



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 Rachel B. Parsons and Exhibit No. RBP-2. Portions of Exhibit RBP-2 contain proprietary confidential business information which is being filed with your office under a separate cover letter and a request for confidential classification.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'J. Jeffrey Wahlen'.

J. Jeffrey 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
RACHEL B. PARSONS**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

RACHEL B. PARSONS

1
2
3
4
5
6 **Q.** Please state your name, address, occupation and employer.

7
8 **A.** My name is Rachel B. Parsons. My business address is 702 North
9 Franklin Street, Tampa, Florida 33602. I am employed by
10 Peoples Gas System, Inc. ("Peoples" or the "company") as the
11 Head of Financial Performance.

12
13 **Q.** Are you the same Rachel B. Parsons who filed direct testimony
14 in this proceeding?

15
16 **A.** Yes, I am.

17
18 **Q.** Have your title and duties and responsibilities changed since
19 the company filed your prepared direct testimony on April 4,
20 2023?

21
22 **A.** Yes. Effective June 7, 2023, my title changed to Head of
23 Financial Performance. The company filed a revised version of
24 the first page of my prepared direct testimony on June 21,
25 2023. That document reflects my revised duties and

1 responsibilities.

2

3 **Q.** What are the purposes of your rebuttal testimony?

4

5 **A.** My rebuttal testimony serves four general purposes.

6

7 First, I will address the accounting and ratemaking issues
8 identified by witness Lane Kollen in his testimony filed on
9 June 22, 2023 by the Office of Public Counsel ("OPC"). In the
10 process, I will address the depreciation proposals by OPC
11 witness David Garrett reflected in the revenue requirement
12 calculations presented by witness Kollen. I disagree with
13 OPC's accounting and ratemaking proposals, but I conceptually
14 agree with one of them and have included it in the company's
15 revised revenue requirement presented with this testimony.

16

17 Second, I will provide information on five accounting and
18 ratemaking issues arising from the company's responses to
19 OPC's discovery requests and proposed by OPC at the informal
20 issue identification meeting coordinated by the Staff of the
21 Florida Public Service Commission ("FPSC" of "Commission") on
22 June 23, 2023. OPC has indicated it may propose adjustments
23 to the company's proposed 2024 revenue requirement increase
24 for those issues, so I will address them in a way that informs
25 the Commission's consideration of them.

1 Third, I will comment on witness Kollen's quantification of
2 adjustments and recommendations made by witness Garrett.

3
4 Finally, I will present the company's revised revenue
5 increase request that corrects certain errors identified
6 since we filed our case on April 4, 2023, updates information
7 on certain budgeted expense amounts that change the company's
8 test year revenue requirements, and reflects the Commission
9 Staff's audit findings plus other adjustments to base rate
10 recoverable O&M expense proposed by OPC that the company does
11 not contest. Taking into consideration these three categories
12 of adjustments, the company has revised its requested net
13 revenue requirement increase downward from \$127,624,042 to
14 \$124,942,677. This revised request does not include the
15 \$11,647,804 of Cast Iron/Bare Steel Rider revenues the
16 company proposes to move from the rider to base rates.

17
18 **Q.** Have you prepared an exhibit supporting your rebuttal
19 testimony?

20
21 **A.** Yes. Exhibit No. RBP-2, entitled "Rebuttal Exhibit of Rachel
22 B. Parsons," was prepared by me or under my direction and
23 supervision. The contents of this exhibit were derived from
24 the business records of the company, and are true and correct
25 to the best of my information and belief. My rebuttal exhibit

1 consists of the following nine documents:

- 2 Document No. 1 Revised Revenue Requirements
- 3 Document No. 2 Account 921 Average Increase
- 4 Document No. 3 Historical Storm Costs in 2024 Dollars
- 5 Document No. 4 RNG Revenue Requirement & Cost Recovery
- 6 Document No. 5 Capital Expenditure Analysis
- 7 Document No. 6 Dec. 31, 2023 Depreciation Study Impact
- 8 Document No. 7 Revision to SeaCoast Overhead Allocation
- 9 Document No. 8 Vehicle Retirement Impact on NOI and Rate
- 10 Base
- 11 Document No. 9 Discovery Responses and Other
- 12 Referenced Documents

13

14

I.

15

Kollen's Proposed Adjustments

16

Q. How will you address the accounting and ratemaking issues raised in sections II, III, and IV of witness Kollen's testimony?

17

18

19

20

A. Witness Kollen proposes 12 adjustments to the company's proposed 2024 net operating income ("NOI"), four adjustments to the company's proposed 2024 rate base, and four adjustments to the company's proposed 2024 capital structure and rate of return.

21

22

23

24

25

1 Seven of his NOI adjustments reflect OPC's proposals on
2 discrete NOI issues. I will address those issues first.

3
4 One of his proposed rate base adjustments reflects OPC's
5 position on the company's forecasted capital expenditures and
6 plant additions in 2023 and 2024. I will address that as a
7 discrete issue, even though it factors into his proposed
8 overall capital structure adjustment.

9
10 One of his proposed NOI adjustments and one of his rate of
11 return adjustments reflect OPC's position on the 2023
12 Transaction, so I will address those adjustments together.

13
14 Four of his proposed NOI adjustments, three of his rate base
15 adjustments, and one of his capital structure adjustments
16 reflect OPC's positions on the company's depreciation study,
17 proposed depreciation rates, and test year depreciation
18 expense, so I will address those issues as a group.

19
20 His remaining capital structure and rate of return
21 adjustments reflect witness Garrett's proposed return on
22 equity and synchronize the company's capital structure with
23 OPC's proposed adjusted rate base amounts. I will address
24 both of those issues near the end of this section of my
25 rebuttal testimony.

1 A. Discrete NOI Issues

2 1. *General*

3 **Q.** Witness Kollen states that Peoples' budgets were not
4 developed in the normal course of the company's budgeting
5 process and that the forecast for 2024 was developed to
6 support the requested rate increase and that they incorporate
7 assumptions and methodologies biased upward to the company's
8 requested increase. Do you agree with these statements?

9
10 **A.** No. The timing of the preparation of our 2024 budget was
11 adjusted to meet the schedule for filing this rate case;
12 however, that change was a practical necessity of filing a
13 rate case with a forecasted test year. The company developed
14 its 2024 budget using its normal budgeting processes and the
15 company's Board of Directors approved the budget before the
16 company filed this rate case. The company's 2024 budget
17 assumptions properly reflect the company's evaluation of
18 resources needed to provide safe and reliable gas
19 distribution services on a sustainable basis to customers and
20 to meet future demand for natural gas across Florida.

21
22 **Q.** In OPC witness Kollen's testimony, he states there is evidence
23 that the last base rate proceeding reflected excessive
24 operating expenses and overstated its revenue requirement. Do
25 you agree there is evidence the company included excessive

1 operating expenses in the last base rate proceeding and the
2 implication that it has also done so in this proceeding?

3
4 **A.** No. Although the company's actual O&M expense for 2021 was
5 lower than the requested O&M expense in the 2021 rate filing,
6 the actual 2021 results were lower and largely driven by COVID
7 pandemic impacts. Through 2020 and 2021, COVID significantly
8 impacted our customers and altered the company's expense
9 profile as many team members shifted to working remotely. In
10 2022, the impacts of COVID began to abate, and the company's
11 operations and maintenance expenses returned closer to normal
12 and historic levels. The impact of COVID on the company's
13 operations in 2021 was unique and unprecedented. Witness
14 Kollen's attempt to draw conclusions about 2024 using 2021
15 budget variances is misplaced.

16
17 *2. Staffing*

18 **Q.** Witness Kollen proposes to reduce the company's test year
19 payroll and related expenses by \$9.686 million, which would
20 entirely eliminate the company's forecasted staffing
21 increases. Do you agree with this adjustment?

22
23 **A.** No. The company has justified its forecasted staffing
24 increases for 2023 and 2024 in: (a) my direct and rebuttal
25 testimony; (b) response to several interrogatories including

1 but not limited to OPC's First Set of Interrogatories No. 13
2 (see Document No. 9 to my Exhibit RBP-2, pages 1-6) and OPC's
3 Fourth Set of Interrogatories Number 201 (see Document No. 9
4 to my Exhibit RBP-2, page 7); (c) the prepared direct
5 testimonies of Helen J. Wesley, Timothy O'Connor, Christian
6 C. Richard, and Donna L. Bluestone; and (d) the rebuttal
7 testimony of witnesses O'Connor, Richard and Bluestone. The
8 company asserts it has proven the need for its forecasted new
9 team members based on the growth of its system and increased
10 work activity, the majority of which is non-discretionary.
11 Therefore, witness Kollen's proposed staffing adjustment to
12 remove all positions forecasted to be added in 2023 and 2024
13 should be rejected.

14
15 **Q.** Does the company need the new administrative and general
16 employees forecasted in the finance area to be hired in 2023
17 and 2024?

18
19 **A.** Yes. Peoples witness Bluestone discusses administrative and
20 general staffing in her rebuttal testimony, but I will explain
21 the Finance staffing.

22
23 Three of the eight finance positions were replacement
24 positions and have already been hired, and the remaining five
25 positions are necessary to support the financial needs of the

1 business.

2
3 Peoples needs the Treasury Analyst position to support new
4 requirements related to Peoples' independent financings
5 associated with the 2023 transaction and will replace support
6 currently being provided by Tampa Electric. Peoples needs the
7 Manager, Commercial Investments and Analyst positions to
8 provide financial and project evaluation support to the
9 opportunities being explored by the company's Gas Supply and
10 Development team to serve large commercial and industrial
11 customer demand rising from increased decarbonization
12 requirements. The team members filling these positions will
13 also support enhanced financial profitability analysis to
14 ensure appropriate revenue projections and rate analysis. The
15 two co-op positions will provide the company with a cost-
16 effective way to provide a potential pipeline of talent for
17 filling entry level finance positions and developing future
18 leaders.

19
20 **Q.** If the Commission concludes that some of the added positions
21 should be removed from the test year revenue requirements,
22 how do you propose that those adjustments be made?

23
24 **A.** Each position the company proposes to be added over the years
25 2023 and 2024 should be evaluated by the Commission on its

1 individual justification and need to support the growth and
2 increased activity of Peoples' distribution system. Through
3 the company's combined testimony and interrogatory responses,
4 we believe we have provided proof of our careful consideration
5 and justifications for each position. In MFR G-2, pages 19c-
6 19e, the company has specifically detailed the labor cost for
7 each proposed position being added in 2023 and 2024. In
8 addition, in response to OPC's Fourth Set of Interrogatories
9 No. 202 (see Document No. 9 to my Exhibit RBP-2, pages 8-10),
10 the company provided in electronic format the support file
11 "OPC Fourth IRR No. 202.xlsx" that includes the tab "IRR 202
12 Detail" that details the 2024 test year labor O&M expense,
13 benefits O&M expense and payroll tax for each individual
14 position being added. If the Commission decides to remove
15 certain added positions from the test year revenue
16 requirement, it need not resort to the broad-brush approach
17 advocated by OPC. Rather, it can individually remove the
18 related labor and benefits O&M expense and payroll tax for
19 each position as appropriate to adjust NOI by using the
20 detailed information by position included in the file "OPC
21 Fourth IRR No. 202.xlsx" tab "IRR 202 Detail".

22
23 However, we believe we have provided proof of careful
24 consideration and evaluation of each position and that OPC
25 witness Kollen has not provided commensurate rationale to

1 warrant removal of all positions.

2
3 3. *Office Supplies and Expenses for Employee Additions*

4 **Q.** Witness Kollen proposes to reduce the company's proposed
5 revenue increase by \$1,162,000 to eliminate the company's
6 proposed increase to account 921 office supplies and expenses
7 associated with staffing increases. Do you agree with his
8 proposal?

9
10 **A.** No. As stated above, the company has justified its forecasted
11 staffing increases for 2023 and 2024, and these costs will be
12 necessary to support these new team members.

13
14 **Q.** If the Commission agrees with witness Kollen that some of the
15 office supplies and expenses for employee additions should be
16 reduced in the test year, how do you propose that those
17 adjustments be made?

18
19 **A.** If the Commission decides to remove certain positions from
20 the 2024 test year, then the associated reduction in account
21 921 should be made based on the department the position was
22 budgeted in. In Exhibit RBP-2, Document No. 2, I have
23 calculated by department the per headcount added average
24 increase in 2024 account 921 office supplies and expenses. If
25 the Commission determines that a position identified on MFR

1 G-2, pages 19c-19e should be removed from the company's 2024
2 test year revenue requirements, then the associated pro-rata
3 reduction in account 921 office supplies and expenses can be
4 determined using the average amounts by department provided
5 in Exhibit RBP-2, Document No. 2.

6
7 4. *2023 and 2024 Pay Increases*

8 **Q.** Witness Kollen proposes to reduce payroll and related
9 expenses in the test year to reflect lower wage escalation
10 factors. Do you agree?

11
12 **A.** No. The company's proposed wage escalation factors for 2023
13 and 2024 are reasonable for the reasons explained in the
14 rebuttal testimony of Peoples witness Bluestone; therefore,
15 witness Kollen's proposed adjustment should be rejected.

16
17 5. *Capitalization of A&G Expense*

18 **Q.** In OPC witness Kollen's testimony he asserts the company's
19 forecasted capitalization of administrative and general
20 ("A&G") expenses of \$11.0 million in 2024 is too low of a
21 credit to A&G expenses and should increase with capital
22 expenditures and increases in A&G expenses. Do you agree with
23 his recommendation to have the Commission increase the
24 company's 2024 credit in account 922 to \$13.125 million?

25

1 **A.** No. As stated in response to OPC's Fourth Set of
2 Interrogatories, No. 185 (see Document No. 9 to my Exhibit
3 RBP-2, page 11), the company deemed it reasonable to keep the
4 A&G allocation to capital at \$11.0 million in the 2023 and
5 2024 budgets as it had already increased from \$8.0 million in
6 2020 to \$11.0 million in 2022. Excluding the FGT to
7 Jacksonville Export Facility project, the 2024 capital budget
8 is \$314.2 million, which is lower than the recent history
9 that was considered in the increase to \$11 million already
10 reflected. In fact, the 2024 budgeted capital spend is less
11 than that experienced in 2020 (\$339.0 million), 2022 (\$325.2
12 million) and expected in 2023 (\$364.4 million excluding FGT
13 to Jacksonville Export Facility project). For this reason, I
14 disagree with Kollen's adjustment.

15

16 6. *Storm Expense Accrual*

17 **Q.** In OPC witness Kollen's testimony, he states that the
18 company's methodology for determining the appropriate annual
19 storm reserve accrual is flawed because it includes the costs
20 of Hurricane Michael that was recovered through a surcharge.
21 Do you agree with OPC witness Kollen's assertion?

22

23 **A.** No. As stated in response to OPC's Fourth Set of
24 Interrogatories, Nos. 183 and 184 (see Document No. 9 to my
25 Exhibit RBP-2, page 12 and 13), Hurricane Michael storm costs

1 eligible under the ICCA methodology were included in the storm
2 reserve annual accrual analysis because those costs are
3 reflective of major hurricane events that may occur going
4 forward. In addition, the storm reserve provides the ability
5 to recover storm costs while also maintaining rate stability
6 for customers. With the appropriate annual accrual and
7 target, the storm reserve can provide the ability to recover
8 restoration costs of expected hurricane events and is not
9 meant for just less impactful tropical storms. The company's
10 request for the surcharge to recover Hurricane Michael
11 incremental costs was not only due to the severity of that
12 storm, but also due to the inadequacy of the storm reserve
13 annual accrual of \$57,500 established almost ten years prior
14 to Hurricane Michael. As seen recently with another major
15 storm in 2022, Hurricane Ian, the company has elected not to
16 recover any incremental costs through a surcharge to
17 customers and has instead elected to recover those costs from
18 the annual storm reserve accrual.

19
20 **Q.** In the storm reserve analysis included in your Exhibit RBP-
21 1, Document No. 7, you used the most recent 10-year history
22 of storm costs to determine an annual average cost. Why is
23 using the most recent 10-year history more appropriate than
24 using the 14-year history as proposed by OPC witness Kollen?
25

1 **A.** As seen in my direct testimony, Exhibit RBP-1, Document No.
2 7, for the years 2009 through 2015, there was no storm
3 activity requiring incremental costs. However, for the next
4 seven years from 2016 through 2022 there were six named storms
5 that occurred with incremental costs to our business.
6 Therefore, the most recent 10-year rolling history of storm
7 costs is a more appropriate period to include in the analysis
8 as it is more representative of current hurricane activity
9 impacting the State of Florida.

10
11 **Q.** In your storm reserve annual accrual recommendation, you
12 conservatively rounded down the \$545,338 10-year average
13 incremental costs down to \$500,000. Is there any other
14 conservatism embedded in your methodology?

15
16 **A.** Yes. The \$545,338 10-year average incremental storm cost
17 amount was calculated using nominal dollars that totaled
18 \$5,453,379 and included costs dating back as far as 2016. If
19 I had accounted for inflation and brought those nominal dollar
20 costs to 2024 test year dollars, the total 10-year history of
21 costs would equate to \$6,402,571 or an annual average of
22 \$640,257 (see my Exhibit RBP-2, Document No. 3). Therefore,
23 foregoing this inflation impact adds almost another \$100,000
24 of conservatism to my recommendation of a \$500,000 annual
25 storm accrual and a \$5.0 million storm reserve target.

1 **Q.** Is OPC witness Kollen's proposal to reduce the proposed
2 \$500,000 annual storm accrual by \$300,000 appropriate?

3

4 **A.** No. As discussed above, the company's proposed \$500,000
5 annual storm accrual appropriately considers the historical
6 storm costs over the past 10-year period that are
7 representative of recent storm activity and is very
8 reasonable and conservative considering inflation of those
9 historical storm costs. Therefore, the Commission should
10 reject OPC witness Kollen's proposal to decrease the
11 company's proposed annual storm accrual to \$200,000.

12

13 7. *Three RNG Projects*

14 **Q.** Do you agree with witness Kollen proposes to "zero out" the
15 revenue requirement impact of the company's three proposed
16 renewable natural gas ("RNG") projects in the test year?

17

18 **A.** No. All three of the company's proposed RNG projects should
19 be accounted for above-the-line in the test year for the
20 reasons explained by witness Luke A. Buzard in his rebuttal
21 testimony.

22

23 Peoples planned and executed the New River and Brightmark RNG
24 projects consistent with and in reliance on the company's
25 tariff 7.404 Renewable Natural Gas Service and rate schedule

1 RNGS. As shown in Document No. 4 of my Exhibit RBP-2, the
2 company is recovering the total installed cost of these
3 projects, including a reasonable rate of return, from the
4 Customer using a Monthly Services Charge through the term of
5 the RNG services agreement and purchase sale agreement. This
6 will allow the company to recover the revenue requirement for
7 these projects over the life of the projects. As is the case
8 with fixed-rate, long-term customer contracts, the annual
9 contract revenues from the customers will not recover the
10 annual revenue requirement for the project in the early years,
11 but will exceed the annual revenue requirement in the later
12 years. There is nothing remarkable or improper about this
13 phenomenon; it is a function of how depreciation expense
14 reduces the net book value of the assets subject to a fixed-
15 rate, long-term customer contract over the useful life of the
16 assets. The kind of single-asset or project-specific
17 ratemaking inherent in witness Kollen's proposal is
18 inconsistent with the way the Commission has treated the
19 contract revenues and revenue requirement of other long-term
20 customer projects (e.g., pipeline extensions).

21
22 Further, the Alliance RNG project reduces the company's
23 overall test year revenue requirement by \$233,414, because
24 the forecasted revenues from the sale of the environmental
25 attributes from the RNG collected and conditioned at the dairy

1 will exceed the annual revenue requirement associated with
2 the Alliance project assets in the test year.

3
4 The impacts of all three RNG projects should be fully
5 reflected in the test year as proposed by the company and for
6 the reasons explained above and in the direct testimony of
7 witness Rutkin and the rebuttal testimony of Peoples witness
8 Buzard.

9
10 8. *Property Tax Expense*

11 **Q.** Do you agree with witness Kollen's proposal to reduce test
12 year property tax expenses by \$2.562 million?

13
14 **A.** No. Although I agree an adjustment is required for the 2024
15 test year property taxes, I do not agree with the amount of
16 witness Kollen's proposed reduction. The company originally
17 estimated the 2024 test year property tax to be \$24.462
18 million. The company subsequently determined in response to
19 OPC's Ninth Set of Interrogatories, No. 241 (see Document No.
20 9 to my Exhibit RBP-2, page 14), that the 2024 property tax
21 should be adjusted downward by \$2.008 million to \$22.454
22 million following the identification of an error in the
23 forecast workpapers used for the company's 2024 budget.
24 Witness Kollen has asserted that the company's budget for
25 2024 property tax expense is inflated because the company

1 included an "experience trend factor" in the modeling used to
2 derive property values subject to tax. Witness Kollen
3 indicated that he believes the experience trend factor is
4 speculative in nature, and therefore should be disregarded
5 from the forecast analysis completely. He concluded that the
6 downward adjustment in property tax should be \$2.562 million
7 when the experience trend factor is completely removed from
8 the calculation of the 2024 test year property tax expense.

9
10 The experience trend factor is the difference between the
11 taxable values that the company has proposed to county tax
12 jurisdictions with the actual final taxable values derived by
13 taxing authorities. As evidenced in the table below, a review
14 of historical outcomes comparing company proposed taxable
15 values and final taxable values derived by taxing authorities
16 demonstrates that the experience trend factor is a necessary
17 and legitimate factor for consideration in forecasting
18 taxable property values. The experience trend factor shows
19 that the taxing authorities consistently derive higher
20 taxable values than those proposed by the company. The
21 experience trend factor is no more or less speculative than
22 other factors, such as estimated millage rates, which are
23 used in the development of the property tax estimate.

	A	B	= (B/A) - 1
Tax Year	Proposed Taxable Tangible Property Value on Company Property Tax Return	Final Taxable Tangible Property Value Determined <u>By</u> Tax Authorities	Experience Trend Factor
2022	\$1,043,416,988	\$1,051,943,510	0.8%
2021	\$801,162,648	\$830,522,961	3.7%
2020	\$732,453,468	\$768,385,967	4.9%
2019	\$663,201,815	\$699,092,779	5.4%
2018	\$603,470,017	\$630,687,162	4.5%
Avg.			3.9%

In determining the corrected 2024 test year property tax expense of \$22.454 million, the company used the 2021 experience trend factor of 3.7 percent. As shown in the table above, the average experience trend factor over the past 5 years has been 3.9 percent. Therefore, the 3.7 percent experience trend factor that was used is reasonable, and the company proposes that the original 2024 test year property tax estimate of \$24.462 be decreased by \$2.008 million rather than the \$2.562 million proposed by witness Kollen.

B. Rate Base - Capital Expenditures and Plant Additions

Q. On page 23 of OPC witness Kollen's testimony includes a summary comparison of the company's 2021 O&M expense projections included in the last rate case filing and its

1 actual 2021 O&M expense. Did witness Kollen provide similar
2 evidence for the company's 2021 projected capital
3 expenditures and capital additions in the last rate case
4 filing and its 2021 respective actual amounts?

5
6 **A.** No, witness Kollen did not provide similar evidence to compare
7 actual 2021 results with the rate case forecasted capital
8 expenditures and capital additions. The 2021 forecasted
9 capital expenditures were \$263.8 million (see MFR G-1, page
10 26 in Docket No. 20200051-GU that is included in Document No.
11 9 to my Exhibit RBP-2, page 17) compared to 2021 actual of
12 \$307.4 million (see response to OPC 1st Set of
13 Interrogatories, No. 82 that is included in Document No. 9 to
14 my Exhibit RBP-2, page 18). The 2021 forecasted capital
15 additions were \$232.5 million (see MFR G-1, page 27 in Docket
16 No. 20200051-GU that is included in Document No. 9 to my
17 Exhibit RBP-2, page 19) compared to 2021 actual of \$296.7
18 million (see 2021 Annual Status Report in witness Dane A.
19 Watson's direct testimony, Exhibit DAW-1, Document No. 2,
20 page 142 of 155). For both capital expenditures and capital
21 additions, the company's 2021 actual amounts exceeded the
22 2021 rate case forecast amounts. Therefore, utilizing witness
23 Kollen's logic on 2021 O&M expenses, the company understated
24 its 2024 capital expenditures and capital additions when
25 preparing rate case capital expenditure and capital additions

1 budgets, not overstated it.

2

3 **Q.** Do you agree with witness Kollen's proposal to reduce the
4 company's forecasted capital expenditures and capital
5 additions by 6.5 percent based on a weighted average
6 calculation of budget variances for the years 2018 through
7 2022?

8

9 **A.** No. I disagree for several reasons.

10

11 First, his analysis uses the company's revised 2022 capital
12 expenditure budget of \$338.0 million rather than the original
13 2022 capital expenditure budget of \$299.1 million prepared
14 before 2022 spending started. When the company realized later
15 in 2022 that it was going to exceed its original 2022 capital
16 budget, for corporate governance reasons, the company
17 requested board approval for a higher 2022 capital
18 expenditure budget amount in late October. Therefore, the
19 \$299.1 million original capital expenditure budget is the
20 appropriate budget to use for witness Kollen's analysis. With
21 this change, the company actually overspent by \$26.2 million
22 or 8.8 percent.

23

24 Second, the company's project management group was just being
25 established in 2018 and 2019 and its processes for managing

1 capital projects and forecasting capital expenditures was not
2 fully in place. Therefore, the period that more appropriately
3 reflects the company's current structure and effectiveness in
4 managing its capital expenditure budget is the most current
5 years of 2020 through 2022.

6
7 After adjusting OPC witness Kollen's analysis to properly
8 reflect the original 2022 capital expenditure budget and
9 adjust for the more representative 2020 to 2022 period, the
10 company historically has overspent by 0.7 percent using the
11 same weighted average calculations performed by witness
12 Kollen (see Exhibit RBP-2, Document No. 5).

13
14 For these reasons, and for the reasons explained in the
15 rebuttal testimony of witness Richard, the Commission should
16 reject witness Kollen's recommendation to reduce rate base
17 \$33.331 million and related revenue requirement by \$2.963
18 million.

19
20 **Q.** If the Commission agrees with the logic underlying witness
21 Kollen's rate base adjustment, should the Commission make an
22 adjustment to his proposed amount?

23
24 **A.** Yes. Witness Kollen's calculation of the amount of the
25 adjustment is incorrect for several reasons.

1 First, in his Excel workpaper file "OPCRESP-POD1b-000001 OPC
2 Revenue Requirement Recommendation for PGS.xlsx", tab "CapEx
3 Act vs Bud", cell E53 (also shown in Document No. 9 to my
4 Exhibit RBP-2, page 20), witness Kollen has improperly
5 calculated the test year reduction in accumulated
6 depreciation. The calculation should reflect the full year
7 2023 depreciation expense impacting the 2024 test year
8 balance of accumulated depreciation. Instead, witness Kollen
9 has improperly reflected half of the 2023 depreciation
10 expense impacting the 2024 test year balance of accumulated
11 depreciation.

12
13 Second, on row 70 of the same reference file and tab, OPC
14 witness Kollen makes the following statement, "No Change in
15 ADIT Projected for this Adjustment as both Book and Tax
16 Depreciation Expense Would Decrease". This statement is
17 flawed as ADIT (Accumulated Deferred Income Tax) would be
18 impacted by his proposed adjustment to reduce plant additions
19 in 2023 and 2024 as the removal of tax depreciation expense
20 for these assets would exceed the corresponding amount of
21 book depreciation removed. Therefore, his proposed adjustment
22 incorrectly ignores the impact it would have on the company's
23 ADIT balance in its capital structure.

24
25 C. NOI and Overall Rate of Return: 2023 Transaction

1 **Q.** Do you agree with witness Kollen's proposal to reduce the
2 company's test year O&M and interest expenses by a total of
3 \$9.7 million to eliminate the recurring incremental costs of
4 the 2023 Transaction?

5
6 **A.** No. Although witness Kollen correctly identified the
7 incremental costs and their amounts when he calculated his
8 proposed adjustments, his adjustments should be rejected for
9 the reasons explained in the rebuttal testimony witnesses
10 Wesley and Kenneth D. McOnie.

11
12 D. NOI, Rate Base, and Capital Structure: Depreciation
13 Issues

14 **Q.** Do you agree with the depreciation-related adjustments
15 proposed by witness Kollen?

16
17 **A.** No. Four of his proposed NOI adjustments, three of his rate
18 base adjustments, and one of his capital structure
19 adjustments reflect OPC's positions on the company's
20 depreciation study, proposed depreciation rates, and test
21 year depreciation expense.

22
23 His first proposed NOI adjustment reduces depreciation
24 expense to reflect his proposed reduction of rate base
25 associated with lower capital expenditures. The Commission

1 should reject his rate base adjustment and the related
2 \$897,000 depreciation adjustment for the reasons I previously
3 explained in my rebuttal testimony.

4
5 His second proposed NOI depreciation adjustment would reduce
6 depreciation expense by \$625,000 to "reflect depreciation
7 study date as of the beginning of the test year." As later
8 discussed in my rebuttal testimony, witness Watson's
9 calculation of depreciation rates using a December 31, 2023
10 study date differs from witness Garrett's. If the Commission
11 decides to use the December 31, 2023 study date, the company
12 believes witness Watson's calculations should be used rather
13 than witness Garrett's.

14
15 His third proposed NOI depreciation adjustment would reduce
16 test year depreciation expense by \$7,257,000 to reflect the
17 depreciation rates with longer lives proposed by witness
18 Garrett. As stated by witness Watson in his rebuttal
19 testimony, witness Garrett's determination of these extended
20 lives is flawed and should be rejected by the Commission.

21
22 Witness Kollen's final proposed NOI depreciation adjustment
23 would reduce test year depreciation expense by \$17,625,000 by
24 amortizing the company's theoretical depreciation reserve
25 surplus as a credit to expense over a ten-year period, rather

1 than over the remaining lives of the assets. As stated later
2 in my testimony, the company believes that any such revenue
3 requirement reduction should not be the result of deviating
4 from normal depreciation study practice but rather should be
5 the result of the Commission's consideration of the use of an
6 amortization method as a matter of policy.

7
8 1. *Study Period*

9 **Q.** In OPC witnesses Kollen's and Garrett's testimony they state
10 that the depreciation study period date used in the company's
11 study should be December 31, 2023 rather than the December
12 31, 2024 study period date used in the filing. What is the
13 company's reasoning for using the December 31, 2024 date?

14
15 **A.** On page 16 of the Stipulation and Settlement Agreement (see
16 Document No. 9 to my Exhibit RBP-2, page 21) approved by the
17 Florida Public Service Commission ("Commission") in Order No.
18 PSC-2020-0485-FOF-GU, issued December 10, 2020, in Docket
19 Nos. 20200051-GU, 20200166-GU, and 20200178-GU ("2020
20 Agreement"), item (d) states "the depreciation study period
21 shall match the test year in the company's MFRs [emphasis
22 added]." Included in the header of the company's MFRs filed
23 for this rate case proceeding (see MFR G-1, page 1 for
24 example) are the following dates:

1 Historic Base Year Data: 12/31/2022

2 Historic Base Year +1: 12/31/2023

3 Projected Test Year: 12/31/2024

4
5 Therefore, to comply with the terms of the 2020 Agreement as
6 written on page 16, item (d), the company believes the
7 depreciation study period should match the Projected Test
8 Year date of 12/31/2024 in the company's MFRs rather than
9 match the Historic Base Year +1 date of 12/31/2023 in the
10 company's MFRs. The company believes it is bound to comply
11 with the terms of the 2020 Agreement regardless of the
12 requirements under Rule 25-7.045 Depreciation(4) (d).

13
14 **Q.** In witness Watson's rebuttal testimony, he states that he has
15 calculated depreciation rates using the December 31, 2023
16 study period scenario that differ from witness Garrett's
17 calculated depreciation rates using the same study date and
18 witness Watson's parameters. What is the dollar amount
19 difference in the 2024 test year depreciation and
20 amortization expense between witness Watson's and witness
21 Garrett's rates?

22
23 **A.** As shown in my Exhibit RBP-2, Document No. 6, using witness
24 Watson's calculated depreciation rates, the 2024 test year
25 depreciation and amortization included in the company's NOI

1 calculation is \$373,090 more than the amount using witness
2 Garrett's depreciation rates. As shown on MFR G-1, page 23,
3 the company's 2024 test year depreciation and amortization
4 expense totaled \$87,776,676. As shown on page 1 of my Exhibit
5 RBP-2, Document No. 6, my calculation of the 2024 depreciation
6 and amortization expense using witness Watson's December 31,
7 2023 study period based rates totaled \$87,524,373, which is
8 a reduction of \$252,303 from the amount in the company's MFRs.
9 As shown on page 2 of my Exhibit RBP-2, Document No. 6, OPC
10 witness Kollen's calculation of the 2024 depreciation and
11 amortization expense using witness Garrett's December 31,
12 2023 study period based rates totaled \$87,151,284, which is
13 a reduction of \$625,392 from the amount in the company's MFRs.
14 The difference between the \$252,303 reduction using witness
15 Watson's rates and witness Kollen's reduction of \$625,392 is
16 \$373,090.

17
18 *2. Theoretical Reserve Surplus*

19 **Q.** Do you agree with OPC witness Kollen's proposal to amortize
20 all the company's theoretical depreciation reserve surplus as
21 a credit to expense over ten years rather than over the lives
22 of the company's depreciable assets?

23
24 **A.** No. As discussed in witness Watson's rebuttal testimony,
25 using a specified amortization period for theoretical

1 depreciation reserve surplus is not normal depreciation study
2 protocol but rather a policy decision. The company believes
3 that any such revenue requirement reduction should not be the
4 result of deviating from normal depreciation study practice
5 but rather should be the result of the Commission's
6 consideration of the use of an amortization method as a matter
7 of policy.

8
9 **Q.** In witness Kollen's testimony he questions whether the
10 company will place the Dade City Connector project in service
11 by the end of 2023 to allow the company to amortize \$8 million
12 of theoretical depreciation reserve surplus under the 2020
13 Agreement. Does the company still believe the Dade City
14 Connector project will be in service by end of 2023 and the
15 company will be amortizing the \$8 million as allowed under
16 the 2020 Agreement?

17
18 **A.** Yes. As stated in the rebuttal testimony of witness Richard,
19 the company is on track to have the Dade City Connector
20 project in service by the end of 2023, allowing the company
21 to amortize the \$8.0 million of theoretical depreciation
22 reserve surplus as reflected in the 2023 budget.

23
24 **E.** Other Capital Structure and Rate of Return

25 **Q.** Do you agree with OPC's four capital structure and rate of

1 return adjustments reflected in witness Kollen's testimony?

2

3 **A.** No. The company disagrees with all four of witness Kollen's
4 capital structure and rate of return adjustments reflected in
5 his testimony.

6

7 His first proposed adjustment of \$8.898 million includes
8 restating the company's long-term and short-term debt rates
9 to remove the effects of the 2023 Transaction on the test
10 year. Although witness Kollen uses calculations provided by
11 the company in response to OPC's First Set of Interrogatories,
12 No. 100 (see Document No. 9 to my Exhibit RBP-2, pages 22-
13 24), the company in principle opposes this adjustment for the
14 reasons explained in the rebuttal testimony Wesley and
15 McOnie.

16

17 His second proposed adjustment of \$11.402 million includes a
18 reduction of the company's equity component and an increase
19 to its long-term debt component. The company disagrees with
20 reducing its equity ratio from investor sources from the
21 existing 54.7 percent ratio for the reasons explained in the
22 rebuttal testimony of witness McOnie, so it also opposes the
23 related rate of return adjustment.

24

25 Witness Kollen's third adjustment of \$27.115 million reflects

1 OPC's proposal to set the company's mid-point return on equity
2 at 9.0 percent. The company opposes OPC's return on equity
3 proposal for the reasons explained in the rebuttal testimony
4 of Dylan W. D'Ascendis, so it also opposes the related rate
5 of return adjustment.

6
7 The company opposes witness Kollen's proposed fourth
8 adjustment of \$0.532 million associated with Accumulated
9 Deferred Income Tax impacts related to depreciation and
10 amortization adjustments, for the same reasons it opposes the
11 underlying adjustments to depreciation expense.

12 13 **II.**

14 **OPC's Other Issues**

15 **A. Seacoast Cost Allocations**

16 **Q.** What is Seacoast Gas Transmission, LLC ("Seacoast") and what
17 is its relationship to Peoples?

18
19 **A.** Seacoast is a limited liability company that designs,
20 constructs, and operates intrastate natural gas transmission
21 pipelines in Florida, and Seacoast received tariff approval
22 from the FPSC in November 2008 as a non-rate regulated
23 transmission company. Seacoast is a sister company to Peoples
24 in that both entities are wholly-owned subsidiaries of TECO
25 Gas Operations, Inc.

1 Q. Does Seacoast have any employees?

2

3 A. No, rather, it receives certain shared services from Peoples
4 and Tampa Electric.

5

6 Q. How are the costs of the business functions performed by
7 Peoples for Seacoast allocated or attributed to Seacoast?

8

9 A. The costs are attributed to SeaCoast in one of three ways.
10 The first is when affiliate team members direct charge their
11 labor to SeaCoast. The second is through a standard labor
12 distribution where Peoples team members allocate a fixed
13 percentage of their time to Seacoast, which are periodically
14 reviewed and adjusted for any changes in an individual's
15 support of Seacoast. The last is through an overhead
16 allocation using a Modified Massachusetts Method ("MMM.")

17

18 Q. What amount of costs to be incurred by Peoples in 2024 are
19 being attributed or allocated to Seacoast during the test
20 year?

21

22 A. In the 2024 test year budget, the labor, benefits, and payroll
23 tax costs projected to be directly charged or allocated to
24 SeaCoast through a standard labor distribution are
25 \$1,114,451. The projected costs to be allocated to SeaCoast

1 through the MMM in 2024 are \$1,595,205.

2
3 **Q.** Please explain the MMM process of allocating corporate
4 overhead costs to affiliates.

5
6 **A.** The MMM allocates costs to affiliates based on the affiliate's
7 respective ratio of (i) net revenue, (ii) payroll and benefits
8 costs, and (iii) gross property, plant and equipment.

9
10 **Q.** Since the MMM allocates corporate overhead costs using a
11 factor based on payroll costs and SeaCoast does not have any
12 employees, does the MMM under-allocate corporate overhead
13 costs from Peoples to SeaCoast?

14
15 **A.** While the historical approach to allocating costs is
16 reasonable and has increased significantly over the last few
17 years as shown in my Exhibit RBP-2, Document No. 7, an
18 argument could be made that the costs are being under-
19 allocated given SeaCoast's recent growth and lack of
20 employees.

21
22 **Q.** Does the company have a proposal on how to modify the MMM to
23 more fairly allocate corporate overhead costs from Peoples to
24 SeaCoast?

25

1 **A.** Given there are no SeaCoast employees, an alternative
2 approach is to include the directly allocated payroll and
3 benefits costs from affiliates for the last historical year
4 in the MMM calculation.

5
6 **Q.** If the Commission agrees with the company's proposal to modify
7 the MMM for corporate overhead cost allocations from Peoples
8 to SeaCoast, what adjustment should be made to the company's
9 proposed test year revenue requirement?

10
11 **A.** By including the \$1,150,287 of direct labor and benefits sent
12 to SeaCoast by Peoples and Tampa Electric in the MMM
13 calculation, the allocation of corporate overhead costs from
14 Peoples to SeaCoast increases \$189,347 as show in Exhibit
15 RBP-2, Document No. 7 which results in a reduction of the
16 base revenue requirement of \$190,837 after grossing up for
17 regulatory assessment fees and bad debt expense.

18
19 **B.** Projected Customer Growth and Usage After Filing

20 **Q.** Has Peoples experienced unexpected customer growth in 2023
21 after it prepared its 2023 and 2024 budgets and filed its
22 petition in this case?

23
24 **A.** Yes. Through June 2023 the company has on average 3,991 more
25 residential customers than budgeted. Commercial customer

1 growth through June 2023 is on track with the 2023 budget.
2 However, the actual June 2023 year-to-date base revenues are
3 \$460,000 and \$1.725 million lower than the 2023 budget for
4 residential and commercial customers, respectively, which in
5 total is nearly \$2.2 million lower than the 2023 budget.
6

7 **Q.** Should the company's proposed 2024 test year revenue
8 requirement be adjusted to reflect this unexpected growth?
9

10 **A.** No. Overall, the company believes the 2024 test year budgeted
11 base revenues are still reasonable considering the year-to-
12 date June 2023 base revenue shortfall versus the 2023 budget.
13 If the Commission were to adjust the test year base revenue
14 projections for the assumption of additional customers in
15 2024 above those projected by the company in its filing, then
16 the Commission should make commensurate adjustments to the
17 2024 test year O&M and capital expense projections reflecting
18 higher customer growth.
19

20 C. Vehicle Additions and Retirements

21 **Q.** Has the company reflected a reasonable number of vehicles in
22 the 2024 test year rate base?
23

24 **A.** Yes. Peoples witness O'Connor demonstrates the company has
25 forecasted a reasonable number of vehicles in rate base for

1 2024. These vehicle additions were budgeted in account 392.01
2 for years 2023 and 2024 and are reflected on MFR G-2, pages
3 23 and 26.

4
5 **Q.** With the addition of vehicles in account 392.01 included in
6 the company's 2023 and 2024 capital budget, should MFR G-2,
7 pages 23 and 26 have also reflected vehicle retirements for
8 that account? And if so, what is the impact of not including
9 vehicle retirements on the company's test year Net Operating
10 Income ("NOI") and rate base?

11
12 **A.** Yes, as stated in witness O'Connor's Late Filed Exhibit 15
13 (see Document No. 9 to my Exhibit RBP-2, pages 25-26), the
14 company identified \$1,706,817 and \$1,571,627 of retirements
15 in account 392.01 that should have been reflected in 2023 and
16 2024, respectively. As a result, 2024 test year vehicle
17 depreciation expense would have decreased by \$243,046 (see
18 calculation in Exhibit RBP-2, Document No. 8). However, as
19 also stated in witness O'Connor's Late Filed Deposition
20 Exhibit 15, there would be no direct impact on NOI as vehicle
21 depreciation expense is charged through a transportation cost
22 allocation to O&M and capital expenditures and is not included
23 in depreciation expense in determining NOI. In the company's
24 budgeting process, the increase in the 2024 vehicle
25 depreciation expense was not factored into the development of

1 the 2024 detailed O&M budget for transportation cost
2 allocation or FERC O&M budget on MFR G-2, pages 12-19.
3 Instead, the 2024 vehicle transportation allocation costs
4 included in O&M expense were trended forward using 2022
5 vehicle transportation costs plus inflation and customer
6 growth in labor in areas that use vehicles, which is primarily
7 Gas Operations, Engineering and Pipeline Safety. Therefore,
8 any changes in vehicle depreciation expense due to the revised
9 amount of retirements would not have an impact on O&M expense
10 (MFR G-2, page 12-19) or depreciation expense (MFR G-2, page
11 1, line 6) in the determination of the 2024 test year NOI.

12
13 Regarding rate base impacts, adding the retirements to 2023
14 and 2024 would equally reduce the plant in service and
15 accumulated depreciation. Therefore, the 2024 test year rate
16 base amount would not be directly impacted by adding the
17 retirements to account 392.01. If anything, rate base would
18 slightly increase for the 13-month average reduction in
19 accumulated depreciation due to lower vehicle depreciation
20 expense (see calculation in Exhibit RBP-2, Document No. 8).
21 The company did budget salvage in account 392.01 of \$84,798
22 and \$121,995 for 2023 and 2024, respectively. Any further
23 increase in salvage for 2023 and 2024 would partially offset
24 the lower accumulated depreciation due to lower depreciation
25 expense discussed above. Also, when determining the 2023 and

1 2024 capital expenditures, the higher vehicle depreciation
2 expense was not factored into those capital budgets and no
3 impact to overall rate base would occur due to lower vehicle
4 depreciation expense.

5
6 In conclusion, although the company agrees that retirement of
7 vehicles in account 392.01 should have been reflected in the
8 2023 and 2024 plant and accumulated depreciation balances,
9 there would be no impact on the company's determination of
10 NOI and a slight increase in rate base which would have a
11 minor increase in the filed 2024 test year revenue
12 requirement. Therefore, correcting the 2023 and 2024 capital
13 budgets for the identified retirements would slightly
14 increase the company's 2024 test year revenue requirements.
15 Due to the minor amount of an increase in revenue
16 requirements, the company proposes to not make any vehicle
17 retirement related adjustments to the company's filed MFRs.

18
19 D. Lobbying, Charitable Contributions, Sponsorships, and
20 Institutional and Image Advertising

21 Q. Has the company reached an agreement with the OPC on an
22 adjustment to move certain costs associated with lobbying,
23 charitable contributions, sponsorships, and institutional and
24 image advertising below the line?

25

1 **A.** Yes. During discovery and in response to questions posed by
2 OPC, the company identified a total of \$242,173 of costs
3 associated with lobbying, charitable contributions,
4 sponsorships, and institutional and image advertising that
5 were inadvertently recorded above the line contrary to
6 Commission policy.

7
8 **Q.** Has OPC subsequently added more items to the list of 2022
9 base rate recoverable O&M reductions in addition to the
10 originally agreed to \$242,173?

11
12 **A.** Yes. OPC has added \$33,236 of additional transactions above
13 the originally agreed to \$242,173, which totals \$275,409.
14 Although the company does not agree all of the \$33,236 should
15 be reductions to 2022 base rate recoverable O&M expense, the
16 company is willing to reflect the additional \$33,236 as a
17 reduction.

18
19 **Q.** In Staff witness Donna D. Brown's direct testimony, Exhibit
20 DDB-1, she has identified audit findings related to these
21 areas and other items reducing 2022 O&M expense recoverable
22 from base rates. What is the amount of year 2022 reductions
23 to base rate recoverable O&M expense and what is the
24 commensurate reduction to apply to the 2024 test year?

25

1 **A.** In Exhibit DDB-1 to Staff witness Brown's direct testimony,
2 she has identified \$185,606 of audit findings reducing the
3 company's 2022 O&M expense recoverable from base rates.
4 Although the company does not agree with all the audit
5 findings, I have reflected all of the \$185,606 in my revised
6 revenue requirement later in my rebuttal testimony. In the
7 company's 2023 and 2024 budgets, it has applied the inflation
8 assumptions as shown in MFR G2, pages 12 - 19. Factoring in
9 the inflation assumptions, the reduction in the 2024 test
10 year base rate recoverable O&M expense resulting from witness
11 Brown's audit findings is \$195,062.

12
13 **Q.** During the audit conducted by Staff witness Brown, did the
14 company also self-disclose any base rate recoverable O&M
15 reductions that were not included in Staff witness Brown's
16 audit findings?

17
18 **A.** Yes. During the audit the company self-disclosed \$64,483 of
19 year 2022 base rate recoverable O&M reductions. Factoring in
20 the inflation assumptions, the reduction in the 2024 test
21 year base rate recoverable O&M expense resulting from these
22 self-disclosed items is \$72,074.

23
24 **Q.** Are there any double-counted items between the OPC agreement
25 adjustments, Staff witness Brown's audit findings and the

1 company's self-disclosed reductions to year 2022 base rate
2 recoverable O&M?

3
4 **A.** Yes, there are several individual transactions that are
5 redundantly included in the OPC agreed upon reductions, audit
6 findings and the self-disclosed reductions during the audit.
7 Within the OPC amount of \$275,409, there are \$114,408 of
8 redundant transactions. Support for all the redundant
9 transactions is included in the Excel workpapers supporting
10 my Exhibit RPB-2, Document No. 1, which are being provided
11 with my rebuttal testimony. The net incremental amount of
12 2022 OPC agreed upon reductions to base rate recoverable O&M
13 expense is \$161,001. Factoring in the inflation assumptions,
14 the reduction in the 2024 test year base rate recoverable O&M
15 expense resulting from the incremental OPC agreed upon items
16 is \$172,200.

17
18 **Q.** Please summarize the overall adjustment to year 2022 base
19 rate recoverable O&M expense, excluding the redundant items,
20 and the commensurate reduction to the 2024 test year O&M
21 expense.

22
23 **A.** The below table summarizes the year 2022 and 2024 test year
24 base rate recoverable O&M expense adjustments after factoring
25 in the company's inflation assumptions.

	2022 Reduction	2024 Reduction
Audit Findings	\$185,606	\$195,062
Self Disclosed	\$64,483	\$72,074
OPC Non-Redundant	<u>\$161,001</u>	<u>\$172,200</u>
Total	\$411,090	\$439,336

E. Mergers and Acquisitions Activity

Q. Are there any expenses associated with merger and acquisition activity reflected in the company's test year O&M expenses?

A. In 2022, the company received no allocated costs from Emera or any affiliate associated with merger and acquisition activity. In addition, during 2022 the company did not incur any costs for outside services related to any merger and acquisition activity. Any time spent by company personnel to evaluate or consider any merger and acquisition activity during 2022 was incidental. Since 2022 actual costs are the basis for the 2024 budget, there are no merger and acquisition activity costs included.

F. Long-Term Debt Rate True-Up Mechanism

Q. Witness Kollen states that he supports the company's proposed Long-Term Debt Rate ("LTDR") True-Up mechanism. Do you believe this mechanism would function as the company proposed with OPC witness Kollen's cost of capital proposal to base

1 the company's revenue requirements on an allocation of Tampa
2 Electric Company's cost of long-term debt?

3
4 **A.** No. The company's proposed LTDR True-Up mechanism would not
5 function as proposed if the Commission based the company's
6 cost of long-term debt on Tampa Electric Company's long-term
7 debt rates. Witness Kollen states the LTDR True-Up mechanism
8 is "essential;" however, he fails to reconcile how the LTDR
9 True-Up mechanism would function under his cost of capital
10 recommendations using Tampa Electric Company's long-term debt
11 rates.

12
13 **III.**

14 **Quantification of Garrett Adjustments**

15 **Q.** Have you reviewed the adjustments proposed by witness Kollen
16 to reflect positions taken by witness Garrett in his
17 testimony?

18
19 **A.** Yes. The company disagrees with witness Garrett's proposed
20 adjustments and positions, but generally agrees with witness
21 Garrett's calculations other than the errors noted above.

22
23 **IV.**

24 **Updated 2024 Increase Request**

25 **Q.** Has the company revised its proposed revenue requirement

1 increase to reflect updated information on certain expenses,
2 corrections of errors, and reflect areas of agreement with
3 OPC?

4
5 **A.** Yes. As shown in my Exhibit RBP-2, Document No. 1, I have
6 calculated revisions to the company's revenue requirement
7 increase with adjustments netting to a reduction of
8 \$2,681,365 that are individually explained below. With the
9 adjustment, the company's filed \$127,624,042 revenue
10 requirement increase, net of \$11,647,804 Cast Iron Bare Steel
11 Rider revenue requirements, is reduced to \$124,942,677. These
12 referenced amounts can be seen on lines 12, 26 and 28 of my
13 adjustment exhibit.

14
15 **Q.** Please explain your depreciation related adjustment for the
16 July 2023 Study corrections?

17
18 **A.** As discussed earlier in my rebuttal testimony, witness Watson
19 has revised the depreciation study for corrections that were
20 required. The net result of those corrections is a reduction
21 of the Depreciation and Amortization shown on MFR G-2, page
22 1, Line 6 from \$87,776,676 to \$87,742,948, or a decrease of
23 \$33,728 that is shown on line 4 of my adjustment exhibit.
24 After the gross up for Commission assessment fees and bad
25 debt expense, the revenue requirement impact is a decrease of

1 \$33,993. In addition, as shown on line 18 of my adjustment
2 exhibit, there is an additional adjustment related to
3 accumulated depreciation impacts on rate base that increases
4 the revenue requirement by \$1,574.

5
6 **Q.** Please explain your depreciation related adjustment for the
7 Alliance RNG Project?

8
9 **A.** In response to Staff's Interrogatories Nos. 5 and 35 (see
10 Document No. 9 to my Exhibit RBP-2, pages 27-30), the company
11 noted that its filing classified the Alliance RNG Project
12 assets in the wrong accounts. In the filing the assets were
13 classified in account 376.00 Mains Steel, but after further
14 consideration, the company believes that accounts 376.02
15 Mains Plastic and 378.00 Measuring & Reg Station Equip are
16 more appropriate. As shown on line 5 of my adjustment exhibit,
17 the impact to depreciation expense is an increase of \$15,798
18 and an increase to revenue requirements of \$15,922 after the
19 appropriate gross up. In addition, as shown on line 19 of my
20 adjustment exhibit, there is an additional adjustment related
21 to accumulated depreciation impacts on rate base that
22 decreases the revenue requirement by \$2,098.

23
24 **Q.** Please explain your depreciation related adjustment for the
25 New River RNG Project?

1 **A.** In response to Staff's Interrogatory No. 57 (see Document No.
2 9 to my Exhibit RBP-2, page 31), the company noted that its
3 filing classified the New River RNG Project assets in the
4 wrong account. In the filing the assets were classified in
5 account 336.00 RNG Plant, but after further consideration the
6 company believes that accounts 376.00 Mains Steel and 378.00
7 Measuring & Reg Station Equip are more appropriate. As shown
8 on line 6 of my adjustment exhibit, the impact to depreciation
9 expense is a decrease of \$51,505 and a decrease to revenue
10 requirements of \$51,911 after the appropriate gross up. In
11 addition, as shown on line 19 of my adjustment exhibit, there
12 is an additional adjustment related to accumulated
13 depreciation impacts on rate base that increases the revenue
14 requirement by \$9,383.

15
16 **Q.** Please explain your depreciation related adjustment for the
17 Brightmark RNG Project?

18
19 **A.** In response to Staff's Interrogatory No. 34 (see Document No.
20 9 to my Exhibit RBP-2, page 32), the company calculated the
21 impact on depreciation expense, depreciation reserve, rate
22 base and revenue deficiency if the Brightmark RNG Project
23 "pipeline extension" was classified in account 336.01 and
24 fully depreciated over 15 years. As stated in response to
25 Staff's Interrogatory No. 3(a) (see Document No. 9 to my

1 Exhibit RBP-2, page 33), Peoples would not be opposed to fully
2 depreciating the "pipeline extension" during the same 15-year
3 term for which the full installation cost of the "pipeline
4 extension" is recovered through the Monthly Services Charge.
5 As shown on line 7 of my adjustment exhibit, the impact to
6 depreciation expense is an increase of \$321,507 and an
7 increase to revenue requirements of \$324,036 after the
8 appropriate gross up. In addition, as shown on line 19 of my
9 adjustment exhibit, there is an additional adjustment related
10 to accumulated depreciation impacts on rate base that
11 decreases the revenue requirement by \$41,430.

12
13 **Q.** Do you have any other depreciation expense related
14 adjustments?

15
16 **A.** Yes. Due to the net reduction in accumulated depreciation of
17 \$367,131 from the above depreciation expense adjustments,
18 there is a small associated adjustment to Accumulated
19 Deferred Income Taxes in the company's capital structure
20 resulting in a small impact to the overall rate of return.
21 The resulting adjustment is an increase to revenue
22 requirements of \$6,780 that is shown on line 24 of my exhibit.

23
24 **Q.** Please explain your Property Tax correction adjustment?
25

1 **A.** As discussed earlier in my rebuttal testimony, the company
2 discovered and acknowledged an error in its calculation of
3 the projected 2024 test year property tax expense. The company
4 has determined that the property tax expense should be reduced
5 by \$2.008 million or from \$24,462,000 included in the filing
6 to \$22,454,000. As shown on line 8 of my adjustment exhibit,
7 after grossing up for Commission assessment fees and bad debt
8 expense, the revenue requirement impact is a decrease of
9 \$2,023,797.

10

11 **Q.** Please explain your adjustment for 2024 Standalone Audit
12 Fees?

13

14 **A.** As discussed in the revised response to OPC's First Set of
15 Interrogatories, No. 100 (see Document No. 9 to my Exhibit
16 RBP-2, pages 22-24), the company originally budgeted \$346,000
17 for 2024 standalone audit fees. Subsequently, the company was
18 able to negotiate those fees down to \$156,000, which is a
19 \$190,000 reduction to O&M expense that is shown on line 9 of
20 my adjustment exhibit. After gross ups, the revenue
21 requirement impact is a decrease of \$191,495.

22

23 **Q.** Please explain your adjustment to correct for the net cost
24 change in Treasury support?

25

1 **A.** During my deposition with OPC, I acknowledged that
2 adjustments to the 2024 budgeted Treasury support costs were
3 required. The company budgeted for an additional Treasury
4 Analyst position with costs for labor, benefits and payroll
5 taxes totaling \$101,798. With that resource addition plus
6 support from the Emera Treasury team (cost allocation of
7 \$50,000) and Trustee costs of \$40,000 that were not budgeted,
8 the company would be able to remove the 2024 budgeted Tampa
9 Electric Treasury team cost allocation of \$150,234. As shown
10 on line 10 of my adjustment exhibit, the net result is a
11 reduction in the company's 2024 test year O&M expense of
12 \$60,234 and a revenue requirement decrease of \$60,708.

13
14 **Q.** Please explain your adjustment reflecting Commission Staff
15 audit findings reducing 2022 base rate recoverable O&M
16 expense?

17
18 **A.** As discussed earlier in my rebuttal testimony, Staff witness
19 Brown's identified \$185,606 of audit findings that reduce the
20 2022 base rate recoverable O&M. After factoring in the
21 company's inflations assumptions, the commensurate 2024 test
22 year reduction is \$195,062. As shown on line 11 of my
23 adjustment exhibit, after grossing up the revenue requirement
24 decrease in 2024 is \$196,597.

25

1 **Q.** Please explain your adjustment to reflect the company's self-
2 disclosed reductions to 2022 base rate recoverable O&M
3 expense?

4
5 **A.** As discussed earlier in my rebuttal testimony, during Staff's
6 audit the company self-disclosed that \$64,483 of transactions
7 should be removed from the 2022 base rate recoverable O&M
8 expense. After factoring in the company's inflation
9 assumptions, the commensurate 2024 test year reduction is
10 \$72,074. As shown on line 12 of my adjustment exhibit, after
11 grossing up the revenue requirement decrease in 2024 is
12 \$72,641.

13
14 **Q.** Please explain your adjustment to reflect OPC and Peoples
15 agreed to reductions to 2022 base rate recoverable O&M?

16
17 **A.** As discussed earlier in my rebuttal testimony, the OPC agreed
18 to reductions to 2022 base rate recoverable O&M is \$242,173
19 plus another \$33,236 that OPC subsequently added, which
20 totals \$275,409. After removing \$114,408 of redundant
21 transactions already included in Staff's audit findings and
22 the company self-disclosed items during Staff's audit, the
23 incremental agreed-to reduction with OPC is \$161,001. After
24 factoring in the company's inflations assumptions, the
25 commensurate 2024 test year reduction is \$172,200. As shown

1 on line 13 of my adjustment exhibit, after grossing up the
2 revenue requirement decrease in 2024 is \$173,555.

3
4 **Q.** Please explain your adjustment to increase the overhead cost
5 allocation from Peoples to SeaCoast?

6
7 **A.** As discussed earlier in my testimony, I acknowledge that due
8 to not having any employees at SeaCoast, the company's MMM
9 calculation of the overhead allocation from Peoples to
10 SeaCoast may understate the costs that should be allocated if
11 it had employees. As shown in Document No. 7 to Exhibit RBP-
12 2, after calculating a revised MMM incorporating all directed
13 charged payroll and benefits costs from Peoples and Tampa
14 Electric, Peoples 2022 overhead cost allocation to SeaCoast
15 would increase by \$180,225. Factoring in the company's
16 inflation assumptions brings the 2024 test year reduction to
17 \$189,347. As shown on line 13 of my adjustment exhibit, after
18 grossing up the revenue requirement decrease in 2024 is
19 \$190,837.

20
21 **V.**

22 **SUMMARY**

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

24
25 **A.** My rebuttal testimony has addressed my disagreement with

1 witnesses Kollen's and Garrett's proposals to adjust the
2 company's 2024 test year revenue requirements, and my
3 suggested changes where I agree in concept but not in the
4 quantification. I have provided information on accounting and
5 ratemaking issues arising from the company's responses to
6 OPC's discovery requests and proposed by OPC at the informal
7 issue identification meeting. Finally, I have presented the
8 company's revised revenue increase request that corrects
9 certain errors and includes updated information on the
10 company's test year revenue requirements, including
11 Commission Staff's audit findings. Taking into consideration
12 these adjustments, I have proposed reducing the company's
13 requested net revenue requirement increase from \$127,624,042
14 to \$124,942,677, which is net of the \$11,647,804 of Cast
15 Iron/Bare Steel Rider revenues the company proposed to move
16 from the rider to base rates.

17
18 **Q.** Does this conclude your rebuttal testimony?

19
20 **A.** Yes, it does.
21
22
23
24
25

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

EXHIBIT

OF

RACHEL B. PARSONS

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PEOPLES GAS SYSTEM, INC.
ADJUSTMENTS TO NET REVENUE REQUIREMENT INCREASE
DOCKET NO. 20230023-GU
2024 TEST YEAR

Line		Adjustment Before Gross Up	Gross-Up Factor	Adjustment After Gross Up
1	Net Revenue Requirement Increase Requested by Company Per Filing (excl. CI/BSR roll-in)			\$ 127,624,042
2				
3	Operating Income Adjustments:			
4	Adjust Depreciation Expense to Reflect July 2023 Study Corrections	(33,728)	1.00787	(33,993)
5	Alliance RNG Project Account and Depreciation Corrections	15,798	1.00787	15,922
6	New River RNG Project Account and Depreciation Corrections	(51,505)	1.00787	(51,911)
7	Brightmark RNG Project Pipeline as 15 Year Life Asset	321,507	1.00787	324,036
8	Property Tax Correction to Experience Trend Factor	(2,008,000)	1.00787	(2,023,797)
9	Updated 2024 Standalone Audit Fees	(190,000)	1.00787	(191,495)
10	Correction for Net Cost Change for Treasury Support	(60,234)	1.00787	(60,708)
11	Staff Audit Finding O&M Reductions to 2022 Inflated to 2024 Budget	(195,062)	1.00787	(196,597)
12	Company Self Disclosed O&M Reductions in Staff Audit to 2022 Inflated to 2024 Budget	(72,074)	1.00787	(72,641)
13	OPC and Peoples Agreed to O&M Reductions (excluding redundant items above)	(172,200)	1.00787	(173,555)
14	Increase in Peoples Overhead Cost Allocation to SeaCoast	(189,347)	1.00787	(190,837)
15				
16				
17	Rate Base Adjustments:			
18	Adjust A/D - To Reflect July 2023 Depreciation Study Corrections			1,574
19	Adjust A/D - To Reflect Alliance RNG Project Depreciation Corrections			(2,098)
20	Adjust A/D - To Reflect New River RNG Project Depreciation Corrections			9,383
21	Adjust A/D - To Reflect Brightmark RNG Project Pipeline as 15 Year Life Asset			(41,430)
22				
23	Capital Structure and Rate of Return Adjustments:			
24	Adjust ADIT Related to Depreciation Adjustments			6,780
25				
26	Total Peoples Adjustments			<u>(2,681,365)</u>
27				
28	Net Revenue Requirement Increase After Peoples' Adjustments			<u><u>\$124,942,677</u></u>

Peoples Gas Sytem, Inc.

Account 921 Analysis

2024 Test Year Increase - Department Average per Headcount Added in 2023 and 2024

Department	Increase in Account 921 ¹	Headcount Added ²	Avg. per Headcount
Gas Operations	\$516,651	67	\$7,665
Engineering & Construction	313,132	41	7,637
Pipeline Safety and Operational Services	27,688	6	4,615
Commercial Development & Fuels	94,472	11	8,588
Strategy Marketing & Communication	57,862	9	6,429
External Affairs	31,457	1	31,457
Finance	56,254	8	7,032
Human Resources	11,127	3	3,709
Regulatory	44,115	5	8,823
Real Estate	0	3	-
Total	\$1,152,759	154	

(1) Per MFR G-2, page 19b, line 11.

(2) Headcount added over 2023 and 2024 as shown by department in response to Staff's Third Set of Interrogatories, No. 70.

**Peoples Gas System
Incremental Storm Costs in 2024 Dollars**

Year Ending	Incremental Storm Costs Nominal Dollars ¹	2024 Dollars Factor ²	Incremental Storm Costs 2024 Dollars
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	103,023	1.28108	131,981
2017	354,520	1.25436	444,695
2018	3,132,023	1.22445	3,835,006
2019	215,320	1.20266	258,956
2020	-	1.18800	-
2021	-	1.13469	-
2022	1,648,493	1.05062	1,731,933
Total	5,453,379		6,402,571
10 Year Avg	\$ 545,338		\$ 640,257
Rounded down in filing:	\$	500,000	

¹ Source: Witness Parsons direct Testimony, Exhibit RBP-1, Document No. 7

² Calculated using actual CPI for All Urban Consumers (CPI-U) and Moody's Inflation Forecast

Original Data Value

Series Id: CUUR0000SA0,CUUS0000SA0

Not Seasonally Adjusted

Series Title: All items in U.S. city average, all urban consumers, not seasonally adjusted

Area: U.S. city average

Item: All items

Base Period: 1982-84=100

Years: 2016 to 2022

Year	Annual
2016	240.007 as reported
2017	245.120 as reported
2018	251.107 as reported
2019	255.657 as reported
2020	258.811 as reported
2021	270.970 as reported
2022	292.655 as reported
2023	300.849 Moody's Inflation Forecast used in filing (2.8%)
2024	307.468 Moody's Inflation Forecast used in filing (2.2%)

Peoples Gas System
 New River Pipeline Project Revenue Requirement Analysis

Recipient of cost/benefit	Category	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project Benefits											
PGS	Project Revenues										
Total											
Project Expenses											
PGS	O&M Expense ²	0	60,527	58,401	56,275	54,149	52,023	49,897	47,771	45,645	43,519
PGS	Property Taxes		265,619	265,619	265,619	265,619	265,619	265,619	265,619	265,619	265,619
PGS	Book Depreciation										
Total											

Category	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Requirement Analysis										
Nominal Revenue Requirement										
Present Value of Revenue Requirement										
Cumulative Present Value of Revenue Requirement										
Nominal Project Revenues					8,094	47,965	90,319	122,250	143,339	(134,921)
Present Value of Revenues	(69,168)	(142,316)	(82,991)	(33,220)	8,094	47,965	90,319	122,250	143,339	(134,921)
Cumulative Present Value of Revenues	(69,168)	(131,908)	(71,296)	(26,452)	5,973	32,810	57,264	71,840	78,072	(68,113)
Nominal Net Revenue Requirement (excess/deficiency)					(292,851)	(260,041)	(202,777)	(130,937)	(52,865)	(120,977)
Present Value of Net Revenue Requirement	(69,168)	(201,076)	(272,372)	(298,824)	(292,851)	(260,041)	(202,777)	(130,937)	(52,865)	(120,977)
Cumulative Present Value of Net Revenue Requirement	(69,168)	(201,076)	(272,372)	(298,824)	(292,851)	(260,041)	(202,777)	(130,937)	(52,865)	(120,977)

Brightmark RNG Project Revenue Requirement Analysis

Recipient of cost/benefit	Category	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project Benefits											
PGS	RNG Plant Project Revenues										
PGS	Pipeline Project Revenues										
Total											
Project Expenses											
PGS	O&M Expense ^{2,1}	0	58,317	56,892	55,467	54,043	52,618	51,194	49,769	48,345	46,920
PGS	Property Taxes ¹		2,569,242	2,569,242	2,569,242	2,569,242	2,569,242	2,569,242	2,569,242	2,569,242	2,569,242
PGS	Book Depreciation										
Total											

Category	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Requirement Analysis										
Nominal Revenue Requirement										
Present Value of Revenue Requirement										
Cumulative Present Value of Revenue Requirement										
Nominal Project Revenues										
Present Value of Revenues	(852,822)	(1,389,322)	(1,000,732)	(665,612)	(365,453)	(66,261)	232,215	487,232	699,498	911,745
Cumulative Present Value of Revenues	(852,822)	(1,287,714)	(859,708)	(529,994)	(269,710)	(45,325)	147,228	286,320	380,995	460,281
Nominal Net Revenue Requirement (excess/deficiency)										
Present Value of Net Revenue Requirement	(852,822)	(2,140,536)	(3,000,244)	(3,530,238)	(3,799,948)	(3,845,274)	(3,698,046)	(3,411,726)	(3,030,731)	(2,570,450)
Cumulative Present Value of Net Revenue Requirement	(852,822)	(2,140,536)	(3,000,244)	(3,530,238)	(3,799,948)	(3,845,274)	(3,698,046)	(3,411,726)	(3,030,731)	(2,570,450)

Notes:
 1. Property taxes and insurance for Brightmark RNG plant are the responsibility of the counterparty
 2. O&M includes insurance costs. 2% annual inflation assumed for 2025 & beyond

WACC 7.89%

Peoples Gas System
 New River Pipeline Project Revenue Requirement Analysis

Project Benefits		2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Recipient of cost/benefit	Category										
PGS	Project Revenues										
Total											
Project Expenses											
Recipient of cost/benefit	Category										
PGS	O&M Expense ²	41,392	39,266	37,140	35,014	32,888	30,762	28,636	26,510	24,384	22,258
PGS	Property Taxes	265,619	265,619	265,619	265,619	265,619	265,619	265,619	265,619	265,619	265,619
PGS	Book Depreciation										
Total											

Revenue Requirement Analysis		2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Category											
	Nominal Revenue Requirement										
	Present Value of Revenue Requirement										
	Cumulative Present Value of Revenue Requirement										
	Nominal Project Revenues										
	Present Value of Revenues										
	Cumulative Present Value of Revenues										
	Nominal Net Revenue Requirement (excess/deficiency)	161,608	210,574	234,313	256,849	277,686	301,465	(22,891)	312,503	368,488	390,954
	Present Value of Net Revenue Requirement	75,618	91,324	94,188	95,696	95,893	96,491	(6,791)	85,928	93,912	92,351
	Cumulative Present Value of Net Revenue Requirement	(45,359)	45,965	140,153	235,849	331,742	428,233	421,441	507,370	601,282	693,632

Brightmark RNG Project Revenue Requirement Analysis

Project Benefits		2033	2034	2035	2036	2037	2038
Recipient of cost/benefit	Category						
PGS	RNG Plant Project Revenues						
PGS	Pipeline Project Revenues						
Total							
Project Expenses							
Recipient of cost/benefit	Category						
PGS	O&M Expense ^{1,1}	45,496	44,071	42,647	41,222	39,798	38,373
PGS	Property Taxes ¹	2,569,242	2,569,242	2,569,242	2,569,242	2,569,242	2,569,588
PGS	Book Depreciation						
Total							

Revenue Requirement Analysis		2033	2034	2035	2036	2037	2038
Category							
	Nominal Revenue Requirement						
	Present Value of Revenue Requirement						
	Cumulative Present Value of Revenue Requirement						
	Nominal Project Revenues						
	Present Value of Revenues						
	Cumulative Present Value of Revenues						
	Nominal Net Revenue Requirement (excess/deficiency)	1,123,978	1,336,191	1,548,389	1,760,567	1,972,729	466,824
	Present Value of Net Revenue Requirement	525,925	579,497	622,413	655,946	681,239	149,417
	Cumulative Present Value of Net Revenue Requirement	(2,044,525)	(1,465,029)	(842,615)	(186,669)	494,569	643,987

NOTES:
 1. Property taxes and insurance for Brightmark RNG plant are the responsibility of the counterparty
 2. O&M includes insurance costs. 2% annual inflation assumed for 2025 & beyond

WACC 7.89%

Peoples Gas System
Capital Expenditure Analysis
\$ Millions

OPC witness Kollen's Analysis - per workpapers

	2018	2019	2020	2021	Revised 2022	5 Yr Weighted Avg
Capital Expenditures - Budget	195.929	240.014	350.065	315.534	337.994	287.907
Capital Expenditures - Actual	172.368	201.862	338.971	307.408	325.246	269.171
Capital Expenditures Under Budget	23.561	38.152	11.094	8.126	12.748	18.736
Actual Expenditures as a Percent of Budget	88.0%	84.1%	96.8%	97.4%	96.2%	93.5%
Actual Less than Budget Percentage	12.0%	15.9%	3.2%	2.6%	3.8%	6.5%

Sources: Response to OPC IRR 1-82 and 1-92; Parsons Exh RBP-1 Doc 6

Peoples Revised Analysis

	2018	2019	2020	2021	Original 2022	5 Yr Avg	3 Yr Avg
Capital Expenditures - Budget	195.929	240.014	350.065	315.534	299.059	280.120	321.553
Capital Expenditures - Actual	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%

Peoples Gas System, Inc.
December 31, 2022 Study Period Scenario
Calculation of Impact on 2024 Depreciation and Amortization Expense Included in NOI (page 1 of 2)
Peoples Calculation Using Company Witness Watson's Depreciation Rates
SCHEDULE G-2

FLORIDA PUBLIC SERVICE COMMISSION
COMPANY: PEOPLES GAS SYSTEM, INC.
DOCKET NO.: 20230023-GU

EXPLANATION: PROVIDE THE CALCULATION FOR DEPRECIATION AND AMORTIZATION EXPENSE FOR THE PROJECTED TEST YEAR.
WITNESS: R. PARSONS

CALCULATION OF THE PROJECTED TEST YEAR - DEPR. & AMORT.
ESTIMATED DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDING 12/31/24

LINE NO.	A/C NO.	DESCRIPTION	Watson Calculated Rates*	EXPENSE FOR THE YEAR ENDING 12/31/24												TOTAL EXPENSE	OFC Dep Rate Adjustments #1	Difference		
				Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024					
1	386	RNG PURIFICATION EQUIP	3.40%	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	547,728	-	
2	387	LAND ACQUISITION	3.00%	19,265	19,265	19,265	19,265	19,265	19,265	19,265	19,265	19,265	19,265	19,265	19,265	19,265	19,265	2,306,575	-	
3	384	LNG LIQUIFIED NATURAL GAS	3.00%	4,332	4,332	4,374	4,385	4,385	4,385	4,385	4,385	4,385	4,385	4,385	4,385	4,385	4,385	52,523	-	
4	374	LAND AND LAND RIGHTS	0.00%	73,236	73,236	73,991	74,376	74,685	76,258	77,930	78,888	79,174	79,450	79,726	79,999	80,271	80,542	918,207	885,414	
5	375	STRUCTURES AND IMPROVEMENTS	2.80%	1,652,894	1,659,081	1,665,268	1,671,455	1,677,642	1,683,829	1,690,016	1,696,203	1,702,390	1,708,577	1,714,764	1,720,951	1,727,138	1,733,325	1,739,512	18,998,681	20,826,751
6	376	MAINS - STEEL	2.40%	1,442,741	1,452,741	1,462,741	1,472,741	1,482,741	1,492,741	1,502,741	1,512,741	1,522,741	1,532,741	1,542,741	1,552,741	1,562,741	1,572,741	1,582,741	18,286,563	-
7	372	COMPRESSOR EQUIPMENT	3.00%	55,378	55,378	55,888	56,398	56,908	57,418	57,928	58,438	58,948	59,458	59,968	60,478	60,988	61,498	62,008	678,531	-
8	378	M & R EQUIPMENT - GENERAL	3.00%	55,378	55,378	55,888	56,398	56,908	57,418	57,928	58,438	58,948	59,458	59,968	60,478	60,988	61,498	62,008	678,531	-
9	379	M & R EQUIPMENT - CITY	2.20%	212,708	212,837	212,966	213,095	213,224	213,353	213,482	213,611	213,740	213,869	214,000	214,130	214,260	214,390	214,520	2,588,142	-
10	379	M & R EQUIPMENT - CITY	2.20%	212,708	212,837	212,966	213,095	213,224	213,353	213,482	213,611	213,740	213,869	214,000	214,130	214,260	214,390	214,520	2,588,142	-
11	380	SERVICE LINES - STEEL	4.30%	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	2,927,670	-	
12	380.02	SERVICE LINES - PLASTIC	3.10%	1,576,041	1,580,823	1,585,605	1,590,387	1,595,169	1,600,000	1,604,831	1,609,662	1,614,493	1,619,324	1,624,155	1,628,986	1,633,817	1,638,648	1,643,479	19,083,259	-
13	381.03	METER INSTALLATIONS	2.00%	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	2,907,415	-	
14	382	METER INSTALLATIONS	2.00%	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	239,278	2,907,415	-	
15	383	REGULATOR INSTALL-HOUSE	2.00%	34,611	34,611	34,611	34,611	34,611	34,611	34,611	34,611	34,611	34,611	34,611	34,611	34,611	34,611	402,390	-	
16	384	REGULATOR INSTALL-HOUSE	2.40%	77,354	77,354	77,354	77,354	77,354	77,354	77,354	77,354	77,354	77,354	77,354	77,354	77,354	77,354	928,252	-	
17	385	M & R EQUIPMENT - INDUSTRIAL	2.20%	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	334,330	-	
18	386	M & R EQUIPMENT - INDUSTRIAL	2.20%	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	27,861	334,330	-	
19	380	STRUCTURES IMPROVEMENTS	3.00%	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	376,855	-	
20	381	OFFICE FURNITURE	5.10%	9,148	9,148	9,148	9,148	9,148	9,148	9,148	9,148	9,148	9,148	9,148	9,148	9,148	9,148	106,300	-	
21	391.01	COMPUTER EQUIPMENT	7.80%	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	431,665	-	
22	391.02	COMPUTER EQUIPMENT	6.30%	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	38,560	431,665	-	
23	381.03	OFFICE FURNITURE	0.00%	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	96,389	-	
24	381.03	OFFICE FURNITURE	0.00%	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	8,031	96,389	-	
25	392.01	AUTO & TRUCK 3/4 - 1 TON	7.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	
26	392.02	AUTO & TRUCK 3/4 - 1 TON	7.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	
27	392.05	TRAILERS, OTHER	2.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	
28	389	STORES OVER 1 TON	5.80%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	
29	389	STORES OVER 1 TON	4.30%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	
30	390.01	TOOLS, SHOP & GARAGE EQUIPMENT	4.80%	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	428,422	-	
31	390.01	TOOLS, SHOP & GARAGE EQUIPMENT	4.80%	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	34,251	428,422	-	
32	387	POWER OPERATED EQUIPMENT	2.80%	8,608	8,608	8,608	8,608	8,608	8,608	8,608	8,608	8,608	8,608	8,608	8,608	8,608	8,608	119,354	-	
33	387	POWER OPERATED EQUIPMENT	7.70%	19,348	19,348	19,348	19,348	19,348	19,348	19,348	19,348	19,348	19,348	19,348	19,348	19,348	19,348	228,828	-	
34	388	COMMUNICATIONS EQUIPMENT	7.70%	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	2,739	35,959	-	
35	388	MISC EQUIPMENT - GAS	4.30%	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	34,286	-	
36		TOTAL DEPRECIATION EXPENSE		6,481,036	6,518,560	6,553,170	6,589,139	6,625,471	6,661,803	6,700,135	6,738,467	6,776,799	6,815,131	6,853,463	6,891,795	6,930,127	6,968,459	80,088,145	(149,588)	
37		AMORTIZATION EXPENSE		612,980	613,210	613,605	614,001	614,396	614,791	615,187	615,582	615,977	616,372	616,767	617,162	617,557	617,952	7,436,228	(223,492)	
38		TOTAL AMORT & DEPR EXPENSE		\$7,094,016	\$7,131,770	\$7,166,775	\$7,206,139	\$7,221,867	\$7,259,917	\$7,299,153	\$7,338,729	\$7,378,628	\$7,418,744	\$7,459,066	\$7,499,594	\$7,540,322	\$7,581,251	\$87,524,373	\$87,151,284	

SUPPORTING SCHEDULES: G-1 p.12, G-2, p. 24

RECAP SCHEDULES: G-2 p.5, G-2, p.25

Depreciation and Amortization Expense As Filed
Depreciation and Amortization Expense As Witnessed
Decrease in 2024 Depreciation and Amortization Expense

Line No.	Description	As Filed	As Witnessed	Decrease
374.02	Land Rights	55,495	55,495	-
380.01	PIPELINE PLANT	6,300,309	6,300,309	-
393.1	CUSTOMIZED SOFTWARE	7,372,232	7,372,232	-
		\$87,776,676	\$87,776,676	-
		(27,633,393)	(27,633,393)	
		\$60,143,283	\$60,143,283	

* Bold indicates proposed accrual rate differs between Watson and Garret.

**PEOPLES GAS SYSTEM, INC.
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PAGE 2 OF 2
FILED: 07/20/2023**

Peoples Gas System, Inc.
December 31, 2023 Study Period Scenario
Calculation of Impact on 2024 Depreciation and Amortization Expense included in NOI (page 2 of 2)
OPC Witness Volterra's Workshop - Using OPC Witness Gamet's Depreciation Rates

CALCULATION OF THE PROJECTED TEST YEAR - DEPR. & AMORT.

EXPLANATION: PROVIDE THE CALCULATION FOR DEPRECIATION AND AMORTIZATION EXPENSE FOR THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN: PROJECTED TEST YEAR - 12/31/24
WITNESS: R. PARSONS

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ESTIMATED DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDING 12/31/24

LINE NO.	A/C NO.	DESCRIPTION	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	TOTAL EXPENSE
1	565	RNS PUMP/STATION EQUIP	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$45,644	\$57,726
2	336.01	RNS PUMP/STATION EQUIP	19,150	19,150	19,150	19,150	19,150	19,150	19,150	19,150	19,150	19,150	19,150	19,150	2,307,726
3	384	RNS LIQUID NATURAL GAS	4,332	4,332	4,332	4,332	4,332	4,332	4,332	4,332	4,332	4,332	4,332	4,332	52,523
4	374	LAND AND LAND IMPROVEMENTS	70,620	70,620	71,348	71,720	72,027	73,535	75,146	75,412	75,689	76,081	76,346	76,612	885,414
5	376	MAINS - STEEL	1,721,442	1,726,600	1,728,210	1,731,005	1,733,153	1,735,482	1,737,973	1,740,616	1,743,411	1,746,357	1,749,354	1,752,402	20,856,751
6	377	COMPRESSOR EQUIPMENT	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	1,447,968	16,975,619
8	377	COMPRESSOR EQUIPMENT - GENERAL	55,378	55,633	55,889	56,144	56,400	56,655	56,910	57,165	57,420	57,675	57,930	58,185	678,531
9	377	M & R EQUIPMENT - CITY	212,708	212,837	212,966	213,095	213,224	213,353	213,482	213,611	213,740	213,869	214,000	214,129	2,589,142
10	379	M & R EQUIPMENT - INDUSTRIAL	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	243,972	2,927,670
11	380	SERVICE LINES - STEEL	1,525,201	1,537,164	1,549,128	1,561,091	1,573,054	1,585,018	1,597,000	1,609,000	1,621,000	1,633,000	1,645,000	1,657,000	19,083,259
12	380.02	SERVICE LINES - PLASTIC	222,459	222,745	223,031	223,317	223,603	223,889	224,175	224,461	224,747	225,033	225,319	225,605	2,765,591
14	382	METER INSTALLATIONS	32,881	32,999	33,118	33,237	33,355	33,474	33,591	33,710	33,828	33,947	34,066	34,184	402,390
15	383	REGULATOR INSTALL HOUSE	74,131	74,131	74,131	74,131	74,131	74,131	74,131	74,131	74,131	74,131	74,131	74,131	889,575
16	384	M & R EQUIPMENT - INDUSTRIAL	26,594	26,594	26,594	26,594	26,594	26,594	26,594	26,594	26,594	26,594	26,594	26,594	319,133
17	385	M & R EQUIPMENT - INDUSTRIAL	31,130	31,130	31,130	31,130	31,130	31,130	31,130	31,130	31,130	31,130	31,130	31,130	372,276
18	386	STRUCTURES & IMPROVEMENTS	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	106,330
19	387	OFFICE FURNITURE	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,300
20	391	OFFICE FURNITURE	34,756	34,756	34,821	35,076	35,327	35,583	35,837	36,091	36,345	36,599	36,853	37,107	431,065
21	391.01	OFFICE EQUIPMENT/MACHINES	7,011	7,011	7,011	7,011	7,011	7,011	7,011	7,011	7,011	7,011	7,011	7,011	84,132
22	391.03	OFFICE FURNITURE	-	-	-	-	-	-	-	-	-	-	-	-	0
23	391.04	OFFICE EQUIPMENT/MACHINES	-	-	-	-	-	-	-	-	-	-	-	-	0
24	392.01	AUTO & TRUCK 3/4 - 1 TON	-	-	-	-	-	-	-	-	-	-	-	-	0
25	392.02	AUTO & TRUCK 3/4 - 1 TON	-	-	-	-	-	-	-	-	-	-	-	-	0
26	392.04	TRAILERS, OTHER	-	-	-	-	-	-	-	-	-	-	-	-	0
27	392.05	TRUCKS OVER 1 TON	-	-	-	-	-	-	-	-	-	-	-	-	0
28	393	STORES EQUIPMENT	5	5	5	5	5	5	5	5	5	5	5	5	55
29	393.01	CAST IRON/CAST STEEL EQUIPMENT	93,324	93,324	93,324	93,324	93,324	93,324	93,324	93,324	93,324	93,324	93,324	93,324	1,120,688
30	394.01	CAST IRON/CAST STEEL EQUIPMENT	17,830	17,830	17,830	17,830	17,830	17,830	17,830	17,830	17,830	17,830	17,830	17,830	213,989
31	398	POWER OPERATED EQUIPMENT	8,311	8,391	8,471	8,551	8,631	8,711	8,791	8,871	8,951	9,031	9,111	9,191	115,238
32	397	COMMUNICATIONS EQUIPMENT	2,010	2,010	2,010	2,010	2,010	2,010	2,010	2,010	2,010	2,010	2,010	2,010	24,322
33	398	MISC EQUIPMENT - GAS	2,660	2,611	2,562	2,513	2,464	2,415	2,366	2,317	2,268	2,219	2,170	2,121	25,927
34		TOTAL DEPRECIATION EXPENSE	6,459,537	6,496,743	6,530,863	6,569,398	6,601,609	6,638,707	6,676,888	6,710,569	6,750,972	6,799,595	6,834,187	6,869,489	79,939,548
35		AMORTIZATION EXPENSE	584,558	584,782	585,655	586,549	587,541	588,635	589,730	590,824	591,918	593,012	594,106	595,200	7,212,736
36		TOTAL AMORT & DEPR EXPENSE	\$7,054,096	\$7,081,525	\$7,126,518	\$7,164,346	\$7,197,541	\$7,235,022	\$7,275,586	\$7,307,651	\$7,350,211	\$7,410,371	\$7,446,526	\$7,485,761	\$97,151,284

SUPPORTING SCHEDULES: G-1 p.12, G-2 p. 24

RECAP SCHEDULES: G-2 p.5, G-2 p.25

Adjustment #1: Reduce Depreciation Expense to Reflect Depr. Study Date as of Beginning of Test Year

Depreciation and Amortization Expense As Fied \$97,776,676

OPC Recommended Adjustment (625,392)

With Gross Up for Bad Debt and PSC Assessment (\$630,312)

Change in AD - Increase to Rate Base \$312,696

Grossed Up Rate of Return - Without 2023 Transaction 8.83%

Increase in Return on Rate Base

Total OPC Recommended Revenue Requirement Adjustment (\$662,612)

Change in ADT (Tax Rate = 25.345%) - Increase to ADT Liability Balance \$168,606

LINE NO.	A/C NO.	DESCRIPTION	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	TOTAL EXPENSE
374.02		Land Rights	4,625	4,625	4,625	4,625	4,625	4,625	4,625	4,625	4,625	4,625	4,625	55,695	
380.02		MISC INTANGIBLE PLANT	458	458	458	458	458	458	458	458	458	458	458	5,501	
393.1		CUSTOMIZED SOFTWARE	589,475	589,899	590,082	590,466	590,849	591,232	591,616	591,999	602,156	605,703	607,250	7,151,740	
			594,556	594,762	595,165	595,549	595,932	596,315	596,699	597,082	607,239	610,786	612,539	7,212,736	

Peoples Gas System, Inc.
A&G Allocation from Peoples to SeaCoast
2019 Actual to 2024 Test Year Comparison

PEOPLES GAS SYSTEM, INC.
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Year	Directly charged or allocated labor, benefits and payroll costs	MMM Allocation	Total
2019 Actual	\$380,326	\$125,000	\$505,326
2020 Actual	\$479,089	\$316,000	\$795,089
2021 Actual	\$625,429	\$885,000	\$1,510,429
2022 Actual	\$1,010,840	\$1,518,352	\$2,529,192
2023 Budget	\$1,061,382	\$1,560,866	\$2,622,248
2024 Budget	\$1,114,451	\$1,595,205	\$2,709,656
Compound Annual Growth Rate 2019-2024			40%

**Peoples Gas System, Inc.
A&G Allocation from Peoples to SeaCoast
Proposed Revision to include all labor charged to SeaCoast (including TEC's labor)**

PGS and SeaCoast Only 000's	PGS \$	%	SGT \$	%	TOTAL \$	%
Net Revenue	351,256	92.6%	27,871	7.4%	379,127	100.0%
Payroll and Benefits	66,328	98.3%	1,150	1.7%	67,478	100.0%
PP&E (gross)	2,622,574	93.1%	194,844	6.9%	2,817,418	100.0%
Average		94.7%		<u>5.324% A</u>		100.0%
Average without SeaCoast payroll & benefits		95.2%		<u>4.756% B</u>		

PGS, SeaCoast and TPI 000's	PGS \$	%	SGT \$	%	TPI \$	TOTAL \$	%
Net Revenue	351,256	89.2%	27,871	7.1%	14,476	393,603	100%
Payroll and Benefits	66,328	89.3%	1,150	1.5%	6,804	74,282	100%
PP&E (gross)	2,622,574	92.9%	194,844	6.9%	4,102	2,821,520	100%
Average		90.5%		<u>5.178% B</u>			100%
Average without SeaCoast payroll & benefits		91.0%		<u>4.662% B</u>			4.4%

PGS to SeaCoast Allocation 000's	PGS \$	SGT Allocable \$	MMMM%	SGT Portion \$
Finance and Gas Accounting	3,597.7	3,597.7	5.324% A	191,538
Information Technology	13,221.6	13,221.6	5.324% A	703,906
Safety	2,689.9	2,689.9	5.178% B	139,293
Executive	3,552.8	3,552.8	5.324% A	189,148
Integrity Management	1,964.5	1,964.5	5.324% A	104,588
Other Areas*	6,951.7	6,951.7	5.324% A	370,102
Allocable \$	\$ 31,978.2	\$ 31,978.2		1,698,577
Allocable \$ without payroll				1,518,352
				180,225
				2.8%
				2.2%
				189,347
				x Gross-up Factor
				1,00787
				\$ 190,837

See page 1 of this exhibit

Increase in Peoples allocations to SeaCoast - 2022
2023 Inflation Assumption
2024 Inflation Assumption
2024 Test Year Amount

Peoples Gas System, Inc.
 Witness O'Connor Late Filed Exhibit 15
 Added Retirement or Vehicles Impact on 2024 Test Year Rate Base and Vehicle Depreciation
 ##### AUTO & TRUCK LESS THAN 1/2 TON

Line No.	MFR Reference	Depr Rates	DEC 2023	JAN 2024	FEB 2024	MAR 2024	APR 2024	MAY 2024	JUN 2024	JUL 2024	AUG 2024	SEP 2024	OCT 2024	NOV 2024	DEC 2024	13 MONTH AVERAGE	2024 TOTAL
1	Plant Balance in Filing		15,381,575	15,749,389	16,097,638	16,489,974	16,892,728	17,678,108	20,154,657	21,126,253	21,595,258	22,083,746	22,663,330	23,107,939	23,701,575	19,440,167	1,927,590
2	Recalculated Depreciation Expense	10.1%		129,462	132,557	135,488	138,791	142,180	148,791	169,635	177,813	181,760	185,872	190,750	194,492	6,976,737	
3	Depreciation Reserve in Filing		6,058,634	6,188,096	6,320,653	6,456,142	6,594,932	6,749,792	6,906,120	7,086,237	7,276,050	7,457,810	7,646,071	7,836,821	8,108,219		
4	Adjusted Retirements		1,706,817	69,479	65,783	74,111	76,079	148,356	467,814	183,532	88,594	92,274	109,482	83,986	112,136		1,571,627
5	Cumulative Adjusted Retirements		1,706,817	1,776,296	1,842,079	1,916,191	1,992,270	2,140,626	2,608,440	2,791,972	2,880,566	2,972,840	3,082,322	3,166,308	3,278,444	2,473,475	
6	Adjusted Plant Balance (due to retirements)		13,674,758	13,973,093	14,255,559	14,573,783	14,900,458	15,537,482	17,546,217	18,334,281	18,714,692	19,110,906	19,581,008	19,941,632	20,423,131	16,966,692	
7	Adjusted Depreciation Reserve Balance (due to retirements)		4,351,817	4,411,800	4,478,574	4,539,951	4,602,663	4,609,166	4,297,680	4,306,265	4,395,484	4,484,970	4,563,750	4,670,514	4,829,775	4,503,262	
8	Adjusted Depreciation Expense	10.1%		115,096	117,607	119,884	122,663	125,412	130,774	147,681	154,314	157,515	160,850	164,807	167,842	1,684,544	
9	Reduction in Depreciation Expense		14,366	14,366	14,950	15,504	16,128	16,768	18,017	21,954	23,499	24,245	25,021	25,943	26,650	243,046	
10	Cumulative Reduction in Depreciation Expense		14,366	29,316	29,316	44,820	60,948	77,717	95,734	117,688	141,187	165,432	190,453	216,396	243,046	116,425	
11																	
12																	
13																	
14																	
15																	

Plant Balance Decrease (due to retirements) 2,473,475
 Depreciation Reserve Decrease (due to retirements) 2,473,475
 Net Change in Rate Base (due to retirements) -

Reduction in Depreciation Reserve (due to lower Vehicle Depreciation Expense)*
 Reduction in Vehicle Depreciation Expense

243,046
 116,425

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PEOPLES GAS SYSTEM, INC.
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OPC'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 13
BATES PAGE(S): 26 - 27
FILED: MAY 11, 2023

13. **Labor Test Year.** Please provide an explanation detailing the need for the additional new employee positions described by Company witness Ms. Parson in her Direct Testimony at page 50. Include any analysis supporting the identification and determination that the appropriate number of increased new positions is 154 in 2023 and 2024 as described by Company witness Ms. Parson in her Direct Testimony at page 50.
- A. Please see electronic response documents posted to Peoples' External SharePoint Site.

[Consumer Parties Access - Peoples 2024 Rate Proceeding - Non-Confidential Rate Case Discovery - All Documents \(sharepoint.com\)](#)

**PEOPLES GAS SYSTEM
 AUTHORIZED REPLACEMENT AND NEW POSITIONS INCLUDED IN COMPANY'S LABOR BUDGET
 OPC INTERROGATORY NO 13**

Authorized Positions	2024		Witness	New Position	TEC Transfer	Unfilled Explanation
	Headcount	Headcount				
North Distribution Design - Gas Design Tech	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
South Distribution Design - Gas Design Technician	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Central Distribution Design - Gas Design Tech	3		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Central Distribution Design - Admin Specialist	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Central Distribution Design - Contract Inspector	3		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Central Distribution Design - Construction Project Manager	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Central Distribution Design - Gas Design Project Manager	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Central Distribution Design - Construction Coordinator	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Corp Engineering - Engineering Manager	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
GIS - GIS/GPS Technician	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Tampa - Apprentice	3		O'Connor	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system. Higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Tampa - Utility Tech	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Tampa - Utility Coordinator	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Tampa - Apprentice	2		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
St Pete - Utility Tech	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
St Pete - Pipeline Locator	2		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
St Pete - Utility Coordinator	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Olando - Utility Tech	2		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Ocala - Apprentice	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Ocala - Utility Tech	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Elberta - Apprentice	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Daytona - Apprentice	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Sarasota - Utility Tech	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Sarasota - Admin/Stockkeeper	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
Sarasota - Utility Tech	7		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.
SW FL - Utility Tech	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to respond to customer growth. Primary tasks will be locates, turn ons/offs, leak survey, inspections, emergency response and other service items.

PEOPLES GAS SYSTEM
AUTHORIZED REPLACEMENT AND NEW POSITIONS INCLUDED IN COMPANY'S LABOR BUDGET
OPC INTERROGATORY NO 13

Date	Authorized Positions		Witness	New Position	TEC Transfer	Unfilled Explanation
	2023 Headcount	2024 Headcount				
	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Daytona - Apprentice		2	O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Sarasota - Supervisor	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
SW FL - Supervisor	1		O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Vacancy/Allowance	-2	-2	O'Connor	N	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Gas Control - Analyst	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
M&R - Instrumentation / Gas Tech	1		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
M&R - Gas Ops Tech	2		Richard	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Quality Assurance - Admtr. - Pipeline Safety Mgt System	1		O'Connor	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Ops Processes - Support Specialist	1		O'Connor	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Ops Processes - Support Specialist	1		O'Connor	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Ops Processes - Manager	1		O'Connor	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
OpS - BI Insights Analyst	1		Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
CDF - Portfolio Analyst	1		Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
CDF - Manager BP & Analysis	1		Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
CDF - Coordinator	1		Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
CDF - Manager Natural Gas Trading & Portfolio	1		Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
CDF - Manager CNG	1		Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Regulatory Affairs - Manager	1		Bluestone	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Regulatory Affairs - Manager Strategic Policy and Advocacy	1		Bluestone	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Finance - Sr Analyst	1		Parsons	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Finance - Sr. Portfolio Analyst	1		Parsons	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
Finance - Director of Financial Planning	1		Parsons	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
CDF - Sr. Manager - Business Development	1	1	Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
CDF - Compressed Natural Gas Coordinator	1	1	Rutkin	N	N	Overall employee turnover - positions unfilled in 2022 budgeted to be refilled in 2023 to keep up with the growing system.
North Distribution Design - Construction Inspector	1		Richard	Y	N	Displacement of higher cost contracted support, customer benefit to assure assets installed safely and according to plans/standards.
South Distribution Design - Gas Design Supervisor	1		Richard	Y	N	Works with GDT's and GDPMTs to assure consistent design standards and packages for construction. Assists with DOT/Municipal relocation work, project management and
South Distribution Design - Adm	2		Richard	Y	N	Displacement of higher cost contracted resources in support of administrative and back office functions (i.e. billing processing, work scheduling, etc.) for the Sarasota and Fort Myers DD&C operations to assure timely service to new customers.
South Distribution Design - Construction Coordinator	1		Richard	Y	N	Construction coordinator in SW Florida is a critical position in coordinating with individual customers, builders and developers to process SLR's (service line requests), prioritize construction schedules and monitor construction to assure timely delivery of service. The SW Florida area is an in-growth area and construction is being expedited.
Corp Engineering - Engineer II	1		Richard	Y	N	Needed to provide support for Operations and to provide additional system planning resources. This will help improve long-term capital plans to the benefit of customers.
Adm & Special Projects - Business Analyst II	1		Richard	Y	N	Works with the Manager Budgeting and IRP to identify and plan for long-term capital requirements including business case development and optimization of capital in alignment with budgeting requirements. This person's focus will be mostly on the IRP. This will lead to more accurate planning and budgeting and will ensure capital investments are efficient and drive customer value.
Adm & Special Projects - Director of Capital & Work Management	1		Richard	Y	N	Responsible for capital management including strategic portfolio investment strategy and management, capital alignment to strategy, capital planning and governance, work planning and scheduling and resource alignment. The position will ensure efficient use of capital to ensure we maximize capital investments and value for customers.
Eng & Design - System Modeler Strategic System Planning	1	1	Richard	Y	N	To enhance our strategic system planning function within the modeling team. This position will work to better understand system vulnerabilities, reliability concerns and work to establish a reliability plan to fit into the IRP.

PEOPLES GAS SYSTEM
AUTHORIZED REPLACEMENT AND NEW POSITIONS INCLUDED IN COMPANY'S LABOR BUDGET
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Authorized Positions	2023 Headcount	2024 Headcount	Witness	New Position	TEC Transfer	Unfilled Explanation
Capital & Work Mgt - Manager Budgeting and IRP		1	Richard	Y	N	Works with the business to identify and plan for long-term capital requirements including business case development and optimization of capital in alignment with budgeting requirements. This will lead to more accurate planning and budgeting and will ensure capital investments are efficient and drive customer value.
Capital & Work Mgt - Planning Coordinator		1	Richard	Y	N	Works under the direction of the Manager Budgeting and IRP to accomplish the goals listed in the Capital & Work Mgt - Manager Budgeting and IRP.
Capital & Work Mgt - Manager, Scheduling, Planning and Reporting		1	Richard	Y	N	Administer BD, TPI and Ops meetings to get a view of work ahead and progress. Lead on key projects, manages project schedules to ensure proper coordination for resources (from various groups). Responsible for work planning and scheduling including 2-wk look ahead schedule for work (T & D) that includes resources needed to do the planned work. Also responsible for project progress reporting including blanket work reporting. This disciplined approach will ensure efficient capital investments to drive customer value.
Capital & Work Mgt - Analyst Reporting and Analytics		2	Richard	Y	N	Positions work with the Manager Planning, Scheduling and reporting to accomplish the objectives listed above.
Orlando - Corrosion Coordinator	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Sarasota - Apprentice	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Tampa - Pipeline Locator	2		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
St Pete - Apprentice	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
St Pete - Pipeline Locator	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Orlando - Apprentice	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Lakeland - Apprentice	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Jacksonville - Leak survey tech	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Jacksonville - Apprentice	3		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Jacksonville - Pipeline Locator	3		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Ocala - Apprentice	4		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Dade Broward - Apprentice	2		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Sarasota - Pipeline Locator	2		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Sarasota - Apprentice	2		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Sarasota - Leak survey tech	1		O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS' distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.

PEOPLES GAS SYSTEM
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Authorized Positions	2023 Headcount	2024 Headcount	Witness Position	New Position	TEC Transfer	Unfilled Explanation
SWFL - Utility Tech		2	O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
Jupiter - Apprentice		1	O'Connor	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
M&R - Operation Technology Analyst	1		Richard	Y	N	Needed to support new TSA requirements and ensure the PGS system is secured from cyber and physical attacks. Preventing security breaches benefits customers.
M&R - Tech Compressor SR	1		Richard	Y	N	Needed to support new TSA requirements and ensure the PGS system is secured from cyber and physical attacks. Preventing security breaches benefits customers.
Jupiter - Supervisor	1		Richard	Y	N	Due to customer growth, higher work activity to serve existing and new customers and to PGS distribution expansion, filling vacant Apprentice up to Utility Technician positions is needed. Primary tasks will be locates, turn ons/off, leak survey, inspections, emergency response and other service items.
ENG Tech Training - Tech Trainer	1		O'Connor	Y	N	Support increased training for our growing teams.
ENG Tech Training - Admin	1		O'Connor	Y	N	Supports the administrative needs of the technical training team. This needs to be replaced to ensure the training program effectiveness.
Gas Control - Technology Analyst	1		Richard	Y	N	Needed to develop screens, change/update SCADA interfaces, and provide for timely MOC and SCADA monitoring for new projects. Currently being done by the Manager of GC and SWFL team.
Gas Control - Controller	1		Richard	Y	N	The supervisor role provides team oversight, training and direction. No supervisor position filled. Due to customer growth, this position needs to adequately support the team.
Quality Assurance - CAPA Program Specialist	1		O'Connor	Y	N	Support increased training for our growing teams.
Ops Processes - Dispatcher	3		O'Connor	Y	N	Supports the administrative needs of the technical training team. This needs to be replaced to ensure the training program effectiveness.
Supply Chain Mgt - Analyst	1		Richard	Y	Y	Created dedicated PGS Supply Chain, will provide savings to offset cost as well as provide dedicated contracting support hence more reliable on time service.
Supply Chain Mgt - Sr Contract Specialist	1		Richard	Y	Y	Created dedicated PGS Supply Chain, will provide savings to offset cost as well as assist in managing suppliers and materials hence more reliable on time service.
Supply Chain Mgt - Sr Category Manager - Materials	1		Richard	Y	Y	Created dedicated PGS Supply Chain, will provide savings to offset cost as well as assist in managing suppliers and materials.
Supply Chain Mgt - Sr Buyer	1		Richard	Y	Y	Created dedicated PGS Supply Chain, will provide savings to offset cost as well as assist in managing suppliers and materials.
Supply Chain Mgt - Sr Project Procurement Specialist	1		Richard	Y	Y	Created dedicated PGS Supply Chain, will provide savings to offset cost as well as assist in managing suppliers and materials.
Marketing - Service Coord	1		Bluestone	Y	Y	Additional marketing resource to assist with marketing workload.
Marketing - Manager Strategic Communications and Media Relations	1		Bluestone	Y	Y	Additional marketing resource to assist with marketing workload.
External Affairs - Analyst	1		O'Connor	Y	N	Due to overall PGS growth across FL in multiple communities, the EA function requires administrative support to manage records, schedules, meetings and events and communications.
Finance - Co-Op	1		Parsons	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
Finance - Mgr Comm Inv	1		Parsons	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
Finance - Treasury Analyst	1		Parsons	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
HR - Analyst Lead	1		Bluestone	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
HR - Business Partner	1		Bluestone	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
HR - Talent Acquisition Specialist	1		Bluestone	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
CDF - Business Development Manager	1		Rutkin	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
CDF - Origination - Analyst	1		Rutkin	Y	N	Administrative support to manage records, schedules, meetings and events and communications.
CDF - Project Developer/ Coordinator	1		Rutkin	Y	N	Administrative support to manage records, schedules, meetings and events and communications.

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Authorized Positions	2023 Headcount	2024 Headcount	Witness Position	New Position	TEC Transfer	Unfilled Explanation
Marketing - Manager	1	1	Bluestone	Y	N	Managing the marketing group and fine new strategic work identified in our Straed plans.
Marketing - Coordinator	1	1	Bluestone	Y	N	Addition to the Marketing Team to assist with carrying out our 2022 Strategic Marketing efforts.
Process Improvement - Lead Business Innovation Coordinator	1	1	Bluestone	Y	N	The process improvement team was formed within the last 2 years and we are continuing to improve our processes. The team has been successful in identifying and implementing process improvements around documenting, analyzing and finding efficiencies in key processes in PG&S. We have many new systems that this team will assist with post go-live and other systems that require further process analysis to find the optimal efficiencies for our company and customers.
Analytics - Business Analytics & Insights Analyst	1	1	Bluestone	Y	N	The data analytics team is a fairly new centralized function within PG&S and similar to the Process Improvement team - we are continuing to build out this team. This team is responsible for providing data analytics assistance across the company.
Analytics - Co-op	1	1	Bluestone	Y	N	The data analytics team is a fairly new centralized function within PG&S and similar to the Process Improvement team - we are continuing to build out this team. This team is responsible for providing data analytics assistance across the company.
Strategy - Coordinator	1	1	Bluestone	Y	N	PG&S identified the need for dedicated strategy professionals embedded in the company and currently have a director. Strategy. These assistants will also build out the team. This team is responsible for understanding the risks and opportunities in the markets that we serve, new and emerging business trends and how we can leverage the strategic direction for the company to drive growth and identify with the strategic direction with all consultants like our board of directors, affiliate companies and industry associations.
Strategy - Co-op	1	1	Bluestone	Y	N	PG&S identified the need for dedicated strategy professionals embedded in the company and currently have a director. Strategy. These assistants will also build out the team. This team is responsible for understanding the risks and opportunities in the markets that we serve, new and emerging business trends and how we can leverage the strategic direction for the company to drive growth and identify with the strategic direction with all consultants like our board of directors, affiliate companies and industry associations.
Regulatory - Admn. (50% to Pipeline Safety)	1	1	Bluestone	Y	N	Admin for Damage Prevention & Public Awareness Administrative Processes (i.e. High Profile Letters, Gladly Kravitz Letters, Reports), Emergency Management Administrative Processes (i.e. updating command chairs, MFR 3, Email Lists, etc.), Corry & Safety Administrative Processes (i.e. Regulatory Research, Data Analysis and Modeling for rate design, special contracts, weather and sales forecasting and other regulatory filing needs. Customers will benefit by People's enhanced capabilities to understand customer usage and develop tariffs and programs that benefit customers.
Regulatory - Sr. Analyst	2	2	Bluestone	Y	N	Have one co-op for each finance pillar to provide support and finance pipeline. Supporting performance management and providing support to Sr. Analyst for project management and reporting. Due to the increase in business development, the demand for gas assessments and land rights are increasing in lockstep. We need additional support to ensure timeliness and efficiency for both internal gas design as well as for our customers.
Finance - Co-Op	1	1	Parsons	Y	N	Due to the increase in business development and the heightening demand for gas, another Real Estate Manager is needed to provide Real Estate support for large gas pipeline projects, securing property rights, easements, temporary workspace, land purchases, imminent pipeline system, this position is required to provide specific accountability to damage prevention activities in this service area.
Finance - Analyst	1	1	Parsons	Y	N	SME for the Real Estate Manager position.
Real Estate - Technician	2	2	Bluestone	Y	N	Due to customer growth in Sarasota and the high volume of locate tickets and damages to the pipeline system, this position is required to provide specific accountability to damage prevention activities in this service area.
Real Estate - Manager	1	1	Bluestone	Y	N	SME on PHMSA Compliance - proactive looking at new regulation; PHMSA Compliance Requirements, Support Audit Board & Manage Corrective Actions Created; Managers Audits and Compliance Violations. Create proactive pipeline safety compliance improvements, utilize data and technology to enhance processes and further mature the PSMS.
Sarasota - Field Damage Prevention Leader	1	1	O'Connor	Y	N	Prepare all Service Territories are prepared and practice emergency management even as the business grows and becomes more complex; Scenario/Drills with Lessons Learned; Support PG&S. Ensures logistical support is ready when needed; Work with Business units to develop BOP. The work scope will reduce negative consequences associated with Emergencies.
Compliance - Analyst/Engineer	1	1	O'Connor	Y	N	Works with TECO Security to advance security including TSA requirements, standardization of security at operations sites, budgeting, and coordinating to maximize efficiency & synergies across organizations while still supporting PG&S interests and unique attributes.
Emergency Mgt - Coordinator	1	1	O'Connor	Y	N	Reduces environmental impact from routine and non-routine (e.g., third party damage) occurrences. Concurrently enhances public safety. Further projects for greenhouse gas inventory refinement using newly available protocols from GTI Project Veritas. Establishes new sustainable initiatives such as proactive emissions leak minimization (beyond minimum compliance requirements). Optimizes implementation of "green" policies and programs including use of improved technologies to detect, track and mitigate environmental risks.
Emergency Mgt - Security Coordinator	1	1	O'Connor	Y	N	
Safety - Environmental Scientist	1	1	O'Connor	Y	N	

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S FOURTH SET OF
INTERROGATORIES
INTERROGATORY NO. 201
BATES PAGE(S): 26
FILED: MAY 16, 2023

For Interrogatory Nos. 201 and 202, refer to the Direct Testimony of Helen J. Wesley at page 28 regarding the Company's growth in team members projected as 75 during 2023 and another 75 during 2024.

201. Labor. On page 28, Lines 6-10 of Helen Wesley's direct testimony, she mentions that between January 1, 2020 and December 31, 2022, Peoples went from 623 employees to 700, which would reflect an employee growth rate of approximately 26 employees a year during that time. Witness Wesley also states that Peoples expects to add approximately 75 employees in both 2023 and in 2024, bringing the employee count up to 850 by the end of 2024. However, on Page 24, lines 4-9, Witness Wesley states that Peoples expects growth in Florida to continue in 2023 and 2024, but perhaps at a lower rate. Please explain why Peoples expects the employee count to grow by 75 employees a year when Peoples employee count only grew by approximately 26 employees a year over the last three years and when Peoples expects the company to grow at a slower rate in 2023 and 2024.

A. In general, Peoples workforce growth has lagged customer growth for several years, beginning in 2020 and exacerbated by the effects of COVID on labor availability. During that time, Peoples supplemented internal employees with contractor resources to accomplish the work necessary to sustain safe, reliable operations and strengthen the corporate resources necessary for a growing company. In 2023 and 2024, Peoples expects to increase its headcount in Gas Operations and certain corporate functions, to restore a better balance between resources and necessary activity levels for a growing customer base in order to provide safe and reliable gas. An additional effect of resourcing is the growing level of construction activity in the state of Florida, putting significant added pressure on pipeline locator and damage prevention skilled resources to protect the Peoples system from third party damages. Peoples' hiring in 2023 and 2024 is therefore aimed at five key outcomes: (1) achieving a more stable, sustainable workforce commensurate with expected work levels at Peoples (based on customer count); (2) building a stable corporate workforce appropriate to support the increased size and complexity of the company; (3) improving capability to avoid business continuity issues as our workforce retires; (4) reducing the proportion of contract resources performing work over time as we build up our internal capability; and (5) effectively managing the cost of all of this resourcing so as to remain below the appropriate benchmark for O&M costs.

Executing this strategy is highly dependent on the availability of skilled talent and the cost of resource; nonetheless, Peoples is committed to prudently managing its workforce to achieve the best outcome for customers.

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INTERROGATORIES
INTERROGATORY NO. 202
BATES PAGE(S): 27
FILED: MAY 16, 2023

- 202. Labor.** Provide the additional payroll, payroll related, and employee benefit costs included in the test year related to the projected team member growth from the end of 2022 until the end of the test year. Please be sure to provide a breakdown of each type of individual cost and the costs to be capitalized versus the costs that are reflected as O&M and payroll tax expenses. Provide in electronic format with all formulas in place.
- A.** Please see table below with support in electronic format included in the attached file "OPC Fourth IRR No. 202.xlsx".

PEOPLES GAS SYSTEM
ADDITIONAL PAYROLL, PAYROLL RELATED AND EMPLOYEE BENEFIT COSTS
OPC INTERROGATORY NO 202

	Other ⁽¹⁾	O&M/Payroll		Total
		Capital	Tax Exp	
2023 Labor	104,420	1,072,949	1,551,794 ⁽²⁾	2,729,163
2023 Payroll Taxes	8,354	85,836	124,144	218,333
2023 Pension & Benefits, ST Incentive Comp Costs	36,586	375,935	960,134	1,372,654
2024 Labor	619,573	4,284,456	7,663,232 ⁽²⁾	12,567,262
2024 Payroll Taxes	49,566	342,756	613,059	1,005,381
2024 Pension & Benefits, ST Incentive Comp Costs	54,842	379,242	2,167,417	2,601,501

⁽¹⁾ "Other" refers to clause recoverable or charges to affiliates

⁽²⁾ Amounts tie to MFR G-2 page 18b and 19e

Please see provided workbook
"OPC Fourth IRR No. 202.xlsx" for details.

Category	Item	5/04/2021	5/04/2022	5/04/2023	5/04/2024	5/04/2025	5/04/2026	5/04/2027	5/04/2028	5/04/2029	5/04/2030	5/04/2031	5/04/2032	5/04/2033	5/04/2034	5/04/2035	5/04/2036	5/04/2037	5/04/2038	5/04/2039	5/04/2040	5/04/2041	5/04/2042	5/04/2043	5/04/2044	5/04/2045	5/04/2046	5/04/2047	5/04/2048	5/04/2049	5/04/2050							
Investment	Initial Investment	100,000																																				
	Year 1 Investment		100,000																																			
	Year 2 Investment			100,000																																		
	Year 3 Investment				100,000																																	
Operating Expenses	Operating Expenses																																					
	Year 1 Operating Expenses					10,000																																
	Year 2 Operating Expenses						10,000																															
	Year 3 Operating Expenses							10,000																														
Revenue	Revenue																																					
	Year 1 Revenue																																					
	Year 2 Revenue																																					
	Year 3 Revenue																																					

Please see provided workbook
"OPC Fourth IRR No. 202.xlsx" for details.

Item	2022 Actual		2023 Actual		2023 Budget		2024 Budget		2025 Budget		2026 Budget		2027 Budget		2028 Budget		2029 Budget		2030 Budget		
	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	
2023 Actual	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534
2024 Budget	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534
2025 Budget	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534
2026 Budget	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534
2027 Budget	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534
2028 Budget	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534
2029 Budget	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534
2030 Budget	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534	1,413,534

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S FOURTH SET OF
INTERROGATORIES
INTERROGATORY NO. 185
BATES PAGE(S): 6
FILED: MAY 16, 2023

- 185.** Refer to Schedule G-2 at page 19b of 31, line 13, which shows the amount of not trended capitalized A&G costs of negative \$11.000 million for 2022, 2023, and 2024. Explain all reasons why the amount capitalized each year remains the same and does not increase given the projected increases in A&G payroll and other expenses during 2023 and 2024.
- A.** As shown in response to OPC's First Set of Interrogatories No. 71, the company has increased its A&G allocation to capital from \$8.0 million in 2020 to \$11.0 million in 2022. As shown in the response to OPC's First Set of Interrogatories No. 82, the company's total capital expenditures were \$339.0 million and \$325.2 million in 2020 and 2022, respectively. As shown on Document No. 6, Exhibit RPB-1 to witness Parsons direct testimony, the company's capital budgets for 2023 and 2024 are \$397.1 million and \$362.4 million. Excluding the FGT to Jacksonville Export Facility project, the 2023 and 2024 capital budgets would be \$364.4 million and \$314.2 million, respectively. Considering the significant increase already made to the A&G capital allocation from 2020 to 2022 as compared to the change in capital expenditures during that period and the projected capital expenditures in 2024, the company deemed it reasonable to keep the A&G allocation to capital at \$11.0 million in the 2023 and 2024 budgets.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S FOURTH SET OF
INTERROGATORIES
INTERROGATORY NO. 183
BATES PAGE(S): 4
FILED: MAY 16, 2023

For Interrogatory Nos. 183 and 184, refer to the Direct Testimony of Rachel B. Parsons and further to the Storm Reserve Analysis attached as Exhibit No. RBP-1 Document 7, page 1.

- 183. Storm Reserve.** Explain all reasons why the storm recovery costs for Hurricane Michael of \$3.281 million were included in the analysis of historic storm costs, even though those costs are recovered through a separate surcharge.
- A.** The Hurricane Michael storm costs eligible under the ICCA methodology were included in the Storm Reserve Analysis because those costs are reflective of major hurricane events that may occur going forward.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S FOURTH SET OF
INTERROGATORIES
INTERROGATORY NO. 184
BATES PAGE(S): 5
FILED: MAY 16, 2023

- 184. Storm Reserve.** Does the Company plan to seek a separate surcharge recovery for the Hurricane Ian costs? Describe why or why not.
- A.** No. As stated on page 26 of witness Parsons' direct testimony, as of December 31, 2022, the storm reserve is reflected on the company's books as a regulatory asset balance of \$746,638. In lieu of requesting Commission approval for a storm surcharge, as the company did with Hurricane Michael, the company proposes to increase its annual storm reserve accrual in this general rate proceeding to \$500,000.

This is an excerpt from the June 7, 2023 filing.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
EXHIBIT NO. RBP-2
WITNESS: PARSONS
DOCUMENT NO. 9
PAGE 14 OF 33
FILED: 07/20/2023

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S NINTH SET OF
INTERROGATORIES
INTERROGATORY NO. 241
BATES PAGE(S): 8 - 9
FILED: JUNE 7, 2023

- 241.** The 2021 actual "TPP" is higher than the Company's estimated and filed "TPP" by approximately 13.4% (Actual \$830,524,000 vs Filed \$732,453,000) for the sum of all county amounts. Describe the relationship between the actual "TPP" in 2022 compared to the Company's estimated and filed "TPP" for 2022 for the sum of all county amounts.
- A.** The property tax forecast model includes an analysis of prior year actual final taxable TPP values compared to filed taxable TPP values in all counties. The resulting factor is used in the process of estimating the future period taxable TPP values in each county. This factor is calculated annually to weigh the extent by which individual taxing authorities historically vary from the taxable values filed.

The analysis associated with 2022 filed TPP and final TPP values is supplied in the company's response to OPC's Ninth Set of Interrogatories No. 240 above.

At the date on which the 2024 property tax forecast was modeled, the actual 2021 property taxes were the most current prior year information available, and it was the company's intent to use the filed and final 2021 taxable TPP values to derive the factor described above. However, the company identified an error in the "CountyDetailEstimate" tab of the 2024 Property Tax Forecast. Specifically, the values in column e "2021 Filed TPP" are filed tax values from the 2020 property tax year. The values in column f "2021 Actual TPP" are accurately stated for the 2021 tax year.

Correcting the amounts in column e to reflect the true 2021 filed TPP values (\$801.163M) compared to 2021 actual taxable TPP values (\$830.524M) indicates that the final taxable 2021 TPP values were 3.7% higher than the 2021 Filed TPP values, rather than 13.4%. The 2024 total property tax forecast becomes \$22,454,000 upon correction. Please see the revised worksheets for 2024 Property Tax Forecast posted to the external SharePoint site.

[Consumer Parties Access - PGS 2024 Rate Proceeding - Non-Confidential Rate Case Discovery - All Documents \(sharepoint.com\)](#)

This is an excerpt from the July 20, 2023 filing.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S SIXTH SET OF
INTERROGATORIES
REQUEST NO. 122
BATES PAGE(S): 1- 3
FILED: JULY 20, 2023

122. Please refer to Peoples Gas System, Inc.'s Response to the Office of Public Counsel's First Production of Documents, No. 45 (BS 24902), MS Excel spreadsheet tab "CountyDetailEstimate," for the following questions:

- a. Please explain the distinction between the 2021 "Filed" Tangible Person Property (TPP) and the 2021 "Actual" TPP. Please also specify what is being filed and with whom.
- b. Please update the 2021 Filed TPP (Column E), 2021 Actual TPP (Column F), 2021 RealAssessed (Column H), 2021 Real Estate Tax Actual (Column I), and 2021 Real Estate Tax Actual (Column J) to 2022 amounts for every county listed in this response.

A. a. The "Filed" Tangible Personal Property was the proposed taxable value of company taxable assets subject to 2021 Tangible Property Tax. The "Actual" Tangible Personal Property was the taxable value of company taxable assets subject to 2021 Tangible Property Tax as determined by each county Property Appraiser. Annually, the company is required to file a DR-405 Florida Tangible Property Tax Return in each Florida County where company owned taxable assets are located. The company is required to estimate the taxable value of the company assets as part of the tax return submission. Each county Property Appraiser determines the final taxable value of company assets for property tax purposes. As shown in the table below, the company proposed taxable value has historically been lower than final taxable property value, with the five-year average being 3.9 percent.

	A	B	= (B/A) - 1
Tax Year	Proposed Taxable Tangible Property Value on Company Property Tax Return	Final Taxable Tangible Property Value Determined By Tax Authorities	Experience Trend Factor
2022	\$1,043,416,988	\$1,051,943,510	0.8%
2021	\$801,162,648	\$830,522,961	3.7%
2020	\$732,453,468	\$768,385,967	4.9%
2019	\$663,201,815	\$699,092,779	5.4%
2018	\$603,470,017	\$630,687,162	4.5%
Avg.			3.9%

This is an excerpt from the July 20, 2023 filing.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S SIXTH SET OF
INTERROGATORIES
REQUEST NO. 122
BATES PAGE(S): 1- 3
FILED: JULY 20, 2023

- b. Please see attached updated Microsoft Excel file entitled "(BS 3) 2024 PGS PTAX FORECAST USING 2022 COUNTY PA FACTORS", tab "CountyDetailEst-'22 Factors" which provides the 2022 information as requested.

As reflected in the table provided above, in response to Staff's Sixth Set of Interrogatories, No. 122(a), the taxing authorities consistently derive higher taxable values than those proposed by the company. The "experience trend factor" included in the table is the difference between the taxable values that the company has proposed to county tax jurisdictions with the actual final taxable values derived by taxing authorities. The 2022 experience trend factor of 0.8 percent is an aberration compared to the 5-year average of 3.9 percent. When preparing the corrected 2024 property tax estimate downward by \$2.008 million to \$22.454 million in response to OPC's Ninth Set of Interrogatories, No. 241, the company used the year 2021 experience trend factor of 3.7 percent to calculate the estimated property expense. The company believes the 3.7 percent experience trend factor is reasonable considering the five-year average of 3.9 percent.

This is an excerpt from the July 20, 2023 filing.

PEOPLES GAS SYSTEM, INC.
 DOCKET NO. 20230023-GU
 EXHIBIT NO. RBP-2
 WITNESS: PARSONS
 DOCUMENT NO. 9
 PAGE 17 OF 33
 FILED: 07/20/2023

SCHEDULE G-1

CALCULATION OF THE PROJECTED TEST YEAR - RATE BASE

PAGE 26 OF 28

FLORIDA PUBLIC SERVICE COMMISSION
 COMPANY: PEOPLES GAS SYSTEM
 DOCKET NO.: 20200051-GU

EXPLANATION: PROVIDE A DETAILED CONSTRUCTION BUDGET FOR THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN: PROJECTED TEST YEAR: 12/31/21
 WITNESS: S. HILLARY
 R. WALL
 T. O'CONNOR

LINE NO.	ACCT. NO.	DESCRIPTION OF PROPOSED PURCHASES AND / OR CONSTRUCTION PROJECTS	DATE OF PROPOSED PURCHASE OR CONSTR. (12/31/21)	PURCHASE PRICE OR CONSTRUCTION COST	ADDITIONS TO PLANT IN SERVICE	DATE OF RELATED RETIREMENT (12/31/21)	RETIREMENT AMOUNT OF RELATED RETIREMENT	REMOVAL COSTS OF RELATED RETIREMENT
1	303.01	CUSTOMIZED SOFTWARE	12 months ended 12/31/21	\$14,125,297	\$4,516,417	12 months ended 12/31/21	\$0	
2	375	STRUCTURES AND IMPROVEMENTS	12 months ended 12/31/21	8,981,350	7,415,480	12 months ended 12/31/21	593,238	
3	376	MAINS - STEEL	12 months ended 12/31/21	41,111,586	36,477,677	12 months ended 12/31/21	2,918,214	
4	376.02	MAINS - PLASTIC	12 months ended 12/31/21	104,728,571	85,376,346	12 months ended 12/31/21	6,830,108	5,314,842
5	378	M & R EQUIPMENT - GENERAL	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
6	379	M & R EQUIPMENT - CITY	12 months ended 12/31/21	9,659,495	7,851,174	12 months ended 12/31/21	628,094	
7	380	SERVICE LINES -S TEEL	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
8	380.02	SERVICE LINES - PLASTIC	12 months ended 12/31/21	31,886,677	26,305,463	12 months ended 12/31/21	2,104,437	3,100,674
9	381	METERS	12 months ended 12/31/21	5,034,529	5,034,529	12 months ended 12/31/21	402,762	
10	382	METER INSTALLATIONS	12 months ended 12/31/21	8,199,100	7,277,027	12 months ended 12/31/21	582,162	353,642
11	383	REGULATORS	12 months ended 12/31/21	820,642	820,642	12 months ended 12/31/21	65,651	
12	384	REGULATOR INSTALL HOUSE	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
13	385	M & R EQUIPMENT - INDUSTRIAL	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
14	387	OTHER EQUIPMENT	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
15	390	STRUCTURES & IMPROVEMENTS	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
16	390.02	STRUCTURES AND IMPROVEMENTS-Leasehold	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
17	391	OFFICE FURNITURE	12 months ended 12/31/21	-	-	12 months ended 12/31/21	489,834	
18	391.01	COMPUTER EQUIPMENT	12 months ended 12/31/21	-	-	12 months ended 12/31/21	1,851,192	
19	391.02	OFFICE EQUIPMENT/MACHINES	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
20	391.03	OFFICE FURNITURE	12 months ended 12/31/21	-	(3,345,163)	12 months ended 12/31/21	-	
21	392.01	AUTO & TRUCK LESS THAN 1/2 TON	12 months ended 12/31/21	2,807,400	2,245,920	12 months ended 12/31/21	-	(222,380)
22	392.02	AUTO & TRUCK 3/4 - 1 TON	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
23	392.04	TRAILERS, OTHER	12 months ended 12/31/21	500,000	400,000	12 months ended 12/31/21	-	
24	392.05	TRUCKS OVER 1 TON	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
25	393	STORES EQUIPMENT	12 months ended 12/31/21	-	-	12 months ended 12/31/21	-	
26	394	TOOLS, SHOP, & GARAGE EQUIPMENT	12 months ended 12/31/21	436,076	348,861	12 months ended 12/31/21	124,094	
27	394.01	CNG STATION EQUIPMENT	12 months ended 12/31/21	210,125	-	12 months ended 12/31/21	-	
28	396	POWER OPERATED EQUIPMENT	12 months ended 12/31/21	327,900	262,320	12 months ended 12/31/21	20,986	
29	397	COMMUNICATIONS EQUIPMENT	12 months ended 12/31/21	11,268	9,014	12 months ended 12/31/21	856,046	
30	398	MISC EQUIPMENT - GAS	12 months ended 12/31/21	168,486	134,789	12 months ended 12/31/21	10,763	
31	336	PURIFICATION EQUIPMENT	12 months ended 12/31/21	13,460,000	28,669,262	12 months ended 12/31/21	-	
32	364	LNG PLANT	12 months ended 12/31/21	11,080,466	21,289,512	12 months ended 12/31/21	-	
33	377	COMPRESSOR STATION EQUIPMENT	12 months ended 12/31/21	1,709,188	1,367,350	12 months ended 12/31/21	-	
34		TOTAL		<u>\$265,258,155</u>	<u>\$232,456,621</u>		<u>\$17,477,602</u>	<u>\$8,546,779</u>

SUPPORTING SCHEDULES: G-1 p.27-28, G-6 p.1

RECAP SCHEDULES: G-1 p.10

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 82
BATES PAGE(S): 341
FILED: MAY 11, 2023

82. **Capital Budget.** For each of the past five years, please provide:

- a. The capital budget as approved by the Board of Directors, and
- b. The actual capital expenditures.

A. a. See table below for budget.

	2018	2019	2020	2021	Original 2022	Revised 2022
Growth	115,800,812	136,323,054	250,865,616	207,957,277	194,450,860	217,821,825
Reliability, Resiliency, and Efficiency	40,128,254	63,690,959	59,184,572	68,693,117	74,141,333	90,331,168
Clause	40,000,000	40,000,000	40,014,821	38,883,503	30,467,417	29,840,936
Total	195,929,066	240,014,013	350,065,009	315,533,898	299,059,610	337,993,929

b. See table below for actuals.

	2018	2019	2020	2021	2022
Growth	78,505,910	98,546,173	231,461,234	195,731,575	195,469,782
Reliability, Resiliency, and Efficiency	46,863,688	45,029,364	60,073,870	65,805,789	98,472,930
Clause	46,998,450	58,286,242	47,436,334	45,870,520	31,303,625
Total	172,368,048	201,861,779	338,971,438	307,407,885	325,246,337

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE MONTHLY PLANT ADDITIONS BY ACCOUNT FOR THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN: PROJECTED TEST YEAR: 12/31/21
WITNESS: S. HILLARY

COMPANY: PEOPLES GAS SYSTEM

DOCKET NO.: 20200051-GU

LINE NO.	A/C NO.	DESCRIPTION	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	TOTAL
1	301	ORGANIZATION	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	303	MISC INTANGIBLE PLANT	0	0	0	0	0	0	0	0	0	0	0	0	0
3	303.01	CUSTOMIZED SOFTWARE	3,361,239	66,504	33,391	8,560	10,788	5,021	19,697	9,926	18,893	7,807	26,389	948,200	4,516,417
4	374	LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5	374.02	LAND RIGHTS / EASEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
6	375	STRUCTURES AND IMPROVEMENTS	0	29,600	148,000	28,000	0	38,280	0	4,080	163,200	220,320	0	6,784,000	7,415,480
7	376	MAINS - STEEL	1,127,548	884,930	290,919	954,096	102,638	107,595	4,424,744	95,853	57,506	852,147	15,894	27,563,808	36,477,677
8	376.02	MAINS - PLASTIC	5,846,930	12,751,177	5,319,714	4,449,462	6,185,901	3,916,024	4,831,999	6,114,527	12,004,643	3,832,244	5,306,659	14,817,069	85,376,346
9	378	M & R EQUIPMENT - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0	0
10	379	M & R EQUIPMENT - CITY	0	0	0	0	0	0	0	1,164,186	0	3,714,644	2,964,608	7,735	7,851,174
11	380	SERVICE LINES - S TEEL	0	0	0	0	0	0	0	0	0	0	0	0	0
12	380.02	SERVICE LINES - PLASTIC	2,642,419	2,232,722	1,720,574	2,017,941	1,961,670	2,838,818	2,031,052	2,066,848	2,023,819	2,707,961	2,105,820	1,955,821	26,305,463
13	381	METERS	147,512	273,595	1,644,786	215,553	334,876	281,510	455,925	252,755	234,570	593,403	392,026	208,018	5,034,529
14	382	METER INSTALLATIONS	536,329	562,896	591,859	684,993	592,238	682,585	659,536	549,974	632,178	536,678	542,861	704,900	7,277,027
15	383	REGULATORS	57,573	65,607	87,095	94,872	94,314	103,980	63,995	82,964	15,244	38,802	46,755	69,441	820,642
16	384	REGULATOR INSTALL HOUSE	0	0	0	0	0	0	0	0	0	0	0	0	0
17	385	M & R EQUIPMENT - INDUSTRIAL	0	0	0	0	0	0	0	0	0	0	0	0	0
18	387.00	OTHER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
19	390	STRUCTURES & IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
20	390	STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
21	391	OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0	0
22	391.01	COMPUTER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
23	391.02	OFFICE EQUIPMENT/MACHINES	0	0	0	0	0	0	0	0	0	0	0	0	0
24	391.03	OFFICE FURNITURE	(3,345,163)	0	0	0	0	0	0	0	0	0	0	0	(3,345,163)
25	392.01	AUTO & TRUCK LESS THAN 1/2 TON	0	87,200	788,800	169,600	0	869,120	32,000	65,600	88,000	32,800	80,000	32,800	2,245,920
26	392.02	AUTO & TRUCK 3/4 - 1 TON	0	0	0	0	0	0	0	0	0	0	0	0	0
27	392.04	TRAILERS, OTHER	0	57,120	57,120	57,120	57,120	57,120	57,120	57,280	0	0	0	0	400,000
28	392.05	TRUCKS OVER 1 TON	0	0	0	0	0	0	0	0	0	0	0	0	0
29	393	STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
30	394	TOOLS, SHOP, & GARAGE EQUIPME	8,000	24,000	163,021	94,240	0	30,000	0	16,000	13,600	0	0	0	348,861
31	394.01	CNG STATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
32	396	POWER OPERATED EQUIPMENT	0	71,200	82,000	7,200	0	97,920	0	4,000	0	0	0	0	262,320
33	397	COMMUNICATIONS EQUIPMENT	(50)	0	0	0	0	0	0	0	0	0	0	9,064	9,014
34	398	MISC EQUIPMENT - GAS	12,000	20,800	59,749	0	0	39,040	0	0	0	3,200	0	0	134,789
35	336	PURIFICATION EQUIPMENT	0	0	0	0	0	28,669,262	0	0	0	0	0	0	28,669,262
36	364	LNG PLANT	0	0	0	0	0	20,958,254	282,686	24,286	24,286	0	0	0	21,289,512
37	377	COMPRESSOR STATION EQUIPME	838,314	529,036	0	0	0	0	0	0	0	0	0	0	1,367,350
38		TOTAL ADDITIONS	\$11,232,652	\$17,656,387	\$10,987,027	\$8,781,638	\$9,339,544	\$58,694,530	\$12,858,754	\$10,488,279	\$15,282,338	\$12,553,606	\$11,481,011	\$53,100,854	\$232,456,621

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
EXHIBIT NO. RBP-2
WITNESS: PARSONS
DOCUMENT NO. 9
PAGE 19 OF 33
FILED: 07/20/2023

PEOPLES GAS SYSTEM, INC.						
OPC RECOMMENDED ADJUSTMENT TO REFLECT CAPITAL EXPENDITURES LESS THAN BUDGET						
DOCKET NO. 20230023-GU						
TEST YEAR ENDING DECEMBER 31, 2024						
\$ MILLIONS						
Sources: Response to OPC IRR 1-82 and 1-92; Parsons Exh RBP-1 Doc 6						
					Revised	5 Yr Weighted Avg
	2018	2019	2020	2021	2022	
Capital Expenditures - Budget	195.929	240.014	350.065	315.534	337.994	287.907
Capital Expenditures - Actual	172.368	201.862	338.971	307.408	325.246	269.171
Capital Expenditures Under Budget	23.561	38.152	11.094	8.126	12.748	18.736
Actual Expenditures as a Percent of Budget	88.0%	84.1%	96.8%	97.4%	96.2%	93.5%
Actual Less than Budget Percentage	12.0%	15.9%	3.2%	2.6%	3.8%	6.5%
				Test Year Rate Base		Test Year Expense
Capital Adds Budget OPC IRR 1-92	397.069	362.365				
Less: FGT-Jacksonville - Not in RB Until 2025 Parsons Exh RBP-1 Doc 6	-32.649	-48.249				
Capital Adds Budget (Without FGT-Jacksonville)	364.420	314.116				
5 Yr Weighted Average Slippage Percentage	6.5%	6.5%				
Reduction in Capital Adds - Less than Budget	(23.715)	(20.442)				
Average Capital Adds Each Year	(11.858)	(10.221)				
Test Year Reduction in Plant for Reduction in Expenditures				(33.936)		
Reduction of Depreciation Expense on 2023 Adds	(0.314)	(0.627)				
Reduction of Depreciation Expense on 2024 Adds		(0.270)				
Reduction in Test Year Depreciation Expense						(0.897)
Average Depreciation Expense Rate						
Depreciation and Amortization Expense As Filed for Test Year		\$87.777				
13-Month Average Plant Balances as Filed		\$3,319.122				
Average Depreciation Expense Rate		2.64%				
Reduction of Accumulated Depreciation						
2023 - Increase to Rate Base 2023 Adds	0.314					
2024 - Increase to Rate Base 2024 Adds		0.897				
2024 Average Rate Base - Reduction in Accumulated Depreciation				0.762		<<< Error in formula
Recommended Test Year Reduction in Rate Base				(33.174)		
Grossed Up Rate of Return - Without 2023 Transaction				8.89%		
Recommended Test Year Reduction in Return On Rate Base				(2.949)		
Recommended Test Year Reduction in Depreciation Expense						(0.897)
Gross-Up Factor for Regulatory Fees and Bad Debt Expense						1.0079
Recommended Test Year Reduction in Depreciation Expense-Grossed Up						(0.905)
Recommended Revenue Requirement Reduction - Return of and on RB				(3.854)		
No Change in ADIT Projected for this Adjustment as both Book and Tax Depreciation Expense Would Decrease						<< Error

STIPULATION AND SETTLEMENT AGREEMENT

ORDER NO. PSC-2020-0485-FOF-GU
DOCKET NOS. 20200051-GU, 20200166-GU, 20200178-GU
PAGE 16

Attachment A

recovery pursuant to paragraph 6.

(d) The Company shall file a depreciation study no more than one year nor less than 90 days before the filing of its next general rate proceeding under Sections 366.06 and 366.07, Florida Statutes, such that there is a reasonable opportunity for the Consumer Parties to review, analyze and potentially rebut depreciation rates or other aspects of such depreciation study contemporaneously with the company's next general rate proceeding. The depreciation study period shall match the test year in the company's MFRs, with all supporting data in electronic format with links, cells and formulae intact and functional, and shall be served upon all Consumer Parties and all intervenors in such subsequent rate case.

5. Other Cost Recovery. Nothing in this Agreement shall preclude the Company from requesting the Commission to approve the recovery of costs that are: (a) of a type which traditionally or historically would be, have been, or are presently recovered through cost recovery clauses, riders or surcharges, or (b) incremental costs not currently recovered in base rates which the Legislature expressly requires shall be clause recoverable subsequent to the approval of this Agreement. It is the intent of the Parties that, in conjunction with the provisions of subparagraph 3(a), the Company shall not seek to recover, nor shall the Company be allowed to recover, through any cost recovery clause or charge, or through the functional equivalent of such cost recovery clauses and charges, costs of any type or category that have historically or traditionally been recovered in base rates, unless such costs are: (i) the direct and unavoidable result of new governmental impositions or requirements; or (ii) new or atypical costs that were unforeseeable and could not have been contemplated by the Parties resulting from

This is an excerpt from the May 22, 2023 filing.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 100
BATES PAGE(S): 382 - 387
FILED: MAY 11, 2023
REVISED: MAY 19, 2023
SECOND REVISED: MAY 22, 2023

100. Revenue Requirement. Refer to the Direct Testimony of Rachel Parsons at 10 wherein she lists five "primary causes" of the requested increase. Please provide the following related information:

- a. The third cause is listed as "the change in weighted average cost of capital." Does this third cause include the increase in the cost of debt due to the legal separation of the Company from Tampa Electric Company? If so, provide a quantification of the effect of the legal separation on the cost of debt and the effect on the requested base rate increase; and
- b. Identify each and every other increase in costs reflected in the claimed revenue requirement that were caused by the legal separation of the Company from Tampa Electric Company and quantify each of the increases in costs. Provide all assumptions, data, and calculations, including electronic spreadsheets in Excel live format with all formulas intact used to calculate each of the increases in costs.

A. a. Yes.

First, the company must accelerate the repayment of \$568 million of legacy long-term debt with Tampa Electric Company to the end of 2023 so the asset transfer will be considered a non-taxable event for U.S. federal income tax purposes (see response to POD 25). To do so, the company will access the market in 2023 to acquire its own debt. The rate case filing reflects the company accessing the debt market in October of 2023 to repay the legacy debt at a blended 5.57% cost of debt which reflects the expected market conditions and assumed credit spreads at that time. This results in an increase in the overall weighted cost of debt of roughly 29 basis points and an increase in the requested base rate increase of approximately \$7.1 million.

Long-term debt of \$37.5 million, with a 3.875% interest rate, matures on July 12, 2024. This debt would have had to be repaid and replaced in 2024 at the market conditions prevalent at that time, regardless of the transaction. The remaining debt instruments are scheduled to mature at various times as reflected on MFR Schedule D-2 and would have been replaced at the prevailing market rates at the maturity for each instrument.

This is an excerpt from the May 22, 2023 filing.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
OPC'S FIRST SET OF
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Second, the short-term debt and the incremental long-term debt needed to support the company's test year rate base are being issued at higher interest rates due to expected market conditions and the expectation that the company will have a one notch lower credit rating than Tampa Electric. The ultimate credit rating will be based on the risk profile and business characteristics of Peoples on a standalone basis. A one notch lower credit rating is projected to result in an increase in the overall weighted cost of debt of roughly 8 basis points and an increase in the requested base rate increase of approximately \$1.8 million.

The ultimate impact will be dependent on the market conditions at the time Peoples accesses the market, with the company's continued effort to achieve the lowest weighted average cost of capital for our customers. To ensure customers do not pay any more than the actual long-term debt costs on Peoples 2023 issuances, the company is proposing the Long-Term Debt Rate True-Up Mechanism discussed on page 75 of the direct testimony of witness Rachel B. Parsons.

See response to OPC's 1st No. 97 and 3rd IRR No. 132 for additional information. Additionally, see Peoples confidential excel files provided in response to 100 a. posted on the External SharePoint site.

Peoples will provide its confidential answers to interrogatories and confidential documents by posting them in the confidential section of its discovery SharePoint site for this case subject to a Motion for Protective Order or Request for Confidential Classification filed contemporaneously with this response. Please see confidential electronic responsive documents posted to Peoples' Confidential Discovery Responses folder on the External SharePoint site.

[Consumer Parties Access - Peoples 2024 Rate Proceeding - CONFIDENTIAL - Rate Proceeding Discovery Responses - All Documents \(sharepoint.com\)](#)

- b. As a separate legal entity with its own independent debt financings and credit facilities, Peoples will be required to provide audited standalone financial statements. As shown on MFR Schedule G-2, page 19b, line number 15, the expected audit fees in 2024 are \$647,932 as compared to \$452,450 and \$317,445 in 2023 and 2022, respectively. A portion of the

This is an excerpt from the May 22, 2023 filing.

**PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
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SECOND REVISED: MAY 22, 2023**

cost increase is due to contract escalators. The increase in 2024 rate case budget related to added audit scope required to provide an opinion on Peoples' standalone financial statements is \$346,000. However, after successful negotiations, the fees are now expected to be \$156,000.

In addition, to support its independent financings and credit facilities, an independent credit rating will be required with annual costs to maintain the credit rating. As shown on MFR Schedule G-2, page 19b, line number 29, the expected credit rating agency fees in 2024 are \$408,800 as compared to \$400,000 and \$55,842 in 2023 and 2022, respectively. Assuming inflation of 2.8% and 2.2% in 2023 and 2024 (as reflected in MFR Schedule G-2, pages 12-19) applied to the 2022 amount of \$55,842, the 2024 allocated Tampa Electric Company rating agency fees would be \$58,669. The difference between this amount and the budgeted \$408,800 is \$350,132. The \$400,000 is an estimate of the rating agency costs in 2023 that was provided by the company's Treasury group.

Due to Peoples' having independent financings and credit facilities, the company will have new cash management requirements. As shown on MFR Schedule G-2, page 19e, line 22, the company budgeted to add a Treasury Analyst starting in November 2023. The 2024 projected test year cost impact of this added position is \$101,798.

Please see Peoples' confidential excel file provided in response to 100 b. posted to the External SharePoint site.

Peoples will provide its confidential answers to interrogatories and confidential documents by posting them in the confidential section of its discovery SharePoint site for this case subject to a Motion for Protective Order or Request for Confidential Classification filed contemporaneously with this response. Please see confidential electronic responsive documents posted to Peoples' Confidential Discovery Responses folder on the External SharePoint site.

[Consumer Parties Access - Peoples 2024 Rate Proceeding - CONFIDENTIAL - Rate Proceeding Discovery Responses - All Documents \(sharepoint.com\)](#)

O'Connor Late Filed Exhibit 15

“Test Year Truck Retirement Reconciliation”

This exhibit is to address why the MFRs do not reflect retirement of any trucks & whether the MFRs need to be revised.

Every five years the company does a review of its retirement percents for budgeting purposes. Recent yearly amounts of vehicle retirements have been very low and as a result the company did not forecast vehicle retirements in its 2023 and 2024 forecasted plant balance for account 392.01 Auto & Truck Less than ½ Ton. After further reviewing the budgeted vehicle additions and need for vehicles in 2023 and 2024, the company identified \$1,706,817 and \$1,571,627 of associated retirements in account 392.01 should have been reflected in 2023 and 2024, respectively. As a result, account 392.02 vehicle depreciation in the 2024 test year would have decreased by \$243,046. The supporting calculations are included in the attached file.

As stated on page 34, lines 6-8 of witness Parsons' testimony, vehicle depreciation expense is charged through a transportation cost allocation to O&M and capital expenditures and is not included in depreciation expense. Therefore, vehicle depreciation expense does not impact depreciation expense included in determining the filed 2024 test year Net Operating Income (NOI). In the company's budgeting process, the increase in the 2024 vehicle depreciation expense was not factored into the development of the 2024 detailed O&M budget for transportation cost allocation or FERC O&M budget on MFR G-2, pages 12-19. Instead, the 2024 vehicle transportation allocation costs included in O&M expense were trended forward using 2022 vehicle transportation costs plus inflation and growth in labor in areas that use vehicles, which is primarily Gas Operations, Engineering and Pipeline Safety. On MFR G-2, pages 12-19, the trending forward of transportation costs in O&M expense from 2022 to 2024 by FERC account was primarily reflected by increasing 2022 costs for inflation and customer growth. Therefore, any changes in vehicle depreciation expense due to not reflecting the revised amount of retirements would not have an impact on O&M expense (MFR G-2, page 12-19) or depreciation expense (MFR G-2, page 1, line 6) in the determination of the 2024 test year NOI.

Regarding rate base, adding the revised retirements to 2023 and 2024 to reduce the plant in service for FERC account results in an equal reduction of plant in service and accumulated depreciation. Therefore, the 2024 test year rate base amount would not be directly impacted by adding the retirements to account 392.01. If anything, rate base would slightly increase for the 13-month average of the cumulative reduction in vehicle depreciation expense (see attached calculation). In addition, when determining the 2023 and 2024 capital expenditures, the higher vehicle depreciation expense was not factored into those capital costs and no impact to overall rate base would occur due to lower vehicle depreciation expense.

In conclusion, although the company agrees that retirement of vehicles in account 392.01 should have been reflected in the 2023 and 2024 plant and accumulated depreciation balances, there would be no impact on the company's determination of NOI and a slight increase in rate base which would have a slight increase in the filed 2024 test year revenue requirement. Therefore, the company believes that filing adjusted MFRs to reflect the added retirements is not required.

The attachment referred in the O'Connor Late Filed Exhibit 15 file – is provided in Exhibit RBP-2, Document No. 8

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 5
BATES PAGE(S): 8 - 10
FILED: MAY 16, 2023

5. Please refer to PGS's response to Staff's Second Data Request, No. 1(a), in Docket No. 20220212-GU, where the Company indicated that after its filing of the MFRs and the Updated Depreciation Study (filed in April, 2023), PGS further considered and believes that for the Alliance RNG project:
- (1) "the main connection to the transmission pipeline interconnects should be included in Account 376.02 – Main Plastic [instead of Account 376.00 – Main Steel and reported in MFRs and the Updated Study]."
 - (2) "the interconnect facility that was included in Account 376.00 – Main Steel should be included in Account 378.00 – Measuring & Reg Station Equipment General."

Does PGS plan to provide the corresponding revisions to the aforementioned affected schedules in the MFRs and the Updated Depreciation Study? If so, by what date does PGS plan to make its filing?

- A. Peoples does not plan to provide revisions to the corresponding MFR Schedules and the Updated Depreciation Study. The company has calculated the impact of these changes on the 2024 test year NOI (decrease of \$11,794), rate base (decrease of \$22,656) and revenue deficiency (increase of \$13,654).

Please see the attached tables.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 5
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Correction information related to account 376.00 - Mains Steel

As filed in Account 376.00 - Mains Steel	2024												Total	
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov		Dec
Plant	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023	3,233,023
Accum. Reserve	(62,236)	(68,702)	(75,168)	(81,634)	(88,100)	(94,566)	(101,032)	(107,498)	(113,964)	(120,430)	(126,896)	(133,362)	(139,828)	(146,294)
Net Rate Base	3,170,787	3,164,321	3,157,855	3,151,389	3,144,923	3,138,457	3,131,991	3,125,525	3,119,059	3,112,593	3,106,127	3,099,661	3,093,195	3,086,729

Depr. Expense	6,466													6,466
2023 Dep Rate	2.1%													
2024 Dep Rate	2.4%													

Corrected Account 376.02 - Mains Plastic

Corrected Account 376.02 - Mains Plastic	2024												Total	
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov		Dec
Plant	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Accum. Reserve	(4,400)	(4,850)	(5,300)	(5,750)	(6,200)	(6,650)	(7,100)	(7,550)	(8,000)	(8,450)	(8,900)	(9,350)	(9,800)	(10,250)
Net Rate Base	295,600	295,150	294,700	294,250	293,800	293,350	292,900	292,450	292,000	291,550	291,100	290,650	290,200	289,750

Depr. Expense	450													450
2023 Dep Rate	1.6%													
2024 Dep Rate	1.8%													

Corrected Account 378.00 - Interconnect

Corrected Account 378.00 - Interconnect	2024												Total	
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov		Dec
Plant	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023	2,933,023
Accum. Reserve	(72,592)	(79,925)	(87,257)	(94,590)	(101,923)	(109,255)	(116,588)	(123,920)	(131,253)	(138,585)	(145,918)	(153,250)	(160,583)	(167,915)
Net Rate Base	2,860,431	2,853,098	2,845,766	2,838,433	2,831,100	2,823,768	2,816,435	2,809,103	2,801,770	2,794,438	2,787,105	2,779,773	2,772,440	2,765,108

Depr. Expense	7,333													7,333
2023 Dep Rate	2.7%													
2024 Dep Rate	3.0%													

As Filed 13-month Avg. Net Rate Base	3,131,991	a
Corrected 13-month Avg. Net Rate Base	3,109,335	c + e
Increase / (Decrease) 13-month Avg. Rate Base	(22,656)	
As Filed Depreciation Expense	77,593	b
Corrected Depreciation Expense	93,391	d + f
Increase / (Decrease) Depreciation Expense	15,798	
Income Tax Impact at 25.345% effective tax rate	(4,004)	
Net Expense Impact / Reduction to NOI	11,794	

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 5
BATES PAGE(S): 8 - 10
FILED: MAY 16, 2023

Correction information related to account 391.00 - Office Furniture

DESCRIPTION	As Filed MFR G-5	Staff 1st IRR 11(a) Correction	Corrected MFR G-5
ADJUSTED RATE BASE	\$2,366,788,452	14,064	\$2,366,802,516
REQUESTED RATE OF RETURN	7.42%		7.42%
N.O.I. REQUIREMENTS	175,501,571		175,502,614
LESS: ADJUSTED N.O.I.	<u>72,337,240</u>	21,060	<u>72,358,301</u>
N.O.I. DEFICIENCY	\$103,164,331		\$103,144,313
EXPANSION FACTOR	<u>1.3500</u>		<u>1.3500</u>
REVENUE DEFICIENCY	<u>\$139,271,846</u>		<u>\$139,244,823</u>
Net Decrease in Revenue Deficiency			(\$27,023)

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S THIRD SET OF
INTERROGATORIES
REQUEST NO. 35
BATES PAGE(S): 34
FILED: JUNE 16, 2023

35. Referring to PGS's response to Staff's First Interrogatories, No. 5, for the 2024 test year (annual and 13-month average) as pertains to the Alliance Project, please identify the incremental differences, if any, that result from PGS's considered changes (discussed in the said interrogatory question) for the following:
- depreciating expense;
 - depreciation reserve;
 - rate base;
 - revenue deficiency
- A. The Alliance Project incremental differences for the 2024 test year would be as follows:
- Depreciation expense would increase by \$15,798 annually.
 - Depreciation reserve 13-month average balance would increase by \$22,656.
 - Rate base thirteen-month average would decrease by \$22,656.
 - Annual revenue deficiency would increase by \$13,654.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S THIRD SET OF
INTERROGATORIES
REQUEST NO. 57
BATES PAGE(S): 78
FILED: JUNE 16, 2023

57. Please refer to the direct testimony of witness Rutkin, page 25, lines 18 through 22. Please identify the facilities used to transport RNG from the New River Landfill into PGS’s pipeline system, the associated cost and account number for each facility, and the section of the RNG Service Tariff that each facility complies with. As part of this response, please identify what party will be responsible for operation and maintenance of said facilities.

A. The facilities used to transport the RNG from the New River Landfill include the measurement and regulation (M&R) equipment at the customer’s site, RNG receipt piping, steel pipeline extension, and interconnect M&R facility with the interstate pipeline. The total cost of the New River RNG project included in the Updated Study and rate case filing is \$7,812,333 (including AFUDC) and all the facilities used to transport RNG from the New River Landfill are included in account 336.00 RNG Plant. Although included in account 336.00 RNG Plant in the Updated Study and rate case filing, after further consideration the company believes the more appropriate accounts for these facilities should be 376.00 Mains Steel and 378.00 Measuring and Reg Station Equipment General. The portion of the \$7,812,333 that should be reflected in account 376.00 Mains Steel is \$3,376,000 and the remaining \$4,436,333 related to the interconnect equipment should be reflected in account 378.00. Please see the table below summarizing the above and the response to Interrogatory Number 32 for additional information.

These facilities comply with the RNG Service Tariff 7.404, as these facilities will be used to provide infrastructure for delivery of RNG to a pipeline system. The Monthly Services Charge section within the tariff provides a description of included assets. Peoples will be responsible for the operation and maintenance of the facilities used to deliver RNG to the interstate pipeline system.

	As filed	Further Consideration		Potential
		Piping	M&R Equip	20-Year Rate
Plant Balance	\$7,812,333	\$3,376,000	\$4,436,333	\$7,812,333
Account	336.00	376.00	378.00	Need to establish
ASL (years)	30	65	40	20
2024 Dep. Rate	3.4%	2.4%	3.0%	5.0%
2024 Dep. Expense	\$265,619	\$81,024	\$133,090	\$390,617

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S THIRD SET OF
INTERROGATORIES
REQUEST NO. 34
BATES PAGE(S): 33
FILED: JUNE 16, 2023

34. Referring to PGS's response to Staff's First Interrogatories, No. 3(d), for the 2024 test year (annual and 13-month average), please identify the incremental differences, if any, that result from booking the "pipeline extension" associated with the Brightmark Project in Account 336.01 and fully depreciating the pipeline extension assets over 15 years, for the following:
- depreciating expense;
 - depreciation reserve;
 - rate base;
 - revenue deficiency
- A. The Brightmark RNG Project incremental differences for the 2024 test year would be as follows:
- Depreciation expense would increase by \$321,507 annually.
 - Depreciation reserve 13-month average balance would increase by \$447,369.
 - Rate base thirteen-month average would decrease by \$447,369.
 - Annual revenue deficiency would increase by \$279,245.

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
STAFF'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 3
BATES PAGE(S): 4 - 5
FILED: MAY 16, 2023

3. Please refer to PGS's response to Staff's Second Data Request, No. 5(a) through (c), in Docket No. 20220212-GU:
- a. Given the fact that PGS will recover its investment in the "pipeline extension" through the Monthly Service Charge over a 15-year period, as well as through depreciation expense in base rates, please explain how PGS will ensure there will be no double recovery of this asset.
 - b. Please provide a detailed explanation of the accounting treatment of the "Pipeline Extension," particularly as it relates to the recording of the depreciation expense and return on investment which will be collected through the Monthly Service Charge and those expenses collected through base rates.
 - c. Does PGS intend to use the portion of the Monthly Service Charge related to the recovery of the "pipeline extension" investment to offset the depreciation expense collected through base rates that relate to the same assets?
 - d. Please direct staff to all adjustments in PGS's Updated Depreciation Study and MFRs, if any, that reflect the offset of depreciation expense mentioned in subpart (c) above.
- A.
- a. As with other utility plant assets that have revenues and associated depreciation expense, Peoples does not believe it is recovering the same project investment in both the revenues from the customer and in the related depreciation included in revenue requirements. As stated in response to Staff's Fourth Data Request No. 6(d) in Docket Nos. 20220212-GU and 20230023-GU, Peoples would not be opposed to fully depreciating the "pipeline extension" during the same 15-year term for which the full installation cost of the "pipeline extension" is recovered through the Monthly Services Charge paid by Brightmark Sobek RNG LLC to Peoples.
 - b. The Monthly Services Charge received from the customer (Brightmark Sobek RNG LLC) for the pipeline extension is reflected in Special Contract revenue (portion of amount included in MFR Schedule G-2, page 8f) and will cover the revenue requirements of the "pipeline extension" assets, including the associated depreciation expense, operating expenses and reasonable return on investments over the 15-year term.