will also improve safety by  
9 continuing to reduce the average number of days to  
10 record system additions in the company's GIS system  
11 following construction. In 2022, it took, on average,  
12 39.4 days to record these system additions. As of June  
13 2023, the number of days improved to 15.7. The company  
14 hopes to reduce this to seven days or less, and the  
15 additional resource will help the company meet this  
16 goal. This goal is important because current maps and  
17 records improve the quality of locating and reduce the  
18 risk of damages. The additional resource will also  
19 improve storm and emergency management by providing  
20 timely and accurate records during emergencies. Current  
21 and accurate maps and records are critical to the  
22 continued safe operation of the system and aid in  
23 restoration efforts.

24 The engineer for large project engineering design and  
25 project management is required to manage the influx of

1 new projects related to growth, reliability and  
2 municipal improvements. As discussed earlier in this  
3 testimony, municipal improvement projects related to the  
4 Inflation Reduction Act have caused an increase in asset  
5 relocation projects. These projects vary in scope and  
6 complexity and all require design and engineering from  
7 either the Distribution Design and Construction team or  
8 from the corporate engineering team.

9  
10 The system modelling position is important to update  
11 Peoples' system model with the changes referenced in my  
12 testimony to ensure all system impacts are identified  
13 and managed when adding new customers and assets. This  
14 function is critical to identify potential areas of  
15 concern from a safety and reliability perspective.

16  
17 The ECT group includes many subject matter experts in  
18 highly technical roles. The additional positions  
19 referenced above enable Peoples to ensure proper talent  
20 development and succession planning to continue to  
21 provide safe and reliable service to customers as key  
22 contributors retire.

23  
24 **Supply Chain**

25 Q. Did the company establish its own supply chain team

1 because of the 2023 Transaction described in the  
2 prepared direct testimony of Helen J. Wesley?

3  
4 **A.** No. The Supply Chain team was created independent of the  
5 2023 Transaction. Planning for this change began in  
6 2021. One is independent of the other and Peoples  
7 continues to rely on Tampa Electric shared services  
8 including IT, CE (customer experience), HR  
9 (transactional functions such as payroll), and Supply  
10 Chain (transactional functions such as procure-to-pay  
11 and master data). In 2023 and 2024, the net cost of the  
12 Peoples Supply Chain Team was mostly offset by a  
13 reduction in allocated costs from Tampa Electric and  
14 based on the recommendations from a third-party  
15 assessment with the goal of delivering greater value to  
16 customers by having Supply Chain professionals directly  
17 focused on Peoples needs.

18  
19 **SUMMARY**

20 **Q.** Please summarize your rebuttal testimony.

21  
22 **A.** Witness Kollen's proposed capital budget reduction in  
23 the company's 2024 revenue requirement should be  
24 rejected because it ignores the company's capital  
25 governance improvements, which have resulted in reduced

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

budget variances. Witness Kollen's recommendations regarding Peoples' staffing should also be rejected. Peoples' planned ECT staffing additions in 2023 and 2024 address areas such as system maintenance, system control, capital management, support, and supply chain management that are important to meet the needs of Peoples' growing customer base and distribution system. In short, I believe Peoples' proposed capital budget and ECT staffing levels in the 2024 test year should be approved.

**Q.** Does this conclude your rebuttal testimony?

**A.** Yes, it does.

PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20230023-GU  
FILED: 07/20/2023

EXHIBIT  
  
OF  
  
CHRISTIAN C. RICHARD

PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20230023-GU  
EXHIBIT NO. CCR-2  
WITNESS: RICHARD

**Table of Contents**

DOCUMENT NO.	TITLE	PAGE
1	Five-Year Capital Spending - Budget Versus Actual	21

	2018	2019	2020	2021	Original 2022	5Yr Avg*	3 Yr Avg**
Capital Expenditures - Budget	195.929	240.014	350.065	315.534	299.059	280.120	321.553
Capital Expenditures - Actuals	172.368	201.862	338.971	307.408	325.246	269.171	323.875
Capital Expenditures Under Budget	23.561	38.152	11.094	8.126	(26.187)	10.949	(2.322)
Actual Expenditures as a Percent of Budget	88.0%	84.1%	96.8%	97.4%	108.8%	96.1%	100.7%
Actual Less/(Greater) than Budget Percentage	12.0%	15.9%	3.2%	2.6%	-8.8%	3.9%	-0.7%

\* 5 Yr Avg: 2018, 2019, 2020, 2021 and 2022

\*\* 3 Yr Avg: 2020, 2021 and 2022

Sources: Responses to OPC's IRR 1-82 and 1-92; Parsons Exh RBP-1, Doc 6