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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 Donna L. Bluestone and Exhibit No. DLB-2.

Thank you for your assistance in connection with this matter.

Sincerely,

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

J. Jeffry Wahlen

JJW/ne

Attachment

cc: All parties of record



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

PETITION FOR RATE INCREASE
BY PEOPLES GAS SYSTEM, INC.

REBUTTAL TESTIMONY AND EXHIBIT
OF
DONNA L. BLUESTONE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

DONNA L. BLUESTONE

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

7
8 **A.** My name is Donna L. Bluestone. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am the Vice
10 President of Human Resources, and I am employed by Peoples
11 Gas System, Inc. ("Peoples" or the "company").
12

13 **Q.** Are you the same Donna L. Bluestone who filed direct testimony
14 in this proceeding?
15

16 **A.** Yes, I am.
17

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

20 **A.** The purposes of my rebuttal testimony are to respond to the
21 direct testimony of Office of Public Counsel's ("OPC")
22 witness Lane Kollen. Specifically, my rebuttal testimony
23 addresses misconceptions and inappropriate conclusions
24 witness Kollen drew regarding the company's projected test
25 year staffing and the trended payroll expenses.

1 Q. Have you prepared an exhibit supporting your rebuttal
2 testimony?

3

4 A. Yes. Exhibit No. DLB-2, entitled "Rebuttal Exhibit of Donna
5 L. Bluestone," was prepared under my direction and
6 supervision and accompanies my rebuttal testimony. The
7 contents of my rebuttal exhibit were derived from the
8 company's business records and are true and correct to the
9 best of my knowledge and belief. My rebuttal exhibit consists
10 of one document:

11

12 Document No. 1 CPI Compared to PGSI Non-Union Wage
13 Increases, 2019 to 2024

14

15 Q. Please summarize your areas of disagreement with witness
16 Kollen's testimony.

17

18 A. Witness Kollen argues that the company has overstated its
19 staffing needs because: (1) the need for additional employees
20 is discretionary and within the control of company
21 management; and (2) the company is already staffed for
22 continued growth in customers and the related infrastructure.
23 Additionally, witness Kollen takes exception to the five
24 percent escalation factors the company used in 2023 and 2024
25 to forecast non-union payroll expense increases. As I will

1 explain, each of these conclusions is incorrect.

2
3 **STAFFING**

4 **Q.** What process does Peoples use to identify the need for
5 additional positions?

6
7 **A.** Each position the company budgets for is well thought through
8 to ensure it meets the business need for that specific
9 function. The functional leader considers hiring a
10 replacement based on workload and the skill set needed for
11 replacement positions. These positions are reviewed and
12 approved by the executive leadership team. The President and
13 Chief Executive Officer must approve all new positions within
14 the company. The decision to replace a vacant position or add
15 a new team member is based on careful examination of the
16 justifications identified by the functional leader for that
17 new position. Positions are prioritized across the
18 organization based on business need. No one Vice President
19 can arbitrarily add positions.

20
21 **Q.** On page 29 of witness Kollen's direct testimony, he states
22 that the addition of employees is discretionary. Do you agree?

23
24 **A.** No, I do not. As explained in the rebuttal testimony of
25 Peoples' witnesses Tim O'Connor and Christian C. Richard, the

1 company's employee additions in the functional areas of Gas
2 Operations, Pipeline Safety, and Engineering, Construction,
3 and Technology ("ECT") in 2023 and 2024 are necessary to
4 maintain the safe and reliable operation of our system.
5 Additionally, Peoples witness Rachel B. Parsons justifies the
6 employee additions in the finance area.

7
8 **Q.** What about employee additions in the non-finance
9 administrative and general ("A&G") areas; are they needed?

10
11 **A.** Yes. As explained in the company's answer to OPC's First Set
12 of Interrogatories, Number 13, the company budgeted an
13 additional eighteen A&G team members to support the increase
14 in workload due to customer growth and other external forces.
15 Peoples plans to add these additional employees in the
16 following functional areas: (a) Human Resources ("HR") (3
17 team members); (b) Strategy, Marketing and Communications (6
18 team members); (c) Regulatory and Pipeline Safety (3 team
19 members); (d) Process Improvement and Analytics (3 team
20 members); and (e) Real Estate (3 team members).

21
22 **Q.** Why does the company need to add employees in the HR area?

23
24 **A.** As explained in my direct testimony, Peoples began
25 establishing its own HR team in 2021, starting with the HR

1 Business Partner function, adding two operations and four
2 talent acquisition team members in 2022. Peoples established
3 its own HR function to support the hiring and development of
4 its team members and keep serving the growing customer base
5 safely and reliably. The additional three team members in
6 2023 are needed to (i) help the company hire, review internal
7 processes and systems to ensure they appropriately support
8 the company's growth; (ii) assist team members with career
9 advancement goals; (iii) provide company leaders with tools
10 to keep team members engaged and developing. Many of these
11 programs are aimed at retaining employees in a very tight
12 talent market.

13
14 **Q.** Why does the company need to add employees in the Strategy,
15 Marketing and Communications area?

16
17 **A.** The Strategy, Marketing and Communications team has grown in
18 response to growth over the past few years. All four
19 positions will help develop and implement the annual
20 marketing plans for Peoples, including to better understand
21 our customer's needs and assisting with developing and
22 managing creative marketing and media strategy across all
23 platforms including print, digital, web, social media and
24 paid and earned media. Their duties will include assisting
25 and managing the marketing for natural gas, natural gas

1 adjacent products, and specific marketing support for
2 business development, safety programs, conservation programs,
3 customer programs and any other targeted marketing
4 efforts. The marketing coordinator will execute the day-to-
5 day components of the annual marketing plans at the direction
6 of the manager and the director. As Peoples continues to grow
7 and the marketing strategies grow, the need for this expertise
8 warrants these additional focused positions. The Manager of
9 Strategic Communications and Media Relations position has
10 already been filled due to the critical need for internal and
11 external communications given our statewide footprint.

12
13 The two positions in Strategy will be responsible for
14 understanding the risks and opportunities in serving our
15 customers, new and emerging business trends and assists with
16 shaping the strategic direction for the company as well as
17 providing input with how we communicate with all constituents
18 like our board of directors, affiliate companies and industry
19 associations.

20
21 **Q.** Why must the company add employees in the regulatory and
22 pipeline safety area?

23
24 **A.** The company needs to add three new team members in 2023 and
25 2024 as this group works to support a heightened level of

1 regulatory activity, including pipeline safety regulations
2 and compliance. One of the new employees will be a Regulatory
3 Administrator, who will provide administrative support for
4 damage prevention and public awareness activities, assistance
5 administering emergency management activities, MIR 3
6 Communications to team members, and Cority and safety
7 activities, and FPSC regulatory activities. The company also
8 plans to add one Senior Regulatory Analyst and recently added
9 one Regulatory Affairs Manager, both of whom will assist with
10 regulatory research, data analysis and modeling for
11 contracts, weather and sales forecasting, rate design and
12 cost of service studies, and responding to data requests from
13 regulators.

14
15 **Q.** Why must the company add employees for Process Improvement
16 and Analytics?

17
18 **A.** The company needs to add two positions to the fairly new
19 function of the data analytics team and one to focus on
20 process improvements. These positions will provide needed
21 data analytics assistance across the company to assist in
22 tracking, monitoring, and providing data for the company to
23 make more informed decisions. In an effort to find operational
24 efficiencies, this new position will document processes,
25 analyze activity flows, and find efficiencies that will help

1 us provide better service to our customers at a lower total
2 cost.

3

4 **Q.** Why must the company add employees in the Real Estate area?

5

6 **A.** The company plans to add two real estate technicians and one
7 manager in 2024. These new team members are needed to keep
8 pace with the growth of residential and commercial
9 developments, and anticipated activity associated with large
10 pipeline projects. Their work will include purchasing real
11 estate, securing easements and temporary construction work
12 sites, and supporting the imminent domain activity. They will
13 work with developers, local and state governments, and
14 private landowners to secure the property rights Peoples
15 needs to meet the challenges associated with serving a rapidly
16 growing state like Florida.

17

18 **Q.** Witness Kollen also asserts that Peoples is adequately
19 staffed for continued customer growth and related
20 infrastructure. Do you agree?

21

22 **A.** No. As explained above in my testimony and in more detail in
23 the rebuttal testimonies of witnesses O'Connor and Richard,
24 the company needs to hire additional employees in the Gas
25 Operations and ECT areas to ensure the safe and reliable

1 operation of the system as it continues to expand to meet
2 customer growth.

3
4 **TRENDED PAYROLL**

5 **Q.** Witness Kollen takes exception to the five percent escalation
6 factors the company used in 2023 and 2024 to forecast non-
7 union payroll expense increases. Is the company's proposed
8 five percent escalation factor reasonable for 2023 and 2024?
9

10 **A.** Yes. The company used a five percent escalation factor in
11 2023 and 2024 for non-union payroll expenses because the
12 company's actual wage rate increases for 2020 and 2021 were
13 lower than the overall level of inflation for those years,
14 and the company perceived a need to "catch up" with inflation.
15 As shown in Document No. 1 of my rebuttal exhibit, Peoples'
16 wage increases in 2021 and 2022 did not keep up with the
17 inflation rate. The inflation rate in Florida was 4.7 percent
18 and 8.00 percent in 2020 and 2021, respectively, while the
19 company's wage increases were only 2.20 percent in both years.
20 Thus, the company's budgeted five percent escalation rate for
21 2023 and 2024 will help close the gap created in 2021 and
22 2022. Catching up to the inflation rate in Florida will help
23 Peoples retain the company's skilled team members and attract
24 new ones.
25

1 **Q.** How can the Commission be comfortable that using a five
2 percent non-union wage escalator for 2023 and 2024 will help
3 the company catch up with inflation?
4

5 **A.** The answer to this question is reflected in Document No. 1 of
6 my rebuttal exhibit. In addition to showing the annual CPI
7 and wage increase percentage from 2019 to 2024, Document No.
8 1 shows a compound multiplier for CPI and wage growth using
9 five percent in 2023 and 2024. The two compound multipliers
10 are about the same, showing that using a five percent non-
11 union wage escalation factor for 2023 and 2024 will
12 essentially allow the company's wage growth to catch up with
13 inflation.
14

15 **Q.** Does using a five percent non-union wage escalator for 2023
16 and 2024 mean that Peoples employees can expect five percent
17 raises in 2023 and 2024?
18

19 **A.** No. In general, actual merit increases for 2023 and 2024 will
20 likely be less than five percent, but the company must have
21 budgeted dollars available to: be competitive when
22 contracting new hires by paying signing bonuses and moving
23 expenses; meet the growing compensation demands for new
24 employees due to market demands; and adjust compensation of
25 existing employees who are at risk of being recruited away.

1 **Q.** On page 35 of his direct testimony, witness Kollen states
2 that 5.0 percent escalation factors for trended payroll in
3 2023-2024 are significantly greater than contractual union
4 increases for those years, which range from 2.75 percent to
5 3.0 percent. Is witness Kollen correct in this conclusion?

6
7 **A.** No, the five percent escalation factors for trended payroll
8 in 2023-2024 is not significantly greater than contractual
9 union increases for those years. The company's team member
10 population covered by Collective Bargaining Agreements only
11 accounts for 13 percent of our population. Any impact of not
12 distinguishing between union and non-union payroll for the
13 trended payroll expenses was de minimis due to the low
14 percentage of union team members.

15
16 **Q.** Witness Kollen recommends reducing the escalation factors for
17 trended payroll expenses in 2023 and 2024 to 4.0 and 3.0
18 percent, respectively. Do you agree with this recommendation?

19
20 **A.** No, I do not agree with this recommendation. Reducing the
21 companies' annual budget for merit increases would have a
22 negative impact on our ability to retain current team members.
23 The company looks at team members' pay compared to the market
24 to be competitive internally and externally when hiring new
25 employees. Not being able to keep up with inflation would put

1 the company at a disadvantage in hiring new skilled team
2 members and retaining current experienced team members.
3 Maintaining a skilled team member base is essential to
4 providing safe and reliable gas service to our customers.
5 Florida's existing talent pool for those experienced in
6 utility gas operations is thin given the relatively new state
7 of the business and skilled workers are incredibly valuable
8 given the cost to train and develop new workers.

9
10 **SUMMARY**

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

12
13 **A.** Peoples is prudent in determining headcount needs based on
14 workload, customer growth and ensuring that the company can
15 provide safe and reliable gas service to our customers.
16 Additionally, we stand by the trended payroll expenses as a
17 method to keep up with inflation and our ability to attract
18 and retain skilled team members. The company uses thoughtful
19 and highly controlled processes to manage our hiring and
20 staffing levels in general. The headcount and salary budgets
21 have been prepared according to that discipline.

22
23 **Q.** Does this conclude your rebuttal testimony?

24
25 **A.** Yes, it does.

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

EXHIBIT

OF

DONNA L. BLUESTONE

PEOPLES GAS SYSTEM
DOCKET NO. 20230023-GU
EXHIBIT NO. DLB-2
WITNESS: BLUESTONE

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PEOPLES GAS SYSTEM, INC.
 CPI Compared to Non-union Wage Increases
 2019 Prior Rate Case Base Year to 2024 Test Year

	CPI	CPI Compound Multiplier	Wage Increase	Wage Increase Compound Multiplier	Compound Multiplier Difference
2019		1.0000		1.0000	
2020	1.23%	1.0123	2.70%	1.0270	0.0147
2021	4.70%	1.0599	2.70%	1.0547	-0.0051
2022	8.00%	1.1447	3.75%	1.0943	-0.0504
2023	2.80%	1.1767	5.00%	1.1490	-0.0277
2024	2.20%	1.2026	5.00%	1.2064	0.0038

Note: CPI is the national average. The inflation rates in the State of Florida have been higher than the national average CPI.