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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20230023-GU

Petition for rate increase by Peoples  
Gas Systems, Inc.

\_\_\_\_\_/

DOCKET NO. 20220219-GU

Petition for approval of 2022 depreciation  
study by Peoples Gas Systems, Inc.

\_\_\_\_\_/

DOCKET NO. 20220212-GU

Petition for approval of depreciation rate  
and subaccount for renewable natural gas  
facilities leased to others by Peoples  
Gas Systems, Inc.

\_\_\_\_\_/

VOLUME 8 - PAGES 1305 - 1559

PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ANDREW GILES FAY  
COMMISSIONER ART GRAHAM  
COMMISSIONER GARY F. CLARK  
COMMISSIONER MIKE LA ROSA  
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Thursday, September 14, 2023

TIME: Commenced: 9:00 a.m.  
Concluded: 9:22 p.m.

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK  
Court Reporter

APPEARANCES: (As heretofore noted.)

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## I N D E X

WITNESS:	PAGE
DONNA BLUESTONE	
Examination by Ms. Ponder	1308
Prefiled Direct Testimony inserted	1311
Prefiled Rebuttal Testimony inserted	1362
Examination by Ms. Christensen	1377
Examination by Mr. Moyle	1403
Examination by Mr. Sandy	1408
Further Examination by Ms. Ponder	1417
RICHARD HARPER	
Prefiled Direct Testimony inserted	1421
ERIC FOX	
Prefiled Direct Testimony inserted	1446
GREGG THERRIEN	
Prefiled Direct Testimony inserted	1467
KAREN BRANLEY	
Prefiled Direct Testimony inserted	1496
LUKE BUZARD	
Prefiled Rebuttal Testimony inserted	1518

EXHIBITS CONTINUED				
	NUMBER:		ID	ADMITTED
1				
2				
3	199	Bluestone Late Files Exhibit No. 1 Headcount	1378	1418
4				
5	200	Bluestone Late Filed Exhibit No. 2 Onboarding 2023	1379	1418
6	201	Response to OPC Interrogator No. 13	1381	1418
7				
8	202	Bluestone Late Filed Exhibit No. 3	1389	1418
9	203	Bluestone Late Filed Exhibit No. 5	1399	1418
10				
11	204	OPC Interrogatory No. 18	1400	1418
12	17	As identified on the CEL		1418
13	29	As identified on the CEL		1418
14	18	As identified in the CEL		1558
15	19	As identified in the CEL		1558
16	24	As identified in the CEL		1558
17	25	As identified in the CEL		1558
18	34	As identified in the CEL		1558
19				
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1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume  
3 7.)

4 CHAIRMAN FAY: All right. Commissioners, we  
5 are going to move next to witness Bluestone, if the  
6 parties are ready.

7 MR. WAHLEN: We are.

8 MS. PONDER: Yes, Peoples Gas calls Donna  
9 Bluestone.

10 Whereupon,

11 DONNA BLUESTONE

12 was called as a witness, having been first duly sworn to  
13 speak the truth, the whole truth, and nothing but the  
14 truth, was examined and testified as follows:

15 EXAMINATION

16 BY MS. PONDER:

17 Q Good afternoon.

18 A Good afternoon.

19 Q Would you please state your full name for the  
20 record?

21 A Donna Bluestone.

22 Q And have you been sworn?

23 A Yes, ma'am.

24 Q Who is your current employer and what is your  
25 business address?

1           A     Peoples Gas, 702 North Franklin Street, Tampa,  
2 Florida, 33602.

3           Q     Did you prepare and cause to be filed in this  
4 docket on April 4th prepared direct testimony consisting  
5 of 48 pages?

6           A     Yes, I did.

7           Q     And did you prepare and cause to be filed in  
8 this docket on July 20 prepared rebuttal testimony  
9 consisting of 12 pages?

10          A     Yes, I did.

11          Q     And did you prepare and cause to be filed  
12 revisions to pages 36 and 37 of your prepared direct  
13 testimony on July 25?

14          A     Yes, ma'am, I did.

15          Q     Other than the revisions to your direct  
16 testimony filed on July 25, do you have any additions or  
17 corrections to your prepared direct or rebuttal  
18 testimony?

19          A     No, I do not.

20          Q     Okay. With those revisions, if I were to ask  
21 you the questions contained in your prepared direct and  
22 rebuttal testimony today, would your answers be the same  
23 as those contained therein?

24          A     Yes, they would be.

25                MS. PONDER: Mr. Chairman, Peoples requests

1           that the prepared direct and rebuttal testimony of  
2           Ms. Bluestone be inserted into the record as though  
3           read.

4                   CHAIRMAN FAY: Okay. Without objection, show  
5           inserted.

6                   (Whereupon, prefiled direct testimony of Donna  
7    Bluestone was inserted.)

8

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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

IN RE: PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBIT  
OF  
DONNA L. BLUESTONE

FILED: 04/04/2023

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

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

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



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

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **PREPARED DIRECT TESTIMONY**

3   **OF**

4   **DONNA L. BLUESTONE**

5  
6                   **POSITION, QUALIFICATIONS, PURPOSE**

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

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

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

17  
18           **A.**    I am responsible for the leadership and strategic  
19                                   direction of the Human Resources ("HR") functions for  
20                                   Peoples. My duties include (1) talent acquisition; (2) HR  
21                                   operations; and (3) leadership and organizational  
22                                   development. I am also responsible for coordinating the  
23                                   HR functions provided to Peoples by Tampa Electric Company  
24                                   ("Tampa Electric") via shared services. These include HR  
25                                   technology, compensation, payroll, and benefits. **D6-344**

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

3

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

8

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

17

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

20

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

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

3

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

6

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

13

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

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

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

21 Document No. 4 Average Base Salary Compa-Ratio

22 Document No. 5 Salary Budget History 2019-2023

23 Document No. 6 Benefits Plan Summary (2023)

24 Document No. 7 Mercer BENCAL Study

25 Document No. 8 Mercer - Average Health Benefits Costs

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Per Employee for 2011 - 2021  
Document No. 9 Mercer - National Survey of Employer-  
Sponsored Health Plans 2022

**HUMAN RESOURCES**

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

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

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

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

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

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

9  
10 **A.** Yes. A few HR functions remain shared with Tampa Electric  
11 due to the transactional nature of the service. These shared  
12 functions include: (1) HR Technology and Systems; (2)  
13 payroll; (3) benefits plan design and administration; and  
14 (4) compensation design. Peoples pays a shared services  
15 allocation to Tampa Electric for these functions. Company  
16 witness Rachel B. Parsons addresses this shared service  
17 allocation in her direct testimony.

18  
19 **Q.** Please describe the value these dedicated HR functions  
20 deliver to Peoples' team members and customers?

21  
22 **A.** Peoples' dedicated HR function benefits customers by  
23 recruiting team members with technical experience in the  
24 natural gas industry from design and engineering to  
25 construction and operational maintenance functions. These

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

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

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

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

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

1 team does not project adding any new positions.

2

3 **ABOUT PEOPLES**

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

5

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

7

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

10

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

20

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

23

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

1 team members.

2

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

4

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

12

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

14

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

18

19 **Q.** How many team members are exempt?

20

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

25



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

3  
4 A. Peoples' philosophy with respect to our team members is  
5 based on the understanding that team members drive the  
6 company's value to customers and the communities we serve.  
7 It is essential for the company's team members to be focused  
8 on meeting the needs of our current and future customers.

9  
10 Peoples is committed to hiring and retaining skilled team  
11 members who: (1) are dedicated to collaboration and  
12 innovation; (2) can adapt to the company's changing  
13 industry needs; and (3) embrace innovations that help the  
14 company safely deliver clean, affordable, and reliable  
15 energy. The company offers multiple programs to help retain  
16 skilled team members beyond the compensation and benefits  
17 package such as leadership development, tuition  
18 reimbursement, and flexible work options for certain  
19 positions. Additionally, apprentices are eligible to earn  
20 up to 30 credit hours of college credit towards an associate  
21 degree should they choose to do so.

22  
23 Q. Does the company use surveys or other means to get feedback  
24 from its team members?

25

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

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

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

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

3

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

6

7 1. Safety, health, and the environment;

8 2. Customers;

9 3. Integrity;

10 4. Respect and collaboration; and

11 5. Excellence.

12

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

15

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

19

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

21 2. Takes Ownership and Acts with Integrity;

22 3. Drives Operational Excellence for Customers;

23 4. Builds Strong, Collaborative Relationships;

24 5. Develops People and Teams;

25 6. Cultivates Innovation and Embraces Change; and

1 7. Thinks Strategically and Exercises Sound Judgment.

2  
3 **Q.** What are the objectives of Peoples' total compensation and  
4 benefits programs?

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

19  
20 **TALENT MARKET CHALLENGES**

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

23  
24 **A.** During 2021 and 2022, Florida's labor market experienced a  
25 very low unemployment rate and an influx of high-wage talent

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

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

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

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

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

7  
8 **COMPENSATION**

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

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

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

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

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

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

4  
5 Peoples, like many other companies, has two pay scales, one  
6 for all positions except engineering roles and a separate  
7 pay scale for all engineering positions. Having a separate  
8 range of salaries for positions that require a higher pay  
9 range allows Peoples to compete in the market.

10  
11 **Q.** What is base compensation?

12  
13 **A.** Base compensation (or base pay) is the pay team members  
14 regularly receive bi-weekly and is either paid as hourly  
15 wages or salary. Base compensation is used in determining  
16 a compensation ratio ("compa-ratio").

17  
18 **Q.** What is compa-ratio?

19  
20 **A.** Compa-ratio is a measurement of pay that compares a team  
21 member's base compensation to the median compensation for  
22 similar positions within the target market. For example, a  
23 compa-ratio of 100 percent or 1.0 would mean that a team  
24 member's base compensation was considered "at market"  
25 because it is the midpoint.

1 Q. What is total direct compensation or TDC?

2

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

8

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

11

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

18

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

24

25 The company's compensation system uses a pay for



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

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

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

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

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

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

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

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

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

3

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

13

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

22

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

25

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

13  
14     **Q.**    What is the annual performance review process?

15  
16     **A.**    The annual performance review process involves the  
17            evaluation of a team member's performance against  
18            established goals by the performance coach. At the outset  
19            of each year, team members establish goals with their  
20            performance coach. The team member's designated goals are  
21            aligned with the company's annual objectives set forth  
22            within Peoples Balanced Scorecard ("BSC"). I will explain  
23            the BSC later in my direct testimony.

24  
25     The company evaluates a team member's performance against

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

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

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

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

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

5

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

11

12   **Q.**    How is the STIP applied to team members?

13

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

21

22   **Q.**    Please describe the Balanced Scorecard, or BSC.

23

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

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

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

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

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

1 retain skilled leaders.

2

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

14

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

17

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



1 rates.

2

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

7

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

11

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

16

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

24

25 This study prompted Peoples to evaluate team members

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

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

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

1 individual's salary within a defined compensation range.

2

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

4

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

7

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

9

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

19

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

22

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

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

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

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

15  
16 **HEALTH AND WELFARE BENEFITS**

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

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

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

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

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

24  
25 BEBVAL uses consistent actuarial methods applied to a fixed

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

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

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

21

22 **HEALTHCARE BENEFITS**

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

25

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

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

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

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

3

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

12

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

17

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

20

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

23

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



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

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

20

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

24

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

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

5  
6           **PENSION AND RETIREMENT SAVINGS BENEFITS**

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

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

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

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

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

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

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

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

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

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

18 A. The BENVAl study, Document No. 7 of my exhibit, shows  
19 Peoples' retirement savings plans and pension plans are at  
20 or above the median plan compared to the company's peer  
21 group, which includes a total of 25 utilities. This  
22 competitive position is driven by providing all three  
23 elements of retirement savings - Defined Contribution,  
24 Defined Benefit, and Stock Purchase plans.  
25

1 Together the company's total employer contribution of about  
2 11 percent is similar to the peer group median and the  
3 general market median of about 7 percent. Peoples believes  
4 these contribution levels are reasonable to maintain its  
5 status as a competitive employer and support long-term  
6 development of team members.

7  
8 **2024 PROJECTED TEST YEAR PAYROLL COSTS**

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

10  
11 **A.** Yes. Peoples has added 85 team members since December 2020,  
12 with 84 team members joining the company in 2022. The  
13 majority of the additional headcount went to support the  
14 company's system and customer growth, with 23 new team  
15 members joining the Engineering, Construction and  
16 Technology ("Engineering") team and 32 joining Gas  
17 Operations, Sustainability and External Affairs  
18 ("Operations") team.

19  
20 **Q.** How did the company project its human resource needs in  
21 2023 and 2024?

22  
23 **A.** Peoples determined the need for additional human resources  
24 by evaluating factors including customer growth, expansion  
25

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

5

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

7

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

12

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

20

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

23

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

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

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

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

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

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

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

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

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

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



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

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

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

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

1 described in my direct testimony.

2

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

6

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

16

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

19

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

22

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3

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

6

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

9

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

13

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

20

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

24

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

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

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

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

18 **SUMMARY**

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

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

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

9  
10 **Q.** Does this conclude your prepared direct testimony?

11  
12 **A.** Yes.

13

14

15

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25



1                   (Whereupon, prefiled rebuttal testimony of  
2 Donna Bluestone was inserted.)

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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

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **REBUTTAL TESTIMONY**

3   **OF**

4   **DONNA L. BLUESTONE**

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.

1 BY MS. PONDER:

2 Q Ms. Bluestone, did you also prepare and cause  
3 to be filed with your direct testimony and exhibit  
4 market DLB-1 consisting of nine documents?

5 A Yes, I did.

6 Q And did you submit revisions to documents No.  
7 7 and 5 of DLB-1 on July 25 and August 1 respectfully?

8 A Yes, I did.

9 Q Did you also prepare and cause to be filed  
10 with your rebuttal testimony an exhibit marked DLB-2  
11 consisting of one document?

12 A Yes, ma'am.

13 MS. PONDER: Mr. Chairman, Peoples would like  
14 to note for the record that Exhibits DLB-1 and 2  
15 have been identified on the CEL as Exhibits 17 and  
16 29.

17 CHAIRMAN FAY: Okay.

18 BY MS. PONDER:

19 Q Ms. Bluestone, would you please summarize your  
20 prepared direct and rebuttal testimony?

21 A Yes.

22 Good afternoon, Commissioners. My direct  
23 testimony presents the company's philosophy on  
24 compensation and benefits. It demonstrates that the  
25 company's compensation and benefits programs are

1 competitive, which is critical for Peoples to attract  
2 new talent and retain our current skilled team members.  
3 It discusses the requested employee additions required  
4 to support the company's growth. It also describes the  
5 company's growing human resources team, as well as our  
6 responsibilities and functions.

7 My testimony demonstrates that the company's  
8 proposed level of operations and maintenance expenses  
9 for administrative and general salaries for 2024 are  
10 reasonable and prudent. It also shows that the  
11 company's total compensation and benefits cost for 2024  
12 are reasonable and prudent.

13 My rebuttal testimony describes the deliberate  
14 consideration exercised by the company in determining  
15 our staffing needs. It supports the trended payroll for  
16 2023 and 2024, and shows that a five-percent escalation  
17 factor is reasonable and appropriate.

18 Both my direct and rebuttal testimonies  
19 explain the importance of us being able to attract and  
20 retain skilled talent so that we have the right people  
21 in the right positions to ensure safe and reliable gas  
22 services to our customers.

23 Thank you.

24 MS. PONDER: Mr. Chairman, we tender Ms.

25 Bluestone for cross.



1 CHAIRMAN FAY: Okay. Public Counsel, Ms.  
2 Christensen.

3 MS. CHRISTENSEN: Thank you.

4 EXAMINATION

5 BY MS. CHRISTENSEN:

6 Q Good afternoon, Ms. Bluestone, how are you  
7 doing today?

8 A I'm great. Thank you. How are you?

9 Q Good.

10 Ms. Bluestone, you are the Vice-President of  
11 Human Resources, is that correct?

12 A Yes. That's correct.

13 Q And you are the witness supporting the general  
14 request for additional positions, right?

15 A Yes. That's correct.

16 Q Okay. Do you have a copy of your direct  
17 prefiled testimony in front of you?

18 A I do.

19 Q I would ask you to go to page seven of your  
20 direct testimony, starting at line six. And if you can  
21 confirm that as of December 31st, 2022, Peoples had 708  
22 employees, correct?

23 A That is correct.

24 Q And then you go down -- as you go further on  
25 the page, you continue to break down the employee count

1 and you say that there were 93 Peoples employees that  
2 were part of collective bargaining units as of December  
3 31st, 2022, correct?

4 A That is correct.

5 Q And then also as of December 31st, 2022, you  
6 testified that you have 329 non-covered non-exempt  
7 hourly employees, right?

8 A Yes, on page eight.

9 Q I believe so.  
10 And then further down on page eight, you talk  
11 about the 286 PGS employees that are non-covered exempt  
12 that were with the company as of December 31st, 2022,  
13 correct?

14 A That is correct.

15 MS. CHRISTENSEN: Okay. I am going to ask to  
16 have OPC 80 passed out.

17 CHAIRMAN FAY: I believe we will mark this  
18 199.

19 MS. CHRISTENSEN: I believe that's where we  
20 are. Yes.

21 (Whereupon, Exhibit No. 199 was marked for  
22 identification.)

23 BY MS. CHRISTENSEN:

24 Q Ms. Bluestone, you are familiar with this  
25 document, correct?

1 A Yes, I am.

2 Q Okay. And this document shows the actual  
3 headcount as of August 3rd, 2023, is that correct?

4 A Yes, it is.

5 Q Okay. And in this exhibit, you show a total  
6 actual headcount as of August 3rd, 2023, of 743  
7 employees. That did not include the five-percent  
8 vacancy allowance, correct?

9 A That is correct. That's an actual employee  
10 headcount number.

11 Q And it goes on further to show that of the 400  
12 -- or the 743 employees, those are broken out as 94  
13 union employees, 304 non-covered non-exempt  
14 employees, and 308 exempt employees, correct?

15 A That's correct.

16 Q Okay. And the union employees would also be  
17 collective bargaining employees?

18 A Yes. We use those terms interchangeably.

19 MS. CHRISTENSEN: Okay. I would ask to have  
20 OPC Exhibit 81 passed out.

21 CHAIRMAN FAY: Okay. Mark this 200.

22 (Whereupon, Exhibit No. 200 was marked for  
23 identification.)

24 BY MS. CHRISTENSEN:

25 Q And, Ms. Bluestone, you are familiar with this

1 document as well, correct?

2 A Yes, I am.

3 Q And this document shows the onboarding  
4 timeframe for the 118 new team members in 2023 as of the  
5 August 3rd, 2023 date, correct?

6 A No, I don't agree with that statement.

7 Q Okay. Can you clarify? It was between  
8 January 1st, 2023 and August 3rd, 2023?

9 A The language used here referring to offers  
10 speaks to the volume of work for our talent acquisition  
11 team, so it includes internal transfers, promotions,  
12 offers that have been extended but not received. So it  
13 is not necessarily referring to 118 new employees that  
14 were hired into our organization.

15 Q Okay. So if this included internal transfers  
16 in the 118, how many of the 118 are actually new hires?

17 A As of mid-August, we have actually hired 83  
18 new people.

19 Q Okay. And those are new positions or are  
20 those include backfilled positions?

21 A It would be a combination of either backfilled  
22 of existing positions and new positions.

23 Q Okay. All right. So you had -- let me ask  
24 you this: PGS was asking for 90 new positions in 2023,  
25 and 64 new positions in 2024, correct?

1 A That is correct.

2 Q Let me have you take a look at, and I am going  
3 to ask to have passed out OPC 82.

4 CHAIRMAN FAY: Okay. We will mark this  
5 Exhibit 201.

6 (Whereupon, Exhibit No. 201 was marked for  
7 identification.)

8 BY MS. CHRISTENSEN:

9 Q And, Ms. Bluestone, you are familiar with this  
10 document, correct?

11 A Yes, I am.

12 Q Okay. And this is the interrogatory response  
13 that was provided by Peoples to OPC's Interrogatory No.  
14 13, correct?

15 A Yes. That's correct.

16 Q And I think this was discussed earlier today  
17 with another witness, but this is the breakdown of the  
18 positions that have been requested by PGS in the rate  
19 case for 2023, and then flowing into 2024, correct?

20 A That's correct.

21 Q And if I am looking at the column headers on  
22 this document, you have an indication for a column  
23 header indicating 2023 headcount positions, correct?

24 A Yes, ma'am.

25 Q And then you have a column header for 2024

1 headcount positions?

2 A Yes.

3 Q Then you list the witness that's supporting  
4 those positions, is that correct?

5 A That is correct. Yes.

6 Q And then you also have an indication for new  
7 position?

8 A Yes.

9 Q Okay. And then a -- is that TEC transfer  
10 position, correct?

11 A Yes. That's correct.

12 Q Okay. And new positions are only for newly  
13 created positions, is that correct?

14 A That would be correct.

15 Q Okay. And all of the other positions, if they  
16 are a no on those new positions, they are either  
17 backfilled positions or vacancies?

18 A That would be correct, it could be backfill or  
19 replacement for an existing position.

20 Q Okay. And would you agree that of the 90  
21 positions that PGS was requesting in 2023, 61 of those  
22 positions is for replacements or vacancies, subject to  
23 check?

24 A I believe the number is 63.

25 Q Okay. And 63, does that include vacant

1 positions, or the vacancy rate in there as well, or are  
2 those two additional positions?

3 A That would not include the five-percent  
4 vacancy.

5 Q Okay. And I believe you made a clarification  
6 that -- you said some of those -- the 118 positions that  
7 we were talking about in late filed Exhibit No. 2  
8 included transfers within the department. Is the other  
9 difference between the 118 that was referenced in late  
10 filed Exhibit 2 and the 90 budgeted requested positions,  
11 are those also replacement or backfilled positions?

12 A They could be, yes.

13 Q Okay. So would that be -- would it be correct  
14 to say that there would be 28 new replacement positions  
15 that were created after the filing, between the filing  
16 and August 3rd, 2023?

17 A Subject to check, that sounds about right.

18 Q Okay. And looking at Interrogatory 13, is it  
19 correct that of the 90 positions for 2023, 58 employees  
20 have been hired as of August 2023?

21 A I am sorry, where are you seeing that number,  
22 53?

23 Q 58. Would it be correct that of the 90  
24 positions, 58 of those positions had been hired as of  
25 August 3rd, 2023?

1           A     Yes, that is correct.  And as of mid-August,  
2     the number is 61 without the vacancy allotment.

3           Q     Okay.  So you have hired an additional, back  
4     of the envelope, three positions?

5           A     That's correct.

6           Q     And do you have a specific date that you are  
7     referring to for the 63 -- or the 61, excuse me -- new  
8     hires?  You said mid August, do you have a specific date  
9     for that?

10          A     August 15th.

11          Q     Okay.  And I believe you may have stated this  
12     in your testimony, and I don't recall, but let me ask  
13     you this:  Does the budget include two positions for  
14     vacancies in 2023 and two positions in 2024?

15          A     The vacancy allotment actually removes those  
16     two positions from both year 2023 and 2024 from the  
17     budget.

18          Q     Okay.  So normally, your budget would include  
19     approximately two vacant positions for each of those  
20     years?

21          A     Witness Parsons is probably the right person  
22     to talk about the actual budgeting process.

23          Q     Okay.  Looking at your direct testimony, page  
24     four, please.  And I was specifically referencing lines  
25     eight through 15.



1 A I am sorry, did you say page four?

2 Q Page four, line eight through 15. This is  
3 where you discuss that the HR Department had hired seven  
4 new employees, is that corrects?

5 A That is correct.

6 Q Okay. And then if we go on to page six of  
7 your testimony, lines -- I don't have lines -- anyway,  
8 on page six of your testimony, you talk about adding, I  
9 believe, three additional employees to the HR Department  
10 in 2023?

11 A Yes, on page six, we talk about adding three  
12 positions.

13 Q And as of the August 3rd, 2023 date, those  
14 positions had not been filled, is that correct?

15 A That is correct.

16 Q And those positions remain unfilled?

17 A Yes, that is correct.

18 Q Okay. And there are no new positions in HR  
19 that the company is requesting for 2024, correct?

20 A No, not for 2024.

21 Q And the difference between the 90 requested  
22 new positions, and I guess we said 61 positions as of  
23 August 15th, that would be 30, am I correct in that?

24 A Correct.

25 Q Okay. And of those -- if 27 of the 90

1 positions in 2023 have been filled -- are filled new  
2 positions, and 61 of the positions identified in  
3 Interrogatory 13 were the replacement positions, subject  
4 to check, that would leave 30 positions unfilled and two  
5 new positions unfilled, that would be as of August 3rd,  
6 2023, correct?

7 A It would mean that we would have 30 left using  
8 the data in IRR 13, yes.

9 Q Okay. Of the 30 left, how many of those are  
10 for new positions and how many of them are for  
11 replacement, or vacancy positions? If you know.

12 A I would have to do back of the math envelope,  
13 which is not my strong suit. But the bulk of positions  
14 that have been replaced in 2023 have been backfilled for  
15 existing positions.

16 Q Okay. And of the ones that are remaining, are  
17 those -- remaining to be filled -- are those new  
18 positions that were created?

19 A We have already hired -- I am sorry, can you  
20 restate your question, please?

21 Q Certainly.

22 What I am trying to get at is, of the 30  
23 positions remain to be filled of your 90 that were  
24 requested, are those new positions that remain to be  
25 filled, are those vacancies that have to be filled; or

1 if it's a split, if you know, what is the split of  
2 backfilled positions that remain to be filled and new  
3 positions that remain to be filled?

4 A 61 of the 90 have been filled. Of that 61, 63  
5 were -- I am sorry, of that 61, 46 were backfilled and  
6 replacements, and 15 were brand new positions.

7 Q Okay. So based on Interrogatory No. 13, if we  
8 look through the numbers, we could likely figure out how  
9 many of the remaining positions are backfilled and new  
10 positions?

11 A Correct.

12 Q Okay. You would agree that these additional  
13 position requests do not reflect the benefit of any  
14 position reductions due to efficiencies from  
15 implementing WAM, correct?

16 A No, I don't agree with that statement. I  
17 believe the business has diligently looked at their  
18 business needs, including the implementation of WAM and  
19 any efficiencies that they might gain from that, and  
20 that the business has come forward with their  
21 requirements, and that is the data presented in IRR 13.

22 Q Okay. So it's your testimony that the company  
23 has implemented WAM such that we are going to see  
24 efficiencies and reductions in employee count in the  
25 2024 test year?

1           A     Unfortunately, I am the not WAM expert. That  
2 would be witness Richard.

3           Q     Okay. Regarding the 61 filled positions in  
4 2023, am I correct that 34 of those positions were in  
5 operations, 18 positions were in engineering and  
6 construction, and six positions were in corporate, and I  
7 am not sure what the other two positions were?

8           A     The numbers you just quoted are the positions  
9 of the 90 that we have filled that were backfills for  
10 existing positions.

11          Q     Okay. And included in those 61 positions that  
12 were filled, 11 of those are new apprentices?

13          A     Yes, they were.

14          Q     And would you agree that some of these new  
15 hires are replacing outside services?

16          A     I don't know that they were a one-to-one  
17 replacement. But I do know that the business was  
18 looking at bringing in contractors, and I believe  
19 witness O'Connor talked a little bit about that in his  
20 testimony earlier this morning.

21          Q     If you know, how many of the 154 have been  
22 hired from vendors?

23          A     I don't know that answer.

24                   MS. CHRISTENSEN: Okay. Let me ask to have  
25 passed out OPC Exhibit 83.

1 CHAIRMAN FAY: Okay. We will mark this  
2 Exhibit 201 -- it looks like we already marked 201,  
3 didn't we? 202.

4 MS. CHRISTENSEN: Yes, I believe this would be  
5 202.

6 CHAIRMAN FAY: Okay.

7 (Whereupon, Exhibit No. 202 was marked for  
8 identification.)

9 BY MS. CHRISTENSEN:

10 Q Ms. Bluestone, you are familiar with this  
11 document, correct?

12 A Yes, I am. You refreshed my memory. Thank  
13 you.

14 Q Okay. And it's titled -- or it has a title on  
15 it of 118 New Team Members in 2023 and Displacement of  
16 Outside Services, correct?

17 A That's correct.

18 Q Okay. And on this exhibit, it shows 24 of the  
19 new positions will displace outside contract services,  
20 correct?

21 A I would state 24 of the positions that we've  
22 hired, not necessarily new positions.

23 Q Okay. But 24 of those positions are  
24 displacing outside contract services, correct?

25 A That is correct, yes.

1 Q Okay. And you show in this response to  
2 discovery -- or in this response, that a cost savings of  
3 200,000 for the 22 pipeline locator positions, is that  
4 correct?

5 A Yes. That's correct.

6 Q And then you also show a cost savings of  
7 approximately 6,000 respective to two administrative  
8 specialists, is that correct?

9 A That is correct.

10 Q Let me take you to page 17 of your direct  
11 testimony, and just let me know when you get there, and  
12 I will let I know when I get there as well.

13 A I am on that page.

14 Q Okay. And I would draw your attention,  
15 starting at line 16. You state that PGS moved from  
16 focusing on the southeastern market data to a national  
17 market data basis for establishing the company's  
18 compensation levels, right?

19 A That's correct.

20 Q And would it be correct that the salaries  
21 included in this case are based on national markets  
22 numbers?

23 A Yes. That's correct.

24 Q And going on to page 18, starting at line 19,  
25 you talk about PGS negotiated union pay increases

1 through 2024 separately from the nonunion employees, is  
2 that correct?

3 A That's correct.

4 Q And the percentage increase for 2023 and 2024  
5 for union pay raises was three percent for both years,  
6 is that right?

7 A Subject to check, we have four collective  
8 barring anyone unit agreements, so subject to check, but  
9 that does sound correct.

10 Q Okay. And the company implemented wage  
11 premiums for Miami, Ft. Myers, Jupiter, Ft. Lauderdale  
12 areas to compensate for increased cost of living and  
13 labor cost in those areas in 2022, correct?

14 A That's correct. We did a survey, and we found  
15 that the -- those four divisional offices, the cost of  
16 living was higher than other areas in the state, and so  
17 we implemented the five-percent geographical  
18 differential, which is a very common compensation  
19 practice.

20 Q Okay. And this premium wage differential,  
21 that would have been included in the test year?

22 A Yes, it would be.

23 Q And on page 27 of your testimony, and if you  
24 want to flip there, that's -- and I am starting at lines  
25 three and six.

1           A     Okay.

2           Q     On lines three and -- three through six, there  
3     is the question and answer that talks about the company  
4     -- the company's team members are at an average of 0.97  
5     compare ratio as of January 23rd, 2023, and that would  
6     mean that PGS is close to the national market average,  
7     is that correct?

8           A     Yes. A comp ratio, we look to target a 1.0  
9     comp ratio, which is the median of the compensation  
10    ranges that we have within our organization.

11          Q     Okay. And I think you just answered that  
12    question, but 1.0 comp ratio would be the exact national  
13    average, correct?

14          A     I believe it's more of an art than a science,  
15    but it is the comp ratio --

16          Q     Okay.

17          A     -- median.

18          Q     And on page 42 of your testimony, and I am  
19    flipping around, looking at lines 17 through 21, you say  
20    that as shown on MFR Schedule G-2, pages 12 through 19,  
21    the company has budgeted five percent for merit  
22    increases for 2023 and 2024, correct?

23          A     That is correct. And the way we allocate  
24    merit increases include three items. One is for our  
25    annual increases. Two is to provide mid-cycle, or



1 midyear off cycle adjustments for retention purposes, as  
2 well as giving us an opportunity to have budgeted  
3 dollars for any hires that we need to bring in higher  
4 than the predecessor.

5 Q Well, let me ask you this: On page 43, you  
6 say that of the 5.6 million increase in FERC account 920  
7 for 2024, 1.1 million of that increases administrative  
8 salaries that were budgeted on a trended basis using  
9 this five-percent merit increase, is that correct?

10 A That is correct.

11 Q And that 1.1 million includes the five-percent  
12 trended increases for 2023 as well as 2024, correct?

13 A That is correct.

14 Q And on page 44 of your direct testimony,  
15 starting at line 25, to the top of page 45, you talk  
16 about -- or you say, the company used the negotiated  
17 increases included in the current CBA to calculate the  
18 payroll increases for the covered team members, is that  
19 correct?

20 A That is correct.

21 Q And do you recall saying today that the  
22 negotiated payroll increases for the covered team  
23 members was three percent in 2023 and 2024?

24 A I said, subject to check, based off of the  
25 four varying collective bargaining agreements.

1           Q     Okay. Do you have Schedule G-2 18B at your  
2 disposal?

3           A     Yes, I do.

4           Q     Okay. Great. And that will be -- that would  
5 be K255 for those following along.

6                     Okay. And I have a couple of questions  
7 regarding this exhibit. Are you familiar with this  
8 exhibit?

9           A     Yes, I am.

10          Q     Okay. I will make this a little bigger for my  
11 older eyes.

12                    Okay. This shows the payroll trended -- if  
13 you look down at line one, it shows payroll trended,  
14 correct?

15          A     I see line one, yes, payroll trended.

16          Q     Okay. And there is a hash tag above that that  
17 says trend rate, and it says, payroll only, and it shows  
18 five percent --

19          A     That is correct.

20          Q     -- for 2023 and five percent for 2024,  
21 correct?

22          A     That is correct.

23          Q     Okay. And then if you look down at line  
24 three, it has payroll not trended, correct?

25          A     That is correct.

1           Q     And this non-trended payroll is exclusively  
2 for the increases in headcounts, as shown on G2, pages  
3 19C through E, is that correct?

4           A     Yes. That is correct.

5           Q     Okay. And Schedule G-2 19C through E shows  
6 the new positions coming in as in 2023 and 2024, is that  
7 correct?

8           A     Yes. That is correct.

9           Q     Okay. And that's fairly similar to the  
10 exhibit and your interrogatory response to Interrogatory  
11 No. 13, right?

12          A     Yes, it is.

13          Q     Okay. In looking at the total sums for 2023  
14 of 1.5 million approximately, and 2024 of 7.6 million  
15 approximately, you would agree that that matches  
16 Schedule G-2, page 19E, and also matches the total on  
17 Schedule G-2, page 18B, for the payroll not trended,  
18 correct?

19          A     Can you repeat those pages again, please?

20          Q     Sure. Essentially what I am asking is if  
21 schedule 19E, the total at the end of that schedule,  
22 rolls up into the payroll non-trended in line three of  
23 schedule 18B?

24          A     Yes, that's correct, because 19E is all of our  
25 headcount additions for 2023 and 2024, our requested

1 headcount.

2 Q Okay. Great. Thank you for that  
3 confirmation.

4 I am going to now direct you to your rebuttal  
5 testimony, page three. One second. And I am starting  
6 at line 24, and then I guess it goes over to the next  
7 page -- okay. It goes over to the next page.

8 You say, the additional positions are needed  
9 for safe and reliable operations. But it would be  
10 correct that you are not the witness that was testifying  
11 to those positions. That was witness O'Connor, who took  
12 the stand earlier today, and witness Richard, who will  
13 be taking the stand later today, correct?

14 A That's correct.

15 Q And I think you confirmed, you are the person,  
16 though, that is speaking for positions related to HR  
17 only, correct?

18 A I am speaking to the HR positions and other  
19 positions where we don't have a witness to represent  
20 them, so positions similar, it could be corporate or  
21 support positions.

22 Q Okay. Let's turn to page five of your  
23 rebuttal testimony, lines five and six, and in this  
24 portion of your testimony, you talk about three  
25 additional positions in 2023 in HR, is that correct?

1 A Yes. That's correct.

2 Q Okay. And as of August 3rd, 2023, none of  
3 those positions had been filled, correct?

4 A Correct.

5 Q And am I correct that, as of today, those  
6 three positions remain unfilled?

7 A Yes. That is correct.

8 Q Okay. And also on page five, you discuss four  
9 positions related to Strategy, Marketing and  
10 Communications team. And as of August 3rd, 2023, only  
11 one of those positions had been filled, is that correct?

12 A As of August 3rd, that was correct. Two of  
13 those positions have been filled as of August 15th.

14 Q Okay. So would that leave one of those  
15 positions that remains unfilled?

16 A We were requesting four and we've hired two,  
17 so two additional positions would remain open.

18 Q Okay. So as of today, two positions remain  
19 unfilled, correct?

20 A Correct.

21 Q Okay. And then going on page six of your  
22 testimony, lines 24 and 25, it talks about the company  
23 needing to add three new team members in 2023 and 2024,  
24 and this is related to the regulatory and pipeline  
25 safety areas, is that correct?

1 A Yes, that's correct.

2 Q And as of August 3rd, 2023, none of those  
3 positions had been filled, is that correct?

4 A That is correct.

5 Q And as of today, am I correct that those three  
6 positions remain unfilled?

7 A Up with of the positions has been filled, our  
8 Regulatory Affairs Manager.

9 Q Okay. And two -- then that would leave two  
10 positions unfilled, correct?

11 A Yes. That's correct.

12 Q Now, going on to page seven of your rebuttal  
13 testimony, starting at line 15 through line 20, you talk  
14 about two positions for data analytics and one for  
15 process improvements.

16 As of August 3rd, 2023, none of these  
17 positions had been filled, that's correct?

18 A That is correct.

19 Q And as of today, would it be also correct that  
20 those positions remain unfilled?

21 A They are still unfilled, correct.

22 Q Okay. And looking on page eight, lines six  
23 and seven, you talk about adding two real estate techs  
24 and one manager. But as of August 3rd, 2023, none of  
25 those positions had been added, correct?

1           A     That is correct.

2           Q     And as of today, do those positions remain  
3 unfilled?

4           A     Yes, that is correct.

5           Q     Okay. And looking on page nine of your  
6 testimony, 10 and 14, you discuss the five-percent  
7 trending factor, and the need to catch up with  
8 inflation, correct?

9           A     That is correct.

10          Q     Looking at your exhibits, and I believe that  
11 would be document one of DLB-2. And let me know when  
12 you get there.

13          A     I am there.

14          Q     Okay. Great.

15                 Okay. This shows the CPI and wage increases  
16 for every year from 2020 through 2024, except in 2019  
17 there is no CPI and no wage increase, correct?

18          A     That's correct.

19                 MS. CHRISTENSEN: Okay. Let me ask to have  
20 OPC 84 passed out.

21                 CHAIRMAN FAY: Okay. We will mark this as  
22 203.

23                 MS. CHRISTENSEN: Thank you.

24                 (Whereupon, Exhibit No. 203 was marked for  
25 identification.)

1 BY MS. CHRISTENSEN:

2 Q Ms. Bluestone, are you familiar with this  
3 document?

4 A Yes, I am.

5 Q Okay. And this document is entitled Updated  
6 Chart to CPI and Wage Increases for 2018 and '19, is  
7 that correct?

8 A That's correct.

9 Q Okay. And it in this document, it reflects a  
10 CPI for 2018 of 2.44 percent, and a wage increase of  
11 three percent, correct?

12 A Yes. That's correct.

13 Q And then for 2019, it shows a CPI of 1.81  
14 percent, and a wage increase of three percent, correct?

15 A Yes. That is correct.

16 MS. CHRISTENSEN: Okay. I am going to ask to  
17 have OPC 85 passed out.

18 CHAIRMAN FAY: Okay. Exhibit 204.

19 (Whereupon, Exhibit No. 204 was marked for  
20 identification.)

21 BY MS. CHRISTENSEN:

22 Q And, Ms. Bluestone, this shows -- this is the  
23 PGS response to OPC Interrogatory No. 18, correct?

24 A Yes. That's correct.

25 Q Okay. And you see the chart at the bottom,



1 it's a chart of nonunion, what appears to be wage  
2 increases, is that correct?

3 A Yes. That's correct.

4 Q Okay. And I noticed that there was a  
5 discrepancy in 2019 between the wage increase that was  
6 represented on Late Filed Exhibit No. 5 and the response  
7 to discovery in Late Filed Deposition Exhibit No. 5, the  
8 wage increase shown is three percent, and on the  
9 discovery response, it's shown as 2.70 percent. I just  
10 wanted to ask for clarification which number is correct?

11 A Yes, it does appear to be a discrepancy. The  
12 2.7 percent is the actual budget allocation that was  
13 granted in 2019.

14 Q Okay. Thank you for that clarification.

15 Would you agree that looking at your  
16 deposition exhibit -- or excuse me, Late Filed Exhibit  
17 No. 5, would you agree that -- let me see, where am I --  
18 2021 and 2022 were unusual years where CPI was above  
19 three percent?

20 A I would agree that the CPI was above three  
21 percent. I would not be qualified to say that that was  
22 unusual or not.

23 Q Okay. But you would agree those were the two  
24 years, essentially, that followed the impact from the  
25 COVID epidemic and related impacts from that, correct?

1 A Can you restate your question, please?

2 Q Yeah.

3 You would agree that 2021 and 2022 were years  
4 that followed the 2020 COVID epidemic, and all of the  
5 economic impacts from the shutdowns and people staying  
6 home, and all those types of activities, correct?

7 A Yes, I would agree that 2021 and 2022 followed  
8 our pandemic.

9 Q Okay. And you would agree that in this late  
10 filed exhibit shows that 20 -- that before the 2022  
11 historic year, no wage increase was more than three  
12 percent, and 2022 historic year was only 3.75 percent,  
13 correct?

14 A Yes. That is correct.

15 Q Okay. And on page 10 of your rebuttal  
16 testimony, looking at lines 19 and 20, it says that the  
17 actual merit increases for 2023 and 2024 will likely be  
18 less than five percent, correct?

19 A That is correct. As I mentioned, our merit  
20 increase budget includes three components; the annual  
21 merit increase, which is referred to hear as probably  
22 being less than five percent, and then two additional  
23 items allowing us an opportunity to do midyear off-cycle  
24 adjustments for retention purposes, as well as allow us  
25 to bring new hires in higher than the outgoing

1 incumbent.

2 Q Okay. And you would agree that no actual  
3 merit increases for 2023 had been given as of August  
4 3rd, 2023, correct?

5 A That is correct.

6 MS. CHRISTENSEN: I have no further questions.

7 CHAIRMAN FAY: Okay. Thanks.

8 Mr. Moyle?

9 MR. MOYLE: Thank you, Mr. Chairman.

10 EXAMINATION

11 BY MR. MOYLE:

12 Q Good afternoon.

13 A Good afternoon.

14 Q I have just a few questions.

15 I want to ask you about your retirement  
16 benefit -- benefits that are listed. I have them on  
17 page 34 of your direct testimony, lines 10 through 22.  
18 Are you there?

19 A Yes, I am.

20 Q Okay. So how are decisions made as to the  
21 retirement benefits to offer?

22 A Can you be a little bit more specific in your  
23 question, please?

24 Q Sure. I mean, the -- on your list, you have  
25 -- and I want to ask you a few questions about it, but

1 there is two pension plans, and then there is a 401(k)  
2 plan, and then there is a health and medical plan for  
3 retirees. Are those decisions with respect to the  
4 benefits made by you in your position, and it's  
5 executed, or is it something a decision made by the  
6 Board of Directors? I am just trying to understand who  
7 makes the decisions to say, yes, we should have a 401(k)  
8 and we should also have a pension, or something like  
9 that? That's the question.

10 A Sure. So these are decisions that are made  
11 through our Tampa Electric affiliate, and all the U.S.  
12 based affiliates are covered under all of our benefit  
13 offerings.

14 Q Do you know, and have you ever compared and  
15 contrasted the benefits that are provided to PGS  
16 employees to the benefit plans that are provided to  
17 other corporate siblings within -- underneath the Emera  
18 holding company?

19 A I am not aware that we have evaluated the U.S.  
20 based benefit plans versus the Canadian and Caribbean  
21 benefit plans.

22 Q Would you agree it's somewhat unusual in  
23 today's employment environment for an employer to offer  
24 both a 401(k) plan as well as a pension plan?

25 A Unfortunately, I am not a requirement expert.

1 But I do know that we look at all of our benefits, our  
2 compensation benefits holistically, to make sure that we  
3 are competitive to attract and also retain our talent,  
4 our employees.

5 **Q Are you able to speak to the specifics of the,**  
6 **say, for example, the pension plan?**

7 A At some high level, yes.

8 **Q How long do you have to be employed to be**  
9 **vested?**

10 A So the pension plan is available to all of our  
11 team members. They are eligible and start receiving  
12 allocations after one year of service. And then to  
13 receive the pension, you have to be 55 and five years of  
14 service in order to receive that. The actual  
15 calculation is done based off of age, years of service  
16 and a credit, and I am not well versed in that  
17 calculation.

18 **Q Okay. And what's the distinction between**  
19 **number one and three?**

20 A So number one is our pension plan. Number  
21 three -- and number one is a qualified defined pension  
22 plan. So we follow all of the IRS regulations.

23 Number three is a restoration plan, and this  
24 is a nonqualified plan. So this plan is not subject to  
25 IRS regulations, and this is for some of the higher

1 level employees in our company.

2 Q Can somebody be a member of both the qualified  
3 pension plan and the nonqualified pension plan, or no?

4 A At a certain level of employee base, yes.

5 Q So --

6 A It would be a small percentage, probably less  
7 than five percent of our population.

8 Q But that five percent of the population could  
9 will goes get the 401(k) plan as well?

10 A Yes, they could.

11 Q The post-retirement health and welfare plan,  
12 is that a plan that, upon retirement, you get health  
13 benefits for the remainder of your life?

14 A It is a medical plan once you retire. I do  
15 not know the longevity of that plan.

16 Q Do you know if it applies to family or just  
17 the employee?

18 A I do not know.

19 Q With respect to the documents related to the,  
20 that was just passed out by OPC, I think there was a  
21 little bit of discussion about union, nonunion. Am I  
22 correct in that you all strive to pay both your union  
23 and nonunion employees the same amount?

24 A That's correct. We try to treat all of our  
25 employees similarly.

1           **Q**     **So from a strategic standpoint, does that mean**  
2     **you negotiate first with your union and figure out what**  
3     **that deal is, and then after you know that deal, then**  
4     **you just implement it throughout the nonunion workforce**  
5     **as well?**

6           **A**     **Actually, each one of our collective**  
7     **bargaining agreements has a specific life cycle of three**  
8     **years, and that life cycle, the start and end date, do**  
9     **vary, and so we do them in accordance to the terms of**  
10    **that contract.**

11          **Q**     **Have you ever gone to impasse with the union?**

12          **A**     **Not since I have been employed with Peoples**  
13    **Gas, which is a year.**

14          **Q**     **Okay. And are you involved in the**  
15    **negotiations?**

16          **A**     **I am not personally involved in the**  
17    **negotiations. I have team members of members that are.**

18          **Q**     **Do you know the average salary of a PGS**  
19    **employee as we sit here today?**

20          **A**     **Average salary of a PGS employee is around**  
21    **\$99,000.**

22          **Q**     **And the way you got that, that includes**  
23    **everybody who is being paid, from executives all**  
24    **throughout the organization?**

25          **A**     **Correct. That would be all of our team**

1 members.

2 Q And -- so that's a loaded number or unloaded?

3 A That would be just base pay. Compensation.

4 Q So what percentage do you use for loading the  
5 benefits onto the base number?

6 A Witness Parsons can confirm, but I believe it  
7 is between 30 and 35 percent.

8 MR. MOYLE: Okay. Thank you, that's all I  
9 have.

10 CHAIRMAN FAY: Okay. Staff?

11 MR. SANDY: Yes, Mr. Chair.

12 EXAMINATION

13 BY MR. SANDY:

14 Q Good afternoon, Ms. Bluestone.

15 A Good afternoon, Mr. Sandy.

16 Q In your rebuttal testimony, you are requesting  
17 several new employee positions, are you not?

18 A Yes, sir.

19 Q And those employee positions are known as A&G  
20 positions, is that correct?

21 A That's correct, from a budgeting perspective.

22 Q And those A&G positions refer to non-finance,  
23 administrative and general positions?

24 A Correct.

25 Q Okay. These are not operations positions, are



1     **they?**

2           A     That is correct.

3           **Q     These are more corporate positions?**

4           A     Correct.

5           **Q     Okay. And your request for these employee**  
6     **positions spans several, I guess, offices or sectors of**  
7     **the utility, and I would just like to go through them to**  
8     **make sure we that we have them correct.**

9                   **Your request includes positions in Human**  
10    **Resources?**

11          A     That is correct.

12          **Q     And Strategy, Marketing and Communications?**

13          A     That is correct.

14          **Q     And a, I guess, suboffice, of Strategy,**  
15    **Marketing and Communications called Process Improvement**  
16    **and Analytics?**

17          A     Yes, it is a function of Process Improvement  
18    and Analytics.

19          **Q     Okay. And ultimately all under sort of the**  
20    **same house, if you will, of Strategy, Marketing and**  
21    **Communications?**

22          A     Yes. That's correct.

23          **Q     Okay. There are also employee positions in**  
24    **Regulatory and Pipeline Safety?**

25          A     Correct.

1 Q And finally Real Estate?

2 A Correct.

3 Q Now, the utility's employee levels are not  
4 related to, say, Florida population, are they?

5 A No, they are not.

6 Q Nor are they related to the number of  
7 ratepayers that the utility service?

8 A Not directly, no.

9 Q Okay. If I use the term functional lead, or  
10 functional leader, you would know what I am referring  
11 to, wouldn't you?

12 A I would want to clarify that we are speaking  
13 about the same thing.

14 Q Well, so that's a turn of phrase inside the  
15 utility, isn't it?

16 A I am sorry, can you restate that?

17 Q Sure. That is a turn of phrase, or  
18 colloquialisms used inside the gas utility, isn't it?

19 A We do refer to vice-presidents as a functional  
20 leader. And sometimes it could be a director or  
21 manager.

22 Q Okay. And when it comes to employees in  
23 headcount, though, a vice-president is always the  
24 functional leader, isn't that right?

25 A At the highest level, yes.

1 Q Okay. And so that we are sort of working off  
2 the same definition, it stands to reason that a  
3 functional leader would be somebody with management or  
4 leadership responsibilities with an area of expertise  
5 insides of the gas utility, is that fair?

6 A Yes. I would say it's a functional expertise  
7 within their function. So, for example, I would be the  
8 HR functional leader.

9 Q Okay. And the functional leader is at least  
10 at sort of the front end who considers hiring a  
11 replacement or a new employee according to workload and  
12 skill set, isn't that right?

13 A I don't think I a yeah. The functional leader  
14 would not be on the frontline, so the actual -- yeah, so  
15 the functional leader would not be on the frontline.

16 Q Let me ask my question this way if I may:  
17 Ultimately, it's the functional leader who considers  
18 hiring a replacement based on workload and skill set  
19 needed for replacement positions, isn't that correct?

20 A Yes, it is the business leader, the functional  
21 leader who makes that decision.

22 Q Okay. And the decision to replace a vacant  
23 position, or hire a new employee, is ultimately  
24 reviewed, or closely examined, according to the  
25 justifications offered by a functional leader; is that

1 fair?

2 A Yes. That's fair.

3 Q Now, you have stated that you are the  
4 functional leader of the HR office, of Human Resources?

5 A Yes. That's correct.

6 Q Okay. And so you know what resources have  
7 been devoted to the human resources office?

8 A I am sorry, I didn't hear your question.

9 Q Sure. Let me -- let me reask it.

10 You are aware, as the functional leader, or  
11 the Vice-President of Human Resources, what assets or  
12 resources the office relies on in its work?

13 A Yes. That's true.

14 Q And you are aware of how many employees work  
15 within that office?

16 A Within HR, yes.

17 Q Yes, ma'am.

18 And you are aware of what the goals of the HR  
19 office are, aren't you?

20 A Yes. That's correct.

21 Q And you know, with some expertise, I would  
22 imagine, how the assets and resources the HR office has  
23 at its disposal are used for reaching its goals?

24 A Yes, I would agree with that.

25 Q And you know who's working overtime?

1           A     Everyone in HR is exempt, and so exempt  
2 employees are not required to submit their overtime.  
3 However, we do have a large workload, so I know that the  
4 bulk of the HR team is working over 40 hours.

5           Q     Okay. And you know the pressures that the HR  
6 office is under?

7           A     Yes, I do, firsthand.

8           Q     And so, sort of in contrast to that, using  
9 Strategy, Marketing and Communications as an example,  
10 you are not the functional leader of that particular  
11 office?

12          A     That is correct.

13          Q     That would be somebody like Joann Wehle, who  
14 is the Vice-President of Strategy, Marketing and  
15 Communications?

16          A     Yes. That is correct.

17          Q     So it stands to reason that you, yourself, do  
18 not know what resources are used within the Strategy,  
19 Marketing and Communications office?

20          A     Not intimately. That is correct.

21          Q     And you don't know how many employees work  
22 within that office?

23          A     I am sure I have it somewhere in my binder the  
24 exact number, but I don't know it off the top of my  
25 head.

1           Q     And you can't speak to specifics as to what  
2     the goals of that office are?

3           A     Specifically, you are correct.

4           Q     Okay. Nor can you speak to kind of what  
5     pressures the Strategy, Marketing and Communications  
6     folks are under?

7           A     I mean, I could speak high level to some of  
8     the changes and the demands that have changed within  
9     our, you know, customer base in both expectations of  
10    communications to internal team members and external  
11    customers, but it would be very high level.

12          Q     And certainly, you couldn't speak to those  
13    things in the same way you can speak with substance of  
14    human resources issues?

15          A     That would be correct.

16          Q     And you can't speak to them with the same  
17    level of expertise as somebody like Ms. Wehle would  
18    speak to?

19          A     That would be correct.

20          Q     Okay. And since it's sort of a suboffice of  
21    Strategy, Marketing and Communications, ultimately,  
22    those same questions, would apply, and I assume, for  
23    what it's worth, the same answers would apply to the  
24    Process Improvement and Analytics office, is that fair?

25          A     I think that's fair. I could speak very high

1 level to them.

2 Q Except not with any level of expertise?

3 A That is correct.

4 Q And moving on in the Pipeline Safety and  
5 Regulation, it's fair to say that you don't have  
6 expertise in that office either?

7 A That is fair. Yes.

8 Q And that's because you are not the functional  
9 leader of that office?

10 A Correct.

11 Q Okay. And so you don't know necessarily what  
12 issue that office faces?

13 A That's correct.

14 Q Or of what missed opportunities they've had?

15 A I think that's fair. Yes.

16 Q Or whether they are working with PHMSA, the  
17 Commission, or any other regulatory body?

18 A That is correct. I don't have that intimate  
19 knowledge.

20 Q Okay. And moving on to the Real Estate  
21 office, for example, you wouldn't be able to speak to  
22 the difference between, say, a license and an easement?

23 A That is correct.

24 CHAIRMAN FAY: Mr. Sandy, I am just going to  
25 ask you if you can get to this a little more

1           efficiently, I think we understand the pattern, but  
2           I don't know how many more you have to go.

3           MR. SANDY: Yes, Mr. Chairman. That's it  
4           actually.

5           CHAIRMAN FAY: Okay. Thank you.

6 BY MR. SANDY:

7           Q     So ultimately, in light of all of the above,  
8           it would be fair to say that you don't have the personal  
9           knowledge to explain why the positions you have  
10          sponsored in your rebuttal testimony are necessary,  
11          isn't that right?

12          A     I mean, I think I could high level discuss  
13          some of the business needs and challenges in those  
14          areas, but as you mentioned, I am not the functional  
15          expert. You know, in HR, we -- the business makes the  
16          decision around what positions they need based off of  
17          business -- their functional knowledge and their  
18          functional area of expertise, that approval comes to HR,  
19          and then we kick into our action in our area of  
20          expertise, which is to find the talented, to make sure  
21          we have the right people in the right positions.

22          MR. SANDY: May I have one moment, Mr. Chair?

23          CHAIRMAN FAY: Sure.

24          MR. SANDY: With that, Mr. Chair, I have no  
25          further questions.



1 CHAIRMAN FAY: Okay. Commissioners?

2 All right. Redirect?

3 MS. PONDER: Yeah, just a little bit.

4 CHAIRMAN FAY: Okay.

5 FURTHER EXAMINATION

6 BY MS. PONDER:

7 Q Ms. Bluestone, do you recall speaking with Ms.  
8 Christensen regarding the remaining unfilled positions  
9 for 2023, which I believed was -- of the 90, which I  
10 believe was about 30; is that correct?

11 A Yes, I recall that.

12 Q Okay. Does the company have plans to fill  
13 those remaining positions by the end of the year?

14 A Yes, we do. The majority of those positions  
15 are posted, and the talent acquisition team is working  
16 on finding the right person for those positions, and we  
17 do, in partnership with the business, have a plan of  
18 when those positions will be hired throughout the end of  
19 the year.

20 Q Thank you.

21 MS. PONDER: Thank you, Mr. Chairman.

22 CHAIRMAN FAY: Okay.

23 MS. PONDER: We would ask that Exhibits 17 and  
24 29 be moved into the record. I am sorry, I don't  
25 have high glasses on, yes.

1           CHAIRMAN FAY: Okay. Exhibits 20 -- excuse  
2           me, 17 and 29, without objection, show those  
3           entered into the record.

4           (Whereupon, Exhibit Nos. 17 & 29 were received  
5           into evidence.)

6           CHAIRMAN FAY: OPC?

7           MS. CHRISTENSEN: OPC would ask to have  
8           Exhibit 199 through 204 moved into the record.

9           CHAIRMAN FAY: Okay. Without objection, show  
10          199 through 2024 entered into the record.

11          (Whereupon, Exhibit Nos. 199-204 were received  
12          into evidence.)

13          CHAIRMAN FAY: All right. Ms. Christensen,  
14          excuse your witness? Oh, excuse me. Ms. Ponder,  
15          excuse your witness?

16          MS. PONDER: Yes. May Ms. Bluestone be  
17          excused, please?

18          CHAIRMAN FAY: I guess she will take excusal  
19          from anybody probably, but, yes, you are excused.

20          THE WITNESS: Thank you.

21          CHAIRMAN FAY: Thank you.

22          (Witness excused.)

23          CHAIRMAN FAY: All right. Commissioners, what  
24          I would like to do next is give our court reporter  
25          and everybody a little break, and then we will come

1 back and have Mr. Richard be on the stand next.

2 I presume we will finish that tonight, and  
3 then Mr. Parsons would be tomorrow, I think, at a  
4 reasonable timeframe depending on the amount of  
5 cross for Mr. Parsons. I presume there will be a  
6 descent amount and so -- yeah.

7 MR. REHWINKEL: Yeah, Mr. Chairman, I just,  
8 just for planning purposes, Mr. Richard's cross,  
9 from my standpoint, is the lengthiest.

10 CHAIRMAN FAY: Okay.

11 MR. REHWINKEL: And so I am willing to go as  
12 late as it takes tonight, but I cannot commit to  
13 you that -- you know, I don't know exactly what  
14 your end time is, and I don't -- I mean your  
15 cessation time is, but depending on what that is,  
16 it may be that it carries over.

17 CHAIRMAN FAY: Okay. Well, I think we will  
18 get going with him after this break, and then we  
19 will kind of see where we end up, and decide at  
20 that point if we are still going. But I will, just  
21 sort of put everybody on notice, there is a chance  
22 then that we will go beyond the last night timeline  
23 and into the dinner hour to make sure we get this  
24 done.

25 So any other comment? All right. With that,

1 we will take a break and be back, at let's start  
2 back at 4:40.

3 (Brief recess.)

4 CHAIRMAN FAY: Okay. I have 4:40, if everyone  
5 could grab their seats.

6 All right. Before we get into witness  
7 Richard, Mr. Wahlen, you want to take care of some  
8 testimony?

9 MR. WAHLEN: Yes. Thank you, Mr. Chairman.

10 We talked yesterday about moving stipulated  
11 testimony into the record based on the order of  
12 witnesses, but we adjusted things around a little  
13 bit. If it's okay, I would like to move the direct  
14 testimony of Dr. Harper, Mr. Fox, Mr. Therrien and  
15 Ms. Bramley into the record, along with the  
16 rebuttal testimony of Mr. Buzard.

17 CHAIRMAN FAY: Okay. So let me just make sure  
18 we get everybody, Mr. Wahlen. So I have Harper,  
19 Fox, Therrien, Bramley.

20 MR. WAHLEN: And Buzard rebuttal.

21 CHAIRMAN FAY: Mr. Buzard, okay.

22 All right, without objection, show that  
23 testimony entered into the record as though read.

24 (Whereupon, prefiled direct testimony of  
25 Richard Harper was inserted.)

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

IN RE: PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBIT  
OF  
DR. RICHARD K. HARPER  
ON BEHALF OF  
PEOPLES GAS SYSTEM, INC.

DOCKET NO. 20230023-GU  
WITNESS: HARPER

**TABLE OF CONTENTS**

**PREPARED DIRECT TESTIMONY AND EXHIBIT**

**OF**

**DR. RICHARD K. HARPER**

EDUCATIONAL BACKGROUND AND EXPERIENCE.....	1
PURPOSE OF DIRECT TESTIMONY.....	3
FLORIDA'S POPULATION GROWTH AND ECONOMIC GROWTH OVER TIME.....	6
RECENT TRENDS IN INFLATION.....	11
BENEFITS TO FLORIDA OF GROWTH IN UTILIZATION OF NATURAL GAS...	18
ECONOMIC AND DEMOGRAPHIC FORECASTS FOR PEOPLES GAS LOCATIONS..	20
SUMMARY.....	21
EXHIBIT.....	23

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **PREPARED DIRECT TESTIMONY**

3   **OF**

4   **DR. RICHARD K. HARPER**

5   **ON BEHALF OF PEOPLES GAS SYSTEM, INC.**

6  
7                   **EDUCATIONAL BACKGROUND AND EXPERIENCE**

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

9  
10           **A.**   My name is Dr. Richard K. Harper, PhD. My business address  
11                   is 516 E. Zaragoza St., Pensacola, FL 32502. I am self-  
12                   employed.

13  
14           **Q.**    Please describe your duties and responsibilities in that  
15                   position.

16  
17           **A.**    I conduct a variety of studies for public and private clients  
18                   using the tools of economic analysis.

19  
20           **Q.**    Please provide a brief outline of your educational background  
21                   and business experience.

22  
23           **A.**    My current curriculum vitae is included as Document No. 1 of  
24                   my exhibit. I received a BA in Economics from Guilford College  
25                   in 1978, and an MA in 1986 and a PhD in 1989, both in Economics

1 from Duke University. I worked as a professional economist  
2 from 1980 - 1984 at Research Triangle Institute in Research  
3 Triangle Park, North Carolina, and at the University of West  
4 Florida ("UWF") from 1989 until retiring in 2017.

5  
6 From 1996 - 2011 (except during a sabbatical and other time  
7 away) I served as the Director of UWF's Haas Center for  
8 Business Research and Economic Development, conducting  
9 numerous studies of the local, regional, and state economies  
10 and economic sectors. I then served as Executive Director of  
11 the UWF Office of Economic Development and Engagement,  
12 overseeing activities of the Haas Center and of the State  
13 Director's Office of the Florida Small Business Development  
14 Center Network. I served as the Senior Policy Advisor for  
15 Economic Affairs for the Florida Senate from 2012 until 2014.  
16 I then returned to UWF as Assistant, then Associate, Vice  
17 President for Research and Economic Development and served as  
18 the University's Chief Research Officer during 2015 and 2016.

19  
20 I have offered expert economics testimony in litigation and  
21 served as the economic expert for the State of Florida from  
22 inception until completion in its economic damages litigation  
23 with BP. Since retiring from UWF in 2017, I have worked as a  
24 consultant in economics, performing a variety of studies of  
25 economic issues for public and private clients. I currently



1 serve as the Economic Advisor to Triumph Gulf Coast, Inc.  
2 ("Triumph"), providing advice and support to the Triumph  
3 Board of Directors as it seeks to distribute \$1.5 billion in  
4 Deepwater Horizon damages funds to projects that will grow  
5 and diversify the Northwest Florida economy.

6  
7 **Q.** Have you provided testimony before the Florida Public Service  
8 Commission?

9  
10 **A.** Yes. I have provided testimony supporting growth trends in  
11 Florida and the benefit of natural gas use in Florida from an  
12 economic perspective for Peoples Gas System, Inc., in the  
13 company's 2020 base rate proceeding in Docket No. 20200051-  
14 GU.

15  
16 **PURPOSE OF DIRECT TESTIMONY**

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

19  
20 **A.** My prepared direct testimony will comment on past and future  
21 growth trends in Florida, with emphasis on future strong  
22 growth in population and economic activity that will drive  
23 growth in natural gas demand as described in the prepared  
24 direct testimonies of Peoples Gas System, Inc.'s ("Peoples"  
25 or the "company") witnesses Eric Fox and Timothy O'Connor. I

1 will describe the recent trends in inflation and the impact  
2 on the company's customers and cost of service. I have also  
3 been asked to comment on the benefit of natural gas use to  
4 the State of Florida and its citizens from an economic  
5 perspective. These benefits include the value for  
6 residential, commercial and industrial customers through  
7 economical energy prices that allow and promote additional  
8 job creation. They also include environmental benefits  
9 relative to traditional energy sources, such as coal and oil.

10

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

13

14 **A.** Yes. Exhibit No. RKH-1 was prepared under my direction and  
15 supervision. My exhibit consists of 20 documents, as follows:

16

17 Document No. 1 Curriculum Vitae of Dr. Richard K. Harper

18 Document No. 2 Endnotes for the Prepared Direct  
19 Testimony of Dr. Richard K. Harper

20 Document No. 3 Population Growth in Florida by Decade,  
21 1970-2059

22 Document No. 4 Total Nonfarm Payrolls in Florida and the  
23 Nation

24 Document No. 5 Annual GDP Growth Rate, Florida and the  
25 Nation, 1988-2021

1	Document No. 6	All Transactions House Price Index,
2		Florida and the U.S.
3	Document No. 7	Producer Price Index, Residential
4		Construction Inputs
5	Document No. 8	Measures of Inflation
6	Document No. 9	Cumulative Increase in Household Costs
7		for PGS Customers
8	Document No. 10	Cumulative Increase in Business Costs for
9		PGS Customers
10	Document No. 11	Cumulative Increase in Relevant PGS
11		Business Costs
12	Document No. 12	Typology for Homebuyer Net Migration
13		Based on Metro Population Size
14	Document No. 13	Total Population Indexed to 2020-
15		Charlotte, FL
16	Document No. 14	Total Population Indexed to 2020-
17		Collier, FL
18	Document No. 15	Total Population Indexed to 2020- Duval,
19		FL
20	Document No. 16	Total Population Indexed to 2020- Bay, FL
21	Document No. 17	Total Population Indexed to 2020-
22		Broward, FL
23	Document No. 18	Total Population Indexed to 2020- Miami-
24		Dade, FL
25	Document No. 19	Total Population Indexed to 2020- Lee, FL

1 Document No. 20 Total Population Indexed to 2020- Nassau,  
2 FL  
3

4 **FLORIDA'S POPULATION GROWTH AND ECONOMIC GROWTH OVER TIME**

5 **Q.** What are the Florida growth trends that are relevant to  
6 natural gas service expansion and reliability projects?  
7

8 **A.** Florida has historically seen population and economic growth  
9 rates much greater than those for the nation overall.  
10 Demographers note that Florida's population growth rates have  
11 ranked among the top eight states in each of the ten decades  
12 since 1920, and in most decades ranked in the top four.<sup>i</sup> In  
13 1920, New York had a population of 10.38 million, while  
14 Florida had 0.97 million. Over the next ten decades, New York  
15 grew by 95 percent to reach a population of 20.2 million,  
16 while Florida grew by 2,124 percent over the same period to  
17 reach a population of 21.54 million in 2020.<sup>ii</sup>  
18

19 Florida's current population (in 2023) is approximately 22.3  
20 million and is expected to swell to 24.14 million permanent  
21 residents by 2030, an increase over this period of 1.84  
22 million people.<sup>iii</sup> The migration of people from places both  
23 domestic and international into Florida has had profound  
24 effects on the state's population and on Florida's economy.  
25

1 Today, as a result of the 2020 Census, Florida has 28  
2 representatives in the 118<sup>th</sup> Congress, while New York has 26,  
3 a share that is proportional to their current populations.<sup>iv</sup>  
4 Population forecasts suggest that Florida will continue to  
5 gain seats over time, and that New York will continue to lose  
6 them. This is the continuation of the long-term trend as  
7 Americans migrate from the Northeast and Midwest to the South.  
8 As late as 1953, the Florida delegation to the 435-person  
9 U.S. House of Representatives was 6 representatives, while  
10 the state of New York sent 45.<sup>v</sup>

11  
12 The U.S. Census released information in December 2022 showing  
13 that Florida was the fastest growing state in the nation, at  
14 1.9 percent per year from July 2021 through July 2022. Net  
15 migration of 444,484, or 1,218 more people per day moving  
16 into Florida above and beyond those moving out of Florida,  
17 was the largest among the 50 states.<sup>vi</sup>

18  
19 Forecasts for the coming years suggest that the U.S. will  
20 have grown by a total of 18.8 percent between 2020 and 2050.  
21 During that same period, Florida is expected to grow by 37.4  
22 percent, almost double the country's overall percentage  
23 increase, or by a total of almost 8.1 million new residents.<sup>vii</sup>  
24 If Florida were instead to grow over that period at the  
25 projected nationwide growth rate, the 8.1 million expected

1 new residents would be reduced by 4.01 million. These large  
2 projected population changes will increase the number of  
3 households seeking natural gas service. Meeting the needs of  
4 these new households via natural gas affords additional  
5 benefits per Florida household.<sup>viii</sup>  
6

7 **Q.** Haven't Florida population growth rates been declining in  
8 recent decades?  
9

10 **A.** Yes. Population growth for Florida over the four past decades  
11 and expected growth over the coming four decades can be seen  
12 in Document No. 3 of my exhibit. While growth in the most  
13 recent decade, at 2.7 million people, is not as large as the  
14 3.2-million-person growth attained over the 1980 - 1990  
15 period, it exceeds the growth of all states except Texas.  
16 Further, strong growth in the number of domestic and  
17 international tourists to the state has created additional  
18 demand for lodging, restaurants, retail establishments, and  
19 other tourism amenities that can be met efficiently via  
20 natural gas.  
21

22 **Q.** Does economic activity growth at local, state and national  
23 levels mirror the respective population growth trends?  
24

25 **A.** Economic growth trends closely resemble those of the

1 population growth trends. The Florida economy in recent  
2 decades continues to grow at a substantially faster rate than  
3 the national economy. This is true even when considering the  
4 larger than national average impact to Florida of the Great  
5 Recession of 2007 to 2009. Using January 2000 employment as  
6 a base, the cumulative growth in nonfarm employment in Florida  
7 as of November 2022, at 37.7 percent, is more than twice as  
8 large as employment growth in the nation as a whole over the  
9 last twenty years. This is shown in Document No. 4 of my  
10 exhibit.

11  
12 Florida's faster growth is also reflected in higher growth  
13 than for the nation in gross domestic product ("GDP"). GDP is  
14 the most commonly reported measure of economic activity and  
15 represents the dollar value of production of goods and  
16 services during any particular quarter or year. It is reported  
17 quarterly by the U.S. Bureau of Economic Analysis for the  
18 nation and for individual states.

19  
20 Over the most recent decade Florida's GDP grew by a cumulative  
21 75.3 percent, while that of the nation as a whole grew by  
22 54.7 percent. This can be seen in Document No. 5 of my  
23 exhibit. But for the effects of the Great Recession of 2007  
24 - 2009, that growth differential would likely have been even  
25 greater. Florida suffered particularly during this housing-

1 driven recession because Florida's construction sector is  
2 about 25 percent larger than the national average. This is  
3 due to the need to accommodate both the high rates of inbound  
4 migration of people from other states and other countries as  
5 well as to accommodate the strong demand for vacation housing.

6  
7 **Q.** Is the damage inflicted on growth and the housing market by  
8 the Great Recession now over?

9  
10 **A.** Yes. Housing prices have substantially recovered in Florida  
11 and returned to the long-run housing price trends, and now  
12 exceed the peak reached during the "housing bubble" before  
13 the Great Recession. Setting the January 2000 price of a home  
14 at \$100,000, the average price nationally had risen to  
15 \$270,900, while it had risen to \$382,400 in Florida. This can  
16 be seen in Document No. 6 of my exhibit.

17  
18 Current supply side constraints in housing, including limited  
19 availability of housing inventory as well as increased  
20 building input prices, such as lumber and labor, have been  
21 primary drivers of price increase seen in the 2021 - 2022  
22 price run-up. A chart of this cost inflation in housing is  
23 presented in Document No. 7 of my exhibit. As can be seen, in  
24 February 2023, the price index for residential construction  
25 inputs had only begun to decline from its highs of mid-2022



1 and is still 49 percent higher than in January 2015.

2  
3 **RECENT TRENDS IN INFLATION**

4 **Q.** Please describe recent trends in inflation and how they will  
5 likely change over time.

6  
7 **A.** Inflation is defined to be the change in prices of goods and  
8 services in the economy. The most commonly reported measure  
9 of inflation is the Consumer Price Index for All Urban  
10 Consumers: All Items, generally referred to as the ("CPI").  
11 The CPI is reported every month by the U.S. Bureau of Labor  
12 Statistics. It is a price index of a basket of goods and  
13 services paid by urban consumers representing roughly 88  
14 percent of the total population. Prices are collected monthly  
15 from about 4,000 housing units and 26,000 retail  
16 establishments across 87 urban areas.<sup>ix</sup> The path of CPI  
17 inflation over the past decade shows a peak in mid-2022 at  
18 almost nine percent before beginning to fall throughout the  
19 second half of the year, as is shown in Document No. 8 of my  
20 exhibit.

21  
22 Among the measures of inflation, one that is often referred  
23 to in policy discussions by the Federal Reserve (the "Fed")  
24 is the Personal Consumption Expenditure Price Index (the "PCE  
25 Index"). The PCE Index captures inflation or deflation across

1 a wide range of consumer expenses while also reflecting  
2 changes in consumer behavior. For example, if the price of  
3 beef rises, consumers may buy less beef and more chicken.  
4 Such behavioral changes are not captured in the CPI, which  
5 assumes a constant weight for each of the many items in the  
6 index.\* The recent path of the CPE Index is also shown in  
7 Document No. 8 of my exhibit.

8  
9 For both the CPI and the PCE Indexes, versions which exclude  
10 food and energy prices are published, and are referred to as  
11 "core inflation." This "core" distinction is important  
12 because it is thought that the Fed's interest rate policy-  
13 setting tools will have little effect on food prices and on  
14 energy prices. Food prices may be heavily influenced by  
15 weather conditions and other factors (e.g., avian flu may  
16 influence the price of eggs) that are outside the control of  
17 the Fed, while energy prices may be heavily influenced by  
18 global geopolitical conditions and other factors (e.g., the  
19 Russian invasion of Ukraine) that are also outside the control  
20 of the Fed. The core PCE is also shown in Document No. 8 of  
21 my exhibit.

22  
23 The mandate of the Fed is to ensure price stability and full  
24 employment. The Fed's price stability target is an inflation  
25 rate at about two percent.<sup>xi</sup> As can be seen in Document No. 8

1 of my exhibit, inflation rates over the past decade have  
2 fluctuated slightly above or below two percent until Quarter  
3 two of 2021, at which time inflation accelerated to a rate  
4 not seen in the U.S. since the 1970s and 1980s.

5  
6 Current market expectations are for economic growth rates  
7 across the nation to slow, perhaps leading to recession in  
8 late 2023 or in 2024. Timing estimates derived from bond  
9 markets and Fed estimates suggest that a return to the two  
10 percent rate of inflation will be attained, but is unlikely  
11 to be achieved before 2024.

12  
13 **Q.** What has been the rate of inflation to the company's  
14 residential and commercial customers?

15  
16 **A.** The increase in average monthly bills for gas services has  
17 been substantially below overall rates of price increase of  
18 other commonly purchased goods and services used by  
19 households and businesses. This can be seen in the charts  
20 attached in Documents No. 9 and 10 of my exhibit.

21  
22 **Q.** What is the impact of higher inflation rates on the ability  
23 of utility service providers to deliver their services?

24  
25 The prices of the inputs used in system expansion, operations,

1 and maintenance have increased, and these price increases  
2 cannot be absorbed without provision for the revenue  
3 increases needed to finance them. As can be seen in Document  
4 No. 11 of my exhibit, the price of key inputs of the type  
5 used by the company in supplying services has increased at a  
6 faster rate than has company revenue.

7  
8 **Q.** Will this need for higher revenues to cover costs persist?

9  
10 **A.** Yes, although the rate of inflation is expected to abate and  
11 return to the Fed's target two percent rate, it is almost a  
12 certainty that the prices of key inputs, including both labor  
13 and materials, will not fall back to their previous price  
14 levels. Instead, the new higher price levels would simply  
15 come to reflect a lower rate of price growth (i.e., inflation  
16 will return to its normal two percent rate).

17  
18 **Q.** Will the trend of higher growth in Florida than in the nation  
19 overall continue over the longer term or does it just reflect  
20 the recovery from the Great Recession that hit Florida harder  
21 than the rest of the nation?

22  
23 **A.** Yes, this trend will continue. Population growth rates  
24 reflect ongoing demographic trends, with the peak birth years  
25 from the "Baby Boom" (1946 - 64 birth years) giving way to

1 subsequent lower birth rates. Generation X (1965 - 79) was  
2 followed by the millennials (1980 - 1994) who have become the  
3 largest population group in the nation as the baby-boomer  
4 generation ages. However, Florida still expects 8.1 million  
5 new residents between 2020 and 2050. Slower national growth  
6 rates notwithstanding, since the time of the Great Recession,  
7 Florida population growth has substantially exceeded the  
8 national population growth rate, with Florida growing almost  
9 twice as fast - a cumulative 20.4 percent versus 10.6 percent  
10 for the nation over the 2008 - 2023 period.<sup>xii</sup>

11  
12 **Q.** Why will Florida continue to be a top destination for people  
13 moving from other states?

14  
15 **A.** Florida's high population growth trends appear to likely  
16 continue into the future. Some of the primary drivers of  
17 relocation decisions by those who come from other states into  
18 Florida are longstanding, and include job opportunities,  
19 desire for a warmer climate, year-round outdoor activities,  
20 and an affordable lifestyle.

21  
22 Since the passage and implementation of the 2017 Tax Cuts and  
23 Jobs Act, there is also a change in the relative cost of  
24 living driven by the attractiveness of Florida's tax  
25 structure. Because of Florida's lack of a state income tax,

1 its relatively modest property tax burden, and its modest  
2 level of state expenditures per state resident, Florida's  
3 attraction for inbound migration from other states continues  
4 to be strong. However, the recent several year run-up in house  
5 prices, combined with property insurance challenges  
6 exacerbated by Hurricane Ian, are now posing challenges to  
7 Florida's traditional housing affordability advantage. While  
8 this will serve to moderate Florida's recent inbound  
9 migration surge, Florida population growth will continue to  
10 exceed the national average rate.

11  
12 Even though national population growth rates are falling due  
13 to the demographics of the post-war generations, the  
14 cumulative growth in the number of residents of Florida means  
15 that a somewhat slower rate of growth will still attract close  
16 to the same number of new households as had been seen during  
17 previous decades.

18  
19 **Q.** Will the Coronavirus have any significant negative long-term  
20 effects on the growth trends you have just described?

21  
22 **A.** No. The Coronavirus has negatively affected economic growth  
23 in Florida and throughout the country in a way that we have  
24 never seen before; however, the data now document an  
25 acceleration in the growth differential in favor of Florida.

1 This was driven in the short term by the strong recovery in  
2 leisure and hospitality sector as Florida was open for  
3 business when other states were not. Strong demand for housing  
4 created by record numbers of new residents also contributed  
5 to that growth.

6  
7 **Q.** Have there been other likely effects of the Coronavirus on  
8 natural gas markets in Florida?

9  
10 **A.** Yes, there have been other effects. The pandemic has  
11 intensified an existing trend towards migration away from  
12 cities with the highest population density. People have voted  
13 with their feet, leaving New York and other densely populated  
14 top 25 urban areas and they have come to Florida. This can be  
15 seen in Document No. 12 which presents 2022 migration data  
16 from Freddie Mac, (the Federal Home Loan Mortgage  
17 Corporation, which buys home loans from issuers). Because it  
18 has information on both the origin and destination of families  
19 with new mortgages, it can provide more up to date information  
20 than is available from the U.S. Census Bureau.

21  
22 Further, an effect of the pandemic has been to increase at-  
23 home activities, including working, dining, shopping, and  
24 entertainment, relative to historical patterns. While some of  
25 this is transitory, evidence suggests that these activities

1 are likely here to stay. This would naturally increase  
2 consumer demand for increased amenities in the home.  
3 Additionally, the pandemic exposed fragility in supply chains  
4 of intermediate and final products from toilet paper to milk  
5 to meat, to automobiles and steel. Consumers may wish, for  
6 purposes of risk diversification and redundancy of key home  
7 attributes, to have access to natural gas, whether for  
8 emergency home electricity generators or simply for the  
9 convenience and amenity value of hot water and cooking even  
10 when the electricity is out. In this way, increased  
11 availability of natural gas distribution systems will be a  
12 benefit to purchasers of new and existing homes.

13  
14 **BENEFITS TO FLORIDA OF GROWTH IN UTILIZATION OF NATURAL GAS**

15 **Q.** What are the benefits to further growth in the use of natural  
16 gas in Florida?

17  
18 **A.** The benefits of natural gas relative to other energy sources  
19 are well-understood. Among the most important is the multi-  
20 year and ongoing trend for affordability relative to  
21 alternate fuel sources.<sup>xiii</sup> Another is the decrease in  
22 greenhouse gas emissions relative to other fossil-fuel  
23 resources, and the concomitant decrease in noxious pollutant  
24 emissions.<sup>xiv</sup> These have led to quantifiable decreases in  
25 morbidity and mortality and associated increases in economic



1 output across the nation.<sup>xv</sup>

2  
3 In Florida, the switch to natural gas over time has been more  
4 rapid than in most states and our state has already benefitted  
5 substantially from increased use of natural gas to meet energy  
6 needs in the home, in businesses, and in electricity  
7 generation. Across key industries, from electricity  
8 generation to construction, health care, food service,  
9 transportation, HVAC, and other applications, natural gas has  
10 provided reliable, inexpensive, and environmentally friendly  
11 energy to power Florida's economic growth.

12  
13 According to recent data from the EIA, in Florida, about 86.7  
14 percent of natural gas use (measured by BTU) in the first 10  
15 months of 2022 was in electricity generation, with 7.8 percent  
16 industrial use, 3.9 percent in the commercial sector, about  
17 0.3 percent in transportation, and 1.2 percent in the  
18 residential sector.<sup>xvi</sup> This share of usage in electricity  
19 generation is higher than for any other large state in the  
20 nation.<sup>xvii</sup> It is indicative of Florida's warm climate, its  
21 large share of leisure and hospitality businesses, retail  
22 establishments, and service sector activity, and low share of  
23 industrial activity. It is also indicative of the transition  
24 that Florida has made over time away from traditional fossil  
25 fuels of coal and oil into cleaner burning natural gas.

1 Q. Will the growth of renewable energy resources impact growth  
2 trends for natural gas usage in Florida?

3

4 A. No. While the share of renewables in power generation is  
5 growing, natural gas is economic even as renewables usage  
6 increases, and natural gas will play a significant role in  
7 energy solutions to customers. Renewables have not solved  
8 the problems of morning and evening demand peaks in the daily  
9 load (the "duck curve"), and mandated use of renewables would  
10 drive energy prices to levels likely to be unacceptable to  
11 Florida consumers and voters. Even in the future, the  
12 affordable cost, rapid dispatch, and backup capabilities of  
13 natural gas mean it will be an essential part of any set of  
14 sustainable energy policies.

15

16 **ECONOMIC AND DEMOGRAPHIC FORECASTS FOR PEOPLES' LOCATIONS**

17 Q. Have you prepared specific demographic and economic forecasts  
18 for the geographic locations served by Peoples?

19

20 A. Yes, economic and demographic descriptors for each of the  
21 counties that are served by Peoples can be seen in the county-  
22 specific chart packages in Documents No. 13 through 20 of my  
23 exhibit.

24

25 Q. What are your conclusions in respect to these areas?

1 **A.** Florida Population growth is expected to exceed the national  
2 average rate of growth. This means that there will be an  
3 increase in demand for natural gas. Florida's long-held  
4 advantage over other states in providing an environment where  
5 people want to live will continue. This advantage may be  
6 increasing over time in terms of economics as the tax penalty  
7 to households of staying up North was increased by the 2017  
8 changes to the federal tax code, the pandemic driven changes,  
9 and the changing political environment.

10  
11 The projects in which Peoples' has invested and will continue  
12 to invest in are representative of the diversity of the state  
13 insofar as they meet the needs of some of the counties with  
14 fastest residential housing growth, areas with the greatest  
15 planned industrial growth, and areas that will be expected to  
16 accommodate a greater share of Florida's future growth.

17  
18 **SUMMARY**

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

20  
21 **A.** The system growth presented by Peoples' in this matter is  
22 supported by the increased demand that has occurred and will  
23 continue to occur as it is driven by population growth and  
24 economic activity growth in the State. Use of low-priced  
25 American natural gas to meet the energy needs of these new

1 households and businesses will allow Florida citizens to  
2 enjoy greater purchasing power by spending less of their  
3 incomes on energy. This new spending will ripple far beyond  
4 the energy sector, allowing new employment and income to be  
5 spread broadly across the Florida economy.

6

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

8

9 **A.** Yes.

10

11

12

13

14

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1                   (Whereupon, prefiled direct testimony of Eric  
2 Fox was inserted.)

3

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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

IN RE: PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBIT  
OF  
ERIC FOX

ON BEHALF OF  
PEOPLES GAS SYSTEM, INC.

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **PREPARED DIRECT TESTIMONY**

3   **OF**

4   **ERIC FOX**

5   **ON BEHALF OF PEOPLES GAS SYSTEM, INC.**

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

8  
9   **A.**   My name is Eric Fox. My business address is 20 Park Plaza,  
10       Suite 428, Boston, Massachusetts 02116. I am employed by  
11       Itron, Inc.

12  
13   **Q.**   Please describe your duties and responsibilities in that  
14       position.

15  
16   **A.**   I am Director, Forecast Solutions, where I am responsible for  
17       supporting utilities, ISOs, and transmission companies' sales  
18       and energy forecasting requirements. My work also includes  
19       providing forecast and modeling training, supporting Itron's  
20       Energy Forecasting Group (EFG), providing regulatory support,  
21       and managing the Boston office forecasting group.

22  
23   **Q.**   Please provide a brief outline of your educational  
24       background, work, and regulatory experience.

1   **A.**   I received my Master of Arts in Economics from San Diego State  
2           University in 1984 and my Bachelor of Arts in Economics from  
3           San Diego State University in 1981. While attending graduate  
4           school, I worked for Regional Economic Research, Inc. ("RER")  
5           as an SAS programmer. After graduating, I worked as an Analyst  
6           in the Forecasting Department of San Diego Gas & Electric. I  
7           was later promoted to Senior Analyst in the Rate Department.  
8           I also taught statistics in the Economics Department of San  
9           Diego State University on a part-time basis.

10  
11           In 1986, I was employed by RER as a Senior Analyst. I worked  
12           at RER for three years before moving to Boston and taking a  
13           position with New England Electric as a Senior Analyst in the  
14           Forecasting Group. I was later promoted to Manager of Load  
15           Research. In 1994, I left New England Electric to open the  
16           Boston office for RER, which was acquired by Itron in 2002.

17  
18           Over the last 30 years, I have provided support for a wide  
19           range of utility operations and planning requirements,  
20           including forecasting, load research, weather normalization,  
21           rate design, financial analysis, and conservation and load  
22           management program evaluation. Clients include traditional  
23           integrated utilities, distribution companies, independent  
24           system operators, generation and power trading companies, and  
25           energy retailers. I have presented various forecasting and



1 energy analysis topics at numerous forecasting conferences  
2 and forums. I also direct electric and gas forecasting  
3 workshops that focus on estimating econometric models and  
4 using statistical-based models for monthly sales and customer  
5 forecasting, weather normalization, and calculation of billed  
6 and unbilled sales. Over the last twenty years, I have  
7 provided forecast training to several hundred analysts from  
8 utilities and other industries.

9  
10 In the area of forecasting, I have implemented and directed  
11 numerous forecasts to support utility financial planning and  
12 long-term resource planning. Recent works include developing  
13 and supporting an energy and demand forecast for AES Indiana's  
14 Integrated Resource Plan (IRP), developing a set of  
15 recommendations for improving the PJM system long-term load  
16 forecast, conducting commercial end-use analysis for the New  
17 York ISO (Independent System Operator), and assessing  
18 temperature trends and incorporating these trends in  
19 normalizing historical test-year sales for Sierra Pacific.

20  
21 I have provided direct testimony as part of both rate and  
22 resource planning filings. My previous testimony includes  
23 supporting sales weather normalization for historical rate  
24 case test years and forecasts for rate case future test years  
25 and long-term resource planning. Further details of my work

1 and regulatory experience are included in Document No. 2 of  
2 my Exhibit No. EF-1.

3

4 **Q.** Have you provided testimony before the Florida Public Service  
5 Commission?

6

7 **A.** Yes. I have provided testimony supporting the long-term  
8 forecast in Orlando Utilities Commission's 2006 determination  
9 of need for the Stanton Energy Center (Docket 20060155-EM),  
10 and review and assessment of Tampa Electric Company's 2013  
11 base rate proceeding, (Docket 20130040-EI).

12

13 **Q.** What is the purpose of your prepared direct testimony in this  
14 proceeding?

15

16 **A.** The purpose of my direct testimony is to support the Projected  
17 2024 Test Year residential and small commercial sales for  
18 Peoples Gas System, Inc. ("Peoples" or the "company"). The  
19 forecast was completed in October 2022.

20

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

23

24 **A.** Yes. Exhibit EF-1 was prepared under my direction and  
25 supervision. My Exhibit consists of three documents

1 entitled:

2

3 Document No. 1 List Of Minimum Filing Requirements  
4 Co-Sponsored By Eric Fox

5 Document No. 2 Resume - Work and Regulatory Experience

6 Document No. 3 Itron Forecast Report

7

8 The Itron Forecast Report was prepared under my direction and  
9 supervision.

10

11 Document No. 3 of my exhibit, the Itron Forecast Report,  
12 presents the company's gas forecast and includes an overview  
13 of gas sales trends, summary of the forecast results, a  
14 description of the modeling approach, and discussion about  
15 the forecast model assumptions.

16

17 **Q.** Please describe recent customer and sales trends.

18

19 **A.** Over the last five years Peoples' experienced strong customer  
20 growth with average residential customer growth of 4.3  
21 percent and commercial average customer growth of 1.9  
22 percent. This growth is the result of strong economic and  
23 population growth combined with expansion of the gas  
24 distribution system. As described in witness Richard K.  
25 Harper's prepared direct testimony, low interest rates helped

1 to fuel a robust housing market coupled with strong state in-  
2 migration, business expansion, and second-home purchases. In  
3 addition to strong regional populations and household growth,  
4 customer growth was positively impacted by expansion of the  
5 gas distribution system to areas where gas was previously  
6 unavailable. In half of the company's Divisions, customer  
7 growth exceeded regional household growth.

8  
9 Between 2017 and 2022 residential plus small commercial sales  
10 averaged 2.1 percent annual growth (i.e., 2.0 percent on a  
11 weather normal basis). Sales growth would have been  
12 significantly stronger if not for the impact of COVID-19. In  
13 2020, Peoples experienced a sharp drop in sales as businesses  
14 closed and work and school activities shifted to homes. Small  
15 commercial sales fell 12.8 percent. Somewhat mitigating the  
16 impact, residential sales increased 5.3 percent. But as the  
17 small commercial classes account for roughly 75 percent of  
18 sales, the drop in commercial sales had a much larger overall  
19 impact than the increase in residential sales; total sales  
20 fell 8.8 percent (i.e., 10.5 percent weather normalized).  
21 Since the bottom of the pandemic, sales growth has recovered  
22 with strong customer growth (even through the pandemic, the  
23 company continued to add residential and commercial  
24 customers), with commercial average use trending back to pre-  
25 COVID-19 levels.

1 Q. Please summarize the forecast.

2

3 A. Over the next five years (i.e., 2023 through 2027) Peoples  
4 should see relatively strong sales growth driven by projected  
5 household and economic growth and COVID-19 sales recovery in  
6 the commercial sector. Moody's Analytics projects 1.7 percent  
7 state average annual household growth, up from 1.4 percent  
8 average growth over the last five years, and 1.4 percent  
9 annual employment growth, down from 1.9 percent as the prior-  
10 five-year average includes the COVID-19 2021 and 2022 job  
11 recovery.

12

13 **Residential Sales.** Over the next five years, on a normal  
14 weather basis, residential sales are expected to average 2.1  
15 percent annual growth with annual customer growth of 3.4  
16 percent. Weather-normal average use drops in 2023 as customer  
17 use trends back to pre-COVID-19 levels. Beyond 2023, average  
18 use declines on average 0.8 percent as gas end-use  
19 efficiencies continue to improve. Table 1 below shows  
20 residential sales, customers, and average use forecast with  
21 historical and weather-normalized data. Projected 2024 Test  
22 Year sales and customers are bolded.

23

24

25

1 **Table 1: Residential Sales and Customer Forecast**

Year	Sales (therms)	Cust	Avg Use	Sales WN	WN Avg Use
2017	76,267,938	338,068	226	84,104,940	249
2018	86,223,010	349,952	246	88,058,594	252
2019	85,073,881	361,488	235	89,856,569	249
2020	89,543,002	378,583	237	98,964,672	261
2021	100,985,239	398,211	254	103,351,372	260
2022	99,012,798	418,216	237	108,074,518	258
2023	109,311,311	434,943	251	109,311,311	251
<b>2024</b>	<b>111,861,046</b>	<b>449,661</b>	<b>249</b>	<b>111,861,046</b>	<b>249</b>
2025	114,274,553	464,150	246	114,274,553	246
2026	117,011,311	478,784	244	117,011,311	244
2027	119,868,776	493,489	243	119,868,776	243
<b>Change</b>					
2018	13.1%	3.5%	9.2%	4.7%	1.1%
2019	-1.3%	3.3%	-4.5%	2.0%	-1.2%
2020	5.3%	4.7%	0.5%	10.1%	5.2%
2021	12.8%	5.2%	7.2%	4.4%	-0.7%
2022	-2.0%	5.0%	-6.6%	4.6%	-0.4%
2023	10.4%	4.0%	6.2%	1.1%	-2.7%
2024	2.3%	3.4%	-1.0%	2.3%	-1.0%
2025	2.2%	3.2%	-1.0%	2.2%	-1.0%
2026	2.4%	3.2%	-0.7%	2.4%	-0.7%
2027	2.4%	3.1%	-0.6%	2.4%	-0.6%
<b>17-22</b>	<b>5.6%</b>	<b>4.3%</b>	<b>1.2%</b>	<b>5.2%</b>	<b>0.8%</b>
<b>22-27</b>	<b>3.9%</b>	<b>3.4%</b>	<b>0.6%</b>	<b>2.1%</b>	<b>-1.2%</b>

14 Projected 2024 Test Year residential sales are 111,861  
 15 thousand therms compared with 2022 year-end sales of 99,013  
 16 thousand therms. There is a large increase in 2023 sales as  
 17 a result of the transition from below normal weather in 2022  
 18 to normal weather in 2023. On a weather normal basis,  
 19 Projected 2024 Test Year sales are 3.5 percent higher than  
 20 2022 sales.

22 **Commercial Sales.** Commercial average use dropped  
 23 significantly in 2020 because of the COVID-19 "work at home"  
 24 mandate; normalized average use fell from 8,700 therms to  
 25 slightly less than 7,600 therms. Average use has recovered

1 since then and is expected to continue to recover with  
 2 business operations trending back to pre-COVID-19 activity  
 3 levels. Customer growth slows through the forecast period as  
 4 it is tied to lower employment and residential customer growth  
 5 projections. Table 2 below, shows commercial actual and  
 6 forecasted sales.

7  
 8 **Table 2: Small Commercial Sales and Forecast**

Year	Sales (therms)	Cust	Avg Use	Sales WN	WN Avg Use
2017	290,069,504	34,225	8,475	297,678,163	8,698
2018	304,887,741	35,038	8,702	306,390,411	8,744
2019	304,290,965	35,563	8,557	309,299,409	8,697
2020	265,386,367	36,223	7,327	274,425,115	7,576
2021	298,524,407	36,809	8,110	300,705,456	8,169
2022	302,872,408	37,589	8,057	310,801,723	8,268
2023	316,844,060	38,313	8,270	316,844,060	8,270
<b>2024</b>	<b>330,390,281</b>	<b>38,929</b>	<b>8,487</b>	<b>330,390,281</b>	<b>8,487</b>
2025	338,834,799	39,482	8,582	338,834,799	8,582
2026	345,504,233	40,000	8,638	345,504,233	8,638
2027	351,037,107	40,530	8,661	351,037,107	8,661
<b>Change</b>					
2018	5.1%	2.4%	2.7%	2.9%	0.5%
2019	-0.2%	1.5%	-1.7%	0.9%	-0.5%
2020	-12.8%	1.9%	-14.4%	-11.3%	-12.9%
2021	12.5%	1.6%	10.7%	9.6%	7.8%
2022	1.5%	2.1%	-0.6%	3.4%	1.2%
2023	4.6%	1.9%	2.6%	1.9%	0.0%
2024	4.3%	1.6%	2.6%	4.3%	2.6%
2025	2.6%	1.4%	1.1%	2.6%	1.1%
2026	2.0%	1.3%	0.6%	2.0%	0.6%
2027	1.6%	1.3%	0.3%	1.6%	0.3%
<b>17-22</b>	<b>1.2%</b>	<b>1.9%</b>	<b>-0.7%</b>	<b>1.1%</b>	<b>-0.8%</b>
<b>22-27</b>	<b>3.0%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>2.5%</b>	<b>0.9%</b>

19  
 20  
 21 **Q.** Please describe the overall forecasting approach.

22  
 23 **A.** A detailed summary of the forecast results, modeling  
 24 approach, and model inputs are included in the Itron Forecast  
 25 Report. To summarize, the forecast is based on a set of

1 residential and small commercial customer and average use  
2 models estimated with historical billed sales and customer  
3 data. Models are estimated using linear regression and are  
4 specified to capture the impact of household and economic  
5 growth, weather, price, and end-use efficiency improvements  
6 on sales and customer growth. Separate models are estimated  
7 for each Peoples' service area and include residential and  
8 commercial customer models and residential and commercial  
9 average use models. Residential and small commercial sales  
10 forecasts are derived as the product of the customer and  
11 average use forecast.

12  
13 Monthly average use models are estimated over the period  
14 January 2014 through July 2022, and monthly customer models  
15 from January 2016 through July 2022. Customer models are  
16 estimated using a shorter estimation period (than the average  
17 use models) to give more weight to the strong growth  
18 experienced over the last seven years; this period  
19 corresponds with significant expansion of the gas  
20 distribution system.

21  
22 **Q.** Please describe how the customer models are developed.

23  
24 **A.** Customer forecasts are based on Woods & Poole Metropolitan  
25 Statistical Area ("MSA") historical and forecasted household



1 and employment data. MSA forecasts are mapped to Divisions  
2 based on the Division's location. For model estimation, the  
3 Woods & Poole household and employment series are converted  
4 from an annual to monthly data series. The household forecast  
5 is used in the residential customer model and employment in  
6 the commercial models. In some Divisions, the relationship  
7 between commercial customer growth and employment is  
8 statistically weak or insignificant; in these Divisions  
9 predicted residential customers are used to drive commercial  
10 customer growth as there is a strong correlation between  
11 residential and small commercial customer growth. The initial  
12 customer forecasts were based on the Woods & Poole June 2022  
13 forecast. The forecast was updated in October 2022 to reflect  
14 Moody Analytics' slightly lower state household and  
15 employment projections.

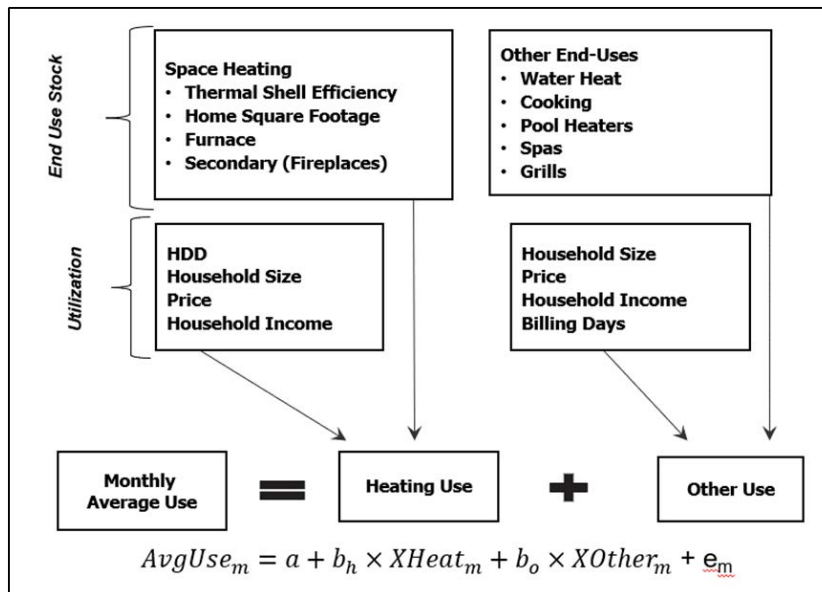
16  
17 Customer models also include auto-regressive terms. Auto-  
18 regressive terms use prior customer growth to partly explain  
19 future customer growth. These terms capture variation in  
20 customer growth around the household and employment trend  
21 lines and account for customer growth that exceeds near-term  
22 household and employment forecasts.

23  
24 **Q.** Please describe how the average use models were developed.  
25

1   **A.**   Average use models are estimated for both residential and  
2           small commercial customer classes using what is known as a  
3           Statistically Adjusted End-Use (SAE) model. The SAE model is  
4           an end-use framework that relates monthly average use to  
5           heating (XHeat variable) and non-heating end-use (XOther  
6           variable) gas requirements. Linear regression is used to  
7           estimate the relationship between average use and XHeat and  
8           XOther; the estimated model coefficients effectively  
9           calibrate or statistically adjust the XHeat and XOther to  
10          actual customer usage. XHeat and XOther include structural  
11          drivers (thermal shell and end-use efficiency and saturation  
12          trends) as well as variables that capture short-term and long-  
13          term monthly utilization (heating degree-days (HDD), number  
14          of days in the billing period, price, household size and  
15          income in the residential model, and employment and gross  
16          state product in the commercial model).

17  
18          Figure 1 below, shows the residential SAE model structure.  
19  
20  
21  
22  
23  
24  
25

1  
2 **Figure 1: Residential SAE Model**



12  
13 The commercial SAE model is similar. Monthly binary variables  
14 and auto-regressive terms are also included in the model  
15 specification to account for seasonal variation not captured  
16 by the XHeat and XOther model variables.

17  
18 **Q.** How are the thermal shell and end-use intensity trends  
19 derived?

20  
21 **A.** The thermal shell index (which captures improvements in  
22 housing structure efficiency gains) and end-use intensity  
23 trends (which captures both efficiency and saturation) are  
24 derived from the U.S. Energy Information Administration's  
25 (EIA) Annual Energy Outlook (AEO). Each year, Itron extracts

1 the underlying end-use data (e.g., end-use consumption,  
2 number of units, average stock efficiency, number of  
3 households, building shell efficiency index, and square  
4 footage) and constructs end-use intensity estimates (i.e.,  
5 end-use consumption per household in the residential sector  
6 and use per square foot in the commercial sector) that are  
7 organized in Excel spreadsheets and provided to Itron's  
8 Energy Forecasting Group ("EFG") members. The forecast is  
9 based on EIA's 2022 South Atlantic Census Division outlook.

10  
11 **Q.** How are Heating Degree Days ("HDD") calculated?

12  
13 **A.** HDDs are used to account for heating-related gas use and are  
14 based on the average daily temperature. HDD are positive when  
15 average daily temperature is below a defined temperature  
16 reference point. The NOAA published HDD is based on 65  
17 degrees. If the average temperature is 55 degrees, the HDD  
18 would have a value of 10 (65 degrees - 55 degrees). The  
19 calendar-month HDD is the sum of the daily HDD. For most  
20 utilities, electric and gas heating use isn't visible until  
21 the average daily temperature falls below 60 degrees; weather  
22 normalization and forecast models can be improved using HDD  
23 with a base of 60 degrees rather than 65 degrees. For Peoples,  
24 Jacksonville is the only service area where this is true. In  
25 the rest of Florida, heating-related gas use is starting at

1 65 degrees. In many of the central and southern divisions,  
2 heating-related use is visible at even higher temperature  
3 breakpoints; heating at these breakpoints is likely capturing  
4 pool and spa gas heating. For all but Jacksonville, gas  
5 heating is relatively small with residential heating  
6 accounting for 25 percent to 40 percent of gas use across the  
7 divisions. In comparison, residential customers in the South  
8 Atlantic Census Division use roughly 70 percent of gas for  
9 space heating. Jacksonville residential heating use is close  
10 to that of the Census Division. In the commercial sector,  
11 heating use is relatively small accounting for 5 to 20 percent  
12 of gas use across the Divisions. In comparison, gas heating  
13 accounts for roughly a third of the South Atlantic Census  
14 Division commercial gas use.

15  
16 Forecasted HDDs are based on a 20-year normal. Normal HDDs  
17 are calculated from daily average temperature data from  
18 January 1, 2002, through December 31, 2021. Daily average  
19 temperatures are first used to calculate daily HDDs. The daily  
20 HDDs are then averaged by date - all the January 1<sup>st</sup> HDD are  
21 averaged, January 2<sup>nd</sup> HDD are averaged, etc., through December  
22 31<sup>st</sup> across all twenty years. Actual and normal daily degree-  
23 days are then weighted based on the meter read schedule and  
24 summed across the billing month period. This results in  
25 monthly cycle-weighted HDDs that are consistent with the

1 monthly billed sales data.

2 **Q.** What are the economic variables and sources used in  
3 constructing the average use model variables?

4

5 **A.** The economic variables incorporated into the XHeat and XOther  
6 model variables are from Moody's Analytics' October 2022  
7 state forecast. In the residential model this includes  
8 average household income and household size. In the  
9 commercial model, the economic drivers include employment and  
10 economic output (gross state product). Moody's Analytics'  
11 forecast is used in the average use models, rather than Woods  
12 & Poole, as Moody's Analytics provides forecasts at lower-  
13 level periodicity (quarterly vs. annual basis) and more  
14 frequently updates the forecast. The lower-level periodicity  
15 allows the model to better capture short-terms sales  
16 variation tied to economic activity. The advantage of the  
17 Woods & Poole data is that it provides reasonably priced MSA  
18 level forecasts allowing us to better capture differences in  
19 customer growth across divisions.

20

21 **Q.** Do the average use models address the impacts of the COVID-  
22 19 pandemic?

23

24 **A.** Yes. Residential and commercial COVID-19 impact variables are  
25 also included in the average use models. The COVID-19

1 variables are based on Google Mobility Data which measures  
2 activity around generalized locations including homes,  
3 workplace, and retail. The COVID-19 model variables are  
4 statistically significant. For the forecast we assume that  
5 the COVID-19 variables trend back to the March 2020 baseline.  
6

7 **Q.** How is the sales and customer forecast used?  
8

9 **A.** Residential and small commercial customer and sales forecasts  
10 are used in estimating the Projected 2024 Test Year revenues  
11 at current rates. Residential sales and customers are  
12 allocated to three residential rate schedules and small  
13 commercial sales are allocated to four commercial rate  
14 schedules based on historical rate class shares of sales and  
15 customers. Rate-class level customer and sales forecasts are  
16 then priced at current tariff levels. A description of the  
17 base revenue forecast and revenue estimates are included in  
18 the prepared direct testimony of Peoples' witness Rachel B.  
19 Parsons.  
20

21 **SUMMARY**

22 **Q.** Please summarize your prepared direct testimony.  
23

24 **A.** Given economic and population projections coupled with COVID-  
25 19 recovery in the commercial sector, we expect to see

1 continued strong growth in gas sales led by new gas customer  
2 connections. By 2024, Peoples is expected to add over 31,000  
3 new residential customers and 1,300 commercial customers over  
4 2022. There is likely to be near-term COVID-19 resets in both  
5 commercial (higher) and residential (lower) use as home and  
6 business activity recovers from the pandemic. Over the long  
7 term residential average use will decline, and commercial  
8 average use will slow as improvements in end-use efficiency  
9 outweigh positive economic impact on usage.

10  
11 **Q.** Are Peoples' forecasts of customers and therms by rate class  
12 for the projected test year ending December 31, 2024,  
13 appropriate?

14  
15 **A.** Yes. The customer and SAE average use models are theoretically  
16 and statistically strong as measured by model coefficient and  
17 overall model fit statistics; model statistics and results  
18 are included in the Itron Forecast Report. Forecast drivers  
19 are developed from highly regarded sources including Moody's  
20 Analytics, Woods & Poole, The Energy Information Agency, and  
21 Google Mobility Data.

22  
23 The SAE model is based on an end-use modeling framework that  
24 has been adopted by numerous utilities in the U.S. and Canada  
25 for both electric and gas demand forecasting. SAE models have



1           been used and accepted by state regulatory commissions across  
2           the country in support of both rate cases and Integrated  
3           Resource Plans. In Florida, the SAE modeling approach is used  
4           by Tampa Electric Company, Duke Energy, Orlando Utilities  
5           Commission, and Lakeland Electric and has been accepted by  
6           the Florida Public Service Commission in both resource-  
7           related and rate case filings.

8  
9           The strength of the SAE model is that it captures both long-  
10          term structural trends (e.g., end-use saturation and  
11          efficiency trends) as well as the impact and interaction of  
12          weather conditions, number of billing days, price, household  
13          size, and economic activity. Itron has been supporting the  
14          SAE models for over 25 years through Itron's Energy  
15          Forecasting Group, model training, presentations, and  
16          participation in regulatory hearings.

17  
18          The SAE average use models, coupled with customer models based  
19          on regional household and employment projections, results in  
20          Projected 2024 Test Year sales that are reasonable and  
21          consistent with historical customer and usage trends.

22  
23   **Q.**   Does this conclude your prepared direct testimony?

24  
25   **A.**   Yes.

1                   (Whereupon, prefiled direct testimony of Gregg  
2 Therrien was inserted.)

3

4

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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

IN RE: PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBITS  
OF  
GREGG THERRIEN

ON BEHALF OF  
PEOPLES GAS SYSTEM, INC.

**TABLE OF CONTENTS**  
**PREPARED DIRECT TESTIMONY AND EXHIBIT**  
**OF**  
**GREGG THERRIEN**

INTRODUCTION..... 1

THE PROCESS TO DEVELOP UTILITY RATES..... 4

ALLOCATED COST OF SERVICE STUDY..... 6

CLASS REVENUE ALLOCATION..... 14

RATE DESIGN..... 16

BILL IMPACTS..... 25

REVENUE PROOF..... 25

PROPOSED TARIFFS..... 25

SUMMARY..... 26

EXHIBIT..... 27

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
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22  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

GREGG THERRIEN

ON BEHALF OF PEOPLES GAS SYSTEM, INC.

INTRODUCTION

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

A. My name is Gregg Therrien. My business address is 293 Boston Post Road West, Suite 500, Marlborough Massachusetts. I am employed by Concentric Energy Advisors, Inc. ("Concentric") as a Vice President.

Q. Please describe your duties and responsibilities in that position.

A. Concentric is a financial and economic consulting group, specializing in energy. My duties and responsibilities include leading and/or participating in energy client projects, including regulated utility rate proceedings such as that being litigated in this case. My specific areas of expertise include allocated cost of service, rate design, and project financial analysis. I have provided expert testimony in several utility rate proceedings in the United

1 States.

2

3 **Q.** Please provide a brief outline of your educational  
4 background and business experience.

5

6 **A.** I have an undergraduate degree in Finance from Bryant  
7 University and a Masters in Business Administration from  
8 the University of Connecticut. My work experience,  
9 education, affiliations, and other pertinent information  
10 are included in Document No. 14 of Exhibit No. GT-1.

11

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

14

15 **A.** The purpose of my testimony is to support Peoples Gas  
16 System, Inc.'s ("Peoples" or the "company") proposed rate  
17 design. This support includes the creation of an  
18 Allocated Cost of Service Study ("ACOSS"); rate design and  
19 associated revenue proofs; and bill frequencies and bill  
20 impacts by rate class. I also am sponsoring several  
21 Minimum Filing Requirements ("MFR") as part of my direct  
22 testimony.

23

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

1     **A.**    Yes.   Exhibit No. GT-1 was prepared under my direction and  
2            supervision.    My Exhibit consists of the following  
3            documents:

4  
5            Document No. 1        Sponsored Or Co-Sponsored Minimum  
6                                    Filing Requirements

7            Document No. 2        Endnotes For The Prepared Direct  
8                                    Testimony of Gregg Therrien

9            Document No. 3        Rate Classes In The ACOSS

10           Document No. 4        Customer Expense Allocations

11           Document No. 5        Rate of Return By Rate Class (Present  
12                                    Rates)

13           Document No. 6        Class Rate Changes To Achieve Equalized  
14                                    ROR At Proposed Rates

15           Document No. 7        Peoples' Cast Iron Bare Steel Rider  
16                                    Roll-In

17           Document No. 8        Proposed                Residential                Rate  
18                                    Reclassification Bands

19           Document No. 9        Class Distribution Revenues At Present  
20                                    And Proposed Rates

21           Document No. 10       Rate of Return By Rate Class (Proposed  
22                                    Rates)

23           Document No. 11       Peoples' Allocation Of Proposed  
24                                    Revenue Increase To Base Rates

25           Document No. 12       Peoples' Base Rates And

1 Revenues At Present And Proposed Rates  
2 Document No. 13 Comparison Of Existing Customer  
3 Charges And Customer-Related Costs By  
4 Class

5 Document No. 14 Curriculum Vitae of Gregg Therrien  
6

7 **THE PROCESS TO DEVELOP UTILITY RATES**

8 **Q.** What over-arching objectives guide utility rate  
9 development?

10  
11 **A.** The principle of "cost-causation" is an over-arching  
12 principle followed in the utility industry. Cost-causation  
13 is the notion that those customers that cause a specific  
14 cost to be incurred should bear the responsibility for  
15 paying for those costs. Stated differently, a cost-  
16 causation approach seeks to minimize cross-subsidization  
17 between utility service classes (e.g., between residential  
18 and commercial customers) as well as within a customer class  
19 (i.e., seek to avoid inter-class subsidies, such as  
20 inappropriate cost collection from smaller or larger  
21 customers within a class).

22  
23 **Q.** What tools are available to help equitably assign costs to  
24 customer classes and design utility rates?  
25



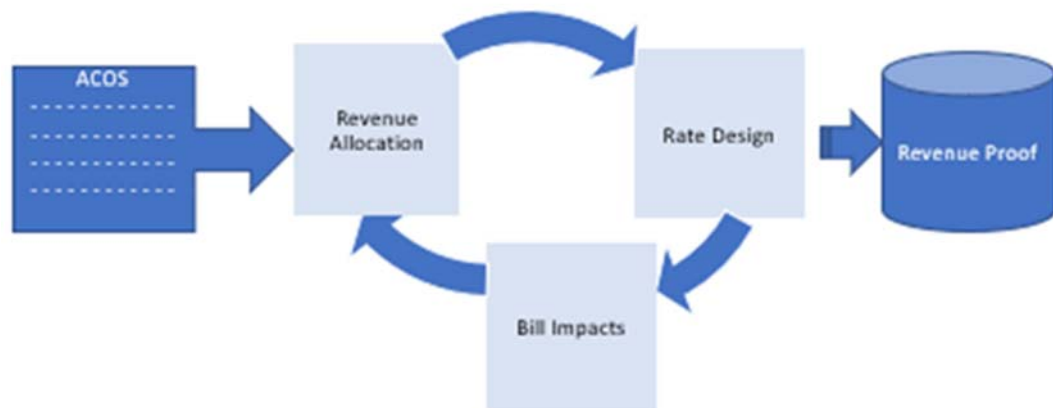
1   **A.**   Tools used to assist in utility rate setting include an  
2           ACOSS and bill impacts. The ACOSS is a detailed cost study  
3           that uses direct cost assignment to the appropriate  
4           customer class where possible, then a traditional method of  
5           spreading the remaining common costs of the system  
6           equitably among the classes. This process is described in  
7           detail in Section III below and is a helpful tool in  
8           establishing class target revenues. Bill frequency  
9           analysis helps dissect customer usage patterns within a  
10          class. This is particularly useful when designing rate  
11          availability break points (annual bill frequencies) or  
12          tiered usage rates (monthly bill frequency). The resulting  
13          rate strata can be used to apply bill impact analysis, which  
14          is the process of comparing existing rates to proposed rates  
15          at varying customer usage levels.

16  
17   **Q.**   At a high level, how are utility rates established?  
18

19   **A.**   Utility rates are established through a combination of  
20          "art" and "science". The "science" aspect of the rate  
21          setting process involves the tools described above,  
22          primarily through interrogation of the final ACOSS results.  
23          The "art" of rate setting is accomplished in the process of  
24          rate design, where reasonable judgment is applied to  
25          develop unit rates (customer, commodity and/or capacity-

1 based). The rate design process necessarily must result in  
 2 rates that collect the overall revenue requirement of the  
 3 company, as allowed by the regulator. Utility ratemaking is  
 4 an iterative process, which starts with an allocation of  
 5 total revenue requirements as depicted in Figure 1 below.

6  
7 **Figure 1: Iterative ratemaking process**



16 **ALLOCATED COST OF SERVICE STUDY**

17 **Q.** What is the purpose of an ACOSS?

18  
19 **A.** The purpose of the ACOSS is to determine the cost  
 20 responsibility of a company's customer rate classes based  
 21 on cost-causation principles. Although some costs can be  
 22 directly attributable to a specific rate class, the nature  
 23 of utility service requires common system costs to be  
 24 allocated based on how the costs are incurred and which  
 25 customer classes benefit, and to what degree those classes

1 should have that cost responsibility. An allocated study  
2 utilizes allocation factors developed from special studies.  
3 Such studies may be as simple as spreading costs based on  
4 customer counts or throughput while other studies require  
5 operational data and calculations to allocate the cost  
6 among the classes. For example, the cost of meters and  
7 services are examined and allocated to the classes based on  
8 the cost of meters and services used in each class. Once  
9 completed, the ACOSS' identification of the costs caused by  
10 each class provides guidance for allocating the revenue  
11 requirement to the rate classes. Further, the ACOSS  
12 provides guidance for designing rates based on how costs  
13 are functionalized (described below).

14  
15 **Q.** Please describe the process used in performing an ACOSS.

16  
17 **A.** An ACOSS is generally described as a three-step process  
18 including "functionalization," "classification," and  
19 "allocation" to the customer classes.

20  
21 **Q.** What is "functionalization"?

22  
23 **A.** In the functionalization step, the company's plant  
24 investment costs and operating expenses are categorized by  
25 the operational functions with which they are associated,

1 e.g., gathering, storage, transmission, distribution, and  
2 customer service. Generally, a company's system of accounts<sup>i</sup>  
3 (See endnotes in Document No. 2 of the exhibit to my direct  
4 testimony) provides the data in a fashion which facilitates  
5 this step.

6  
7 **Q.** What is "classification?"

8  
9 **A.** The second step is classification, where the functional  
10 cost elements are classified by the factor of utilization  
11 most closely matching cost causation, e.g., customer,  
12 capacity, or commodity (volumetric).

13  
14 Customer costs are a function of the number of customers  
15 served and continue to be incurred irrespective of the  
16 customer's consumption. Customer costs include capital  
17 costs associated with service lines, meters, regulators,  
18 and associated appurtenances. Other customer costs include  
19 the operating costs related to meter reading; customer  
20 service (e.g., call center); billing; and credit and  
21 collections.

22  
23 Capacity costs are those that are incurred based on the  
24 customer's peak load requirements. Capacity costs include  
25 plant investments such as distribution mains, gate

1 stations, and localized distribution facilities. The costs  
2 associated with these investments (return of and return on  
3 the invested capital and associated operating costs, such  
4 as ongoing maintenance) are classified as capacity  
5 consistent with previous cost of service studies submitted.  
6 Capacity costs are fixed in nature, and do not vary with  
7 the number of customers or the amount of throughput.

8  
9 Commodity costs are those costs that change in relation to  
10 the quantity of gas used by the customers. The largest  
11 variable cost is the cost of gas supply, which is recovered  
12 through the Purchased Gas Adjustment Cost Recovery Clause  
13 rather than through base rates. No distribution costs are  
14 classified as variable.

15  
16 **Q.** Are there any other costs classified in the ACOSS?

17  
18 **A.** Yes. The Florida Public Service Commission's (the  
19 "Commission") assessment fee is classified as "revenue" in  
20 the ACOSS.

21  
22 **Q.** Please describe the cost "allocation" step.

23  
24 **A.** The third and final step in an ACOSS is the allocation of  
25 the functionalized and classified costs to the various

1 customer classes. This is accomplished through direct  
2 assignment and the use of external and internal allocation  
3 factors loaded into the ACOSS. Direct assignment relates  
4 to the specific identification and isolation of plant  
5 and/or expenses that are incurred exclusively to serve a  
6 specific customer or customer class. For example, a very  
7 large customer may have dedicated distribution assets such  
8 as a large diameter service and high-capacity rotary meter.  
9 External allocation factors, e.g., volumes, number of  
10 customers, or peak usage, are obtained from a company's  
11 records. Internal factors are developed from previously  
12 allocated costs within the study, e.g., using allocated  
13 plant costs to allocate depreciation expenses.

14  
15 **Q.** What customer classes are utilized in your ACOSS?  
16

17 **A.** The customer classes used for the ACOSS performed for  
18 Peoples are listed in Document No. 3 of the exhibit to my  
19 direct testimony.  
20

21 **Q.** Describe the basic steps used in the ACOSS.  
22

23 **A.** The ACOSS follows the same three-step general process  
24 described earlier in this testimony. The functionalization,  
25 classification, and allocation factor assignments are shown

1 on MFR Schedule H-2.

2

3 **Q.** Please describe the functionalization step used in the  
4 ACOSS.

5

6 **A.** The ACOSS prepared here has three primary functions:  
7 Production, Distribution, and Customer Service. The  
8 assignment of plant and expenses to individual functions  
9 follows the FERC groupings of accounts described earlier.  
10 The indirect plant accounts (i.e., General and Intangible)  
11 are assigned to functions using internal allocators based  
12 on externally allocated plant accounts.

13

14 **Q.** Is the proposed ACOSS methodology consistent with industry  
15 practices?

16

17 **A.** Yes. The development of the ACOSS presented here is a  
18 typical approach, used by many gas utilities across the  
19 country.

20

21 **Q.** Please describe the classification process in the ACOSS.

22

23 **A.** This step in the ACOSS process assigns costs to capacity,  
24 customer, and commodity cost classifications. Most of the  
25 costs in the ACOSS are functionalized as distribution-

1 related and are further classified as either capacity or  
2 customer related. The proposed ACOSS classifies  
3 distribution mains, the largest cost to be allocated in the  
4 study, as 100 percent capacity-related, consistent with the  
5 company's Commission approved ACOSS in Docket Nos.  
6 20080318-GU and 20200051-GU.

7  
8 Customer-related costs include the return of and return on  
9 distribution services and meters and the associated  
10 operating and maintenance expenses. All cost items  
11 functionalized as customer service are classified as being  
12 customer related. Some of the cost items that fall into  
13 this category are the costs associated with meters,  
14 services, meter reading, billing, and customer services.  
15 Lastly, no costs are classified as commodity, primarily  
16 because the ACOSS does not include gas commodity costs (FERC  
17 Account 804).

18  
19 **Q.** How was the allocation process accomplished in your ACOSS?

20  
21 **A.** The next step in the ACOSS was to allocate the  
22 functionalized and classified costs to the various customer  
23 classes.

24  
25 Where possible, customer-specific investments are utilized



1 to allocate rate base investments. The company's investment  
2 in mains is allocated on a peak and average basis consistent  
3 with studies performed in prior Peoples rate proceedings.<sup>ii</sup>  
4

5 **Q.** How are other functionalized costs allocated in the ACOSS?  
6

7 **A.** Functionalized costs for meters, services and regulators  
8 are shown in MFR Schedule E-7.  
9

10 **Q.** How did you allocate expenses to the various classes?  
11

12 **A.** Expenses related to distribution were generally classified  
13 using the same allocation factor as the corresponding plant  
14 items. For example, "Account 878 - Meter and house  
15 regulator expenses" were classified using the same  
16 allocation factor used to allocate meter plant. "Account  
17 874 - Mains and services expenses" were classified using an  
18 internally developed allocator that tracks how the mains  
19 and services plant is classified to the various customer  
20 classes.  
21

22 Customer-related expenses are classified as shown in  
23 Document No. 4 of the exhibit to my direct testimony.  
24

25 Administrative and General Expenses ("A&G") were classified  
D13-1268

1 using internally developed allocators based on Operating  
2 and Maintenance Expenses excluding A&G. Expenses related  
3 to Maintenance of General Plant were classified on the same  
4 basis as General Plant.

5  
6 **Q.** Please describe the results of your ACROSS with respect to  
7 the rate of return at current rates.

8  
9 **A.** MFR Schedule H-1 provides a detailed summary of the ACROSS  
10 results. This schedule summarizes the current revenues by  
11 class, the current rate of return by class, proposed revenue  
12 requirement by class, functionalized and classified rate  
13 base by class, functionalized and classified revenue  
14 requirement by class, and functionalized and classified  
15 unit cost by class. The current rate of return ("ROR") by  
16 customer class is summarized in Document No. 5 of the  
17 exhibit to my direct testimony.

18  
19 **CLASS REVENUE ALLOCATION**

20 **Q.** How are the ACROSS results used in determining an equitable  
21 allocation of revenues among the customer classes?

22  
23 **A.** The ACROSS results shown above indicate which customer  
24 classes are either providing a surplus of revenues to the  
25 system (i.e., having a class ROR ratio greater than 1.000)

1 or are deficient in covering their class allocated costs  
2 (i.e., a class ROR ratio less than 1.000). Using the  
3 results of the ACOSS we can determine the amount of revenue  
4 surplus or shortfall each class contributes to the total  
5 system pro forma distribution revenue requirements by  
6 solving for equalized class ROR with the system average at  
7 proposed revenues. The required distribution revenue  
8 increase (or decrease) to achieve equalized ROR and the  
9 associated class increase or decrease percentages are shown  
10 in Document No. 6 of the exhibit to my direct testimony.

11

12 **Q.** Is the company proposing to increase the rates such that  
13 each class produces the system average required rate of  
14 return?

15

16 **A.** No, Peoples is not proposing to change rates such that each  
17 class produces the system average required rate of return.  
18 The ACOSS produces results that are instructive in revenue  
19 allocation and rate design but achieving equalized rates of  
20 return among the classes is often unattainable. As  
21 described in Section V below, there are multiple, and often  
22 competing, rate design goals that may hinder achieving  
23 equalized class rates of return.

24

25 **Q.** What are you recommending for the company's proposed

1 revenue allocation?

2

3 **A.** As described in Section II above, the final revenue  
4 allocation (and rate design) is the product of an iterative  
5 process whereby company proposals are intertwined with the  
6 results of the ACROSS, as well as other rate design  
7 considerations. The recommended allocation of the proposed  
8 revenue increase to base rates is shown in Document No. 11  
9 of my exhibit to my direct testimony.

10

11 **Q.** Have the revenues from the Cast Iron/Bare Steel Replacement  
12 ("CI/BSR") rider been reflected in the proposed revenue  
13 allocation and rates?

14

15 **A.** Yes. Exhibit GT-1 Document No. 7 details the roll-in of  
16 the CI/BSR revenues. Pro forma revenue requirements include  
17 these CI/BSR rolled-in revenues, and the pro forma proposed  
18 rates include recovery of these dollars. Residual CI/BSR  
19 revenue requirements for 2024 CI/BSR revenue requirements  
20 not included in base rates are also shown in the Document  
21 No. 7.

22

23 **RATE DESIGN**

24 **Q.** Are there general rate design principles acknowledged in  
25 the utility industry?

1   **A.**   Yes.  For many decades utility rate analysts have followed  
2           the general rate design principles developed by James C.  
3           Bonbright (and others).  In his book, Principles of Public  
4           Utility Rates, he describes the principles of efficiency,  
5           simplicity, continuity of rates, fairness between rate  
6           classes, and corporate earnings stability.

7  
8   **Q.**   Please explain your understanding of these principles.

9  
10   **A.**   An efficient rate structure promotes economically justified  
11           use of a company's sales and distribution services and  
12           discourages wasteful use.  Rate design simplicity is  
13           achieved if the customers understand what they are being  
14           charged - the level of rates and the rate structure.  Rate  
15           continuity requires that changes to the rate structure  
16           should not be abrupt and unexpected; gradual changes to the  
17           rate structure should allow customers to modify their usage  
18           patterns.  A rate design is fair if no customer class pays  
19           more than the costs to serve that class.  A rate design  
20           provides for earnings stability if the company has a  
21           reasonable opportunity to earn its allowed rate of return  
22           during the time that the rates are in effect.

23  
24   **Q.**   Were these principles followed in the proposed revenue  
25           allocation and rate design?

1     **A.**    Yes.  It is important to understand that these principles  
2           often conflict with one another.  Together, they offer a  
3           check and balance as to the reasonableness of designed  
4           rates.  Under some circumstances one or more of these  
5           principles may necessarily be violated; however, the  
6           proposed revenue allocations and rate design presented  
7           herein do not materially stray from any of the principles.

8

9     **Q.**    Is the company proposing any tariff or rate design changes?  
10

10

11    **A.**    Yes, the company is proposing two modest changes.  First,  
12           the company is proposing tariff changes to clarify and  
13           improve the annual residential rate reclassification  
14           review.  Customers qualify for one of the company's three  
15           separate residential rates (RS-1, RS-2 and RS-3) based on  
16           annual consumption.  Each year, customer usage is reviewed  
17           to determine if a customer should be reclassified to a  
18           different billing class based on their previous year's  
19           usage.  This practice introduced unintended consequences,  
20           which have led to administrative inefficiencies, some  
21           customer confusion, and the potential for under-or-over-  
22           recovery of allowed revenues to the company.  This  
23           modification is addressed further below and in the prepared  
24           direct testimony of company witness Bramley.

25

Second, the company is proposing a change to Residential

1 and Commercial Generator rates to eliminate the initial  
2 monthly usage allowances for each tariff (residential and  
3 commercial).<sup>iii</sup>

4  
5 **Q.** Were other structural rate design changes considered?

6  
7 **A.** After discussions regarding the six firm standard  
8 commercial and industrial rates (Small General Service, GS-  
9 1, GS-2, GS-3, GS-4, and GS-5), the company decided that  
10 each rate contained sufficient diversity in customer load  
11 profile as to warrant continuation of the current rate  
12 design structure and tariff construct.

13  
14 **Q.** Please describe the company's proposed modification to the  
15 residential annual volume review.

16  
17 **A.** The company proposes to apply a 10 percent band during the  
18 annual review process to avoid unnecessary rate  
19 reclassifications. Additionally, the company is proposing  
20 clarifying language in its tariffs to describe the change  
21 in the annual volume review process and when a customer may  
22 be reclassified. This clarifying language is contained in  
23 the proposed tariff sheet 7.201-1 and described in the  
24 testimony of company witness Bramley.

25

1 Q. Why is the company proposing to make this change to the  
2 annual volume review?

3

4 A. The company's annual volume review practice was developed  
5 after introducing the three residential billing classes in  
6 the 2008 rate proceeding. The use of only a 12-month period  
7 to evaluate customer usage has caused significant  
8 fluctuations in customers across the billing classes.  
9 Influences like the COVID Pandemic and weather have caused  
10 unintended results that have created complexities for  
11 customers and revenue instability for Peoples. The proposed  
12 changes to the company's tariff will address this issue.

13

14 Q. Please describe the proposed application of a 10 percent  
15 band to the annual volume review.

16

17 A. Existing customers that exceed the +/- 10 percent band will  
18 be reclassified to the correct rate. If an existing  
19 customer falls within the band, but does not exceed it,  
20 their account will be "flagged" for evaluation in the next  
21 annual rate volume review. If, in the subsequent year,  
22 their account continues to fall within the band in the same  
23 direction, then the account will be reclassified to the  
24 appropriate billing class.

25



1 Q. Please illustrate the proposed annual rate volume review  
2 bands.

3

4 A. The proposed bands are list in Document No. 8 of the exhibit  
5 to my direct testimony.

6

7 Q. How was the 10 percent band determined?

8

9 A. Statistical analysis of average annual residential use per  
10 customer over the past five years shows that the peak year  
11 (2021) was 5.9 percent above the average. This variance  
12 likely represents the weather component of variance, which  
13 suggests a tighter bandwidth (e.g., 5 percent) would  
14 potentially reclassify some customers solely based on  
15 weather rather than changes in normal usage (e.g., adding  
16 an appliance). Similarly, the class average use per  
17 customer exhibited year-over-year changes ranging from -  
18 5.1 percent to 7.9 percent, again suggesting that a tighter  
19 band may result in unnecessary reclassifications. Lastly,  
20 the company compared the average annual residential use per  
21 customer to the weather-normalized therms used in the 2024  
22 budget (test year). The variance between the warmest year  
23 and the coolest year was 10 percent, or 19.4 therms.

24

25 Q. How will this change benefit customers?

1   **A.**   The proposed changes to the annual volume review process  
2           will promote rate stability and reduce (or avoid) customer  
3           confusion.  The implementation of a proposed annual usage  
4           band should significantly reduce the number of customers  
5           reclassified to different rates because of the annual  
6           volume review.

7  
8   **Q.**   Describe the company's proposed change to the Residential  
9           and Commercial Generator rates.

10  
11   **A.**   As mentioned above, the company proposes to eliminate the  
12           provision granting no distribution charge for the first  
13           metered therms for residential and commercial generator  
14           customers.  The original rate design concept allowed  
15           emergency generator customers to conduct monthly usage  
16           tests that would consume a minimal amount of gas.  This  
17           allowance was tied to a higher monthly fixed customer charge  
18           compared to RS-1 and GS-1.  Customer usage data suggests  
19           these customers are consuming gas behind these dedicated  
20           meters beyond emergency generator use.  The company and  
21           propose to eliminate the initial allowance and bill all  
22           metered consumption.

23  
24   **Q.**   What is the impact of this rate proposal?  
25

1     **A.**    The impact of this change is minimal and is best observed  
2            through the bill impact exhibits provided in MFR Schedule  
3            E-5. The elimination of the zero-priced first consumption  
4            tier must be gauged in the context of a customer's total  
5            bill at varying consumption levels. The proposed single-  
6            tier rate design, coupled with the proposed monthly  
7            customer charge, will generate pro forma revenues, which  
8            can then be compared to current revenues at the class level,  
9            and, using bill impacts (See MFR Schedule E-5), at the  
10           customer level.

11  
12    **Q.**    Are there any other proposed structural rate design  
13            changes?

14  
15    **A.**    No. The rate structures remain the same for all classes -  
16            that is, a two-part fixed/volumetric design. Only the value  
17            of each billing component changes to develop a set of rates  
18            that, collectively, will recover the proposed revenue  
19            requirement.

20  
21    **Q.**    When determining each rate component did you consider the  
22            resulting revenue allocation among the classes at proposed  
23            rates?

24  
25    **A.**    Yes. As described in Section II above, establishing rates

1 is an iterative process. My initial rate design runs simply  
2 increased the fixed and variable rates equal to the overall  
3 pro forma distribution revenue increase. When the resultant  
4 class revenues were input into the ACOSS model, it produced  
5 class ROR ratios equal to present rates. Given the rate  
6 design goal of cost causation, I then increased or decreased  
7 these initial proposed fixed and variable rates to produce  
8 revenues that would move each class closer to equalized  
9 ROR. Document No. 12 of the exhibit to my direct testimony  
10 compares revenues at present and proposed rates.  
11 Additionally, a comparison of existing customer charges and  
12 customer-related cost by class is shown in Document No. 13  
13 of the exhibit to my direct testimony.

14  
15 **Q.** What are the proposed class revenue allocations?  
16

17 **A.** The proposed class revenue allocations are shown in  
18 Document No. 9 of the exhibit to my direct testimony.  
19

20 **Q.** Do the proposed revenues attain equalized rates of return?  
21

22 **A.** No, but significant movement towards equalized ROR was  
23 achieved. This is demonstrated in Document No. 10 of the  
24 exhibit to my direct testimony.  
25

1 Detailed comparisons of revenues, rates of return, and  
2 ratios are also provided in MFR Schedule H-1.

3

4 **BILL IMPACTS**

5 **Q.** Did you conduct bill impacts as part of your iterative rate  
6 design process?

7

8 **A.** Yes. Bill impacts are shown in MFR Schedule E-5.

9

10 **REVENUE PROOF**

11 **Q.** What is meant by "Revenue Proof"?

12

13 **A.** Revenue Proof is the process of ensuring that pro forma  
14 rates, when multiplied by pro forma billing determinants,  
15 yield the proposed overall revenue requirement. Again, the  
16 iterative process of rate setting necessitates revisiting  
17 proposed rate components to achieve the total result. It  
18 often takes several iterations of rate choices before the  
19 balance of class ROR, inter-class bill impacts, and overall  
20 revenue requirement is achieved. MFR Schedule H-1 provides  
21 summary schedules that represent the company's revenue  
22 proof at proposed rates.

23

24 **PROPOSED TARIFFS**

25 **Q.** Are you sponsoring tariffs as part of your direct testimony?

1   **A.**   No, but I did assist in the company's drafting of certain  
2           tariff provisions, as well as verified the proposed tariff  
3           sheets reflecting the proposed final rate design and  
4           customer rates. Please see the testimony of company witness  
5           Bramley for a detailed discussion of these tariffs.

6

7   **SUMMARY**

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

9

10   **A.**   The rates proposed herein reflect cost causation principles  
11           of rate design. Further, these rates were developed in  
12           collaboration with the company's management and reflect  
13           general rate design principles of efficiency, simplicity,  
14           continuity of rates, fairness between rate classes, and  
15           corporate earnings stability. The proposed rates recover  
16           the company's proposed revenue requirements on a  
17           prospective basis.

18

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

20

21   **A.**   Yes.

22

23

24

25

1                   (Whereupon, prefiled direct testimony of Karen  
2 Bramley was inserted.)

3

4

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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

IN RE: PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBIT  
OF  
KAREN L. BRAMLEY



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

**TABLE OF CONTENTS**

**PREPARED DIRECT TESTIMONY AND EXHIBIT**

**OF**

**KAREN L. BRAMLEY**

MISCELLANEOUS SERVICE CHARGES.....	3
RATE SCHEDULE MODIFICATIONS.....	6
CURRENT ANNUAL VOLUME REVIEW.....	7
RESIDENTIAL ANNUAL VOLUME REVIEW MODIFICATION.....	7
MODIFICATIONS TO THE CUSTOMER CHOICE PROGRAMS.....	8
NON-RATE RELATED TARIFF MODIFICATIONS.....	10
TECHNICAL TERMS AND ABBREVIATIONS.....	10
INITIATION OF SERVICE.....	10
CUSTOMER'S INSTALLATION.....	11
CONTINUITY OF SERVICE.....	12
MINIMUM VOLUME COMMITMENT TARIFF AND AGREEMENT.....	13
RELOCATION.....	14
LIABILITY AND COMPANY RESPONSIBILITY.....	14
ALTERNATE FUEL CERTIFICATION.....	15
GAS TRANSPORTATION AGREEMENT.....	15
MINOR REVISIONS.....	16

SUMMARY.....	18
EXHIBIT.....	19

PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 20230023-GU  
WITNESS: BRAMLEY  
REVISED: AUGUST 4, 2023

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **PREPARED DIRECT TESTIMONY**

3   **OF**

4   **KAREN L. BRAMLEY**

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

7  
8   **A.**   My name is Karen L. Bramley. 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  
11      Director of Regulatory Affairs.

12  
13   **Q.**   Please describe your duties and responsibilities in that  
14      position.

15  
16   **A.**   My responsibilities include Peoples' clauses and Natural Gas  
17      Tariff, Federal Energy Regulatory Commission ("FERC")  
18      compliance, as well as various regulatory activities on  
19      behalf of Peoples.

20  
21   **Q.**   Please provide a brief outline of your educational background  
22      and business experience.

23  
24   **A.**   I graduated from the University of South Florida in 1990 with

1 a Bachelor of Arts degree in Political Science and from the  
2 University of South Florida in 1993 with a Master's degree in  
3 Public Administration. I have more than 25 years of experience  
4 working in the gas and electric utility industry. My career  
5 began at Tampa Electric Company as a legal assistant in 1996,  
6 and since then, I have held numerous positions in different  
7 departments, including Customer Service and Fuels Management.  
8 In June 2018, I was appointed as Manager of Regulatory Affairs  
9 for Peoples, and in July 2023, I was promoted to Director.

10  
11 **Q.** What are the purposes of your prepared direct testimony in  
12 this proceeding?

13  
14 **A.** The purposes of my testimony are to present and support tariff  
15 modifications as part of the company's request for an increase  
16 in base rates in this proceeding. Specifically, I will  
17 describe proposed modifications to the: (1) miscellaneous  
18 service charges; (2) rate schedules; and (3) non-rate related  
19 language within the company's tariff. Additionally, I will  
20 describe other changes to tariff language to make certain  
21 minor revisions for editorial purposes or to correct or  
22 clarify language.

23  
24 **Q.** Did you prepare any exhibits in support of your prepared  
25 direct testimony?



1 **A.** No. The company is not proposing any new miscellaneous service  
2 charges in this proceeding.

3

4 **Q.** Is the company proposing any changes to its current  
5 miscellaneous service charges?

6

7 **A.** Yes. The company proposes to modify certain miscellaneous  
8 service charges as shown on Tariff Sheet Nos. 5.101 and 5.101-  
9 1 of the legislative versions of the revised tariff sheets  
10 contained in MFR Schedule E-9. The company reviewed its  
11 miscellaneous service charges and the cost involved in  
12 performing these utility services. The company proposes  
13 modifying the following charges based on this cost study:

14

15 (1) Account Opening Charge;

16 (2) Meter Turn On / Service Initiation Charge;

17 (3) Meter Reconnection / Service Restoration Charge;

18 (4) Trip Charge/Collection at Customer Premises; and the

19 (5) Temporary Meter Turn-Off Charge.

20

21 The cost associated with each activity is reflected in MFR  
22 Schedule E-3. A comparison of the company's current and  
23 proposed miscellaneous service charges may be found in  
24 Document No. 3 of my exhibit. The resulting revenue increases  
25 are included in the cost of service and accounted for in the

1 company's final rates as presented in MFR Schedule H.

2

3 **Q.** Please describe the methodology used to perform the cost study  
4 of each utility service.

5

6 **A.** The company performed a time study and cost analysis for each  
7 utility service. The time study involved the capture and  
8 review of the detailed tasks involved. The tasks included:  
9 (1) customer communications; (2) order handling; (3) travel  
10 times; and (4) job times. The time study incorporated a  
11 review and analysis of the labor and material costs required  
12 to complete each activity which were integrated into a per-  
13 service cost.

14

15 **Q.** What labor and material costs were used in developing the  
16 cost of each utility service?

17

18 **A.** The company used payroll and purchasing data as the basis for  
19 the labor and material costs. As detailed in MFR Schedule E-  
20 3, the labor and material costs were adjusted to reflect the  
21 2024 projected test year assumptions. Cost adjustments were  
22 based upon year-over-year cost projections.

23

24 **Q.** Where did you obtain the assumptions used to determine the  
25 2024 projected test year rates and costs?

1 A. The labor rates and material cost assumptions used for the  
2 2024 projected test year as listed in MFR Schedule G-2, page  
3 10.

4  
5 Q. Are Peoples' proposed miscellaneous service charges  
6 appropriate?

7  
8 A. Yes, the proposed miscellaneous service charges are  
9 appropriate.

10

11 **RATE SCHEDULE MODIFICATIONS**

12 Q. Is the company proposing to revise its rate schedules and  
13 riders?

14

15 A. Yes. Peoples proposes the following revisions to the rate  
16 schedules and riders as filed with the Florida Public Service  
17 Commission ("Commission") pursuant to the file and suspend  
18 provisions of Section 366.06, Florida Statutes. The rate  
19 schedules and riders in Section 7 of the company's proposed  
20 tariff reflect the new rates developed and supported by  
21 company witness Gregg Therrien's prepared direct testimony.  
22 The company is submitting proposed revisions to its tariff to  
23 achieve the proposed revenues for all rate classes as required  
24 in both legislative and clean format in MFR Schedule E-9.

25



1 Q. Please describe other substantive proposed revisions to the  
2 rate schedules.

3

4 A. Peoples proposes to make substantive revisions to the rate  
5 schedules regarding the: (1) annual volume review for  
6 purposes of residential customer reclassification; and (2)  
7 customer choice programs.

8

9 **Current Annual Volume Review**

10 Q. What is the company's current business process for  
11 reclassifying customers to another billing class?

12

13 A. Each rate schedule in the company's tariff is subject to an  
14 annual volume review. The company performs this annual volume  
15 review of a customer's usage each June. Only customers with  
16 a full year of actual usage are subject to the annual review.  
17 This review informs the company as to whether  
18 reclassification to another billing class is warranted. Any  
19 subsequent reclassification does not result in credits being  
20 issued for past usage and the customer must remain on the new  
21 rate schedule for twelve months.

22

23 **Residential Annual Volume Review Modification**

24 Q. Describe the proposed change to the annual volume review and  
25 reclassification process for residential customers and why

1 the company seeks to make this change.

2

3 **A.** As discussed in witness Therrien's direct testimony, the  
4 company proposes to amend the annual volume review and  
5 reclassification process by applying a 10 percent band.

6

7 The annual usage for Residential Service ("RS") billing  
8 classes is as follows:

9 <u>Billing Class:</u>	<u>Annual Consumption:</u>
10 RS-1	0 to 99 Therms
11 RS-2	100 to 249 Therms
12 RS-3	250 to 1,999 Therms
13 RS-GHP	All Therms

14

15 If in one twelve-month period, a customer uses more or less  
16 than the current consumption parameters of their billing  
17 class but is within the 10 percent band, they will remain in  
18 their current billing class. If in two consecutive years, a  
19 customer uses more or less than the consumption parameters  
20 for their billing class and is within the 10 percent band,  
21 they will be reclassified to the new appropriate billing class  
22 for such usage.

23 **Modifications to the Customer Choice Programs**

24 **Q.** Please explain the change to the termination fee for the  
25 Natural Choice Transportation ("NCTS") program.

1 **A.** The company is proposing an increase in the NCTS termination  
2 fee. This increase is due to a rise in direct labor costs  
3 associated with the administration of the NCTS program. This  
4 fee is charged when a pool manager terminates service to a  
5 customer.

6

7 **Q.** Please explain the change to the Individual Transportation  
8 Administration Fee for the Individual Transportation Service  
9 ("ITS") Rider.

10

11 **A.** The company proposes to increase the ITS Administration Fee  
12 due to a rise in direct labor costs associated with the (1)  
13 management of the ITS program; and (2) telemetry equipment  
14 operations and maintenance of the 353 ITS meters. This fee  
15 also includes associated costs for the data collection system  
16 service agreement, gas management system, ITS materials cost  
17 for volume corrector, battery and modem replacements, and  
18 vehicle costs.

19

20 **Q.** What other changes to the ITS Rider is the company proposing?

21

22 **A.** Peoples is proposing to change the publication referenced in  
23 the imbalance calculation under the ITS Rider from Natural  
24 Gas Week to the industry standard of Gas Daily. Additionally,  
25 the company seeks to modernize the correction of the

1 imbalances section to reflect the company's use of an online  
2 gas management system.

3  
4 **Q.** Are Peoples' proposed modifications to the rate schedules  
5 appropriate?

6  
7 **A.** Yes, Peoples' proposed modifications to the rate schedules  
8 are appropriate.

9  
10 **NON-RATE RELATED TARIFF MODIFICATIONS**

11 **Technical Terms and Abbreviations**

12 **Q.** Please describe any proposed changes to the company's  
13 technical terms and abbreviations.

14  
15 **A.** Peoples proposes to modernize the definitions of "customer"  
16 and "customer installation." The definition of "customer" is  
17 expanded to clarify which users of gas service qualify as  
18 customers. "Customer installation" is revised to ensure  
19 installation is performed in accordance with applicable codes  
20 and standards.

21  
22 **Initiation of Service**

23 **Q.** Please describe the company's proposed changes to Article I,  
24 Initiation of Service, in Section 5 of its tariff?  
25

1 A. The company proposes language allowing the company, subject  
2 to Commission approval, to provide service by entering into  
3 an agreement with a customer memorializing a special contract  
4 pursuant to Rule 25-9.034, Florida Administrative Code, where  
5 rates, terms and conditions for service may be different from  
6 those set forth in the company's approved tariff.

7  
8 **Customer's Installation**

9 Q. Is the company proposing any modifications to Article II,  
10 Customer's Installation, in Section 5 of its tariff?

11  
12 A. Yes. The company is proposing four modifications related to  
13 a customer's installation. First, new language is proposed  
14 (1) requiring a customer's installation to be in accordance  
15 with standard practice and applicable laws; and (2) prohibits  
16 a customer from using installations under certain  
17 circumstances. Second, the company seeks approval of new  
18 language requiring customer notice to the company when any  
19 gas leak is suspected, detected, or discovered. This language  
20 also prohibits the use of an igniting medium in the proximity  
21 of escaping gas.

22  
23 The third proposed modification requires customer notice to  
24 the company of the installation of any gas-fired electric  
25 generation and prohibits connection to the company's system

1 without prior approval. Such notice will ensure adequate  
2 pressure for reliable gas service. Lastly, there is a proposed  
3 modification to the customer installation provision to  
4 include the installation of gas-fired electric generation as  
5 a change in requirements for gas service that triggers notice  
6 to the company.

7  
8 **Q.** How will the company notify customers of the notice  
9 requirements for gas leaks and gas-fired electric generators,  
10 and the prohibition on installation usage described above?

11  
12 **A.** If Peoples receives Commission approval for these  
13 modifications, the company proposes to inform customers of  
14 the new notice requirements and the usage prohibition via a  
15 bill insert.

16  
17 **Continuity of Service**

18 **Q.** Describe the modification made to Article VIII, Continuity of  
19 Service, in Section 5 of the company's tariff.

20  
21 **A.** The company proposes to amend this provision by including  
22 "gas leakage" among the enumerated damages for which the  
23 company will not be liable in providing regular,  
24 uninterrupted gas service.

25

1 **Minimum Volume Commitment Tariff and Agreement**

2 **Q.** Describe the proposed change to the company's tariff that  
3 allows for a minimum volume commitment and the related  
4 agreement?

5  
6 **A.** Peoples seeks to modify its tariff to provide the company  
7 with the option to require a customer that will need a  
8 facility extension to receive service, to commit to receive  
9 service at a defined minimum level and to pay for such minimum  
10 level of service, also known as a "take-or-pay" provision.  
11 Any minimum volume commitment will not be set at a level that  
12 exceeds the volume used to calculate the Maximum Allowable  
13 Construction Cost for such customer, nor will the term of  
14 such commitment exceed ten (10) years. The proposed Minimum  
15 Volume Commitment provision is found on Tariff Sheet 5.601  
16 and the corresponding proposed Minimum Volume Commitment  
17 Agreement is found on new Tariff Sheet 8.126 through 8.126-8  
18 of the proposed tariff modifications.

19  
20 **Q.** Why is Peoples proposing to modify its tariff to include a  
21 minimum volume commitment agreement?

22  
23 **A.** As discussed in company witness Lew Rutkin, Jr.'s direct  
24 testimony, Peoples proposes to add a new form minimum volume  
25 commitment agreement to its tariff. This agreement will

1 ensure industrial and large commercial customers requesting  
2 gas transportation service that need construction of new  
3 mains and/or additional facilities are required to use and  
4 pay for the transportation service requested. The company  
5 would use this agreement in circumstances where the cost to  
6 serve analysis and the customer's service requirements  
7 demonstrate a minimum volume commitment is prudent. The  
8 proposed changes will protect the general body of ratepayers  
9 and should be approved.

10  
11 **Relocation**

12 **Q.** Is the company proposing changes to the Relocation or  
13 Modification of Gas Service Facilities section of the tariff?  
14

15 **A.** Yes. Peoples is proposing language to clarify that a customer  
16 requesting to relocate gas facilities shall reimburse Peoples  
17 in advance of such work being performed.  
18

19 **Liability and Company Responsibility**

20 **Q.** Please describe the changes the company is proposing to the  
21 provisions on limits of company's responsibility; (2)  
22 limitation on consequential damages; and (3) indemnity to  
23 company.  
24

25 **A.** Each of these proposed modifications represents an effort to



1 clarify circumstances of liability by the company and protect  
2 against undue risk that may arise in the conduct of our  
3 business. Further, these modifications are consistent with  
4 the provisions of other utilities' Commission approved  
5 tariffs.

6  
7 **Alternate Fuel Certification**

8 **Q.** What change is Peoples proposing to the Alternate Fuel  
9 Certification Form?

10  
11 **A.** For contract administration purposes, Peoples is proposing  
12 modifications to the Alternate Fuel Certification form for  
13 recertification by a customer of alternate fuel options to  
14 occur on an annual basis rather than a monthly basis.

15  
16 **Gas Transportation Agreement**

17 **Q.** What change is Peoples proposing to the Gas Transportation  
18 Agreement?

19  
20 **A.** Peoples is proposing several clarifying revisions to this  
21 form agreement. The modifications include (1) defining terms  
22 commonly used within the agreement that were not previously  
23 expressly defined; (2) updating the website information for  
24 nominations; and (3) specifying that the agreement shall  
25 renew at the then applicable tariff-based rate schedule

1 unless the parties have agreed to another applicable rate  
2 schedule at least 30 days in advance of expiration.

3  
4 **Q.** Are Peoples' non-rate-related tariff changes appropriate?

5  
6 **A.** Yes, Peoples' non-rate-related tariff changes are  
7 appropriate.

8  
9 **MINOR REVISIONS**

10 **Q.** Please describe the proposed modifications the company  
11 considers to be editorial, corrections, and clarifications.

12  
13 **A.** The company is requesting approval by the Commission for the  
14 following tariff corrections and clarifications.

15  
16 Counties and Communities Served

17 The proposed changes to the counties and communities served  
18 is an updated list that reflects the new areas to which  
19 Peoples has extended service in response to customer demand.

20  
21 Territory Served

22 The proposed change to the territory served section is an  
23 updated map that reflects the new areas served by Peoples  
24 since its last general base rate proceeding in 2020.

25

1        Removal Of Requirement To File Peoples' Curtailment Plan

2        Currently, a few portions of the company's tariff refer to  
3        Peoples curtailment plan as being "on file with the  
4        commission." Peoples seeks to remove this provision for  
5        administrative efficiency. Additionally, no statute or  
6        regulation governs or otherwise requires the filing of a  
7        natural gas utility's curtailment plan. The company will  
8        continue to update and maintain its curtailment plan in the  
9        ordinary course of business.

10  
11        Editorial Changes

12        The company proposes small editorial changes to conform the  
13        terms "rate schedule" and "tariff" such that they appear in  
14        proper lower-case or capitalized format within the tariff as  
15        appropriate.

16  
17        **Q.**    In your opinion, are the company's proposed editorial changes  
18        reasonable?

19  
20        **A.**    Yes.

21  
22        **Q.**    What is the appropriate effective date of Peoples' revised  
23        rates and charges?

24  
25        **A.**    The appropriate effective date is for the first billing cycle

1 of January 2024.

2

3 **SUMMARY**

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

5

6 **A.** The proposed revisions to the Peoples' existing tariff sheets  
7 are necessary to address current and anticipated operational,  
8 business and customer needs. Taken together with the  
9 proposals in the prepared testimony of witnesses Therrien and  
10 Rutkin, these proposed tariff revisions will permit Peoples  
11 to recover its prudent costs of providing safe and reliable  
12 natural gas service.

13

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

15

16 **A.** Yes, it does.

17

18

19

20

21

22

23

24

25

1                   (Whereupon, prefiled rebuttal testimony of  
2 Luke Buzard was inserted.)

3

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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

REBUTTAL TESTIMONY AND EXHIBIT  
OF  
LUKE A. BUZARD

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2                                   **REBUTTAL TESTIMONY**3   **OF**4   **LUKE A. BUZAED**5  
6   **Q.**   Please state your name, address, occupation, and employer.7  
8   **A.**   My name is Luke A. Buzard. 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      Vice President of Pipeline Safety & Regulatory Affairs.12  
13   **Q.**   Please describe your duties and responsibilities in that  
14      position.15  
16   **A.**   I am responsible for overseeing all aspects of the rates,  
17      compliance, and regulatory matters under the jurisdiction of  
18      the Florida Public Service Commission ("FPSC" or the  
19      "Commission") for Peoples. I have also coordinated the  
20      preparation and filing of Peoples' request in this base rate  
21      proceeding. My duties also include responsibility for  
22      Peoples' safety, damage prevention, emergency management,  
23      environmental, and compliance programs, including  
24      requirements set by the Pipeline and Hazardous Materials  
25      Safety Administration (PHMSA), an agency of the Department of

1           Transportation.

2

3   **Q.**   Please provide a brief outline of your educational background  
4           and business experience.

5

6   **A.**   I received my Bachelor of Science degree, with a concentration  
7           in Accounting, and my Master of Accountancy degree from the  
8           College of Business Administration at the University of South  
9           Florida. Prior to my current position, my role was Director,  
10          Pipeline Safety & Operational Services, where my  
11          responsibilities included technical training, compliance,  
12          standards & technical services, and employee and contractor  
13          safety. I have also previously served as the Director of  
14          Internal Audit for TECO Energy. I am a Certified Public  
15          Accountant in the State of Florida.

16

17   **Q.**   Did you file direct testimony in this proceeding?

18

19   **A.**   No. However, since we filed our direct testimony on April 4,  
20          2023, a regulatory policy question has arisen. That kind of  
21          issue falls within the scope of my responsibilities at  
22          Peoples, so I am submitting this rebuttal testimony.

23

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

25



1 A. The purpose of my rebuttal testimony is to explain why all  
2 three of the company's proposed renewable natural gas ("RNG")  
3 projects should be included as part of the company's regulated  
4 operations ("above-the-line") in this proceeding.

5  
6 Q. Has any party proposed that the company's three proposed RNG  
7 projects be excluded from the company's regulated operation  
8 ("below-the-line") in this proceeding?

9  
10 A. No, not at this time; however, Office of Public Counsel  
11 ("OPC") witness Lane Kollen has proposed an adjustment that  
12 would remove the net revenue requirement impact of the  
13 company's three proposed RNG projects from the calculation of  
14 the company's proposed 2024 revenue requirement. Witness  
15 Kollen states that his proposed RNG adjustment only applies  
16 "if the Commission allows the RNG investment and expense above  
17 the line..."

18  
19 His testimony further indicates that OPC intends to address  
20 at the hearing and in its brief whether the company's proposed  
21 RNG projects should be included above-the-line for ratemaking  
22 purposes as proposed by Peoples.

23  
24 My rebuttal testimony is intended to persuade both OPC and  
25 the Commission to support Peoples' proposal and leave its

1 three proposed RNG projects - two of which were planned and  
2 executed in accordance with Peoples' RNG tariff - above the  
3 line (i.e., regulated) for ratemaking purposes and include  
4 the related revenue requirements as proposed by Peoples as  
5 further discussed by witness Rachel Parsons in her rebuttal  
6 testimony.

7  
8 **Q.** Is Public Counsel proposing that the company's two tariffed  
9 RNG projects should be accounted for below-the-line and  
10 treated as unregulated projects?

11  
12 **A.** It is unclear at this time. By approving our RNG tariff in  
13 2017, we believe and assert the Commission made a decision  
14 that projects that comply with the tariff are regulated  
15 projects, and therefore should be accounted for above-the-  
16 line. For OPC to argue, or for the Commission to decide  
17 otherwise, would be an unprecedented departure from the way  
18 the Commission has exercised its regulatory authority.

19  
20 **Q.** Have you prepared an exhibit supporting your rebuttal  
21 testimony?

22  
23 **A.** Yes. Exhibit No. LAB-1, entitled "Rebuttal Exhibit of Luke A.  
24 Buzard," was prepared by me or under my direction and  
25 supervision and accompanies my rebuttal testimony. The

1 contents of my exhibit were derived from the business records  
2 of the company or the records of the FPSC and the Commissions  
3 of other state jurisdictions and are true and correct to the  
4 best of my information and belief. My rebuttal exhibit  
5 consists of the following documents:

- 6 Document No. 1 Peoples' Current RNG Tariff
- 7 Document No. 2 FPSC Order No. PSC-2017-0497-TFR-  
8 GU, issued December 29, 2017,  
9 Approving Peoples Gas System's RNG  
10 Tariff ("Original RNG Order")
- 11 Document No. 3 2020 Proposed Changes to Peoples  
12 Original RNG Tariff
- 13 Document No. 4 Excerpt from 2020 Rate Case Pre-  
14 hearing Order (Issue 66 on RNG  
15 Tariff modifications)
- 16 Document No. 5 Excerpts from FPSC Order No. PSC-  
17 2020-0485-FOF-GU, issued December  
18 10, 2020 ("2020 Agreement Approval  
19 Order")
- 20 Document No. 6 New River and Brightmark Assets  
21 By Tariff Category
- 22 Document No. 7 Alliance Dairies CPVRR Analysis &  
23 Environmental Attribute Market  
24 Price  
25 Break Even Analysis

1 Document No. 8 Sections 366.91 and 366.92, Florida  
2 Statutes

3 Document No. 9 RNG Orders from Other States  
4

5 **Q.** How will you organize your discussion of the regulatory  
6 treatment of the company's three proposed RNG projects?  
7

8 **A.** My discussion consists of the following sections:  
9

10 I. I will start by providing an overview of the RNG  
11 Market.

12 II. Then I will discuss Peoples' RNG Tariff and related  
13 history.

14 III. From there, I will address how Peoples planned and  
15 executed its New River and Brightmark projects to  
16 comply with and in reliance on the company's RNG  
17 tariff.

18 IV. I will then explain how our Alliance Dairies  
19 project benefits our customers.

20 V. I will share with the Commission that there are  
21 existing, already approved, RNG tariffs and  
22 regulated RNG investments in other jurisdictions  
23 across the US.

24 VI. Finally, I will show that all three projects are in  
25 the public interest as defined by the Florida

1                   Legislature, fall within Peoples' previously  
2                   approved RNG Tariff for Brightmark and New River,  
3                   and should be considered above-the-line for  
4                   ratemaking purposes in this case because they are  
5                   prudent and create value for rate payers.

6  
7                   I.

8                   RNG Market History

9   **Q.**   What is the Renewable Fuel Standard?

10  
11   **A.**   The Renewable Fuel Standard ("RFS") is a program administered  
12           by the Environmental Protection Agency ("EPA"). The program  
13           was authorized under the Energy Policy Act of 2005 and  
14           expanded under the Energy Independence and Security Act of  
15           2007. Congress created the RFS program to reduce greenhouse  
16           gas emissions and expand the nation's renewable fuels sector  
17           while reducing reliance on imported oil.

18  
19   **Q.**   What is the California Low Carbon Fuel Standard ("LCFS") and  
20           are there any LCFS programs in other States?

21  
22   **A.**   California's LCFS is designed to decrease the carbon  
23           intensity of California's transportation fuel pool and  
24           provide an increasing range of low-carbon and renewable  
25           alternatives, which reduce petroleum dependency and achieve

1 air quality benefits. California's LCFS was approved in 2009,  
2 based on California Assembly Bill 32, which became law in  
3 2006.

4  
5 Other states with similar clean fuels programs include  
6 Oregon's Clean Fuels Program established in 2009 and  
7 Washington's Clean Fuels Standard in 2021. Proposed clean  
8 fuel standard legislation is currently pending in Illinois,  
9 New York, Massachusetts, Minnesota, New Mexico, and Vermont.

10  
11 **Q.** What is the Voluntary RNG Market, and does it bundle the  
12 environmental attribute and brown gas commodity value?

13  
14 **A.** The Voluntary RNG market exists for RNG buyers who seek to  
15 purchase RNG directly from producers. These buyers typically  
16 have Environmental, Sustainability & Governance (ESG),  
17 Greenhouse Gas (GHG), or other carbon reduction related goals  
18 and look to offset their fuel consumption from a fuel source  
19 with a lower carbon intensity.

20  
21 The Voluntary RNG market typically bundles both the  
22 environmental attribute and brown gas commodity value. As a  
23 result, transactions done in the Voluntary RNG market  
24 typically result in a total price, not like the individual  
25 market price of the environmental attributes and brown gas.

1 Q. How are the RFS, LCFS, and Voluntary RNG markets relevant to  
2 Peoples?

3  
4 A. These programs and markets are directly relevant to Peoples  
5 because they provide a well-established, growing, and viable  
6 marketplace for the economic values created from RNG.

7  
8 Q. What are other examples of RNG market growth?

9  
10 A. On June 13, 2023, AstraZeneca announced a partnership with  
11 Vanguard Renewables to enable the delivery of RNG to all its  
12 sites in the United States by the end of 2026. This innovative  
13 partnership is an example of the growth in the Voluntary RNG  
14 marketplace. The RNG marketplace expects similar  
15 announcements in the coming months and years.

16  
17 Furthermore, on June 21, 2023, the EPA set D3 RIN (Renewable  
18 Identification Number) Renewable Volume Obligations ("RVO")  
19 for 2023, 2024 and 2025. D3 RINS are directly applicable to  
20 both Landfill and Dairy RNG. In its announcement, the EPA  
21 increased the RVO by over 20 percent year over year for the  
22 next three years. This effectively ensures near-term  
23 liquidity for RNG producers, while implying long-term  
24 stability based on the EPA's view on available volumes of RNG  
25 and other cellulosic biofuels combined with the renewable

1 fuel obligations of the transportation sector. In essence,  
2 this announcement helps ensure the RFS will be a viable market  
3 for the environmental attributes created by RNG.

4  
5 In relation to the Brightmark and New River RNG Tariff-based  
6 projects and investments, this information supports the  
7 credit viability of these projects as the associated revenues  
8 earned by the developers will supply a cash flow stream  
9 sufficient to meet the fixed rates negotiated and agreed to  
10 amongst the parties. The developer is obligated by contract  
11 to pay the fixed monthly rate to Peoples, yet they will  
12 monetize the credits produced by the facilities to support  
13 the costs of the facility.

14  
15 In relation to the Alliance Dairy RNG project, Peoples'  
16 monetization of the available credit value will produce a  
17 cash flow revenue stream to support the costs of operating  
18 the facilities and a sufficient return on investment which  
19 has reduced the revenue requirement requested in this rate  
20 case by approximately \$233,000. As Peoples is separating  
21 marketing the credits (the "green" gas) while retaining the  
22 "brown gas," the molecules associated with the "brown gas"  
23 (or otherwise described as the remaining physical and usable  
24 gas molecules) will be supplied to Peoples' customers through  
25 the Purchased Gas Adjustment ("PGA") clause at no additional



1 cost. This provisioning of the "brown gas" to the PGA not  
2 only supplies usable natural gas at no commodity cost but  
3 also avoids upstream transportation and other costs  
4 associated with traditional geological gas, the costs of  
5 which are typically charged to the PGA.

6  
7 **Q.** Can you describe the growth of RNG development in recent years  
8 in North America?

9  
10 **A.** There are currently 281 operational RNG facilities in the  
11 United States and Canada with another 476 either under  
12 construction or planned. As recently as 2019, there were only  
13 100 operational RNG facilities. The overwhelming majority of  
14 this significant new growth is attributable to market-based  
15 programs such as U.S. EPA's RFS and California's LCFS. As  
16 previously stated, these markets are expanding to other  
17 states and voluntary markets are evolving, so the future of  
18 the value of the RNG market and RNG credits is strong.

19  
20 **II.**

21 **RNG Tariff**

22 **Q.** Does the company have an RNG Tariff?

23  
24 **A.** Yes. Rate schedule RNGS ("RNG Tariff") is codified in Second  
25 Revised Sheet 7.404 of the company's Natural Gas Tariff on

1 file with the Commission. A copy of our RNG Tariff is included  
2 as Document No. 1 of my rebuttal exhibit.

3  
4 **Q.** How is Renewable Natural Gas Service ("RNG Service") defined  
5 in the RNG Tariff?

6  
7 **A.** RNG Service is defined in the tariff as "service to upgrade  
8 or condition biogas to RNG or to provide infrastructure for  
9 delivery of RNG to a pipeline system."

10  
11 **Q.** What categories of customers may take RNG Service under the  
12 tariff?

13  
14 **A.** RNG Service is available under the tariff to "any Customer:  
15 (1) upgrading/conditioning biogas to RNG to be utilized  
16 onsite by the customer; (2) interconnecting to an interstate  
17 or intrastate pipeline; or, (3) delivered into the company's  
18 distribution system for transportation and delivery."

19  
20 **Q.** What customer charges apply under the RNG Tariff?

21  
22 **A.** The RNG Tariff states: "In addition to those charges provided  
23 in the rate schedule pursuant to which the customer delivers  
24 RNG to the company, Customer shall pay a Monthly Services  
25 Charge, which shall be as mutually agreed."

1 Q. What guidance does the RNG Tariff provide on the Monthly  
2 Services Charge?

3  
4 A. The RNG Tariff states that the "Monthly Services Charge will  
5 recover the total installed cost of such facilities, as  
6 determined by the company, including a reasonable rate of  
7 return on the total installed cost of such facilities, as  
8 determined by company...before any adjustment for accumulated  
9 depreciation, a contribution in aid of construction, etc."  
10 Peoples constructed a cost of service-based rate considering  
11 the capital investment, depreciation, O&M costs, and  
12 appropriate return suggested by the tariff and based on  
13 standard regulated rate development. OPC's suggestion of a  
14 levelized (or annuitized) rate is a recognition of standard  
15 rate development that is not unique to Peoples' RNG Tariff or  
16 unique purely to Peoples' regulated services; most utilities  
17 formulate rates on this Commission-approved fundamental  
18 regulated principle.

19  
20 Q. Does the RNG Tariff specify the types of facilities eligible  
21 to be included in a Monthly Services Charge to be paid by an  
22 RNG customer?

23  
24 A. Yes. The RNG Tariff includes a non-exclusive list of  
25 facilities that can be installed and recovered under an RNG

1 Monthly Services Charge. This list includes, but is not  
2 limited to: "blowers, chillers, condensate removal equipment,  
3 compressors, heat exchangers, driers, digesters, gas  
4 constituent removal equipment, quality monitoring equipment,  
5 storage vessels, controls, piping, metering, propane  
6 injection, and any other related appurtenances including any  
7 redundancy necessary to provide reliable RNG Service..."  
8

9 **Q.** When did the Commission first approve the company's RNG  
10 Tariff?  
11

12 **A.** The Commission first approved the company's RNG Tariff by  
13 Order No. PSC-2017-0497-TRF-GU, issued December 29, 2017, in  
14 Docket No. 20170206-GU ("Original RNG Order"). A copy of this  
15 order is included as Document No. 2 in my rebuttal exhibit.  
16

17 **Q.** Did the Office of Public Counsel participate in Docket No.  
18 20170206-GU?  
19

20 **A.** I do not think so. I reviewed the document filing index for  
21 this docket on the Commission's website and did not see any  
22 indication that OPC participated.  
23

24 **Q.** Did the Commission discuss the original RNG Tariff in its  
25 order?

1 **A.** Yes. The Commission explained that the proposed RNG rate  
2 schedule will allow Peoples to recover from biogas producers  
3 the cost of upgrading the biogas, that the Monthly Services  
4 Charge would vary based on the equipment involved and listed  
5 the type of equipment eligible for recovery under an RNG  
6 Monthly Services Charge.

7  
8 **Q.** Was Peoples' original RNG Tariff approved in 2017  
9 subsequently revised?

10  
11 **A.** Yes, Peoples proposed adjustments to the RNG Tariff during  
12 the 2020 base rate request to include "digesters" and other  
13 appurtenances associated with the capture and conditioning of  
14 RNG. Peoples' 2020 Settlement Agreement, signed by OPC and  
15 the Florida Industrial Power Users Group ("FIPUG"), was  
16 approved by the FPSC and authorized Peoples to conduct  
17 business within the approved tariff, including the changes to  
18 the RNG Tariff. Peoples negotiated and contracted with  
19 Brightmark and New River within the requirements of the tariff  
20 regarding availability, applicability, and the application  
21 and calculation of the monthly services charge.

22  
23 **Q.** Please explain.

24  
25 **A.** Peoples filed a petition to increase its base rates and

1 charges on June 8, 2020, in Docket No. 20200051-GU. Peoples  
2 indicated in paragraph 28 of its Petition (page 12) that it  
3 was proposing to "modify the RNG, CNG, and NGVS tariffs to  
4 make these services more widely available to customers ... to  
5 adapt to changing market conditions."

6  
7 Peoples' proposed tariff changes were shown in Minimum Filing  
8 Requirement Schedule E-9, which included a redline or  
9 legislative version of the company's tariff. The company's  
10 proposed changes to its original RNG Tariff were included in  
11 MFR E-9 on pages 45 and 46 of 99 (Bates Nos. 167as and 167at).  
12 An excerpt from MFR E-9 showing the company's proposed RNG  
13 Tariff changes, including the addition of digesters, is  
14 included as Document No. 3 of my rebuttal exhibit.

15  
16 **Q.** Was the company clear in the 2020 rate case that it proposed  
17 modifying its RNG tariff to include biogas  
18 capturing/collection equipment like digesters?

19  
20 **A.** Yes. I reviewed the company's position on Issue 66 in  
21 Prehearing Order No. PSC-2020-0394-PHO-GU, issued October 20,  
22 2020, and it was included.

23  
24 Issue 66 was "Are PGS's proposed revisions to its Renewable  
25 Natural Gas (RNG) rate schedule appropriate?"

1 The company's position on this issue was: "Yes. The proposed  
2 changes will support the development of RNG in Florida. The  
3 modifications will revise and clarify the types of utilized  
4 equipment, the capture of renewable natural gas [emphasis  
5 added], and the ownership of natural gas. As the RNG market  
6 in Florida begins to grow, there has been a broadening of the  
7 types of business structures for RNG projects that were not  
8 contemplated when the RNG tariff was originally added to the  
9 company's tariff. Therefore, the company seeks to adjust this  
10 tariff to make it applicable to the emerging business  
11 structures in the RNG arena."

12  
13 **Q.** Did OPC and FIPUG take a position on Issue 66?

14  
15 **A.** The prehearing order shows that FIPUG opposed the proposed  
16 revisions and that OPC took no position. I have included an  
17 excerpt from the 2020 rate case prehearing order as Document  
18 No. 4 in my rebuttal exhibit.

19  
20 **Q.** Were the company's 2020 proposed changes to its RNG Tariff  
21 approved by the Commission?

22  
23 **A.** Yes. After the issues were identified in the company's 2020  
24 rate case, Peoples, OPC, and FIPUG executed and filed a  
25 Stipulation and Settlement Agreement ("2020 Agreement"),

1 which resolved all the issues in the rate case and was  
2 approved by the Commission by Order No. PSC-2020-0485-FOF-  
3 GU, issued December 10, 2020. Excerpts from the 2020 Agreement  
4 Approval Order are included in Document No. 5 of my rebuttal  
5 exhibit.

6  
7 **Q.** What parts of the 2020 Agreement and 2020 Agreement Approval  
8 Order do you think are relevant to the approval of the  
9 company's 2020 proposed changes to its RNG Tariff?

10  
11 **A.** There are several.

12  
13 First, the Parties to the 2020 Agreement included a specific  
14 list of "agreed to" tariff changes, which included "The  
15 company's proposed revisions to its Renewable Natural Gas  
16 (RNG) rate schedules. (Issue 66b)" in paragraph 3(B)(iv).

17  
18 Second, on pages 3 and 4, the 2020 Agreement Approval Order  
19 listed approval of "modifications to existing tariffs, as  
20 proposed in its Rate Case Petition" as one of the key terms  
21 of the 2020 Agreement.

22  
23 Finally, in paragraph 12(a) of the 2020 Agreement, OPC, FIPUG,  
24 and Peoples agreed that "this Agreement is in the public  
25 interest, that they will support this Agreement and that they



1 will not request or support any order, relief, outcome, or  
2 result in conflict with the terms of this Agreement in any  
3 administrative or judicial proceeding relating to, reviewing,  
4 or challenging the establishment, approval, adoption, or  
5 implementation of this Agreement or the subject matter  
6 thereof." (emphasis added).  
7

8 **Q.** Why did you emphasize the language quoted above from paragraph  
9 12(a) of the 2020 Agreement?  
10

11 **A.** I emphasized it because, as part of this rate case, the  
12 company includes rate base additions for New River and  
13 Brightmark that are clearly supported by the RNG tariff. It  
14 would be inconsistent, unfair, and unreasonable for OPC and  
15 FIPUG to take the position that the company cannot or should  
16 not implement (above-the-line) investments in rate base that  
17 are allowed under an approved tariff that they agreed to as  
18 part of the 2020 Agreement, especially considering the  
19 emphasized language from paragraph 12(a).  
20

21 **Q.** Which of the company's three proposed RNG Projects were  
22 developed and executed consistent with and in reliance on the  
23 RNG Tariff?  
24

25 **A.** New River and Brightmark. In both cases, the customers

1 approached Peoples about taking RNG service pursuant to our  
2 RNG Tariff. And in both cases, the negotiated agreement met  
3 the requirements and the applicability section outlined in  
4 the tariff.

5  
6 **III.**

7 **New River and Brightmark**

8 **Q.** Are the New River and Brightmark RNG projects consistent with  
9 the company's RNG Tariff?

10  
11 **A.** Yes. Both projects interconnect an RNG facility to an  
12 interstate or intrastate pipeline consistent with the  
13 applicability portions of the RNG Tariff.

14  
15 The New River project is a "pipeline" project in the sense  
16 that the company has installed pipe and related equipment  
17 that allows the RNG facility to deliver collected and  
18 conditioned RNG to an interstate pipeline.

19  
20 The Brightmark project includes these traditional "pipeline"  
21 project elements but also includes the company owning RNG  
22 capturing/collection and conditioning equipment.

23  
24 In both cases, the customer will pay a mutually agreed Monthly  
25 Services Charge designed so the company will recover "the

1 total installed cost of such facilities, as determined by the  
2 company, including a reasonable rate of return on the total  
3 installed cost of such facilities, as determined by company  
4 ... before any adjustment for accumulated depreciation, a  
5 contribution in aid of construction, etc.”

6  
7 Peoples witness Rachel B. Parsons shows that the Monthly  
8 Services Charges for these two projects were designed in  
9 compliance with the tariff in her rebuttal testimony.

10  
11 **Q.** Are the facilities owned by Peoples for the New River and  
12 Brightmark RNG projects the kinds of facilities listed in the  
13 company’s RNG Tariff?

14  
15 **A.** Yes. Document No. 6 of my rebuttal exhibit lists all the  
16 equipment that Peoples owns for the two projects and shows  
17 how that equipment falls into the categories of RNG facilities  
18 eligible for recovery through a Monthly Services Charge in  
19 the RNG Tariff.

20  
21 **Q.** Has the company taken reasonable steps to protect its general  
22 body of ratepayers from the risk that the New River and/or  
23 Brightmark Projects will fail/default and leave the company  
24 with “stranded” assets that it may seek to recover from the  
25 general body of ratepayers?

1 **A.** Yes. The company performed extensive due diligence on the  
2 customers for both projects before deciding to proceed and  
3 then memorialized the mutually agreed to Monthly Services  
4 Charges for both projects in one or more written agreements  
5 that give Peoples significant legal rights in the event of a  
6 default. For the Brightmark project, these legal rights  
7 include the ability to collect late payment charges,  
8 agreement termination rights, and parent company financial  
9 guarantees. For the New River project, these legal rights  
10 include reimbursement for the cost of equipment, a  
11 substantial cash collateral deposit, late payment fees, and  
12 the right to suspend service.

13  
14 **Q.** If either of the New River or Brightmark customers defaults,  
15 will the company seek to recover the undepreciated net book  
16 value of the project assets from the general body of rate  
17 payers?

18  
19 **A.** The answer to that question depends on several factors, most  
20 of which are difficult to predict at this time.

21  
22 First, the Commission should not assume that a default could  
23 lead to a revenue requirement burden for Peoples' ratepayers.  
24 For both New River and Brightmark, a default by our current  
25 customer could lead to another developer purchasing the

1 rights to the project and continuing to operate them for the  
2 term of the agreements with Peoples, and in the case of a  
3 default by Brightmark, Peoples would have the right to possess  
4 the RNG facilities and operate them as the developer. In  
5 addition, much of the equipment can be salvaged, removed, and  
6 repurposed for a different RNG project or sold in a secondary  
7 market in a way that would reduce the dollar amount of  
8 unrecovered costs.

9  
10 Second, timing matters. A default near the end of the term of  
11 the agreement would leave a relatively small remaining net  
12 book value and the company may not choose to pursue cost  
13 recovery of a small amount. If a default occurs during a  
14 settlement agreement "stay out" period, the company would be  
15 precluded from seeking cost recovery during that period.  
16 Likewise, if a default occurs when the company is earning  
17 within its authorized range of return on equity, the company  
18 would likely be precluded from seeking rate relief to recover  
19 stranded RNG assets.

20  
21 Finally, the amount of any potential stranded asset write-  
22 off would be offset by any amounts the company could collect  
23 through litigation with the defaulting party or its corporate  
24 guarantors.

25

1 Q. How do you assess the risk of default and resulting stranded  
2 assets for the New River and Brightmark Projects?

3

4 A. As previously described, Peoples believes we have mitigated  
5 the risk to a level commensurate with, and arguably less than,  
6 the risks Peoples takes whenever it installs specific  
7 facilities to provide natural gas distribution services to a  
8 specific customer as provided in its tariff. In those cases,  
9 Peoples takes great care to mitigate risks to the general  
10 body of ratepayers by performing due diligence on the customer  
11 and including valuable default remedies in the customer  
12 contracts. Peoples has followed these same processes with New  
13 River and Brightmark, and in doing so adequately protects our  
14 general body of ratepayers.

15

16 Q. Does Peoples have a history of burdening the broad body of  
17 ratepayers with the pursuit of recovering stranded asset  
18 costs?

19

20 A. No.

21

22 IV.

23 Alliance Dairies

24 Q. Did Peoples plan and execute the Alliance Dairies RNG project  
25 under the company's RNG tariff?

1 **A.** No. The customer in this case was not interested in a business  
2 arrangement based on the RNG Tariff. Rather, the customer,  
3 who is a dairy farmer, preferred to focus on dairy farming  
4 and looked to Peoples for assistance with a business  
5 arrangement that would (1) involve Peoples in the capture and  
6 conditioning of RNG from the dairy and (2) share the  
7 anticipated benefits of revenue from the sale of  
8 environmental attributes. For its part, Peoples recognized  
9 the potential value of environmental attribute revenues to  
10 the project and our general body of ratepayers, so we worked  
11 with the customer to develop a different business  
12 arrangement.

13  
14 Our willingness to do so is consistent with the observation  
15 the company made in its 2020 rate case when it noted in its  
16 position on Issue 66: "As the RNG market in Florida begins to  
17 grow, there has been a broadening of the types of business  
18 structures for RNG projects that were not contemplated when  
19 the RNG tariff was originally added. Therefore, the company  
20 seeks to adjust this tariff to make it applicable to the  
21 emerging business structures in the RNG arena."

22  
23 **Q.** Why did the company elect to pursue this project and include  
24 it on a regulated ("above-the-line") basis in the 2024 revenue  
25 requirement in this case?

1 A. Peoples chose to pursue the Alliance project on a regulated  
2 basis because we feel RNG projects are a benefit to our  
3 ratepayers and to Florida. Peoples believes that it can  
4 structure RNG projects to create financial value for its  
5 customers while delivering significant value to the  
6 environment and in this case, farmers.

7  
8 As currently structured, the Alliance Dairy project delivers  
9 revenues in excess of the project revenue requirement. This  
10 reduces rates to our overall body of ratepayers. The structure  
11 of the agreement with Alliance provides the farm with an  
12 incremental revenue stream that improves the profitability of  
13 the farm that supports Florida's agriculture. In addition,  
14 there are numerous other benefits with reduced emissions as  
15 well as job creation.

16  
17 Peoples believes that RNG projects structured similarly to  
18 Alliance present an opportunity to provide value to our  
19 ratepayers. As we have described, RNG markets in the US  
20 provide revenue opportunities for gas emitted from farms and  
21 other sources and this structure returns that value to all of  
22 us in Florida. As a regulated utility, Peoples seeks to  
23 provide natural gas service in the most cost-effective way.  
24 The Alliance project is a real example of this. It is aligned  
25 with Florida's stated support for renewable energy (366.91)



1 and Peoples firmly believes this project is within our purview  
2 as a regulated natural gas utility.

3  
4 **Q.** Please explain those positive financial benefits.

5  
6 **A.** Positive financial benefits are expected from the Alliance  
7 Dairies project because the revenues that are anticipated  
8 from the sale of the RNG environmental attributes will offset  
9 the project's annual revenue requirement in the 2024 test  
10 year and thereafter. The net revenue requirement of the  
11 Alliance Dairies project in 2024 decreases the company's  
12 overall revenue increase request by approximately \$233,000.  
13 Peoples' witness Parsons explains this further in her  
14 rebuttal testimony.

15  
16 **Q.** Has the company estimated the projected cumulative present  
17 value revenue requirement of the Alliance Dairies project?

18  
19 **A.** Yes. Document No. 7 in my rebuttal reflects our estimate of  
20 the cumulative present value revenue requirement ("CPVRR")  
21 for the Alliance Dairies project. We prepared this analysis  
22 using the projected annual revenue requirement for the  
23 project, a conservative forecast of the environmental  
24 attribute revenue expectations from the project, and a  
25 discount rate equal to our proposed overall rate of return in

1 this case. The estimated CPVRR for the project is  
2 approximately \$4,129,561, which is a measure of its expected  
3 cost-effectiveness. We also performed a sensitivity analysis,  
4 which showed that the project should provide a positive  
5 financial benefit to our general body of ratepayers, if the  
6 market for environmental attributes stays above approximately  
7 \$47/MMBtu. Peoples believes this is a very conservative  
8 threshold as the market is currently predicted to exceed this  
9 amount.

10  
11 **Q.** Has the company calculated the effective price of the brown  
12 gas to be provided to the company's customers through the PGA  
13 in 2024?

14  
15 **A.** Yes. The company expects the effective price of brown gas to  
16 be delivered by the Alliance Dairies project to the PGA to be  
17 approximately negative \$2.28/MMBTU in 2024 considering the  
18 reduction of the revenue requirement of approximately  
19 \$233,000.

20  
21 Additionally, considering the avoidance of paying the market  
22 price for geological gas of approximately \$3.46/MMBtu, the  
23 total value provided to the PGA is a negative \$5.74 per MMBtu.  
24 See Document 7 of my rebuttal exhibit demonstrating these  
25 prices and calculations. This is the overall 2024 total value

1 of gas when the value of the 2024 net negative revenue  
2 requirement of the project is considered along with the  
3 avoidance of paying the anticipated market price for  
4 geologically mined natural gas to supply to the PGA.

5  
6 **Q.** Has the company estimated how far the forecasted  
7 environmental credit market would need to fall in 2024 for  
8 the effective price of the Alliance Dairies brown gas to  
9 exceed the \$3 to \$4 price range forecasted for "traditional"  
10 natural gas?

11  
12 **A.** Yes. This calculation is shown in Document No. 7 of my  
13 rebuttal exhibit. Our calculation shows that the market price  
14 for environmental attributes would have to fall below  
15 forecasted levels by approximately 10 percent in 2024 (or  
16 from a forecast of \$55.98/MMBtu to an actual of \$50.24/MMBtu)  
17 before the projected effective price of brown gas from  
18 Alliance will exceed the forecasted price of "traditional"  
19 natural gas.

20  
21 **Q.** Why is this effective gas analysis important?

22  
23 **A.** It is important because it shows that the Alliance Dairies  
24 project is cost-effective for our general body of ratepayers.  
25 We think providing the brown gas from Alliance Dairies to the

1           PGA at zero cost is a significant benefit to our customers  
2           that buy the gas commodity from Peoples and pay the PGA rates.  
3           At the same time, we understand that the general body of  
4           ratepayers would be concerned if the effective price of  
5           Alliance Dairies brown gas - considering the project's  
6           impacts on base rates - is expected to exceed the market price  
7           customers would otherwise pay for the non-RNG natural gas  
8           commodity. This analysis shows that our customers will not  
9           pay more than the forecasted market price for traditional  
10          natural gas, and in fact, will receive a credit to their  
11          natural gas costs.

12  
13 **Q.**   Do you think the effective price of the brown gas from the  
14          Alliance Dairies project to the PGA must be at or lower than  
15          the prevailing market price of "traditional" natural gas for  
16          the Commission to approve the project on a regulated basis?

17  
18 **A.**   No. This analysis is for illustrative purposes. Section  
19          366.91(9), Florida Statutes, states: "The commission may  
20          approve cost recovery by a gas public utility for contracts  
21          for the purchase of renewable natural gas in which the pricing  
22          provisions exceed the current market price of natural gas,  
23          but which are otherwise deemed reasonable and prudent by the  
24          commission."

25

1 Q. For what other reasons is the company proposing to treat the  
2 Alliance Dairies project as a regulated (above-the-line)  
3 project?

4  
5 A. From the beginning, the Alliance Dairies project was  
6 contemplated as a Peoples regulated investment in RNG  
7 collection and pipeline facilities. This approach allows  
8 Peoples to collect the RNG and utilize the marketable RNG  
9 credits to provide value to the dairy owner and to Peoples'  
10 customers, as well as to collect the operating costs and a  
11 sufficient return on the investment. The dairy owner was not  
12 interested in owning the collection facilities or the  
13 marketing of the credits, therefore an RNG tariff-based  
14 project was off the table.

15  
16 During mid-2022, the Inflation Reduction Act offered new  
17 incentives for RNG development, industry trends surrounding  
18 RNG development were evolving, and Peoples management was  
19 still evaluating and watching the various credit market  
20 opportunities and risks for RNG. These evolving  
21 considerations required Peoples management to continue to  
22 evaluate the best structure for the Alliance Dairies project,  
23 including considering an unregulated venture, where  
24 investment tax credits in particular were treated differently  
25 under the IRA.

1 Towards the end of the third quarter of 2022 and as annual  
2 internal budget submissions were due to Emera, to be  
3 conservative, Peoples management moved a portion of the  
4 Alliance Dairies project, as a place holder, under Seacoast,  
5 which is regulated differently than Peoples. Subsequent to  
6 the budget submission, and after rigorous internal  
7 evaluation, Peoples determined the value that accrues to rate  
8 payers through the originally contemplated regulated  
9 investment far outweighed the risks to customers and  
10 justified the pursuit of the project on a regulated basis.

11  
12 This approach also gives OPC and the Commission an opportunity  
13 to promote the public interest by supporting and approving,  
14 respectively, the Alliance Dairies project.

15  
16 **V.**

17 **Other Jurisdictions and RNG**

18 **Q.** If the Commission approves the Alliance Dairies project as  
19 proposed in this base rate proceeding, would this be the first  
20 regulated asset investment by an LDC in the nation of RNG  
21 collection, conditioning, and transport facilities?

22  
23 **A.** No. On January 23, 2023, the State Corporation Commission of  
24 the Commonwealth of Virginia issued a final order approving  
25 Roanoke Gas Company's proposed biogas supply investment plan.

1 This plan included the investment of a digester gas  
2 conditioning system, gas-carrying pipe, and other necessary  
3 equipment, constructed, owned, operated, and maintained by  
4 the Roanoke Gas Company, to produce RNG.

5  
6 In the final order, the statements of the Hearing Examiner  
7 were restated as such, "Roanoke Gas' project has the potential  
8 to achieve a rare combination of increasing local fuel supply,  
9 reducing greenhouse gas emissions, and increasing a utilities  
10 profit while also lowering customer rates." These same  
11 circumstances are present in the proposed Alliance Dairies  
12 RNG project and Peoples asserts that these conditions are  
13 achieving significant benefits for Peoples' customers, the  
14 general public, and the utility. Please see Exhibit 9 of my  
15 testimony for the final order issued by the State Corporation  
16 Commission of the Commonwealth of Virginia.

17  
18 **Q.** Have other jurisdictions approved regulated investments in  
19 RNG?

20  
21 **A.** Yes. The Arizona Corporation Commission approved in Docket  
22 No. G-01551A-17-0286 and Decision No. 76589 Southwest Gas  
23 Corporation's request for approval of certain modifications  
24 to its Arizona Gas Tariff to allow Biogas Gathering and  
25 Upgrading Service and Renewable Natural Gas Interconnection

1 and Transportation Service. Please see Document No. 9 of my  
2 exhibit for Decision No. 76589 by the Arizona Corporation  
3 Commission.

4  
5 The Minnesota Public Utilities Commission issued a final  
6 order in 2021 related to Docket No. G-008/M-20-434, approving  
7 Centerpoint Energy Resources Corp.'s request for an RNG  
8 Interconnection Tariff. This tariff granted Centerpoint the  
9 ability to provide natural gas transportation service and  
10 recover the associated costs and a return on investment.  
11 Please see Document No. 9 of my exhibit for the final order by  
12 the Minnesota Public Utilities Commission.

13  
14 Both of these filed and approved utility requests align with  
15 the New River and Brightmark projects. The respective  
16 Commission Orders demonstrate the value of those tariffs very  
17 similarly to the support Peoples has provided throughout the  
18 initial petition for Peoples' RNG Tariff, the modifications  
19 during the 2020 base rate proceeding, and what is presented  
20 in this current base rate case.

21  
22 **Q.** Are these examples the only examples of RNG developments  
23 surrounding regulated LDC pursuits across the country?

24  
25 **A.** No. Many jurisdictions are currently evaluating the way RNG's



1 value for customers, natural gas utilities, and the  
2 environment should be considered under a regulatory  
3 structure. The previous examples are a small representation  
4 of the quickly evolving regulated market for RNG gas and RNG  
5 as a provided service of a regulated LDC.

6  
7 **VI.**

8 **Public Interest**

9 **Q.** Are the company's three proposed RNG projects in the public  
10 interest?

11  
12 **A.** Yes. The Florida Legislature has adopted legislation  
13 encouraging the development of renewable energy, including  
14 RNG.

15  
16 Section 366.92(1), Florida Statutes, states: "It is the  
17 intent of the Legislature to promote the development of  
18 renewable energy; protect the economic viability of Florida's  
19 existing renewable energy facilities; diversify the types of  
20 fuel used to generate electricity in Florida; lessen  
21 Florida's dependence on natural gas and fuel oil for the  
22 production of electricity; minimize the volatility of fuel  
23 costs; encourage investment within the state; improve  
24 environmental conditions; and, at the same time, minimize the  
25 costs of power supply to electric utilities and their

1 customers." The term "renewable energy" is defined in Section  
2 366.92 to include RNG.

3  
4 There is similar language in Section 366.91, Florida  
5 Statutes, which defines RNG as "anaerobically generated  
6 biogas, landfill gas, or wastewater treatment gas refined to  
7 a methane content of 90 percent or greater which may be used  
8 as a transportation fuel or for electric generation or is of  
9 a quality capable of being injected into a natural gas  
10 pipeline."

11  
12 I've included the full text of Section 366.91 and 366.92,  
13 Florida Statutes, in Document No. 8 of my rebuttal exhibit.

14  
15 **Q.** Will the Commission's approval of the company's three  
16 proposed RNG projects fulfill the public interest aspirations  
17 for renewable energy as specified by the Legislature?

18  
19 **A.** Yes. Although portions of Section 366.91 and 366.92  
20 references electric generation, these statutes reflect the  
21 Legislature's interest in promoting renewable energy like  
22 RNG. Peoples believes that the Commission's approval of the  
23 three RNG Projects on a regulated basis (above-the-line) will  
24 fulfill the letter and spirit of most of the public policy  
25 goals expressed in the statutes.

1 First, all three of the projects will directly or indirectly  
2 help collect and condition anaerobically generated biogas  
3 (Brightmark and Alliance Dairies) or landfill gas (New River)  
4 and refine it to a methane content of 90 percent or more that  
5 is of a quality capable of being injected into a natural gas  
6 pipeline.

7  
8 Second, approval of the three RNG projects on an above-the-  
9 line basis will promote the development of renewable energy  
10 and protect the economic viability of Florida's existing  
11 renewable energy facilities.

12  
13 Third, approval of the three RNG Projects will diversify the  
14 state's fuel mix and lessen Florida's dependence on  
15 "traditional" natural gas sourced from outside of Florida.

16  
17 Finally, approval will encourage investment within the state,  
18 create jobs in Florida rather than in traditional oil field  
19 states, and improve environmental conditions.

20  
21 Peoples asks that the Commission take this opportunity to  
22 find that the company's proposed three RNG projects, two of  
23 which are based on a previously approved tariff, are in the  
24 public interest and approve them as regulated (above-the-  
25 line) investments to be considered in the calculation of the

1 2024 revenue requirement in this case.

2

3 **Q.** Does Peoples intend to get into the business of producing  
4 traditional natural gas?

5

6 **A.** No. Peoples does not have plans to own and operate traditional  
7 natural gas drilling and production facilities in Florida or  
8 elsewhere. RNG is produced by landfills, dairies, and  
9 wastewater treatment facilities in Florida, and most of that  
10 gas is vented into the atmosphere. Peoples' only interest and  
11 plans are to capture and condition the RNG being produced in  
12 our service territory so Florida and our customers can benefit  
13 from our work.

14

15 **SUMMARY**

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

17

18 **A.** The revenue requirement associated with the New River and  
19 Brightmark projects presented in this case should be approved  
20 because they were planned and executed consistent with and in  
21 reliance on the company's approved RNG Tariff. The Alliance  
22 Dairies project is an innovative approach to RNG that will  
23 provide financial and other benefits to Peoples' general body  
24 of ratepayers. Together, the three RNG projects allow Peoples  
25 and the Commission an opportunity to support an evolutionary

1 change in the energy markets like the Commission did in the  
2 early days of utility-scale solar electric generation.

3  
4 My rebuttal testimony explains why the Commission should find  
5 that the company's proposed three RNG projects are in the  
6 public interest and approve them as regulated (above-the-  
7 line) investments to be considered in the calculation of the  
8 2024 revenue requirement in this case. The company  
9 respectfully requests that the Commission do so.

10

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

12

13 **A.** Yes, it does.

14

15

16

17

18

19

20

21

22

23

24

25

1           MR. WAHLEN: I also have related exhibits to  
2           move into the record, please, 18, 19, 24, 25 and  
3           34.

4           CHAIRMAN FAY: So 18, 19, 24, 35 and 34.

5           MR. WAHLEN: 25 and 34.

6           CHAIRMAN FAY: 25 and 34. Okay.

7           All right. Without objection, show those  
8           exhibits entered.

9           MR. WAHLEN: Thank you.

10           (Whereupon, Exhibit Nos. 18, 19, 24, 25 & 34  
11           were received into evidence.)

12           (Transcript continues in sequence in Volume  
13           9.)

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## CERTIFICATE OF REPORTER


STATE OF FLORIDA     )  
COUNTY OF LEON     )

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 18th day of September, 2023.



DEBRA R. KRICK  
NOTARY PUBLIC  
COMMISSION #HH31926  
EXPIRES AUGUST 13, 2024